

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

**FINANCIAL STATEMENTS FOR
THE YEAR ENDED JUNE 30, 2017**

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED

BALANCE SHEET AS AT JUNE 30, 2017

	2017 (Rupees in thousand)	2016 (Rupees in thousand)	Note
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 600,000 ordinary shares of Rs 10,000 each	6,000,000	6,000,000	
Issued, subscribed and paid up capital 380,978 (2016: 380,978) ordinary shares of Rs 10,000 each	3,809,780	3,809,780	
Share deposit money	5	5	
Accumulated profit	694,266	606,297	
	4,504,051	4,416,082	
NON-CURRENT LIABILITIES			
Long term finances - secured	8,860,908	9,678,306	
Deferred liabilities	10,832	4,592	
Long term retentions	24,469	7,800	
	8,896,209	9,690,698	
CURRENT LIABILITIES			
Current portion of long term finances - secured	841,130	760,652	
Trade and other payables	572,043	1,459,357	
Accrued finance cost	187,466	209,122	
Provision for taxation	442,207	207,771	
	2,042,846	2,636,902	
CONTINGENCIES AND COMMITMENTS			
	-	-	
	15,443,106	16,743,682	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12,715,213	13,272,433	11
Intangible assets	1,595	1,294	12
Long term deposits and prepayments	1,447	1,497	13
	12,718,255	13,275,224	
CURRENT ASSETS			
Trade debts	1,061,646	823,185	14
Advances, deposits, prepayments and other receivables	507,670	206,800	15
Cash and bank balances	1,155,535	2,438,473	16
	2,724,851	3,468,458	
	15,443,106	16,743,682	

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



Chief Executive



Director

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED

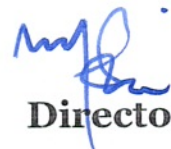
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees in thousand)	2016
Sales	17	3,053,179	2,956,304
Cost of sales	18	(887,269)	(847,227)
Gross profit		<u>2,165,910</u>	<u>2,109,077</u>
Administrative expenses	19	(112,208)	(99,817)
Other income	20	350,650	174,294
Other operating expenses	21	(2,502)	(102,635)
		<u>2,401,850</u>	<u>2,080,919</u>
Finance cost	22	(957,607)	(1,038,124)
Profit before taxation		<u>1,444,243</u>	<u>1,042,795</u>
Taxation	23	(54,300)	(27,357)
Profit for the year		<u><u>1,389,943</u></u>	<u><u>1,015,438</u></u>
Earnings per share - basic and diluted	27	<u><u>3.65</u></u>	<u><u>2.67</u></u>

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Chief Executive



Director

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2017

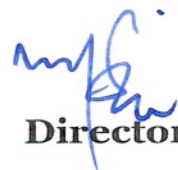
	2017 (Rupees in thousand)	2016
Profit for the year	1,389,943	1,015,438
Other comprehensive income		
<i>Items that will not be re-classified to profit or loss</i>		
<i>Remeasurement of net defined benefit liability</i>	(1,974)	(327)
<i>Tax effect</i>	-	-
	(1,974)	(327)
<i>Items that may be re-classified subsequently to profit or loss</i>	-	-
Other comprehensive income for the year - net of tax	(1,974)	(327)
Total comprehensive income for the year	<u>1,387,969</u>	<u>1,015,111</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, 2017

	(Rupees in thousand)			
	Share capital	Share deposit money	Accumulated profit / (loss)	Total
Balance as on June 30, 2015	10,000	3,799,785	(108,814)	3,700,971
Transaction with owners				
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				
Profit for the year	-	-	1,015,438	1,015,438
Other comprehensive income for the year <i>Remeasurement of defined benefit liability</i> <i>- net of tax</i>	-	-	(327)	(327)
	-	-	1,015,111	1,015,111
Balance as on June 30, 2016	<u>3,809,780</u>	<u>5</u>	<u>606,297</u>	<u>4,416,082</u>
Final dividend for the year ended June 30, 2016 - Rs 1,574.89 per share	-	-	(600,000)	(600,000)
Interim dividend for the year ended June 30, 2017 - Rs 1,837.38 per share	-	-	(700,000)	(700,000)
Total comprehensive income for the year				
Profit for the year	-	-	1,389,943	1,389,943
Other comprehensive income for the year <i>Remeasurement of defined benefit liability</i> <i>- net of tax</i>	-	-	(1,974)	(1,974)
	-	-	1,387,969	1,387,969
Balance as on June 30, 2017	<u>3,809,780</u>	<u>5</u>	<u>694,266</u>	<u>4,504,051</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, 2017

	Note	2017 (Rupees in thousand)	2016
Cash flows from operating activities			
Cash generated from operations	26	2,575,813	2,327,088
Finance costs paid		(947,297)	(1,160,048)
Taxes paid		(11,086)	(16,545)
Gratuity paid		(4,076)	(1,409)
Net cash generated from operating activities		1,613,354	1,149,086
Cash flows from investing activities			
Fixed capital expenditure		(827,406)	(4,337,978)
Net cash used in investing activities		(827,406)	(4,337,978)
Cash flows from financing activities			
Proceeds from long term finances - secured		-	4,566,089
Repayment of long term finances - secured		(768,886)	(517,689)
Dividend paid		(1,300,000)	-
Net cash (used in) / generated from financing activities		(2,068,886)	4,048,400
Net (decrease) / increase in cash and cash equivalents		(1,282,938)	859,508
Cash and cash equivalents at the beginning of the year		2,438,473	1,578,965
Cash and cash equivalents at the end of the year	16	1,155,535	2,438,473

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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. Basis of preparation

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. During the year, the Companies Ordinance, 1984 (hereinafter referred to as the 'Ordinance') has been repealed after the enactment of the Act. However, as allowed by the Securities and Exchange Commission of Pakistan ('SECP') vide Circular No. CLD/CCD/PR(11)/2017 dated July 20, 2017 and further clarified through its press release dated July 20, 2017, companies whose financial year closes on or before June 30, 2017, shall prepare financial statements in accordance with the provisions of the repealed Ordinance. Accordingly, these financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board ('IASB') as are notified under the repealed Ordinance, provisions of and directives issued under the repealed Ordinance. Wherever the requirements of the repealed Ordinance or directives issued by SECP differ with the requirements of IFRSs, the requirements of the repealed Ordinance 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 year

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) 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 adoption of new standard as explained below:

- International Accounting Standard ('IAS') 1, 'Presentation of financial statements' (Amendment). The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

- Notes – confirmation that the notes do not need to be presented in a particular order.

- Other comprehensive income arising from investments accounted for under the equity method – the share of other comprehensive income arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

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- IAS 16 (Amendment), 'Property, plant and equipment, and IAS 38 (Amendment), 'Intangible assets'. The amendment to IAS 16 clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This amendment also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. IAS 38 now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either:

- The intangible asset is expressed as a measure of revenue (i.e. where a measure of revenue is the limiting factor on the value that can be derived from the asset), or
- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

The company's current accounting treatment is already in line with the requirement of this standard.

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, 2017 or later periods, but the Company has not early adopted them:

Standards or Interpretations	Effective date (accounting periods beginning on or after)
Annual improvements 2014–2016:	
- IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10.	January 01, 2018
- IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard.	January 01, 2018
- IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value.	January 01, 2018
IFRS 9, 'Financial instruments'	January 01, 2018
IFRS 15, 'Revenue from contracts with customers'	January 01, 2018
IFRS 16, 'Leases'	January 01, 2019
IFRS 17, 'Insurance contracts'	January 01, 2021
Amendment to IAS 40, 'Investment property' relating to transfers of investment property	January 01, 2018
Amendments to IFRS 2, 'Share based payments', on clarifying how to account for certain types of share-based payment transactions	January 01, 2018
Amendments to IFRS 15, 'Revenue from contracts with customers' on gross versus net revenue presentation	January 01, 2018
Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'	January 01, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 01, 2018

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:

	2017	2016
	(Rupees in thousand)	
De-recognition of property, plant and equipment	<u>12,683,632</u>	<u>13,257,141</u>
Recognition of lease debtor	<u>13,145,951</u>	<u>13,519,279</u>
Increase in un-appropriated profit at the beginning of the year	262,138	-
Increase in profit for the year	200,181	262,138
Increase in un-appropriated profit at the end of the year	<u>462,319</u>	<u>262,138</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) 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.

ii) 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 law, the amounts are shown as contingent liabilities.

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.

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, 2017 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.

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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.

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 using straight line method at the 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, trade debts, borrowings, trade and other payables, long term retentions and accrued finance cost. 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.

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

Cash and cash equivalents are carried in the balance sheet at cost. 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.

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 and delayed payment markup on amounts due under the Energy Purchase Agreement is accrued on a time proportion basis by reference to the principal / amount 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, 2017. Projected unit credit method, using the following significant assumptions is used for the valuation of this scheme:

- Discount rate 7.75 percent per annum (2016: 7.25 percent per annum);
- Expected rate of increase in salary level 6.75 percent per annum (2016: 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.

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5. Issued, subscribed and paid up capital

This represents 380,978 (2016: 380,978) 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.

		2017	2016
		(Rupees in thousand)	
6. Long term finances - secured			
Term finance loan - secured	- note 6.1	9,850,425	10,619,311
Less: Transaction costs		<u>148,387</u>	<u>180,353</u>
		9,702,038	10,438,958
Less : Current portion shown under current liabilities		<u>841,130</u>	<u>760,652</u>
		<u><u>8,860,908</u></u>	<u><u>9,678,306</u></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. It carries mark up at the rate of 3 months KIBOR plus 3 percent per annum. The balance is repayable in 33 unequal quarterly installments ending on July 16, 2025. The mark up charged during the year ranged from 9.03% to 9.36% (2016: 9.36% to 12.29%) per annum.

7. Deferred liabilities

This represents the present value of defined benefit obligation of the unfunded gratuity scheme operated by the Company. The movement is as follows:

		2017	2,016
		(Rupees in thousand)	
Present value of defined benefit obligation as at start of the year		4,592	3,688
Current service cost		4,966	3,951
Past service cost		-	870
Interest cost		297	244
Benefits paid		(997)	(1,409)
Actuarial gain		18	(545)
Experience loss		1,956	872
Deferred liability transferred to current liability		-	(3,079)
Present value of defined benefit obligation as at year end		<u><u>10,832</u></u>	<u><u>4,592</u></u>

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

Current service cost	4,966	3,951
Past service cost	-	870
Net interest cost for the year	297	244
Total included in salaries, wages and amenities	<u><u>5,263</u></u>	<u><u>5,065</u></u>
Experience adjustment arising on obligation	18%	19%

At

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
		(Rupees in thousand)	
Discount rate	1%	10,007	11,810
Salary increase	1%	11,839	9,967
		2017	2,016
		(Rupees in thousand)	

8. Long Term Retentions

Maintenance retention fund	- note 8.1	14,064	4,616
Asset replacement fund	- note 8.2	10,405	3,184
		<u>24,469</u>	<u>7,800</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.

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').

		2017	2016
		(Rupees in thousand)	
9. Trade and other payables			
Trade creditors		16,144	4,994
Accrued liabilities		18,241	36,649
Withholding tax payable		16,963	11,918
Sales tax payable		10,283	116,674
Payable to contractor	- note 9.1	73,102	644,049
Payable to consultants		11,763	26,650
Retention money	- note 9.2	151	262,219
Payable to Directorate General Public Relations		50	329
Dividends payable	- note 9.3	300,000	300,000
Workers' profit participation fund	- note 9.4	124,352	52,140
Other liabilities	- note 9.5	994	3,735
		<u>572,043</u>	<u>1,459,357</u>

9.1 This represents amount due to the EPC / O&M Contractor on account of O&M works. At the commencement of current year, this included an amount of USD 3.391 million payable to the contractor relating to EPC phase after settlement in relation of Annual Performance Ratio (APR). The company deducted USD 1.139 million as referred to in note 20, in agreement with the Contractor, as liquidated damages at the rate of USD 0.2 per kWh for not achieving APR in first year of operations, recommended by ILF Consulting Engineers (ILF). The Company additionally withheld an amount of USD 0.8 million which has been adjusted against liquidated damages recoverable from the Contractor, as referred to in note 20.1, against shortfall in production during the year in accordance with the Contractor's offer letter dated November 20, 2017. The remaining amount after these deductions was paid to the contractor.

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9.2 This represents temporary retentions by the Company on account of pending O&M works. This head represented 50% of the total project retention with a value of USD 3.279 million (2.5% of the total contract value) on account of pending EPC works. Out of remaining balance of USD 2.509 million payable at the commencement of the current year, a further deduction of USD 0.2 million was made in agreement with the Contractor, against the unfinished work relating to installation of SCADA and recorded as a reduction to the value of plant and machinery. The remaining amount of USD 2.309 million has been released to the Contractor.

9.3 This represents interim dividend approved by the Board on June 15, 2017 and has been paid subsequent to the year end.

2017 **2016**
(Rupees in thousand)

9.4 Workers' profit participation fund

Opening balance	52,140	-
Provision for the year	72,212	52,140
Closing balance	124,352	52,140

9.5 Other liabilities include Rs 0.642 million (2016: Rs 3.66 million) due to executives.

10. Contingencies and commitments

10.1 Contingencies

i) During the year, the Company was served a notice by Punjab Revenue Authority (PRA) wherein it required the Company to explain the circumstances for not withholding Punjab Sales Tax on services at 16% under Punjab Sales Tax on Services (Withholding) Rules 2015, on the contractual execution of EPC works on the aggregate contract value. The Company through its response to PRA dated May 23, 2017, challenged this notice as being without jurisdiction and also on the grounds that it is tax exempt under the "Policy for development of renewable energy for power generation 2006 of the Government of Pakistan". However, PRA issued an Assessment Order subsequent to the year end dated November 30 2017 and determined sales tax liability of Rs 230.104 Million and penalty amounting to Rs 11.505 Million along with default surcharge. The management of the company, based on the view of its legal counsel, is of the view that the relevant clause for taxation of services relating to turnkey projects have been introduced subsequent to the signing of and substantial completion of the EPC contract and consequently is not applicable on the Company. The management of the Company has decided to file an appeal before Appellate Tribunal and is confident that decision will be in favor of the company. Consequently, no provision has been recorded in these financial statements in this respect.

ii) The company has received a letter from District Council Bahawalpur dated October 28, 2017, demanding fee of Rs 218.77 Million for map approval. However, the management of the company, based on the opinion of its legal counsel is of the view that no fee can be imposed for approval and intends to file an appeal before the Divisional Commissioner and is confident of favorable outcome of the matter. No provision has been made in the accounts in this respect.



(Rupees in thousand)

	Cost as at July 01, 2016	Additions / (deletions)	Cost as at June 30, 2017	Accumulated depreciation as at July 01, 2016	Depreciation charge / (deletions) for the year	Accumulated depreciation as at June 30, 2017	Net book value as at June 30, 2017	Rate of depreciation %
Buildings on leasehold land	79,469	-	79,469	3,166	3,179	6,345	73,124	4
Plant and machinery	13,736,952	8,951 *(25,070)	13,720,833	556,114	554,211	1,110,325	12,610,508	4-8
IT equipment	3,676	913	4,589	2,382	1,185	3,567	1,022	33
Furniture and fixtures	5,162	15,756	20,918	2,379	1,723	4,102	16,816	25
Electric equipment	2,128	3,541	5,669	397	812	1,209	4,460	20
Vehicles	15,920	3,078	18,998	6,436	3,279	9,715	9,283	20
	13,843,307	32,239 (25,070)	13,850,476	570,874	564,389	1,135,263	12,715,213	
	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	442,207	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	

* This includes reduction in project cost on account of USD 0.2 million (Rs 20.34 million) on account of unfinished works on account of SCADA as referred to in note 9.2.

11.1 The depreciation charge has been allocated as follows:

	2017 (Rupees in thousand)	2016 (Rupees in thousand)
Cost of sales	558,298	559,664
Administrative expenses	6,091	5,418
	564,389	565,082

- note 18
- note 19

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11.2 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 requested CPPA to form a high level enquiry committee comprising of Superintending Engineers (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 dispute resolution committee under chairmanship of Chief Engineer Technical Services Group (TSG) NTDC was notified by CPPA on February 14, 2017 and four meetings of the committee have been held since but the issue is still unresolved.

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.

	2017	2016
	(Rupees in thousand)	
12. Intangible assets		
Cost		
As at July 01	1,660	346
Additions for the year	681	1,314
As at June 30	2,341	1,660
Less: Accumulated amortisation		
As at July 01	366	38
Amortization charge for the year	380	328
As at June 30	746	366
Net book value as at June 30, 2017	1,595	1,294

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

	2017	2016
	(Rupees in thousand)	
13. Long term deposits and prepayments		
Prepayments	1,046	1,096
Other deposits	401	401
	1,447	1,497

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 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 year on outstanding amounts ranges from 7.99% to 8.14% (2016: 8.11% to 8.59%) per annum. Trade debts also includes accrued revenue, inclusive of sales tax, of Nil (2016: Rs 347.14 million).

2017 **2016**
(Rupees in thousand)

14.1 As of balance sheet date, age analysis of trade debts was as follows:

Neither past due nor impaired	637,276	816,098
Past due but not impaired:		
- 1 to 30 days	341,665	1,097
- 31 to 90 days	56,385	3,065
- 91 to 180 days	6,210	2,925
- 181 to 365 days	13,024	-
- Above 365 Days	7,086	-
	424,370	7,087
	1,061,646	823,185

15. Advances, deposits, prepayments and other receivables

Advances - considered good			
- To employees	- note 15.1	1,135	854
- To suppliers		5,834	32
		6,969	886
Due from related parties - unsecured	- note 15.2	30,050	170
Security deposits		1,925	1,925
Prepayments		3,235	1,762
Recoverable from CPPA as pass through items:			
- Workers' Profit Participation Fund	- note 15.3	124,352	52,140
- Income Tax	- note 23.1	341,139	149,917
		465,491	202,057
		507,670	206,800

15.1 Included in advances to employees are amounts due from executives of Rs 0.956 million (2016: Rs 0.847 million).

2017 **2016**
(Rupees in thousand)

15.2 Due from related parties - unsecured

Khadim-e-Punjab Ujala Program ('KPUP')	- note 15.2.1	30,050	-
Quaid-e-Azam Wind Power (Private) Limited		-	170
		30,050	170
		30,050	170

15.2.1 This represents amount paid to KPUP as a short term interest free loan.

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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.

		2017	2016
		(Rupees in thousand)	
16. Cash and bank balances			
Cash at bank			
- On saving accounts	- note 16.1	1,116,367	2,438,347
- On current accounts		168	126
		<u>1,116,535</u>	<u>2,438,473</u>
Cheque in hand		39,000	-
		<u>1,155,535</u>	<u>2,438,473</u>

16.1 This represents balance in saving accounts in Bank of Punjab, a related party, which bear annual markup at 5.5% (2016: 5.5% to 6.3%) per annum compounded monthly.

		2017	2016
		(Rupees in thousand)	
17. Sales			
Sale of electricity	- note 17.1	3,572,219	3,458,876
Less: Sales tax		519,040	502,572
		<u>3,053,179</u>	<u>2,956,304</u>

17.1 The company insured its plant from National Insurance Company Limited (NICL) during the year to fulfill the requirement of Insurance Ordinance, 2000 and paid premium of Rs 77.068 million and also reduced the O&M price by USD 442,000 per annum, representing the insurance component in O&M contract. NEPRA vide its order dated June 02, 2016 has allowed the adjustment of insurance cost at actual, subject to a ceiling, and allowed to adjust reference tariff annually as per actual upon production of authentic documentary evidence. The company, after payment of insurance premium of Rs. 77.068 million to NICL submitted documentary evidence to NEPRA for tariff adjustment which NEPRA has rejected. However, based on the approval of Board of Directors to claim insurance premium, the company has filed a writ petition before the Lahore High Court against the said decision, of NEPRA, which is pending for adjudication.

		2017	2016
		(Rupees in thousand)	
18. Cost of sales			
Operation and maintenance charges		178,495	203,375
Salaries, wages and other benefits	- note 18.1	29,830	32,357
Rent, rates and taxes		1,680	3,725
Utilities		480	18,980
Consultancy charges		32,197	1,324
Insurance		64,343	-
Travelling and conveyance		2,155	2,805
Depreciation on property, plant and equipment		558,298	559,664
Security expense		17,969	23,582
Repairs and maintenance		245	427
Printing and stationery		21	26
Communication charges		1,063	337
Entertainment charges		328	309
Others		165	316
		<u>887,269</u>	<u>847,227</u>

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18.1 Salaries, wages and other benefits includes provision for gratuity of Rs 2.172 million (2016: Rs 2.282 million).

2017 **2016**
(Rupees in thousand)

19. Administrative expenses

Salaries, wages and other benefits	- note 19.1	58,113	52,323
Rent, rates and taxes		10,754	9,838
Utilities		3,100	3,029
Advertisement and promotion		5,289	762
Legal and professional charges	- note 19.2	18,665	19,305
Travelling and conveyance		2,443	3,352
Repairs and maintenance		917	465
Printing and stationery		713	580
Insurance expense		1,318	1,102
Depreciation on property, plant and equipment	- note 11.1	6,091	5,418
Amortization of intangible assets	- note 12	380	328
Communication charges		1,332	1,046
Entertainment charges		696	724
Others		2,397	1,545
		<u>112,208</u>	<u>99,817</u>

19.1 Salaries, wages and other benefits includes provision for gratuity of Rs 3.091 million (2016: Rs 2.711 million).

2017 **2016**
(Rupees in thousand)

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

Statutory audit		2,050	1,800
Special audit		600	500
Other certifications		400	100
Out of pocket expenses		105	100
		<u>3,155</u>	<u>2,500</u>

20. Other income

Income from financial assets:

Income on bank deposits		106,945	160,925
Mark-up on delayed payment from CPPA		30,113	13,168
		<u>137,058</u>	<u>174,093</u>

Income from non-financial assets:

Exchange gain		-	-
Liquidated damages from the Contractor	- note 20.1	212,469	-
Others		1,123	201
		213,592	201
		<u>350,650</u>	<u>174,294</u>

At

- 20.1** These represent liquidated damages for not achieving Annual Performance Ratio ('APR') in first and second year of operations of Rs 119.33 million and Rs 93.13 million respectively.

The APR test for second year of operations was conducted by PV Lab Pakistan (Private) Limited as an independent compliance auditors who have declared in their report dated August 23, 2017 that APR of the respective period has not been achieved. Based on the report, the Company has raised an invoice of USD 1.176 million against O&M Contractor as liquidated damages, out of which USD 1.09 million relates to current year on pro-rata basis. The O&M Contractor requested to set off Liquidated Damages against discount of USD 0.8 Million as referred to in note 9.1 and Temporary Retention against O&M works of USD 0.087 Million and has agreed to install additional solar panels of 1.91 MW against remaining payable of USD 0.29 Million. The company has, consequently, recognized liquidated damages to the extent of amount settled i.e. USD 0.887 million and the recognition of the remaining amount of USD 0.29 million is deferred being conditional upon recovery of the same in case of failure of the O&M Contractor to install additional power within due time.

21. Other operating expenses

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

22. Finance cost	2017	2016
	(Rupees in thousand)	
Mark-up on long term loan	922,886	1,003,674
Transaction cost	31,966	30,404
Bank charges	2,755	4,046
	<u>957,607</u>	<u>1,038,124</u>

23. Taxation

- 23.1** This represents provision for current taxation for the year. 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 245.521 million (2016: Rs 177.28 million) of which Rs 191.22 million (2016: Rs 149.92 million), included as receivable from CPPA in note 15 as a pass through item, represents ACT on profit before tax excluding income on bank deposits and liquidated damages from contractor. The remaining provision of Rs 54.30 million (2016: Rs 27.36 million) representing ACT on income from bank deposits and liquidated damages from contractor, 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 of Rs 672.333 million (2016: Rs 237.16 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:

	2017	2016
	%	%
Applicable tax rate	31.00	32.00
Tax losses and credits not recognized	17.00	17.00
Taxes claimable as pass through items	(43.24)	(44.62)
Temporary difference rate change impact	(1.00)	(1.76)
Average effective tax rate charged to income statement	<u>3.76</u>	<u>2.62</u>

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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	
	2017 (Rupees in thousand)	2016	2017 (Rupees in thousand)	2016
Short term employee benefits				
Managerial remuneration	10,373	5,520	-	-
Utilities	455	300	-	-
Bonus	920	5,520	-	-
Medical expenses	76	211	-	-
Meeting Fee	-	-	1,035	-
Others	205	-	-	-
	<u>12,029</u>	<u>11,551</u>	<u>1,035</u>	<u>-</u>
Post employment benefits				
Expense incurred in respect of gratuity	-	920	-	-
	<u>12,029</u>	<u>12,471</u>	<u>1,035</u>	<u>-</u>
Number of persons	1	1	13	13

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

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:

Relationship with the company	Nature of transactions	2017 (Rupees in thousand)	2016 (Rupees in thousand)
Shareholders	Issuance of share capital	-	3,799,780
Others	Advertisement expenses charged to the Company	1,468	558
	Interest income accrued during the year	106,945	160,925
	Loan facility availed by the company	-	4,559,399
	Loan repaid by the company	768,886	517,689
	Financing fees and charges	2,029	9,817
	Mark-up on long term loan	922,886	1,040,378
	Expenses incurred on behalf of related parties	30	27
	Expenses incurred by related parties on our behalf	-	1,851
	Loan given to KPUP	30,050	-

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

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26. Cash generated from operations		2017	2016
		(Rupees in thousand)	
Profit before taxation		1,444,243	1,042,795
Adjustment for:			
Depreciation on property, plant and equipment	- note 11.1	564,389	565,082
Amortization of intangible assets	- note 12	380	328
Exchange gain	- note 21	0	102,635
Finance costs	- note 22	957,607	1,038,124
Gain on sale of property, plant and equipment		-	-
Staff retirement benefits	- note 7	5,263	5,065
Profit before working capital changes		<u>2,971,882</u>	<u>2,754,029</u>
Effect on cash flow due to working capital changes:			
Increase in trade debts		(238,461)	(582,226)
Increase in advances, deposits, prepayments and other receivables		(109,598)	(46,765)
(Decrease) / increase in trade and other payables and long term retentions		(48,010)	202,050
		<u>2,575,813</u>	<u>2,327,088</u>

27. Earnings per share

Profit for the year	Rupees in thousand	1,389,943	1,015,438
Weighted average number of ordinary shares	Number	380,978	380,978
Earnings per share	Rupees in thousand	3.65	2.67

27.1 Diluted earnings per share

Diluted earnings per share has not been presented as the company does not have any convertible instrument in issue as at June 30, 2017 and June 30, 2016 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.

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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 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, 2017 if the Rupee had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit for the year would have been Rs 1.452 million (2016: Rs 46.708 million) lower / higher mainly as a result of foreign exchange losses / gains on translation of USD-denominated financial assets and liabilities.

At June 30, 2017 if the Rupee had weakened / strengthened by 5% against the Euro with all other variables held constant, the impact on profit for the year would have been Rs 0.316 million (2016: Rs 0.437 million) lower / higher mainly as a result of foreign exchange losses / gains on translation of USD-denominated financial assets and liabilities.

(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, finance cost for the period would have been increased / decreased by Rs 101.765 million (2016: Rs 104.604 million) 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:

	2017	2016
	(Rupees in thousand)	
Long term deposits	401	401
Trade debts	1,061,646	823,185
Advances, deposits and other receivables	497,466	204,152
Balances at bank	1,116,535	2,438,473
	2,676,048	3,466,211

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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	2017 (Rupees in thousand)	2016 (Rupees in thousand)
Bank of Punjab (BOP)	A1+	AA	PACRA	1,116,326	2,438,264
United Bank Limited (UBL)	A-1+	AAA	JCR-VIS	209	209
				<u>1,116,535</u>	<u>2,438,473</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.

(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:

	(Rupees in thousand)		
At June 30, 2017	Less than 1 year	Between 1 and 5 years	Over 5 years
Long term loan	841,130	4,238,934	4,770,361
Trade and other payables	572,043	-	-
Accrued finance cost	187,466	-	-
Long term retentions	-	-	24,469
	<u>1,600,639</u>	<u>4,238,934</u>	<u>4,794,830</u>

	(Rupees in thousand)		
At June 30, 2016	Less than 1 year	Between 1 and 5 years	Over 5 years
Long term loan	760,652	3,854,971	6,003,688
Long term retentions	-	-	7,800
Trade and other payables	1,459,357	-	-
Accrued finance cost	209,122	-	-
	<u>2,429,131</u>	<u>3,854,971</u>	<u>6,011,488</u>

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28.2 Fair values estimation

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.

28.3 Financial instruments by categories

Financial assets

	2017	2016
	(Rupees in thousand)	
Long term deposits	401	401
Trade debts	1,061,646	823,185
Advances, deposits and other receivables	497,466	204,152
Cash and bank balances	1,155,535	2,438,473
	<u>2,715,048</u>	<u>3,466,211</u>

Financial liabilities at amortised cost

	2017	2016
	(Rupees in thousand)	
Long term finances	9,850,425	10,619,311
Trade and other payables	572,043	1,459,357
Accrued finance cost	187,466	209,122
Long term retentions	24,469	7,800
	<u>10,634,403</u>	<u>12,295,590</u>

Financial liabilities

Long term finances	9,850,425	10,619,311
Trade and other payables	572,043	1,459,357
Accrued finance cost	187,466	209,122
Long term retentions	24,469	7,800

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 employed. 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, 2017 and June 30, 2016 is as follows:

	2017	2016
	(Rupees in thousand)	
Long term finances	9,702,038	10,438,958
Total equity	<u>4,504,051</u>	<u>4,416,082</u>
Total capital	<u>14,206,089</u>	<u>14,855,040</u>
Gearing ratio	68%	70%

In accordance with the terms of agreement with the lenders of long term finances (as discussed in note 6 to these financial statements), the company is required to comply with certain financial covenants in respect of capital requirements which the company has complied with throughout the reporting period.

29. Capacity and production	2017 MWH	2016 MWH
Annual bench-mark energy	152,227	153,300
Benchmark energy for the year / period	152,227	146,913
Actual energy delivered for the year / period, as acknowledged by CPPA	159,875	153,879

30. Number of employees	2017 (Rupees in thousand)	2016
Total number of employees as at June 30	<u>54</u>	<u>52</u>
Average number of employees during the year	<u>53</u>	<u>51</u>

31. Date of authorisation for issue

These financial statements were authorised for issue on 19-12-2017, 2017 by the Board of Directors of the Company.

32. Events after the balance sheet date

The Energy Department, Government of Punjab has directed the Punjab Privatization Board ('PPB') to initiate the process for privatization of the Company in response to which the privatization board has published an advertisement dated July 27th 2017 in local as well as in International newspapers to call Expression of Interest (EOI) from investors. Various road shows have also been conducted on national and international level. Last date of submission of EOI was September 27, 2017. The statement of qualification submitted by prospective investors has been evaluated by PPB. The process of privatization is expected to be completed by the end of current calendar year.

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