




## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Quaid-e-Azam Solar Power (Private) Limited as at June 30, 2016 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 ended June 30, 2016 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 except for the changes resulted on initial application of standards, amendments, or an interpretation to the existing standards as stated in note 2.2.1 to the annexed financial statements, with which we concur;
  - (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;

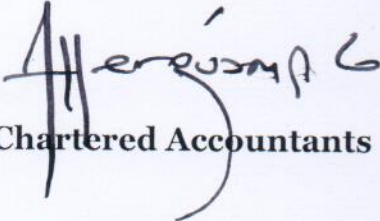
  
A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
23-C, Aziz Avenue, Canal Bank, Gulberg-V, P.O.Box 39, Lahore-54660, Pakistan  
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A·F·FERGUSON&CO.

- (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, 2016 and of the profit, total comprehensive income, changes in equity and its cash flows for the year ended June 30, 2016; and
- (d) In our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

  
Chartered Accountants

Lahore, November 25, 2016

**Name of engagement partner:** Asad Aleem Mirza

# QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED

## BALANCE SHEET AS AT JUNE 30, 2016

	Note	2016 (Rupees in thousand)	2015 (Rupees in thousand)
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital		6,000,000	6,000,000
600,000 ordinary shares of Rs 10,000 each			
Issued, subscribed and paid up capital			
380,978 (2015: 1,000) ordinary shares			
of Rs 10,000 each			
Share deposit money	5	3,809,780	10,000
Accumulated profit / (loss)	5	606,297	3,799,785 (108,814)
		4,416,082	3,700,971
<b>NON-CURRENT LIABILITIES</b>			
Long term finances - secured	6	9,678,306	6,090,418
Deferred liabilities	7	4,592	3,688
Long term retentions	8	7,800	-
		9,690,698	6,094,106
<b>CURRENT LIABILITIES</b>			
Current portion of long term finances - secured	6	760,652	300,140
Trade and other payables	9	1,459,357	3,902,550
Accrued finance cost		209,122	294,342
Provision for taxation		207,771	47,042
		2,636,902	4,544,074
<b>CONTINGENCIES AND COMMITMENTS</b>			
	10	-	-
		16,743,682	14,339,151
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	13,272,433	12,507,304
Intangible assets	12	1,294	308
Long term deposits and prepayments	13	1,497	1,547
		13,275,224	12,509,159
<b>CURRENT ASSETS</b>			
Trade debts	14	823,185	240,959
Advances, deposits, prepayments and other receivables	15	206,800	10,068
Cash and bank balances	16	2,438,473	1,578,965
		3,468,458	1,829,992
		16,743,682	14,339,151

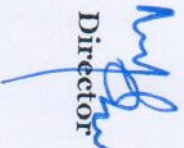
The annexed notes 1 to 33 form an integral part of these financial statements.

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Chief Executive



Director






# QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED

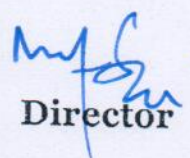
## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in thousand)	2015
Sales	17	2,956,304	-
Cost of sales	18	(847,227)	-
Gross profit		<u>2,109,077</u>	<u>-</u>
Administrative expenses	19	(99,817)	(142,375)
Other income	20	174,294	195,089
Other operating expenses	21	(102,635)	(67,079)
		<u>2,080,919</u>	<u>(14,365)</u>
Finance cost	22	(1,038,124)	(127)
<b>Profit / (loss) before taxation</b>		<u>1,042,795</u>	<u>(14,492)</u>
Taxation	23	(27,357)	(78,380)
<b>Profit / (loss) for the year</b>		<u>1,015,438</u>	<u>(92,872)</u>
<b>Earnings / (loss) per share - basic and diluted</b>	27	<u>2.67</u>	<u>(0.24)</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

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**Chief Executive**

  
**Director**

# QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2016

	2016 (Rupees in thousand)	2015
Profit / (loss) for the year	1,015,438	(92,872)
<b>Other comprehensive income</b>		
<i>Items that will not be re-classified to profit or loss</i>		
Remeasurement of net defined benefit liability	(327)	-
Tax effect	-	-
	(327)	-
<i>Items that may be re-classified subsequently to profit or loss</i>	-	-
<b>Other comprehensive income for the year - net of tax</b>	(327)	-
<b>Total comprehensive income for the year</b>	<u>1,015,111</u>	<u>(92,872)</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

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**Chief Executive**

**Director**




# QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2016

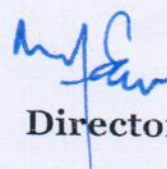
	(Rupees in thousand)			
	Share capital	Share deposit money	Accumulated profit / (loss)	Total
<b>Balance as on June 30, 2014</b>	10,000	3,799,785	(15,942)	3,793,843
Total comprehensive loss for the year ended June 30, 2015	-	-	(92,872)	(92,872)
<b>Balance as on June 30, 2015</b>	10,000	3,799,785	(108,814)	3,700,971
<b>Transaction with owners</b>				
Issuance of ordinary shares	3,799,780	(3,799,780)	-	-
Interim dividend for the year ended June 30, 2016 - Rs 787.45 per share	-	-	(300,000)	(300,000)
	3,799,780	(3,799,780)	(300,000)	(300,000)
Total comprehensive income for the year ended June 30, 2016	-	-	1,015,111	1,015,111
<b>Balance as on June 30, 2016</b>	<u>3,809,780</u>	<u>5</u>	<u>606,297</u>	<u>4,416,082</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

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**Chief Executive**



**Director**



# QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED

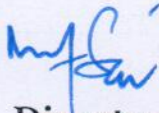
CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
(Rupees in thousand)			
<b>Cash flows from operating activities</b>			
Cash generated from / (used in) operations	26	2,327,088	(139,009)
Finance costs paid		(1,160,048)	(88,161)
Taxes paid		(16,545)	(31,033)
Gratuity paid		(1,409)	(675)
<b>Net cash generated from / (used in) operating activities</b>		<b>1,149,086</b>	<b>(258,878)</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(4,337,978)	(8,305,721)
Proceeds from disposal of property, plant and equipment		-	59
Net decrease in long term deposits and prepayments		-	12,627
<b>Net cash used in investing activities</b>		<b>(4,337,978)</b>	<b>(8,293,035)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long term finances - secured		4,566,089	6,383,084
Repayment of long term finances - secured		(517,689)	-
<b>Net cash generated from financing activities</b>		<b>4,048,400</b>	<b>6,383,084</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>859,508</b>	<b>(2,168,829)</b>
Cash and cash equivalents at the beginning of the year		1,578,965	3,747,794
<b>Cash and cash equivalents at the end of the year</b>	16	<b>2,438,473</b>	<b>1,578,965</b>

The annexed notes 1 to 33 form an integral part of these financial statements.

*At*

  
Chief Executive

  
Director



# QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

### 1. Legal status and nature of business

Quaid-e-Azam Solar Power (Private) Limited ('The Company') was incorporated as a private limited Company under the Companies Ordinance, 1984 on September 16, 2013. The principal activity of the Company is to build, own, operate and maintain a solar power plant having a total capacity of 100 MW in Lal Sohanra, Cholistan, Bahawalpur. The registered office of the Company is situated at 3rd Floor, 83A-E1, Gulberg III, Main Boulevard, Lahore, Pakistan. The company achieved Commercial Operations Date ('COD') on July 15, 2015. National Electric Power Regulatory Authority ('NEPRA') has granted generation license to the company which is valid till December 30, 2039.

### 2. Statement of compliance

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 as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

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

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

##### 2.2.1 Standards, amendments to published standards and interpretations that are effective in the current period

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Interpretations which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in the financial statements except for the amendments as explained below:

IFRS 13, 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2015. 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 IFRS. The requirements, which are largely aligned between IFRS 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 IFRS or US GAAP. The application of this standard does not have a material impact on the Company's financial statements.

##### 2.2.2 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, 2016 or later periods, but the Company has not early adopted them:

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Standards or Interpretations	Effective date (accounting periods beginning on or after)
Annual improvements 2014	January 1, 2016
Amendments to IAS 1, 'Presentation of financial statements' on disclosure initiative	January 1, 2016
Amendments to IAS 38 'Intangible assets' in relation to use of revenue based methods to calculate the depreciation	January 1, 2016
Amendments to IAS 7, 'Statement of cash flows' on disclosure initiative	January 1, 2017
Amendments to IAS 12, 'Income taxes' in relation to recognition of deferred tax assets for unrealized losses	January 1, 2017
Amendments to IAS 16 'Property, plant and equipment' in relation to use of revenue based methods to calculate the depreciation	January 1, 2017
IFRS 9 - 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Revenue from contracts with customers' on gross versus net revenue presentation	January 1, 2018
IFRS 16 'Leases'	January 1, 2019

### 2.2.3 Exemption from applicability of certain interpretations to standards

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

Consequently, the company is not required to account for a portion of its Energy Purchase Agreement (EPA) with Central Power Purchase Agency Limited (CPPA) 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:

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	2016 (Rupees in thousand)	2015
De-recognition of property, plant and equipment	<u>13,257,141</u>	<u>-</u>
Recognition of lease debtor	<u>13,519,279</u>	<u>-</u>
Increase in un-appropriated profit at the beginning of the year	-	-
Increase in profit for the period	262,138	-
Increase in un-appropriated profit at the end of the period	<u>262,138</u>	<u>-</u>

### 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 of 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 a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- i) Estimated useful lives and residual values of property, plant and equipment - note 11.1
- ii) Provision for taxation - note 23

### 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 the years presented, unless otherwise stated.

#### 4.1 Taxation

##### Current

Provision of current tax is based on the taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

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## 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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 utilized.

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 income statement, except in the case of items credited or charged to equity in which case it is included in equity.

### 4.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss.

Depreciation on property, plant and equipment 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 11.1 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 property, plant and equipment as at June 30, 2016 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised to profit and loss account for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognised 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 charged to 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 recognised as an income or expense.

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.

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#### 4.3 Intangible assets

Expenditure incurred to acquire computer software, is capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is disposed off. Amortisation is charged at rate mentioned in note 12.1.

The Company assesses at each balance sheet date whether there is any indication that intangible may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

#### 4.4 Leases

The Company is the lessee:

##### 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 and loss account on a straight-line basis over the lease term.

#### 4.5 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include deposits, bank balances, borrowings, trade and other payables and accrued expenses. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

#### 4.6 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 recognised amount and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

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#### 4.7 Trade debts

Trade debts 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 debtors, 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.

#### 4.8 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements.

#### 4.9 Borrowings

Borrowings are recognised initially at fair value (proceeds received), net of transaction costs incurred and are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Finance costs are accounted for on an accrual basis and are shown as accrued finance cost to the extent of the amount remaining unpaid.

#### 4.10 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing / finance costs are recognised in profit or loss in the period in which they are incurred.

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#### **4.11 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Liabilities for creditors and other costs payable are initially recognised at the fair value of the consideration to be paid in future for goods and / or services, whether or not billed to the Company and subsequently measured at amortised cost using the effective interest method.

#### **4.12 Revenue Recognition**

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

Revenue on account of energy is recognised on transmission of electricity to the grid system.

Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

#### **4.13 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.

#### **4.14 Staff retirement benefit**

The company operates an unfunded gratuity scheme covering all permanent employees who complete prescribed qualifying period of service. The obligation under gratuity scheme is calculated on the basis of last drawn basic salary and length of service of the employee. The latest actuarial valuation for the gratuity scheme was carried out as at June 30, 2016, using the following significant assumptions:

- Discount rate 7.25 percent per annum;
- Expected rate of increase in salary level 6.25 percent per annum;
- Expected mortality rate as per SLIC (2001-2005) Mortality Table, with one year setback

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in income.

#### **4.15 Foreign currencies**

##### **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 recognised in the profit and loss account.

**4.16 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.

**4.17 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 capital**

This represents 380,978 (2015: 1,000) ordinary shares of Rs 10,000 each held by The Government of Punjab - Energy Department and four other persons as nominees of the Government of Punjab.

		2016 (Rupees in thousand)	2015
<b>6. Long term finances - secured</b>			
Term finance loan - secured	- note 6.1	10,619,311	6,577,601
Less: Transaction costs		180,353	187,043
		<u>10,438,958</u>	<u>6,390,558</u>
Less : Current portion shown under current liabilities		760,652	300,140
		<u>9,678,306</u>	<u>6,090,418</u>

**6.1** This represents the loan availed against aggregate facility of Rs 11,137 million obtained from the Bank of Punjab. This loan is secured by first charge over fixed assets of the company of Rs 30,883 million along with hypothecation of all present and future fixed assets of the company and assignment of project contracts and receivables. During the period, the facility carried mark up at the rate of 6 months KIBOR plus 3 per cent per annum which has been revised to mark up at the rate of 3 months KIBOR plus 3 percent per annum through 'second supplemental agreement' dated August 17, 2015 with the Bank of Punjab. The balance is repayable in 37 unequal quarterly installments ending on July 16, 2025. The mark up charged during the year ranged from 9.36% to 12.29% (2015: 12.29% to 13.17%) per annum. Moreover, the Company has paid 0.5% commitment fee on the unavailed facility of term finance loan till the date of commercial operation date.

**7. Deferred liabilities**

The amounts recognized in the balance sheet are as follows:

	2016 (Rupees in thousand)	2015
Fair value of plan assets	-	-
Present value of defined benefit obligation	4,592	3,688
Liability as at year end	<u>4,592</u>	<u>3,688</u>

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	2016 (Rupees in thousand)	2015
The movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation as at start of the year	3,688	867
Current service cost	3,951	4,045
Past service cost	870	-
Interest cost	244	-
Benefits paid	(1,409)	(1,224)
Actuarial gain	(545)	-
Experience loss	872	-
Deferred liability transferred to current liability	(3,079)	-
Present value of defined benefit obligation as at year end	<u>4,592</u>	<u>3,688</u>

The amounts recognized in the profit and loss account are as follows:

Current service cost	3,951	4,045
Past service cost	870	-
Net interest cost for the year	244	-
Total included in salaries, wages and amenities	<u>5,065</u>	<u>4,045</u>
Experience adjustment arising on obligation	19%	-

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(7,030)	8,399
Salary increase	1%	8,420	(6,979)

		2016 (Rupees in thousand)	2015
<b>8. Long Term Retentions</b>			
Maintenance retention fund	- note 8.1	4,616	-
Asset replacement fund	- note 8.2	3,184	-
		<u>7,800</u>	<u>-</u>

8.1 It represents 5% deduction from the total quarterly payments to the contractor, M/s Tbea Xinjiang Sunoasis Company Limited, against operations and maintenance (O&M) works for the plant maintenance required under the agreement with the contractor.

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- 8.2 It represents 5% deduction from the revised O&M Cost (excluding insurance and security cost), as approved by the Board and agreed with the contractor, from the quarterly payments to the contractor against O&M works for replacement of items of property, plant and equipment, in addition to those included in the engineering, procurement and construction contract ('EPC Contract').

9. Trade and other payables		2016	2015
		(Rupees in thousand)	
Trade creditors		4,994	1,776
Accrued liabilities	- note 9.1	36,649	17,283
Withholding tax payable		11,918	4,677
Sales tax payable		116,674	-
Payable to contractor	- note 9.2	644,049	2,728,994
Payable to consultants		26,650	60,040
Retention money	- note 9.3	262,219	1,074,679
Payable to Directorate General Public Relations	- note 9.4	329	11,631
Dividends payable	- note 9.5	300,000	-
Workers' profit participation fund		52,140	-
Other liabilities	- note 9.6	3,735	3,470
		<u>1,459,357</u>	<u>3,902,550</u>

9.1 Accrued liabilities include Nil (2015: Rs 5.446 million) in respect of a related party.

9.2 This includes an amount of USD 5.328 million payable to the contractor upon achieving guaranteed 'Performance Ratio' (PR). Upon failure of First PR test, contractor repeated the PR test and claimed that the guaranteed PR had been achieved by using 2.5% degradation of the plant in the first year and taking capacity of plant as 100 MW. The owner's engineer, ILF Consulting Engineers (ILF) recommends to withhold USD 3.57 million assuming no degradation of the plant and capacity of 100.967 MW. The company, however, considers it appropriate to use 1% degradation for first 10 years and 0.667% for the remaining period of 15% years, which will result in 20% total degradation in 25 years. The company estimates, a reduction in contract price by USD 1.96 million or, an additional 1.24 MW to be installed by contractor. The company also estimates loss of energy of 8,678 MWh due to the difference of guaranteed and achieved annual PR and intends to recover the amount of USD 1.74 million as liquidated damages at the rate of USD 0.2 per kWh. However, the contractor has not agreed to these deductions and the matter is still under discussion. These accounts do not contain any adjustment to record the reduction to the contracted price or the liquidated damages, on prudence basis, pending the final settlement of the dispute between the company and the contractor. A committee has been formed for resolution of issues with the Contractor.

Moreover, the amount payable to contractor is net of Rs 33.248 million that has been deducted / off-set by the company during the year on account of site electricity charges, Letters of Credit (LC) extension charges, insurance, security service charges and others. The contractor, however, does not concur with these deductions. The company, on the basis of the view of its legal counsel and under different provisions of EPC Contract, is confident that the company has a legally enforceable right for the said deductions.

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- 9.3 This includes retentions to cover the costs of unfinished tasks by the contractor during the defect notification period of one year. Total Retentions made were of USD 3.279 million however; the company and the contractor have agreed to reduce the contract price by USD 0.77 million as compensation for all unfinished work except that related to installation of the Supervisory Control and Data Acquisition (SCADA) System. This has been duly recorded as a reduction to the value of plant and machinery and related retention money. However, no monetary settlement has so far been agreed between the parties for SCADA and, consequently, no adjustment on this account has been recorded in these financial statements.
- 9.4 This represents amount payable to Directorate General Public Relations, a related party, in respect of expenses incurred on the advertisement of vacant employment positions of the company.
- 9.5 This represents interim dividend approved by the Board on the basis of audited accounts for the period ended January 31, 2016. The dividend has not been paid to date due to approval pending from the lender, The Bank of Punjab.
- 9.6 Other liabilities include Rs 3.66 million ( 2015: Rs 1.012 million) due to executives.

10. Contingencies and commitments

10.1 Contingencies - Nil

		2016	2015
		(Rupees in thousand)	
10.2	<b>Commitments</b>		
	Contracts for capital expenditure	-	1,349,277
	Contracts for other than capital expenditure	5,929,913	7,550,504
	Commitment for trustee fee, and arrangement and advisory fee to Bank of Punjab, a related party	9,000	10,000

- 10.2.1 Of the aggregate facilities of USD 89.182 million (2015: 89.182 million) for LC for the purpose of payments to EPC contractor, the amount utilised as at year end was USD 83.082 million (2015: USD 56.543 million).

The aggregate LC facility is secured through cash margin or lien of upto at least 25% of the facility amount, to be satisfied through injection of correspondence amount of equity, Lien on shipping documents, irrecoverable disbursement authorization under the term finance facility and any other security which may be deemed necessary.

		2016	2015
		(Rupees in thousand)	
11.	<b>Property, plant and equipment</b>		
	Operating assets	13,272,433	17,080
	Capital work-in-progress	-	12,490,224
		<u>13,272,433</u>	<u>12,507,304</u>



(Rupees in thousand)

	Cost as at July 01, 2015	Additions / (deletions)	Cost as at June 30, 2016	Accumulated depreciation as at July 01, 2015	Depreciation charge / (deletions) for the year	Accumulated depreciation as at June 30, 2016	Net book value as at June 30, 2016	Rate of depreciation %
Buildings on leasehold land	-	79,469	79,469	-	3,166	3,166	76,303	4
Plant and machinery	-	13,736,952	13,736,952	-	556,114	556,114	13,180,838	4-8
IT equipment	3,676	-	3,676	1,165	1,217	2,382	1,294	33
Furniture and fixtures	4,133	1,029	5,162	1,113	1,266	2,379	2,783	25
Electric equipment	817	1,311	2,128	175	222	397	1,731	20
Vehicles	14,246	1,674	15,920	3,339	3,097	6,436	9,484	20
	22,872	13,820,435	13,843,307	5,792	565,082	570,874	13,272,433	
IT equipment	1,614	2,121 (59)	3,676	220	948 (3)	1,165	2,511	33
Furniture and fixtures	2,329	1,804	4,133	115	998	1,113	3,020	25
Electric equipment	624	193	817	35	140	175	642	20
Vehicles	11,995	2,251	14,246	492	2,847	3,339	10,907	20
	16,562	6,369 (59)	22,872	862	4,933 (3)	5,792	17,080	

11.1.1.1 The depreciation charge has been allocated as follows:

Cost of sales  
Administrative expenses

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	2016	2015
- note 18	559,664	-
- note 19	5,418	4,933
	565,082	4,933

(Rupees in thousand)



- 11.1.2 Plant and machinery includes borrowing cost of Rs 427.339 million on the Term finance loan obtained from The Bank of Punjab, a related party.

Plant and machinery is net of Rs 340.734 million against the company's first invoice for energy payment dated August 20, 2015 for sale of electricity during trial production for the cumulative period from March 28, 2015 till July 15, 2015. The company had invoiced 48.301 million Kwh recorded through back up metering system installed by the company, however, Central Power Purchasing Agency (Guarantee) Limited (CPPA) initially confirmed only 31.296 million units based on main metering system for the period May 08, 2015 to July 15, 2015. There was a dispute between the company and CPPA relating to the remaining 17 million Kwh energy exported by the company prior to May 08, 2015 as the main metering system was not tested by a meter reading committee constituted by National Transmission and Dispatch Company Limited ('NTDC') comprising one member each of NTDC, Multan Electric Power Company Limited ('MEPCO') and the company before that date. Based on a subsequent report issued by meter reading committee, CPPA further approved 10.284 million units and the same were re-invoiced by the company on December 07, 2015. In accordance with the suggestion of meter reading committee, the company and MEPCO have requested CPPA to form a high level enquiry committee comprising of Superintending Engineer (GSO), Regional Manager M&T, 2nd, MEPCO Multan and XEN M&T, MEPCO, Bahawalpur Division to finalize the Net delivered energy in respect of the remaining disputed 6.721 million Kwh exported by the company prior to May 08, 2015. The amount involved, exclusive of sales tax, is Rs 55 million at a rate of Rs 8.1946 per Kwh approved by NEPRA for Pre COD units. As the matter has not yet been resolved, therefore the sale of trial production and related trade debts, to the extent of disputed units, has been deferred till its recognition of settlement between the company and CPPA.

		2016	2015
		(Rupees in thousand)	
<b>11.2 Capital work-in-progress</b>			
Plant and machinery		-	12,654,656
Sale of trial production		-	(205,948)
Unallocated expenses	- note 11.2.1	-	40,628
		-	12,489,336
Advances to suppliers		-	500
Others		-	388
		-	12,490,224
<b>11.2.1 Unallocated expenses</b>			
Unallocated expenses incurred to date:			
Salaries, wages and other benefits	- note 11.2.1.1	-	32,261
Rent, rates and taxes		-	50
Communication charges		-	305
Legal and professional fee		-	1,284
Consultancy charges		-	814
Travelling charges		-	1,811
Entertainment charges		-	180
Printing and stationary		-	42
Repair and maintenance		-	218
Others		-	3,663
		-	40,628

- 11.2.1.1 Salaries, wages and other benefits includes provision for gratuity of Nil (2015: Rs 1.57 million).

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		2016	2015
		(Rupees in thousand)	
<b>12.</b>	<b>Intangible assets</b>		
Cost			
	As at July 01	346	149
	Additions for the year	1,314	197
	As at June 30	1,660	346
Less: Accumulated amortisation			
	As at July 01	38	3
	Amortization charge for the year	328	35
	As at June 30	366	38
	Net book value as at June 30, 2016	1,294	308

12.1 Amortization charge for the period has been computed at the rate of 20% and has been charged to administrative expenses.

		2016	2015
		(Rupees in thousand)	
<b>13.</b>	<b>Long term deposits and prepayments</b>		
	Prepayments	1,096	1,146
	Other deposits	401	401
		1,497	1,547

13.1 This represents amount paid to Cholistan Development Authority against the lease of land for the period of 25 years.

#### 14. Trade debts

These represent trade receivables against sales relating to trial production and post-commercial operations date from CPPA 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 2% is charged in case the amounts are not paid within due dates. The rate of delayed payment mark-up charged during the period on outstanding amounts ranges from 8.11% to 8.59% (2015: Nil) per annum. Trade debts also includes accrued revenue, inclusive of sales tax, of Rs 347.14 million.

		2016	2015
		(Rupees in thousand)	
<b>14.1</b>	As of balance sheet date, age analysis of trade debts was as follows:		
	Neither past due nor impaired	816,098	240,959
	Past due but not impaired:		
	- 1 to 30 days	1,097	-
	- 31 to 90 days	3,065	-
	- 91 to 180 days	2,925	-
		7,087	-
		823,185	240,959



		2016	2015
		(Rupees in thousand)	
<b>15.</b>	<b>Advances, deposits, prepayments and other receivables</b>		
	Advances - considered good		
	- To employees	854	76
	- To suppliers	32	32
		886	108
	Due from related parties - unsecured		
	Security deposits	170	984
	Prepayments	1,925	1,925
	Recoverable from CPPA as pass through items:	1,762	1,310
	- Workers' Profit Participation Fund	52,140	-
	- Income Tax	149,917	-
		202,057	-
	Sales tax recoverable	-	5,741
		206,800	10,068

**15.1** Included in advances to employees are amounts due from executives of Rs 0.847 million (2015: Rs 0.012 million).

		2016	2015
		(Rupees in thousand)	
<b>15.2</b>	<b>Due from related parties - unsecured</b>		
	Quaid-e-Azam Thermal Power (Private) Limited	-	714
	Quaid-e-Azam Wind Power (Private) Limited	170	170
	District Co-ordination Office Bahawalpur	-	100
		170	984

**15.3 Workers' Profit Participation Fund**

Under section 6.3 (a) of Part IV of schedule 1 of the Energy Purchase Agreement, payments to Workers' Profit Participation Fund are recoverable from CPPA as a pass through item.

		2016	2015
		(Rupees in thousand)	
<b>16.</b>	<b>Cash and bank balances</b>		
	Cash at bank		
	- On saving accounts	-	-
	- On current accounts	2,438,347	1,578,817
		126	148
		2,438,473	1,578,965

**16.1** This represents balance in saving accounts in Bank of Punjab, a related party, which bear annual mark-up at 5.5% to 6.3% per annum (2015: 5.5% to 8% per annum) compounded monthly.

		2016	2015
		(Rupees in thousand)	
<b>17.</b>	<b>Sales</b>		
	Sale of electricity	3,458,876	-
	Less: Sales tax	502,572	-
		2,956,304	-



17.1 As per the clause 4 (II), of the revised tariff order of NEPRA dated 4th August, 2015, the company was entitled to one-time COD adjustment in respect of specified components of the tariff, including exchange rate adjustments, taxes and duties and interest during construction, to bring the tariff at par with the actual costs. A petition was filed by the company with NEPRA dated 22nd January 2016, for the one-time adjustment of tariff for the units sold post COD. NEPRA issued a determination order in respect of the aforesaid adjustments dated June 02, 2016 based on which the company has raised invoice for the differential amount the effect of which has been incorporated in the above figures. However, the company has filed a review petition before NEPRA in respect of insurance component, exchange rate conversion issues for EPC costs and income tax adjustment claims. The matter is still pending with NEPRA and no order has been issued in this regard.

18. Cost of sales		2016	2015
		(Rupees in thousand)	
Operation and maintenance charges		203,375	-
Salaries, wages and other benefits	- note 18.1	32,357	-
Rent, rates and taxes		3,725	-
Consultancy charges		18,980	-
Utilities		1,324	-
Travelling and conveyance		2,805	-
Depreciation on property, plant and equipment		559,664	-
Security expense		23,582	-
Repairs and maintenance		427	-
Printing and stationery		26	-
Communication charges		337	-
Entertainment charges		309	-
Others		316	-
		847,227	-
		847,227	-

18.1 Salaries, wages and other benefits includes provision for gratuity of Rs 2.282 million.

19. Administrative expenses		2016	2015
		(Rupees in thousand)	
Salaries, wages and other benefits	- note 19.1	52,323	38,638
Rent, rates and taxes		9,838	11,876
Utilities		3,029	3,589
Advertisement and promotion		762	25,111
Legal and professional charges	- note 19.2	19,305	45,383
Travelling and conveyance		3,352	6,853
Repairs and maintenance		465	507
Printing and stationery		580	591
Insurance expense		1,102	596
Depreciation on property, plant and equipment	- note 11.1	5,418	4,933
Amortization of intangible assets	- note 12	328	35
Communication charges		1,046	922
Entertainment charges		724	530
Others		1,545	2,811
		99,817	142,375
		99,817	142,375

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19.1 Salaries, wages and other benefits includes provision for gratuity of Rs 2,711 million (2015: Rs 1,926 million).

2016  
(Rupees in thousand)

2015

19.2 Legal and professional charges includes the following in respect of auditors' services for:

Statutory audit	1,800	1,400
Special audit	500	-
Other certifications	100	-
Out of pocket expenses	100	100
	<u>2,500</u>	<u>1,500</u>

20. Other income

**Income from financial assets:**

Income on bank deposits

160,925 195,063

**Income from non-financial assets:**

Profit on disposal of property, plant and equipment

Mark-up on delayed payment from CPPA

Others

-	3
13,168	-
201	23
13,369	26
<u>174,294</u>	<u>195,089</u>

21. Other operating expenses

This represents the net exchange loss on the liabilities and payments made towards foreign contractor and consultants.

2016  
(Rupees in thousand)

2015

22. Finance cost

Mark-up on long term loan

1,003,674 -

Transaction cost

30,404 -

Bank charges

4,046 127

1,038,124 127

23. Taxation

**Current**

- Current year

- note 23.1

27,357 64,371

- Prior year

- 14,009

27,357 78,380

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23.1 As per clause 6.3 (a) of Part IV of the first schedule to the Energy Purchase Agreement, all taxes payable on the generation, sale, exportation or supply of electricity are pass-through items and shall be claimable from CPPA in full. Based on Alternate Corporate Tax (ACT), the total provision for taxation is Rs 177.28 million of which Rs 149.92 million, shown as receivable from CPPA in note 15 as a pass through item, represents ACT on profit before tax excluding income on bank deposits. The remaining provision of Rs 27.36 million representing ACT on income from bank deposits, may not be claimable from CPPA as a pass-through item, not being construed as directly related to the generation, sale, exportation or supply of electricity and, consequently, included as tax charge for the year.

23.2 The deferred tax liability Rs 237.161 million (2015: asset of Rs 80.01 million) in respect of temporary differences has not been recognized as the future tax payments on the generation, sale, exportation or supply of electricity are pass-through items and shall be claimable from CPPA in full.

### 23.3 Tax charge reconciliation

Numerical reconciliation between average effective tax rate and applicable tax rate:

	2016 %	2015 %
Applicable tax rate	32.00	33.00
Effect of change in prior years' tax	-	(96.67)
Tax losses and credits not recognized	17.00	(477.18)
Taxes claimable as pass through items	(44.62)	-
Temporary difference rate change impact	(1.76)	-
Average effective tax rate charged to income statement	2.62	(540.85)

### 24. Directors' remuneration

24.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the chief executive and directors of the company are as follows:

	Chief Executive		Directors	
	2016 (Rupees in thousand)	2015	2016	2015
<b>Short term employee benefits</b>				
Managerial remuneration	5,520	10,488	-	-
Utilities	300	420	-	-
Bonus	5,520	2,760	-	-
Medical expenses	211	-	-	-
	11,551	13,668	-	-
<b>Post employment benefits</b>				
Expense incurred in respect of gratuity	920	920	-	-
	12,471	14,588	-	-
Number of persons	1	1	13	13

24.2 The directors work in an honorary capacity and do not receive any remuneration from the company.

24.3 The Chief Executive is also provided with company maintained vehicle and reimbursement for utilities.

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**25. Related party transactions**

The related parties comprise of the Government of Punjab, principal shareholder, its associated undertakings, other related undertakings, and key management personnel. The company in normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables, contingencies and commitments are disclosed in note 10 and remuneration of key management personnel is disclosed in note 24. Other significant transactions with related parties are as follows:

<b>Relationship with the company</b>	<b>Nature of transactions</b>	<b>2016 (Rupees in thousand)</b>	<b>2015</b>
Shareholders	Issuance of share capital	3,799,780	-
Others	Advertisement expenses charged to the Company	558	11,631
	Interest income accrued during the year	160,925	195,063
	Loan facility availed by the company	4,559,399	6,577,601
	Loan repaid by the company	517,689	-
	Financing fees and charges	9,817	208,784
	Mark-up on long term loan	1,040,378	382,376
	Expenses incurred on behalf of related parties	27	884
	Expenses incurred by related parties on our behalf	1,851	2,200

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

<b>26. Cash generated from / (used in) operations</b>	<b>2016 (Rupees in thousand)</b>	<b>2015</b>	
Profit before taxation	1,042,795	(14,492)	
Adjustment for:			
Depreciation on property, plant and equipment	- note 11.1	565,082	4,933
Amortization of intangible assets	- note 12	328	35
Exchange loss	- note 21	102,635	67,079
Finance costs	- note 22	1,038,124	127
Gain on sale of property, plant and equipment		-	(3)
Staff retirement benefits	- note 7	5,065	3,495
Profit before working capital changes	<u>2,754,029</u>	<u>61,174</u>	
<b>Effect on cash flow due to working capital changes:</b>			
Increase in trade debts	(582,226)	(240,959)	
(Increase) / decrease in advances, deposits, prepayments and other receivables	(46,765)	34,571	
Increase in trade and other payables and long term retentions	202,050	6,205	
	<u>2,327,088</u>	<u>(139,009)</u>	

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**27. Earnings / (loss) per share**

Profit / (loss) per share	Rupees in thousand	1,015,438	(92,872)
Weighted average number of ordinary shares	Number	380,978	380,978
Earnings / (loss) per share	Rupees in thousand	2.67	(0.24)

**27.1 Diluted earnings per share**

Diluted loss per share has not been presented as the company does not have any convertible instrument in issue as at June 30, 2016 and June 30, 2015 which would have any effect on the earnings per share if the option to convert is exercised.

**28. Financial risk management**

**28.1 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 programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk. 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 shall fluctuate because of changes in foreign exchange rates.

The company is exposed to currency risk arising only from the US Dollar and the Euro. Currency risk arises from future commercial transactions and recognised assets and liabilities. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

At June 30, 2016 if the Rupee had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit for the period would have been Rs 46.708 million (2015: Rs 126.028 million) lower / higher mainly as a result of foreign exchange losses / gains on translation of USD-denominated financial assets and liabilities.

At June 30, 2016 if the Rupee had weakened / strengthened by 5% against the Euro with all other variables held constant, the post-tax profit for the year would have been Rs 0.437 million (2015: Rs 1.883 million) lower / higher mainly as a result of foreign exchange losses / gains on translation of USD-denominated financial assets and liabilities.

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(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 the company has not invested in equity securities. Moreover, the company is not exposed to commodity price risk.

(iii) **Interest rate risk**

This 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 significant long-term interest-bearing liability. The Company's interest rate risk arises from long term borrowing. Borrowing obtained at variable rates expose the Company to cash flow interest rate risk.

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, capital work in progress and finance cost for the period would have been increased / decreased by Rs 2.986 million (2015: Rs 30.634 million) and Rs 104.604 million (2015: Nil) respectively.

(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. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2016	2015
	(Rupees in thousand)	
Long term deposits	401	401
Trade debts	823,185	240,959
Advances, deposits and other receivables	204,152	8,650
Balances at bank	2,438,473	1,578,965
	<u>3,466,211</u>	<u>1,828,975</u>

The credit quality of Company's bank balance can be assessed with reference to external credit rating as follows:

	Rating Short term	Rating Long term	Rating Agency	2016	2015
				(Rupees in thousand)	
Bank of Punjab (BOP)	A1+	AA	PACRA	2,438,264	1,578,965
United Bank Limited (UBL)	A-1+	AAA	JCR-VIS	209	-
				<u>2,438,473</u>	<u>1,578,965</u>

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

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(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 the availability of funding through an adequate amount of committed credit facilities. The Company's approach to managing liquidity is to ensure that, as far as possible, it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable loss or risking damage to the company's reputation.

Management monitors the forecasts of the Company's cash and cash equivalents 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. Following are the contractual maturities of financial liabilities, including interest payments:

At June 30, 2016	(Rupees in thousand)			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term loan	760,652	834,388	3,020,583	6,003,688
Trade and other payables	1,459,357	-	-	-
Accrued finance cost	209,122	-	-	-
Long term retentions	-	-	-	7,800
	<u>2,429,131</u>	<u>834,388</u>	<u>3,020,583</u>	<u>6,011,488</u>

At June 30, 2015	(Rupees in thousand)			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term loan	300,140	436,389	1,600,285	4,240,786
Trade and other payables	3,902,550	-	-	-
Accrued finance cost	294,342	-	-	-
	<u>4,497,032</u>	<u>436,389</u>	<u>1,600,285</u>	<u>4,240,786</u>

**28.2 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 the amount for which an asset could be exchanged, or a liability can be settled between knowledgeable willing parties in an arms length transaction and is determined on the basis of objective evidence at each reporting date.

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

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**28.3 Financial instruments by categories**

**2016**                      **2015**  
(Rupees in thousand)

**Financial assets as per balance sheet**

Long term deposits	401	401
Trade debts	823,185	240,959
Advances, deposits and other receivables	204,152	8,650
Balances at bank	2,438,473	1,578,965
	<u>3,466,211</u>	<u>1,828,975</u>

**Financial liabilities at  
amortised cost**

**2016**                      **2015**  
(Rupees in thousand)

**Financial liabilities as per balance sheet**

Long term finances	10,619,311	6,577,601
Trade and other payables	1,459,357	3,902,550
Accrued finance cost	209,122	294,342
Long term retentions	7,800	-
	<u>12,295,590</u>	<u>10,774,493</u>

**28.4 Capital risk management**

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Consistent with 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 less transaction cost, as disclosed in note 7. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The gearing ratio as at June 30, 2016 and June 30, 2015 is as follows:

**2016**                      **2015**  
(Rupees in thousand)

Long term finances	10,438,958	6,390,558
Total equity	4,416,082	3,700,971
Total capital	<u>14,855,040</u>	<u>10,091,529</u>
<b>Gearing ratio</b>	70%	63%

**29. Capacity and production**

**2016**  
**MWH**

Annual bench-mark energy	153,300
Proportionate Annual bench-mark energy since COD on July 15, 2015	146,913
Actual energy delivered till year end post COD, as acknowledged by CPPA	153,879

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30. Number of employees	2016 (Rupees in thousand)	2015
Total number of employees as at June 30	<u>52</u>	<u>49</u>
Average number of employees during the year	<u>51</u>	<u>37</u>

**31. Date of authorisation for issue**

These financial statements were authorised for issue on 25th Nov, 2016 by the Board of Directors of the Company.

**32. Events after the balance sheet date**

No significant events have occurred subsequent to June 30, 2016, other than those mentioned elsewhere in these financial statements.

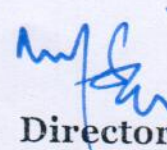
**33. Corresponding figures**

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework. However, no significant re-arrangements have been made.

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**Chief Executive**



**Director**