



First Quarterly Report

For the period ended September 30, 2010



Nishat Power Limited

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Nishat Power Limited

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COMPANY PROFILE

BOARD OF DIRECTORS	Mian Raza Mansha Mian Hassan Mansha Mr. Khalid Qadeer Qureshi Syed Hasan Irtiza Kazmi Mr. Muhammad Shahzad Sadiq Mr. Aftab Ahmad Khan Mr. Shahzad Ahmad Malik	Chairman Chief Executive Nominee NBP Nominee ABL
AUDIT COMMITTEE	Mr. Khalid Qadeer Qureshi Mr. Aftab Ahmad Khan Mr. Shahzad Ahmad Malik	Member / Chairman Member 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 Metrobolitan Bank Limited Soneri Bank Limited	
AUDITOR OF THE COMPANY	A. F. Ferguson & Co. Chartered Accountants	
LEGAL ADVISOR OF THE COMPANY	Cornelius, Lane & Mufti Advocates & Solicitors	
REGISTERED OFFICE	53 - A, Lawrence Road, Lahore - Pakistan UAN: 042-111-11-33-33	
HEAD OFFICE	7 - Main Gulberg, Lahore - Pakistan UAN: 042-111-33-22-00 Tel: 042-35716351 Fax: 042-35716349	
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.	

DIRECTORS' REPORT

The Board of Directors of Nishat Power Limited (NPL) is pleased to present their report together with interim accounts for the first quarter ended September 30, 2010.

During the quarter ended September 30, 2010 the plant operated at an optimal efficiency with 91.20% capacity factor and dispatch of 393,287 MWh electricity to national grid.

The Company applied to NEPRA for revision in tariff at Commercial Operations Date (COD). NEPRA has announced revised tariff on August 27, 2010 which again has been modified on October 15, 2010. This modified tariff is yet to be notified in the official Gazette by Federal Government. The management of the company is actively pursuing the concerned governmental departments for notification of final tariff and the notification is expected any time during next month. The notified tariff shall be accounted for in the accounts in subsequent period. However, had the modified tariff been taken into account, the revenue for the period would have been higher by Rs.579,950,096 and profit after tax increased by the same amount.

OPERATING FINANCIAL RESULTS;

Highlights	QUARTER ENDED	
	September 30, 2010 Rupees	September 30, 2009 Restated Rupees
Sales	4,339,276,599	-
Cost of Sales	(3,578,550,025)	-
Gross Profit	760,726,574	-
Other operating income	13,185,606	1,795,044
Administrative expenses	(12,252,483)	(2,719,761)
Finance cost	(701,679,008)	(4,382)
Profit/(Loss) before taxation	59,980,689	(929,099)
Taxation	(4,614,962)	(628,265)
Profit / (Loss) after taxation	55,365,727	(1,557,364)
Earning/(Loss) per share – basic and diluted	0.156	(0.005)

The Company's Sales during this period was Rs. 4,339.276 million (2009: NIL) and Cost of Sales was Rs. 3,578.550 million (2009:NIL) resulting in a gross profit of Rs.760.726 million (2009: NIL). The Company earned profit before tax of Rs.59.980 million compared to Loss Rs.0.929 million of last year. The current year's net profit (after provision for taxation) amounts to Rs.55.366 million resulting earning per share of Rs.0.156 compared to previous year's quarter loss after tax of Rs.1.557 million and loss per share of Rs.0.005.

Receivables from NTDC through Central Power Purchasing Agency is Rs. 4,443.805 million of which Rs.2,036.534 million is overdue.

The nominee director of National Bank of Pakistan Syed Hassan Irtiza Kazmi has resigned and the board has appointed Syed Iqbal Ashraf as Nominee of National Bank of Pakistan in his place to fill the casual vacancy on October 27, 2010.

Chief Executive Officer

Lahore: October 27, 2010

CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2010

	Note	Un-audited September 30, 2010	Audited June 30, 2010
-----Rupees-----			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 500,000,000 ordinary shares of Rs 10 each		5,000,000,000	5,000,000,000
Issued, subscribed and paid up capital			
354,088,500 ordinary shares of Rs 10 each	5	3,540,885,000	3,540,885,000
Un-appropriated profit		129,742,771	74,377,044
		3,670,627,771	3,615,262,044
NON-CURRENT LIABILITIES			
Long term financing - secured	6	13,434,566,629	13,424,261,241
Subordinated loan - unsecured		818,220,000	472,885,200
		14,252,786,629	13,897,146,441
CURRENT LIABILITIES			
Current portion of long term financing - secured	6	357,080,646	739,279,559
Short term borrowings - secured		3,381,275,284	2,792,525,237
Trade and other payables		134,319,391	771,809,081
Accrued finance cost		691,601,797	601,095,161
Provision for taxation		22,673,445	19,480,357
		4,586,950,563	4,924,189,395
CONTINGENCIES AND COMMITMENTS			
	7		
		22,510,364,963	22,436,597,880

The annexed notes 1 to 14 form an integral part of these financial statements.

CHIEF EXECUTIVE

Note	Un-audited September 30, 2010	Audited June 30, 2010
-----Rupees-----		

ASSETS

NON-CURRENT ASSETS

Property, plant and equipment	8	16,500,666,518	16,667,306,028
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CURRENT ASSETS

Stores, spares and loose tools	238,937,638	215,483,099	
Stock-in-trade	626,535,941	354,478,068	
Trade debts	4,443,805,095	2,668,598,305	
Advances, deposits, prepayments and other receivables	421,984,286	756,058,316	
Cash and bank balances	278,435,485	1,774,674,064	
	6,009,698,445	5,769,291,852	

	22,510,364,963	22,436,597,880	
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DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Note	Quarter Ended	
		September 30, 2010	September 30, 2009 (Restated)
		-----Rupees-----	
Sales	9	4,339,276,599	-
Cost of sales	10	(3,578,550,025)	-
Gross profit		760,726,574	-
Administrative expenses		(12,252,483)	(2,719,761)
Other operating income		13,185,606	1,795,044
Profit / (loss) from operations		761,659,697	(924,717)
Finance cost		(701,679,008)	(4,382)
Profit / (loss) before taxation		59,980,689	(929,099)
Taxation		(4,614,962)	(628,265)
Profit / (loss) after taxation		55,365,727	(1,557,364)
Earning per share	11	0.156	(0.005)

The annexed notes 1 to 14 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME (UN-AUDITED)**
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Quarter Ended	
	September 30, 2010	September 30, 2009 (Restated)
	-----Rupees-----	
Profit / (loss) after taxation	55,365,727	(1,557,364)
Other comprehensive income	-	-
Total comprehensive profit / (loss)	55,365,727	(1,557,364)

The annexed notes 1 to 14 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Note	Quarter Ended	
		September 30, 2010	September 30, 2009 (Restated)
-----Rupees-----			
Cash flows from operating activities			
Cash (used in)/generated from operations	12	(1,478,921,985)	(474,547,502)
Taxes paid		(1,421,874)	(201,854)
Employee retirement benefits paid		(369,882)	(193,414)
Net cash (outflow)/inflow from operating activities		(1,480,713,741)	(474,942,770)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,456,919)	(879,371,152)
Profit on bank deposits received		12,490,806	1,783,490
Net cash outflow from investing activities		11,033,887	(877,587,662)
Cash flows from financing activities			
Proceeds from long term financing		-	756,024,022
Repayment of long term loans		(371,893,525)	-
Proceeds from subordinated loan		345,334,800	-
Proceeds from issuance of share capital		-	628,385,000
Share issuance cost		-	(2,022,214)
Net cash (outflow) / inflow from financing activities		(26,558,725)	1,382,386,808
Net (decrease)/increase in cash and cash equivalents		(1,496,238,579)	29,856,376
Cash and cash equivalents at the beginning of the period		1,774,674,064	58,191,253
Cash and cash equivalents at the end of the period		278,435,485	88,047,629

The annexed notes 1 to 14 form an integral part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Share capital	Share deposit money	Accumul- ated Profit / (loss)	Total
	----- Rupees -----			
Balance as on July 1, 2008	800,000,000	12,600,000	(8,697,187)	803,902,813
Receipt of share deposit money	-	2,099,900,000	-	2,099,900,000
Issuance of ordinary shares against share deposit money	2,112,500,000	(2,112,500,000)	-	-
Share issuance cost, net (includes underwriting commission of Rs 4,398,777 to Allied Bank Limited, a related party)	-	-	(11,057,507)	(11,057,507)
Profit for the year - restated	-	-	46,955,033	46,955,033
Balance as on June 30, 2009 - restated	2,912,500,000	-	27,200,339	2,939,700,339
Receipt of share deposit money	-	628,385,000	-	628,385,000
Issuance of ordinary shares against share deposit money	628,385,000	(628,385,000)	-	-
Total comprehensive income for the year	-	-	47,176,705	47,176,705
Balance as on June 30, 2010	3,540,885,000	-	74,377,044	3,615,262,044
Total comprehensive income for the period	-	-	55,365,727	55,365,727
Balance as on September 30, 2010	3,540,885,000	-	129,742,771	3,670,627,771

The annexed notes 1 to 14 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2010

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. During the year ended June 30, 2010, the holding company, Nishat Mills Limited divested its holding in the company through offer for sale of 22,500,000 ordinary shares of the company to the public through listing of the company's ordinary shares on the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. Consequently, the Listing Regulations of the Karachi and Lahore Stock Exchanges are now applicable to the company.

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 commenced commercial operations from June 09, 2010.

2. BASIS OF PREPARATION

This condensed interim financial information is unaudited and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. This condensed interim financial information has been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" as applicable in Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP). This condensed interim financial information does not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements for the year ended June 30, 2010.

3. ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2010.

3.1 Standards, amendments and interpretations to existing standards effective in current year but not applicable/relevant to the company's operations

Standards or Interpretations	Effective date (accounting periods beginning on or after)
IAS 32 (Amendment); 'Classification of right issues'	February 01, 2010
IAS 39 (Amendment); 'Cash flow hedge accounting'	July 01, 2010
IFRIC 19, 'Extinguishing financial liabilities with equity instruments'	July 01, 2010

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

During preparation of this condensed interim financial information, the significant judgements made by the management in applying the company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the company for the year ended June 30, 2010.

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Included therein ordinary shares of the company held by related parties as at period / year end are as follows:

	Un-audited September 30, 2010	Audited June 30, 2010
	(Number of shares)	
Nishat Mills Limited - holding company	201,288,498	201,288,498
National Bank of Pakistan	16,230,298	30,553,600
Allied Bank Limited	35,408,850	55,324,128
	<u>252,927,646</u>	<u>287,166,226</u>

	Un-audited September 30, 2010	Audited June 30, 2010
	Rupees	
6. LONG TERM FINANCING - SECURED		
Opening balance	14,163,540,800	11,649,986,254
Disbursements during the period / year	-	2,513,554,546
	<u>14,163,540,800</u>	<u>14,163,540,800</u>
Payment during the period / year	371,893,525	-
	<u>13,791,647,275</u>	<u>14,163,540,800</u>
Closing balance	357,080,646	739,279,559
Current portion shown under current liabilities		
	<u>13,434,566,629</u>	<u>13,424,261,241</u>

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

- (i) The company has issued an irrevocable letter of credit in favour of National Transmission and Dispatch Company Limited (NTDCL) for US\$ 5,369,650 (2009: US\$ 5,369,650) equivalent to Rs. 462,863,830 (June 30, 2010: Rs 459,642,040) as required under section 2.7 and 9.4 (d) of the Power Purchase Agreement.
- (ii) As per terms of PPA with NTDCL (the power purchaser), the Required Commercial Operations Date of the power project was December 31, 2009. However the company achieved commercial operations on June 09, 2010. Consequently the power purchaser may raise liquidated damages against the company for not meeting the Required Commercial Operations Date in accordance with section 9.4 of the PPA, which are estimated at USD 2,571,516.

The company's management has requested in writing to the power purchaser for extension in the Required Commercial Operations Date, which is under consideration of the power purchaser. The company's management is confident that there are meritorious grounds that the power purchaser would not raise any liquidated damages against the company. In light of the above, the company's management considers that in case, the power purchaser raises the abovementioned liquidated damages against the company, the company is fully secure to pay the liquidated damages to the power purchaser from the funds received in respect of the liquidated damages from the Engineering, Procurement & Construction (EPC) contractor.

Consequently, no provision has been made in these financial statements for the abovementioned liquidated damages that may be raised by the power purchaser.

	Un-audited September 30, 2010 Rupees	Audited June 30, 2009 Rupees
7.2 Commitments in respect of		
(i) Letters of credit other than for capital expenditure	4,931,546	672,219
(ii) Other contractors	5,580,416	1,331,303
iii) 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. Under the terms of the Fuel Supply Agreement, the company is not required to buy any minimum quantity of oil from SPL.		

7.3 The company has also entered into an agreement with Wartsila Pakistan (Private) Limited for the operations and maintenance of the power station for a five years period starting from the Commercial Operations Date of the power station.

	Un-audited September 30, 2010 Rupees	Audited June 30, 2009 Rupees
8. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets - note 8.1	16,500,420,147	16,667,306,028
Capital work-in-progress - note 8.2	246,371	-
	16,500,666,518	16,667,306,028

8.1 Operating fixed assets

Opening book value	16,667,306,028	87,358,124
Add: Cost of additions during the period / year - note 8.1.1	1,210,548	16,621,512,182
	16,668,516,576	16,708,870,306
Less: Depreciation charged for the period / year	168,096,429	41,564,278
	16,500,420,147	16,667,306,028

	Un-audited September 30, 2010 Rupees	Audited June 30, 2010 Rupees
8.1.1 Cost of additions		
Buildings and roads	-	178,436,328
Plant and machinery	-	16,440,045,042
Computer equipment	-	588,645
Furniture and fixtures	67,300	837,327
Office equipment	164,500	195,458
Vehicles	978,748	1,409,382
	1,210,548	16,621,512,182

8.2 Capital work-in-progress

Buildings and roads	246,371	154,792,817
Plant and machinery	-	14,261,674,799
Unallocated expenditure	-	2,202,013,754
	246,371	16,618,481,370
Transferred to operating fixed assets	-	(16,618,481,370)
Closing balance	246,371	-

	Un-audited September 30, 2010 Rupees	September 30, 2009 Rupees
9. SALES		
Energy purchase price	- note 9.1 & 9.2 3,630,811,999	-
Capacity purchase price	- note 9.2 708,464,600	-
	4,339,276,599	-

9.1 Energy purchase price is exclusive of sales tax amounting to Rs 607,482,318.

9.2 These have been recognized on the basis of reference tariff approved by National Electric Power Regulatory Authority (NEPRA), which was notified by the Federal Government as required by section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act. During the period NEPRA has announced revised tariff through its decision dated August 27, 2010 which has been revised again on October 15, 2010. This modified tariff is subject to notification by the Federal Government, therefore has not been accounted for in the accounts for the period ended September 30, 2010. However, had the modified tariff been taken into account, the revenue for the period would have been higher by Rs. 579,950,096/- resulting in increase of profit after tax for the period by the same amount.

	Un-audited	
	September 30, 2010	September 30, 2009
	Rupees	Restated Rupees
10. COST OF SALES		
Raw materials consumed	3,294,391,170	-
Salaries, wages and other benefits	7,017,608	-
Operation and maintenance	62,976,791	-
Stores, spares and loose tools consumed	5,030,654	-
Electricity consumed in-house	443,420	-
Insurance -note 10.1	38,442,067	-
Traveling and conveyance	622,784	-
Rent, rates and taxes	120,000	-
Printing and stationery	57,516	-
Postage and telephone	65,051	-
Vehicle running expenses	293,859	-
Entertainment	35,882	-
Depreciation on operating fixed assets	167,814,219	-
Miscellaneous	1,239,004	-
	<u>3,578,550,025</u>	<u>-</u>

10.1 This represents insurance from Adamjee Insurance Company Limited, an associated undertaking.

11. EARNINGS PER SHARE

11.1 Basic earnings per share

Profit / (loss) for the period	Rupees	55,365,727	(1,557,364)
Weighted average number of ordinary shares	Number	354,088,500	335,146,859
Earnings / (Loss) per share	Rupees	0.156	(0.005)

11.2 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 September 30, 2010 and September 30, 2009 which would have any effect on the earnings per share if the option to convert is exercised.

	Un-audited	
	September 30, 2010	September 30, 2009
	Rupees	Restated Rupees
12. CASH (USED) / GENERATED FROM OPERATIONS		
Profit / (Loss) before taxation	59,980,689	(929,099)
Adjustment for non cash charges and other items:		
Depreciation on operating fixed assets	168,096,429	28,495
Profit on bank deposits	(12,490,806)	(1,783,490)
Provision for employee retirement benefits	369,882	193,414
Profit before working capital changes	215,956,194	(2,490,680)
Effect on cash flow due to working capital changes:		
Increase in stores, spares and loose tools	(23,454,539)	(478,488)
Increase in stock-in-trade	(272,057,873)	(723,008,059)
Increase in trade debts	(1,775,206,790)	(136,282,997)
Decrease / (Increase) in advances, deposits, prepayments and other receivables	334,074,030	(179,656,256)
(Decrease) / Increase in trade and other payables	(637,489,690)	44,148,802
Increase in accrued finance cost	90,506,636	-
Increase in short term borrowings	588,750,047	523,220,176
	(1,694,878,179)	(472,056,822)
	(1,478,921,985)	(474,547,502)

13. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise the holding company, associated undertakings, other related group companies, directors of the company and key management personnel. The company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in this condensed interim financial information are as follows:

Relationship with the company	Nature of transactions	Un-audited	
		September 30, 2010	September 30, 2009
		Rupees	Rupees
i. Holding company	Receipt of share deposit money	-	510,885,000
	Shares issued	-	510,885,000
	Markup on subordinated loan	26,935,094	59,877
ii. Associated undertakings	Purchases of goods and services	104,560	65,445
	Profit on bank deposits	277,822	92,685
	Insurance premium	58,616,674	3,788,865
iii. Key management personnel:	Salaries and other employees benefits	6,339,078	3,980,455

Relationship with the company	Nature of transactions	Un-audited	
		September 30, 2010 Rupees	September 30, 2009 Rupees
iv. Other related parties	Receipt of share deposit money	-	117,500,000
	Shares issued	-	117,500,000
	Disbursement of long term financing	-	306,171,664
	Long term financing repaid	150,607,992	-
	Short term borrowings acquired	1,040,700,282	-
	Short term borrowings repaid	1,044,276,857	-
	Markup on long term financing	73,918,685	53,475,189
	Markup on short term borrowings	8,948,437	-
	Bank charges and financing fee	-	16,956,087
	Bank guarantee commission	-	144,717
	Purchases of goods and services	602,781	-
	Contribution towards staff retirement benefits	369,882	386,628

In addition to the above, the holding company, Nishat Mills Limited, has entered into following transactions on behalf of the company:

Performance guarantee of USD 1,000,000 (June 30, 2010: USD 1,000,000) equivalent to Pak Rupees 86,200,000 (June 30, 2010: Rs 84,600,000) in favour of Private Power and Infrastructure Board to secure performance of the company under Implementation Agreement and Power Purchase Agreement.

Irrevocable standby letters of credit of Rs 430,000,000 (June 30, 2010: Rs 410,000,000) for equity injection.

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

14. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangement has been made.

CHIEF EXECUTIVE

DIRECTOR



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