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INDEPENDENT AUDITOR'S REPORT

To the members of Quaid-e-Azam Solar Power (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Quaid-e-Azam Solar Power (Private) Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the director's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

The engagement partner on the audit resulting in this independent auditor's report is Asad Aleem Mirza.

AFFerguson&Co

Chartered Accountants

Lahore

January 07, 2019

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

	Note	2018	2017 Restated	2016 Restated
			(Rupees in thousand)	
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Authorised capital				
600,000 ordinary shares of Rs 10,000 each		6,000,000	6,000,000	6,000,000
Issued, subscribed and paid up capital 380,978 (2017: 380,978) ordinary shares of Rs 10,000 each	5	3,809,780	3,809,780	3,809,780
Share deposit money		5	5	5
Revenue reserve: Un-appropriated profit		1,232,896	694,266	606,297
		5,042,681	4,504,051	4,416,082
NON-CURRENT LIABILITIES				
Long term finances - secured	6	7,978,716	8,860,908	9,678,306
Deferred liabilities	7	13,528	10,832	4,592
Long term retentions	8	44,542	24,469	7,800
		8,036,786	8,896,209	9,690,698
CURRENT LIABILITIES				
Current portion of long term finances - secured	6	912,199	841,130	760,652
Trade and other payables	9	290,591	272,043	1,159,357
Unpaid dividend	10	600,000	300,000	300,000
Accrued finance cost		176,526	187,466	209,122
Provision for taxation		535,411	442,207	207,771
		2,514,727	2,042,846	2,636,902
CONTINGENCIES AND COMMITMENTS	11	-	-	-
		15,594,194	15,443,106	16,743,682

	Note	2018	2017 Restated	2016 Restated
			(Rupees in thousand)	
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	12	12,162,811	12,715,213	13,272,433
Intangible assets	13	1,171	1,595	1,294
Long term deposits and prepayments	14	1,397	1,447	1,497
		12,165,379	12,718,255	13,275,224
CURRENT ASSETS				
Trade debts - secured	15	1,388,264	1,061,646	823,185
Advances, deposits, prepayments and other receivables	16	1,069,897	507,670	206,800
Cash and bank balances	17	970,654	1,155,535	2,438,473
		3,428,815	2,724,851	3,468,458
		15,594,194	15,443,106	16,743,682

The annexed notes 1 to 34 form an integral part of these financial statements.

Chief Executive

Director

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
Sales	18	2,920,095	3,053,179
Cost of sales	19	(893,958)	(887,269)
Gross profit		2,026,137	2,165,910
Administrative expenses	20	(128,025)	(112,208)
Other income	21	174,950	350,650
Other operating expenses	22	(5,483)	(2,502)
		2,067,579	2,401,850
Finance cost	23	(893,462)	(957,607)
Profit before taxation		1,174,117	1,444,243
Taxation	24	(35,418)	(54,300)
Profit for the year		1,138,699	1,389,943
Earnings per share - basic and diluted	29	2.99	3.65

The annexed notes 1 to 34 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, 2018

	Note	2018	2017
		(Rupees in thousand)	
Profit for the year		1,138,699	1,389,943
Other comprehensive income			
Items that will not be re-classified to profit or loss			
Remeasurement of net defined benefit liability		(69)	(1,974)
Tax effect		-	-
		(69)	(1,974)
Items that may be re-classified subsequently to profit or loss		-	-
Other comprehensive income for the year - net of tax		(69)	(1,974)
Total comprehensive income for the year		1,138,630	1,387,969

The annexed notes 1 to 34 form an integral part of these financial statements.

Chief Executive **Director**

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2018

	Share Capital	Share deposit money	Revenue Reserve: Unappropriated profit	Total equity
	.... Rupees in thousands			....
Balance as on June 30, 2016	3,809,780	5	606,297	4,416,082
Total comprehensive income for the year				
Profit for the year	-	-	1,389,943	1,389,943
Other comprehensive income for the year				
Remeasurement of defined benefit liability - net of tax	-	-	(1,974)	(1,974)
	-	-	1,387,969	1,387,969
Transaction with owners				
Final dividend for the year ended June 30, 2016 - Rs 1,574.9 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)
	-	-	(1,300,000)	(1,300,000)
Balance as on June 30, 2017	3,809,780	5	694,266	4,504,051
Total comprehensive income for the year				
Profit for the year	-	-	1,138,699	1,138,699
Other comprehensive income for the year				
Remeasurement of defined benefit liability - net of tax	-	-	(69)	(69)
	-	-	1,138,630	1,138,630
Interim dividend for the period ended June 30, 2018 - Rs 1,574.89 per share	-	-	(600,000)	(600,000)
Balance as on June 30, 2018	3,809,780	5	1,232,896	5,042,681

The annexed notes 1 to 34 form an integral part of these financial statements.

Chief Executive **Director**

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	27	2,045,602	2,575,813
Finance costs paid		(874,569)	(947,297)
Taxes paid		(211,779)	(11,086)
Gratuity paid		(1,498)	(4,076)
Net cash generated from operating activities		957,756	1,613,354
Cash flows from investing activities			
Fixed capital expenditure		(1,680)	(827,406)
Net cash used in investing activities		(1,680)	(827,406)
Cash flows from financing activities			
Repayment of long term finances - secured	28	(840,957)	(768,886)
Dividend paid		(300,000)	(1,300,000)
Net cash used in from financing activities		(1,140,957)	(2,068,886)
Net decrease in cash and cash equivalents		(184,881)	(1,282,938)
Cash and cash equivalents at the beginning of the year		1,155,535	2,438,473
Cash and cash equivalents at the end of the year	17	970,654	1,155,535

The annexed notes 1 to 34 form an integral part of these financial statements.

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, 2018

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.

1.2 Summary of significant events and transactions in the current reporting period

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Declared interim dividend in February 2018. (Refer to note 10)
- The Annual Performance Ratio for third year of operations was not achieved due to which liquidated damages were invoiced to Operations & Maintenance contractor. (Refer to note 21.1)
- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fifth schedule of the Companies Act, 2017, unpaid dividend for the previous periods has been reclassified. (Refer to note 33)

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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 following:

- International Accounting Standard ('IAS') 7, 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers statement of financial position items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. The Company's current accounting treatment is already in line with the requirements 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, 2018 or later periods, but the Company has not early adopted them:

Standards or Interpretations	Effective date (accounting periods beginning on or after)
IFRIC 22,' Foreign currency transactions and advance consideration'	January 1, 2018
IFRS 9, 'Financial instruments'	July 1, 2018
IFRS 15, 'Revenue from contracts with customers'	July 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19,'Employee Benefits' regarding plan amendments, curtailments or settlements	January 1, 2019
Amendments to IFRS 9,'Financial instruments' regarding prepayment features with negative compensation and modifications of financial liabilities	January 1, 2019

The Company is yet to assess the impact of IFRS 16 'Leases'. However, the remaining standards, amendments and interpretations as above are not expected to have a material impact on the company's financial statements when they become effective.

2.2.3 Exemption from applicability of certain interpretations to standards

The Securities and Exchange Commission of Pakistan ('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'.

Under IFRIC 4, the consideration required to be made by the lessee for the right to use the asset is to be accounted for as a finance lease under IAS 17, 'Leases'. The Company's power plant's control due to purchase of total output by Central Power Purchasing Agency (Guarantee) Limited appears to fall under the scope of IFRIC 4. Consequently, if the Company were to follow IFRIC 4 and IAS 17, the effect on the financial statements would be as follows:

	2018	2017
	(Rupees in thousand)	
De-recognition of property, plant and equipment	12,141,643	12,683,632
Recognition of lease debtor	12,694,655	13,145,951
Increase in un-appropriated profit at the beginning of the year	462,319	262,138
Increase in profit for the year	90,693	200,181
Increase in un-appropriated profit at the end of the year	553,012	462,319

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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 date of statement of financial position. 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 12 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, 2018 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 statement of financial position 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.

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 13.1

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:

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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 statement of financial position 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 statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cheques 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 statement of profit or loss 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 statement of 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 on the following basis:

- Revenue on account of energy is recognised on transmission of electricity to CPPA through the grid system on monthly basis.

-Non-Project Missed Volume is recognised when these are invoiced when underlying data is available on monthly basis and the same has been acknowledged by CPPA.

-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 statement of financial position 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, 2018. Projected unit credit method, using the following significant assumptions is used for the valuation of this scheme:

- Discount rate 9 percent per annum (2017: 7.75 percent per annum);
- Expected rate of increase in salary level 8 percent per annum (2017: 6.75 percent per annum); and
- Expected mortality rate as per SLIC (2001-2005) Mortality Table, with one year setback.

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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 statement of profit or loss.

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 (2017: 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.

6. Long term finances - secured

		2018	2017
		(Rupees in thousand)	
The reconciliation of the carrying amount of loan is as follows:			
Opening balance		9,850,425	10,619,311
Less: Repayments during the year		840,957	768,886
Closing balance	- note 6.1	9,009,468	9,850,425
Less: Transaction costs		118,553	148,387
		8,890,915	9,702,038
Less : Current portion shown under current liabilities		912,199	841,130
		7,978,716	8,860,908

6.1 This represents the loan availed against aggregate facility of Rs 11,137 million obtained from the Bank of Punjab. The key terms are as follows:

Rate of interest per annum	3 months KIBOR +3% per annum
Installments ending on	July 16, 2025
Number of installments remaining	29 unequal quarterly installments

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The 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. The mark up charged during the year ranged from 9.13% to 9.16% (2017: 9.03% to 9.36%) per annum. The transaction cost amortised during the year is Rs 29.83 million (2017: Rs 31.97 million) as referred to in note 23.

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:

7.1 The amounts recognized in the statement of financial position are as follows:

	2018	2017
	(Rupees in thousand)	
Fair value of plan assets	-	-
Present value of defined benefit obligation	13,528	10,832
Closing net liability	13,528	10,832

7.2 Changes in the present value of the defined benefit obligation are as follows:

	2018	2017
Present value of defined benefit obligation as at start of the year	10,832	4,592
Current service cost	5,891	4,966
Interest cost	760	297
Benefits paid	(1,499)	(997)
Actuarial gain from changes in financial assumptions	57	18
Experience adjustments	12	1,956
Transferred to current liabilities	(2,525)	-
Present value of defined benefit obligation as at year end	13,528	10,832

7.3 The amounts recognised in the statement of profit or loss:

	2018	2017
Current service cost	5,891	4,966
Net interest cost for the year	760	297
Total included in salaries, wages and amenities	6,651	5,263
Experience adjustment arising on obligation	0.1%	18%

7.4 The amounts recognized in the other comprehensive income are as follows:

	2018	2017
Actuarial gain from changes in financial assumptions	57	18
Experience adjustments	12	1,956
Total remeasurements chargeable in other comprehensive income	69	1,974

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%	14,419	16,801
Salary increase	1%	16,838	14,368

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		2018	2017
		(Rupees in thousand)	

8. Long Term Retentions

Maintenance retention fund	- note 8.1	24,189	14,064
Asset replacement fund	- note 8.2	20,353	10,405
		44,542	24,469

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').

		2018	2017
			Restated
		(Rupees in thousand)	

9. Trade and other payables

Trade creditors		6,278	16,144
Payable to contractor		19,040	73,102
Payable to consultants		17,312	11,763
Accrued liabilities		21,249	18,241
Withholding tax payable		8,129	16,963
Sales tax payable		31,977	10,283
Retention money		-	151
Payable to Director General Public Relations		50	50
Workers' profit participation fund	- note 9.1	183,058	124,352
Other liabilities	- note 9.2	3,498	994
		290,591	272,043

9.1 Workers' profit participation fund

Opening balance	124,352	52,140
Provision for the year	58,706	72,212
Closing balance	183,058	124,352

9.2 Other liabilities include Rs 3.084 million (2017: Rs 0.642 million) due to executives.

10. Unpaid dividend

This represents interim dividend approved by the Board on February 2, 2018 and has not been paid.

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11. Contingencies and commitments

11.1 Contingencies

i) During the last 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 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 on payments against local execution of EPC works. The management of the company filed an appeal before the Commissioner (Appeals) against the impugned order, who through order dated April 25, 2018 has decided the case in favour of PRA. The company has filed an appeal on May 23, 2018 before the Appellate Tribunal PRA to vacate the impugned Order. The appeal has not yet been fixed for hearing and is pending adjudication. The company has also paid Rs 230.104 million under protest to PRA without prejudice to any right of appeal or other remedy available to the Company as shown 'Due from PRA' in note 16.3 of these financial statements. No provision has been recorded in these financial statements in this respect as the management of the Company is confident, based on the view of its legal counsel, that the decision of the appeal will be in favor of the Company.

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 of plant site. The Company filed an appeal before the Divisional Commissioner Bahawalpur dated December 21, 2017 on the grounds that the rate of fee for approval of erection of plant may be levied on the building only and not on the open area and that the calculation of the assessed fee may be made on the rates applicable when the installation of plant commenced in the year 2014. The Local Government & Community Development (LG&CD) Department of Government of Punjab via its letter dated February 12, 2018 directed the Chief Officer, District Council, Bahawalpur to charge the rate of conversion fee as well building plan fee prevalent in the year 2013-2014 and fine on late approval at the rate prevalent in year 2018. The Chairman of District council Bahawalpur has requested the secretary LG&CD department to reconsider the matter through letter dated February 16, 2018. The matter is still pending, however, the Company has recognized a provision of Rs 16 million in these financial statements as per the directions of LG&CD Department letter dated February 12, 2018 and is confident that no further fee will be imposed in this regard.

iii) An individual, Mr. Munir Ahmed has filed a writ petition No. 94609/2017 against Federation of Pakistan and various other respondents including the Company under Article 199 of the Constitution of Islamic Republic of Pakistan, 1973 (the Constitution) in the Lahore High Court ('the Court') as a public interest litigation against the incorporation of various public sector companies by the Government of Punjab. The petitioner has prayed that the formation of these companies be declared illegal and ultavires the Constitution on various constitutional grounds and non-compliances with laws, interalia including not getting proper audits or submission of audited financial statements to the appropriate fora. The legal counsel of the Company has submitted before the Court that the petition be dismissed as it is based on frivolous allegations that have not been substantiated by any provision of law, fact or cogent evidence, the petitioner has come to the Court without exhausting alternate remedies available to him under the law and that the Company has conducted regular annual audits and has maintained full compliance with all laws, rules and regulations and has duly submitted its reports and functioning with the SECP. The case is still pending and no decision has yet been issued by the Court. The management is confident that no adverse inference will be drawn against the Company in this matter.

11.2 Commitments

	2018	2017
	(Rupees in thousand)	
Contracts for other than capital expenditure	5,175,830	5,156,596
Commitment for trustee fee, and arrangement and advisory fee to Bank of Punjab, a related party	7,000	8,000

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12. Property, plant and equipment

	Building on Lease hold land	Plant and Machinery	IT Equipment	Furniture and Fixtures	Electric Equipment	Vehicles	Total
	2018						
	(Rupees in thousands)						
As at July 1, 2017							
Cost	79,469	13,720,833	4,589	20,918	5,669	18,998	13,850,476
Accumulated depreciation	(6,345)	(1,110,325)	(3,567)	(4,102)	(1,209)	(9,715)	(1,135,263)
Net book value	73,124	12,610,508	1,022	16,816	4,460	9,283	12,715,213
Year ended June 30, 2018							
Opening net book value	73,124	12,610,508	1,022	16,816	4,460	9,283	12,715,213
Addition at cost	17,380	1	106	30	114	-	17,631
Depreciation for the period	(3,587)	(555,783)	(813)	(5,120)	(930)	(3,800)	(570,033)
Closing net book value	86,917	12,054,726	315	11,726	3,644	5,483	12,162,811
As at June 30, 2018							
Cost	96,849	13,720,834	4,695	20,948	5,783	18,998	13,868,107
Accumulated depreciation	(9,932)	(1,666,108)	(4,380)	(9,222)	(2,139)	(13,515)	(1,705,296)
Net book value	86,917	12,054,726	315	11,726	3,644	5,483	12,162,811

	Building on Lease hold land	Plant and Machinery	IT Equipment	Furniture and Fixtures	Electric Equipment	Vehicles	Total
	2017						
	(Rupees in thousands)						
As at July 1, 2016							
Cost	79,469	13,736,952	3,676	5,162	2,128	15,920	13,843,307
Accumulated depreciation	(3,166)	(556,114)	(2,382)	(2,379)	(397)	(6,436)	(570,874)
Net book value	76,303	13,180,838	1,294	2,783	1,731	9,484	13,272,433
Year ended June 30, 2017							
Opening net book value	76,303	13,180,838	1,294	2,783	1,731	9,484	13,272,433
Addition at cost	-	8,951	913	15,756	3,541	3,078	32,239
Disposals at cost	-	* (25,070)	-	-	-	-	(25,070)
Depreciation for the period	(3,179)	(554,211)	(1,185)	(1,723)	(812)	(3,279)	(564,389)
Closing net book value	73,124	12,610,508	1,022	16,816	4,460	9,283	12,715,213
At June 30, 2017							
Cost	79,469	13,720,833	4,589	20,918	5,669	18,998	13,850,476
Accumulated depreciation	(6,345)	(1,110,325)	(3,567)	(4,102)	(1,209)	(9,715)	(1,135,263)
Net book value	73,124	12,610,508	1,022	16,816	4,460	9,283	12,715,213
Depreciation rate %	4	4-8	33	25	20	20	

* This represented reduction in project cost last year on account of unfinished works relating to SCADA.

12.1 The depreciation charge for the period has been allocated as follows:

		2018	2017
		(Rupees in thousand)	
Cost of Sales	- note 19	560,380	558,298
Administrative expenses	- note 20	9,653	6,091
		570,033	564,389

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12.2 The company had invoiced 48.301 million Kwh during trial production for the cumulative period from March 28, 2015 till July 15, 2015 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 reinvoiced 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 multiple 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.

13. Intangible assets

		2018 (Rupees in thousand) Computer softwares
As at July 01, 2017		
Cost		2,341
Accumulated Amortization		(746)
Net book value		1,595
Year end June 30, 2018		
Opening net book value		1,595
Addition at cost		49
Amortization for the year	- note 13.1	(473)
Closing net book value		1,171
As at June 30, 2018		
Cost		2,390
Accumulated depreciation		(1,219)
Net book value		1,171

		2017 (Rupees in thousand) Computer softwares
As at July 01, 2016		
Cost		1,660
Accumulated Amortization		(366)
Net book value		1,294
Year end June 30, 2017		
Opening net book value		1,294
Addition at cost		681
Amortization for the year	- note 13.1	(380)
Closing net book value		1,595
As at June 30, 2017		
Cost		2,341
Accumulated depreciation		(746)
Net book value		1,595

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

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14. Long term deposits and prepayments

		2018	2017
		(Rupees in thousand)	
Prepayments	- note 14.1	996	1,046
Other deposits		401	401
		1,397	1,447

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

15. Trade debts - secured

		2018	2017
		(Rupees in thousand)	
Gross trade debts	- note 15.1	1,595,717	1,061,646
Less : Effect of Nepra revised indexation order	- note 15.2	(207,453)	-
Net trade debts		1,388,264	1,061,646

15.1 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 period on outstanding amounts ranges from 8.13% to 8.92% (2017: 7.99% to 8.14%) per annum.

15.2 This represents a provisional adjustment due to estimated reduction in revenue and related trade debts relating to NEPRA order dated November 6, 2018 as referred to in note 18.2, as the settlement mechanism of these receivables is not defined in the said order.

15.3 As of statement of financial position date, age analysis of gross trade debts was as follows:

	2018	2017
	(Rupees in thousand)	
Neither past due nor impaired	634,218	637,276
Past due but not impaired:		
- 1 to 30 days	360,403	341,665
- 31 to 90 days	553,695	56,385
- 91 to 180 days	8,421	6,210
- 181 to 365 days	10,559	13,024
- Above 365 Days	28,421	7,086
	961,499	424,370
	1,595,717	1,061,646

16. Advances, deposits, prepayments and other receivables

		2018	2017
Advances - considered good			
- To employees	- note 16.1	3,462	1,135
- To suppliers		3,843	5,834
		7,305	6,969
Due from O&M contractor		31,590	-
Due from related parties - unsecured	- note 16.2	379	30,050
Security deposits		1,926	1,925
Due from PRA	- note 16.3	230,104	-
Prepayments		4,830	3,235
Recoverable from CPPA as pass through items:			
- Workers' Profit Participation Fund	- note 16.4	183,058	124,352
- Income Tax	- note 24.2	610,705	341,139
		793,763	465,491
		1,069,897	507,670

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16.1 Included in advances to employees are amounts due from executives of Rs 2.945 million (2017: Rs 0.956 million).

		2018	2017
		(Rupees in thousand)	
16.2 Due from related parties - unsecured			
Khadim-e-Punjab Ujala Program ('KPUP')		-	30,050
Quaid-e-Azam Wind Power (Private) Limited ('QWPL')	- note 26	379	-
		379	30,050

The maximum amount of advance outstanding at the end of any month in respect of KPUP and QWPL was Rs 30.05 million (2017: Rs 30.05 million) and Rs 0.379 million (2017: Nil) respectively

16.3 Due from PRA

This represents Rs 230.104 million paid by company under protest to PRA as disclosed in note 11.1 (i).

16.4 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.

		2018	2017
		(Rupees in thousand)	
17. Cash and bank balances			
Cash at bank			
- On saving accounts	- note 17.1	943,286	1,116,367
- On current accounts		75	168
		943,361	1,116,535
Cheque in hand		27,293	39,000
		970,654	1,155,535

17.1 This represents balance in saving accounts in Bank of Punjab, a related party, which bear annual mark-up at 5.5% per annum (2017: 5.5% per annum) compounded monthly.

		2018	2017
		(Rupees in thousand)	
18. Sales			
Sale of electricity	- note 18.1 & 18.2	3,451,152	3,572,219
Less: Sales tax		531,057	519,040
		2,920,095	3,053,179

18.1 Based on mutual understanding with O&M contractor, the company has assumed responsibility of insuring its plant from second year of operations (since July 15, 2016) and has reduced the O&M agreement by the insurance component. The company has paid premium of Rs 77.068 million per annum (Rs 154.136 million in total). 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 for second and third year of operations, submitted documentary evidence to NEPRA for tariff adjustment. The claim of insurance for second year of operations along with another claim of Rs 48.964 million in respect of certain withholding taxes borne by the company has been rejected by the NEPRA through order dated November 29, 2016. The company has filed a writ petition on June 03, 2017 before the Lahore High Court against the order of NEPRA which is pending for adjudication. The decision of NEPRA for third year of operations is still pending. The recognition of these contingent revenues and related trade debts have been deferred till the final decision of the Court.

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18.2 Subsequent to the year end, the Company received an order from NEPRA dated November 06, 2018 wherein it has been stated that the quarterly indexation estimate related to the debt servicing component of the applicable tariffs from October 2015 to March 2018 has been revised due to an inadvertent error by NEPRA in previous approvals. Due to this revision, the sales of the Company and related trade debts from CPPA, over the period as mentioned above, is estimated to be reduced by Rs 207.453 million exclusive of sales tax. The company has filed a review petition with NEPRA against the order on November 19, 2018 on the grounds that the order has been issued without providing the Company an oppurtunity of being heard and is retrospective in nature and previous quarterly indexation orders of NEPRA were in accordance with mechanism as defined at the time of COD. However based on prudence principle, full amount has been adjusted in these financial statements against the current year revenue and existing trade debts from CPPA as referred to in note 15.2.

19. Cost of sales

		2018	2017
		(Rupees in thousand)	
Operation and maintenance charges		170,669	178,495
Salaries, wages and other benefits	- note 19.1	35,274	29,830
Rent, rates and taxes		910	1,680
Utilities		529	480
Consultancy charges		26,792	32,197
Insurance		66,309	64,343
Travelling and conveyance		1,808	2,155
Depreciation on property, plant and equipment	- note 12.4	560,380	558,298
Security expense		29,292	17,969
Repairs and maintenance		337	245
Printing and stationery		32	21
Communication charges		925	1,063
Entertainment charges		323	328
Others		378	165
		893,958	887,269

19.1 Salaries, wages and other benefits includes provision for gratuity of Rs 2.680 million (2017: Rs 2.172 million).

20. Administrative expenses

		2018	2017
		(Rupees in thousand)	
Salaries, wages and other benefits	- note 20.1	68,286	58,113
Rent, rates and taxes		12,293	10,754
Utilities		2,835	3,100
Advertisement and promotion		348	5,289
Legal and professional charges	- note 20.2	25,511	18,665
Travelling and conveyance		1,810	2,443
Repairs and maintenance		847	917
Printing and stationery		701	713
Insurance expense		1,812	1,318
Depreciation on property, plant and equipment	- note 12.4	9,653	6,091
Amortization of intangible assets	- note 13	473	380
Communication charges		1,460	1,332
Entertainment charges		666	696
Others		1,330	2,397
		128,025	112,208

20.1 Salaries, wages and other benefits includes provision for gratuity of Rs 3.972 million (2017: Rs 3.091 million).

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		2018	2017
		(Rupees in thousand)	

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

	2018	2017
Statutory audit	2,300	2,050
Interim review	750	600
Other certifications	150	400
Out of pocket expenses	85	105
	3,285	3,155

21. Other income

		2018	2017
Income from financial assets:			
Income on bank deposits		43,812	106,945
Mark-up on delayed payment from CPPA		66,566	30,113
		110,378	137,058
Income from non-financial assets:			
Liquidated damages from the Contractor	- note 21.1	64,373	212,469
Others		199	1,123
		64,572	213,592
		174,950	350,650

21.1 Annual Performance Ratio ('APR') test for third year of operations was conducted by PV Lab Pakistan (Private) Limited as an independent compliance auditors who have declared in their report dated August 10, 2018 that APR of the respective period has not been achieved. Based on the report, the Company raised an invoice of USD 0.574 million against O&M Contractor as liquidated damages, which has been acknowleged by the O&M contractor through undertaking dated September 07, 2018. Income of USD 0.530 million is recognised in current year on pro-rata basis and the remaining amount of USD 0.044 million has been deferred till next year. Moreover, the O&M contractor has installed additional 1.91 MW solar panels during the year as a part of settlement of previous year APR test to avoid liquidated damages in future due to recurring non-achievement of APR.

22. Other operating expenses

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

23. Finance cost

	2018	2017
	(Rupees in thousand)	
Mark-up on long term loan	861,528	922,886
Transaction cost	29,833	31,966
Bank charges	2,101	2,755
	893,462	957,607

24. Taxation

		2018	2017
Current			
- For the year	- note 24.2	21,637	54,300
- Prior years	- note 24.3	13,781	-
		35,418	54,300

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24.1 Tax charge reconciliation

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

	2018 %	2017 %
Applicable tax rate	30.00	31.00
Tax losses and credits not recognized	17.00	17.00
Taxes claimable as pass through items	(42.54)	(43.24)
Prior year tax	1.17	-
Rate change impact	(2.61)	(1.00)
Average effective tax rate charged to income statement	3.02	3.76

24.2 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) and Super tax, the total provision for taxation is Rs 245.661 million (2017: Rs 245.521 million) of which Rs 224.024 million (2017: Rs 191.22 million), included as receivable from CPPA in note 16 as a pass through item, represents ACT and Super tax on profit before tax excluding income on bank deposits and liquidated damages from contractor. The remaining provision of Rs 21.637 million (2017: Rs 54.30 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.

24.3 Additional Commissioner Inland Revenue ('the ACIR') through order dated May 29, 2018 in proceedings under section 122(5A) of Income Tax Ordinance, 2001 ('ITO') relating to non-payment of taxes on income on bank deposits for the tax year 2015 imposed a tax liability of Rs 78.160 million on the Company including net principal liability of Rs 64.379 million alongwith default surcharge of Rs 13.781 million and created a net demand of Rs 47.126 million after adjustment of taxes already paid. The Company paid 25% of the demand under protest and preferred an appeal before the Commissioner Inland Revenue (Appeals), on the grounds that set off of business expenses should be allowed against other income. The Comissioner Inland Revenue (Appeals) through order dated October 17, 2018 has decided the case against the Company and has maintained the impugned order. The Company has filed an appeal before Appellate Tribunal Inland Revenue on November 01, 2018. However, principal liability was already provided by the Company in the financial statements of relevant financial year and the provision for default surcharge has been recognized in the current year, as above, on prudence basis .

24.4 The ACIR through orders dated May 29, 2018 in proceedings under section 122(5A) of ITO relating to Tax years 2016 and 2017 imposed tax liability of Rs 177.275 million and Rs 245.521 million respectively by disallowing tax credit under section 65B of ITO as claimed by the Company in its tax return. The Company paid 25% of these tax liabilites under protest and preferred appeals before the Commissioner Inland Revenue (Appeals), on the grounds that the tax credit under section 65B of ITO should be allowed. The Comissioner Inland Revenue (Appeals) through order dated October 17, 2018 has decided the case against the Company and has maintained the impugned order. The Company has filed an appeal before Appellate Tribunal Inland Revenue on November 01,2018. However, the liability was already provided by the Company in the financial statements of relevant financial years on prudence basis.

In addition to above, through a seperate order dated May 30, 2018, the ACIR has imposed super tax of Rs 45.533 million relating to Tax year 2017 for which a provision has been recognized by the Company in these financial statments and full payment have been made to tax authorities under protest. The Company has preferred an appeal before the Commissioner Inland Revenue (Appeals) and has also filed a writ petition before Honorable Lahore High Court on July 23, 2018 which is pending for adjudication.

24.5 The deferred tax liability of Rs 984.112 million (2017: Rs 665.833 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 and the settlement of these temporary differences in future will have no tax consequences on the Company.

25. Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Executives	
			Rupees in thousands	
	2018	2017	2018	2017
Short term employee benefits				
Managerial remuneration	11,482	10,373	42,538	39,055
Utilities	555	455	-	-
Bonus	2,981	920	10,176	3,192
Medical expenses	205	76	801	804
Meeting Fee	-	-	-	-
Others	939	727	1,913	1,924
	16,162	12,551	55,428	44,975
Post employment benefits				
Expense incurred in respect of gratuity	1,035	795	3,703	2,945
	17,197	13,346	59,131	47,920
Number of person(s)	1	1	11	11

25.1 The company has 13 (2017: 13) directors who have not received any remuneration and other benefits, except for meeting fee of Rs 0.675 million (2017: Rs 1.035 million) in aggregate.

25.2 Chief executive and certain executives of the Company are provided with Company maintained vehicles.

26. 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 25. Other significant transactions with related parties are as follows:

Relationship with the company	Name of related party	Transactions during the year	2018	2017
			(Rupees in thousand)	
i. Department of Government of Punjab	Directorate General Public Relations	Advertisement expenses charged to the Company	385	1,468
ii. Associated Company	Bank of Punjab	Loan repaid by the company	840,957	768,886
		Financing fees and charges	1,340	2,029
		Mark-up on long term loan	861,528	922,886
		Interest income	43,812	106,945
iii. Associated Company	Quaid-e-Azam Wind Power (Private) Limited	Expenses incurred on behalf of related party	379	30
iv. Department of Government of Punjab	Khadim-e-Punjab Ujala Programe	Expenses incurred on behalf of related party	75	-
		Loan given to KPUP	-	30,050
		Loan repaid by KPUP	30,125	-

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

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27. Cash generated from operations		2018	2017
		(Rupees in thousand)	
Profit before taxation		1,174,117	1,444,243
Adjustment for:			
Depreciation on property, plant and equipment	- note 12.1	570,033	564,389
Amortization of intangible assets	- note 13	473	380
Exchange loss	- note 22	5,483	-
Finance costs	- note 23	893,462	957,607
Staff retirement benefits	- note 7	6,651	5,263
Profit before working capital changes		2,650,219	2,971,882
Effect on cash flow due to working capital changes:			
Increase in trade debts		(326,618)	(238,461)
Increase in advances, deposits, prepayments and other receivables		(292,611)	(109,598)
Increase / (decrease) in trade and other payables and long term retentions		14,612	(48,010)
		2,045,602	2,575,813

28. Earnings per share

		2018	2017
Profit for the year	**Rupees in thousand**	1,138,699	1,389,943
Weighted average number of ordinary shares	**Number**	380,978	380,978
Earnings per share	**Rupees**	2.99	3.65

28.1 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, 2018 and June 30, 2017 which would have any effect on the earnings per share if the option to convert is exercised.

29. Financial risk management

29.1 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 and hedges 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, 2018 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 1.399 million (2017: Rs 1.452 million) lower / higher mainly as a result of foreign exchange losses / gains on translation of USD-denominated financial assets and liabilities.

At June 30, 2018 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 0.497 million (2017: Rs 0.316 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. The company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

(iii) Interest rate risk

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, profit for the year would have been increased / decreased by Rs 93.656 million (2017: Rs 101.765 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:

	2018	2017
	(Rupees in thousand)	
Long term deposits	401	401
Trade debts	1,388,264	1,061,646
Advances, deposits and other receivables	1,057,762	497,466
Cash and bank balances	970,654	1,155,535
	3,417,081	2,715,048

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	2018	2017
				(Rupees in thousand)	
Bank of Punjab (BOP)	A1+	AA	PACRA	942,961	1,116,135
United Bank Limited (UBL)	A-1+	AAA	JCR-VIS	400	400
				943,361	1,116,535

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:

At June 30, 2018	**Carrying Amount**	**Less than 1 year**	**Between 1 and 5 years**	**Over 5 years**
			(Rupees in thousand)	
Long term loan	9,009,468	912,199	4,628,918	3,468,351
Unpaid dividend	600,000	600,000	-	-
Trade and other payables	290,591	290,591	-	-
Accrued finance cost	176,526	176,526	-	-
Long term retentions	44,542	-	-	44,542
	10,121,127	1,979,316	4,628,918	3,512,893

At June 30, 2017 - Restated	**Carrying Amount**	**Less than 1 year**	**Between 1 and 5 years**	**Over 5 years**
			(Rupees in thousand)	
Long term loan	9,850,425	841,130	4,238,934	4,770,361
Trade and other payables	272,043	272,043	-	-
Unpaid dividend	300,000	300,000		
Accrued finance cost	187,466	187,466		
Long term retentions	24,469	-	-	24,469
	10,634,403	1,600,639	4,238,934	4,794,830

29.2 Fair values estimation

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

29.3 Financial instruments by categories

	Loans and receivables	
	2018	2017
	(Rupees in thousand)	
Financial assets		
Long term deposits	401	401
Trade debts	1,388,264	1,061,646
Advances, deposits and other receivables	1,057,762	497,466
Cash and bank balances	970,654	1,155,535
	3,417,081	2,715,048

	Financial liabilities at amortised cost	
	2018	2017
	(Rupees in thousand)	
Financial liabilities		
Long term finances	9,009,468	9,850,425
Trade and other payables	290,591	272,043
Unpaid dividend	600,000	300,000
Accrued finance cost	176,526	187,466
Long term retentions	44,542	24,469
	10,121,127	10,634,403

29.4 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 as disclosed in note 6. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The gearing ratio as at June 30, 2018 and June 30, 2017 is as follows:

	2018	2017
	(Rupees in thousand)	
Long term finances	9,009,468	9,850,425
Total equity	5,042,681	4,504,051
Total capital	14,052,149	14,354,476
Gearing ratio	64%	69%

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.

30. Capacity and production	2018 MWH	2017 MWH
Benchmark energy for the year	151,161	152,227
Actual energy delivered for the year, as acknowledged by CPPA	162,287	159,875

31. Number of employees	2018	2017
	(Rupees in thousand)	
Total number of employees as at June 30	42	54
Total number of Bahawalpur site employees as at June 30	13	16
Average number of employees during the year	49	53
Average number of Bahawalpur site employees during the year	14	14

32. Events after the balance sheet date

No significant events have occurred subsequent to June 30, 2018, other than those mentioned elsewhere in these financial statements.

33. Corresponding figures

The preparation and presentation of these financial statements for the year ended June 30, 2018 is in accordance with requirements in Companies Act, 2017. The fifth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year.

Description	Reclassified from	Reclassified to	As at June 30, 2017	As at June 30, 2016
			(Rupees in thousand)	
Statement of financial position				
Unpaid dividend	Trade and other payables	Unpaid Dividend	300,000	300,000

34. Date of authorisation for issue

These financial statements were authorised for issue on 07th December, 2018 by the Board of Directors of the Company.

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Badar

Chief Executive

Director