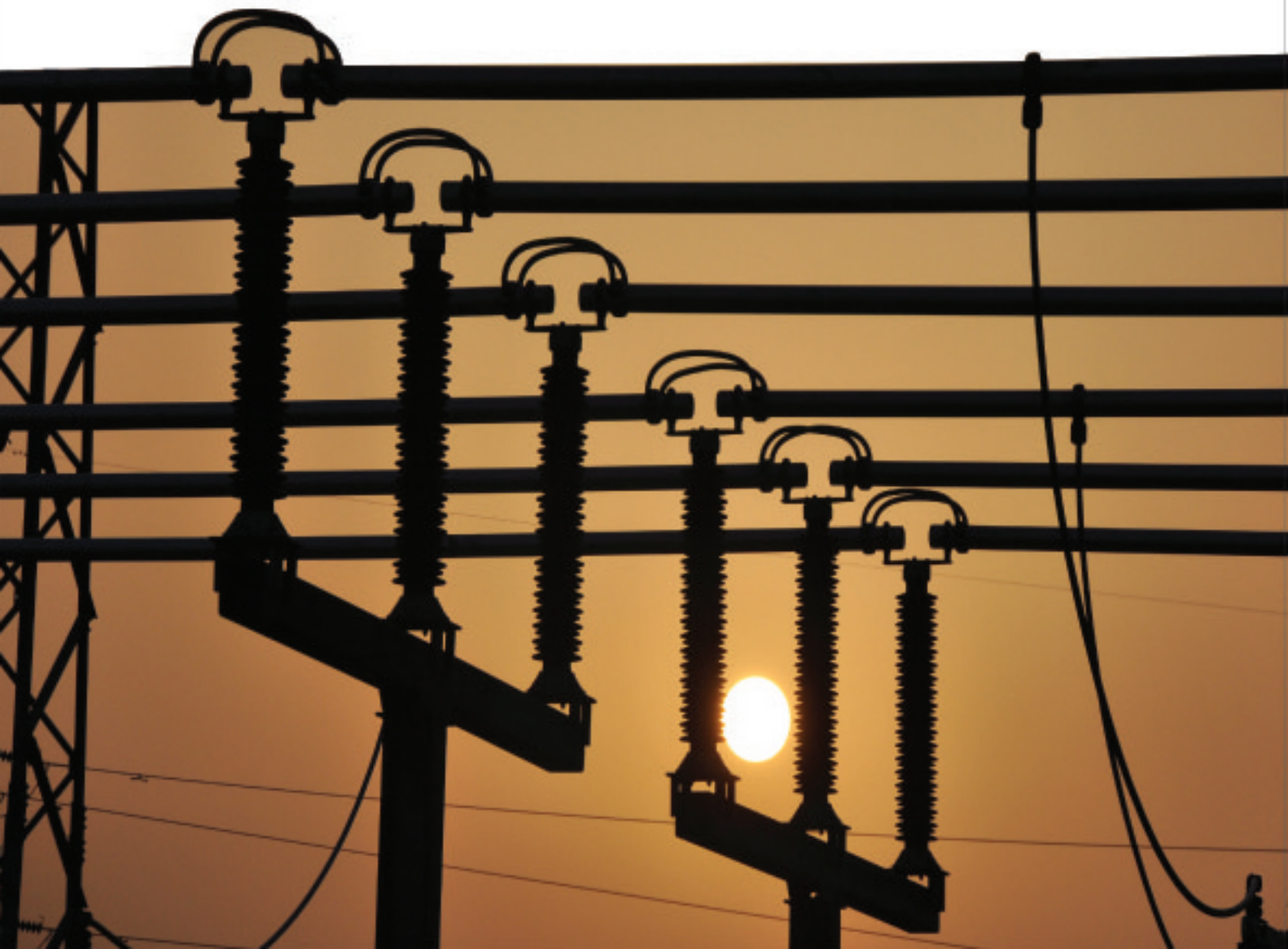




N I S H A T

Nishat Power Limited

Annual Report 2012



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CORPORATE PROFILE

BOARD OF DIRECTORS	Mian Hassan Mansha Mr. Khalid Qadeer Qureshi Mr. Shahid Zulfiqar Khan Mr. Mahmood Akhtar Mr. Shahzad Ahmad Malik Ms. Nabihah Shahnawaz Cheema Mr. Badar-ul-Hassan	Chairman /Chief Executive
AUDIT COMMITTEE	Mr. Khalid Qadeer Qureshi Mr. Shahzad Ahmad Malik Ms. Nabihah Shahnawaz Cheema	Member / Chairman Member Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	Mian Hassan Mansha Mr. Shahid Zulfiqar Khan Mr. Khalid Qadeer Qureshi	Member Member / Chairman Member
CHIEF FINANCIAL OFFICER	Mr. Tanvir Khalid	
COMPANY SECRETARY	Mr. Khalid Mahmood Chohan	
BANKERS OF THE COMPANY	Habib Bank Limited United Bank Limited Allied Bank Limited National Bank of Pakistan Bank Alfalah Limited Faysal Bank Limited Askari Bank Limited Habib Metropolitan Bank Limited Soneri Bank Limited Silk Bank Limited BankIslami Pakistan Limited Meezan Bank Limited HSBC Bank Middle East Limited Burj Bank Limited Albaraka Bank Pakistan Limited First Women Bank Limited The Bank of Punjab	
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	
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 of the members of **Nishat Power Limited** (the "Company") will be held on October 31, 2012 (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 Information of the Company for the year ended June 30, 2012 together with Directors' and Auditors' reports thereon.
2. To approve the payment of final cash dividend @ 10 % [i.e. Re.1/- per share (Rupee One Only)], as recommended by the Board of Directors, in addition to the 10% interim cash dividend already paid, thus making a total of 20% cash dividend for the year ended June 30, 2012.
3. To appoint auditors of the Company for the year ending June 30, 2013 till the conclusion of AGM for the year 2013 and fix their remuneration.

BY ORDER OF THE BOARD

LAHORE
September 17, 2012

KHALID MAHMOOD CHOCHAN
(Company Secretary)

NOTES: -

1. **BOOK CLOSURE NOTICE FOR ENTITLEMENT OF FINAL CASH DIVIDEND@ 10% AND ATTENDING OF ANNUAL GENERAL MEETING(AGM):-**
2. The Share Transfer Books of the Company will remain closed for entitlement of Final Cash Dividend @ Re.1 (Rupee One Only) per share i.e. 10% and attending of AGM from 24-10-2012 to 31-10-2012 (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 23-10-2012 will be considered in time for the entitlement of said 10% 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 Computerized National Identification Cards to the Company are requested to submit the same at the earliest.

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, 2012.

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:

By the grace of Almighty Allah, despite the current economic crises, the company has successfully completed its two years of commercial operations and has been able to sustain its operational efficiencies and profits. The Company had turnover of Rs 21,090.20 million (2011: Rs 20,986.89 million) during the year against operating cost of Rs 16,152.20 million (2011: Rs 16,108.75 million) resulting in a gross profit of Rs 4,938.01 million (2011: Rs 4,878.15 million). The Company earned profit before tax of Rs 2,035.34 million compared to Rs 1,892.82 million last year.

The current year's net profit after tax amounts to Rs 2,036.89 million resulting earnings per share of Rs 5.752 compared to previous year's profit after tax of Rs 1,879.08 million and earnings per share of Rs 5.307.

Included in sales is an amount of Rs 599.749 million deducted by the Power Purchaser from the Capacity Purchase Price (CPP) Invoices, during current financial year owing to under-utilization of plant capacity due to non-availability of fuel on account of non-payment by National Transmission & Dispatch Company Limited (NTDCL). The management of the company has taken-up the matter at appropriate forums including Supreme Court of Pakistan, and as per the legal counsel's advice the company believes that there are good grounds to understand that these amounts are likely to be recovered.

NTDCL continues to default on its payment obligations. The Company took up the matter not only with NTDCL, but also with the concerned Ministries in the Government of Pakistan (GOP) by giving notices of default pursuant to provisions of Power Purchase Agreement, Implementation Agreement and Sovereign Guarantee by GOP. Consequent to non-compliance of these notices, the Company has filed petition, alongwith 07 other IPPs, in Supreme Court of Pakistan for payment of outstanding dues. The Supreme Court, has issued an interim order, whereby, NTDCL has been directed to make the current payments strictly in accordance with the Power Purchase Agreement (PPA). Further, NTDCL shall also chalk out the plan in consultation with 08 IPPs to clear the total arrears of Rs.44.9 billion and meanwhile make partial payment of Rs. 24 Billion by September 30, 2012 to these IPPs. Subsequent to balance sheet date, NTDCL has so far paid Rs.16 billion to 08 IPPs out of Rs.24 billion based on their proportionate share of receivables at payment date. Out of Rs.16 billion paid by NTDC, the company has received Rs.2.764 billion. The case is still pending in Supreme Court for final decision.

Total receivables from NTDC on June 30, 2012 stands at Rs 10,723.46 million, out of which overdue receivables are Rs 8,588.049 million.

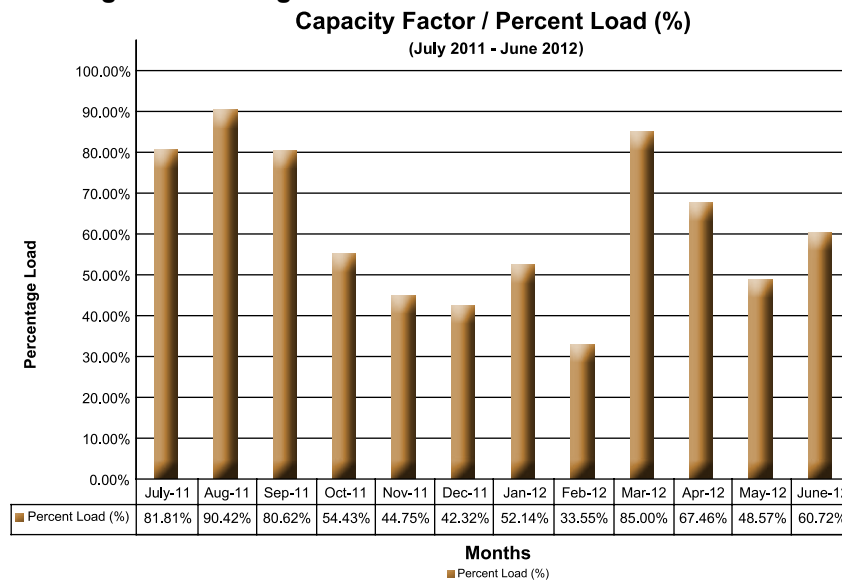
The Directors draw your attention to para (e) of the Auditors' Report relating to Note 16.2 to the Financial Statements.

OPERATIONS AND SIGNIFICANT EVENTS:

a) Operational results:

The plant operated at an optimal efficiency with average capacity factor of 61.82% (2011: 86.05%) and dispatched 1,062.84 GW (2011: 1,473.02 GW) of electricity to NTDC during the year.

b) Maintaining Credit Rating:



The Pakistan Credit Rating Agency (PACRA) has maintained long-term and short-term entity ratings of Nishat Power Limited (NPL) at “AA” (Double A) and “A1+”(A one plus) respectively. The ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. **(PACRA – Press Release July 05, 2012)**

KEY OPERATING AND FINANCIAL DATA:

Fiscal year ending June 30,	2012	2011
	(Rupees in Millions)	
Turnover	21,090.20	20,986.89
Net Profit	2,036.89	1,879.08
Total non-current assets	14,930.59	15,844.74
Issued, subscribed and paid up capital	3,540.89	3,540.89
Long term financing	12,823.34	14,040.32
Short term financing	6,623.68	3,193.80
Generation (MWH)	1,062,844	1,473,018
Earnings per share-basic and diluted (Rs.)	5.752	5.307
Share prices (Market value rupees per share)	14.70	15.44

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.

COMPLIANCE WITH REVISED CODE OF CORPORATE GOVERNANCE:

Code of Corporate Governance has been revised by Karachi Stock Exchange in April 2012, whereby listed companies are required to comply with various changes forthwith. The Company has proactively taken the matter and by June 30, 2012 complied with the requirements as mentioned in implementation schedule. Statement of compliance in this regard is annexed to this annual report, along with review report thereon by external auditors.

ENVIRONMENTAL PROTECTION MEASURES:

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

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

The Company Management is fully cognizant of its responsibility as recognized by the 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, which is in place, is being continuously reviewed internally. The process will continue and any weakness in controls will be removed.
- 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. One director of the Company is attending director training program of Pakistan Institute of Corporate Governance.
- Value of investments in respect of employees provident fund retirement benefits fund as on June 30th, 2012 amounts to Rs. Rs. 9,931,486.

During the year under review, seven 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	6
3	Mr. Mahmood Akhtar	7
4	Mr. Shahzad Ahmad Malik	7
5	Mr. Shahid Zulfiqar Khan	4
6	Mr. Badar UI Hassan	6
7	Ms. Nabiha Shahnawaz Cheema	7

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

Sr. #	Name of Directors	No. of Meetings Attended
1	Mr. Khalid Qadeer Qureshi (Member/Chairman)	5
2	Mr. Shahzad Ahmad Malik (Member)	6
3	Ms. Nabiha Shahnawaz Cheema (Member)	6

PATTERN OF SHAREHOLDING:

The statement of pattern of shareholding as on June 30, 2012 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, 2012 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.

DIVIDENDS:

Interim Dividend:

The directors have recommended an interim cash dividend of 10% i.e. Rupee 1 per ordinary share, amounting to Rs. 354.088 million.

Final Dividend:

The directors have recommended final cash dividend of 10% i.e. Rupee 1 per ordinary share, amounting to Rs. 354.088 million.

The total dividend to be approved by the shareholders will be 20% i.e. Rupees 2 per ordinary share, amounting to Rs. 708.177 million for the year ended June 30, 2012.

AUDITORS:

The present auditors M/s A. F. Ferguson, Chartered Accountants retire and being eligible, offer themselves for re-appointment for the year 2012-13. The Audit Committee of the Board has recommended the re-appointment of the retiring auditors.

ACKNOWLEDGEMENT:

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

CHIEF EXECUTIVE OFFICER

Lahore: September 17, 2012

PATTERN OF HOLDINGS

OF THE SHARES HELD BY THE SHAREHOLDERS
OF NISHAT POWER LIMITED AS AT JUNE 30, 2012

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL NUMBER OF SHARES HELD	PERCENTAGE OF TOTAL CAPITAL
212	1 -	100	9,277	0.00
1751	101 -	500	846,275	0.24
492	501 -	1000	479,530	0.14
593	1001 -	5000	1,683,505	0.48
211	5001 -	10000	1,797,139	0.51
67	10001 -	15000	870,051	0.25
65	15001 -	20000	1,224,889	0.35
51	20001 -	25000	1,217,081	0.34
21	25001 -	30000	596,157	0.17
19	30001 -	35000	630,476	0.18
9	35001 -	40000	347,250	0.10
10	40001 -	45000	437,015	0.12
31	45001 -	50000	1,529,588	0.44
7	50001 -	55000	366,607	0.10
5	55001 -	60000	287,500	0.08
6	60001 -	65000	381,000	0.11
2	65001 -	70000	134,627	0.04
6	70001 -	75000	447,394	0.13
1	75001 -	80000	75,357	0.02
1	80001 -	85000	83,000	0.02
1	85001 -	90000	86,997	0.02
23	95001 -	100000	2,300,000	0.65
2	100001 -	105000	200,890	0.06
4	105001 -	110000	426,697	0.12
3	115001 -	120000	355,500	0.10
2	120001 -	125000	247,203	0.07
1	125001 -	130000	125,828	0.04
1	130001 -	135000	135,000	0.04
1	140001 -	145000	145,000	0.04
2	145001 -	150000	299,500	0.08
1	155001 -	160000	156,054	0.04
1	185001 -	190000	186,129	0.05
1	190001 -	195000	192,001	0.05
10	195001 -	200000	1,996,077	0.56
3	200001 -	205000	608,000	0.17
2	210001 -	215000	425,366	0.12
1	215001 -	220000	220,000	0.06
1	220001 -	225000	222,619	0.06
1	260001 -	265000	262,117	0.07
2	270001 -	275000	550,000	0.16
3	285001 -	290000	868,840	0.25
3	295001 -	300000	900,000	0.25
1	300001 -	305000	300,700	0.08
2	305001 -	310000	615,500	0.17
1	350001 -	355000	350,001	0.10
1	360001 -	365000	360,601	0.10
3	395001 -	400000	1,200,000	0.34
1	420001 -	425000	425,000	0.12
3	495001 -	500000	1,500,000	0.42
1	550001 -	555000	553,137	0.16
1	570001 -	575000	575,000	0.16

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL NUMBER OF SHARES HELD	PERCENTAGE OF TOTAL CAPITAL
2	595001 -	600000	1,199,382	0.34
1	680001 -	685000	680,800	0.19
1	750001 -	755000	751,000	0.21
1	770001 -	775000	775,000	0.22
1	970001 -	975000	973,381	0.27
2	995001 -	1000000	2,000,000	0.56
1	1070001 -	1075000	1,075,000	0.30
1	1095001 -	1100000	1,099,994	0.31
1	1110001 -	1115000	1,110,047	0.31
1	1135001 -	1140000	1,135,383	0.32
2	1195001 -	1200000	2,400,000	0.68
1	1275001 -	1280000	1,275,925	0.36
1	1320001 -	1325000	1,321,627	0.37
1	1420001 -	1425000	1,421,446	0.40
1	1495001 -	1500000	1,500,000	0.42
1	1590001 -	1595000	1,593,316	0.45
1	1670001 -	1675000	1,673,397	0.47
1	1835001 -	1840000	1,840,000	0.52
1	1845001 -	1850000	1,845,957	0.52
1	2000001 -	2005000	2,004,168	0.57
1	2320001 -	2325000	2,321,297	0.66
1	2340001 -	2345000	2,340,098	0.66
1	2345001 -	2350000	2,350,000	0.66
1	2360001 -	2365000	2,360,893	0.67
1	3040001 -	3045000	3,043,688	0.86
1	3145001 -	3150000	3,149,398	0.89
1	3445001 -	3450000	3,447,726	0.97
1	3470001 -	3475000	3,470,652	0.98
1	3495001 -	3500000	3,500,000	0.99
1	3745001 -	3750000	3,750,000	1.06
1	3825001 -	3830000	3,826,488	1.08
1	4145001 -	4150000	4,145,149	1.17
1	4155001 -	4160000	4,158,245	1.17
1	4495001 -	4500000	4,500,000	1.27
1	4810001 -	4815000	4,813,894	1.36
1	4995001 -	5000000	5,000,000	1.41
1	5995001 -	6000000	5,999,999	1.69
1	6300001 -	6305000	6,303,445	1.78
1	7680001 -	7685000	7,684,656	2.17
1	9380001 -	9385000	9,380,619	2.65
1	29995001 -	30000000	30,000,000	8.47
1	180630001 -	180635000	180,632,955	51.01
3,688			354,088,500	100.00

Categories of Shareholders as at June 30, 2012

Sr. #	Categories	Shares Held	Percentage
1	Directors, Chief Executive Officer, their spouse and minor children:	3,502	0.0010
2	Associates Companies, undertakings and related parties:	210,632,955	59.4860
3	NIT and ICP	Nil	Nil
4	Banks, Development Financial Institutions, Non Bank Financial Institutions:	36,547,262	10.3215
5	Insurance Companies	5,007,988	1.4143
6	Modarabas and Mutual Funds	24,693,642	6.9739
7	Shareholders holding 10% or more	180,632,955	51.0135
8	General Public		
	a. Local	55,113,965	15.5650
	b. Foreign	Nil	Nil
9	Others	22,089,186	6.2383

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, 2012

Categories of Shareholders	Shares Held	Percentage
I Associated Companies, Undertaking and Related Parties		
NISHAT MILLS LIMITED	180,632,955	51.0135
II Mutual Funds		
MC FSL - TRUSTEE JS GROWTH FUND	9,380,619	2.6492
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACC	106,300	0.0300
CDC - TRUSTEE HBL - STOCK FUND	1,593,316	0.4500
CDC - TRUSTEE HBL MULTI - ASSET FUND	125,828	0.0355
CDC - TRUSTEE ABL STOCK FUND	360,601	0.1018
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	100,000	0.0282
MCBFSL - TRUSTEE NAMCO BALANCED FUND	973,381	0.2749
CDC - TRUSTEE ALFALAH GHP VALUE FUND	200,000	0.0565
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	3,043,688	0.8596
CDC - TRUSTEE AKD INDEX TRACKER FUND	20,630	0.0058
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	10,061	0.0028
JS VALUE FUND LIMITED	3,470,652	0.9802
CDC - TRUSTEE JS LARGE CAP. FUND	3,750,000	1.0591
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1,200,000	0.3389
	24,335,076	6.8726
III Directors and their spouses and minor children		
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. SHAHID ZULFIQAR KHAN	1,000	0.0003
MR. MAHMOOD AKHTAR	1,000	0.0003
MR. BADAR-UL-HASSAN	500	0.0001
	3,502	0.0009
IV Executives	Nil	Nil
V Public Sector Companies and Corporations		
Joint Stock Companies	15,369,156	4.3405
VI Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds.		
Banks, DFIs and NBFIs	36,547,262	10.3215
Insurance Companies	5,007,988	1.4143
Modarabas	358,566	0.1013
Investment Companies	5,122,203	1.4466
Pension Funds/Providend Funds etc.	1,446,629	0.4086
Trusts	151,198	0.0427
	48,633,846	13.7349
VII Shareholders holding 5% or more voting rights:		
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, 2012

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, 2011 to June 30, 2012

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

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

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012 (CCG)

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 (Guarantee) Ltd and Lahore Stock Exchange (Guarantee) 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 in 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. 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

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.

One director of the Company is attending director training program of Pakistan Institute of Corporate Governance.
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, 2012

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, 2012.

A.F. Ferguson & Co.
Chartered Accountants

Lahore: September 17, 2012

Engagement Partner: Muhammad Masood

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Nishat Power Limited ('the company') as at June 30, 2012 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, 2012 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 17, 2012

Engagement Partner: Muhammad Masood

A. F. Ferguson & Co.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 500,000,000 (2011: 500,000,000) ordinary shares of Rs 10 each		5,000,000,000	5,000,000,000
Issued, subscribed and paid up share capital 354,088,500 (2011: 354,088,500) ordinary shares of Rs 10 each	5	3,540,885,000	3,540,885,000
Revenue reserve: Un-appropriated profit	6	3,636,260,004	1,953,460,494
		7,177,145,004	5,494,345,494
NON-CURRENT LIABILITIES			
Long term financing - secured	7	11,773,428,241	12,605,115,121
Subordinated loans - unsecured	8	218,220,000	818,220,000
		11,991,648,241	13,423,335,121
CURRENT LIABILITIES			
Current portion of long term financing - secured	7	831,686,882	616,988,100
Short term borrowings - secured	9	6,623,680,369	3,193,798,359
Trade and other payables	10	861,822,586	370,010,137
Accrued finance cost	11	646,875,211	644,619,685
Provision for taxation		18,872,706	27,568,533
		8,982,937,754	4,852,984,814
CONTINGENCIES AND COMMITMENTS			
	12		
		28,151,730,999	23,770,665,429

The annexed notes 1 to 35 form an integral part of these financial statements.

	Note	2012 Rupees	2011 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	14,930,587,851	15,844,744,046
 CURRENT ASSETS			
Stores, spares and loose tools	14	405,774,356	422,653,832
Inventories	15	710,143,863	1,012,346,882
Trade debts	16	10,723,457,000	6,374,208,099
Advances, deposits, prepayments and other receivables	17	1,320,362,050	104,903,112
Cash and bank balances	18	61,405,879	11,809,458
		13,221,143,148	7,925,921,383
		28,151,730,999	23,770,665,429

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
Sales	19	21,090,204,683	20,986,893,733
Cost of sales	20	(16,152,199,440)	(16,108,746,351)
Gross profit		4,938,005,243	4,878,147,382
Administrative expenses	21	(75,869,086)	(47,523,647)
Other operating expenses	22	(14,353,649)	(50,466,814)
Other operating income	23	67,063,334	26,942,410
Finance cost	24	(2,879,508,985)	(2,914,276,577)
Profit before taxation		2,035,336,857	1,892,822,754
Taxation	25	1,551,153	(13,739,304)
Profit for the year		2,036,888,010	1,879,083,450
Earnings per share - basic and diluted	26	5.752	5.307

The annexed notes 1 to 35 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
Profit for the year	2,036,888,010	1,879,083,450
Other comprehensive income	-	-
Total comprehensive income for the year	<u>2,036,888,010</u>	<u>1,879,083,450</u>

The annexed notes 1 to 35 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2012

	Share capital	Revenue reserve: Un-appropriated profit Rupees	Total
Balance as on July 01, 2010	3,540,885,000	74,377,044	3,615,262,044
Profit for the year	-	1,879,083,450	1,879,083,450
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,879,083,450	1,879,083,450
Balance as on June 30, 2011	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	-	-	-
Total comprehensive income for the year	-	2,036,888,010	2,036,888,010
Dividend to equity holders of the company: Interim dividend @ Rs 1 per share	-	(354,088,500)	(354,088,500)
Total contributions by and distributions to owners of the company recognised directly in equity	-	(354,088,500)	(354,088,500)
Balance as on June 30, 2012	3,540,885,000	3,636,260,004	7,177,145,004

The annexed notes 1 to 35 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
Cash flows from operating activities			
Cash generated from operations	27	1,094,302,247	1,666,408,751
Finance cost paid		(2,877,253,459)	(2,870,752,053)
Taxes paid		(7,144,674)	(5,651,128)
Retirement benefits paid		(2,494,372)	(1,538,541)
Net cash outflow from operating activities		(1,792,590,258)	(1,211,532,971)
Cash flows from investing activities			
Purchase of property, plant and equipment		(58,792,302)	(383,789,692)
Proceeds from disposal of operating fixed assets		1,764,683	797,833
Profit on bank deposits received		37,954,354	26,489,881
Net cash outflow from investing activities		(19,073,265)	(356,501,978)
Cash flows from financing activities			
Repayment of long term financing		(616,988,098)	(941,437,579)
Proceeds from subordinated loans		-	345,334,800
Repayment of subordinated loans		(600,000,000)	-
Dividend paid		(351,633,968)	-
Net cash outflow from financing activities		(1,568,622,066)	(596,102,779)
Net decrease in cash and cash equivalents		(3,380,285,589)	(2,164,137,728)
Cash and cash equivalents at the beginning of the year		(3,181,988,901)	(1,017,851,173)
Cash and cash equivalents at the end of the year	28	(6,562,274,490)	(3,181,988,901)

The annexed notes 1 to 35 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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 (Guarantee) Limited and Lahore Stock Exchange (Guarantee) 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 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 Amendments to published standards effective in current year

New and amended standards, and interpretations mandatory for the first time for the financial year beginning on July 01, 2011 that are either not relevant to the company's current operations (although they may affect the accounting for future transactions and events) or are not expected to have significant impact on the company's financial statements other than certain additional disclosures:

- IFRS 7 (Amendments), 'Financial Instruments', emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

- IFRS 7, 'Disclosures on transfers of financial assets' (Amendment), issued in October 2010. The new disclosure requirements apply to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are as part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The company has determined that there is no significant transfer of financial assets that require disclosure under the guidance above.
- IAS 1 (amendments), clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.
- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.
- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments should be applied retrospectively to the earliest comparative period presented.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates:

- IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' is applicable for periods beginning on or after January 01, 2006, however, Independent Power Producers (IPPs), whose letter of intent has been signed on or before June 30, 2010, have been exempted from its application by the Securities and Exchange Commission of Pakistan (SECP). 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 Power Purchase Agreement (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:

	2012 Rupees	2011 Rupees
De-recognition of property, plant and equipment	(14,848,898,491)	(15,769,284,199)
Recognition of lease debtor	15,405,792,825	16,089,787,553
Increase in un-appropriated profit at the beginning of the year	320,503,354	3,931,250
Increase in profit for the year	236,390,980	316,572,104
Increase in un-appropriated profit at the end of the year	556,894,334	320,503,354

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

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after January 01, 2012 or later periods, but the company has not early adopted them:

- IFRS 7, 'Disclosures on offsetting financial assets and financial liabilities' (Amendment), issued on 19 December 2011. The new disclosure requirements apply to offsetting of financial assets and financial liabilities. The amendment clarifies that the right of set-off must be available at present i.e. it is not contingent on a future event and must be legally enforceable for all counterparties. This amendment reflects the requirements to enhance current offsetting disclosures. The new disclosure is intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The company will apply these amendments for the financial reporting period commencing on July 01, 2013. It is not expected to have any material impact on the company's financial statements.

- IFRS 9, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial Instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the company does not have any such liabilities.
- IFRS 10, 'Consolidated Financial Statements', applicable from January 01, 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The company will apply this standard from July 01, 2013 and does not expect to have any material impact on its financial statements.
- IFRS 11, 'Joint Arrangements', applicable from January 01, 2013, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The company will apply this standard from July 01, 2013 and does not expect to have any material impact on its financial statements.
- IFRS 12 - 'Disclosures of interests in other entities'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The company will apply this standard from July 01, 2013 and does not expect to have any material impact on its financial statements.

- IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The company will apply this standard from July 01, 2013 and does not expect to have any material impact on its financial statements.
- IAS 1 - 'Financial statement presentation' (Amendment). This is applicable on accounting periods beginning on or after July 01, 2012. The main change resulting from this amendment is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. The company will apply this amendment from July 01, 2012 and does not expect to have a material impact on its financial statements.
- IAS 32 - 'Financial instruments - Presentation on offsetting financial assets and financial liabilities' (Amendment) issued on 19 December 2011. This is applicable on accounting periods beginning on or after July 01, 2014. This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The company will apply this amendment from July 01, 2014 and does not expect to have a material impact on its 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, 2012 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to operating fixed assets is charged from the month in which the asset is available for use, while no depreciation is charged for the month in which the asset is disposed off.

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 land - are not subject to depreciation/ amortization and are tested annually for impairment. Assets that are subject to depreciation/ amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 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 moving 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 moving 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 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 (2011: 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.

	2012	2011
	Rupees	Rupees
7. LONG TERM FINANCING - SECURED		
Long term financing under mark-up arrangement obtained from following banks:		
Lender		
National Bank of Pakistan	2,187,645,609	2,294,725,258
Habib Bank Limited	2,917,124,826	3,059,910,614
Allied Bank Limited	2,917,124,826	3,059,910,614
United Bank Limited	2,865,142,671	3,005,384,066
Faysal Bank Limited	1,718,077,191	1,802,172,669
	12,605,115,123	13,222,103,221
Less: Current portion shown under current liabilities	831,686,882	616,988,100
	11,773,428,241	12,605,115,121

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 was 14.91% to 16.53% (2011:15.29% to 16.52%) per annum. The finance is repayable in thirty three quarterly installments ending on July 01, 2020.

8. These represent two subordinated loans from the holding company, Nishat Mills Limited, for Rs 568.22 million and Rs 250 million respectively. These are unsecured and carry mark-up at the rate of three months KIBOR plus 2% per annum, payable quarterly. The effective mark-up rate charged on the outstanding balance during the year ranges from 13.91% to 15.53% (2011: 14.29% to 15.52%) per annum. During the year, the company has repaid Rs 350 million out of the Rs 568.22 million loan while it has fully repaid the Rs 250 million loan with the approval of the lenders mentioned in the Subordinated Loan Agreements. The balance loan of Rs 218.22 million is repayable on July 05, 2015, subject to approval from the lenders of the long term financing facility in accordance with the Subordinated Loan Agreement.

		2012 Rupees	2011 Rupees
9.	SHORT TERM BORROWINGS - SECURED		
	Short term borrowings under mark-up arrangements obtained as under:		
	Running finances - note 9.1	3,713,638,258	1,267,196,707
	Term finances - note 9.2	2,910,042,111	1,926,601,652
		6,623,680,369	3,193,798,359

9.1 Running finances

Running finance facilities available from various commercial banks under mark-up arrangements amount to Rs 4,867.88 million (2011: Rs 4,822.88 million) at mark-up rate of three months KIBOR plus 2% per annum, payable quarterly, on the balance outstanding. The aggregate running finances are secured against first parri passu assignment of the present or future energy payment price of the tariff, first parri 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 13.91% to 15.53% (2011: 14.29% to 15.62%) per annum.

9.2 Term finances

This represents murabaha and term finance facilities aggregating Rs 3,250 million (2011: Rs 2,050 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 13.25% to 15.81% (2011: 14.24% to 15.79%) per annum.

9.3 Letters of credit and guarantees

Of the aggregate facilities of Rs 1,845 million (2011: Rs 1,100 million) for opening letters of credit and guarantees, the amount utilised at June 30, 2012 was Rs 246.16 million (2011: Rs 84.33 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.

		2012 Rupees	2011 Rupees
10.	TRADE AND OTHER PAYABLES		
	Creditors	558,265,165	153,474,704
	Payable to contractors	127,776,239	47,740,879
	Retention money	151,631	204,683
	Unclaimed dividend	2,454,532	-
	Workers' profit participation fund - note 10.1	101,801,876	94,668,941
	Withholding tax payable	-	813,927
	Sales tax payable	53,425,628	67,217,225
	Other accrued liabilities	17,947,515	5,889,778
		861,822,586	370,010,137
10.1	Workers' Profit Participation Fund		
	Opening balance	94,668,941	3,610,001
	Provision for the year - note 17.1	101,766,843	94,641,138
	Interest for the year - note 24	35,333	33,307
		196,471,117	98,284,446
	Less: Payments	94,669,241	3,615,505
	Closing balance	101,801,876	94,668,941
10.2	Workers' Welfare Fund has not been provided for in the financial statements on the advice of the company's legal consultant.		
		2012 Rupees	2011 Rupees
11.	ACCRUED FINANCE COST		
	Accrued mark-up / interest on:		
	Long term financing - secured	474,052,415	478,980,157
	Subordinated loans - unsecured - note 11.1	7,588,591	31,659,959
	Short term borrowings - secured	165,234,205	133,979,569
		646,875,211	644,619,685
11.1	This amount is payable to holding company, Nishat Mills Limited.		

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

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 (2011: Rs 45,000,000) as required under the terms of the Operation and Maintenance Agreement.
- (b) Letter of guarantee of Rs 500,000 (2011: Nil) in favour of Director, Excise and Taxation, Karachi under direction of Sindh High Court in respect of suit filed for levy of infrastructure cess.
- (c) Letter of guarantee of Rs 100,000,000 (2011: Nil) in favour of Chevron Pakistan Limited for procurement of multiple fuel/oils.
- (d) Letter of guarantee of Rs 100,000,000 (2011: Nil) in favour of Pak Arab Refinery Limited ('PARCO') for procurement of multiple fuel/oils.

	2012 Rupees	2011 Rupees
12.2 Commitments in respect of		
(i) Letters of credit other than for capital expenditure	1,156,993	39,327,984
(ii) Other contractors	-	2,670,000

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

	2012 Rupees	2011 Rupees
Not later than one year	12,461,400	7,269,150
Later than one year and not later than five years	49,845,600	-
	62,307,000	7,269,150

- (iv) The company has entered into 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 has also entered into 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.

		2012 Rupees	2011 Rupees
13. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	- note 13.1	14,930,587,851	15,843,065,046
Capital work-in-progress - advance to supplier		-	1,679,000
		14,930,587,851	15,844,744,046

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
COST										
Balance as at July 01, 2010	80,685,850	178,436,328	16,440,045,042	-	155,000	1,146,620	1,209,677	1,162,458	7,031,193	16,709,872,168
Additions during the year	-	6,790,882	304,490,749	35,405,743	506,000	787,767	4,584,147	22,637,061	6,908,343	382,110,692
Disposal during the year	-	-	-	-	-	-	-	-	(840,699)	(840,699)
Balance as at June 30, 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
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
DEPRECIATION										
Balance as at July 01, 2010	-	430,202	39,094,292	-	32,853	571,932	141,078	183,263	2,112,520	42,566,140
Charge for the year	-	7,340,257	1,194,299,901	881,994	33,268	415,016	260,211	754,146	2,021,577	1,206,006,370
Disposal during the year	-	-	-	-	-	-	-	-	(495,395)	(495,395)
Balance as at June 30, 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
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
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
Book value as at June 30, 2011	80,685,850	177,456,751	15,511,141,598	34,523,749	594,879	947,439	5,392,535	22,862,110	9,460,135	15,843,065,046
Book value as at June 30, 2012	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
Annual depreciation rate %	-	4 to 4.3	4 to 24	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.

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

		2012 Rupees	2011 Rupees
Cost of sales	- note 20	962,904,592	1,203,025,028
Administrative expenses	- note 21	8,305,807	2,981,342
		971,210,399	1,206,006,370

13.1.3 Disposal of operating fixed assets

Particulars	2012 (Rupees)				Mode of disposal
	Cost	Accumulated depreciation	Book value	Sale proceeds	
Vehicles sold to:					
Outside party, Nadeem Ahmed	978,748	176,979	801,769	856,100	Bid
Company employees,					
Ahmad Salman	701,102	509,665	191,437	191,437	As per company policy
Khurram Khan	452,448	289,499	162,949	162,949	-do-
Mushtaq Ahmed	557,187	57,623	499,564	487,197	-do-
Vehicle theft	67,000	2,233	64,767	67,000	Insurance claim
Computer equipments:					
Laptops theft	119,626	102,016	17,612	-	Theft
	2,876,111	1,138,015	1,738,098	1,764,683	

Particulars	2011 (Rupees)				Mode of disposal
	Cost	Accumulated depreciation	Book value	Sale proceeds	
Vehicles sold to:					
Outside party, Argosy Enterprises	342,559	201,858	140,701	583,000	Bid
Holding company, Nishat Mills Limited	498,140	293,537	204,603	214,833	Negotiation
	840,699	495,395	345,304	797,833	

	2012 Rupees	2011 Rupees
14. STORES, SPARES AND LOOSE TOOLS		
Stores	4,848,014	2,428,850
Spares [including in transit Rs 0.848 million (2011: Rs 9.633 million)]	394,634,963	417,326,952
Loose tools	6,291,379	2,898,030
	405,774,356	422,653,832
14.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.		
15. INVENTORIES		
Furnace oil	687,635,316	987,470,692
Diesel	5,963,947	8,001,825
Lubricating oil	16,544,600	16,874,365
	710,143,863	1,012,346,882

16. Trade debts

- 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 16.28% to 18.06% (2011: 16.75% to 18.22%) per annum.
- 16.2** Included in trade debts is an amount of Rs 599.749 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 Power Purchase Agreement. Hence, the company has taken up this issue at appropriate forums including Supreme Court of Pakistan. 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.

	2012 Rupees	2011 Rupees
17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Advances - considered good:		
- To employees	14,375	64,101
- To suppliers	1,082,345,748	3,192,495
Balances with statutory authorities:		
- Customs duty recoverable	16,410	-
- Income tax	-	-
Claims recoverable from NTDC for pass through items:		
- Workers' Profit Participation Fund - note 17.1	200,017,982	98,251,139
Letters of credit - margins, deposits, opening charges etc	-	105,258
Interest receivable	27,894,414	89,806
Security deposits	675,000	175,000
Prepayments	3,265,346	1,396,122
Other receivables	6,132,775	1,629,191
	<u>1,320,362,050</u>	<u>104,903,112</u>

		2012 Rupees	2011 Rupees
17.1	Workers' Profit Participation Fund		
	Opening balance	98,251,139	3,610,001
	Provision for the year	101,766,843	94,641,138
		<hr/>	<hr/>
	Closing balance	200,017,982	98,251,139
		<hr/> <hr/>	<hr/> <hr/>

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

		2012 Rupees	2011 Rupees
18.	CASH AND BANK BALANCES		
	Cash at bank:		
	- On saving accounts	60,771,114	10,461,066
	- On current accounts [including USD 2,000 (2011: USD 2,000) & Euro 980.1 (2011: Euro 980.1)]	390,853	1,284,731
		<hr/>	<hr/>
		61,161,967	11,745,797
	Cash in hand	243,912	63,661
		<hr/>	<hr/>
		61,405,879	11,809,458
		<hr/> <hr/>	<hr/> <hr/>

18.1 Profit on balances in saving accounts ranges from 5% to 10% (2011: 5% to 10%) per annum.

		2012 Rupees	2011 Rupees
19.	SALES		
	Energy purchase price	16,427,289,037	16,302,088,711
	Capacity purchase price	4,662,915,646	4,684,805,022
		<hr/>	<hr/>
		21,090,204,683	20,986,893,733
		<hr/> <hr/>	<hr/> <hr/>

19.1 Energy purchase price is exclusive of sales tax amounting to Rs 2,535,808,921 (2011: Rs 2,689,374,560).

		2012	2011
		Rupees	Rupees
20.	COST OF SALES		
	Raw materials consumed	14,501,855,379	14,387,593,831
	Salaries and other benefits - note 20.1	23,182,094	22,010,576
	Operation and maintenance	307,850,288	271,610,802
	Stores, spares and loose tools consumed	187,464,994	66,455,915
	Electricity consumed in-house	3,218,165	2,058,692
	Insurance	155,441,771	144,945,971
	Travelling and conveyance	1,493,601	2,300,147
	Rent, rates and taxes	-	46,669
	Printing and stationery	390,756	401,901
	Postage and telephone	374,204	308,969
	Vehicle running expenses	1,349,533	1,581,242
	Entertainment	206,402	199,418
	Depreciation on operating fixed assets - note 13.1.2	962,904,592	1,203,025,028
	Fee and subscription	3,267,489	3,222,401
	Miscellaneous	3,200,172	2,984,789
		16,152,199,440	16,108,746,351

20.1 Salaries and other benefits include Rs 1,274,072 (2011: Rs 1,021,220) in respect of provident fund contribution by the company.

		2012	2011
		Rupees	Rupees
21.	ADMINISTRATIVE EXPENSES		
	Salaries and other benefits - note 21.1	28,232,161	20,627,196
	Travelling and conveyance	7,594,364	6,681,114
	Entertainment	624,434	388,151
	Rent, rates and taxes	12,561,400	4,272,412
	Printing and stationery	494,049	594,399
	Postage and telephone	971,328	531,064
	Vehicle running expenses	1,702,733	1,037,788
	Legal and professional charges - note 21.2	8,837,991	6,373,492
	Advertisement	275,719	57,259
	Fee and subscription	3,079,296	1,747,404
	Depreciation on operating fixed assets - note 13.1.2	8,305,807	2,981,342
	Miscellaneous	3,189,804	2,232,026
		75,869,086	47,523,647

21.1 Salaries and other benefits include Rs 1,220,300 (2011: Rs 517,321) in respect of provident fund contribution by the company.

	2012	2011
	Rupees	Rupees
21.2		
Legal and professional charges include the following in respect of auditors' services for:		
Statutory audit	1,000,000	1,000,000
Half yearly review	600,000	500,000
Tax services	615,000	100,000
Other assurance services	100,000	270,000
Reimbursement of expenses	168,758	120,097
	2,483,758	1,990,097
22. OTHER OPERATING EXPENSES		
Donation	-	2,000,000
Interest on delayed payment	-	16,667,560
Bad debts written off	13,759,064	-
Exchange loss	594,585	31,799,254
	14,353,649	50,466,814
23. OTHER OPERATING INCOME		
Income from financial assets:		
Profit on bank deposits	65,758,962	26,489,881
Income from non-financial assets:		
Gain on disposal of operating fixed assets	26,585	452,529
Scrap sales	1,277,787	-
	67,063,334	26,942,410
24. FINANCE COST		
Interest / mark-up on:		
- Long term financing - secured	2,035,101,194	2,198,646,109
- Subordinated loans - unsecured - note 24.1	68,701,343	120,907,100
- Short term borrowings - secured	770,341,406	586,098,579
- Workers' Profit Participation Fund - note 10.1	35,333	33,307
Bank charges and commission	3,202,876	4,617,163
Financing fee and charges	2,126,833	3,974,319
	2,879,508,985	2,914,276,577
24.1		
This represents mark-up on subordinated loans from holding company, Nishat Mills Limited.		

		2012	2011
		Rupees	Rupees
25. TAXATION			
Current:			
- for the year		23,472,167	13,739,304
- prior years		(25,023,320)	-
		(1,551,153)	13,739,304
25.1 Relationship between tax (income)/expense and accounting profit			
Profit before taxation		2,035,336,857	1,892,822,754
Tax at the applicable rate of 35% (2011: 35%)		712,367,900	662,487,964
Tax effect of exempt income as referred to in note 4.1		(688,895,733)	(649,331,312)
Effect of change in prior year's tax		(25,023,320)	-
Others		-	582,652
		(1,551,153)	13,739,304
		2012	2011
26. EARNINGS PER SHARE			
26.1 Basic earnings per share			
Net profit for the year	Rupees	2,036,888,010	1,879,083,450
Weighted average number of ordinary shares	Number	354,088,500	354,088,500
Earnings per share	Rupees	5.752	5.307
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, 2012 and June 30, 2011 which would have any effect on the earnings per share if the option to convert is exercised.

	2012 Rupees	2011 Rupees
27. CASH GENERATED FROM/(USED IN) OPERATIONS		
Profit before taxation	2,035,336,857	1,892,822,754
Adjustment for non cash charges and other items:		
Depreciation on operating fixed assets	971,210,399	1,206,006,370
Profit on bank deposits	(65,758,962)	(26,489,881)
Finance cost	2,879,508,985	2,914,276,577
Provision for employee retirement benefits	2,494,372	1,538,541
Profit on disposal of operating fixed assets	(26,585)	(452,529)
Profit before working capital changes	5,822,765,066	5,987,701,832
Effect on cash flow due to working capital changes:		
Decrease/(increase) in stores, spares and loose tools	16,879,476	(207,170,733)
Decrease/(increase) in inventories	302,203,019	(657,868,814)
Increase in trade debts	(4,349,248,901)	(3,705,609,794)
(Increase)/decrease in advances, deposits, prepayments and other receivables	(1,187,654,330)	651,155,204
Increase/(decrease) in trade and other payables	489,357,917	(401,798,944)
	(4,728,462,819)	(4,321,293,081)
	1,094,302,247	1,666,408,751
28. CASH AND CASH EQUIVALENTS		
Cash and bank balances	- note 18 61,405,879	11,809,458
Short term borrowings - secured	- note 9 (6,623,680,369)	(3,193,798,359)
	(6,562,274,490)	(3,181,988,901)

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	
	2012	2011	2012	2011	2012	2011
	(R u p e e s)					
Short term employee benefits						
Managerial remuneration	7,526,400	6,988,800	2,850,753	1,744,284	15,537,172	9,870,336
Cost of living allowance	-	-	-	5,700	-	51,300
Housing rent	-	-	-	513,972	540,000	3,387,360
Conveyance	-	-	-	3,600	-	32,400
Medical expenses	-	-	285,075	174,432	1,553,718	987,048
Utilities	-	-	-	174,432	-	987,048
Bonus	-	-	436,070	336,480	2,353,498	2,942,755
Leave encashment	-	-	158,375	-	882,036	485,403
	7,526,400	6,988,800	3,730,273	2,952,900	20,866,424	18,743,650
Post employment benefits						
Contribution to provident fund	-	-	157,979	-	1,436,176	967,433
	7,526,400	6,988,800	3,888,252	2,952,900	22,302,600	19,711,083
Number of persons	1	1	1	1	14	9

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, 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	2012 Rupees	2011 Rupees
i. Holding company	Purchases of operating fixed assets	-	2,386,381
	Subordinated loan proceeds	-	345,334,800
	Subordinated loan repaid	600,000,000	-
	Sale of goods	2,785,253	-
ii. Associate of the holding company	Purchases of goods and services	511,115	8,032,025
	Sale of goods	1,246,505	-
iii. Post employment benefit plan	Expense charged in respect of retirement benefit plan	2,494,372	1,538,541

All transactions with related parties have been carried out on commercial terms and conditions.

	2012 MWH	2011 MWH
31. CAPACITY AND PRODUCTION		
Installed capacity [based on 8,784 hours (2011: 8,760 hours)]	1,715,559	1,710,872
Actual energy delivered	1,062,644	1,473,018

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

32. FINANCIAL RISK MANAGEMENT

32.1 Financial risk factors

The company's activities expose it 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 exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and EURO. Currently, the company's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities.

At June 30, 2012 if the Rupee had weakened/strengthened by 5% against the USD with all other variables held constant, the impact on post tax profit for the year would have been Rs 9,400 (2011: Rs 8,585) higher/lower, mainly as a result of exchange gains/losses on translation of USD denominated financial instruments.

At June 30, 2012 if the Rupee had weakened/strengthened by 5% against the EURO with all other variables held constant, the impact on post tax profit for the year would have been Rs 5,795 (2011: Rs 6,106) higher/lower, mainly as a result of exchange gains/losses on translation of EURO denominated financial instruments.

(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 long term financing, subordinated loans and short term 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:

	2012 Rupees	2011 Rupees
Fixed rate instruments		
Financial assets		
Bank balances - savings accounts	60,771,114	10,461,066
Financial liabilities		
	-	-
Net exposure	60,771,114	10,461,066
Floating rate instruments		
Financial assets		
Trade debts - overdue	8,588,049,024	4,440,006,018
Financial liabilities		
Long term financing	(12,605,115,123)	(13,222,103,221)
Subordinated loans	(218,220,000)	(818,220,000)
Short term borrowings	(6,623,680,369)	(3,193,798,359)
	(19,447,015,492)	(17,234,121,580)
Net exposure	(10,858,966,468)	(12,794,115,562)

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 532,795 (2011: Rs 472,167) 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:

	2012 Rupees	2011 Rupees
Trade debts	10,723,457,000	6,374,208,099
Advances, deposits and other receivables	234,734,546	100,209,237
Bank balances	61,161,967	11,745,797
	11,019,353,513	6,486,163,133

The age of trade debts at balance sheet date is as follows:

The age of trade debts

- 0 - 30 days	2,135,407,976	1,934,202,081
- Past due 30 days and above	8,588,049,024	4,440,006,018
	10,723,457,000	6,374,208,099

(ii) **Credit quality of major financial assets**

The credit quality of major financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating Agency	2012 Rupees	2011 Rupees
	Short term	Long term			
NTDC	Not available			10,723,457,000	6,374,208,099
National Bank of Pakistan	A-1+	AAA	JCR-VIS	34,976	926,403
Bank Alfalah Limited	A1+	AA	PACRA	3,443,950	99
Faysal Bank Limited	A1+	AA	JCR-VIS	804	5,000
United Bank Limited	A-1+	AA+	JCR-VIS	109,359	18,937
Bank Islami Pakistan Limited	A1	A1	PACRA	6,095	3,815
MCB Bank Limited	A1+	AA+	PACRA	50,344,417	3,548,469
Askari Bank Limited	A1+	AA	PACRA	335,418	330,952
Meezan Bank Limited	A-1+	AA-	JCR-VIS	1,170	364
Habib Bank Limited	A-1+	AA+	JCR-VIS	6,478,618	6,871,367
The Bank of Punjab	A1+	AA-	PACRA	374,660	40,391
Dubai Islamic Bank (Pakistan) Limited	A-1	A	JCR-VIS	761	-
Al-Baraka Bank (Pakistan) Limited	A-1	A	JCR-VIS	16,668	-
Burj Bank Limited	A-2	A	JCR-VIS	14,121	-
First Women Bank Limited	A2	BBB+	PACRA	950	-
				10,784,618,967	6,385,953,896

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

(c) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the company's business, the Board maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts of the company's cash and cash equivalents (note 28) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the company. The company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans.

The table below analyses the company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

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	-	-
	<u>20,853,911,413</u>	<u>8,862,263,172</u>	<u>5,133,955,658</u>	<u>6,857,692,583</u>

The following are the contractual maturities of financial liabilities as at June 30, 2011.

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees)			
Long term financing	13,222,103,221	616,988,100	5,747,422,539	6,857,692,582
Subordinated loans	818,220,000	-	818,220,000	-
Short term borrowings	3,193,798,359	3,193,798,359	-	-
Trade and other payables	274,527,269	274,527,269	-	-
Accrued finance cost	644,619,685	644,619,685	-	-
	<u>18,153,268,534</u>	<u>4,729,933,413</u>	<u>6,565,642,539</u>	<u>6,857,692,582</u>

32.2 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.

32.3 Financial instruments by categories

	Loans and receivables	
	2012	2011
	Rupees	Rupees
Assets as per balance sheet		
Trade debts	10,723,457,000	6,374,208,099
Advances, deposits and other receivables	234,734,546	100,209,237
Cash and bank balances	61,405,879	11,809,458
	11,019,597,425	6,486,226,794
Financial liabilities at amortised cost		
	2012	2011
	Rupees	Rupees
Liabilities as per balance sheet		
Long term financing	12,605,115,123	13,222,103,221
Subordinated loans	218,220,000	818,220,000
Short term borrowings	6,623,680,369	3,193,798,359
Trade and other payables	760,020,710	274,527,269
Accrued finance cost	646,875,211	644,619,685
	20,853,911,413	18,153,268,534

32.4 Fair values of financial assets and liabilities

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.

32.5 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 note 7 & 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, 2012 and June 30, 2011 is as follows:

	2012 Rupees	2011 Rupees
Borrowings - note 7 & 8	12,823,335,123	14,040,323,221
Less: Cash and cash equivalents - note 28	(6,562,274,490)	(3,181,988,901)
Net debt	19,385,609,613	17,222,312,122
Total equity	7,177,145,004	5,494,345,494
Total capital	26,562,754,617	22,716,657,616
Gearing ratio	Percentage	
	72.98	75.81

33. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 17, 2012 by the Board of Directors of the company.

34. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed a final cash dividend for the year ended June 30, 2012 of Rupee 1 (2011: Nil) per share, amounting to Rupees 354,088,500 (2011: Nil) at their meeting held on September 17, 2012 for approval of the members at the Annual General Meeting to be held on October 31, 2012. 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.

35. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison. Significant re-arrangement made is of sludge sales of Rs 10,648,024 previously classified as scrap sales in other operating income now reclassified in cost of sales and netted-off from raw materials consumed.

The above figure has been re-arranged as the reclassification made is considered more appropriate for the purpose of presentation.

CHIEF EXECUTIVE

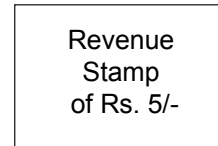
DIRECTOR

FORM OF PROXY

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

Mr./Miss/Ms. _____
of _____ CDC A/C NO. / FOLIO NO. _____ and
or failing him/her _____ of _____
who is/are also a shareholder of the said Company, as my/our proxy in my/our absence and to
vote for me/us at the Annual General Meeting of the Company to be held on 31 October 2012
(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 _____ 2012.



Signature _____

Address _____

CNIC No. _____

No. of shares held _____

Witness:-

Name _____

Address _____

CNIC No. _____

IMPORTANT:

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

The Company Secretary

NISHAT POWER LIMITED

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

AFFIX
CORRECT
POSTAGE



53 - A, Lawrence Road, Lahore. Tel: 042 - 36367812 - 16 Fax: 042 - 36367414
UAN: 042 - 111 - 11 - 33 - 33