

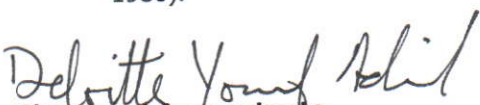
AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **HUB POWER SERVICES 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, 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: August 08, 2017


Place: Karachi

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

	Note	2017 Rupees	2016 Rupees
Turnover	4	1,963,939,242	1,290,982,437
Cost of services	5	(1,347,251,482)	(922,368,397)
GROSS PROFIT		616,687,760	368,614,040
General and administrative expenses	6	(324,466,410)	(155,798,336)
Other income - net	7	44,277,738	7,404,214
Finance costs		(77,227)	(1,343,438)
PROFIT BEFORE TAXATION		336,421,861	218,876,480
Taxation	8	(188,935,880)	(121,276,636)
PROFIT FOR THE YEAR		147,485,981	97,599,844

The annexed notes from 1 to 25 form an integral part of these financial statements.

DVA

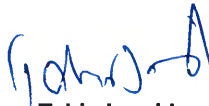

Tahir Jawaid
Chief Executive


Abdul Nasir
Director

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

	Note	2017 Rupees	2016 Rupees
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property and equipment	9	38,080,418	20,574,317
Long term deposits		2,291,375	1,881,375
CURRENT ASSETS			
Trade debts	10	7,869,215	63,437,289
Loans and advances	11	9,385,547	8,353,884
Prepayments and other receivables	12	21,839,015	29,609,267
Taxation - net		608,825	-
Cash and bank balances	13	214,511,952	269,668,183
		254,214,554	371,068,623
TOTAL ASSETS		<u>294,586,347</u>	<u>393,524,315</u>
<u>EQUITY AND LIABILITIES</u>			
SHARE CAPITAL AND RESERVES			
SHARE CAPITAL			
Authorized Capital	14	<u>2,000,000</u>	<u>2,000,000</u>
Issued, subscribed and paid-up capital	14	100,000	100,000
REVENUE RESERVE			
Unappropriated profit		848,505	104,534,524
		<u>948,505</u>	<u>104,634,524</u>
CURRENT LIABILITIES			
Trade and other payables	15	293,637,842	282,558,707
Taxation - net		-	6,331,084
		293,637,842	288,889,791
TOTAL EQUITY AND LIABILITIES		<u>294,586,347</u>	<u>393,524,315</u>
COMMITMENTS AND CONTINGENCIES	16	D/K	

The annexed notes from 1 to 25 form an integral part of these financial statements.


Tahir Jawaid
Chief Executive


Abdul Nasir
Director

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

	Note	2017 Rupees	2016 Rupees
Profit for the year		147,485,981	97,599,844
Other comprehensive income for the year			
<i>Items that will not be reclassified to profit or loss in subsequent years</i>			
(Loss) / gain on remeasurement of post employment benefit obligation	15.3	(1,172,000)	7,266,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		146,313,981	104,865,844

The annexed notes from 1 to 25 form an integral part of these financial statements.

DYA



Tahir Jawaid
Chief Executive



Abdul Nasir
Director

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

	Note	2017 Rupees	2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		336,421,861	218,876,480
Adjustments for:			
Staff gratuity		23,416,000	19,697,000
Depreciation		11,741,865	8,053,850
Interest income		(13,552,176)	(7,052,993)
Loss / (gain) on disposal of property and equipment		319,782	(351,221)
Operating profit before working capital changes		358,347,332	239,223,116
Decrease / (Increase) in current assets:			
Trade debts		55,568,074	(63,437,289)
Loans and advances		(1,031,663)	(8,353,884)
Prepayments and other receivables		(730,933)	(20,738,825)
Increase in current liabilities:			
Trade and other payables		4,006,135	282,227,387
Cash generated from operations		416,158,945	428,920,505
Interest received		13,368,361	6,867,551
Staff gratuity paid		(8,830,000)	(21,116,000)
Taxes paid		(195,875,789)	(114,945,552)
Net cash generated from operating activities		224,821,517	299,726,504
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(32,951,224)	(33,134,066)
Proceeds from disposal of property and equipment		3,383,475	4,857,120
Long term deposits paid		(410,000)	(1,881,375)
Net cash used in investing activities		(29,977,749)	(30,158,321)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		-	99,970
Dividend paid		(250,000,000)	-
Net cash (used in) / generated from financing activities		(250,000,000)	99,970
Net (decrease) / increase in cash and cash equivalents		(55,156,231)	269,668,153
Cash and cash equivalents at the beginning of the year		269,668,183	30
Cash and cash equivalents at the end of the year	13	214,511,952	269,668,183

The annexed notes from 1 to 25 form an integral part of these financial statements.


Tahir Jawaid
Chief Executive



Abdul Nasir
Director

DVA

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

	2017 Rupees	2016 Rupees
ISSUED CAPITAL		
Balance at the beginning of the year	100,000	30
Shares issued during the year	-	99,970
Balance at the end of the year	100,000	100,000
UNAPPROPRIATED PROFIT / (ACCUMULATED LOSS)		
Balance at the beginning of the year	104,534,524	(331,320)
Profit for the year	147,485,981	97,599,844
Other comprehensive income for the year	(1,172,000)	7,266,000
Total comprehensive income for the year	146,313,981	104,865,844
TRANSACTION WITH OWNERS IN THEIR CAPACITY AS OWNER		
First interim dividend for the fiscal year 2016-17 @ Rs. 18,000 (2015-16 @ Rs. nil) per share	(180,000,000)	-
Second interim dividend for the fiscal year 2016-17 @ Rs. 7,000 (2015-16 @ Rs. nil) per share	(70,000,000)	-
	(250,000,000)	-
Balance at the end of the year	848,505	104,534,524
TOTAL EQUITY	948,505	104,634,524

The annexed notes from 1 to 25 form an integral part of these financial statements.


Tahir Jawaid
Chief Executive

DYA

Abdul Nasir
Director

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

1. THE COMPANY AND ITS OPERATIONS

Hub Power Services Limited (the "Company") was incorporated in Pakistan on March 26, 2015 as a public limited company under the 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 business activity of the Company is to manage operation and maintenance of power plants.

Presently, the Company provides operation and maintenance services to the holding company and an associate for their Hub Plant and Narowal Plant under their respective Operations and Maintenance (the "O&M") Agreements.

Hub Plant

The Company is managing the operations and maintenance of the Hub Plant with effect from August 1, 2015 under the O&M Agreement dated November 2, 2015 for the term until March 31, 2027, unless terminated earlier through mutual consent.

Narowal Plant

The Company is also managing the operations and maintenance of Narowal Plant with effect from April 22, 2016 under the O&M Agreement entered with the holding company, dated June 30, 2016, for the term until April 20, 2028, unless terminated earlier through mutual consent. Pursuant to the High Court order, issued to the holding company, sanctioning the scheme of arrangement under section 284-287 of the Companies Ordinance, 1984, the O&M Agreement stands novated from holding company to its wholly owned subsidiary Narowal Energy Limited (NEL).

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 (IFRSs) issued by the International Accounting Standards Board (IASB) 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 has 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 the recognition of defined benefit obligation at present value.

2.3 Use of estimates and judgments

The preparation of these financial statements in conformity with approved accounting standards requires management to make judgments, 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 accounting estimates are recognized in the period in which the estimate is revised and in any future period affected. Significant estimates, assumptions and judgements are disclosed in the relevant accounting policies and notes to these financial statements.

Following are some significant areas where management used estimates and judgements, other than those which have been disclosed elsewhere in these financial statements:

- a) Determining the residual values and useful lives of property and equipment (Notes 3.1 and 9);
- b) Recognition of provision for staff retirement benefit - defined benefit plan (Notes 3.9 and 15.3); and
- c) Recognition of provision for taxation (Note 3.15 and 8).

2.4 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 Pakistan Rupees which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest rupee unless specified otherwise in the notes to the financial statements.

2.5 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 Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 1, 2018
IAS 7: Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	January 1, 2017
IAS 12: Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 1, 2017

	Effective date (annual periods beginning on or after)
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

3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies and methods of computation are followed for the preparation of these financial statements:

3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, at the rates shown in note 9 to the financial statements. Depreciation on additions is charged for the full month in which an asset is available for use and on disposals up to the month immediately preceding the disposals. Gains and losses on disposals are taken to the profit and loss account.

Maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized.

The residual value, depreciation method and the useful lives of significant items of property and equipment are reviewed and adjusted if required, at each balance sheet date.

3.2 Impairment of non-current assets

The carrying amounts of non-current assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to assess whether asset's carrying value exceeds its recoverable amount. Where carrying value exceeds the estimated recoverable amount, asset is written down to its recoverable amount. Impairment losses are recognized as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.3 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.

3.4 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value plus directly attributable transaction cost, if any, and subsequently measured at amortized cost using the effective interest rate method less provision for impairment, if any.

3.5 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.

3.6 Trade and other payables

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

3.7 Off-setting

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

3.8 Cash and cash equivalents

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

3.9 Staff retirement benefits

Gratuity Fund

The Company has a defined benefit gratuity fund covering eligible employees who have completed minimum service requirement. The liabilities relating to defined benefit plan are determined through actuarial valuation using the Projected Unit Credit Method. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of these benefits, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation has been disclosed in note 15.3 of these financial statements.

All actuarial gains / losses arising during the period are recognized in other comprehensive income of the Company in the period in which they arise.

Provident Fund

The Company has a defined contribution provident fund for employees who are eligible for the plan. Equal monthly contributions are required to be made by the Company and the employees. The Company's contributions are recognized as employee benefit expense when they are due.

Pension Fund

The Company has a defined contribution pension fund for employees who are eligible for the plan. The Company is required to contribute 10% of the basic pay of the employees on the monthly basis. The Company's contributions are recognized as employee benefit expense when they are due.

3.10 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and amount of revenue can be measured reliably. Revenue for service income is recognized on accrual basis as and when services are rendered, in accordance with the term of agreements with the holding company and an associated undertaking.

3.11 Interest income

Interest income is recorded on accrual basis.

3.12 Assets held under operating leases / ijarah financing

Assets held under operating leases / ijarah financing are accounted for using the guidelines of IFAS 2. The assets are not recognized in the Company's financial statements and payments made under operating leases / ijarah financing are recognized in profit and loss account on a straight line basis over the term of lease.

3.13 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.

3.14 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which it is approved.

3.15 Taxation

Income of the Company is subject to taxation in Pakistan in accordance with the provisions of the Income Tax Ordinance, 2001 (ITO). Accordingly, provision for taxation has been made after taking into account tax credit etc., if any. Presently, majority of the Company's income is being taxed on minimum tax on service income. Hence, no deferred tax has been recognized in these financial statements.

	Note	2017 Rupees	2016 Rupees
4. TURNOVER			
Turnover		2,262,812,353	1,487,745,982
Provincial sales tax		(298,873,111)	(196,763,545)
		<u>1,963,939,242</u>	<u>1,290,982,437</u>
5. COST OF SERVICES			
Salaries, benefits and other allowances	5.1	1,188,356,114	802,893,192
Repairs, maintenance and other cost		121,531,843	92,121,553
Insurance		28,121,102	19,942,978
Depreciation	9.1	9,242,423	7,410,674
		<u>1,347,251,482</u>	<u>922,368,397</u>

5.1 These include Rs. 79.3 million (2016: Rs. 64.6 million) in respect of staff retirement benefits.

	Note	2017 Rupees	2016 Rupees
6. GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries, benefits and other allowances	6.1	224,092,868	102,441,212
Corporate social responsibility		-	7,898,438
Operating lease rentals		5,644,651	2,915,161
Office running cost	6.2	41,935,126	18,063,357
Travel and transportation		12,704,677	3,451,175
Printing and stationery		3,787,346	2,635,100
Repairs and maintenance		9,222,468	4,072,871
Auditors' remuneration	6.3	1,026,060	1,215,825
Insurance		2,343,078	2,953,648
Depreciation	9.1	2,499,442	643,176
Legal and professional charges		9,217,352	5,909,615
Staff sports and recreational activities		9,894,341	3,059,173
Loss on disposal of property and equipment		319,782	-
Miscellaneous		1,779,219	539,585
		<u>324,466,410</u>	<u>155,798,336</u>

6.1 This includes Rs. 12.9 million (2016: Rs. 4.9 million) in respect of staff retirement benefits and Rs. 102.8 million (2016: Rs. 48 million) in respect of staff cost allocated by the holding company.

6.2 This includes office running cost of Rs. 21.1 million (2016: Rs. 4.8 million) allocated by the holding company.

	Note	2017 Rupees	2016 Rupees
6.3 Auditors' remuneration			
Statutory audit		440,000	400,000
Group reporting		100,000	100,000
Half yearly review		216,000	212,000
Other services		140,360	347,500
Out-of-pocket expenses		129,700	156,325
		<u>1,026,060</u>	<u>1,215,825</u>

7. OTHER INCOME

Income from financial asset

Interest income		13,552,176	7,052,993
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Income from assets other than financial assets

Income under shared facilities agreement - net	7.1	30,567,463	-
Gain on disposal of property and equipment		-	351,221
Miscellaneous income		158,099	-
		<u>44,277,738</u>	<u>7,404,214</u>

7.1 This represents net income from provision of services to China Power Hub Generation Company (Private) Limited (CPHGC), an associated undertaking, at Hub site in accordance with the terms of service agreement entered into between the Company and CPHGC on August 30, 2016.

	Note	2017 Rupees	2016 Rupees
8. TAXATION			
Current			
- For the year	8.1	<u>188,935,880</u>	<u>121,276,636</u>
8.1 Relationship between tax expense and accounting profit			
Accounting profit before tax		<u>336,421,861</u>	<u>218,876,480</u>
Tax rate		<u>31%</u>	<u>32%</u>
Tax on accounting profit		104,290,777	70,040,474
Additional tax due to minimum tax regime		84,645,103	51,236,162
		<u>188,935,880</u>	<u>121,276,636</u>

9. PROPERTY AND EQUIPMENT

	Note	Vehicles -----Rupees-----	Equipment -----Rupees-----	Total
Cost				
As at July 1, 2015		-	-	-
Additions / transfers during the year		33,079,206	54,860	33,134,066
Disposal		(5,484,643)	-	(5,484,643)
As at June 30, 2016		27,594,563	54,860	27,649,423
Additions / transfers during the year	18.1	31,668,862	1,282,362	32,951,224
Disposal		(7,187,432)	(34,722)	(7,222,154)
As at June 30, 2017		52,075,993	1,302,500	53,378,493
Accumulated depreciation				
As at July 1, 2015		-	-	-
Charge for the year		(8,030,077)	(23,773)	(8,053,850)
Disposal		978,744	-	978,744
As at June 30, 2016		(7,051,333)	(23,773)	(7,075,106)
Charge for the year		(11,477,134)	(264,731)	(11,741,865)
Disposal		3,517,507	1,389	3,518,896
As at June 30, 2017		(15,010,960)	(287,115)	(15,298,075)
Net book value as at June 30, 2017		<u>37,065,033</u>	<u>1,015,385</u>	<u>38,080,418</u>
Net book value as at June 30, 2016		<u>20,543,230</u>	<u>31,087</u>	<u>20,574,317</u>
Depreciation rate		<u>20 to 25%</u>	<u>20 to 50%</u>	

9.1 Depreciation charge has been allocated as follows:

	Note	2017 Rupees	2016 Rupees
Cost of services	5	9,242,423	7,410,674
General and administration expenses	6	2,499,442	643,176
		<u>11,741,865</u>	<u>8,053,850</u>

9.2 As at June 30, 2017, the Company does not hold any asset that is fully depreciated.

9.3 Disposal of property and equipment during the year.

Assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particular of buyers
-----Rupees-----						
Vehicle	188,500	188,500	-	87,949	Company Policy	Employee - Asim Rashid
Vehicle	581,700	452,433	129,267	129,267	Company Policy	Employee - M Uneeb
Vehicle	371,833	177,833	194,000	194,000	Company Policy	Employee - Islahuddin
Vehicle	330,400	165,200	165,200	165,200	Company Policy	Employee - Imran Khan
Vehicle	330,400	165,200	165,200	165,200	Company Policy	Employee - Mujeeb Ayubi
Vehicle	640,625	333,125	307,500	307,500	Company Policy	Employee - Amjad Ali
Vehicle	377,364	215,637	161,728	161,727	Company Policy	Employee - Shoaib Baqai
Vehicle	500,558	300,335	200,223	299,752	Company Policy	Employee - Talha Nizamani
Vehicle	536,672	328,928	207,744	202,000	Company Policy	Employee - Asim Hussain
Vehicle	526,608	52,661	473,947	473,947	Company Policy	Laraib Energy Limited
Vehicle	477,652	298,533	179,119	175,699	Company Policy	Employee - Yasir Mazhar
Vehicle	813,785	262,067	551,718	538,395	Company Policy	Employee - Farrukh Ali Khan
Vehicle	1,511,335	577,055	934,280	449,507	Company Policy	Employee - Wasif Sadi
Mobile	34,722	1,389	33,333	33,333	Company Policy	Ex-Employee - Kaleem Khan
Total - June 30, 2017	7,222,154	3,518,896	3,703,258	3,383,475		
Total - June 30, 2016	5,484,643	978,744	4,505,899	4,857,120		

	Note	2017 Rupees	2016 Rupees
10. TRADE DEBTS - unsecured			
Considered good			
The Hub Power Company Limited, holding company		-	63,437,289
Narowal Energy Limited, associated undertaking		7,869,215	-
	10.1	<u>7,869,215</u>	<u>63,437,289</u>

10.1 This represents amount receivable against services rendered under the Operation and Maintenance Agreements.

10.2 As at June 30, 2017, there are no past due or impaired trade debts.

	Note	2017 Rupees	2016 Rupees
11. LOANS AND ADVANCES			
Considered good			
Loan to staff - Executives		3,232,745	3,580,876
Advances			
Staff - Executives		1,071,098	322,910
Suppliers		5,081,704	4,450,098
		<u>6,152,802</u>	<u>4,773,008</u>
		<u>9,385,547</u>	<u>8,353,884</u>

12. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments		16,995,640	20,164,850
Other receivables - considered good			
Staff retirement benefit	15.3	-	8,685,000
Interest accrued		369,257	185,442
Receivable from associated undertaking	12.1	3,039,470	-
Others		1,434,648	573,975
		<u>4,843,375</u>	<u>9,444,417</u>
		<u>21,839,015</u>	<u>29,609,267</u>

12.1 This represents shared services fee receivable from China Power Hub Generation Company (Private) Limited (CPHGC).

	Note	2017 Rupees	2016 Rupees
13. CASH AND BANK BALANCES			
Cash at bank			
Savings account		64,007,309	46,968,183
Term deposit account		150,000,000	222,000,000
	13.1	214,007,309	268,968,183
Cash in hand		504,643	700,000
		<u>214,511,952</u>	<u>269,668,183</u>

13.1 Savings and deposit accounts carry mark-up rates from 3.75% to 5.40% (2016: 3.75% to 5.58%) per annum.

	Note	2017 Rupees	2016 Rupees
14. AUTHORIZED, ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Authorized share capital			
200,000 ordinary shares of Rs.10/- each		<u>2,000,000</u>	<u>2,000,000</u>
Issued, subscribed and paid-up capital			
10,000 ordinary shares of Rs.10/- each fully paid in cash		<u>100,000</u>	<u>100,000</u>

15. TRADE AND OTHER PAYABLES

Trade creditors		13,065,177	23,770,702
Accrued liabilities		192,820,157	127,745,346
Other payables			
Payable to the Holding Company	15.1	39,608,297	86,667,070
Payable to Laraib Energy Limited (LEL)	15.2	794,339	-
Withholding tax payable		1,766,075	10,336,396
Provincial sales tax payable		29,884,391	25,908,786
Staff retirement benefit - Provident fund		6,119,458	6,196,647
Staff retirement benefit - Pension fund		2,338,630	1,812,679
Staff retirement benefit - Gratuity fund	15.3	7,073,000	-
Miscellaneous		168,318	121,081
		87,752,508	131,042,659
		<u>293,637,842</u>	<u>282,558,707</u>

15.1 This represents payable to the holding company against expenses paid on behalf of the Company.

15.2 This represents payable to Laraib Energy Limited (LEL), an associated undertaking, against transfer of assets.

	2017 Rupees	2016 Rupees
15.3 Staff retirement benefit - staff gratuity	<u>7,073,000</u>	<u>(8,685,000)</u>

Actuarial valuation was carried out as on June 30, 2017. The present value of defined benefit obligation has been calculated using the Projected Unit Credit method.

	Note	2017 Rupees	2016 Rupees
Reconciliation of the net liability / (asset) recognized in the balance sheet			
Present value of defined benefit obligation		255,530,000	205,277,000
Fair value of plan assets		<u>(248,457,000)</u>	<u>(213,962,000)</u>
Net liability / (asset) recognized in the balance sheet		<u>7,073,000</u>	<u>(8,685,000)</u>
Reconciliation of the movement during the year in the net (asset) / liability recognized in the balance sheet			
Opening net (asset) / liability		(8,685,000)	-
Expense recognized		23,416,000	19,697,000
Remeasurement loss recognized in Other Comprehensive Income (OCI)		1,172,000	(7,266,000)
Contributions to the fund made during the year		<u>(8,830,000)</u>	<u>(21,116,000)</u>
Closing net liability / (asset)		<u>7,073,000</u>	<u>(8,685,000)</u>
Expense recognized			
Current service cost		24,024,000	19,701,000
Net Interest income		<u>(608,000)</u>	<u>(4,000)</u>
Expense recognized		<u>23,416,000</u>	<u>19,697,000</u>
Remeasurements recognized in OCI during the year			
Remeasurement loss / (gain) on obligation		9,666,000	(6,024,000)
Remeasurement gain on plan assets		<u>(8,494,000)</u>	<u>(1,242,000)</u>
		<u>1,172,000</u>	<u>(7,266,000)</u>
Movement in the present value of defined benefit obligation			
Present value of defined benefit obligation at the beginning of the year		205,277,000	-
Liability transferred from ex-operator of Hub plant to gratuity fund		-	180,074,000
Liability transferred from HUBCO gratuity fund to gratuity fund	18.1	25,665,000	-
Current service cost		24,024,000	19,701,000
Interest cost on defined benefits obligation		15,035,000	15,707,000
Benefits paid to outgoing members		<u>(24,137,000)</u>	<u>(4,181,000)</u>
Remeasurements		9,666,000	(6,024,000)
Present value of defined benefits obligation at the end of the year		<u>255,530,000</u>	<u>205,277,000</u>
Movement in the fair value of plan assets			
Fair value of plan assets at the beginning of the year		213,962,000	-
Interest income on plan assets		15,643,000	15,711,000
Net amount transferred by employer to the fund		8,830,000	21,116,000
Amount transferred from ex-operator of hub plant to gratuity fund		-	180,074,000
Amount transferred from HUBCO gratuity fund to gratuity fund	18.1	25,665,000	-
Benefits paid during the year		<u>(24,137,000)</u>	<u>(4,181,000)</u>
Remeasurements		8,494,000	1,242,000
Fair value of plan assets at the end of the year		<u>248,457,000</u>	<u>213,962,000</u>
Actual return on plan assets		<u>24,137,000</u>	<u>16,953,000</u>
Contribution expected to be paid to the fund during the next year		<u>31,915,000</u>	<u>24,024,000</u>

	2017 Rupees	2016 Rupees
Breakup of plan assets:		
Cash and cash equivalents	50,235,000	37,704,000
Mutual funds	70,578,000	44,200,000
Market treasury bills	127,644,000	132,058,000
	<u>248,457,000</u>	<u>213,962,000</u>

	2017	2016
Significant actuarial assumptions used in the actuarial valuation were as follows:		
- Valuation discount rate per annum	7.75%	7.25%
- Expected return on plan assets per annum	7.75%	7.25%
- Expected rate of increase in salary level per annum	7.75%	7.25%
- Mortality rates	SLIC 2001-05	SLIC 2001-05

Expected maturity analysis of undiscounted retirement benefit plans:

	Less than 1 year	Between 1 - 2 years	Between 3 - 5 years	Over 5 years	Total
	-----Rupees-----				
Retirement benefit plan	<u>16,700,000</u>	<u>20,101,000</u>	<u>92,934,000</u>	<u>197,538,000</u>	<u>327,273,000</u>

Sensitivity analysis on significant actuarial assumptions - Impact on defined benefit obligation

	2017 Rupees	2016 Rupees
- Discount rate +1%		
- Discount rate -1%	12,105,000	16,701,000
- Long Term Salary Increases +1%	(13,226,000)	(19,253,000)
- Long Term Salary Increases -1%	(12,795,000)	(18,542,000)
	11,853,000	16,406,000

16. COMMITMENTS AND CONTINGENCIES

16.1 Commitments in respect of revenue expenditure is Rs. 0.7 million (2016: Rs. 2.55 million) and for capital expenditure is Rs. 12.6 million (2016: nil) against which Rs. 4 million has been paid as advance.

16.2 Commitments in respect of Ijarah financing arrangement with financial institution:

	2017 Rupees	2016 Rupees
Not later than one year	6,361,732	6,361,732
Later than one year and not later than five years	1,590,433	7,952,165
Later than five years	-	-

16.3 Pursuant to the terms of O&M agreements with the holding company and an associate, the Company is required to comply with certain performance conditions and if the Company fails to comply with aforesaid terms, the Company will share the loss in proportion to the terms of agreements.

17. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts incurred during the year for remuneration, including all benefits to the chief executive, directors and executives of the company were as follows:

	Note	2017 Rupees	2016 Rupees
Chief Executive			
Managerial remuneration		18,245,073	-
Utilities		51,682	-
Other benefits		226,398	-
	17.1	18,523,153	-
Directors' fee	17.1 & 18.4	250,000	250,000
Executives			
Managerial remuneration		332,857,460	217,083,127
Bonus		135,187,310	74,973,097
House rent		148,897,287	125,555,141
Utilities		33,066,373	28,233,952
Retirement benefits		84,883,970	60,206,574
Other benefits		311,335,918	122,915,055
	17.2 & 17.3	1,046,228,318	628,966,946
Total		1,065,001,471	629,216,946

Number of persons

Chief Executive	1	-
Directors	3	2
Executives	285	181
	17.4	289
		183

17.1 During the year, the holding company has allocated cost of Rs. 8.8 million (2016: Rs. 6.6 million) and Rs. 17.7 million (2016: Rs. 2.3 million) in relation to the remuneration of Chief Executive and Executive Directors respectively; these figures are not included in the above amounts.

17.2 The holding company has also allocated Rs. 75.9 million (2016: Rs. 34.1 million) in relation to executives of the holding company; these figures are not included in the above amounts.

17.3 Certain executives are provided with the use of the Company maintained vehicles and certain other benefits.

17.4 The number of persons do not include those who resigned during the year but remuneration paid to them is included in the above amounts.

18. RELATED PARTY TRANSACTIONS

Related party comprises of the holding company, associated companies, companies where directors also hold directorship, retirement benefits funds and key management personnel. Significant transactions with the related parties other than those which have been disclosed elsewhere in these financial statements are as follows:

	2017 Rupees	2016 Rupees
Holding Company		
Services rendered	2,154,252,076	1,487,745,982
Allocation of expenditure	138,399,439	132,183,758
Advances received	34,000,000	281,379,173
Advance repaid / adjusted	54,000,000	261,379,173
Dividend paid to holding company	250,000,000	-
Payment against reimbursement of expenses	9,879,028	-

	Note	2017 Rupees	2016 Rupees
Transfer of assets	18.1	12,231,772	-
Transfer of liabilities	18.1	3,267,415	-
Associated undertakings			
Services rendered to CPHGC	18.2	46,107,969	-
Services rendered to NEL		108,560,273	-
Reimbursement of expenditure by NEL		1,909,969	-
Reimbursable expenditure incurred on behalf of Thar Energy Limited		2,587,500	-
Transfer of assets from LEL - net		794,339	-
Other related parties			
Proceeds from disposal of an asset to key management personnel		129,267	-
Contribution to staff retirement benefit funds		80,287,829	62,893,345
Remuneration to key management personnel			
Salaries, benefits and other allowances		170,702,671	51,511,827
Retirements benefits		9,376,515	6,176,787
	17.1 & 18.3	180,079,186	57,688,614
Directors' fee	18.4	250,000	250,000

18.1 During the year, certain employees have been transferred from the holding company. Pursuant to such transfer, certain assets and liabilities have also been transferred to the Company from the holding company.

18.2 This represents gross income from provision of services rendered to CPHGC, an associate, at Hub site in accordance with the terms of service agreement entered into between the Company and CPHGC on August 30, 2016.

18.3 Transactions with key management personnel are carried out under the terms of their employment. Key management personnel are also provided with the use of the Company maintained vehicles and certain other benefits.

18.4 This represents fee paid to two directors for attending meetings.

19. PROVIDENT FUND TRUST

The following information is based on latest un-audited and audited financial statements of the provident fund established by the Company:

	2017 Rupees (Un-audited)	2016 Rupees (Audited)
Size of the fund	334,594,324	489,612,820
Cost of investments made	253,772,000	457,610,392
Percentage of investments made (based on cost)	75.84%	93.46%
Fair value of investments made	308,455,914	459,550,189
Break-up of fair value of investments		
Mutual funds	41,934,217	31,939,796
Bank balances	41,043,939	427,610,393
Government securities	225,477,758	-
	308,455,914	459,550,189

19.1 Contribution to defined contribution plan of members, who consented, was transferred to UBL Fund Managers Ltd. and

/ or Al-Meezan Investment Management Ltd., the voluntary pension system (VPS) with effect from September 2016, as allowed under clause (aa) of sub-rule (1) of Rule 103 of the Income Tax Rules 2002. The above mentioned amount does not include such contributions.

- 19.2 Investments out of provident fund have been made in accordance with the provisions of the Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2017 Rupees	2016 Rupees
20. FINANCIAL INSTRUMENTS BY CATEGORY		
The accounting policies for financial instruments have been applied to line items below:		
Financial assets as per balance sheet		
Loans and receivables		
Long term deposits	2,291,375	1,881,375
Trade debts	7,869,215	63,437,289
Loans and advances	4,303,843	3,903,786
Other receivables	4,843,374	759,417
Cash and bank balances	214,511,952	269,668,183
	<u>233,819,760</u>	<u>344,100,148</u>
Financial liabilities as per balance sheet		
At amortized cost		
Trade and other payables	246,456,288	238,304,199

21. FINANCIAL RISK MANAGEMENT

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 the potential adverse effects of financial market on the Company's performance are as follows:

21.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. 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 economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk of the Company arises principally from balances with banks and trade debts. The credit risk on balances with banks is limited because the counter parties are banks with good credit ratings.

The maximum exposure to credit risk at the reporting date is as follows:

	2017 Rupees	2016 Rupees
Long term deposits	2,291,375	1,881,375
Trade debts	7,869,215	63,437,289
Loans and advances	4,303,843	3,903,786
Other receivables	4,843,374	759,417
Bank balances	214,007,309	268,968,183
	<u>233,315,117</u>	<u>343,400,148</u>

The credit quality of bank balances can be assessed with reference to external credit ratings as follows:

Name of Bank	Rating	Ratings	
		Short-term	Long-term
National Bank of Pakistan	PACRA	A1+	AAA
Habib Bank Limited	JCR-VIS	A1+	AAA

21.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices. Market risk comprises three types of risks: currency risk, interest / mark-up rate risk and other price risk. The Company is not materially exposed to currency risk and other price risk whereas the exposure to interest rate risk is given below:

21.2.1 Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company while dealing in financial instruments negotiates attractive interest rates, which reduces the interest rate price risk.

The Company doesn't hold any financial instruments with fixed and variable interest rates except for bank balances which is subject to fixed interest rate. The Company does not account for any fixed rate financial assets and liabilities at fair value through the profit and loss account. Therefore, a change in interest rate at the reporting date would not affect the profit and loss account.

21.3 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 encounters difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages liquidity risk by maintaining sufficient cash / bank balance.

The table below summarizes the maturity profile of the Company's financial liabilities.

Carrying amount	Contractual cash flows	Up to one year	After one year	
				Rupees
Trade and other payables	246,456,288	246,456,288	246,456,288	-

21.4 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.

22. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

23. NUMBER OF EMPLOYEES

The total number of employees as at June 30, 2017 are 344 (2016: 286) and average number of employees during the year were 326 (2016: 264).

24. RECLASSIFICATION

Certain prior year figures have been re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison. However, there are no material reclassifications to report.

25. DATE OF AUTHORISATION

These financial statements were authorized for issue on August 08, 2017 in accordance with the resolution of the Board of Directors.



Tahir Jawaid
Chief Executive

DYA



Abdul Nasir
Director