

**National Power Parks Management  
Company (Private) Limited  
Financial Statements  
For the year ended  
June 30, 2016**

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## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **National Power Parks Management Company (Private) Limited** (the Company) as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming parts thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the period from March 02, 2015 to June 30, 2015 were audited by another firm of Chartered Accountants, who, vide their report dated March 05, 2016 expressed an unqualified opinion thereon.

*Deloitte Yousuf Adil*  
Chartered Accountants

**Engagement Partner:**

Rana M. Usman Khan

Dated: October 08, 2016

Lahore

**NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2016**

	Note	June 30, 2016 Rupees	June 30, 2015 Rupees
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	4	33,009,827,851	914,505,200
Long term security deposit		7,037,952	-
		<u>33,016,865,803</u>	<u>914,505,200</u>
<i>Current assets</i>			
Advances, prepayments and other receivables	5	267,650,016	3,855,362
Tax refunds due from Government	6	741,543,786	-
Cash and bank balances	7	25,675,046,225	1,589,637,764
		<u>26,684,240,027</u>	<u>1,593,493,126</u>
		<u>59,701,105,830</u>	<u>2,507,998,326</u>
<b>EQUITY AND LIABILITIES</b>			
<i>Share capital and reserves</i>			
Authorized capital	8	100,000	100,000
Issued, subscribed and paid up capital	8	30	30
Share deposit money	9	2,500,000,000	2,500,000,000
Accumulated profit		11,525,190	1,993,359
		<u>2,511,525,220</u>	<u>2,501,993,389</u>
<i>Non-current liabilities</i>			
Long term loan	10	45,000,000,000	-
Retention money	11	1,357,156,590	-
Deferred liabilities	12	7,423,212	-
		46,364,579,802	-
<i>Current liabilities</i>			
Trade and other payables	13	8,324,450,216	5,023,133
Accrued markup		2,495,782,473	-
Provision for taxation		4,768,119	981,804
		10,825,000,808	6,004,937
<i>Contingencies and commitments</i>	14	-	-
		<u>59,701,105,830</u>	<u>2,507,998,326</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

DYA

  
Chief Executive Officer

  
Director

**NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

		<i>For the year ended June 30, 2016</i>	<i>For the period from March 02, 2015 to June 30, 2015</i>
	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
Administrative expenses	15	(124,713,697)	(880,199)
Other income	16	138,833,320	3,855,362
		<u>14,119,623</u>	<u>2,975,163</u>
Bank charges		<u>(102,225)</u>	<u>-</u>
Profit before taxation		14,017,398	2,975,163
Taxation	17	(4,485,567)	(981,804)
Profit for the year / period		<u><u>9,531,831</u></u>	<u><u>1,993,359</u></u>

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The annexed notes from 1 to 23 form an integral part of these financial statements.

  
 Chief Executive Officer

  
 Director

**NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<i>For the year ended June 30, 2016</i>	<i>For the period from March 02, 2015 to June 30, 2015</i>
<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
Profit for the year / period	9,531,831	1,993,359
Other comprehensive income	-	-
Total comprehensive income for the year / period	9,531,831	1,993,359

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The annexed notes from 1 to 23 form an integral part of these financial statements.

  
 Chief Executive Officer

  
 Director

**NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<i>For the year ended June 30, 2016 Rupees</i>	<i>For the period from March 02, 2015 to June 30, 2015 Rupees</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	14,017,398	2,975,163
Adjustments for:		
Depreciation	4,078,482	-
Bank charges	102,225	-
Provision for gratuity	2,637,353	-
Exchange gain on remeasurement of financial liabilities	(2,258,082)	-
Operating profit before working capital changes	18,577,376	2,975,163
<b>Changes in working capital</b>		
Increase in advances, prepayments and other receivables	(187,567,287)	(3,855,362)
Increase in tax refunds due from Government	(741,543,786)	-
Increase in trade and other payables	15,416,082	5,023,133
	(913,694,991)	1,167,771
Cash (used in) / generated from operations	(895,117,615)	4,142,934
Bank charges paid	(102,225)	-
Income taxes paid	(76,227,367)	-
	(76,329,592)	
<b>Net cash (used in) / from operating activities</b>	(971,447,207)	4,142,934
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to operating fixed assets	(31,203,533)	-
Additions to capital work in progress	(21,264,317,519)	(914,505,200)
Long term security deposits paid	(7,037,952)	-
<b>Net cash used in investing activities</b>	(21,302,559,004)	(914,505,200)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term loan received	45,000,000,000	-
Retention money	1,359,414,672	-
Advance received against issue of shares	-	2,500,000,000
Shares issued during the period	-	30
<b>Net cash from financing activities</b>	46,359,414,672	2,500,000,030
Net increase in cash and cash equivalents	24,085,408,461	1,589,637,764
Cash and cash equivalents at beginning of the year / period	1,589,637,764	-
<b>Cash and cash equivalents at end of the year / period</b>	25,675,046,225	1,589,637,764

The annexed notes from 1 to 23 form an integral part of these financial statements.

  
 Chief Executive Officer

DVA  
  
 Director

**NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<i>Share capital</i>	<i>Share deposit money</i>	<i>Accumulated profit</i>	<i>Total</i>
	----- Rupees -----			
Profit after tax for the period from March 02, 2015 to June 30, 2015	-	-	1,993,359	1,993,359
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1,993,359	1,993,359
<b>Transactions with shareholders:</b>				
Share deposit money	-	2,500,000,000	-	2,500,000,000
Shares issued during the period	30	-	-	30
Balance at June 30, 2015	30	2,500,000,000	1,993,359	2,501,993,389
Profit after tax for the year	-	-	9,531,831	9,531,831
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	9,531,831	9,531,831
<b>Balance at June 30, 2016</b>	<b>30</b>	<b>2,500,000,000</b>	<b>11,525,190</b>	<b>2,511,525,220</b>

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The annexed notes from 1 to 23 form an integral part of these financial statements.

  
 Chief Executive Officer

  
 Director



**NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**1. LEGAL STATUS AND OPERATIONS**

- 1.1** National Power Parks Management Company (Private) Limited ("the Company") was incorporated as a private limited company under the Companies Ordinance, 1984 on 02 March, 2015. The principal activity of the Company is to carry on business of generation of electricity through fossil fuels and bio fuels, Oil (RFO Oil, High Speed Diesel), Gas, Coal, hydro or alternative energy resources including wind, solar and hydal 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. The registered office of the Company is situated at Room No. 235, A-Block, Ministry of Water & Power, Pak Secretariat, Constitution Avenue, Islamabad, Pakistan.
- 1.2** Currently, the Company is 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 Erection, Procurement and Construction (EPC) contractor for Balloki project is a joint venture of Harbin Electric International & Habib Rafiq (Private) Limited ("HEI – HRL") whereas the EPC contractor for HBS project is a joint venture of Power Construction Corporation of China & Qavi Engineers (Private) Limited ("PCCC – QEL"). The Ministry of Petroleum & Natural Resources, through its letters dated 06 October 2015, has allocated 200 MMCFD RLNG for each power plant w.e.f. 01 April 2017. Funds have been allocated to both projects from Public Sector Development Program (PSDP).
- 1.3** National Electric Power Regulatory Authority (NEPRA) has determined generation tariff for both Balloki and HBS projects on August 09, 2016.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, shall prevail.

**2.2 Basis of measurement**

These financial statements have been prepared under historical cost convention.

**2.3 Functional and presentation currency**

These financial statements are prepared in Pakistani Rupee which is the Company's functional and presentation currency.

**2.4 Adoption of new and revised standards, amendments and interpretations:**

**2.4.1 Standards, amendments to standards and interpretations becoming effective in current year**

There were certain new standards and amendments to the approved accounting standards which became effective during the year ended June 30, 2016 but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

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#### **2.4.2 Standards, amendments to standards and interpretations becoming effective in future periods**

There are certain new amendments to the approved accounting standards that are mandatory for the Company's accounting periods beginning after July 1, 2016 but are considered not to be relevant or are not expected to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

### **2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs:

#### ***Property, plant and equipment***

The Company reviews the useful lives and residual values of property, plant and equipment on regular basis. Any change in the 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, if any.

### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below:

#### **3.1 Property, plant and equipment**

##### **a) 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 4. 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Maintenance and normal repairs are charged to profit and loss account.

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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 year the asset is derecognized.

**b) Capital work in progress:**

Capital work in progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets / projects incurred during the installation and construction period are carried under capital work-in-progress including financial charges on borrowings for financing the projects which takes substantial time for completion, until such projects are available for their intended use. These costs are transferred to operating fixed assets as and when assets are ready for intended use.

**3.2 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 balance sheet date, 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.

**3.3 Cash and cash equivalents**

For the purpose of cash flow statement, 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.

**3.4 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.

**3.5 Employee retirement benefits**

***Defined benefit plan – gratuity***

The Company operates unfunded gratuity scheme for its permanent employees according to the terms of employment, subject to a minimum qualifying period of service. As per policy, the provision is made under the scheme for all employees eligible to gratuity benefits. Gratuity is based on employee's last drawn salary.

**3.6 Trade and other payables**

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

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### 3.7 *Related party transactions*

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

### 3.8 *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 of time 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 such time as 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.

### 3.9 *Taxation*

#### *-Current*

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

#### *-Deferred*

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

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

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

### 3.10 *Provisions*

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

### 3.11 *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. Non-monetary items that are measured in terms of a historical cost in a foreign currency are not retranslated.

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### **3.12 Revenue recognition - other income**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is recognized in the case of profit on bank deposits on time proportion basis by reference to the principal outstanding and applicable rate of return.

### **3.13 Financial instruments**

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

#### **a) Financial assets**

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of investments are recognized and derecognized on trade date (the date on which the Company commits to purchase or sell the asset).

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

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

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Any interest in such transferred financial assets that is created or retained by the company is recognized as a separate asset or liability.

#### **b) Financial liabilities**

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

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

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

#### **c) Off-setting of financial assets and liabilities**

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

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June 30, 2016      June 30, 2015

PROPERTY, PLANT AND EQUIPMENT

	Note	Rupees	Rupees
Operating fixed assets	4.1	759,371,739	-
Capital work in progress	4.2	32,250,456,112	914,505,200
		33,009,827,851	914,505,200

4.1 Operating fixed assets

Description	Cost		Accumulated depreciation			Book value at June 30, 2016	Annual rate of depreciation %
	At July 01, 2015	Additions	At July 01, 2015	Charge for the year	At June 30, 2016		
----- Rupees -----							
<b>Owned</b>							
Freehold land	-	732,246,688	732,246,688	-	-	732,246,688	-
Motor vehicles	-	19,592,500	19,592,500	2,889,315	2,889,315	16,703,185	20
Office equipment	-	4,170,875	4,170,875	176,018	176,018	3,994,857	10
Furniture and fixture	-	4,129,156	4,129,156	227,542	227,542	3,901,614	10
Computers and IT equipment	-	3,311,002	3,311,002	785,607	785,607	2,525,395	30
Year ended June 30, 2016	-	763,450,221	763,450,221	4,078,482	4,078,482	759,371,739	
Period ended June 30, 2015	-	-	-	-	-	-	

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## 4.2 Capital work in progress

	June 30, 2016			June 30, 2015
	HBS Project	Balloki Project	Total	Total
	Rupees	Rupees	Rupees	Rupees
EPC Milestones payments	9,673,264,794	9,345,168,512	19,018,433,306	-
Advance to PCCC - QEL	7,497,724,452	-	7,497,724,452	-
Advance to SNGPL	2,058,000,000	642,000,000	2,700,000,000	-
Legal, professional and consultants fee	410,955,265	410,889,058	821,844,323	174,057,544
Borrowing cost	1,055,992,223	641,423,512	1,697,415,735	-
Advance for purchase of land	997,500	2,722,125	3,719,625	740,447,656
LC commission	77,544,891	87,801,170	165,346,061	-
Projects' insurance	126,049,636	120,908,355	246,957,991	-
Custom duties and infrastructure cess	259,951	11,368,212	11,628,163	-
Site maintenance expenses	10,454,132	13,851,569	24,305,701	-
Rent	5,896,904	7,467,456	13,364,360	-
Salaries, wages and benefits - projects	21,397,193	18,138,983	39,536,176	-
Fee and subscription	4,225,800	4,225,800	8,451,600	-
Other pre-operation costs	1,034,997	693,622	1,728,619	-
	<b>20,943,797,738</b>	<b>11,306,658,374</b>	<b>32,250,456,112</b>	<b>914,505,200</b>

4.2.1 This represents advance payment of 15% of the contract price. The advance is adjustable against all milestone invoices of the contractor at the rate of 15% of each invoice value.

4.2.2 This represents advance paid to SNGPL for construction of spur gas pipelines of 38KM for HBS project and 8 KM for Balloki project.

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

4.2.4 This represents markup accrued at the rate of 10.53% per annum announced by Finance Division of Government of Pakistan (GOP) for 2014-15. Borrowing cost is net of interest income of Rs. 798.366 million (2015: Nil) earned on bank deposits and term deposit receipts.

4.2.5 Salaries, wages and benefits include gratuity provision aggregating to Rs. 4.086 million (2015: Nil).

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	<i>June 30, 2016</i>	<i>June 30, 2015</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>4.2.6 Movement of capital work in progress:</b>		
Opening balance	914,505,200	-
Additions during the year / period	32,068,197,600	914,505,200
Transferred to operating fixed assets	(732,246,688)	-
Closing balance	<u>32,250,456,112</u>	<u>914,505,200</u>

**5 ADVANCES, PREPAYMENTS  
AND OTHER RECEIVABLES**

Accrued markup	187,651,160	3,855,362
Advance income tax	76,227,367	-
Prepaid insurance - vehicles	3,381,489	-
Advance for office expenses	210,000	-
Other receivables	180,000	-
	<u>267,650,016</u>	<u>3,855,362</u>

**6 TAX REFUNDS DUE FROM GOVERNMENT**

This consists of sales tax input of Rs. 741,452,066 against taxable services of PRA and Rs. 91,720 against taxable supplies of FBR.

	<i>Note</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>7 CASH AND BANK BALANCES</b>			
Cash in hand		30	30
Cash at bank- saving accounts	7.1	5,640,095	1,589,637,734
Term deposit receipts	7.2	25,669,406,100	-
		<u>25,675,046,225</u>	<u>1,589,637,764</u>

7.1 These balances carry interest rate of 3.75% (2015: 4.5%) per annum.

7.2 These term deposit receipts have a maturity period of equal to or less than 3 months. The rate of return on these term deposits ranges from 5.50% to 5.90% (2015: Nil) per annum.

	<i>June 30, 2016</i>	<i>June 30, 2015</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>8 SHARE CAPITAL</b>		
<i>Authorized</i>		
10,000 (2015: 10,000) ordinary shares of Rs 10 each	<u>100,000</u>	<u>100,000</u>
<i>Issued, subscribed and paid up</i>		
3 (2015: 3) ordinary shares of Rs 10 each fully paid in cash	<u>30</u>	<u>30</u>

DYK



	<i>Note</i>	<i>June 30, 2016</i> <i>Rupees</i>	<i>June 30, 2015</i> <i>Rupees</i>
<b>9</b>	<b><i>SHARE DEPOSIT MONEY</i></b>		
	Advance against issue of shares	2,500,000,000	2,500,000,000
<i>9.1</i>	This represents advance received from Government of Pakistan for issue of shares. The Company is in the process of completing necessary formalities for issuance of shares.		
		<i>June 30, 2016</i> <i>Rupees</i>	<i>June 30, 2015</i> <i>Rupees</i>
<b>10</b>	<b><i>LONG TERM LOAN</i></b>		
	Loan from Government of Pakistan (GOP)	45,000,000,000	-
<i>10.1</i>	This represents cash development loan (CDL) received from Government of Pakistan payable in 20 years with grace period of 5 years. The applicable mark up rate is announced by Finance Division, Government of Pakistan each year. The markup rate announced by Finance Division, Government of Pakistan is 10.53% per annum for the financial year 2014-15, while the markup rate for the financial year 2015-16 is yet to be announced.		
		<i>June 30, 2016</i> <i>Rupees</i>	<i>June 30, 2015</i> <i>Rupees</i>
<b>11</b>	<b><i>RETENTION MONEY</i></b>		
	PCCC - QEL	677,128,442	-
	HEI - HRL	680,028,148	-
		1,357,156,590	-
<i>11.1</i>	This represents money 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 and 50% 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.		
		<i>June 30, 2016</i> <i>Rupees</i>	<i>June 30, 2015</i> <i>Rupees</i>
<b>12</b>	<b><i>DEFERRED LIABILITIES</i></b>		
	Provision for gratuity	6,723,960	-
	Deferred taxation	699,252	-
		7,423,212	-
<i>12.1</i>	The Company operates an unfunded gratuity scheme for all its employees in service. Under the scheme, the Company pays an amount equal to one month gross salary for each year of completed service.		

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12.2 *Deferred taxation*

	<i>At July 01, 2015</i>	<i>Charged / (credited) to profit and loss</i>	<i>At June 30, 2016</i>
	----- Rupees -----		
<i>Deferred tax liabilities:</i>			
Property plant and equipment	-	820,619	820,619
Retention money	-	722,586	722,586
	-	1,543,205	1,543,205
<i>Deferred tax assets:</i>			
Provision for gratuity	-	(843,953)	(843,953)
	-	699,252	699,252

	<i>June 30, 2016</i>	<i>June 30, 2015</i>
	Rupees	
<b>13 TRADE AND OTHER PAYABLES</b>		
PCCC - QEL	7,545,406,274	-
HEI - HRL	447,621,583	-
Consultancy services	310,983,144	-
Accrued expenses	4,897,612	-
Withholding tax payable	200,453	4,668,132
Other liabilities	15,341,150	355,001
	<u>8,324,450,216</u>	<u>5,023,133</u>

14 *CONTINGENCIES AND COMMITMENTS*

14.1 *Contingencies*

There are no known contingencies as at June 30, 2016 (June 30, 2015: Nil).

14.2 *Commitments*

- Commitments for capital expenditure include; Engineering, Procurement and Construction cost of Rs. 48,846 million for Balloki Project, Rs. 43,934 million for HBS Project, Engineering Consultancy cost of Rs. 470 million for each project and payment to SNGPL for construction of spur gas pipelines for HBS and Balloki projects are of Rs. 856 million.
- The Company has provided performance guarantee in favor of Private Power Infrastructure Board (PPIB) for the issuance of Letter of Intent (LOI) for HBS and Balloki Projects amounting to US\$ 1.23 million and US\$ 1.22 million respectively.
- The Company has provided a bank guarantee in favour of Pakistan State Oil (PSO) for purchase of fuel on credit amounting to Rs. 0.971 million.
- The Company has opened eight Letters of Credit (LCs) with National Bank of Pakistan to facilitate payments to EPC contractors for both projects. The amount of these LCs is US \$ 848.430 million for offshore portion and Rs. 21,886 million for onshore portion.

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		<i>For the year ended June 30, 2016 Rupees</i>	<i>For the period from March 02, 2015 to June 30, 2015 Rupees</i>
<b>15</b>	<b>ADMINISTRATIVE EXPENSES</b>		
	Salaries, wages and benefits	59,702,083	80,000
	Directors' meeting fee and expenses	1,611,000	-
	Travelling and conveyance	1,326,968	-
	Vehicles running and maintenance	1,401,948	-
	Printing and stationary	930,146	-
	Office supplies and utilities	3,900,780	-
	Repair and maintenance	575,060	-
	Legal and Professional	769,300	-
	Auditors' remuneration	400,250	275,000
	Publicity and advertisements	34,517,384	525,199
	Fee and subscription	89,142	-
	Rent, rates and taxes	11,729,920	-
	Security services	490,739	-
	Telephone and telex	1,231,137	-
	Insurance	1,959,358	-
	Depreciation	4,078,482	-
		<u>124,713,697</u>	<u>880,199</u>

15.1 Salaries, wages and benefits include gratuity provision aggregating to Rs. 2.637 million (2015: Nil).

	<i>For the year ended June 30, 2016 Rupees</i>	<i>For the period from March 02, 2015 to June 30, 2015 Rupees</i>
<b>15.2</b>	<b>Auditors' remuneration:</b>	
	Statutory audit fee	275,000
	Compliance Report on Corporate Governance Rules, 2013	97,750
	Out of pocket expenses	27,500
		<u>400,250</u>
		<u>275,000</u>

**16 OTHER INCOME**

*Income from financial assets and financial liabilities:*

Profit on saving accounts	36,809,609	3,855,362
Profit on term deposit receipts	99,677,129	-
Exchange gain on remeasurement of financial liabilities	2,258,082	-
	<u>138,744,820</u>	<u>3,855,362</u>

*Income from non-financial assets and non-financial liabilities:*

Income from sale of bidding documents	88,500	-
	<u>138,833,320</u>	<u>3,855,362</u>

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	<i>For the year ended June 30, 2016 Rupees</i>	<i>For the period from March 02, 2015 to June 30, 2015 Rupees</i>
<b>17 TAXATION</b>		
Current	3,786,315	981,804
Deferred	699,252	-
	<u>4,485,567</u>	<u>981,804</u>

17.1 Assessment for the tax year 2015 has been finalized and is considered as deemed assessed in terms of Section 120 (1) of the Income Tax Ordinance, 2001. as per return filed by the Company.

		<i>For the year ended June 30, 2016</i>	<i>For the period from March 02, 2015 to June 30, 2015</i>
<b>17.2 Reconciliation of accounting profit and tax expense</b>			
Accounting profit	Rupees	<u>14,017,398</u>	<u>2,975,163</u>
Tax rate	Percentage	32%	33%
Tax on accounting profit	Rupees	4,485,567	981,804
	Rupees	<u>4,485,567</u>	<u>981,804</u>

**18 REMUNERATION OF CHIEF EXECUTIVE,  
DIRECTORS AND EXECUTIVES**

	<i>CEO</i>	<i>Directors</i>	<i>Executives</i>
	----- Rupees -----		
Managerial remuneration	12,779,482	-	67,879,363
House rent	105,050	-	-
Utilities	215,717	-	-
Post employment benefits	317,044	-	6,122,624
Fees and reimbursement of expenses	-	1,611,000	-
	<u>13,417,293</u>	<u>1,611,000</u>	<u>74,001,987</u>
Number of persons	<u>1</u>	<u>9</u>	<u>31</u>

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## 19 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.

### 19.1 Credit risk

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

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

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

	<i>June 30, 2016</i> <i>Rupees</i>	<i>June 30, 2015</i> <i>Rupees</i>
Bank balances	25,675,046,195	1,589,637,734
Long term security deposits	7,037,952	-
Accrued markup	187,651,160	3,855,362
	<u>25,869,735,307</u>	<u>1,593,493,096</u>

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

Name of bank	Rating agency	Rating	
		Short term	Long term
National Bank of Pakistan	PACRA	A1+	AAA

### 19.2 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.

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### *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.

Carrying amount and contractual cash flows of financial liabilities are approximately same.

		<i>June 30, 2016</i> <i>Rupees</i>	<i>June 30, 2015</i> <i>Rupees</i>
Long term loan	Maturity more than 5 years	45,000,000,000	-
Accrued markup	Maturity upto 6 months	2,495,782,473	-
Trade and other payables	Maturity upto 3 months	8,324,450,216	5,023,133
		<u>55,820,232,689</u>	<u>5,023,133</u>

### *19.3 Market risk*

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

#### *a) Foreign currency risk management*

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

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

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

<b>Exposure to currency risk</b>	<i>June 30, 2016</i> <i>USD</i>	<i>June 30, 2015</i> <i>USD</i>
Payables to PCCC - QEL	71,126,583	-
Retention money payable to PCCC - QEL	6,383,155	-
Payables to HEI - HRL	4,166,699	-
Retention money payable to HEI - HRL	4,547,526	-

An increase / decrease in exchange rate by Rs. 1 per USD will result in an increase / decrease in payable to PCCC - QEL, payable to HEI - HRL, Retention money payable to PCCC - QEL, and Retention money payable to HEI - HRL by Rs. 71.127 million, Rs. 4.167 million, Rs. 6.383 million and Rs. 4.548 million. However, any variation in foreign currency exchange rates will be adjusted in final tariff determination by NEPRA.

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is currently being charged to profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

The Company has provided bank guarantees in favor Private Power Infrastructure Board (PPIB) of USD 1,230,540 and USD 1,223,106 for HBS project and Balloki project respectively.

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The significant spot exchange rate applied is PKR/US\$ 104.70 (2015: 101.77):

**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 as a variable interest bearing financial instrument.

Currently, the markup is accrued at the provisional rate of 10.53%. Any increase / decrease in markup rate by 1% will result in an increase / decrease in accrued markup and capital work in progress by Rs. 237.016 million. However, any variation in interest rates will be adjusted in final tariff determination by NEPRA.

**19.4 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.

**19.5 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 net borrowing divided by total capital employed. Net borrowing is calculated as total borrowings less cash and bank balances. Total capital employed includes total equity plus net borrowings:-

	<i>June 30, 2016</i> <i>Rupees</i>	<i>June 30, 2015</i> <i>Rupees</i>
Total borrowings	45,000,000,000	-
Less: cash and cash equivalents	25,675,046,225	1,589,637,764
Net borrowings	<u>19,324,953,775</u>	<u>(1,589,637,764)</u>
Total equity	2,511,525,220	2,501,993,389
Total capital employed	<u>21,836,478,995</u>	<u>912,355,625</u>
Gearing ratio	<u>88.50%</u>	<u>0.00%</u>

**20 RELATED PARTY TRANSACTIONS**

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, common directorship companies, associated companies, and key management personnel. Being a government owned entity, details of significant and quantifiable transactions and balances with government owned entities and other related parties, other than remuneration of Chief Executive, Directors and Executives are as follows:

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<i>Name of party and relationship</i>	<i>Nature of transaction(s)</i>	<i>For the year ended June 30, 2016</i>	<i>For the period from March 02, 2015 to June 30, 2015</i>
		<i>Rupees</i>	<i>Rupees</i>
<i>Associates</i>			
NESPAK	Consultancy fee	645,686,779	174,057,544
National Bank of Pakistan	Profit on saving accounts	150,410,848	3,855,362
National Bank of Pakistan	Profit on term deposit receipts	784,442,629	-
Sui Northern Gas Pipelines Limited	Advance for construction of spur gas pipelines	2,700,000,000	-
<i>Parent</i>			
Government of Pakistan	Share deposit money	-	2,500,000,000
Government of Pakistan	Long term loan received	45,000,000,000	-
		<i>June 30, 2016</i>	<i>June 30, 2015</i>
		<i>Number</i>	<i>Number</i>
21	<b>NUMBER OF EMPLOYEES</b>		
	At end of the year	84	1
	Average employees during the year	46	1

22 **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 08 OCT 2016

23 **GENERAL**

Figures in these financial statements have been rounded off to the nearest Rupee.

  
Chief Executive Officer

DYN  
  
Director