NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of National Power Parks Management Company (Private) Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the profit and loss account, 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 profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 11.3 to the financial statements which describes the issue regarding Take or Pay invoices amounting to Rs 11,600 million raised by Sui Northern Gas Pipelines Limited (SNGPL) under the Gas Supply Agreement (GSA) which have been disputed by the company. Out of this, amount of Rs 10,384 million recovered by SNGPL through encashment of Stand-by Letter of Credit has been recorded as a receivable from SNGPL and the remaining amount of Rs 1,216 million has been disclosed as a contingent liability in note 22.1 to the financial statements. Our opinion is not modified in respect of this matter.

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 Directors' report, but does not include the financial statements of the Company 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.

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 judgment 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

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or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

b) the statement of financial position, the profit and loss account, 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 Hammad Ali Ahmad.

A F Ferguson & Co.

Chartered Accountants

Lahore
Date: March 19, 2019

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

	Note	2018	2017
		Rupees in thousand	
ASSETS			
NON CURRENT ASSETS			
Operating fixed assets	5	75,254,343	763,797
Capital work-in-progress	6	64,724,610	99,213,590
Intangible assets	7	1,547	2,103
Long term deposits and prepayments	8	12,293,561	11,661,816
		152,274,061	111,641,306
CURRENT ASSETS			
Stock-in-trade	9	1,878,212	-
Trade debts	10	28,988,819	-
Advances, prepayments and other receivables	11	11,534,163	1,745,200
Tax recoverable from Government	12	4,097,396	2,453,200
Cash and bank balances	13	13,174,239	19,942,690
		59,672,829	24,141,090
		211,946,890	135,782,396
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 11,660,000,000 (June 2017: 10,000) ordinary shares of Rs 10 each		116,600,000	100
Issued, subscribed and paid up capital 10,000 (June 2017: 10,000) ordinary shares of Rs 10 each	14	100	100
Share deposit money	15	116,499,900	116,499,900
Accumulated profit / (loss)		3,275,524	(156,830)
		119,775,524	116,343,170
NON CURRENT LIABILITIES			
Long term loan, unsecured	16	32,738,000	-
Deferred liabilities	17	36,293	21,510
		32,774,293	21,510
CURRENT LIABILITES			
Trade and other payables	18	16,770,620	11,547,325
Retention money	19	6,772,669	5,021,115
Accrued markup	20	3,239,909	1,203,284
Short term borrowings, secured	21	32,613,875	1,629,453
Provision for taxation		-	16,539
		59,397,073	19,417,716
CONTINGENCIES AND COMMITMENTS	22		
		211,946,890	135,782,396

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive **Director**

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		Rupees in thousand	
Sales	23	30,320,511	-
Cost of sales	24	(27,217,452)	-
Gross Profit		3,103,059	-
Administration expenses	25	(206,697)	(162,422)
Other operating expenses	26	(32,299)	(2,258)
Other income	27	1,322,494	53,352
Profit / (loss) before interest and tax		4,186,557	(111,328)
Financial charges	28	(755,529)	(250)
Profit / (loss) before tax		3,431,028	(111,578)
Taxation	29	-	(56,048)
Profit / (loss) for the year		3,431,028	(167,626)

The annexed notes 1 to 38 form an integral part of these financial statements.
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Chief Executive

Director

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	Rupees in thousand	
Profit / (loss) for the year	3,431,028	(167,626
Other comprehensive income / (loss)		
Items that may not be reclassified to profit and loss in subsequent periods		
Remeasurement of defined benefit obligation	1,326	(729
Total comprehensive income / (loss) for the year	3,432,354	(168,355

The annexed notes 1 to 38 form an integral part of these financial statements.

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Chief Executive

Director

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

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

	Share Capital	Share Deposit Money	Accumulated Profit/ (Loss)	Total
	Rupees in thousand			
Balance as at July 1, 2016	0.03	2,500,000	11,525	2,511,525
Share issued during the year (9,997 shares of Rs 10 each)	99.97	(99.97)	-	-
Conversion of debt	-	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
Total comprehensive income for the year	-	-	3,432,354	3,432,354
Balance as at June 30, 2018	100	116,499,900	3,275,524	119,775,524

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

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

	Note	2018	2017
		Rupees in thousand	
Cash flows from operating activities			
Cash used in operations	30	(29,661,973)	(1,187,676
Employee benefits paid		(1,284)	(102
Sales tax paid		(1,522,966)	(1,897,571
Income tax paid		(198,247)	(138,752
Net cash used in operating activities		(31,384,470)	(3,224,101
Cash flows from investing activities			
Additions to operating fixed assets		(1,171)	(10,486)
Additions to capital work in progress		(37,910,891)	(61,469,817)
Additions to intangible assets		(272)	(2,378)
Long term deposits and prepayments		(684,451)	(11,654,778)
Net cash used in investing activities		(38,596,785)	(73,137,459)
Cash flows from financing activities			
Proceeds from long term loan		32,738,000	69,000,000
Short term borrowings		30,984,422	1,629,454
Financial charges paid		(509,618)	(250)
Net cash generated from financing activities		63,212,804	70,629,204
Net decrease in cash and cash equivalents		(6,768,451)	(5,732,356)
Cash and cash equivalents at the beginning of the year		19,942,690	25,675,046
Cash and cash equivalents at the end of the year	13	13,174,239	19,942,690

The annexed notes 1 to 38 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, 2018

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. the Company is a public sector company as it is beneficially owned and controlled by the Government of Pakistan through Pakistan Development Fund Limited (PDFL). 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 operating two Regasified Liquefied Natural Gas (RLNG) based combine cycle power plants. The registered office of the Company is situated at 1st Floor, OPF Head Office Building, Shahrah-e-Jamhuriat, G-5/2, Islamabad.

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

1.3 National Electric Power Regulatory Authority (NEPRA) has determined reference generation tariff for both Balloki and HBS projects on August 9, 2016. Power Purchase Agreements (PPAs) for the two projects were entered between the Company and Central Power Purchasing Agency (Guarantee) Limited (CPPA) on October 29, 2016 and Gas Supply Agreements (GSAs) have been entered, for Balloki and HBS projects with Sui Northern Gas Pipelines Limited (SNGPL) on October 29, 2016.

1.4 The Company entered into two agreements for operation and maintenance activities of the HBS and Balloki projects with M/S SEPCO III Electric Power Construction Corporation (SEPCO III) dated May 04, 2017, and M/S TNB Repair & Maintenance SDN BHD (TNB) dated May 05, 2017 respectively. The Company also entered into two Long Term Service Agreement (LTSA) with General Electric (GE) for both Haveli Bahadur Shah and Balloki projects on October 18, 2016.

1.5 Significant transactions and events during the year:

Following is a list of significant transactions and events during the year:

- Simple cycle operations of both the projects commenced during the year. Simple cycle commercial operations start date for Gas Turbine 1 (GT1) and Gas Turbine 2 (GT2) of HBS project was July 18, 2017, whereas, for Balloki project, operations start date for GT1 was August 13, 2017 and for GT2 was August 30, 2017. Further, HBS project commenced its combined cycle commercial operations on May 9, 2018. Consequently, revenue of Rs 30,320 million has been recorded during the year. Moreover, an amount of Rs 74,930 million, attributable to HBS project, has been transferred from capital work-in-progress to operating fixed assets during the year.

- As mentioned in note 11.3 to the financial statements, under the Take or Pay clauses of the GSA, SNGPL raised invoices amounting to Rs 11,600 million. The invoices have been disputed by the Company, however a significant portion of the demand, amounting to Rs 10,384 million was recovered by SNGPL through encashment of Stand-by Letter of Credit. The dispute has been referred to an expert for resolution. Based on the opinion of the legal advisor the management believe that the Company has a good arguable case in its favor and demand is liable to be declared as contrary to GSA and the applicable law.

- As mentioned in note 18.2 to the financial statements, under the Engineering, Procurement and Construction (EPC) contract signed between the Company and EPC contractors (PCCC-QEL & HEI-HRL), the Company is entitled to liquidated damages in case the contractor fails to procure taking over certificate within the time mentioned in the contract. As a result of non-compliance with the time limits mentioned in the contract, the EPC contractor (PCCC-QEL) was charged cumulative liquidated damages, capped at 10% of the agreement price being USD 58.945 million for Haveli Bahadur Shah project.

- As mentioned in note 15.3 to the financial statements, Finance Division, GOP through letter F. No. 2(23)Inv-I/2017-466 dated August 17, 2017 informed the Company that Pakistan Development Fund Limited (PDFL) has acquired equity share of Government of Pakistan (GOP) in the Company amounting to Rs 114,000 million. However, shares have not been issued during the year ended June 30, 2018. Further, a loan amounting to Rs 32,738 million has been received by the Company from PDFL mainly for the purpose of making payments to EPC contractors.

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2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with 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 as are notified under the Companies Act, 2017; and

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

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

2.2 The Companies Act, 2017 (Act) has also brought certain changes with regard to preparation and presentation of financial statements of the Company. These changes also include change in nomenclature of the primary statements, etc.

Further, the disclosure requirements contained in the fifth schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of significant additional disclosures.

Keeping in view of the above, the presentation of these financial statements has been realigned with the provisions contained in the Act, however, it does not have any impact on the recognition and measurement of the amounts included in these financial statements of the Company.

2.3 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:

2.3.1 Standards, amendments and interpretations to existing standards effective in July, 2017 - June, 2018 and applicable / relevant to the Company's operations

- Amendments to IAS 12, 'Income Taxes' in relation to recognition of deferred tax assets for unrealized losses are applicable on accounting periods beginning on or after January 1, 2017. International Accounting Standards Board (IASB) has clarified that unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. Furthermore, the estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

- Amendments to IAS 7, 'Statement of cash flows' on the disclosure initiative is applicable on annual periods beginning on or after January 1, 2017. These amendments are part of the IASB initiative to improve presentation and disclosure in financial reports. The objective of the amendment is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The application of aforementioned amendments has no material impact on the Company's financial statements.

2.3.2 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)**
IFRIC 22 - 'Foreign currency transactions and advance consideration'	January 1, 2018
IFRS 9, 'Financial instruments'	July 1, 2018
IFRS 15, 'Revenue from contracts with customers'	July 1, 2018
IAS 19 - 'Employee benefits' in relation to plan amendments, curtailments or settlements	January 1, 2019
IFRS 16 - 'Leases'	January 1, 2019
IFRIC 23 - 'Uncertainty over income tax treatments'	January 1, 2019

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

There are new accounting standards, amendments that are mandatory from accounting periods beginning on or after July 1, 2018 and are considered not to be relevant to the Company's financial statements and are therefore, not detailed in these financial statements.

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

Securities and Exchange Commission of Pakistan (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' to all companies. However, SECP made it mandatory to disclose the impact of 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 lease in accordance with IAS 17, 'Leases'.

Consequently, the Company is not required to account for a portion of its Power Purchase Agreement (PPA) as a lease under IAS 17. If the Company were to follow IFRIC 4 and IAS 17, the effect on the financial statements would be as follows:

	2018	2017
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(74,659,996)	-
Recognition of lease debtor	74,864,839	-
Increase/ (decrease) in accumulated profit at the beginning of the year	-	-
Increase in profit for the year	204,843	-
Increase in accumulated profit at the end of the year	204,843	-

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. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) **Employee retirement benefits**

Employee retirement benefits involve a high degree of judgment where assumptions and estimates are significant to the financial statements. The Company valued its retirement benefit obligations using valuation performed by an independent actuary. The valuation is based on assumptions as mentioned in note 4.12.

b) **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.

c) **Useful life and residual values of operating fixed assets**

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.

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4 Significant Accounting Policies

The policies applied for the preparation of these financial statements are the same as those applied in the preparation of preceding annual audited financial statements for the year ended June 30, 2017. The significant accounting policies adopted in the preparation of these financial statements are set out below.

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.

Capital spares are classified under operating fixed assets rather than stores, spares and loose tools as they meet the definition of operating fixed assets. Available for use capital spares are depreciated over their useful lives.

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 for the period. 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 year.

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 Stock-in-trade

Stock-in-trade is valued at lower of cost based on First-In-First-Out (FIFO) or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. However items in transit are stated at invoice value plus other charges paid thereon till the balance sheet date.

4.7 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.8 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.

4.9 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.

4.10 Share capital

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

4.11 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.

4.12 Employee retirement benefits

Defined benefit plan – Gratuity

The Company operates an unfunded defined benefit gratuity scheme for all employees with a qualifying service period of one year. 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 latest actuarial valuation was carried out as at June 30, 2018. 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.

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

- Discount rate: 9% per annum (2017: 7.75% per annum)
- Expected rate of increase in salary level: 8% per annum (2017: 6.75% per annum)

The expected expense for the next year ending June 30, 2019 is Rs 21 million as per actuarial valuation.

4.13 Compensated absences

Employees' entitlement to annual leaves is recognized when they accrue to the employees. The Company provides for compensated absences annually based on accumulated annual leaves, that were not availed due to business need, at the last drawn salary. This can be encashed during the service of the employee or at the time of final settlement. A provision, is made for the estimated liability for annual leaves as a result of services rendered by employees up to the reporting date.

4.14 Trade and other payables

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

4.15 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.

4.16 Revenue recognition

Revenue from sale of electricity to the CPPA, sole customer of the Company, is recorded based upon the output delivered and capacity available based on rates determined under the mechanism laid down in the Power Purchase Agreement (PPA) signed with CPPA, as amended from time to time.

Income on bank deposits and income on overdue trade receivables due under the PPA is accrued on a time proportion basis by reference to the principal/amount outstanding and the applicable rate of return. Income from scrap sales is recognized on accrual basis.

4.17 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 and is charged to profit and loss account. Whereas current tax related with power generation income is recorded as receivable from CPPA, being pass-through item under PPA.

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.

4.18 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.

4.19 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 34. Non-monetary items that are measured in terms of a historical cost in a foreign currency are not re-translated.

4.20 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.

4.21 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/amortized cost 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.

4.21.1 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.

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) Loans and receivables

Loans and receivables 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 balance sheet date, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

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.

4.21.2 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.

4.21.3 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

Rupees in thousand

	Freehold land									
	Balloki	Haveli Bahadur Shah	Plant & Machinery	Capital Spares	Building & Civil Works	Motor vehicles	Office equipment	Furniture & fixture	Computers and IT equipment	Total
Net carrying value basis										
Year ended June 30, 2018										
Opening Net Book Value (NBV)	495,851	239,118	-	-	-	12,966	7,988	4,406	3,468	763,797
Additions (at cost)	-	-	-	-	-	-	685	23	463	1,171
Transfers from CWIP	-	-	67,381,746	2,105,603	5,365,463	60,327	7,456	7,889	2,283	74,930,767
Disposals / write off (at NBV)	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	-	(375,369)	(11,730)	(44,835)	(5,976)	(1,013)	(644)	(1,825)	(441,392)
Closing Net Book Value (NBV)	495,851	239,118	67,006,377	2,093,873	5,320,628	67,317	15,116	11,674	4,389	75,254,343
Gross carrying value basis										
As at June 30, 2018										
Cost	495,851	239,118	67,381,746	2,105,603	5,365,463	80,120	16,768	13,024	8,180	75,705,873
Accumulated depreciation	-	-	(375,369)	(11,730)	(44,835)	(12,803)	(1,652)	(1,350)	(3,791)	(451,530)
Net Book Value (NBV)	495,851	239,118	67,006,377	2,093,873	5,320,628	67,317	15,116	11,674	4,389	75,254,343
Depreciation rate % per annum	-	-	3%	3%	5%	20%	10%	10%	30%	
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
Transfers from CWIP	-	-	-	-	-	-	-	-	-	-
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	-	-	3%	3%	5%	20%	10%	10%	30%	

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6 Capital work in progress

	Note	2018 HBS	2018 Balloki	2018 Total	2017 HBS	2017 Balloki	2017 Total
		Rupees in thousand					
EPC milestones		-	52,252,823	52,252,823	40,545,124	39,830,995	80,376,119
Advance to PCCC - QEL	6.1	-	-	-	2,893,593	-	2,893,593
Spur Gas Pipeline - SNGPL	6.2	-	828,000	828,000	2,678,000	878,000	3,556,000
Legal, professional and consultants fee	6.3	-	840,622	840,622	751,419	747,961	1,499,380
Borrowing cost	6.4	-	2,704,049	2,704,049	2,927,420	2,170,924	5,098,344
Advance for purchase of land - Housing complex		92,143	163,380	255,523	85,932	-	85,932
LC commission		-	175,236	175,236	141,336	162,178	303,514
Projects' insurance		-	407,893	407,893	259,574	249,158	508,732
Custom duties and infrastructure cess		-	2,250,835	2,250,835	2,372,426	1,970,156	4,342,582
Capital spares	6.5	-	2,127,450	2,127,450	-	-	-
Land development charges		-	12,739	12,739	11,566	12,739	24,305
Rent for temporary land		-	7,467	7,467	5,897	7,467	13,364
Testing and commissioning	6.6		2,515,061	2,515,061	182,761	-	182,761
Fee and subscription		-	169,527	169,527	114,718	25,836	140,554
Salaries, wages and benefits - projects	6.7	-	158,750	158,750	94,182	81,760	175,942
Other pre-operating costs		-	16,230	16,230	5,979	6,489	12,468
Housing complex		-	2,405	2,405	-	-	-
		92,143	64,632,467	64,724,610	53,069,927	46,143,663	99,213,590

6.1 The comparatives represent balance of advance payment made to EPC contractor, adjustable against milestone invoices of the contractor at the rate of 15% of each invoice value until 90% of the contract price has been invoiced. During the financial year 2017-18, 90% of the contract price was invoiced and whole amount of the advance was settled.

6.2 This represents amount paid to SNGPL, being a related party, for construction of spur gas pipeline of 8 KMs for Balloki project.

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

6.4 This represents markup paid and accrued on cash development loan received from the Government of Pakistan (GOP) and loan received from Pakistan Development Fund Limited (PDFL). The accrual for the current year has been calculated at the rate of 7.14% (2017: nil) per annum based on agreement between PDFL and the Company. Accrued markup on Cash Development Loan (CDL) from the Government of Pakistan (GoP) has been revised based on Ministry of Finance' rate of 6.54% per annum notified for FY 2016-17 vide circular No. F8.8(1)GS-I/2006-1179 dated October 19, 2017 and Finance Division letter No.F.1(1)CF-I/2014-15/505 dated May 4, 2018.The borrowing cost is net of interest income of Rs 1,481 million (2017: Rs 2,090 million) earned on bank deposits and term deposit receipts with NBP.

6.5 This represents the amount relevant to spares of Balloki project under Long Term Service Agreement (LTSA).

6.6 This represents the fuel costs incurred during testing and commissioning of the project. The fuel cost incurred during the year was offset by the test energy price amounting to Rs. 9,040 million (2017: Nil) for Balloki project, as per PPA. The finance cost incurred during testing and commissioning has also been capitalized as part of the testing cost since financing facilities were entered into for the purpose of making RLNG payments to SNGPL.

6.7 Salaries, wages and benefits include gratuity provision aggregating to Rs 12.6 million (2017: Rs 13.4 million). During the period, gratuity paid to employees working at projects amounted to Rs 0.245 million (2017: Rs 0.043 million).

		Note	2018	2017
			(Rupees in thousand)	
6.8	**Movement of capital work in progress:**			
	Opening balance		99,213,590	32,250,456
	Additions during the period		40,441,787	66,965,856
	Transferred to operating fixed assets		(74,930,767)	(2,722)
	Closing balance		64,724,610	99,213,590
7	**Intangible Assets**			
	Computer software and licenses			
	Net carrying value			
	Year ended June 30			
	Opening net book value (NBV)		2,103	-
	Additions (at cost)		272	2,378
	Disposals (at NBV)		-	-
	Amortization charge		(828)	(275)
	Closing net book value (NBV)		1,547	2,103
	Gross carrying value basis			
	As at June 30			
	Cost		2,650	2,378
	Accumulated amortization		(1,103)	(275)
	Net book value (NBV)		1,547	2,103
	Amortization rate per annum		33.33%	33.33%
8	**Long term deposits and prepayments**			
	LNG escrow account	8.1	11,648,646	11,414,305
	Security deposits		7,088	7,088
	Operations and Maintenance (O&M) mobilization advance	8.2	637,827	240,423
			12,293,561	11,661,816

8.1 This represents the amount deposited in escrow accounts with National Bank of Pakistan (NBP), which is a related party, under the terms of GSAs signed with SNGPL, for the supply of RLNG to both the projects. The amount comprises of Rs 5,691 million (2017: Rs 5,691 million) deposited for HBS and Rs 5,723 million (2017: Rs 5,723 million) for Balloki project. During the year interest amounting to Rs 234.3 million (2017: Nil) has been received on escrow account balances outstanding during the year. The same is payable to CPPA as per Section 9.11 of the PPAs.

8.2 This represents unamortized mobilization fee amounting to Rs 255 million (2017: Rs 240 million) and Rs 383 million (2017: Nil) related to O&M contractors of HBS and Balloki projects respectively as per the terms of the O&M agreements signed with SEPCO III Electric Power Construction Corporation (SEPCO-III) and TNB Repair & Maintenance Sdn. Bhd. (TNB). These amounts are being amortized over 12 years term of both the contracts.

		Note	2018	2017
			(Rupees in thousand)	
9	**Stock-in-trade**			
	High Speed Diesel	9.1	1,878,212	-

9.1 This represents High Speed Diesel (HSD) stock acquired as back-up fuel for both the projects.

		Note	2018	2017
			(Rupees in thousand)	
10	**Trade debts - secured**			
	Considered good	10.1	28,988,819	-

10.1 This represents the receivable balance from CPPA, a related party, against test energy, simple cycle invoices, combined cycle invoices and delayed payment charges. Trade debts are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are considered good. For the purpose of securing its 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 charge to the Security Trustee (National Bank of Pakistan) all energy' payments receivable from CPPA.

10.2 Trade debts include Rs 11,678 million which are neither overdue nor impaired; and Rs 17,310 million which are overdue but not impaired. Overdue receivables include Rs 17,102 million overdue up to 3 months, and Rs 208 million overdue up to 6 months.

10.3 Maximum aggregate amount of trade debts which remained outstanding at any time during the year is Rs 28,988 million. (2017: Nil).

	Note	2018	2017
		(Rupees in thousand)	
11 Advances, prepayments and other receivables			
Accrued profit	11.1	50,468	111,317
Advance income tax		198,247	137,770
Prepaid expenses		88,777	6,915
Advance for office expenses		334	410
Other receivables	11.2,11.3	11,024,786	1,488,788
Workers' Profit Participation Fund	11.4	171,551	-
		11,534,163	1,745,200

11.1 This amount represents profit accrued on company saving accounts and Term Deposit Receipts (TDRs) maintained with banks.

11.2 This includes an amount of Rs 10,384 million receivable from SNGPL, a related party, on account of Take or Pay invoices. The details of the matter are stated in note 11.3 to the financial statements. Further, Rs 640 million is receivable from SNGPL in respect of adjustment of advance given for spur gas pipeline against actual cost incurred by SNGPL for HBS project.

11.3 The Company entered into Gas Supply Agreements (GSAs) for supply of Re-liquefied Natural Gas (RLNG) with Sui Northern Gas Pipelines Limited (SNGPL) for its plants located at Haveli Bahadur Shah, District Jhang and Balloki, District Kasur on October 29, 2016. Under clause 3.6 of the respective GSAs, the Company shall take and if not taken, pay for the unutilized gas on account of Take or Pay (ToP) arrangements. If the Company does not fully utilize the ToP quantity, it may request SNGPL to divert any unutilized quantity to other power plants. In case, the power plants refuse, or SNGPL due to technical constraints or other reasons is unable to supply the unutilized quantity to the power plants, it can divert that quantity to any of its consumers. The amounts recovered from these consumers, after deduction of any additional charges incurred by SNGPL in arranging the sale is required to be paid to the Company. During the year, SNGPL invoiced the Company amounts of Rs 11,600 million (Rs 10,384 million for the months of November 2017 to March 2018 and Rs 1,216 million for the months of April and June 2018) in respect of ToP. As per SNGPL, the invoiced amount of Rs 11,600 million represents the amount payable by the Company on account of ToP under GSA, net of amounts recovered by SNGPL from other consumers to whom such gas was supplied. The Company disputed SNGPL invoices for the ToP claim. Despite the disagreement on ToP invoices, SNGPL partially recovered the amounts by encashment of Standby Letter of Credit (SBLC) of the Company for a net amount of Rs 10,384 million, which along with deposit in escrow account, was furnished as a security deposit equal to one-fourth of the maximum gas allocation under section 8.3 of GSA.

The Company disputed the ToP invoices raised by SNGPL, being unjustified and contrary to the requirements of GSAs, through its correspondence and filed a constitutional petition before the Honorable Lahore High Court (LHC). LHC on June 22, 2018 directed that the dispute should be dealt with in accordance with the dispute resolution mechanism available in the GSA. LHC also directed that the Company will make timely payments of the gas delivered to the Company for ensuring RLNG supplies, which shall not be suspended by SNGPL subject to such timely payments and maintaining minimum of 15 days gas supply deposit. Under the GSA, the Company notified SNGPL regarding referral of the dispute to an Expert under section 18.2 of the GSAs and an expert has been mutually agreed on October 9, 2018 after negotiation with SNGPL.

The amount of Rs 10,384 million encashed by SNGPL has been recorded as receivable from SNGPL and subsequent invoices amounting to Rs 1,216 million have not been recorded in these financial statements. Based on the opinion of the legal advisor the management believe that the Company has a good arguable case in its favor considering all the facts and circumstances of the dispute and demand is liable to be declared as contrary to GSA and the applicable law.

11.4 Under section 11.3 (a) of Part IV of Schedule 1 of the PPA, payments to Workers' Profit Participation Fund are recoverable from CPPA as a pass-through item.

	Note	2018	2017
		(Rupees in thousand)	
12 Tax recoverable from Government			
Income tax		153,464	32,233
Sales tax		3,943,932	2,420,967
		4,097,396	2,453,200

	Note	2018	2017
13 Cash and bank balances			
Cash in hand		-	0.03
Cash at bank - saving accounts	13.1	865,867	1,059,527
Term Deposit Receipts	13.2	12,308,372	18,883,163
		13,174,239	19,942,690

13.1 Saving accounts are maintained with National Bank of Pakistan (NBP), which is a related party and Habib Bank Limited (HBL). These balances carry interest rate of 4.5% (2017: 3.75%) per annum.

This includes two fuel cost accounts opened with United Bank Limited (UBL) in pursuance of the SBLCs and working capital facility agreements for procurement of RLNG/HSD. As per the aforementioned agreements, lien has been marked on the fuel cost accounts 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 accounts. The balance of fuel cost accounts as at June 30, 2018 was Rs 858 million (2017: Rs 1,048 million). These balances carry interest rate of 4.5% (2017: 3.80%) per annum.

13.2 TDRs 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 5.75% to 6.30% (2017: 5.50% to 5.85%) per annum. TDRs issued by HBL have a maturity period of 1 month. The rate of return on these TDRs is 7.68% per annum.

	Note	2018	2017
		(Rupees in thousand)	
14 Share capital			
Authorized 11,660,000,000 (2017: 10,000) ordinary shares of Rs 10 each		116,600,000	100
Issued, subscribed and paid up 10,000 (2017: 10,000) ordinary shares of Rs 10 each fully paid in cash		100	100
15 Share deposit money			
Opening balance	15.1	116,499,900	2,500,000
Issuance of shares		-	(100)
Loan conversion into equity	16.2	-	114,000,000
		116,499,900	116,499,900

15.1 Share deposit money includes Rs 2,500 million received from the Government of Pakistan (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	2018	2017
			(Rupees in thousand)	
15.2	Share deposit money is represented by:			
	Government of Pakistan		2,499,900	116,499,900
	Pakistan Development Fund Limited	15.3	114,000,000	-
			116,499,900	116,499,900

15.3 Finance Division, GOP through letter F. No. 2(23)Inv-I/2017-466 dated August 17, 2017 informed the Company that Pakistan Development Fund Limited (PDFL) has acquired equity share of Government of Pakistan (GOP) in the Company amounting to Rs 114,000 million. However, shares have not been issued to PDFL as at June 30, 2018.

		Note	2018	2017
			(Rupees in thousand)	
16	**Long term loan - unsecured**			
	Loan from Government of Pakistan		-	114,000,000
	Loan from Pakistan Development Fund Limited	16.1	32,738,000	-
	Conversion into equity	16.2	-	(114,000,000)
			32,738,000	-

16.1 During the year the Company received long term loan of Rs 32,738 million from PDFL, a related party. The loan has been granted in two tranches of Rs 27,738 million on August 31, 2017 and Rs 5,000 million on May 25, 2018, respectively. The loan has been granted for a period of up to 24 months from the date of disbursement. The said loan bears mark-up of 7.14% per annum.

16.2 In the previous year, Cash Development Loan (CDL) was received from Government of Pakistan (GoP) where mark up was accrued from the date of the first disbursement based on the prevailing rate for the respective year. Total loan received till June 30, 2017 amounted to Rs 114,000 million. However as per the Finance Division, GOP 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.

		Note	2018	2017
			(Rupees in thousand)	
17	**Deferred liabilities**			
	Provision for gratuity	17.1	36,293	21,510

17.1 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 the current year, a provision has been made to cover obligation in accordance with the actuarial recommendations as required under IAS-19 "Employee Benefits".

17.1.1 The amounts recognized in the Capital Work-In-Progress (CWIP) and profit and loss account are determined as follows:

	2018	2017
	(Rupees in thousand)	
Current service cost	17,703	14,086
Net interest	1,617	398
Total expense	19,320	14,484
Total expense chargeable to:		
CWIP - Project cost	11,446	9,031
Profit and loss account	7,874	5,453
	19,320	14,484

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	Note	2018	2017
		(Rupees in thousand)	

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

Liability as at July 1		21,510	6,724
Current service cost		17,703	14,086
Net interest		1,617	398
Remeasurements due to:			
Change in financial assumptions		-	537
Experience adjustments		(3,253)	1,400
Transitional liability		-	(1,533)
Benefits paid		(1,284)	(102)
Liability as at June 30		36,293	21,510

18 Trade and other payables

	Note	2018	2017
Trade creditors	18.1	6,603,939	748,365
PCCC - QEL	18.2	8,995,413	5,496,447
HEI - HRL		348,522	4,368,685
Consultancy services	18.3	43,538	377,345
Insurance services	18.4	29,746	-
Payable to CPPA	18.5	260,384	-
Accrued expenses		20,846	27,572
Withholding tax payable		644	94,200
Other liabilities		31,718	6,711
Provision for Spur gas pipeline-SNGPL		264,319	428,000
Workers' Profit Participation Fund	18.6	171,551	-
		16,770,620	11,547,325

18.1 Trade creditors

SNGPL (related party)	2,754,486	748,365
SEPCO-III	192,524	-
TNB	208,294	-
GE	3,448,635	-
	6,603,939	748,365

18.2 The Company entered into two Engineering, Procurement and Construction (EPC) contracts with joint venture of Power Construction Corporation of China and Qavi Engineers (PCCC-QEL) for Haveli Bahadur Shah project (Contractor for HBS) and a joint venture of Harbin Electric International Company Limited and Habib Rafiq (Private) Limited (HEI-HRL) for Balloki project (Contractor for Balloki). Both contractors failed to complete the works and failed to procure the taking over certificates within the time stipulated for completion of Gas turbine 1, Gas turbine 2 and the for the Facility as defined in the respective EPC contracts.

In case of Haveli Bahadur Shah power plant, target completion dates for GT1, GT2 and the Facility were April 12, 2017, May 12, 2017 and January 9, 2018 respectively whereas taking over certificates for GT1, and GT2 were procured on April 17, 2018 and taking over certificate for the Facility was procured on May 8, 2018. Due to such delay, Contractor for HBS became liable to pay liquidated damages to the Company in accordance with the respective EPC contract on the basis of number of days of delay from target completion dates to actual taking over dates but restricted to a maximum cap of 10% of the contract price. Liquidated Damages (LD) amounting to USD 58.9 million (Rs 6,932 million) being 10% of the agreement price were charged to the Contractor for HBS by the Company on May 15, 2018, payable within fourteen days of the invoice. The Contractor for HBS expressed its disagreement over the same through a letter claiming extension for loss of time on account of delays attributed to the Company. The Company rebutted the claim on account of delays not being justified as per terms of EPC contract. In order to prevent the Company from calling the performance guarantee, the Contractor for HBS agreed to reduce amount of the Letter of Credit established for the contract to the extent of LDs amount. Furthermore, the Company informed the contractor for HBS on September 3, 2018 that it has set off the LDs against the remaining milestone payments due under the EPC contract. Based on the opinion of the legal advisor, the management of the Company believes that the Company has a right to levy delay LDs and have a right to set-off LDs against the outstanding payables. Further, the Contractor for HBS is time barred in terms of remedial recourse available under section 20.1 of the EPC contract. However, the contractor for HBS may initiate a dispute remedial recourses available beyond the terms of the EPC contract. Due to the uncertainty attached with the realization of such Liquidated Damages, the aforementioned amount of LD pertaining to HBS power plant has not been recorded in these financial statements.

In case of Balloki power plant, target completion dates for GT1, GT2 and the Facility were April 2, 2017, May 2, 2017 and January 29, 2018 respectively whereas taking over certificate for GT1 and GT2 were procured on July 6, 2018 and taking over certificate for the Facility was procured on July 27, 2018. Due to such delay, Contractor for Balloki became liable to pay LDs to the Company under the said contract on the basis of number of days of delay from target completion dates to actual taking over dates but restricted to a maximum cap of 10% of the contract price. LDs amounting to USD 56.2 million (Rs 6,613 million) being 10% of the contract price were charged to the Contractor for Balloki by the Company subsequent to the year end, on August 11, 2018, payable within fourteen days of the invoice. The Contractor for Balloki expressed its disagreement over the same through a letter claiming that the delays were attributed to the Company, which was rebutted by the Company in the terms of EPC contract. In order to prevent the Company from calling the performance guarantee, the contractor for Balloki agreed to reduce the amount of LCs established for the project to the extent of LD amount. Due to the uncertainty attached with the realization of such Liquidated Damages, the aforementioned amount of LD pertaining to Balloki power plant has not been recorded in these financial statements.

18.3 This amount pertains to the balance payable to National Engineering Services Pakistan (Private) Limited (NESPAK), a related party, for engineering consultancy services provided for the turnkey implementation of HBS and Balloki projects.

18.4 This represents an amount payable to National Insurance Company Limited, a related party, on account of insurance premium related to HBS and Balloki projects.

18.5 This includes interest amount earned on the LNG escrow accounts and is adjustable against the outstanding receivables of CPPA as per the clause 9.11 of the PPAs.

	Note	2018	2017
18.6 Workers' Profit Participation Fund		**(Rupees in thousand)**	
Opening balance		-	-
Provision for the year		171,551	-
Closing balance		171,551	-

19 Retention money

	Note	2018	2017
PCCC - QEL		3,466,056	2,467,322
HEI - HRL		3,306,613	2,553,793
	19.1	6,772,669	5,021,115

19.1 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 year.

	Note	2018	2017
20 Accrued markup		**(Rupees in thousand)**	
Long term loan	20.1	2,914,510	1,200,048
Short term borrowings	21	325,399	3,236
		3,239,909	1,203,284

20.1 This includes markup amounting to Rs 1,686 million (2017: Nil) payable on the long term loan received during the period from PDFL and Rs 1,229 million (2017: Rs 1,200 million) as an accrued markup on GOP Cash Development Loan till its conversion into equity as at June 30, 2017. Accrued markup on GoP loan has been revised based on Ministry of Finance' rate of 6.54% per annum notified for FY 2016-17 vide circular No. F8.8(1)GS-I/2006-1179 dated October 19, 2017 and Finance Division letter No.F.1(1)CF-I/2014-15/505 dated May 4, 2018. Accordingly, an adjustment of Rs 29 million was made during the period ended June 30, 2018. Further, markup on PDFL loan for the current period has been accrued at the rate of 7.14% per annum (2017: Nil).

	Note	2018	2017
21 Short term borrowings - secured		**(Rupees in thousand)**	
Working capital finance	21.1	22,229,726	1,130,476
SBLC facility	21.2	10,384,149	-
Overdraft account		-	498,977
		32,613,875	1,629,453

21.1 This amount consists of Rs 14,426 million (2017: Rs 1,130 million), and Rs 7,803 million (2017: Nil) utilized in HBS and Balloki projects respectively.

Working capital finance is available from consortium of banks comprising National Bank of Pakistan (NBP), a related party) 33.18%, United Bank Limited (UBL) 29.77%, Habib Bank Limited (HBL) 29.77%, and the Bank of Punjab (BOP) a related party 7.29%. These facilities, amounting to Rs 21,340 million for HBS project and Rs 21,450 million for Balloki project, are carrying a mark-up of three months KIBOR plus 1.50%. The said facilities have been secured by way of :

(i) a first ranking lien and charge on the working capital accounts of respective projects and the amounts standing to the credit of such accounts;

(ii) a first ranking hypothecation charge over the hypothecated fuel stock of respective projects;

(iii) a second ranking charge amounting to Rs 7,113 million and Rs 7,151 million over the hypothecated plant and machinery of HBS and Balloki projects, respectively;

iv) assignment by way of mortgage of energy payment receivables and GSA receivables pertaining to respective projects; and

(v) a lien and charge on the fuel cost accounts of respective projects and the amounts standing to the credit of such accounts

21.2 As mentioned in note 11.3 to the financial statements, this amount represents the Stand-by Letter of Credit (SBLC) encashed by SNGPL. Under the operation of clause 3.6 of GSA, SNGPL raised invoices amounting to Rs 11,600 million. These invoices have been disputed by the Company, however a significant portion of the demand amounting to Rs 10,384 million was recovered by SNGPL through the encashment of SBLC. The said facility bears mark-up of 3 month KIBOR + 2% per annum.

22 Contingencies and commitments

22.1 Contingencies

As mentioned in note 11.3 to the accounts, SNGPL raised invoices amounting to Rs 11,600 million under the operation of clause 3.6 of GSAs. The invoices have been disputed by NPPMCL. However, a significant portion of the demand amounting to Rs 10,384 million was recovered by SNGPL through encashment of the SBLC, which has been recorded as receivable from SNGPL. Subsequent invoices amounting to Rs 1,216 million have not been recorded in these financial statements. The dispute has been referred to an expert for resolution. Based on the opinion of the legal advisor the management believe that the Company has a good arguable case in its favor considering all the facts and circumstances of the dispute and demand is liable to be declared as contrary to GSA and the applicable law. Consequently, no provision has been made in these financial statements against the demand.

22.2 Commitments

a) Commitments for capital expenditure include; EPC cost of Nil (2017: Rs 18,204 million) for HBS project, Rs 6,963 million (2017: Rs 18,998 million) for Balloki project and engineering consultancy cost of Rs 19.04 million (2017: 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 is USD 796.5 million out of which USD 105.80 million (2017: USD 378.037 million) is unutilized. The total amount pertaining to onshore payment LCs is Rs 21,166 million out of which Rs 2,765 million (2017: Rs 9,996 million) is unutilized.

b) Pursuant to the GSAs signed with SNGPL for the HBS and Balloki projects, the Company has entered into two SBLC arrangements amounting to Rs 11,383 million (2017: Rs 11,383 million) for HBS project and Rs 11,397 (2017: Nil) for Balloki project. These SBLCs along with 10% margin are secured by way of (i) a first ranking hypothecation charge over the hypothecated plant and machinery of respective projects, and (ii) assignment by way of mortgage of energy payments receivable from CPPA pertaining to respective project. However during the year SBLC amounting to Rs 6,224 million pertaining to HBS project and Rs 4,160 million pertaining to Balloki project was encashed by SNGPL under the Take-or-Pay clause of GSA, referred in note 11.3 to the accounts. As a result, the balance amount of SBLC of HBS and Balloki project stands at Rs 5,159 million (2017: Rs 11,383 million) and Rs 7,237 million (2017: Nil) respectively.

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 (2017: Rs 0.971 million).

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d) The Company has opened RLNG escrow accounts with NBP for HBS and Balloki projects in accordance with the terms of the GSAs signed between the Company and SNGPL. As per the agreements, an amount equivalent to one month RLNG supply 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 227.65 million (2017: 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 229 million (2017: 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 been recorded in these financial statements to the extent of actual receipt of interest, as disclosed in note 8.1.

		Note	2018	2017
23	**Sales**		**(Rupees in thousand)**	
	Energy purchase price	23.1	32,437,268	-
	Less: Sales tax		(4,630,138)	-
	Net energy purchase price		27,807,130	-
	Capacity purchase price		2,513,381	-
			30,320,511	-

23.1 This represents energy produced and supplied to the CPPA from simple cycle operations of both projects, and combined cycle operations of HBS project. GT1 and GT2 of HBS project commenced operations from July 18, 2017, whereas, GT1 and GT2 of Balloki project commenced operations from August 13, 2017 and August 30, 2017 respectively. Further, combined cycle operations of HBS started from May 09, 2018.

		Note	2018	2017
24	**Cost of sales**		**(Rupees in thousand)**	
	Fuel cost		25,392,665	-
	Operation and maintenance costs	24.1	1,267,731	-
	Depreciation		431,933	-
	Insurance		114,537	-
	Salaries and administration expenses		10,586	-
			27,217,452	-

24.1 This includes variable and fixed fee incurred in respect of O&M and LTSA contracts of both projects amounting to Rs 759.737 million and Rs 419.889 million respectively.

		Note	2018	2017
25	**Administration expenses**		**(Rupees in thousand)**	
	Salaries, wages and benefits	25.1	105,102	99,827
	Directors' meeting fee and expenses		1,722	2,965
	Travelling and conveyance		1,200	3,938
	Vehicles running and maintenance		2,443	2,417
	Printing and stationary		2,775	1,889
	Office supplies and utilities		6,773	6,845
	Repair and maintenance		202	333
	Legal and professional		3,581	1,349
	Auditor's remuneration	25.2	5,540	5,100
	Inauguration and advertisements		37,500	6,967
	Fee and subscription		1,312	320
	Rent, rates and taxes		16,783	15,055
	Security services		706	821
	Telephone and telex		2,058	1,742
	Insurance		8,714	6,519
	Depreciation		9,458	6,060
	Amortization		828	275
			206,697	162,422

25.1 Salaries, wages and benefits include provision for gratuity aggregating to Rs 6.9 million (2017: Rs 5.4 million).

		Note	2018	2017
			(Rupees in thousand)	
25.2	**Auditor's remuneration:**			
	Statutory audit fee		5,155	4,635
	Compliance and other certificates		200	300
	Out of pocket expenses		185	165
			5,540	5,100

		Note	2018	2017
26	**Other operating expenses**			
	Foreign exchange loss	26.1	32,299	2,258

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26.1 This represents foreign exchange loss incurred on settlement of transactions with SEPCO III and TNB (O&M contractors) and GE (LTSA Contractor), and from the translation of such liabilities at year end exchange rates.

27 Other income

	Note	2018	2017
		(Rupees in thousand)	
Profit on saving accounts	13.1	10,067	-
Profit on term deposit receipts	13.2	274,580	6,728
Delayed payment charges as per PPA	27.1	463,069	-
Scrap sale		39,164	46,367
Miscellaneous	27.2	535,614	257
		1,322,494	53,352

27.1 This represents delay payment charges in respect of Capacity Purchase Price (CPP) and Energy Purchase Price (EPP) invoices sent to Central Power Purchasing Agency (CPPA). The delay in payments from CPPA carries mark-up at 3 month KIBOR plus 2% per annum compounded semi-annually.

27.2 This includes Rs. 528 million received from PCCC-QEL against the test fuel consumed on Reliability Run Re-Test of the HBS complex, as per the clause 7.5 of the EPC contract.

28 Financial charges

	Note	2018	2017
		(Rupees in thousand)	
Interest on long term loan	20.1	142,218	-
Markup on short term borrowings	28.1	526,633	-
SBLC commission	28.2	82,727	-
Other bank charges		3,951	250
		755,529	250

28.1 Markup on short term borrowings

	2018	2017
Markup on Working Capital Facility	475,994	-
Markup on SBLC Liability	50,639	-
	526,633	-

28.2 As per the requirement of Gas Supply Agreement, the Company has made two months worth of gas supply deposit readily available through two Standby Letter of Credits, one for each project. This commission represents expense incurred on these SBLCs. Commission is payable quarterly in advance at 0.10% of the unfunded amount.

29 Taxation

		2018	2017
		(Rupees in thousand)	
Current	29.1	-	16,539
Prior period / year		-	40,208
		-	56,747
Deferred	29.2	-	(699)
		-	56,048

29.1 This represents provision of current taxation for the year. As per clause 11.3 (b) of Part IV of Schedule 1 of PPA, corporate income tax payable on generation, sale, exportation or supply of electricity are pass-through items and shall be claimable from CPPA.

Based on Minimum Turnover Tax, the total liability for taxation is Rs 585 million. However, the Company is entitled to claim a tax credit equal to the amount of tax payable under section 65D "Tax credit for newly established industrial undertakings" of the Income Tax Ordinance, 2001, being a company that is formed for establishing and operating a new industrial undertaking. Therefore, the tax liability for the current period is nil.

29.2 No deferred tax liability has been recognized as future tax payments in respect of generation, sale, exportation or supply of electricity are pass-through items as per PPA and shall be claimable from CPPA.

29.3 Tax charge reconciliation

	2018	2017
	(Rupees in thousand)	
Accounting profit/(loss)	3,431,028	(111,578)
Income tax charge	1,029,308	(34,589)
Tax effect of pre-commencement expenditure	-	50,428
Tax effect of exchange gain/(loss) adjustment	-	700
Difference due to minimum turnover tax	(443,901)	
Tax claimable as pass-through item	-	-
Current tax	585,407	16,539
Tax effect of prior years	-	40,208
Tax credit	(585,407)	-
Taxation charge for the period	-	56,747

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30	Cash used in operations	Note	2018	2017
			(Rupees in thousand)	
	Profit / (loss) before tax		3,431,028	(111,578)
	Adjustments for:			
	Depreciation	5	441,392	6,060
	Amortization	7	53,536	275
	Provision for gratuity	17.1.1	7,874	5,453
	Reversal of prior period gratuity provision		-	(577)
	Financial charges		755,529	250
	Foreign exchange loss		32,299	2,258
	Accrued profit on saving account/TDRs		(50,468)	-
			1,240,162	13,719
	Operating loss before working capital changes		4,671,190	(97,859)
	Effect on cash flow due to working capital changes			
	Increase in stock-in-trade		(1,878,212)	-
	Increase in trade debts		(28,988,819)	-
	Increase in advances, prepayments and other receivables		(9,675,813)	(1,416,007)
	Increase in trade and other payables		6,209,681	326,190
			(34,333,163)	(1,089,817)
			(29,661,973)	(1,187,676)

31 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.

31.1 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. Company's credit risk is primarily attributable to trade debts, advances, deposits and bank balances.

The credit risk on liquid funds is limited because one of the major counterparties are banks with reasonably high credit ratings. Further, trade debts are secured by a sovereign guarantee from the Government of Pakistan.

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

	2018	2017
	(Rupees in thousand)	
Long term deposits	11,655,734	11,421,393
Trade debts	28,988,819	-
Accrued profit	50,468	111,317
Other receivables	11,024,786	1,488,788
Bank balances	13,174,239	19,942,690
	64,894,046	32,964,188

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		2018	2017
		Short term	Long term	(Rupees in thousand)	
National Bank of Pakistan	PACRA	A1+	AAA	10,047,122	18,894,987
United Bank Limited	JCR-VIS	A-1+	AAA	858,112	1,047,700
Habib Bank Limited	JCR-VIS	A-1+	AAA	2,269,005	3
				13,174,239	19,942,690

31.2 **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, 2018:

		2018	2017
		Rupees in thousand	
Trade and other payables	Maturity up to 3 months	16,770,620	11,547,325
Short term borrowings	Maturity up to 3 months	32,613,875	1,629,453
Accrued markup	Maturity up to 3 months	3,239,909	1,203,284
Retention money	Maturity up to 3 months	6,772,669	5,021,115
Long term loan	Maturity up to 2 year	32,738,000	-
		92,135,073	19,401,177

31.3 **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) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro. Apart from trade creditors, major foreign exchange risk relates to expenditures of consultants and contractors which are not in Pak Rupees. the Company's exposure to currency risk is as follows:

	Currency	2018	2017
Trade creditors	USD	31,656,680	-
Payables to PCCC – QEL	USD	19,811,526	51,440,578
Payables to HEI – HRL	USD	-	35,842,571
Retention money payable to PCCC – QEL	USD	23,552,863	18,469,923
Retention money payable to HEI – HRL	USD	22,401,607	19,915,028
Payables to NESPAK	USD	3,668	29,344
Net exposure - USD		97,426,344	125,697,444
Payables to NESPAK	EURO	137,790	615,596
Net exposure - Euro		137,790	615,596

An increase/ decrease in exchange rate by Rs 1 per USD will result in an increase/ decrease in trade creditors, payable to PCCC - QEL, Retention money payable to PCCC - QEL, Retention money payable to HEI - HRL and Payable to NESPAK by Rs 31.7 million, Rs 19.8 million, Rs 23.55 million, Rs 22.4 million and Rs 0.004 million respectively. Similarly an increase/ decrease in exchange rate by Rs 1 per EURO will result in an increase/ decrease in payable to NESPAK by Rs 0.14 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 in the case of project costs are set-off against capital work in progress whereas in the case of operational costs gain or loss is charged to the profit and loss account. 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$ 121.6 (2017: 105.3) and PKR/Euro 141.57 (2017: 120.14), whereas average rate used during the period is PKR/US$ 110.75 (2017: 105.34) and PKR/Euro 125.3 (2017: 111.03).

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 long term loan and working capital facility as variable interest bearing financial instruments. In the case of long term loan the interest rate was finalized at 7.14% vide agreement with PDFL dated November 13, 2018. Further, the working capital facility carries mark-up of three months KIBOR plus 1.50%. However, the rate is determined at the beginning of the each quarter.

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.

31.4 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.

31.4.1 Financial instruments by categories

	2018	2017
	(Rupees in thousand)	
Assets as per balance sheet		
Long term deposits	11,655,734	11,421,393
Trade debts	28,988,819	-
Advances and other receivables	11,223,367	1,626,969
Cash and bank balances	13,174,239	19,942,690
	65,042,159	32,991,052
Liabilities as per balance sheet		
Long term loan	32,738,000	-
Retention money	6,772,669	5,021,115
Trade and other payables	16,770,620	11,547,325
Short term borrowings	32,613,875	1,629,453
	88,895,164	18,197,893

31.5 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.

	2018	2017
	(Rupees in thousand)	
Long term loan	32,738,000	-
Short term borrowings	32,613,875	1,629,453
Total borrowing	65,351,875	1,629,453
Issued, subscribed and paid up capital	100	100
Share deposit money	116,499,900	116,499,900
Accumulated profit / (loss)	3,275,524	(156,830)
Total equity	119,775,524	116,343,170
Total capital employed	185,127,399	117,972,623
Gearing ratio	35.3%	1.4%

32 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:

		2018	2017
		(Rupees in thousand)	
Transactions during the period			
Government owned entities - Associates			
CPPA	Sale of energy	45,528,775	1,271,750
SNGPL	Purchase of RLNG	42,693,859	1,441,352
NESPAK	Consultancy fee	166,660	674,143
SNGPL	Payment for construction of spur gas pipeline	-	428,000
NBP	Profit on saving account	8,670	23,705
NBP	Profit on term deposits	1,096,222	1,274,609
NBP	Short term borrowings	6,810,056	-
NBP	Markup on short term borrowings	233,754	-
BOP	Short term borrowings	1,621,090	-
BOP	Markup on short term borrowings	44,638	-
PDFL	Long term loan	32,738,000	-
PDFL	Accrued markup	1,685,910	-
		132,627,634	5,113,559
Parent - Government of Pakistan (GoP)			
GOP	Long term loan	-	69,000,000
GOP	Conversion of debt to equity	-	114,000,000
		132,627,634	188,113,559

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33 Remuneration of Chief Executive, Directors and Executives

33.1 The aggregate amount charged in the financial statements for the period 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	
	2018	2017	2018	2017	2018	2017
			Rupees in thousand			
Short term employee benefits						
Managerial remuneration	1,917	1,565	-	-	204,507	172,499
Bonus	6,853	13,877	-	-	-	-
House rent	126	126	-	-	-	-
Utilities	408	483	-	-	-	-
	9,304	16,051	-	-	204,507	172,499
Post employment benefits						
Gratuity / Pension	556	484	-	-	17,805	15,541
	9,860	16,535	-	-	222,312	188,040
Number of persons	**1**	**1**	**9**	**9**	**44**	**48**

33.2 The Chief Executive is entitled to quarterly bonus which is dependent on the achievement of predetermined milestones for each quarter.

33.3 Aggregate amount charged in the financial statements for the period as Directors fee in respect of 9 Directors (2017: 9 directors) was Rs 1.7 million (2017: Rs 3.2 million).

34 **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 on project costs 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 1,606 million (2017: Rs 63 million) and property, plant, and equipment would have been lower by Rs 1,606 million (2017: Rs 63 million).

35 **Number of employees**

	2018	2017
Total number of employees as at close	102	105
Average number of employees during the period	105	94

36 **Events after the balance sheet date**

Balloki project commenced its combined-cycle commercial operations subsequent to the year ended June 30, 2018. Combined-cycle commercial operations start date of the Complex is July 29, 2018.

37 **Date of authorization**

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 8 MAR 2019.

38 **General**

38.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. Sales tax payable amounting to Rs 218 million previously included in 'Trade and other payables' has now been reclassified and adjusted against Sales tax recoverable due from government appearing under Note 12 to the financial statements.

38.2 These financial statements are presented in Pakistani Rupee 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**