

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2019**



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, 2019, 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, 2019 and of the profit and other comprehensive loss, 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

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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 Mr. Amer Raza Mir.

A.F. Ferguson & Co.
Chartered Accountants

Lahore

Date: December 06, 2019

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	2019	2018	2019	2018
	(Rupees in thousand)		(Rupees in thousand)	
Note			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 (2018: 380,978) ordinary shares of Rs 10,000 each	3,809,780	3,809,780		
Share deposit money	5	5		
Revenue reserve: Un-appropriated profit	3,018,982	1,232,896		
	6,828,767	5,042,681		
NON-CURRENT LIABILITIES				
Long term finances - secured	7,182,777	7,978,716		
Deferred liabilities	18,370	13,538		
Long term retentions	69,614	44,542		
	7,270,761	8,036,786		
CURRENT LIABILITIES				
Current portion of long term finances - secured	879,452	912,199		
Trade and other payables	430,717	290,591		
Unpaid dividend	-	600,000		
Accrued finance cost	239,544	176,526		
Provision for taxation	76,165	535,411		
	1,625,878	2,514,727		
CONTINGENCIES AND COMMITMENTS				
	-	-		
	15,725,406	15,594,194		
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	11,595,510	12,162,811		
Intangible assets	787	1,171		
Long term deposits and prepayments	1,347	1,397		
	11,597,644	12,165,379		
CURRENT ASSETS				
Trade debts - secured	2,153,958	1,388,264		
Advances, deposits, prepayments and other receivables	1,256,337	1,069,897		
Cash and bank balances	717,467	970,654		
	4,127,762	3,428,815		
	15,725,406	15,594,194		

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

Signature

Signature

Chief Executive

Signature

Director

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in thousand)	2018
Sales	18	3,623,160	2,920,095
Cost of sales	19	(888,053)	(893,958)
Gross profit		<u>2,735,107</u>	<u>2,026,137</u>
Administrative expenses	20	(79,999)	(128,025)
Other income	21	150,614	174,950
Other operating expenses	22	(12,419)	(5,483)
		<u>2,793,303</u>	<u>2,067,579</u>
Finance cost	23	(1,065,523)	(893,462)
Profit before taxation		<u>1,727,780</u>	<u>1,174,117</u>
Taxation	24	58,341	(35,418)
Profit for the year		<u><u>1,786,121</u></u>	<u><u>1,138,699</u></u>
Earnings per share - basic and diluted	28	<u><u>4.69</u></u>	<u><u>2.99</u></u>

The annexed notes 1 to 35 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, 2019

	Note	2019 (Rupees in thousand)	2018
Profit for the year		1,786,121	1,138,699
Other comprehensive loss:			
<i>Items that will not be re-classified to profit or loss:</i>			
<i>Remeasurement of net defined benefit liability - net of tax</i>		(35)	(69)
Other comprehensive loss for the year - net of tax		<u>(35)</u>	<u>(69)</u>
Total comprehensive income for the year		<u><u>1,786,086</u></u>	<u><u>1,138,630</u></u>

The annexed notes 1 to 35 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, 2019

	Share Capital	Share deposit money	Revenue Reserve: Unappropriated profit	Total equity
..... Rupees in thousands				
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 loss for the year:				
<i>Remeasurement of defined benefit liability</i>				
- net of tax	-	-	(69)	(69)
	-	-	1,138,630	1,138,630
Transaction with owners				
Interim dividend for the year				
ended June 30, 2018 - Rs 1,574.89 per share	-	-	(600,000)	(600,000)
	-	-	(600,000)	(600,000)
Balance as on June 30, 2018	3,809,780	5	1,232,896	5,042,681
Total comprehensive income for the year				
Profit for the year	-	-	1,786,121	1,786,121
Other comprehensive loss for the year:				
<i>Remeasurement of defined benefit liability</i>				
- net of tax	-	-	(35)	(35)
	-	-	1,786,086	1,786,086
Balance as on June 30, 2019	3,809,780	5	3,018,982	6,828,767

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

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Chief Executive


Director

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in thousand)	2018
Cash flows from operating activities			
Cash generated from operations	27	2,899,238	2,045,602
Finance costs paid		(975,100)	(874,569)
Taxes paid		(718,588)	(211,778)
Gratuity paid		(1,107)	(1,499)
Net cash generated from operating activities		<u>1,204,443</u>	<u>957,756</u>
Cash flows from investing activities			
Fixed capital expenditure		(1,539)	(1,680)
Net cash used in investing activities		<u>(1,539)</u>	<u>(1,680)</u>
Cash flows from financing activities			
Repayment of long term finances - secured		(856,091)	(840,957)
Dividend paid		(600,000)	(300,000)
Net cash used in from financing activities		<u>(1,456,091)</u>	<u>(1,140,957)</u>
Net decrease in cash and cash equivalents		<u>(253,187)</u>	<u>(184,881)</u>
Cash and cash equivalents at the beginning of the year		970,654	1,155,535
Cash and cash equivalents at the end of the year	17	<u><u>717,467</u></u>	<u><u>970,654</u></u>

The annexed notes 1 to 35 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, 2019

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 main business unit of the Company). 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 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') 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, 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

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2018 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

(a) IFRS 9, 'Financial Instruments'

This standard was notified by the Securities and Exchange Commission of Pakistan ('SECP') to be effective for annual periods ending on or after June 30, 2019. This standard replaces guidance in International Accounting Standard ('IAS') 39, 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. However, SECP through SRO 985(I)/2019 dated September 2, 2019 has notified that, in respect of companies holding financial assets due from the Government of Pakistan, the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method shall not be applicable till June 30, 2021 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. Accordingly, the Company has changed its accounting policies and followed the requirements of IFRS 9 for:

- classification and measurement of financial assets other than the financial assets due from the Government of Pakistan; and

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- recognition of loss allowance for financial assets other than the financial assets due from the Government of Pakistan.

In respect of application of IFRS 9, the Company has adopted modified retrospective approach as permitted by this standard, according to which the Company is not required to restate the prior period results. There is no material impact of adoption of IFRS 9 on opening equity of the Company.

(b) IFRS 15, 'Revenue from Contracts with Customers'

This standard was notified by SECP to be effective for annual periods beginning on or after July 1, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations.

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of un-appropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any material impact on the revenue recognition policy of the Company and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of un-appropriated profit in the period of initial application is not material. Therefore, the comparative information has not been restated and continues to be reported under the previous accounting policy.

2.2.2 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:

	2019	2018
	(Rupees in thousand)	
De-recognition of property, plant and equipment	<u>11,582,234</u>	<u>12,141,643</u>
Recognition of lease debtor	<u>12,149,103</u>	<u>12,694,655</u>
Increase in un-appropriated profit at the beginning of the year	553,012	462,319
Increase in profit for the year	13,859	90,693
Increase in un-appropriated profit at the end of the year	<u>566,871</u>	<u>553,012</u>

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

There are certain standards, amendments to the IFRS and interpretations that are mandatory for companies having accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except

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for the following:

- IFRS 16, 'Leases': (effective for periods beginning on or after January 1, 2019). This standard has been notified by the SECP to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

SECP through SRO 986(I)/2019 dated September 2, 2019 has granted exemption from the requirements of IFRS 16 to all companies that have executed their power purchase agreements before January 1, 2019. Therefore, the standard will not have any impact on the Company's financial statements.

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention.

3.2 The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment 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.

The charge for current tax included in statement of profit or loss is net off amount recoverable from Central Power Purchasing Agency (Guarantee) Limited (CPPA) as a pass through item under the terms of Energy Purchase Agreement between the Company and CPPA.

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Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the 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.

The deferred tax liability in respect of temporary differences is not recognized as the future tax payments on the generation, sale, exportation or supply of electricity are pass-through items and claimable from CPPA in full and the settlement of these temporary differences in future will have no tax consequences on the Company.

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 statement of profit or loss 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, 2019 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 statement of profit or loss 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 statement of profit or loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

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4.3 Intangible assets

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

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is disposed off. Amortisation is charged using straight line method at the rate mentioned in note 13.1

The Company assesses at each reporting 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 statement of profit or loss 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 statement of profit or loss on a straight-line basis over the lease term.

4.5 Financial instruments

4.5.1 Financial assets other than those due from the Government of Pakistan

The Company classifies its financial assets in the following categories: at fair value through profit or loss and at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. These comprise of loans, advances, deposits and other receivables and cash and cash equivalents in the statement of financial position.

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are de-recognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Financial assets at amortised cost are measured using the effective interest rate method.

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Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account as part of other income when the Company's right to receive payments is established.

From July 1, 2018, the entity applies simplified approach, as allowed under IFRS 9, for measuring expected credit losses which uses a lifetime expected loss allowance for all the financial assets. It assess on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

4.5.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

4.5.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.5.4 Financial assets due from the Government of Pakistan

Financial assets due from the Government of Pakistan include trade debts and other receivables due from WAPDA under PPA that also includes accrued amounts. As referred to in note 2.2.1, SECP through SRO 985(I)/2019 dated September 2, 2019 has notified that, in respect of companies holding financial assets due from the Government of Pakistan, the requirements contained in IFRS 9 with respect to application of expected credit losses method shall not be applicable till June 30, 2021 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. Accordingly, the same continue to be reported as per the following accounting policy:

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognized 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. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

4.6 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.

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4.7 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.

4.8 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.

4.9 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 rate method.

4.10 Revenue Recognition

Revenue shall be recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset and thus has the ability to direct the use and obtain the benefits from the good or service.

- 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.

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4.11 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.

4.12 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

4.13 Deferred Liabilities

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, 2019. Projected unit credit method, using the following significant assumptions is used for the valuation of this scheme:

- Discount rate 14.25 percent per annum (2018: 9 percent per annum);
- Expected rate of increase in salary level 13.25% percent per annum (2018: 8 percent per annum); and
- 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.

4.14 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.

4.15 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.

4.16 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 (2018: 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.

		2019	2018
		(Rupees in thousand)	
6. Long term finances - secured			
The reconciliation of the carrying amount of loan is as follows:			
Opening balance		9,009,468	9,850,425
Less: Repayments during the year		856,091	840,957
Closing balance	- note 6.1	8,153,377	9,009,468
Less: Transaction costs		91,148	118,553
		8,062,229	8,890,915
Less : Current portion shown under current liabilities		879,452	912,199
		7,182,777	7,978,716

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	25 unequal quarterly installments

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 9.41% to 14.11% (2018: 9.13% to 9.16%) per annum. The transaction cost amortised during the year is Rs 27.41 million (2018: Rs 29.83 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:

		2019	2018
		(Rupees in thousand)	
7.1 The amounts recognized in the statement of financial position are as follows:			
Present value of defined benefit obligation		18,370	13,528
Closing net liability		18,370	13,528

2019 **2018**
(Rupees in thousand)

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

Present value of defined benefit obligation as at start of the year	13,528	10,832
Current service cost	4,745	5,891
Interest cost	1,168	760
Benefits paid	(1,107)	(1,499)
Actuarial gain from changes in financial assumptions	270	57
Experience adjustments	(234)	12
Transferred to current liabilities	-	(2,525)
Present value of defined benefit obligation as at year end	18,370	13,528

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

Current service cost	4,745	5,891
Net interest cost for the year	1,168	760
Total included in salaries, wages and amenities	5,913	6,651
Experience adjustment arising on obligation	-1.27%	0.1%

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

	2019	2018
	(Rupees in thousand)	
Actuarial gain from changes in financial assumptions	270	57
Experience adjustments	(234)	12
Total remeasurements chargeable to other comprehensive income	36	69

7.5 Sensitivity Analysis

Significant assumptions for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

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7.6 Year end sensitivity analysis (± 100 bps) on defined benefit obligation

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		(Rupees in thousand)	
Discount rate	1%	17,125	19,824
Salary increase	1%	19,866	17,068

7.7 Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages) are as follows:

	2019	2018
Discount Rates	14.25%	9%
Future salary increases	13.25%	8%
Expected Mortality Rate	SLIC (2001-05)	SLIC (2001-05)
Average duration of plan	7 Years	8 Years

		2019	2018
		(Rupees in thousand)	
8. Long Term Retentions			
Maintenance retention fund	- note 8.1	34,094	24,189
Asset replacement fund	- note 8.2	35,520	20,353
		69,614	44,542

8.1 It represents 5% deduction from the total quarterly payments to the O&M 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').

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In addition to the above, based on the report of ILF Pakistan (Private Limited), the Company has achieved 76.51% APR against the benchmark APR of 76.24% as per note 21.1 and produced excessive energy of 559.699 MWh units. As a result of which the company has recorded an expense based on 521.363 MWh on pro rata basis in cost of sales out of which 50% has been transferred to Asset Replacement Fund, 25% towards the Company and remaining 25% to the O&M contractor as per clause 1.4.5 of Schedule -1 for Engineering, Procurement, Construction and Operation & Maintenance Contract (EPC and O&M Contract).

	2019	2018
	(Rupees in thousand)	
9. Trade and other payables		
Trade creditors	-	6,278
Payable to contractor	59,071	19,040
Payable to consultants	4,726	17,312
Accrued liabilities	30,502	21,249
Withholding tax payable	11,260	8,129
Sales tax payable	46,125	31,977
Retention money	1,926	-
Payable to Director General Public Relations	30	50
Workers' profit participation fund	- note 9.1	183,058
Other liabilities	- note 9.2	3,498
	<u>430,717</u>	<u>290,591</u>
9.1 Workers' profit participation fund		
Opening balance	183,058	124,352
Provision for the year	86,389	58,706
Closing balance	<u>269,447</u>	<u>183,058</u>
9.2	Other liabilities include Rs 0.919 million (2018: Rs 3.084 million) due to executives.	
10. Unpaid dividend		
The interim dividend declared on 2 February, 2018 has been paid fully during the year. No further dividend was declared and paid during the year.		
11. Contingencies and commitments		
11.1 Contingencies		
i)	<p>During the year 2017, 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 decided the case in favour of PRA. The company 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 also paid Rs 230.104 million during the year ended June 30, 2018 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. During the current financial year, the writ petition was filed on March 22, 2019 impugning the legality of Rule-6 of Services withholding Rule, 2015 of Punjab Sales Tax on Services Act, 2012 and the definition of un-registered person as used in these rules. The writ petition came up for hearing before the Honorable Lahore High Court on March 25, 2019. The Honorable Lahore High Court issued notices to the respondents and also stayed appeal proceedings before the Appellate Tribunal Punjab Revenue Authority, Lahore. The writ is pending adjudication. Based on legal advisor's opinion, the Company's management expects favorable outcome due to which no provision has been recorded in these financial statements.</p>	

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ii) The company 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 Company recognized a provision of Rs 16 million in prior year financial statements as per the directions of LG&CD Department letter dated February 12, 2018. In the current financial year, the company has approached law and parliamentary department through letter dated April 23, 2019 to tender an advice on the rates that should be applicable in respect of building plan and conversion fee. The advice from law and parliamentary affairs is pending. Based on legal advisor's opinion, the Company's management expects favorable outcome due to which no additional provision has been recorded in these financial statements.

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 Honorable 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 ultra vires the Constitution on various constitutional grounds and non-compliances with laws, inter alia 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.

An individual, Mr. Shan Saeed Ghumman filed a case against Federation of Pakistan and various other respondents including the Company through a writ petition No. 112301/2017 in the Honorable 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 operation of these companies should be put under the control and management of the respective local governments and should be reconstituted in accordance with mandatory provisions of Punjab Local Government Act 2013, Companies Act 2017, Public Sector Companies (Corporate Governance) Rules, 2013 and other applicable provisions of law including the issuance of their audit reports where applicable.

These cases are pending adjudication. Based on legal advisor's opinion, the management is confident that no adverse inference will be drawn against the Company in these matters.

	2019	2018
	(Rupees in thousand)	
11.2 Commitments		
Contracts for capital expenditure	25,288	-
Contracts for other than capital expenditure	5,393,041	5,175,830
Commitment for trustee fee, and arrangement and advisory fee to Bank of Punjab, a related party	6,000	7,000

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12. Property, plant and equipment

2019

(Rupees in thousands)

	Building on Lease hold land	Plant and Machinery	IT Equipment	Furniture and Fixtures	Electric Equipment	Vehicles	Total
As at July 1, 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
Year ended June 30, 2018							
Opening net book value	86,917	12,054,726	315	11,726	3,644	5,483	12,162,811
Addition at cost	84	170	30	52	821	286	1,443
Depreciation for the period	(3,877)	(555,787)	(344)	(4,247)	(1,168)	(3,321)	(568,744)
Closing net book value	83,124	11,499,109	1	7,531	3,297	2,448	11,595,510
As at June 30, 2019							
Cost	96,933	13,721,004	4,725	21,000	6,604	19,284	13,869,550
Accumulated depreciation	(13,809)	(2,221,895)	(4,724)	(13,469)	(3,307)	(16,836)	(2,274,040)
Net book value	83,124	11,499,109	1	7,531	3,297	2,448	11,595,510
Depreciation rate %	4	4-8	33	25	20	20	

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2018
(Rupees in thousands)

	Building on Lease hold land	Plant and Machinery	IT Equipment	Furniture and Fixtures	Electric Equipment	Vehicles	Total
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)	(4,209)	(9,715)	(1,135,263)
Net book value	<u>73,124</u>	<u>12,610,508</u>	<u>1,022</u>	<u>16,816</u>	<u>4,460</u>	<u>9,283</u>	<u>12,715,213</u>
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
Disposal	-	-	-	-	-	-	-
Depreciation for the period	(3,587)	(555,783)	(813)	(5,120)	(930)	(3,800)	(570,033)
Closing net book value	<u>86,917</u>	<u>12,054,726</u>	<u>315</u>	<u>11,726</u>	<u>3,644</u>	<u>5,483</u>	<u>12,162,811</u>
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	<u>86,917</u>	<u>12,054,726</u>	<u>315</u>	<u>11,726</u>	<u>3,644</u>	<u>5,483</u>	<u>12,162,811</u>
Depreciation rate %	<u>4</u>	<u>4-8</u>	<u>33</u>	<u>25</u>	<u>20</u>	<u>20</u>	

2019
(Rupees in thousand)

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

Cost of Sales	- note 19	560,626	560,380
Administrative expenses	- note 20	8,118	9,653
		<u>568,744</u>	<u>570,033</u>

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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 reissued 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 formed by CPPA on February 14, 2017. The committee has obtained the net amount of Energy delivered to the remote end substations to verify the energy delivered against the dispute claimed by the Company. NTDC vide its letter No. CE/TSG/1499-1504 dated February 21, 2019 has shared the meter readings of remote end substations during the disputed period. The Company vide its letter No. QAS-19/02/22-01 dated February 22, 2019 has accepted the meter readings shared by MEPCO as the difference of units is only 1.38% of 6.721 million Kwh. A meeting is expected on October 02, 2019 via notification No. CE/TSG/(P&M)/Metering/6999-7009 dated September 11, 2019 to resolve the matter.

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	2019
	(Rupees in thousand)
As at July 01, 2018	
Cost	2,390
Accumulated Amortisation	<u>(1,219)</u>
Net book value	<u><u>1,171</u></u>
Year end June 30, 2019	
Opening net book value	1,171
Addition at cost	96
Amortisation for the year	- note 13.1 <u>(480)</u>
Closing net book value	<u><u>787</u></u>
As at June 30, 2019	
Cost	2,486
Accumulated Amortisation	<u>(1,699)</u>
Net book value	<u><u>787</u></u>
	2018
	(Rupees in thousand)
As at July 01, 2017	
Cost	2,341
Accumulated Amortisation	<u>(746)</u>
Net book value	<u><u>1,595</u></u>
Year end June 30, 2018	
Opening net book value	1,595
Addition at cost	49
Amortisation for the year	<u>(473)</u>
Closing net book value	<u><u>1,171</u></u>
As at June 30, 2018	
Cost	2,390
Accumulated Amortisation	<u>(1,219)</u>
Net book value	<u><u>1,171</u></u>

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

		2019	2018
		(Rupees in thousand)	
14.	Long term deposits and prepayments		
	Prepayments	946	996
	Other deposits	401	401
		<u>1,347</u>	<u>1,397</u>

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

		2019	2018
		(Rupees in thousand)	
15.	Trade debts - secured		
	Gross trade debts	2,153,958	1,595,717
	Less : Effect of Nepra revised indexation order	-	(207,453)
	Net trade debts	<u>2,153,958</u>	<u>1,388,264</u>

15.1 These represent trade receivables against sales relating to post-commercial operations date from CPPA and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up at the rate of three months KIBOR plus 2% is charged in case the amounts are not paid within due dates. The rate of delayed payment mark-up charged during the period on outstanding amounts ranges from 8.42% to 14.97% (8.13% to 8.92% in 2018) per annum.

15.2 Subsequent to the year ended June 30, 2018, the Company received an order from NEPRA dated November 06, 2018 wherein it was 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, were reduced by Rs 207.453 million exclusive of sales tax in the financial statements for the year ended June 30, 2018. Out of the amount reduced, amount of Rs 189.893 million was already received, whereas the remaining amount of Rs 17.56 million was outstanding between 31 to 90 days. The company filed a review petition with NEPRA against the order on November 19, 2018 on the grounds that the order was issued without providing the Company an opportunity of being heard and was retrospective in nature. However this petition was rejected by NEPRA and whole amount has been recovered by CPPA in the current financial year.

		2019	2018
		(Rupees in thousand)	
15.3	As of statement of financial position date, age analysis of gross trade debts is as follows:		
	Neither past due nor impaired	823,551	634,218
	Past due but not impaired:		
	- 1 to 30 days	429,856	360,403
	- 31 to 90 days	750,567	536,135
	- 91 to 180 days	32,261	8,421
	- 181 to 365 days	42,930	10,559
	- Above 365 Days	74,793	28,421
		1,330,407	943,939
	Less : Effect of Nepra revised indexation order against invoices received	-	(189,893)
		<u>2,153,958</u>	<u>1,388,264</u>

		2019	2018
		(Rupees in thousand)	
16.	Advances, deposits, prepayments and other receivables		
	Advances - considered good		
	- To employees	4,735	3,462
	- To suppliers	30,055	3,843
		<u>34,790</u>	<u>7,305</u>
	Due from O&M contractor	-	31,590
	Due from related parties - unsecured & considered good	447	379
	Security deposits	1,926	1,926
	Due from PRA	230,104	230,104
	Prepayments	4,421	4,830
	Recoverable from CPPA as pass through items & considered good		
	- Workers' Profit Participation Fund	269,447	183,058
	- Income Tax	715,202	610,705
		<u>984,649</u>	<u>793,763</u>
		<u>1,256,337</u>	<u>1,069,897</u>

16.1 Included in advances to employees are amounts due from executives of Rs 4.116 million (2018: Rs 2.945 million).

		2019	2018
		(Rupees in thousand)	
16.2	Due from related parties - unsecured & considered good		
	Khadim-e-Punjab Ujala Program ('KPUP')	18	-
	Quaid-e-Azam Wind Power (Private) Limited ('QWPL')	429	379
		<u>447</u>	<u>379</u>

The maximum amount of advance outstanding at the end of any month in respect of KPUP and QWPL was Rs 0.018 million (2018: Rs 30.05 million) and Rs 0.429 million (2018: Rs 0.379 million) 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.

		2019	2018
		(Rupees in thousand)	
17.	Cash and bank balances		
	Cash at bank		
	- On saving accounts	471,107	943,286
	- On current accounts	360	75
		<u>471,467</u>	<u>943,361</u>
	Cheques in hand	246,000	27,293
		<u>717,467</u>	<u>970,654</u>

17.1 This represents balance in saving accounts in Bank of Punjab, a related party, which bear annual mark-up from 5.5% to 10.25% per annum (2018: 5.5% per annum) compounded monthly.

		2019	2018
		(Rupees in thousand)	
18. Sales			
Sale of electricity	- note 18.1	4,202,353	3,451,152
Less: Sales tax		<u>579,193</u>	<u>531,057</u>
		<u>3,623,160</u>	<u>2,920,095</u>

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 a total premium of Rs 208.856 Million (Second Year of operation: 77.068 Million, Third Year of operation: 77.068 Million and fourth Year of operation: 54.72 Million) 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, third and fourth 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 fourth 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.

		2019	2018
		(Rupees in thousand)	
19. Cost of sales			
Operation and maintenance charges		193,160	170,669
Salaries, wages and other benefits	- note 19.1	33,688	35,274
Rent, rates and taxes		105	910
Utilities		826	529
Consultancy charges		20,159	26,792
Insurance		48,040	66,309
Travelling and conveyance		1,497	1,808
Depreciation on property, plant and equipment	- note 12.1	560,626	560,380
Security expense		27,827	29,292
Repairs and maintenance		283	337
Printing and stationery		25	32
Communication charges		1,265	925
Entertainment charges		279	323
Others		<u>273</u>	<u>378</u>
		<u>888,053</u>	<u>893,958</u>

19.1 Salaries, wages and other benefits includes provision for gratuity of Rs. 2.881 million (2018: Rs 2.680 million)

		2019	2018
		(Rupees in thousand)	
20. Administrative expenses			
Salaries, wages and other benefits	- note 20.1	38,411	68,286
Rent, rates and taxes		12,649	12,293
Utilities		2,929	2,835
Advertisement and promotion		933	348
Legal and professional charges	- note 20.2	7,722	25,511
Travelling and conveyance		1,915	1,810
Repairs and maintenance		750	847
Printing and stationery		444	701
Insurance expense		2,023	1,812
Depreciation on property, plant and equipment	- note 12.1	8,118	9,653
Amortization of intangible assets	- note 13	480	473
Communication charges		1,258	1,460
Entertainment charges		180	666
Others		<u>2,187</u>	<u>1,330</u>
		<u>79,999</u>	<u>128,025</u>

20.1 Salaries, wages and other benefits includes provision for gratuity of Rs. 3.032 million (2018: Rs 3.972 million).

	2019	2018
	(Rupees in thousand)	
20.2 Legal and professional charges includes the following in respect of auditors' services for:		
Statutory audit	2,415	2,300
Interim review	-	750
Other certifications	150	150
Out of pocket expenses	80	85
	2,645	3,285

21. Other income

Income from financial assets:

Income on bank deposits	48,043	43,812
Mark-up on delayed payment from CPPA	96,525	66,566
	144,568	110,378

Income from non-financial assets:

Liquidated damages from the O&M Contractor	- note 21.1	5,789	64,373
Others		257	199
		6,046	64,572
		150,614	174,950

21.1 Annual Performance Ratio ('APR') test for last year was conducted by PV Lab Pakistan (Private) Limited as an independent compliance auditors who had declared in their report dated August 10, 2018 that APR of the respective period had not been achieved. Based on the report, income of USD 0.530 million was recognised in the prior year financial statements on pro-rata basis and the remaining amount of USD 0.044 million has been recognised in the current year's financial statements. During the year ended June 30, 2018, the O&M contractor had installed additional 1.91 MW solar panels to avoid future liquidated damages. Resultantly, based on Owner's Engineer's report of ILF Pakistan (Private Limited), the Company has achieved 76.51% APR against the benchmark APR of 76.24% and produced excessive energy of 559.699 MWh units.

22. Other operating expenses

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

	2019	2018
	(Rupees in thousand)	
23. Finance cost		
Mark-up on long term loan	1,036,024	861,528
Transaction cost	27,405	29,833
Bank charges	2,094	2,101
	1,065,523	893,462

24. Taxation

Current taxation:

- For the current year	- note 24.2	10,228	21,637
- For the prior years	- note 24.3	(68,569)	13,781
		(58,341)	35,418

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24.1 Tax charge reconciliation

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

	2019	2018
	%	%
Applicable tax rate	29.00	30.00
Tax losses and credits not recognized	17.00	17.00
Taxes claimable as pass through items	(45.47)	(42.54)
Prior year tax	(3.97)	1.17
Super tax impact	0.06	0.28
Rate change impact	-	(2.89)
Average effective tax rate charged to income statement	<u>(3.38)</u>	<u>3.02</u>

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 335.985 million (2018: Rs 245.661 million) of which Rs 325.757 million (2018: Rs 224.024 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 10.2 million (2018: Rs 21.63 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 along with 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 after paying 25% of the demand under protest during the year ended June 30, 2018 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 Commissioner Inland Revenue (Appeals) through order dated October 17, 2018 decided the case against the Company and maintained the impugned order. Subsequently, the Company filed an appeal before Appellate Tribunal Inland Revenue on November 01, 2018. Principal liability and default surcharge was already provided by the Company in the financial statements for the year ended June 30, 2018.

During the current year, the Company discharged 75% of the remaining liability. However, Appellate tribunal through order dated August 30, 2019 decided the case in favor of the Company. Therefore, provision for taxation has been reversed in the current year financial statements.

24.4 With respect to proceedings under section 122(5A) of ITO relating to Tax years 2016 and 2017, The ACIR through orders dated May 29, 2018 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 liabilities during the year ended June 30, 2018 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 Commissioner Inland Revenue (Appeals) through order dated October 17, 2018 decided the cases against the Company and maintained the impugned order. Subsequently, the Company filed an appeal before Appellate Tribunal Inland Revenue on November 01, 2018. The liability was already provided by the Company in the financial statements of relevant financial years on prudence basis. During the current year, the company has discharged liability of Rs 277.8 Million (TY 2016: 112.1 million and 2017: 165.7 million). The Appellate tribunal through order dated August 30, 2019 decided the case against the Company. The Company is in the process of filing an appeal before the Honorable Lahore High Court.

In addition to above, through a separate 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 was recognized by the Company in the financial statements for the year ended June 30, 2018 and payment was also made to FBR. The Company had 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 against legality of super tax which is pending for adjudication.

24.5 The deferred tax liability of Rs 1,315.222 million (2018: Rs 984.112 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:

	Rupees in thousands			
	Chief Executive		Executives	
	2019	2018	2019	2018
Short term employee benefits				
Managerial remuneration	331	11,482	42,533	42,538
Utilities	-	555	-	-
Bonus	-	2,981	3,063	10,176
Medical expenses	-	205	722	801
Others		939	2,039	1,913
	331	16,162	48,357	55,428
Post employment benefits				
Expense incurred in respect of gratuity	-	1,035	3,370	3,703
	331	17,197	51,727	59,131
Number of person(s)	1	1	10	11

25.1 The Company has 6 (2018: 13) directors who have not received any remuneration and other benefits, except aggregating fee for attending meetings Rs 0.15 million (2018: Rs 0.675 million).

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 11 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	2019 (Rupees in thousand)	2018
i. Department of Government of Punjab	Directorate General Public Relations	Advertisement expenses charged to the Company	933	385
ii. Associated Company	Bank of Punjab	Loan repaid by the Company	856,091	840,957
		Financing fees and charges	37,710	19,863
		Mark-up on long term loan	1,036,024	861,528
		Interest income	48,043	43,812
iii. Associated Company	Quaid-e-Azam Wind Power (Private) Limited	Expenses incurred on behalf of related party	50	379
iv. Department of Government of Punjab	Khadim-e-Punjab Ujala Programe	Expenses incurred on behalf of related party	18	75
		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	2019 (Rupees in thousand)	2018
	Profit before taxation	1,727,780	1,174,117
	Adjustment for:		
	Depreciation on property, plant and equipment	- note 12.1 568,744	570,033
	Amortization of intangible assets	- note 13 480	473
	Exchange loss	- note 22 12,419	5,483
	Finance costs	- note 23 1,065,523	893,462
	Staff retirement benefits	- note 7 5,913	6,651
	Profit before working capital changes	3,380,859	2,650,219
	Effect on cash flow due to working capital changes:		
	Increase in trade debts	(765,694)	(326,618)
	Decrease/(increase) in advances, deposits, prepayments and other receivables	131,294	(292,611)
	Increase in trade and other payables and long term retentions	152,779	14,612
		2,899,238	2,045,602

28	Earnings per share	2019	2018
	Profit for the year	1,786,121	1,138,699
	Weighted average number of ordinary shares	380,978	380,978
	Earnings per share	4.69	2.99

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, 2019 and June 30, 2018 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.

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(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, 2019 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 2.710 million (2018: Rs 1.399 million) lower / higher mainly as a result of foreign exchange losses / gains on translation of USD-denominated financial assets and liabilities.

At June 30, 2019 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 0.028 million (2018: Rs 0.497 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, finance cost for the period would have been increased / decreased by Rs 85.045 million (2018: Rs 93.656 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:

	2019	2018
	(Rupees in thousand)	
Long term deposits	401	401
Trade debts	2,153,958	1,388,264
Advances, deposits and other receivables	1,217,126	1,057,762
Cash and bank balances	717,467	970,654
	<u>4,088,952</u>	<u>3,417,081</u>

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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	2019 (Rupees in thousand)	2018 (Rupees in thousand)
Bank of Punjab (BOP)	A1+	AA	PACRA	471,467	943,361
				<u>471,467</u>	<u>943,361</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, 2019	Carrying Amount	Less than 1 year	Between 1 and 5 years	Over 5 years
Long term loan	8,153,377	879,452	5,035,409	2,238,516
Trade and other payables	430,717	428,532	-	-
Accrued finance cost	239,544	239,544	-	-
Long term retentions	69,614	-	-	64,033
	<u>8,893,252</u>	<u>1,547,528</u>	<u>5,035,409</u>	<u>2,302,549</u>

	(Rupees in thousand)			
At June 30, 2018	Carrying Amount	Less than 1 year	Between 1 and 5 years	Over 5 years
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
	<u>10,121,127</u>	<u>1,979,316</u>	<u>4,628,918</u>	<u>3,512,893</u>

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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

Financial assets

	Financial assets at amortised cost	
	2019	2018
	(Rupees in thousand)	
Long term deposits	401	401
Trade debts	2,153,958	1,388,264
Advances, deposits and other receivables	1,217,126	1,057,762
Cash and bank balances	717,467	970,654
	<u>4,088,952</u>	<u>3,417,081</u>

Financial liabilities

	Financial liabilities at amortised cost	
	2019	2018
	(Rupees in thousand)	
Long term finances	8,153,377	9,009,468
Trade and other payables	430,717	290,591
Unpaid dividend	-	600,000
Accrued finance cost	239,544	176,526
Long term retentions	69,614	44,542
	<u>8,893,252</u>	<u>10,121,127</u>

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 statement of financial position plus net debt. The gearing ratio as at June 30, 2019 and June 30, 2018 is as follows:

	2019	2018
	(Rupees in thousand)	
Long term finances	8,153,377	9,009,468
Total equity	6,828,767	5,042,681
Total capital	<u>14,982,144</u>	<u>14,052,149</u>
Gearing ratio	54%	64%

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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	2019	2018
	MWH	MWH
Benchmark energy for the year	150,103	151,161
Actual energy delivered for the year, as acknowledged by CPPA	164,474	162,287

31 Number of employees	2019	2018
	(Rupees in thousand)	
Total number of employees as at June 30	<u>36</u>	<u>42</u>
Total number of Bahawalpur site employees as at June 30	<u>14</u>	<u>13</u>
Average number of employees during the year	<u>36</u>	<u>49</u>
Average number of Bahawalpur site employees during the year	<u>13</u>	<u>14</u>

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

There were no significant events and transactions impacting the current reporting period.

33 Events after the date of statement of financial position

No significant events have occurred subsequent to June 30, 2019 other than those mentioned elsewhere in the financial statements.

34 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.

35 Date of authorisation for issue

These financial statements were authorised for issue on November 05, 2019 by the Board of Directors of the Company.

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[Signature]

Chief Executive

[Signature]

Director