23.1 As per clause 6.3 (a) of Part IV of the first schedule to the Energy Purchase Agreement, all taxes payable on the generation, sale, exportation or supply of electricity are pass-through items and shall be claimable from CPPA in full. Based on Alternate Corporate Tax (ACT), the total provision for taxation is Rs 177.28 million of which Rs 149.92 million, shown as receivable from CPPA in note 15 as a pass through item, represents ACT on profit before tax excluding income on bank deposits. The remaining provision of Rs 27.36 million representing ACT on income from bank deposits, may not be claimable from CPPA as a pass-through item, not being construed as directly related to the generation, sale, exportation or supply of electricity and, consequently, included as tax charge for the year.

23.2 The deferred tax liability Rs 237.161 million (2015: asset of Rs 80.01 million) in respect of temporary differences has not been recognized as the future tax payments on the generation, sale, exportation or supply of electricity are pass-through items and shall be claimable from CPPA in full.

23.3 Tax charge reconciliation

Numerical reconciliation between average effective tax rate and applicable tax rate:

	2016 %	2015 %
Applicable tax rate	32.00	33.00
Effect of change in prior years' tax	-	(96.67)
Tax losses and credits not recognized	17.00	(477.18)
Taxes claimable as pass through items	(44.62)	-
Temporary difference rate change impact	(1.76)	-
Average effective tax rate charged to income statement	2.62	(540.85)

24. Directors' remuneration

24.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the chief executive and directors of the company are as follows:

	Chief Executive		Directors	
	2016	2015	2016	2015
	(Rupees in thousand)		(Rupees in thousand)	
Short term employee benefits				
Managerial remuneration	5,520	10,488	-	-
Utilities	300	420	-	-
Bonus	5,520	2,760	-	-
Medical expenses	211	-		
	11,551	13,668	-	-
Post employment benefits				
Expense incurred in respect of gratuity	920	920	-	-
	12,471	14,588	-	-
Number of persons	1	1	13	13

24.2 The directors work in an honorary capacity and do not receive any remuneration from the company.

24.3 The Chief Executive is also provided with company maintained vehicle and reimbursement for utilities.

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25. Related party transactions

The related parties comprise of the Government of Punjab, principal shareholder, its associated undertakings, other related undertakings, and key management personnel. The company in normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables, contingencies and commitments are disclosed in note 10 and remuneration of key management personnel is disclosed in note 24. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2016	2015
		(Rupees in thousand)	
Shareholders	Issuance of share capital	3,799,780	-
Others	Advertisement expenses charged to the Company	558	11,631
	Interest income accrued during the year	160,925	195,063
	Loan facility availed by the company	4,559,399	6,577,601
	Loan repaid by the company	517,689	-
	Financing fees and charges	9,817	208,784
	Mark-up on long term loan	1,040,378	382,376
	Expenses incurred on behalf of related parties	27	884
	Expenses incurred by related parties on our behalf	1,851	2,200

All transactions with related parties have been carried out on mutually agreed terms and conditions.

26. Cash generated from / (used in) operations

		2016	2015
		(Rupees in thousand)	
Profit before taxation		1,042,795	(14,492)
Adjustment for:			
Depreciation on property, plant and equipment	- note 11.1	565,082	4,933
Amortization of intangible assets	- note 12	328	35
Exchange loss	- note 21	102,635	67,079
Finance costs	- note 22	1,038,124	127
Gain on sale of property, plant and equipment		-	(3)
Staff retirement benefits	- note 7	5,065	3,495
Profit before working capital changes		2,754,029	61,174
Effect on cash flow due to working capital changes:			
Increase in trade debts		(582,226)	(240,959)
(Increase) / decrease in advances, deposits, prepayments and other receivables		(46,765)	34,571
Increase in trade and other payables and long term retentions		202,050	6,205
		2,327,088	(139,009)

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27. Earnings / (loss) per share

Profit / (loss) per share	Rupees in thousand	1,015,438	(92,872)
Weighted average number of ordinary shares	Number	380,978	380,978
Earnings / (loss) per share	Rupees in thousand	2.67	(0.24)

27.1 Diluted earnings per share

Diluted loss per share has not been presented as the company does not have any convertible instrument in issue as at June 30, 2016 and June 30,2015 which would have any effect on the earnings per share if the option to convert is exercised.

28. Financial risk management

28.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument shall fluctuate because of changes in foreign exchange rates.

The company is exposed to currency risk arising only from the US Dollar and the Euro. Currency risk arises from future commercial transactions and recognised assets and liabilities. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

At June 30, 2016 if the Rupee had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit for the period would have been Rs 46.708 million (2015: Rs 126.028 million) lower / higher mainly as a result of foreign exchange losses / gains on translation of USD-denominated financial assets and liabilities.

At June 30, 2016 if the Rupee had weakened / strengthened by 5% against the Euro with all other variables held constant, the post-tax profit for the year would have been Rs 0.437 million (2015: Rs 1.883 million) lower / higher mainly as a result of foreign exchange losses / gains on translation of USD-denominated financial assets and liabilities.

(ii) 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 the company has not invested in equity securities. Moreover, the company is not exposed to commodity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has significant long-term interest-bearing liability. The Company's interest rate risk arises from long term borrowing. Borrowing obtained at variable rates expose the Company to cash flow interest rate risk.

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, capital work in progress and finance cost for the period would have been increased / decreased by Rs 2.986 million (2015: Rs 30.634 million) and Rs 104.604 million (2015: Nil) respectively.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2016	2015
	(Rupees in thousand)	
Long term deposits	401	401
Trade debts	823,185	240,959
Advances, deposits and other receivables	204,152	8,650
Balances at bank	2,438,473	1,578,965
	3,466,211	1,828,975

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

	Rating Short term	Rating Long term	Rating Agency	2016	2015
				(Rupees in thousand)	
Bank of Punjab (BOP)	A1+	AA	PACRA	2,438,264	1,578,965
United Bank Limited (UBL)	A-1+	AAA	JCR-VIS	209	-
				2,438,473	1,578,965

Due to the Company's business relationships with the banks and after giving due consideration to their strong financial standing, management does not expect non-performance by the banks on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company's approach to managing liquidity is to ensure that, as far as possible, it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable loss or risking damage to the company's reputation.

Management monitors the forecasts of the Company's cash and cash equivalents on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. The Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans. Following are the contractual maturities of financial liabilities, including interest payments:

At June 30, 2016				(Rupees in thousand)
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term loan	760,652	834,388	3,020,583	6,003,688
Trade and other payables	1,459,357	-	-	-
Accrued finance cost	209,122	-	-	-
Long term retentions	-	-	-	7,800
	2,429,131	834,388	3,020,583	6,011,488

At June 30, 2015				(Rupees in thousand)
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term loan	300,140	436,389	1,600,285	4,240,786
Trade and other payables	3,902,550	-	-	-
Accrued finance cost	294,342	-	-	-
	4,497,032	436,389	1,600,285	4,240,786

28.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability can be settled between knowledgeable willing parties in an arms length transaction and is determined on the basis of objective evidence at each reporting date.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate the fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future cash flows at the current market interest rate that is available to the company for similar financial instruments.

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28.3 Financial instruments by categories	2016	2015
	(Rupees in thousand)	
Financial assets as per balance sheet		
Long term deposits	401	401
Trade debts	823,185	240,959
Advances, deposits and other receivables	204,152	8,650
Balances at bank	2,438,473	1,578,965
	3,466,211	1,828,975

	Financial liabilities at amortised cost	
	2016	2015
	(Rupees in thousand)	
Financial liabilities as per balance sheet		
Long term finances	10,619,311	6,577,601
Trade and other payables	1,459,357	3,902,550
Accrued finance cost	209,122	294,342
Long term retentions	7,800	-
	12,295,590	10,774,493

28.4 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order 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 the requirements of the lenders, the company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings less transaction cost, as disclosed in note 7. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The gearing ratio as at June 30, 2016 and June 30, 2015 is as follows:

	2016	2015
	(Rupees in thousand)	
Long term finances	10,438,958	6,390,558
Total equity	4,416,082	3,700,971
Total capital	14,855,040	10,091,529
Gearing ratio	70%	63%

29. Capacity and production

	2016
	MWH
Annual bench-mark energy	153,300
Proportionate Annual bench-mark energy since COD on July 15, 2015	146,913
Actual energy delivered till year end post COD, as acknowledged by CPPA	153,879

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30. Number of employees

	2016	2015
	(Rupees in thousand)	
Total number of employees as at June 30	52	49
Average number of employees during the year	51	37

31. Date of authorisation for issue

These financial statements were authorised for issue on 25th Nov, 2016 by the Board of Directors of the Company.

32. Events after the balance sheet date

No significant events have occurred subsequent to June 30, 2016, other than those mentioned elsewhere in these financial statements.

33. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework. However, no significant re-arrangements have been made.

Chief Executive **Director**