

- 8.2 It represents 5% deduction from the revised O&M Cost (excluding insurance and security cost), as approved by the Board and agreed with the contractor, from the quarterly payments to the contractor against O&M works for replacement of items of property, plant and equipment, in addition to those included in the engineering, procurement and construction contract ('EPC Contract').

		2016	2015
		(Rupees in thousand)	
9.	Trade and other payables		
	Trade creditors	4,994	1,776
	Accrued liabilities - note 9.1	36,649	17,283
	Withholding tax payable	11,918	4,677
	Sales tax payable	116,674	-
	Payable to contractor - note 9.2	644,049	2,728,994
	Payable to consultants	26,650	60,040
	Retention money - note 9.3	262,219	1,074,679
	Payable to Directorate General Public Relations - note 9.4	329	11,631
	Dividends payable - note 9.5	300,000	-
	Workers' profit participation fund	52,140	-
	Other liabilities - note 9.6	3,735	3,470
		<u>1,459,357</u>	<u>3,902,550</u>

- 9.1 Accrued liabilities include Nil (2015: Rs 5.446 million) in respect of a related party.

- 9.2 This includes an amount of USD 5.328 million payable to the contractor upon achieving guaranteed 'Performance Ratio' (PR). Upon failure of First PR test, contractor repeated the PR test and claimed that the guaranteed PR had been achieved by using 2.5% degradation of the plant in the first year and taking capacity of plant as 100 MW. The owner's engineer, ILF Consulting Engineers (ILF) recommends to withhold USD 3.57 million assuming no degradation of the plant and capacity of 100.967 MW. The company, however, considers it appropriate to use 1% degradation for first 10 years and 0.667% for the remaining period of 15% years, which will result in 20% total degradation in 25 years. The company estimates, a reduction in contract price by USD 1.96 million or, an additional 1.24 MW to be installed by contractor. The company also estimates loss of energy of 8,678 MWh due to the difference of guaranteed and achieved annual PR and intends to recover the amount of USD 1.74 million as liquidated damages at the rate of USD 0.2 per kWh. However, the contractor has not agreed to these deductions and the matter is still under discussion. These accounts do not contain any adjustment to record the reduction to the contracted price or the liquidated damages, on prudence basis, pending the final settlement of the dispute between the company and the contractor. A committee has been formed for resolution of issues with the Contractor.

Moreover, the amount payable to contractor is net of Rs 33.248 million that has been deducted / off-set by the company during the year on account of site electricity charges, Letters of Credit (LC) extension charges, insurance, security service charges and others. The contractor, however, does not concur with these deductions. The company, on the basis of the view of its legal counsel and under different provisions of EPC Contract, is confident that the company has a legally enforceable right for the said deductions.

At

9.3 This includes retentions to cover the costs of unfinished tasks by the contractor during the defect notification period of one year. Total Retentions made were of USD 3.279 million however; the company and the contractor have agreed to reduce the contract price by USD 0.77 million as compensation for all unfinished work except that related to installation of the Supervisory Control and Data Acquisition (SCADA) System. This has been duly recorded as a reduction to the value of plant and machinery and related retention money. However, no monetary settlement has so far been agreed between the parties for SCADA and, consequently, no adjustment on this account has been recorded in these financial statements.

9.4 This represents amount payable to Directorate General Public Relations, a related party, in respect of expenses incurred on the advertisement of vacant employment positions of the company.

9.5 This represents interim dividend approved by the Board on the basis of audited accounts for the period ended January 31, 2016. The dividend has not been paid to date due to approval pending from the lender, The Bank of Punjab.

9.6 Other liabilities include Rs 3.66 million (2015: Rs 1.012 million) due to executives.

10. Contingencies and commitments

10.1 Contingencies - Nil

10.2 Commitments

		2016 (Rupees in thousand)	2015
Contracts for capital expenditure	- note 10.2.1	-	1,349,277
Contracts for other than capital expenditure		5,929,913	7,550,504
Commitment for trustee fee, and arrangement and advisory fee to Bank of Punjab, a related party		9,000	10,000

10.2.1 Of the aggregate facilities of USD 89.182 million (2015: 89.182 million) for LC for the purpose of payments to EPC contractor, the amount utilised as at year end was USD 83.082 million (2015: USD 56.543 million).

The aggregate LC facility is secured through cash margin or lien of upto at least 25% of the facility amount, to be satisfied through injection of correspondence amount of equity, Lien on shipping documents, irrecoverable disbursement authorization under the term finance facility and any other security which may be deemed necessary.

11. Property, plant and equipment

		2016 (Rupees in thousand)	2015
Operating assets	- note 11.1	13,272,433	17,080
Capital work-in-progress	- note 11.2	-	12,490,224
		<u>13,272,433</u>	<u>12,507,304</u>

(Rupees in thousand)

	Cost as at July 01, 2015	Additions / (deletions)	Cost as at June 30, 2016	Accumulated depreciation as at July 01, 2015	Depreciation charge / (deletions) for the year	Accumulated depreciation as at June 30, 2016	Net book value as at June 30, 2016	Rate of depreciation %
Buildings on leasehold land	-	79,469	79,469	-	3,166	3,166	76,303	4
Plant and machinery	-	13,736,952	13,736,952	-	556,114	556,114	13,180,838	4-8
IT equipment	3,676	-	3,676	1,165	1,217	2,382	1,294	33
Furniture and fixtures	4,133	1,029	5,162	1,113	1,266	2,379	2,783	25
Electric equipment	817	1,311	2,128	175	222	397	1,731	20
Vehicles	14,246	1,674	15,920	3,339	3,097	6,436	9,484	20
	22,872	13,820,435	13,843,307	5,792	565,082	570,874	13,272,433	
IT equipment	1,614	2,121 (59)	3,676	220	948 (3)	1,165	2,511	33
Furniture and fixtures	2,329	1,804	4,133	115	998	1,113	3,020	25
Electric equipment	624	193	817	35	140	175	642	20
Vehicles	11,995	2,251	14,246	492	2,847	3,339	10,907	20
	16,562	6,369 (59)	22,872	862	4,933 (3)	5,792	17,080	

11.1.1.1 The depreciation charge has been allocated as follows:

Cost of sales

Administrative expenses

A

- note 18
- note 192016
(Rupees in thousand)

2015

559,664	-
5,418	4,933
565,082	4,933

- 11.1.2 Plant and machinery includes borrowing cost of Rs 427.339 million on the Term finance loan obtained from The Bank of Punjab, a related party.

Plant and machinery is net of Rs 340.734 million against the company's first invoice for energy payment dated August 20, 2015 for sale of electricity during trial production for the cumulative period from March 28, 2015 till July 15, 2015. The company had invoiced 48.301 million Kwh recorded through back up metering system installed by the company, however, Central Power Purchasing Agency (Guarantee) Limited (CPPA) initially confirmed only 31.296 million units based on main metering system for the period May 08, 2015 to July 15, 2015. There was a dispute between the company and CPPA relating to the remaining 17 million Kwh energy exported by the company prior to May 08, 2015 as the main metering system was not tested by a meter reading committee constituted by National Transmission and Dispatch Company Limited ('NTDC') comprising one member each of NTDC, Multan Electric Power Company Limited ('MEPCO') and the company before that date. Based on a subsequent report issued by meter reading committee, CPPA further approved 10.284 million units and the same were reinvoiced by the company on December 07, 2015. In accordance with the suggestion of meter reading committee, the company and MEPCO have requested CPPA to form a high level enquiry committee comprising of Superintending Engineer (GSO), Regional Manager M&T, 2nd, MEPCO Multan and XEN M&T, MEPCO, Bahawalpur Division to finalize the Net delivered energy in respect of the remaining disputed 6.721 million Kwh exported by the company prior to May 08, 2015. The amount involved, exclusive of sales tax, is Rs 55 million at a rate of Rs 8.1946 per Kwh approved by NEPRA for Pre COD units. As the matter has not yet been resolved, therefore the sale of trial production and related trade debts, to the extent of disputed units, has been deferred till its recognition of settlement between the company and CPPA.

		2016 (Rupees in thousand)	2015
11.2 Capital work-in-progress			
Plant and machinery		-	12,654,656
Sale of trial production		-	(205,948)
Unallocated expenses	- note 11.2.1	-	40,628
		-	12,489,336
Advances to suppliers		-	500
Others		-	388
		-	12,490,224
11.2.1 Unallocated expenses			
Unallocated expenses incurred to date:			
Salaries, wages and other benefits	- note 11.2.1.1	-	32,261
Rent, rates and taxes		-	50
Communication charges		-	305
Legal and professional fee		-	1,284
Consultancy charges		-	814
Travelling charges		-	1,811
Entertainment charges		-	180
Printing and stationary		-	42
Repair and maintenance		-	218
Others		-	3,663
		-	40,628

- 11.2.1.1 Salaries, wages and other benefits includes provision for gratuity of Nil (2015: Rs 1.57 million).

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	2016	2015
	(Rupees in thousand)	
12. Intangible assets		
Cost		
As at July 01	346	149
Additions for the year	1,314	197
As at June 30	1,660	346
Less: Accumulated amortisation		
As at July 01	38	3
Amortization charge for the year	328	35
As at June 30	366	38
Net book value as at June 30, 2016	1,294	308

12.1 Amortization charge for the period has been computed at the rate of 20% and has been charged to administrative expenses.

	2016	2015
	(Rupees in thousand)	
13. Long term deposits and prepayments		
Prepayments	1,096	1,146
Other deposits	401	401
	1,497	1,547

13.1 This represents amount paid to Cholistan Development Authority against the lease of land for the period of 25 years.

14. Trade debts

These represent trade receivables against sales relating to trial production and post-commercial operations date from CPPA and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up at the rate of three months KIBOR plus 2% is charged in case the amounts are not paid within due dates. The rate of delayed payment mark-up charged during the period on outstanding amounts ranges from 8.11% to 8.59% (2015: Nil) per annum. Trade debts also includes accrued revenue, inclusive of sales tax, of Rs 347.14 million.

	2016	2015
	(Rupees in thousand)	
14.1 As of balance sheet date, age analysis of trade debts was as follows:		
Neither past due nor impaired	816,098	240,959
Past due but not impaired:		
- 1 to 30 days	1,097	-
- 31 to 90 days	3,065	-
- 91 to 180 days	2,925	-
	7,087	-
	823,185	240,959

		2016 (Rupees in thousand)	2015
15. Advances, deposits, prepayments and other receivables			
Advances - considered good			
- To employees	- note 15.1	854	76
- To suppliers		32	32
		886	108
Due from related parties - unsecured	- note 15.2	170	984
Security deposits		1,925	1,925
Prepayments		1,762	1,310
Recoverable from CPPA as pass through items:			
- Workers' Profit Participation Fund	- note 15.3	52,140	-
- Income Tax	- note 23.1	149,917	-
		202,057	-
Sales tax recoverable		-	5,741
		206,800	10,068

15.1 Included in advances to employees are amounts due from executives of Rs 0.847 million (2015: Rs 0.012 million).

	2016 (Rupees in thousand)	2015
15.2 Due from related parties - unsecured		
Quaid-e-Azam Thermal Power (Private) Limited	-	714
Quaid-e-Azam Wind Power (Private) Limited	170	170
District Co-ordination Office Bahawalpur	-	100
	170	984

15.3 Workers' Profit Participation Fund

Under section 6.3 (a) of Part IV of schedule 1 of the Energy Purchase Agreement, payments to Workers' Profit Participation Fund are recoverable from CPPA as a pass through item.

	2016 (Rupees in thousand)	2015
16. Cash and bank balances		
Cash at bank		
- On saving accounts	- note 16.1	2,438,347
- On current accounts		1,578,817
		126
		2,438,473
		1,578,965

16.1 This represents balance in saving accounts in Bank of Punjab, a related party, which bear annual mark-up at 5.5% to 6.3% per annum (2015: 5.5% to 8% per annum) compounded monthly.

	2016 (Rupees in thousand)	2015
17. Sales		
Sale of electricity	- note 17.1	3,458,876
Less: Sales tax		502,572
		2,956,304
		-

17.1

As per the clause 4 (II), of the revised tariff order of NEPRA dated 4th August, 2015, the company was entitled to one-time COD adjustment in respect of specified components of the tariff, including exchange rate adjustments, taxes and duties and interest during construction, to bring the tariff at par with the actual costs. A petition was filed by the company with NEPRA dated 22nd January 2016, for the one-time adjustment of tariff for the units sold post COD. NEPRA issued a determination order in respect of the aforesaid adjustments dated June 02, 2016 based on which the company has raised invoice for the differential amount the effect of which has been incorporated in the above figures. However, the company has filed a review petition before NEPRA in respect of insurance component, exchange rate conversion issues for EPC costs and income tax adjustment claims. The matter is still pending with NEPRA and no order has been issued in this regard.

		2016	2015
		(Rupees in thousand)	
18.	Cost of sales		
Operation and maintenance charges		203,375	-
Salaries, wages and other benefits	- note 18.1	32,357	-
Rent, rates and taxes		3,725	-
Consultancy charges		18,980	-
Utilities		1,324	-
Travelling and conveyance		2,805	-
Depreciation on property, plant and equipment		559,664	-
Security expense		23,582	-
Repairs and maintenance		427	-
Printing and stationery		26	-
Communication charges		337	-
Entertainment charges		309	-
Others		316	-
		<u>847,227</u>	<u>-</u>

18.1 Salaries, wages and other benefits includes provision for gratuity of Rs 2.282 million.

		2016	2015
		(Rupees in thousand)	
19.	Administrative expenses		
Salaries, wages and other benefits	- note 19.1	52,323	38,638
Rent, rates and taxes		9,838	11,876
Utilities		3,029	3,589
Advertisement and promotion		762	25,111
Legal and professional charges	- note 19.2	19,305	45,383
Travelling and conveyance		3,352	6,853
Repairs and maintenance		465	507
Printing and stationery		580	591
Insurance expense		1,102	596
Depreciation on property, plant and equipment	- note 11.1	5,418	4,933
Amortization of intangible assets	- note 12	328	35
Communication charges		1,046	922
Entertainment charges		724	530
Others		1,545	2,811
		<u>99,817</u>	<u>142,375</u>

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- 19.1 Salaries, wages and other benefits includes provision for gratuity of Rs 2,711 million (2015: Rs 1,926 million).

2016
(Rupees in thousand)

2015

- 19.2 Legal and professional charges includes the following in respect of auditors' services for:

Statutory audit	1,800	1,400
Special audit	500	-
Other certifications	100	-
Out of pocket expenses	100	100
	<u>2,500</u>	<u>1,500</u>

20. Other income

Income from financial assets:

Income on bank deposits

160,925 195,063

Income from non-financial assets:

Profit on disposal of property, plant and equipment

Mark-up on delayed payment from CPPA

Others

-	3
13,168	-
201	23
13,369	26
<u>174,294</u>	<u>195,089</u>

21. Other operating expenses

This represents the net exchange loss on the liabilities and payments made towards foreign contractor and consultants.

2016
(Rupees in thousand)

2015

22. Finance cost

Mark-up on long term loan

Transaction cost

Bank charges

1,003,674	-
30,404	-
4,046	127
<u>1,038,124</u>	<u>127</u>

23. Taxation

Current

- Current year

- Prior year

- note 23.1

27,357	64,371
-	14,009
<u>27,357</u>	<u>78,380</u>

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