NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the profit and other comprehensive 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 notes 11.3 and 22.1 to the financial statements which describe the matter relating to Take or Pay invoices raised by the Sui Northern Gas Pipelines Limited (SNGPL) under the Gas Supply Agreement (GSA) which have been disputed by the company and that the matter has been referred for arbitration in accordance with the GSA. 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 Director's report, but does not include the financial statements of the Company and our auditor's report thereon.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Hammad Ali Ahmad.

Chartered Accountants

Lahore

Date: 31-12-19

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	Note	2019	2018
		Rupees in thousand	
ASSETS			
NON CURRENT ASSETS			
Operating fixed assets	5	149,469,418	75,254,343
Capital work-in-progress	6	181,702	64,724,610
Intangible assets	7	663	1,547
Long term deposits and prepayments	8	12,001,676	12,293,561
		161,653,459	152,274,061
CURRENT ASSETS			
Stock-in-trade	9	2,979,474	1,878,212
Stores, spares and loose tools		101,851	-
Trade debts - secured	10	65,344,992	28,988,819
Advances, prepayments and other receivables	11	13,409,946	11,534,163
Tax recoverable from Government	12	5,660,821	4,097,396
Cash and bank balances	13	2,707,653	13,174,239
		90,204,737	59,672,829
		251,858,196	211,946,890
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 11,660,000,000 (2018: 11,660,000,000) ordinary shares of Rs 10 each		116,600,000	116,600,000
Issued, subscribed and paid up capital 5,300,010,000 (2018: 10,000) ordinary shares of Rs10 each	14	53,000,100	100
Share deposit money	15	63,499,900	116,499,900
Accumulated profit		22,266,189	3,275,524
		138,766,189	119,775,524
NON CURRENT LIABILITIES			
Long term loan	16	-	32,738,000
Deferred liabilities	17	51,927	36,293
		51,927	32,774,293
CURRENT LIABILITES			
Trade and other payables	18	30,190,262	16,770,620
Retention money	19	6,355,372	6,772,669
Accrued markup	20	6,160,416	3,239,909
Short term borrowings - secured	21	37,133,868	32,613,875
Short term loan- unsecured	22	32,738,000	-
Provision for taxation		462,162	-
		113,040,080	59,397,073
CONTINGENCIES AND COMMITMENTS	23		
		251,858,196	211,946,890

The annexed notes 1 to 40 form an integral part of these financial statements.

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Chief Executive **Director**

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

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

	Note	2019	2018
		Rupees in thousand	
Sales	24	145,611,544	30,320,511
Cost of sales	25	(122,997,455)	(27,217,452)
Gross profit		22,614,089	3,103,059
Administration expenses	26	(218,462)	(206,697)
Other operating expenses	27	(344,442)	(32,299)
Other income	28	3,493,517	1,322,494
Profit before interest and tax		25,544,702	4,186,557
Financial charges	29	(6,553,705)	(755,529)
Profit before tax		18,990,997	3,431,028
Taxation	30	-	-
Profit for the year		18,990,997	3,431,028

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Director

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	Rupees in thousand	
Profit for the year	18,990,997	3,431,028
Remeasurement of defined benefit obligation	(332)	1,326
Total comprehensive income for the year	18,990,665	3,432,354

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive **Director**

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2019

	Share Capital	Share Deposit Money	Accumulated (Loss)/ Profit	Total
	Rupees in thousand			
Balance as at July 1, 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
Share issued during the year	53,000,000	(53,000,000)	-	-
Total comprehensive income for the year	-	-	18,990,665	18,990,665
Balance as at June 30, 2019	53,000,100	63,499,900	22,266,189	138,766,189

The annexed notes 1 to 40 form an integral part of these financial statements.

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Chief Executive

Director

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

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

	Note	2019	2018
		Rupees in thousand	
Cash flows from operating activities			
Cash used in operations	33	(5,749,321)	(29,661,973)
Employee benefits paid		(5,456)	(1,284)
Sales tax paid		(1,365,179)	(1,522,966)
Income tax paid		(759,397)	(198,247)
Net cash used in operating activities		(7,879,353)	(31,384,470)
Cash flows from investing activities			
Additions to operating fixed assest		(4,138,908)	(1,171)
Recovery/ (additions) to capital work- in-progress		430,668	(37,910,891)
Additions to intangible assets		-	(272)
Long term deposits and prepayments		234,341	(684,451)
Net cash used in investing activities		(3,473,899)	(38,596,785)
Cash flows from financing activities			
Proceeds from long term loan		-	32,738,000
Short term borrowings		4,519,993	30,984,422
Financial charges paid		(3,633,327)	(509,618)
Net cash generated from financing activities		886,666	63,212,804
Net decrease in cash and cash equivalents		(10,466,586)	(6,768,451)
Cash and cash equivalents at the beginning of the year		13,174,239	19,942,690
Cash and cash equivalents at the end of the year	13	2,707,653	13,174,239

The annexed notes 1 to 40 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, 2019

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. It is a public sector Company as it is beneficially owned and controlled by the Government of Pakistan (GoP) 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 Regassified Liquefied Natural Gas (RLNG) based combine cycle power plants. The registered office of the Company is situated at Room no. 5, 6th Floor, Shaheed-e-Millat Secretariat, Blue Area, 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 Engineering, Procurement and Construction (EPC) contracts for both projects.

The EPC 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) had determined reference generation tariff for both Balloki and HBS projects on August 9, 2016. Power Purchase Agreements (PPAs) for two projects were entered between the Company and Central Power Purchasing Agency (Guarantee) Limited (CPPA) on October 29, 2016 and Gas Supply Agreements (GSAs) had 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 SEPCO III Electric Power Construction Corporation (SEPCO III) dated May 04, 2017, and TNB Repair & Maintenance SDN BHD (TNB) dated May 05, 2017 respectively. The Company also entered into two Long Term Service Agreements (LTSA) with General Electric (GE) for both Haveli Bahadur Shah and Balloki projects on October 18, 2016.

1.5 Summary of Significant transactions and events during the year

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

- As mentioned in note 6.2 to the financial statements, Balloki project commenced its combined cycle commercial operations on July 29, 2018. Consequently, an amount of Rs 75,454 million, attributable to Balloki project, has been transferred from capital work-in-progress to operating fixed assets during the year.

- As mentioned in note 14 to the financial statements, on March 18, 2019, 5.3 billion ordinary shares amounting to Rs. 53 billion have been issued to PDFL against share deposit money of Rs 114 billion.

- As mentioned in note 11.3 to the financial statements, the Take or Pay (ToP) issue between the Company and SNGPL was referred to an expert mutually decided under section 18.2 "Determination of Expert" of the GSA. The expert issued his recommendations on September 14, 2019 in favor of SNGPL. The matter has been referred further for arbitration in accordance with the rules of London Court of International Arbitration (LCIA), under section 18.3 "Arbitration" of respective GSAs.

- As mentioned in note 21.2 to the financial statements, the SBLC encashment liability amounting to Rs 10,384 million along with interest towards banks is fully settled as on June 10, 2019 out of the project funds.

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- The Company has arranged project financing from the Bank of Punjab (BoP) led consortium of banks, and signed Musharaka facility agreements amounting Rs. 18.40 billion and Rs. 19.60 billion for HBS and Balloki projects respectively on June 11, 2019. However no drawdowns have been taken till June 30, 2019. The said facilities have been secured by way of GoP guarantee and lien over capacity payment receivables (debt component) pertaining to respective projects.

- Subsequent to the year end, as mentioned in note 16.1 to the financial statements, the long term loan of Rs. 32.8 billion from PDFL initially granted for a period of 2 years from the date of disbursement has been rescheduled to 10 years, notified vide letter F.No.2(23) Inv-1/2017-298, dated October 09, 2019 by PDFL.

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, the provisions and directives issued under the Companies Act, 2017 have been followed.

2.2 The Companies Act, 2017 through S.R.O. 888 (I)/2019. dated July 29, 2019 has also brought certain changes with regards to the disclosure requirements contained in the fifth schedule to the Act, resulting in the addition and omission of certain disclosures.

These amendments are applicable on companies preparing financial statements as on June 30, 2019 and onwards in accordance with to S.R.O. 961 (I)/2019. dated August 23, 2019.

2.3 Standards, amendments and interpretations to published approved accounting standards

The standards, amendments, and interpretations adopted in the preparation of these financial statements are the same as applied in the preparation of financial statements for the year ended June 30, 2018 except for the following amendments to existing standards that have been published and 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 current year and applicable / relevant to the Company's operations

IFRS 15 'Revenue from contracts with customers' and IFRS 9, 'Financial Instruments' are effective from accounting periods beginning on or after January 1, 2018. IFRS 15 'Revenue from contracts with customers' has replaced IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when the entity satisfies a performance obligation by transferring a promised good or service. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. It also includes an expected credit loss model that replaces the current incurred loss impairment model. Consequently, the Company has adopted these standards with effect from July 1, 2018.

Securities and Exchange Commission of Pakistan (SECP) through an SRO 1007(1)/2017 dated October 4, 2017 had directed that the aforesaid standards shall be applicable for the preparation of financial statements from the annual periods beginning on or after July 1, 2018. However, SECP through S.R.O. 985 (I)/2019, has deferred the application of IFRS 9 'Financial Instruments' for companies holding financial assets due from the Government of Pakistan to the extent of such assets only, till June 30, 2021, provided that such companies shall follow relevant requirements of IAS 39 'Financial Instruments: Recognition and Measurements', in respect of above referred financial assets during the exemption period. Accordingly, the Company has changed its accounting policy and followed the requirements of IFRS 9 other than for recognition of loss allowance for financial assets due from the Government of Pakistan.

2.3.2 Standards, amendments and interpretations to approved published accounting standards that are not yet effective

Standards or interpretations:	Effective date (annual periods beginning on or after)
IAS 19, Plan amendment, curtailment or settlement	January 1, 2019
IFRIC 23, Uncertainty over income tax	January 1, 2019
IAS 1, Presentation of financial statements (amendment)	January 1, 2020
IAS 8, Accounting policies, changes in accounting estimates and errors	January 1, 2020
IAS 19 - 'Employee benefits' in relation to plan amendments, curtailments or settlements	January 1, 2019
IFRS 16 - 'Leases'	January 1, 2019

IFRS 16 'Leases' has been notified by the SECP to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17, 'Leases'. 'SECP through SRO 986(I)/2019 dated September 2, 2019 has granted exemption from the requirements of IFRS 16 to all companies that have executed their power purchase agreements before January 1, 2019. Therefore, the standard will not have any impact on the Company's financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in previous years. Such improvements are generally effective for accounting periods beginning on or after January 01, 2019 and January 01, 2020. The Company expects that such improvements to the standards will not have any significant impact on the Company's financial statements in the period of initial application and are therefore not detailed in these financial statements.

2.3.3 Change in accounting policy

The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of preceding financial statements of the Entity for the year ended June 30, 2018 except for the application of IFRS 15 'Revenue from contracts with customers' and IFRS 9, 'Financial Instruments' adopted with effect from July 1, 2018. There has been no material financial effect of the change in accounting policy on the current and prior period financial statements.

2.3.4 Exemption from the applicability of certain interpretations to standards

SECP through SRO 24(I)/2012 has granted exemption from the application of International Financial Reporting Interpretation Committee (IFRIC) 4 'Determining whether an Arrangement contains a Lease' to all companies. The exemption has been indefinitely extended through a press release dated August 22, 2019 till further notice from SECP for power companies that have entered in to Power Purchase Agreement (PPA) with CPPA before effective date of IFRS 16 "Leases" i.e. January 1, 2019. However, Securities and Exchange Commission of Pakistan (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:

	2019	2018
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(149,246,159)	(74,659,996)
Recognition of lease debtor	150,620,963	74,864,839
Increase/ (decrease) in un-appropriated profit at the beginning of the year	90,625	-
Increase in profit for the year	1,284,180	204,843
Increase in un-appropriated profit at the end of the year	1,374,805	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.

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. 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.

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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 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 are 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 as 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, 2019. 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: 14.25% per annum (2018: 9% per annum)
- Expected rate of increase in salary level: 13.25% per annum (2018: 8% per annum)

The expected expense for the next year ending June 30, 2020 is 26.6 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 at rates as specified under 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 36. 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 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 Entity now classifies its financial assets in the categories as: at amortized cost, fair value through profit or loss and fair value through other comprehensive income. The classification depends on both the Entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

b) Financial assets at fair value through Other Comprehensive Income (OCI)

The entity accounts for financial assets at fair value through OCI if they are held under a business model whose objective is "hold to collect" the associated cash flows, and sell, and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Any gains or losses recognised in OCI will be recycled upon derecognition of the asset.

c) Financial assets at fair value through profit or loss

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at fair value through profit or loss. Assets in this category are classified as current assets. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

d) Financial assets due from the Government of Pakistan

Financial assets due from the Government of Pakistan include trade debts and other receivables under PPA that also includes accrued amounts. As referred to in note 2.3.1, SECP through SRO 985(I)/2019 dated September 2, 2019 has notified that, in respect of companies holding financial assets due from the Government of Pakistan, the requirements contained in IFRS 9 with respect to application of expected credit losses method shall not be applicable till June 30, 2021 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. Accordingly, the same continue to be reported as per the following accounting policy.

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognized in the statement of profit and loss. When a trade debt is uncollectible, it is written-off against the provision. Subsequent recoveries of amounts previously written off are credited to the statement of profit and loss.

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

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

	Freehold Land	Plant & Machinery	Capital Spares	Building & Civil Works	Motor vehicles	Office equipment	Furniture & fixture	Computers and IT equipment	Total
	Rupees in thousand								
Net carrying value basis									
Year ended June 30, 2019									
Opening net book value (NBV)	734,969	67,006,377	2,093,873	5,320,628	67,317	15,116	11,674	4,389	75,254,343
Additions (at cost)	98,011	3,894,295	103,273	-	33,728	418	9,184	-	4,138,909
Transfers from CWIP	-	68,737,031	2,221,882	4,359,111	105,303	7,532	21,049	2,031	75,453,939
Depreciation charge	-	(4,688,796)	(148,267)	(486,228)	(44,957)	(2,437)	(4,480)	(2,608)	(5,377,773)
Closing net book value (NBV)	832,980	134,948,907	4,270,761	9,193,511	161,391	20,629	37,427	3,812	149,469,418
Gross carrying value basis									
As at June 30, 2019									
Cost	832,980	140,013,072	4,430,758	9,724,574	219,151	24,718	43,257	10,211	155,298,721
Accumulated depreciation	-	(5,064,165)	(159,997)	(531,063)	(57,760)	(4,089)	(5,830)	(6,399)	(5,829,303)
Net book value (NBV)	832,980	134,948,907	4,270,761	9,193,511	161,391	20,629	37,427	3,812	149,469,418
Depreciation rate % per annum	-	3.33%	3.33%	5%	20%	10%	10%	30%	
Net carrying value basis									
Year ended June 30, 2018									
Opening net book value (NBV)	734,969	-	-	-	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
Depreciation charge	-	(375,369)	(11,730)	(44,835)	(5,976)	(1,013)	(644)	(1,825)	(441,392)
Closing net book value (NBV)	734,969	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	734,969	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)	734,969	67,006,377	2,093,873	5,320,628	67,317	15,116	11,674	4,389	75,254,343
Depreciation rate % per annum	-	3.33%	3.33%	5%	20%	10%	10%	30%	

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6 Capital work-in-progress

	Note	2019	2018
		(Rupees in thousand)	
Advance for purchase of land	6.1	170,589	255,523
Housing complex		11,113	2,405
EPC milestones and others		-	64,466,682
		181,702	64,724,610

6.1 This includes advances for purchase of land for housing complex and security periphery road at Balloki and HBS plant. These advances have been paid to Revenue office, Government of Punjab at the request of Assistant Commissioner / Land Acquisition Collector, however mutations have not been issued in favor of the Company.

6.2 Movement of capital work in progress

	Note	2019	2018
		(Rupees in thousand)	
Opening balance		64,724,610	99,213,590
Additions during the year		10,911,031	40,441,787
Transferred to operating fixed assets		(75,453,939)	(74,930,767)
Closing balance		181,702	64,724,610

7 Intangible assets

Computer software and licenses

Net carrying value basis

Year ended June 30

	2019	2018
Opening Net Book Value (NBV)	1,547	2,103
Additions (at cost)	-	272
Amortization charge	(884)	(828)
Closing NBV	663	1,547

Gross carrying value basis

As at June 30

	2019	2018
Cost	2,650	2,650
Accumulated amortization	(1,987)	(1,103)
NBV	663	1,547
Amortization rate % per annum	33.33%	33.33%

8 Long term deposits and prepayments

	Note	2019	2018
LNG escrow account	8.1	11,414,305	11,648,646
Security deposit - rental premises		7,038	7,038
Security deposit - bank lockers		50	50
O&M mobilization cost	8.2	580,283	637,827
		12,001,676	12,293,561

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8.1 This represents the amount deposited in escrow accounts with 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 (2018: Rs 5,691 million) deposited for HBS and Rs 5,723 million (2018: Rs 5,723 million) for Balloki project. During the year interest amounting to Rs 585 million (2018: Rs 234.3 million) has been received on escrow account balances outstanding during the year. The same is adjusted with trade receivables from CPPA as per Section 9.1 of the PPAs.

8.2 This represents unamortized mobilization fee amounting to Rs 231 million (2018: Rs 255 million) and Rs 349 million (2018: Rs 383 million) related to Operations and Maintenance (O&M) contractors of HBS (SEPCO III) and Balloki projects (TnB Repair & Maintenance Sdn. Bhd.) respectively as per the terms of the O&M agreements signed with these contractors. These amounts are being amortized over 12 years term of both the contracts.

		Note	2019	2018
			(Rupees in thousand)	
9	**Stock-in-trade**			
	High Speed Diesel	9.1	2,979,474	1,878,212

9.1 This represents High Speed Diesel (HSD) stock acquired as back-up fuel for both the projects and is being valued on First-In-First-Out basis.

		Note	2019	2018
			(Rupees in thousand)	
10	**Trade debts - secured**			
	Considered good	10.1	65,344,992	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 19,798 million which are neither overdue nor impaired; and Rs 45,547 million which are overdue but not impaired. Overdue receivables include Rs 31,506 million overdue up to 3 months, and Rs 8,126 million overdue up to 6 months, and Rs 5,915 million overdue more than 6 months.

10.3 Maximum aggregate amount of trade debts which remained outstanding at any time during the year is Rs 65,345 million. (2018: Rs 28,988 million).

		Note	2019	2018
			(Rupees in thousand)	
11	**Advances, prepayments and other receivables**			
	Accrued profit	11.1	32,443	50,468
	Advance income tax		759,397	198,247
	Prepaid expenses		9,613	88,777
	Advance for office expenses		319	334
	Other receivables	11.2, 11.3	11,024,911	11,024,786
	Recoverable from CPPA as pass-through items:			
	- Workers' Profit Participation Fund	11.4	1,121,101	171,551
	- Income Tax	30.1	462,162	-
			1,583,263	171,551
			13,409,946	11,534,163

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

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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. Till date SNGPL has invoiced the Company an amount of Rs 12,422 million (2018 Rs 11,600 million) in respect of ToP. Out of Rs 12,422 million, Rs 568 million is on account of revisions made in invoices for the prior period whereas Rs 254 million pertains to invoices received during the year ended June 30, 2019. As per SNGPL, the invoiced amount represents the amount payable by the Company on account of ToP under GSA, net of amounts recovered by the SNGPL from others consumers to whom such gas was supplied. The Company disputed SNGPL invoices for ToP claim. Despite the disagreement on ToP invoices SNGPL partially recovered the amounts by encashment of Standby Letter of Credit (SBLC) of the Company in prior period 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 amount of Rs 10,384 million encashed by SNGPL was recorded as receivable from SNGPL and subsequent invoices and revisions amounting to Rs 2,038 million have not been recorded in the financial statements.

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 matter 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 NPPMCL 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 dispute to an Expert under section 18.2 of the GSAs and the expert was mutually agreed on October 9, 2018 after negotiation with SNGPL.

The expert issued his recommendations on September 14, 2019 in favor of SNGPL. As per section 18.2(g) of GSA, unless the parties agree otherwise in writing at the time of selection of expert, the determination of expert is not binding. Since no such agreement has been made, the matter has been referred for arbitration in accordance with the rules of London Court of International Arbitration (LCIA), under section 18.3 of respective GSAs. Based on the opinion of its legal advisor the management believes that the Company has an 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	2019	2018
		(Rupees in thousand)	
12 Tax recoverable from Government			
Income tax		351,711	153,464
Sales tax	12.1	5,309,110	3,943,932
		5,660,821	4,097,396

12.1 This includes Rs. 2,458 million related with construction period against which a refund application has been filed with FBR in the monthly sales tax return of November 2018. This refund application is under the review of FBR.

13 Cash and bank balances

	Note	2019	2018
		(Rupees in thousand)	
Cash at bank - saving accounts	13.1	1,097,222	865,867
Cash at bank - sales tax accounts	13.2	568,959	-
Term Deposit Receipts	13.3	1,041,472	12,308,372
		2,707,653	13,174,239

13.1 Saving accounts are maintained with National Bank of Pakistan (NBP), which is a related party, United Bank Limited (UBL) and Habib Bank Limited (HBL). These balances carry interest rate of 10.25% (2018: 4.5%) per annum. Two fuel cost accounts are maintained with 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, 2019 is Rs 1,084.7 million (2018: Rs 858 million).

13.2 This represents two accounts maintained with NBP for depositing EPC contractors' sales tax amount retained on the direction of Honorable Lahore High Court.

13.3 Term deposit receipts issued by NBP have a maturity period of equal to or less than 3 months. The rate of return on these term deposits ranges from 9.70% to 11.20% (2018: 5.75% to 6.30%) per annum.

14 Share capital

	Note	2019	2018
		(Rupees in thousand)	
Authorized			
11,660,000,000 (2018: 11,660,000,000) ordinary shares of Rs 10 each		116,600,000	116,600,000
Issued, subscribed and paid up			
5,300,010,000 (2018: 10,000) ordinary shares of Rs 10 each fully paid in cash		53,000,100	100

15 Share deposit money

	Note	2019	2018
Opening share deposit money	15.1	116,499,900	116,499,900
Less: Issuance of shares		(53,000,000)	-
		63,499,900	116,499,900

15.1 Share deposit money includes Rs 2,499.9 million received from Government of Pakistan as per Circular No. GPI-7(02)/2015 dated June 9, 2015 on account of equity (seed money) to the Company.

15.2 Share deposit money is represented by:

	Note	2019	2018
		(Rupees in thousand)	
Government of Pakistan		2,499,900	2,499,900
Pakistan Development Fund Limited	15.3	61,000,000	114,000,000
		63,499,900	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 NPPMCL amounting to Rs 114 billion. However, ordinary shares to the amount of Rs. 53 billion only have been issued to PDFL as at year ended June 30, 2019.

	Note	2019	2018
		(Rupees in thousand)	
16 Long term loan - unsecured			
Loan from Pakistan Development Fund Limited (PDFL)	16.1	-	32,738,000
		-	32,738,000

16.1 During the year ended June 30, 2018, the Company received long term loan from PDFL, a related party amounting to Rs. 32.74 billion. The loan has been disbursed in two tranches to HBS and Balloki projects. The first tranche was disbursed on August 31, 2017 vide letter F.No.2(23)INV-I/2017 amounting to Rs. 11.94 billion for HBS Project and Rs. 15.80 billion for Balloki Project, respectively. The second tranche was disbursed on May 22, 2018 vide letter F.No.2(23)INV-I/2017-374 amounting to Rs. 2.5 billion for each project. The loan was granted for a period of 24 months from the date of disbursement and mark up on the loan was fixed at 3 months KIBOR plus 1% (7.14%) per annum. However, PDFL vide letter F.No.2(23) Inv-I/2017-298, dated October 09, 2019, informed the Company that the period of the loan has been rescheduled to ten years starting from initial date of disbursement which was August 31, 2017. The mark up on the loan was fixed at 3 months KIBOR plus 1% from the date of signing of new agreement subject to quarterly review of KIBOR as fixed by The State Bank of Pakistan. The loan has been reclassified as a short term borrowing as the agreement to reschedule payments, on a long term basis was completed subsequent to the year ended June 30, 2019.

	Note	2019	2018
		(Rupees in thousand)	
17 Deferred liabilities			
Provision for gratuity	17.1	51,927	36,293

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

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

	2019	2018
	(Rupees in thousand)	
Current service cost	17,565	17,703
Net interest	3,193	1,617
Total expense	20,758	19,320
Total expense chargeable to:		
CWIP - Project cost	540	11,446
Profit and loss account	20,218	7,874
	20,758	19,320

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

	2019	2018
Liability as at July 1	36,293	21,510
Current service cost	17,565	17,703
Net interest	3,193	1,617
Remeasurements due to:		
- Experience adjustments	332	(3,253)
- Transferred to current liability	(3,776)	-
Benefits paid	(1,680)	(1,284)
Liability as at close	51,927	36,293

		Note	2019	2018
			(Rupees in thousand)	
18	**Trade and other payables**			
	Trade creditors	18.1	7,178,255	6,603,939
	PCCC - QEL	18.2	11,918,472	8,995,413
	HEI - HRL	18.2	9,202,096	348,522
	Consultancy services	18.3	221,679	43,538
	Insurance services		374,905	29,746
	Payable to CPPA	18.4	-	260,384
	Accrued expenses		14,190	20,846
	Withholding tax payable		24,526	644
	Other liabilities		67,038	31,718
	Provision for spur gas pipeline-SNGPL		68,000	264,319
	Workers' Profit Participation Fund (WPPF)	18.5	1,121,101	171,551
			30,190,262	16,770,620

18.1 Trade creditors

	2019	2018
SNGPL (related party)	4,104,900	2,754,486
SEPCO-III	367,066	192,524
TNB	440,611	208,294
GE International	2,265,678	3,448,635
	7,178,255	6,603,939

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 8,953 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.

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 liquidated damages 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. Liquidated damages amounting to USD 56.26 million (Rs 8,535 million) being 10% of the contract price were charged to the Contractor for Balloki by the Company on August 11, 2018, payable within fourteen days of the invoice.

Both the contractors have expressed their disagreement over the LDs charged 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, both the contractors for HBS and 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 LDs, the aforementioned LDs have not been recorded in these financial statements.

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

18.4 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	2019	2018
		(Rupees in thousand)	
18.5 Workers' Profit Participation Fund			
Opening balance		171,551	-
Provision for the year		949,550	171,551
Closing balance		1,121,101	171,551

19 Retention money

	Note	2019	2018
PCCC - QEL		2,087,730	3,466,056
HEI - HRL		4,267,642	3,306,613
	19.1	6,355,372	6,772,669

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 items by the respective EPC contractors.

	Note	2019	2018
		(Rupees in thousand)	
20 Accrued markup			
Long term loan	20.1	5,252,003	2,914,510
Short term borrowings	21	908,413	325,399
		6,160,416	3,239,909

20.1 This includes markup amounting to Rs 4,023 million (2018: Rs 1,686 million) payable on the loan received from PDFL and Rs 1,229 million (2018: Rs 1,229 million) as an accrued markup on GoP Cash Development Loan till its conversion into equity as at June 30, 2017. Markup on PDFL loan for the current period has been accrued at the agreed rate of 7.14% (2018: 7.14%).

	Note	2019	2018
		(Rupees in thousand)	
21 Short term borrowings - secured			
Working capital finance	21.1	37,133,868	22,229,726
SBLC Liability	21.2	-	10,384,149
		37,133,868	32,613,875

21.1 This amount consists of Rs 18,062 million (2018: Rs 14,426 million), and Rs 19,072 million (2018: Rs 7,803 million) utilized in HBS and Balloki projects respectively.

Working capital finance is available from consortium of banks comprising National Bank of Pakistan (NBP) 33.18% (a related party), 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;

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(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 during June 2018. Under the operation of clause 3.6 of GSA, SNGPL raised invoices amounting to Rs 11,600 million. These invoices were 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 Stand-by Letter of Credit during June 2019. The said facility carried mark-up of 3 month KIBOR + 2% per annum. The Company has fully settled the liability as on June 10, 2019.

22	**Short term loan - unsecured**	**Note**	**2019**	**2018**
			(Rupees in thousand)	
	Loan from Pakistan Development Fund Limited	22.1	32,738,000	-

22.1 The loan has been reclassified as a short term loan from long term loan as mentioned in note 16.2 as the agreement to reschedule payments, on a long term basis was completed after the year ended June 30, 2019.

23 Contingencies and commitments

23.1 Contingencies

a) As mentioned in note 11.3 to the accounts, SNGPL raised invoices amounting to Rs 12,422 million (2018: Rs 11,600 million) under clause 3.6 of GSAs.The invoices have been disputed by the Company. A significant portion of the demand amounting to Rs 10,384 million was recovered by SNGPL through encashment of the Stand-by Letter of Credit, which has been recorded as receivable from SNGPL. Subsequent invoices and revisions amounting to Rs 2,038 million have not been recorded in the financial statements. The dispute was referred to an expert mutually decided under section 18.2 "Determination of Expert" of the respective GSAs for resolution. The expert's recommendations were in favor of SNGPL. The matter has been referred for arbitration in accordance with the rules of London Court of International Arbitration (LCIA), under section 18.3 of respective GSAs. Based on the opinion of the legal advisor the management believes that the Company has a reasonable 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.

b) During the year, the Company received recovery notice under section 138(1) of Income Tax Ordinance (the Ordinance), 2001 amounting to Rs. 498.5 million from Deputy Commissioner Inland Revenue conveying the rejection of Company's claim of tax credit under section 65D of the Ordinance and directed the Company to pay advance tax for the tax year 2019. Thereafter, the tax department attached the Company's bank accounts and recovered Rs. 15 million against the said demand. Subsequently, the Company challenged the recovery notice by filing a writ petition before the Honorable Lahore High Court. The Honorable Lahore High Court granted the stay with the remarks that the coercive measures taken by FBR are illegal and remanded back the case to FBR with a direction to finalize the matter within a period of 15 days after giving opportunity of hearing to the Company. Till date FBR has not concluded the matter. However, the Company, based on legal and tax advisor's opinion, believes that the demand is unjustified and the Company is eligible for tax credit under section 65D of the Ordinance. Therefore no provision has been made in these financial statements against this demand.

c) Subsequent to year end, on October 25, 2019, the Company received a recovery notice under section 137(2) and 138(1) of the Ordinance amounting to Rs. 388 million for tax year 2018 conveying the rejection of Company's claim of tax credit under section 65D . The Company filed an appeal before Commissioner (Appeals) along with stay application which was rejected. The Company filed stay application with Appellate Tribunal Inland Revenue (ATIR) and a stay was granted on recovery proceedings dated November 26, 2019 for 45 days. However, the Company, based on legal and tax advisor's opinion, believes that the demand is unjustified and the Company is eligible for tax credit under section 65D of the Ordinance. Therefore no provision has been made in these financial statements against this demand.

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d) During the year, Punjab Revenue Authority (PRA) notified that the Company had, in its capacity as a withholding agent, failed to withhold Punjab Sales Tax on various offshore payments under relevant EPC Contracts. The amount notified by PRA to be paid by the Company was Rs.16.92 billion.The Lahore High Court granted interim relief till June 25, 2019 which was then extended to July 10, 2019. The matter is still under review with PRA. The Company based on the opinion of its tax advisors believes that the claim of PRA is contrary to the provisions of the Punjab Sales Tax on Services Act 2012. Consequently, no provision has been recorded in these financial statements.

23.2 Commitments

a) Commitments for capital expenditure include; Engineering consultancy cost of Rs 24.89 million (2018: Rs 19.04 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 LCs add up to USD 751.7 million (2018: USD 796.5 million) out of which USD 48.4 million (2018: USD 105.8 million) is outstanding. The total amount pertaining to onshore LCs add up to Rs 20,001 million (2018: 21,166 million) out of which Rs 1,354 million (2018: Rs 2,765 million) is outstanding.

b) Pursuant to the GSAs signed with SNGPL for the HBS and Balloki projects, the Company has entered into two SBLC arrangements amounting Rs 11,383 million (2018: Rs 11,383 million) for HBS project and Rs 11,397 million (2018: Rs 11,397 million) for Balloki project. These SBLCs along with 10% margin are secured by way of (i) a first ranking hypothecation charge over the hypothecated plant & machinery of respective projects, and (ii) assignment by way of mortgage of energy payments receivable from CPPA pertaining to respective project. However during the previous year SBLC amounting to Rs 6,224 million pertaining to HBS project and Rs 4,160 million pertaining to Balloki project were encashed by SNGPL under the take-or-pay clause of GSA. As a result, the balance amount of SBLC of HBS and Balloki project stands at Rs 5,159 million (2018: Rs 5,159 million) and Rs 7,237 million (2018: Rs 7,237 million) 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 (2018: Rs 0.971 million).

d) The Company has opened RLNG escrow accounts with NBP for HBS and Balloki projects in accordance with the terms of the 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 217.865 million (2018: Rs 227.65 million) accrued during the year on the amount of escrow account deposit. The Balloki RLNG escrow account was opened on June 29, 2017 and interest amounting to Rs 218.847 million (2018: Rs 229 million) accrued during the year 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	2019	2018
		(Rupees in thousand)	
24 Sales			
Energy purchase price	24.1	134,966,938	32,437,268
Less: Sales tax		(20,048,423)	(4,630,138)
Net energy purchase price		114,918,515	27,807,130
Capacity purchase price		30,693,029	2,513,381
		145,611,544	30,320,511

24.1 This represents energy produced and supplied to the National Grid from combined cycle operations of both projects. Combined cycle operations of HBS started from May 09, 2018 and Balloki from July 29, 2018.

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25	Cost of sales	Note	2019	2018
			(Rupees in thousand)	
	Fuel cost		109,889,140	25,392,665
	Operation and maintenance costs	25.1	5,723,370	1,267,731
	Depreciation		5,323,293	431,933
	Insurance		1,797,585	114,537
	Salaries and administration expenses	25.2	264,067	10,586
			122,997,455	27,217,452

25.1 This includes variable and fixed fee incurred in respect of O&M and LTSA contracts of both projects.

25.2 Salaries and administration expenses include provision for gratuity aggregating to Rs 14.5 million (2018: Rs 0.9 million).

26	Administration expenses	Note	2019	2018
			(Rupees in thousand)	
	Salaries, wages and benefits	26.1	104,501	105,102
	Directors' meeting fee and expenses		2,035	1,722
	Travelling and conveyance		1,148	1,200
	Vehicles running and maintenance		3,270	2,443
	Printing and stationary		4,029	2,775
	Office supplies and utilities		4,900	6,773
	Repair and maintenance		241	202
	Legal and Professional		5,644	3,581
	Auditors' remuneration	26.2	6,130	5,540
	Inauguration and advertisements		1,020	37,500
	Fee and subscription		1,763	1,312
	Rent, rates and taxes		17,513	16,783
	Security services		295	706
	Telephone and telex		1,511	2,058
	Insurance		9,097	8,714
	Depreciation	5	54,481	9,458
	Amortization		884	828
			218,462	206,697

26.1 Salaries, wages and benefits include gratuity expense for head office aggregating to Rs 5.7 million (2018: Rs 6.9 million).

26.2	Auditor's remuneration	Note	2019	2018
			(Rupees in thousand)	
	Statutory audit fee		5,555	5,155
	Compliance and other certificates		370	200
	Out of pocket expenses		205	185
			6,130	5,540

27	Other operating expenses	Note	2019	2018
	Foreign exchange loss	27.1	344,442	32,299

27.1 This represents foreign exchange loss incurred on settlement of transactions with Sepco III and TnB Repair & Maintenance (O&M contractors) and General Electric Inc. (LTSA Contractor), and from the translation of such liabilities at year end exchange rates.

28	Other income	Note	2019	2018
			(Rupees in thousand)	
	Profit on saving accounts	13.1	91,781	10,067
	Profit on term deposit receipts	13.3	1,022,446	274,580
	Delayed payment charges	28.1	2,379,132	463,069
	Scrap sale		-	39,164
	Miscellaneous		158	535,614
			3,493,517	1,322,494

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28.1 This represents delay payment charges in respect of Capacity Purchase Price (CPP) & 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.

		Note	2019	2018
			(Rupees in thousand)	
29	**Financial charges**			
	Interest on long term loan	20.1	2,237,254	142,218
	Markup on short term borrowings	29.1	4,259,747	526,633
	SBLC commission	29.2	47,403	82,727
	Other bank charges		9,301	3,951
			6,553,705	755,529
29.1	**Markup on short term borrowings**			
	Markup on Working Capital Facility		3,161,853	475,994
	Markup on SBLC funded facility		1,097,894	50,639
			4,259,747	526,633

29.2 As per the requirement of Gas Supply Agreement, the Company is required to submit standby letters of credit (SBLC), readily available one for each project as part requirement of gas supply deposits.This commission represents expense incurred on these SBLCs. Commission is payable quarterly in advance at 0.10% of the unfunded amount.

		Note	2019	2018
			(Rupees in thousand)	
30	**Taxation**			
	Current tax	30.1	-	-

30.1 This represents provision of current taxation for the period. 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 Tax, the total provision for taxation is Rs 1,850 million. However, the Company is entitled to claim a tax credit equal to the amount of Rs 1,388 million under section 65D "Tax credit for newly established industrial undertakings" of the Income Tax Ordinance, 2001 which is admissible where the industrial undertaking is set up with at least seventy per cent equity raised through issuance of new shares for cash consideration. Therefore, the tax liability for the current period is Rs 462 million, which is claimable from CPPA as pass-through item as reflected in note 11 of the financial statements.

30.2 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.

		2019	2018
		(Rupees in thousand)	
30.3	**Tax charge reconciliation**		
	Accounting profit	18,990,997	3,431,028
	Income tax charge	5,507,389	1,029,308
	Difference due to minimum tax	(3,657,505)	(443,901)
	Tax claimable as pass-through item	(462,162)	-
	Effect of tax credit u/s 65D	(1,387,722)	(585,407)
	Current tax	-	-

31 Segment Information

31.1 The management has determined the operating segments based on the generation licenses. The Company has the following two reportable segments under Haveli Bahadur Shah Power Plant (HBS) and Balloki Power Plant (Balloki).

	Note	2019 HBS	2019 Balloki	2019 Total	2018 HBS	2018 Balloki	2018 Total
		Rupees in thousand			Rupees in thousand		
Sale of energy							
Energy purchase price		67,508,695	47,409,820	114,918,515	18,577,810	9,229,320	27,807,130
Capacity purchase price		17,451,550	13,241,479	30,693,029	2,513,381	-	2,513,381
		84,960,245	60,651,299	145,611,544	21,091,191	9,229,320	30,320,511
Cost of Sales		(71,334,225)	(51,663,230)	(122,997,455)	(18,534,597)	(8,682,855)	(27,217,452)
Gross Profit		13,626,020	8,988,069	22,614,089	2,556,594	546,465	3,103,059
Administrative expenses		(109,094)	(109,368)	(218,462)	(121,718)	(84,979)	(206,697)
Other operating expenses		(195,259)	(149,183)	(344,442)	(21,474)	(10,825)	(32,299)
Other Income		2,049,799	1,443,718	3,493,517	993,442	329,052	1,322,494
Profit before interest and tax		15,371,466	10,173,236	25,544,702	3,406,844	779,713	4,186,557
Financial charges		(3,425,731)	(3,127,974)	(6,553,705)	(503,680)	(251,849)	(755,529)
Taxation		-	-	-	-	-	-
Profit for the year		11,945,735	7,045,262	18,990,997	2,903,164	527,864	3,431,028
Assets	31.2	131,327,193	120,531,003	251,858,196	118,051,927	93,894,963	211,946,890
Liabilities	31.3	54,386,908	58,705,099	113,092,007	53,057,208	39,114,158	92,171,366

31.2 Assets

	2019			2018		
	HBS	Balloki	Total	HBS	Balloki	Total
	Rupees in thousand			Rupees in thousand		
Non-current Assets						
Operating fixed assets	76,119,055	73,350,363	149,469,418	74,747,011	507,332	75,254,343
Capital work-in-progress	15,917	165,785	181,702	92,145	64,632,465	64,724,610
Intangible assets	332	331	663	774	773	1,547
Long term deposits and prepayments	5,926,371	6,075,305	12,001,676	6,085,332	6,208,229	12,293,561
	82,061,675	79,591,784	161,653,459	80,925,262	71,348,799	152,274,061
Current Assets						
Stock in trade	1,403,992	1,575,482	2,979,474	594,924	1,283,288	1,878,212
Stores, spares and loose tools	101,851	-	101,851	-	-	-
Trade debts	35,644,326	29,700,666	65,344,992	20,045,655	8,943,164	28,988,819
Advances, prepayments and other receivables	8,529,095	4,880,851	13,409,946	7,279,760	4,254,403	11,534,163
Tax recoverable from Government	2,480,142	3,180,679	5,660,821	1,355,276	2,742,120	4,097,396
Cash and bank balances	1,106,112	1,601,541	2,707,653	7,851,050	5,323,189	13,174,239
	49,265,518	40,939,219	90,204,737	37,126,665	22,546,164	59,672,829
Total Assets	131,327,193	120,531,003	251,858,196	118,051,927	93,894,963	211,946,890

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31.3 Liabilities

	2019			2018		
	HBS	Balloki	Total	HBS	Balloki	Total
	Rupees in thousand			Rupees in thousand		
Non-current liabilities						
Long term loan	-	-	-	14,437,000	18,301,000	32,738,000
Deferred liabilities	26,034	25,893	51,927	18,591	17,702	36,293
	26,034	25,893	51,927	14,455,591	18,318,702	32,774,293
Current Liabilities						
Trade and other payables	16,677,015	13,513,247	30,190,262	13,164,121	3,606,499	16,770,620
Retention money	2,087,730	4,267,642	6,355,372	3,466,056	3,306,613	6,772,669
Accrued markup	2,828,071	3,332,345	6,160,416	1,320,823	1,919,086	3,239,909
Short term borrowings- secured	18,061,551	19,072,317	37,133,868	20,650,617	11,963,258	32,613,875
Short term loan- unsecured	14,437,000	18,301,000	32,738,000	-	-	-
Provision for taxation	269,507	192,655	462,162	-	-	-
	54,360,874	58,679,206	113,040,080	38,601,617	20,795,456	59,397,073
Total Liabilities	54,386,908	58,705,099	113,092,007	53,057,208	39,114,158	92,171,366

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32 Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
			Rupees in thousand			
Short term employee benefits						
Managerial remuneration	12,626	1,917	-	-	211,619	204,507
Bonus	5,130	6,853	-	-	66,074	-
House rent	-	126	-	-	-	-
Utilities	149	408	-	-	-	-
	17,905	9,304	-	-	277,693	204,507
Post employment benefits						
Gratuity / Pension	1,283	556	-	-	17,967	17,805
	19,188	9,860	-	-	295,660	222,312
Number of persons	**1**	**1**	**7**	**9**	**37**	**44**

32.2 Aggregate amount charged in the financial statements for the year as Directors fee in respect of 7 Directors (2018: 9 Directors) is Rs 2.0 million (2018: Rs 1.7 million).

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		Note	2019	2018
			(Rupees in thousand)	
33	**Cash generated from / (used in) operations**			
	Profit before tax		18,990,997	3,431,028
	Adjustments for:			
	Depreciation	5	5,377,773	441,392
	Amortization	7	58,428	53,536
	Provision for gratuity	17.2	20,218	7,874
	Financial charges		6,553,705	755,529
	Foreign exchange loss		344,442	32,299
	Delayed payment charges		(2,379,132)	-
	Accrued profit on saving account / TDRs		(32,443)	(50,468)
			9,942,991	1,240,162
	Operating profit before working capital changes		28,933,988	4,671,190
	Effect on cash flow due to working capital changes			
	Increase in stock-in-trade		(1,101,262)	(1,878,212)
	Increase in stores, spares and loose tools		(101,851)	-
	Increase in trade debts		(33,977,041)	(28,988,819)
	Increase in advances, prepayments and other receivables		(819,899)	(9,675,813)
	Increase in trade and other payables		1,316,744	6,209,681
			(34,683,309)	(34,333,163)
			(5,749,321)	(29,661,973)

34 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.

34.1 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:

	2019	2018
	(Rupees in thousand)	
Long term deposits	11,421,393	11,655,734
Trade debts	65,344,992	28,988,819
Accrued profit	32,443	50,468
Other receivables	11,024,911	11,024,786
Recoverable from CPPA as pass-through items	1,583,263	171,551
Bank balances	2,707,653	13,174,239
	92,114,655	65,065,597

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		2019	2018
		Short term	Long term	(Rupees in thousand)	
National Bank of Pakistan	PACRA	A1+	AAA	1,622,814	10,047,122
United Bank Limited	JCR-VIS	A-1+	AAA	1,084,739	858,112
Habib Bank Limited	JCR-VIS	A-1+	AAA	100	2,269,005
				2,707,653	13,174,239

34.2 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, 2019:

		2019	2018
		Rupees in thousand	
Trade and other payables	Maturity upto 3 months	30,190,262	16,770,620
Short term borrowings	Maturity upto 3 months	37,133,868	32,613,875
Accrued markup	Maturity upto 3 months	6,160,416	3,239,909
Retention money	Maturity upto 3 months	6,355,372	6,772,669
Short term loan	Maturity up to 1 year	32,738,000	-
Long term loan	Maturity more than 1 year	-	32,738,000
		112,577,918	92,135,073

34.3 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	2019	2018
Trade creditors	USD	18,683,006	31,656,680
Payables to PCCC – QEL	USD	66,076,503	19,811,526
Payables to HEI – HRL	USD	44,803,213	-
Retention money payable to PCCC – QEL	USD	11,776,433	23,552,863
Retention money payable to HEI – HRL	USD	22,401,607	22,401,607
Payables to NESPAK	USD	3,668	3,668
Net exposure - USD		163,744,430	97,426,344
Payables to NESPAK	EURO	137,790	137,790
Net exposure - Euro		137,790	137,790

An increase/ decrease in exchange rate by Rs 1 per USD will result in an increase/ decrease in trade creditors, payable to PCCC - QEL, payable to HEI-HRL, Retention money payable to PCCC - QEL, Retention money payable to HEI - HRL and Payable to NESPAK by Rs 18.7 million, Rs 66 million, Rs 44.8 million, Rs 11.8 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 / operating fixed assets 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$ 164.5 (2018: 121.6) and PKR/Euro 186.99 (2018: 141.57), whereas average rate used during the period is PKR/US$ 139.0 (2018: 110.75) and PKR/Euro 186.99 (2018: 125.3).

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 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.

34.4 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.

	2019	**2018**
	(Rupees in thousand)	
34.4.1 Financial instruments by categories		
Assets as per Statement of Financial Position		
Long term deposits	11,421,393	11,655,734
Trade debts	65,344,992	28,988,819
Advances and other receivables	11,784,627	11,223,367
Cash and bank balances	2,707,653	13,174,239
	91,258,665	65,042,159
Liabilities as per Statement of Financial Position		
Long term loan	-	32,738,000
Retention money	6,355,372	6,772,669
Trade and other payables	30,190,262	16,770,620
Short term borrowings	37,133,868	32,613,875
Short term loan	32,738,000	-
	106,417,502	88,895,164

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34.5 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.

	2019	2018
	(Rupees in thousand)	
Long term loan	-	32,738,000
Short term borrowings	37,133,868	32,613,875
Short term loan	32,738,000	-
Total borrowing	69,871,868	65,351,875
Issued, subscribed and paid up capital	53,000,100	100
Share deposit money	63,499,900	116,499,900
Accumulated profit / (loss)	22,266,189	3,275,524
Total equity	138,766,189	119,775,524
Total capital employed	208,638,057	185,127,399
Gearing ratio	33.5%	35.3%

35 Transactions and balances 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 unless disclosed elsewhere in these financial statements are as follows:

		2019	2018
		(Rupees in thousand)	
Transactions during the year			
Government owned entities - Associates			
CPPA	Sale of energy	145,611,544	45,528,775
SNGPL	Purchase of RLNG	112,875,160	42,693,859
NESPAK	Consultancy fee	98,045	166,660
NBP	Profit on saving account	40,947	8,670
NBP	Profit on term deposits	1,022,446	1,096,222
NBP	Short term borrowings	5,092,906	6,810,056
NBP	Markup on short term borrowings	1,462,540	233,754
BOP	Short term borrowings	1,119,419	1,621,090
BOP	Markup on short term borrowings	314,308	44,638
PDFL	Long term loan	-	32,738,000
PDFL	Accrued markup	2,337,493	1,685,910
NICL	Insurance	47,594	6,295
		270,022,402	132,633,929

36 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 profit would have been lower by Rs 7,922 million (2018: Rs 1,606 million) and property, plant, and equipment would have been lower by Rs 7,922 million (2018: Rs 1,606 million).

37 Number of employees

	2019	2018
Total number of employees as at close	92	102
Average number of employees during the period	95	105

38 Subsequent Events

As mentioned in note 16.1, the Company received long term loan from PDFL, a related party, amounting to Rs. 32.74 billion in previous year. Subsequent to the year end, PDFL vide letter F.No.2(23) Inv-I/2017-298, dated October 09, 2019, has informed the Company that the period of the loan has been resceduled to ten years starting from initial date of disbursement which was August 31, 2018.

39 Date of authorization

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 28 DEC 2019

40 General

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

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

Chief Executive

Director