SAIF POWER LIMITED

A Saif Group Company

Annual Report
2019

Financials at a Glance

	2019	2018
	Rs. Million	
Turnover	**14,910**	16,690
Gross profit	**5,018**	4,065
Financial cost	**1,209**	894
Net Profit	**3,650**	3,033
Shareholders Equity	**14,808**	12,047
	Rs.	
Dividend per share	**3.00**	2.95

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Basic Corporate Profile

Board of Directors

Mrs. Hoor Yousafzai	Chairperson
Mr. Javed Saifullah Khan	Director
Mr. Osman Saifullah Khan	Director
Mr. Jehangir Saifullah Khan	Director
Mr. Assad Saifullah Khan	Director
Ms. Jehannaz Saifullah Khan	Director
Mr. Naved Abid Khan	Independent Director

Audit Committee

Mr. Naved Abid Khan	Chairman
Mr. Osman Saifullah Khan	Director
Mr. Jehangir Saifullah Khan	Director

Human Resource and Remuneration Committee

Mr. Naved Abid Khan	Chairman
Mr. Jehangir Saifullah Khan	Director
Mr. Assad Saifullah Khan	Director

Management

Mr. Sohail H Hydari
Chief Executive Officer

Mr. Hammad Mahmood
Chief Financial Officer

Mr. Ghias Ul Hassan
GM Power Plant

Mr. Waseemullah
Company Secretary

Auditors

M/s KPMG Taseer Hadi & Co.
Chartered Accountants
State Life Building No. 6,
Jinnah Avenue, Islamabad.

Legal Advisors

M/s Cornelius, Lane & Mufti
Advocates & Solicitors

Registered/ Head Office

1st Floor, Kashmir Commercial Complex,
Fazal-ul-Haq Road Block E, Blue Area,
Islamabad, Pakistan.
Tel: +92-51-2271378-83
Fax: +92-51-2277670
Email: info.spl@saifgroup.com

Website

http://www.saifpower.com

Share Registrar

THK Associates (Private) Ltd. 1st Floor,
40-C, Block-6, P.E.C.H.S, Karachi 75400,
P.O Box. No: 8533
Tel: +92-21-111-000-322
Fax: +91-21-34168271
Email: secretariat@thk.com.pk
sfc@thk.com.pk

Banks & Financial Institutions

Allied Bank Limited
Albaraka Bank (Pakistan) Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank Limited
Faysal Bank Limited
First Habib Modaraba
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Pak Brunei Investment Company Limited
Pak Oman Investment Company Limited
Saudi Pak Industrial and Agricultural -
Investment Company Limited
Sonari Bank Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited

Plant Location

Chak 56/5L, Qadarabad,
Multan Road, District Sahiwal,
Punjab, Pakistan.

Vision

Let us light homes whatever it takes
And let us be an efficient, flexible but also a humble resource
within the power generation industry

Mission

Be looked up as an honest and reliable supplier
Strive to perform at our best under a professional, effective,
transparent and cordial corporate culture
Add value to stakeholders' interests

Sharing & Team Work

Core Values

It is our objective to ensure that we:

Ethics

- Adhere to high ethical standards and transparency in the conduct of our business
- Take ownership of our actions
- Give top most priority to Company's image and integrity as a legal entity
- Do not allow our directors or employees to be placed in a situation of conflict of interest

People

- Encourage and promote open communication and free enterprise
- Give attention to the health, safety and well being of our employees and provide a safe and secure environment
- Inculcate team work and sharing

Quality, Compliance and Business Excellence

- Strive to bring excellence within our performances and scope of work while observing all applicable laws
- Never trespass or deviate from our approved operational and financial systems
- Concentrate fully on maximizing shareholders' returns through good governance and through proper application of all management functions

Corporate Social Responsibility (CSR)

CSR is a relationship with all of our stakeholders.

Our Employment Practices ensure competitive salaries and wages along with benefits including healthcare. All of our employees are entitled to OPD and hospital beds at Kulsum International Hospital (run by Saif Group) at nominal rates.

Along with General Electric, USA who are our O&M Contractors, the company provides highest standards of occupational health and safety all around our plant premises.

We are committed to the community around us and, therefore, we comply with all applicable regulations in this area. Every year, young boys with relevant qualifications from our neighbourhood community get internships which serve as a platform for them considering the fact they are able to work along GE experienced personnel and, under the guidance of our own senior management.

Besides the above, the owner/directors provide substantial services in their own local areas as follows:

Saifullah Foundation for Sustainable Development (SFSD) was established as an independent non-political, non-profit NGO registered under Khyber Pakhtunkhwa Social Welfare Agencies (Registration and Control Ordinance, 1961). Begum Kulsum Saifullah Khan (Hilal-e-Imtiaz), the founding Chairperson, was the inspiration behind its establishment. SFSD manages;

Saifullah Khan Trust
Akbar Kare Institute

SAIFULLAH KHAN TRUST (SKT)

SKT focuses on promotion of skill based education and, financial help to bright students in the shape of stipends. Around 300 students receive stipends each year. FM – 88 radio station was set up in 2004 in Lakki District for awareness oriented program and for entertainment. Both of these objectives are being achieved and FM 88 has gained huge popularity. Clean water facility has been provided to the village of Lawang Khel with a population of 2000 people. Earlier these villagers did not have access to clean drinking water despite an existing water supply scheme which had not functioned for 10 years.

AKBAR KARE INSTITUTE (AKI)

AKI is a therapy centre for all children of Khyber Pakhtunkhwa (K.P.K), Pakistan who have Motor Developmental Delay primarily due to Cerebral Palsy. Cerebral palsy is a disorder of movement, muscle tone or posture that is caused by injury or abnormal development in the immature brain, most often before birth.

As often happens with innovative new projects in the developing world, AKI was inspired by the personal experiences of one woman and her family. Costs and expenses have been met by the founding family through their organization, the Saifullah Foundation for Sustainable Development (SFSD). All services, aids, and referrals are free and no expense is passed onto the client families.

Operations Analysis

Comparison of Plant Operation For Year 2019 & 2018

Parameters	Units	2019	2018
Plant Operating Hours on Gas Fuel	Hrs	**4,392**	5,942
Plant Operating Hours on HSD Fuel	Hrs	**-**	15
Utilization Factor	%	**43.7**	61.92
Load Factor	%	**40.19**	62.86
Complex Reliability Factor	%	**97.05**	99.49
Complex Start Up Reliability Factor	%	**97.50**	93.67
Generation on HSD Fuel	MWh	**-**	2,769
Generation on Gas Fuel	MWh	**716,203**	1,101,916
Net Generation	MWh	**716,203**	1,104,685
Period Hours	Hrs	**8,760**	8,760
Service Hours	Hrs	**4,863**	6,378
Standby Hours	Hrs	**3,193**	1,900
Available Hours	Hrs	**8,057**	8,278
Planned Outage Hours	Hrs	**458**	437
Unplanned Outage Hours	Hrs	**245**	44
Toral Outage Hours	Hrs	**703**	482
Availability Factor	%	**92.88**	94.50

Chairperson's Review

Dear Shareholders

I am pleased to present the Annual Report of your Company for the financial year ended December 31, 2019.

Your Board of Directors is cognizant of your Company's obligation to be compliant with listed Companies (Code of Corporate Governance) Regulation 2019 and the Companies Act, 2017. The Board has ensured that adequate policies and procedures are in place to make and enhance the corporate values.

Company's performance has been better than last year. Details of financial and operational performance indicators have been described in more detail in Report of the Board of Directors to shareholders along with the Audited Financial Statements.

On behalf of the Board, I would like to acknowledge with thanks the contributions made by the management staff, employees, lender banks, suppliers, contractors, regulatory authorities, various government functionaries, at the same time would also like to acknowledge the trust shown by our shareholders in the Company.

Javed Saifullah Khan

March 27, 2020
Islamabad

چیئرپرسن کا جائزہ
31 دسمبر 2019ء کو ختم ہونے والے سال کا مستحکم مالی بیان

محترم شیئر ہولڈرز

میں، 31 دسمبر 2019ء کو ختم ہونے والے سال کے لئے آپ کی کمپنی کی سالانہ رپورٹ پیش کرنا، اپنے لیے باعثِ مسرت سمجھ رہا ہوں۔

آپ کا بورڈ آف ڈائریکٹرز، فہرست شدہ کمپنیوں (کوڈ آف کارپوریٹ گورننس) کے ریگولیشن 2019ء اور کمپنیز ایکٹ 2017ء کے ساتھ مطابقت پذیر ہونے کے حوالے سے آپ کی کمپنی کی ذمہ داری سے واقف ہے۔ بورڈ نے اس بات کو یقینی بنایا ہے کہ کارپوریٹ اقدار کی تشکیل اور ان کو تقویت پہنچانے کے لئے مناسب پالیسیاں اور طریقہ کار موجود ہے۔

آپ کی کمپنی کی کارکردگی گزشتہ سال سے بہتر رہی ہے۔ فنانشل اور آپریشنل کارکردگی کے اشارہ جات کے بارے میں مزید تفصیلات محاسبہ شدہ مالی بیانات کے ساتھ ساتھ شیئر ہولڈرز کے لیے تیار کی گئی ڈائریکٹرز کی رپورٹ میں بیان کی گئی ہیں۔

انتظامی عملے، کارکنوں، قرض دہندگان بنکوں، سپلائرز، ٹھیکیداروں، ریگولیٹری اتھارٹی، مختلف حکومتی کارکنوں کی جانب سے ملنے والی شراکت کا میں، بورڈ کی طرف سے، شکریہ ادا کرتے ہوئے اعتراف کرتا ہوں۔ اس کے ساتھ ہی میں اپنے شیئر ہولڈرز کے کمپنی پر اعتماد اور بھروسہ کا بھی اعتراف کرنا چاہوں گا۔

جاوید سیف اللہ خان

مارچ 27، 2020ء

اسلام آباد

REPORT OF THE BOARD OF DIRECTORS TO SHAREHOLDERS

The Board of Directors is pleased to present the Annual Report of Saif Power Limited (the Company) along with its audited Financial Statements for the year ended December 31, 2019.

About the Company

The Company is an Independent Power Producer (IPP) and its power plant is located at Qadirabad, Sahiwal. The Complex – Combined Cycle Thermal Power Plant is a dual fuel power generating station where the primary fuel is natural gas and the backup fuel is High Speed Diesel (HSD). Gross Capacity of the power plant is 225MWs with two Gas Turbines from GE France and a Steam Turbine from Siemens Sweden. The 6 FA.03 Gas Turbines are perhaps the most fuel efficient in the world in their rated capacity and, our combined cycle efficiency is the highest in Pakistan within such Gross capacity.

PRINCIPAL ACTIVITY

The principal activity of the Company is to own, operate & maintain a combined cycle power plant and undertake the business of power generation & sell electricity to National Transmission and Despatch Company (Power Purchaser). The Company is listed on Pakistan Stock Exchange Limited.

OPERATIONS

The Company continues to follow best practices to ensure best Reliability, Availability and Operational Performance. During the year, reliability factor was 97.05% as compared to 99.49% in 2018 and availability factor was 92.88% as compared to 94.50% in 2018. Load factor was 40.19% as compared to 61.92% in 2018 as per dispatch requirement from Power Purchaser. Since 2018, the plant has mostly run on RLNG fuel.

FINANCIAL PERFORMANCE

Unconsolidated:

The Company continues to perform well in current circumstances under challenges. The Company earned a net profit of Rs. 3,650 million, resulting in earning per share (EPS) of Rs. 9.44 as compared to Rs. 3,033 million and EPS Rs. 7.85 in 2018.

Key Financial and Operating Data of last six years is as follows:

FOR THE YEAR ENDING DECEMBER	2019	2018	2017	2016	2015	2014
	------------------------------Rupees in million------------------------------					
Turnover	14,910	16,690	12,257	11,946	14,981	18,520
Gross Profit	5,018	4,065	3,478	3,188	3,290	3,746
Net Profit	3,650	3,033	2,592	2,312	2,063	1,988
Property, Plant and Equipment	12,800	13,294	13,688	14,213	14,802	15,353
Long term equity investment	738	631	-	-	-	-
Net worth	14,808	12,047	10,396	9,216	7,872	6,969
Long term financing	788	2,975	4,761	6,499	7,823	9,529
Short term borrowing	5,260	5,449	1,928	1,267	866	1,508
Earnings per share – (in rupees)	9.44	7.85	6.71	5.98	5.34	5.14
Dispatch level- (percentages)	40.19%	61.92%	32.30%	58.79%	50.85%	41.99%
Capacity Made Available-GWHs	1,782	1,784	1,786	1,675	1,652	1,746

Consolidated:

Consolidated net profit during the year under review is Rs. 3,646 million resulting in earning per share (EPS) of Rs. 9.44 (2018: Rs. 3,032 million and EPS Rs. 7.85).

Appropriations and movement in reserve have been disclosed in the consolidated statement of changes in equity.

PENDING ISSUES

In the case against M/s Sui Northern Gas Pipelines Limited (SNGPL), after the arbitration award in Company's favour for an amount of Rs. 270.66 million (dispute amount of Rs. 239.68 million & related costs of Rs. 30.98 million), the Company filed a petition in the Civil Court Lahore to obtain the enforcement Decree in lieu of the Arbitration award. SNGPL had challenged the award both in civil court and in Lahore High Court (LHC). The LHC dismissed the petition of SNGPL. Supreme Court of Pakistan has also disposed-off the appeal. The Company has already adjusted the awarded amount as above against payables to SNGPL.

During the year, SNGPL has filed suit for recovery before District Judge (Invested with Powers of the Gas Utility Court), Lahore against this adjustment including a claim for a markup amount of Rs. 136.14 million from the date of such adjustment. SNGPL has also filed a request for Arbitration before the London Court of International Arbitration (LCIA). In its submission to LCIA, subsequent to year end, SNGPL has claimed markup amount of Rs. 236.47 million from the date of such adjustment. The Company's position is that no amount is payable to SNGPL and in any case, LCIA Arbitration is the only competent forum to decide on this case.

In the case against Power Purchaser, the Arbitrator has awarded Rs. 477.56 million in Company's favour along with related costs. The Company has filed a petition in Lahore High Court for its enforcement. Power Purchaser has also challenged the partial final award and final award in Civil Court, Lahore, which is pending adjudication.

LOOKING FORWARD

(a) Circular Debt

The circular debt position of power sector has not shown any positive curves since last year. The Company's receivables have increased by Rs. 950 million. However, the company has arranged adequate working capital lines to fully sustain the operations in future years.

(b) Further to above, GOP is making huge efforts to reduce the circular debt amount. GOP is also in the process of issuing a Sukuk instrument for Rs. 200 billion for payment to the power sector.

(c) Last principal instalments of long term loans of the Company will be paid to the lenders at the end of March 2020 quarter. The fact that Power Purchaser will not be required to pay the amounts of long term loan instalment and markup anymore, the pressure on them to that extent will ease. Hopefully, the Company will not add to its receivables during the current year and, in fact, may receive money to partially adjust the already existing receivables.

CREDIT RATING

PACRA's rating for the Company is A+ in the long term and A1 in the short term while the 'Outlook' has been determined as 'Stable', which denote a low expectation of credit risk and indicate adequate capacity for timely payment of financial obligations.

CORPORATE SOCIAL RESPONSIBILITY, SAFETY, HEALTH AND QUALITY

Your company works with all stakeholders to ensure that it complies with all applicable regulations; contributes to community development; provides highest standards of safety, health and environment; offers competitive wages and benefits to its employees. The parent company provides necessary support in this regard with a centralized process.

IMPACT OF COMPANY'S BUSINESS ON ENVIRONMENT

Your Company maintains a tight control on all type of emissions from the Plant and ensures that under no circumstances any value of the emission exceeds beyond the limits provided in the Environmental Protection Agency (EPA) guidelines.

PRINCIPAL RISKS & UNCERTAINTIES

The Company has ensured that appropriate controls exist to cater to any unforeseen risks & uncertainties. Most of the financial risks are covered through tariff. However, liquidity risk remains as one of the uncertainties for reliable operations of the company. This risk, as highlighted above, has been mitigated by arranging adequate credit lines from thirteen different banks. Financial risk management is also disclosed in notes to the financial statements. Operational risks have been mitigated to a great extent through outsourcing of plant operations to M/s General Electric (who are both the original supplier and the O&M contractor) and through a comprehensive and effective insurance policy.

INTERNAL AUDIT AND CONTROL

The independent internal audit function headed by a qualified person reporting to the Audit Committee is in operation. The scope of internal auditing within the Company is clearly defined which broadly involves review and evaluation of internal control system, safeguarding of assets, accuracy and completeness of accounting records.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

Your Company complies with the highest standards of Corporate Governance and, internal controls are sound in design and have been effectively implemented and monitored.

DIVIDEND

The Board has recommended a final dividend of 20% (Rs. 2 per share) for the year ended 2019 to the shareholders for their approval in Annual General Meeting, in addition to interim dividend of 10% (Rs. 1.00 per share), making it total dividend of 30% (Rs. 3 per share) as compared to 29.5% (Rs. 2.95 per share) for previous year. Unless there is any contingency, the Board of Directors of your company would continue with the policy of paying out all surplus cash available within the Company.

INVESTMENT IN SUBSIDIARY

This represents equity investment in Saif Cement Limit ("SCL") formerly Saif Cement (Private) Limited which was converted into a Public Limited Company on March 29, 2019. SCL is setting up a cement manufacturing plant in Saidulwali Village, Paharpur, Dera Ismail Khan, Khyber Pakhtunkhawa (KPK). The Company during the year, acquired additional 10,390,419, fully paid ordinary shares of Rs. 10 each and paid Rs. 3.5 million as share deposit money against right entitlement for which the shares were issued subsequent to year end. The Company holds 96.28% of issued share capital of SCL as at December 31, 2019.

The Company intends to invest equivalent US $ 20 million in SCL, (which would be adjustable to the foreign exchange rates during the tenure of the project) at par value of Rs. 10 per share, in line with the approval from NEPRA and from the Company's shareholders at the extraordinary general meeting held on February 28, 2018. Accordingly, the Company's intended investment will eventually result in approximately 21% of equity of SCL instead of currently held 96.28%.

Subsequent to year end, additional investment of Rs. 13,701,880 has been made against which the shares have also been issued.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

Board of Directors

The activities of the Board are based on the requirements and duties laid down under relevant laws and Memorandum and Articles of Association of the Company. This compliance assists the Board in safeguarding the interests of all the stakeholders. The Board of Directors provides oversight in the governance, management and control of the Company and help in setting the goals, objectives and strategies of the Company and to formulating the policies and guidelines towards achieving such goals and objectives.

The total number of directors are seven as per the following:

A	Male:	5
B	Female:	2

The composition of board is as follows:

A	Independent Director	1
B	Other Non-executive Director	6

The Chairperson of the Board is a non-executive director. The positions of Chairperson and CEO are held by separate individuals with clearly defined roles and responsibilities. As required by Companies Act, 2017 and listed companies code of corporate governance, all directors are provided with sufficient information of their duties and responsibilities under respective laws and the Company's Memorandum and Articles of Association.

In compliance with the Corporate and Financial Reporting Framework of the Code of Corporate Governance, the Directors confirm the following:

- The financial statements of the Company, prepared by the management of the Company, present its state of affairs fairly, including the result of its operations, cash flows 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, and subject to waivers from the competent authority, have been followed in preparation of financial statements and, any departures therefrom (if any) have been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon Company's ability to continue as a going concern.
- All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The directors were apprised of their duties and responsibilities through orientation courses.
- There has been no trading of shares by CEO, Directors, CFO, Company Secretary and their spouses.
- Information about outstanding taxes and levies is given in the notes to the financial statements.

During the year, four Board of Directors' Meetings were held, attendance position was as under:-

Name of Directors	Status	Meetings attended
Mrs. Hoor Yousafzai-Chairperson	Elected	01/04
Mr. Javed Saifullah Khan	Appointed	04/04
Mr. Osman Saifullah Khan	Elected	04/04
Mr. Jehangir Saifullah Khan	Elected	02/04
Mr. Assad Saifullah Khan	Elected	04/04
Ms. Jehannaz Saifullah Khan	Elected	04/04
Mr. Naved Abid Khan	Appointed	02/04
Mr. Rana Muhammad Shafi	Resigned	00/00

Leave of absence was granted to Director(s) who could not attend any meeting. The current term of the directors shall stand completed in October 2020 when fresh elections will be held for appointment of directors through general meeting of the shareholders.

During the year, four Audit Committee Meetings were held, attendance position was as under:-

Name of Directors	Status	Meetings attended
Mr. Naved Abid Khan	Chairman	03/04
Mr. Osman Saifullah Khan	Member	04/04
Mr. Jehangir Saifullah Khan	Member	03/04

During the year, one HR and Remuneration Committee was held, attendance position was as under:-

Name of Directors	Status	Meetings attended
Mr. Naved Abid Khan	Chairman	01/01
Mr. Jehangir Saifullah Khan	Member	01/01
Mr. Assad Saifullah Khan	Member	01/01

DIRECTORS' TRAINING

Directors are well versed with and have the requisite knowledge of Code of Corporate Governance and all applicable laws.

During the year one director joined the Board, who is exempt from the directors' training program in accordance with clause 19(2) of Chapter VI of the Listed Companies (Code of Corporate Governance) Regulations, 2019 as having minimum 14 years of education and over 15 years of experience on the Board of a listed Company. The total number of directors who have completed/ are exempt from training is six out of seven directors.

DIRECTORS' REMUNERATION

Non-Executive directors and Independent director are entitled for only fee for attending the meetings, as determined by the Board from time to time.

RELATED PARTY TRANSACTIONS

Transaction undertaken with related parties are carried out on arm's length basis during the year and have been ratified by audit committee and approved by the Board.

PATTERN OF SHAREHOLDING

The statement of pattern of shareholding as on December 31, 2019 is attached with the report.

AUDITORS

The present auditors M/s KPMG Taseer Hadi & Co, Chartered Accountants, Islamabad retire and being eligible, offer themselves for re-appointment for the year 2020.

INFORMATION OF SUBSIDIARY REQUIRED TO BE DISCLOSED U/S 226(3) OF THE COMPANIES ACT, 2017

SAIF CEMENT LIMITED

PRINCIPAL ACTIVITY

The principal activity of Saif Cement Limited (SCL) after Commercial Operation Date will be production and sale of Cement. Currently, SCL is engaged in developing a Greenfield Cement Production Plant with a clinker production capacity of 6,500 Tons Per Day at Paharpur, Dera Ismail Khan, KP province.

FINANCIAL PERFORMANCE AND FUTURE OUTLOOK

As SCL is in developmental phase; therefore, no profit is reported for the year. Loss for the year amounting to Rupees 3,516,621 (2018: Rupees. 772,334), represents administrative expenses only. Loss per share reported during the year was Rs.0.046 (2018: Loss per Share Rs. 0.012). SCL has never defaulted on any payment.

SCL has achieved majority of its milestones and will be moving towards financial close with the lenders.

BOARD OF DIRECTORS

During the year on March 29, 2019 SCL was converted into a Public Limited Company and the number of Directors were increased to twelve (12). Accordingly, ten (10) more directors were appointed.

However, subsequently Four (4) directors resigned during the year. The detail is as follows:

S. No	NAME	STATUS
1	Mr. Jehangir Saifullah Khan	Elected (31/10/2017)
2	Mrs. Hoor Yousafzai	Elected (31/10/2017)
3	Mr. Anwar Saifullah Khan	Appointed on conversion
4	Mr. Javed Saifullah Khan	Appointed on conversion
5	Mr. Osman Saifullah Khan	Appointed on conversion
6	Mr. Assad Saifullah Khan	Appointed on conversion
7	Mr. Faisal Saifullah Khan	Appointed on conversion
8	Mr. Abbas Saifullah Khan	Appointed on conversion
9	Mr. Humayun Saifullah Khan	Appointed & Resigned
10	Mr. Iqbal Saifullah Khan	Appointed & Resigned
11	Mr. Salim Saifullah Khan	Appointed & Resigned
12	Mr. Muhammad Aly Saifullah Khan	Appointed & Resigned

PRINCIPAL RISKS AND UNCERTAINITIES

Currently, the cement industry is in an oversupply position. Hopefully, with all the dams being now awarded and initial constructions happening, the demand in North will push up tremendously by the time SCL comes into operations in around 2.5 years' time.

ACKNOWLEDGEMENT

The Directors of your Company would like to show their appreciation to its customers, suppliers, financial institutions, regulators and to all other stakeholders for their cooperation and support during the year.

The Directors of your Company would also like to express their deep appreciation for the services, loyalty and efforts being continuously rendered by the employees of the Company and hope that they will continue to do so in the future.

The Board would like to record its appreciation for the invaluable contributions rendered by the outgoing director and welcomes the new director.

For and on behalf of the Board

Sohail H. Hydari
Chief Executive Officer

Javed Saifullah Khan
Director

Islamabad: March 27, 2020

نمبرشمار	نام	سٹیٹس
1	محترم/جہانگیرسیف اللہ خان	مؤرخہ 31/10/2017 کومنتخب ہوئے
2	محترمہ/حوریوسف زئی	مؤرخہ 31/10/2017 کومنتخب ہوئیں
3	محترم/انورسیف اللہ خان	متبادل کےطور پرمقرر ہوئے
4	محترم/جاویدسیف اللہ خان	متبادل کےطور پرمقرر ہوئے
5	محترم/عثمان سیف اللہ خان	متبادل کےطور پرمقرر ہوئے
6	محترم/اسدسیف اللہ خان	متبادل کےطور پرمقرر ہوئے
7	محترم/فیصل سیف اللہ خان	متبادل کےطور پرمقرر ہوئے
8	محترم/عباس سیف اللہ خان	متبادل کےطور پرمقرر ہوئے
9	محترم/ ہمایوں سیف اللہ خان	مقرر ہوئے اور مستعفی ہوئے
10	محترم/اقبال سیف اللہ خان	مقرر ہوئے اور مستعفی ہوئے
11	محترم/سلیم سیف اللہ خان	مقرر ہوئے اور مستعفی ہوئے
12	محترم/محمدعلی سیف اللہ خان	مقرر ہوئے اور مستعفی ہوئے

بنیادی خطرات اور غیر یقینی اقدامات:

فی الحال، سیمنٹ کی صنعت ایک بہت زیادہ سپلائی والی جگہ پر ہے۔ جیسا کہ تمام ڈیموں ٹھیکے دے دیے گئے ہیں اور ابتدائی تعمیرات ہورہی ہیں، SCL تقریباً اڑھائی سال کے عرصے میں جب کام شروع کردے گی، تب تک شمال میں سیمنٹ کی طلب میں زبردست اضافہ ہوجائے گا۔

اعتراف:

آپ کی کمپنی کے ڈائریکٹرز اپنے کسٹمرز، سپلائرز، مالیاتی اداروں، ریگولیٹرز اور دیگر تمام اسٹیک ہولڈرز کے لیے تعریفی کلمات کہنا چاہتے ہیں جنہوں نے اس سال اپنا تعاون اور حمایت پیش کی۔

آپ کی کمپنی کے ڈائریکٹرز کمپنی کے ملازمین کی طرف سے مسلسل پیش کی گئی خدمات، وفاداری اور کوششوں کے لیے گہری تعریف کا اظہار کرنا چاہتے ہیں اور امید کرتے ہیں کہ وہ مستقبل میں بھی ایسا ہی کریں گے۔

بورڈ، موجودہ ڈائریکٹرز کی طرف سے فراہم کردہ قیمتی شراکت کے لئے اپنی تعریف ریکارڈ کرانا چاہتا ہے اور نئے ڈائریکٹرز کا خیر مقدم کرتا ہے۔

بورڈ آف ڈائریکٹرز کی جگہ اور بورڈ کی نیابت سے:

سہیل ایچ۔ حیدری
چیف ایگزیکٹو آفیسر

جاویدسیف اللہ خان
ڈائریکٹر

اسلام آباد: مارچ 27,2020ء

آڈیٹرز:

موجودہ آڈیٹرز "KPMG تاثیر ہادی اینڈ کمپنی"، چارٹرڈ اکاؤنٹنٹس، اسلام آباد جو کہ ریٹائر ہیں اور دوبارہ تعیناتی کے اہل ہیں، وہ سال 2020ء میں اپنی دوبارہ تعیناتی کے لیے پیش کش کرتے ہیں۔

کمپنیز ایکٹ، 2017ء کے سیکشن (3)226 کے تحت ماتحت کمپنی کی معلومات

سیف سیمنٹ لمیٹڈ

بنیادی سرگرمی

کمرشل آپریشن کی تاریخ کے بعد سیف سیمنٹ لمیٹڈ (SCL) کی اصل سرگرمی سیمنٹ کی تیاری اور فروخت ہوگی۔ فی الحال، SCL صوبہ خیبر پختونخوا، ڈیرہ اسماعیل خان، پہاڑ پور میں یومیہ 6,500 ٹن کلینکر کی پیداواری صلاحیت کے ساتھ گرین فیلڈ سیمنٹ پروڈکشن پلانٹ تیار کرنے میں مصروف ہے۔

مالی کارکردگی اور مستقبل کے امکانات:

چونکہ SCL ترقیاتی مرحلے میں ہے۔ لہذا، اس سال کے لئے کسی منافع کی اطلاع نہیں ہے۔ اس سال 3,515,621 روپے کی رقم (جو کہ سال 2018ء میں 772,334 تھی) کا ہونے والا نقصان صرف انتظامی اخراجات کی نمائندگی کرتا ہے۔ اس سال کے دوران بتایا گیا فی شیئر نقصان 0.046 روپے تھا (جو کہ سال 2018ء میں 0.012 روپے فی شیئر تھا)۔ SCL نے کسی بھی ادائیگی پر کبھی کوتاہی نہیں کی۔
SCL نے اپنے سنگِ میل کی اکثریت حاصل کر لی ہے اور اب قرض دہندگان کے ساتھ مالی قربت کی طرف بڑھے گی۔

بورڈ آف ڈائریکٹرز

اس سال 29 مارچ، 2019ء کو SCL کو پبلک لمیٹڈ کمپنی میں تبدیل کیا گیا اور ڈائریکٹرز کی تعداد بڑھا کر بارہ (12) کردی گئی۔ اس کے مطابق، دس (10) مزید ڈائریکٹرز کا تقرر کیا گیا۔ تاہم سال کے دوران چار (4) ڈائریکٹرز مستعفی ہوئے۔ تفصیل کچھ اس طرح ہے:

اس سال کے دوران آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے، حاضری درج ذیل رہی:

ڈائریکٹر کا نام	سٹیٹس	شرکت کردہ اجلاس کی تعداد
محترم/نوید عابد خان	چیئرمین	04/03
محترم/عثمان سیف اللہ خان	ممبر	04/04
محترم/جہانگیر سیف اللہ خان	ممبر	04/03

اس سال کے دوران، ایک HR اور ریمونریشن کمیٹی کا اجلاس منعقد کیا گیا، حاضری درج ذیل رہی:

ڈائریکٹر کا نام	سٹیٹس	شرکت کردہ اجلاس کی تعداد
محترم/نوید عابد خان	چیئرمین	01/01
محترم/جہانگیر سیف اللہ خان	ممبر	01/01
محترم/اسد سیف اللہ خان	ممبر	01/01

ڈائریکٹرز کی ٹریننگ:

ڈائریکٹرز، کوڈ آف کارپوریٹ گورننس اور تمام قابل اطلاق قوانین کا مطلوبہ علم رکھتے ہیں۔
اس سال کے دوران ایک ڈائریکٹر بورڈ میں شامل ہوا، جسے درج کردہ کمپنیوں (کے کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019ء کے باب نمبر VI کی شق (2) 19 کے مطابق ڈائریکٹرز کے تربیتی پروگرام سے مستثنٰی قرار دیا گیا ہے کیونکہ ان کے پاس کم از کم 14 سال تعلیم ہے اور ایک فہرست شدہ کمپنی کے بورڈ پر 15 سال سے زیادہ کام کرنے کا تجربہ ہے۔ ٹریننگ مکمل کرنے والے یا ٹریننگ سے مستثنٰی ڈائریکٹرز کی تعداد سات میں سے چھ ہے۔

ڈائریکٹرز کے لیے معاوضہ:

غیر ایگزیکٹو ڈائریکٹرز اور خود مختار ڈائریکٹر اجلاسوں میں شرکت کے لئے صرف فیس کے حقدار ہیں، جیسا کہ وقتاً فوقتاً بورڈ کے ذریعہ طے ہوتا ہے۔

متعلقہ پارٹی (related party) کا لین دین:

سال کے دوران متعلقہ فریقوں (related parties) کے ساتھ کئے گئے لین دین کی آڈٹ کمیٹی کی طرف سے توثیق ہو چکی ہے اور اسے بورڈ کی طرف سے منظور کیا گیا ہے۔

شیئر ہولڈنگ پیٹرن:

شیئر ہولڈنگ پیٹرن کا بیان جیسا کہ 31 دسمبر 2019ء کو تھا، اس رپورٹ کے ساتھ منسلک کر دیا گیا ہے۔

کارپوریٹ گورننس کے کوڈ کی کارپوریٹ اورفنانشل رپورٹنگ کے فریم ورک کے مطابق، ڈائریکٹرز نے مندرجہ ذیل تصدیق کی ہے:

- کمپنی انتظامیہ کی طرف سے تیار کردہ کمپنی کے مالی بیانات کمپنی کے کاموں کی حالت کو منصفانہ طور پر پیش کرتے ہیں جس میں اس کے آپریشنز، نقد رقم کے بہاؤ اور ایکوئٹی میں تبدیلیوں کے نتائج شامل ہیں۔
- کمپنی کے اکاؤنٹ کی مناسب کتابوں کو برقرار رکھا جا چکا ہے۔
- ان مالی بیانات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو مسلسل لاگو کر دیا گیا ہے اور اکاؤنٹنگ اندازہ جات کی بنیاد معقول اور منصفانہ فیصلہ پر رکھی گئی ہے۔
- مالی بیانات کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS)، جیسا کہ پاکستان میں قابل اطلاق ہیں اور مجاز اتھارٹی سے چھوٹ کے تابع ہیں، کی پیروی کی گئی ہے اور، ان سے الگ ہونے کی صورت میں (اگر ایسی صورت ہے) تو مناسب طور پر اس کا انکشاف اور وضاحت کی گئی ہے۔
- داخلی کنٹرول کا نظام ڈیزائن میں مستحکم ہے، اسے مؤثر طریقے سے لاگو کیا گیا ہے اور اس کی اچھے سے نگرانی کی گئی ہے۔
- حالیہ تشویش (going concern) کے طور پر جاری رکھنے کے لئے کمپنی کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔
- بورڈ کے تمام ڈائریکٹرز، کارپوریٹ باڈیز کے ڈائریکٹرز کے طور پر اپنے فرائض اور ذمہ داریوں سے مکمل طور پر واقف ہیں۔ ڈائریکٹرز کو واقفیتی کورسز کے ذریعے ان کے فرائض اور ذمہ داریوں کے بارے میں آگاہ کیا گیا تھا۔
- چیف ایگزیکٹو آفیسر، ڈائریکٹرز، چیف فنانشل آفیسر، کمپنی سیکرٹری اور ان کی بیوی بچوں کی طرف سے کمپنی کے حصص میں کوئی ٹریڈنگ نہیں ہوئی۔
- مالی بیانات کی ہدایات میں بقایا ٹیکسوں اور محصولات کے بارے میں معلومات دی گئی ہیں۔

اس سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ حاضری کی صورتِ حال درج ذیل رہی:

ڈائریکٹر کا نام	سٹیٹس	شرکت کردہ اجلاس کی تعداد
محترمہ/حور یوسف زئی۔چیئر مین پرسن	منتخب	04/01
محترم/جاوید سیف اللہ خان	متعین	04/04
محترم/عثمان سیف اللہ خان	منتخب	04/04
محترم/جہانگیر سیف اللہ خان	منتخب	04/02
محترم/اسد سیف اللہ خان	منتخب	04/04
محترمہ/جہاں ناز سیف اللہ خان	منتخب	04/04
محترم/نوید عابد خان	متعین	04/02
محترم/رانا محمد شفیع	مستعفی	00/00

بورڈ نے ان منتظمین کو رخصت دی تھی جو کسی اجلاس میں شرکت نہیں کر سکتے تھے۔ ڈائریکٹرز کی موجودہ مدت اکتوبر 2020 میں مکمل ہوگی جب شیئر ہولڈرز کی عمومی میٹنگ کے ذریعے ڈائریکٹرز کی تقرری کے لئے نئے انتخابات کیے جائیں گے۔

مارچ، 2019ء کو پبلک لمیٹڈ کمپنی میں تبدیل کردیا گیا۔SCL ڈیرہ اسماعیل خان خیبر پختونخوا کے پہاڑ پور، سیدوولی گاؤں میں سیمنٹ مینوفیکچرنگ پلانٹ لگا رہا ہے۔ کمپنی نے سال کے دوران، 10 روپے والے 10,390,419 مکمل طور پر ادا شدہ عام حصص حاصل کیے۔ کمپنی نے شیئر ڈیپوزٹ منی کے طور پر اس حق استحقاق کے برخلاف 3.5 ملین روپے ادا کیے جس کی وجہ سے سال کے اختتام کے بعد شیئرز جاری کیے گئے تھے۔ 31 دسمبر 2019ء کو کمپنی کے پاس SCL کے جاری کردہ شیئر کیپٹل کا 96.28 فیصد ہے۔

کمپنی، SCL میں 10 روپے فی شیئر کی قیمت والے 20 ملین امریکی ڈالر کے برابر سرمایہ کاری کرنے کا ارادہ رکھتی ہے، (جو اس منصوبے کے دوران غیر ملکی زرمبادلہ کی شرحوں کے مطابق قابلِ اصلاح ہوگی)، اور یہ 28 فروری 2018ء کو منعقد ہونے والے غیر معمولی عمومی اجلاس میں کمپنی کے شیئر ہولڈرز سے منظوری اور NEPRA سے منظوری کے مطابق ہے۔ اس لحاظ سے اس کا بتدریج نتیجہ یہ نکلے گا کہ، کمپنی کی مقصود سرمایہ کاری سے SCL کی ایکوئٹی 21 فیصد ہوگی جو کہ فی الحال 96.28 فیصد ہے۔

مالی سال کے اختتام کے بعد، 13,701,880 روپے کی اضافی سرمایہ کاری کردی گئی ہے جس کے شیئرز بھی جاری کردیے گئے ہیں۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک:

بورڈ آف ڈائریکٹرز

بورڈ کی سرگرمیاں ان ضروریات اور فرائض پر مبنی ہیں جو کہ متعلقہ قوانین اور کمپنی کے آرٹیکل آف ایسوسی ایشن اور میمورینڈم کے مطابق طے ہیں۔ یہ تعمیل تمام حصص کنندگان کے مفادات کی حفاظت میں بورڈ کی مدد کرتی ہے۔ بورڈ آف ڈائریکٹرز کمپنی کی گورننس، انتظام اور کنٹرول میں نگرانی فراہم کرتا ہے نیز کمپنی کے اہداف و مقاصد اور حکمتِ عملی کو ترتیب دینے میں مدد کرتا ہے اس کے علاوہ ان اہداف و مقاصد کو حاصل کرنے کے لیے پالیسیاں اور ہدایات تشکیل دینے میں مدد دیتا ہے۔

ڈائریکٹرز کی کل تعداد سات ہے جو کہ اس طرح ہے:

اے	مرد حضرات	5
بی	خواتین	2

بورڈ کی تشکیل مندرجہ ذیل ہے:

اے	آزاد ڈائریکٹر	1
بی	دیگر غیر ایگزیکٹو ڈائریکٹر	6

بورڈ کا چیئرمین ایک غیر ایگزیکٹو ڈائریکٹر ہے۔ چیئرمین اور چیف ایگزیکٹو آفیسر کے عہدوں پر الگ الگ افراد فائز کیے جاتے ہیں، جن کے فرائض اور ذمہ داریاں واضح طور پر بیان کی گئی ہیں۔ جیسا کہ کارپوریٹ گورننس کی درج کردہ کمپنیوں کے کوڈ اور کمپنیز ایکٹ، 2017ء کے تحت یہ مطلوب ہے کہ، تمام ڈائریکٹرز کو متعلقہ قوانین اور کمپنی کے آرٹیکل آف ایسوسی ایشن اور میمورینڈم کے مطابق ان کے فرائض اور ذمہ داریوں کے بارے میں کافی معلومات فراہم کی جائیں۔

ماحول پر کمپنی کے کاروبار کا اثر:

آپ کی کمپنی پلانٹ سے نکلنے والے ہر قسم کے اخراج پر سخت کنٹرول برقرار رکھتی ہے اور اس بات کو یقینی بناتی ہے کہ چاہے کچھ بھی حالات ہوں، اخراج کی مقدار، ماحولیاتی تحفظ ایجنسی (EPA) کی ہدایات میں فراہم کردہ حدود سے تجاوز نہ کرے۔

بنیادی خطرات اور غیر یقینی صورتحال:

کمپنی نے اس بات کو یقینی بنایا ہے کہ کسی بھی غیر متوقع خطرات اور غیر یقینی صورتحال سے نمٹنے کے لیے مناسب کنٹرول موجود ہیں۔ بیشتر مالی خطرات ٹیرف (tariff) کے ذریعے پورے کیے جاتے ہیں۔ تاہم، لیکویڈیٹی کا خطرہ، کمپنی کے قابلِ بھروسہ کاموں کے لیے، غیر یقینی صورتحال میں سے ایک ہے۔ اس خطرے کو، جیسا کہ اوپر بیان کیا گیا ہے، تیرہ مختلف بینکوں سے مناسب حد تک کریڈٹ لائنز کا بندوبست کر کے کم کیا گیا ہے۔ مالی بیانات کے حوالے سے دی گئی ہدایات میں فنانشل رسک مینجمنٹ کا انکشاف بھی کیا جاتا ہے۔ جنرل الیکٹرک (جو کہ دونوں یعنی اصل سپلائر اور O&M ٹھیکیدار ہیں) کو پلانٹ آپریشن کے آؤٹ سورسنگ کے ذریعہ اور ایک جامع اور موثر انشورنس پالیسی اختیار کرتے ہوئے آپریشنل رسک کو کافی حد تک کم کیا گیا ہے۔

اندرونی آڈٹ اور کنٹرول:

آڈٹ کمیٹی کو رپورٹنگ کرنے والے ایک تعلیم یافتہ شخص کی سربراہی میں "خودمختار داخلی آڈٹ" کا کام جاری ہے۔ کمپنی میں داخلی آڈیٹنگ کا دائرہ واضح طور پر بیان کیا گیا ہے جس میں وسیع پیمانے پر اس کے داخلی کنٹرول سسٹم کا جائزہ اور تشخیص، اثاثوں کی حفاظت، اکاؤنٹنگ ریکارڈ کی درستگی اور تکمیل سب شامل ہیں۔

داخلی مالیاتی کنٹرول کا مناسب معیار:

آپ کی کمپنی کارپوریٹ گورننس کے اعلیٰ معیار کے مطابق ہے اور داخلی کنٹرول ڈیزائن میں مضبوط ہے نیز مؤثر طور پر اس کا نفاذ اور نگرانی کی گئی ہے۔

ڈیویڈنڈ (تقسیم شدہ منافع):

بورڈ نے سالانہ جنرل میٹنگ میں حصص کنندگان (شیئر ہولڈرز) کو اس سال 2019ء کے اختتام پر 20 فیصد (2 روپے فی شیئر) کے حتمی منافع کی منظوری کے لئے سفارش کی ہے، جس کے ساتھ 10 فیصد (1 روپے فی شیئر) عبوری منافع کا اضافہ بھی ہوا اور اس طرح مکمل منافع 30 فیصد (3 روپے فی شیئر) ہو جائے گا جو کہ اس کے مقابلے میں گذشتہ سال 29.5 فیصد (یعنی 2.95 روپے فی شیئر) تھا۔ جب تک کوئی ہنگامی صورت حال نہیں ہوگی، آپ کی کمپنی کے بورڈ آف ڈائریکٹرز، کمپنی کے اندر دستیاب تمام سرپلس نقد کی ادائیگی کی پالیسی کو جاری رکھیں گے۔

ذیلی کاروبار میں سرمایہ کاری:

اس سے سیف سیمنٹ لمیٹڈ ("SCL") میں ایکویٹی سرمایہ کاری کی نمائندگی ہوتی ہے جس کا سابقہ نام سیف سیمنٹ (پرائیویٹ) لمیٹڈ تھا اور اسے 29

کی رقم کے دعوی جات بھی شامل ہیں۔SNGPL نے لندن کورٹ برائے بین الاقوامی ثالثی (LCIA) کے سامنے بھی ثالثی کے لئے درخواست دائر کی ہے۔اس سال کے اختتام کے بعد،LCIA کو پیش کی جانے والی درخواست میں SNGPL نے اس طرح کی ایڈجسٹمنٹ کی تاریخ سے لے کر اب تک کے لئے 236.47 ملین روپے کے مارک اپ کی رقم کا دعوی کیا ہے۔کمپنی کا مؤقف ہے کہ SNGPL کو کوئی رقم قابلِ ادائیگی نہیں ہے اور کسی بھی صورت میں،LCIA ثالثی اس معاملے کا فیصلہ کرنے والا واحد قابل فورم ہے۔

پاور خریدار کے خلاف مقدمہ میں، ثالث نے متعلقہ اخراجات کے ساتھ کمپنی کے حق میں 477.56 ملین روپے ایوارڈ کیے ہیں۔اس کے نفاذ کے لئے کمپنی نے لاہور ہائیکورٹ میں درخواست دائر کی ہے۔پاور خریدار نے جزوی فائنل ایوارڈ اور حتمی ایوارڈ کو سول کورٹ، لاہور میں بھی چیلنج کیا ہے، جس کا فیصلہ زیرِ سماعت ہے۔

مستقبل کے کام:

(اے) گردشی قرضے

بجلی کے شعبے میں گردشی قرضہ جات کی پوزیشن نے گذشتہ سال کی نسبت کوئی مثبت رخ نہیں دکھایا ہے۔کمپنی کی قابلِ وصول رقوم میں 950 ملین روپے کا اضافہ ہوا ہے۔تاہم، کمپنی نے مستقبل میں کام کو مکمل طور پر برقرار رکھنے کے لئے مناسب ورکنگ کیپٹل قرضوں کا انتظام کیا ہے۔

(بی) مذکورہ بالا کے علاوہ، حکومتِ پاکستان گردشی قرضوں کی رقم کو کم کرنے کے لئے بہت زیادہ کوششیں کر رہی ہے۔حکومتِ پاکستان بجلی کے شعبے میں ادائیگی کے لئے 200 بلین روپے کے سکوک جاری کرنے پر بھی کام کر رہی ہے ۔

(سی) کمپنی کے طویل مدتی قرضوں کی آخری بڑی قسط قرض دہندگان کو مارچ 2020ء یعنی پہلی سہ ماہی کے آخر میں ادا کی جائے گی۔حقیقت یہ ہے کہ پاور خریدار کو طویل مدتی قرض کی قسط اور مارک اپ کی رقم ادا کرنے کی ضرورت نہیں ہوگی، اس حد تک ان پر دباؤ کم ہو جائے گا۔امید ہے کہ، کمپنی رواں سال کے دوران اپنے وصولیوں میں اضافہ نہیں کرے گی اور درحقیقت، پہلے سے موجود وصولیوں کو جزوی طور پر ایڈجسٹ کرنے کے لئے رقم وصول کر سکتی ہے۔

کریڈٹ ریٹنگ:

"PACRA" کی طرف سے کمپنی کی طویل مدتی درجہ بندی میں A+ ہے اور کم مدتی میں A1 ہے جب کہ آؤٹ لک مستحکم مقرر کیا گیا ہے، جو قرضے کے خطرے کی کم توقع کی نشاندہی کرتا ہے اور مالی ذمہ داریوں کی بروقت ادائیگی کے لئے مناسب صلاحیت کی نشاندہی کرتا ہے۔

کارپوریٹ کی سماجی ذمہ داری، حفاظت، صحت اور معیار:

آپ کی کمپنی تمام اسٹیک ہولڈرز کے ساتھ اس بات کو یقینی بناتے ہوئے کام کرتی ہے کہ یہ کمپنی تمام قابلِ اطلاق قوانین پر عمل پیرا ہوتی ہے؛ کمیونٹی کی ترقی کے لئے حصہ ڈالتی ہے؛ حفاظت، صحت اور ماحول کے اعلیٰ ترین معیارات فراہم کرتی ہے؛ اپنے ملازمین کو مسابقتی تنخواہ اور فوائد مہیا کرتی ہے۔پیرنٹ کمپنی ایک مرکزی عمل کے ساتھ اس سلسلے میں ضروری مدد فراہم کرتی ہے۔

پچھلے چھ سالوں کے اہم مالیاتی اور آپریٹنگ اعداد و شمار درج ذیل ہیں:

دسمبر میں ختم ہونے والا سال	2019ء	2018ء	2017ء	2016ء	2015ء	2014ء
	........(روپے ملین میں)........					
کاروبار	14,910	16,690	12,257	11,946	14,981	18,520
مجموعی منافع	5,018	4,065	3,478	3,188	3,290	3,746
خالص منافع	3,650	3,033	2,592	2,312	2,063	1,988
پراپرٹی، پلانٹ اور سامان	12,800	13,294	13,688	14,213	14,802	15,353
طویل مدتی ایکوئٹی سرمایہ کاری	738	631	–	–	–	–
نیٹ مالیت	14,808	12,047	10,396	9,216	7,872	6,969
طویل مدتی فنانسنگ	788	2,975	4,761	6,499	7,823	9,529
مختصر مدت کے قرضوں کے حصول	5,260	5,449	1,928	1,267	866	1,508
فی شیئر آمدنی۔(روپے میں)	9.44	7.85	6.71	5.98	5.34	5.14
ترسیل کا لیول ۔(فیصدی)	40.19%	61.92%	32.30%	58.79%	50.85%	41.99%
دستیاب صلاحیت-GWHs	1,782	1,784	1,786	1,675	1,652	1,746

مستحکم:

زیر جائزہ سال کے دوران مجموعی خالص منافع 3,646 ملین روپے ہے جس کے نتیجے میں فی حصص آمدنی 9.44 روپے ہے (جو کہ سال 2018 میں 3,032 ملین روپے تھی اور فی حصص آمدنی 7.85 روپے تھی)۔

ایکویٹی میں تبدیلیوں کے مستحکم بیان میں مختصات اور ریزرو میں نقل و حرکت کا انکشاف کیا گیا ہے۔

زیر التواء مسائل:

سوئی ناردرن گیس پائپ لائن لمیٹڈ (SNGPL) کے خلاف مقدمہ میں، کمپنی کے حق میں 270.66 ملین روپے (239.68 ملین روپے کی متنازع رقم اور 30.98 ملین روپے کے متعلقہ اخراجات) کے ثالثی ایوارڈ کے بعد، کمپنی نے ثالثی ایوارڈ کے عوض قابلِ نفاذ حکم نامہ کے حصول کے لئے سول کورٹ لاہور میں ایک درخواست بھی درج کی ہے۔ SNGPL نے اس ایوارڈ کو سول کورٹ اور لاہور ہائی کورٹ دونوں میں چیلنج کیا۔ لاہور ہائی کورٹ نے SNGPL کی جانب سے دائر درخواست کو مسترد کر دیا۔ سپریم کورٹ آف پاکستان نے بھی اس اپیل کو ڈسپوز - آف کر دیا ہے۔ کمپنی نے ایوارڈ کی گئی اس رقم کو پہلے ہی SNGPL کو قابلِ ادائیگی رقم کے برخلاف ایڈجسٹ کر دیا ہے۔

اس سال کے دوران، SNGPL نے اس ایڈجسٹمنٹ کے خلاف ڈسٹرکٹ جج (گیس یوٹیلیٹی کورٹ کے اختیارات کے حامل)، لاہور کے سامنے بازیابی کے لئے مقدمہ دائر کیا ہے جس میں اس طرح کی ایڈجسٹمنٹ کی تاریخ سے لے کر اب تک کے لئے 136.14 ملین روپے کے مارک اپ

ممبران کے لیے ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز (BoD) "سیف پاور لمیٹڈ (دی کمپنی)" کی، 31 دسمبر 2019ء کو ختم ہونے والے سال کی سالانہ رپورٹ بمع محاسبہ شدہ مالی بیانات پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

کمپنی کے بارے میں:

"سیف پاور لمیٹڈ" (SPL) بجلی پیدا کرنے والا ایک خودمختار (IPP) ادارہ ہے اور اس کا بجلی گھر قادر آباد، ساہیوال میں ہے۔ " کمپلیکس۔ کمبائنڈ سائیکل تھرمل پاور پلانٹ" دو ایندھن کی مدد سے بجلی پیدا کرنے والا ایک ایسا اسٹیشن ہے جہاں پرائمری ایندھن، "قدرتی گیس" ہے اور بیک اپ ایندھن، "ہائی سپیڈ ڈیزل" (HSD) ہے۔ جنرل الیکٹرک فرانس کے دوطرفہ گیس ٹربائن اور سیمنز سویڈن کے ایک سٹیم ٹربائن کے ساتھ پلانٹ کی مجموعی پیداواری صلاحیت 225 میگاواٹ ہے۔ "6FA.03" گیس ٹربائن اپنی درجہ بندی کی صلاحیت میں ایندھن کے لحاظ سے شاید دنیا میں سب سے موثر ہیں اور مجموعی صلاحیت کے لحاظ سے ہماری یہ مشترکہ آگے بڑھنے کی کارکردگی پاکستان میں سب سے زیادہ ہے۔

آپریشنز:

کمپنی بہترین اعتماد، دستیابی اور آپریشنل کارکردگی کو یقینی بنانے کے لیے بہترین طریقوں پر عمل پیرا ہے۔ اس سال کے دوران، اعتماد کا عنصر 97.05 فیصد رہا جب کہ اس کے مقابلے میں یہ سال 2018ء میں 99.49 فیصد تھا اور دستیابی کا عنصر 92.88 فیصد رہا جب کہ اس کے مقابلے میں یہ سال 2018ء میں 94.50 فیصد تھا۔ لوڈ کا عنصر 40.19 فیصد رہا جب کہ اس کے مقابلے میں یہ سال 2018ء میں بجلی خریدار سے ترسیل کی ضرورت کے مطابق 61.92 فیصد تھا۔ 2018ء سے، پلانٹ زیادہ تر RLNG ایندھن پر چلا ہے۔

مالیاتی کارکردگی

غیر متقابل:

آپ کی کمپنی مشکل حالات میں بھی اچھی کارکردگی دے رہی ہے۔ کمپنی نے 3,650 ملین روپے کا خالص منافع کمایا، جس کے نتیجے فی حصص آمدنی 9.44 روپے رہی جب کہ اس کے مقابلے میں یہ منافع سال 2018ء میں 3,033 ملین روپے تھا اور فی حصص آمدنی 7.85 روپے تھی۔

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

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

1. The total number of directors are seven as per the following:

a	Male:	5
b	Female:	2

2. The composition of board is as follows:

a	Independent Director*	1
b	Other Non-executive Director (including female directors)	6
c	Executive Directors	0
d	Female Directors	2

* *This requirement of Regulations 2019 will be complied with during upcoming election of directors, as permitted by Regulations 2019.*

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

4. 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;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;

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

7. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

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

9. The Board members have either completed or are exempt from Directors' training program except for only one female director who will complete the Directors' training program in due course of time;

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

a) Audit Committee (Name of members and Chairman)

■ Mr. Naved Abid Khan	Chairman
■ Mr. Osman Saifullah Khan	Member
■ Mr. Jehangir Saifullah Khan	Member

b) b) HR and Remuneration Committee (Name of members and Chairman)

■ Mr. Naved Abid Khan	Chairman
■ Mr. Jehangir Saifullah Khan	Member
■ Mr. Assad Saifullah Khan	Member

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

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee	-Quarterly
b) HR and Remuneration Committee	-On required basis

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Company;

17. 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;

18. We confirm that all other requirements of the regulations 3,6,7,8,27,32,33 and 36 of the Regulations have been complied with.

Sohail H. Hydari	Javed Saifullah Khan
Chief Executive Officer	Director

Islamabad
March 27, 2020

INDEPENDENT AUDITORS' REVIEW REPORT
To the members of Saif Power Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Saif Power Limited for the year ended December 31, 2019 in accordance with the requirements of regulation 36 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 December 31, 2019.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
April 01, 2020

INDEPENDENT AUDITORS' REPORT
To the Members of Saif Power Limited
Report on the audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Saif Power Limited, which comprise the statement of financial position as at December 31, 2019, 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, statement of profit or loss and other 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 December 31, 2019 and of the profit or loss and other comprehensive income or loss, 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 Auditors' 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.

Sr No.	Key audit matters	How the matter was addressed in our audit
1.	**Trade debts** *(Refer note 16.1, 16.2 and 16.3 to the financial statements)* Trade debts include an overdue amount of Rs 7.67 billion, receivable from National Transmission and Dispatch Company (NTDC). The Company considers this amount to be fully recoverable as this is secured by guarantee issued by the Government of Pakistan (GoP) under the Implementation Agreement (IA). Further, we draw attention to note 16.2 and 16.3 to the financial statements, which describe the matters regarding the recoverability and adjustment of certain trade debts. We considered the matter as key audit matter due to the quantum, age of overdue amounts and management's judgment relating to disputed amounts.	Our audit procedures in relation to the matter included: • Circularized request for direct confirmation of balance due from NTDC, reviewed confirmation directly received from NTDC and tested the reconciliation; • Checked, on sample basis, trade debts ageing report classification within the appropriate ageing bracket with underlying documentation; • Checked, on sample basis, cash receipts from NTDC subsequent to financial year end relating to year end balance with underlying documentation; • Held discussions at appropriate level of management and Audit Committee to assess their views on the timing of settlement and recoverability of trade debts; • With respect to disputed trade debts, (a) Obtained confirmation from the Company's external legal advisor and reviewed the related arbitration orders; (b) Evaluated technical ability of the external legal advisors used by the Company; (c) Assessed the matter under applicable accounting frame work; and • Reviewed related disclosures made in the financial statements regarding the matter.

2.	**Recognition of Revenue** (Refer to note 3 and 21 to the financial statements) The Company is engaged in sale of electricity to National Transmission and Dispatch Company (NTDC). The Company recognized gross revenue during the year from Capacity Purchase Price (CPP) and Energy Purchase Price (EPP) amounting to Rs. 10.205 billion and Rs. 6.188 billion respectively. We considered this as key audit matter due to the significance of the amounts requiring significant time and resource due to magnitude and revenue being a key economic indicator of the Company.	Our audit procedures in relation to the matter included: • Tested the design, implementation and operating effectiveness of the relevant key internal controls which govern revenue recognition from the sale of electricity; • Assessed whether appropriate revenue recognition policies are applied in accordance with applicable accounting and reporting framework; • Analyzed Power Purchase Agreement (PPA) to evaluate whether revenue was recognized in accordance with the terms of PPA; • Performed substantive test of details on sale transactions by inspecting the underlying documentation; • Performed recalculation of EPP revenue based on electricity produced and CPP revenue based on capacity available; and • Reviewed related disclosures made in the financial statements regarding the matter.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended December 31, 2019, but does not include the financial statements and our auditors' 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.

Auditors’ 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 auditors’ 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 judgment 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 auditors’ 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 auditors’ 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 auditors’ 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 auditors' report is Inam Ullah Kakra.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad
April 01, 2020

STATEMENT OF FINANCIAL POSITION
As at December 31, 2019

	Note	2019	2018
		Rupees	
SHARE CAPITAL AND RESERVES			
Share capital	4	3,864,717,790	3,864,717,790
Unappropriated profit - revenue reserve		10,943,280,351	8,182,507,613
Total equity		14,807,998,141	12,047,225,403
Liabilities			
Long term financing	5	-	652,714,443
Sub-ordinated loan	6	714,425,109	799,618,050
Lease liabilities	7	44,006,839	8,808,920
Non-current liabilities		758,431,948	1,461,141,413
Trade and other payables	8	2,026,701,229	1,039,856,731
Short term borrowings	9	5,260,383,317	5,448,553,994
Current portion of non-current liabilities	10	1,155,704,363	2,486,085,146
Markup accrued	11	695,660,585	550,426,755
Unclaimed dividend		15,465,337	10,190,825
Current liabilities		9,153,914,831	9,535,113,451
Total liabilities		9,912,346,779	10,996,254,864
Total equity and liabilities		24,720,344,920	23,043,480,267
Contingencies and commitments	12		
ASSETS			
Property, plant and equipment	13	12,799,939,113	13,294,424,176
Right of use assets	14	52,997,400	-
Investment in subsidiary	15	738,404,190	631,000,000
Long term deposits		4,372,660	3,331,810
Non-current assets		13,595,713,363	13,928,755,986
Advance income tax		14,602,800	13,980,237
Stock in trade - HSD		133,035,854	134,110,136
Trade debts	16	9,650,652,780	8,415,730,184
Other receivables	17	1,164,439,454	498,002,758
Advances	18	98,224,239	919,117
Trade deposits and short term prepayments	19	63,005,356	51,686,607
Bank balances	20	671,074	295,242
Current assets		11,124,631,557	9,114,724,281
Total assets		24,720,344,920	23,043,480,267

The annexed notes 1 to 34 form an integral part of these financial statements.

Chief Financial Officer | Chief Executive Officer | Director

STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2019

	Note	2019	2018
		Rupees	
Turnover - net	21	**14,910,380,876**	16,690,327,029
Cost of sales	22	**(9,892,199,117)**	(12,625,322,730)
Gross profit		**5,018,181,759**	4,065,004,299
Other income	23	**2,120,857**	2,134,826
Administrative expenses	24	**(161,469,016)**	(139,565,844)
Finance cost	25	**(1,208,886,692)**	(894,492,401)
Profit for the year		**3,649,946,908**	3,033,080,880
Earnings per share - basic and diluted	26	**9.44**	7.85

The annexed notes 1 to 34 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive Officer

Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Note	2019	2018
		Rupees	
Profit for the year		**3,649,946,908**	3,033,080,880
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability	8.2.1 & 8.2.2	**(289,078)**	(9,978,718)
Total comprehensive income for the year		**3,649,657,830**	3,023,102,162

The annexed notes 1 to 34 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive Officer

Director

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	Note	2019	2018
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		3,649,946,908	3,033,080,880
Adjustments for:			
Provision for staff retirement benefits - gratuity	8.2.2	8,986,020	6,336,213
Depreciation and impairment loss - Property, plant and equipment	13.1	1,432,017,045	594,432,179
Depreciation - Right of use assets	14	10,267,521	-
Finance cost	25	1,208,886,692	894,492,401
Gain on disposal of property, plant and equipment	23	(426,062)	(243,500)
Insurance claim		(820,647,372)	(34,012)
Profit on deposit accounts	23	(1,076,273)	(15,717)
Return on investments	23	(337,739)	(1,480,932)
		5,487,616,740	4,526,567,512
Changes in:			
Stock in trade		1,074,282	(6,114,300)
Trade debts		(1,234,922,596)	(3,032,182,247)
Other receivable		119,316,676	(90,552,912)
Advances		(97,305,122)	563,641
Trade deposits and prepayments		(12,777,524)	(4,849,281)
Trade and other payables		157,720,958	(392,050,482)
Cash generated from operating activities		4,420,723,414	1,001,381,931
Income taxes paid		(622,563)	(1,607,384)
Finance cost paid		(1,063,652,862)	(723,938,842)
Staff retirement benefits paid		(16,314,930)	(8,979,288)
Net cash generated from operating activities		3,340,133,059	266,856,417
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	(609,330)	(4,034,117)
Acquisition of right of use assets		(540,809)	-
(Increase)/ decrease in long term deposits		(1,040,850)	502,900
Proceeds from sale of property, plant and equipment		1,067,747	315,000
Investment in subsidiary	15	(107,404,190)	(631,000,000)
Insurance claim received		34,894,000	39,600
Profit on deposit accounts	23	1,076,273	15,717
Return on investments - receipt	23	337,739	1,480,932
Net cash used in investing activities		(72,219,420)	(632,679,968)
Cash flows from financing activities			
Repayment of long term financing		(2,186,800,525)	(1,786,097,130)
Dividends paid		(883,610,580)	(1,368,438,059)
Short term borrowings - net		(188,170,677)	3,521,040,247
Lease liabilities paid		(8,956,025)	(4,810,769)
Net cash generated from /(used in) financing activities		(3,267,537,807)	361,694,289
Net decrease in cash and cash equivalents		375,832	(4,129,262)
Cash and cash equivalents at January 01		295,242	4,424,504
Cash and cash equivalents at December 31	20	671,074	295,242

The annexed notes 1 to 34 form an integral part of these financial statements.

Chief Financial Officer | Chief Executive Officer | Director

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

	Share capital	Unappropriated profit - revenue reserve	Total equity
	Rupees		
Balance as at January 1, 2018	3,864,717,790	6,531,380,266	10,396,098,056
Profit for the year	-	3,033,080,880	3,033,080,880
Other comprehensive income for the year	-	(9,978,718)	(9,978,718)
Total comprehensive income for the year	-	3,023,102,162	3,023,102,162
Transaction with owners of the Company			
Distributions			
Final dividend - 2017@ Rs. 1.90 per share	-	(734,296,380)	(734,296,380)
First interim dividend - 2018 @ Rs. 1.65 per share	-	(637,678,435)	(637,678,435)
Total transactions with owners of the Company	-	(1,371,974,815)	(1,371,974,815)
Balance as at December 31, 2018	3,864,717,790	8,182,507,613	12,047,225,403
Balance as at January 1, 2019	**3,864,717,790**	**8,182,507,613**	**12,047,225,403**
Profit for the year	**-**	**3,649,946,908**	**3,649,946,908**
Other comprehensive income for the year	**-**	**(289,078)**	**(289,078)**
Total comprehensive income for the year	**-**	**3,649,657,830**	**3,649,657,830**
Transaction with owners of the Company			
Distributions			
Final dividend - 2018@ Rs. 1.30 per share	**-**	**(502,413,313)**	**(502,413,313)**
First interim dividend - 2019 @ Rs. 1 per share	**-**	**(386,471,779)**	**(386,471,779)**
Total transactions with owners of the Company	**-**	**(888,885,092)**	**(888,885,092)**
Balance as at December 31, 2019	**3,864,717,790**	**10,943,280,351**	**14,807,998,141**

The annexed notes 1 to 34 form an integral part of these financial statements.

Chief Financial Officer	Chief Executive Officer	Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2019

1 Reporting entity

Saif Power Limited ("the Company") was incorporated in Pakistan on November 11, 2004 as a public limited company under the repealed Companies Ordinance, 1984 (which has now been replaced by the Companies Act, 2017) and commenced operations from April 30, 2010. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The principal activities of the Company are to own, operate and maintain a combined cycle power plant having nameplate capacity of 225 MW (ISO) and sell the electricity to National Transmission and Despatch Company (NTDC). The Company is a subsidiary of Saif Holdings Limited (''the Holding Company'') with shareholding of 51.04% (2018: 51.04%) ordinary shares.

Geographical locations of the Company's business units are as follows:

- The registered office of the Company is situated at 1st Floor, Kashmir Commercial Complex Fazal-ul-Haq Road, Block E, Blue Area, Islamabad; and

- Plant of the Company is situated at Chak 56/5L, Qadarabad Multan Road, District Sahiwal, Punjab, Pakistan.

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:
- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement and preparation

These financial statements have been prepared under the historical cost convention except for staff retirement benefits, which have been measured at values determined through actuarial valuation.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (Rupees), which is the Company's functional currency. All financial information presented in Rupees has been rounded off to the nearest of Rupees, unless otherwise indicated.

2.4 Use of judgments and estimates

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods. Judgments and estimates made by management in the application of accounting and reporting standards as applicable in Pakistan that may have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next years are discussed in the ensuing paragraphs:

(a) Property, plant and equipment

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

(b) Impairment of financial assets

In making an estimate of the recoverable amount of the Company's financial assets, the management considers estimated cash flows and their terminal value for impairment testing.

(c) Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated using the criteria given in respective accounting standards to determine the extent of impairment loss, if any.

(d) Taxation

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

(e) Employee benefits

Gratuity is provided for permanent employees of the Company for which liability is recognised in the Company's financial statements. The calculation of defined benefit liability requires assumptions to be made of future outcomes, the principal ones being in respect of expected salary growth, expected mortality of active members and the discount rate used to convert future cash flows to current values. Calculations are sensitive to the changes in assumptions used.

(f) Provision for inventory obsolescence and doubtful receivables

The Company reviews the carrying amount of stores and spares and stock in trade on regular basis and provision is made for obsolescence, if there is any change in usage pattern and physical form of related stores and spares and stock in trade. Further the carrying amounts of trade and other receivables are assessed on regular basis and if there is any doubt about the realisability of these receivables, appropriate amount is provided for.

(g) Provisions and contingencies

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost, if any.

Where 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, it is disclosed as contingent liability.

(h) Lease term

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

(i) Other

Pursuant to decisions of Supreme Court of Pakistan related to discretionary beneficial ownership in an overseas trusts on a prudent basis and in good faith, transactions with "Orastar" have been disclosed in note 29 irrespective of the absence of significant influence and the fact that the companies are not associated under Companies Act, 2017.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the change as indicated below:

The Company has adopted following standards which became effective during the year:

(a) IFRS-9 ‘Financial instruments’
(b) IFRS-15 ‘Revenue from contracts with customers’
(c) IFRS-16 ‘Leases’

(a) IFRS-9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS -9 Financial Instruments ("IFRS-9") that replaces IAS-39 Financial Instruments: recognition and measurement ("IAS-39") and all previous versions of IFRS 9. IFRS-9 brings together all three aspects of the accounting for financial instruments: classification & measurement, impairment and hedge accounting. IFRS-9 introduces a single approach to determining whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS-39. The three principal classification categories under the new standard for financial instruments are: measured at amortized cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit and loss (“FVTPL”). The classification of financial instruments under IFRS-9 is generally based on the business model in which a financial instrument is managed and its contractual cash flow characteristics. The previous categories under IAS-39 of held to maturity, loans and receivables and available for sale have been removed. For financial liabilities, IFRS-9 retains most of the requirements of IAS-39; however, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity’s own credit risk is recorded in other comprehensive income.

The following table explains the original measurement categories under IAS-39 and new measurement categories under IFRS-9 for each class of the Company's financial assets and financial liabilities as at January 01, 2019.

	Original classification under IAS-39	New classification under IFRS-9
Financial assets		
Long term deposits	Loans and receivable	Amortized cost
Trade debts	Loans and receivable	Amortized cost
Other receivables	Loans and receivable	Amortized cost
Advances to employees	Loans and receivable	Amortized cost
Security deposits	Loans and receivable	Amortized cost
Bank balances	Loans and receivable	Amortized cost
Financial Liabilities		
Long term financing	Amortized cost	Amortized cost
Sub-ordinated loan	Amortized cost	Amortized cost
Lease liabilities	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Short term borrowings	Amortized cost	Amortized cost
Markup accrued	Amortized cost	Amortized cost
Unclaimed dividend	Amortized cost	Amortized cost

There is no change in the carrying amounts of financial assets and financial liabilities at the initial application date of IFRS-9, except for a change in accounting classification under IFRS-9 from category under IAS-39 as disclosed in the above table.

The Company did not formerly apply hedge accounting to its financial instruments and has not elected to apply hedge accounting to any of its financial instruments upon adoption of IFRS-9.

Impact of new impairment model

IFRS-9 replaces the “incurred loss” model in IAS-39 with an “expected loss” model. The new impairment model applies to financial instruments measured at amortized cost, and contract assets and debt investments measured at FVTOCI. Under IFRS-9, credit losses will be recognized earlier than under IAS-39. The standard also provides a simplified approach to measuring expected credit losses using a lifetime expected loss allowance. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate loss allowance. Through S.R.O 985(I)/2019 dated September 2, 2019, the Securities and Exchange Commission of Pakistan (SECP) has exempted applicability of IFRS-9 in respect of debts due from Government of Pakistan to power supply chain companies for a limited period of three years i.e. till June 30, 2021. Accordingly, the management believes that requirements of IFRS-9 relating to expected credit loss on its trade debts are not applicable to the Company.

(b) IFRS-15 Revenue from contracts with customers

Applicable for accounting periods beginning on or after July 1, 2018 this standard establishes a single comprehensive model for determining whether, how much and when revenue is recognized. It replaced IAS-18 Revenue, IAS-11 Construction contracts, IFRIC-13 customer loyalty programs, IFRIC-15 agreements for the construction of real estate, IFRIC-18 transfers of assets from customers and SIC-31 Revenue-barter transaction involving advertising services.

The Company has entered into PPA with NTDC for a period of 30 years starting from its Commercial Operation Date i.e. April 30, 2010. Under the PPA, the Company is obligated to sell and deliver all output of the Complex in accordance with provisions of PPA. The Company's arrangement with NTDC falls under the definition of lease under IFRS-16 for which exemption is available to the Company. Accordingly, revenue in respect of Capacity Purchase Price (CPP) is recognized when due at rates specified under the PPA and revised reference tariff determined by National Electric Power Regulatory Authority (NEPRA) and after incorporation of relevant applicable quarterly indexation.

PPA also contains other performance obligations i.e. sale of electricity, insurance and operation & maintenance.

Revenue from sale of electricity is recognized when or as the Company satisfies performance obligation by transferring the promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The Company principally satisfies its performance obligation in respect of supply of electricity upon transmission of electricity and related fuel cost component of the tariff determined by National Electric Power Regulatory Authority (NEPRA) is invoiced to the customer as part of Energy Purchase Price (EPP).

Revenue associated with the operating phase of the PPA i.e. insurance and operations & maintenance of the plant is measured based on the consideration specified in contract with customer. Revenue from contract with customer is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The Company principally satisfies its performance obligations of insurance, operations and maintenance over time and the amount of revenue is recognized based on the consideration specified in the PPA. Consideration for operating phase of the PPA i.e. Insurance and fixed O&M component of tariff is billed to customer as part of CPP whereas variable O&M component is billed to customer as part of EPP. The amount of revenue recognised in respect of operating phase excludes the estimates of variable consideration as it is not highly probable that a significant reversal in the amount of cumulative revenue recognised will occur in future when the uncertainty associated with the variable consideration is subsequently resolved.

(c) IFRS-16 Leases

IFRS-16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. Control of the Company's plant due to purchase of total output by NTDC and other arrangement under the Power Purchase Agreement (PPA) was classified as a lease under IFRIC-4 “Determining whether an Arrangement Contains a Lease” which due to exemption available to the Company were not accounted for as a lease in prior years. After applicability of IFRS-16, the Company's arrangement with NTDC falls under the definition of a lease as defined in IFRS-16, however, the SECP through S.R.O 986(I)/2019 dated September 2, 2019 has extended the earlier exemption from IFRIC-4 to all companies, which have entered into power purchase arrangements before January 01, 2019. The Company signed its Power Purchase Agreement with NTDC on April 30, 2007, accordingly, requirement of lease accounting relating to the Company’s arrangement with NTDC are not applicable to the Company. Had IFRS-16 been applied on transactions with Power Purchaser, impact on financial statements would have been as follows:

	2019	2018
	Rupees	Rupees
Decrease in unappropriated profit at January 01	**(2,537,257,125)**	(2,679,582,780)
Decrease in profit for the year	**(540,933,333)**	142,325,655
Decrease in unappropriated profit at December 31	**(3,078,190,458)**	(2,537,257,125)

The Company has applied IFRS-16 using the modified retrospective approach for arrangements not covered in exemptions from SECP, under which the cumulative effect of initial application is recognised in retained earnings at January 01, 2019. Accordingly, the comparative information presented for 2018 are not required to be restated – i.e. it is presented, as previously reported, under IAS-17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(i) Definition of Lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC-4 'Determining Whether an Arrangement contains a Lease'. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS-16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS-16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS-16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS-17 and IFRIC-4 were not reassessed. Therefore, the definition of a lease under IFRS-16 has been applied only to contracts entered into or changed on or after January 01, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Company leased assets primarily comprising office buildings and motor vehicles. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS-16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

Upon transition to IFRS-16 in respect of existing finance leases of vehicles, there was no impact as of January 01, 2019 except for nomenclature of leased assets to right-of-use assets. The Company presents right-of-use assets and related lease liabilities on face of the statement of financial position. Amounts becoming due within next twelve months are presented within “current portion of non-current liabilities" in these financial statements.

(ii) Accounting policies

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

(iii) Transition

Previously, the Company classified property leases as operating leases under IAS-17. These include rental premises of head office and guest houses. The leases typically run for a period of around 5 to 10 years. Some leases include an option to renew the lease by mutual consent of the Company and the lessors.

At transition, for leases classified as operating leases under IAS-17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate. Right-of-use assets are measured at either:

- their carrying amount as if IFRS-16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Company has not applied this approach; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all leases.

The Company leases a number of vehicles. These leases were classified as finance leases under IAS-17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at January 01, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS-17 immediately before that date.

Impacts on Financial statements

Impacts on transition

On transition to IFRS 16, the Company recognized additional right of use assets and additional lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarized below.

	At January 01, 2019 (Rupees)
Right-of-use assets	40,837,169
Lease liabilities	39,378,394
Prepaid Rent as at January 01, 2019	1,458,775

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 01, 2019. The weighted-average rate applied is 11.24%.

	At January 01, 2019 (Rupees)
Finance lease liabilities as at January 01, 2019	12,504,766
Operating leases recognised as lease liabilities	39,378,394
Lease liabilities recognised at January 01, 2019	51,883,160

Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognized Rs.33,376,949 of right-of-use assets and Rs. 34,937,682 of lease liability as at December 31, 2019.

Also in relation to those leases under IFRS 16, the Company has recognized depreciation and interest costs, instead of operating lease expense. During the year, the Company recognized Rs. 7,460,220 of depreciation charged and Rs. 4,057,412 of interest costs from these leases.

3.1 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment loss, if any, except for freehold land, stores held for capitalisation and capital work in progress which are stated at cost less impairment loss, if any. Cost comprises purchase price, including import duties, non-recourse purchase taxes and other related costs of bringing the asset to its present working condition and location for intended use. Exchange gains or losses on long term foreign currency loans utilised for acquisition of assets are added to / deducted from cost of respective asset in accordance with note 3.7.

Depreciation is charged to profit or loss on straight line method at the rates given in note 13, after taking into account their respective residual values if any, so as to write off the depreciable amount over their estimated useful lives whereby depreciable amount adjusted for above exchange rate movements of an asset is written off over its remaining estimated useful life. Depreciation is charged from the month asset is available for use whereas no depreciation is charged in the month in which the asset is disposed off.

Normal repairs and maintenance are charged to profit or loss as and when incurred whereas major improvements and modifications are capitalised. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment disposed off, and are recognised net within "other income" in profit or loss.

Ijarah

Rentals payable under Ijarah arrangement are charged to profit or loss on a straight line basis over the term of the Ijarah lease arrangement.

3.2 Staff retirement benefits - Defined benefit plan

The Company operates a funded gratuity scheme covering all permanent employees completing the minimum qualifying period of service, for which liability is recognised in the Company's financial statements. The assets of the fund plan are held independently in a separate fund. Provision for gratuity is made to cover obligations under the scheme in accordance with actuarial recommendations. The latest actuarial valuation was carried out by the Company as at December 31, 2019. The details of actuarial valuation are given in note 8.2 to these financial statements. The actuarial gains and losses are recognised in other comprehensive income in the year in which they arise.

3.3 Taxation

(a) Current

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. Further, the Company is also exempt from minimum tax on turnover under clause (11 A) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

(b) Deferred

Deferred tax has not been provided in these financial statements as 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.

3.4 Borrowing costs

Borrowing costs on loans which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent that these are regarded as adjustment to borrowing cost. All other borrowing costs are charged to profit or loss.

3.5 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle such obligations and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and are adjusted to reflect the current best estimate.

3.6 Stock in trade

These are valued at lower of cost and net realisable value. Cost is determined using weighted average cost method. Cost of inventory comprises of the purchase price and other direct costs incurred in bringing the inventory items to their present location and condition. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

3.7 Foreign currency transactions and translations

Foreign currency transactions are recorded in PKR at the rate of exchange prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevalent on the reporting date. Non monetary assets that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Exchange differences are accounted for as follows:

(i) Exchange differences related to foreign currency loans obtained for financing of the plant and machinery are capitalised and depreciated over the remaining useful life of the related assets in accordance with SRO 24(1)/2012 of SECP.

(ii) All other exchange differences are charged to profit or loss on net basis.

3.8 Financial Instruments - Initial recognition and subsequent measurement

Initial Recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortised cost or cost as the case may be.

Classification of financial assets - policy applicable from January 01, 2019

The Company classifies its financial instruments in the following categories:
- at fair value through profit or loss ("FVTPL"),
- at fair value through other comprehensive income ("FVTOCI"), or
- at amortised cost.

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Classification of financial liabilities - policy applicable from January 01, 2019

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss ("FVTPL"), or
- at amortised cost.

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Subsequent measurement - policy applicable from January 01, 2019

i) Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income / (loss).

ii) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment.

iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Where management has opted to recognise a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income / (loss). Currently, there are no financial liabilities designated at FVTPL.

Derecognition - policy applicable from January 01, 2019

i) Financial assets

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

ii) Financial liabilities

The Company derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss and other comprehensive income.

Offsetting of financial assets and financial liabilities - Policy applicable from January 01, 2019

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Financial Instruments - Policy applicable before January 01, 2019

Non-derivative financial assets

These are initially recognised on the date that they are originated i.e. on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. Investments are recognised on settlement date.

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company's non-derivative financial assets are classified as loans and receivables.

Loans and receivables comprise trade debts, deposits, other receivables, advances to employees, cash and cash equivalents.

Trade debts, deposits and other receivables

Deposits and trade and other receivable are stated initially at the fair value. Subsequent to initial recognition these are stated at their amortised cost as reduced by appropriate provision for impairment. Known impaired receivables are written off, while receivables considered doubtful of recovery are fully provided for.

The allowance for doubtful accounts is based on the Company’s assessment of the collectability of counterparty accounts. The Company regularly reviews its debts and receivables that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a counterparty’s ability to pay.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in their fair value.

Non-derivative financial liabilities

The Company initially recognises non derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Non derivative financial liabilities comprise of mark-up bearing borrowings including long term financing, obligations under finance lease, subordinated loan, short term borrowings, markup accrued and trade and other payables.

Trade and other payables

Liabilities for trade and other payable are carried at amortised cost, which approximates the fair value of consideration to be paid in future for goods and services received, whether or not billed to the Company.

Borrowings

Mark-up bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at originally recognised amount less subsequent repayments, while the difference between the original recognised amounts (as reduced by periodic payments) and redemption value is recognised in profit or loss over the period of borrowings on an effective rate basis except to the extent capitalised as borrowing cost.

Finance costs are accounted for on an accrual basis and are reported under mark-up accrued on borrowings to the extent of the amount remains unpaid.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.9 Impairment of financial asset - Policy applicable from January 01, 2019

The Company recognises loss allowance for Expected Credit Loss (ECL) on financial assets measured at amortised cost and FVTOCI at an amount equal to lifetime ECLs except for the financial assets in which there is no significant increase in credit risk since initial recognition or financial assets which are determined to have low credit risk at the reporting date, in which case 12 months' ECL is recorded.

For trade debts the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected allowance. The Company uses General 3-stage approach for deposits, other receivables, advances and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instruments has not increased significantly since initial recognition.

The following were either determined to have low or there was no increase in credit risk since initial recognition as at the reporting date:

- Long term deposits;
- Other receivables;
- Advances to employees;
- Security Deposits; and
- Bank balances.

Life time ECLs are the ECLs that results from all possible default events over the expected life of a financial instrument. 12 months ECLs are portion of ECL that result from default events that are possible within 12 months after the reporting date.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive).

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

The Company uses simplified approach for expected credit loss of trade debts.

Impairment of financial asset - Policy applicable before January 01, 2019

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor or indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and are reflected in an allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.10 Finance income and finance cost

Finance income comprises profit on deposit accounts and profit on short term investment. Profit on deposit accounts is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Income on term deposit receipts is recognised on time proportion basis taking into account the effective yield of such securities.

Finance cost comprises interest expense on borrowings, interest on finance lease liabilities, bank charges, exchange loss - net and other charges on borrowings. Mark-up and other charges on borrowings other than expense incurred on qualifying assets are charged to profit or loss in the period in which they are incurred.

3.11 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.12 Provision for Workers' Profit Participation Fund

The Company does not account for Provision for Workers Profit Participation Fund (WPPF) in its profit or loss as they are pass through items to NTDC under the PPA. In case the liability arises, it is recovered from NTDC.

3.13 Dividend

Dividend distribution to the shareholders is recognised as liability in the period in which it is declared.

3.14 Forthcoming changes in approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On March 29, 2018 the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately and contain changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after July 01, 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term ‘regulatory deferral account balance’ has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on the Company’s financial statements.

  The above amendments are effective from annual period beginning on or after January 01, 2020 and are not likely to have an impact on the Company’s financial statements.

4 SHARE CAPITAL

	2019	2018
	Rupees	

4.1 Authorised share capital

	2019	2018
405,000,000 (2018: 405,000,000) ordinary shares of Rs.10 each	**4,050,000,000**	4,050,000,000

4.2 Issued, subscribed and paid-up capital

	2019	2018
386,471,779 (2018: 386,471,779) ordinary shares of Rs.10 each fully paid in cash	**3,864,717,790**	3,864,717,790

4.3 Saif Holdings Limited ("the Holding Company") holds 197,272,619 i.e. 51.04% shares (2018: 197,272,619 i.e. 51.04%) ordinary shares of Rs.10 each at the reporting date. Further, 16,002 (2018: 12,502) and 100 (2018: 100) ordinary shares of Rs. 10 each are held by directors and a related party respectively. Orastar Limited held 66,022,504 (2018: 66,022,504) ordinary shares of the Company.

5 LONG TERM FINANCING

	Note	2019	2018
		Rupees	
Loan from banking companies and financial institutions			
Syndicate term finance facilities	5.1	**788,379,612**	2,975,180,137
Current portion of long term financing	10	**(788,379,612)**	(2,322,465,694)
		-	652,714,443

5.1 Breakup of syndicate term finance facilities is as follows:

	Note	2019	2018
Syndicate term finance facility under SFA	5.1.1	**653,303,900**	2,465,112,225
Syndicate term finance facility under TFFA	5.1.2	**135,075,712**	510,067,912
		788,379,612	2,975,180,137

5.1.1 Syndicate term finance facility under Senior Facility Agreement ("SFA")

	2019	2018
National Bank of Pakistan	**126,059,185**	551,866,220
Habib Bank Limited	**126,059,185**	551,866,220
United Bank Limited	**238,440,900**	648,913,448
Allied Bank Limited	**60,508,408**	264,895,785
Faysal Bank Limited	**25,211,835**	110,373,243
Askari Bank Limited	**25,212,635**	110,374,043
Bank of Punjab	**25,211,835**	110,373,243
Pak Oman Investment Company Limited	**15,127,101**	66,223,945
Saudi Pak Industrial & Agricultural Investment Company Limited	**11,472,816**	50,226,078
	653,303,900	2,465,112,225

This represents a syndicate senior facility of Rs. 10,727.53 million (2018: Rs. 10,727.53 million) obtained from a consortium of seven banks and two Development Finance Institutions (DFIs) led by Habib Bank Limited, the agent bank. The facility carries mark-up at the rate of 3 months KIBOR plus 3% per annum with no floor or cap and is payable in quarterly installments in a period of ten years, starting from June 30, 2010. The facility is secured against immovable property of the Company located at Sahiwal, project receivables, sponsors' shares constituting 51% of total issued share capital of the Company, lien over project accounts and all present and future assets and properties of the Company for an amount of Rs. 27,210.47 million (2018: Rs. 27,210.47 million) and assignment of the Company's rights and benefits under all project agreements.

5.1.2 Syndicate term finance facility under Term Finance Facility Agreement ("TFFA")

	2019	2018
	Rupees	
National Bank of Pakistan	26,046,416	114,196,490
Habib Bank Limited	26,046,416	114,196,490
United Bank Limited	49,351,750	134,224,428
Allied Bank Limited	12,502,279	54,814,314
Faysal Bank Limited	5,209,282	22,839,297
Askari Bank Limited	5,209,282	22,839,297
Saudi Pak Industrial & Agricultural Investment Company Limited	2,375,433	10,414,720
Pak Brunei Investment Company Limited	8,334,854	36,542,876
	135,075,712	510,067,912

This represents a syndicate term finance facility of Rs. 2,180 million (2018: Rs. 2,180 million) obtained from a consortium of six banks and two DFIs led by Habib Bank Limited, the agent bank. The facility carries mark-up at the rate of 3 months KIBOR plus 3% per annum with no floor or cap and payable in quarterly installments in a period of ten years, starting from June 30, 2010. The facility is secured against immovable property of the Company located at Sahiwal, project receivables, sponsors' shares constituting 51% of total issued share capital of the Company, lien over project accounts and all present and future assets and properties of the Company for an amount of Rs. 2,906.66 million (2018: Rs. 2,906.66 million) and assignment of the Company's rights and benefits under all project agreements.

5.2 Subject to certain materiality test, significant covenants of above facilities are as follows:

(i) Restriction of creation of further charge on the assets;

(ii) Certain restriction on distribution of dividend; and

(iii) Maintenance of debt service coverage ratio, debt equity ratio and leverage ratio.

Further covenants under these loans relate to the operation of the Company, project accounts, PPA and material agreements.

6 SUB-ORDINATED LOAN - UNSECURED

	Note	2019	2018
		Rupees	
Balance at January 01		959,541,656	762,252,708
Exchange loss capitalised	6.1	112,095,994	197,288,948
		1,071,637,650	959,541,656
Current portion of subordinated loan		(357,212,541)	(159,923,606)
Balance at December 31	6.2	714,425,109	799,618,050

6.1 Exchange loss on sub-ordinated loan has been capitalised in accordance with note 3.7(i).

6.2 This represents remaining balance of US $ 6,898,215 (2018: US $ 6,898,215) from the original foreign currency loan of US $ 8,946,353 obtained from Orastar Limited, incorporated under the laws of British Virgin Island (BVI). The loan is duly registered with State Bank of Pakistan (SBP). The loan carries a markup at the rate of 3 months USD LIBOR plus 3% per annum and payable in quarterly installments in a period of six years starting from January 1, 2019 subject to availability of surplus funds for distribution. As per agreement, the Company can also issue shares to Orastar Limited in lieu of repayment on mutually agreed basis.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2019

7 LEASE LIABILITIES

	2019	2018
	Rupees	
Lease liabilities (2018: Finance lease liabilities)	54,119,049	12,504,766
Less: Current portion	(10,112,210)	(3,695,846)
Long term portion	44,006,839	8,808,920

Movement of lease liabilities under IFRS 16 is as follows:

Balance at January 01	51,883,160	-
New lease liabilities	11,191,914	-
Interest	5,857,956	-
Payments during the year	(14,813,981)	-
Balance at December 31	54,119,049	-
Current portion of lease liabilities	(10,112,210)	-
Non-Current Portion of Lease Liabilities	44,006,839	-

Maturity analysis of undiscounted lease payments that will be paid after the reporting date is as follow:

	2019	2018
	Rupees	
Less than one year	15,486,470	-
One to two years	18,377,242	-
Two to three years	13,844,328	-
Three to four years	14,296,757	-
Four to five years	3,085,813	-
More than five years	3,099,162	-
	68,189,772	-

8 TRADE AND OTHER PAYABLES

Creditors		1,574,857,652	587,359,435
Accrued liabilities		31,871,623	27,237,829
Withholding tax payable		2,285,020	2,856,577
Sales tax payable		-	28,169,431
WPPF payable	8.1	182,497,345	151,654,044
Payable to staff gratuity fund	8.2	9,275,098	16,314,930
Support services fee payable to the Holding Company		221,525,725	221,525,725
Other payables		4,388,766	4,738,760
		2,026,701,229	1,039,856,731

8.1 Workers' Profit Participation Fund

Balance at January 01		151,654,044	129,606,247
Provision for the year		182,497,345	151,654,044
Payment during the year		(151,654,044)	(129,606,247)
Balance at December 31	8.1.1	182,497,345	151,654,044

8.1.1 This represent Workers' Profit Participation Fund (WPPF) payable at the rate of 5% of the net profit for the year and is a pass through item under the provisions of Power Purchase Agreement (PPA).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

		Note	2019	2018
			Rupees	
8.2	**Payable to staff gratuity fund**			
	The amount recognised in the statement of financial position is as follows:			
	Present value of defined benefit obligation	8.2.1	**80,798,915**	64,878,789
	Less: Fair value of plan assets	8.2.2	**(71,523,817)**	(48,563,859)
	Net defined benefit liability		**9,275,098**	16,314,930
8.2.1	The movement in present value of defined benefit obligation is as follows:			
	Balance at January 01		**64,878,789**	45,809,648
	Included in profit or loss			
	Current service cost		**7,905,156**	5,965,817
	Interest cost		**8,549,441**	3,779,296
			16,454,597	9,745,113
	Included in other comprehensive income			
	Remeasurement loss:			
	- Actuarial loss		**174,937**	9,324,028
	Others			
	Benefits paid		**(709,408)**	-
	Balance at December 31		**80,798,915**	64,878,789
8.2.2	The movement in fair value of plan assets is as follows:			
	Balance at January 01		**48,563,859**	36,830,361
	Included in profit or loss			
	Interest income		**7,468,577**	3,408,900
	Included in other comprehensive income			
	Return on plan assets excluding interest income		**(114,141)**	(654,690)
	Others			
	Contribution to gratuity fund		**16,314,930**	8,979,288
	Benefits paid		**(709,408)**	-
	Balance at December 31		**71,523,817**	48,563,859
	Breakup of plan assets is as follows:			
	Cash at bank		**22,574**	124,570
	Cash balance		**1,046**	-
	Treasury bills		**56,456,644**	48,439,289
	Term finance certificates		**15,043,553**	-
			71,523,817	48,563,859
	Allocation of gratuity expense is as follows:			
	Cost of sales	22.1	**5,158,242**	3,639,344
	Administrative expenses	24.1	**3,827,778**	2,696,869
			8,986,020	6,336,213

Gratuity plan entitles a retired employee to receive gratuity equivalent to last drawn salary into eligible number of years of service. The gratuity plan is administered by a gratuity fund that is legally separated from the Company and is funded by the Company based on actuarial valuation. Employees are not required to contribute to this plan. The latest actuarial valuation was carried out on December 31, 2019 using projected unit credit method. Expected gratuity expense for the next financial year is Rs. 8,983,007. This defined benefit plan exposes the Company to the following actuarial risks:

(a) Final salary risk

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

(b) Demographic risks

-Mortality risk

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

-Withdrawal risk

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

(c) Investment risk

The risk of the investment under performing and being not sufficient to meet the liabilities.

Key actuarial assumptions	2019	2018
Discount rate used for interest cost	**13.25%**	8.25%
Discount rate used for year end obligation	**11.25%**	13.25%
Future salary growth	**10.25%**	12.25%
Expected mortality for active members	**As per SLIC 2001-2005 setback 1 Year**	As per SLIC 2001-2005 setback 1 Year
Average expected remaining working life time of employees	**5 years**	5 years

Sensitivity analysis

Reasonably possible changes at the reporting date at one of the relevant actuarial assumptions, holding other assumption constant, would have affected the defined benefit obligations by the amount shown below;

	December 31, 2019		December 31, 2018	
	Increase	**Decrease**	Increase	Decrease
	Rupees			
Discount rate (1% movement)	**77,236,007**	**84,918,454**	61,943,170	68,246,123
Future salary growth (1% movement)	**85,028,779**	**77,074,834**	68,342,110	61,805,882

9 SHORT TERM BORROWINGS

	Note	2019	2018
		Rupees	
Short term borrowings from banking companies			
Working capital facilities - secured	9.1	**2,510,937,336**	5,031,518,017
Short term musharakah facilities - secured	9.2	**2,749,445,981**	417,035,977
		5,260,383,317	5,448,553,994

9.1 The Company has obtained working capital facilities amounting to Rs. 8.63 billion (2018: Rs. 8.65 billion) from several commercial banks for meeting the working capital requirements, expiring on various dates during 2020. Effective markup rates during the year on these facilities ranges between 11.05% to 15.36% (2018: 6.66% to 11.25%) with no floor or cap and payable in arrears on quarterly basis. The facilities are secured by way of mortgage charge on fuel stocks inventory and energy payment receivables up to Rs. 13.24 billion (2018: Rs. 12.77 billion) and subordinated / ranking charge on all present and future fixed assets and properties of the Company for an amount of Rs. 0.99 billion (2018: Rs. 1.41 billion).

9.2 The Company has obtained short term Islamic finance facilities from Islamic banks subject to a maximum limit of Rs. 4.05 billion (2018: Rs. 1.25 billion). Effective variable markup rate during the year on these facilities ranges between 11.15% to 14.86% (2018: 6.76% to 10.17%) and are secured by pari passu / ranking charge on fuel stock and energy purchase price receivables of the Company up to Rs. 5.36 billion (2018: Rs. 1.63 billion) and subordinated / ranking charge on all present and future fixed assets and properties of the Company up to Rs. 0.65 billion (2018: Rs. 0.23 billion).

9.3 Letters of credit / guarantee

Letters of guarantee amounting to Rs. 4.22 billion (2018: Rs. 4.37 billion) are available to the Company. These facilities are secured against the ranking charge over all present and future fixed assets amounting to Rs. 6.58 billion (2018: Rs. 6.58 billion).

10 CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2019	2018
		Rupees	
Current portion of long term financing	5	**788,379,612**	2,322,465,694
Current portion of sub-ordinated loan	6	**357,212,541**	159,923,606
Current portion of lease liabilities	7	**10,112,210**	3,695,846
		1,155,704,363	2,486,085,146

11 MARKUP ACCRUED

	2019	2018
Markup on long term financing	**51,332,385**	96,251,206
Markup on short term financing	**199,897,090**	108,530,059
Markup on sub-ordinated loan	**444,431,110**	345,645,490
	695,660,585	550,426,755

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies:

12.1.1 In 2014, the tax authorities raised sales tax demand of Rs. 1,498.51 million by partially disallowing input sales tax for the tax periods 2010 to 2013 by apportioning the total claim to energy purchase price and capacity purchase price, the latter being not subject to sales tax. On appeal filed by the Company, the Appellate Tribunal Inland Revenue (ATIR) directed the taxation officer to decide the matter in line with expected judgment of the Honorable High Court in parallel cases. Consequently, at present, the aforesaid tax demand is no more payable. Tax Authorities, against the decision of ATIR, filed reference application under section 47 of the Sales Tax Act, 1990 before the Honorable Islamabad High Court on October 16, 2015. However, in case the matter is eventually resolved against the Company, the tax payment will be claimable under the Power Purchase Agreement. Based on the advice of the Company's tax consultants and decision of the Lahore High Court in a parallel case, the Company’s management believes that the contention of tax department even after filing of reference application does not commensurate with the related statutory provisions and the issue is likely to be decided in favor of the Company.

12.1.2 For the tax period July 2015 to June 2016, the assessing officer raised sales tax demand of Rs. 10.43 million in the matter of inadmissibility of input tax in relation to financial banking services, security services and business support services procured by the Company. The Company filed an appeal with Commissioner (Appeals), who decided the matter in favor of the Company on account of business support services and remanded the matter to assessing officer on account of security services and financial banking services. The Company filed appeal to the Appellant Tribunal Inland Revenue (ATIR) against the order of Commissioner (Appeals) which is pending adjudication. Maximum amount of contingency as per the Company's records is Rs. 4.92 million.

12.1.3 In respect of Tax Years 2014 and 2015, the assessing officer amended the Company’s assessments and raised tax demand amounting to Rs. 25.15 million and Rs. 9.45 million respectively by subjecting bank profit, return on investments and foreign exchange gain to tax. The Company filed an appeal before Commissioner (Appeals), who confirmed the tax imposed in the earlier order and further ordered to charge tax on interest on delayed payment revenue. On May 29, 2018 the Company filed an appeal before ATIR against the order of Commissioner (Appeals). Subsequent to year end, ATIR decided the case in favour of the Company.

12.1.4 For Tax Year 2015, the assessing officer raised demand of Rs. 55.6 million in March 2017 for alleged non-withholding of tax on salaries, payment for goods and service, rent and dividend. The Company filed appeal before Commissioner (Appeals) who remanded the case to the assessing officer who in turn created a demand of Rs. 13.4 million in September 2018. The Company again filed appeal before Commissioner (Appeals) against the appeal effect order on October 16, 2018. Commissioner (Appeals) remanded the case to assessing officer where it is pending for final assessment.

12.1.5 For Tax Year 2013, the assessing officer in June 29, 2019 raised a demand of Rs. 29.09 million on account of non-payment to Workers' Welfare Fund. The Company filed appeal before Commissioner (Appeals) on July 26, 2019. Subsequent to year end, Commissioner (Appeals) decided the matter in favour of the Company.

12.1.6 Sui Northern Gas Pipelines Limited (SNGPL) has claimed an amount of Rs.95.99 million (2018: Rs 89.28 million) on account of late payment by the Company against SNGPL's invoices of Regasified Liquefied Natural Gas (RLNG). SNGPL submitted these RLNG invoices to the Company without getting determination of RLNG tariff from Oil and Gas Regulatory Authority (OGRA). The Company has considered such SNGPL invoices to be invalid without OGRA determination. Therefore, no provision for the above mentioned amount has been made in these financial statements.

12.2 Commitments:

The Company is committed to pay monthly fee and milestone payments to its O&M contractors as per terms agreed in the Operations & Maintenance (O&M) agreement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

13 PROPERTY, PLANT AND EQUIPMENT

	Owned assets										Leased assets	
	Freehold land	Buildings on freehold land	Plant and machinery	Office equipment	Computer and accessories	Furniture and fixtures	Motorcycle and bicycle	Vehicles	Other assets	Stores held for capitalization	Vehicles	Total
	Rupees											
Cost												
Balance at January 1, 2018	43,890,600	2,352,888,758	15,143,868,768	10,377,030	5,280,825	3,807,168	395,645	8,245,194	626,230	511,038,581	25,029,560	18,105,448,359
Additions	-	-	-	625,142	345,945	3,063,030	-	-	-	-	-	4,034,117
Transfers	-	-	-	-	-	-	-	7,905,238	-	-	(7,905,238)	-
Disposals	-	-	-	(18,289)	(74,240)	-	-	(357,500)	-	-	-	(450,029)
Effect of exchange loss (Refer note 6.1)	-	-	197,288,948	-	-	-	-	-	-	-	-	197,288,948
Balance at December 31, 2018	43,890,600	2,352,888,758	15,341,157,716	10,983,883	5,552,530	6,870,198	395,645	15,792,932	626,230	511,038,581	17,124,322	18,306,321,395
Balance at January 1, 2019	**43,890,600**	**2,352,888,758**	**15,341,157,716**	**10,983,883**	**5,552,530**	**6,870,198**	**395,645**	**15,792,932**	**626,230**	**511,038,581**	**17,124,322**	**18,306,321,395**
Recognition of right-of-use asset on initial application of IFRS 16	-	-	-	-	-	-	-	-	-	-	(17,124,322)	(17,124,322)
Adjusted balance at January 1, 2019	**43,890,600**	**2,352,888,758**	**15,341,157,716**	**10,983,883**	**5,552,530**	**6,870,198**	**395,645**	**15,792,932**	**626,230**	**511,038,581**	**-**	**18,289,197,073**
Additions	-	-	1,069,563,372	257,630	338,700	13,000	-	-	-	-	-	1,070,172,702
Disposal	-	-	-	(47,210)	(90,090)	-	-	(3,152,912)	-	-	-	(3,290,212)
Derecognition	-	-	(1,573,800,469)	-	-	-	-	-	-	-	-	(1,573,800,469)
Effect of exchange loss (Refer note 6.1)	-	-	112,095,994	-	-	-	-	-	-	-	-	112,095,994
Balance at December 31, 2019	**43,890,600**	**2,352,888,758**	**14,949,016,613**	**11,194,303**	**5,801,140**	**6,883,198**	**395,645**	**12,640,020**	**626,230**	**511,038,581**	**-**	**17,894,375,088**
DEPRECIATION												
Balance at January 1, 2018	-	610,793,692	3,778,111,078	7,977,451	4,541,034	3,006,387	294,221	5,695,556	626,230	-	6,792,332	4,417,837,981
Charge for the year	-	78,351,192	509,578,659	516,717	199,645	435,988	26,015	1,846,247	-	-	3,477,716	594,432,179
On transfers	-	-	-	-	-	-	-	3,840,755	-	-	(3,840,755)	-
On disposals	-	-	-	(12,701)	(74,240)	-	-	(286,000)	-	-	-	(372,941)
Balance at December 31, 2018	-	689,144,884	4,287,689,737	8,481,467	4,666,439	3,442,375	320,236	11,096,558	626,230	-	6,429,293	5,011,897,219
Balance at January 1, 2019	**-**	**689,144,884**	**4,287,689,737**	**8,481,467**	**4,666,439**	**3,442,375**	**320,236**	**11,096,558**	**626,230**	**-**	**6,429,293**	**5,011,897,219**
Recognition of right-of-use asset on initial application of IFRS 16	-	-	-	-	-	-	-	-	-	-	(6,429,293)	(6,429,293)
Adjusted balance at January 1, 2019	**-**	**689,144,884**	**4,287,689,737**	**8,481,467**	**4,666,439**	**3,442,375**	**320,236**	**11,096,558**	**626,230**	**-**	**-**	**5,005,467,926**
Charge for the year	-	78,351,192	516,598,772	622,651	307,486	448,476	13,896	1,880,474	-	-	-	598,222,947
On disposals	-	-	-	(36,108)	(90,090)	-	-	(2,522,329)	-	-	-	(2,648,527)
On derecognition	-	-	(506,606,371)	-	-	-	-	-	-	-	-	(506,606,371)
Balance at December 31, 2019	**-**	**767,496,076**	**4,297,682,138**	**9,068,010**	**4,883,835**	**3,890,851**	**334,132**	**10,454,703**	**626,230**	**-**	**-**	**5,094,435,975**
IMPAIRMENT												
Balance at January 1, 2018	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-
Balance at January 1, 2019	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	833,794,098	-	-	-	-	-	-	-	-	833,794,098
On derecognition	-	-	(833,794,098)	-	-	-	-	-	-	-	-	(833,794,098)
Balance at December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amounts												
At January 1, 2018	43,890,600	1,742,095,066	11,365,757,690	2,399,579	739,791	800,781	101,424	2,549,638	-	511,038,581	18,237,228	13,687,610,378
At December 31, 2018	43,890,600	1,663,743,874	11,053,467,979	2,502,416	886,091	3,427,823	75,409	4,696,374	-	511,038,581	10,695,029	13,294,424,176
At December 31, 2019	**43,890,600**	**1,585,392,682**	**10,651,334,475**	**2,126,293**	**917,305**	**2,992,347**	**61,513**	**2,185,317**	**-**	**511,038,581**	**-**	**12,799,939,113**
Rate of depreciation per annum (%)	-	3.33%	3.33% to 4.92%	10 % to 33.33%	33.33%	10%	20%	20%	10%	-	20%	

	Note	2019	2018
		Rupees	
13.1 The depreciation charge for the year has been allocated as follows:			
Depreciation - Cost of sales	22	**594,949,964**	587,929,851
Impairment loss	13.1.1	**833,794,098**	-
		1,428,744,062	587,929,851
Depreciation - Administrative expenses	24	**3,272,983**	6,502,328
		1,432,017,045	594,432,179

13.1.1 This represents impairment loss related to damaged component of the plant.

13.2 Particulars of the Company's immovable fixed assets

The Company's immovable fixed assets consist of buildings and civil structure on land measuring 275.35 Kanals, located at Chak 56/5L, Qadarabad Multan Road, District Sahiwal, Punjab.

14 RIGHT OF USE ASSETS

	Note	2019	2018
		Rupees	
COST			
Balance at January 1		**57,961,491**	-
Additions		**11,732,723**	-
Disposals		**-**	-
Balance at December 31		**69,694,214**	-
DEPRECIATION			
Balance at January 01		**6,429,293**	-
Charge for the year	24	**10,267,521**	-
On disposals		**-**	-
Balance at December 31		**16,696,814**	-
Carrying amount		**52,997,400**	-
Rate of depreciation per annum (%)		**10% to 20%**	-

15 INVESTMENT IN SUBSIDIARY

	2019	2018
Shares of Saif Cement Limited	**734,904,190**	631,000,000
Share deposit money	**3,500,000**	-
	738,404,190	631,000,000

15.1 This represents equity investment in Saif Cement Limited ("SCL"). SCL is setting up a cement manufacturing plant in Saidulwali Village, Paharpur, Dera Ismail Khan, Khyber Pakhtunkhawa (KP). The Company, during the year, acquired additional 10,390,419 fully paid ordinary shares of Rs. 10 each and paid share deposit mponey of Rs. 3.5 million as advance for issuance of shares. The Company holds 96.28% of the issued share capital of SCL as at December 31, 2019.

The Company intends to participate up to Rupees equivalent of US $ 20 million in SCL to acquire approximately 221 million ordinary shares (USD/ Rupee parity equal to Rupees 2,210 million which would be adjustable to the foreign exchange rates during the tenure of the project) at par value of Rs. 10 per share, in line with the approval from NEPRA and the Company's shareholders at the extraordinary general meeting held on February 28, 2018. Accordingly, the Company's intended investment will eventually result in approximately 33.33% of equity of SCL instead of currently held 96.28%.

		Note	2019	2018
			Rupees	
16	**TRADE DEBTS**			
	National Transmission and Dispatch Company (NTDC)	16.1	**9,650,652,780**	8,415,730,184

16.1 Trade debts include an overdue amount of Rs 7.67 billion (2018: Rs. 6.72 billion) on account of circular debt. The Company considers this amount to be fully recoverable because this is secured by way of guarantee issued by the Government of Pakistan (GoP) under the Implementation Agreement (IA). Additionally, trade debts are subject to markup on delayed payments under PPA at the rate of KIBOR+4.5% per annum except RLNG fuel invoices which are subject to markup of KIBOR+2% for first 30 days and after 30 days markup will be KIBOR+4.5%. GoP is committed, hence continuously pursuing for satisfactory settlement of debt issue.

16.2 Included in trade debts is an amount of Rs. 477.56 million (2018: Rs. 477.56 million) relating to capacity purchase price not acknowledged by NTDC as the plant was not fully available for power generation. However, the sole reason of this under-utilisation of plant capacity was non-availability of fuel owing to non-payment by NTDC.

The Company along with other Independent Power Producers (IPPs) agreed with NTDC to resolve the dispute through dispute resolution mechanism (appointment of expert) under the PPA. In his decision the expert in August 2015 determined that the amount mentioned above is payable to the Company and accordingly the Company has claimed the said amount from NTDC. Since NTDC did not conform to requirements of PPA relating to Expert decision within 30 days, the IPPs went to London Court of International Arbitration (LCIA).

Sole arbitrator appointed by LCIA issued a partial final award on June 08, 2017 wherein it was inter alia held that the expert determination is final and binding. Thereafter, a final award was issued by the sole arbitrator on October 29, 2017 pursuant to which NTDC was ordered to pay Rs. 477.56 million (2018: Rs. 477.56 million) along with cost of proceedings, interest from the date of expert determination till payment by NTDC, after Arbitrator decision, to the Company. The Company filed petitions before Lahore High Court for enforcement of partial final award and final award on June 17, 2017 and November 30, 2017 respectively, which proceedings are pending till date. NTDC has also challenged the partial final award and final award in Civil Court, Lahore.

16.3 During year ended December 31, 2016 an amount of Rs. 239.68 million relating to capacity purchase price not acknowledged by NTDC was adjusted by the Company against payable to SNGPL pursuant to award in favour of the Company for the whole amount by the London Court of International Arbitration (LCIA). SNGPL disputed the adjustment/set off amount of Award in the Lahore High Court, however, the court dismissed such petition of SNGPL. Thereafter, SNGPL filed appeal before the Supreme Court of Pakistan, which disposed off the appeal by stating that the judgement of the Lahore High Court, to the extent it decides on merits, the question of the Company's right to set off is set aside (without prejudice to the rights of the parties). SNGPL also challenged the award in Civil Court, Lahore, on April 21, 2016 which is pending adjudication. On June 07, 2016 the Company filed a petition in the Civil Court Lahore to obtain a Decree in lieu of the arbitration award and also adjusted an amount of Rs. 270.66 million (inclusive of the aforementioned amount of Rs. 239.68 million) from payable to SNGPL as such amount was allowed by the LCIA in its award. During the year, SNGPL has filed suit for recovery before District Judge, Lahore (Invested with Powers of the Gas Utility Court) on March 01, 2019 against this adjustment including a claim for markup from the date of such adjustment and also has filed a request for Arbitration before LCIA on March 22, 2019. In its submission to LCIA on March 06, 2020, SNGPL has claimed adjusted amount of Rs. 270.66 million and markup amount of Rs. 236.47 million from the date of such adjustment. The Company's position is that no amount is payable to SNGPL and in any case, LCIA Arbitration is the only competent forum to decide on this case.

16.4 For aging of receivable from NTDC at the reporting date, refer to note 27.4.

		Note	2019	2018
			Rupees	
17	**OTHER RECEIVABLES**			
	Workers' Profit Participation Fund (WPPF) receivable		334,044,648	496,240,240
	Insurance claim receivable		785,753,372	-
	Sales tax receivable - net		27,741,941	-
	Other receivables		16,899,493	1,762,518
			1,164,439,454	498,002,758
18	**ADVANCES - considered good**			
	Advances to supplier	18.1	97,456,918	374,545
	Advances to employees		767,321	544,572
			98,224,239	919,117

18.1 These include advance payment to SNGPL amounitng to Rs. 96,332,896.

		Note	2019	2018
19	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Prepayments		61,172,356	49,101,107
	Security deposit		1,833,000	1,833,000
	Current portion of long term deposits		-	752,500
			63,005,356	51,686,607
20	**BANK BALANCES**			
	Cash at bank:			
	Current accounts			
	Local currency		366,950	22,428
	Deposit accounts			
	Local currency		-	974
	Foreign currency	20.1	304,124	271,840
		20.2	304,124	272,814
			671,074	295,242

20.1 This represents an amount of USD 1,964 (2018: USD 1,954) in US Dollar deposit and current accounts.

20.2 These carry markup ranging from 7.75% to 11.96% (2018: 4% to 4.62%) per annum for Rupee denominated balances while 0.15% (2018: 0.15%) per annum for US Dollar denominated balances.

		2019	2018
		Rupees	
21	**TURNOVER - NET**		
	Gross Energy Purchase Price	10,205,164,015	13,685,991,456
	Less: Sales tax	(1,482,801,609)	(1,990,837,969)
		8,722,362,406	11,695,153,487
	Capacity Purchase Price	6,188,018,470	4,995,173,542
		14,910,380,876	16,690,327,029

		Note	2019	2018
			Rupees	
22	**COST OF SALES**			
	Raw material consumed		8,118,148,860	11,000,232,532
	Operation and maintenance		888,634,449	815,409,235
	Salaries and other benefits	22.1	66,550,886	58,102,812
	Electricity charges		37,946,391	21,568,216
	Insurance expense/ (recovery)	22.2	(652,965,263)	138,225,809
	Depreciation and impairment loss	13.1	1,428,744,062	587,929,851
	Office expenses		2,440,992	1,564,615
	Travelling, conveyance and entertainment		1,708,330	1,093,134
	Repair and maintenance		905,299	1,098,461
	Communication		85,111	98,065
			9,892,199,117	12,625,322,730

22.1 These include Rs. 5,158,242 (2018: Rs. 3,639,344) charged in respect of staff retirement benefits - gratuity.

22.2 This includes Rs. 820,628,372 related to recovery on account of damaged component of the plant.

		Note	2019	2018
			Rupees	
23	**OTHER INCOME**			
	Income from financial assets			
	Profit on deposit accounts		1,076,273	15,717
	Return on investments		337,739	1,480,932
	Income from non financial assets			
	Insurance claim		19,000	34,012
	Gain on disposal of property, plant and equipment		426,062	243,500
	Scrap sales		261,783	360,665
			2,120,857	2,134,826
24	**ADMINISTRATIVE EXPENSES**			
	Salaries and other benefits	24.1	56,697,254	46,297,938
	Traveling and conveyance		2,085,418	1,300,740
	Rent, rates and taxes		444,703	10,165,604
	Security services		12,732,924	11,941,276
	Office expenses		6,193,658	6,395,772
	Fees and subscriptions		14,999,962	11,447,724
	Legal and professional		10,573,269	6,305,262
	Consultancy		23,357,590	22,736,520
	Repair and maintenance		6,054,129	5,673,520
	Utilities		1,972,699	1,575,165
	Insurance		2,659,388	2,393,835
	Depreciation - Property, plant and equipment	13.1	3,272,983	6,502,328
	Depreciation - Right of use assets	14	10,267,521	-
	Auditors' remuneration	24.2	2,721,803	1,962,500
	Donations	24.3	7,300,000	4,600,000
	Advertisements		135,715	267,660
			161,469,016	139,565,844

24.1 These include Rs. 3,827,778 (2018: Rs. 2,696,869) charged in respect of staff retirement benefits - gratuity.

	2019	2018
	Rupees	

24.2 Auditors' remuneration

	2019	2018
Annual audit fee	866,000	770,000
Half yearly review fee	478,000	424,000
Consolidation	281,000	250,000
Certifications	399,403	208,500
Out of pocket expenses	71,000	70,000
Other services	626,400	240,000
	2,721,803	1,962,500

24.3 This includes donation amounting to Rs. 6 million (2018: Rs. 4.5 million) to Akbar Kare Institute, Kulsum Plaza, Jinnah Avenue, Blue Area, Islamabad, a company registered under Section 42 of the repealed Companies Ordinance, 1984 in which following directors of the Company are common directors:

Name of Director	Nature of interest in donee
Mrs. Hoor Yousafzai	Director
Mr. Jehangir Saifullah Khan	Director

25 FINANCE COST

	2019	2018
	Rupees	
Markup on short term borrowings	741,042,628	303,758,174
Markup on long term financing	302,026,632	401,469,713
Markup on sub-ordinated loan	56,797,500	43,961,603
Guarantee commission and arrangement fee	16,499,996	16,500,598
Markup on lease liabilities	5,857,956	918,537
Bank charges	474,718	597,487
Exchange loss - net	86,187,262	127,286,289
	1,208,886,692	894,492,401

26 EARNINGS PER SHARE

	2019	2018
Profit for the year (Rupees)	3,649,946,908	3,033,080,880
Weighted average number of shares (Numbers)	386,471,779	386,471,779
Earnings per share - basic (Rupees)	9.44	7.85

There is no dilution effect on the basic earnings per share of the Company.

27 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Fair value measurement

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

A. Accounting classifications and fair values

27.1 The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Note	Carrying Amount			Fair value			
		Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total
December 31, 2019		Rupees						
Financial assets measured at fair value		-	-	-	-	-	-	-
Financial assets not measured at fair value	27.2							
Long term deposits		4,372,660	-	4,372,660	-	-	-	-
Trade debts		9,650,652,780	-	9,650,652,780	-	-	-	-
Other receivables		1,136,697,513	-	1,136,697,513	-	-	-	-
Advances to employees		767,321	-	767,321	-	-	-	-
Security deposits		1,833,000	-	1,833,000	-	-	-	-
Bank balances		671,074	-	671,074	-	-	-	-
Total		10,794,994,348	-	10,794,994,348	-	-	-	-
Financial liabilities not measured at fair value	27.2							
Long term financing		-	788,379,612	788,379,612	-	-	-	-
Sub-ordinated loan		-	1,071,637,650	1,071,637,650	-	-	-	-
Lease liabilities		-	54,119,049	54,119,049	-	-	-	-
Trade and other payables	27.3	-	2,024,416,209	2,024,416,209	-	-	-	-
Short term borrowings		-	5,260,383,317	5,260,383,317	-	-	-	-
Markup accrued		-	695,660,585	695,660,585	-	-	-	-
Unclaimed dividend		-	15,465,337	15,465,337	-	-	-	-
Total		-	9,910,061,759	9,910,061,759	-	-	-	-

	Note	Carrying Amount			Fair value			
		Loan and receivable	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
December 31, 2018		Rupees						
Financial assets measured at fair value		-	-	-	-	-	-	-
Financial assets not measured at fair value	27.2							
Long term deposits		4,084,310	-	4,084,310	-	-	-	-
Trade debts		8,415,730,184	-	8,415,730,184	-	-	-	-
Other receivables		498,002,758	-	498,002,758	-	-	-	-
Advances to employees		544,572	-	544,572	-	-	-	-
Security deposits		1,833,000	-	1,833,000	-	-	-	-
Bank balances		295,242	-	295,242	-	-	-	-
Total		8,920,490,066	-	8,920,490,066	-	-	-	-
Financial liabilities not measured at fair value	27.2							
Long term financing		-	2,975,180,137	2,975,180,137	-	-	-	-
Sub-ordinated loan		-	959,541,656	959,541,656	-	-	-	-
Lease liabilities		-	12,504,766	12,504,766	-	-	-	-
Trade and other payables	27.3	-	1,008,830,723	1,008,830,723	-	-	-	-
Short term borrowings		-	5,448,553,994	5,448,553,994	-	-	-	-
Markup accrued		-	550,426,755	550,426,755	-	-	-	-
Unclaimed dividend		-	10,190,825	10,190,825	-	-	-	-
Total		-	10,965,228,856	10,965,228,856	-	-	-	-

27.2 The Company has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

27.3 This excludes withholding tax payable and sales tax payable.

B. Financial risk management

The Company has exposure to the credit risk, market risk and liquidity risk from its use of financial instruments.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

27.4 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The primary activity of the Company is power generation and sale of total output to NTDC. The Company is exposed to credit risk from its operations.

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:

	Note	**2019**	2018
		Rupees	
Long term deposits		**4,372,660**	4,084,310
Trade debts	16	**9,650,652,780**	8,415,730,184
Other receivables	17	**1,136,697,513**	498,002,758
Advances to employees	18	**767,321**	544,572
Security deposits	19	**1,833,000**	1,833,000
Bank balances	20	**671,074**	295,242
		10,794,994,348	8,920,490,066

Credit risk is minimum as the bank accounts are maintained with reputable banks having good credit ratings. Further, as disclosed in note 16.1 that the trade debts are secured by way of guarantee issued by the Government of Pakistan (GoP) under the Implementation Agreement (IA).

Credit quality of financial assets

The credit quality of Company's financial assets have been assessed as follows by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

	2019	2018
Trade debts	**Rupees**	
Counterparties without external credit ratings	**9,650,652,780**	8,415,730,184

Impairment losses

The aging of trade debts at the reporting date was:

	2019		2018	
	Gross	**Impairment**	Gross	Impairment
	Rupees			
Not past due	**1,984,620,058**	**-**	1,698,500,047	-
Past due 0 - 60 days	**415,111,850**	**-**	525,770,527	-
Past due 61 - 120 days	**2,324,160,738**	**-**	3,805,573,181	-
Past due 121 - 180 days	**504,803,329**	**-**	814,388,033	-
181 days and above	**4,421,956,805**	**-**	1,571,498,396	-
	9,650,652,780	**-**	8,415,730,184	-

As trade debts are ultimately receivable from GoP, therefore, these are exempt from impairment provisioning requirements. Impact of ECL on financial assets not covered under exemption was not material and accordingly has not been included in these financial statements.

	2019	2018
Security deposits	**Rupees**	
Counterparties without external credit ratings	**1,833,000**	1,833,000
Other receivables		
Counterparties without external credit ratings	**1,136,697,513**	498,002,758
Long term deposits		
Counterparties with external credit ratings - AA+ (2018: A1+)	**1,290,450**	1,002,100
Counterparties with external credit ratings - BBB- (2018: A-)	**3,082,210**	3,082,210
Advances to employees		
Counterparties without external credit ratings	**767,321**	544,572

Cash and cash equivalents

The Company held cash at bank amounting to Rs. 671,074 as at December 31, 2019 (2018: Rs.295,242). Cash at bank is held with banks and financial institution counter parties, which are rated A1+ based on JCR-VIS rating.

27.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

There were no defaults on loans payable during the year.

The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

	Carrying amount	Contractual cash flows	Maturity in less than 1 year	Maturity after one year and up to five years	Maturity after five years
			Rupees		
2019					
Long term financing	788,379,612	814,536,069	814,536,069	-	-
Sub-ordinated loan	1,071,637,650	1,186,509,727	397,691,282	788,818,445	-
Lease liabilities	54,119,049	68,189,772	15,486,470	49,604,140	3,099,162
Trade and other payables	2,024,416,209	2,024,416,209	2,024,416,209	-	-
Short term borrowing	5,260,383,317	5,260,383,317	5,260,383,317	-	-
Markup accrued	695,660,585	695,660,585	695,660,585	-	-
Unclaimed dividend	15,465,337	15,465,337	15,465,337	-	-
	9,910,061,759	10,065,161,016	9,223,639,269	838,422,585	3,099,162

	Carrying amount	Contractual cash flows	Maturity in less than 1 year	Maturity after one year and up to five years	Maturity after five years
			Rupees		
2018					
Long term financing	2,975,180,137	3,514,802,741	2,822,450,712	692,352,029	-
Sub-ordinated loan	959,541,656	1,133,275,103	212,042,429	755,517,697	165,714,977
Lease liabilities	12,504,766	14,420,582	4,913,222	9,507,360	-
Trade and other payables	1,008,830,723	1,008,830,723	1,008,830,723	-	-
Short term borrowing	5,448,553,994	5,448,553,994	5,448,553,994	-	-
Markup accrued	550,426,755	550,426,755	550,426,755	-	-
Unclaimed dividend	10,190,825	10,190,825	10,190,825	-	-
	10,965,228,856	11,680,500,723	10,057,408,660	1,457,377,086	165,714,977

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amount.

The contractual cash flows relating to long term borrowings and lease liabilities have been determined on the basis of expected markup rates. The markup rates have been disclosed in notes 5, 6 and 7 to these financial statements.

27.6 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk and interest rates only.

Currency risk

Rupee is the functional currency of the Company and as a result currency exposures arise from transactions and balances in currencies other than Rupee. The Company's potential foreign currency exposure comprise:

- Transactional exposure in respect of non functional currency monetary items
- Transactional exposure in respect of non functional currency expenditure and revenues

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to Rupee equivalent, and the associated gain or loss is taken to the profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. These currency risks are managed as part of overall risk management strategy. The Company does not enter into forward exchange contracts.

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	2019	2018	2019	2018
	Rupees		USD	
Subordinated loan	1,071,637,650	959,541,656	6,898,215	6,898,215
Accrued markup on subordinated loan	444,431,110	345,645,490	2,860,838	2,484,871
Trade and other payables	1,538,438,818	345,407,974	9,903,050	2,483,163
Other receivables	(768,004,106)	-	(4,943,702)	-
Bank balances	(304,124)	(271,840)	(1,964)	(1,954)
	2,286,199,348	1,650,323,280	14,716,437	11,864,295

The following significant exchange rates have been applied:

	Average Rate		Reporting Date Rate	
	2019	2018	2019	2018
US Dollars	151.30	122.30	155.35	139.10

Foreign Currency

A 5% strengthening of the functional currency against USD at December 31, 2019 would have increased profit by Rs. 60.73 million (2018: Rs. 34.54 million). A 5% weakening of the functional currency against USD at December 31, 2019 would have had the equal but opposite effect on these amounts. The analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rate. The Company has long term Rupee and USD based loans and short term running finance arrangement at variable rates. The local currency loans have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) and London Inter Bank Offer Rate (LIBOR). Any increase / decrease in KIBOR is adjustable and approved by NEPRA.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was as follows:

	2019	2018
	Rupees	
Fixed rate instruments		
Financial assets	304,124	272,814
Variable rate instruments		
Financial assets	7,666,032,722	6,717,230,137
Financial liabilities	(7,174,519,628)	(9,395,780,553)

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 rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by Rs. 4.92 million (2018: Rs. 26.78 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2018.

Other market price risk

The primary goal of the Company's investment strategy is to maximize investment returns on surplus funds. The Company adopts a policy of ensuring to minimise its price risk by investing in securities having sound market performance. Certain investments are designated as held for trading because their performance is actively monitored and these are managed on a fair value basis. Equity price risk arises from investments at fair value through profit or loss.

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

Non - derivative financial assets

The fair value of non - derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non - derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

27.7 Capital Risk Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business. The Company manages its capital structure which comprises of capital and reserves by monitoring the return on net assets and makes adjustments, if required, in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to shareholders, appropriation of amounts to capital reserves or / and issue new shares. There was no change in the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirement.

28 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration including benefits applicable to the chief executive officer, directors and executives of the Company are given below:

	2019	2018
	Rupees	
	Chief executive officer	
Managerial remuneration - Gross	26,400,000	17,200,000
Staff retirement benefits	3,403,046	1,901,408
Bonus	4,400,000	3,900,000
	34,203,046	23,001,408
Number of persons	1	1
	Executives	
Managerial remuneration - Gross	47,528,668	47,131,120
Staff retirement benefits	4,008,302	3,348,990
Bonus	8,019,268	6,874,636
	59,556,238	57,354,746
Number of persons including those who worked part of the year	8	9

28.1 Executive means any employee whose basic salary exceeds Rs. 1,200,000 (2018: Rs. 1,200,000) per year.

28.2 In addition to the above, chief executive officer and executives are provided with the Company maintained vehicles and health insurance coverage as per the Company's policy.

28.3 No remuneration has been paid to the directors of the Company, except for meeting fee amounting to Rs. 290,000 which was paid to 7 directors (2018: Rs. 100,000 paid to 6 directors).

29 RELATED PARTY TRANSACTIONS

The Company is subsidiary of Saif Holdings Limited ("the Holding Company"), therefore the Holding Company and all associated undertakings of the Holding Company are related parties of the Company. Other related parties comprise of directors, key management personnel, entities over which directors are able to exercise significant influence and major shareholders. Balances and other arrangements with Orastar Limited have been disclosed in note 4.3, 6, 10 and 11 to the financial statements. Balance with a related party is disclosed in note 8 to the financial statements. Transactions with related parties other than those disclosed in note 24.3 to these financial statements are as follows:

	Note	2019	2018
		Rupees	
Saif Holdings Limited - the Holding Company (51.04% shareholding-common directorship)			
Rent		-	675,000
Dividend		453,727,024	700,317,797
Expenses incurred on behalf of the Company		-	354,561
Saif Health Care Limited - Associated Company (Common directorship)			
Expenses incurred on behalf of the Company		-	222,720
Saif Textile Limited - Associated Company (Common directorship)			
Dividend		230	355
Key Management Personnel	Note		
Dividend to Directors		36,804	44,379
Remuneration including benefits and perquisites to key management personnel	29.1	65,133,013	55,585,059
Other Related Parties			
Contribution to Saif Power Limited - Staff Gratuity Fund	8.2.2	16,314,930	8,979,288

29.1 Key management personnel comprise of Chief Executive Officer (Mr. Sohail H. Hydari), Chief Financial Officer (Mr. Hammad Mahmood) and General Manager Plant (Mr. Ghias Ul Hassan). The key management personnel are also provided with the Company maintained vehicles and health insurance coverage as per the Company's policy.

30 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities				Equity		
	Long Term Financing	Sub-ordinated loan	Short term borrowings	Lease liabilities	Share Capital	Un appropriated profit - revenue reserve	Total
				Rupees			
Balance at January 01, 2019	2,975,180,137	959,541,656	5,448,553,994	12,504,766	3,864,717,790	8,182,507,613	21,443,005,956
Application of IFRS 16	-	-	-	39,378,394	-	-	39,378,394
Adjusted balance at January 01, 2019	2,975,180,137	959,541,656	5,448,553,994	51,883,160	3,864,717,790	8,182,507,613	21,482,384,350
Changes from financing cash flows							
Proceeds from short-term borrowings - net	-	-	(188,170,677)	-	-	-	(188,170,677)
Repayments of long term financing	(2,186,800,525)	-	-	-	-	-	(2,186,800,525)
Lease liabilities assumed / (paid)	-	-	-	(8,956,025)	-	-	(8,956,025)
Dividend paid	-	-	-	-	-	(883,610,580)	(883,610,580)
Total changes from financing cash flows	(2,186,800,525)	-	(188,170,677)	(8,956,025)	-	(883,610,580)	(3,267,537,807)
Effect of changes in foreign exchange rates	-	112,095,994	-	-	-	-	112,095,994
Other changes							
Liability related							
Lease of new vehicles	-	-	-	11,191,914	-	-	11,191,914
Movement in unclaimed dividend	-	-	-	-	-	(5,274,512)	(5,274,512)
Total liability related other changes	-	-	-	11,191,914	-	(5,274,512)	5,917,402
Equity related							
Total comprehensive income for the year	-	-	-	-	-	3,649,657,830	3,649,657,830
Total equity related other changes	-	-	-	-	-	3,649,657,830	3,649,657,830
Balance at December 31, 2019	788,379,612	1,071,637,650	5,260,383,317	54,119,049	3,864,717,790	10,943,280,351	21,982,517,769
Balance at January 01, 2018	4,761,277,267	762,252,708	1,927,513,747	17,315,535	3,864,717,790	6,531,380,266	17,864,457,313
Changes from financing cash flows							
Proceeds from short-term borrowings - net	-	-	3,521,040,247	-	-	-	3,521,040,247
Repayments of long term financing	(1,786,097,130)	-	-	-	-	-	(1,786,097,130)
Payment of finance lease liabilities	-	-	-	(4,810,769)	-	-	(4,810,769)
Dividend paid	-	-	-	-	-	(1,368,438,059)	(1,368,438,059)
Total changes from financing cash flows	(1,786,097,130)	-	3,521,040,247	(4,810,769)	-	(1,368,438,059)	361,694,289
The effect of changes in foreign exchange rates	-	197,288,948	-	-	-	-	197,288,948
Other changes							
Liability related							
Movement in unclaimed dividend	-	-	-	-	-	(3,536,756)	(3,536,756)
Total liability related other changes	-	-	-	-	-	(3,536,756)	(3,536,756)
Equity related							
Total comprehensive income for the year	-	-	-	-	-	3,023,102,162	3,023,102,162
Total equity related other changes	-	-	-	-	-	3,023,102,162	3,023,102,162
Balance at December 31, 2018	2,975,180,137	959,541,656	5,448,553,994	12,504,766	3,864,717,790	8,182,507,613	21,443,005,956

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

		2019	2018
31	**NUMBER OF EMPLOYEES**		
	At year end	**42**	43
	Average during the year	**43**	41

		2019	2018
32	**CAPACITY AND PRODUCTION**		
	Installed capacity based on hours 8,760 (2018: 8,760) – Megawatt hours	**1,781,975**	1,784,253
	Actual energy delivered – Megawatt hours	**716,203**	1,104,685

- Output produced by the plant is dependent on the load demanded by NTDC.

33 NON ADJUSTING EVENTS AFTER REPORTING DATE

The Board of Directors proposed final dividend for the year ended December 31, 2019 at the rate of Rs. 2 (2018: Rs. 1.30) per share in their meeting held on March 27, 2020.

34 DATE OF APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors in their meeting held on March 27, 2020.

Chief Financial Officer	Chief Executive Officer	Director

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

INDEPENDENT AUDITORS' REPORT
To the Members of Saif Power Limited
Report on the audit of Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Saif Power Limited ("the Company") and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and 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 December 31, 2019 and 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 Auditors' 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.

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:

Sr.no.	Key audit matters	How the matter was addressed in our audit
1.	**Trade debts** (Refer note 18.1, 18.2 and 18.3 to the consolidated financial statements) Trade debts include an overdue amount of Rs 7.67 billion, receivable from National Transmission and Dispatch Company (NTDC). The Company considers this amount to be fully recoverable as this is secured by guarantee issued by the Government of Pakistan (GoP) under the Implementation Agreement (IA). Further, we draw attention to note 18.2 and 18.3 to the consolidated financial statements, which describe the matters regarding the recoverability and adjustment of certain trade debts. We considered the matter as key audit matter due to the quantum, age of overdue amounts and management's judgment relating to disputed amounts.	Our audit procedures in relation to the matter included: • Circularised request for direct confirmation of balance due from NTDC, reviewed confirmation directly received from NTDC and tested the reconciliation; • Checked, on sample basis, trade debts ageing report classification within the appropriate ageing bracket with underlying documentation; • Checked, on sample basis, cash receipts from NTDC subsequent to financial year end relating to year end balance with underlying documentation; • Held discussions at appropriate level of management and Audit Committee to assess their views on the timing of settlement and recoverability of trade debts; • With respect to disputed trade debts, (a) Obtained confirmation from the Company's external legal advisor and reviewed the related arbitration orders; (b) Evaluated technical ability of the external legal advisors used by the Company; (c) Assessed the matter under applicable accounting frame work; and • Reviewed related disclosures made in the consolidated financial statements regarding the matter.

2.	**Recognition of Revenue** (Refer to note 3 and 21 to the consolidated financial statements) The Company is engaged in sale of electricity to National Transmission and Dispatch Company (NTDC). The Company recognised gross revenue during the year from Capacity Purchase Price (CPP) and Energy Purchase Price (EPP) amounting to Rs. 10.205 billion and Rs. 6.188 billion respectively. We considered this as key audit matter due to the significance of the amounts requiring significant time and resource due to magnitude and revenue being a key economic indicator of the Company.	Our audit procedures in relation to the matter included: • Tested the design, implementation and operating effectiveness of the relevant key internal controls which govern revenue recognition from the sale of electricity; • Assessed whether appropriate revenue recognition policies are applied in accordance with applicable accounting and reporting framework; • Analyzed Power Purchase Agreement (PPA) to evaluate whether revenue was recognized in accordance with the terms of PPA; • Performed substantive test of details on sale transactions by inspecting the underlying documentation; • Performed recalculation of EPP revenue based on electricity produced and CPP revenue based on capacity available; and • Reviewed related disclosures made in the financial statements regarding the matter.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended December 31, 2019 but does not include the consolidated financial statements and our auditors' 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 the 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 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 auditors' 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 auditors' report is Inam Ullah Kakra.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad
April 01, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Note	2019	2018
		Rupees	
Share capital and reserves			
Share capital	4	3,864,717,790	3,864,717,790
Unappropriated profit - revenue reserve		10,939,558,934	8,181,713,965
Equity attributable to the owners of the Company		14,804,276,724	12,046,431,755
Non controlling interests		27,802,426	19,609
Total equity		14,832,079,150	12,046,451,364
Liabilities			
Long term financing	5	-	652,714,443
Sub-ordinated loan	6	714,425,109	799,618,050
Lease liabilities	7	50,547,079	8,808,920
Deferred liability - gratuity	8	2,962,420	-
Non-current liabilities		767,934,608	1,461,141,413
Trade and other payables	9	2,098,782,870	1,114,195,632
Short term borrowings	10	5,260,383,317	5,473,050,970
Current portion of non-current liabilities	11	1,157,226,851	2,486,085,146
Markup accrued	12	695,660,585	550,426,755
Unclaimed dividend		15,465,337	10,190,825
Current liabilities		9,227,518,960	9,633,949,328
Total liabilities		9,995,453,568	11,095,090,741
Total equity and liabilities		24,827,532,718	23,141,542,105
Contingencies and commitments	13		
Assets			
Property, plant and equipment	14	13,544,119,637	13,945,393,792
Right of use assets	15	61,518,397	-
Project transaction costs	16	58,237,690	43,515,591
Goodwill	17	11,530,918	11,530,918
Long term deposits		4,372,660	3,331,810
Non-current assets		13,679,779,302	14,003,772,111
Advance income tax		24,118,484	22,846,495
Stock in trade - HSD		133,035,854	134,110,136
Trade debts	18	9,650,652,780	8,415,730,184
Other receivables	19	1,164,439,454	498,002,758
Advances	20	98,349,239	921,217
Trade deposits and short term prepayments	21	63,005,356	51,686,607
Bank balances	22	14,152,249	14,472,597
Current assets		11,147,753,416	9,137,769,994
Total assets		24,827,532,718	23,141,542,105

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

Chief Financial Officer	Chief Executive Officer	Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2019

	Note	2019	2018
		Rupees	
Turnover - net	23	**14,910,380,876**	16,690,327,029
Cost of sales	24	**(9,892,199,117)**	(12,625,322,730)
Gross profit		**5,018,181,759**	4,065,004,299
Other income	25	**3,276,881**	2,428,315
Administrative expenses	26	**(165,140,898)**	(140,566,840)
Finance cost	27	**(1,209,887,456)**	(894,557,228)
Profit for the year		**3,646,430,286**	3,032,308,546
Profit/ (loss) attributable to:			
- Owners of the Company		**3,646,529,852**	3,032,309,620
- Non-controlling interests		**(99,566)**	(1,074)
		3,646,430,286	3,032,308,546

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2019

	Note	2019	2018
		Rupees	
Profit for the year		**3,646,430,286**	3,032,308,546
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability	9.2.1 & 9.2.2	**(289,078)**	(9,978,718)
Total comprehensive income for the year		**3,646,141,208**	3,022,329,828
Total comprehensive income attributable to:			
- Owners of the Company		**3,646,240,774**	3,022,330,902
- Non-controlling interests		**(99,566)**	(1,074)
		3,646,141,208	3,022,329,828

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Director

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2019

	Note	2019	2018
		Rupees	
Cash flows from operating activities			
Profit for the year		3,646,430,286	3,032,308,546
Adjustments for:			
Provision for staff retirement benefits - gratuity	9.2.2	8,986,020	6,336,213
Depreciation and impairment loss - Property, plant and equipment	14.2	1,432,333,228	594,521,390
Depreciation - Right of use assets	15	11,971,720	-
Finance cost	27	1,209,887,456	894,557,228
Gain on disposal of property, plant and equipment	25	(426,062)	(243,500)
Insurance claim		(820,647,372)	(34,012)
Profit on deposit accounts	25	(1,076,273)	(15,717)
Return on investments	25	(1,493,763)	(1,774,421)
		5,485,965,240	4,525,655,727
Changes in:			
Stock in trade		1,074,282	(6,114,300)
Trade debts		(1,234,922,596)	(3,032,182,247)
Other receivable		119,316,676	(90,552,912)
Advances		(97,428,022)	566,479
Trade deposits and prepayments		(12,777,524)	(4,849,281)
Trade and other payables		155,463,698	(379,816,886)
Cash generated from operating activities		4,416,691,754	1,012,706,580
Income taxes paid		(1,271,989)	(9,781,109)
Finance cost paid		(1,064,653,626)	(724,003,669)
Deferred liability - gratuity		2,962,420	-
Staff retirement benefits paid		(16,314,930)	(8,979,288)
Net cash generated from operating activities		3,337,413,629	269,942,514
Cash flows from investing activities			
Acquisition of property, plant and equipment	14	(94,136,421)	(511,659,447)
Acquisition of right of use assets		(540,809)	-
(Increase)/ decrease in long term deposits		(1,040,850)	502,900
Proceeds from sale of property, plant and equipment		1,067,747	315,000
Acquisition of subsidiary, net of cash acquired		-	21,190,461
Movement in Project Transaction cost		(14,722,099)	-
Insurance claim received		34,894,000	39,600
Profit on deposit accounts	25	1,076,273	15,717
Return on investments - receipt	25	1,493,763	1,774,421
Net cash used in investing activities		(71,908,396)	(487,821,348)
Cash flows from financing activities			
Repayment of long term financing		(2,186,800,525)	(1,786,097,130)
Dividends paid		(883,610,580)	(1,368,438,059)
Receipt against issuance of shares of the Subsidiary Company		28,371,670	-
Short term borrowings - net		(212,667,653)	3,387,272,885
Lease liabilities paid		(11,118,493)	(4,810,769)
Net cash (used in)/generated from financing activities		(3,265,825,581)	227,926,927
Net decrease in cash and cash equivalents		(320,348)	10,048,093
Cash and cash equivalents at January 01		14,472,597	4,424,504
Cash and cash equivalents at December 31	22	14,152,249	14,472,597

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

Chief Financial Officer | Chief Executive Officer | Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

	Share capital	Unappropriated profit - revenue reserve	Non-Controlling interest	Total equity
			Rupees	
Balance at 01 January 2018	3,864,717,790	6,531,380,266	-	10,396,098,056
Profit for the year	-	3,032,309,620	(1,074)	3,032,308,546
Other comprehensive income for the year	-	(9,978,718)	-	(9,978,718)
Total comprehensive income for the year	-	3,022,330,902	(1,074)	3,022,329,828
Transaction with owners of the Company				
Distributions				
Final dividend - 2017@ Rs. 1.90 per share	-	(734,296,380)	-	(734,296,380)
First interim dividend - 2018 @ Rs. 1.65 per share	-	(637,678,435)	-	(637,678,435)
Total distributions	-	(1,371,974,815)	-	(1,371,974,815)
Changes in ownership interests				
Acquisition of subsidiary with NCI	-	-	(1,705)	(1,705)
Acquisition of NCI without a change in control	-	(22,388)	22,388	-
Total changes in ownership interests	-	(22,388)	20,683	(1,705)
Total transactions with owners of the Company	-	(1,371,997,203)	20,683	(1,371,976,520)
Balance as at December 31, 2018	3,864,717,790	8,181,713,965	19,609	12,046,451,364
Balance as at January 1, 2019	**3,864,717,790**	**8,181,713,965**	**19,609**	**12,046,451,364**
Profit for the year	**-**	**3,646,529,852**	**(99,566)**	**3,646,430,286**
Other comprehensive income for the year	**-**	**(289,078)**	**-**	**(289,078)**
Total comprehensive income for the year	**-**	**3,646,240,774**	**(99,566)**	**3,646,141,208**
Transaction with owners of the Company				
Distributions				
Final dividend - 2018@ Rs. 1.30 per share	**-**	**(502,413,313)**	**-**	**(502,413,313)**
First interim dividend - 2019 @ Rs. 1 per share	**-**	**(386,471,779)**	**-**	**(386,471,779)**
Total distributions	**-**	**(888,885,092)**	**-**	**(888,885,092)**
Changes in ownership interests				
Consideration paid by NCI for acquisition of shares	**-**	**-**	**28,371,670**	**28,371,670**
Disposal of share to NCI without change in control	**-**	**489,287**	**(489,287)**	**-**
Total changes in ownership interests	**-**	**489,287**	**27,882,383**	**28,371,670**
Total transactions with owners of the Company	**-**	**(888,395,805)**	**27,882,383**	**(860,513,422)**
Balance as at December 31, 2019	**3,864,717,790**	**10,939,558,934**	**27,802,426**	**14,832,079,150**

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

Chief Financial Officer	Chief Executive Officer	Director

1 Reporting entity

Saif Power Limited ("the Company") was incorporated in Pakistan on November 11, 2004 as a public limited company under the repealed Companies Ordinance, 1984 (which has now been replaced by the Companies Act, 2017) and commenced operations from April 30, 2010. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The Company is a subsidiary of Saif Holdings Limited (''the Controlling Party'') with shareholding of 51.04% (2018: 51.04%) ordinary shares.

The Group consists of Saif Power Limited (the Company) and Saif Cement Limited.

The principal activities of the Company are to own, operate and maintain a combined cycle power plant having nameplate capacity of 225 MW (ISO) and sell the electricity to National Transmission and Dispatch Company (NTDC).

Subsidiary:

Saif Cement Limited (the Subsidiary Company) is a public limited company incorporated in Pakistan on January 13, 2017 under the repealed Companies Ordinance, 1984 (which has now been replaced by the Companies Act, 2017).

The Subsidiary Company is engaged in the construction of Greenfield Cement Production Plant of 6,500 tons per day clinker production line on an EPC Turnkey Contracting Basis near D.I. Khan, Khyber Pakhtunkhwa province. Thereafter, the principal business of the Subsidiary Company will be production and sale of cement.

Geographical locations of the Group's business units are as follows:

- The registered office of the Company is situated at 1st Floor, Kashmir Commercial Complex Fazal-ul-Haq Road, Block E, Blue Area, Islamabad;

- Plant of the Company is situated at Chak 56/5L, Qadarabad Multan Road, District Sahiwal, Punjab, Pakistan;

- The registered office of the Subsidiary Company, is located at APTMA House, Tehkal Payan, Jamrud Road, Peshawar; and

- Construction site of cement plant of the Subsidiary Company, is located at Saiduwali Village Tehsil Paharpur, District Dera Ismail Khan, Khyber Pakhtoonkhawa, Pakistan.

2 BASIS OF PREPARATION

These consolidated financial statements include the financial statements of the Company and its Subsidiary (collectively "the Group"). The financial statements of the Subsidiary are prepared for the same reporting period as the Holding Company, using consistent accounting policies.

2.1 Statement of compliance

These consolidated 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:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

  Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement and preparation

These consolidated financial statements have been prepared under the historical cost convention except for staff retirement benefits, which have been measured at values determined through actuarial valuation.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupee (Rupees), which is the Group's functional currency. All financial information presented in Rupees has been rounded off to the nearest of Rupees, unless otherwise indicated.

2.4 Use of judgments and estimates

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods. Judgments and estimates made by management in the application of accounting and reporting standards as applicable in Pakistan that may have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next years are discussed in the ensuing paragraphs:

(a) Property, plant and equipment

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

(b) Impairment of financial assets

In making an estimate of the recoverable amount of the Group’s financial assets, the management considers estimated cash flows and their terminal value for impairment testing.

(c) Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated using the criteria given in respective accounting standards to determine the extent of impairment loss, if any.

(d) Taxation

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

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(e) Employee benefits

Gratuity is provided for permanent employees of the Company for which liability is recognised in the Group’s financial statements. The calculation of defined benefit liability requires assumptions to be made of future outcomes, the principal ones being in respect of expected salary growth, expected mortality of active members and the discount rate used to convert future cash flows to current values. Calculations are sensitive to the changes in assumptions used.

Unfunded defined benefits plan is provided for permanent employees of the Subsidiary Company for which deferred liability is recognized in the consolidated financial statements. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(f) Provision for inventory obsolescence and doubtful receivables

The Group reviews the carrying amount of stores and spares and stock in trade on regular basis and provision is made for obsolescence, if there is any change in usage pattern and physical form of related stores and spares and stock in trade. Further the carrying amounts of trade and other receivables are assessed on regular basis and if there is any doubt about the realisability of these receivables, appropriate amount is provided for.

(g) Provisions and contingencies

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost, if any.

Where 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, it is disclosed as contingent liability.

(h) Lease term

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

(i) Other

Pursuant to decisions of Supreme Court of Pakistan related to discretionary beneficial ownership in an overseas trusts on a prudent basis and in good faith, transactions with "Orastar" have been disclosed in note 30 irrespective of the absence of significant influence and the fact that the companies are not associated under Companies Act, 2017.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the change as indicated below:

The Group has adopted following standards which became effective during the year:

(a) IFRS-9 ‘Financial instruments’
(b) IFRS-15 ‘Revenue from contracts with customers’
(c) IFRS-16 ‘Leases’

(a) IFRS-9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS -9 Financial Instruments ("IFRS-9") that replaces IAS-39 Financial Instruments: recognition and measurement ("IAS-39") and all previous versions of IFRS 9. IFRS-9 brings together all three aspects of the accounting for financial instruments: classification & measurement, impairment and hedge accounting. IFRS-9 introduces a single approach to determining whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS-39. The three principal classification categories under the new standard for financial instruments are: measured at amortized cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit and loss (“FVTPL”). The classification of financial instruments under IFRS-9 is generally based on the business model in which a financial instrument is managed and its contractual cash flow characteristics. The previous categories under IAS-39 of held to maturity, loans and receivables and available for sale have been removed. For financial liabilities, IFRS-9 retains most of the requirements of IAS-39; however, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity’s own credit risk is recorded in other comprehensive income.

The following table explains the original measurement categories under IAS-39 and new measurement categories under IFRS-9 for each class of the Group's financial assets and financial liabilities as at January 01, 2019.

	Original classification under IAS-39	New classification under IFRS-9
Financial assets		
Long term deposits	Loans and receivable	Amortized cost
Trade debts	Loans and receivable	Amortized cost
Other receivables	Loans and receivable	Amortized cost
Advances to employees	Loans and receivable	Amortized cost
Security deposits	Loans and receivable	Amortized cost
Bank balances	Loans and receivable	Amortized cost
Financial Liabilities		
Long term financing	Amortized cost	Amortized cost
Sub-ordinated loan	Amortized cost	Amortized cost
Lease liabilities	Amortized cost	Amortized cost
Deferred liability - gratuity	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Short term borrowings	Amortized cost	Amortized cost
Markup accrued	Amortized cost	Amortized cost
Unclaimed dividend	Amortized cost	Amortized cost

There is no change in the carrying amounts of financial assets and financial liabilities at the initial application date of IFRS-9, except for a change in accounting classification under IFRS-9 from category under IAS-39 as disclosed in the above table.

The Group did not formerly apply hedge accounting to its financial instruments and has not elected to apply hedge accounting to any of its financial instruments upon adoption of IFRS-9.

Impact of new impairment model

IFRS-9 replaces the "incurred loss" model in IAS-39 with an "expected loss" model. The new impairment model applies to financial instruments measured at amortized cost, and contract assets and debt investments measured at FVTOCI. Under IFRS-9, credit losses will be recognized earlier than under IAS-39. The standard also provides a simplified approach to measuring expected credit losses using a lifetime expected loss allowance. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate loss allowance. Through S.R.O 985(I)/2019 dated September 2, 2019, the Securities and Exchange Commission of Pakistan (SECP) has exempted applicability of IFRS-9 in respect of debts due from Government of Pakistan to power supply chain companies for a limited period of three years i.e. till June 30, 2021. Accordingly, the management believes that requirements of IFRS-9 relating to expected credit loss on its trade debts are not applicable to the Company.

(b) IFRS-15 Revenue from contracts with customers

Applicable for accounting periods beginning on or after July 1, 2018 this standard establishes a single comprehensive model for determining whether, how much and when revenue is recognized. It replaced IAS-18 Revenue, IAS-11 Construction contracts, IFRIC-13 customer loyalty programs, IFRIC-15 agreements for the construction of real estate, IFRIC-18 transfers of assets from customers and SIC-31 Revenue-barter transaction involving advertising services.

The Company has entered into PPA with NTDC for a period of 30 years starting from its Commercial Operation Date i.e. April 30, 2010. Under the PPA, the Company is obligated to sell and deliver all output of the Complex in accordance with provisions of PPA. The Company's arrangement with NTDC falls under the definition of lease under IFRS-16 for which exemption is available to the Company. Accordingly, revenue in respect of Capacity Purchase Price (CPP) is recognized when due at rates specified under the PPA and revised reference tariff determined by National Electric Power Regulatory Authority (NEPRA) and after incorporation of relevant applicable quarterly indexation.

PPA also contains other performance obligations i.e. sale of electricity, insurance and operation & maintenance.

Revenue from sale of electricity is recognized when or as the Company satisfies performance obligation by transferring the promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The Company principally satisfies its performance obligation in respect of supply of electricity upon transmission of electricity and related fuel cost component of the tariff determined by National Electric Power Regulatory Authority (NEPRA) is invoiced to the customer as part of Energy Purchase Price (EPP).

Revenue associated with the operating phase of the PPA i.e. insurance and operations & maintenance of the plant is measured based on the consideration specified in contract with customer. Revenue from contract with customer is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The Company principally satisfies its performance obligations of insurance, operations and maintenance over time and the amount of revenue is recognized based on the consideration specified in the PPA. Consideration for operating phase of the PPA i.e. Insurance and fixed O&M component of tariff is billed to customer as part of CPP whereas variable O&M component is billed to customer as part of EPP. The amount of revenue recognised in respect of operating phase excludes the estimates of variable consideration as it is not highly probable that a significant reversal in the amount of cumulative revenue recognised will occur in future when the uncertainty associated with the variable consideration is subsequently resolved.

(c) IFRS-16 Leases

IFRS-16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. Control of the Company's plant due to purchase of total output by NTDC and other arrangement under the Power Purchase Agreement (PPA) was classified as a lease under IFRIC-4 “Determining whether an Arrangement Contains a Lease” which due to exemption available to the Company were not accounted for as a lease in prior years. After applicability of IFRS-16, the Company's arrangement with NTDC falls under the definition of a lease as defined in IFRS-16, however, the SECP through S.R.O 986(I)/2019 dated September 2, 2019 has extended the earlier exemption from IFRIC-4 to all companies, which have entered into power purchase arrangements before January 01, 2019. The Company signed its Power Purchase Agreement with NTDC on April 30, 2007, accordingly, requirement of lease accounting relating to the Company’s arrangement with NTDC are not applicable to the Company. Had IFRS-16 been applied on transactions with Power Purchaser, impact on financial statements would have been as follows:

	2019	2018
	Rupees	
Decrease in unappropriated profit at January 01	**(2,537,257,125)**	(2,679,582,780)
Decrease in profit for the year	**(540,933,333)**	142,325,655
Decrease in unappropriated profit at December 31	**(3,078,190,458)**	(2,537,257,125)

The Group has applied IFRS-16 using the modified retrospective approach for arrangements not covered in exemptions from SECP, under which the cumulative effect of initial application is recognised in retained earnings at January 01, 2019. Accordingly, the comparative information presented for 2018 are not required to be restated – i.e. it is presented, as previously reported, under IAS-17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(i) Definition of Lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC-4 'Determining Whether an Arrangement contains a Lease'. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS-16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS-16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS-16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS-17 and IFRIC-4 were not reassessed. Therefore, the definition of a lease under IFRS-16 has been applied only to contracts entered into or changed on or after January 01, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Group leased assets primarily comprising office buildings and motor vehicles. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS-16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

Upon transition to IFRS-16 in respect of existing finance leases of vehicles, there was no impact as of January 01, 2019 except for nomenclature of leased assets to right-of-use assets. The Group presents right-of-use assets and related lease liabilities on face of the statement of financial position. Amounts becoming due within next twelve months are presented within “current portion of non-current liabilities" in these financial statements.

(ii) Accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

(iii) Transition

Previously, the Group classified property leases as operating leases under IAS-17. These include rental premises of head office and guest houses. The leases typically run for a period of around 5 to 10 years. Some leases include an option to renew the lease by mutual consent of the Group and the lessors.

At transition, for leases classified as operating leases under IAS-17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate. Right-of-use assets are measured at either:

- their carrying amount as if IFRS-16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group has not applied this approach; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all leases.

The Group leases a number of vehicles. These leases were classified as finance leases under IAS-17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at January 01, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS-17 immediately before that date.

Impacts on Financial statements

Impacts on transition

On transition to IFRS 16, the Group recognized additional right of use assets and additional lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarized below.

	At January 01, 2019 (Rupees)
Right-of-use assets	40,837,169
Lease liabilities	39,378,394
Prepaid Rent as at January 01, 2019	1,458,775

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at January 01, 2019. The weighted-average rate applied is 11.24%.

	At January 01, 2019 (Rupees)
Finance lease liabilities as at January 01, 2019	12,504,766
Operating leases recognised as lease liabilities	39,378,394
Lease liabilities recognised at January 01, 2019	51,883,160

Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognized Rs.33,376,949 of right-of-use assets and Rs. 34,937,682 of lease liability as at December 31, 2019.

Also in relation to those leases under IFRS 16, the Company has recognized depreciation and interest costs, instead of operating lease expense. During the year, the Company recognized Rs. 7,460,220 of depreciation charged and Rs. 4,057,412 of interest costs from these leases.

3.1 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment loss, if any, except for freehold land, stores held for capitalisation and capital work in progress which are stated at cost less impairment loss, if any. Cost comprises purchase price, including import duties, non-recourse purchase taxes and other related costs of bringing the asset to its present working condition and location for intended use. Exchange gains or losses on long term foreign currency loans utilised for acquisition of assets are added to / deducted from cost of respective asset in accordance with note 3.7.

Depreciation is charged to profit or loss on straight line method at the rates given in note 14, after taking into account their respective residual values if any, so as to write off the depreciable amount over their estimated useful lives whereby depreciable amount adjusted for above exchange rate movements of an asset is written off over its remaining estimated useful life. Depreciation is charged from the month asset is available for use whereas no depreciation is charged in the month in which the asset is disposed off.

Normal repairs and maintenance are charged to profit or loss as and when incurred whereas major improvements and modifications are capitalised. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment disposed off, and are recognised net within “other income” in profit or loss.

Ijarah

Rentals payable under Ijarah arrangement are charged to profit or loss on a straight line basis over the term of the Ijarah lease arrangement.

3.2 Staff retirement benefits - Defined benefit plan

The Company operates a funded gratuity scheme covering all permanent employees completing the minimum qualifying period of service, for which liability is recognised in the financial statements. The assets of the fund plan are held independently in a separate fund. Provision for gratuity is made to cover obligations under the scheme in accordance with actuarial recommendations. The latest actuarial valuation was carried out by the Company as at December 31, 2019. The details of actuarial valuation are given in note 9.2 to these consolidated financial statements. The actuarial gains and losses are recognised in other comprehensive income in the year in which they arise. The Subsidiary Company operates an unfunded defined benefits plan for its permanent employees, for which deferred liability is recognized in these financial statements. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Unfunded defined benefit plan is provided for permanent employees of the Subsidiary Company for which deferred liability is recognized in the financial statements. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

3.3 Taxation

(a) Current

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. Further, the Company is also exempt from minimum tax on turnover under clause (11 A) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Subsidiary Company accounts for current taxation on the basis of taxable income at the current rates of taxation after taking into account tax credits and rebates, if any, and any adjustment to tax payable in respect of previous year in accordance with the provisions of the Income Tax Ordinance, 2001.

(b) Deferred

Deferred tax has not been provided in these financial statements as 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.

The Subsidiary Company recognises deferred tax to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.4 Borrowing costs

Borrowing costs on loans which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent that these are regarded as adjustment to borrowing cost. All other borrowing costs are charged to profit or loss.

3.5 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle such obligations and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and are adjusted to reflect the current best estimate.

3.6 Stock in trade

These are valued at lower of cost and net realisable value. Cost is determined using weighted average cost method. Cost of inventory comprises of the purchase price and other direct costs incurred in bringing the inventory items to their present location and condition. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

3.7 Foreign currency transactions and translations

Foreign currency transactions are recorded in PKR at the rate of exchange prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevalent on the reporting date. Non monetary assets that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Exchange differences are accounted for as follows:

(i) Exchange differences related to foreign currency loans obtained for financing of the plant and machinery are capitalised and depreciated over the remaining useful life of the related assets in accordance with SRO 24(1)/2012 of SECP.

(ii) All other exchange differences are charged to profit or loss on net basis.

3.8 Financial Instruments - Initial recognition and subsequent measurement

Initial Recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortised cost or cost as the case may be.

Classification of financial assets - policy applicable from January 01, 2019

The Group classifies its financial instruments in the following categories:

- at fair value through profit or loss (“FVTPL”),
- at fair value through other comprehensive income (“FVTOCI”), or
- at amortised cost.

The Group determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Group’s business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Classification of financial liabilities - policy applicable from January 01, 2019

The Group classifies its financial liabilities in the following categories:

- at fair value through profit or loss ("FVTPL"), or
- at amortised cost.

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Group has opted to measure them at FVTPL.

Subsequent measurement - policy applicable from January 01, 2019

i) Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income / (loss).

ii) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment.

iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Where management has opted to recognise a financial liability at FVTPL, any changes associated with the Group's own credit risk will be recognized in other comprehensive income / (loss). Currently, there are no financial liabilities designated at FVTPL.

Derecognition - policy applicable from January 01, 2019

i) Financial assets

The Group derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

ii) Financial liabilities

The Group derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss and other comprehensive income.

Offsetting of financial assets and financial liabilities - Policy applicable from January 01, 2019

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Financial Instruments - Policy applicable before January 01, 2019

Non-derivative financial assets

These are initially recognised on the date that they are originated i.e. on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. Investments are recognised on settlement date.

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or when the Group transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group's non-derivative financial assets are classified as loans and receivables.

Loans and receivables comprise trade debts, deposits, other receivables, advances to employees, cash and cash equivalents.

Trade debts, deposits and other receivables

Deposits and trade and other receivable are stated initially at the fair value. Subsequent to initial recognition these are stated at their amortised cost as reduced by appropriate provision for impairment. Known impaired receivables are written off, while receivables considered doubtful of recovery are fully provided for.

The allowance for doubtful accounts is based on the Group’s assessment of the collectability of counterparty accounts. The Group regularly reviews its debts and receivables that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a counterparty’s ability to pay.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in their fair value.

Non-derivative financial liabilities

The Group initially recognises non derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Non derivative financial liabilities comprise of mark-up bearing borrowings including long term financing, obligations under finance lease, subordinated loan, short term borrowings, markup accrued and trade and other payables.

Trade and other payables

Liabilities for trade and other payable are carried at amortised cost, which approximates the fair value of consideration to be paid in future for goods and services received, whether or not billed to the Group.

Borrowings

Mark-up bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at originally recognised amount less subsequent repayments, while the difference between the original recognised amounts (as reduced by periodic payments) and redemption value is recognised in profit or loss over the period of borrowings on an effective rate basis except to the extent capitalised as borrowing cost.

Finance costs are accounted for on an accrual basis and are reported under mark-up accrued on borrowings to the extent of the amount remains unpaid.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.9 Impairment of financial asset - Policy applicable from January 01, 2019

The Group recognises loss allowance for Expected Credit Loss (ECL) on financial assets measured at amortised cost and FVTOCI at an amount equal to lifetime ECLs except for the financial assets in which there is no significant increase in credit risk since initial recognition or financial assets which are determined to have low credit risk at the reporting date, in which case 12 months' ECL is recorded.

For trade debts the Group applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected allowance. The Group uses General 3-stage approach for deposits, other receivables, advances and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instruments has not increased significantly since initial recognition.

The following were either determined to have low or there was no increase in credit risk since initial recognition as at the reporting date:

- Long term deposits;
- Other receivables;
- Advances to employees;
- Security Deposits; and
- Bank balances.

Life time ECLs are the ECLs that results from all possible default events over the expected life of a financial instrument. 12 months ECLs are portion of ECL that result from default events that are possible within 12 months after the reporting date.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Group expects to receive).

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

The Group uses simplified approach for expected credit loss of trade debts.

Impairment of financial asset - Policy applicable before January 01, 2019

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor or indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and are reflected in an allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.10 Finance income and finance cost

Finance income comprises profit on deposit accounts and profit on short term investment. Profit on deposit accounts is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Income on term deposit receipts is recognised on time proportion basis taking into account the effective yield of such securities.

Finance cost comprises interest expense on borrowings, interest on finance lease liabilities, bank charges, exchange loss - net and other charges on borrowings. Mark-up and other charges on borrowings other than expense incurred on qualifying assets are charged to profit or loss in the period in which they are incurred.

3.11 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.12 Provision for Workers' Profit Participation Fund

The Company does not account for Provision for Workers Profit Participation Fund (WPPF) in its profit or loss as they are pass through items to NTDC under the PPA. In case the liability arises, it is recovered from NTDC.

3.13 Dividend

Dividend distribution to the shareholders is recognised as liability in the period in which it is declared.

3.14 Forthcoming changes in approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On March 29, 2018 the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately and contain changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Group.

- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after July 01, 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term ‘regulatory deferral account balance’ has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on the Group’s financial statements.

The above amendments are effective from annual period beginning on or after January 01, 2020 and are not likely to have an impact on the Group’s financial statements.

4 SHARE CAPITAL

	2019	2018
	Rupees	
4.1 Authorised share capital		
405,000,000 (2018: 405,000,000) ordinary shares of Rs.10 each	**4,050,000,000**	4,050,000,000
4.2 Issued, subscribed and paid-up capital		
386,471,779 (2018: 386,471,779) ordinary shares of Rs.10 each fully paid in cash.	**3,864,717,790**	3,864,717,790

4.3 Saif Holdings Limited (''the Controlling Party'') holds 197,272,619 i.e. 51.04% shares (2018: 197,272,619 i.e. 51.04%) ordinary shares of Rs.10/- each at the reporting date. Further, 16,002 (2018: 12,502) and 100 (2018: 100) ordinary shares of Rs.10 each are held by directors and a related party respectively. Orastar Limited held 66,022,504 (2018: 66,022,504) ordinary shares of the Company.

5 LONG TERM FINANCING

	Note	2019	2018
		Rupees	
Loan from banking companies and financial institutions			
Syndicate term finance facilities	5.1	**788,379,612**	2,975,180,137
Current portion of long term financing	11	**(788,379,612)**	(2,322,465,694)
		-	652,714,443

5.1 Breakup of syndicate term finance facilities is as follows:

	Note	2019	2018
Syndicate term finance facility under SFA	5.1.1	**653,303,900**	2,465,112,225
Syndicate term finance facility under TFFA	5.1.2	**135,075,712**	510,067,912
		788,379,612	2,975,180,137

5.1.1 Syndicate term finance facility under Senior Facility Agreement ("SFA")

	2019	2018
National Bank of Pakistan	**126,059,185**	551,866,220
Habib Bank Limited	**126,059,185**	551,866,220
United Bank Limited	**238,440,900**	648,913,448
Allied Bank Limited	**60,508,408**	264,895,785
Faysal Bank Limited	**25,211,835**	110,373,243
Askari Bank Limited	**25,212,635**	110,374,043
Bank of Punjab	**25,211,835**	110,373,243
Pak Oman Investment Company Limited	**15,127,101**	66,223,945
Saudi Pak Industrial & Agricultural Investment Company Limited	**11,472,816**	50,226,078
	653,303,900	2,465,112,225

This represents a syndicate senior facility of Rs. 10,727.53 million (2018: Rs. 10,727.53 million) obtained from a consortium of seven banks and two Development Finance Institutions (DFIs) led by Habib Bank Limited, the agent bank. The facility carries mark-up at the rate of 3 months KIBOR plus 3% per annum with no floor or cap and is payable in quarterly installments in a period of ten years, starting from June 30, 2010. The facility is secured against immovable property of the Company located at Sahiwal, project receivables, sponsors' shares constituting 51% of total issued share capital of the Company, lien over project accounts and all present and future assets and properties of the Company for an amount of Rs. 27,210.47 million (2018: Rs. 27,210.47 million) and assignment of the Company's rights and benefits under all project agreements.

5.1.2 Syndicate term finance facility under Term Finance Facility Agreement ("TFFA")

	2019	2018
	Rupees	
National Bank of Pakistan	**26,046,416**	114,196,490
Habib Bank Limited	**26,046,416**	114,196,490
United Bank Limited	**49,351,750**	134,224,428
Allied Bank Limited	**12,502,279**	54,814,314
Faysal Bank Limited	**5,209,282**	22,839,297
Askari Bank Limited	**5,209,282**	22,839,297
Saudi Pak Industrial & Agricultural Investment Company Limited	**2,375,433**	10,414,720
Pak Brunei Investment Company Limited	**8,334,854**	36,542,876
	135,075,712	510,067,912

This represents a syndicate term finance facility of Rs. 2,180 million (2018: Rs. 2,180 million) obtained from a consortium of six banks and two DFIs led by Habib Bank Limited, the agent bank. The facility carries mark-up at the rate of 3 months KIBOR plus 3% per annum with no floor or cap and payable in quarterly installments in a period of ten years, starting from June 30, 2010. The facility is secured against immovable property of the Company located at Sahiwal, project receivables, sponsors' shares constituting 51% of total issued share capital of the Company, lien over project accounts and all present and future assets and properties of the Company for an amount of Rs. 2,906.66 million (2018: Rs. 2,906.66 million) and assignment of the Company's rights and benefits under all project agreements.

5.2 Subject to certain materiality test, significant covenants of above facilities are as follows:

(i) Restriction of creation of further charge on the assets;
(ii) Certain restriction on distribution of dividend; and
(iii) Maintenance of debt service coverage ratio, debt equity ratio and leverage ratio.

Further covenants under these loans relate to the operation of the Company, project accounts, PPA and material agreements.

6 SUB-ORDINATED LOAN - UNSECURED

	Note	2019	2018
		Rupees	
Balance at January 01		**959,541,656**	762,252,708
Exchange loss capitalised	6.1	**112,095,994**	197,288,948
		1,071,637,650	959,541,656
Current portion of subordinated loan		**(357,212,541)**	(159,923,606)
Balance at December 31	6.2	**714,425,109**	799,618,050

6.1 Exchange loss on sub-ordinated loan has been capitalised in accordance with note 3.7(i).

6.2 This represents remaining balance of US $ 6,898,215 (2018: US $ 6,898,215) from the original foreign currency loan of US $ 8,946,353 obtained from Orastar Limited, incorporated under the laws of British Virgin Island (BVI). The loan is duly registered with State Bank of Pakistan (SBP). The loan carries a markup at the rate of 3 months USD LIBOR plus 3% per annum and payable in quarterly installments in a period of six years starting from January 1, 2019 subject to availability of surplus funds for distribution. As per agreement, the Company can also issue shares to Orastar Limited in lieu of repayment on mutually agreed basis.

		2019	2018
7	**LEASE LIABILITIES**	Rupees	
	Lease liabilities (2018: Finance lease liabilities)	**62,181,777**	12,504,766
	Less: Current portion	**(11,634,698)**	(3,695,846)
	Long term portion	**50,547,079**	8,808,920

Movement of lease liabilities under IFRS 16 is as follows:

	2019	2018
Balance at January 01	**51,883,160**	-
New lease liabilities	**21,417,110**	-
Interest	**6,844,743**	-
Payments during the year	**(17,963,236)**	-
Balance at December 31	**62,181,777**	-
Current portion of lease liabilities	**(11,634,698)**	-
Non-Current Portion of Lease Liabilities	**50,547,079**	-

Maturity analysis of undiscounted lease payments that will be paid after the reporting date is as follow:

		Note	2019	2018
			Rupees	
	Less than one year		**18,088,190**	-
	One to two years		**20,978,962**	-
	Two to three years		**16,456,048**	-
	Three to four years		**16,898,477**	-
	Four to five years		**3,496,254**	-
	More than five years		**3,099,162**	-
			79,017,093	-
8	**Deferred liability - gratuity**			
	Balance at January 01		**-**	-
	Provision for gratuity expense for the year	8.2	**2,962,420**	-
	Benefit paid during the year		**-**	-
	Balance at December 31	8.1	**2,962,420**	-

8.1 During the year, unfunded defined benefit plan has been provided for permanent employees of the Subsidiary Company, in service for more than one year, for which deferred liability has been recognised in these financial statements. The actuarial valuation in respect of provision for gratuity has not been carried out since the management believes that impact is not material.

8.2 Gratuity expense amounting to Rs. 2,890,288 was capitalized as capital work in progress as disclosed in note 14.1.2 in accordance with the Subsidiary Company's approved policy for capitalization of expenses, while expense amounting to Rs. 72,132 was as administrative expense as disclosed in note 26.1.

		Note	2019	2018
			Rupees	
9	**TRADE AND OTHER PAYABLES**			
	Creditors		**1,587,031,977**	588,197,211
	Accrued liabilities		**90,110,760**	100,187,093
	Withholding tax payable		**2,565,581**	2,906,022
	Sales tax payable		**-**	28,169,431
	WPPF payable	9.1	**182,497,345**	151,654,044
	Payable to staff gratuity fund	9.2	**9,275,098**	16,314,930
	Support services fee payable to the Holding Company		**221,525,725**	221,525,725
	Other payables		**5,776,384**	5,241,176
			2,098,782,870	1,114,195,632
9.1	**Workers' Profit Participation Fund**			
	Balance at January 01		**151,654,044**	129,606,247
	Provision for the year		**182,497,345**	151,654,044
	Payment during the year		**(151,654,044)**	(129,606,247)
	Balance at December 31	9.1.1	**182,497,345**	151,654,044

9.1.1 This represent Workers' Profit Participation Fund (WPPF) payable at the rate of 5% of the net profit for the year and is a pass through item under the provisions of Power Purchase Agreement (PPA).

		Note	2019	2018
			Rupees	
9.2	**Payable to staff gratuity fund**			
	The amount recognised in the statement of financial position is as follows:			
	Present value of defined benefit obligation	9.2.1	**80,798,915**	64,878,789
	Less: Fair value of plan assets	9.2.2	**(71,523,817)**	(48,563,859)
	Net defined benefit liability		**9,275,098**	16,314,930

9.2.1 The movement in present value of defined benefit obligation is as follows:

	2019	2018
Balance at January 01	**64,878,789**	45,809,648
Included in profit or loss		
Current service cost	**7,905,156**	5,965,817
Interest cost	**8,549,441**	3,779,296
	16,454,597	9,745,113
Included in other comprehensive income		
Remeasurement loss:		
- Actuarial loss	**174,937**	9,324,028
Others		
Benefits paid	**(709,408)**	-
Balance at December 31	**80,798,915**	64,878,789

9.2.2 The movement in fair value of plan assets is as follows:

	Note	2019	2018
		Rupees	
Balance at January 01		**48,563,859**	36,830,361
Included in profit or loss			
Interest income		**7,468,577**	3,408,900
Included in other comprehensive income			
Return on plan assets excluding interest income		**(114,141)**	(654,690)
Others			
Contribution to gratuity fund		**16,314,930**	8,979,288
Benefits paid		**(709,408)**	-
Balance at December 31		**71,523,817**	48,563,859

Breakup of plan assets is as follows:

Cash at bank		**22,574**	124,570
Cash balance		**1,046**	-
Treasury bills		**56,456,644**	48,439,289
Term finance certificates		**15,043,553**	-
		71,523,817	48,563,859

Allocation of gratuity expense is as follows:

Cost of sales	24.1	**5,158,242**	3,639,344
Administrative expenses	26.1	**3,827,778**	2,696,869
		8,986,020	6,336,213

Gratuity plan entitles a retired employee to receive gratuity equivalent to last drawn salary into eligible number of years of service. The gratuity plan is administered by a gratuity fund that is legally separated from the Company and is funded by the Company based on actuarial valuation. Employees are not required to contribute to this plan. The latest actuarial valuation was carried out on December 31, 2019 using projected unit credit method. Expected gratuity expense for the next financial year is Rs. 8,983,007. This defined benefit plan exposes the Company to the following actuarial risks:

(a) Final salary risk

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

(b) Demographic risks

-Mortality risk
The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

-Withdrawal risk
The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

(c) Investment risk

The risk of the investment underperforming and being not sufficient to meet the liabilities.

Key actuarial assumptions	2019	2018
Discount rate used for interest cost	13.25%	8.25%
Discount rate used for year end obligation	11.25%	13.25%
Future salary growth	10.25%	12.25%
Expected mortality for active members	As per SLIC 2001-2005 setback 1 Year	As per SLIC 2001-2005 setback 1 Year
Average expected remaining working life time of employees	5 years	5 years

Sensitivity analysis

Reasonably possible changes at the reporting date at one of the relevant actuarial assumptions, holding other assumption constant, would have affected the defined benefit obligations by the amount shown below;

	December 31, 2019		December 31, 2018	
	Increase	Decrease	Increase	Decrease
	Rupees			
Discount rate (1% movement)	77,236,007	84,918,454	61,943,170	68,246,123
Future salary growth (1% movement)	85,028,779	77,074,834	68,342,110	61,805,882

10 SHORT TERM BORROWINGS

	Note	2019	2018
		Rupees	
Short term borrowings from banking companies			
Working capital facilities - secured	10.1	2,510,937,336	5,031,518,017
Short term musharakah facilities - secured	10.2	2,749,445,981	417,035,977
Loan from related party	10.3	-	24,496,976
		5,260,383,317	5,473,050,970

10.1 The Company has obtained working capital facilities amounting to Rs. 8.63 billion (2018: Rs. 8.65 billion) from several commercial banks for meeting the working capital requirements, expiring on various dates during 2020. Effective markup rates during the year on these facilities ranges between 11.05% to 15.36% (2018: 6.66% to 11.25%) with no floor or cap and payable in arrears on quarterly basis. The facilities are secured by way of mortgage charge on fuel stocks inventory and energy payment receivables up to Rs. 13.24 billion (2018: Rs. 12.77 billion) and subordinated / ranking charge on all present and future fixed assets and properties of the Company for an amount of Rs. 0.99 billion (2018: Rs. 1.41 billion).

10.2 The Company has obtained short term Islamic finance facilities from Islamic banks subject to a maximum limit of Rs. 4.05 billion (2018: Rs. 1.25 billion). Effective variable markup rate during the year on these facilities ranges between 11.15% to 14.86% (2018: 6.76% to 10.17%) and are secured by pari passu / ranking charge on fuel stock and energy purchase price receivables of the Company up to Rs. 5.36 billion (2018: Rs. 1.63 billion) and subordinated / ranking charge on all present and future fixed assets and properties of the Company up to Rs. 0.65 billion (2018: Rs. 0.23 billion).

10.3 This represented principal and interest accrued in respect of loan obtained by the Subsidiary Company from the Controlling party.

10.4 Letters of credit / guarantee

Letters of guarantee amounting to Rs. 4.22 billion (2018: Rs. 4.37 billion) are available to the Company. These facilities are secured against the ranking charge over all present and future fixed assets amounting to Rs. 6.58 billion (2018: Rs. 6.58 billion).

11 CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2019	2018
		Rupees	
Current portion of long term financing	5	**788,379,612**	2,322,465,694
Current portion of sub-ordinated loan	6	**357,212,541**	159,923,606
Current portion of lease liabilities	7	**11,634,698**	3,695,846
		1,157,226,851	2,486,085,146

12 MARKUP ACCRUED

	2019	2018
Markup on long term financing	**51,332,385**	96,251,206
Markup on short term financing	**199,897,090**	108,530,059
Markup on sub-ordinated loan	**444,431,110**	345,645,490
	695,660,585	550,426,755

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies:

13.1.1 In 2014, the tax authorities raised sales tax demand of Rs. 1,498.51 million by partially disallowing input sales tax for the tax periods 2010 to 2013 by apportioning the total claim to energy purchase price and capacity purchase price, the latter being not subject to sales tax. On appeal filed by the Company, the Appellate Tribunal Inland Revenue (ATIR) directed the taxation officer to decide the matter in line with expected judgment of the Honorable High Court in parallel cases. Consequently, at present, the aforesaid tax demand is no more payable. Tax Authorities, against the decision of ATIR, filed reference application under section 47 of the Sales Tax Act, 1990 before the Honorable Islamabad High Court on October 16, 2015. However, in case the matter is eventually resolved against the Company, the tax payment will be claimable under the Power Purchase Agreement. Based on the advice of the Company's tax consultants and decision of the Lahore High Court in a parallel case, the Company’s management believes that the contention of tax department even after filing of reference application does not commensurate with the related statutory provisions and the issue is likely to be decided in favor of the Company.

13.1.2 For the tax period July 2015 to June 2016, the assessing officer raised sales tax demand of Rs. 10.43 million in the matter of inadmissibility of input tax in relation to financial banking services, security services and business support services procured by the Company. The Company filed an appeal with

Commissioner (Appeals), who decided the matter in favor of the Company on account of business support services and remanded the matter to assessing officer on account of security services and financial banking services. The Company filed appeal to the Appellant Tribunal Inland Revenue (ATIR) against the order of Commissioner (Appeals) which is pending adjudication. Maximum amount of contingency as per the Company's records is Rs. 4.92 million.

13.1.3 In respect of Tax Years 2014 and 2015, the assessing officer amended the Company’s assessments and raised tax demand amounting to Rs. 25.15 million and Rs. 9.45 million respectively by subjecting bank profit, return on investments and foreign exchange gain to tax. The Company filed an appeal before Commissioner (Appeals), who confirmed the tax imposed in the earlier order and further ordered to charge tax on interest on delayed payment revenue. On May 29, 2018 the Company filed an appeal before ATIR against the order of Commissioner (Appeals). Subsequent to year end, ATIR decided the case in favour of the Company.

13.1.4 For Tax Year 2015, the assessing officer raised demand of Rs. 55.6 million in March 2017 for alleged non-withholding of tax on salaries, payment for goods and service, rent and dividend. The Company filed appeal before Commissioner (Appeals) who remanded the case to the assessing officer who in turn created a demand of Rs. 13.4 million in September 2018. The Company again filed appeal before Commissioner (Appeals) against the appeal effect order on October 16, 2018. Commissioner (Appeals) remanded the case to assessing officer where it is pending for final assessment.

13.1.5 For Tax Year 2013, the assessing officer in June 29, 2019 raised a demand of Rs. 29.09 million on account of non-payment to Workers' Welfare Fund. The Company filed appeal before Commissioner (Appeals) on July 26, 2019. Subsequent to year end, Commissioner (Appeals) decided the matter in favour of the Company.

13.1.6 Sui Northern Gas Pipelines Limited (SNGPL) has claimed an amount of Rs.95.99 million (2018: Rs 89.28 million) on account of late payment by the Company against SNGPL's invoices of Regasified Liquefied Natural Gas (RLNG). SNGPL submitted these RLNG invoices to the Company without getting determination of RLNG tariff from Oil and Gas Regulatory Authority (OGRA). The Company has considered such SNGPL invoices to be invalid without OGRA determination. Therefore, no provision for the above mentioned amount has been made in these financial statements.

13.2 Commitments:

13.2.1 The Company is committed to pay monthly fee and milestone payments to its O&M contractors as per terms agreed in the Operations & Maintenance (O&M) agreement.

13.2.2 Performance guarantees amounting to Rs. 10.3 million in favor of Directorate General Mines and Minerals have been issued by banks on behalf of the Subsidiary Company. Also refer note 22.1 and 22.4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

14 PROPERTY, PLANT AND EQUIPMENT

	Owned assets											Leased assets	
	Freehold land	Buildings on freehold land	Plant and machinery	Office equipment	Computer and accessories	Furniture and fixtures	Motorcycle and bicycle	Vehicles	Other assets	Stores held for capital expenditure	Capital work in progress (note 14.1)	Vehicles	Total
	Rupees												
Cost													
Balance at January 1, 2018	43,890,600	2,352,888,758	15,143,868,768	10,377,030	5,280,825	3,807,168	395,645	8,245,194	626,230	511,038,581	-	25,029,560	18,105,448,359
Acquisition through business combination	500,000	-	-	264,532	238,293	-	-	143,724	-	-	167,533,284	-	168,679,833
Additions	415,367,600	-	-	661,412	368,195	3,063,030	-	-	-	-	66,952,874	-	486,413,111
Transfers	-	-	-	-	-	-	-	7,905,238	-	-	-	(7,905,238)	-
Disposals	-	-	-	(18,289)	(74,240)	-	-	(357,500)	-	-	-	-	(450,029)
Effect of exchange loss (Refer note 6.1)	-	-	197,288,948	-	-	-	-	-	-	-	-	-	197,288,948
Balance at December 31, 2018	459,758,200	2,352,888,758	15,341,157,716	11,284,685	5,813,073	6,870,198	395,645	15,936,656	626,230	511,038,581	234,486,158	17,124,322	18,957,380,222
Balance at January 1, 2019	**459,758,200**	**2,352,888,758**	**15,341,157,716**	**11,284,685**	**5,813,073**	**6,870,198**	**395,645**	**15,936,656**	**626,230**	**511,038,581**	**234,486,158**	**17,124,322**	**18,957,380,222**
Recognition of right-of-use asset on **initial application of IFRS 16**	-	-	-	-	-	-	-	-	-	-	-	**(17,124,322)**	**(17,124,322)**
Adjusted balance at January 1, 2019	**459,758,200**	**2,352,888,758**	**15,341,157,716**	**11,284,685**	**5,813,073**	**6,870,198**	**395,645**	**15,936,656**	**626,230**	**511,038,581**	**234,486,158**	-	**18,940,255,900**
Additions	**1,698,085**	-	**1,069,563,372**	**236,074**	**809,106**	**13,000**	-	-	-	-	**91,380,156**	-	**1,163,699,793**
Disposal	-	-	-	**(47,210)**	**(90,090)**	-	-	**(3,152,912)**	-	-	-	-	**(3,290,212)**
Derecognition	-	-	**(1,573,800,469)**	-	-	-	-	-	-	-	-	-	**(1,573,800,469)**
Effect of exchange loss (Refer note 6.1)	-	-	**112,095,994**	-	-	-	-	-	-	-	-	-	**112,095,994**
Balance at December 31, 2019	**461,456,285**	**2,352,888,758**	**14,949,016,613**	**11,473,549**	**6,532,089**	**6,883,198**	**395,645**	**12,783,744**	**626,230**	**511,038,581**	**325,866,314**	-	**18,638,961,006**
DEPRECIATION													
Balance at January 1, 2018	-	610,793,692	3,778,111,078	7,977,451	4,541,034	3,006,387	294,221	5,695,556	626,230	-	-	6,792,332	4,417,837,981
Charge for the year	-	78,351,192	509,578,659	565,449	225,540	435,988	26,015	1,860,831	-	-	-	3,477,716	594,521,390
On transfers	-	-	-	-	-	-	-	3,840,755	-	-	-	(3,840,755)	-
On disposals	-	-	-	(12,701)	(74,240)	-	-	(286,000)	-	-	-	-	(372,941)
Balance at December 31, 2018	-	689,144,884	4,287,689,737	8,530,199	4,692,334	3,442,375	320,236	11,111,142	626,230	-	-	6,429,293	5,011,986,430
Balance at January 1, 2019	-	**689,144,884**	**4,287,689,737**	**8,530,199**	**4,692,334**	**3,442,375**	**320,236**	**11,111,142**	**626,230**	-	-	**6,429,293**	**5,011,986,430**
Recognition of right-of-use asset on initial application of IFRS 16	-	-	-	-	-	-	-	-	-	-	-	**(6,429,293)**	**(6,429,293)**
Adjusted balance at January 1, 2019	-	**689,144,884**	**4,287,689,737**	**8,530,199**	**4,692,334**	**3,442,375**	**320,236**	**11,111,142**	**626,230**	-	-	-	**5,005,557,137**
Charge for the year	-	**78,351,192**	**516,598,772**	**682,374**	**528,944**	**448,476**	**13,896**	**1,915,476**	-	-	-	-	**598,539,130**
On disposals	-	-	-	**(36,108)**	**(90,090)**	-	-	**(2,522,329)**	-	-	-	-	**(2,648,527)**
On derecognition	-	-	**(506,606,371)**	-	-	-	-	-	-	-	-	-	**(506,606,371)**
Balance at December 31, 2019	-	**767,496,076**	**4,297,682,138**	**9,176,465**	**5,131,188**	**3,890,851**	**334,132**	**10,504,289**	**626,230**	-	-	-	**5,094,841,369**
IMPAIRMENT													
Balance at January 1, 2018	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at January 1, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	**833,794,098**	-	-	-	-	-	-	-	-	-	**833,794,098**
On derecognition	-	-	**(833,794,098)**	-	-	-	-	-	-	-	-	-	**(833,794,098)**
Balance at December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amounts													
At January 1, 2018	**43,890,600**	**1,742,095,066**	**11,365,757,690**	**2,399,579**	**739,791**	**800,781**	**101,424**	**2,549,638**	-	**511,038,581**	-	**18,237,228**	**13,687,610,378**
At December 31, 2018	**459,758,200**	**1,663,743,874**	**11,053,467,979**	**2,754,486**	**1,120,739**	**3,427,823**	**75,409**	**4,825,514**	-	**511,038,581**	**234,486,158**	**10,695,029**	**13,945,393,792**
At December 31, 2019	**461,456,285**	**1,585,392,682**	**10,651,334,475**	**2,297,084**	**1,400,901**	**2,992,347**	**61,513**	**2,279,455**	-	**511,038,581**	**325,866,314**	-	**13,544,119,637**
Rate of depreciation per annum (%)	-	**3.33%**	**3.33% to 4.92%**	**10 % to 33.33%**	**33.33%**	**10%**	**20%**	**20%**	**10%**	-	-	**20%**	

14.1	Capital work in progress	Note	2019 Rupees	2018 Rupees
	Advisory and consultancy charges	14.1.1	215,172,303	175,855,868
	Salaries, wages and other benefits	14.1.2	54,612,666	18,942,027
	Security charges		13,149,013	10,720,193
	Borrowing	14.1.3	9,463,167	8,733,221
	Travelling expenses		2,545,297	2,137,975
	License fee		820,840	725,040
	Equipment rentals		903,468	1,082,500
	Fuel expenses		4,279,369	1,750,809
	Vehicle rentals		2,891,001	1,383,770
	Miscellaneous expenses	14.1.4	22,029,190	13,154,755
			325,866,314	234,486,158

14.1.1 This includes cost of technical advisory services amounting to Rs. 74,548,877 (2018: Rs. 73,131,932) from PEG S.A. and cost of geological exploration consultancy amounting to Rs. 83,070,914 (2018: Rs. 82,201,535) procured by Subsidiary Company, from Sinoma Handan Engineering Company (Private) Limited and cost of consulting services amounting to Rs. 22.16 million (2018: Nil) from Hybrid Technics (Private) Limited in respect of seeking approval for establishing Special Economic Zone in Paharpur, Dera Ismail Khan.

14.1.2 These include Rs. 2,890,288 (2018: Nil) charged in respect of staff retirement benefits - gratuity of permanent employees of Subsidiary Company.

14.1.3 An amount of Rs. 729,946 (2018: Rs. 3,494,767) representing borrowing cost for the year has been capitalized by Subsidiary Company using capitalization rate of 7.05% - 12.47% per annum (2018: 7.05% - 9.86% per annum).

14.1.4 This includes an amount of Rs. 488,000 (2018: Rs. 165,000) representing auditor's remuneration paid in relation to statuary auditor's certification in respect of further issues of ordinary shares.

14.2	The depreciation charge for the year has been allocated as follows:	Note	2019 Rupees	2018 Rupees
	Depreciation - Cost of sales	24	594,949,964	587,929,851
	Impairment loss	14.2.1	833,794,098	-
			1,428,744,062	587,929,851
	Depreciation - Administrative expenses	26	3,589,166	6,591,539
			1,432,333,228	594,521,390

14.2.1 This represents impairment loss related to damaged component of the plant.

14.3 Particulars of the immovable fixed assets

The Company's immovable fixed assets consist of buildings and civil structure on land measuring 275.35 Kanals, located at Chak 56/5L, Qadarabad Multan Road, District Sahiwal, Punjab.

The Subsidiary Company's immovable fixed assets consist of land measuring 4,410 kanals and 4 marlas, located at Saiduwali Village Tehsil Paharpur, District Dera Ismail Khan, Khyber Pakhtoonkhawa, Pakistan.

15	RIGHT OF USE ASSETS	Note	2019	2018
			Rupees	
	COST			
	Balance at January 1		57,961,491	-
	Additions		21,957,919	-
	Disposals		-	-
	Balance at December 31		79,919,410	-
	DEPRECIATION			
	Balance at January 01		6,429,293	-
	Charge for the year	26	11,971,720	-
	On disposals		-	-
	Balance at December 31		18,401,013	-
	Carrying amount		61,518,397	-
	Rate of depreciation per annum (%)		10% to 20%	-

16 PORJECT TRANSACTION COST

These represent expenses incurred against advisory services in relation to the project financing of the Subsidiary Company.

17	GOODWILL	2019	2018
		Rupees	
	Balance at January 01	11,530,918	-
	Acquisition through business combinations	-	11,530,918
	Balance at December 31	11,530,918	11,530,918

Acquisition of subsidiary

The Company acquired 1,062,500 ordinary shares of Rs. 10 each of the Subsidiary Company, on August 01, 2018 ("the acquisition date") through issuance of shares by the Subsidiary Company. Further right issue of 72,427,919 ordinary shares of Rs. 10 each was made by the Subsidiary Company to the Company till December 31, 2019 as a result the Company holds 96.28% of the issued share capital of the Subsidiary Company. Control of the Subsidiary Company was transferred to the Company on acquisition date.

18	TRADE DEBTS	Note	2019	2018
			Rupees	
	National Transmission and Dispatch Company (NTDC)	18.1	9,650,652,780	8,415,730,184

18.1 Trade debts include an overdue amount of Rs 7.67 billion (2018: Rs. 6.72 billion) on account of circular debt. The Company considers this amount to be fully recoverable because this is secured by way of guarantee issued by the Government of Pakistan (GoP) under the Implementation Agreement (IA). Additionally, trade debts are subject to markup on delayed payments under PPA at the rate of KIBOR+4.5% per annum except RLNG fuel invoices which are subject to markup of KIBOR+2% for first 30 days and after 30 days markup will be KIBOR+4.5%. GoP is committed, hence continuously pursuing for satisfactory settlement of debt issue.

18.2 Included in trade debts is an amount of Rs. 477.56 million (2018: Rs. 477.56 million) relating to capacity purchase price not acknowledged by NTDC as the plant was not fully available for power generation. However, the sole reason of this under-utilisation of plant capacity was non-availability of fuel owing to non-payment by NTDC.

The Company along with other Independent Power Producers (IPPs) agreed with NTDC to resolve the dispute through dispute resolution mechanism (appointment of expert) under the PPA. In his decision the expert in August 2015 determined that the amount mentioned above is payable to the Company and accordingly the Company has claimed the said amount from NTDC. Since NTDC did not conform to requirements of PPA relating to Expert decision within 30 days, the IPPs went to London Court of International Arbitration (LCIA).

Sole arbitrator appointed by LCIA issued a partial final award on June 08, 2017 wherein it was inter alia held that the expert determination is final and binding. Thereafter, a final award was issued by the sole arbitrator on October 29, 2017 pursuant to which NTDC was ordered to pay Rs. 477.56 million (2018: Rs. 477.56 million) along with cost of proceedings, interest from the date of expert determination till payment by NTDC, after Arbitrator decision, to the Company. The Company filed petitions before Lahore High Court for enforcement of partial final award and final award on June 17, 2017 and November 30, 2017 respectively, which proceedings are pending till date. NTDC has also challenged the partial final award and final award in Civil Court, Lahore.

18.3 During year ended December 31, 2016 an amount of Rs. 239.68 million relating to capacity purchase price not acknowledged by NTDC was adjusted by the Company against payable to SNGPL pursuant to award in favour of the Company for the whole amount by the London Court of International Arbitration (Arbitrator). SNGPL disputed the adjustment/set off amount of Award in the Lahore High Court, however, the court dismissed such petition of SNGPL. Thereafter, SNGPL filed appeal before the Supreme Court of Pakistan, which disposed off the appeal by stating that the judgement of the Lahore High Court, to the extent it decides on merits, the question of the Company's right to set off is set aside (without prejudice to the rights of the parties). SNGPL also challenged the award in Civil Court, Lahore, on April 21, 2016 which is pending adjudication. On June 07, 2016 the Company filed a petition in the Civil Court Lahore to obtain a Decree in lieu of the arbitration award and also adjusted an amount of Rs. 270.66 million (inclusive of the aforementioned amount of Rs. 239.68 million) from payable to SNGPL as such amount was allowed by the LCIA in its award. During the year, SNGPL has filed suit for recovery before District Judge, Lahore (Invested with Powers of the Gas Utility Court) on March 01, 2019 against this adjustment including a claim for markup from the date of such adjustment and also has filed a request for Arbitration before LCIA on March 22, 2019. In its submission to LCIA on March 06, 2020, SNGPL has claimed adjusted amount of Rs. 270.66 million and markup amount of Rs. 236.47 million from the date of such adjustment. The Company's position is that no amount is payable to SNGPL and in any case, LCIA Arbitration is the only competent forum to decide on this case.

18.4 For aging of receivable from NTDC at the reporting date, refer to note 28.4.

19 OTHER RECEIVABLES

	2019	2018
	Rupees	
Workers' Profit Participation Fund (WPPF) receivable	**334,044,648**	496,240,240
Insurance claim receivable	**785,753,372**	-
Sales tax receivable - net	**27,741,941**	-
Other receivables	**16,899,493**	1,762,518
	1,164,439,454	498,002,758

		Note	2019	2018
20	**ADVANCES - considered good**		Rupees	
	Advances to supplier	20.1	97,456,918	374,545
	Advances to employees		892,321	546,672
			98,349,239	921,217

20.1 These include advance payment to SNGPL amounting to Rs. 96,332,896.

		Note	2019	2018
21	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Prepayments		61,172,356	49,101,107
	Security deposit		1,833,000	1,833,000
	Current portion of long term deposits		-	752,500
			63,005,356	51,686,607
22	**CASH AND BANK BALANCES**			
	Cash in hand		140,230	146,698
	Cash at bank:			
	Current accounts			
	Local currency	22.1	2,876,939	3,407,673
	Deposit accounts			
	Local currency		-	974
	Foreign currency	22.2	304,124	271,840
		22.3	304,124	272,814
	Short term investment	22.4	10,830,956	10,645,412
			14,152,249	14,472,597

22.1 This includes an amount of Rs. 0.3 million under lien to secure bank guarantee issued on behalf of the Subsidiary Company. Also refer note 13.2.2.

22.2 This represents an amount of USD 1,964 (2018: USD 1,954) in US Dollar deposit and current accounts.

22.3 These carry markup ranging from 7.75% to 11.96% (2018: 4% to 4.62%) per annum for Rupee denominated balances while 0.15% (2018: 0.15%) per annum for US Dollar denominated balances.

22.4 This represents investment in local currency Term Deposit Receipt carrying interest rate of 8.05% to 12.1% (2018: 8.05%) per annum having maturity of three months. The deposit is under lien to secure bank guarantee issued on behalf of the Subsidiary Company. Also refer note 13.2.2.

		2019	2018
23 TURNOVER - NET	**Note**	**Rupees**	
Gross Energy Purchase Price		**10,205,164,015**	13,685,991,456
Less: Sales tax		**(1,482,801,609)**	(1,990,837,969)
		8,722,362,406	11,695,153,487
Capacity Purchase Price		**6,188,018,470**	4,995,173,542
		14,910,380,876	16,690,327,029

24 COST OF SALES

	Note	**2019**	2018
Raw material consumed		**8,118,148,860**	11,000,232,532
Operation and maintenance		**888,634,449**	815,409,235
Salaries and other benefits	24.1	**66,550,886**	58,102,812
Electricity charges		**37,946,391**	21,568,216
Insurance expense/ (recovery)	24.2	**(652,965,263)**	138,225,809
Depreciation and impairment loss	14.2	**1,428,744,062**	587,929,851
Office expenses		**2,440,992**	1,564,615
Travelling, conveyance and entertainment		**1,708,330**	1,093,134
Repair and maintenance		**905,299**	1,098,461
Communication		**85,111**	98,065
		9,892,199,117	12,625,322,730

24.1 These include Rs. 5,158,242 (2018: Rs. 3,639,344) charged in respect of staff retirement benefits - gratuity.

24.2 This includes Rs. 820,628,372 related to recovery on account of damaged component of the plant.

		2019	2018
25 OTHER INCOME	Note	Rupees	
Income from financial assets			
Profit on deposit accounts		**1,076,273**	15,717
Return on investments		**1,493,763**	1,774,421
Income from non financial assets			
Insurance claim		**19,000**	34,012
Gain on disposal of property, plant and equipment		**426,062**	243,500
Scrap sales		**261,783**	360,665
		3,276,881	2,428,315

26 ADMINISTRATIVE EXPENSES	Note	2019	2018
		Rupees	
Salaries and other benefits	26.1	**57,431,593**	46,513,472
Traveling and conveyance		**2,097,040**	1,300,740
Rent, rates and taxes		**444,703**	10,165,604
Security services		**12,732,924**	11,941,276
Office expenses		**6,193,658**	6,395,772
Fees and subscriptions		**14,999,962**	11,447,724
Legal and professional		**10,811,554**	6,555,262
Consultancy		**23,357,590**	22,736,520
Repair and maintenance		**6,064,034**	5,677,380
Utilities		**1,977,924**	1,575,165
Insurance		**2,659,388**	2,393,835
Depreciation - Property, plant and equipment	14.2	**3,589,166**	6,591,539
Depreciation - Right of use assets	15	**11,971,720**	-
Auditors' remuneration	26.2	**3,271,803**	2,122,500
Donations	26.3	**7,300,000**	4,600,000
Advertisements		**135,715**	267,660
Others		**102,124**	282,391
		165,140,898	140,566,840

26.1 These include Rs. 3,827,778 and Rs. 72,132 (2018: Rs. 2,696,869 and Nil) charged in respect of staff retirement benefits - gratuity for permanent employees of the Company and the Subsidiary Company respectively.

26.2 Auditors' remuneration	2019	2018
	Rupees	
Annual audit fee	**1,141,000**	870,000
Half yearly review fee	**478,000**	424,000
Consolidation	**281,000**	250,000
Certifications	**399,403**	263,500
Out of pocket expenses	**71,000**	75,000
Other services	**901,400**	240,000
	3,271,803	2,122,500

26.3 This includes donation amounting to Rs. 6 million (2018: Rs. 4.5 million) to Akbar Kare Institute, Kulsum Plaza, Jinnah Avenue, Blue Area, Islamabad, a company registered under Section 42 of the repealed Companies Ordinance, 1984 in which following directors of the Company are common directors:

Name of Director	Nature of interest in donee
Mrs. Hoor Yousafzai	Director
Mr. Jehangir Saifullah Khan	Director

27 FINANCE COST	2019	2018
	Rupees	
Markup on short term borrowings	**741,042,628**	303,758,174
Markup on long term financing	**302,026,632**	401,469,713
Markup on sub-ordinated loan	**56,797,500**	43,961,603
Guarantee commission and arrangement fee	**16,499,996**	16,500,598
Markup on lease liabilities	**6,844,743**	918,537
Bank charges	**488,695**	662,314
Exchange loss - net	**86,187,262**	127,286,289
	1,209,887,456	894,557,228

28 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Fair value measurement

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Group is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

A. Accounting classifications and fair values

28.1 The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Note	Carrying Amount			Fair value			
		Amortised cost	Amortised cost	Total	Level 1	Level 2	Level 3	Total
December 31, 2019		Rupees						
Financial assets measured at fair value		-	-	-	-	-	-	-
Financial assets not measured at fair value	28.2							
Long term deposits		4,372,660	-	4,372,660	-	-	-	-
Trade debts		9,650,652,780	-	9,650,652,780	-	-	-	-
Other receivables		1,136,697,513	-	1,136,697,513	-	-	-	-
Advances to employees		892,321	-	892,321	-	-	-	-
Security deposits		1,833,000	-	1,833,000	-	-	-	-
Bank balances		14,152,249	-	14,152,249	-	-	-	-
Total		10,808,600,523	-	10,808,600,523	-	-	-	-
Financial liabilities not measured at fair value	28.2							
Long term financing		-	788,379,612	788,379,612	-	-	-	-
Sub-ordinated loan		-	1,071,637,650	1,071,637,650	-	-	-	-
Lease liabilities		-	62,181,777	62,181,777	-	-	-	-
Deferred liability - gratuity		-	2,962,420	2,962,420	-	-	-	-
Trade and other payables	28.3	-	2,096,217,289	2,096,217,289	-	-	-	-
Short term borrowings		-	5,260,383,317	5,260,383,317	-	-	-	-
Markup accrued		-	695,660,585	695,660,585	-	-	-	-
Unclaimed dividend		-	15,465,337	15,465,337	-	-	-	-
Total		-	9,992,887,987	9,992,887,987	-	-	-	-

	Note	Carrying Amount			Fair value			
		Loan and receivable	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
December 31, 2018		Rupees						
Financial assets measured at fair value		-	-	-	-	-	-	-
Financial assets not measured at fair value	28.2							
Long term deposits		4,084,310	-	4,084,310	-	-	-	-
Trade debts		8,415,730,184	-	8,415,730,184	-	-	-	-
Other receivables		498,002,758	-	498,002,758	-	-	-	-
Advances to employees		546,672	-	546,672	-	-	-	-
Security deposits		1,833,000	-	1,833,000	-	-	-	-
Bank balances		14,472,597	-	14,472,597	-	-	-	-
Total		8,934,669,521	-	8,934,669,521	-	-	-	-
Financial liabilities not measured at fair value	28.2							
Long term financing		-	2,975,180,137	2,975,180,137	-	-	-	-
Sub-ordinated loan		-	959,541,656	959,541,656	-	-	-	-
Lease liabilities		-	12,504,766	12,504,766	-	-	-	-
Trade and other payables	28.3	-	1,083,120,179	1,083,120,179	-	-	-	-
Short term borrowings		-	5,473,050,970	5,473,050,970	-	-	-	-
Markup accrued		-	550,426,755	550,426,755	-	-	-	-
Unclaimed dividend		-	10,190,825	10,190,825	-	-	-	-
Total		-	11,064,015,288	11,064,015,288	-	-	-	-

28.2 The Group has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

28.3 This excludes withholding tax payable and sales tax payable.

B. Financial risk management

The Group has exposure to the credit risk, market risk and liquidity risk from its use of financial instruments.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

28.4 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. The primary activity of the Group is power generation and sale of total output to NTDC. The Group is exposed to credit risk from its operations.

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:

	Note	2019	2018
		Rupees	
Long term deposits		**4,372,660**	4,084,310
Trade debts	18	**9,650,652,780**	8,415,730,184
Other receivables	19	**1,136,697,513**	498,002,758
Advances to employees	20	**892,321**	546,672
Security deposits	21	**1,833,000**	1,833,000
Bank balances	22	**14,152,249**	14,472,597
		10,808,600,523	8,934,669,521

Credit risk is minimum as the bank accounts are maintained with reputable banks having good credit ratings. Further, as disclosed in note 18.1 that the trade debts are secured by way of guarantee issued by the Government of Pakistan (GoP) under the Implementation Agreement (IA).

Credit quality of financial assets

The credit quality of Group's financial assets have been assessed as follows by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Group Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

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	2019	2018
Trade debts	Rupees	
Counterparties without external credit ratings	9,650,652,780	8,415,730,184

Impairment losses

The aging of trade debts at the reporting date was:

	2019		2018	
	Gross	Impairment	Gross	Impairment
	Rupees			
Not past due	1,984,620,058	-	1,698,500,047	-
Past due 0 - 60 days	415,111,850	-	525,770,527	-
Past due 61 - 120 days	2,324,160,738	-	3,805,573,181	-
Past due 121 - 180 days	504,803,329	-	814,388,033	-
181 days and above	4,421,956,805	-	1,571,498,396	-
	9,650,652,780	-	8,415,730,184	-

As trade debts are ultimately receivable from GoP, therefore, these are exempt from impairment provisioning requirements. Impact of ECL on financial assets not covered under exemption was not material and accordingly has not been included in these financial statements.

	2019	2018
Security deposits	Rupees	
Counterparties without external credit ratings	1,833,000	1,833,000
Other receivables		
Counterparties without external credit ratings	1,136,697,513	498,002,758
Long term deposits		
Counterparties with external credit ratings - AA+ (2018: A1+)	1,290,450	1,002,100
Counterparties with external credit ratings - BBB- (2018: A-)	3,082,210	3,082,210
Advances to employees		
Counterparties without external credit ratings	892,321	546,672

Cash and cash equivalents

The Group held cash at bank amounting to Rs. 14,012,019 as at December 31, 2019 (2018: Rs.14,325,899). Cash at bank is held with banks and financial institution counter parties, which are rated A1+ based on JCR-VIS rating.

28.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

There were no defaults on loans payable during the year.

The maturity profile of the Group's financial liabilities based on the contractual amounts is as follows:

	Carrying amount	Contractual cash flows	Maturity in less than 1 year	Maturity after one year and up to five years	Maturity after five years
			Rupees		
2019					
Long term financing	**788,379,612**	**814,536,069**	**814,536,069**	-	-
Sub-ordinated loan	**1,071,637,650**	**1,186,509,727**	**397,691,282**	**788,818,445**	-
Lease liabilities	**62,181,777**	**79,017,093**	**18,088,190**	**57,829,741**	**3,099,162**
Deferred liability - gratuity	**2,962,420**	**2,962,420**	**2,962,420**	-	-
Trade and other payables	**2,096,217,289**	**2,096,217,289**	**2,096,217,289**	-	-
Short term borrowing	**5,260,383,317**	**5,260,383,317**	**5,260,383,317**	-	-
Markup accrued	**695,660,585**	**695,660,585**	**695,660,585**	-	-
Unclaimed dividend	**15,465,337**	**15,465,337**	**15,465,337**	-	-
	9,992,887,987	**10,150,751,837**	**9,301,004,489**	**846,648,186**	**3,099,162**

	Carrying amount	Contractual cash flows	Maturity in less than 1 year	Maturity after one year and up to five years	Maturity after five years
			Rupees		
2018					
Long term financing	2,975,180,137	3,514,802,741	2,822,450,712	692,352,029	-
Sub-ordinated loan	959,541,656	1,133,275,103	212,042,429	755,517,697	165,714,977
Lease liabilities	12,504,766	14,420,582	4,913,222	9,507,360	-
Trade and other payables	1,083,120,179	1,083,120,179	1,083,120,179	-	-
Short term borrowing	5,473,050,970	5,473,050,970	5,473,050,970	-	-
Markup accrued	550,426,755	550,426,755	550,426,755	-	-
Unclaimed dividend	10,190,825	10,190,825	10,190,825	-	-
	11,064,015,288	11,779,287,155	10,156,195,092	1,457,377,086	165,714,977

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amount.

The contractual cash flows relating to long term borrowings and lease liabilities have been determined on the basis of expected markup rates. The markup rates have been disclosed in notes 5, 6 and 7 to these financial statements.

28.6 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Group is exposed to currency risk and interest rates only.

Currency risk

Rupee is the functional currency of the Group and as a result currency exposures arise from transactions and balances in currencies other than Rupee. The Group's potential foreign currency exposure comprise:

- Transactional exposure in respect of non functional currency monetary items
- Transactional exposure in respect of non functional currency expenditure and revenues

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Group are periodically restated to Rupee equivalent, and the associated gain or loss is taken to the profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Group in currencies other than the functional currency. These currency risks are managed as part of overall risk management strategy. The Group does not enter into forward exchange contracts.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	2019	2018	**2019**	2018
	Rupees		**USD**	
Subordinated loan	**1,071,637,650**	959,541,656	**6,898,215**	6,898,215
Accrued markup on subordinated loan	**444,431,110**	345,645,490	**2,860,838**	2,484,871
Trade and other payables	**1,584,453,954**	411,044,532	**10,199,253**	2,955,029
Other receivables	**(768,004,106)**	-	**(4,943,702)**	-
Bank balances	**(304,124)**	(271,840)	**(1,964)**	(1,954)
	2,332,214,484	1,715,959,838	**15,012,640**	12,336,161

The following significant exchange rates have been applied:

	Average Rate		**Reporting Date Rate**	
	2019	2018	**2019**	2018
US Dollars	**151.30**	122.30	**155.35**	139.10

Foreign Currency Sensitivity Analysis

A 5% strengthening of the functional currency against USD at December 31, 2019 would have increased profit by Rs. 63.03 million (2018: Rs. 37.82 million). A 5% weakening of the functional currency against USD at December 31, 2019 would have had the equal but opposite effect on these amounts. The analysis assumes that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rate. The Group has long term Rupee and USD based loans and short term running finance arrangement at variable rates. The local currency loans have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) and London Inter Bank Offer Rate (LIBOR). Any increase / decrease in KIBOR is adjustable and approved by NEPRA.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was as follows:

	2019	2018
	Rupees	
Fixed rate instruments		
Financial assets	**11,135,080**	10,918,226
Variable rate instruments		
Financial assets	**7,666,032,722**	6,717,230,137
Financial liabilities	**(7,188,507,196)**	(9,420,277,529)

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 rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by Rs. 4.78 million (2018: Rs. 27.03 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2018.

Other market price risk

The primary goal of the Group's investment strategy is to maximize investment returns on surplus funds. The Group adopts a policy of ensuring to minimize its price risk by investing in securities having sound market performance. Certain investments are designated as held for trading because their performance is actively monitored and these are managed on a fair value basis. Equity price risk arises from investments at fair value through profit or loss.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

Non - derivative financial assets

The fair value of non - derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non - derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

28.7 Capital Risk Management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business. The Group manages its capital structure which comprises of capital and reserves by monitoring the return on net assets and makes adjustments, if required, in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend to shareholders, appropriation of amounts to capital reserves or / and issue new shares. There was no change in the Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirement.

29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration including benefits applicable to the chief executive officer, directors and executives of the Company are given below:

	2019	2018
	Rupees	
	Chief executive officer	
Managerial remuneration - Gross	26,400,000	17,200,000
Staff retirement benefits	3,403,046	1,901,408
Bonus	4,400,000	3,900,000
	34,203,046	23,001,408
Number of persons	1	1
	Executives	
Managerial remuneration - Gross	75,633,713	52,556,120
Staff retirement benefits	6,660,302	3,348,990
Bonus	8,019,268	6,874,636
	90,313,283	62,779,746
Number of persons including those who worked part of the year	12	9

29.1 Executive means any employee whose basic salary exceeds Rs. 1,200,000 (2018: Rs. 1,200,000) per year.

29.2 In addition to the above, chief executive officer and executives are provided with the Company maintained vehicles and health insurance coverage as per the Company's policy.

29.3 No remuneration has been paid to the directors of the Company, except for meeting fee amounting to Rs. 290,000 which was paid to 7 directors (2018: Rs. 100,000 paid to 6 directors).

30 RELATED PARTY TRANSACTIONS

The Company is subsidiary of Saif Holdings Limited ("the Controlling Party"), therefore the Controlling Party the Subsidiary Company and all associated undertakings of the Controlling Party are related parties of the Group. Other related parties comprise of directors, key management personnel, entities over which directors are able to exercise significant influence and major shareholders. Balances and other arrangements with Orastar Limited have been disclosed in note 4.3, 6, 11 and 12 to the financial statements.

Transactions with related parties

Transactions with related parties other than those disclosed in note 26.3 to these financial statements are as follows:

	Note	2019	2018
		Rupees	
Saif Holdings Limited - the Holding Company (51.04% shareholding-common directorship)			
Issuance of share capital against cash by Saif Cement Limited		26,762,910	-
Rent		-	675,000
Dividend		453,727,024	700,317,797
Expenses incurred on behalf of the Company		-	354,561
Saif Health Care Limited - Associated Company (Common directorship)			
Expenses incurred on behalf of the Company		-	222,720
Saif Textile Limited - Associated Company (Common directorship)			
Dividend		230	355
Saif Energy Limited - Associated Company (Common directorship)			
Expenses incurred on behalf of Saif Cement Limited		-	52,720
JSK Feeds Limited - Associated Company (Common directorship)			
Expenses incurred on behalf of Saif Cement Limited		854,919	326,063
JHI Holdings (Private) Limited - Associated Company (Common directorship)			
Repayment of principal and markup on loan obtained by Saif Cement Limited		-	138,047,865
Transaction with Shareholders			
Purchase of land by Saif Cement Limited from Director (Jehangir Saifullah Khan)		-	396,399,019

	Note	2019	2018
		Rupees	
Key Management Personnel			
Dividend to Directors		**36,804**	44,379
Remuneration including benefits and perquisites to key management personnel	30.1	**65,133,013**	55,585,059
Other Related Parties			
Contribution to Saif Power Limited - Staff Gratuity Fund	9.2.2	**16,314,930**	8,979,288

Balances with related parties

Balances with related parties other than those disclosed in note 9 and 10 to these financial statements are as follows:

	2019	2018
	Rupees	
JSK Feeds Limited - Associated Company (Common directorship)		
Payable against expenses incurred on behalf of Saif Cement Limited	**350,000**	1,211,517
Saif Energy Limited - Associated Company (Common directorship)		
Payable against expenses incurred on behalf of Saif Cement Limited	**-**	15,860

30.1 Key management personnel comprise of Chief Executive Officer (Mr. Sohail H. Hydari), Chief Financial Officer (Mr. Hammad Mahmood) and General Manager Plant (Mr. Ghias Ul Hassan). The key management personnel are also provided with the Company maintained vehicles and health insurance coverage as per the Company's policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

31 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities				Equity			
	Long Term Financing	Sub-ordinated loan	Short term borrowings	Lease liabilities	Share Capital	Un appropriated profit - revenue reserve	NCI	Total
	Rupees							
Balance at January 01, 2019	**2,975,180,137**	**959,541,656**	**5,473,050,970**	**12,504,766**	**3,864,717,790**	**8,181,713,965**	**19,609**	**21,466,728,893**
Application of IFRS 16	**-**	**-**	**-**	**39,378,394**	**-**	**-**	**-**	**39,378,394**
Adjusted balance at January 01, 2019	**2,975,180,137**	**959,541,656**	**5,473,050,970**	**51,883,160**	**3,864,717,790**	**8,181,713,965**	**19,609**	**21,506,107,287**
Changes from financing cash flows								
Proceeds from short-term borrowings - net	-	-	(212,667,653)	-	-	-	-	(212,667,653)
Repayments of long term financing	(2,186,800,525)	-	-	-	-	-	-	(2,186,800,525)
Lease liabilities assumed / (paid)	-	-	-	(11,118,493)	-	-	-	(11,118,493)
Consideration paid by NCI for acquisition of shares	-	-	-	-	-	-	28,371,670	28,371,670
Dividend paid	-	-	-	-	-	(883,610,580)	-	(883,610,580)
Total changes from financing cash flows	**(2,186,800,525)**	**-**	**(212,667,653)**	**(11,118,493)**	**-**	**(883,610,580)**	**28,371,670**	**(3,265,825,581)**
Disposal of share to NCI without change in control	-	-	-	-	-	489,287	(489,287)	-
Effect of changes in foreign exchange rates	-	112,095,994	-	-	-	-	-	112,095,994
	-	112,095,994	-	-	-	489,287	(489,287)	112,095,994
Other changes								
Liability related								
Lease of new vehicles	-	-	-	21,417,110	-	-	-	21,417,110
Movement in unclaimed dividend	-	-	-	-	-	(5,274,512)	-	(5,274,512)
Total liability related other changes	**-**	**-**	**-**	**21,417,110**	**-**	**(5,274,512)**	**-**	**16,142,598**
Equity related								
Total comprehensive income for the year	-	-	-	-	-	3,646,240,774	(99,566)	3,646,141,208
Total equity related other changes	**-**	**-**	**-**	**-**	**-**	**3,646,240,774**	**(99,566)**	**3,646,141,208**
Balance at December 31, 2019	**788,379,612**	**1,071,637,650**	**5,260,383,317**	**62,181,777**	**3,864,717,790**	**10,939,558,934**	**27,802,426**	**22,014,661,506**
Balance at January 01, 2018	4,761,277,267	762,252,708	1,927,513,747	17,315,535	3,864,717,790	6,531,380,266	-	17,864,457,313
Changes from financing cash flows								
Proceeds from short-term borrowings - net	-	-	3,387,272,885	-	-	-	-	3,387,272,885
Repayments of long term financing	(1,786,097,130)	-	-	-	-	-	-	(1,786,097,130)
Payment of finance lease liabilities	-	-	-	(4,810,769)	-	-	-	(4,810,769)
Dividend paid	-	-	-	-	-	(1,368,438,059)	-	(1,368,438,059)
Total changes from financing cash flows	(1,786,097,130)	-	3,387,272,885	(4,810,769)	-	(1,368,438,059)	-	227,926,927
Changes arising from obtaining or losing control of the subsidiary	-	-	158,264,338	-	-	-	(1,705)	158,262,633
Acquisition of NCI without change in control	-	-	-	-	-	(22,388)	22,388	-
The effect of changes in foreign exchange rates	-	197,288,948	-	-	-	-	-	197,288,948
	-	197,288,948	158,264,338	-	-	(22,388)	20,683	355,551,581
Other changes								
Liability related								
Movement in unclaimed dividend	-	-	-	-	-	(3,536,756)	-	(3,536,756)
Total liability related other changes	-	-	-	-	-	(3,536,756)	-	(3,536,756)
Equity related								
Total comprehensive income for the year	-	-	-	-	-	3,022,330,902	(1,074)	3,022,329,828
Total equity related other changes	-	-	-	-	-	3,022,330,902	(1,074)	3,022,329,828
Balance at December 31, 2018	2,975,180,137	959,541,656	5,473,050,970	12,504,766	3,864,717,790	8,181,713,965	19,609	21,466,728,893

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019

32 NUMBER OF EMPLOYEES

	2019	2018
At year end	**72**	71
Average during the year	**72**	63

33 CAPACITY AND PRODUCTION

Installed capacity based on hours 8,760 (2018: 8,760) – Megawatt hours	**1,781,975**	1,784,253
Actual energy delivered – Megawatt hours	**716,203**	1,104,685

- Output produced by the plant is dependent on the load demanded by NTDC.

34 NON ADJUSTING EVENTS AFTER REPORTING DATE

The Board of Directors proposed final dividend for the year ended December 31, 2019 at the rate of Rs. 2 (2018: Rs. 1.30) per share in their meeting held on March 27, 2020.

35 DATE OF APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors in their meeting held on March 27, 2020.

Chief Financial Officer | Chief Executive Officer | Director

Pattern of Shareholding

Saif Power Limited
As at December 31, 2019

NO. OF SHAREHOLDERS	From	To	SHARES HELD	PERCENTAGE
94	1	100	2,863	0.0007
2521	101	500	1,254,540	0.3246
817	501	1000	813,148	0.2104
585	1001	5000	1,518,110	0.3928
151	5001	10000	1,190,626	0.3081
56	10001	15000	712,133	0.1843
40	15001	20000	750,500	0.1942
24	20001	25000	568,000	0.147
23	25001	30000	651,500	0.1686
8	30001	35000	263,000	0.0681
10	35001	40000	384,500	0.0995
5	40001	45000	216,000	0.0559
15	45001	50000	737,500	0.1908
3	50001	55000	162,500	0.042
4	55001	60000	238,000	0.0616
1	65001	70000	69,000	0.0179
6	70001	75000	434,684	0.1125
5	75001	80000	394,000	0.1019
3	80001	85000	246,000	0.0637
2	85001	90000	172,500	0.0446
4	90001	95000	377,500	0.0977
11	95001	100000	1,095,500	0.2835
2	100001	105000	207,000	0.0536
4	105001	110000	428,000	0.1107
1	110001	115000	114,500	0.0296
3	120001	125000	373,500	0.0966
2	125001	130000	260,000	0.0673
4	145001	150000	595,500	0.1541
1	155001	160000	156,500	0.0405
1	160001	165000	163,000	0.0422
2	170001	175000	346,500	0.0897
1	175001	180000	179,500	0.0464
1	180001	185000	184,000	0.0476
1	190001	195000	191,500	0.0496
1	195001	200000	197,363	0.0511
2	220001	225000	447,000	0.1157
1	230001	235000	232,500	0.0602
1	250001	255000	250,500	0.0648
1	255001	260000	257,500	0.0666
1	265001	270000	268,000	0.0693
2	270001	275000	549,500	0.1422
1	280001	285000	282,500	0.0731
1	295001	300000	300,000	0.0776
1	305001	310000	309,500	0.0801
1	315001	320000	320,000	0.0828
2	345001	350000	700,000	0.1811
1	380001	385000	381,500	0.0987
1	395001	400000	400,000	0.1035
1	410001	415000	412,500	0.1067
2	440001	445000	883,500	0.2286
1	465001	470000	470,000	0.1216
1	475001	480000	476,000	0.1232
1	495001	500000	500,000	0.1294
1	500001	505000	503,500	0.1303

Pattern of Shareholding

Saif Power Limited

As at December 31, 2019

NO. OF SHAREHOLDERS	From	To	SHARES HELD	PERCENTAGE
2	565001	570000	1,140,000	0.295
1	650001	655000	654,000	0.1692
1	665001	670000	666,500	0.1725
1	705001	710000	706,500	0.1828
1	810001	815000	810,195	0.2096
1	995001	1000000	1,000,000	0.2588
1	1085001	1090000	1,088,498	0.2816
1	1095001	1100000	1,100,000	0.2846
1	1175001	1180000	1,177,637	0.3047
1	1335001	1340000	1,339,000	0.3465
1	1495001	1500000	1,500,000	0.3881
1	1710001	1715000	1,713,000	0.4432
1	2415001	2420000	2,418,500	0.6258
1	2670001	2675000	2,673,219	0.6917
1	3245001	3250000	3,248,000	0.8404
1	3420001	3425000	3,421,904	0.8854
1	4445001	4450000	4,449,500	1.1513
1	4935001	4940000	4,935,882	1.2772
1	8555001	8560000	8,555,684	2.2138
1	10235001	10240000	10,237,000	2.6488
1	10470001	10475000	10,475,000	2.7104
1	13885001	13890000	13,889,000	3.5938
1	15345001	15350000	15,350,000	3.9718
1	15590001	15595000	15,590,354	4.034
1	66020001	66025000	66,022,504	17.0834
1	188715001	188720000	188,716,935	48.8307
4462			**386,471,779**	**100**

CATEGORY OF SHAREHOLDER	NO OF FOLIO	SHARES	PERCENTAGE
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN	7	16,002	0.0041
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	3	197,272,719	51.0445
BANKS, DFI AND NBFI	7	60,123,854	15.5571
INSURANCE COMPANIES	4	5,477,382	1.4173
MODARABAS AND MUTUTAL FUNDS	14	11,669,000	3.0194
GENERAL PUBLIC (LOCAL)	4,287	22,609,909	5.8503
GENERAL PUBLIC (FOREIGN)	96	3,541,906	0.9165
OTHERS	44	85,761,007	22.1907
Total	**4,462**	**386,471,779**	**100**

Pattern of Shareholding

Saif Power Limited

As at December 31, 2019

DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN	SHARES	PERCENTAGE
HOOR YOUSAFZAI	1	-
JAVED SAIFULLAH KHAN	5,000	0.0013
OSMAN SAIFULLAH KHAN	5,000	0.0013
JEHANGIR SAIFULLAH KHAN	4,000	0.001
ASSAD SAIFULLAH KHAN	1,000	0.0003
JEHANNAZ SAIFULLAH KHAN	1,000	0.0003
NAVED ABID KHAN	1	-
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		
SAIF HOLDINGS LIMITED	197,272,619	51.0445
SAIF TEXTILE MILLS LIMITED	100	-
BANKS, FI AND NBFI		
SAMBA BANK LIMITED	1,500,000	0.3881
ALLIED BANK LIMITED	13,889,000	3.5938
HABIB BANK LIMITED-TREASURY DIVISION	15,590,354	4.034
BANK AL HABIB LIMITED	3,248,000	0.8404
UNITED BANK LIMITED - TRADING PORTFOLIO	10,237,000	2.6488
MCB BANK LIMITED – TREASURY	15,350,000	3.9718
PAIR INVESTMENT COMPANY LIMITED	309,500	0.0801
INSURANCE COMPANIES		
UBL INSURERS LIMITED	503,500	0.1303
IGI LIFE INSURANCE LIMITED	13,000	0.0034
ADAMJEE LIFE ASSURANCE COMPANY LIMITED	25,000	0.0065
ADAMJEE INSURANCE COMPANY LIMITED	4,935,882	1.2772
MODARABAS AND MUTUAL FUNDS		
CDC-TRUSTEE AKD INDEX TRACKER FUND	46,000	0.0119
CDC-TRUSTEE UBL STOCK ADVANTAGE FUND	2,673,219	0.6917
CDC-TRUSTEE UBL ASSET ALLOCATION FUND	1,088,498	0.2817
CDC-TRUSTEE UBL RETIREMENT SAVING FUND-EQUITY SUB FUND	706,500	0.1828
CDC-TRUSTEE UBL DEDICATED EQUITY FUND	71,184	0.0184
CDC - TRUSTEE NBP STOCK FUND	570,000	0.1475
CDC - TRUSTEE NBP BALANCED FUND	130,000	0.0336
CDC-TRUSTEE NBP SARMAYA IZAFA FUND	93,000	0.0241
CDC-TRUSTEE NBP ISLAMIC REGULAR INCOME FUND	29,500	0.0076
CDC-TRUSTEE AL-AMEEN ISLAMIC ASSETS ALLOCATION FUND	810,195	0.2096
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. FUND-EQUITY SUB FUND	654,000	0.1692
CDC-TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	1,177,637	0.3047
CDC-TRUSTEE AL AMEEN ISLAMIC ENERGY FUND	197,363	0.0511
CDC-TRUSTEE AL-AMEEN SHARIAH STOCK FUND	3,421,904	0.8854
GENERAL PUBLIC (LOCAL)		
GENERAL PUBLIC (LOCAL)	22,609,909	5.8503
GENERAL PUBLIC (FOREIGN)	3,541,906	0.9165
OTHERS (Joint Stock Companies, Charitable Trust, Non-resident Companies, various funds etc.)	85,761,007	22.1907
HOLDING MORE THAN TEN PERCENTAGE		
SAIF HOLDINGS LIMITED	197,272,619	51.0445
ORASTAR LIMITED	66,022,504	17.0834

مضاربہ اور باہمی فنڈز	شیئرز	فیصد
سی ڈی سی-ٹرسٹی اے کے ڈی انڈیکس ٹریکر فنڈ	46,000	0.0119
سی ڈی سی-ٹرسٹی یو بی ایل سٹاک ایڈوانٹیج فنڈ	2,673,219	0.6917
سی ڈی سی-ٹرسٹی یو بی ایل ایسٹس ایلوکیشن فنڈ	1,088,498	0.2817
سی ڈی سی-ٹرسٹی یو بی ایل ریٹائرمنٹ سیونگ فنڈ	706,500	0.1828
سی ڈی سی-ٹرسٹی یو بی ایل ایلوکیشن ایکوئٹی فنڈ	71,184	0.0184
سی ڈی سی-ٹرسٹی نافا سٹاک فنڈ	570,000	0.1475
سی ڈی سی-ٹرسٹی نافا ملٹی ایسٹ فنڈ	130,000	0.0336
سی ڈی سی-ٹرسٹی نافا ایسٹ ایلوکیشن فنڈ	93,000	0.0241
سی ڈی سی-ٹرسٹی نافا ایسٹ فنڈ	29,500	0.0076
سی ڈی سی-ٹرسٹی الایمان اسلامک ایسٹ ایلوکیشن فنڈ	810,195	0.2096
سی ڈی سی-ٹرسٹی الایمان اسلامک ریٹائرمنٹ سیونگ فنڈ ایکوئٹی	654,000	0.1692
سی ڈی سی-ٹرسٹی الایمان اسلامک ڈیڈیکیٹڈ ایکوئٹی فنڈ	1,177,637	0.3047
سی ڈی سی-ٹرسٹی الایمان اسلامک فنڈ	197,363	0.0511
سی ڈی سی-ٹرسٹی الایمان شریعہ سٹاک فنڈ	3,421,904	0.8854

عام پبلک

عام پبلک (مقامی)	22,609,909	5.8503
عام پبلک (غیر ملکی)	3,541,906	0.9165

دیگر

عام پبلک (مقامی)	85,761,007	22.1907

پانچ فیصد سے زیادہ ہولڈنگ

سیف ہولڈنگز لمیٹڈ	197,272,619	51.0445
اورسٹار لمیٹڈ	66,022,504	17.0834

پیٹرن آف شیئر ہولڈنگ سیف پاور لیمیٹڈ

سپانسرز،ڈائریکٹرز،چیف ایگزیکٹوآفیسراور بچے	شیئرز	فیصد
حور یوسف زئی	1	-
جاوید سیف اللہ خان	5,000	0.0013
عثمان سیف اللہ خان	5,000	0.0013
جہانگیر سیف اللہ خان	4,000	0.001
اسد سیف اللہ خان	1,000	0.0003
جہاں ناز سیف اللہ خان	1,000	0.0003
نوید عابد خان	1	-

معاون کمپنیاں

سیف ہولڈنگز لمیٹڈ	197,272,619	51.0445
سیف ٹیکسٹائل ملز لمیٹڈ	100	-

بینک،"ایف آئی"اور"این بی ایف آئی"

سامبا بنک لمیٹڈ	1,500,000	0.3881
الائیڈ بنک لمیٹڈ	13,889,000	3.5938
حبیب بنک لمیٹڈ۔ٹریری ڈویژن	15,590,354	4.034
بنک الحبیب لمیٹڈ	3,248,000	0.8404
یونائیٹڈ بنک لمیٹڈ۔ٹریڈنگ پورٹ فولیو	10,237,000	2.6488
مسلم کمرشل بنک لمیٹڈ۔ٹریری	15,350,000	3.9718
پیئر انوسٹمنٹ کمپنی لمیٹڈ	309,500	0.0801

بیمہ کمپنیاں

یو بی ایل بیمہ کار لمیٹڈ	503,500	0.1303
آئی جی آئی لائف انشورنس لمیٹڈ	13,000	0.0034
آدم جی لائف انشورنس کمپنی لمیٹڈ	25,000	0.0065
آدم جی انشورنس کمپنی لمیٹڈ	4,935,882	1.2772

شیئر ہولڈرز کی تعداد	سے	تک	جوشیئرز لیے ہیں	فیصد
1	1335001	1340000	1,339,000	0.3465
1	1495001	1500000	1,500,000	0.3881
1	1710001	1715000	1,713,000	0.4432
1	2415001	2420000	2,418,500	0.6258
1	2670001	2675000	2,673,219	0.6917
1	3245001	3250000	3,248,000	0.8404
1	3420001	3425000	3,421,904	0.8854
1	4445001	4450000	4,449,500	1.1513
1	4935001	4940000	4,935,882	1.2772
1	8555001	8560000	8,555,684	2.2138
1	10235001	10240000	10,237,000	2.6488
1	10470001	10475000	10,475,000	2.7104
1	13885001	13890000	13,889,000	3.5938
1	15345001	15350000	15,350,000	3.9718
1	15590001	15595000	15,590,354	4.034
1	66020001	66025000	66,022,504	17.0834
1	188715001	188720000	188,716,935	48.8307
4462			386,471,779	100

شیئر ہولڈر کی کیٹیگری	فولیو کی تعداد	شیئرز	فیصد
سپانسرز، ڈائریکٹرز، چیف ایگزیکٹو آفیسر اور بچے	7	16,002	0.0041
معاون کمپنیاں	3	197,272,719	51.0445
بینک، "ڈی ایف آئی" اور "این بی ایف آئی"	7	60,123,854	15.5571
بیمہ کمپنیاں	4	5,477,382	1.4173
مضاربہ اور باہمی فنڈز	14	11,669,000	3.0194
عام پبلک (مقامی)	4,287	22,609,909	5.8503
عام پبلک (غیر ملکی)	96	3,541,906	0.9165
دیگر	44	85,761,007	22.1907
ٹوٹل	**4,462**	**386,471,779**	**100**

پیٹرن آف شیئر ہولڈنگ سیف پاور لیمیٹڈ

فیصد	جو شیئر لیے ہیں	تک	سے	شیئر ہولڈرز کی تعداد
0.0476	184,000	185000	180001	1
0.0496	191,500	195000	190001	1
0.0511	197,363	200000	195001	1
0.1157	447,000	225000	220001	2
0.0602	232,500	235000	230001	1
0.0648	250,500	255000	250001	1
0.0666	257,500	260000	255001	1
0.0693	268,000	270000	265001	1
0.1422	549,500	275000	270001	2
0.0731	282,500	285000	280001	1
0.0776	300,000	300000	295001	1
0.0801	309,500	310000	305001	1
0.0828	320,000	320000	315001	1
0.1811	700,000	350000	345001	2
0.0987	381,500	385000	380001	1
0.1035	400,000	400000	395001	1
0.1067	412,500	415000	410001	1
0.2286	883,500	445000	440001	2
0.1216	470,000	470000	465001	1
0.1232	476,000	480000	475001	1
0.1294	500,000	500000	495001	1
0.1303	503,500	505000	500001	1
0.295	1,140,000	570000	565001	2
0.1692	654,000	655000	650001	1
0.1725	666,500	670000	665001	1
0.1828	706,500	710000	705001	1
0.2096	810,195	815000	810001	1
0.2588	1,000,000	1000000	995001	1
0.2816	1,088,498	1090000	1085001	1
0.2846	1,100,000	1100000	1095001	1
0.3047	1,177,637	1180000	1175001	1

پیٹرن آف شیئر ہولڈنگ سیف پاور لیمیٹڈ

فیصد	جو شیئر لے لیے ہیں	تک	سے	شیئر ہولڈرز کی تعداد
0.0007	2,863	100	1	94
0.3246	1,254,540	500	101	2521
0.2104	813,148	1000	501	817
0.3928	1,518,110	5000	1001	585
0.3081	1,190,626	10000	5001	151
0.1843	712,133	15000	10001	56
0.1942	750,500	20000	15001	40
0.147	568,000	25000	20001	24
0.1686	651,500	30000	25001	23
0.0681	263,000	35000	30001	8
0.0995	384,500	40000	35001	10
0.0559	216,000	45000	40001	5
0.1908	737,500	50000	45001	15
0.042	162,500	55000	50001	3
0.0616	238,000	60000	55001	4
0.0179	69,000	70000	65001	1
0.1125	434,684	75000	70001	6
0.1019	394,000	80000	75001	5
0.0637	246,000	85000	80001	3
0.0446	172,500	90000	85001	2
0.0977	377,500	95000	90001	4
0.2835	1,095,500	100000	95001	11
0.0536	207,000	105000	100001	2
0.1107	428,000	110000	105001	4
0.0296	114,500	115000	110001	1
0.0966	373,500	125000	120001	3
0.0673	260,000	130000	125001	2
0.1541	595,500	150000	145001	4
0.0405	156,500	160000	155001	1
0.0422	163,000	165000	160001	1
0.0897	346,500	175000	170001	2
0.0464	179,500	180000	175001	1

Pattern of Shareholding

Saif Cement Limited
As at December 31, 2019

NO. OF SHAREHOLDERS	From	To	SHARES HELD	PERCENTAGE
11	101	500	1,265	0.00
1	1,000	1,500	1,034	0.00
1	160,500	161,000	153,387	0.21
1	2,676,500	2,676,291	2,676,291	3.51
1	73,490,000	73,490,500	73,490,419	96.28
15			**76,329,586**	**100.00**

CATEGORY OF SHAREHOLDERS OF SUBSIDIARY COMPANY

Categories of shareholders	Shareholders	Share Held	Percentage
DIRECTORS, CHIEF EXECUTIVE AND THEIR SPOUSE AND MINOR CHILDREN	8	1,839	0.002
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES(Companies):			
Saif Power Limited	1	73,490,419	96.278
Saif Holdings Limited	1	2,676,291	3.51
OTHERS SHAREHOLDERS	5	161,037	0.21

پیٹرن آف شیئر ہولڈنگ

سیف سیمنٹ لمیٹڈ

شیئر ہولڈرز کی تعداد	سے	تک	جو شیئر لیے ہیں	فیصد
11	101	500	1,265	0.00
1	1,000	1,500	1,034	0.00
1	160,500	161,000	153,387	0.21
1	2,676,500	2,676,291	2,676,291	3.51
1	73,490,000	73,490,500	73,490,419	96.28
15			**76,329,586**	**100.00**

شیئر ہولڈر کی کٹیگری	فولیو کی تعداد	شیئرز	فیصد
سپانسرز، ڈائریکٹرز، چیف ایگزیکٹو آفیسر اور بچے	8	1,839	0.002
معاون کمپنیاں			
سیف پاور لمیٹڈ	1	73,490,419	96.278
سیف ہولڈنگز لمیٹڈ	1	2,676,291	3.51
دیگر شیئر ہولڈر	5	161,037	0.21

Notice of 16th Annual General Meeting

Notice is hereby given that the 16th Annual General Meeting (AGM) of Shareholders of Saif Power Limited ("the Company") will be held on April 29, 2020, Wednesday at 11:00 a.m from Company's registered office, 1st Floor, Kashmir Commercial Complex, Fazal-ul-Haq Road, Block E, Blue Area, Islamabad via video-link. Due to recent outbreak of COVID-19 pandemic, and the precautions taken by the Government of Pakistan against the spread of the evolving COVID-19 pandemic, it is instructed to avoid public gathering at one place.

Further, in accordance with the directives given by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. EMD/MISC/82/2012 dated March 17, 2020 to companies to modify their usual planning for annual general meetings for the well-being of the shareholders and to avoid large gatherings by provision of video-link facilities. Therefore, to ensure the health and safety of our shareholders we will be holding AGM via video-link. Shareholders are encouraged to attend the AGM through login via video-link or by consolidating their attendance through proxies to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of Last Annual General Meeting held on April 30, 2019.
2. To receive, consider and adopt the Audited Financial Statements of the Company (standalone and consolidated) for the year ended December 31, 2019 together with Directors' and Auditors' reports thereon.
3. To consider and approve the final dividend of Rs.2.00 per share i.e. 20% in addition to interim dividend of Rs. 1.00 per share i.e. 10 %, making total dividend of Rs. 3.00 per share i.e. 30%, Rs. 1.00 per share already paid, as recommended by Directors.
4. To appoint statutory auditors of the Company for the year ending December 31, 2020 and fix their remuneration. The Board of Directors have recommended the appointment of retiring auditors, M/s KPMG Taseer Hadi & Co. Chartered Accountants, Islamabad, being eligible, have offered themselves for reappointment.
5. To transact any other business with permission of the Chair.

Important note: In the event that there are any further instructions or notifications from the SECP and/or the Pakistan Stock Exchange or any change for the ANNUAL GENERAL MEETING, the Company will announce the same at the Pakistan Stock Exchange through PUCARS system.

By Order Of The Board

Islamabad

April 08, 2020

Waseemullah

Company Secretary

Notes:

i. Shareholders who are willing to attend and participate in AGM can do so through video-link that will be provided to shareholders after completion of identification and verification formalities. Shareholders are requested to provide their Name, Computerized National Identity Card (CNIC), Folio Number, Cellular Number and e-mail address by 05:00 p.m. on April 24, 2020 at the e-mail address info.spl@saifgroup.com. The video-link of the meeting will be sent to shareholder on their e-mail addresses.

ii. Shareholders can also provide their comments / suggestions along with attendance for the agenda items of the AGM on whatsApp Number +923018441725 and e-mail info.spl@saifgroup.com.

iii. The Company will ensure that comments / suggestions of shareholders be read out at the meeting by the Company Secretary and the responses be made part of the minutes of the meeting. Any and all suggestions and comments received from shareholders shall be duly discussed in the meeting and be recorded appropriately in the minutes. The minutes of the meeting will be recorded and kept as per requirements.

iv. Share Transfer Book of the Company will remain closed from April 23, 2020 to April 29, 2020 (Both days inclusive). Transfer received in order at the share Registrar's office by the close of business on April 22, 2020 will be treated in time for the purpose of payment of final dividend.

v. A shareholder entitled to attend and vote at the Meeting may appoint another shareholder as his /her proxy to attend and vote on his /her behalf. The instrument appointing the proxy duly completed must be received at the Company's Registered Office not later than 48 hours before the time of holding of the meeting.

vi. CDC individual Account holders or Sub-account holders are required to bring with them their original CNIC / Original Passport along with participant's ID number and their Account number in order to facilitate identification.

vii. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signature of nominees shall be required to be produced (unless provided earlier) at the time of meeting.

viii. Shareholders are requested to immediately notify their change in address, if any.

SPECIAL NOTES TO SHAREHOLDERS:

ix. Transmission of Annual Financial Statements through e-mail (optional):

Shareholders who wish to receive the Annual Report through e-mail are requested to provide a duly completed annexed consent form to Company's Share Registrar, M/s THK Associates (Pvt) Ltd. 1st Floor, 40-C, Block-6, P.E.C.H.S Karachi. Form is also available at Company's website www.saifpower.com.

x Consent for video conference facility:

Shareholders can also avail video conference facility under the provision of Section 134 of the Companies Act, 2017 to participate in AGM. Shareholders must hold in aggregate 10% or more shareholding residing in that city and consent of shareholders must reach at the registered address of the Company at least 10 days prior to the Annual General Meeting in order to participate in the meeting through video conference facility.

xi Payment of Cash dividend electronically into the bank account:

Under proviso to Section 242 of the Companies Act-2017, listed companies are required to pay cash dividends only through electronic mode directly into the bank accounts of shareholders. Shareholders are requested to submit their information, to their investor account services or their brokers where shares are placed electronically. Physical holding, shareholders are requested to submit their information to the Company's Shares Registrar as appended below:

THK ASSOCIATES (PVT) LIMITED

1st Floor, 40-C, Block-6, P.E.C.H.S, KARACHI-75400

UAN: +92-21-111-000-322 Direct: +92-21-34168270 Fax: +92-21-34168271 Email: sfc@thk.com.pk

Information for cash dividend electronically into bank account

I Mr./Ms./Mrs.________________________ S/o, D/o, w/o, ____________________________ hereby authorizes Saif Power Limited to directly credit cash dividends into following bank account:

Title of Bank Account, International Bank Account Number (IBNR), Bank's name, Branch name and address.

It is stated that the above particulars given by me are correct to the best of my knowledge and I shall keep the Company/ Share Registrar informed in case of any changes in the said particulars in future.

____

Signature of the shareholder

xii Unclaimed Dividend

Shareholders who could not collect their dividend are advised to contact our Share Registrar to collect their unclaimed dividend, if any.

Contact information

For any query/problem/information, the investors may contact the company/or share registrar at the following:

Company Secretary
Info.spl@saifgroup.com
waseem.ullah@saifgroup.com
051-2271381-83

Share Registrar
THK Associates (Pvt) Ltd
UAN: +92-21-111-000-322
Email: sfc@thk.com.pk

xiii Withholding tax on dividend

(a) Pursuant to the provisions of the Finance Act 2019 effective July 1, 2019 the rates of deduction of income tax from dividend payments under the Income Tax Ordinance, 2001 have been revised as follows:

1. Rate of tax deduction for active tax payers is 7.5%.

2. Rate of tax deduction for non-active tax payers is 15%.

Shareholders who are filers, are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the website of FBR before the date of approval of cash dividend that is April 29, 2020, otherwise they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 15% instead of 7.5%.

(b) As per FBR Circulars C. No.1 (29) WHT/2006 dated June 30, 2010 and C. No.1 (43) DG (WHT)/2008-Vol. 1166417-R dated May 12, 2015 the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under clause 47B of Part-IV of Second Schedule is available. Shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Share Registrar THK Associates (Private) Limited before the date of approval of cash dividend that is April 29, 2020 otherwise tax will be deducted on dividend as per applicable rates.

(c) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as Joint-Holder(s) based on their shareholding proportions, in case of joint accounts. Joint shareholders are requested to provide shareholding proportions of Principal shareholder and Joint-Holder(s) in respect of shares held by them (only if not already provided) to our Share Registrar, in writing as follows:

			Principal Shareholders		Joint Shareholders	
Company Name	Folio/CDS Account #	Total Shares	Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. Of Shares)

The required information must reach our Share Registrar by April 22, 2020; otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

Share Registrar: THK ASSOCIATES (PVT) LIMITED
1st Floor, 40-C, Block-6, P.E.C.H.S, KARACHI-75400
UAN: +92-21-111-000-322 Direct: +92-21-34168270 Fax: +92-21-34168271
Email: sfc@thk.com.pk

xiv E-Voting

Shareholders can exercise their right to demand a poll subject to meeting requirements of Sections 143 -145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

CORONAVIRUS CONTINGENCY PLANNING FOR 16th ANNUAL GENERAL MEETING OF SAIF POWER LIMITED

In view of the recent outbreak of COVID-19 pandemic, the steps taken by the Government to avoid large public gathering at one place and vide circular No. EMD/MISC/82/2012 notified by SECP dated March 17, 2020, require companies to modify their usual planning for annual general meetings for the well-being of shareholders and to avoid large gatherings by provision of video-link facilities.

Accordingly the Company intends to convene this AGM, with ensuring compliance with the quorum requirements, requests shareholders to consolidate their attendance and voting at the AGM through proxies.

Furthermore, shareholders who are willing to registering to connect through video-link facility are required to mention their Name, Folio Number, CNIC and cellular number in the e-mail with subject 'Registration for Saif Power Ltd AGM'. Video-link and login credentials will be shared with the participants whose e-mail containing all the required particulars is received at [info.spl@saifgroup.com] and/or WhatsApp +92 3018441725 before 05:00 p.m. by April 24, 2020.

The Company will follow the best practices and comply with the instructions of Government and SECP to ensure protective measures for wellbeing of its shareholders. Therefore, shareholders are encouraged to attend the AGM through video-link or by consolidating their attendance through proxies.

On account of the current lockdown in effect following the outbreak of COVID-19 pandemic, our logistics partners are running very limited operations at this time, and we are therefore unable to deliver copies of the Annual Report to each of our shareholders. Therefore, in compliance with Sections 55 and 223(6) of the Companies Act, 2017, we have made the Annual Report available for download on the Company's website www.saifpower.com. Further, shareholders desirous of receiving Annual Report and notice of AGM via email can send request mentioning their Name, Folio Number, CNIC and cellular number on email address [info.spl@saifgroup.com] and/or WhatsApp number +923018441725.

Form of Proxy

I/We ____

of ____ being a member of SAIF POWER LIMITED

and holder of ____
(Number of Shares)

Ordinary shares as per share Register Folio No. ____ and/or CDC

Participant I.D.No. ___________________________ and Sub Account No. __________________, hereby appoint

_____________________________________ of _________________________________ or failing him

____ of

____

as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held the April 29, 2020 Wednesday at 11:00 am at any adjournment thereof.

Signed this _________________ day of _________ 2020.

Witnesses

1) Signature : ____________________________

Name : ____________________________

Address : ____________________________

____

CNIC/Passport No. : ____________________________

2) Signature : ____________________________

Name : ____________________________

Address : ____________________________

____

CNIC/Passport No. : ____________________________

Signature on Rs. 50/-Revenue Stamp

(Signature must agree with the specimen signature registered with the company)

NOTES:

1. No Proxy shall be valid unless duly signed along with revenue stamp and in case of a company should be executed under its common seal under signed by its authorized person.
2. This instrument appointing a proxy, duly completed, must be received at the registered Office of the Company at first Floor, Kashmir Commercial Complex, Block E, Fazal-ul-Haq Road, Blue Area, not later than 48 hours before the time of holding the Annual General Meeting.
3. Attested copies of the CNIC or the passport of beneficial owners shall be furnished with the proxy form.
4. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
5. In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be furnished along with proxy form to the Company.

نیابتی (پراکسی) فارم

میں/ہم---

کا/ کی--سیف پاور لمیٹڈ کا ممبر اور حامل-------------------------

----

(حصص کی تعداد)

عمومی حصص کے مطابق رجسٹر فولیو نمبر---------------------------------اور/یا سی ڈی سی حصہ لینے والا I.D. نمبر اور

-------------------------------------ذیلی اکاؤنٹ نمبر---تقرری

-------------------------------------کا/ کی--یا اس کی ناکامی

---کا/ کی

میری طرف سے میرا مختار/نائب کی حیثیت سے 29 اپریل 2020 کو بروز بدھ بوقت 11 بجے کمپنی کے سالانہ عام اجلاس میں میری طرف سے میری صوابدید پر ووٹ ڈالے گا یا اجلاس ملتوی ہو جائے۔

دستخط--------------------بتاریخ-----------------2020

گواہان

۱) دستخط--------------------------

نام--------------------------

پتہ--------------------------

شناختی کارڈ/پاسپورٹ نمبر----------------

اس پر 50 روپے
مالیت کا ٹکٹ لگائیں

دستخط کمپنی کے رجسٹر والے جیسے ہونے چاہئیں

۲) دستخط--------------------------

نام--------------------------

پتہ--------------------------

شناختی کارڈ/پاسپورٹ نمبر----------------

نوٹس:

۱) کوئی پراکسی فارم درست تسلیم نہیں کیا جائے گا حتی کہ 5 روپے کی ٹکٹ دستخط کے ساتھ چسپاں نہ ہو اور اس پر مجاز فرد/اتھارٹی کی مہر اور دستخط نہ ہوں۔

۲) یہ پراکسی کے تعین کا معاون ہے، اسے درست طریقے سے مکمل کریں۔ کمپنی کے رجسٹرڈ آفس کو جو کہ کمپنی کے آفس پہلی منزل کشمیر کمرشل کمپلیکس، بلاک-ای فضل الحق روڈ، بلیو ایریا اسلام آباد میں واقعہ ہے۔ اور یہ اجلاس سے اڑتالیس (48) گھنٹے قبل موصول ہونے چاہیں۔

۳) شناختی کارڈ پاسپورٹ کی کاپیاں/فائدہ حاصل کرنے والے مالک کے پراکسی فارم کے ساتھ پیش کی جائیں۔

۴) اجلاس کے وقت اپنے اصل شناختی کارڈ یا پاسپورٹ کے ساتھ پیش کریں۔

۵) کارپوریٹ ادارے کی صورت میں بورڈ کی قرارداد کی/مختار نامہ اور نامزد کردہ آدمی کے دستخط کے ساتھ اور یہ پراکسی فارم کے ساتھ منسلک کر کے کمپنی کو پیش کریں۔

Electronic Transmission Consent Form

Date: ____________________

General Manager

THK Associates (Private) Ltd.
1st Floor, 40-C, Block-6,
P.E.C.H.S, Karachi 75400,
P.O Box. No: 8533

Pursuant to the directions given by Securities and Exchange Commission of Pakistan through its SRO 787 (I)/2014 dated September 8, 2014, I/we Mr./Ms/M/s__________

____________________________ S/o, D/o, W/o____________________________

hereby give consent to receive the Audited Financial Statements along with notice of Annual General Meeting of M/s Saif Power Limited through email on my/our email address provided as under:

Name of Member / shareholder:____

Folio/CDC Account Number: ____

Email Address: ____

It is stated that above mentioned praticulars are true and correct. I/we shall notify you and the the Company in writing in case of any change in my/our email address or withdrawal of my/our above mentioned consent.

____
Signature of the Member/Shareholder
CNIC Number:

Saif Group

SAIF POWER LIMITED
1st Floor, Kashmir Commercial Complex (KCC),
Fazal-ul-Haq Road, Block E, Blue Area, Islamabad.
Tel: +92-51-2271378-83, Fax: +92-51-2277670
www.saifpower.com

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