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Altern Energy Limited

Annual Report 2018

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Taimur Dawood	(Chairman)
Mr. Fazal Hussain Asim	(Chief Executive)
Mr. Farooq Nazir	
Mr. Shah Muhammad Chaudhry	
Mr. Faisal Dawood	
Mr. Khalid Salman Khan	
Syed Rizwan Ali Shah	(Independent Director)

AUDIT COMMITTEE

Mr. Farooq Nazir	(Chairman)
Mr. Shah Muhammad Chaudhry	
Syed Rizwan Ali Shah	(Independent Director)

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Farooq Nazir	(Chairman)
Mr. Fazal Hussain Asim	
Mr. Shah Muhammad Chaudhry	

CFO AND COMPANY SECRETARY

Mr. Umer Shehzad

HEAD INTERNAL AUDIT

Mr. Shafique Ur Rahman Bhatti

EXTERNAL AUDITORS

A.F. Ferguson & Co. Chartered Accountants

INTERNAL AUDITORS

Horwath Hussain Chaudhury & Co. Chartered Accountants

BANKERS

MCB Bank Limited
The Bank of Punjab
Habib Bank Limited
Habib Metropolitan Bank Limited

REGISTERED OFFICE

DESCON HEADQUARTERS
18-km Ferozpur Road, Lahore.

REGISTRAR SHARES

Corplink (Pvt.) Limited
Wings Arcade, 1-k Commercial Model Town, Lahore.
Tel: (92-42) 35839182 Fax: (92-42) 35869037

VISION STATEMENT

To become a partner in the growth of economy by providing affordable electricity.

MISSION STATEMENT

The Mission of Altern Energy Limited is to assume leading role in the power industry by;

- ***Ensuring long term growth of the company through competitive and creative strategy,***
- ***Achieving the highest level of indigenization,***
- ***Preserving environmentally friendly outlook,***
- ***Creating an efficient and effective workforce,***
- ***Conducting Business as a good corporate citizen,***
- ***Developing strong long term relations with industry partners.***

CHAIRMAN'S REVIEW

I am pleased to present to you financial results of the Company for the year ended June 30, 2018.

Energy sector is one of the most critical sectors for growth of any country particularly for a developing country like Pakistan where un-interrupted and affordable energy is basically the lifeline for economic viability and sustainability. Despite the fact that there has been a significant addition of generation capacity in the power sector resulting in reduction of shortfall in supply of electricity, yet most of the power inducted into the system is generated from imported fuel adding to the current account deficit and increase in cost of generation. The GDP of Pakistan has been adversely affected due to in-efficient energy mix and high cost of production of electricity leading to un-competitiveness of Pakistani products in international markets. With declining domestic production of oil and gas and increasingly heavy dependence on imported fuel, the Country is now facing an unfavourable position in international business market as compared to its competitors.

Your Board is fully aware of its role and responsibility to contribute towards rehabilitation of the power sector which will ultimately benefit the country in the longer run. Our active role in the power sector is evident from investment in another Independent Power Producer namely Rousch (Pakistan) Power Limited; a 450 Mega Watts gas- fired combined cycle thermal power plant.

Although, both companies, Altern and Rousch have faced challenges in recent past in terms of gas availability and impact of circular debt issue of the off-taker i.e. Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), yet we have been able to manage the operations with dedication and perseverance in these challenging times. As a result of persistent shortfall in gas resources, the Board of Directors authorized management to avail Re-gasified Liquid Natural Gas (RLNG) to produce electricity in place of indigenous gas. During the period under review, the Parent Company, Altern, entered into negotiations for signing interim tri-partite Gas Supply Agreement (GSA) with SNGPL and CPPA-G to avail RLNG for producing electricity, whereas Rousch signed an interim GSA with SNGPL and CPPA-G which expired on June 30, 2018. CPPA-G has recommended to the Ministry of Energy for seeking extension of interim GSA from the Economic Coordination Committee of Cabinet which is in process.

In view of the rising RLNG prices from last year, Altern has faced dispatch challenges resulting in severe loss of capacity revenue. Despite challenges of liquidity on account of circular debt issue facing energy sector, low-demand from NPCC in the past few months, and suspension of gas at occasions, the Company has managed to maintain its focus on reliable plant operations by executing routine and major maintenance activities of the Complex.

I would conclude by placing my appreciation to my team of Directors who have contributed immensely by leading management to achieve the Goals in line with Company's vision and mission. I would further extend my appreciation to Company's management for their perseverance and commitment amid challenges being faced by the Company. I also acknowledge the support of our valued Shareholders for their trust in the abilities of the Board and management to deliver results.

For and on behalf the Board

Taimur Dawood
Chairman

Lahore
September 26, 2018

چیئرمین کا جائزہ

میں 30 جون 2018 کو ختم ہونے والے سال کے لئے کمپنی کے مالی نتائج پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔

پاکستان جیسے ترقی پذیر کسی ملک کے لئے توانائی کا شعبہ بہت ہی اہم شعبوں میں سے ایک ہے جہاں بلاتعطل اور سستی بجلی اقتصادی استحکام اور پائیداری کے لئے ایک بنیادی لائف لائن ہے۔ باوجود اس حقیقت کے کہ پاور سیکٹر میں جنریشن کی صلاحیت میں نمایاں اضافہ کیا گیا جس کے نتیجے بجلی کی فراہمی میں شارٹ فال کی کمی ہوئی ہے، اب بھی نظام میں اکثر بجلی پیدا کرنے والے یونٹ برآمدہ ایندھن سے بجلی پیدا کر کے کرنٹ اکاؤنٹ خسارہ اور جنریشن کی لاگت میں اضافہ کر رہے ہیں۔ پاکستان کا جی ڈی پی غیر مؤثر انرجی مکس کے نتیجے بجلی کی پیداوار کی اعلیٰ لاگت کی وجہ سے بُری طرح متاثر ہوا ہے جس کے باعث پاکستانی مصنوعات بین الاقوامی مارکیٹوں کا مقابلہ نہیں کر سکتی ہیں۔ تیل اور گیس کی مقامی پیداوار میں کمی اور درآمد شدہ تیل پر بہت زیادہ انحصار کے ساتھ، ملک اب اپنے حریفوں کے مقابلے بین الاقوامی بزنس مارکیٹ میں بہت ہی غیر موزوں مقام پر کھڑا ہے۔

آپ کا بورڈ توانائی کے شعبے کی بحالی میں حصہ لینے کے لئے اپنے کردار اور ذمہ داری سے مکمل طور پر واقف ہے جو بالآخر طویل عرصہ تک ملک کو فائدہ پہنچائے گا۔ بجلی کے شعبے میں ہمارا فعال کردار ایک اور پاور پروڈیوسر 450 میگاواٹ گیس فائرڈ کمبائنڈ سائیکل تھرمل پاور پلانٹ Rousch؛ میں سرمایہ کاری سے ظاہر ہوتا ہے۔

اگرچہ، آلٹرن اور Rousch دونوں کمپنیوں نے ماضی قریب میں گیس کی دستیابی اور آف ٹیکر یعنی سنٹرل پاور پرچیزنگ ایجنسی گارنٹی لمیٹڈ (CPPA-G) کے گردشی قرضہ کے مسئلہ کے اثرات کے لحاظ سے مشکلات کا سامنا کیا ہے، ابھی تک ہم لگن اور ہمت کے ساتھ آپریشنز کا انتظام کرنے میں کامیاب رہے ہیں۔ گیس کے وسائل میں مستقل کمی کے سلسلے میں، بورڈ آف ڈائریکٹرز نے انتظامیہ کو مقامی گیس کی جگہ بجلی پیدا کرنے کے لئے ری گیسیفائیڈ لیکویڈ نیچرل گیس (RLNG) سے مستفید ہونے کا اختیار دیا ہے۔ زیر جائزہ مدت کے دوران، پیرنٹ کمپنی، آلٹرن، بجلی پیدا کرنے کے لئے RLNG سے مستفید ہونے کے لئے SNGPL اور CPPA-G کے ساتھ عبوری تھرڈ پارٹی گیس سپلائی معاہدہ (جی ایس اے) پر دستخط کرنے کے لئے مذاکرات کر رہی ہے، جبکہ Rousch پہلے ہی عبوری جی ایس اے دستخط کر چکی ہے اور متعلقہ حکام کے ساتھ طویل مدتی GSA کے لئے مذاکرات کر رہی ہے۔

گزشتہ سال سے آر ایل این جی کی قیمتوں میں اضافہ کے مدنظر، آلٹرن کو ترسیل کے چیلنجز کا سامنا کرنا پڑا جس کے نتیجے میں کپیسٹی ریونیو کا شدید نقصان ہوا۔ توانائی کے شعبے کو درپیش گردشی قرضہ جاری کرنے کی مد میں لیکویڈیٹی، گزشتہ چند مہینوں میں NPCC سے کم طلب، اور کئی مواقعوں پر گیس کی معطلی کے چیلنجوں کے باوجود، کمپنی نے کمپلیکس کی معمول کی اور اہم دیکھ بھال کی سرگرمیاں انجام دے کر قابل اعتماد پلانٹ آپریشنز پر اپنی توجہ برقرار رکھی ہے۔

میں کمپنی کے بورڈ آف ڈائریکٹرز کا شکرگزار ہوں جنہوں نے کمپنی کے مشن کے اہداف کو حاصل کرنے میں انتظامیہ کی مدد کی ہے۔ بجلی کے شعبے کو پیش آنے والے چیلنجوں سے نمٹنے کے لئے کمپنی کی انتظامیہ کی لگن اور ہمت کو بھی سراہوں گا۔ میں نتائج کے حصول کے لئے بورڈ اور انتظامیہ کی صلاحیتوں پر ان کے اعتماد کے لئے اپنے قابلِ قدر حصص یافتگان کے تعاون کا بھی شکرگزار ہوں۔

تیمور داؤد
چیئرمین
26 ستمبر 2018ء
لاہور

DIRECTOR'S REPORT

The Directors of your Company are pleased to present the annual report together with the audited financial statements of the Company for the financial year ended June 30, 2018.

GENERAL

The principal activities of the Company continue to be ownership, operation and maintenance of a 32 Mega Watts gas based thermal power plant located near Fateh Jang, district Attock, Punjab, and sale of electricity produced to its sole customer Central Power Purchasing Agency (Guarantee) Limited ('CPPA-G'). The Company's shares are listed on Pakistan Stock Exchange.

The Company owns 100% shares of Power Management Company (Private) Limited (a special purpose vehicle) which in turn holds 59.98% shares of Rousch (Pakistan) Power Limited ('RPPL'). RPPL is an unlisted public company and an independent power producer having a gross ISO capacity of 450 Mega Watts from its gas-fired combined cycle thermal power plant, located near Sidhnai Barrage, Abdul Hakeem, District Khanewal, Punjab.

FINANCE

The Company has a Power Purchase Agreement ('PPA') with its sole customer, CPPA-G for thirty years which commenced from June 06, 2001.

The Company's Gas Supply Agreement ('GSA') with Sui Northern Gas Pipelines Limited ('SNGPL') expired on June 30, 2013. Thereafter, the Company has signed a supplemental deed dated March 17, 2014 with SNGPL, whereby SNGPL has agreed to supply gas to the Company on as-and-when available basis till the expiry of PPA on June 06, 2031. The Ministry of Petroleum and Natural Resources empowered by the Economic Coordination Committee ('ECC') of the Federal Cabinet, issued an allocation of 6 MMCFD of RLNG to the Company on April 28, 2017 and advised the Company and SNGPL to negotiate a new GSA. Currently, the Company, SNGPL and CPPA-G are in the process of execution of an interim GSA for supply of RLNG. Under the interim GSA, RLNG will be supplied on as-and-when-available basis till the execution of a long term GSA between the parties.

During the year under review, the Company's turnover was Rs. 1,621 million (2016-17: Rs. 1,625 million) and operating costs were Rs. 1,558 million (2016-17: Rs. 1,387 million), resulting in gross profit of Rs. 63 million as against gross profit of Rs. 238 million of last year. The Company reported net profit of Rs. 1,453 million showing earnings per share (EPS) of Rs. 4.00 as compared to corresponding year's net profit of Rs. 1,633 million and earnings per share (EPS) of Rs. 4.49. The current year's net profit includes dividend from the subsidiary company amounting to Rs. 1,454 million.

Circular debt has been a consistent problem for power sector as well as your Company for the last few years. Main reasons behind increasing circular debt are T&D losses, expensive fuel mix, low recovery by DISCOs and delay in tariff determination of DISCOS by NEPRA. We foresee circular debt to remain a huge challenge for the Government in near future unless drastic measures are taken to mitigate the core issues mentioned above. Despite the delayed inflows from CPPA-G, the Company has been able to manage the cashflows to meet all its operational obligations.

We expect that both Altern Energy Limited and its subsidiary Rousch (Pakistan) Power Limited will continue making efforts to achieve highest levels of operational efficiency and performance in future. Your Company's consolidated earnings attributable to the equity holders of Altern Energy Limited for the year under review were Rs. 1,995 million resulting in EPS of Rs. 5.49 per share, as compared to consolidated earnings of Rs. 1,783 million and EPS of Rs. 4.91 in the year ended June 30, 2017.

DIVIDEND DISTRIBUTION

On October 24, 2017, the Board of Directors declared and subsequently distributed interim dividend @ 40% (Rs. 4 per ordinary share) to the shareholders of the Company.

OPERATIONS

The Company, since shifting of operations on RLNG from indigenous gas in October 2017, has been receiving constant supply of RLNG except for winter months when occasionally RLNG supply was curtailed on account of increased domestic demand. Simultaneously significant generation capacity has been added to the national grid system during last couple of years and the new plants being economical due to better efficiency, rank above Altern's plant in CPPA's economic despatch merit order. Resultantly, the plant has witnessed serious shortfall in dispatch demand from NPCC since November 2017. Due to these factors, the Company lost approx. 88 days of operations leading to substantial loss of capacity revenue (Rs. 138 million). Despite these challenges, the management has been working tirelessly to keep the Company operational and during the year under view, the Company successfully dispatched 145 GWh (2016-17: 188 GWh) to CPPA-G.

During the year, engines reaching 52,000 operating hours were overhauled including replacement of cylinder heads parts, replacement of main bearings and vibration dampers on 1 engine and related maintenance of power assemblies. All other scheduled and preventive maintenance activities were carried out in accordance with the Original Equipment Manufacturer (OEM) recommendations. We are confident that all the engines and their auxiliary equipment are in sound mechanical condition for smooth and reliable operations.

SUBSIDIARY'S REVIEW

During the year, your Company's subsidiary Rousch (Pakistan) Power Limited ('RPPL') has operated smoothly and has posted profit of Rs. 3,596 million (giving earnings per share of Rs. 4.17) as compared to Rs. 2,854 million (earning per share of Rs. 3.31) earned during the corresponding period of the last year. Profit for the year was impacted due to Other Force Majeure Event (OFME) of 37 days due to gas curtailment (26 days in 2017).

CPPA-G had raised invoices for liquidated damages ('LDs') to the Company for the operating year starting from December 11, 2012 to December 10, 2013 (after taking into account forced outage allowance stipulated under the terms of PPA) on account of short supply of electricity by the Company, which was due to cash flow constraints of the Company as a result of default by CPPA-G in making timely payments. Estimated amount of liquidated damages is not expected to exceed Rs 1,588 million, based on the best estimate of the management of the Company and invoices raised by CPPA-G.

The Company disputes and rejects the claim on account of LDs on the premise that its failure to dispatch electricity was due to CPPA-G's non-payment of dues on timely basis to the Company and consequential inability of the Company to make timely payments to its gas supplier that resulted in inadequate level of electricity production owing to curtailment / suspension of gas supply. In this regard, the Company initiated the expert adjudication under the dispute resolution procedures specified in the PPA. The case was decided by the expert in the Company's favour in August 2014. Decision of the expert is however not legally binding on any party. The Off-taker, through its letter dated August 2, 2016, communicated to the Company that it will challenge the decision of the expert in arbitration proceedings. During the last year, CPPA-G gave the proposal for settlement of LDs dispute. Terms of settlement are to be signed in a proposed Settlement Agreement.

Under the Settlement Agreement, the period of non-performance due to unavailability of gas shall be treated as Other Force Majeure Event ('OFME') by the CPPA-G. As a result, the Company will not be entitled to any capacity payment for this period from CPPA-G and CPPA-G will not levy any LDs on the Company. By declaration of OFME, the PPA of the Company will be extended by the OFME period.

Settlement Agreement has been agreed by the respective Boards of directors of CPPA-G and the Company and is pending approval of the ECC. Once it is approved, the Company will refund the capacity payments already received which pertain to 2013 LDs period. The event will be treated as OFME and PPA will be extended by 86 days.

Similarly, in January 2017, SNGPL suspended the gas supplies for a period of 26 days, as a result CPPA-G levied LDs amounting to Rs. 731 million. The Company disputed this amount on the premise that it has already issued an OFME notice to CPPA-G in January-17 for a period of 26 days. The same period is also contemplated as OFME in the proposed Settlement Agreement. Due to declaration of OFME, the company did not claim CPP from CPPA-G for the period of gas curtailment.

Settlement Agreement has been agreed by the respective Boards of CPPA-G and the Company in relation to their dispute of 2013 involving an amount of Rs 1,588 million. The Power Division of the ministry of Energy is in the process of obtaining approval of the Settlement Agreement from the Economic Advisory Council (ECC) of the Federal Cabinet. Once it is approved, the company will refund the capacity payments already received which pertain to 2013 LDs period. The event will be treated as OFME and PPA will be extended for 86 days.

Based on the above grounds, no provision for LDs has been recognised in these financial statements as the management expects that this matter will be resolved through settlement with CPPA-G. The external auditors have also given an emphasis of matter para on the above issue in their report to the members to draw attention of the members. However, their opinion is not modified in this respect.

The Ministry of Petroleum and Natural Resources, empowered for RLNG allocation by the Economic Co-ordination Committee (ECC), issued an allocation of 85 MMSCFD of RLNG to the Company on firm basis on September 23, 2015 and advised the Company and SNGPL to negotiate a long term GSA on firm basis. While negotiations for the long term GSA are still in process, ECC of the Cabinet approved interim GSA for supply of RLNG to the Company upto 30 June 2018 or signing of a long-term GSA, whichever is earlier. The interim GSA was executed with CPPA-G and SNGPL in June 2017 which was effective from June 01, 2017. The interim agreement expired on 30 June 2018. The Ministry of Energy with the consultation of Petroleum Division agreed to extend the interim agreement till formal approval of ECC is obtained. After the approval of ECC, the agreement will be extended till the time a long term GSA is executed with SNGPL. Under the interim GSA, RLNG will be supplied on 'as available' basis, however, the non-supply of RLNG will be treated as Other Force Majeure under the PPA.

The issue of overdue receivables from CPPA-G which is pending since long, continued to hurt the liquidity position of the Company during the year. At the end of the year, out of the total receivable of Rs 12,817 million, Rs. 11,310 million were overdue. The Company during the year under review has repaid its debt obligation amounting to Rs. 2,876 million due in September-17, December-17, March-18 and June-18 to the lenders.

FUTURE OUTLOOK

The power sector in Pakistan is undergoing a transition phase whereby the GoP as well as private sector has invested significantly in the last few years to overcome the energy crisis which has adversely affected the socio-economic progress of the country. The GoP has been particularly been active on completion of RLNG-based projects in the Punjab, multiple hydel projects in KPK / AJK and Coal-based projects in Sindh. RLNG-based power projects in the Punjab have become operational whereas most of other power projects are expected to come online in next 2-3 years which will positively affect demand-supply deficit. However, other crucial challenge for the GoP is to upgrade the existing transmission and distribution system which is currently not upto the required standard to handle the additional power generation and distribution.

QUALITY, ENVIRONMENT, HEALTH & SAFETY

QEHS is the Company's first and foremost priority. During the year under review, your company continued to maintain satisfactory level of performance in Quality, Environment, and Health & Safety at the power plant. Company has adopted OSHA, NFPA & ISO guidelines to ensure safety of people and equipment deployed at plant site. Company has a proactive approach to achieve zero LTI (Lost Time Incident) by monitoring Leading/Lagging indicators and plant site got certified by SGS for Integrated Management System, IMS (ISO 9001, ISO 14001 & OHSAS 18001) standards. Furthermore, as far as environment protection is concerned, the Company is monitoring and complying with Punjab Environmental Quality Standard (PEQs) pertaining to air emissions and water effluents.

As of 30th June 2018, the QEHS statistics are as follows:

Hours Since Last LTI	361315
Days Since Last LTI	829
Restricted Work Incidents	0
Medical Treatment	1
First Aid Cases	0
Near Miss incidents	09
Incidents / Property Loss Cases	0
Good Catches	46
Emergency Response Plan Drills	03
Housekeeping Day	08
QEHS Trainings (Internal)	47
QEHS Trainings(External)	4
IMS Internal Audits	2

CORPORATE GOVERNANCE

The Company's Directors and management are fully cognizant of their responsibility as required by provisions of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2017 as incorporated in listing regulations of Pakistan Stock Exchange as updated from time to time. The Board reviewed Company's strategic direction, annual corporate plans and targets, and borrowing strategy. The Board has adopted best practices of Corporate Governance by ensuring a strong sense of business principles and high standards for compliance in conduct of business.

Composition of the Board of Directors

The Board consists of seven (7) Directors including the Chief Executive Officer, effectively representing the interest of the Shareholders. There is (1) one independent Director, five (5) non-executive Directors and one Executive Director (being the CEO), serving on the Board.

Meetings of the Board

The Board is legally required to meet at least once every quarter to monitor the Company's performance aimed at effective and timely accountability of its management. The decisions made by the Board during the meetings were minuted and were duly circulated to all the Directors with in the timeline as determined by the Listed Companies (Code of Corporate Governance) Regulations, 2017 for endorsement and were approved in the following Board meetings. All meetings of the Board were held in compliance with required quorum attendance prescribed by the Listed Companies (Code of Corporate Governance) Regulations, 2017 The Chief Financial Officer & Company Secretary also attended all the Board meetings.

During the year, seven (05) Meetings of the Board of Directors were held. Attendance of these Meetings is as follows:

Name of Director	Meetings Attended	Remarks
Mr. Abdul Razak Dawood	5/5	Resigned on 15 August 2018
Mr. Taimur Dawood	5/5	
Mr. Fazal Hussain Asim	5/5	
Mr. Farooq Nazir	5/5	
Mr. Shah Muhammad Chaudhry	4/5	Leave for absence was granted in 1 meeting
Syed Rizwan Ali Shah	5/5	
Mr. Khalid Salman Khan	2/5	Leave for absence was granted in 3 meetings
Mr. Faisal Dawood	0/5	Appointed on 26 September 2018

Changes to the Board

During the year, there was no change in the Board of Directors of the Company. However, post reporting period:

- On 15 August 2018, Mr. Abdul Razak Dawood has resigned as Chairman and Director of the Company. The Board acknowledges and expresses its gratitude for the extraordinary work and leadership of the outgoing Chairman. The Company was transformed under his leadership and has come a long way in terms of its contractual challenges from the time he took over. His term was characterized by his personal commitment, strategic thinking and vision. The Board also wishes him well for his future endeavors.

- On 18 September 2018, Mr. Taimur Dawood has resigned as Chief Executive of the Company. In its meeting held on 26 September, 2018, the Board has appointed Mr. Fazal Hussain Asim as Chief Executive of the Company for the balance un-expired term.

- On 26 September, 2018, the Board has appointed Mr. Taimur Dawood as Chairman of the Board in place of Mr. Abdul Razak Dawood for the balance un-expired term.

- On 26 September 2018, the Board has appointed Mr. Faisal Dawood as a Director in place of Mr. Abdul Razak Dawood for the balance un-expired term.

Subsidiary Companies' Board of Directors

Power Management Company (Private) Limited ('PMCL'):

Mr. Abdul Razzak Dawood
Mr. Taimur Dawood
Mr. Farooq Nazir
Syed Ali Nazir Kazmi

During the year, there was no change in the Board of Directors of PMCL. Post reporting period, on 15 August 2018, Mr. Abdul Razak Dawood has resigned from PMCL as Chief Executive and Director. The Board will fill this vacant position within the time prescribed by the Companies Act, 2017, for the balance unexpired term.

Rousch (Pakistan) Power Limited ('RPPL'):

Mr. Taimur Dawood
Mr. Claus Heckel
Mr. David Shepherd
Mr. Farooq Nazir
Mr. Khalid Salman Khan
Mr. Mubashar Ahmed Majeed
Mr. Stephan Schaller
Mr. Faisal Dawood
Mr. Shah Muhammad Chaudhry

During the year, there was no change in the Board of Directors of RPPL.

- Post reporting period, on 15 August 2018, Mr. Abdul Razak Dawood has resigned from RPPL as Chairman and Director. On 25 September 2018, the Board has appointed Mr. Taimur Dawood as Chairman of the Company for the balance un-expired term.
- Post reporting period, on 25 September 2018, Mr. Faisal Dawood has been appointed as a Director in place of Mr. Abdul Razak Dawood for the balance un-expired term.

Directors Statement

As required by the Listed Companies (Code of Corporate Governance) Regulations, 2017 the Directors are pleased to report the following:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cashflows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The Board acknowledges and exercises its responsibility for implementation of adequate internal financial controls.
- There are no doubts on the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- The key operating and financial data of last six years is attached to the report.
- The management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with best practices.

Directors' Training

The Company has already met the criteria of training programs for its directors under the Listed Companies (Code of Corporate Governance) Regulations, 2017. Therefore, no such training program was conducted during the year.

Directors' Remuneration

The Company's Board seeks to ensure that there is a transparent and fair mechanism in place for determining the remuneration of directors for participation in the meetings of the board and its committees. During the year under review, the Board of Directors approved the policy for the determining remuneration of directors. A Remuneration Committee has been formed to make recommendations to the Board on appropriate remuneration levels for directors. Once approved, the Director's remuneration Policy shall be applicable for a period of three years. This Policy shall be reviewed by the Committee every three (3) years (unless an earlier review is required) and the Committee shall make recommendations to the Board on suggested amendments.

Committees of the Board

To assist the smooth operations of the Board and support in sound decision making, the Board has established two committees which are chaired by non-executive directors. These committees are as follows:

Audit Committee

The committee supports the Board in fulfilling its oversight responsibilities while primarily reviewing financial or non-financial information to the shareholders in compliance with prevailing regulations and accounting standards. The audit committee also ensures that sound systems of internal controls are in place to safeguard Company's assets.
The committee met 4 times during the year and the attendance was as follows:

Name of Member	Meetings Attended	Remarks
Mr. Farooq Nazir	4/4	
Mr. Fazal Hussain Asim *	4/4	
Mr. Shah Muhammad Chaudhry	3/4	Leave for absence was granted in 1 meeting
Syed Rizwan Ali Shah	4/4	

- Post reporting period, on 26 September 2018, Mr. Fazal Hussain Asim has been appointed as Chief Executive of the Company and therefore, the Board has excluded Mr. Fazal Hussain Asim as member of Audit Committee as per Regulations.

Human Resource & Remuneration Committee

The committee has been established to review and recommend to the Board all elements of compensation and policies and procedures required to be adopted for effective human resource function. The Committee met once during the year and the attendance of the meeting is as follows:

Name of Member	Meetings Attended	Remarks
Mr. Farooq Nazir	1/1	
Mr. Fazal Hussain Asim	1/1	
Mr. Shah Muhammad Chaudhry	1/1	

Social Investment

The Company continues to focus on Corporate Social Responsibilities. The Company recognizes the importance of being a good corporate citizen in conducting its business as well as delivering its obligations in social wellbeing of its staff and community in general.

Pattern of Shareholding

The pattern of shareholding as at June 30, 2018 and related additional information is attached herewith. No trading in Company's share was carried out by the Directors, CEO, CFO, Company Secretary and their spouses including minor children, except of those that have been duly reported as per law.

Material Information

During the year, the Scheme of Arrangement of Descon Engineering Limited (the holding company of the Company till the effective date of the Scheme of Arrangement) under section 284 to 288 of the repealed Companies Ordinance, 1984, (hereinafter referred to as the 'Scheme'), has been sanctioned by the Lahore High Court through its order dated November 21, 2017. The Scheme is effective from December 15, 2017 and has resulted in the transfer and vesting of shareholding of Descon Engineering Limited in the Company into DEL Power (Private) Limited (the 'Holding Company'). Moreover, consequent to the Scheme becoming effective, the ultimate parent of the Company is Descon Processing (Private) Limited.

Auditors

The present auditors M/s A. F. Ferguson & Co. Chartered Accountants have retired, and being eligible have offered themselves for re-appointment. The Audit Committee has recommended the appointment of M/S A. F. Ferguson & Co. Chartered Accountants as auditors of the Company for the year ending June 30, 2019.

Acknowledgement

The Board of Directors would like to place on record its gratitude to its valuable shareholders, Government functionaries, SNGPL, CPPA-G and banks for their cooperation, continued support and patronage.
The Board also appreciates the contribution made by the executives, staff and workers for efficient operations of the Company.

For and on behalf the Board

Fazal Hussain Asim
Chief Executive

Farooq Nazir
Director

Lahore
September 26, 2018

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2018 کو ختم ہونے والے مالی سال کے نظرثانی شدہ حسابات کیساتھ ساتھ سالانہ رپورٹ بخوشی پیش کرتے ہیں۔

عمومی

کمپنی کی اہم ترین سرگرمیوں میں 32 میگاواٹ کے گیس تھرمل پاور پلانٹ واقع نزد فتح جنگ ضلع اٹک پنجاب کی ملکیت، آپریشن، دیکھ بھال اور اپنے واحد صارف سنٹرل پاور پرچیزنگ ایجنسی (گارنٹی) لمیٹڈ ('CPPA-G') کو بجلی کی فروخت شامل ہے۔ کمپنی کے حصص پاکستان سٹاک ایکسچینج لمیٹڈ میں درج ہیں۔
کمپنی پاور مینجمنٹ کمپنی (پرائیویٹ) لمیٹڈ (خصوصی مقصد کی کمپنی) کے 100 فیصد حصص کی مالک ہے، جو بدلے میں Rousch (پاکستان) پاور لمیٹڈ (آر پی پی ایل) کے 59.98 فیصد حصص رکھتی ہے۔ آر پی پی ایل ایک غیر مندرج پبلک کمپنی اور گیس فائرڈ کمبائنڈ سائیکل تھرمل پاور پلانٹ کے ذریعے 450 میگاواٹ کی مجموعی ISO اصلاحیت رکھنے والی خودمختار پاور پروڈیوسر ہے جو کہ سدھنائی بیراج، عبدالحکیم، ضلع خانیوال، پنجاب کے قریب واقع ہے۔

فنانس

کمپنی نے اپنے واحد صارف CPPAG کے ساتھ تیس سالوں کے لئے بجلی کی خریداری کا معاہدہ ('PPA') کیا ہے جو 06 جون 2001 سے شروع ہوا۔
سوئی ناردرن گیس پائپ لائنز لمیٹڈ (ایس این جی پی ایل) کیساتھ کمپنی کا گیس کی فراہمی کا معاہدہ (جی ایس اے) 30 جون 2013 کو ختم ہوگیا تھا۔ اس کے بعد مورخہ 17 مارچ 2014 کو کمپنی نے SNGPL کیساتھ ایک اضافی دستاویز پر دستخط کئے، جس کے تحت SNGPL نے پاور پرچیز ایگریمنٹ کی منسوخی بتاریخ 6 جون 2031 تک دستیابی کی بنیاد پر کمپنی کو گیس کی فراہمی کیلئے رضامندی ظاہر کی ہے۔
وزارت پٹرولیم اور قدرتی وسائل نے کابینہ کی اقتصادی تعاون کمیٹی کی طرف سے ری لیکویفائیڈ نیچرل گیس (RLNG) کی تخصیص کا اختیار دیا گیا، 28 اپریل 2017 کو کمپنی کو آر ایل این جی کی 06 MMCFD کی تخصیص جاری کی اور اس نے کمپنی اور ایس این جی پی ایل کو ایک نئے جی ایس اے پر مذاکرات کی ہدایت کی۔ فی الحال، کمپنی، ایس این جی پی ایل اور سی پی پی اے۔ جی، آر ایل این جی کی فراہمی کے لئے ایک عبوری جی ایس اے پر عملدرآمد کے عمل میں ہیں۔ عبوری جی ایس اے کے تحت، پارٹیوں کے درمیان طویل مدتی جی ایس اے کے اختتام تک 'دستیاب ہونے' کی بنیاد پر آر ایل این جی فراہم کی جائے گی۔

زیر جائزہ سال کے دوران کمپنی کا ٹرن اوور 1,621 ملین روپے (17-2016 میں 1,625 ملین روپے) اور آپریٹنگ کے اخراجات 1,558 ملین روپے (17-2016 میں 1,387 ملین روپے) رہے جس کے نتیجے میں گزشتہ سال کے مجموعی منافع 238 ملین روپے کے برعکس 63 ملین روپے کا مجموعی منافع حاصل ہوا۔ کمپنی نے گزشتہ سال کا خالص منافع 1,633 ملین روپے اور فی شیئر آمدنی (EPS) 4.49 روپے کے مقابلے موجودہ سال سال کا خالص منافع 1,453 ملین روپے اور فی شیئر آمدنی (EPS) 4.00 روپے درج کرایا ہے۔ موجودہ سال کے خالص منافع میں ذیلی کمپنی کے 1,454 ملین کے محاصل شامل ہیں۔
گردشی قرضہ پاور سیکٹر اور کمپنی کے لئے گزشتہ چند سالوں سے ایک مسلسل مسئلہ رہا ہے۔ گردشی قرضہ بڑھنے کی اہم وجوہات T&D نقصانات، مہنگے فیول مکس، ڈسکوز سے کم ریکوری اور نیپرا کی طرف سے ڈسکوز کے ٹیرف کے تعین میں تاخیر ہیں۔ ہم دیکھتے ہیں کہ گردشی قرضہ مستقبل قریب میں حکومت کے لئے ایک بڑا چیلنج رہے گا جب تک کہ مذکورہ بالا بنیادی مسائل کو ختم کرنے کے لئے اہم اقدامات نہ اُٹھائے گئے۔ CPPA-G کی جانب سے ادائیگیوں میں تاخیر کے باوجود کمپنی اپنی تمام آپریشنل ذمہ داریوں کو پورا کرنے کیلئے نقد رقم کو منظم کرنے کے قابل رہی ہے۔
ہمیں امید ہے کہ آلٹرن انرجی لمیٹڈ اور اس کا ماتحت ادارہ Rousch (پاکستان) پاور لمیٹڈ دونوں مستقبل میں آپریشنل استعداد کار اور کارکردگی کی اعلیٰ ترین سطح کے حصول کیلئے کام جاری رکھیں گی۔ متذکرہ سال میں آپکی کمپنی کی آلٹرن انرجی لمیٹڈ کے ایکویٹی ہولڈرز سے منسوب مجموعی کمائی 1,995 ملین روپے ہے جس کے نتیجے میں فی حصص آمدنی 5.49 روپے رہی جبکہ اس کے برعکس 30 جون 2017 مختتمہ سال میں مجموعی کمائی 1,783 ملین روپے رہی جس کے نتیجے میں فی حصص آمدنی 4.91 روپے تھی۔

حصہ داری کی تقسیم

24 اکتوبر 2017 کو بورڈ آف ڈائریکٹرز نے حصہ داری کا اعلان کردیا اور اس کے بعد کمپنی کے حصص یافتگان میں 40 فیصد (4 روپے فی عام حصص) کے حساب سے عبوری حصہ تقسیم کردیا۔

آپریشنز

کمپنی، اکتوبر 2017 میں مقامی گیس سے آر ایل این جی پر آپریشنز کی منتقلی سے، موسم سرما کے مہینوں جب گھریلو طلب بڑھ جانے کی بدولت اکثر RLNG کی فراہمی کم ہوئی کے سوائے RLNG کی فراہمی مسلسل حاصل کرتی رہی ہے۔ اس کے علاوہ، گزشتہ دو برسوں کے دوران قومی گرڈ سسٹم میں تقریباً 10,000 میگاواٹ سستی بجلی کا اضافہ کیا گیا ہے اور نئے پلانٹس کی بہتر کارکردگی کی وجہ سے، سی پی پی کے اقتصادی ڈسپیچ میرٹ آرڈر میں آلٹرن کے پلانٹ کا درجہ بہت نیچے ہے۔ اس کے نتیجے میں، نومبر 2017 سے پلانٹ نے این پی سی سی سے ترسیل طلب میں سنجیدگی سے کمی کی ہے۔ ان عوامل کی وجہ سے کمپنی نے آپریشن کے 88 دن کھودیئے ہیں جو کپیسٹی ریونیو کے کافی نقصان (138 ملین روپے) کا باعث بنا ہے۔ ان چیلنجوں کے باوجود، انتظامیہ کمپنی کو آپریشنل رکھنے کے لئے انتھک کوششیں کررہی ہے اور زیر جائزہ سال کے دوران، کمپنی نے CPPA-G کو 145GWh (188GWh:2016-17) کامیابی سے فراہم کئے۔

سال کے دوران52,000 آپریٹنگ گھنٹوں تک پہنچنے والے انجنوں کی اوور ہالنگ بشمول سلنڈر ہیڈ پارٹس کی تبدیلی، اہم بیرنگ کی تبدیلی اور 1 انجن کے وائبریشن ڈیمپرز کی تبدیلی اور پاور اسمبلیوں کے متعلقہ حصوں کی مینٹیننس کی گئی۔ اوریجنل ایکوپمنٹ مینوفیکچررز (او ای ایم) کی سفارشات کے مطابق تمام دیگر طریقہ کار اور بچاؤ کی بحالی کی سرگرمیاں کی گئیں۔ ہمیں یقین ہے تمام انجن اور ان کے امدادی آلات موزوں اور قابل اعتماد آپریشن کیلئے بہترین حالت میں ہیں۔

ماتحت ادارے کا جائزہ

متذکرہ سال کے دوران کمپنی کے ذیلی ادارے Rousch (Pakistan) Power Limited (RPPL) نے بہترین طریقے سے کام کیا اور موجودہ سال کیلئے3,596 ملین روپے منافع (فی حصص آمدنی 4.17 روپے) کا اعلان کیا جبکہ گزشتہ سال کی اسی مدت کے دوران2,854 ملین روپے منافع (فی حصص آمدنی 3.31 روپے) تھا۔ اس سال کا منافع گیس کی معطلی کے باعث سال کے دوران 37 دنوں (2017 میں26 دنوں) کے دیگر فورس Majeure واقعات (OFME) کی وجہ سے متاثر ہوا۔

سی پی پی اے۔ جی نے 11 دسمبر2012 تا10 دسمبر2013 (پی پی اے کی شرائط کے تحت مقرر کردہ جبری الاؤنسز شامل کرنے کے بعد) آپریٹنگ سال کے لئے کمپنی کی طرف سے بجلی کی شارٹ سپلائی کی مد میں LDs کا دعویٰ کیا ہے، جو بروقت ادائیگی کرنے میں CPPA-G کی طرف سے ناکامی کے نتیجے میں نقد رقم کی رکاوٹوں کی وجہ سے تھا۔ 30 جون2017 کو کمپنی کی انتظامیہ کے بہترین تخمینہ اور سی پی پی اے۔ جی کی طرف سے اٹھائی گئی انوائس کی بنیاد پر LDs کی متوقع رقم کا تخمینہ 1,588 ملین روپے سے زیادہ نہیں ہے۔

RPPL لیکویڈیٹی نقصانات کے دعویٰ پر متنازعہ اور انکاری ہے کہ بجلی کی ترسیل میں ناکام ہونے کی وجہ کمپنی کو بروقت بنیاد پر سی پی پی اے۔ جی کے ذمہ عدم ادائیگی اور اس کے نتیجے میں کمپنی اپنے گیس سپلائر کو بر وقت ادائیگی کرنے میں غیر فعال رہی، نتیجتاً گیس کی فراہمی میں رکاوٹ/معطلی کی وجہ سے بجلی پیدا نہیں کر سکی تھی۔ اس سلسلے میں، کمپنی نے بجلی کی خریداری کے معاہدے میں متعین تنازعہ کے حل کے طریقہ کار کے تحت ماہرین سے مشورہ کیا۔ 2014 اگست میں ماہرین کی طرف سے کمپنی کے حق میں فیصلہ کیا گیا تھا۔ ماہرین کا فیصلہ تاہم قانونی طور پر کسی بھی پارٹی پر لازمی نہیں ہے۔ 2 اگست2016 کے اس خط کے ذریعے، آف ٹیکر نے کمپنی کو بتایا ہے کہ ماہر کے فیصلے کو عدالت میں چیلنج کرے گا۔ سال کے دوران سی پی پی اے۔ جی نے LDs کے تنازعے کے حل کی تجویز دی۔ مجوزہ تصفیہ معاہدہ میں تصفیہ کی شرائط پر دستخط کئے گئے۔ تصفیہ معاہدے کے تحت، گیس کی غیر دستیابی کی وجہ سے غیر کارکردگی کی مدت سی پی پی اے۔ جی کی طرف سے OFME تصور کی جائے گی۔ اس کے نتیجے میں، کمپنی CPPA-G سے اس مدت کے لئے کسی بھی CPP کی حقدار نہیں ہوگی اور CPPA-G کمپنی پر کوئی LDs عائد نہیں کرے گی۔ OFME کے اعلان سے، کمپنی کا پی پی اے OFME مدت تک توسیع ہو جائے گا۔

تصفیہ معاہدے پر CPPA-G اور کمپنی کے متعلقہ بورڈوں نے اتفاق کیا ہے اور وہ ای سی سی کی منظوری کے منتظر ہیں۔ منظوری کے بعد، کمپنی پہلے موصول ہونے والی صلاحیتی ادائیگیاں واپس کرے گی جو 2013 LDs مدت سے متعلق ہیں۔ ایونٹ OFME تصور کیا جائے گا اور PPA میں86 دن کی توسیع ہو جائے گی۔

اسی طرح، جنوری2017 میں SNGPL نے26 دن تک گیس کی فراہمی کو معطل کر دیا، اس کے نتیجے میں CPPA-G نے731 ملین روپے کی رقم ایل ڈیز عائد کی۔ آر پی پی ایل نے اس رقم کو اس بنیاد پر متنازعہ کیا ہے کہ اس نے جنوری میں CPPA-G کو26 دن کی مدت کے لئے پہلے سے ہی ایک OFME نوٹس جاری کیا تھا۔ مجوزہ تصفیہ معاہدہ میں یہ عرصہ بھی OFME کے طور پر خیال کیا جاتا ہے۔ OFME کے اعلان باعث، کمپنی سی پی پی اے۔ جی سے گیس کی رکاوٹ کے عرصہ کے لئے کپیسٹی پرچیز پرائس کی مد میں دعویٰ نہیں کرے گی۔

تصفیہ معاہدے پر CPPA-G اور کمپنی کے متعلقہ بورڈوں نے1,588 ملین روپے کی رقم کی بابت2013 کے اپنے جھگڑے سے متعلقہ اتفاق کیا ہے اور وزارت بجلی کا پاور ڈویژن وفاقی کابینہ کی اکنامک ایڈوائزری کونسل (ECC) سے تصفیہ معاہدہ کی منظوری کا منتظر ہے۔ منظوری کے بعد، کمپنی پہلے موصول ہونے والی صلاحیتی ادائیگیاں واپس کرے گی جو2013 ایل ڈیز مدت سے متعلق ہیں۔ ایونٹ OFME تصور کیا جائے گا اور پی پی اے میں86 دن کی توسیع ہو جائے گی۔

مذکورہ بالا وجوہات کی بنیاد پر، LDs کے لئے کوئی پروویژن ان مالی حسابات میں تسلیم نہیں کی گئی کیونکہ انتظامیہ کو امید ہے کہ یہ معاملہ CPPA-G کے ساتھ تصفیہ کے ذریعے حل ہو جائے گا۔ ایکسٹرنل آڈیٹرز نے بھی ممبران کو اپنی رپورٹ میں ممبران کی توجہ کے لئے بالا مسئلہ کے پیرا پر بہت زور دیا ہے۔ تاہم، بابت ہذا میں ان کی رائے میں کوئی تبدیلی نہیں ہے۔

اقتصادی رابطہ کمیٹی کی طرف سے آر ایل این جی کی تفویض کیلئے بااختیار وزارت پٹرولیم و قدرتی وسائل نے23 ستمبر2015 کو مضبوط بنیادوں پر کمپنی کو85MMSCFD آر ایل این جی تفویض کی اور RPPL اور SNGPL کو تجویز دی کہ مضبوط بنیادوں پر طویل مدتی گیس سپلائی معاہدے کیلئے مذاکرات کریں۔ جبکہ طویل مدتی گیس سپلائی معاہدے کیلئے مذاکرات جاری تھے کہ جون2016 میں کابینہ کی اقتصادی رابطہ کمیٹی نے30 جون2018 تک RPPL کو آر ایل این جی سپلائی کیلئے عبوری گیس سپلائی معاہدے کی منظوری دیدی یا طویل مدتی گیس سپلائی معاہدے پر دستخط کئے، ان دونوں میں سے جو بھی پہلے ہو جائے۔ جون2017 میں عبوری CPPA-GGSA اور SNGPL کے ساتھ طے پایا گیا جو یکم جون2017 سے موثر ہے۔ عبوری معاہدہ30 جون2018 کو ختم ہو جائے گا۔ وزارت بجلی نے پٹرولیم ڈویژن کے مشورہ سے ECC کی فارمل منظوری حاصل ہونے تک عبوری معاہدہ کی توسیع سے اتفاق کیا ہے۔ ECC کے منظوری کے بعد، معاہدہ SNGPL کے ساتھ طے کردہ طویل مدتی GSA کی مدت تک توسیع ہو جائے گا۔ عبوری GSA کے تحت، آر ایل این جی "جب دستیاب ہو" کی بنیاد پر فراہم کی جائے گی، تاہم، آر ایل این جی کی غیر فراہمی PPA کے تحت 'Other Force Majeure' تصور ہوگی۔

CPPA-G سے زائد المیعاد وصولیوں کا مسئلہ جو طویل عرصہ سے زیر التواء ہے، نے سال کے دوران کمپنی کی لیکویڈیٹی پوزیشن کو نقصان پہنچانا جاری رکھا ہے۔ سال کے اختتام پر کل واجب الادا12,817 روپے وصولیوں میں سے11,310 روپے زائد المیعاد تھے۔ زیر جائزہ سال کے دوران کمپنی نے قرض دہندگان کو ستمبر17، دسمبر17، مارچ18 اور جون18 میں واجب2,876 ملین روپے کی رقم اپنے قرض کی مد میں واپس ادا کی ہے۔

مستقبل کا نقطہ نظر

پاکستان میں پاور سیکٹر تبدیلی کے مرحلے سے گزر رہا ہے جہاں حکومت پاکستان اور نجی شعبہ نے بجلی کے بحران جس نے ملک کی اقتصادی ترقی کو بُری طرح متاثر کیا، پر قابو پانے کے لئے گزشتہ چند سالوں میں نمایاں سرمایہ کاری کی ہے۔ حکومت پاکستان پنجاب میں RLNG بیسڈ پراجیکٹس، KPK/AJK میں ملٹی ہائیڈل پراجیکٹس اور سندھ میں کوئلہ بیسڈ پراجیکٹس کو مکمل کرنے میں خاص طور فعال رہی ہے۔ پنجاب میں RLNG بیسڈ پاور پراجیکٹس آپریشنل ہوگئے ہیں جبکہ دیگر پراجیکٹس میں سے اکثر اگلے 2-3 سالوں میں آن لائن ہوجانے کی توقعات ہیں جو طلب۔ سپلائی کی کمی پر مثبت اثر انداز ہوں گے۔ تاہم، حکومت پاکستان کے لئے دوسرا اہم چیلنج موجودہ ترسیل اور تقسیم کے نظام کو اپ گریڈ کرنا ہے جو فی الحال اضافی پاور جنریشن اور ڈسٹری بیوشن کو ہینڈل کرنے کے لئے درکار معیار کے مطابق نہیں ہے۔

صحت، حفاظت اور ماحول

QEHS کمپنی کی پہلی اور اہم ترجیح ہے۔ متذکرہ سال کے دوران آپ کی کمپنی نے پاور پلانٹ میں کوالٹی، ماحولیات، صحت اور حفاظتی اقدامات میں کارکردگی کی تسلی بخش سطح کو برقرار رکھا ہے۔ کمپنی نے پلانٹ سائٹ پر تعینات لوگوں اور سامان کی حفاظت کو یقینی بنانے کیلئے ISO&NFPA،OSHA کی گائیڈ لائنز کو اپنایا ہے۔ کمپنی زیرو ایل ٹی آئی (Lost Time Incident) کے حصول اور بین الاقوامی سطح پر تسلیم شدہ (آئی ایس او 9001، آئی ایس او 14001 اینڈ او ایچ ایس اے ایس 18001) مینجمنٹ سسٹم کے مطابق خود کو چلانے کی کوششوں کیلئے ایک فعال نقطہ نظر رکھتی ہے۔ اس کے علاوہ، جہاں تک ماحولیاتی تحفظ کا تعلق ہے، کمپنی ہوا کے اخراج اور پانی کے اثرات سے متعلق نیشنل ماحولیاتی کوالٹی سٹینڈرڈ (NEQs) کی نگرانی اور تعمیل کر رہی ہے۔ 30 جون 2018 کے مطابق QEHS کے اعداد و شمار درج ذیل ہیں۔

آخری ایل ٹی آئی سے گھنٹے	361,315
آخری ایل ٹی آئی سے دن	829
ممنوعہ کام کے واقعات	0
میڈیکل علاج	1
ابتدائی طبی امداد کے کیس	0
نیئر مس انسیڈنٹ	09
واقعات / جائیداد کے نقصان کے کیس	0
گڈ کیچز	46
ایمرجنسی ریسپانس پلان ڈرلز	03
ہاؤس کیپنگ ڈے	08
QEHS ٹریننگ (داخلی)	47
QEHS ٹریننگ (خارجی)	4
IMS انٹرنل آڈٹ	2

کارپوریٹ گورننس

کمپنی کے ڈائریکٹرز اور انتظامیہ کمپنیز ایکٹ 2017 کی دفعات اور پاکستان اسٹاک ایکسچینج کے وقتاً فوقتاً اپ ڈیٹڈ لسٹنگ قواعد و ضوابط میں شامل لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے مطابق اپنی ذمہ داریوں سے پوری طرح آگاہ ہیں۔ بورڈ نے کمپنی کی سٹریٹجک سمت، سالانہ کارپوریٹ پلانز اور ٹارگٹس اور قرض سٹریٹجی کا بغور جائزہ لیا ہے۔ بورڈ نے کاروبار کے اصولوں کے عمیق احساس اور کاروبار کے انعقاد کیلئے اعلیٰ اخلاقی معیار کو یقینی بناتے ہوئے کارپوریٹ گورننس کے بہترین طریقوں کو اپنایا ہے۔

بورڈ آف ڈائریکٹرز کی تشکیل

بورڈ سات (7) ڈائریکٹروں سمیت مؤثر طریقے سے حصص یافتگان کے مفاد کی نمائندگی کرنیوالے چیف ایگزیکٹو آفیسر پر مشتمل ہے۔

بورڈ میں ایک خود مختار ڈائریکٹر، پانچ نان ایگزیکٹو ڈائریکٹرز اور صرف ایک ایگزیکٹو ڈائریکٹر (بطور سی ای او) خدمات سرانجام دے رہا ہے۔

بورڈ کے اجلاس

بورڈ کمپنی کی کارکردگی اسکی انتظامیہ کے مؤثر اور بروقت احتساب کی نگرانی کیلئے قانونی طور پر ہر سہ ماہی میں کم از کم ایک بار اجلاس بلانے کا پابند ہے۔ اجلاس کے دوران بورڈ کی جانب سے کیے جانے والے فیصلوں کو تحریری صورت دی گئی اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کی طرف سے معینہ مدت کے اندر توثیق کیلئے تمام ڈائریکٹرز میں تقسیم کیا گیا جن کی آئندہ اجلاس میں منظوری دی گئی۔ بورڈ کے تمام اجلاس لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے مجوزہ مطلوبہ حاضری کورم کے تحت منعقد کیے گئے، چیف فنانشل آفیسر اور کمپنی سیکریٹری نے بھی تمام اجلاسوں میں شرکت کی۔

سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ(5) اجلاس منعقد کیے گئے تھے۔ جن میں حاضری کچھ اس طرح رہی۔

نام ڈائریکٹر	اجلاس میں شرکت	ریمارکس
عبدالرزاق داؤد	5/5	15 اگست 2018 کو مستعفی ہو گئے
تیمور داؤد	5/5	-
فضل حسین عاصم	5/5	-
فاروق نذیر	5/5	-
شاہ محمد چودھری	4/5	ایک اجلاس میں عدم شرکت کی چھٹی دی گئی
سید رضوان علی شاہ	5/5	-
خالد سلمان خان	2/5	تین اجلاس میں عدم شرکت کی چھٹی دی گئی
فیصل داؤد	0/5	26 ستمبر 2018 کو تقرری ہوئی

بورڈ میں تبدیلیاں

سال کے دوران کمپنی کے بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں ہوئی۔

بعداز رپورٹنگ مدت، 15 اگست 2018 کو عبدالرزاق داؤد نے کمپنی کے چیئرمین اور ڈائریکٹر کے عہدہ سے استعفیٰ دے دیا۔ بورڈ مستعفی ہونے والے چیئرمین کے غیر معمولی کام اور قیادت کو سراہتا ہے اور شکریہ ادا کرتا ہے۔ کمپنی ان کی قیادت میں یکسر تبدیل ہوگئی کیونکہ جب وہ آئے تو ایک طویل عرصہ سے اپنے معاہداتی چیلنجوں کی لپیٹ میں تھی۔ بورڈ ان کے اچھے مستقبل کے لئے نیک خواہشات رکھتا ہے۔

بعداز رپورٹنگ مدت، 18 ستمبر 2018 کو کمپنی کے چیف ایگزیکٹو تیمور داؤد کمپنی سے مستعفی ہو گئے۔ 26 ستمبر 2018 کو منعقدہ اپنے اجلاس میں بورڈ نے باقی ماندہ مدت کے لئے فضل حسین کی کمپنی کے چیف ایگزیکٹو کی حیثیت سے تقرری کی ہے۔

بعداز رپورٹنگ مدت، 26 ستمبر 2018 کو بورڈ نے عبدالرزاق داؤد کی جگہ باقی ماندہ مدت کے لئے تیمور داؤد کی بورڈ کے چیئرمین کی حیثیت سے تقرری کی ہے۔

بعداز رپورٹنگ مدت، 26 ستمبر 2018 کو بورڈ نے عبدالرزاق داؤد کی جگہ باقی ماندہ مدت کے لئے فیصل داؤد کی بورڈ میں ڈائریکٹر کی حیثیت سے تقرری کی ہے۔

ذیلی کمپنیز کے بورڈ آف ڈائریکٹرز

پاور مینجمنٹ کمپنی (پرائیویٹ) لمیٹڈ ('PMCL')

عبدالرزاق داؤد (15 اگست 2018 کو استعفیٰ دے دیا)

تیمور داؤد

فاروق نذیر

سید علی نذیر کاظمی

سال کے دوران PMCL کے بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں ہوئی۔ بعداز رپورٹنگ مدت، 15 اگست 2018 کو عبدالرزاق داؤد نے کمپنی کے چیف ایگزیکٹو اور ڈائریکٹر کے عہدہ سے استعفیٰ دے دیا۔ بورڈ باقی ماندہ مدت کے لئے کمپنیز ایکٹ 2017 کی مجوزہ مدت کے اندر خالی آسامی کو پُر کرے گا۔

روش (پاکستان) پاور لمیٹڈ ('RPPL')

تیمور داؤد

کلاؤز پیکل

ڈیوڈ شیفرڈ

فاروق نذیر

خالد سلمان خان

مبشر احمد مجید

سٹیفن سکیلر

شاہ محمد چودھری

فیصل داؤد

سال کے دوران، RPPL کے بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں ہوئی۔

بعدازرپورٹنگ مدت، 15 اگست 2018 کو عبدالرزاق داؤد نے کمپنی کے چیئرمین اور ڈائریکٹر کے عہدہ سے استعفیٰ دے دیا۔ 25 ستمبر 2018 کو بورڈ نے باقی ماندہ مدت کے لئے کمپنی کے چیئرمین کی حیثیت سے تیمور داؤد کی تقرری کی۔

بعدازرپورٹنگ مدت، 25 ستمبر 2018 کو باقی ماندہ مدت کے لئے عبدالرزاق داؤد کی جگہ فیصل داؤد کو ڈائریکٹر مقرر کیا گیا۔

ڈائریکٹروں کی عرض داشت

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے ضابطہ کے مطابق، ڈائریکٹرز بخوشی بیان کرتے ہیں:

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ، اشتمال شدہ مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکوئٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS) کی پیروی کی گئی ہے۔
- اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی موئژ طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- بورڈ کافی اندرونی مالیاتی کنٹرول کے اطلاق کے لئے اپنی ذمہ داریوں کو تسلیم اور پورا کرتا ہے۔
- کمپنی کے گوئنگ کنسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔
- فہرستی قواعد وضوابط میں تفصیلی کارپوریٹ گورننس کے بہترین عمل سے کوئی مادی انحراف نہیں کیا گیا ہے۔
- گزشتہ 6 سال کے کلیدی اور اہم مالیاتی اعداد وشمار رپورٹ کے ہمراہ منسلک ہیں۔
- کمپنی کی انتظامیہ اچھے کارپوریٹ گورننس کے لئے پُرعزم ہے، اور بہترین طریقوں کے مطابق عمل کرنے کے لئے مناسب اقدامات کئے گئے ہیں۔

ڈائریکٹرز ٹریننگ

کمپنی لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے تحت پہلے ہی اپنے ڈائریکٹرز کے لئے ٹریننگ پروگرام کے معیار پر پورا اترتی ہے۔ لہذا اس سال کے دوران ایسا کوئی پرگرام منعقد نہیں کیا گیا۔

ڈائریکٹرز کا مشاہرہ

کمپنی کا بورڈ یہ یقینی بناتا ہے کہ بورڈ اور اسکی کمیٹیوں کے اجلاسوں میں شرکت کے لئے ڈائریکٹرز کے مشاہرہ کے تعین کے لئے ایک شفاف اور منصفانہ میکانزم اختیار کیا گیا ہے۔ زیرِ جائزہ سال کے دوران، بورڈ آف ڈائریکٹرز نے ڈائریکٹرز کے مشاہرہ کے تعین کے لئے پالیسی منظور کی ہے۔ ڈائریکٹرز کے لئے مناسب ریمنریشن سطحوں پر بورڈ کو سفارشات کے لئے ایک ریمنریشن کمیٹی تشکیل دی گئی ہے۔ منظوری کے بعد، ڈائریکٹرز کے مشاہرہ کی پالیسی تین سالوں کی مدت کیلئے قابل اطلاق ہوگی۔ کمیٹی ہر تین سالوں بعد اس پالیسی کا دوبارہ جائزہ لے گی (اگر جلد دوبارہ جائزہ کی ضرورت نہ ہو) اور کمیٹی مجوزہ اصلاحات پر بورڈ کو سفارشات پیش کرے گی۔

بورڈ کی کمیٹیاں

بورڈ کے ہموار آپریشنز اور مستحکم فیصلہ سازی میں مدد کرنے کے لئے، بورڈ نے دو کمیٹیاں قائم کی ہیں جن کے سربراہ نان ایگزیکٹو ڈائریکٹرز ہیں۔ یہ کمیٹیاں مندرجہ ذیل ہیں:

آڈٹ کمیٹی

کمپنی موجودہ ریگولیشنز اور اکاؤنٹنگ معیارات کے مطابق حصص داران کو بنیادی جائزہ کی مالیاتی یا غیر مالیاتی معلومات دیتے ہوئے نگرانی کی اپنی ذمہ داریوں کو پورا کرنے میں بورڈ کی مدد کرتی ہے۔ آڈٹ کمیٹی یہ بھی یقینی بناتی ہے کہ اندرونی کنٹرول کا مضبوط نظام کمپنی کے اثاثوں کی حفاظت کے لئے قائم کیا گیا ہے۔

سال کے دوران کمیٹی کے چار اجلاس منعقد ہوئے اور حاضری مندرجہ ذیل تھی:

نام رکن	اجلاس میں شرکت	ریمارکس
فاروق نذیر	4/4	-
فضل حسین عاصم*	4/4	-
شاہ محمد چودھری	3/4	ایک اجلاس میں عدم شرکت کی چھٹی دی گئی
سید رضوان علی شاہ	4/4	-

بعد از رپورٹنگ مدت، 26 ستمبر 2018 کو فضل حسین عاصم کو کمپنی کے چیف ایگزیکٹو کی حیثیت سے مقرر کیا اور لہٰذا، بورڈ نے قواعد وضوابط کے مطابق آڈٹ کمیٹی کے ارکان میں فضل حسین عاصم کو شامل کیا ہے۔

ہیومن ریسورس اینڈ ریمنریشن کمیٹی

کمیٹی مؤثر ہیومن ریسورس فنکشن کے لئے اختیار کئے جانے والے ضروری کمپنسیشن، پالیسیوں اور پروسیجرز کے تمام عناصر کے جائزہ اور بورڈ کو سفارش کے لئے قائم کی گئی ہے۔ سال کے دوران کمیٹی کا ایک اجلاس منعقد ہوا اور اجلاس میں حاضری حسب ذیل رہی ہے:

نام رکن	اجلاس میں شرکت	ریمارکس
فاروق نذیر	1/1	-
فضل حسین عاصم	1/1	-
شاہ محمد چودھری	1/1	-

سماجی سرمایہ کاری

کمپنی کارپوریٹ سماجی ذمہ داریوں پر توجہ مرکوز کئے ہوئے ہے۔ کمپنی اپنی کاروباری سرگرمیوں میں ایک اچھا شہری ہونے اور اپنے عملہ اور معاشرہ کی سماجی بہبود میں اپنی ذمہ داریوں کو پورا کرنے کی اہمیت کو تسلیم کرتی ہے۔

شیئر ہولڈنگ کا نمونہ

30 جون 2018 کو شیئر ہولڈنگ کا نمونہ اور اس سے متعلقہ اضافی معلومات ہمراہ منسلک ہیں۔ ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکریٹری انکی بیویوں اور چھوٹے بچوں کی جانب سے کمپنی کے شیئرز میں کوئی ٹریڈنگ نہیں کی گئی ماسوائے ان کے جن کی قانونی طور پر باضابطہ اجازت دی گئی۔

میٹریل معلومات

سال کے دوران، ڈسکون انجینئرنگ لمیٹڈ (ارینجمنٹ اسکیم کی مؤثر تاریخ تک کمپنی کی ہولڈنگ کمپنی) کی ارینجمنٹ اسکیم منسوخ شدہ کمپنیز آرڈیننس، 1984 کی دفعہ 284 تا 288 کے تحت (اس کے بعد 'اسکیم' کہا جاسکتا ہے) 21 نومبر 2017 کے آرڈر کے ذریعہ لاہور ہائی کورٹ کی طرف سے منظور کر لی گئی ہے۔ اسکیم 15 دسمبر 2017 سے مؤثر ہے اور اس کے نتیجے میں کمپنی میں ڈیسکون انجینئرنگ لمیٹڈ کے شیئر ہولڈنگ DEL پاور (پرائیویٹ) لمیٹڈ ('ہولڈنگ کمپنی') میں منتقل اور پہنچا دیئے گئے ہیں۔ اس کے علاوہ، اسکیم کے مؤثر بننے کے نتیجے کمپنی کی مجموعی پیرنٹ کمپنی ڈیسکون پروسیسنگ (پرائیویٹ) لمیٹڈ ہے۔

آڈیٹرز

موجود آڈیٹرز میسرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے اور اہلیت کی بنا پر انہوں نے دوبارہ تعیناتی کیلئے اپنے آپ کو پیش کیا ہے۔ آڈٹ کمیٹی نے 30 جون 2019 کو ختم ہونے والے سال کے لیے میسرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی آڈیٹرز کی حیثیت سے ان کی تقرری کی منظوری دے دی ہے۔

اظہار تشکر

بورڈ آف ڈائریکٹرز اپنے قابل قدر حصص یافتگان، حکومتی اداروں، سوئی ناردرن گیس پائپ لائن کمپنی لمیٹڈ، سنٹرل پاور پرچیز اتھارٹی (گروپ) اور بینکوں کا انکے تعاون مسلسل حمایت اور سرپرستی کیلئے شکرگزار ہیں۔ بورڈ کمپنی کی اعلیٰ کارکردگی کا ایک اہم حصہ ہونے پر اپنے ایگزیکٹوز، سٹاف اور ورکرز کی تعریف کرتا ہے۔

بحکم بورڈ

فضل حسین عاصم
چیف ایگزیکٹو

فاروق نذیر
ڈائریکٹر

لاہور
26 ستمبر 2018ء

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Altern Energy Limited
For year ended June 30, 2018

This statement is being presented to comply with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) and have been prepared in accordance with Regulation 40 of the Regulations for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has complied with the requirements of the Regulations in the following manner:

1. The total numbers of directors are 7 as per the following:

   a) Male 7
   b) Female 0

2. The Company encourages the representation of independent non-executive directors and directors representing minority interests on its board of directors. The composition of board is as follows:

Category	Names
Independent Director	Syed Rizwan Ali Shah
Executive Director	Mr. Fazal Hussain Asim
Other Non-Executive Directors	Mr. Taimur Dawood Mr. Farooq Nazir Mr. Faisal Dawood Mr. Shah Muhammad Chaudhary Mr. Khalid Salman Khan

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding company, where applicable).

4. No casual vacancies occurred on the Board of Directors during the year. However, post reporting period:

- On 15 August 2018, Mr. Abdul Razak Dawood has resigned as Chairman and Director of the Company.
- On 18 September 2018, Mr. Taimur Dawood has resigned as Chief Executive of the Company. In its meeting held on 26 September 2018, the Board has appointed Mr. Fazal Hussain Asim as Chief Executive of the Company for the balance un-expired term.
- On 26 September 2018, the Board has appointed Mr. Taimur Dawood as Chairman of the Board in place of Mr. Abdul Razak Dawood for the balance un-expired term.
- On 26 September 2018, the Board has appointed Mr. Faisal Dawood as a Director in place of Mr. Abdul Razak Dawood for the balance un-expired term.

5. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The Board has complied with requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of the Meetings of the Board.

9. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with Act and these Regulations.

10. The Company has already met the criteria of training programs for its directors under the Regulations. Therefore, no such training program was conducted during the year.

11. During the period, there is no replacement of CFO, Company Secretary, and Head of Internal Audit of the Company.

12. CFO and CEO duly endorsed the financial statements before approval of the Board.

13. The board has formed two committees comprising of the members given below:

a) Audit Committee

It comprises of four members which includes an independent director. All members of audit committee are non-executive directors, including the Chairman. The committee met 4 times during the year and the attendance was as follows:

Name of Member	Meetings Attended
Mr. Farooq Nazir	4/4
Mr. Fazal Hussain Asim *	4/4
Mr. Shah Muhammad Chaudhry	3/4
Syed Rizwan Ali Shah	4/4

Post reporting period, on 26 September 2018, Mr. Fazal Hussain Asim has been appointed as Chief Executive of the Company and therefore, the Board has excluded Mr. Fazal Hussain Asim as member of Audit Committee as per Regulations

a) Human Resource and Remuneration Committee

It comprises of three members. All members of Human Resource & Remuneration Committee are non-executive directors, including the Chairman. The Committee met once during the year and the attendance of the meeting is as follows:

Name of Member	Meetings Attended
Mr. Farooq Nazir	1/1
Mr. Fazal Hussain Asim	1/1
Mr. Shah Muhammad Chaudhry	1/1

15. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

16. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and it is conversant with the policies and procedures of the Company and they are involved in the internal audit function of on a full time basis.

17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

19. We confirm that all other requirements of the Regulations have been complied with.

For and on behalf the Board

Taimur Dawood
Chairman

Lahore

September 26, 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF ALTERN ENERGY LIMITED

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Altern Energy Limited for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

A.F. Ferguson & Co.

Chartered Accountants
Place: Lahore
Date: September 29, 2018
Engagement Partner: Muhammad Masood

INDEPENDENT AUDITOR'S REPORT

To the members of Altern Energy Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Altern Energy Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
(i)	**New requirements under the Companies Act, 2017** *(Refer note 2.2.4 to the annexed financial statements)* The provisions of Fourth Schedule to the Companies Act, 2017 became applicable to the Company for the first time in the preparation of the annexed financial statements. As part of this transition to the requirements, the management performed a gap analysis to identify differences between the previous financial reporting framework and the current financial reporting framework and as a result certain amendments and additional disclosures were made in the Company's annexed financial statements. In view of the additional disclosures in the annexed financial statements due to first time application of the Fourth Schedule to the Companies Act, 2017, we considered this as a key audit matter.	We reviewed and understood the requirements of the Fourth Schedule to the Companies Act, 2017. Our audit procedures included the following: • Considered the management's process to identify the additional disclosures required in the Company's annexed financial statements; • Obtained relevant underlying supports for the additional disclosures and assessed there appropriateness for the sufficient audit evidence; and • Verified on test basis the supporting evidence for the additional disclosures and ensured appropriateness of the disclosures made.

(ii)	**Tax contingency** *(Refer note 27.2 to the annexed financial statements)* The Company has a number of open tax matters, for which management is required to make certain judgements as to the likely outturn for the purposes of calculating the Company's tax liabilities. The most significant uncertainty at present relates to the non-provision of income tax on inter-corporate dividend [from Power Management Company (Private) Limited ('PMCL'), wholly-owned subsidiary of the Company, to the Company]. Due to significance of the amount involved, inherent uncertainty with respect to the outcome of matter and use of significant management judgement and estimate to assess the same including related financial impact, we have considered the above contingent liability as a key audit matter.	Our audit procedures included the following: • we understood and tested key controls surrounding the governance procedures in evaluating such uncertain exposures as well as performed an assessment over the experience of management in evaluating these exposures.; • we examined and challenged the analysis performed by management which set out the basis for their judgements in respect of the material tax exposure identified, together with relevant supporting evidence such as correspondence with tax authorities and legal opinions obtained. We used our understanding of the business and also read correspondence with tax authorities to challenge the completeness of identified exposure and the need for provision; • we circulated confirmations to the Company's external tax counsels for their views on the open tax assessment; • we made our own assessment of the likelihood of the tax exposure occurring based on our knowledge of tax legislation and applicable precedents. In making our assessment we considered the range of interpretations of the applicable tax legislation in the relevant jurisdiction. We also evaluated the calculation of the exposure and agreed that to the annexed financial statements. We also involved our internal tax professionals to assess the appropriateness of management's conclusions on the contingent tax matter; and • we assessed whether the extent of the disclosures made, in particular, in relation to contingent liability and judgements was appropriate.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Masood.

A.F. Ferguson & Co.

Chartered Accountants
Place: Lahore
Date: September 29, 2018
Engagement Partner: Muhammad Masood

STATEMENT OF FINANCIAL POSITION

	Note	(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
400,000,000 (2017: 400,000,000)			
ordinary shares of Rs 10 each		4,000,000	4,000,000
Issued, subscribed and paid up share capital			
363,380,000 (2017: 363,380,000)			
ordinary shares of Rs 10 each	5	3,633,800	3,633,800
Capital reserve : Share premium	6	41,660	41,660
Revenue reserve: Un-appropriated profit		1,078,636	1,079,514
		4,754,096	4,754,974
NON-CURRENT LIABILITIES			
Long term financing - unsecured	7	-	-
Deferred liabilities	8	4,378	3,402
		4,378	3,402
CURRENT LIABILITIES			
Current portion of long term financing - unsecured	7	79,120	94,851
Trade and other payables	9	75,140	173,217
Short term borrowing - secured	10	159,569	-
Unclaimed dividend		1,345	726
Unpaid dividend	11	-	1,453,520
Mark-up accrued	12	15,248	10,732
		330,422	1,733,046
CONTINGENCIES AND COMMITMENTS	13		
		5,088,896	6,491,422

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive	Chief Financial Officer	Director

AS AT JUNE 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	701,204	741,536
Intangible assets	15	418	1,955
Long term investment	16	3,204,510	3,204,510
Long term deposit		38	38
		3,906,170	3,948,039
CURRENT ASSETS			
Stores and spares	17	76,735	112,468
Trade debts - secured, considered good	18	934,919	800,155
Advances, prepayments and other receivables	19	162,155	146,173
Dividend receivable	20	-	1,435,108
Income tax recoverable		1,527	908
Cash and bank balances	21	7,390	48,571
		1,182,726	2,543,383
		5,088,896	6,491,422

Chief Executive

Chief Financial Officer

Director

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
Revenue - net	22	1,621,194	1,624,556
Direct costs	23	(1,558,269)	(1,386,609)
Gross profit		62,925	237,947
Administrative expenses	24	(41,079)	(33,169)
Other income	25	1,455,685	1,438,342
		1,477,531	1,643,120
Finance cost	26	(25,214)	(10,801)
Profit before taxation		1,452,317	1,632,319
Taxation	27	325	401
Profit for the year		1,452,642	1,632,720
Earnings per share - basic and diluted (Rupees)	35	4.00	4.49

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive **Chief Financial Officer** **Director**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	(Rupees in thousand)	
Profit for the year	1,452,642	1,632,720
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss	-	-
Items that will not be reclassified subsequently to profit or loss	-	-
	-	-
Total comprehensive income for the year	1,452,642	1,632,720

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive **Chief Financial Officer** **Director**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

		Capital reserve:	Revenue reserve:	
	Share capital	Share premium	Un-appropriated profit	Total
	(Rupees in thousand)			
Balance as on July 1, 2016	3,633,800	41,660	900,314	4,575,774
Profit for the year	-	-	1,632,720	1,632,720
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	1,632,720	1,632,720
Interim dividend for the year ended June 30, 2017 @ Rs 4.00 per ordinary share	-	-	(1,453,520)	(1,453,520)
Total contributions by and distributions to owners of the Company recognised directly in equity	-	-	(1,453,520)	(1,453,520)
Balance as on June 30, 2017	3,633,800	41,660	1,079,514	4,754,974
Profit for the year	-	-	1,452,642	1,452,642
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	1,452,642	1,452,642
Interim dividend for the year ended June 30, 2018 @ Rs 4.00 per ordinary share	-	-	(1,453,520)	(1,453,520)
Total contributions by and distributions to owners of the Company recognised directly in equity	-	-	(1,453,520)	(1,453,520)
Balance as on June 30, 2018	3,633,800	41,660	1,078,636	4,754,096

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive **Chief Financial Officer** **Director**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
Cash flows from operating activities			
Cash (used in)/generated from operations	28	(123,814)	10,512
Finance cost paid		(17,930)	(7,454)
Income tax paid		(294)	(102)
Net cash (outflow)/inflow from operating activities		(142,038)	2,956
Cash flows from investing activities			
Fixed capital expenditure		(24,573)	(14,106)
Dividends received		2,888,628	951,739
Proceeds from disposal of operating fixed assets		-	54
Profit on bank deposits received		2,165	1,022
Net cash inflow from investing activities		2,866,220	938,709
Cash flows from financing activities			
Repayment of sponsors' loan - unsecured		-	(103,235)
Repayment of long term financing - unsecured		(18,500)	-
Dividends paid		(2,906,421)	(847,330)
Net cash outflow from financing activities		(2,924,921)	(950,565)
Net decrease in cash and cash equivalents		(200,739)	(8,900)
Cash and cash equivalents at the beginning of the year		42,856	51,756
Cash and cash equivalents at the end of the year	29	(157,883)	42,856

Refer note 7 for reconciliation of liabilities arising from financing activities.

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive | **Chief Financial Officer** | **Director**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1 Legal Status and Nature of Business

1.1 Altern Energy Limited (the 'Company') was incorporated in Pakistan as a listed public company limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017 and hereinafter referred to as the 'Act') on January 17, 1995. The Company's ordinary shares are listed on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at Descon Headquarters, 18 km, Ferozepur Road, Lahore and the Company's thermal power plant has been set up near Fateh Jang, District Attock, Punjab.

1.2 During the year, the Scheme of Arrangement of Descon Engineering Limited (the holding company of the Company till the effective date of the Scheme of Arrangement) under section 284 to 288 of the repealed Companies Ordinance, 1984, (hereinafter referred to as the 'Scheme'), has been sanctioned by the Lahore High Court ('LHC') through its order dated November 21, 2017. The Scheme is effective from December 15, 2017 and has resulted in the transfer and vesting of shareholding of Descon Engineering Limited in the Company into DEL Power (Private) Limited (the 'Holding Company'). Moreover, consequent to the Scheme becoming effective, the ultimate parent of the Company is Descon Processing (Private) Limited.

1.3 The principal activity of the Company is to build, own, operate and maintain a gas fired power plant having gross capacity of 32 Mega Watts. The Company achieved Commercial Operations Date ('COD') on June 6, 2001. The Company has a Power Purchase Agreement ('PPA') with its sole customer, Central Power Purchasing Agency (Guarantee) Limited ('CPPA-G') for thirty years which commenced from the COD. During the previous year, on May 9, 2017, the Company executed a Novation Agreement with The Pakistan Water And Power Development Authority ('WAPDA') and CPPA-G whereby all the rights and obligations of WAPDA under the PPA were transferred to CPPA-G. Consequently, WAPDA ceased to be a party to PPA and CPPA-G became a party in place of WAPDA assuming all of WAPDA's rights and obligations thereunder. Furthermore, the Company signed amendments to Government Guarantee and Implementation Agreement to reflect this change in PPA. The Company also holds direct and indirect investments in other companies engaged in power sector as detailed in note 16.1 to these financial statements.

1.4 The Company's Gas Supply Agreement ('GSA') with Sui Northern Gas Pipelines Limited ('SNGPL') expired on June 30, 2013. Thereafter, the Company has signed a Supplemental Deed dated March 17, 2014 with SNGPL, whereby SNGPL has agreed to supply gas to the Company on as-and-when available basis till the expiry of PPA on June 6, 2031. The Ministry of Petroleum and Natural Resources, empowered for Re-liquefied Natural Gas ('RLNG') allocation by the Economic Coordination Committee ('ECC') of the Federal Cabinet , issued an allocation of 6 MMCFD of RLNG to the Company on April 28, 2017 and advised the Company and SNGPL to negotiate a new GSA. Currently, the Company, SNGPL and CPPA-G are in the process of execution of an interim GSA for supply of RLNG. Under the interim GSA, RLNG will be supplied on as-and-when available basis till the execution of a long term GSA between the parties.

1.5 These financial statements are the separate financial statements of the Company. Consolidated financial statements are prepared seperately.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

(i) International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') as notified under the Act; and

(ii) Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRS, the provisions of and directives issued under the Act have been followed.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in the current year

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

International Accounting Standard ('IAS') 7, 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers statement of financial position items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. The Company has given the required disclosure in these financial statements.

2.2.2 Exemption from applicability of certain interpretations to standards

The Securities and Exchange Commission of Pakistan ('SECP') through SRO 24(I)/2012 dated January 16, 2012 has granted exemption from the application of International Financial Reporting Interpretations Committee ('IFRIC') 4, 'Determining whether an Arrangement contains a Lease', and IFRIC 12, 'Service Concession Arrangements', to all companies.

Under IFRIC 4, the consideration required to be made by the lessee for the right to use the asset is to be accounted for as a finance lease under IAS 17, 'Leases'. The Company's power plant's control due to purchase of total output by CPPA-G appears to fall under the scope of IFRIC 4. Consequently, if the Company were to follow IFRIC 4 and IAS 17, the effect on the financial statements would be as follows:

	2018	2017
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(694,868)	(737,670)
Recognition of lease debtor	414,039	430,985
Decrease in un-appropriated profit at the beginning of the year	(306,685)	(326,932)
Increase in profit for the year	25,856	20,247
Decrease in un-appropriated profit at the end of the year	(280,829)	(306,685)

2.2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2018, but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

IFRS 9, 'Financial instruments': (effective for periods beginning on or after January 1, 2018). This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Company is yet to assess the full impact of this standard.

IFRS 15, 'Revenue from contracts with customers': (effective for periods beginning on or after January 1, 2018). This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The Company is yet to assess the full impact of this standard.

IFRS 16, 'Leases': (effective for periods beginning on or after January 1, 2019). This standard has been notified by the SECP to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Company is yet to assess the full impact of this standard.

IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. It is unlikely that the interpretation will have any significant impact on the Company's financial statements.

2.2.4 Changes due to Companies Act, 2017

The Act has also brought certain changes with regard to the preparation and presentation of the Company's financial statements. These changes also include change in nomenclature of primary statements, etc. Further, the disclosure requirements contained in the Fourth Schedule to the Act have been revised, resulting in the:

- Elimination of duplicative disclosures with the IFRS disclosure requirements; and
  Incorporation of significant additional disclosures.

In view of the above, the presentation of these financial statements has been realigned with the provisions contained in the Act. The application of the Act, however, does not have any impact in the recognition and measurement of the amounts included in these financial statements.

3 Basis of measurement

3.1 These financial statements have been prepared on the basis of historical cost.

3.2 Critical accounting estimates and judgements

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment and estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates which have been explained as follows:

a) **Provision for taxation**

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature is in accordance with the law, the amounts are shown as contingent liabilities.

b) **Useful lives, residual values and depreciation method of opreating fixed assets**

The Company reviews the useful lives, residual values and depreciation method of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on the depreciation charge and impairment.

4 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

4.1 Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current

The profits and gains of the Company derived from electric power generation are exempt from tax in terms of clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the conditions and limitations provided therein.

Under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the Company is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the statement of profit or loss on income from sources not covered under the above clauses at current rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

Deferred tax has not been provided in these financial statements as the Company's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the profits and gains of the Company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

4.2 Property, plant and equipment

4.2.1 Operating fixed assets

Operating fixed assets are stated at historical cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on all operating fixed assets is charged to income by using the straight line method so as to write off the depreciable amounts of an asset over its estimated useful life at the annual rates mentioned in note 14.1 after taking into account their residual values. Depreciation on addition is charged from the month the asset is available for use, while in case of disposal it is charged up to the month of disposal.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its operating fixed assets as at June 30, 2018, has not required any adjustment as its impact is considered insignificant.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.4).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are included in the statement of profit or loss during the period in which they are incurred. Exchange differences related to foreign currency loans obtained for the acquisition, development and construction of qualifying assets are capitalised as referred to in note 4.17(b) to these financial statements.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.2.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

4.2.3 Major spare parts and stand-by equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them for more than one year. Transfers are made to relevant operating fixed assets category as and when such items are available for use.

4.3 Intangible assets

Expenditure incurred to acquire computer software and Enterprise Resource Planning ('ERP') system has been capitalised as an intangible asset and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method at the annual rate mentioned in note 15.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is disposed off.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.4).

4.4 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.5 Investments

Investments intended to be held for less than twelve months from the statement of financial position date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

4.5.1 Investments in equity instruments of subsidiaries

Investments in subsidiaries are measured at cost less any identified impairment loss in the Company's separate financial statements. Cost represents the fair value of the consideration given, including any transaction costs paid, by the Company at the time of purchase of such equity instruments. In case of an increase in the investment in a subsidiary, the accumulated cost represents the carrying value of the investment.

The carrying amount of an investment carried at cost is derecognised when it is sold or otherwise disposed of. The difference between the fair value of any consideration received on disposal and the carrying amount of the investment is recorded in the statement of profit or loss as a gain or loss on disposal.

An investment's carrying amount is written down immediately to its recoverable amount if the investment's carrying amount is greater than its estimated recoverable amount (note 4.4).

The Company is required to issue consolidated financial statements along with its separate financial statements in accordance with the requirements of the approved accounting standards.

4.6 Stores and spares

Stores and spares are valued principally at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the statement of financial position date while items considered obsolete are carried at nil value.

4.7 Financial assets

4.7.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise, they are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the statement of financial position date, which are classified as non-current assets. Loans and receivables comprise advances and other receivables and cash and cash equivalents in the statement of financial position.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the statement of financial position date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortised cost.

4.7.2 Recognition and measurement

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. For investments having quoted price in active market, the quoted price represents the fair value. In other cases, fair value is measured using appropriate valuation methodology and where fair value cannot be measured reliably, these are carried at cost. Loans and receivables and held to maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of profit or loss as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of profit or loss as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of profit or loss. Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss when the Company's right to receive payments is established.

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss. Impairment testing of trade debts and other receivables is described in note 4.10.

4.8 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of profit or loss.

4.9 Offsetting of financial assets and financial liabilities

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

4.10 Trade debts and other receivables

Trade debts and other receivables are recognised initially at invoice value, which approximates fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognised in the statement of profit or loss. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss.

4.11 Cash and cash equivalents

Cash and cash equivalents reprsent deposits held at call with banks and running finance under mark-up arrangements which form an integral part of the Company's cash management.

4.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

4.13 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in statement of profit or loss in the period in which they are incurred.

4.14 Trade payables and other liabilities

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.15 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 embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

4.16 Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Other long term employee benefit obligations - accumulating compensated absences

The Company provides for accumulating compensated absences of its employees in accordance with respective entitlement on cessation of service.

(iii) Post employment benefit - Defined benefit plan (gratuity)

The Company operates an un-funded gratuity scheme for all employees according to the terms of employment, subject to a minimum qualifying period of service and provision is made annually to cover the obligations under the scheme. These benefits are calculated with reference to last drawn salaries and prescribed qualifying periods of service of the employees.

4.17 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. All figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss except for exchange differences related to foreign currency loans obtained for the acquisition, development and construction of qualifying assets which are capitalised over the period of the Implementation Agreement in accordance with SRO 24(I)/2012 dated January 16, 2012 of the SECP.

4.18 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

Revenue from sale of electricity to CPPA-G, the sole customer of the Company, is recorded based upon the output delivered and capacity available at rates as specified under the PPA as amended from time to time.

Profit on bank deposits and delayed payment markup on amounts due under the PPA is accrued on a time proportion basis by reference to the principal/amount outstanding and the applicable rate of return.

Dividend on equity instruments is recognized when right to receive the dividend is established.

4.19 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are declared.

4.20 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

4.21 Contingent liabilities

Contingent liability is disclosed when:

– there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or

– there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

5. Issued, subscribed and paid up share capital

2018	2017		2018	2017
(Number of shares)			(Rupees in thousand)	
359,480,000	359,480,000	Ordinary shares of Rs 10 each fully paid in cash	3,594,800	3,594,800
3,900,000	3,900,000	Ordinary shares of Rs 10 each issued for consideration other than cash	39,000	39,000
363,380,000	363,380,000		3,633,800	3,633,800

5.1 As at June 30, 2018, 211,397,063 (2017: Nil) ordinary shares of the Company which represent 58.18% (2017: Nil) of the issued, subscribed and paid up share capital of the Company are held by DEL Power (Private) Limited, the Holding Company. Previously, 211,397,063 ordinary shares of the Company which represented 58.18% of the issued, subscribed and paid up share capital of the Company were held by Descon Engineering Limited till December 15, 2017 as explained in note 1.2.

6. This reserve can be utilised by the Company only for the purposes specified in Section 81 of the Act.

7. Long term financing - unsecured

		2018	2017
		(Rupees in thousand)	
The reconciliation of the carrying amount of loan is as follows:			
Opening balance		94,851	90,958
Mark-up accrued during the year	- note 26.1	2,769	3,893
Payments during the year		(18,500)	-
Closing balance		79,120	94,851
Current portion shown under current liabilities		(79,120)	(94,851)
		-	-

7.1 This represents long term loan obtained by the Company from its wholly owned subsidiary, Power Management Company (Private) Limited ('PMCL'). This is an unsecured loan and carries mark-up at the rate of six months Karachi Inter-Bank Offered Rate ('KIBOR') plus 100 basis points per annum. The mark-up rate charged during the year on the outstanding balance ranged from 7.15% to 7.21% (2017: 7.06% to 9.06%) per annum. Based on mutually agreed terms with PMCL (wholly owned subsidiary), the remaining loan is repayable within twelve months from the statement of financial position date and has, therefore, been classified as a current liability. This includes accrued mark-up amounting to Rs 47.62 million (2017: Rs 44.85 million).

8. Deferred liabilities

		2018	2017
		(Rupees in thousands)	
Provision for:			
Staff gratuity	- note 8.1	3,937	3,015
Accumulating compensated absences	- note 8.2	441	387
		4,378	3,402

8.1 Staff gratuity

Opening liability	3,015	2,305
Provision for the year	922	710
	3,937	3,015
Payments during the year	-	-
Closing liability	3,937	3,015

8.2 Accumulating compensated absences

Opening liability	387	332
Provision for the year	54	55
	441	387
Payments during the year	-	-
Closing liability	441	387

9. Trade and other payables

Natural gas and RLNG charges due to SNGPL		30,825	115,590
Other creditors	- note 9.1	31,954	37,968
Due to PMCL (wholly owned subsidiary) - unsecured	- note 9.2	5,704	5,715
Withholding income tax payable		416	128
Withholding sales tax payable		620	275
Workers' profit participation fund	- note 9.3	-	9,861
Others		5,621	3,680
		75,140	173,217

9.1 Includes the following amounts due to the following related parties:

Descon Engineering Limited (holding company till December 15, 2017 and common directorship thereafter)	8,756	6,546
Descon Power Solutions (Private) Limited (common directorship)	13,868	28,289
Descon Corporation (Private) Limited (common directorship)	1,607	420
Rousch (Pakistan) Power Limited (subsidiary)	175	25
	24,406	35,280

9.2 This represents amount payable to PMCL (wholly owned subsidiary). This is unsecured and carries mark up at six months KIBOR plus 100 basis points per annum. The mark-up rate charged during the year on the outstanding balance ranged from 7.15% to 7.21% (2017: 7.06% to 9.06%) per annum. The amount has been borrowed to finance working capital needs of the Company.

9.3 Workers' profit participation fund		2018	2017
		(Rupees in thousands)	
Opening balance		9,861	7,177
Provision for the year	- note 19.3	-	9,861
		9,861	17,038
Payments made during the year		(9,861)	(7,177)
Closing balance		-	9,861

9.4 Workers' welfare fund ('WWF') has not been provided for in these financial statements based on the advice of the Company's legal consultant. However, in case the Company pays WWF, the same is recoverable from CPPA-G as a pass through item under section 14.2(a) of the PPA.

10 The running finance facility obtained from financial institution under mark-up arrangements amounts to Rs 300 million (2017: Rs 200 million). The facility carries mark-up at three months KIBOR plus 100 basis points per annum, payable quarterly, on the balance outstanding. The facility is secured against first hypothecation charge of Rs 1,340 million over present and future current assets of the Company and cross corporate guarantee issued by Descon Engineering Limited, (holding company till December 15, 2017 and related party, on the basis of common directorship, thereafter). The mark-up rate charged during the year on the outstanding balance ranged from 7.15% to 7.50% (2017: 7.12% to 7.62) per annum.

10.1 The facility for letter of guarantee amounts Rs 700 million (2017: Rs 500 million). The amount utilised at June 30, 2018, for the said facility was Rs 532.68 million (2017: Rs 326.32 million).

11 This included amounts due to the following related parties:

Descon Engineering Limited (holding company till December 15, 2017 and common directorship thereafter)		-	845,588
Descon Holdings (Private) Limited (group company)	- note 11.1	-	120
		-	845,708

11.1 Descon Holdings (Private) Limited holds 30,000 (2017: 30,000) ordinary shares of the Company which represent 0.01% (2017: 0.01%) of the issued, subscribed and paid up share capital of the Company.

12. Mark-up accrued

Mark-up accrued on:		
Amount due to PMCL (wholly owned subsidiary) - unsecured	11,126	10,713
Short term borrowing - secured	4,122	19
	15,248	10,732

13. Contingencies and commitments

13.1 Contingencies

(i) In financial year 2014, the taxation authorities issued a show cause notice amounting to Rs 157 million on account of input sales tax alleged to be wrongly claimed for the period July 2009 to June 2013. The department is of the view that input tax paid by the Company should be split among taxable and non-taxable supplies. The Company based on a legal advice, is of the view that component of capacity revenue is not considered value of supply and rule of apportionment is not applicable in case of Independent Power Producers ('IPPs') for the reason that the ultimate product is electrical energy, which is taxable. The Company submitted reply for the show cause notice, which was rejected by the taxation authorities and a demand for the above mentioned amount was created. Consequently, Company filed an appeal with Appellate Tribunal Inland revenue ('ATIR') against the demand which was also rejected. The Company preferred an appeal before LHC which granted stay to the Company after payments of Rs 10.12 million against the total demand of Rs 157 million. The LHC vide its judgement in case No. STR 120/2015 dated October 31, 2016 decided the case in favour of the Company. The department has challenged the decision of LHC before Supreme Court of Pakistan on February 4, 2017 and has also preferred an intra court appeal against such order which are pending adjudication. Since, the case has already been decided in Company's favour on merits by LHC, no provision for this amount has been made in these financial statements.

(ii) In respect of tax year 2009, the Additional Commissioner Inland Revenue ('ACIR') raised demand of Rs 0.74 million under section 122(5A) of the Income Tax Ordinance, 2001 which mainly related to taxation of interest on delayed payments, scrap sales and gain on disposal of operating fixed assets. The Company preferred an appeal before Commissioner Inland Revenue (Appeals) ['CIR(A)'] against the impugned tax demand. The CIR(A) decided the appeal in favour of Company thereby deleting the alleged tax demand. The tax department has filed an appeal before the ATIR against the order of CIR(A) on August 1, 2016 and the case is now pending for adjudication. The Company has not made any provision against the above demand as the case has already been decided in Company's favour on merits by CIR(A) and the management is confident that the ultimate outcome of the appeal would be in favour of the Company, inter alia on the basis of the advice of the tax consultant and the relevant law and the facts.

(iii) In respect of tax years 2010, 2011, 2012 and 2013, the ACIR raised demands aggregating to Rs 9.3 million under section 122 (5A) of the Income Tax Ordinance, 2001 which mainly related to subjecting capacity price payments to minimum taxation under section 113 of the Income Tax Ordinance, 2001. The Company preferred an appeal before Commissioner Inland Revenue (Appeals) ['CIR(A)'] against the impugned tax demand. The CIR(A) decided the appeal in favour of Company thereby deleting the alleged tax demand. The tax department has filed an appeal before the ATIR against the order of CIR(A) on November 3, 2016 and the case is now pending for adjudication. The Company has not made any provision against the above demand as the case has already been decided in Company's favour on merits by CIR(A) and the management is confident that the ultimate outcome of the appeal would be in favour of the Company, inter alia on the basis of the advice of the tax consultant and the relevant law and the facts.

(iv) The taxation authorities in pursuance of show cause notice under section 182/114 for imposition of penalty for late filing of return for tax year 2014, issued order thereby creating demand amounting to Rs 16.84 million. Aggrieved with the said order, the Company has preferred an appeal before CIR(A), wherein relief sought was not provided. Aggrieved with the order of CIR(A), Company has preferred an appeal before ATIR on May 7, 2018 and the case is pending adjudication. The Company has not made any provision against the above demand as the management is confident that the ultimate outcome of the appeal would be in favour of the Company, inter alia on the basis of the advice of the tax consultant and the relevant law and the facts.

(v) In respect of tax year 2015, the Additional Commissioner (Audit), Inland Revenue ['AC(A)IR'] passed an amended assessment order under section 122(5A), creating income tax demand amounting to Rs 81.60 million which mainly relates to denying the claim of exemption of dividend income from PMCL (wholly owned subsidiary) on account of non-filing of group tax return for the said tax year. The Company being aggrieved of the said order filed appeal before CIR(A). CIR(A), through order dated April 16, 2018, has accepted all the contentions of the Company except the taxation of dividend income thereby reducing the demand to Rs 68.33 million. On April 18, 2018, the Company has filed an appeal before ATIR against the CIR(A)'s order and has not made any provision against the above demand as the management is confident that the ultimate outcome of the appeal would be in favour of the Company, inter alia on the basis of the advice of the tax consultant and the relevant law and the facts.

(vi) In respect of tax year 2016, the AC(A)IR passed an amended assessment order under section 122(5A), creating income tax demand amounting to Rs 150.97 million which mainly relates to taxability of dividend income from PMCL (wholly owned subsidiary) on accrual basis. The Company being aggrieved of the said order filed the appeal before CIR(A). CIR(A), through order dated April 16, 2018, has accepted all the contentions of the Company except the taxation of dividend income thereby reducing the demand to Rs 147.52 million. On April 18, 2018, the Company has filed an appeal before ATIR against the CIR(A)'s order and has not made any provision against the above demand as the management is confident that the ultimate outcome of the appeal would be in favour of the Company, inter alia on the basis of the advice of the tax consultant and the relevant law and the facts.

(vii) Habib Metropolitan Bank Limited has issued bank guarantee amounting to Rs 532.68 million (2017 : Rs 326.32 million) in favour of SNGPL as a security to cover natural gas / RLNG supply for which payments are made in arrears. The guarantee is due to expire on December 14, 2018 and is renewable.

13.2 Commitments - nil

		2018	2017
		(Rupees in thousand)	
14. Property, plant and equipment			
Operating fixed assets	- note 14.1	696,398	737,666
Major spare parts and stand-by equipment	- note 14.2	4,806	3,870
		701,204	741,536

14.1 Operating fixed assets

	Annual rate of depreciation	Cost as at July 1, 2017	Additions during the year	Transfers in	Disposals during the year	Cost as at June 30, 2018	Accumulated depreciation as at July 1, 2017	Depreciation charge for the year	Charge on disposals	Accumulated depreciation as at June 30, 2018	Net book value as at June 30, 2018
	%					(Rupees in thousand)					
Freehold land	-	4,647	-	-	-	4,647	-	-	-	-	4,647
Building on freehold land	5	121,447	-	-	-	121,447	68,806	6,072	-	74,878	46,569
Plant and machinery (note 14.1.3)	3-25	1,249,482	-	20,210	-	1,269,692	572,061	57,246	-	629,307	640,385
Electric equipment	10	3,273	-	-	-	3,273	1,858	326	-	2,184	1,089
Office equipment	10-33	3,435	384	-	-	3,819	1,893	579	-	2,472	1,347
Vehicles	20	372	2,673	-	-	3,045	372	312	-	684	2,361
		1,382,656	3,057	20,210	-	1,405,923	644,990	64,535	-	709,525	696,398

	Annual rate of depreciation	Cost as at July 1, 2016	Additions during the year	Transfers in	Disposals during the year	Cost as at June 30, 2017	Accumulated depreciation as at July 1, 2016	Depreciation charge for the year	Charge on disposals	Accumulated depreciation as at June 30, 2017	Net book value as at June 30, 2017
	%					(Rupees in thousand)					
Freehold land	-	4,647	-	-	-	4,647	-	-	-	-	4,647
Building on freehold land	5	121,447	-	-	-	121,447	62,734	6,072	-	68,806	52,641
Plant and machinery (note 14.1.3)	3-25	1,241,580	-	12,184	(4,282)	1,249,482	520,544	55,795	(4,278)	572,061	677,421
Electric equipment	10	2,109	1,164	-	-	3,273	1,544	314	-	1,858	1,415
Office equipment	10-33	2,173	1,262	-	-	3,435	1,513	380	-	1,893	1,542
Vehicles	20	372	-	-	-	372	372	-	-	372	-
		1,372,328	2,426	12,184	(4,282)	1,382,656	586,707	62,561	(4,278)	644,990	737,666

14.1.1 The depreciation charge for the year has been allocated as follows.

		2018	2017
		(Rupees in thousand)	
Direct costs	- note 23	63,319	61,867
Administrative expenses	- note 24	1,216	694
		64,535	62,561

14.1.2 The cost of fully depreciated assets which are still in use as at June 30, 2018 is Rs 155.56 million (2017 Rs 153.86 million).

14.1.3 Freehold land represents an area measuring measuring 24 Kanals and 18 Marlas, situated at Tehsil Fateh Jang, District Attock.

14.1.4 According to the SRO 24(I)/2012 dated January 16, 2012 issued by SECP [as fully explained in note 4.17(b) to these financial statements], the Company is allowed to capitalize exchange gains/losses arising on outstanding amounts of foreign currency loans contracted under the Implementation Agreement with Government of Pakistan until the date of expiry of such Implementation Agreement. There were no exchange losses capitalised during the year (2017: Nil). The exchange losses capitalised are amortised over the remaining useful life of plant. Had the Company followed IAS 21, 'The Effects of Changes in Foreign Exchange Rates', the effect on the financial statements would be as follows:

	2018	2017
	(Rupees in thousand)	
Decrease in the carrying amount of property, plant and equipment and un-appropriated profit as at June 30	(53,294)	(57,394)
Decrease in cost of sales	4,100	4,100
Increase in profit for the year	4,100	4,100

14.1.5 **Disposal of operating fixed assets**

There was no disposal of operating fixed assets during the current year. Details of last year's disposal are as follows:

	2017				
Particulars	Cost	Book value	Sale proceeds	Gain on disposal	Mode of disposal
	(Rupees in thousand)				
Plant and machinery sold to:					
Outside party: Ihtramul haq	4,282	-	54	54	Bidding

		2018	2017
		(Rupees in thousand)	
14.2 Major spare parts and stand-by equipment			
Opening balance		3,870	5,001
Additions during the year		21,146	11,053
		25,016	16,054
Transfers during the year	- note 14.1	(20,210)	(12,184)
Closing balance		4,806	3,870

15. **Intangible assets**

These represent computer software and ERP system.

		2018	2017
Cost			
Opening balance		7,195	6,564
Additions during the year	- note 15.3	370	631
Closing balance		7,565	7,195
Amortisation			
Opening balance		5,240	2,764
Charge for the year	- note 24	1,907	2,476
Closing balance		7,147	5,240
Net book value as at June 30		418	1,955
Annual amortization rate		33%	33%

15.1 The amortisation charge for the year has been allocated to administrative expenses.

15.2 ERP system has been implemented by Descon Corporation (Private) Limited, a related party (on the basis of common directorship), under Service Level Agreement with the Company.

15.3 This represents ERP implementation/updating fees charged by Descon Corporation (Private) Limited, a related party (on the basis of common directorship).

15.4 The cost of fully amortised assets which are still in use as at June 30, 2018 is Rs 6.41 million (2017: Rs 0.25 million).

		2018	2017
16. Long term investment		**(Rupees in thousand)**	
Subsidiary - unquoted:			
Power Management Company (Private) Limited			
320,451,000 (2017: 320,451,000) fully paid ordinary shares of Rs 10 each [Equity held 100% (2017: 100%)] - Cost	- note 16.1 & 16.2	3,204,510	3,204,510

16.1 The Company directly holds 100% shares in its wholly owned subsidiary, PMCL. PMCL is a private company limited by shares incorporated in Pakistan to invest, manage, operate, run, own and build power projects. PMCL's registered office is situated at Descon Headquarters, 18 km Ferozepur Road, Lahore. The investment in PMCL is accounted for using cost method in the separate financial statements of the Company. PMCL, in turn, directly holds 58.18% shares in Rousch (Pakistan) Power Limited ('RPPL'). RPPL is an unlisted public company limited by shares incorporated in Pakistan to generate and supply electricity to CPPA-G from its combined cycle thermal power plant having a gross (ISO) capacity of 450 Mega Watts, located near Sidhnai Barrage, Abdul Hakim town, District Khanewal, Punjab. RPPL's registered office is situated at 2nd Floor emirates tower, F-7 Markaz, Islamabad.

16.2 Investment in associated company has been made in accordance with the requirements under the Act.

	2018	2017
17. Stores and spares	**(Rupees in thousand)**	
Stores	66,406	17,408
Spares	10,329	95,060
	76,735	112,468

17.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

18. Trade debts - secured, considered good

Considered good	- note 18.1	934,919	800,155
Considered doubtful		13,467	12,143
		948,386	812,298
Provision for doubtful debts	- note 18.2	(13,467)	(12,143)
		934,919	800,155

18.1 These represent trade receivables from CPPA-G and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up of reverse repo rate of State Bank of Pakistan plus 2% per annum is charged in case the amounts are not paid within due dates. The rate of delayed payment mark-up charged during the year on outstanding amounts was 8.25% to 9.00% (2017: 8.25%) per annum.

18.2 Provision for doubtful debts		2018	2017
		(Rupees in thousand)	
Opening balance		12,143	10,368
Provision for the year	- note 18.3 & 24	1,324	1,775
Closing balance		13,467	12,143

18.3 During the year, a further provision of Rs 1.32 million has been made on account of disputed amounts relating to energy and capacity charges.

19. Advances, prepayments and other receivables

Advances - considered good:			
- To suppliers		2,899	255
- To employees against expenses		241	150
Balances with statutory authorities:			
- Sales tax		122,969	87,287
- Receivable against WWF	- note 19.1	34,464	34,464
- Other receivable	- note 19.2	-	10,117
Claims recoverable from CPPA-G for pass through items:			
- Workers' profit participation fund	- note 19.3	-	9,861
Prepayments	- note 19.4	1,582	2,297
Insurance claim receivable		-	1,742
		162,155	146,173

19.1 This includes WWF contribution amounting to Rs 33.32 million (2017: Rs 33.32 million) based on accounting profit for tax year 2014 paid under protest after demand by taxation authorities. Since the provisions of WWF were not applicable to the Company in the light of Supreme Court's decision, CPPA-G has not acknowledged this amount as a valid pass through item. Therefore, the Company has filed for a refund from the taxation authorities. The Company has not made any provision against the recoverable amount as the management is confident that the ultimate outcome of the matter would be in favour of the Company, inter alia on the basis of the advice of the tax consultant and the relevant law and the facts.

19.2 This represented amount deposited with the ATIR to obtain stay against the sales tax apportionment case under the directions of LHC as mentioned in note 13.1(i).

19.3 Workers' profit participation fund

Opening balance		9,861	7,177
Provision for the year	- note 9.3	-	9,861
		9,861	17,038
Transfer to trade debts during the year		(9,861)	(7,177)
Closing balance		-	9,861

Under section 14.2(a) of the PPA with CPPA-G, payments to Workers' Profit Participation Fund are recoverable from CPPA-G as a pass through item.

19.4 This includes prepayment in respect of ERP annual support services cost made to Descon Corporation (Private) Limited, a related party (on the basis of common directorship) aggregating to Rs 0.08 million (2017: Rs 0.45 million).

20. This represented dividend receivable from PMCL (wholly owned subsidiary). The maximum aggregate amount recievable from PMCL (wholly owned subsidiary) at the end of any month during the year was Nil (2017: Rs 1,435.11 million).

21. Cash and bank balances

		2018	2017
		(Rupees in thousand)	
Cash at bank:			
On saving accounts	- note 21.1	245	245
On current accounts		7,145	48,317
		7,390	48,562
Cash in hand		-	9
		7,390	48,571

21.1 Profit on balances in saving accounts is 5.25% (2017: 5.00% to 5.25%) per annum.

22. Revenue - net

	2018	2017
	(Rupees in thousand)	
Energy purchase price - gross	1,523,297	1,433,447
Sales tax	(221,334)	(208,279)
Energy purchase price - net	1,301,963	1,225,168
Capacity purchase price	264,741	364,677
Other supplemental charges	54,490	34,711
	1,621,194	1,624,556

23. Direct costs

		2018	2017
Natural gas / RLNG consumed		1,295,004	1,172,236
Salaries, wages and other benefits		816	1,219
Operation and maintenance		58,090	54,318
Stores and spares consumed		104,447	62,352
Purchase of energy from CPPA-G		4,105	3,035
Insurance cost		2,073	2,061
Lube oil consumed		12,994	10,537
Repairs and maintenance		10,960	13,956
Travelling and conveyance		387	544
Depreciation on operating fixed assets	- note 14.1.1	63,319	61,867
Security expense		5,507	4,094
Generation license fee		149	144
Miscellaneous		418	246
		1,558,269	1,386,609

24. Administrative expenses

		2018	2017
		(Rupees in thousands)	
Salaries, wages and other benefits	- note 24.1	11,637	10,525
Directors' meeting fee	- note 31.2	500	625
ERP running cost	- note 24.2	3,141	2,808
Travelling and conveyance		2,339	2,052
Utilities		655	642
Postage and telephone		748	838
Printing and stationery		1,071	1,105
Auditors' remuneration	- note 24.3	1,435	1,426
Legal and professional expenses		12,571	5,393
Fees and subscription		1,437	1,177
Entertainment		221	293
Amortisation on intangible assets	- note 15	1,907	2,476
Depreciation on operating fixed assets	- note 14.1.1	1,216	694
Repairs and maintenance		7	224
Provision for doubtful debts	- note 18.2	1,324	1,775
Rent, rates and taxes		529	183
Training expenses		194	118
Miscellaneous		147	815
		41,079	33,169

24.1 Salaries, wages and other benefits include Rs 0.92 million (2017: Rs 0.71 million) and Rs 0.05 million (2017: Rs 0.06 million) on account of staff gratuity and accumulating compensated absences respectively.

24.2 This represents charges in respect of ERP annual support services rendered by Descon Corporation (Private) Limited, a related party (on the basis of common directorship).

24.3 Auditors' remuneration

The charges for professional services (exclusive of sales tax) consist of the following in respect of auditors' services for:

Statutory audit	790	790
Half yearly review	266	254
Certifications required by various regulations	281	296
Reimbursement of expenses	98	86
	1,435	1,426

25. Other income

Profit on bank deposits	2,165	1,022
Dividend income from PMCL (wholly owned subsidiary)	1,453,520	1,435,108
Scrap sales	-	839
Gain on disposal of operating fixed assets	-	54
Liabilities no longer payable written back	-	1,319
	1,455,685	1,438,342

		2018	2017
		(Rupees in thousands)	
26. Finance cost			
Mark-up on:			
Long term financing - unsecured	- note 26.1	2,769	4,534
Due to PMCL (wholly owned subsidiary) - unsecured		413	444
Short term borrowing - secured		10,537	755
Bank charges		7,060	3,009
Guarantee commission		3,323	1,958
Late payments surcharge on:			
Late payments to Descon Power Solutions (Private) Limited - related party (common directorship)		321	-
Late payments to SNGPL		791	101
		25,214	10,801

26.1 This includes mark-up on loans from Descon Engineering Limited, (holding company till December 15, 2017 and related party, on the basis of common directorship, thereafter), and PMCL (wholly owned subsidiary), amounting to Nil (2017: Rs 0.64 million) and Rs 2.77 million (2017: Rs 3.89 million) respectively.

	2018	2017
27. Taxation		
Current		
For the year	-	317
Prior years	(325)	(718)
	(325)	(401)

27.1 Relationship between tax income and accounting profit

	2018	2017
Profit before taxation	1,452,317	1,632,319
Tax at the applicable rate of 30% (2017: 31%)	435,695	506,019
Tax effect of amounts that are:		
Exempt as referred to in note 4.1	(435,046)	(505,702)
Allowable as tax credit	(649)	-
Prior years' tax	(325)	(718)
	(325)	(401)

27.2 The Company along with certain related companies had obtained certificate of registration and designation letter of a group from SECP on June 5, 2015 and September 9, 2016, respectively, and the same were registered as a group with SECP under Group Companies Registration Regulations, 2008 to avail group relief under section 59B of the Income Tax Ordinance, 2001. At the time of registration of group, inter-corporate dividend [PMCL (wholly owned subsidiary) to the Company] was exempt from tax for companies entitled for group relief under Clause 103A of Part I of the Second Schedule to the Income Tax Ordinance, 2001. However, subsequent to the registration of the group, this clause was amended through Finance Act, 2016 and the exemption in respect of inter-corporate dividend was withdrawn. The Company is of the view, that since the Company had been registered as a group before the amendment in law, the Company remains entitled for the exemption. Based on the advice of the Company's legal advisor, management believes that there are meritorious grounds to defend its case in the courts of law with the taxation authorities. Consequently, no provision of Rs 566.70 million for tax on dividend income from PMCL (wholly owned subsidiary) for the tax years from 2016 to 2018 has been recognized in these financial statements.

27.3 Management assessment on sufficiency of provision for income taxes

A comparison of provision on account of income taxes with most recent tax assessment for last three tax years is as follows:

	2017	2016	2015
	(Rupees in thousand)		
Tax assessed as per most recent tax assessment	-	148,661	82,522
Provision in accounts for income tax	-	216	1,998

As at June 30, 2018, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the taxation authorities.

28. Cash (used in)/generated from operations

		2018	2017
		(Rupees in thousand)	
Profit before taxation		1,452,317	1,632,319
Adjustment for non cash charges and other items:			
- Depreciation on operating fixed assets	- note 14.1.1	64,535	62,561
- Amortisation on intangible assets	- note 15	1,907	2,476
- Liabilities no longer payable written back	- note 25	-	(1,319)
- Profit on bank deposits	- note 25	(2,165)	(1,022)
- Gain on disposal of operating fixed assets	- note 25	-	(54)
- Dividend income from PMCL (wholly owned subsidiary)	- note 25	(1,453,520)	(1,435,108)
- Finance cost	- note 26	25,214	10,801
- Provision for doubtful debts	- note 18.2	1,324	1,775
- Provision for staff gratuity	- note 8.1	922	710
- Provision for accumulating compensated absences	- note 8.2	54	55
Profit before working capital changes		90,588	273,194
Effect on cash flow due to working capital changes:			
Decrease/(increase) in current assets			
- Stores and spares		35,733	(36,833)
- Trade debts - secured, considered good		(136,088)	(151,712)
- Advances, prepayments and other receivables		(15,982)	(23,996)
		(116,337)	(212,541)
Decrease in current liabilities			
- Trade and other payables		(98,065)	(50,141)
		(214,402)	(262,682)
		(123,814)	10,512

29. Cash and cash equivalents

		2018	2017
Cash and bank balances	- note 21	7,390	48,571
Short term borrowing - secured	- note 10	(159,569)	-
Due to PMCL (wholly owned subsidiary) - unsecured	- note 9	(5,704)	(5,715)
		(157,883)	42,856

30 Transactions with related parties

The related parties comprise the Holding Company, subsidiaries and associates of Holding Company, group companies, related parties on the basis of common directorship and key management personnel of the Company and its Holding Company. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Significant related party transactions have been disclosed in respective notes in these financial statements other than the following:

Relationship with the Company	Nature of transactions	2018	2017
		(Rupees in thousand)	
i. Holding company			
Descon Engineering Limited - till December 15, 2017	Dividends paid	1,691,177	492,625
	Common costs charged to the Company	1,104	2,494
ii. Subsidiaries			
PMCL (wholly owned)	Dividends received	2,888,962	951,739
RPPL	Common costs charged to the Company	300	417
iii. Other related parties			
On the basis of common directorship			
Descon Engineering Limited - from December 15, 2017	Common costs charged to the Company	2,037	-
Descon Power Solutions (Private) Limited	Operation and maintenance contractor's fee	52,809	49,517
	Service agreement of generators	5,281	4,801
	Purchases of spare parts	70,399	118,677
	Major maintenance fee	1,746	1,774
	Common costs charged to the Company	78	305
Descon Corporation (Private) Limited	Common costs charged to the Company	529	183
Group company			
Descon Holdings (Private) Limited	Dividends paid	240	70
iv. Key management personnel	Short term employee benefits	7,777	7,021
	Post employment benefits	773	600
	Long term benefits	37	36
	Dividends paid	208	61

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

There are no transactions with key management personnel other than under the terms of employment.

31 Remuneration of Chief Executive, Directors and Executives

31.1 The aggregate amounts charged in these financial statements for remuneration and certain benefits to Directors, Chief Executive and Executive of the Company are as follows:

	Chief Executive		Executive Director	
	2018	2017	2018	2017
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	3,156	3,000	-	-
Number of person(s)	1	1	-	-

	Non Executive Directors		Executives	
	2018	2017	2018	2017 *
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	-	-	3,273	2,782
Accumulating compensated absences	-	-	37	36
Gratuity	-	-	773	600
House rent, utilities and other allowances	-	-	327	278
Bonus	-	-	510	450
Reimbursable expenses against vechicle	-	-	511	511
Other services rendered	724	695	-	-
	724	695	5,431	4,657
Number of person(s)	6	6	1	1

* Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

31.2 During the year the Company paid meeting fee amounting to Rs 0.50 million (2017: Rs 0.63 million) to its non-executive (independent) director.

32. Number of employees

	2018	2017
Total number of employees as at June 30	7	8
Average number of employees during the year	7	8
Total number of factory employees as at June 30	4	5
Average number of factory employees during the year	4	5

33. Financial risk management

33.1 Financial risk factors

The Company is exposed 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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the 'Board'). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) 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 the value of its holdings and financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk is further divided into the following three components:

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to any significant currency risk.

(ii) Interest rate risk

Interest rate risk 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 no significant long term interest-bearing assets. The Company's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At the statement of financial position date, the interest rate profile of the Company's interest bearing financial instruments was:

		2018	2017
		(Rupees in thousand)	
Fixed rate instruments			
Financial assets			
Bank balances - saving accounts	- note 21	245	245
Financial liabilities		-	-
Net exposure		245	245
Floating rate instruments			
Financial assets			
Trade debts - secured, considered good, overdue		806,496	604,595
Financial liabilities			
Long term financing - unsecured		(31,500)	(50,000)
Short term borrowing - secured	- note 10	(159,569)	-
Due to PMCL (wholly owned subsidiary) - unsecured	- note 9	(5,704)	(5,715)
		(196,773)	(55,715)
Net exposure		609,723	548,880

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the statement of financial position date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on variable rate financial instruments, at the year end date, fluctuates by 1% higher/lower with all other variables held constant, post tax profit for the year would have been Rs 6.12 million (2017: Rs 5.49 million) higher/lower, mainly as a result of higher/lower net interest income on floating rate instruments.

(iii) 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 there are no investments in equity instruments traded in the market at the reporting date. The Company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

(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. Credit risk mainly arises from deposits with banks, trade and other receivables.

(i) Exposure to credit risk

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

		2018	2017
		(Rupees in thousand)	
Long term deposit		38	38
Trade debts - secured, considered good	- note 18	934,919	800,155
Insurance claim receivable	- note 19	-	1,742
Dividend receivable	- note 20	-	1,435,108
Bank balances	- note 21	7,390	48,562
		942,347	2,285,605

As of June 30, age analysis of trade debts was as follows:

Neither past due nor impaired	128,423	195,560
Past due 0-30 days	298,277	169,836
Past due 31-120 days	117,408	292,413
Past due more than 120 days	404,278	154,489
Provision for doubtful debts	(13,467)	(12,143)
	934,919	800,155

The Company's only customer is CPPA-G. The credit risk on trade debts from CPPA-G is managed by a guarantee from the Government of Pakistan under the Implementation Agreement and by continuous follow-ups for release of payments from CPPA-G. Cash is held only with reputable banks with high quality external credit enhancements. The Company establishes a provision for doubtful debts that represents its estimate of incurred losses in respect of trade debts, if required.

(ii) Credit quality of major financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about external counterparty default rate:

	Rating		Rating	2018	2017
	Short term	Long term	Agency	(Rupees in thousand)	
CPPA-G	Not available			934,919	800,155
MCB Bank Limited	A1+	AAA	PACRA	1,900	2,405
The Bank of Punjab	A1+	AA	PACRA	4,302	4,366
Habib Bank Limited	A1+	AAA	JCR-VIS	64	111
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	1,124	41,680
				942,309	848,717

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

Liquidity risk

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

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.

The following are the contractual maturities of financial liabilities as at June 30, 2018 and 2017:

	2018				
			Maturities		
	Carrying amount	Less than six months	Up to one year	Two years to five years	After five years
	(Rupees in thousand)				
Financial liabilities					
Long term financing - unsecured	79,120	-	79,120	-	-
Trade and other payables	74,104	74,104	-	-	-
Short term borrowing - secured	159,569	159,569	-	-	-
Mark-up accrued	15,248	15,248	-	-	-
Unclaimed dividend	1,345	1,345	-	-	-
	329,386	250,266	79,120	-	-

	2017				
			Maturities		
	Carrying amount	Less than six months	Up to one year	Two years to five years	After five years
	(Rupees in thousand)				
Financial liabilities					
Long term financing - unsecured	94,851	-	94,851	-	-
Trade and other payables	172,814	172,814	-	-	-
Mark-up accrued	10,732	10,732	-	-	-
Unpaid dividend	1,453,520	1,453,520	-	-	-
Unclaimed dividend	726	726	-	-	-
	1,732,643	1,637,792	94,851	-	-

33.2 Capital risk management

The Company's objectives when managing capital are to safeguard Company's ability to continue as a going concern in order to provide returns for shareholders and lenders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net borrowings divided by total capital employed. Net borrowings are calculated as total borrowings including current and non-current borrowings less cash and cash equivalents. Total capital employed includes equity as shown in the statement of financial position, plus net borrowings.

The Company is not exposed to any externally imposed capital requirements.

		2018	2017
		(Rupees in thousand)	
Borrowings		31,500	50,000
Cash and cash equivalents	- note 29	157,883	(42,856)
Net borrowings		189,383	7,144
Total equity		4,754,096	4,754,974
Total capital employed		4,785,596	4,804,974
Gearing ratio		3.96%	0.15%

33.3 Fair value estimation

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

33.4 Offsetting financial assets and financial liabilities

There are no significant financial assets and financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

33.5 Financial instruments by categories

	Loans and receivables	
	2018	2017
	(Rupees in thousand)	
Assets as per statement of financial position		
Long term deposit	38	38
Trade debts - secured, considered good	934,919	800,155
Insurance claim receivable	-	1,742
Dividend receivable	-	1,435,108
Bank balances	7,390	48,562
	942,347	2,285,605

	Financial liabilities at amortised cost	
	2018	2017
	(Rupees in thousand)	
Liabilities as per statement of financial position		
Long term financing - unsecured	79,120	94,851
Trade and other payables	74,104	172,814
Short term borrowing - secured	159,569	-
Mark-up accrued	15,248	10,732
Unpaid dividend	-	1,453,520
Unclaimed dividend	1,345	726
	329,386	1,732,643

34. Plant capacity and actual generation

Installed capacity	(MWh)	**250,356**	250,356
Practical maximum output	(MWh)	**219,318**	221,242
Actual energy delivered	(MWh)	**145,115**	187,844

The actual generation for power plant takes into account all scheduled outages approved by CPPA-G. Actual output is dependent on the load demanded by CPPA-G, natural gas / RLNG supply by SNGPL under as-and-when available basis, the plant availability and mean-site conditions.

		2018	2017
35. Earnings per share - basic and diluted			
35.1 Basic earnings per share			
Profit for the year	(Rupees in thousand)	1,452,642	1,632,720
Weighted average number of ordinary shares	(Number)	363,380,000	363,380,000
Earnings per share	(Rupees)	4.00	4.49

35.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2018 and June 30, 2017 which would have any effect on the earnings per share if the option to convert is exercised.

36. Significant contracts

36.1 The Company has entered into an Implementation Agreement dated July 19, 1995 with the President of the Islamic Republic of Pakistan, for and on behalf of the Islamic Republic of Pakistan under which the Government of Pakistan has allowed certain concessions to the Company for installation of a 14 Mega Watts Power Plant. As a result of amendment to the Implementation Agreement dated September 09, 2005, the capacity of the plant was enhanced to 32 Mega Watts.

36.2 The Company has entered into PPA dated September 18, 1995 with WAPDA which was later amended on April 22, 2006 to incorporate various revised provisions, mutually agreed between the parties. The PPA has now been novated by WAPDA in favour of CPPA-G, whereby CPPA-G will purchase the electricity produced by the Company for a term of 30 years till June 2031.

36.2.1 The PPA provides the tariff structure which comprises invoicing as follows:

Energy Purchase Price which is the price of energy sold to CPPA-G, Energy Purchase Price consists of fuel and variable operational & maintenance costs.

Capacity Purchase Price which is the price for making available the required level of capacity to generate energy available during the period. Capacity Purchase Price consists of two components namely Escalable Component ('EC') and non-Escalable component ('NEC'). EC includes fixed operations and maintenance cost, insurance cost, administrative costs and return on equity etc. NEC comprises of payment of loans (i.e. principal, interest and foreign exchange differences). The foreign exchange differences are recovered in the form of indexations in-built in the EC & NEC components.

36.3 The Company entered into a GSA dated August 03, 2007 with SNGPL whereby SNGPL committed to supply natural gas to the Company on 9 months take-or-pay basis till June 30, 2013. The Company's GSA with SNGPL expired on June 30, 2013. Thereafter, the Company has signed a Supplemental Deed dated March 17, 2014 with SNGPL, whereby SNGPL has agreed to supply gas to the Company on as-and-when available basis till the expiry of PPA on June 6, 2031. The Ministry of Petroleum and Natural Resources, empowered for RLNG allocation by the ECC of the Federal Cabinet , issued an allocation of 6 MMCFD of RLNG to the Company on April 28, 2017 and advised the Company and SNGPL to negotiate a new GSA. Currently, the Company, SNGPL and CPPA-G are in the process of execution of an interim GSA for supply of RLNG. Under the interim GSA, RLNG will be supplied on as-and-when-available basis till the execution of a long term GSA between the parties.

36.4 The Company entered into an Operation & Maintenance and Service Agreement dated July 1, 2008 with Descon Power Solutions (Private) Limited, a related party (on the basis of common directorship), which has been amended from time to time till June 30, 2018. The agreement engages the contractor to perform all the activities related to operations, maintenance, and other services of the plant till the expiry of the term.

37. Date of authorisation for issue

These financial statements were authorised for issue on September 26, 2018 by the Board of Directors of the Company.

38. Events after the statement of financial position date

There are no significant events which occurred after the statement of financial position date that require adjustment or disclosure in the financial statements.

39. Summary of significant transactions and events

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

– declared interim dividend amounting to Rs 1,453.52 million and paid dividends amounting to Rs 2,906.42 million (refer to statement of changes in equity and statement of cash flows, respectively);

– earned dividend income amounting to Rs 1,453.52 million and received dividends amounting to Rs 2,888.63 million (refer to note 25 and statement of cash flows, respectively);

– supply of 6 MMCFD of RLNG was allocated to the Company until execution of the interm GSA for supply of RLNG (refer to note 1.4);

– the Company's holding company and ultimate parent have changed during the year as a result of the Scheme becoming effective (refer to note 1.2); and

reclassified certain amounts due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the Fourth Schedule to the Companies Act, 2017 (refer to note 40).

40. Corresponding figures

The preparation and presentation of these financial statements for the year ended June 30, 2018 is in accordance with the requirements of the Act. The Fourth Schedule to the Act has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of the Act and to reflect more appropriate presentation of events and transactions for the purpose of comparison. Following major reclassifications have been made during the year:

Description	Head of account in the financial statements for the year ended June 30, 2017	Head of account in the financial statements for the year ended June 30, 2018	2017 (Rupees in thousand)
Unclaimed divided	Trade and other payables	Unclaimed divided	1,345
Receivable against workers' welfare fund	Income tax recoverable	Advances, prepayments and other receivables	33,324

Chief Executive

Chief Financial Officer

Director

Consolidated Financial Statements

June 30, 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Altern Energy Limited

Opinion

We have audited the annexed consolidated financial statements of Altern Energy Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 14.1(viii) to the annexed consolidated financial statements, which describes the uncertainty regarding the outcome of certain claims by Central Power Purchasing Agency (Guarantee) Limited ['CPPA(G)'] which have been disputed by the Group. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

<table>
<tr><th>S. No.</th><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>(i)</td><td>New requirements under the Companies Act, 2017

(Refer note 2.2.4 to the annexed consolidated financial statements)

The provisions of Fourth Schedule to the Companies Act, 2017 became applicable to the Group for the first time in the preparation of the annexed consolidated financial statements.

As part of this transition to the requirements, the management performed a gap analysis to identify differences between the previous financial reporting framework and the current financial reporting framework and as a result certain amendments and additional disclosures were made in the Group's annexed consolidated financial statements.

In view of the additional disclosures in the annexed consolidated financial statements due to first time application of the Fourth Schedule to the Companies Act, 2017, we considered this as a key audit matter.</td><td>We reviewed and understood the requirements of the Fourth Schedule to the Companies Act, 2017. Our audit procedures included the following:

• Considered the management's process to identify the additional disclosures required in the Group's annexed consolidated financial statements;

• Obtained relevant underlying supports for the additional disclosures and assessed there appropriateness for the sufficient audit evidence; and

• Verified on test basis the supporting evidence for the additional disclosures and ensured appropriateness of the disclosures made.</td></tr>
</table>

(ii)	**Tax contingency** *(Refer note 27.3 to the annexed consolidated financial statements)* The Group has a number of open tax matters, for which management is required to make certain judgements as to the likely outturn for the purposes of calculating the Group's tax liabilities. The most significant uncertainty at present relates to the non-provision of income tax on inter-corporate dividend [from Power Management Company (Private) Limited ('PMCL'), wholly-owned subsidiary of Altern Energy Limited (the 'Parent Company'), to the Parent Company]. Due to significance of the amount involved, inherent uncertainty with respect to the outcome of matter and use of significant management judgement and estimate to assess the same including related financial impact, we have considered the above contingent liability as a key audit matter.	Our audit procedures included the following: • we understood and tested key controls surrounding the governance procedures in evaluating such uncertain exposures as well as performed an assessment over the experience of management in evaluating these exposures.; • we examined and challenged the analysis performed by management which set out the basis for their judgements in respect of the material tax exposure identified, together with relevant supporting evidence such as correspondence with tax authorities and legal opinions obtained. We used our understanding of the business and also read correspondence with tax authorities to challenge the completeness of identified exposure and the need for provision; • we circulated confirmations to the Group's external tax counsels for their views on the open tax assessment; • we made our own assessment of the likelihood of the tax exposure occurring based on our knowledge of tax legislation and applicable precedents. In making our assessment we considered the range of interpretations of the applicable tax legislation in the relevant jurisdiction. We also evaluated the calculation of the exposure and agreed that to the annexed consolidated financial statements. We also involved our internal tax professionals to assess the appropriateness of management's conclusions on the contingent tax matter; and • we assessed whether the extent of the disclosures made, in particular, in relation to contingent liability and judgements was appropriate.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Masood.

A.F. Ferguson & Co.

Chartered Accountants
Place: Lahore
Date: September 29, 2018
Engagement Partner: Muhammad Masood

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2018	2017
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
400,000,000 (2017: 400,000,000)			
ordinary shares of Rs 10 each		4,000,000	4,000,000
Issued, subscribed and paid up share capital			
363,380,000 (2017: 363,380,000)			
ordinary shares of Rs 10 each	5	3,633,800	3,633,800
Capital reserve: Share premium	6	41,660	41,660
Revenue reserve: Un-appropriated profit		12,920,994	12,379,592
		16,596,454	16,055,052
Non-controlling interest		10,613,034	10,209,062
		27,209,488	26,264,114
NON-CURRENT LIABILITIES			
Long term financing - secured	7	1,561,704	4,045,532
Deferred liabilities	8	24,606	23,399
Deferred taxation	9	958,542	913,145
		2,544,852	4,982,076
CURRENT LIABILITIES			
Current portion of long term financing - secured	7	3,123,407	2,697,021
Trade and other payables	10	1,680,570	3,230,681
Unpaid dividend		-	2,488,523
Unclaimed dividend		1,345	726
Short term borrowings - secured	11	1,816,641	-
Mark-up accrued	12	47,491	3,409
Provision for taxation		-	113,676
Derivative financial instrument	13	45,232	157,389
		6,714,686	8,691,425
CONTINGENCIES AND COMMITMENTS	14		
		36,469,026	39,937,615

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chief Executive	Chief Financial Officer	Director

AS AT JUNE 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	19,131,670	20,376,788
Intangible assets	16	418	3,742
Long term deposits		369	539
Long term loans to employees - secured	17	5,161	8,886
		19,137,618	20,389,955
CURRENT ASSETS			
Stores, spares and loose tools	18	621,053	653,568
Inventory of fuel oil		468,560	471,793
Income tax recoverable		221,361	238,321
Trade debts - secured, considered good	19	13,751,910	12,864,950
Advances, prepayments and other receivables	20	710,438	575,141
Cash and bank balances	21	1,558,086	4,743,887
		17,331,408	19,547,660
		36,469,026	39,937,615

Chief Executive — Chief Financial Officer — Director

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
Revenue - net	22	31,443,772	27,757,933
Direct costs	23	(26,785,009)	(23,472,480)
Gross profit		4,658,763	4,285,453
Administrative expenses	24	(242,678)	(248,432)
Other income	25	221,855	234,455
		4,637,940	4,271,476
Finance cost	26	(1,039,514)	(1,158,500)
Profit before taxation		3,598,426	3,112,976
Taxation	27	(164,425)	(187,871)
Profit after taxation		3,434,001	2,925,105
Attributable to:			
Equity holders of the Parent Company		1,994,984	1,782,867
Non-controlling interest		1,439,017	1,142,238
		3,434,001	2,925,105
Earnings per share attributable to equity holders of the Parent Company during the year - basic and diluted **(Rupees)**	35	5.49	4.91

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chief Executive	**Chief Financial Officer**	**Director**

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
Profit for the year		3,434,001	2,925,105
Other comprehensive loss:			
Items that may be reclassified subsequently to profit and loss:		-	-
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post retirement benefits obligation	8.3.7	(104)	(2,453)
		(104)	(2,453)
Total comprehensive income for the year		3,433,897	2,922,652
Attributable to:			
Equity holders of the Parent Company		1,994,922	1,781,396
Non-controlling interest		1,438,975	1,141,256
		3,433,897	2,922,652

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chief Executive **Chief Financial Officer** **Director**

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	28.1	3,722,837	701,249
Finance cost paid		(518,602)	(1,312,939)
Income tax paid		(300,092)	(155,666)
Retirement benefits paid		(7,189)	(5,314)
Long term deposits - net		170	-
Long term loans to employees-net		3,255	4,281
Net cash inflow/(outflow) from operating activities		2,900,379	(768,389)
Cash flows from investing activities			
Fixed capital expenditure		(51,863)	(227,736)
Proceeds from disposal of operating fixed assets		10,985	1,523
Profit on bank deposits received		96,941	206,082
Net cash inflow/(outflow) from investing activities		56,063	(20,131)
Cash flows from financing activities			
Repayment of sponsors' loan - unsecured		-	(103,235)
Repayment of long term financing - secured		(2,876,223)	(8,731,317)
Proceeds from long term financing - secured		-	6,730,264
Dividends paid to:			
Non-controlling interest		(2,070,007)	(701,367)
Equity holders of the Parent Company		(2,906,421)	(846,675)
Settlement of derivative financial instrument		(106,233)	(35,390)
Net cash outflow from financing activities		(7,958,884)	(3,687,720)
Net decrease in cash and cash equivalents		(5,002,442)	(4,476,240)
Cash and cash equivalents at the beginning of the year		4,743,887	9,220,127
Cash and cash equivalents at the end of the year	28.2	(258,555)	4,743,887

Refer note 28.3 for reconciliation of liabilities arising from financing activities.

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chief Executive **Chief Financial Officer** **Director**

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

		Capital reserve:	Revenue reserve:			
	Share capital	Share Premium	Un-appropriated profit	Total equity attributable to equity holders of the Parent Company	Non-controlling interest	Total equity
	--------------------	--------------------	Rupees in thousand	--------------------	--------------------	--------------------
Balance as on July 1, 2016	3,633,800	41,660	12,051,716	15,727,176	10,102,809	25,829,985
Profit for the year	-	-	1,782,867	1,782,867	1,142,238	2,925,105
Other comprehensive loss for the year	-	-	(1,471)	(1,471)	(982)	(2,453)
Total comprehensive income for the year	-	-	1,781,396	1,781,396	1,141,256	2,922,652
Interim dividend for the year ended June 30, 2017 @ Rs 4.00 per ordinary share	-	-	(1,453,520)	(1,453,520)	-	(1,453,520)
Dividend relating to 2017 for non-controlling interest	-	-	-	-	(1,035,003)	(1,035,003)
Total transactions with owners in their capacity as owners	-	-	(1,453,520)	(1,453,520)	(1,035,003)	(2,488,523)
Balance as on June 30, 2017	3,633,800	41,660	12,379,592	16,055,052	10,209,062	26,264,114
Profit for the year	-	-	1,994,984	1,994,984	1,439,017	3,434,001
Other comprehensive loss for the year	-	-	(62)	(62)	(42)	(104)
Total comprehensive income for the year	-	-	1,994,922	1,994,922	1,438,975	3,433,897
Interim dividend for the year ended June 30, 2018 @ Rs 4.00 per ordinary share	-	-	(1,453,520)	(1,453,520)	-	(1,453,520)
Dividend relating to 2018 for non-controlling interest	-	-	-	-	(1,035,003)	(1,035,003)
Total transactions with owners in their capacity as owners	-	-	(1,453,520)	(1,453,520)	(1,035,003)	(2,488,523)
Balance as on June 30, 2018	3,633,800	41,660	12,920,994	16,596,454	10,613,034	27,209,488

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chief Executive **Chief Financial Officer** **Director**

ALTERN ENERGY LIMITED AND ITS SUBSIDIARY COMPANIES NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1. Legal status and nature of business

Altern Energy Limited (the 'Parent Company') and its subsidiaries, Power Management Company (Private) Limited ('PMCL') and Rousch (Pakistan) Power Limited ('RPPL'), (together, the 'Group') are engaged in power generation activities.

The Group is structured as follows:

		(Effective Holding Percentage)	
- Altern Energy Limited, the Parent Company	- note 1.1		
Subsidiary companies:		**2018**	**2017**
- PMCL	- note 1.2	100%	100%
- RPPL	- note 1.3	59.98%	59.98%

The registered office of the Group is situated at Descon Headquarters, 18 km, Ferozepur Road, Lahore.

1.1 Legal status and nature of business

1.1.1 The Parent Company was incorporated in Pakistan as a listed public company limited by shares under the Companies Ordinance, 1984 (now the Companies Act, 2017 and hereinafter referred to as the 'Act') on January 17, 1995. The Parent Company's ordinary shares are listed on the Pakistan Stock Exchange Limited. The registered office of the Parent Company is situated at Descon Headquarters, 18 km, Ferozepur Road, Lahore and the Parent Company's thermal power plant has been set up near Fateh Jang, District Attock, Punjab.

1.1.2 During the year, the Scheme of Arrangement of Descon Engineering Limited (the holding company of the Parent Company till the effective date of the Scheme of Arrangement) under section 284 to 288 of the repealed Companies Ordinance, 1984, (hereinafter referred to as the 'Scheme'), has been sanctioned by the Lahore High Court ('LHC') through its order dated November 21, 2017. The Scheme is effective from December 15, 2017 and has resulted in the transfer and vesting of shareholding of Descon Engineering Limited in the Parent Company into DEL Power (Private) Limited (the 'Holding Company'). Moreover, consequent to the Scheme becoming effective, the ultimate parent of the Parent Company is Descon Processing (Private) Limited.

1.1.3 The principal activity of the Parent Company is to build, own, operate and maintain a gas fired power plant having gross capacity of 32 Mega Watts. The Parent Company achieved Commercial Operations Date ('COD') on June 6, 2001. The Parent Company has a Power Purchase Agreement ('PPA') with its sole customer, Central Power Purchasing Agency (Guarantee) Limited ('CPPA-G') for thirty years which commenced from the COD. During the previous year, on May 9, 2017, the Parent Company executed a Novation Agreement with The Pakistan Water And Power Development Authority ('WAPDA') and CPPA-G whereby all the rights and obligations of WAPDA under the PPA were transferred to CPPA-G. Consequently, WAPDA ceased to be a party to PPA and CPPA-G became a party in place of WAPDA assuming all of WAPDA's rights and obligations thereunder. Furthermore, the Parent Company signed amendments to Government Guarantee and Implementation Agreement to reflect this change in PPA.

1.1.4 The Parent Company's Gas Supply Agreement ('GSA') with Sui Northern Gas Pipelines Limited ('SNGPL') expired on June 30, 2013. Thereafter, the Parent Company has signed a Supplemental Deed dated March 17, 2014 with SNGPL, whereby SNGPL has agreed to supply gas to the Parent Company on as-and-when available basis till the expiry of PPA on June 6, 2031. The Ministry of Petroleum and Natural Resources, empowered for Re-liquefied Natural Gas ('RLNG') allocation by the Economic Coordination Committee ('ECC') of the Federal Cabinet, issued an allocation of 6 MMCFD of RLNG to the Parent Company on April 28, 2017 and advised the Parent Company and SNGPL to negotiate a new GSA. Currently, the Parent Company, SNGPL and CPPA-G are in the process of execution of an interim GSA for supply of RLNG. Under the interim GSA, RLNG will be supplied on as-and-when available basis till the execution of a long term GSA between the parties.

1.2 PMCL

PMCL was incorporated in Pakistan as a private company limited by shares under the Companies Ordinance, 1984 (now the Act) on February 24, 2006. PMCL is a wholly owned subsidiary of the Parent Company. The principal objective of PMCL is to invest, manage, operate, run, own and build power projects. PMCL directly holds 59.98% shares in RPPL, a company engaged in power generation as detailed in note 1.3 to these consolidated financial statements. The registered office of PMCL is situated at Descon Headquarters, 18 km Ferozepur Road, Lahore.

1.3 RPPL

1.3.1 RPPL was incorporated in Pakistan as an unlisted public company limited by shares under the repealed Companies Ordinance, 1984 (now the Act) on August 4, 1994. RPPL's registered office is situated at 2nd Floor Emirates Tower, F-7 Markaz, Islamabad and the its thermal power plant has been set up near Sidhnai Barrage, Abdul Hakim Town, District Khanewal, Punjab.

1.3.2 The principal activities of RPPL are to generate and supply electricity to CPPA-G from its combined cycle thermal power plant having a gross (ISO) capacity of 450 Mega Watts. RPPL achieved COD on December 11, 1999. RPPL has a PPA with its sole customer, CPPA for thirty years which commenced from the COD. During the previous year, on May 9, 2017, RPPL executed a Novation Agreement with WAPDA and CPPA-G whereby all the rights and obligations of WAPDA under the PPA were transferred to CPPA-G. Consequently, WAPDA ceased to be a party to PPA and CPPA-G became a party in place of WAPDA assuming all of WAPDA's rights and obligations thereunder. Furthermore, RPPL signed amendments to Government Guarantee and Implementation Agreement to reflect this change in PPA.

1.3.3 RPPL's plant was initially designed to operate with residual furnace oil and was converted to gas fired facility in 2003 after allocation of 85 MMSCFD by the Government of Pakistan for a period of twelve years under GSA with SNGPL till August 18, 2015. At that time, under the amended and restated Implementation Agreement, the Government of Pakistan provided an assurance that RPPL will be provided gas post August 2015, in preference to the new projects commissioned after RPPL.

The Ministry of Petroleum and Natural Resources issued an allocation of 85 MMSCFD of RLNG to RPPL on firm basis on September 23, 2015 and advised RPPL and SNGPL to negotiate a long term GSA on firm basis. While negotiations for the long term GSA are in process, ECC approved interim GSA for supply of RLNG to RPPL upto June 2018 or signing of a long term GSA, whichever is earlier. The interim GSA was executed with CPPA-G and SNGPL which was effective from June 1, 2017. Under the interim GSA, RLNG was supplied on as-available basis, however, the non-supply of RLNG was treated as 'Other Force Majeure' under the PPA. The interim GSA has expired in June 2018. CPPA-G has intimated the approval of its Board of Directors relating to signing of a new interim GSA to RPPL and has also communicated the same to Ministry of Energy. The Board of Directors of CPPA-G has referred the matter to ECC for its approval for extension of interim GSA until the signing of a long term GSA. SNGPL, through its letter dated May 8, 2018, has also expressed its consent to supply RLNG to RPPL on the same payment terms.

1.3.4 In terms of Amendment No. 3 to the PPA executed between RPPL and CPPA-G on August 21, 2003, RPPL agreed to transfer ownership of its power plant to CPPA-G at a token value of US$ 1 at the expiry of thirty years term of PPA (starting from December 11, 1999), if CPPA-G does not opt for a renewal of the PPA for the additional term pursuant to section 4.1(c) of the PPA. During the year, the PPA was extended by a period of 37 days owing to non-supply of RLNG under the terms of revised interim GSA.

2. Basis of preparation

2.1 Statement of compliance

These concolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

(i) International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') as notified under the Act; and

(ii) Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRS, the provisions of and directives issued under the Act have been followed.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Group's consolidated financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in the current year

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2017 but are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these consolidated financial statements, except for the following:

International Accounting Standard ('IAS') 7, 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers statement of financial position items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. The Group has given the required disclosure in these consolidated financial statements.

IAS 12, 'Income taxes' (Amendment), on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. The Group's current accounting treatment is already in line with the requirements of this standard.

2.2.2 Exemption from applicability of certain interpretations to standards

The Securities and Exchange Commission of Pakistan ('SECP') through SRO 24(I)/2012 dated January 16, 2012 has granted exemption from the application of International Financial Reporting Interpretations Committee ('IFRIC') 4, 'Determining whether an Arrangement contains a Lease', and IFRIC 12, 'Service Concession Arrangements', to all companies.

Under IFRIC 4, the consideration required to be made by the lessee for the right to use the asset is to be accounted for as a finance lease under IAS 17, 'Leases'. The Group's power plants' control due to purchase of total output by CPPA-G appears to fall under the scope of IFRIC 4. Consequently, if the Group were to follow IFRIC 4 and IAS 17, the effect on the consolidated financial statements would be as follows:

	2018	2017
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(19,123,828)	(20,372,277)
Recognition of lease debtor	9,475,830	10,404,777
Decrease in un-appropriated profit at the beginning of the year	(9,967,500)	(10,544,244)
Increase in profit for the year	319,502	576,744
Decrease in un-appropriated profit at the end of the year	(9,647,998)	(9,967,500)

2.2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Group's accounting periods beginning on or after July 1, 2018, but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements, except for the following:

IFRS 9, 'Financial instruments': (effective for periods beginning on or after January 1, 2018). This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Group is yet to assess the full impact of this standard.

IFRS 15, 'Revenue from contracts with customers': (effective for periods beginning on or after January 1, 2018). This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The Group is yet to assess the full impact of this standard.

IFRS 16, 'Leases': (effective for periods beginning on or after January 1, 2019). This standard has been notified by the SECP to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Group is yet to assess the full impact of this standard.

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement', (effective for periods beginning on or after January 1, 2019). These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. It is unlikely that the amendment will have any significant impact on the Group's consolidated financial statements.

IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. It is unlikely that this interpretation will have any significant impact on the Group's consolidated financial statements.

IFRIC 23, 'Uncertainty over income tax treatments': (effective for periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group is yet to assess the full impact of this interpretation.

2.2.4 Changes due to Companies Act, 2017

The Act has also brought certain changes with regard to the preparation and presentation of the Group's consolidated financial statements. These changes also include change in nomenclature of primary statements, etc. Further, the disclosure requirements contained in the Fourth Schedule to the Act have been revised, resulting in the:

Elimination of duplicative disclosures with the IFRS disclosure requirements; and

Incorporation of significant additional disclosures.

In view of the above, the presentation of these consolidated financial statements has been realigned with the provisions contained in the Act. The application of the Act, however, does not have any impact in the recognition and measurement of the amounts included in these consolidated financial statements.

3. Basis of measurement

3.1 These consolidated financial statements have been prepared on the basis of historical cost except that certain retirement benefits have been measured at present value.

3.2 The Group's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment and estimation involved in their application and their impact on these consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates which have been explained as follows:

a) Useful lives and residual values of property, plant and equipment

The Group takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its views on items of material nature is in accordance with the law, the amounts are shown as contingent liabilities.

b) Provision for taxation

The Group reviews the useful lives, residual values and depreciation method of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on the depreciation charge and impairment.

c) Employees' retirement benefits

The Group uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 8.3.

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

4.1 Principles of consolidation

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in consolidated other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in consolidated other comprehensive income are reclassified to consolidated statement of profit or loss.

b) Changes in ownership interests

The Group treats transactions with non-controlling interest that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

4.2 Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated statement of profit or loss except to the extent that relates to items recognised directly in equity or consolidated other comprehensive income, in which case it is recognised directly in equity or consolidated other comprehensive income.

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted and after taking into account available tax credits and rebates, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

The profits and gains of the Group derived from electric power generation are exempt from tax in terms of clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the conditions and limitations provided therein.

Under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, Power Generation Sector is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the consolidated statement of profit or loss on income from sources not covered under the above clauses at current rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in the consolidated statement of profit or loss, except in the case of items credited or charged to consolidated other comprehensive income or equity in which case it is included in consolidated other comprehensive income or equity.

Deferred tax on temporary differences relating to the power generation operations of the Group has not been provided in these consolidated financial statements as the Group's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the profits and gains of the Group derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

Deferred tax liability for all taxable temporary differences associated with investments in subsidiaries are recognised, except to the extent that both of the following conditions are satisfied:

(a) the Parent Company is able to control the timing of the reversal of the temporary difference; and

(b) it is probable that the temporary difference will not reverse in the foreseeable future.

4.3 Property, plant and equipment

4.3.1 Operating fixed assets

Operating fixed assets are stated at historical cost less accumulated depreciation and any identified impairment loss. However, freehold land owned by the Parent Company is stated at cost less any identified impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on all operating fixed assets is charged to income by using the straight line method so as to write off the depreciable amounts of an asset over its estimated useful life at the annual rates mentioned in note 15.1 after taking into account their residual values. Depreciation on addition is charged from the month the asset is available for use, while in case of disposal it is charged up to the month of disposal.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Group's estimate of the residual value of its operating fixed assets as at June 30, 2018, has not required any adjustment as its impact is considered insignificant.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.5).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are included in the consolidated statement of profit or loss during the period in which they are incurred. Exchange differences related to foreign currency loans obtained for the acquisition, development and construction of qualifying assets are capitalised as referred to in note 4.18(b) to these consolidated financial statements.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.3.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

4.3.3 Major spare parts and stand-by equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them for more than one year. Transfers are made to relevant operating fixed assets category as and when such items are available for use.

4.4 Intangible assets

Expenditure incurred to acquire computer software and Enterprise Resource Planning ('ERP') system has been capitalised as an intangible asset and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method at the annual rate mentioned in note 16.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is disposed of.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.5).

4.5 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.6 Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has not designated any derivatives as hedging instruments and accordingly, the changes in fair value re-measurement are recognized in the consolidated statement of profit or loss. Trading derivatives are classified as a current asset or liability.

4.7 Stores, spares and loose tools

Stores, spares and loose tools are valued principally at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the statement of financial position date while items considered obsolete are carried at nil value. For items which are slow moving and/or identified as obsolete, adequate provision is made for any excess book value over estimated realisable value.

The maintenance sub-contractor is responsible to replenish mandatory stores and spares as used by them.

4.8 Inventory of fuel oil

This is stated at lower of cost or net realizable value. Cost is determined on first-in-first-out ('FIFO') basis. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

If the expected net realisable value is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value.

4.9 Financial assets

4.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise, they are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the statement of financial position date, which are classified as non-current assets. Loans and receivables comprise loans, deposits, advances and other receivables and cash and cash equivalents in the consolidated statement of financial position.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the statement of financial position date.

d) Held-to-maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortised cost.

4.9.2 Recognition and measurement

All financial assets are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. For investments having quoted price in active market, the quoted price represents the fair value. In other cases, fair value is measured using appropriate valuation methodology and where fair value cannot be measured reliably, these are carried at cost. Loans and receivables and held to maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the consolidated statement of profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of profit or loss as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of profit or loss. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss when the Group's right to receive payments is established.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the consolidated statement of profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss. Impairment testing of trade debts and other receivables is described in note 4.12.

4.10 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the consolidated statement of profit or loss.

4.11 Offsetting of financial assets and financial liabilities

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

4.12 Trade debts and other receivables

Trade debts and other receivables are recognised initially at invoice value, which approximates fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Group will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognised in the consolidated statement of profit or loss. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of profit or loss.

4.13 Cash and cash equivalents

Cash and cash equivalents represent deposits held at call with banks and running finance under mark-up arrangements which form an integral part of the Group's cash management.

4.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

4.15 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in consolidated statement of profit or loss in the period in which they are incurred.

4.16 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.17 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

4.18 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. All figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss except for exchange differences related to foreign currency loans obtained for the acquisition, development and construction of qualifying assets which are capitalised over the period of the implementation agreements in accordance with SRO 24(I)/2012 dated January 16, 2012 of the SECP.

4.19 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

Revenue from sale of electricity to CPPA-G, the sole customer of the Group, is recorded based upon the output delivered and capacity available at rates as specified under the PPA as amended from time to time.

Profit on bank deposits and delayed payment markup on amounts due under the PPA is accrued on a time proportion basis by reference to the principal/amount outstanding and the applicable rate of return.

Dividend on equity instruments is recognized when right to receive the dividend is established.

4.20 Dividend

Dividend distribution to the Group's shareholders is recognised as a liability in the period in which the dividends are declared and other appropriations are recognised in the period in which these are approved by the relevant Board of Directors.

4.21 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

4.22 Employee benefits

4.22.1 Short term obligations

Liabilities for wages and salaries, including non-monetary benefits are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

4.22.2 Other long term employee benefit obligations - accumulating compensated absences

The Group provides for accumulating compensated absences of the Parent Company's employees in accordance with respective entitlement on cessation of service.

4.22.3 Post employment benefits

a) Defined benefit plans

i) Un-funded gratuity plan

The Group operates an un-funded gratuity scheme for all employees of the Parent Company according to the terms of employment, subject to a minimum qualifying period of service and provision is made annually to cover the obligations under the scheme. These benefits are calculated with reference to last drawn salaries and prescribed qualifying periods of service of the employees.

ii) Funded gratuity plan

The Group maintains an approved gratuity fund for all permanent employees of RPPL. Provisions are made in the consolidated financial statements to cover obligations on the basis of actuarial valuations carried out annually. The most recent actuarial valuation was carried out as at June 30, 2018 using the "Projected Unit Credit Method".

The actual return on plan assets represents the difference between the fair value of plan assets at the beginning of the year and as at the end of the year after adjustments for contributions made by the Group as reduced by benefits paid during the year.

The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of the plan assets.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in consolidated other comprehensive income in the year in which they arise. Past service costs are recognised immediately in the consolidated statement of profit or loss. The significant assumptions used for actuarial valuation are stated in note 8.3.

b) Defined contribution plan - provident fund

The Group operates a recognized provident fund for all eligible employees of RPPL. Equal monthly contributions are made, both by the Group and the employees, to the fund at the rate of 10% of the basic salary subject to completion of minimum qualifying period of service as determined under the rules of the fund. The Group has no further payment obligations once the contributions have been paid. Obligations for contributions to the defined contribution plan are recognised as an expense in the consolidated statement of profit or loss as and when incurred.

4.23 Contingent liabilities

Contingent liability is disclosed when:

there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group; or

there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

4.24 Leases

The Group is the lessee:

4.24.1 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated statement of profit or loss on a straight line basis over the lease term.

4.25 Earnings per share

The Group presents basic and diluted earnings per share ('EPS') data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5. Issued, subscribed and paid up share capital

2018	2017		2018	2017
(Number of shares)			(Rupees in thousand)	
		Ordinary shares of Rs 10 each		
359,480,000	359,480,000	fully paid in cash	3,594,800	3,594,800
		Ordinary shares of Rs 10 each issued		
3,900,000	3,900,000	for consideration other than cash	39,000	39,000
363,380,000	363,380,000		3,633,800	3,633,800

5.1 As at June 30, 2018, 211,397,063 (2017: Nil) ordinary shares of the Parent Company which represent 58.18% (2017: Nil) of the issued, subscribed and paid up share capital of the Parent Company are held by DEL Power (Private) Limited, the Holding Company. Previously, 211,397,063 ordinary shares of the Parent Company which represented 58.18% of the issued, subscribed and paid up share capital of the Parent Company were held by Descon Engineering Limited till December 15, 2017 as explained in note 1.1.2.

6. This reserve can be utilised by the Group only for the purposes specified in Section 81 of the Act.

		2018	2017
		(Rupees in thousand)	
7. Long term financing - secured			
These are composed of the following long term loans taken from Standard Chartered Bank (Pakistan) Limited ('SCB'):			
- Facility A	- note 7.1 & 7.3	2,664,119	3,834,053
- Facility B	- note 7.2 & 7.3	2,020,992	2,908,500
		4,685,111	6,742,553
Current portion shown under current liabilities:			
- Facility A		(1,776,079)	(1,533,621)
- Facility B		(1,347,328)	(1,163,400)
		(3,123,407)	(2,697,021)
		1,561,704	4,045,532

7.1 This facility carries mark-up at the rate of three months London Inter-Bank Offered Rate ('LIBOR') plus 400 basis points per annum, payable on quarterly basis on the outstanding amount. The said loan is secured by first charge on fixed assets of RPPL amounting to USD 49 million, assignment of RPPL's receivables relating to capacity payments and lien on debt service account maintained by RPPL with SCB. The mark-up rate charged during the year on the outstanding balance ranged from 5.30% to 6.34% (2017: 5.15%) per annum. The loan is repayable in five equal semi-annual instalments ending on September 30, 2019.

7.2 This facility carries mark-up at the rate of three months LIBOR plus 140 basis points per annum, payable on quarterly basis on the outstanding amount. The said loan is secured by assignment of RPPL's receivables relating to capacity payments and lien on collection account maintained by RPPL with the Trustee. The mark-up rate charged during the year on the outstanding balance ranged from 2.70% to 3.74% (2017: 2.55%) per annum. The loan is repayable in ten equal quarterly instalments ending on December 31, 2019.

7.3 Major terms of the above loans are as under:

	Facility A	Facility B
Arranger / underwriter	SCB	SCB
Facility amount	US$ 36.515 million	US$ 27.700 million
Facility utilized	US$ 36.515 million	US$ 27.700 million
Term in years	2.5	2.5
Repayment terms	5 equal semi-annual instalments	10 equal quarterly instalments
Interest per annum and payment terms	3 months LIBOR plus 4% Quarterly	3 months LIBOR plus 1.4% Quarterly
Amounts outstanding under the facilities as at June 30, 2018	US$ 21.909 million	US$ 16.620 million

8. Deferred liabilities

		2018	2017
		(Rupees in thousands)	
Classified under non-current liabilities			
Unfunded			
Staff gratuity	- note 8.1	3,937	3,015
Accumulating compensated absences	- note 8.2	441	387
		4,378	3,402
Funded			
Gratuity fund	- note 8.3	20,228	19,997
		24,606	23,399

8.1 Staff gratuity

Opening liability	3,015	2,305
Provision for the year	922	710
	3,937	3,015
Payments during the year	-	-
Closing liability	3,937	3,015

8.2 Accumulating compensated absences

Opening liability	387	332
Provision for the year	54	55
	441	387
Payments during the year	-	-
Closing liability	441	387

8.3 The latest actuarial valuation of RPPL's gratuity fund was carried out as at June 30, 2018 under the projected unit credit method as per the requirements of IAS 19, the details of which are as follows:

8.3.1 Actuarial assumptions

	2018	2017
	(Percentage)	
Valuation discount rate	9.00%	7.75%
Expected rate of increase in salaries	8.00%	7.75%
Mortality rates	SLIC (2001-05)-1	SLIC (2001-05)-1

8.3.2 Net defined benefit obligation

The amounts recognized in consolidated statement of financial position are as follows:

	2018	2017
Present value of defined benefit obligation	36,633	30,204
Fair value of plan assets	(16,405)	(10,207)
Closing net liability	20,228	19,997

8.3.3 Movement in net defined benefit obligation

	2018	2017
Opening net liability	19,997	17,061
Current service cost	5,766	4,560
Net interest on defined benefit obligation	2,513	1,812
Return on plan asset during the year	(963)	(575)
Charged to consolidated statement of profit or loss	7,316	5,797
Total remeasurements for the year charged to consolidated other comprehensive income	104	2,453
Contributions made by the Group during the year	(7,799)	(5,314)
Closing net liability	19,618	19,997

8.3.4 Movement in present value of defined benefit obligation

	2018	2017
Opening present value of defined benefit obligation	30,204	23,291
Current service cost	5,766	4,560
Interest cost	2,513	1,812
Remeasurement (gains) / losses on obligation	(666)	2,062
Benefits paid during the year	(1,184)	(1,521)
Closing present value of defined benefit obligation	36,633	30,204

8.3.5 Movement in fair value of plan assets

	2018	2017
Opening fair value of plan assets	10,207	6,230
Interest income on plan assets	963	575
Remeasurement losses on fair value of plan assets	(770)	(391)
Benefits paid during the year	(1,794)	(1,521)
Contributions made during the year	7,799	5,314
Closing fair value of plan assets	16,405	10,207

8.3.6 Amounts recognized in the consolidated statement of profit or loss

	2018	2017
Current service cost	5,766	4,560
Interest cost	2,513	1,812
Interest income on plan assets	(963)	(575)
Net interest cost	1,550	1,237
	7,316	5,797

		2018	2017
		(Rupees in thousands)	
8.3.7	**Remeasurements charged/(credited) to consolidated other comprehensive income**		
	Actuarial gains from changes in financial assumptions	(124)	(71)
	Experience adjustments	(542)	2,133
		(666)	2,062
	Remeasurements on fair value of plan assets	770	391
		104	2,453

8.3.8 Composition / fair value of plan assets

	2018		2017	
	(Rupees in thousand)	Percentage	(Rupees in thousand)	Percentage
Term deposit receipts	357	2%	341	3%
Cash and cash equivalents (after adjusting current liabilities)	16,048	98%	9,865	97%
	16,405	100%	10,206	100%

8.3.9 Available historical information

Amounts for current year and previous four annual periods of the present value of defined benefit obligation and fair value of plan assets are as follows :

	2018	2017	2016	2015	2014
	(Rupees in thousands)				
Present value of defined benefit obligation	36,633	30,204	23,291	18,155	10,068
Fair value of plan assets	(16,405)	(10,207)	(6,230)	(960)	(1,423)
Deficit in plan	20,228	19,997	17,061	17,195	8,645
Experience adjustment arising on plan liabilities (gain)/loss	(666)	2,062	(492)	1,227	3,594
Experience adjustment arising on plan assets (loss) / gain	(770)	(391)	(277)	(88)	191

8.3.10 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation				
		2018		2017	
	Changes in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		(Rupees in thousand)			
Discount rate	1%	(3,361)	2,519	(2,517)	2,887
Salary growth rate	1%	2,519	(3,231)	2,707	(2,410)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized within the consolidated statement of financial position.

9. Deferred taxation

		2018	2017
		(Rupees in thousands)	
The liability for deferred tax represents temporary difference relating to:			
Undistributed earnings of subsidiaries	- note 9.1	958,542	913,145

9.1 The Parent Company expects to receive dividend from its subsidiaries in the foreseeable future. Accordingly a deferred tax liability on undistributed profits of the subsidiary companies has been recognized in these consolidated financial statements.

9.2 The gross movement in deferred tax liability during the year is as follows:

		2018	2017
Opening balance		913,145	901,200
Charged to consolidated statement of profit or loss	- note 27	45,397	11,945
Closing balance		958,542	913,145

10. Trade and other payables

		2018	2017
Natural gas and RLNG charges due to SNGPL		654,968	1,981,217
Payable to CPPA-G for gas efficiency and import of energy		4,204	125,030
Operation and maintenance charges payable	- note 10.1	500,592	321,335
Other creditors	- note 10.2	123,993	254,124
Withholding income tax payable		8,756	17,201
Withholding sales tax payable		620	275
Payable to RPPL's Employees' Provident Fund		1,081	918
Workers' profit participation fund	- note 10.3	179,878	155,466
Provision for guarantee issued	- note 10.4	6,842	6,842
Lenders' related costs		2,716	15,634
Others	- note 10.5	196,920	352,639
		1,680,570	3,230,681

10.1 Includes the following amounts due to the following related parties:

	2018	2017
Siemens Pakistan Engineering Company Limited (group company)	230,887	19,598
Siemens AG (group company)	32,952	115,394
Descon Power Solutions (Private) Limited (common directorship)	50,095	186,343
	313,934	321,335

	2018	2017
	(Rupees in thousands)	
10.2 Includes the following amounts due to the following related parties:		
Descon Engineering Limited (holding company till December 15, 2017 and common directorship thereafter)	30,324	19,234
Descon Power Solutions (Private) Limited (common directorship)	873	-
Descon Corporation (Private) Limited (common directorship)	2,225	753
Siemens Pakistan Engineering Company Limited (group company)	-	93,213
Siemens AG (group company)	53,267	87,991
	86,689	201,191

10.3 Workers' profit participation fund

		2018	2017
Opening balance		155,466	201,241
Provision for the year	- note 20.4	179,878	155,466
		335,344	356,707
Payments made during the year		(155,466)	(201,241)
Closing balance		179,878	155,466

10.4 RPPL has filed an appeal against the judgment of a single judge to challenge the levy and collection of infrastructure fee / cess imposed through the Sindh Finance (Amendment) Ordinance, 2001 on the movement of goods entering or leaving the province from or for outside the country.

The Court by its orders dated February 20, 1997, March 26, 2001 and November 11, 2003 granted the stay on levy of this fee / cess on the condition that RPPL will furnish bank guarantee of equivalent amount till the final decision is made by the Court. Accordingly, RPPL had arranged bank guarantees of Rs 64.95 million in favour of Director Excise and Taxation, Karachi and made full provision in the consolidated financial statements up to June 30, 2010. During the year 2008, the Sindh High Court ('SHC') in its decision dated September 17, 2008 declared the imposition of levy of infrastructure fee / cess on import of material before December 28, 2006 as void and invalid, and ordered the guarantees to be returned and encashed. However, the levy imposed with effect from December 28, 2006 was declared to be legal and valid. The Government of Sindh has filed an appeal before Supreme Court of Pakistan against the order of SHC. RPPL has also filed an appeal before Supreme Court of Pakistan against the SHC's decision of imposition of levy after December 28, 2006. During the year June 30, 2011, the Supreme Court of Pakistan ordered to agitate this matter before SHC. SHC, by consent of the Excise and Taxation Department, has passed an order whereby it has mainly ordered to discharge any bank guarantee furnished for consignments cleared up to December 27, 2006 and any guarantee for consignment cleared after December 27, 2006 shall be encashed to the extent of 50% and a bank guarantee for remaining amount will be kept alive till the future disposal of litigations. For future consignments goods will be cleared after 50% of the disputed amount has been paid by the respondents and bank guarantee of balance of 50% has been furnished. Accordingly, the Group has made provision of Rs 6.842 million (2017 : Rs 6.842 million) being 50% of disputed amount i.e. Rs 13.684 million.

	2018	2017
	(Rupees in thousands)	
10.5 Includes the following amounts due to the following related parties:		
Siemens Pakistan Engineering Company Limited (group company)	-	23,420
Siemens AG (group company)	133,542	229,712
Descon Engineering Limited (holding company till December 15, 2017 and common directorship thereafter)	18	11,394
Descon Power Solutions (Private) Limited (common directorship)	280	-
	133,840	264,526

10.6 Workers' welfare fund ('WWF') has not been provided for in these consolidated financial statements based on the advice of the Group's legal consultant. However, in case the Parent Company or RPPL pay WWF, the same is recoverable from CPPA-G as a pass through item under section 14.2(a) of the Parent Company's PPA and Part III of Schedule 6 of RPPL's PPA.

11 Short term borrowings - secured

11.1 Running finances

The running finance facilities obtained from various financial institutions under mark-up arrangements aggregate to Rs 3,300 million (2017: Rs 200 million). These facilities carry mark-up at three months Karachi Inter-Bank Offered Rate ('KIBOR') plus 100 basis points per annum, payable quarterly, on the balance outstanding. The facilities are secured against first hypothecation charge over present and future current assets of the Group, cross corporate guarantee issued by Descon Engineering Limited (holding company till December 15, 2017 and related party, on the basis of common directorship, thereafter) and assignment of present and future Energy Purchase Price receivables to the lenders. The mark-up rate charged during the year on the outstanding balance ranged from 6.14% to 7.50% (2017: 7.12% to 7.62) per annum.

11.2 Letters of credit and guarantee

The facilities for opening letters of guarantee, letters of credit and stand-by letters of credit aggregate to Rs 1,000 million (2017: Rs 800 million), Rs 100 million (2017: Rs 100 million) and Rs 6,000 million (2017: Rs 6,000 million), respectively. The amount utilised at June 30, 2018, for letters of guarantee, letters of credit and stand-by letters of credit was Rs 580.55 million (2017: Rs 327.01 million), Rs 9.46 million (2017: Rs 4.04 million) and Rs 4,981 million (2017: Rs 4,120 million), respectively. The aggregate facilities for opening letters of credit and guarantee are secured against first hypothecation charge over present and future current assets of the Group, cross corporate guarantee issued by Descon Engineering Limited (holding company till December 15, 2017 and related party, on the basis of common directorship, thereafter) and assignment of present and future Energy Purchase Price receivables to the lenders.

12. Mark-up accrued

	2018	2017
	(Rupees in thousands)	
Mark-up accrued on:		
Long term financing - secured	1,899	3,390
Short term borrowings - secured	45,592	19
	47,491	3,409

13. This represents derivative interest rate swap arrangement with a commercial bank. Under the terms of the arrangement, the Group pays a fixed interest rate of 4.80 percent per annum to the arranging bank on the notional US Dollar ('USD') amount for the purposes of the interest rate swap, and receives three-Month US USD LIBOR on the notional USD amount from the arranging bank. There has been no transfer of liabilities under the arrangement, only the nature of interest payment has changed. The derivative interest rate swap outstanding as at June 30, 2018 has been marked to market and the resulting gain has been included in the consolidated statement of profit or loss.

14. Contingencies and commitments

14.1 Contingencies:

i) In financial year 2014, the taxation authorities issued a show cause notice amounting to Rs 157 million on account of input sales tax alleged to be wrongly claimed for the period July 2009 to June 2013. The department is of the view that input tax paid by the Group should be split among taxable and non-taxable supplies. The Group based on a legal advice, is of the view that component of capacity revenue is not considered value of supply and rule of apportionment is not applicable in case of Independent Power Producers ('IPPs') for the reason that the ultimate product is electrical energy, which is taxable. The Group submitted reply for the show cause notice, which was rejected by the taxation authorities and a demand for the above mentioned amount was created. Consequently, the Group filed an appeal with Appellate Tribunal Inland revenue ('ATIR') against the demand which was also rejected. The Group preferred an appeal before LHC which granted stay to the Group after payments of Rs 10.12 million against the total demand of Rs 157 million. The LHC vide its judgement in case No. STR 120/2015 dated October 31, 2016 decided the case in favour of the Group. The department has challenged the decision of LHC before Supreme Court of Pakistan on February 4, 2017 and has also preferred an intra court appeal against such order which are pending adjudication. Since, the case has already been decided in Group's favour on merits by LHC, no provision for this amount has been made in these consolidated consolidated financial statements.

ii) In respect of tax year 2009, the Additional Commissioner Inland Revenue ('ACIR') raised demand of Rs 0.74 million under section 122(5A) of the Income Tax Ordinance, 2001 which mainly related to taxation of interest on delayed payments, scrap sales and gain on disposal of operating fixed assets. The Group preferred an appeal before Commissioner Inland Revenue (Appeals) ['CIR(A)'] against the impugned tax demand. The CIR(A) decided the appeal in favour of Group thereby deleting the alleged tax demand. The tax department has filed an appeal before the ATIR against the order of CIR(A) on August 1, 2016 and the case is now pending for adjudication. The Group has not made any provision against the above demand as the case has already been decided in Group's favour on merits by CIR(A) and the management is confident that the ultimate outcome of the appeal would be in favour of the Group, inter alia on the basis of the advice of the tax consultant and the relevant law and the facts.

iii) In respect of tax years 2010, 2011, 2012 and 2013, the ACIR raised demands aggregating to Rs 9.3 million under section 122 (5A) of the Income Tax Ordinance, 2001 which mainly related to subjecting capacity price payments to minimum taxation under section 113 of the Income Tax Ordinance, 2001. The Group preferred an appeal before Commissioner Inland Revenue (Appeals) ['CIR(A)'] against the impugned tax demand. The CIR(A) decided the appeal in favour of Group thereby deleting the alleged tax demand. The tax department has filed an appeal before the ATIR against the order of CIR(A) on November 3, 2016 and the case is now pending for adjudication. The Group has not made any provision against the above demand as the case has already been decided in Group's favour on merits by CIR(A) and the management is confident that the ultimate outcome of the appeal would be in favour of the Group, inter alia on the basis of the advice of the tax consultant and the relevant law and the facts.

iv) The taxation authorities in pursuance of show cause notice under section 182/114 for imposition of penalty for late filing of return for tax year 2014, issued order thereby creating demand amounting to Rs 16.84 million. Aggrieved with the said order, the Group has preferred an appeal before CIR(A), wherein relief sought was not provided. Aggrieved with the order of CIR(A), Group has preferred an appeal before ATIR on May 7, 2018 and the case is pending adjudication. The Group has not made any provision against the above demand as the management is confident that the ultimate outcome of the appeal would be in favour of the Group, inter alia on the basis of the advice of the tax consultant and the relevant law and the facts.

v) In respect of tax year 2015, the Additional Commissioner (Audit), Inland Revenue ['AC(A)IR'] passed an amended assessment order under section 122(5A), creating income tax demand amounting to Rs 81.60 million which mainly relates to denying the claim of exemption of dividend income from PMCL (wholly owned subsidiary) on account of non-filing of group tax return for the said tax year. The Group being aggrieved of the said order filed appeal before CIR(A). CIR(A), through order dated April 16, 2018, has accepted all the contentions of the Group except the taxation of dividend income thereby reducing the demand to Rs 68.33 million. On April 18, 2018, the Group has filed an appeal before ATIR against the CIR(A)'s order and has not made any provision against the above demand as the management is confident that the ultimate outcome of the appeal would be in favour of the Group, inter alia on the basis of the advice of the tax consultant and the relevant law and the facts.

vi) In respect of tax year 2016, the AC(A)IR passed an amended assessment order under section 122(5A), creating income tax demand amounting to Rs 150.97 million which mainly relates to taxability of dividend income from PMCL (wholly owned subsidiary) on accrual basis. The Group being aggrieved of the said order filed the appeal before CIR(A). CIR(A), through order dated April 16, 2018, has accepted all the contentions of the Group except the taxation of dividend income thereby reducing the demand to Rs 147.52 million. On April 18, 2018, the Group has filed an appeal before ATIR against the CIR(A)'s order and has not made any provision against the above demand as the management is confident that the ultimate outcome of the appeal would be in favour of the Group, inter alia on the basis of the advice of the tax consultant and the relevant law and the facts.

vii) In November 2012, the tax authorities raised demand of Rs 2,026 million on account of input sales tax along with default surcharge and penalty alleging non-apportionment of input tax to revenue representing Capacity Purchase Price for the period July 2007 to June 2011. The demand was upheld up to the level of the ATIR and the matter is now pending before the Islamabad High Court on reference application filed by the Group. The Islamabad High Court also suspended order of the ATIR while deciding the petition for stay against tax recovery filed by the Group. The Islamabad High Court has reserved its judgement in this case.

In October 2013, the tax authorities issued show cause notice for sales tax demand of Rs 675 million along with default surcharge and penalty on the same matter for the period July 2011 to June 2012. On petition filed by the Group, the High Court directed the assessing officer to decide the case of the Group in line with the expected judgment of the High Court on the same matter. Similar demands of Rs 1,384 million along with default surcharge and penalty for the period July 2012 to June 2014 were remanded back to the Taxation Officer by the CIR (A) with the same directions through orders in appeal dated August 17, 2015 and May 09, 2016, respectively.

As the matter of apportionment of input sales tax is common to the power generation industry, it is likely to be decided by the Islamabad High Court by taking up all related appeals jointly. Based on the opinion of the Group's legal counsel and in the view of the latest favourable decision on a similar issue in a parallel case by the LHC, a favourable outcome is expected and no provision in this regard has been made in these consolidated financial statements.

viii) CPPA-G had raised invoices for liquidated damages ('LDs') to the Group for the operating year starting from December 11, 2012 to December 10, 2013 (after taking into account forced outage allowance stipulated under the terms of RPPL's PPA) on account of short supply of electricity by the Group, which was due to cash flow constraints of the Group as a result of default by CPPA-G in making timely payments. Estimated amount of liquidated damages is not expected to exceed Rs 1,588 million, based on the best estimate of the management of the Group and invoices raised by CPPA-G.

The Group disputes and rejects the claim on account of LDs on the premise that its failure to dispatch electricity was due to CPPA-G's non-payment of dues on timely basis to the Group and consequential inability of the Group to make timely payments to its gas supplier that resulted in inadequate level of electricity production owing to curtailment / suspension of gas supply. In this regard, the Group initiated the expert adjudication under the dispute resolution procedures specified in RPPL's PPA. The case was decided by the expert in the Group's favour in August 2014. Decision of the expert is however not legally binding on any party. The Off-taker, through its letter dated August 2, 2016, communicated to the Group that it will challenge the decision of the expert in arbitration proceedings. During the last year, CPPA-G gave the proposal for settlement of LDs dispute. Terms of settlement are to be signed in a proposed Settlement Agreement.

Under the Settlement Agreement, the period of non-performance due to unavailability of gas shall be treated as Other Force Majeure Event ('OFME') by the CPPA-G. As a result, the Group will not be entitled to any capacity payment for this period from CPPA-G and CPPA-G will not levy any LDs on the Group. By declaration of OFME , RPPL's PPA will be extended by the OFME period.

Settlement Agreement has been agreed by the respective Boards of directors of CPPA-G and the Group and is pending approval of the ECC. Once it is approved , the Group will refund the capacity payments already received which pertain to 2013 LDs period. The event will be treated as OFME and RPPL's PPA will be extended by 86 days.

Similarly, in January 2017, SNGPL suspended the gas supply for a period of 26 days, as a result CPPA-G levied LDs amounting to Rs 731 million. The Group disputes this amount on the premise that it has already issued an OFME notice to CPPA-G in January for a period of 26 days. The same period is also contemplated as OFME in the proposed Settlement Agreement. Due to declaration of OFME, the Group did not raise capacity invoice for the period of gas curtailment.

Based on the above grounds, no provision for LDs has been recognised in these consolidated financial statements as the management expects that this matter will be resolved through settlement with CPPA-G.

ix) For tax years 2011, 2012 and 2014, the tax authorities raised an aggregate demand of Rs 191.412 million subjecting capacity price payments to minimum taxation under section 113 of the Income Tax Ordinance, 2001. The CIR(A) deleted the demand for tax year 2012 through appellate order dated January 15, 2014, while the matter was remanded back to the taxation officer for tax years 2011 and 2014 through orders dated April 05, 2016 and July 14, 2016 respectively. For the Tax Year 2012 and 2014, the tax department have filed appeals to ATIR dated March 10, 2014 and September 28, 2016 respectively against the order of CIR(A) on this matter.

Based on advice of the Group's tax advisor and the favourable decision of ATIR on a parallel issue, the management believes that there are meritorious grounds to defend the Group's stance in respect of this matter. Consequently, no provision has been made in these consolidated financial statements.

x) For tax year 2014, in addition to minimum tax mentioned in note 14.1(ix), income tax of Rs 226.313 million was also levied on interest income and supplemental charges by disallowing set-off of such income against depreciation losses. While the CIR(A) upheld the taxation of supplemental charges, the issue of set-off of unabsorbed tax depreciation was remanded back to the assessing authority. Tax department has filed appeal to the ATIR dated September 28, 2016 on this matter.

Based on advice of the Group's tax advisor and favourable decision on a similar issue in a parallel power sector case, the management believes that there are meritorious grounds to support the Group's stance in respect of this matter. Consequently, no provision for this amount has been made in these consolidated financial statements.

xi) For the tax years 2009, 2010, 2011, 2012 and 2013, an aggregate demand of Rs 325.59 million on account of WWF was raised by the tax authorities, of which Rs 84.35 million has been paid by the Group. However, case was decided in favour of the Group by Supreme Court of Pakistan through order dated September 27, 2016 holding charge of WWF post 2008 amendments in the WWF Ordinance as void ab initio . Further, appeal effect orders for the tax years 2011, 2012 and 2013 were issued by the tax authorities dated November 03, 2017 for tax years 2011 and 2012 and January 25, 2018 for tax year 2013 assessing WWF refund of Rs 84.35 million.

Based on advice of the Group's tax advisor and decision of Supreme Court followed by issuance of appeal effect orders by the tax authorities, the management believes that there are meritorious grounds to support the Group's stance in respect of this matter. Consequently, no provision for the demand amount has been made in these consolidated financial statements.

xii) The tax authorities amended the assessments for the tax years 2005 to 2010, subjecting bank interest income to tax and disallowing set-off against unabsorbed tax depreciation losses. An aggregate tax demand of Rs 76.4 million was raised for these years. The appeals filed by the Group were accepted by the CIR(A) through order dated March 21, 2012, set-aside the demand and remanded the matter back. Both the Group and the tax authorities have filed appeals to the ATIR on May 22, 2012 and May 23, 2012 respectively on this matter and the case is pending adjudication. A fouravble outcome is expected in view of decision of the ATIR in a parallel case, therefore, no provision for the demand amount has been made in these consolidated financial statements.

xiii) During the year, the tax authorities amended the assessments for the tax years 2012, 2013, 2015 and 2016 in the same manner as for the tax year 2014, thereby subjecting bank interest income and supplemental charges to tax and disallowing set-off against depreciation losses. An aggregate tax demand of Rs 1,070 million was raised for these years. In appeal, the CIR(A) through orders dated May 14, 2018 for tax year 2012 and May 18, 2018 for tax years 2013 and 2015, accepted the Group's claim of exemption on supplemental charges but upheld disallowance of set-off against unabsorbed tax depreciation. Both the Group and the tax authorities have filed appeals to the ATIR on July 18, 2018 and July 19, 2018 respectively on this matter and the case is pending adjudication. A fouravble outcome is expected in view of decision of the ATIR in a parallel case, therefore, no provision for the demand amount has been made in these consolidated financial statements.

xiv) For the period July 2013 and June 2014, the tax authorities raised sales tax demand of Rs 344.4 million along with default surcharge and penalty alleging shortfall in sales tax pertaining to Gas Infrastructure Development Cess. On appeal filed by the Group, the matter was remanded back to the Taxation Officer for re-adjudication. This is pending finalization, while the Group has filed appeal to the ATIR on July 13, 2016 against the decision of the CIR(A).

xv) RPPL uses canal water for its plant for which it has an agreement with Irrigation Department, Sahiwal. Irrigation Department has levied canal water charges on maximum intake basis (7 Cusec) whereas the Group is of the view that canal water should be charged on actual consumption basis (3.62 Cusec). In order to resolve the issue, Arbitrator [Superintending Engineer ('SE') Irrigation Department] was appointed who decided the case against the Group. The Group, aggrieved by this decision, filed an appeal in Civil Court who referred the matter to SE Irrigation Department on September 9, 2015 for re-arbitration. The matter is yet to be decided by the Arbitrator.

Furthermore, the Irrigation department made an exorbitant increase in water charges for usage of non-agriculture canal water from Rs 8.65 per 1,000 cft to Rs 100 per 1,000 cft. The Group along with other companies in the industry filed a petition in the LHC on June 22, 2006 against this exorbitant increase in canal water charges. LHC has issued a stay order and asked the department to issue a notification after agreement with concerned parties.

While the matter is yet to be decided by the Arbitrator, the Irrigation Department has raised a demand of Rs 75.3 million upto December 2017 based on exorbitant charges as well as actual water consumption. The Group has paid Rs 12.8 million and does not agree with the amount levied by the Irrigation Department on the basis of matter explained above.

The management is of the view that there are meritorious grounds available to defend the Group's position in the above matters, hence no provision has been made in the consolidated financial statements in this connection.

xvi) The Group has issued the following guarantees:

a) Bank guarantees have been issued in favour of Excise and Taxation Department aggregating to Rs 56.842 million (2017: Rs 31.842 million).

b) Bank guarantee has been issued in favour of Collector of Customs amounting to Rs 8.085 million (2017: Rs 2.75 million).

c) Stand-by letter of credit facility of Rs 4,981 million (2017: Rs 4,120 million) has been availed from National Bank of Pakistan against charge on current assets of equivalent amount, in favour of SNGPL as a security to cover gas supply for which payments are made in arrears and a guarantee amounting to Rs 0.688 million (2017: Rs 0.688 million) is availed from Bank Alfalah favouring PSO against fuel supply.

d) Habib Metropolitan Bank Limited has issued bank guarantee amounting to Rs 532.68 million (2017 : Rs 326.32 million) in favour of SNGPL as a security to cover natural gas / RLNG supply for which payments are made in arrears. The guarantee is due to expire on December 14, 2018 and is renewable.

14.2 Commitments

(i) Letters of credit other than capital expenditure aggregating to Rs 9.46 million (2017: Rs 4.04 million).

		2018	2017
		(Rupees in thousand)	
15. Property, plant and equipment			
Operating fixed assets	- note 15.1	19,117,597	20,372,273
Capital work- in- progress	- note 15.2	9,267	645
Major spare parts and stand-by equipment	- note 15.3	4,806	3,870
		19,131,670	20,376,788

15.1 Operating fixed assets

	Annual rate of depreciation	Cost as at July 1, 2017	Additions / (disposals) during the year	Transfers in	Cost as at June 30, 2018	Accumulated depreciation as at July 1, 2017	Depreciation charge / (deletions) for the year	Accumulated depreciation as at June 30, 2018	Net book value as at June 30, 2018
	%	(Rupees in thousand)							
Freehold land	0-3.33	59,413	-	-	59,413	32,098	1,826	33,924	25,489
Buildings on freehold land	3.33-5	1,931,391	2,500	-	1,933,891	1,130,027	66,485	1,196,512	737,379
Plant and machinery (note 15.1.4)	3-25	40,788,282	448,183	20,210	41,256,675	21,587,713	1,622,120	23,209,833	18,046,842
Improvements on leashold land	10	2,141	-	-	2,141	692	214	906	1,235
Electric equipments	10	3,273	-	-	3,273	1,858	326	2,184	1,089
Furniture and fixtures	20	3,863	284	-	4,147	3,327	234	3,561	586
Office equipments	10-33	35,386	4,868 (368)	-	39,886	27,195	3,703 (344)	30,554	9,332
Vehicles	20	49,244	5,176 (12,534)	-	41,886	34,302	4,837 (5,627)	33,512	8,374
Capital spares	3.33	526,866	8,895 (31,518)	-	504,243	210,374	24,980 (18,382)	216,972	287,271
		43,399,859	469,906 (44,420)	20,210	43,845,555	23,027,586	1,724,725 (24,353)	24,727,958	19,117,597

	Annual rate of depreciation	Cost as at July 1, 2016	Additions/ (disposals)/ adjustments during the year	Transfers in	Cost as at June 30, 2017	Accumulated depreciation as at July 1, 2016	Depreciation charge / (deletions) for the year	Accumulated depreciation as at June 30, 2017	Written down value as at June 30, 2017
	%	(Rupees in thousand)							
Freehold land	0-3.33	59,413	-	-	59,413	30,349	1,749	32,098	27,315
Buildings on freehold land	3.33-5	1,918,047	13,344	-	1,931,391	1,064,089	65,938	1,130,027	801,364
Plant and machinery (note 15.1.4)	3-25	40,580,562	199,818 (4,282)	12,184	40,788,282	19,992,067	1,599,928 (4,282)	21,587,713	19,200,569
Improvements on leashold land	10	2,141	-	-	2,141	533	159	692	1,449
Electric equipments	10	2,109	1,164	-	3,273	1,544	314	1,858	1,415
Furniture and fixtures	20	3,863	-	-	3,863	3,078	249	3,327	536
Office equipments	10-33	31,411	3,975	-	35,386	24,454	2,741	27,195	8,191
Vehicles	20	51,018	- (1,774)	-	49,244	26,523	8,946 (1,167)	34,302	14,942
Capital spares	3-5	575,826	24,244 (73,204)	-	526,866	217,995	25,320 (32,941)	210,374	316,492
		43,224,390	242,545 (79,260)	12,184	43,399,859	21,360,632	1,705,344 (38,390)	23,027,586	20,372,273

15.1.1 The depreciation charge for the year has been allocated as follows:

		2018	2017
		(Rupees in thousand)	
Direct costs	- note 23	1,715,413	1,692,935
Administrative expenses	- note 24	9,312	12,409
		1,724,725	1,705,344

15.1.2 The cost of fully depreciated assets which are still in use as at June 30, 2018 is Rs 202.66 million (2017: Rs 199.77 million).

15.1.3 Freehold land represents an area measuring 1,045 Kanals and 12 Marlas in Tehsil Mian Channu, situated at Mouza Battian, District Khanewal, another area measuring 6 Kanals and 18 Marlas, situated at Pind Bagewal, Tehsil and District Islamabad and another area measuring 24 Kanals and 18 Marlas, situated at Tehsil Fateh Jang, District Attock.

15.1.4 According to the SRO 24(I)/2012 dated January 16, 2012 issued by SECP [as fully explained in note 4.18(b) to these consolidated financial statements], the Group is allowed to capitalize exchange gains/losses arising on outstanding amounts of foreign currency loans contracted under the implementation agreements with Government of Pakistan until the date of expiry of such implementation agreements. This represents the exchange difference on the foreign currency loan (Facility A), as referred to in note 7 to these consolidated financial statements, capitalised in accordance with the above mentioned SRO. Had the Group followed IAS 21 'The Effects of Changes in Foreign Exchange Rates', the effect on the consolidated financial statements would be as follows:

	2018	2017
	(Rupees in thousand)	
Decrease in the carrying amount of property, plant and equipment and un-appropriated profit as at June 30	(6,508,238)	(6,946,903)
Decrease in cost of sales	17,718	5,458
Increase in other expenses	(448,183)	(18,339)
Decrease in profit for the year	(430,465)	(12,881)

15.1.5 Details of property, plant and equipment disposed of during the year are as follows:

	2018					
	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/ (loss)	Mode of disposal / sold to
	(Rupees in thousand)					
Capital spares	31,518	18,382	13,136	-	(13,136)	Not applicable - Charged to stores consumption
Vehicles						
Toyota Prado	10,340	4,136	6,204	9,823	3,619	Insurance claim - Insurance Company
Toyota Corolla GLi	1,701	998	703	703	-	As per Group Policy - Mr. Kamran Jamshed (Ex-Senior Manager Finance)
Potohar	493	493	-	384	384	Bidding-Muhammad Naveed (Outside party)
Computer equipment						
Items with net book value less than Rs 500,000	368	344	24	75	51	Negotiation - Office Automation (Outside party)
	44,420	24,353	20,067	10,985		

15.1.6 Details of property, plant and equipment disposed of during the prior year are as follows:

	2017					
	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/ (loss)	Mode of disposal / sold to
	(Rupees in thousand)					
Capital spares	73,204	32,941	40,263	-	(40,263)	Not applicable - Charged to stores consumption
Plant and machinery	4,282	4,282	-	54	54	Bidding - Mr. Ihtramul Haq (Outside party)
Vehicles						
Suzuki Cultus	1,034	427	607	607	-	As per Group Policy - Mr. Umer Arshad (Employee)
Hiace Van	740	740	-	862	862	Bidding - Mr. Muhammad Sarwar (Outside party)
	79,260	38,390	40,870	1,523		

		2018	2017
		(Rupees in thousand)	
15.2 Capital work- in- progress			
Civil works		1,735	645
Advances against purchase of vehicles		7,532	-
		9,267	645

15.2.1 The reconciliation of the carrying amount is as follows:

		2018	2017
Opening balance		645	9,430
Additions during the year		10,805	4,915
Charged to the consolidated statement of profit or loss	- note 23	(3)	(631)
Transfers to operating fixed assets		(2,180)	(13,069)
Closing balance		9,267	645

15.3 Major spare parts and stand-by equipment

		2018	2017
Opening balance		3,870	5,001
Additions during the year		21,146	11,053
		25,016	16,054
Transfers during the year	- note 15.1	(20,210)	(12,184)
Closing balance		4,806	3,870

16. Intangible assets

These represent computer software and ERP systems.

		2018	2017
		(Rupees in thousand)	
Cost			
Opening balance		12,556	11,925
Additions during the year	- note 16.3	370	631
Closing balance		12,926	12,556
Amortisation			
Opening balance		8,814	4,551
Charge for the year	- note 16.1	3,694	4,263
Closing balance		12,508	8,814
Net book value as at June 30		418	3,742
Annual amortisation rate		33%	33%

16.1 The amortisation charge for the year has been allocated to administrative expenses as referred to in note 24.

16.2 ERP systems have been implemented by Descon Corporation (Private) Limited, a related party (on the basis of common directorship), under Service Level Agreement with the Group.

16.3 This represents ERP implementation/updating fees charged by Descon Corporation (Private) Limited, a related party (on the basis of common directorship).

16.4 The cost of fully amortised assets still in use as at June 30, 2018 is Rs 11.77 million (2017: Rs 0.25 million).

17. Long term loans to employees - secured

		2018	2017
		(Rupees in thousand)	
Loans to employees - considered good			
Key management personnel	- note 17.1	8,000	12,000
Others	- note 17.2	2,053	1,308
		10,053	13,308
Current portion shown under current assets			
Key management personnel		(4,000)	(4,000)
Others		(892)	(422)
	- note 20	(4,892)	(4,422)
		5,161	8,886

17.1 This represents interest free loans to Mr. Mubashar Ahmed Majeed, Chief Executive of RPPL and Mr. Muhammad Junaid Asghar, Chief Financial Officer of RPPL for house building as per terms of their employment. As per the terms of the loan agreements, the loan is repayable in five years in sixty equal instalments. The loans are secured against mortgage of property. The loan to Chief Executive of RPPL has been made in compliance with the requirements of the Act. The maximum aggregate amount due from key management personnel at the end of any month during the year was Rs 8 million (2017: Rs 12 million).

17.1.1 The reconciliation of carrying amount of loans to key management personnel is as follows:

	Chief Executive of RPPL		Chief Financial Officer of RPPL	
	2018	2017	2018	2017
	(Rupees in thousand)		(Rupees in thousand)	
Balance at the beginning of the year	5,000	7,000	7,000	9,000
Repayments made during the year	(2,000)	(2,000)	(2,000)	(2,000)
Balance at the end of the year	3,000	5,000	5,000	7,000

17.2 This includes interest free motor vehicle loans given to employees. The Group contributes 80% of the cost of the vehicle which is recoverable in sixty equal monthly instalments from the employee in accordance with the Group's policy. These loans are secured against registration of cars in the joint name of the Group and the employee and against the accumulated provident fund balance of the relevant employee.

		2018	2017
		(Rupees in thousand)	
18. Stores, spares and loose tools			
Spares		559,464	634,019
Stores		67,285	25,245
		626,749	659,264
Provision for obsolete / slow-moving stores, spares and loose tools	- note 18.3	(5,696)	(5,696)
		621,053	653,568

18.1 Stores, spares and loose tools include items which may result in fixed capital expenditure but are not distinguishable.

18.2 Stores, spares and loose tools aggregating to Rs 544.32 million (2017: Rs 541.10 million) are held and managed by ESBI Engineering and Facility Management Limited and Descon Power Solutions (Private) Limited, a related party (on the basis of common directorship), the Operation and Maintenance contractors of the Group.

		2018	2017
18.3 Provision for obsolete / slow-moving stores, spares and loose tools		(Rupees in thousand)	
Opening balance		5,696	-
Provision for the year	- note 23	-	5,696
Closing balance		5,696	5,696

19. Trade debts - secured, considered good

Considered good	- note 19.1	13,751,910	12,864,950
Considered doubtful		196,464	153,197
		13,948,374	13,018,147
Provision for doubtful debts	- note 19.2	(196,464)	(153,197)
		13,751,910	12,864,950

19.1 These represent trade receivables from CPPA-G and are considered good. These are secured by a guarantee from the Government of Pakistan under the implementation agreements and are in the normal course of business and interest free, however, a delayed payment mark-up of three months KIBOR / reverse repo rate of State Bank of Pakistan plus 200 basis points per annum is charged in case the amounts are not paid within due dates. The rate of delayed payment mark-up charged during the year on outstanding amounts was 8.25% to 9.00% (2017: 8.25%) per annum.

19.2 Provision for doubtful debts

		2018	2017
		(Rupees in thousand)	
Opening balance		153,197	97,627
Provision for the year	- note 19.2.1	43,267	55,570
Closing balance		196,464	153,197

19.2.1 During the year, provision of Rs 43.27 million (2017: Rs 55.57 million) has been made on account of disputed amounts relating to energy and capacity charges and pass-through-items. The provision has been charged to administrative expenses as referred to in note 24.

20. Advances, prepayments and other receivables

		2018	2017
		(Rupees in thousand)	
Advances - considered good:			
- To suppliers	- note 20.1	35,305	51,964
- To employees against expenses		822	150
Balances with statutory authorities:			
- Sales tax		257,771	235,635
- Receivable against WWF	- note 20.2	118,812	34,464
- Other receivable	- note 20.3	-	10,118
Insurance claim receivable		-	1,742
Claims recoverable from CPPA-G for pass through items:			
- Workers' profit participation fund	- note 20.4	179,878	155,466
Interest receivable		7,444	21,529
Prepayments	- note 20.5	54,581	52,767
Other receivables	- note 20.6 & 20.7	50,933	6,884
Current portion of long term loan to employees - secured	- note 17	4,892	4,422
		710,438	575,141

20.1 This includes an advance amounting to Rs 0.71 million (2017 : Rs 2.05 million) to Siemens Pakistan Engineering Company Limited, a related party (group company).

20.2 This includes WWF contribution amounting to Rs 33.32 million (2017: Rs 33.32 million) based on accounting profit for tax year 2014 paid under protest after demand by taxation authorities. Since the provisions of WWF were not applicable to the Group in the light of Supreme Court's decision, CPPA-G has not acknowledged this amount as a valid pass through item. Therefore, the Group has filed for a refund from the taxation authorities. The Group has not made any provision against the recoverable amount as the management is confident that the ultimate outcome of the matter would be in favour of the Group, inter alia on the basis of the advice of the tax consultant and the relevant law and the facts. This also includes refundable WWF amounting to Rs 84.35 million (2017: Rs 84.35 million) as referred to in note 14.1(xi) to these consolidated financial statements

20.3 This represented amount deposited with the ATIR to obtain stay against the sales tax apportionment case under the directions of LHC as mentioned in note 14.1(i).

		2018	2017
		(Rupees in thousand)	
20.4 Workers' profit participation fund			
Opening balance		155,466	201,241
Provision for the year	- note 10.3	179,878	155,466
		335,344	356,707
Transfer to trade debts during the year		(155,466)	(201,241)
Closing balance		179,878	155,466

Under the relevant provision of the PPAs with CPPA-G, payments to Workers' Profit Participation Funds are recoverable from CPPA-G as a pass through item.

20.5 This includes prepayment in respect of ERP annual support services cost made to Descon Corporation (Private) Limited, a related party (on the basis of common directorship) aggregating to Rs 0.08 million (2017: Rs 0.45 million).

20.6 Includes the following amounts due from following related parties:

Descon Power Solutions (Private) Limited (common directorship)	- note 20.6.1	947	-

20.6.1 The maximum aggregate amount due from the related party at the end of any month during the year was the same as the closing balances as at year end.

20.7 This includes an amount of Rs 15 million deposited with Faysal Bank Limited as 100% margin against the letter of guarantee in favour of the Director, Excise and Taxation Department, Karachi, as disclosed in note 14.1(xvi)(a).

		2018	2017
		(Rupees in thousand)	
21. Cash and bank balances			
Cash at bank:			
On current accounts		7,972	1,013,405
On term deposits	- note 21.1	1,165,001	3,651,500
On savings accounts	- note 21.1	385,113	78,973
		1,558,086	4,743,878
Cash in hand		-	9
		1,558,086	4,743,887

21.1 These carry mark-up at the rates ranging from 3.75% to 5.80% per annum (2017: 3.70% to 5.90% per annum).

		2018	2017
22. Revenue-net		**(Rupees in thousand)**	
Energy purchase price - gross		29,262,542	25,061,646
Sales tax - net		(4,251,823)	(3,641,436)
Energy purchase price - net		25,010,719	21,420,210
Capacity purchase price		6,063,143	6,316,401
Other supplemental charges		732,945	415,889
Gas efficiency passed to CPPA-G		(363,035)	(394,567)
		31,443,772	27,757,933

23. Direct costs

Natural gas / RLNG consumed		23,543,179	19,899,257
Salaries, wages and other benefits	- note 23.1	38,849	28,012
Operation and maintenance		990,300	1,340,600
Stores, spares and loose tools consumed		273,618	276,620
Purchase of energy form CPPA-G		33,028	35,908
Insurance cost		102,743	112,321
Lube oil consumed		12,994	10,537
Repairs and maintenance		21,886	27,950
Travelling and conveyance		387	544
Depreciation on operating fixed assets	- note 15.1.1	1,715,413	1,692,935
Generation license fee		6,543	6,296
Electricity duty		4,833	6,789
Colony maintenance		22,401	18,469
Communication		4,514	3,758
Security expense		5,507	4,094
Vehicle maintenance		2,076	1,341
Miscellaneous		6,738	7,049
		26,785,009	23,472,480

23.1 Includes Rs 2.507 million (2017: Rs 1.214 million) in respect of provident fund contribution by the Group.

24. Administrative expenses

		2018	2017
		(Rupees in thousand)	
Salaries, wages and other benefits	- note 24.1	93,269	91,042
Directors' meeting fee	- note 30.2	500	625
ERP running cost	- note 24.2	3,141	2,808
Traveling & conveyance		6,928	7,450
Utilities		655	642
Postage and telephone		1,480	1,486
Printing and stationery		1,791	1,731
Auditors' remuneration	- note 24.3	4,044	3,616
Rent, rates and taxes		6,249	5,394
Repairs and maintenance		236	448
Legal and professional expenses		50,216	39,705
Fees and subscription		1,437	1,177
Entertainment		2,324	1,244
Amortisation on intangible assets	- note 16.1	3,694	4,263
Depreciation on operating fixed assets	- note 15.1.1	9,312	12,409
Vehicle maintenance		2,508	1,315
Donations	- note 24.4	2,108	-
Insurance		3,096	3,318
Professional tax		100	100
Provision for doubtful debts	- note 19.2	43,267	55,570
Provision for obsolete / slow-moving stores, spares and loose tools	- note 18.3	-	5,696
Arbitration cost		-	996
Training expenses		194	-
Miscellaneous		6,129	7,397
		242,678	248,432

24.1 Includes Rs 0.05 million (2017: Rs 0.06 million), Rs 4.43 million (2017: Rs 4.36 million), Rs 0.92 million (2017: Rs 0.71 million) and Rs 7.32 million (2017: Rs 5.80 million) on account of accumulating compensated absences, contribution to provident fund, staff gratuity and contribution to gratuity fund, respectively.

24.2 This represents charges in respect of ERP annual support services rendered by Descon Corporation (Private) Limited, a related party (on the basis of common directorship).

24.3 Auditors' remuneration

The charges for professional services (exclusive of sales tax) consist of the following in respect of auditors' services for:

	2018	2017
Statutory audit	3,119	2,977
Half yearly review	266	254
Certifications required by various regulations	439	299
Reimbursement of expenses	220	86
	4,044	3,616

24.4 The donation was made to Bloomfield Hall School at Khanewal plant site. None of the directors or their spouses had any interest in the donee.

		2018	2017
25. Other income		**(Rupees in thousand)**	
Profit on bank deposits		82,857	215,363
Un-realised fair value gain on derivative financial instrument		112,157	-
Gain on disposal of operating fixed assets		4,054	916
Exchange gain - net		6	57
Scrap sales		2,093	3,038
Liabilities no longer payable written back		20,678	1,319
Refund of premium on Hermes facility		-	13,717
Others		10	45
		221,855	234,455
26. Finance cost			
Interest/mark-up on:			
Long term financing - secured	- note 26.1	297,281	706,520
Short term borrowings - secured		78,172	755
Exchange loss on foreign currency long term loan (Facility B)		478,615	10,695
Guarantee commission		48,523	1,958
Lenders' fees and charges		14,182	189,585
Lenders' related other costs		1,892	40,318
Late payments surcharge on:			
Late payments to SNGPL		7,235	12,880
Late payments to Descon Power Solutions (Private) Limited - related party (common directorship)		321	-
Realised loss on derivative financial instrument		106,233	35,390
Un-realised loss on derivative financial instrument		-	157,389
Bank charges		7,060	3,010
		1,039,514	1,158,500

26.1 This includes mark-up on loans from Descon Engineering Limited, (holding company till December 15, 2017 and related party, on the basis of common directorship, thereafter) amounting to Nil (2017: Rs 0.64 million).

		2018	2017
27. Taxation			
Current			
For the year		256,085	134,162
Prior years		(137,057)	41,764
		119,028	175,926
Deferred taxation	- note 9.2	45,397	11,945
		164,425	187,871

	2018	2017
	(Rupees in thousand)	
27.1 Relationship between tax income and accounting profit		
Profit before taxation	3,598,426	3,112,976
Tax at the applicable rate of 30% (2017: 31%)	1,079,528	965,023
Tax effect of amounts that are:		
Exempt as referred to in note 4.2	(1,054,048)	(963,886)
Allowable as tax credit	(2,448)	(50,097)
Not deductible for tax purposes	333	-
Subject to final tax regime	278,117	195,067
Prior years' tax	(137,057)	41,764
	(915,103)	(777,152)
	164,425	187,871

27.2 For the purposes of current taxation, the tax credit available for carry forward is estimated at Nil (2017: Rs 1.80 million).

27.3 The Group, along with certain related companies, had obtained certificate of registration and designation letter of a group (hereinafter referred to as 'Taxation Group') from SECP on June 5, 2015 and September 9, 2016, respectively, and the same were registered as Taxation Group with SECP under Group Companies Registration Regulations, 2008 to avail group relief under section 59B of the Income Tax Ordinance, 2001. At the time of registration of Taxation Group, inter-corporate dividend [PMCL (wholly owned subsidiary of the Parent Company) to the Parent Company] was exempt from tax for companies entitled for group relief under Clause 103A of Part I of the Second Schedule to the Income Tax Ordinance, 2001. However, subsequent to the registration of the Taxation Group, this clause was amended through Finance Act, 2016 and the exemption in respect of inter-corporate dividend was withdrawn. The Group is of the view, that since the Taxation Group had been registered as a group before the amendment in law, the Taxation Group remains entitled for the exemption. Based on the advice of the Group's legal advisor, management believes that there are meritorious grounds to defend its case in the courts of law with the taxation authorities. Consequently, no provision of Rs 566.70 million for tax on dividend income from PMCL (wholly owned subsidiary of the Parent Company) for the tax years from 2016 to 2018 has been recognized in these consolidated financial statements.

27.4 Management assessment on sufficiency of provision for income taxes

A comparison of provision on account of income taxes with most recent tax assessments for last three tax years is as follows:

	2017	2016	2015
		(Rupees in thousand)	
Tax assessed as per most recent tax assessments	78,917	350,497	172,128
Provision in accounts for income tax	78,935	42,698	3,874

As at June 30, 2018, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the taxation authorities.

28. Cash flow information

28.1 Cash generated from operations

		2018	2017
		(Rupees in thousand)	
Profit before taxation		3,598,426	3,112,976
Adjustments for non cash charges and other items:			
- Depreciation on operating fixed assets		1,724,725	1,705,344
- Amortisation on intangible assets		3,694	4,263
- Liabilities no longer payable written back		(20,678)	(1,319)
- Profit on bank deposits		(82,857)	(215,363)
- Gain on disposal of operating fixed assets		(4,054)	(916)
- Finance cost		1,039,514	1,158,500
- Provision for doubtful debts		43,268	55,570
- Provision for staff gratuity		922	-
- Provision for accumulating compensated absences		54	-
- Provision for retirement benefits		7,316	6,562
- Provision for obsolete / slow-moving stores, spares and loose tools		-	5,696
- Capital work-in-progress written off		3	631
- Capital spares consumed		13,136	40,263
- Un-realized gain on derivative financial instrument		(112,157)	-
- Exchange gain - net		(6)	(57)
Profit before working capital changes		6,211,306	5,872,150
Effect on cash flow due to working capital changes:			
Decrease/(increase) in current assets			
- Stores, spares and loose tools		32,515	(76,120)
- Inventory of fuel oil		3,233	4,839
- Trade debts - secured, considered good		(930,228)	(5,336,103)
- Advances, prepayments and other receivables		(64,538)	(88,803)
		(959,018)	(5,496,187)
(Decrease)/increase in current liabilities			
- Trade and other payables		(1,529,450)	325,286
		(2,488,468)	(5,170,901)
		3,722,838	701,249

28.2 Cash and cash equivalents

		2018	2017
Cash and bank balances	- note 21	1,558,086	4,743,887
Short term borrowings - secured	- note 11	(1,816,641)	-
		(258,555)	4,743,887

28.3 Reconciliation of liabilities arising from financing activities

	Opening balance as at July 1, 2017	Cashflows	Other changes *	Closing balance as at June 30, 2018
Long term loans	6,742,553	(2,876,223)	818,781	4,685,111
Derivative financial instruments	157,389	(106,233)	(5,924)	45,232

Other changes include non-cash movements and interest payments which are presented as operating cash flows in the consolidated statement of cash flows.

29 Transactions with related parties

The related parties comprise the holding company, ultimate parent, subsidiaries and associates of holding company and ultimate parent, group companies, related parties on the basis of common directorship, Investor under IAS 28, 'Investments in Associates and Joint Ventures' (non-controlling interest), key management personnel of the Group and its holding company and post-employment benefit plans (Gratuity Fund and Provident Fund). The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Significant related party transactions have been disclosed in respective notes in these consolidated financial statements other than the following:

Relationship with the Group	Nature of transactions	2018	2017
i. Holding company		(Rupees in thousand)	
Descon Engineering Limited - till December 15, 2017	Dividends paid	1,691,177	492,625
	Common costs charged to the Group	1,104	2,494
ii. Other related parties			
On the basis of common directorship			
Descon Engineering Limited - from December 15, 2017	Supply of spares and services	6,995	9,754
	Common costs charged to the Group	2,037	-
Descon Power Solutions (Private) Limited	Operation and maintenance contractor's fee	501,551	439,808
	Service agreement of generators	5,281	4,801
	Purchases of spare parts	70,399	118,677
	Supply of spares and services	2,311	2,674
	Purchase of major maintenance fee	1,746	1,774
	Common costs charged to the Group	78	305
Descon Corporation (Private) Limited	Supply of spares and services	8,254	7,601
	Common costs charged to the Group	529	183
Group companies			
Descon Holdings (Private) Limited	Dividends paid	240	70
Siemens AG	Purchase of operation and maintenance services	53,883	43,125
	Purchase of long term maintenance services	313,537	186,233
	Supply of spares and services	6,956	316,450
Siemens Pakistan Engineering Company Limited	Purchase of operation and maintenance services	2,571	2,100
	Purchase of long term maintenance services	143,699	85,631
	Supply of spares and services	936	193,121

Relationship with the Group	Nature of transactions	2018	2017
		(Rupees in thousand)	
Investor under IAS 28			
Siemens Project Ventures GmbH	Dividends paid	1,345,176	448,392
iii. Key management personnel	Short term employee benefits	61,698	52,552
	Post employment benefits	8,111	6,110
	Long term benefits	37	36
	Dividends paid	208	61
iv. Retirement benefit obligations	Expense charged in respect of defined benefit plan - gratuity fund	7,316	5,797
	Expense charged in respect of contributory provident fund	6,938	5,577

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

There are no transactions with key management personnel other than under the terms of employment.

29.1 Information about the related party incorporated outside the Pakistan, with whom the Group had entered into transactions, is as follows:

Name of company:	Siemens AG
Registered address of the company:	Siemens Aktiengesellschaft, Werner-von-Siemens-Straße 1 80333, Muenchen, Germany
Country of incorporation:	Germany
Aggregate percentage of shareholding, including shareholding through other companies or entities:	26% of issued, subscribed and paid up share capital of RPPL
Name of Chief Executive Officer or Principal Officer or Authorized Agent:	Joe Kaeser
Operational status:	The company is engaged in activities in the field of electrification, automation and digitalisation. It is also a supplier of systems for power generation and transmission.
Auditor's opinion on latest available financial statements:	Unmodified

30. Remuneration of Chief Executive, Directors and Executives

30.1 The aggregate amounts charged in these consolidated financial statements for remuneration and certain benefits to Chief Executive, Directors and Executive of the Group are as follows:

	Chief Executive		Executive Directors	
	2018	2017	2018	2017
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	3,156	3,000	-	-
Number of person(s)	1	1	-	-

	Non Executive Directors		Executives	
	2018	2017	2018	2017*
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	-	-	80,656	82,144
Accumulating compensated absences	-	-	37	36
Staff gratuity	-	-	773	600
Contributions to provident fund	-	-	6,118	5,731
Contributions to gratuity fund	-	-	4,938	4,642
House rent, utilities and other allowances	-	-	6,707	7,516
Bonus	-	-	510	450
Reimbursable expenses against vechicle	-	-	511	511
Other services rendered	724	695	-	-
	724	695	100,250	101,630
Number of person(s)	6	6	12	23

* Comparative figures have been restated to reflect changes in the definition of 'executive' as per the Companies Act, 2017.

30.2 During the year the Group paid meeting fee amounting to Rs 0.50 million (2017: Rs 0.63 million) to its non-executive (independent) director.

30.3 In addition to the above, the Chief Executive and certain Executives of the Group are provided with free use of Group maintained cars.

31. Number of employees

	2018	2017
Total number of employees as at June 30	40	41
Average number of employees during the year	40	41
Total number of factory employees as at June 30	29	26
Average number of factory employees during the year	27	26

32. Disclosure relating to Provident Fund

The investments by the provident fund in collective investment schemes, listed equity and debt securities have been made in accordance with the provisions of section 218 of the Act and the conditions specified thereunder except for investment in debt collective investment schemes managed by a single asset management company which is in excess of 50% of the size of the fund.

However, as per S.R.O 731 (1)/2018 dated June 6, 2018, a transition period of one year from the date of the said S.R.O has been granted to bring all the investments of provident fund in conformity with the provisions of the above Rules.

33. Financial risk management

33.1 Financial risk factors

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

Risk management is carried out by the Board of Directors (the 'Board') of the Parent Company. The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

a) 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 Group's income or the value of its holdings and financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk is further divided into the following three components:

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

Exposure to currency risk

The Group's exposure to foreign currency risk at the reporting date was as follows:

	2018		
	Rupees	USD	Euro
	(Amounts in thousand)		
Long term financing - secured	(4,685,111)	(38,529)	-
Accrued mark-up on long term financing - secured	(1,899)	(16)	-
Trade and other payables	(605,778)	-	(4,279)
Net exposure	(5,292,788)	(38,545)	(4,279)

	2017		
	Rupees	USD	Euro
	(Amounts in thousand)		
Short term borrowings - secured	(6,742,553)	(64,215)	-
Accrued mark-up on long term financing - secured	(3,390)	(32)	-
Trade and other payables	(693,929)	-	(5,776)
Net exposure	(7,439,872)	(64,247)	(5,776)

Foreign exchange risk in US Dollars is mitigated by the indexation mechanism for tariff available under PPAs.

The following significant exchange rates were applied during the year:

	Statement of financial position date rate		Average rate	
	2018	2017	2018	2,017.00
USD	121.60	105.00	113.30	104.85
Euro	141.57	120.14	130.86	118.23

Sensitivity analysis

At June 30, 2018, if the Rupee had weakened/strengthened by 5% against the USD with all other variables held constant, the impact on post tax profit for the year would have been Rs 101 million (2017: Rs 147 million) higher/lower mainly as a result of exchange gain/loss on translation of USD denominated financial instruments. Since the exchange differences related to foreign currency loan are capitalized, the impact on property, plant and equipment would have been Rs 133 million (2017: Rs 194 million) higher/lower mainly as a result of exchange loss/gain on translation of USD denominated financial instruments.

At June 30, 2018, if the Rupee had weakened/strengthened by 5% against the Euro with all other variables held constant, the impact on post tax profit for the year would have been Rs 30.295 million (2017: Rs 34.713 million) lower/higher mainly as a result of exchange loss/gain on translation of Euro denominated financial instruments.

ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on bank balances in savings accounts, long term loans, short term borrowings and derivative financial instruments. The interest rate profile of the Group's interest-bearing financial instruments at the statement of financial position date was as under:

	2018	2017
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Term deposits	1,165,001	3,651,500
Bank balances - saving accounts	385,113	78,973
	1,550,114	3,730,473
Financial liabilities	-	-
Net exposure	1,550,114	3,730,473
Floating rate instruments		
Financial assets		
Trade debts - secured, considered good, overdue	12,116,924	8,295,336
Financial liabilities		
Long term financing - secured	(4,685,111)	(6,742,553)
Short term borrowings - secured	(1,816,641)	-
Derivative financial instrument	(45,232)	(157,389)
	(6,546,984)	(6,899,942)
Net exposure	5,569,940	1,395,394

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the statement of financial position date would not affect profit or loss of the Group.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on variable rate financial instruments, at the year end date, fluctuates by 1% higher/lower with all other variables held constant, post tax profit for the year would have been Rs 83.74 million (2017: Rs 12.07 million) higher/lower (2017: lower/higher) mainly as a result of higher/lower net interest income (2017: expense) on floating rate instruments.

iii) **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 Group is not exposed to equity price risk since there are no investments in equity instruments traded in the market at the reporting date. The Group is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

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. Credit risk mainly arises from deposits with banks, trade and other receivables.

i) Exposure to credit risk and concentration of credit risk

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

	2018	2017
	(Rupees in thousand)	
Long term deposits	369	539
Trade debts - secured, considered good	13,751,910	12,864,950
Other receivables	238,255	185,621
Bank balances and term deposits	1,558,086	4,743,878
	15,548,620	17,794,988

As of June 30, age analysis of trade debts was as follows:

	2018	2017
Neither past due nor impaired	1,634,986	4,569,614
Past due 0-30 days	3,718,330	3,145,474
Past due 31-120 days	4,895,040	2,487,530
Past due more than 120 days	3,700,018	2,815,529
Provision for doubtful debts	(196,464)	(153,197)
	13,751,910	12,864,950

The Group's only customer is CPPA-G. The credit risk on trade debts from CPPA-G is managed by a guarantee from the Government of Pakistan under the implementation agreements and by continuous follow-ups for release of payments from CPPA-G. Cash is held only with reputable banks with high quality external credit enhancements. The Group establishes a provision for doubtful debts that represents its estimate of incurred losses in respect of trade debts, if required.

ii) Credit quality of major financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about external counterparty default rate:

	Rating		Rating	2018	2017
	Short term	Long term	Agency	(Rupees in thousands)	
CPPA-G	Not available			13,751,910	12,864,950
Faysal Bank Limited	A1+	AA	PACRA	2	15,001
Bank Alfalah Limited	A1+	AA+	PACRA	-	3,329,866
Habib Metropolitan Bank	A1+	AA+	PACRA	1,462	142,695
National Bank of Pakistan	A1+	AAA	PACRA	386,545	61,273
SCB	A1+	AAA	PACRA	1,163,811	1,188,161
MCB Bank Limited	A1+	AAA	PACRA	1,900	2,405
The Bank of Punjab	A1+	AA	PACRA	4,302	4,366
Habib Bank Limited	A1+	AAA	JCR-VIS	64	111
				15,309,996	17,608,828

Due to the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Group. 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.

The Group'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 Group's reputation.

The following are the contractual maturities of financial liabilities as at June 30, 2018 and 2017:

	2018				
			Maturities		
	Carrying amount	Less than six months	Up to one year	Two years to five years	After five years
	(Rupees in thousand)				
Financial liabilities					
Long term financing - secured	4,685,111	1,561,704	2,449,743	673,664	-
Trade and other payables	1,664,352	1,664,352	-	-	-
Mark-up accrued	47,491	47,491	-	-	-
Derivative financial instrument	45,232	-	-	45,232	-
Short term borrowings - secured	1,816,641	1,816,641	-	-	-
Unclaimed dividend	1,345	1,345	-	-	-
	8,260,172	5,091,533	2,449,743	718,896	-

	2017				
			Maturities		
	Carrying amount	Less than six months	Up to one year	Two years to five years	After five years
	(Rupees in thousand)				
Financial liabilities					
Long term financing - secured	6,742,553	1,348,511	1,348,511	4,045,531	-
Trade and other payables	3,206,363	3,206,363	-	-	-
Mark-up accrued	3,409	3,409	-	-	-
Derivative financial instrument	157,389	-	-	157,389	-
Unpaid dividend	2,488,523	2,488,523	-	-	-
Unclaimed dividend	726	726	-	-	-
	12,598,963	7,047,532	1,348,511	4,202,920	-

33.2 Capital risk management

The Group's objectives when managing capital are to safeguard Group's ability to continue as a going concern in order to provide returns for shareholders and lenders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net borrowings divided by total capital employed. Net borrowings are calculated as total borrowings including current and non-current borrowings less cash and cash equivalents. Total capital employed includes equity as shown in the statement of financial position, plus net borrowings.

The gearing ratio as at June 30, 2018 and June 30, 2017 is as follows:

		2018	2017
		(Rupees in thousand)	
Borrowings		6,501,752	6,742,553
Cash and cash equivalents	- note 28.2	258,555	(4,743,887)
Net borrowings		6,760,307	1,998,666
Total equity		27,209,488	26,264,114
Total capital employed		33,711,240	33,006,667
Gearing ratio		20.05%	6.06%

In accordance with the terms of agreement with the lender of long term financing (as disclosed in note 7 to these consolidated financial statements), the Group is required to comply with the following financial covenants:

- the gearing ratio shall be not more than 1:1;
- the debt service coverage ratio shall not fall below 1.5:1; and
- the debt to EBITDA ratio shall remain below 2.5:1.

The Group has complied with these covenants throughout the reporting period. As at June 30, 2018, the relevant debt service coverage ratio was 2.0:1 (2017: 2.1:1) and the debt to EBITDA ratio was 0.8:1 (2017: 1.2:1).

33.3 Fair value estimation

The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

The following table presents the Group's assets and liabilities that are measured at fair value:

As at June 30, 2018

	Level 1	Level 2	Level 3	Total
Recurring fair value measurements		(Rupees in thousand)		
Assets	-	-	-	-
Liabilities				
Derivative financial instrument	-	45,232	-	45,232

As at June 30, 2017

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
		(Rupees in thousand)		
Assets	-	-	-	-
Liabilities				
Derivative financial instrument	-	157,389	-	157,389

There were no other Level 1, 2 or 3 assets or liabilities during current or prior year.

There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the presented years.

Financial instruments in level 2

Specific valuation techniques used to value financial instruments include:

- for interest rate swaps – the present value of the estimated future cash flows based on observable yield curves.

The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

33.4 Offsetting financial assets and financial liabilities

There are no significant financial assets and financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

33.5 Financial instruments by categories

	Loans and receivables	
	2018	2017
	(Rupees in thousand)	
Assets as per statement of financial position		
Long term deposits	369	539
Long term loans to employees - secured	10,053	13,308
Trade debts - secured, considered good	13,751,910	12,864,950
Other receivables	238,255	185,621
Cash and bank balances	1,558,086	4,743,887
	15,558,673	17,808,305

	Financial liabilities at amortized cost	
	2018	2017
	(Rupees in thousand)	
Liabilities as per statement of financial position		
Long term financing - secured	4,685,111	6,742,553
Trade and other payables	1,664,352	3,206,363
Unpaid dividend	-	2,488,523
Unclaimed dividend	1,345	726
Short term borrowings - secured	1,816,641	-
Mark-up accrued	47,491	3,409
Derivative financial instrument	45,232	157,389
	8,260,172	12,598,963

34. Plant capacity and actual generation

Installed capacity	(MWh)	**3,710,556**	3,710,556
Practical maximum output	(MWh)	**3,622,048**	3,198,242
Actual energy delivered	(MWh)	**2,736,755**	2,647,534

The actual generation for power plants takes into account all scheduled outages approved by CPPA-G. Actual output is dependent on the load demanded by CPPA-G, natural gas / RLNG supply by SNGPL under as-and-when available basis, the plant availability and mean-site conditions.

35. Earnings per share - basic and diluted

35.1 Basic earnings per share

Profit for the year attributable to equity holders of the Parent Company	(Rupees in thousand)	1,994,984	1,782,867
Weighted average number of ordinary shares	(Number)	363,380,000	363,380,000
Basic earnings per share	(Rupees)	5.49	4.91

35.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue as at June 30, 2018 and June 30, 2017 which would have any effect on the earnings per share if the option to convert is exercised.

36. Interests in other entities

36.1 Subsidiaries

The Group's principal subsidiaries as at June 30, 2018 and June 30, 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities
		2018	2017	2018	2017	
Power Management Company (Private) Limited	Lahore, Pakistan	100%	100%	0%	0%	Invest, manage, operate, run, own and build power projects, intermediate holding company of RPPL
Rousch (Pakistan) Power Limited	Islamabad, Pakistan	59.98%	59.98%	40.02%	40.02%	Generate and supply electricity to CPPA-G

36.2 Non-controlling interest

Set out below is summarised financial information for a subsidiary that has non-controlling interest that is material to the Group. The amounts disclosed for the subsidiary is before inter-company eliminations:

	Rousch (Pakistan) Power Limited	
	2018	2017
	(Rupees in thousand)	
Summarised statement of financial position		
Current assets	16,146,528	18,437,734
Current liabilities	6,478,943	8,506,188
Current net assets	**9,667,585**	**9,931,546**
Non-current assets	18,435,958	19,646,426
Non-current liabilities	1,581,932	4,065,529
Non-current net assets	**16,854,026**	**15,580,897**
Net assets	**26,521,611**	**25,512,443**
Accumulated non-controlling interest	**10,613,034**	**10,209,062**

	Rousch (Pakistan) Power Limited	
	2018	2017
Summarised statement of comprehensive income	(Rupees in thousand)	
Revenue-net	29,822,578	26,133,377
Profit for the year	3,597,548	2,912,093
Other comprehensive loss for the year	(104)	(2,453)
Total comprehensive income for the year	3,597,444	2,909,640
Profit attributable to non-controlling interest	1,439,017	1,142,238
Other comprehensive loss attributable to non-controlling interest	(42)	(982)
Dividends provided for non-controlling interest	1,035,003	1,035,003
Summarised cash flows		
Net cash inflow/(outflow) from operating activities	3,276,090	(486,106)
Net cash inflow/(outflow) from investing activities	78,471	(212,159)
Net cash outflow from financing activities	(8,155,400)	(3,771,467)
Net decrease in cash and cash equivalents during the year	(4,800,839)	(4,469,732)

36.3 Transactions with non-controlling interests

There were no transactions with non-controlling interest during the years ended June 30, 2017 and June 30, 2018.

37. Summary of significant transactions and events

The Group's financial position and performance was particularly affected by the following events and transactions during the reporting period:

Parent Company declared interim dividend amounting to Rs 1,453.52 million and paid dividends amounting to Rs 2,906.42 million (refer to statement of changes in equity and statement of cash flows, respectively);

Out of RPPL's declared interim dividend, Rs 1,035.00 million was attributed to non-controlling interest and dividends amounting to Rs 2,070.01 million were paid to non-controlling interest payment and paid interim dividend amounting to Rs 2,586 million (refer to statement of changes in equity and statement of cash flows, respectively);

repaid principal on long term loans aggregating Rs 2,876.22 million (refer to statement of cash flows);

arranged a short term running finance facility from a consortium of commercial banks (Askari Bank Limited, Habib Metropolitan Bank Limited and Bank Alfalah Limited) with the sanctioned limit of Rs 3,000 million (Refer to note 11);

exchange loss related to long term loan from SCB, under Facility A, amounting to Rs 448.18 million was capitalized as property, plant and equipment (refer to note 15.1.4);

exchange loss related to long term loan from SCB, under Facility B, amounting to Rs 370.60 million was charged in consolidated statement of profit or loss (refer to note 7).

supply of 6 MMCFD of RLNG was allocated to the Parent Company until execution of the interim GSA for supply of RLNG (refer to note 1.1.4);

the Group's holding company and ultimate parent have changed during the year as a result of the Scheme becoming effective (refer to note 1.1.2); and

reclassified certain amounts due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the Fourth Schedule to the Companies Act, 2017 (refer to note 38).

38. Corresponding figures

The preparation and presentation of these consolidated financial statements for the year ended June 30, 2018 is in accordance with the requirements of the Act. The Fourth Schedule to the Act has introduced certain presentation and classification requirements for the elements of consolidated financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of the Act and to reflect more appropriate presentation of events and transactions for the purpose of comparison. Following major reclassifications have been made during the year:

Description	Head of account in the consolidated financial statements for the year ended June 30, 2017	Head of account in the consolidated financial statements for the year ended June 30, 2018	2017 (Rupees in thousand)
Unclaimed divided	Trade and other payables	Unclaimed divided	726
Receivable against workers' welfare fund	Income tax recoverable	Advances, prepayments and other receivables	33,324

39. Date of authorization for issue

These consolidated financial statements were authorised for issue on September 26, 2018 by the Board of Directors of the Parent Company.

40. Events after the statement of financial position date

There are no significant events which occurred after the statement of financial position date that require adjustment or disclosure in the consolidated financial statements.

Chief Executive | Chief Financial Officer | Director

SIX YEAR PERFORMANCE

Financial Year ending June 30	2018	2017	2016	2015	2014
	(Rupees in thousand)				
Despatch (MWH)	145,115	187,844	175,069	173,306	205,398
Revenue	1,621,194	1,624,556	1,605,936	1,435,404	1,756,949
Direct Costs	1,558,269	1,386,609	1,396,051	1,263,377	1,459,092
GrossProfit	62,925	237,947	209,885	172,027	297,857
Net Profit/ (Loss)	1,452,563	1,632,720	1,097,312	115,077	1,868,193
Total Assets	5,088,896	6,491,422	5,850,900	5,278,699	5,890,142

PATTERN OF SHAREHOLDING

Pattern of holding of the shares held by the shareholders as at 30-06-2018

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
59	1	100	679
67	101	500	31,388
55	501	1,000	53,707
83	1,001	5,000	252,125
31	5,001	10,000	253,599
10	10,001	15,000	127,000
6	15,001	20,000	113,500
10	20,001	25,000	238,000
5	25,001	30,000	148,000
3	30,001	35,000	102,500
5	35,001	40,000	195,000
3	40,001	45,000	127,500
3	45,001	50,000	147,000
1	50,001	55,000	52,000
2	55,001	60,000	117,500
2	60,001	65,000	127,000
1	65,001	70,000	69,500
3	70,001	75,000	219,000
1	80,001	85,000	82,500
1	85,001	90,000	87,500
1	95,001	100,000	100,000
2	100,001	105,000	204,000
1	125,001	130,000	130,000
2	145,001	150,000	299,500
1	165,001	170,000	169,500
1	180,001	185,000	183,000
1	185,001	190,000	188,359
3	195,001	200,000	600,000
1	200,001	205,000	203,500
1	225,001	230,000	230,000
3	245,001	250,000	746,500
1	265,001	270,000	269,000
1	300,001	305,000	300,500
1	325,001	330,000	327,000
1	345,001	350,000	350,000
1	425,001	430,000	425,500
1	430,001	435,000	432,000
1	440,001	445,000	444,000
1	965,001	970,000	968,000
1	1,015,001	1,020,000	1,016,500
1	1,065,001	1,070,000	1,065,500
1	1,140,001	1,145,000	1,145,000
1	1,195,001	1,200,000	1,200,000
1	1,290,001	1,295,000	1,293,500
1	1,845,001	1,850,000	1,849,000
1	3,300,001	3,305,000	3,303,725
1	3,545,001	3,550,000	3,550,000
1	5,995,001	6,000,000	6,000,000
1	60,475,001	60,480,000	60,475,416
1	61,965,001	61,970,000	61,968,939
1	211,395,001	211,400,000	211,397,063
388			**363,380,000**

CATAGORIES OF SHAREHOLDING REQUIRED UNDER CODE OF COPRORATE GOVERNANCE (CCG)
AS ON 30th June, 2018

S. No.	NAME	HOLDING	% AGE
	DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN		
1	MR. A. RAZAK DAWOOD (CDC)	500	0.0001
2	MR. TAIMUR DAWOOD (CDC)	1,000	0.0003
3	MR. FAROOQ NAZIR (CDC)	500	0.0001
4	MR. KHALID SALMAN KHAN	0	0.0000
5	MR. SHAH MUHAMMAD CH. (CDC)	500	0.0001
6	SYED RIZWAN ALI SHAH (CDC)	500	0.0001
7	MR. FAZAL HUSSAIN ASIM (CDC)	500	0.0001
		3,500	0.0010
	ASSOCIATED COMPANIES, UNDERTAKING & RELATED PARTIES		
1	DEL POWER (PRIVATE) LIMITED (CDC)	211,397,063	58.1752
	NIT & ICP	0	0.0000
	FINANCIAL INSTITUTION		
1	BANK ALFALAH LIMITED (CDC)	1,849,000	0.5088
2	SONERI BANK LIMITED - ORDINARY SHARES (CDC)	3,550,000	0.9769
		5,399,000	1.4858
	MODARABAS & MUTUAL FUNDS		
1	CDC - TRUSTEE JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF) (CDC)	500	0.0001
2	CDC - TRUSTEE JS ISLAMIC FUND (CDC)	444,000	0.1222
3	CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT (CDC)	59,000	0.0162
4	CDC - TRUSTEE JS LARGE CAP. FUND (CDC)	203,500	0.0560
5	CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT(CDC)	73,500	0.0202
6	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND (CDC)	327,000	0.0900
7	CDC - TRUSTEE UNIT TRUST OF PAKISTAN (CDC)	200,000	0.0550
8	MCBFSL - TRUSTEE JS VALUE FUND (CDC)	70,500	0.0194
		1,378,000	0.3792
	PENSION FUNDS		
1	CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND (CDC)	10,500	0.0029
		10,500	0.0029
	INSURANCE COMPANIES	0	0.0000
	JOINT STOCK COMPANIES		
1	OCTAGON INTERNATIONAL (PVT) LTD	1,000	0.0003
2	SHAKARGANJ ENERY (PVT) LTD. (CDC)	188,359	0.0518
3	CRESCENT STEEL AND ALLIED PRODUCTS LTD. (CDC)	60,475,416	16.6425
4	CS CAPITAL (PVT) LTD. (CDC)	3,303,725	0.9092
5	DESCON HOLDINGS (PVT) LIMITED.(CDC)	30,000	0.0083
6	DOSSA COTTON & GENERAL TRADING (PVT) LIMITED (CDC)	246,500	0.0678
7	ELLAHI CAPITAL (PRIVATE) LIMITED (CDC)	425,500	0.1171
8	FAZAL HOLDINGS (PVT.) LIMITED (CDC)	1,145,000	0.3151
9	GROWTH SECURITIES (PVT) LTD. (CDC)	9,000	0.0025
10	MAPLE LEAF CAPITAL LIMITED (CDC)	1	0.0000
11	SAPPHIRE HOLDING LIMITED (CDC)	100,500	0.0277
12	SARFRAZ MAHMOOD (PVT) LTD. (CDC)	500	0.0001
13	SOFCOM (PRIVATE) LIMITED (CDC)	8,000	0.0022
14	Y.H. SECURITIES (PVT.) LTD. (CDC)	3,000	0.0008
15	ALLIANCE INVESTMENT MANAGEMENT LIMITED (CDC)	130,000	0.0358
		66,066,501	18.1811

FOREIGN COMPANY			
1	SAUDI ARABIAN CONSTRUCTION & REPAIR CO. LTD.	61,968,939	17.0535
2	HABIB BANK AG ZURICH, DEIRA DUBAI (CDC)	169,500	0.0466
		62,138,439	17.1001
OTHERS			
1	TRUSTEE CITY SCHOLLS PROVIDENT FUND TRUST (CDC)	21,000	0.0058
2	TRUSTEE-TCS PRIVATE LIMITED EMPLOYEES PROVIDENT FUND (CDC)	3,000	0.0008
3	TRUSTEE - SBL GRATUITY FUND SCHEME (CDC)	150,000	0.0413
4	TRUSTEE - SBL EMPLOYEES' PROVIDENT FUND (CDC)	350,000	0.0963
		524,000	0.1442
SHARES HELD BY THE GENERAL PUBLIC (LOCAL):		16,462,997	4.5305
SHARES HELD BY THE GENERAL PUBLIC (FOREIGN):		0	0.0000
		16,462,997	4.5305
	TOTAL:	**363,380,000**	**100.0000**

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

S. No.	Name	Holding	% AGE
1	DEL POWER (PRIVATE) LIMITED (CDC)	211,397,063	58.1752
2	SAUDI ARABIAN CONSTRUCTION & REPAIR CO. LTD.	61,968,939	17.0535
3	CRESCENT STEEL AND ALLIED PRODUCTS LTD. (CDC)	60,475,416	16.6425
		333,841,418	**91.8712**

SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL

S. No.	Name	Holding	% AGE
1	DEL POWER (PRIVATE) LIMITED (CDC)	211,397,063	58.1752
2	SAUDI ARABIAN CONSTRUCTION & REPAIR CO. LTD.	61,968,939	17.0535
3	CRESCENT STEEL AND ALLIED PRODUCTS LTD. (CDC)	60,475,416	16.6425
		333,841,418	**91.8712**

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows

S. No.	Name	Sale	Purchase
	NIL		

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 24th Annual General Meeting of Altern Energy Limited, will be held on Wednesday, October 24, 2018, at 10.00 am, at Descon Headquarters, 18 – KM, Ferozepur Road, Lahore, to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting of the Company held on Thursday, October 26, 2017.

2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2018 together with the Directors' and Auditor's Report's thereon.

3. To appoint Auditors for the year ending June 30, 2019 and fix their remuneration.
(The present auditors M/s A. F. Ferguson & Co. Chartered Accountants have retired and being eligible have offered themselves for re-appointment).

4. To transact any other business with the permission of the Chair.

By Order of the Board

Lahore
October 02, 2018

(Umer Shehzad)
Company Secretary

Notes:-

1. The share transfer books of the Company shall remain closed from 17-10-2018 to 24-10-2018 (both days inclusive).

2. Members are requested to attend in person along with Computerized National Identity Card ("CNIC") or appoint some other member as proxy and send their proxy duly witnessed so as to reach the registered office of the Company not later than 48 hours before the time of holding the meeting.

3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his / her original CNIC or passport, Account and participants, I.D. Numbers to prove his / her identity, and in case of proxy must enclose an attested copy of his / her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.

4. Shareholders are requested to immediately notify change in address, if any, to the Company's Share Registrar, M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore and also furnish attested photocopy of their CNIC as per Listing Regulations, if not provided earlier.

PROXY FORM

I/We of ____

________________________________,a member/members of ALTERNENERGY LIMITED and holder of ____________ shares as per registered Folio # /CDC Participant ID # /Sub A/C # / Investor A/C # ________________________do hereby appoint ________________________, a member of the Company vide Registered Folio #/CDC Participant ID#/Sub A/C # /Investor A/C # ____________as my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the shareholders of ALTERN ENERGY LIMITED will be held on Wednesday, October 24, 2018 at 10.00 am at DESCON HEADQUARTERS, 18-km Ferozepur Road, Lahore and at any adjournment thereof.

As witness may hand this ________________________day of ________2018.

Member's Signature

Witness's Signature

Please affix here Revenue Stamp

Place:____________

Date:______________

Note: A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office of the Company not later than 48 hours before the time for holding the meeting.

Proxies of the member(s) through CDC shall be accompanied with attested copies of the CNIC(s). The shareholders through CDC are requested to bring original CNIC, Account Number and participant Account Number to be produced at the time of attending the meeting.