

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **HUB POWER HOLDINGS 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 loss, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).


Chartered Accountants

Engagement Partner:

Asad Ali Shah

Dated: 15 AUG 2017

Place: Karachi

HUB POWER HOLDINGS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
Amount in Rupees			
General and administration expenses	3	(26,524,520)	(6,958,246)
Finance cost		(202,857)	(6,725)
Interest income		12,491,447	2,175,499
Gain on dilution of interest in associate	5.1	-	61,987,043
Share of loss from associate	5.1	(183,844,109)	(167,788,145)
LOSS BEFORE TAXATION		<u>(198,080,039)</u>	<u>(110,590,574)</u>
Taxation	4	(3,872,347)	(696,160)
LOSS FOR THE YEAR		<u><u>(201,952,386)</u></u>	<u><u>(111,286,734)</u></u>

The annexed notes from 1 to 17 form an integral part of these financial statements.



Khalid Mansoor
Chief Executive



Abdul Samad Dawood
Director

HUB POWER HOLDINGS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	Amount in Rupees	
Loss for the year	(201,952,386)	(111,286,734)
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>(201,952,386)</u></u>	<u><u>(111,286,734)</u></u>

The annexed notes from 1 to 17 form an integral part of these financial statements.



Khalid Mansoor
Chief Executive



Abdul Samad Dawood
Director

HUB POWER HOLDINGS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017	2016
		Amount in Rupees	
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Long term investment	5	1,318,389,789	414,198,898
CURRENT ASSETS			
Other receivables	6	38,867,201	68,667,359
Bank balances	7	29,158,707	62,839,974
		68,025,908	131,507,333
TOTAL ASSETS		1,386,415,697	545,706,231
<u>EQUITY AND LIABILITIES</u>			
SHARE CAPITAL AND RESERVE			
Share Capital			
Authorised	8	3,000,000,000	1,000,000,000
Issued, subscribed and paid-up	8	1,000,000,000	300,000,000
Advance received against issue of share capital		670,000,000	276,000,000
Revenue Reserve			
Accumulated loss		(325,552,655)	(116,135,269)
		1,344,447,345	459,864,731
CURRENT LIABILITIES			
Trade and other payables	9	41,923,703	85,322,847
Taxation - net		44,649	518,653
		41,968,352	85,841,500
TOTAL EQUITY AND LIABILITIES		1,386,415,697	545,706,231
CONTINGENCIES AND COMMITMENTS	10		

The annexed notes from 1 to 17 form an integral part of these financial statements.



Khalid Mansoor
Chief Executive



Abdul Samad Dawood
Director

HUB POWER HOLDINGS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
Amount in Rupees			
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(198,080,039)	(110,590,574)
Adjustments for:			
Interest income		(12,491,447)	(2,175,499)
Gain on dilution of interest in associate		-	(61,987,043)
Share of loss from associate		183,844,109	167,788,145
Operating loss before working capital changes		<u>(26,727,377)</u>	<u>(6,964,971)</u>
Working capital changes			
Decrease / (increase) in other receivable		29,483,960	(68,271,139)
(Decrease) / increase in trade and other payables		(43,399,144)	81,974,312
Cash (used in) / generated from operations		<u>(40,642,561)</u>	<u>6,738,202</u>
Interest received		12,807,645	1,779,279
Taxes paid		(4,346,351)	(177,507)
Net cash (used in) / generated from operating activities		<u>(32,181,267)</u>	<u>8,339,974</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in associate		(1,092,000,000)	(520,000,000)
Net cash used in investing activities		<u>(1,092,000,000)</u>	<u>(520,000,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		424,000,000	299,300,000
Advance received against issue of share capital		670,000,000	276,000,000
Share issue cost		(3,500,000)	(1,500,000)
Net cash generated from financing activities		<u>1,090,500,000</u>	<u>573,800,000</u>
Net (decrease) / increase in cash and cash equivalents		(33,681,267)	62,139,974
Cash and cash equivalents at the beginning of the year		62,839,974	700,000
Cash and cash equivalents at the end of the year	7	<u><u>29,158,707</u></u>	<u><u>62,839,974</u></u>

The annexed notes from 1 to 17 form an integral part of these financial statements.



Khalid Mansoor
Chief Executive





Abdul Samad Dawood
Director

HUB POWER HOLDINGS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	Amount in Rupees	
Issued capital		
Balance at the beginning of the year	300,000,000	700,000
Issued 70,000,000 Ordinary shares of Rs. 10 each during the year	700,000,000	-
Issued 29,930,000 Ordinary shares of Rs. 10 each during the year	-	299,300,000
Balance at the end of the year	<u>1,000,000,000</u>	<u>300,000,000</u>
Advance received against issue of share capital		
Balance at the beginning of the year	276,000,000	-
Received during the year	1,094,000,000	575,300,000
Issued 70,000,000 Ordinary shares of Rs. 10 each during the year	(700,000,000)	-
Issued 29,930,000 Ordinary shares of Rs. 10 each during the year	-	(299,300,000)
Balance at the end of the year	<u>670,000,000</u>	<u>276,000,000</u>
Accumulated loss		
Balance at the beginning of the year	(116,135,269)	(3,348,535)
Loss for the year	<u>(201,952,386)</u>	<u>(111,286,734)</u>
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(201,952,386)	(111,286,734)
Share issue cost	(7,465,000)	(1,500,000)
Balance at the end of the year	<u>(325,552,655)</u>	<u>(116,135,269)</u>
Total equity	<u><u>1,344,447,345</u></u>	<u><u>459,864,731</u></u>

The annexed notes from 1 to 17 form an integral part of these financial statements.


Khalid Mansoor
Chief Executive


Abdul Samad Dawood
Director

HUB POWER HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. THE COMPANY AND ITS OPERATIONS

Hub Power Holdings Limited (the "Company") was incorporated in Pakistan on March 10, 2015 as a public unlisted company under the repealed Companies Ordinance, 1984 (the "Ordinance"). The registered office of the Company is situated at 11th Floor, Ocean Tower, G-3, Block-9, Main Clifton Road, Karachi. The Company is a wholly owned subsidiary of The Hub Power Company Limited (the "Holding Company"). The principal activities of the Company are to invest in new business opportunities.

2. SIGNIFICANT ACCOUNTING POLICIES

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 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 or directives of the Companies Ordinance, 1984 shall prevail.

During the year, the Companies Act, 2017 was enacted on May 30, 2017 and came into force at once. Subsequently, Securities and Exchange Commission of Pakistan notified through Circular No. 17 of July 20, 2017 that companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Therefore, these financial statements have been prepared under the Companies Ordinance, 1984.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for investment in associate which is accounted for using equity method.

2.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on savings and term deposit accounts.

2.4 Financial instruments

(a) Other receivables

Other receivables are recognised initially at fair value plus directly attributable transaction costs, if any, and subsequently measured at amortised cost using the effective interest rate method less provision for impairment, if any.

(b) Trade and other payables

Liabilities for trade and other payable are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method.

2.5 Interest income

Interest income is recorded on accrual basis.

2.6 Provisions

Provisions are recognized when the Company has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2.7 Taxation

The Company is subject to taxation in Pakistan in accordance with the provisions of the Income Tax Ordinance, 2001. Accordingly, provision for taxation has been made after taking into account tax credit etc., if any.

2.8 Share capital

Ordinary shares are classified as equity and recognised at their face value. Discount on issue of shares is separately reported in statement of changes in equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.9 Off-setting

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

2.10 Investment in associate

Investment in associate is accounted for using equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Company's share of net assets of the associate. The profit and loss account reflects the Company's share of the results of the operations of the associate.

If the ownership interest in associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit and loss account where applicable. The gain / loss arising on dilution of interest in an equity accounted investee is recognized in the profit and loss account.

The Company determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the same in the profit and loss account.

2.11 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.

2.12 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees, which is the Company's functional and presentation currency, at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees equivalents using balance sheet date exchange rates. Non-monetary assets and liabilities are stated using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions and translations are included in profit and loss account.

2.13 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest rupee.

2.14 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the periods in which the estimates are revised and in any future periods affected. Significant estimates, assumptions and judgements are disclosed in the relevant accounting policies and notes to these financial statements.

	Note	2017	2016
		Amount in Rupees	
3. GENERAL AND ADMINISTRATION EXPENSES			
Salaries, benefits and other allowances	3.1	6,897,155	-
Directors' fees	3.2	450,000	600,000
Legal and professional charges		3,682,269	5,684,491
Auditors' remuneration	3.3	848,200	670,000
Office running cost		805,100	-
Regulatory fees and charges		13,745,770	-
Others		96,026	3,755
		<u>26,524,520</u>	<u>6,958,246</u>

3.1 This represents cost of salaries, benefits and other allowances allocated by the Holding Company during the year.

3.2 This represents fee to two (2016: two) directors for attending board meetings.

	Note	2017	2016
Amount in Rupees			
3.3 Auditors' remuneration			
Statutory audit		297,000	271,000
Group reporting		108,000	100,000
Other services		403,200	261,500
Out-of-pocket expenses		40,000	37,500
		848,200	670,000
4. TAXATION			
Current			
- For the year	4.1	3,872,347	696,160
4.1 Loss before taxation		(198,080,039)	(110,590,574)
Tax calculated at the rate of 31% (2016: 32%)		(61,404,812)	(35,388,984)
Effect of exempt loss		65,277,159	36,085,144
		3,872,347	696,160
5. LONG TERM INVESTMENT			
Related party			
Associate - unquoted	5.1	1,318,389,789	414,198,898
5.1 Movement during the year			
Opening investment		414,198,898	-
Investment during the year		1,092,000,000	520,000,000
Gain on dilution of interest		-	61,987,043
Less: Share of loss from associate		(183,844,109)	(167,788,145)
Less: Company's share in share issue cost		(3,965,000)	-
		1,318,389,789	414,198,898

5.2 As at the balance sheet date, the Company has 26% ownership interest in China Power Hub Generation Company (Private) Limited (CPHGC), the principal business of which is to construct, finance, own and operate two coal-fired power generation units of 660 MW each with ancillary Jetty in the province of Baluchistan.

CPHGC was established consequent to a Joint Venture Agreement (JVA) dated April 20, 2015 between China Power International Holding Limited (CPIHL) and the Holding Company. As per the terms of the JVA, CPIHL through its wholly owned subsidiary China Power International (Pakistan) Investment Limited (CPIIL) and the Holding Company through the Company invested in CPHGC in the proportion of 51% and 49% respectively in accordance with the Shareholders' Agreement (SHA) dated June 12, 2015. CPIIL and the Company entered into an Amended and Restated Shareholders' Agreement (A&RSHA) on March 9, 2016 through which, among other amendments, it was agreed that the Company will reduce its shareholding in CPHGC by way of renunciation of its rights shares pursuant to the next rights issue offered by CPHGC, so that the shareholding percentages of CPIIL and the Company shall become 74% and 26% respectively. Further, subject to certain conditions as stated in the A&RSHA, at any time on or before the Call Option Exercise Date (i.e., a date falling no later than 200 days prior to Required Commercial Operations Date), the Company had the right but not the obligation to increase its percentage of shareholding in CPHGC from 26% up to a minimum of 43% and a maximum of 49%, by acquiring shares from CPIIL, the price of which shares will be calculated as per the provisions of the A&RSHA.

During the year, the Board of Directors of the Holding Company and the Company have decided to increase the Company's shareholding in CPHGC from 26% to 47.5%. Further the Company has also entered into a Memorandum of Understanding (MoU) with CPIIL and Government of Baluchistan (GoB). In accordance with the MoU, the Company and CPIIL have agreed to transfer 3% equity shareholding (1.5% each) in CPHGC to GoB, no later than the Commercial Operation Date (COD) of CPHGC and consequently, shareholding of the Company and CPIIL shall reduce to 46% and 51% respectively. These shares will be issued to GoB in lieu of resources and services to benefit CPHGC in a transparent and legal manner.

CPHGC submitted application for tariff determination, under Upfront Tariff (Approval and Procedures) Regulations, 2011 with National Electric Power Regulatory Authority (NEPRA), which was approved on February 12, 2016. CPHGC also filed application for generation license before NEPRA which was approved on September 08, 2016. The term of the license is 30 years from the date of commencement of commercial operations. In addition, CPHGC has also signed Equipment Procurement and Construction (EPC) contract for coal importation jetty on June 14, 2016 and for power plant on September 21, 2016. Advance payments to EPC contractors have been made and work is underway in respect of construction of the power plant.

On April 12, 2016, the Private Power & Infrastructure Board (PPIB) issued Letter of Support (LOS) to CPHGC. As per the terms of the LOS, CPIHL and the Company provided performance guarantees in favour of PPIB which require CPHGC to (i) achieve Financial Closing no later than nine months from the date of LOS, and (ii) enter into the Implementation Agreement (IA) and Power Purchase Agreement (PPA) no later than three months prior to the financial closing date. PPIB is entitled to encash the performance guarantees in case CPHGC is not able to meet the above conditions or CPHGC decides to exercise termination option as defined in the LOS. During the year, PPIB granted extension to achieve the above deadlines, initially by June 07, 2017. During this extension period, IA and PPA were signed on January 25, 2017. PPIB has further granted extension to achieve the deadline for Financial Closure till December 07, 2017. The related performance guarantee has also been extended until March 08, 2018.

As per the terms of IA and PPA, CPHGC is required to acquire a site for the construction of the project and enter into a coal supply agreement prior to Financial Closing. CPHGC has identified the required site and has entered into a 'right to use' agreement with the Holding Company whereas the process of entering into an 'Agreement to Sell' for land is in process. Bidding process in respect of coal supply has been finalized and the coal supply agreement is under finalization.

The investment in CPHGC has been treated as investment in associate, which is accounted for using the equity method of accounting.

5.3 The summarised financial information of the associate are set out below:

Summarised balance sheet of CPHGC as at June 30, 2017	Audited Amount in Rupees
Non-current assets	23,305,034,770
Current assets	3,917,420,600
Total assets	<u>27,222,455,370</u>
Current liabilities	<u>(22,147,516,987)</u>
Total liabilities	<u>(22,147,516,987)</u>
Net assets	<u><u>5,074,938,383</u></u>

The associate had no contingency as at June 30, 2017. Outstanding commitments as at June 30, 2017 amount to USD 947.946 million (Rs. 99,395.955 million).

Summarised profit and loss account of CPHGC for the year from July 01, 2016 to June 30, 2017	Audited Amount in Rupees
General and administrative expenses	(710,906,802)
Interest income	13,220,865
Exchange loss - net	(4,777,051)
Taxation	<u>(4,629,739)</u>
Loss for the period	<u>(707,092,727)</u>
Other comprehensive income for the period	-
Total comprehensive income for the period	<u><u>(707,092,727)</u></u>

5.4 Reconciliation of the above summarised financial information to the carrying amount of the interest in associate recognised in these financial statements is as follows:

	Note	Amount in Rupees
Opening net assets as at July 01, 2016		1,593,072,683
Share issue cost		(15,250,000)
Advance received against issue of shares		4,204,208,427
Total comprehensive income for the period		<u>(707,092,727)</u>
Net assets of the associate as at June 30, 2017	5.3	5,074,938,383
Less: Advance received against issue of shares to CPIIL		<u>(4,208,426)</u>
Net assets of the associate available for distribution		5,070,729,957
Proportion of the Company's interest in associate		<u>26%</u>
Carrying amount of the Company's interest in associate as at June 30, 2017		<u><u>1,318,389,789</u></u>

	Note	2017	2016
Amount in Rupees			
6. OTHER RECEIVABLES			
Considered good			
Receivable from CPHGC - unsecured	6.1	38,787,179	68,271,139
Interest accrued		80,022	396,220
		<u>38,867,201</u>	<u>68,667,359</u>

- 6.1 Pursuant to the terms of SHA and A&RSHA between the Company and CPIIL, both sponsors agreed to reimburse initial project development expenditures incurred by the Sponsors and their affiliates for the development of 2x660 MW Coal based Power Plant with ancillary jetty. Initial project development expenditure includes expenditure for technical, feasibility and environmental studies, financial, legal, insurance and technical advisory related expenditures, regulatory fee, site & land survey charges and certain other cost allocations.

Consequently, the Company entered into a reimbursement agreement with CPHGC (an associated undertaking) for the recovery of Rs. 455.250 million incurred by the Company till March 31, 2016, which was recovered during the prior year by the Company. From April 01, 2016 till the financial close of the Project, another reimbursement agreement has been entered into with CPHGC dated November 22, 2016. In accordance with which, total of Rs. 159.173 million representing balance due for the period April 01 to December 31, 2016 was recovered during the period. For the period January 01 till June 30, 2017, Rs. 38.787 million has been recorded as receivable from CPHGC.

	Note	2017	2016
Amount in Rupees			
7. BANK BALANCES			
Savings accounts	7.1	<u>29,158,707</u>	<u>62,839,974</u>

- 7.1 Savings accounts carry mark-up at the rate of 3.75% (2016: 3.75% and 4.60%) per annum.

8. AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2017 (No. of Shares)	2016 (No. of Shares)		2017 Amount in Rupees	2016 Amount in Rupees
<u>300,000,000</u>	<u>100,000,000</u>	Authorised :		
		Ordinary shares of Rs.10/- each	<u>3,000,000,000</u>	<u>1,000,000,000</u>
		Issued, subscribed and paid-up :		
<u>100,000,000</u>	<u>30,000,000</u>	Ordinary shares of Rs.10/- each, fully paid in cash	<u>1,000,000,000</u>	<u>300,000,000</u>

- 8.1 The shareholders, during the extraordinary general meeting held on November 15, 2016 resolved to increase the authorised share capital of the Company to Rs. 1,500 million comprising of 150,000,000 shares of Rs. 10 each. Thereafter, during the extraordinary general meeting held on February 15, 2017 shareholders resolved further to increase the authorised share capital of the Company to Rs. 3,000 million comprising of 300,000,000 shares of Rs. 10 each. Accordingly, the Memorandum and Articles of Association have also been amended.

	Note	2017	2016
Amount in Rupees			
9. TRADE AND OTHER PAYABLES			
Accrued liabilities		939,800	12,588,760
Payable to the Holding Company	9.1	40,977,183	72,297,706
Other payables		6,720	436,381
		<u>41,923,703</u>	<u>85,322,847</u>

- 9.1 The Company entered into reimbursement agreements with the Holding Company to reimburse certain expenditures incurred or to be incurred by the Holding Company on its behalf till financial close of CPHGC. Till June 30, 2017, the Holding Company has incurred Rs. 151.104 million (2016: Rs. 465.456 million) and Rs. 182.424 million (2016: Rs. 395.559 million) which was reimbursed by the Company.

10. CONTINGENCIES AND COMMITMENTS

The Company has entered into a facility agreement with Habib Bank Limited (HBL) for the issuance of LOS guarantee in favour of the PPIB for an amount of USD 3.234 million (Rs. 340.864 million). This facility is valid till March 08, 2018 and is secured by a Standby Letter of Credit issued by the Holding Company in favour of HBL.

11. RELATED PARTY TRANSACTIONS

The related parties comprise of the Holding Company, associated companies, including entities with common directors, major shareholders and key management personnel. Related party transactions are disclosed separately in respective notes to the financial statements.

There are no key management personnel in the Company. The management of the Company is managed by the Holding Company's employees and remuneration allocated to the Company inclusive of the remuneration allocated for key management personnel, is disclosed in note 3.1.

12. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The overall risk management of the Company is carried out under policies approved by the Board of Directors. Such policies entail identifying, evaluating and addressing financial risks of the Company.

The Company's overall risk management procedures to minimize potential adverse effects of financial market on Company's performance are as follows:

12.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of financial instruments. At present, the Company is not exposed to equity price risk and foreign exchange risk.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. As at the reporting date, the Company is not significantly exposed to interest rate risk.

12.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk of the Company arises principally from balances with bank and receivable from CPHGC.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was as follows:

	2017	2016
	Amount in Rupees	
Other receivables	38,867,201	68,667,359
Bank balances	29,158,707	62,839,974
	<u>68,025,908</u>	<u>131,507,333</u>

The significant amount of other receivables is recoverable from CPHGC (Refer note 6.1). Credit risk on bank balances is limited as they are maintained with local banks having good credit ratings assigned by local and international credit rating agencies:

Name of Bank		Ratings	
		Short-term	Long-term
Industrial and Commercial Bank of China	Moody's	P-1	A1
Habib Bank Limited	JCR-VIS	A-1+	AAA

12.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient funds to meet its liabilities when due without incurring unacceptable losses.

Following are the contractual maturities of financial liabilities, including estimated interest payments:

	Less than 6 months	Total
	Amount in Rupees	
2016-17		
Trade and other payables	<u>41,923,703</u>	<u>41,923,703</u>
2015-16		
Trade and other payables	<u>85,322,847</u>	<u>85,322,847</u>

12.4 Fair value of financial instruments

Fair value is 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. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying amounts of all the financial instruments reflected in these financial statements approximate their fair value.

12.5 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios and optimal capital structure in order to ensure ample availability of finance for its existing project and to maximize shareholders value by reducing the cost of capital. Accordingly, the Company manages its capital structure by making adjustment in light of changes in economic conditions. At present, the Company finances its project through equity, the commitment of which is taken by the Holding Company and, therefore, is not exposed to such risk.

13. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	Total June 30, 2017
	Amount in Rupees	
Assets as per balance sheet		
Other receivables	38,867,201	38,867,201
Bank balances	<u>29,158,707</u>	<u>29,158,707</u>
	<u>68,025,908</u>	<u>68,025,908</u>
	Financial Liabilities measured at amortised cost	Total June 30, 2017
Liabilities as per balance sheet		
Trade and other payables	<u>41,923,703</u>	<u>41,923,703</u>
	<u>41,923,703</u>	<u>41,923,703</u>
	Loans and receivables	Total June 30, 2016
Assets as per balance sheet		
Other receivables	68,667,359	68,667,359
Bank balances	<u>62,839,974</u>	<u>62,839,974</u>
	<u>131,507,333</u>	<u>131,507,333</u>

Liabilities as per balance sheet	Financial Liabilities measured at amortised cost	Total June 30, 2016
	Amount in Rupees	
Trade and other payables	85,322,847	85,322,847
	<u>85,322,847</u>	<u>85,322,847</u>

14. INITIAL APPLICATION OF STANDARDS AND INTERPRETATIONS

Amended standards effective and adopted in 2017

The Company has adopted the following amendments of IFRSs which became effective for the current year

IAS 1 – Presentation of Financial Statements

IAS 16 – Property, Plant and Equipment

IAS 27 – Separate Financial Statements

IAS 38 – Intangible Assets

IAS 41 – Agriculture

The adoption of the above accounting standards did not have any material effect on these financial statements.

Amended standards and interpretations that are not yet effective and adopted in 2017

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2: Share-based Payment – Classification and Measurement of Share-based Payment Transactions (Amendments)	January 1, 2018
IAS 7: Statement of Cashflows	January 1, 2017
IAS 12: Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 1, 2017
IFRIC 22: Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23: Uncertainty over Income Tax Treatments	January 1, 2019

The above standards, interpretations and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard

IFRS 1 – First Time Adoption of International Financial Reporting Standards

IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 14 – Regulatory Deferral Accounts

IFRS 15 – Revenue from Contracts with Customers

IFRS 16 – Leases

IFRS 17 – Insurance Contracts

15. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

During the year, no remuneration has been paid to the Chief Executive, Directors and Executives of the Company. However, the Holding Company has allocated cost of Rs. 3.78 million and Rs. 3.12 million in relation to the remuneration of the Chief Executive and Executives of the Holding Company.

16. NUMBER OF EMPLOYEES

There are no employees of the Company as at year end (2016: Nil).

17. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 15, 2017 in accordance with the resolution of the Board of Directors.



Khalid Mansoor
Chief Executive



Abdul Samad Dawood
Director