YUNUS ENERGY LIMITED

Financial Statements

for the year ended June 30, 2017

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS

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

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

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

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

b. in our opinion:

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

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

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

Deloitte Yousuf Adil

Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirani

Dated: 12 AUG 2017
Place: Karachi

YUNUS ENERGY LIMITED
BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017	2016
		---------------------- Rupees	--------------------
ASSETS			
Non-current assets			
Property, plant and equipment	4	**10,691,524,376**	11,004,466,685
Advance to contractors	5	**-**	8,086,405
		10,691,524,376	11,012,553,090
Current assets			
Debtor - secured - considered good		**941,794,663**	-
Prepayments		**12,643,561**	-
Advances		**16,929,259**	-
Other receivables	6	**167,684,233**	122,916,668
Tax refundable	7	**31,474,412**	119,657,607
Cash and bank balances	8	**974,340,433**	51,855,063
		2,144,866,561	294,429,338
TOTAL ASSETS		**12,836,390,937**	11,306,982,428
EQUITY AND LIABILITIES			
EQUITY			
Issued, subscribed and paid-up capital	9	**3,057,625,000**	3,057,625,000
Accumulated profit / (loss)		**542,717,005**	(177,325,127)
		3,600,342,005	2,880,299,873
LIABILITIES			
Non current liabilities			
Loan from financial institutions	10	**7,785,348,235**	7,373,522,048
Liability against land lease	11	**34,800,000**	48,720,000
Staff gratuity	12	**7,754,000**	4,481,450
		7,827,902,235	7,426,723,498
Current liabilities			
Current portion of loan from financial institutions		**632,724,051**	-
Current portion of liability against land lease		**13,920,000**	-
Accrued and other payables	13	**747,349,813**	825,632,603
Accrued markup		**-**	174,326,454
Provision for taxation		**14,152,833**	-
		1,408,146,697	999,959,057
CONTINGENCY AND COMMITMENT	14		
TOTAL EQUITY AND LIABILITIES		**12,836,390,937**	11,306,982,428

The annexed notes from 1 to 28 form an integral part of these financial statements.

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Chief Executive **Director**

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

	Note	2017	2016
		------------- Rupees	--------------
Sale of electricity		1,865,024,618	-
Cost of generation	15	(464,600,661)	-
Gross profit		1,400,423,957	-
Administrative expenses	16	(55,998,453)	(49,993,376)
Finance costs	17	(655,884,840)	(1,005,989)
		688,540,664	(50,999,365)
Other income	18	45,654,301	-
Workers' Profit Participation Fund	19	-	-
Profit / (loss) before taxation		734,194,965	(50,999,365)
Taxation	20	(14,152,833)	-
Profit / (loss) for the year after taxation		720,042,132	(50,999,365)

The annexed notes from 1 to 28 form an integral part of these financial statements.

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Chief Executive

Director

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

	2017	2016
	------------- Rupees	--------------
Profit / (loss) for the year after taxation	**720,042,132**	(50,999,365)
Other comprehensive income	-	-
Total comprehensive income for the year	**720,042,132**	(50,999,365)

The annexed notes from 1 to 28 form an integral part of these financial statements.

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Chief Executive **Director**

YUNUS ENERGY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	Rupees	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) for the year before taxation	734,194,965	(50,999,365)
Adjustments for		
Depreciation	337,942,029	6,139,361
Finance costs	655,884,840	1,005,989
(Gain) / Loss on disposal of fixed assets	(689,346)	1,534,018
Provision for staff gratuity	2,396,612	1,059,000
Provision for leave encashment	2,474,665	2,232,931
Operating profit / (loss) before working capital changes	1,732,203,765	(39,028,066)
(Increase) / decrease in current assets		
Debtor	(941,794,663)	-
Prepayments	(12,643,561)	1,875,307
Advances	(16,929,259)	-
Other receivables	(44,767,565)	(118,401,125)
Tax refundable	90,861,613	(70,687,291)
Increase / (decrease) in current liabilities		
Accrued and other payables	(80,000,619)	710,828,058
	726,929,711	484,586,883
Taxes paid	(2,678,418)	(1,445,195)
Gratuity paid	(498,675)	-
Leave encashment paid	(756,836)	(501,161)
Finance costs paid	(830,211,294)	(1,005,989)
Net cash (used in) / generated from operating activities	(107,215,512)	481,634,538
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating fixed assets / capital work in progress - net	(24,429,761)	(9,963,672,192)
Sales proceeds from disposal of fixed assets	1,494,000	784,000
Advance to contractors	8,086,405	2,249,911,118
Net cash used in investing activities	(14,849,356)	(7,712,977,074)

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	2017	2016
	------------ Rupees ------------	
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	2,035,000,000
Loan from financial institutions	1,044,550,238	5,221,931,141
Net cash generated from financing activities	1,044,550,238	7,256,931,141
Net increase in cash and cash equivalents (A+B+C)	922,485,370	25,588,605
Cash and cash equivalents at beginning of the year	51,855,063	26,266,458
Cash and cash equivalents at end of the year	974,340,433	51,855,063

The annexed notes from 1 to 28 form an integral part of these financial statements.

Chief Executive **Director**

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

	Note	Issued, subscribed and paid up capital	Accumulated loss	Total
		---------- Rupees ----------		
Balance at June 30, 2015 - Restated		1,022,625,000	(126,325,762)	896,299,238
Loss for the year after taxation		-	(50,999,365)	(50,999,365)
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	**(50,999,365)**	**(50,999,365)**
Transaction with owners				
Issue of shares		2,035,000,000	-	2,035,000,000
Balances at June 30, 2016		**3,057,625,000**	**(177,325,127)**	**2,880,299,873**
Profit for the year after taxation		-	720,042,132	720,042,132
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	**720,042,132**	**720,042,132**
Balances at June 30, 2017		**3,057,625,000**	**542,717,005**	**3,600,342,005**

The annexed notes from 1 to 28 form an integral part of these financial statements.

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Chief Executive

Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

Yunus Energy Limited (the Company) was incorporated on May 11, 2011 as a public unlisted company limited by shares under the provisions of the Companies Ordinance, 1984 (replaced by Companies Act, 2017). The plant is located approximately 80 KM east of Karachi at Deh Kohistan, Taluka Jhampir, District Thatta Sindh Province, Pakistan. The registered office of the Company is situated at 7 - A, Muhammad Ali Housing Society, Abdul Aziz Haji Hashim Tabba Street, Karachi, in the province of Sindh.

The Reliability Run Test (RRT) of the plant was successfully completed on September 15, 2016. The Company has achieved Commercial Operation Date (COD) on September 16, 2016 and is engaged in the generation of electricity and the supply of electric power to national grid.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

On January 16, 2012, SECP vide SRO 24 (I) 2012 had granted waivers to all IPPs from the requirement of IFRIC 4 "Determining whether an arrangement contains a lease" and IFRIC 12 " Service Concession Agreements". Further, SECP through the aforementioned SRO has also allowed the IPPs to continue capitalising the exchange differences, and not to recognise embedded derivatives under IAS 39 where these are not closely related to the host contract.

2.2 Basis of measurement

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

2.3 Uses of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities and expenses.

2.4 The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

A significant area requiring the use of management estimates in these financial statements relate to the useful life and salvage value of property, plant and equipment. These estimates are reviwed at each reporting period and adjusted to reflect the best estimate.

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2.5 INITIAL APPLICATION OF STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

2.5.1 New accounting standards and amendments that are effective for the year ended June 30, 2017

New accounting standard relevant to the Company

New accounting standards and amendments not relevant to the Company

Following standards and amendments are either not relevant to the Company's operations and are not expected to have impact on the Company's financial statements other than certain additional disclosures.

- Amendments to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations': Clarification regarding changes in the method of disposal of an asset.

- Amendments to IFRS 7 'Financial Instruments – Disclosures': Disclosure requirements for servicing arrangements on continuing involvement in transferred financial assets.

- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 - 'Disclosure of Interests in Other Entities' and IAS 28 (Revised 2011) - 'Investments in Associates and Joint Ventures': Application of consolidation exception.

- Amendments to IFRS 11 'Joint Arrangements': Accounting for acquisitions of an interest in a joint operation.

- Amendments to IAS 1 'Presentation of Financial Statements': Amendments resulting from the disclosure initiative.

- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture': Bringing bearer plants in scope of IAS 16.

- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets': Clarification on acceptable methods of depreciation and amortization.

- Amendments to IAS 19 'Employee Benefits': Clarification that the same currency bonds be used to determine the discount rate in which benefits are to be paid.

- Amendments to IAS 27 (Revised 2011) 'Separate Financial Statements': Use of equity method to account for investments in subsidiaries, joint ventures and associates in separate financial statements.

- Amendments to IAS 34 'Interim Financial Reporting': Clarification related to certain disclosures, i.e., if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

2.5.2 New accounting standards and amendments that are not yet effective

The following standards and amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards and amendments are not relevant to the Company's operations and are not expected to have impact on the Company's financial statements.

	Effective from accounting period beginning on or after:
- Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 01, 2018
- Amendments to IAS 7 'Statement of Cash Flows': Amendments as result of the disclosure initiative.	January 01, 2017
- Amendments to IAS 12 'Income Taxes': Recognition of deferred tax assets for unrealized losses.	January 01, 2017

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- Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018
- IFRIC 23 'Uncertainty over Income Tax Treatments' provides guidance on the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12	January 01, 2019

In addition to above, the following new standards have been issued by IASB, which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

- IFRS 1 'First Time Adoption of International Financial Reporting Standards'

- IFRS 9 'Financial Instruments'

- IFRS 14 'Regulatory Deferral Accounts'

- IFRS 15 'Revenue from Contracts with Customers'

- IFRS 16 'Leases'

- IFRS 17 'Insurance Contracts'

3. ACCOUNTING POLICIES, ESTIMATES AND FINANCIAL RISK MANAGEMENT

The significant accounting policies as set out below are consistently applied / adopted for all periods presented in these financial statements.

3.1 Property, plant and equipment

3.1.1 Operating assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of plant and equipment (major components) have different useful lives, they are accounted for as separate items of plant and equipment.

Subsequent costs are included in the asset's 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 entity and its cost can be reliably measured. Cost incurred to replace a component of an item of property, plant and equipment is capitalized and the asset so replaced is retired from use. Normal repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Leasehold land is amortized over the period of lease i.e. 29 years and 8 months using straight line basis. Depreciation on power generation plant and machinery and building and civil works is calculated using straight line method over the useful life of twenty years. Depreciation on remaining items of property, plant and equipment is charged to profit and loss account applying the reducing balance method. Depreciation on additions is charged from the month in which they are put to use and on deletions up to the month of deletion at the rate specified in note 4.

Depreciation method and useful lives of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each reporting date.

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3.1.2 Capital work-in-progress

Capital work-in-progress, including capital expenditure not allocated to a specific asset, is stated at cost less accumulated impairment losses, if any. Cost consists of expenditure incurred for the acquisition of the specific asset including non refundable taxes and duties, dismantling and refurbishment of the asset so acquired and expenditure incurred for the construction, installation (including the advances given for such purposes), borrowing cost and exchange differences arising on foreign currency financings / contributions to the extent these are regarded as adjustment to interest costs for qualifying assets if its recognition criteria is met.

The cost under this head is transferred to specific operating fixed assets when the asset is available for intended use.

3.1.3 Borrowings and related costs

All interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortized cost using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction or installation of qualifying assets, that necessarily take substantial period of time to get ready for their intended use, are capitalized as a part of cost of those assets, until such time as the assets are substantially ready for intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with borrowing of funds and exchange difference arising on foreign currency funding to the extent those are regarded as adjustment to the interest cost, net of related interest income, if any.

3.2 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

3.3 Accrued and other payables

Liabilities payable for accrued expenses are carried in the balance sheet at cost which is the fair value of the consideration to be paid in future for goods or services received and not billed to the Company.

3.4 Financial instruments

All financial assets and liabilities are initially measured at fair value, and subsequently measured at fair value or amortized cost as the case may be. The Company derecognizes the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

3.5 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are off-set and the net amount is reported in the balance sheet only when there is a legally enforceable right to set-off the recognised amount and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.6 Impairment

Financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for assets carried at amortised cost, the loss is recognised in profit or loss. Impairment losses recognised in the profit and loss account are not reversed through the profit and loss account.

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Non financial assets

The carrying amounts of the Company's non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. Non financial assets that suffered an impairment are reviewed for possible reversal of the impiarment at each reporting date.

3.7 Staff retirement benefits

Defined Benefit Plan

The Company operates an unfunded gratuity scheme for all its permanent employees. The gratuity entitlement is equivalent to one month's salary for each completed year of service after minimum qualifying period of one year. Provision is made annually to cover obligation under this scheme. The Company accounts for liability of each employee at year end on the basis of last drawn salary.

3.8 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Subsequently, provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.9 Taxation

The profits and gains of the power project are exempt from tax under Clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. However, tax on other income has been recorded in these financial statements.

3.10 Foreign

Transactions in foreign currencies are translated into Pakistani Rupees on the basis of rates of exchange on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing on the balance sheet date. All exchange differences are charged to capital work in progress in accordance with the requirements of SRO 24 (I) 2012 issued by SECP, which allowed the IPPs to continue capitalising the exchange differences. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.11 Revenue

Revenue from sale of energy is recognised on transmission of electricity to Central Power Purchasing Agency (CPPA) on a monthly basis. Income from bank deposits is recognized on a time apportioned basis under the effective yield method.

Income arising from temporary unutilised interest bearing financings are netted off against the relevant borrowing cost / capital work-in-progress.

3.12 Share capital

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

4. PROPERTY, PLANT AND EQUIPMENT	Note	**2017**	2016
		---------- Rupees ----------	
Operating fixed assets	4.1	**10,691,524,376**	58,611,666
Capital work in progress	4.2	-	10,945,855,019
		10,691,524,376	11,004,466,685

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4.1 *Operating fixed assets*

Particulars	Cost at July 1, 2016	Additions/ transfers / (disposals)	Cost at June 30, 2017	Accumulated depreciation at July 1, 2016	Depreciation for the year	Accumulated depreciation at June 30, 2017	Carrying value at June 30, 2017	Annual rate of depreciation
	---------- Rupees ----------							%
Leasehold land *	54,810,000	-	54,810,000	15,156,957	1,837,207	16,994,164	37,815,836	3.35
Building & civil works	-	1,737,651,753	1,737,651,753	-	52,594,798	52,594,798	1,685,056,955	5
Plant and machinery	371,026	9,228,296,447 (330,000)	9,228,337,473	67,713	279,329,809 (66,969)	279,330,553	8,949,006,920	5-10
Furniture and fixtures	-	2,476,201	2,476,201	-	94,078	94,078	2,382,123	20
Computer equipment	835,934	1,304,992	2,140,926	417,047	273,807	690,854	1,450,072	33
Vehicles	23,087,928	1,930,000 (1,492,275)	23,525,653	4,954,560	3,791,719 (950,652)	7,795,627	15,730,026	20
Arms and weapons	370,000	-	370,000	266,945	20,611	287,556	82,444	20
	79,474,888	10,971,659,393 (1,822,275)	11,049,312,006	20,863,222	337,942,029 (1,017,621)	357,787,630	10,691,524,376	

* Land measuring 696 acres is provided by Alternative Energy Development Board for project site located at Jhampir on lease term of 29 years and 8 months ending in 2038.

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Comparative figures

Particulars	Cost at July 01, 2015	Additions / (disposals)/ transfers	Cost at June 30, 2016	Accumulated depreciation at July 1, 2015	Depreciation for the year	Accumulated depreciation at June 30, 2016	Carrying value at June 30, 2016	Annual rate of depreciation
	----------	----------	----------	Rupees	----------	----------	----------	%
Leasehold land - Restated	54,810,000	-	54,810,000	13,319,750	1,837,207	15,156,957	39,653,043	3.35
Plant and machinery	4,750,212	- (4,379,186)	371,026	2,241,070	142,308 (2,315,665)	67,713	303,313	10
Computer equipment	778,934	130,000 (73,000)	835,934	306,897	168,844 (58,694)	417,047	418,887	33
Vehicles	19,607,708	4,223,025 (742,805)	23,087,928	1,491,936	3,965,238 (502,614)	4,954,560	18,133,368	20
Arms and weapons	370,000	-	370,000	241,181	25,764	266,945	103,055	20
	80,316,854	4,353,025 (5,194,991)	79,474,888	17,600,834	6,139,361 (2,876,973)	20,863,222	58,611,666	

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	Note	2017	2016
		---------- Rupees ----------	

4.1.1 Depreciation charged for the year has been allocated as under:

	Note	2017	2016
Cost of generation	15	333,761,815	-
Administrative expenses	16	4,180,214	6,139,361
		337,942,029	6,139,361

4.2 Capital work in progress

	Note	2017	2016
Opening balance		10,945,855,019	874,467,414
Additions during the year			
Plant and machinery		1,113,076	7,557,152,162
Civil works, construction and installations		-	1,842,262,953
Borrowing cost - net		25,929,664	529,405,770
Commitment fee		-	17,538,818
Debt arrangement fee		3,579,545	14,318,180
Technical and professional fee		12,246,084	80,420,388
Salaries and benefits	4.2.1	11,981,588	32,706,573
Transportation cost		3,164,394	12,680,372
Profit on un-utilized funds		(2,454,015)	(13,327,586)
		55,560,336	10,073,157,630
Revenue earned during test run period - net		(82,268,625)	-
Transferred to operating assets		(10,919,146,730)	(1,770,025)
Closing balance		-	10,945,855,019

4.2.1 It includes Rs. 1,374,613 (June 30, 2016 : Rs. 2,446,372) in respect of staff retirement benefits.

4.2.2 It consist of net revenue earned from production of electricity during Pre-COD including Reliability Test Run (RRT).

5. ADVANCE TO CONTRACTORS

	2017	2016
	---------- Rupees ----------	
Nordex Pakistan (Private) Limited	-	7,302,569
Descon Engineering Freezone Establishment	-	355,861
Descon Integrated Projects (Private) Limited	-	427,827
Descon Engineering Limited	-	148
	-	8,086,405

6. OTHER RECEIVABLES

Considered good

	Note	2017	2016
From CPPA against			
Sindh infrastructure development cess	6.1	85,656,154	85,639,896
Delayed energy payment		5,462,056	-
Workers' Profit Participation Fund	13.2	36,709,748	-
Others	6.2	37,308,225	37,263,522
		165,136,183	122,903,418
Others		2,548,050	13,250
		167,684,233	122,916,668

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6.1 It represents receivable from Central Power Purchasing Authority (CPPA). As per the decision of CPPA, any tax or duties of a non-refundable nature imposed on the Company for import of plant and equipment, up to the commencement of commercial operations, is refundable from the power purchaser (CPPA).

6.2 It represents payment for shipments by the Company on behalf of the Contractors and receivable from power purchaser (CPPA).

		2017	2016
		---------- Rupees ----------	
7. TAX REFUNDABLE			
Sindh sales tax		**21,064,969**	112,327,798
Federal excise duty		**5,361,081**	4,959,865
Withholding tax		**5,048,362**	2,369,944
		31,474,412	119,657,607
8. CASH AND BANK BALANCES			
Bank balances			
- current account		**262,421**	942,990
- saving accounts	8.1	**972,955,490**	50,584,104
		973,217,911	51,527,094
Cash in hand		**1,122,522**	327,969
		974,340,433	51,855,063

8.1 These carry mark-up ranging from 3.75% to 5% per annum (June 30, 2016: 3.75% to 4.5%).

	2017	2016
9. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
9.1 Authorized capital		
400,000,000 Ordinary shares of Rs. 10 each	**4,000,000,000**	4,000,000,000

9.2 Issued, subscribed and paid-up capital

2017	2016		2017	2016
Number of Ordinary shares of Rs. 10 each			---------- Rupees ----------	
305,762,500	102,262,500	Balance as on July 1	**3,057,625,000**	1,022,625,000
-	203,500,000	Issued during the year against cash	**-**	2,035,000,000
305,762,500	305,762,500		**3,057,625,000**	3,057,625,000

AWA

9.3 The shares of the Company are held by following associated companies/persons:

	2017	2016	2017	2016
	---- Number of shares ----		------------ Rupees -------------	
Directors / Individuals	**64,000**	80,000	**640,000**	800,000
Lucky Textile Mills Limited	**61,136,500**	61,136,500	**611,365,000**	611,365,000
Yunus Textile Mills Limited	**61,136,500**	61,136,500	**611,365,000**	611,365,000
Lucky Cement Limited	**61,136,500**	61,136,500	**611,365,000**	611,365,000
Gadoon Textile Mills Limited	**61,136,500**	61,136,500	**611,365,000**	611,365,000
Lucky Energy (Private) Limited	**61,152,500**	61,136,500	**611,525,000**	611,365,000
	305,762,500	305,762,500	**3,057,625,000**	3,057,625,000

	Note	2017	2016
		------------ Rupees -------------	
10. LOAN FROM FINANCIAL INSTITUTIONS			
Secured			
At amortized cost			
Principal amount of loan	10.1	**8,542,163,199**	7,511,931,141
Unamortized debt arrangement fee	10.2	**(124,090,913)**	(138,409,093)
		8,418,072,286	7,373,522,048
Less: Current portion shown under current liabilities		**(632,724,051)**	-
		7,785,348,235	7,373,522,048

10.1 The Company has availed syndicated term finance facility from Habib Bank Limited as lead arranger, amounting to Rs. 8,542 million against total facility of Rs. 10,500 million at mark-up rate of 3 months KIBOR plus 300bps per annum payable semi-annually. The loan is repayable in 20 semi-annual instalments commencing from the date of commencement of commercial operation or twenty-four months from the date of first draw down, whichever is earlier. The facility is secured by registered pari passu charge by way of hypothecation on property, all present and future, fixed and current, tangible and intangible assets, undertakings and properties of the Company (excluding mortgaged immoveable property). The Company has also created a lien on their project accounts and deposit accounts and has the right of set-off, transfer and appropriation in the event of a default.

	Note	2017	2016
		------------ Rupees -------------	
10.2 Debt arrangement fee			
Transaction cost	10.2.1	**157,500,000**	157,500,000
Less: Amortization to date		**(33,409,087)**	(19,090,907)
		124,090,913	138,409,093

MA

10.2.1 This represent arrangement fees paid against facility agreement signed in November 2014 for the syndicated term finance of Rs. 10,500 million. Total arrangement fees amounts to Rs. 157.5 million which is being amortized over the tenure of loan ending 2026 using the effective interest rate method.

11. LIABILITY AGAINST LAND LEASE

	Note	2017	2016
		------------ Rupees ------------	
Liability under leasehold land	11.1	**48,720,000**	48,720,000
Less: Current portion shown under current liabilities		**(13,920,000)**	-
		34,800,000	48,720,000

11.1 This represents amount payable to Board of Revenue, Government of Sindh on behalf of Alternate Energy Development Board (AEDB) against project land in installments between 2018 to 2038.

	Note	2017	2016
		------------ Rupees ------------	
12. STAFF GRATUITY	12.1	**7,754,000**	4,481,450

12.1 Movement in the net liability is as follows:

	2017	2016
Opening balance	**4,481,450**	976,078
Provision for this year	**3,771,225**	3,505,372
Paid during the year	**(498,675)**	-
Closing balance	**7,754,000**	4,481,450

12.2 Provision for this year allocated as follows

	2017	2016
Administrative expenses	**761,000**	1,059,000
Cost of generation	**1,635,612**	-
Capital work in progress	**1,374,613**	2,446,372
	3,771,225	3,505,372

13. ACCRUED AND OTHER PAYABLES

	Note	2017	2016
		------------ Rupees ------------	
Payable to contractors	13.1	**695,536,425**	808,314,534
Accrued expenses		**15,071,933**	14,728,074
Withholding tax		**31,707**	2,589,995
Workers' Profit Participation Fund	13.2	**36,709,748**	-
		747,349,813	825,632,603

13.1 Payable to contractors

	2017	2016
Descon Engineering FZE	**183,072,856**	182,999,440
Nordex Energy GmBH	**227,782,749**	227,782,749
Descon Engineering Limited	**202,164,818**	253,035,492
Descon Integrated Project (Private) Limited	**49,622,690**	63,941,513
Nordex Pakistan (Private) Limited	**32,893,312**	80,555,340
	695,536,425	808,314,534

NHA

13.1.1 It includes (retention money) 5% of the agreement price , which will be paid upon issuance of Provisional Acceptance Certificate (PAC).

13.2 This represents amount payable to Workers' Profit Participation Fund (WPPF) @ 5% of the net profit for the year and is a pass-through item under the provisions of PPA.

14. CONTINGENCY AND COMMITMENT

14.1 Contingency

The company has no contingency as at June 30, 2017 and June 30, 2016.

14.2 Commitment

The company has no commitment as at June 30, 2017.

15. COST OF GENERATION

	Note	2017	2016
		------------ Rupees	-------------
Depreciation	4.1	333,761,815	-
Operation and maintenance		54,099,857	-
Salaries and allowances	15.1	24,925,495	-
Travelling		5,278,569	-
Permits and licenses		683,579	-
Legal, technical and consultancy		3,540,000	-
Vehicles running and maintenance		1,391,647	-
Electricity		3,280,224	-
General		2,260,611	-
		464,600,661	-

15.1 This includes salary of Chief Executive Officer amounting to Rs. 15.75 million, staff retirement gratuity amounting to Rs. 1.635 million and leave encashment amounting to Rs. 0.445 million.

16. ADMINISTRATIVE EXPENSES

	Note	2017	2016
		------------ Rupees	-------------
Salaries and allowances	16.1	30,506,135	19,597,336
Depreciation	4.1	4,180,214	6,139,361
Legal, technical and consultancy		5,181,487	-
Travelling		72,375	44,655
Employees' transportation cost		-	6,400
Insurance		732,447	2,533,492
Loss on disposal of plant and equipment		-	1,534,018
Entertainment		471,044	1,083,170
Vehicles running and maintenance		886,965	1,739,931
Corporate social responsibility cost	16.2	10,978,077	14,970,933
Auditors' remuneration	16.3	989,400	513,900
General		2,000,309	1,830,180
		55,998,453	49,993,376

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16.1 This includes salary of Chief Executive Officer amounting to Rs. 9.0 million (2016: Rs. 9 million), staff retirement gratuity amounting to Rs. 0.761 million (2016: Rs. 1.059 million) and leave encashment amounting to Rs. 2.025 million (2016: Rs. 2.232 million).

16.2 These represent expenses incurred for relocation and welfare of people who were originally positioned at the Jhamphir area assigned to the Company for the project.

	2017	2016
	------------ Rupees ------------	
16.3 Auditors' remuneration		
Audit fee	900,000	471,000
Out of pocket	89,400	42,900
	989,400	513,900

17. FINANCE COST

	2017	2016
Mark up on loan from financial institutions	796,740,749	529,405,770
Bank charges	61,977	1,005,989
Amortization of debt arrangement fee	10,738,635	-
	807,541,361	530,411,759
Less: amount included in the cost of qualifying assets	(151,656,521)	(529,405,770)
	655,884,840	1,005,989

18. OTHER INCOME

	2017	2016
Profit on bank deposits	39,502,899	-
Delayed energy payment	5,462,056	
Gain on disposal of operating fixed assets	689,346	-
	45,654,301	-

19. WORKERS' PROFIT PARTICIPATION FUND

	2017	2016
Provision for Workers' Profit Participation Fund	36,709,748	-
Workers' Profit Participation Fund recoverable from CPPA	(36,709,748)	-
	-	-

19.1 The Company is required to pay 5% of its profits to the Workers' Profit Participation Fund. However, such payments do not affect the Company's overall profitability because after payment to the fund, the Company is entitled to recover this from CPPA as a pass-through item under PPA.

20. TAXATION

The Income Tax Appellate Tribunal (ITAT) Lahore Bench, in one of its decision, has allowed relief to set-off interest income against interest expense to one of the energy companies. Considering this, the company also intends to contest the applicability of tax on interest income on the same ground.

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21. RELATED PARTY TRANSACTIONS

The related parties comprise group companies, associated undertakings and directors of the Company. The group / associated undertakings / companies are considered as such due to common directorship. The Company continues to have a policy whereby all transactions with related parties / undertakings are entered on commercial / agreed basis. Remuneration of key management personnel is disclosed in note 16.1.

		2017	2016
		------------ Rupees ------------	
Nature of relationship	**Nature of transactions**		
Associated undertakings			
Gadoon Textile Mills Limited	Reimbursement of expenses paid on behalf of company	**4,482,490**	3,656,429
	Purchase of vehicle	-	1,235,000
	Issuance of shares	-	407,000,000
Lucky Energy (Private) Limited	Issuance of shares	-	407,000,000
Lucky Textile Mills Limited	Issuance of shares	-	407,000,000
Yunus Textile Mills Limited	Issuance of shares	-	407,000,000
Lucky Cement Limited	Issuance of shares	-	407,000,000

22. FINANCIAL INSTRUMENTS

22.1 Financial instruments by category

	2017	2016
	------------ Rupees ------------	
Financial assets as per balance sheet		
Loans and receivables at amortized cost		
Debtor	**941,794,663**	-
Other receivables	**167,684,233**	122,916,668
Cash and bank balances	**974,340,433**	119,657,607
	2,083,819,329	242,574,275
Financial liabilities as per balance sheet		
Financial liabilities as per amortized cost		
Loan from financial institutions	**8,418,072,286**	7,373,522,048
Liability against land lease	**48,720,000**	48,720,000
Staff gratuity	**7,754,000**	4,481,450
Accrued and other payables	**747,349,813**	825,632,603
Accrued markup	-	174,326,454
	9,221,896,099	8,426,682,555

22.2 Financial risk management

The objective of the Company's overall financial risk management is to minimize earnings volatility and provide maximum return to shareholders. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

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

- Credit risk
- Liquidity risk
- Market risk

22.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial asset fails to meet its contractual obligations. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Company's performance for developments affecting a particular industry. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2017	2016
	------------ **Rupees** ------------	
Debtor	**941,794,663**	-
Other receivables	**167,684,233**	122,916,668
Bank balances	**973,217,911**	51,527,094
	2,082,696,807	174,443,762

The total debtor are due from CPPA. Although, there is a concentration of credit risk but it is completely backed by guarantee of Government of Pakistan.

Bank balances are held only with reputable bank having credit rating from AAA to A1+.

The credit quality of other receivables can be assessed with reference to the historical performance and there are no defaults in recent history.

22.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

Exposure to liquidity risk

Management of the Company's liquidity risk is mainly driven by a guarantee from Government of Pakistan if the power purchaser (CPPA) fails to pay its dues. The company also has a Sponsor Support Agreement (SSA) which provides for payment of outstanding loan installment amount if the Company fails to pay. Considering the aforementioned factors, the Company is not exposed to any material liquidity risk at year end.

22.5 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of foreign currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within an acceptable range.

22.5.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company is mainly exposed to interest rate risk in respect of loan from financial institutions and bank balances.

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Management of the Company estimates that 1% increase in the market interest rate with respect to loan from financial institutions, with all other factors remaining constant, would increase the Company's finance cost by 70.699 million and a 1% decrease would result in a decrease in the Company's finance cost by the same amount. However, this risk is mitigated as a pass through in NEPRA approved tariff.

As at June 30, 2017, Rs. 972.955 million (2016: 50.584 million) interest-bearing financial assets are on fixed interest rates, hence management believes that the Company is not materially exposed to significant interest rate changes.

22.5.2 Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into are denominated in foreign currencies.

The Company is not exposed to any foreign currency risk as the Company, in agreement with the counter party, determines the exchange rate at the date of transaction and any change in the exchange rate would not effect profit and loss account.

22.5.3 Equity price risk

Equity price risk is the risk of loss arising from movements in prices of equity investments. The Company is not exposed to any equity price risk as the Company does not have any investment in equity shares.

22.6 Fair value of financial assets and liabilities

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. The carrying values of the financial assets and financial liabilities approximate their fair values.

23. CAPITAL RISK MANAGEMENT

The Company when managing capital i.e., its shareholders' equity is to safeguard its ability to continue as a going concern so that it can continue to provide return to the shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

As per the requirements of policy for Renewable Energy Year 2006 and section 12.3 (c) of Implementation Agreement, the lead Sponsors i.e., Lucky Energy (Private) Limited shall not transfer at least 20% of the equity of the project and must together hold 51% of the equity with other sponsors prior to CoD. Even tough CoD is achieved but the management expects to retain it's shareholding in the foreseeable future. As at June 30, 2017, equity of the Company held by its related parties are disclosed in Note 9.3. The Company is not externally exposed to regulatory capital requirements as on June 30, 2017.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the date of statement of assets and liabilities. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

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IFRS 13 has established the following three levels:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2017 and 2016 there are no financial assets or liabilities which can be classified under the above levels. The carrying value of financial instruments approximate their fair values.

25. SIGNIFICANT CONTRACTS

25.1 The Company has entered into Energy Purchase agreement (EPA) on March 26, 2014 with NTDC (through its central Power Purchasing Agency) on behalf of ex-WAPDA Distribution Companies (the power purchaser) for the sale of its entire energy generation. The term of EPA is 20 years.

25.2 The Company had entered into Engineering, Procurement and Construction (EPC) agreements and two year O&M contract with a consortium of NORDEX Singapore Equipment (Private) Limited, Descon Engineering FZE, UAE, NORDEX Singapore Services (Private) Limited, Descon Engineering Limited and Descon Integrated Projects Pvt Limited on August 28, 2011 and subsequent amendments to EPC agreements. The aggregate amount of contract involved €38.811 million with NORDEX Singapore and $53.564 million with other contractors. Upon PAC, the EPC contract stands fulfilled. The two year O&M contract now carries a value of $0.8 million form Descon Engineering Limited and €0.96 million from Nordex Pakistan Limited.

26. GENERAL

26.1 Number of employees

	2017	2016
	No. of employees	
Number of employees as at June 30, 2017	23	22

26.2 Figures have been rounded off to the nearest Rupee.

27. RECLASSIFICATION

Comparative figures have been re-arranged and re-classified for the purpose of better presentation, the effect of which is not material.

28. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorized for issued by the Board of Directors in their meeting held on 1 2 AUG 2017

Chief Executive **Director**