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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of National Power Parks Management Company ("the Company") as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

  (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

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(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Chartered Accountants

Name of engagement partner: Hammad Ali Ahmad

Lahore, September 28, 2017

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

BALANCE SHEET AS AT JUNE 30, 2017

	Note	2017	2016
		Rupees in thousand	
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	5	763,797	759,372
Capital work-in-progress	6	99,213,590	32,250,456
Intangible assets	7	2,103	-
Long term advances and deposits	8	11,661,816	7,038
		111,641,306	33,016,866
CURRENT ASSETS			
Advances, prepayments and other receivables	9	1,745,200	267,650
Tax refunds due from Government	10	2,671,347	741,544
Cash and bank balances	11	19,942,690	25,675,046
		24,359,237	26,684,240
		136,000,543	59,701,106
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 10,000 (2016: 10,000) ordinary shares of Rs 10 each		100	100
Issued, subscribed and paid up capital 10,000 (2016: 3) ordinary shares of Rs 10 each	12	100	0.03
Share deposit money	13	116,499,900	2,500,000
Accumulated (loss) / profit		(156,830)	11,525
		116,343,170	2,511,525
NON-CURRENT LIABILITIES			
Long term loan	14	-	45,000,000
Retention money	15	5,021,115	1,357,157
Deferred liabilities	16	21,510	7,423
		5,042,625	46,364,580
CURRENT LIABILITES			
Trade and other payables	17	11,765,472	8,324,450
Accrued markup	18	1,203,284	2,495,783
Short term borrowings	19	1,629,453	-
Provision for taxation	20	16,539	4,768
		14,614,748	10,825,001
CONTINGENCIES AND COMMITMENTS	21		
		136,000,543	59,701,106

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

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Chief Executive **Director**

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

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

	Note	2017	2016
		Rupees in thousand	
Administration expenses	23	(162,422)	(124,714)
Other income	24	51,094	138,833
(Loss)/Profit before interest and tax		(111,328)	14,119
Financial charges	25	(250)	(102)
(Loss)/profit before tax		(111,578)	14,017
Taxation	20	(56,048)	(4,485)
(Loss)/Profit for the year		(167,626)	9,532

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

Chief Executive

Director

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

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

	2017	2016
	Rupees in thousand	
(Loss)/Profit for the year	(167,626)	9,532
Remeasurement of defined benefit obligation	(729)	-
Total comprehensive (loss)/income for the year	(168,355)	9,532

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

Chief Executive

Director

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2017

	Note	Share Capital	Share Deposit Money	Accumulated Profit/(Loss)	Total
		Rupees in thousand			
Balance as at July 1, 2015		0.03	2,500,000	1,993	2,501,993
Total comprehensive income for the year		-	-	9,532	9,532
Balance as at June 30, 2016		0.03	2,500,000	11,525	2,511,525
Share issued during the year (9997 shares of Rs 10 each)	12	99.97	(99.97)	-	-
Conversion of debt	13	-	114,000,000	-	114,000,000
Total comprehensive loss for the year		-	-	(168,355)	(168,355)
Balance as at June 30, 2017		100	116,499,900	(156,830)	116,343,170

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

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Chief Executive

Director

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		Rupees in thousand	
Cash flows from operating activities			
Cash used in operations	22	(1,187,926)	(153,677)
Sales tax paid		(1,897,571)	(741,544)
Income tax paid		(138,752)	(76,227)
Net cash used in operating activities		(3,224,249)	(971,448)
Cash flows from investing activities			
Additions to operating fixed assets		(10,486)	(31,204)
Additions to capital work in progress		(61,469,919)	(19,904,902)
Additions to intangible assets		(2,378)	-
Long term advances and deposits		(11,654,778)	(7,038)
Net cash used in investing activities		(73,137,561)	(19,943,144)
Cash flows from financing activities			
Long term loan received		69,000,000	45,000,000
Short term borrowings		1,629,454	-
Net cash generated from financing activities		70,629,454	45,000,000
Net (decrease) / increase in cash and cash equivalents		(5,732,356)	24,085,408
Cash and cash equivalents at the beginning of the period		25,675,046	1,589,638
Cash and cash equivalents at the end of the period	11	19,942,690	25,675,046

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

Chief Executive | **Director**

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1 Legal status and nature of business

1.1 National Power Parks Management Company (Private) Limited ('the Company') was incorporated as a private limited company under the Companies Ordinance, 1984, now Companies Act, 2017, on March 2, 2015, wholly owned by Ministry of Water and Power, Government of Pakistan. The principal activity of the Company is to carry on business of generation of electricity through fossil fuels and bio fuels, including but not limited to oil (residual fuel oil, high speed diesel), gas, coal, hydro or alternative energy resources including but not limited to wind, solar and hydel or any other fuel mix used for generation of electricity in Pakistan and or outside Pakistan and to provide/sell the electricity produced to buyers in accordance with applicable laws. For this purpose, the Company is to own and operate two Regasified Liquefied Natural Gas (RLNG) based combine cycle power plants. The registered office of the Company is situated at Room No. 235, A-Block, Ministry of Water and Power, Pakistan Secretariat, Constitution Avenue, Islamabad Pakistan.

1.2 In exercise of powers conferred under subsection 4 of section 83 of Companies Act, 2017 and pursuant to federal cabinet's decision in case number 160/rule-19/17 dated June 30, 2017, the Federal Government instructed the Company to convert, with immediate effect, the amount of cash development loan, amounting to Rs. 114 billion into Government of Pakistan's equity. On completion of this conversion into equity, the Pakistan Development Fund Limited (PDFL) will acquire the entire equity stake of the Government of Pakistan.

1.3 For the purpose of setting up two RLNG based combined cycle power plants of 1,223 MW and 1,230 MW at Balloki, District Kasur and Haveli Bahadur Shah (HBS), District Jhang respectively, the Company entered into Engineering, Procurement and Construction (EPC) contracts for both projects.

The EPC contractor for Balloki project is a joint venture of Harbin Electric International and Habib Rafiq (Private) Limited (HEI-HRL) whereas the EPC contractor for HBS project is a joint venture of Power Construction Corporation of China and Qavi Engineers (Private) Limited (PCCC-QEL).

1.4 National Electric Power Regulatory Authority (NEPRA) has determined generation tariff for both Balloki and HBS projects on August 9, 2016. A Power Purchase Agreement (PPA) was entered into by and between the Company and Central Power Purchasing Agency (Guarantee) Limited (CPPA) on October 29, 2016 and a Gas Supply Agreement (GSA) has been entered into with Sui Northern Gas Pipelines Limited (SNGPL) on October 29, 2016.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. As per the requirements of circular No. CLD/CCD/PR(11)/2017 dated July 20, 2017 issued by Securities and Exchange Commission of Pakistan (SECP) companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with provisions of the repealed Companies Ordinance, 1984. Accordingly, approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984 shall prevail.

2.2 Standards, amendments and interpretations to published approved accounting 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:

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2.2.1 Standards, amendments and interpretations to existing standards effective in current year and applicable / relevant to the Company's operations

- IAS 1 (Amendment), 'Presentation of financial statements' on disclosure initiative. The application of these amendments has no material impact on the Company's financial statements. The amendment is effective for annual periods beginning on or after January 1, 2016.

- IAS 16 and 38 (Amendment), 'Property, plant and equipment' and 'Intangibles' on acceptable methods of depreciation and amortization. The application of these amendments has no material impact on the Company's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016.

Annual improvements 2014; IFRS 7, 'Financial instruments: disclosures'. IAS 19, 'Employee benefits'. The application of these amendments has no material impact on the Company's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective but applicable / relevant to the Company's operations

Standards or interpretations:	**Effective date (annual periods beginning on or after)**
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Revenue from contracts with customers' on gross versus net revenue presentation	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019

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

Standards or interpretations:	**Effective date (annual periods beginning on or after)**
IAS 27 (Amendment), 'Separate financial statements' on application of equity method in separate financial statements	January 1, 2016
IAS 41 (Amendment), 'Agriculture' on bearer plants	January 1, 2016
IFRS 10, 12 and IAS 28 (Amendment), on exception to consolidation for investment entities	January 1, 2016
IFRS 10 and IAS 28 (Amendment), on sale or contribution of assets between an Investor and its associate or joint venture	January 1, 2016
IFRS 11 (Amendment), 'Joint arrangements' on acquisition of interest in joint operations	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Annual improvements 2014; IFRS 5, 'Non-current assets held for sale and discontinued operations'.	January 1, 2016

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2.2.4 **Exemption from the applicability of certain interpretations to standards**

SECP through SRO 24(I)/2012 has granted exemption from the application of International Financial Reporting Interpretation Committee (IFRIC) 4 'Determining whether an Arrangement contains a Lease' and IFRIC 12 'Service Concession Arrangements' to all companies. However, the SECP made it mandatory to disclose the impact of the application of IFRIC 4 or IFRIC 12 on the results of the companies.

As of June 30, 2017, the Company has not yet commenced commercial operations. Consequently, if the Company were to follow IFRIC 4 or IFRIC 12, it would not have had any significant impact on the Company's financial statements as of June 30, 2017.

3 Basis of Measurement

3.1 These financial statements have been prepared under the historical cost convention except for recognition of certain employee retirement benefits at present value.

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.

Employee retirement benefits involve a high degree of judgment where assumptions and estimates are significant to the financial statements. The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.10.

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 Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment loss, if any, except for freehold land which is stated at cost. Cost comprises of acquisition and other directly attributable cost.

Depreciation is charged to profit and loss account on the straight-line method so as to write off the historical cost of an asset over its estimated useful life at the rates specified in note 5. Depreciation on additions is charged from the month in which an asset is acquired or is available for use, and on disposals up to the preceding month of disposal.

Assets residual values, useful lives and depreciation rates are reviewed, and adjusted, if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Subsequent costs are included in the assets' carrying amount or recognized 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. In case of replacement, the carrying amount of the replaced part is derecognized. Maintenance and normal repairs are charged to profit and loss account.

An item of operating fixed assets is derecognized upon disposal or when no future economic benefits are expected to arise from continuing use of assets. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the profit and loss account in the period the asset is derecognized.

4.2 Capital work in progress

Capital work-in-progress is stated at cost less identified impairment losses, if any. It comprises of all expenses incurred and advances made in respect of operating fixed assets in course of their acquisition, erection, construction and installation. It also includes salaries and wages and other costs directly attributable to capital work-in-progress, as determined by the management. Financial charges on borrowings for financing the projects which takes substantial time for completion, until such projects are available for their intended use, are also part of capital work-in-progress. These costs are transferred to operating fixed assets as and when assets are ready for intended use.

4.3 Intangible assets and amortization

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is computed using the straight-line method over the estimated useful lives of the assets at the rate shown in note 7 to the financial statements.

Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that intangible assets 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 is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.4 Impairment of non-financial assets

Assets that have an indefinite useful life, for example freehold land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment on the date of the balance sheet, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized, equal to the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment, are reviewed for possible reversal of the impairment at each balance sheet date. Reversals of the impairment loss are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized. An impairment loss, or the reversal of an impairment loss, are both recognized in the income for the period.

4.5 Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

4.6 Advances, prepayments and other receivables

These are initially recognized at cost, which is the fair value of the consideration given. Subsequent to initial recognition assessment is made at each balance sheet date to determine whether there is any indication that a financial asset or group of financial assets may be impaired. If such indication exists, the estimated recoverable amount of that asset or group of assets is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying value.

4.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.8 Share capital

Ordinary shares are classified as equity and are recorded at their face value.

4.9 Borrowings

These are recorded at the proceeds received and stated at net of repayments. Financial charges are accounted for on accrual basis and are disclosed as accrued interest / markup to the extent of the amount remaining unpaid.

4.10 Employee retirement benefits

Defined benefit plan – Gratuity

The Company operates an unfunded gratuity scheme for all its eligible employees who have completed minimum service requirement. Gratuity is based on employee's last drawn salary. The liability relating to defined benefit plan is determined through actuarial valuation using the projected unit credit method and is charged to profit and loss account and capital work in progress for respective employees. The amount recognized in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains / (losses). Re-measurement actuarial gains / (losses) are recognized in other comprehensive income when they occur.

4.11 Compensated absences

The company provides for compensated absences annually based on accumulated annual leaves at the last drawn salary. This can be encashed during the service of the employee or at the time of final settlement.

4.12 Trade and other payables

Liabilities for other payables are carried at their cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liability.

4.13 Borrowing costs

Borrowing and other related costs (net of interest income on specific borrowings) directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use are added to the cost of those assets to the extent the carrying amount of the assets does not exceed its recoverable value, until the assets are substantially ready for their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

4.14 Taxation

Current

Provision for current taxation is based on the taxable income for the period determined in accordance with the prevailing law for taxation on income. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments for prior periods or otherwise considered necessary for such periods. Current tax is charged to the profit and loss account except to the extent it relates to items recognized directly in other comprehensive income, in which case it is also recognized in other comprehensive income.

Deferred

Deferred income tax is accounted for using the balance sheet liability method in respect of all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income.

Deferred tax liabilities are 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 income tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted, or substantively enacted by the balance sheet date. Deferred income tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income in which it is included in other comprehensive income.

4.15 Provisions

Provisions are recognized in the balance sheet when the Company has a present, legal or constructive obligation because of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.16 Foreign currency transactions

Transactions in foreign currencies are translated into functional currency (Pakistani Rupee) using exchange rates approximating those ruling on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pakistani Rupee at the rates of exchange ruling at the balance sheet date. Exchange gains and losses resulting from settlement of foreign currency transactions and translation of monetary assets and liabilities at the rates prevailing at the reporting date are included in the profit and loss account except the waiver granted by SECP from the requirements of IAS-21, to the extent of capitalization of exchange differences to the power sector companies as mentioned in note 29. Non-monetary items that are measured in terms of a historical cost in a foreign currency are not re-translated.

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4.17 Related party transactions

Transactions and contracts with related parties are carried out at mutually agreed prices. Parties are said to be related if they can influence the operating and financial decisions of the Company and vice versa.

4.18 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortized cost respectively. The Company derecognizes the financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments.

a) Financial assets

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 and derecognized on trade date (the date on which the Company commits to purchase or sell the asset).

The Company classifies financial assets into the following categories; financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivables, and available for sale financial assets.

Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss, where transaction costs are expensed in the profit and loss account. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

Financial assets are derecognized 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. Any interest in such transferred financial assets that is created or retained by the company is recognized as a separate asset or liability.

b) Financial liabilities

All financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. The Company classifies financial liabilities initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial liabilities of the Company comprise of borrowings, trade and other payables.

c) Off-setting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5 Operating fixed assets

	Freehold land						
	Balloki	Haveli Bahadur Shah	Motor vehicles	Office equipment	Furniture & fixture	Computers and IT equipment	Total
	Rupees in thousand						
Net carrying value basis							
Year ended June 30, 2017							
Opening net book value (NBV)	493,129	239,118	16,703	3,995	3,902	2,525	759,372
Additions (at cost)	2,722	-	201	4,456	983	2,123	10,485
Disposals / write off (at NBV)	-	-	-	-	-	-	-
Depreciation charge	-	-	(3,938)	(463)	(479)	(1,180)	(6,060)
Closing net book value (NBV)	495,851	239,118	12,966	7,988	4,406	3,468	763,797
Gross carrying value basis							
As at June 30, 2017							
Cost	495,851	239,118	19,793	8,627	5,112	5,434	773,935
Accumulated depreciation	-	-	(6,827)	(639)	(706)	(1,966)	(10,138)
Net book value (NBV)	495,851	239,118	12,966	7,988	4,406	3,468	763,797
Depreciation rate % per annum	-	-	20%	10%	10%	30%	
Net carrying value basis							
Year ended June 30, 2016							
Opening net book value (NBV)	-	-	-	-	-	-	-
Additions (at cost)	493,129	239,118	19,592	4,171	4,129	3,311	763,450
Disposals / write off (at NBV)	-	-	-	-	-	-	-
Depreciation charge	-	-	(2,889)	(176)	(227)	(786)	(4,078)
Closing net book value (NBV)	493,129	239,118	16,703	3,995	3,902	2,525	759,372
Gross carrying value basis							
As at June 30, 2016							
Cost	493,129	239,118	19,592	4,171	4,129	3,311	763,450
Accumulated depreciation	-	-	(2,889)	(176)	(227)	(786)	(4,078)
Net book value (NBV)	493,129	239,118	16,703	3,995	3,902	2,525	759,372
Depreciation rate % per annum	-	-	20%	10%	10%	30%	

5.1 Motor vehicles include 22 vehicles provided to the Company by the EPC Contractors as part of the contract requirement, without any additional cost. These vehicles are registered in the Company's name and are being used at project sites and head office. These vehicles have been recorded at nominal value.

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6 Capital work in progress

	Note	2017 HBS	2017 Balloki	2017 Total	2016 HBS	2016 Balloki	2016 Total
		Rupees in thousand					
EPC milestones		40,545,124	39,830,995	80,376,119	9,673,265	9,345,168	19,018,433
Advance to PCCC - QEL	6.1	2,893,593	-	2,893,593	7,497,724	-	7,497,724
Spur Gas Pipeline - SNGPL	6.2	2,678,000	878,000	3,556,000	2,058,000	642,000	2,700,000
Legal, professional and consultants fee	6.3	751,419	747,961	1,499,380	410,955	410,889	821,844
Borrowing cost	6.4	2,927,420	2,170,924	5,098,344	1,055,992	641,424	1,697,416
Advance for purchase of land		85,932	-	85,932	998	2,722	3,720
LC commission		141,336	162,178	303,514	77,545	87,801	165,346
Projects' insurance		259,574	249,158	508,732	126,050	120,908	246,958
Custom duties and infrastructure cess		2,372,426	1,970,156	4,342,582	260	11,368	11,628
Land development charges		11,566	12,739	24,305	10,454	13,852	24,306
Rent for temporary land		5,897	7,467	13,364	5,897	7,467	13,364
Testing and commissioning	6.5	182,761	-	182,761	-	-	-
Fee and subscription		114,718	25,836	140,554	4,226	4,226	8,452
Salaries, wages and benefits - projects	6.6	94,182	81,760	175,942	21,397	18,139	39,536
Other pre-operating costs		5,979	6,489	12,468	1,035	694	1,729
		53,069,927	46,143,663	99,213,590	20,943,798	11,306,658	32,250,456

6.1 This represents unadjusted balance of advance payment made to the contractor, and is adjustable against milestone invoices of the contractor at the rate of 15% of each invoice value.

6.2 This represents amount paid to SNGPL, being a related party, for construction of spur gas pipelines of 38 KMs for HBS project and 8 KMs for Balloki project and provision for the amount to be paid in respect of the same amounting to Rs 428 million.

6.3 This includes consultancy fee paid to National Engineering Services Pakistan (Private) Limited (NESPAK), which is a related party. The services include providing overview, coordination and design review services sufficient to realize turnkey implementation of the project.

6.4 This represents markup paid and accrued on cash development loan received from Government of Pakistan (GOP). The accrual for the current period has been calculated at the rate of 7.07% per annum based on management's best estimate. The borrowing cost is net of interest income of Rs 2,090 million (2016: Rs 798 million) earned on bank deposits and term deposit receipts with NBP.

6.5 This comprises of fuel cost incurred before and after synchronization of both the projects with the grid system. However, the fuel cost incurred on supply of RLNG by SNGPL during the post synchronization period was offset against the test energy price receivable from CPPA amounting to Rs 1,271 million, as per PPA. The interest cost incurred on overdraft and working capital facility as mentioned in note 18 has also been capitalized as part of the testing cost since these facilities were entered into for the purpose of making RLNG payments to SNGPL.

6.6 Salaries, wages and benefits include gratuity provision aggregating to Rs 13.37 million (2016: Rs 4.08 million). During the period, gratuity paid to employees working at projects amounted to Rs 0.043 million.

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		2017	2016
		(Rupees in thousand)	
6.7	**Movement of capital work in progress:**		
	Opening balance	32,250,456	914,505
	Additions during the year	66,965,856	32,068,198
	Transferred to operating fixed assets	(2,722)	(732,247)
	Closing balance	99,213,590	32,250,456

7 Intangible Assets

Computer software and licenses

Net carrying value

Year ended June 30

	2017	2016
Opening net book value (NBV)	-	-
Additions (at cost)	2,378	-
Disposals (at NBV)	-	-
Amortization charge	(275)	-
Closing net book value (NBV)	2,103	-

Gross carrying value basis

As at June 30

	2017	2016
Cost	2,378	-
Accumulated amortization	(275)	-
Net book value (NBV)	2,103	-
Amortization rate % per annum	33.33%	-

		Note	2017	2016
			(Rupees in thousand)	
8	**Long term advances and deposits**			
	LNG escrow account	8.1	11,414,305	-
	Security deposit - rental premises		7,038	7,038
	Security deposit - bank lockers		50	-
	O&M mobilization cost	8.2	240,423	-
			11,661,816	7,038

8.1 This represents the amount deposited in escrow accounts with NBP, which is a related party, under the terms defined by the GSA signed with SNGPL, for the supply of RLNG to both the projects. The amount comprises of Rs 5,691 million deposited for HBS and Rs 5,723 million for Balloki project.

8.2 This represents initial fee paid to operations and maintenance (O&M) contractor of HBS project as per the terms of the O&M agreement signed between the Company and SEPCO III Electric Power Construction Corporation.

		Note	2017	2016
			(Rupees in thousand)	
9	**Advances, prepayments and other receivables**			
	Accrued profit	9.1	111,317	187,651
	Advance income tax		137,770	76,227
	Prepaid expenses		6,915	3,382
	Advance for office expenses		410	210
	Other receivables	9.2	1,488,788	180
			1,745,200	267,650

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9.1 This amount represents profit accrued on saving accounts and Term Deposit Receipts (TDRs) issued by NBP, which is a related party.

9.2 This includes the amount receivable from CPPA, which is a related party, amounting to Rs 1,487 million, on the basis of net electrical output transferred to the grid system during the testing phase of HBS project. As per the PPA, CPPA is liable to pay test energy price to the Company for the net electrical output transferred during the testing phase.

9.3 For the purpose of securing it's obligation to the financiers as per the agreement of Stand-By Letter of Credit (SBLC) and working capital facility, the Company has assigned by way of mortgage to the security trustee (National Bank of Pakistan) all energy payments receivable from CPPA.

		Note	2017	2016
			(Rupees in thousand)	
10	**Tax refunds due from Government**			
	Income tax		32,233	-
	Sales tax		2,639,114	741,544
			2,671,347	741,544
11	**Cash and bank balances**			
	Cash in hand		0.03	0.03
	Cash at bank - saving accounts	11.1	1,059,527	5,640
	Term deposit receipts	11.2	18,883,163	25,669,406
			19,942,690	25,675,046

11.1 Saving accounts are maintained with NBP, which is a related party. These balances carry interest rate of 3.75% (June 2016: 3.75%) per annum.

This includes a fuel cost account opened during the year in pursuance of the SBLC and working capital facility agreements entered into for making RLNG payments to SNGPL. As per the aforementioned agreements, lien has been marked on the fuel cost account in favor of the security trustee (NBP). The security trustee has the right of set-off, right of transfer and right of appropriation over all amounts standing to the credit of the fuel cost account. The balance of fuel cost account as at June 30, 2017 was Rs 1,048 million (2016: Nil).

11.2 Term deposit receipts issued by NBP have a maturity period of equal to or less than 3 months. The rate of return on these term deposits ranges from 5.50% to 5.85% (June 2016: 5.50% to 5.90%) per annum.

		Note	2017	2016
			(Rupees in thousand)	
12	**Share capital**			
	Authorized			
	10,000 (2016: 10,000) ordinary shares of Rs 10 each		100	100
	Issued, subscribed and paid up			
	10,000 (2016: 3) ordinary shares of Rs 10 each fully paid in cash		100	0.03
13	**Share deposit money**			
	Opening balance	13.1	2,500,000	2,500,000
	Issuance of shares		(100)	-
	Loan conversion into equity	14.1	114,000,000	-
			116,499,900	2,500,000

13.1 Share deposit money represents Rs 2,500 million received from GOP as per Circular No. GPI-7(02)/2015 dated June 09, 2015 on account of equity (seed money) to the Company.

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	Note	2017	2016
		(Rupees in thousand)	
14 Long term loan			
Loan from Government of Pakistan (GOP)		114,000,000	45,000,000
Conversion into equity		(114,000,000)	-
	14.1	-	45,000,000

14.1 Cash development loan was received from GOP which was to be paid back in 20 years with grace period of 5 years. Repayment of the principle amount was to commence after the completion of the grace period, however mark up was accrued from the date of the first disbursement. Mark up was accrued based on the management's best estimate. Total loan received till June 30, 2017 amounted to Rs 114 billion. However as per the GOP Finance Division order No.F.1(1)CF-I/2014-15 dated June 30, 2017, the Company was instructed to convert the entire amount of loan into equity.

On completion of conversion, the PDFL will acquire the entire equity stake of the Federal Government (presently Rs 114 billion) and will pay sale proceeds directly to Federal Government in 3 installments up to September 30, 2017.

	Note	2017	2016
		(Rupees in thousand)	
15 Retention money			
PCCC - QEL		2,467,322	677,129
HEI - HRL		2,553,793	680,028
	15.1	5,021,115	1,357,157

15.1 This represents amount retained on payments to EPC contractors at the rate of 7% of each invoice value. Maximum 5% of contract price can be retained from payments as retention money. 50% of the retention money is payable after the facility take over certificate is issued by the Company and the rest of the 50% will be paid upon completion of punch list period.

	Note	2017	2016
		(Rupees in thousand)	
16 Deferred liabilities			
Provision for gratuity	16.1	21,510	6,724
Deferred taxation		-	699
		21,510	7,423

16.1 The Company operates an unfunded gratuity scheme for all of its employees in service. Under the scheme, the Company pays an amount equal to one month gross salary for each year of completed service. During current year provision has been made to cover obligation in accordance with the actuarial recommendations as required under IAS-19 "Employee Benefits".

16.1.1 The amounts recognized in the capital work-in-progress (CWIP), profit and loss account and other comprehensive income are determined as follows:

	2017	2016
	(Rupees in thousand)	
Current service cost	14,086	6,724
Net interest	398	-
Total expense	14,484	6,724
Total expense chargeable to:		
CWIP - Project cost	9,031	4,087
Profit and loss account	5,453	2,637
	14,484	6,724

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		2017	2016
		(Rupees in thousand)	

16.1.2 The amount recognized in the balance sheet is as follows:

Liability as at July 1	6,724	-
Current service cost	14,086	6,724
Net interest	398	-
Remeasurements due to:		
Change in financial assumptions	537	-
Experience adjustments	1,400	-
Transitional liability	(1,533)	-
Benefits paid	(102)	-
Liability as at June 30	21,510	6,724

17 Trade and other payables

PCCC - QEL		5,496,447	7,545,406
HEI - HRL		4,368,685	447,622
SNGPL	17.1	748,365	-
Consultancy services	17.2	377,345	310,983
Accrued expenses		27,572	4,898
Sales tax payable		218,147	-
Withholding tax payable		94,200	200
Other liabilities		6,711	15,341
Provision for spur gas pipeline-SNGPL		428,000	-
		11,765,472	8,324,450

17.1 This represents amount payable to SNGPL, a related party, in respect of supply of RLNG.

17.2 This amount pertains to the balance payable to NESPAK, a related party, for engineering consultancy services provided for the installation of HBS and Balloki projects.

18 Accrued markup

	Note	2017	2016
		(Rupees in thousand)	
Long term loan	18.1	1,200,048	2,495,783
Short term borrowings	19	3,236	-
		1,203,284	2,495,783

18.1 This represents markup payable on cash development loan received from GOP. Markup during the financial year ended June 30, 2016 was accrued at 10.53%, based on management's best estimate. However, during the current year, Ministry of Finance through it's circular no. F.8(1)GS-I/2006-1679 dated December 31, 2016 notified that the rate for the financial year ended June 30, 2016 was 7.37%. Hence an adjustment of Rs 487 million was made during the year to reverse the excess accrual recorded during the year ended June 30, 2016. Markup for the period has been accrued at a provisional rate of 7.07%, based on management's best estimate.

19 Short term borrowings

	Note	2017	2016
		(Rupees in thousand)	
Working capital finance	19.1	1,130,476	-
Overdraft account	19.2	498,977	-
		1,629,453	-

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19.1 Working capital finance is available in equal proportion from NBP (related party) and United Bank Limited (UBL) amounting to Rs 21,340 million for HBS project carrying a mark-up of three months KIBOR plus 1.50%. The said facility has been secured by way of a first ranking hypothecation charge over the hypothecated fuel stock of HBS project, assignment by way of mortgage of energy payments receivable pertaining to HBS project and a second ranking charge over the hypothecated plant and machinery of HBS project.

19.2 Overdraft facility is available for 3 months period ended August 31, 2017 from NBP, being a related party, amounting to Rs 700 million for HBS project. It carries mark-up of three months KIBOR plus 1.50%. The facility has been secured by way of a lien marked on TDRs/funds of HBS project amounting to Rs 778 million.

	Note	2017	2016
		(Rupees in thousand)	
20 Provision for taxation			
Provision as at July 1		4,768	982
Provision for the year	20.1	16,539	3,786
Prior year provision	20.1	40,208	-
Tax paid		(982)	-
Adjustment with tax deducted at source		(43,994)	-
Provision as at June 30		16,539	4,768
20.1 Taxation			
Current	20.2	16,539	3,786
Prior year	20.3	40,208	-
		56,747	3,786
Deferred	20.4	(699)	699
		56,048	4,485

20.2 Current tax expense is calculated at the rate of 31% of other income as appearing in note 24.

20.3 Prior year tax amounting to Rs 40 million has been recognized based on the income tax return filed for the tax year 2016.

20.4 The company has not recognized deferred tax asset of Rs 91 million resulting mainly from pre-commencement expenditures on prudence basis as the company is at project development stage.

	2017	2016
	(Rupees in thousand)	
20.5 Tax charge reconciliation		
Accounting (loss)/profit	(111,578)	14,017
Income tax charge	(34,589)	4,485
Tax effect of inadmissible expenses/income	-	(699)
Tax effect of pre-commencement expenditure	50,428	-
Tax effect of exchange gain adjustment	700	-
Current Tax	16,539	3,786
Tax effect of prior years	40,208	-
Taxation charge for the period	56,747	3,786

21 Contingencies and commitments

21.1 Contingencies

There are no known contingencies as at June 30, 2017. (2016: Nil)

21.2 Commitments

a) Commitments for capital expenditure include; EPC cost of Rs 18,204 million for HBS project, Rs 18,998 million for Balloki project and engineering consultancy cost of Rs 129 million for each project. To facilitate payments to EPC contractors for both projects, the Company has opened four Letters of Credit (LCs) with NBP for each project. Two LCs pertain to onshore payments and two LCs pertain to offshore payments. The total amount pertaining to offshore payment LCs add up to USD 848.430 million out of which USD 378.037 million is unutilized. The total amount pertaining to onshore payment LCs add up to Rs 21,886 million out of which Rs 9,996 million is unutilized.

b) Pursuant to the GSA signed with SNGPL for the HBS project, the Company has entered into a SBLC arrangement for an amount of Rs 11,383 million. This SBLC is secured by way of a first ranking hypothecation charge over the hypothecated plant and machinery of HBS project and assignment by way of mortgage of energy payments receivable from CPPA pertaining to HBS project.

c) The Company has provided a bank guarantee via NBP dated January 15, 2016 in favor of Pakistan State Oil Company Limited (PSO) for the purchase of fuel on credit for its fleet of cars amounting to Rs 0.971 million.

d) The Company has opened RLNG escrow accounts with NBP for HBS and Balloki projects in accordance with the terms of the GSA signed between the Company and SNGPL. As per the agreement, an amount equivalent to one month RLNG supply for each project shall be maintained in these accounts separately for each project. The HBS RLNG escrow account was opened on April 19, 2017 and interest amounting to Rs 42 million accrued during the current financial period on the amount of escrow account deposit. The Balloki RLNG escrow account was opened on June 29, 2017 and interest amounting to Rs 0.587 million accrued during the current financial period on the amount of escrow deposit. Interest accrued on both these accounts is payable to or to be adjusted against any receivable from the CPPA as per section 9.11 of the PPA and has not been recorded in these financial statements.

	Note	2017	2016
		(Rupees in thousand)	
22 Cash used in operations			
(Loss) / Profit before tax		(111,578)	14,017
Adjustments for:			
Depreciation		6,060	4,078
Amortization	7	275	-
Provision for gratuity	16.1.1	5,453	2,637
Reversal of prior period gratuity provision		(577)	-
Foreign exchange loss / (gain)		2,258	(2,258)
Accrued profit on saving account / TDRs		-	(15,476)
		13,469	(11,019)
Operating (loss) / profit before working capital changes		(98,109)	2,998
Effect on cash flow due to working capital changes			
Advances, prepayments and other receivables		(1,416,007)	(172,091)
Trade and other payables		326,190	15,416
		(1,089,817)	(156,675)
		(1,187,926)	(153,677)

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		Note	2017	2016
			(Rupees in thousand)	
23	**Administration expenses**			
	Salaries, wages and benefits	23.1	99,827	59,702
	Directors' meeting fee and expenses		2,965	1,611
	Travelling and conveyance		3,938	1,327
	Vehicles running and maintenance		2,417	1,402
	Printing and stationary		1,889	930
	Office supplies and utilities		6,845	3,901
	Repair and maintenance		333	575
	Legal and Professional		1,349	769
	Auditors' remuneration	23.2	5,100	400
	Publicity and advertisements		6,967	34,518
	Fee and subscription		320	89
	Rent, rates and taxes		15,055	11,730
	Security services		821	491
	Telephone and telex		1,742	1,231
	Insurance		6,519	1,960
	Depreciation	5	6,060	4,078
	Amortization		275	-
			162,422	124,714

23.1 Salaries, wages and benefits include provision for gratuity aggregating to Rs 5.4 million (2016: Rs 2.6 million).

		Note	2017	2016
			(Rupees in thousand)	
23.2	**Auditor's remuneration:**			
	Statutory audit fee		4,635	275
	Compliance and other certificates		300	97
	Out of pocket expenses		165	28
			5,100	400
24	**Other income**			
	Profit on saving accounts	11.1	-	36,809
	Profit on term deposit receipts	11.2	6,728	99,677
	Scrap sale		46,367	-
	Income from sale of bidding documents		257	89
	Foreign exchange (loss) / gain		(2,258)	2,258
			51,094	138,833
25	**Financial charges**			
	Other bank charges		250	102
			250	102

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26 Financial risk management

The Company has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Board of Directors reviews and agrees policies for managing each of these risks.

26.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Currently, the Company is in initial stages and has no counterparties except certain advances, deposits, and other receivables and bank balances.

The credit risk on liquid funds is limited because the counterparty is a bank with highest credit quality and unlimited liability.

The maximum exposure to credit risk at the reporting date is given below:

	2017	2016
	(Rupees in thousand)	
Long term advances and deposits	11,421,393	7,038
Accrued profit	111,317	187,651
Bank balances	19,942,690	25,675,046
	31,475,400	25,869,735

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

Name of bank	Rating agency	Rating Short term	Rating Long term	2017	2016
				(Rupees in thousand)	
National Bank of Pakistan	PACRA	A1+	AAA	18,894,987	25,669,406
United Bank Limited	JCR-VIS	A-1+	AAA	1,047,700	-
Habib Bank Limited	JCR-VIS	A-1+	AAA	3	-
				19,942,690	25,669,406

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26.2 **Liquidity risk**

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position.

Maturity analysis of financial liabilities

The following table details the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities.

Following are the contractual maturities of financial liabilities as at June 30, 2017:

		2017
		Rupees in thousand
Trade and other payables	Maturity upto 3 months	11,765,472
Short term borrowings	Maturity upto 6 months	1,629,453
Accrued markup	Maturity upto 6 months	1,203,284
		14,598,209

Following are the contractual maturities of financial liabilities as at June 30, 2016:

		2016
		Rupees in thousand
Trade and other payables	Maturity upto 3 months	8,324,450
Accrued markup	Maturity upto 6 months	2,495,783
Long term loan	Maturity more than 5 year	45,000,000
		55,820,233

26.3 **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's cost. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

a) Foreign exchange risk

The Company does not foresee any risk associated with currency risk, as any variation in currency rates will be absorbed in final tariff determination by NEPRA.

Pak Rupee (PKR) is the functional currency of the Company and as a result currency exposure arises from transactions and balances in currencies other than PKR. The Company manages its currency risk by close monitoring of currency markets. As per central bank regulation, the Company cannot hedge its currency risk exposure. The Company's potential currency exposure comprises of the following risks.

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The Company is in development phase and there are only expenditures relating to consultants and contractors which are not in Pak Rupees. These currency risks are managed as part of overall the risk management strategy.

	Currency	2017	2016
Payables to PCCC – QEL	USD	51,440,578	71,126,583
Payables to HEI – HRL	USD	35,842,571	4,166,699
Retention money payable to PCCC – QEL	USD	18,469,923	6,383,155
Retention money payable to HEI – HRL	USD	19,915,028	4,547,526
Payables to NESPAK	USD	29,344	21,156
Net exposure - USD		125,697,444	86,245,119
Payables to NESPAK	EURO	615,596	446,784
Net exposure - Euro		615,596	446,784

An increase/ decrease in exchange rate by Re 1 per USD will result in an increase/ decrease in payable to PCCC - QEL, payable to HEI - HRL, Retention money payable to PCCC - QEL, Retention money payable to HEI - HRL and payable to NESPAK by Rs 51.4 million, Rs 35.8 million, Rs 18.5 million, Rs 19.9 million and Rs 0.029 million respectively. An increase/ decrease in exchange rate by Re 1 per Euro will result in an increase/ decrease in payable to NESPAK by Rs 0.616 million.

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is currently set-off against capital work-in-progress. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

The significant spot exchange rate applied is PKR/US$ 105.3 (2016: 104.7) and PKR/Euro 120.14 (2016: 116.31).

b) Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

At the reporting date, the Company has working capital facility as a variable interest bearing financial instrument.

Currently, the markup is accrued at the provisional rate of 7.07%. The actual markup rate is to be notified by the Government of Pakistan. An increase/ decrease in markup rate by 1% will result in an increase/ decrease in accrued markup and capital work in progress by Rs 732.66 million. However, any variation in interest rates will be adjusted in final tariff determination by NEPRA.

The working capital facility carries mark-up of three months KIBOR plus 1.50%. Any increase/ decrease in rate by 1% will result in an increase/ decrease in mark-up by Rs 0.424 million. However, any variation in interest rates will be adjusted in final tariff determination by NEPRA.

c) 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 there are no investments in equity securities. The Company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity price.

26.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction other than in a forced or liquidation sale.

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

26.4.1 Financial instruments by categories

	2017	2016
	(Rupees in thousand)	
Assets as per balance sheet		
Long term deposits	11,421,393	7,038
Advances and other receivables	1,738,286	264,269
Tax refunds due from Government	2,671,347	741,544
Cash and bank balances	19,942,690	25,675,046
	35,773,716	26,687,897
Liabilities as per balance sheet		
Long term loan	-	45,000,000
Retention money	5,021,115	1,357,157
Trade and other payables	11,765,472	8,324,450
Accrued markup	1,203,284	2,495,783
Short term borrowings	1,629,453	-
	19,619,324	57,177,390

26.5 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue 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 other companies in the industry, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as total borrowing divided by total capital employed. Total capital employed includes total equity plus total borrowings.

	2017	2016
	(Rupees in thousand)	
Long term loan	-	45,000,000
Short term borrowings	1,629,453	-
Total borrowing	1,629,453	45,000,000
Issued, subscribed and paid up capital	100	0.03
Share deposit money	116,499,900	2,500,000
Accumulated (loss) / profit	(156,830)	11,525
Total equity	116,343,170	2,511,525
Total capital employed	117,972,623	47,511,525
Gearing ratio	1.4%	94.7%

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27 Remuneration of chief executive, directors and executives

27.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, full time working director and executives of the company is as follows:

	Chief Executive		Directors		Executives	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
			Rupees in thousand			
Short term employee benefits						
Managerial remuneration	1,565	1,092	-	-	172,499	67,879
Bonus	13,877	11,687	-	-	-	-
House rent	126	105	-	-	-	-
Utilities	483	216	-	-	-	-
	16,051	13,100	-	-	172,499	67,879
Post employment benefits						
Gratuity	484	317	-	-	15,541	6,123
	16,535	13,417	-	-	188,040	74,002
Number of persons	**1**	**1**	**9**	**9**	**48**	**31**

27.2 CEO is entitled to quarterly bonus which is dependent on the achievement of predetermined milestones for each quarter.

27.3 Aggregate amount charged in the financial statements for the year as directors fee in respect of 9 directors (2016: 9 directors) was Rs 3.240 million (2016: Rs 1.611 million).

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28 **Transactions with related parties**

The Company is owned by the Government of Pakistan and therefore, all the government departments / agencies are related parties of the Company. Further, the related parties comprise of related group companies, directors of the Company, companies considered related parties by the way of common directorship, associated companies, and key management personnel. Being a government owned entity, details of significant and quantifiable transactions with government owned entities and other related parties, other than remuneration of Chief Executive, Directors and Executives are as follows:

		2017	2016
Transactions during the period		(Rupees in thousand)	
Government owned entities - Associates			
CPPA	Sale of energy	1,271,750	-
SNGPL	Purchase of RLNG	1,441,352	-
NESPAK	Consultancy fee	674,143	645,687
SNGPL	Payment for construction of spur gas pipeline	428,000	2,700,000
NBP	Profit on saving account	23,705	150,411
NBP	Profit on term deposits	1,274,609	784,443
		5,113,559	4,280,541
Parent - Government of Pakistan (GOP)			
Long term loan		69,000,000	45,000,000
Conversion of debt to equity		114,000,000	-
		188,113,559	49,280,541

29 **Waiver from application of IAS-21**

SECP through its S.R.O 24(I)/2012 dated January 16, 2012, exempted the power companies from application of IAS-21 'The effects of changes in foreign exchange rates' to the extent of charging exchange differences. Had the exchange difference, as allowed by the above mentioned notification of the SECP, not been capitalized, the accumulated loss would have been higher by Rs 63 million and capital work in progress would have been lower by Rs 63 million.

30 **Number of employees**

	2017	2016
Total number of employees as at June 30	105	85
Average number of employees during the year	94	46

31 **Events after the balance sheet date**

Gas Turbine 1 (GT1) and Gas Turbine 2 (GT2) of both the projects have been commissioned following the year ended June 30, 2017. Moreover, simple cycle operations of both the projects have also commenced following the year end. Simple cycle operations start date for GT1 and GT2 of HBS project is July 18, 2017, whereas, for Balloki project, operations start date for GT1 is August 13, 2017 and for GT2 is August 30, 2017.

32 **Date of authorization**

These financial statements have been approved by the Board of Directors of the company and authorized for issue on 28 SEP 2017

33 **General**

33.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. However, no significant re-arrangements have been made.

33.2 These financial statements are presented in Pakistani Rupee ("Rs") which is the Company's functional currency. All financial information presented in Rupees has been rounded off to the nearest thousand rupees, unless otherwise stated.

Chief Executive **Director**