AEL

Altern Energy Limited

Annual Report
2020

Contents

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Taimur Dawood	Chairman
Mr. Faisal Dawood	Director
Mr. Farooq Nazir	Director
Ms. Mehreen Dawood	Director
Mr. Shah Muhammad Chaudhry	Director
Mr. Salih Merghani	Director
Syed Rizwan Ali Shah	Independent Director
Mr . Umer Shehzad Sheikh	Chief Executive (Deemed Director)

AUDIT COMMITTEE

Syed Rizwan Ali Shah	Chairman
Mr. Farooq Nazir	
Ms. Mehreen Dawood	
Mr. Shah Muhammad Chaudhry	

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Farooq Nazir	Chairman
Mr. Shah Muhammad Chaudhry	
Syed Rizwan Ali Shah	

CHIEF FINANCIAL OFFICER
Mr. Muhammad Farooq

COMPANY SECRETARY
Mr. Salman Ali

HEAD INTERNAL AUDIT
Ms. Noor Shuja

EXTERNAL AUDITORS
M/s. A.F. Ferguson & Co. Chartered Accountants

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

REGISTERED OFFICE
DESCON HEADQUARTERS, 18-km Ferozpur Road, Lahore.

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

VISION STATEMENT

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

MISSION STATEMENT

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

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

CHAIRMAN'S REVIEW

Our country has gone through very tumultuous uncertain twelve months during the period under review. The year turned over with imminent socio-economic shifts and reforms. As a result of significant depreciation in Pak Rupee and higher inflation, the country entered into a phase of economic survival due to falling GDP and industrial stagnation. This has placed power sector in a very tricky situation which has historically been facing multi-faced challenges for years.

The power sector in Pakistan has changed its shape exponentially during the past few years. The days of long load-shedding hours are gone, replaced by surplus availability of power due to notable increase in power generation capacity. Now that the country has surplus energy, the Pakistan government is also shifting its focus on renewable energy and a new Alternate and Renewable Energy (ARE) policy is in place. As we move into the future, the Government is expected to improve the energy mix for cost efficiency by adding ARE projects. At the same time, more investment will be required in the transmission and distribution systems to reap the benefits of additional power. However, the issue of circular debt has posed greater challenge to the Government as well as the Independent power producers. Significant depreciation of Rupee against dollar has multiplied the impact of circular debt manifold whereby the Government is under huge pressure to turn this menace around which has accumulated to almost 40% of the current GDP. This has put IPPs including your Company in serious liquidity crunch whereby we are utilising our funded facilities to remain operational.

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

Although, both companies, Altern and Rousch have faced challenges in the recent past in terms of gas availability especially during the winter and the fallout of circular debt, yet we have been able to manage the operations with dedication and perseverance in these challenging times.

Ever since shifting its operation on RLNG in 2017 as a result of SNGPL's inability to supply indigenous gas, the Company has faced declining demand from the off-taker. Due to rising RLNG prices since last year owing devaluation of Pak Rupee against US Dollar, Altern has been facing a sharp decline in dispatch demand from NPCC, resulting in loss of capacity revenue. The Company, having a contract with the off-taker, CPPA-G, on take-and-pay basis, faces a challenge to honour its contractual obligations under the Power Purchase Agreement due to a significant reduction in revenue as a result of reduced demand from NPCC. Despite challenges of liquidity on account of circular debt, low-demand from the off-taker, and suspension of gas at occasions, the Company has managed to keep its plant operational by maintaining its focus on reliable plant operations by executing routine and major maintenance activities of the Complex.

Please be assured that your Board and management continue to explore various options to revive the commercial viability of the Company. During the last couple of years, the management has been exploring the possibility of availing cheaper indigenous gas as well as have requested the Government to shift the PPA from take-and-Pay to Take-or-Pay arrangement. However, these efforts have not yielded any positive output.

Post reporting period, the management formally approached the Government for termination of AEL's PPA with the off-taker. Due to less dispatch and the plant being take and pay arrangement, it is now unviable to operate this project and hence the government has been approached for termination.

The Government of Pakistan appointed a Committee for negotiations with the IPPs in June 2020. Following the year end, Rousch Power entered into an MOU with the Committee. For Altern Energy, the Committee was requested to retire the AEL project as per terms of the Agreement. The recommendations of the Committee to the Government are awaited.

I conclude by seeking the full and whole-hearted support of all the stakeholders including CPPA-G, SNGPL and other Government functionaries. I also extend my appreciation to Company's management for their response to minimise the effects of the adverse operating environment. I place my gratitude for the support of our valued Shareholders for their trust in the abilities of the Board and management to keep this national asset viable in these most challenging circumstances.

Lahore - September 28, 2020

Taimur Dawood
Chairman

چیئر مین کا جائزہ

ہمارا ملک زیرِ جائزہ مدت کے دوران بارہ مہینوں میں بے حد مشکلات سے دوچار رہا ہے۔ یہ سال معاشی اور اقتصادی اصلاحات کے ساتھ بدل گیا۔ پاکستانی روپے کی قدر میں نمایاں کمی اور زیادہ افراط زر کے نتیجے میں، جی ڈی پی اور صنعتی جمود کی کمی کی وجہ سے ملک معاشی بقاء کے مرحلے میں داخل ہو گیا ہے۔ اس نے بجلی کے شعبے کو ایک انتہائی مشکل صورتحال میں ڈال دیا ہے جو تاریخی اعتبار سے کئی سالوں سے متعدد چیلنجوں کا سامنا کر رہا ہے۔

پچھلے کچھ سالوں کے دوران، پاکستان میں توانائی کے شعبہ کا منزل نامہ مکمل طور پر تبدیل ہو گیا ہے۔ بجلی کی پیداواری صلاحیت میں قابل ذکر اضافہ کے باعث بجلی کی فراہمی میں شارٹ فال کم ہوا ہے۔ اب جب کہ ملک میں اضافی توانائی ہے، پاکستانی حکومت بھی قابل تجدید توانائی پر اپنی توجہ مرکوز کر رہی ہے اور ایک نئی متبادل اور قابل تجدید توانائی (ARE) پالیسی تشکیل دے رہی ہے۔ جیسے جیسے ہم مستقبل میں آگے بڑھ رہے ہیں، حکومت ARE منصوبوں کے ذریعے سستی بجلی پیدا کرنے کے لئے توانائی مکس کو بہتر بنانے کی کوشش کرے گی۔ اسی اثنا میں اضافی بجلی کے فوائد حاصل کرنے کے لئے، ٹرانسمیشن اور تقسیم کے نظام میں مزید سرمایہ کاری کی ضرورت ہوگی۔ تاہم، گردشی قرضہ کا مسئلہ حکومت اور آزاد پاور پروڈیوسر کے لئے بڑا چیلنج ہوگا۔ ڈالر کے مقابلے میں روپے کی نمایاں کمی نے گردشی قرضہ کے اثرات کو کئی گنا بڑھا دیا ہے جس کے تحت حکومت پر اس دباؤ کو تبدیل کرنے کے لئے بہت زیادہ دباؤ ہے جو موجودہ جی ڈی پی کے تقریباً 40 فیصد تک جا پہنچا ہے۔ اس نے آپ کی کمپنی سمیت آئی پی پیز کو سنگین لیکویڈیٹی بحران میں ڈال دیا ہے جس کے تحت ہم اپنی فنڈ ڈ سہولیات کو کارآمد بنانے کے لئے استعمال کر رہے ہیں۔

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

اگرچہ، دونوں کمپنیوں، آلٹرن اور Rousch کو ماضی قریب میں خاص طور پر سردیوں کے مہینوں میں گیس کی دستیابی اور CPPA-G کے گردشی قرضہ کے مسئلے کے اثرات کے سلسلے میں چیلنجوں کا سامنا کرنا پڑا ہے، اس کے باوجود ہم ان چیلنجنگ اوقات میں پوری لگن اور استقامت کے ساتھ کارروائیوں میں کامیاب رہے ہیں۔

جب سے SNGPL کی مقامی گیس کی فراہمی میں ناکامی کے نتیجے میں 2017 میں RLNG پر اپنا آپریشن تبدیل کیا گیا تب سے، کمپنی کو خریدار کی جانب سے کم طلب کا سامنا کرنا پڑا۔ امریکی ڈالر کے مقابلے میں پاکستانی روپیہ کی قدر میں کمی کی وجہ سے گذشتہ سال سے آر ایل این جی کی قیمتوں میں اضافے کے باعث، آلٹرن کو این پی سی سی کی جانب سے ڈسپیچ طلب میں شدید کمی کا سامنا کرنا پڑ رہا ہے، جس کے نتیجے میں صلاحیتی آمدنی میں کمی واقع ہوئی ہے۔ کمپنی، جس کا آف ٹیکر، CPPA-G کے ساتھ معاہدہ ٹیک اینڈ پے کی بنیاد پر ہوا ہے، کم طلب کے نتیجے میں محصولات میں نمایاں کمی کی وجہ سے اسے بجلی کی خریداری کے معاہدے کے تحت اپنی معاہدہ کی ذمہ داریوں کو پورا کرنے کا چیلنج درپیش ہے۔ این پی سی سی سے گردشی قرض کی وجہ سے لیکویڈیٹی کے چیلنجوں کے باوجود، آف ٹیکر سے کم طلب اور موقع پر گیس کی معطّلی کے باوجود، کمپنی کمپلیکس کی معمول کے مطابق اور اہم بحالی کی سرگرمیوں کو انجام دے کر پلانٹ کو قابل اعتماد بنانے پر اپنی توجہ مرکوز کرتے ہوئے اپنے پلانٹ کو چلانے میں کامیاب رہی ہے۔

آپ کا بورڈ اور انتظامیہ کمپنی کی تجارتی عملداری کو بحال کرنے کے لئے مختلف آپشنز کی تلاش جاری رکھے ہوئے ہے۔ پچھلے دو سالوں کے دوران، انتظامیہ سستی مقامی گیس کا فائدہ اٹھانے کے امکانات کی تلاش کر رہی ہے اور ساتھ ہی حکومت سے PPA کو ٹیک اینڈ پے سے ٹیک یا پے میں تبدیل کرنے کی درخواست کر رہی ہے۔ تاہم، ان کوششوں سے کوئی مثبت نتیجہ برآمد نہیں ہوا ہے۔

رپورٹنگ مدت کے بعد، انتظامیہ نے آف ٹیکر کے ساتھ کمپنی کے PPA کو ختم کرنے کے لئے باضابطہ طور پر حکومت سے رجوع کیا۔ کم ترسیل اور پلانٹ کے ٹیک اینڈ پے انتظامات کی وجہ سے، اب اس منصوبے کو مزید چلانا ناگزیر ہے لہذا اس کو ختم کرنے کے لئے حکومت سے رجوع کیا گیا ہے۔

حکومت پاکستان نے جون 2020 میں آئی پی پیز کے ساتھ مذاکرات کے لئے ایک کمیٹی تشکیل دی۔ سال کے اختتام کے بعد، ROUSCH پاور نے کمیٹی کے ساتھ مفاہمتی یادداشت پر معاہدہ کیا۔ متبادل توانائی کے لئے، کمیٹی سے معاہدہ کی شرائط کے مطابق AEL پروجیکٹ کو سبکدوش کرنے کی درخواست کی گئی تھی۔ حکومت کو کمیٹی کی سفارشات کا انتظار ہے۔

میں CPPA-G، SNGPL اور حکومت کے دیگر عہدیداروں سمیت تمام اسٹیک ہولڈرز کی مکمل اور دلی حمایت کا طلبگار ہوں۔ منفی آپریٹنگ ماحول کے اثرات کو کم سے کم کرنے کے لئے میں کمپنی کی انتظامیہ سے کی کوششوں کو بھی سراہوں گا۔ میں بورڈ اور انتظامیہ کی صلاحیتوں پر اپنے قابل قدر حصص یافتگان کے اعتماد کے لئے ان کا شکریہ ادا کرتا ہوں جنہوں نے ان مشکل ترین حالات میں اس قومی اثاثے کو کارآمد بنایا۔

تیمور داؤد

چیئرمین

لاہور 28 ستمبر 2020ء

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors of Altern Energy Limited ('the Company') is pleased to present the annual report together with the audited financial statements of the Company together with Auditor's Report thereon for the financial year ended June 30, 2020.

GENERAL

The principal activities of the Company continue to be ownership, operation, and maintenance of a 32 Mega Watts gas-fired thermal power plant located near Fateh Jang, district Attock, Punjab, and sale of electricity. The electricity produced is sold to its sole customer Central Power Purchasing Agency (Guarantee) Limited ('CPPA-G') through the transmission network of National Transmission and Dispatch Company ('NTDC').

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

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

The Company had a Gas Supply Agreement ('GSA') with Sui Northern Gas Pipelines Limited ('SNGPL') which expired on June 30, 2013. Thereafter, the Company signed a supplemental deed dated March 17, 2014 with SNGPL, whereby SNGPL agreed to supply gas to the Company on as-and-when available basis till the expiry of PPA on June 06, 2031. The Ministry of Petroleum and Natural Resources ('MoPNR') empowered by the Economic Coordination Committee ('ECC') of the Federal Cabinet, issued an allocation of 6 MMCFD of RLNG to the Company on April 28, 2017 and advised the Company and SNGPL to negotiate a new GSA. On July 31, 2019, the ECC of Cabinet approved the summary of an interim tri-partite GSA. Currently, the Company, SNGPL and CPPA-G are in the process of execution of an interim GSA for supply of RLNG. Under the interim GSA, RLNG will be supplied on as-and-when available basis till the execution of a long-term GSA between the parties.

FINANCE

During the year under review, the Company's turnover was Rs. 117 million (2019: Rs. 474 million) and operating costs were Rs. 168 million (2019: Rs. 502 million), resulting in gross loss of Rs. 51 million as against gross loss of Rs. 28 million in corresponding last year. The Company reported net profit of Rs. 1,690 million showing earnings per share (EPS) of Rs. 4.65 as compared to corresponding year's net profit of Rs. 955 million and earnings per share (EPS) of Rs. 2.63. The current year's net profit includes dividend from PMCL amounting to Rs. 1,780million. Without this dividend income from its subsidiary, the Company would have incurred loss per share of 0.25 per share for the current year.

The Company has always strived to smoothly manage its finances and ensure timely payments of all its liabilities, however, the issue of circular debt of the off-taker has been a consistent problem for power sector as well as your Company for the last few years. Fundamental factors behind increasing circular debt are low recovery of distribution companies, T & D losses, expensive fuel mix,and decline in revenues of CPPA-G due to Covid-19. We foresee circular debt to remain a challenge in near future. Despite the delayed inflows from CPPA-G, the Company has been able to manage the cashflows to meet its operational obligations.

Your Company's consolidated earnings attributable to the equity holders of Altern Energy Limited for the year under review were Rs. 3,383 million resulting in EPS of Rs. 9.31 per share, as compared to consolidated earnings of Rs. 1,530 million and EPS of Rs. 4.21 in the corresponding last year.

DIVIDEND DISTRIBUTION

During the year under review, the Company distributed final cash dividend @ 30% (Rs. 3.00 per share) for the year ended June 30, 2019 to its shareholders which was approved in the Annual General meeting held on October 25, 2019.

On February 21, 2020, the Board of Directors declared and subsequently distributed interim cash dividend @ 26.50% (Rs. 2.56 per share) to the shareholders of the Company.

OPERATIONS

As a result of influx of significant generation capacity in the national grid system during last couple of years, your Company has witnessed a serious decline in dispatch demand from the off-taker. The fundamental reason for low dispatch demand from the Company's Plant is that most of the added capacity ranks above its position in Economic Dispatch Merit Order of CPPA-G due to better efficiency and cheaper fuel. Due to these factors, the Plant dispatched only 04 GWh (2019: 22 GWh) of electric power to the off-taker.

During the year, all other scheduled and preventive maintenance activities were carried out in accordance with the Original Equipment Manufacturer (OEM)'s recommendations. We are confident that all the engines and their auxiliary equipment are in sound mechanical condition for smooth and reliable operations.

SUBSIDIARY'S REVIEW

During the year, your Company's subsidiary Rousch (Pakistan) Power Limited ('RPPL') posted profit of Rs. 4,244 million (EPS of Rs. 4.92) as compared to profit of Rs. 3,102 million (EPS of Rs. 3.60) earned during the corresponding period of the last year. Profit for the year was higher due to lesser Other Force Majeure Event ('OFME') of 55 days during the year due to gas curtailment (122 days during last year).

The issue of circular debt of the off-taker continues to pose liquidity threat to RPPL. However, there has been marginal improvement in the overdue receivables. As at the end of reporting period, out of the total receivable of Rs. 13,559 million, Rs. 11,631 million were overdue as compared to total receivables of Rs. 14,640 million (overdue receivables of Rs 12,774 million) at the end of last year. RPPL, during the year under review, has repaid its debt obligation to its lenders amounting to Rs. 2,011 million as required by debt repayment schedule. All long-term liabilities of RPPL have been paid off now.

Until recently, RPPL was trying to renew its interim GSA with the off-taker and gas supplier. The interim GSA was originally executed with CPPA-G and SNGPL in 2017 which was effective from June 1, 2017 and expired on June 30, 2018. Under the interim GSA, RLNG was supplied on 'as-available' basis, however, the non-supply of RLNG was treated as an OFME under the PPA. On July 31, 2019, the ECC of the Federal Cabinet approved the extension of the interim GSA of RPPL with SNGPL and CPPA-G.

Subsequent to the reporting period, on July 21, 2020, RPPL, CPPA-G and SNGPL have signed the interim GSA. The terms of this agreement will be effective upto the date of signing of a long-term Gas Supply and Purchase Agreement ('GSPA').

Subsequent to the reporting period, on August 18, 2020, RPPL and the Committee for Negotiation with Independent Power Producers formed by the Government of Pakistan (the “Committee”), as set up by the Government of Pakistan, have executed a Memorandum of Understanding ('MOU'). Pursuant to the terms of this MOU, the parties have agreed : (1) Reduction in existing capacity payments and variable O&M by 11%, (2) Discontinuance of USD exchange rate and US CPI indexations on 50% of the reduced capacity payment and fix it on the basis of exchange rate prevailing as on August 12, 2020. (3) Discontinuation of heat rate sharing as per existing arrangement (4) Looking into the possibility of termination of the plant considering its commercial and technical viability once the Competitive Trading Arrangement is implemented and becomes fully operational (6) Since payment of the receivables of RPPL is an integral part of the MOU, therefore RPPL and the GOP shall devise a mechanism for payment of the outstanding receivables within agreed time period which shall be reflected in the final agreement to be signed, (8) the Power Purchaser shall ensure adherence to its contractual obligations, and (9) the GOP and Power Purchaser shall work towards resolution of the matter relating to the Expert's Determination given in favour of RPPL. The terms of the MOU are subject to approval of the Federal Cabinet, prior to execution of a final agreement between the parties.

RISK MANAGEMENT

The Risk Management principles are established and geared to identify all the risks to which the Company is exposed, and your Board adopts all necessary strategies and implements a cautious rationale to mitigate all the risks being faced by the Company. The Company recognizes all short term and long term risks so that appropriate measures can be adopted to overcome those.

Operational Risk

To mitigate the operational risks, the management has developed a very comprehensive system to identify operational risks and plans to alleviate those. The Company has carried out necessary maintenance activities of the plant to keep it at optimum operable levels. The Quality Environment, Health &Safety (QEHS) function at plant is fully responsible to identify, measure and take necessary steps to address and mitigate the probabilities of malfunctioning or any unforeseen event.

Financial Risk

The financial risk management is disclosed in Note 34 of the annual audited financial statements of the Company.

MATERIAL INFORMATION

Post reporting period, the Company has requested the Committee for Negotiation with Independent Power Producers formed by the Government of Pakistan (the "Committee"), as set up by the Government of Pakistan, to terminate the PPA on the terms, to be mutually agreed between the Company and the Committee. Till the date of authorization of these financial statements, no response has been received from the Committee. Hence no financial impact of this event has been recorded in these financial statements.

FUTURE OUTLOOK

There has been addition of significant generation capacity into the national grid system during the last few years. During the same period, your Company had to shift its plant's operations from indigenous/cheaper gas to costly imported gas, RLNG, due to depletion of local gas reserves. Resultantly, your plant has witnessed significant shortfall in dispatch demand from NPCC since the new plants are economical due to better efficiency and rank above Altern's plant in NPCC/CPPA's economic despatch merit order. During the year, the plant was dispatched only 04 GWh as compared to 22 GWh dispatched last year. The Company's PPA with CPPA-G based on take-and-pay arrangement, has subjected it to a serious challenge of keeping the plant operational since less dispatch to the off-taker results in less capacity revenue and makes it difficult to meet fixed operational costs. This situation is likely to deteriorate further in future as more power is expected to be added in the national system. This is has led to a situation where even the commercial viability of the plant has become uncertain. However, the Company will continue to remain a viable entity due to its investment in its subsidiary.

In view of these challenges, your Board has been exploring many options, including both contractual and commercial, as this complex situation is unprecedented. The Company during the previous year made request to the off-taker to change the current take-and-pay arrangement into take-or-pay arrangement under the PPA, so that even if there is lack / no dispatch, the Company is able to meet its fixed O & M costs. However, this request of the Company was not positively responded. Recently, the Government formed a Negotiating Committee assigned with primary task of reducing the cost of electricity in the country. Subsequent to year end, the Company has requested the Committee to terminate the PPA on the terms, to be mutually agreed between the Company and the off-taker. The management has been assigned by the Board to actively engage both with the off-taker and the Private Power Infrastructure Board (PPIB) to terminate the PPA.

QUALITY, ENVIRONMENT, HEALTH & SAFETY (QEHS)

QEHS is the Company's first and foremost priority. The Company not only values its people but is also cognizant of the environment in which it operates. During the year under review, your Company continued to maintain satisfactory level of performance in Quality, Environment, and Health & Safety at the power plant. The Company has adopted OSHA, NFPA & other international guidelines to ensure safety of people and equipment deployed at plant site. The Company has a proactive approach to achieve zero LTI (Lost Time Incident) by monitoring Leading/Lagging indicators. Furthermore, as far as environment protection is concerned, the Company is monitoring and complying with Punjab Environmental Quality Standard (PEQs) pertaining to air emissions and water effluents.

As of June 30, 2020, the QEHS statistics are as follows:

Hours Since Last LTI	611,183
Days Since Last LTI	1,560
Restricted Work Incidents	0
Medical Treatment	0
First Aid Cases	2
Near Miss incidents	0
Incidents / Property Loss Cases	0
Good Catches	25
QEHS Trainings	7

CORPORATE GOVERNANCE

The Company's Directors and management are fully acquaintedwith their responsibilities as required by provisions of the Companies Act, 2017 ('the Act').The Board has adopted best practices of Corporate Governance by ensuring a strong sense of business principles and high standards for compliance in conduct of business.The same have been summarised in the enclosed Statement of Compliance with listed Companies (Code of Corporate Governance) Regulations, 2019 ('the Regulations')duly reviewed by the external auditors.

The Directors are pleased to report the following:

a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cashflows and changes in equity.

b. Proper books of account of the Company have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d. The financial statements have been prepared in conformity with the Act and International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.

e. Internal control system including financial and operational controls, accounting system for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure is sound in design and has been effectively implemented and monitored.

f. There are no significant doubts on the Company's ability to continue as a going concern.

g. All the directors on the Board are fully conversant with their duties and responsibilities as directors of a corporate body.

h. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

i. The key operating and financial data of last six years is attached to the report.

j. Where any statutory payment on account of taxes, duties, levies, and charges is outstanding, the amount together with a brief description and reasons for the same is disclosed in the financial statements.

Composition of the Board of Directors

Election of Directors was held on 31st December 2019, after which the total numbers of directors are 8 including Chief Executive (Deemed Director) as per the following:

Male	7
Female	1

The composition of the board is as follows:

Sr. No.	Category	Names
1	Independent Director	Syed Rizwan Ali Shah
2	Non-Executive Directors	Mr. Taimur Dawood
3		Mr. Farooq Nazir
4		Mr. Faisal Dawood
5		Mr. Shah Muhammad Chaudhary
6		Ms. Mehreen Dawood
7		Mr. Salih Merghani
8	Executive Director	Mr. Umer Shehzad Sheikh

Changes to the Board

During the financial year under review, the following changes were made on the Board:

- On July 01, 2019, Mr. Khalid Salman Khan resigned from his position as a Director of the Company and Mr. Salih Merghani was appointed as a Director in his place for the balance un-expired term.

- On August 15, 2019, Mr. Fazal Hussain Asim resigned from his position as a Director and Chief Executive of the Company and Mr. Ijaz Ali Khan was appointed as a director in his place for the balance un-expired term. Mr. Umer Shehzad Sheikh was appointed Chief Executive in place of Mr. Fazal Hussain Asim.

Meetings of the Board

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

During the year, six (06) meetings of the Board of Directors were held. Attendance of these meetings is as follows:

Name of Director	Meetings Attended	Remarks
Mr. Taimur Dawood	6/ 6	
Mr. Faisal Dawood	5/6	Leave for absence was granted in 1 meeting
Mr. Farooq Nazir	5/6	Leave for absence was granted in 1 meeting
Mr. Fazal Hussain Asim	1/1	Resigned on August 15, 2019
Mr. Ijaz Ali Khan	2/2	Resigned on December 31, 2019
Ms. Mehreen Dawood	1/3	Leave for absence was granted in 2 meetings
Mr. Shah Muhammad Chaudhry	6/6	
Syed Rizwan Ali Shah	5/6	Leave for absence was granted in 1 meeting
Mr. Salih Merghani	5/6	Leave for absence was granted in 1 meeting

Subsidiary Companies' Board of Directors

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

Mr. Taimur Dawood
Mr. Faisal Dawood
Mr. Farooq Nazir
Mr. Abdul Sohail

During the financial year under review, the following changes were made on the Board:

- On January 15, 2020, Mr. Fazal Hussain Asim resigned from the company as Director of the Company. In his place, the Board appointed Mr. Abdul Sohail as a Director of the Company for the balance un-expired term.

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

At the last elections of the Board of Directors of RPPL held in May 2020, the number of directors was reduced from eight (8) to seven (7) by the Board of Directors of the company. Accordingly, Mr. Faisal Dawood and Mr. Dave Shepherd were replaced by Ms. Aisling Kennelly as Director in RPPL.

The names of directors as of the reporting date are as follows:

Mr. Taimur Dawood	Non-Executive Director (Chairman)
Ms. Aisling Kennelly	Non-Executive Director
Mr. Claus Johann Horst Heckel	Non-Executive Director
Mr. Farooq Nazir	Non-Executive Director
Mr. Salih Merghani	Non-Executive Director
Mr. Shah Muhammad Chaudhry	Non-Executive Director
Mr. Stephan Eric Hans Schaller	Non-Executive Director

Internal Audit and Control

The Board of Directors has set up an independent audit function headed by a qualified person reporting to the Audit Committee. The scope of the internal audit function within the Company is clearly defined by the Audit Committee which involves regular review of internal financial controls.

Adequacy of Internal Financial Controls

The Board of Directors has established an efficient system of internal financial controls, for ensuring effective and efficient conduct of operations, safeguarding of the Company's assets, compliance with applicable laws and regulations and reliable financial reporting.

Directors' Training

Four out of eight directors of the Company have been certified as qualified directors under director's training program under the Regulations. The remaining four directors will get their certification in due course.

Directors' Remuneration

The remuneration of Board members is empowered by the Board itself. The Board seeks to ensure that there is a transparent and fair mechanism in place for determining the remuneration of directors for participation in the meetings of the Board and its committees. For this purpose, a policy for the determining remuneration of Directors has been approved and implemented. The Company does not pay remuneration to its non-executive Directors. Only meeting participation fee is being paid to independent directors. Aggregate amount of fee paid to independent Director has been disclosed in Note 32 of these financial statements.

Evaluation of Boards' Performance

As prescribed under the Regulations, in 2019 the Board conducted its own performance evaluation, its members and of its committees. This Function was outsourced to Pakistan Institute of Corporate Governance (in collaboration with Corporate L.I.F.E Centre International Inc.) which has issued an Assessment Report (the "Report") to the Chairman of the Board. No significant departure from the Act, the Regulations and the policies and procedures was found in the Report. The Chairman will ensure that the Board is fully conversant with its Role and Responsibilities and is improving its effectiveness as recommended by the Report.

Committees of the Board

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

Audit Committee

The Audit Committee supports the Board in fulfilling its oversight responsibilities while primarily reviewing financial or non-financial information to the shareholders in compliance with prevailing regulations and accounting standards. The Audit Committee also ensures that sound systems of internal controls are in place to safeguard Company's assets. The Terms of Reference of the Audit Committee have been defined in light of the guidelines of the Regulations.

The Audit Committee comprises of four (4) members as follows:

Syed Rizwan Ali Shah	(Independent Director) – Chairman
Mr. Farooq Nazir	(Non-executive Director)
Ms. Mehreen Dawood	(Non-executive Director)
Mr. Shah Muhammad Chaudhary	(Non-executive Director)

The committee met 4 times during the year and the attendance was as follows:

Name of Member	Meetings Attended	Remarks
Mr. Farooq Nazir	3/4	Leave for absence was granted in 1 meeting
Mr. Shah Muhammad Chaudhry	4/4	
Syed Rizwan Ali Shah	4/4	
Mr. Faisal Dawood		Leave for absence was granted in 1 meeting
Ms. Mehreen Dawood *	1/2	Leave for absence was granted in 1 meeting

- Appointed as a member in elections held on December 31, 2019 in place of Mr. Faisal Dawood.

Human Resource & Remuneration Committee

The Human Resources & Remuneration Committee has been established to review and recommend to the Board all elements of compensation and policies and procedures required to be adopted for effective human resource function. The Committee comprises of three non-executives Directors as members, one of whom is an independent director.

The Human Resources & Remuneration Committee comprises of three (3) members as follows:

Mr. Farooq Nazir	(Non-executive Director) – Chairman
Mr. Shah Muhammad Chaudhary	(Non-executive Director)
Syed Rizwan Ali Shah	(Independent Director)

The Committee met twice during the year and the attendance of the meeting is as follows:

Name of Member	Meetings Attended	Remarks
Mr. Farooq Nazir	2/2	
Mr. Shah Muhammad Chaudhry	1/2	Leave for absence was granted in 1 meeting
Syed Rizwan Ali Shah	2/2	

RELATED PARTY TRANSACTIONS

The Audit Committee reviewed and recommended the related party transactions to the Board and the Board approved them. All related party transactions were carried out in normal course of business and on an arm's length basis. The Company maintains a complete record of all the related party transactions. The Company has made detailed disclosure of the related party transactions in the financial statements annexed with this annual report. Such disclosure is in line with the requirements of the 4th Schedule of the Act and applicable International Financial Reporting Standards.

SOCIAL INVESTMENT

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

PATTERN OF SHAREHOLDING

In accordance with section 227(2)(f) of the Companies Act, 2017, the pattern of shareholding as at June 30, 2020along with disclosures as required under the Regulations is annexed to the Annual Report.

AUDITORS

The financial statements of the Company for the current year 2019-20 were audited by M/s A. F. Ferguson & Company, Chartered Accounts. The auditors will retire at the end of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment.As recommended by the Audit Committee, the Board has approved the appointment of M/s. A. F. Ferguson & Co. Chartered Accountants as auditors of the Company for the year ending June 30, 2021, subject to the approval of the Shareholders in the forthcoming Annual General Meeting.

ACKNOWLEDGEMENT

The Board of Directors remains grateful to its valuable shareholders, business partners, Government functionaries, and all other stakeholders for their cooperation, continued trust, support, and patronage.

The Board of Directors also appreciates the contribution made by the executives, staff, and workers for efficient operations of the Company.

Umer Shehzad Sheikh
Chief Executive

Shah Muhammad Chaudhry
Director

Dated: September 28, 2020
Lahore.

ڈائریکٹرز رپورٹ

آلٹرن انرجی لمیٹڈ ('دی کمپنی') کے بورڈ آف ڈائریکٹرز 30 جون 2020 کو ختم ہونے والے مالی سال کے نظرثانی شدہ مالی حسابات کیساتھ ساتھ سالانہ رپورٹ معہ ان پر آڈیٹر کی رپورٹ بخوشی پیش کرتے ہیں۔

عمومی

کمپنی کی اہم ترین سرگرمیوں میں 132 میگاواٹ کے گیس تھرمل پاور پلانٹ واقع نزد فتح جنگ ضلع اٹک پنجاب کی ملکیت، آپریشن، دیکھ بھال اور اپنے واحد صارف سنٹرل پاور پرچیزنگ ایجنسی (گارنٹی) لمیٹڈ ('CPPA-G') کو نیشنل ٹرانسمیشن اینڈ ڈسپیچ کمپنی ('NTDC') کے ٹرانسمیشن نیٹ ورک کے ذریعے بجلی کی فروخت شامل ہے۔

کمپنی کے حصص پاکستان سٹاک ایکسچینج لمیٹڈ میں درج ہیں۔ کمپنی پاور مینجمنٹ کمپنی (پرائیویٹ) لمیٹڈ (خصوصی مقصد کی گاڑی) کے 100 فیصد حصص کی مالک ہے، جو بدلے میں Rousch (پاکستان) پاور لمیٹڈ (RPPL) کے 59.98 فیصد حصص رکھتی ہے۔ RPPL ایک غیر مندرج پبلک کمپنی اور گیس فائرڈ کمبائنڈ سائیکل تھرمل پاور پلانٹ کے ذریعے 450 میگاواٹ کی مجموعی ISO صلاحیت رکھنے والی خودمختار پاور پروڈیوسر ہے جو کہ سدھنائی بیراج، عبدالحکیم، ضلع خانیوال، پنجاب کے قریب واقع ہے۔

کمپنی نے اپنے واحد صارف CPPAG کے ساتھ تیس سالوں کے لئے بجلی کی خریداری کا معاہدہ ('PPA') کیا ہے جو 06 جون 2001 سے شروع ہوا۔

سوئی ناردرن گیس پائپ لائنز لمیٹڈ (SNGPL) کیساتھ کمپنی کا گیس کی فراہمی کا معاہدہ (GSA) 30 جون 2013 کو ختم ہو گیا تھا۔ اس کے بعد مورخہ 17 مارچ 2014 کو کمپنی نے SNGPL کیساتھ ایک اضافی دستاویز پر دستخط کئے، جس کے تحت SNGPL نے پاور پرچیز ایگریمنٹ کی منسوخی بتاریخ 6 جون 2031 تک دستیابی کی بنیاد پر کمپنی کو گیس کی فراہمی کیلئے رضامندی ظاہر کی ہے۔

وزارت پٹرولیم اور قدرتی وسائل نے کابینہ کی اقتصادی تعاون کمیٹی کی طرف سے ری لیکویفائیڈ نیچرل گیس (RLNG) کی تخصیص کا اختیار دیا گیا، 28 اپریل 2017 کو کمپنی کو آر ایل این جی کی MMCFD 06 کی تخصیص جاری کی اور اس نے کمپنی اور SNGPL کو ایک نئے GSA پر مذاکرات کی ہدایت کی۔ 31 جولائی 2019 کو، کیبنٹ کی ECC نے ایک عبوری ٹرائی پارٹی GSA کی سمری کی منظوری دی ہے۔ فی الحال، کمپنی، SNGPL اور CPPA-G، RLNG کی فراہمی کے لئے ایک عبوری GSA پر عملدرآمد کے عمل میں ہیں۔ عبوری GSA کے تحت، پارٹیوں کے درمیان طویل مدتی GSA کے اختتام تک 'دستیاب ہونے' کی بنیاد پر RLNG فراہم کی جائے گی۔

فنانس

زیرِ جائزہ سال کے دوران کمپنی کا ٹرن اوور 117 ملین روپے (2019 میں 474 ملین روپے) اور آپریٹنگ کے اخراجات 168 ملین روپے (2019 میں 502 ملین روپے) رہے جس کے نتیجے میں گزشتہ سال کے مجموعی نقصان 28 ملین روپے کے برعکس 51 ملین روپے کا مجموعی نقصان ہوا۔ کمپنی نے گزشتہ سال کا خالص منافع 955 ملین روپے اور فی شیئر آمدنی (EPS) 2.63 روپے کے مقابلے موجودہ سال کا خالص منافع 1,690 ملین روپے اور فی شیئر آمدنی (EPS) 4.65 روپے درج کرایا ہے۔ موجودہ سال کے خالص منافع میں ذیلی کمپنی PMCL کے 1,780 ملین روپے کے محاصل شامل ہیں۔ اپنی ذیلی کمپنیوں سے اس ڈیویڈینڈ آمدنی کے بغیر، کمپنی کو موجودہ سال کے لئے 0.25 روپے فی شیئر کا خسارہ برداشت کرنا ہوگا۔

کمپنی اپنے تمام اسٹیک ہولڈرز کو اپنے قرضوں اور بروقت ادائیگیوں کو یقینی بنانے کے لئے کوشاں رہی ہے، تاہم، گردشی قرضہ پاور سیکٹر اور کمپنی کے لئے گزشتہ چند سالوں سے ایک مسلسل مسئلہ رہا ہے۔ گردشی قرضہ بڑھنے کی اہم وجوہات ڈسٹری بیوشن کمپنیوں سے کم ریکوری، ٹرانسمیشن اور ڈسٹری بیوشن نقصانات، مہنگے فیول مکس، اور Covid-19 کے باعث CPPA-G کے محصولات میں کمی ہے۔ ہم دیکھتے ہیں کہ گردشی قرضہ مستقبل قریب میں ایک بڑا چیلنج رہے گا۔ CPPA-G کی جانب سے ادائیگیوں میں تاخیر کے باوجود کمپنی اپنی تمام آپریشنل ذمہ داریوں کو پورا کرنے میں کامیاب رہی۔

متذکرہ سال میں آپکی کمپنی کی آلٹرن انرجی لمیٹڈ کے ایکوئٹی ہولڈرز سے منسوب مجموعی کمائی 3,383 ملین روپے ہے جس کے نتیجے میں فی حصص آمدنی 9.31 روپے رہی جبکہ اس کے برعکس گزشتہ سال کی اسی مدت میں مجموعی کمائی 1,530 ملین روپے رہی جس کے نتیجے میں فی حصص آمدنی 4.21 روپے تھی۔

حصہ داری کی تقسیم

زیرِ جائزہ سال کے دوران، کمپنی نے 30 جون 2019 کو ختم ہونے والے سال کے لئے اپنے حصص داران کو حتمی نقد منافع منقسمہ بشرح 30% (3.00 روپے فی شیئر) تقسیم کیا جس کی منظوری 25 اکتوبر 2019 کو منعقدہ سالانہ اجلاس عام میں دی گئی۔

21 فروری 2020 کو بورڈ آف ڈائریکٹرز نے عبوری حصہ داری کا اعلان کر دیا اور اس کے بعد کمپنی کے حصص یافتگان میں 26.50 فیصد (2.56 روپے فی عام حصص) کے حساب سے عبوری حصہ تقسیم کر دیا۔

آپریشنز

گزشتہ دو برسوں کے دوران قومی گرڈ سسٹم میں سستی بجلی کا اضافہ کیا گیا ہے اور نئے پلانٹس کی بہتر کارکردگی کی وجہ سے، کمپنی نے اپنے خریدار سے ترسیل طلب میں نمایاں کمی درج کی ہے۔ آپ کی کمپنی سے کم ترسیل طلب کی بنیادی اہم وجہ بہتر کارکردگی اور سستے فیول کے باعث اکنامک ڈسپیچ میرٹ آرڈر آف CPPA-G میں کمپنی سے اوپر کے درجہ کی صلاحیت کا اضافہ ہے۔ ان عوامل کی وجہ سے پلانٹ نے اپنے خریدار کو صرف GWh 04 (2019: GWh 22) الیکٹرک پاور ترسیل کی ہے۔

سال کے دوران، اوریجنل ایکوپمنٹ مینوفیکچررز (او ای ایم) کی سفارشات کے مطابق تمام دیگر طریقہ کار اور بچاؤ کی بحالی کی سرگرمیاں کی گئیں۔ ہمیں یقین ہے تمام انجن اور ان کے امدادی آلات موزوں اور قابل اعتماد آپریشن کیلئے بہترین حالت میں ہیں۔

ماتحت ادارے کا جائزہ

متذکرہ سال کے دوران کمپنی کے ذیلی ادارہ ROUSCH (پاکستان) پاور لمیٹڈ (RPPL) نے بہترین طریقے سے کام کیا اور موجودہ سال کیلئے 4,224 ملین روپے منافع (فی حصص آمدنی 4.92 روپے) کا اعلان کیا جبکہ گزشتہ سال کی اسی مدت کے دوران 3,102 ملین روپے منافع (فی حصص آمدنی 3.60 روپے) تھا۔ اس سال کا منافع گیس کی معطّلی کے باعث سال کے دوران 55 دنوں (2019 میں 122 دنوں) کے دیگر فورس میجور واقعات (OFME) کی وجہ سے متاثر ہوا۔

خریدار کے گردشی قرضہ کی وجہ سے RPPL کو مسلسل لیکویڈیٹی خطرہ عائد رہتا ہے۔ تاہم، زائد المیعاد وصولیوں میں کچھ بہتری آئی ہے۔ متذکرہ مدت کے اختتام تک، کل قابل وصولیاں 13,559 ملین روپے، جس میں سے 11,631 ملین روپے زائد المیعاد تھے جبکہ گزشتہ سال کے اختتام پر کل قابل وصولیاں 14,640 ملین روپے (12,774 ملین روپے زائد المیعاد) تھیں۔ RPPL نے زیرِ جائزہ سال کے دوران، قرضہ کی واپسی کے شیڈول کے مطابق 2,011 ملین روپے کی رقم اپنے قرض دہندگان کو ادا کی ہے۔ RPPL کی تمام طویل مدتی ادائیگیاں اب ادا ہوگئی ہیں۔

اب تک RPPL خریدار اور گیس سپلائر کے ساتھ عبوری GSA تجدید کرنے کی کوشش کر رہا تھا۔ عبوری GSA دراصل 2017 میں CPPA-G اور SNGPL کے ساتھ طے کیا گیا تھا جو یکم جون 2017 سے مؤثر اور 30 جون 2018 کو ختم ہونا تھا۔ عبوری GSA، 'RLNG جب دستیاب ہو' بنیاد پر فراہم کی جاتی تھی، تاہم، RLNG کی عدم فراہمی کو PPA کے تحت OFME تصور کیا جائے گا۔ 31 جولائی 2019 کو، وفاقی کابینہ کی ECC نے SNGPL اور CPPA-G کے ساتھ RPPL کے عبوری GSA کی توسیع کی منظوری دے دی۔

متذکرہ مدت کے بعد، 21 جولائی 2020 کو RPPL، CPPA-G اور SNGPL نے عبوری GSA پر دستخط کئے۔ اس معاہدہ کی مدت طویل مدتی گیس فراہمی اور پرچیز ایگریمنٹ ('GSPA') کے دستخط کی تاریخ تک مؤثر ہوگی۔

متذکرہ مدت کے بعد، 18 اگست 2020 کو RPPL اور حکومت کی تشکیل کردہ آزاد پاور پروڈیوسرز کے ساتھ مذاکراتی کمیٹی (دی کمیٹی) جیسا کہ حکومت پاکستان نے مرتب کیا نے مفاہمتی یادداشت (MOU) پر عمل درآمد کیا ہے۔ اس مفاہمت نامہ کی شرائط کے عین مطابق، فریقین نے اس بات پر اتفاق کیا ہے: (1) موجودہ صلاحیت کی ادائیگیوں اور متغیر O&M میں 11 فیصد کی کمی، (2) امریکی ڈالر کی شرح تبادلہ اور 12 اگست 2020 کو موجودہ مبادلہ کی شرح کی بنیاد پر US CPI انڈیکسیشنز میں کم صلاحیت کی ادائیگی اور درستگی کے 50 فیصد پر تخفیف (3) موجودہ انتظامات کے مطابق ہیٹ ریٹ شیئرنگ کو بند کرنا (4) مسابقتی تجارت کے انتظام کے بعد جب پلانٹ کی تجارتی اور تکنیکی صلاحیت کا اطلاق اور مکمل طور پر آپریشنل ہو جانے کو مدنظر رکھتے ہوئے اس کے بند ہونے کے امکانات کو تلاش کرنا۔ (6) چونکہ RPPL کی قابل وصول ادائیگیاں مفاہمت نامہ کا ایک لازمی جزو ہیں لہٰذا RPPL اور حکومت متفقہ وصولیوں کی ادائیگی کے لئے ایک طریقہ کار وضع کرے گی جو حتمی معاہدہ میں درج ہونگی جس معاہدے پر دستخط کیے جائیں گے، (8) پاور خریدار اپنی معاہدہ کی ذمہ داریوں پر عمل پیرا ہونے کو یقینی بنائے گا، اور (9) حکومت پاکستان اور پاور خریدار RPPL کے حق میں دیئے گئے ماہرین کے عزم کے متعلقہ معاملے کے حل کے لئے کام کریں گے۔ فریقین کے مابین حتمی معاہدے پر عمل درآمد سے قبل مفاہمت نامہ کی شرائط RPPL کے بورڈ آف ڈائریکٹرز اور وفاقی کابینہ کی منظوری سے مشروط ہیں۔

رسک مینجمنٹ

رسک مینجمنٹ کے اصولوں کو ان تمام خطرات کی نشاندہی، جن کی وجہ سے کمپنی کو مشکلات درپیش ہوں کے لئے تیار کیا جاتا ہے اور بورڈ تمام ضروری حکمت عملی اپناتا ہے اور کمپنی کو درپیش تمام خطرات کو کم کرنے کے لئے ایک محتاط طریقہء کار نافذ کرتا ہے۔ کمپنی تمام قلیل مدتی اور طویل مدتی خطرات کو پہچانتی ہے تاکہ ان پر قابو پانے کے لئے مناسب اقدامات اختیار کئے جاسکیں۔

آپریشنل رسک۔

آپریشنل خطرات کو کم کرنے کے لئے، انتظامیہ نے آپریشنل خطرات کی نشاندہی اور ان کے خاتمے کے لئے ایک جامع نظام تیار کیا ہے۔ کمپنی پلانٹ کو زیادہ سے زیادہ کاروباری سطحوں پر رکھنے کے لئے پلانٹ کی دیکھ بھال کی ضروری سرگرمیاں سرانجام دی ہیں۔ پلانٹ میں QEHS عمل خرابی یا کسی بھی غیر متوقع واقعہ کے امکانات کی نشاندہی کرنے اور ان کے خاتمے کے لئے ضروری اقدامات کرنے کا پوری طرح ذمہ دار ہے۔

مالی خطرہ

مالی رسک مینجمنٹ کا انکشاف کمپنی کے سالانہ آڈٹ شدہ مالی حسابات کے نوٹ 34 میں کیا گیا ہے۔

خصوصی معلومات

متذکرہ مدت کے بعد، کمپنی نے حکومت پاکستان کی تشکیل کردہ آزاد پاور پروڈیوسرز کے ساتھ مذاکراتی کمیٹی ("کمیٹی") سے درخواست کی ہے کہ PPA کو کمپنی اور کمیٹی کی باہمی اتفاق رائے سے متفقہ شرائط پر ختم کیا جائے۔ان مالی حسابات کی تاریخ تک، کمیٹی کی طرف سے کوئی جواب موصول نہیں ہوا ہے۔لہذا ان مالی حسابات میں اس کا کوئی مالی اثر درج نہیں کیا گیا ہے۔

مستقبل کا نقطہ نظر

گذشتہ چند سالوں کے دوران،قومی گرڈ سسٹم میں برقی توانائی کا نمایاں اضافہ کیا جارہا ہے۔اسی مدت کے دوران، آپ کی کمپنی نے اپنے پلانٹ کے آپریشنز کو مقامی گیس کے ذخائر کی کمی کے باعث مقامی رسستی گیس سے مہنگی درآمدہ گیس آر ایل این جی پر منتقل کر دیا۔ نتیجے میں، آپ کے پلانٹ کو NPCC سے ترسیل کی طلب میں شدید کمی کا سامنا کرنا پڑا ہے کیونکہ نئے پلانٹ بہتر کارکردگی کی بدولت اکانومیکل اور NPCC / CPPA-G کی اکنامک ترسیل میرٹ آرڈر میں آلٹرن کے پلانٹ سے اوپر درجہ رکھتے ہیں۔ زیرِ جائزہ مدت کے دوران صرف 04 میگاواٹ بجلی ترسیل کی گئی جبکہ اس سے پچھلے مالی سال کے دوران 22 میگاواٹ ترسیل کی گئی تھی۔حقیقت یہ ہے کہ کمپنی نے CPPA-G کے ساتھ ٹیک اینڈ پے کا معاہدہ کیا ہے،اس سے ہماری کمپنی کو پلانٹ چلانے کے لئے ایک سنجیدہ بھرپور چیلنج کا انکشاف ہوا ہے کیونکہ کم استعداد کار کے نتیجے میں کم آمدنی حاصل ہوتی ہے اور کمپنی کو اس طے شدہ معاہدہ کی تکمیل میں بہت مشکل پیش آرہی ہے۔اس صورتحال نے اس حقیقت کو مزید واضح کر دیا ہے کہ ممکن ہے کہ قومی نظام میں مزید بجلی کے اضافے کی توقع ہے۔ ایک وجہ یہ بھی ہے کہ پلانٹ کی کاروباری عملداری بھی غیر یقینی ہو چکی ہے۔

کمپنی کو موجودہ لاحق خطرات کے چیلنجوں کے پیش نظر، بورڈ قانونی اور تجارتی دونوں طرح کے کئی اختیارات پر غور کر رہا ہے، کیونکہ اس پیچیدہ صورتحال کی کوئی مثال نہیں ہے۔سال کے دوران کمپنی نے اپنے خریدار سے درخواست کی ہے کہ وہ موجودہ ٹیک اینڈ پے کے انتظامات کو ٹیک یا پے کے انتظامات میں تبدیل کرے، تا کہ اگر کمی/کوئی ترسیل نہ بھی ہو تو بھی، کمپنی اپنے فکسڈ M&O کے اخراجات کو پورا کر سکے۔تاہم کمپنی کی اس درخواست کا کوئی مثبت جواب نہیں ملا۔حال ہی میں، حکومت نے ایک مذاکراتی کمیٹی تشکیل دی ہے جس کو ملک میں بجلی کی قیمت کو کم کرنے کا کام تفویض کیا ہے۔سال کے اختتام کے بعد، کمپنی نے کمپنی اور خریدار کے مابین باہمی متفقہ شرائط پر PPA کو ختم کرنے کے لئے کمیٹی سے درخواست کی ہے۔بورڈ نے انتظامیہ کو تفویض کیا کہ وہ PPA کے خاتمہ کے لئے آف ٹیکر اور پرائیویٹ پاور انفراسٹرکچر بورڈ (PPIB) دونوں کو شامل کرے۔

صحت، حفاظت اور ماحول

QEHS کمپنی کی پہلی اور اہم ترجیح ہے۔متذکرہ سال کے دوران آپ کی کمپنی نے پاور پلانٹ میں کوالٹی، ماحولیات، صحت اور حفاظتی اقدامات میں کارکردگی کی تسلی بخش سطح کو برقرار رکھا ہے۔کمپنی نے پلانٹ سائٹ پر تعینات لوگوں اور سامان کی حفاظت کو یقینی بنانے کیلئے ISO&NFPA،OSHA کی گائیڈ لائنز کو اپنایا ہے۔کمپنی زیرو ایل ٹی آئی (Lost Time Incident) کے حصول اور بین الاقوامی سطح پر تسلیم شدہ (آئی ایس او 9001، آئی ایس او 14001 اینڈ او ایچ ایس اے ایس 18001) مینجمنٹ سسٹم کے مطابق خود کو چلانے کی کوششوں کیلئے ایک فعال نقطہ نظر رکھتی ہے۔اس کے علاوہ، جہاں تک ماحولیاتی تحفظ کا تعلق ہے، کمپنی ہوا کے اخراج اور پانی کے اثرات سے متعلق نیشنل ماحولیاتی کوالٹی سٹینڈرڈ (NEQs) کی نگرانی اور تعمیل کر رہی ہے۔30 جون 2020 کے مطابق QEHS کے اعداد و شمار درج ذیل ہیں۔

611,183	آخری ایل ٹی آئی سے گھنٹے
1,560	آخری ایل ٹی آئی سے دن
0	ممنوعہ کام کے واقعات
0	میڈیکل علاج
2	ابتدائی طبی امداد کے کیس
0	نیئر مس انسیڈنٹ
0	واقعات/جائیداد کے نقصان کے کیس
25	گڈ کیچز
7	QEHS ٹریننگ

کارپوریٹ گورننس

کمپنی کے ڈائریکٹرز اور انتظامیہ کمپنیز ایکٹ 2017 کی دفعات کے مطابق اپنی ذمہ داریوں سے پوری طرح آگاہ ہیں۔بورڈ نے کاروبار کے اصولوں کے عمیق احساس اور کاروبار کے انعقاد کیلئے اعلیٰ اخلاقی معیار کو یقینی بناتے ہوئے کارپوریٹ گورننس کے بہترین طریقوں کو اپنایا ہے۔لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی تعمیل کے منسلکہ بیان میں خلاصہ بیان کیا گیا اور بیرونی آڈیٹرز سے باقاعدہ جائزہ لیا گیا ہے۔

ڈائریکٹرز بخوشی بیان کرتے ہیں:

- a• کمپنی کی انتظامیہ کی طرف سے تیار کردہ، اشتمال شدہ مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکوٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- b• کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- c• مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- d• مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS) کی پیروی کی گئی ہے۔
- e• داخلی کنٹرول سسٹم بشمول مالی اور آپریشنل کنٹرول، خرید و فروخت، وصولیوں اور ادائیگیوں، اثاثوں اور واجبات اور رپورٹنگ سٹرکچر کی بروقت اور مناسب رپورٹنگ کے لئے اکاؤنٹنگ سسٹم ڈیزائن میں مستحکم ہے اور مؤثر طریقہ سے عملدرآمد اور نگرانی کی جاتی ہے۔
- f• کمپنی کے گوئنگ کنسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔
- g• بورڈ پر تمام ڈائریکٹرز کارپوریٹ باڈی کے ڈائریکٹر کی حیثیت سے اپنے فرائض اور ذمہ داریوں سے مکمل طور پر آگاہ ہیں۔
- h• فہرستی قواعد وضوابط میں تفصیلی کارپوریٹ گورننس کے بہترین عمل سے کوئی مادی انحراف نہیں کیا گیا ہے۔
- i• گزشتہ 6 سال کے کلیدی اور اہم مالیاتی اعداد وشمار رپورٹ کے ہمراہ منسلک ہیں۔
- j• ٹیکسز، ڈیوٹیز، لیویز اور چارجز کی مد میں جہاں کوئی قانونی ادائیگی بقایا ہے، مختصر تفصیل اور وجوہات کے ساتھ رقم کا انکشاف مالی حسابات میں کیا گیا ہے۔

بورڈ آف ڈائریکٹرز کی ترتیب

31 دسمبر 2019 کو ڈائریکٹرز کے انتخابات منعقد ہوئے، جس کے بعد چیف ایگزیکٹو (ڈائریکٹر) سمیت ڈائریکٹرز کی کل تعداد 8 درج ذیل کے مطابق ہیں:

مرد	7
خاتون	1

بورڈ کی ترتیب حسبِ ذیل کے مطابق ہے:

نمبر شمار	کیٹگری	نام ڈائریکٹر
1	آزاد ڈائریکٹر	سید رضوان علی شاہ
2	نان ایگزیکٹو ڈائریکٹر	تیمور داؤد
3	نان ایگزیکٹو ڈائریکٹر	فاروق نذیر
4	نان ایگزیکٹو ڈائریکٹر	فیصل داؤد
5	نان ایگزیکٹو ڈائریکٹر	شاہ محمد چودھری
6	نان ایگزیکٹو ڈائریکٹر	مہرین داؤد
7	نان ایگزیکٹو ڈائریکٹر	صالح مرغانی
8	ایگزیکٹو ڈائریکٹر	عمر شہزاد شیخ

بورڈ میں تبدیلیاں

زیرِ جائزہ مالی سال کے دوران، بورڈ میں درج ذیل تبدیلیاں کی گئیں:

یکم جولائی، 2019 کو، جناب خالد سلمان خان نے کمپنی کے ڈائریکٹر کے عہدے سے استعفیٰ دے دیا اور باقی عرصہ کے لئے ان کی جگہ جناب صالح مرغانی کو بطور ڈائریکٹر مقرر کیا گیا۔

15 اگست، 2019 کو، جناب فضل حسین عاصم نے کمپنی کے ڈائریکٹر اور چیف ایگزیکٹو کی حیثیت سے استعفیٰ دے دیا اور باقی عرصہ کے لئے ان کی جگہ جناب اعجاز علی خان کو بطور ان کی جگہ ڈائریکٹر مقرر کیا گیا۔

جناب عمر شہزاد شیخ کو جناب فضل حسین عاصم کی جگہ چیف ایگزیکٹو مقرر کیا گیا۔

بورڈ کے اجلاس

بورڈ کمپنی کی کارکردگی اسکی انتظامیہ کے مؤثر اور بروقت احتساب کی نگرانی کیلئے قانونی طور پر ہر سہ ماہی میں کم از کم ایک بار اجلاس بلانے کا پابند ہے۔ اجلاس کے دوران بورڈ کی جانب سے کیے جانے والے فیصلوں کو تحریری صورت دی گئی اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی طرف سے معینہ مدت کے اندر توثیق کیلئے تمام ڈائریکٹرز میں تقسیم کیا گیا جن کی آئندہ اجلاس میں منظوری دی گئی۔ بورڈ کے تمام اجلاس ایکٹ اور ریگولیشنز کے مجوزہ مطلوبہ حاضری کورم کے تحت منعقد کئے گئے، چیف فنانشل آفیسر اور کمپنی سیکریٹری نے بھی تمام اجلاسوں میں شرکت کی۔

سال کے دوران بورڈ آف ڈائریکٹرز کے چھ(06) اجلاس منعقد کیے گئے تھے۔ جن میں حاضری کچھ اس طرح رہی۔

نام ڈائریکٹر	اجلاس میں شرکت	ریمارکس
تیمور داؤد	6/6	
فیصل داؤد	5/6	ایک اجلاس میں عدم شرکت کی چھٹی دی گئی
فاروق نذیر	5/6	ایک اجلاس میں عدم شرکت کی چھٹی دی گئی
فضل حسین عاصم	1/1	15اگست2019 کو مستعفی ہو گئے
اعجاز علی خان	2/2	31دسمبر2019 کو مستعفی ہو گئے
مہرین داؤد	1/3	2اجلاسوں میں عدم شرکت کی چھٹی دی گئی
شاہ محمد چوہدری	6/6	
رضوان علی شاہ	5/6	1اجلاس میں عدم شرکت کی چھٹی دی گئی
صالح مرغانی	5/6	ایک اجلاس میں عدم شرکت کی چھٹی دی گئی

ذیلی کمپنیز کے بورڈ آف ڈائریکٹرز

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

تیمور داؤد

فیصل داؤد

فاروق نذیر

عبدالسہیل

زیرِ جائزہ مالی سال کے دوران، بورڈ میں مندرجہ ذیل تبدیلیاں ہوئیں:

15 جنوری 2020 کو فضل حسین عاصم نے کمپنی کے ڈائریکٹر کے عہدہ سے استعفیٰ دے دیا۔ ان کی جگہ، بورڈ آف ڈائریکٹرز نے باقی ماندہ مدت کے لئے عبدالسہیل کو بطور ڈائریکٹر مقرر کیا۔

ROUSCH(پاکستان) پاور لمیٹڈ('RPPL')

مئی 2020 میں منعقدہ RPPL کے بورڈ آف ڈائریکٹرز کے انتخابات میں، کمپنی کے بورڈ آف ڈائریکٹرز نے ڈائریکٹرز کی تعداد آٹھ(8) سے کم کر کے سات (7) کر دی تھی۔ اس کے مطابق، جناب فیصل داؤد اور مسٹر ڈیو شیفرڈ کی جگہ محترمہ آئزلینگ کینیلی کو RPPL میں ڈائریکٹر مقرر کیا گیا۔

رپورٹنگ کی تاریخ تک ڈائریکٹرز کے نام درج ذیل ہیں:

تیمور داؤد	نان ایگزیکٹو ڈائریکٹر (چیئرمین)
آئزلینگ کینیلی	نان ایگزیکٹو ڈائریکٹر
کلاؤز جان ہارسٹ ہیکل	نان ایگزیکٹو ڈائریکٹر
فاروق نذیر	نان ایگزیکٹو ڈائریکٹر
صالح مرغانی	نان ایگزیکٹو ڈائریکٹر
شاہ محمد چودھری	نان ایگزیکٹو ڈائریکٹر
سٹیفن ایرک ہنز شالر	نان ایگزیکٹو ڈائریکٹر

داخلی مالیاتی کنٹرول کی تکمیل

بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کو رپورٹنگ کرنے والے اہل فرد کی سربراہی میں ایک آزاد آڈٹ فنکشن قائم کیا ہے۔ کمپنی کے اندرونی آڈٹ فنکشن کی وسعت واضح طور پر آڈٹ کمیٹی کے ذریعہ بیان کی گئی ہے جس میں داخلی مالیاتی کنٹرولز کا باقاعدہ جائزہ لیا جاتا ہے۔

کافی داخلی مالیاتی کنٹرولوں

بورڈ آف ڈائریکٹرز اچھے کارپوریٹ گورننس سے اپنی وابستگی کی توثیق کرتے ہیں اور بہترین طریقوں کی تعمیل کے لئے مناسب اقدامات کئے جانے کو یقینی بناتے ہیں۔ کمپنی کے اثاثوں کی حفاظت، دھوکہ دہی اور دیگر غیر قانونی کاموں کی روک تھام اور قانونی تقاضوں کی تعمیل کو یقینی بنانے کے لئے مناسب پالیسیوں کا انتخاب اور اطلاق کر کے داخلی کنٹرول کا موثر نظام قائم کیا گیا ہے۔

ڈائریکٹرز ٹریننگ

کمپنی کے آٹھ ڈائریکٹرز میں سے چار ڈائریکٹرز ریگولیشنز کے تحت کوالیفائیڈ ڈائریکٹرز سند یافتہ ہیں۔ باقی چار ڈائریکٹرز مقررہ مدت میں اپنا سرٹیفکیٹ حاصل کر لیں گے۔

ڈائریکٹرز کا مشاہرہ

بورڈ ارکان کا مشاہرہ خود بورڈ کے دائرہ اختیار میں ہے۔ کمپنی کا بورڈ یہ یقینی بناتا ہے کہ بورڈ اور اسکی کمیٹیوں کے اجلاسوں میں شرکت کے لئے ڈائریکٹرز کے مشاہرہ کے تعین کے لئے ایک شفاف اور منصفانہ میکانزم اختیار کیا گیا ہے۔ اس مقصد کے لئے، ڈائریکٹرز کے مشاہرہ کے تعین کے لئے پالیسی منظور اور لاگو کی گئی ہے۔ کمپنی اپنے نان ایگزیکٹو ڈائریکٹرز کو کوئی مشاہرہ ادا نہیں کرتی ہے۔ صرف اجلاس میں شرکت کی فیس آزاد ڈائریکٹرز کو ادا کی جاتی ہے۔ آزاد ڈائریکٹرز کو ادا کی جانے والی فیس کی مجموعی رقم مالی حسابات کے نوٹ 32 میں بیان کی گئی ہے۔

بورڈ کی کارکردگی کا تجزیہ

ریگولیشنز کے مطابق، 2019 میں بورڈ نے خود اپنے آپ، اپنے ارکان اور اپنی کمیٹیوں کی کارکردگی کا جائزہ لینے کے لئے ایک طریقہ کار وضع کیا ہے۔ یہ عمل پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس (کارپوریٹ ایل آئی ایف ای سنٹر انٹرنیشنل انکارپوریٹڈ کے تعاون سے) سے آؤٹ سورس ہے۔ جس نے تشخیص رپورٹ جاری کی ہے۔ رپورٹ میں ایکٹ، ریگولیشنز اور پالیسیوں سے کوئی اہم انحراف نہیں پایا گیا ہے، تاہم، بورڈ رپورٹ کی سفارشات کے مطابق اپنی کارکردگی بہتر بنا رہا ہے۔

بورڈ کی کمیٹیاں

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

آڈٹ کمیٹی

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

آڈٹ کمیٹی مندرجہ ذیل چار (4) ارکان پر مشتمل ہے:

سید رضوان علی شاہ	(آزاد ڈائریکٹر) چیئرمین
فاروق نذیر	(نان ایگزیکٹو ڈائریکٹر)
مہرین داؤد	(نان ایگزیکٹو ڈائریکٹر)
شاہ محمد چوہدری	(نان ایگزیکٹو ڈائریکٹر)

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

نام رکن	اجلاس میں شرکت	ریمارکس
فاروق نذیر	3/4	ایک اجلاس میں عدم شرکت کی چھٹی دی گئی
شاہ محمد چودھری	4/4	
سید رضوان علی شاہ	4/4	
فیصل داؤد	1/2	ایک اجلاس میں عدم شرکت کی چھٹی دی گئی
مہرین داؤد*	1/2	ایک اجلاس میں عدم شرکت کی چھٹی دی گئی

* 31 دسمبر 2019 کو منعقدہ انتخابات میں فیصل داؤد کی جگہ رکن مقرر کیا گیا

ہیومن ریسورس اینڈ ریمنریشن کمیٹی

ہیومن ریسورس اینڈ ریمنریشن کمیٹی مؤثر ہیومن ریسورس فنکشن کے لئے اختیار کئے جانے والے ضروری کمپنسیشن، پالیسیوں اور پروسیجرز کے تمام عناصر کے جائزہ اور بورڈ کو سفارش کے لئے قائم کی گئی ہے۔ کمیٹی میں تین ارکان شامل ہیں جن میں سے ایک آزاد ڈائریکٹر ہے۔

ہیومن ریسورس اینڈ ریمنریشن کمیٹی درج ذیل تین (3) ارکان پر مشتمل ہے:

فاروق نذیر	(نان ایگزیکٹو ڈائریکٹر) چیئرمین
شاہ محمد چوہدری	(نان ایگزیکٹو ڈائریکٹر)
سید رضوان علی شاہ	(آزاد ڈائریکٹر)

سال کے دوران کمیٹی کے دو اجلاس منعقد ہوئے اور اجلاس میں حاضری حسبِ ذیل رہی ہے:

نام رکن	اجلاس میں شرکت	ریمارکس
فاروق نذیر	2/2	-
شاہ محمد چودھری	1/2	ایک اجلاس میں عدم شرکت کی چھٹی دی گئی
سید رضوان علی شاہ	2/2	-

متعلقہ پارٹی ٹرانزیکشنز

آڈٹ کمیٹی نے متعلقہ پارٹی سے لین دین کا جائزہ لیا اور بورڈ کو سفارش کی اور بورڈ نے ان کی منظوری دی۔ تمام متعلقہ پارٹی لین دین معمول کے کاروبار میں اور قابل رسائی بنیاد پر انجام پائے تھے۔ کمپنی متعلقہ پارٹی سے تمام لین دین کا مکمل ریکارڈ رکھتی ہے۔ کمپنی نے اس سالانہ رپورٹ سے منسلک مالی حسابات میں پارٹی سے متعلقہ لین دین کا تفصیلی انکشاف کیا ہے۔ اس طرح کا انکشاف ایکٹ کے چوتھے شیڈول اور قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیارات کے تقاضوں کے مطابق ہے۔

سماجی سرمایہ کاری

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

شیئر ہولڈنگ کا نمونہ

کمپنیز ایکٹ 2017 کی دفعہ (2)227 کے مطابق، 30 جون 2020 کو شیئر ہولڈنگ کا نمونہ ریگولیشنز کے تحت مطلوبہ معلومات کے ہمراہ سالانہ رپورٹ سے منسلک ہے۔

آڈیٹرز

موجودہ سال 20-2019 کے لئے کمپنی کے مالی حسابات کا میسرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے جائزہ لیا ہے۔ آڈیٹرز سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے اور اہلیت کی بنا پر انہوں نے دوبارہ تعیناتی کیلئے اپنے آپ کو پیش کیا ہے۔ آڈٹ کمیٹی نے 30 جون 2021 کو ختم ہونے والے سال کے لیے آئندہ سالانہ اجلاس عام میں حصص داران کی منظوری کے حوالہ سے میسرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی آڈیٹرز کی حیثیت سے ان کی تقرری کی منظوری دے دی ہے۔

اظہار تشکر

بورڈ آف ڈائریکٹرز اپنے قابل قدر حصص یافتگان، حکومتی اداروں، CPPA-GSNGPL اور بینکوں کا انکے تعاون مسلسل حمایت اور سرپرستی کیلئے شکر گزار ہیں۔

بورڈ کمپنی کی اعلیٰ کارکردگی کا ایک اہم حصہ ہونے پر اپنے ایگزیکٹوز، سٹاف اور ورکرز کی تعریف کرتا ہے۔

بحکم بورڈ

عمر شہزاد شیخ
چیف ایگزیکٹو

شاہ محمد چوہدری
ڈائریکٹر

لاہور
28 ستمبر 2020ء

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of company: Altern Energy Limited
Year ended: June 30, 2020

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

1. The total numbers of directors are 8 (including Chief Executive Officer) as per the following:
   a) Male 7
   b) Female 1

2. The composition of the board is as follows:

Sr. No.	Category	Names
1	Independent Director	Syed Rizwan Ali Shah
2	Non-Executive Directors	Mr. Taimur Dawood
3		Mr. Farooq Nazir
4		Mr. Faisal Dawood
5		Mr. Shah Muhammad Chaudhary
6		Mr. Salih Merghani
7	Female Director	Ms. Mehreen Dawood
8	Executive Director	Mr. Umer Shehzad Sheikh

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

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

9. Out of the seven, four directors have obtained certificate of Directors' training program while two directors are exempt from training on the basis of qualification and experience. The remaining one director will undertake training program in due course.

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 Executive Officer and Chief Financial 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:

1.	Syed Rizwan Ali Shah	(Independent Director) – Chairman
2.	Mr. Farooq Nazir	(Non-executive Director) *
3.	Ms. Mehreen Dawood	(Non-executive Director)
4.	Mr. Shah Muhammad Chaudhary	(Non-executive Director)

* Mr. Farooq Nazir was the Chairman of the Audit committee uptil January 28, 2020 who was not an independent director. On January 28, 2020, Syed Rizwan Ali Shah replaced Mr. Farooq Nazir in accordance with the Regulations;

(b) Human Resource and Remuneration Committee:

1.	Mr. Farooq Nazir	(Non-executive Director) – Chairman
2.	Mr. Shah Muhammad Chaudhary	(Non-executive Director)
3.	Syed Rizwan Ali Shah	(Independent Director) *

* The HR & Remuneration Committee did not include an independent director as a member till January 28, 2020.

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

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

a) Audit Committee:
Four quarterly meetings were held during the financial year ended June 30, 2020.

b) Human Resource and Remuneration Committee:
Two meetings were held during the financial year ended June 30, 2020.

15. The board has set up an effective internal audit function which is 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, except for the number of independent directors not being met by the company in accordance with the regulation 6(1).

19. Explanation of non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33, and 36 is below:

Requirement	Regulation	Explanation
The chairman of the Human Resource and Remuneration Committee ('HRCC') shall be an independent director and the chief executive officer may be included as a member of HRCC.	28(2)	The compliance with this regulation is not mandatory, however, the Board will consider making an independent director the Chairman of HRCC.

Umer Shehzad Sheikh
Chief Executive

Taimur Dawood
Chairman

Lahore
September 28, 2020

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ALTERN ENERGY LIMITED

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 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 Altern Energy Limited for the year ended June 30, 2020 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. 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Paragraph Reference	**Description**
I) 18	Number of independent directors not being met by the Company.
ii) 12	The Chairman of the Audit Committee was not an independent director till January 28, 2020.
iii) 12	The HR & Remuneration Committee did not include an independent director as a member till January 28, 2020.

A.F. Ferguson & Co.

Chartered Accountants
Lahore,

Date: September 29, 2020

pwc

A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

To the members of Altern Energy Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Altern Energy Limited (the Company), which comprise the unconsolidated statement of financial position as at June 30, 2020, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated 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 unconsolidated statement of financial position, unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated 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 Matter

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

Following is the Key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
(i)	**Impairment of Power Generation Cash-Generating Unit ('CGU')** *(Refer notes 14.1.4 & 23.1 to the annexed unconsolidated financial statements)* During the current year, the management has tested the assets relating to Company's Power Generation operations (considered a CGU) for impairment. The recoverable amount of the CGU has been determined based on higher of 'fair value less costs of disposal' and 'value in use'. Management involved an expert (professional valuer) to materially assess the 'fair value less costs of disposal' while the 'value in use' has been determined by management through discounted cash flow method. The above valuations require significant judgement and estimations on the part of management. Due to the significant level of judgement and estimation involved, we consider this to be a key audit matter.	Our audit procedures included the following: • Obtained understanding of management's process for identification and measurement of the CGU; • Checked the management's assessment of presence and magnitude of impairment indicators for Power Generation CGU; • For 'fair value less costs of disposal', we reviewed the assumptions used by the Company in determining the fair market value of the assets, including those completed by external valuer, primarily using our auditor's expert and assessed the valuation methodology applied; • Examined the professional qualification of management's expert and assessed the independence, competence and experience of the management's expert in the field; • For value in use, we evaluated cash flow forecasts and the process by which they were determined and approved, including checking the mathematical accuracy of the underlying calculations; • Compared the cash flows used against the understanding we obtained about the business areas through our audit and available market information; • Performed independently, a sensitivity analysis in consideration of the potential impact of reasonably possible upside or downside changes in key assumptions; and • Checked the adequacy of the disclosures made by the Company in this area with regard to applicable accounting and reporting standards.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

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

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated 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 unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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 unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

A.F. Ferguson & Co.

Chartered Accountants
Place: Lahore
Date: September 29, 2020

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2020	2019
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
400,000,000 (2019: 400,000,000)			
ordinary shares of Rs 10 each		4,000,000	4,000,000
Issued, subscribed and paid up share capital			
363,380,000 (2019: 363,380,000)			
ordinary shares of Rs 10 each	5	3,633,800	3,633,800
Capital reserve : Share premium	6	41,660	41,660
Revenue reserve: Un-appropriated profits		525,335	888,811
		4,200,795	4,564,271
NON-CURRENT LIABILITIES			
Long term financing - unsecured	7	-	-
Deferred liabilities	8	5,353	5,107
		5,353	5,107
CURRENT LIABILITIES			
Current portion of long term financing - unsecured	7	-	-
Trade and other payables	9	50,214	107,511
Provision for taxation		409	-
Short term borrowing - secured	10	55,053	-
Unclaimed dividend	11	3,988	190,673
Accrued finance cost	12	2,021	6,501
		111,685	304,685
CONTINGENCIES AND COMMITMENTS	13		
		4,317,833	4,874,063

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

Chief Executive   Chief Financial Officer   Director

AS AT JUNE 30, 2020

	Note	2020	2019
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	505,198	565,736
Intangible assets	15	3	134
Long term investment	16	3,204,510	3,204,510
Long term security deposit		38	38
Long term loan to employees - unsecured	17	1,174	-
		3,710,923	3,770,418
CURRENT ASSETS			
Stores and spares	18	38,797	39,800
Trade debts - secured	19	467,637	681,819
Loans, advances, prepayments and other receivables	20	90,151	131,572
Income tax recoverable		-	827
Bank balances	21	10,325	249,627
		606,910	1,103,645
		4,317,833	4,874,063

Chief Executive   Chief Financial Officer   Director

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		(Rupees in thousand)	
Revenue - net	22	116,802	474,160
Direct costs	23	(167,863)	(501,829)
Gross loss		(51,061)	(27,669)
Administrative expenses	24	(30,772)	(48,952)
Other expenses	25	-	(24,636)
Other income	26	1,788,611	1,150,148
Finance cost	27	(14,941)	(20,167)
Impairment loss on property, plant and equipment	14.1.4	-	(73,172)
Profit before taxation		1,691,837	955,552
Taxation	28	(2,216)	(730)
Profit for the year		1,689,621	954,822
Earnings per share - basic and diluted **(Rupees)**	36	4.65	2.63

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

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

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	(Rupees in thousand)	
Profit for the year	1,689,621	954,822
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss	-	-
Items that will not be reclassified subsequently to profit or loss	-	-
	-	-
Total comprehensive income for the year	1,689,621	954,822

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

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

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2020

	Share capital	Capital reserve Share premium	Revenue reserve Un-appropriated profits	Total
	(Rupees in thousand)			
Balance as on July 1, 2018	3,633,800	41,660	1,078,636	4,754,096
Profit for the year	-	-	954,822	954,822
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	954,822	954,822
Interim dividend for the year ended June 30, 2019 @ Rs 3.15 per ordinary share	-	-	(1,144,647)	(1,144,647)
Transactions with owners, in their capacity as owners, recognised directly in equity	-	-	(1,144,647)	(1,144,647)
Balance as on June 30, 2019	3,633,800	41,660	888,811	4,564,271
Profit for the year	-	-	1,689,621	1,689,621
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	1,689,621	1,689,621
Final dividend for the year ended June 30, 2019 @ Rs 3 per ordinary share	-	-	(1,090,140)	(1,090,140)
Interim dividend for the year ended June 30, 2020 @ Rs 2.65 per ordinary share	-	-	(962,957)	(962,957)
	-	-	(2,053,097)	(2,053,097)
Transactions with owners, in their capacity as owners, recognised directly in equity	-	-	(2,053,097)	(2,053,097)
Balance as on June 30, 2020	3,633,800	41,660	525,335	4,200,795

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

Chief Executive	Chief Financial Officer	Director

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	29	258,200	242,525
Finance cost paid		(19,421)	(27,061)
Income tax paid		(979)	(30)
Retirement and other benefits paid		(196)	-
Net cash inflow from operating activities		237,604	215,434
Cash flows from investing activities			
Fixed capital expenditure		(147)	-
Dividends received		1,780,310	1,148,087
Profit on bank deposits received		7,660	280
Net cash inflow from investing activities		1,787,823	1,148,367
Cash flows from financing activities			
Repayment of long term financing - unsecured		-	(80,981)
Dividends paid		(2,239,782)	(955,310)
Net cash outflow from financing activities		(2,239,782)	(1,036,291)
Net (decrease)/ increase in cash and cash equivalents		(214,355)	327,510
Cash and cash equivalents at the beginning of the year		169,627	(157,883)
Cash and cash equivalents at the end of the year	30	(44,728)	169,627

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

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

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

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. Legal status and nature of business

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

1.2 The principal activity of the Company is to build, own, operate and maintain a gas fired power plant having gross capacity of 32 Mega Watts (2019: 32 Mega Watts). The Company achieved Commercial Operations Date ('COD') on June 6, 2001. The Company has a Power Purchase Agreement ('PPA') with its sole customer, Central Power Purchasing Agency (Guarantee) Limited ('CPPA-G') for thirty years which commenced from the COD. The Company also holds direct and indirect investments in other companies engaged in power sector as detailed in note 16 to these unconsolidated financial statements.

1.3 The Company's Gas Supply Agreement ('GSA') with Sui Northern Gas Pipelines Limited ('SNGPL') expired on June 30, 2013. Thereafter, the Company signed a Supplemental Deed dated March 17, 2014 with SNGPL, whereby SNGPL agreed to supply gas to the Company on as-and-when available basis till the expiry of PPA on June 6, 2031. The Ministry of Petroleum and Natural Resources, empowered for Re-liquefied Natural Gas ('RLNG') allocation by the Economic Coordination Committee ('ECC') of the Federal Cabinet, issued an allocation of 6 MMCFD of RLNG to the Company on April 28, 2017 and advised the Company and SNGPL to negotiate a new GSA. On July 31, 2019, the ECC of Cabinet approved the summary of interim tri-partite GSA. Currently, the Company, SNGPL and CPPA-G are in the process of executing an interim GSA for supply of RLNG. Under the interim GSA, RLNG is being supplied on as-and-when available basis till the execution of a long term GSA between the parties.

1.4 These unconsolidated financial statements are the separate financial statements of the Company. Consolidated financial statements are prepared separately.

2. Basis of preparation

2.1 Statement of compliance

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

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

ii) Provisions of and directives issued under the Act.

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

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

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

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

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these unconsolidated financial statements, except for the following:

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

SECP' through SRO 986(I)/2019 dated September 2, 2019 has granted exemption from the requirements of IFRS 16 to all companies to the extent of their power purchase agreements executed before January 1, 2019. Therefore, the standard will not have any impact on the Company's unconsolidated financial statements to the extent of its power purchase agreement. For the remaining leases, the Company has assessed that the application of this standard does not have any material impact on these unconsolidated financial statements.

Under IFRS 16, the consideration required to be made by the lessee for the right to use the asset is to be accounted for as a finance lease. The Company's power plant's control due to purchase of total output by CPPA-G appears to fall under the scope of finance lease under IFRS 16. Consequently, if the Company were to follow IFRS 16 with respect to its power purchase agreement, the effect on the unconsolidated financial statements would be as follows:

	2020	2019
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(503,264)	(562,842)
De-recognition of trade debts	(29,418)	(49,890)
Recognition of lease debtor	411,066	449,043
Decrease in un-appropriated profits at the beginning of the year	(163,689)	(280,829)
Increase in profits for the year	42,073	117,140
Decrease in un-appropriated profits at the end of the year	(121,616)	(163,689)

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

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2020, but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these unconsolidated financial statements, except for the following:

a) Definition of Material – Amendments to IAS 1 and IAS 8: (effective for periods beginning on July 01, 2020)

The IASB has made amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The Company is yet to assess the impact of this amendment.

b) Revised Conceptual Framework for Financial Reporting: (effective for periods beginning on July 01, 2020)

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.

Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from effective date. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The Company is yet to assess the impact of this amendment.

c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1: (effective for period beginning on July 01, 2022)

The narrow-scope amendments to IAS 1 'Presentation of Financial Statements' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The Company does not expect any significant impact of this amendment on its unconsolidated financial statements.

3. Basis of measurement

3.1 These unconsolidated financial statements have been prepared under the historical cost convention except for certain classes of property, plant and equipment which have been measured at 'fair value less costs of disposal.

3.2 Critical accounting estimates and judgements

The preparation of unconsolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

'This note provides an overview of the area that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to the estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the unconsolidated financial statements.

i) Useful lives and residual values of property, plant and equipment - notes 4.2 and 14
ii) Provision for taxation - note 4.1
iii) Impairment of financial assets (other than investments in equity instruments) - note 4.7.4
iv) Impairment of non-financial assets - note 4.4 and 14.1.4

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

4. Summary of significant accounting policies

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

4.1 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognised in the unconsolidated statement of profit or loss except to the extent that relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. SECP vide its certificate dated November 19, 2019, has registered the Company as a Taxation Group , which comprises of DEL Processing (Private) Limited and its directly and indirectly held subsidiary companies namely :

- DEL Power (Private) Limited;
- DEL Chemicals (Private) Limited;
- Altern Energy Limited;
- Power Management Company (Private) Limited; and
- Rousch (Pakistan) Power Limited

and has also designated the Taxation Group for the purpose of group taxation under Section 59B of the Income Tax Ordinance, 2001, dated January 8, 2020. Consequently, the Group will now be taxed as one fiscal unit for the tax year 2020.

Current

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

Under clause (11A) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the Company is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the statement of profit or loss on income from sources not covered under the above clauses at current rates of taxation after taking into account, tax credits and rebates available, if any.

Deferred

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

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

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

Group taxation adjustments

Current and deferred taxes based on the consolidated results of the Taxation Group are allocated within the Taxation Group on the basis of separate return method, modified for determining realizability of tax credits and tax losses which are assessed at Group level. Any adjustments in the current and deferred taxes of the Company on account of group taxation are credited or charged to statement of profit or loss in the year in which they arise.

4.2 Property, plant and equipment

4.2.1 Operating fixed assets

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

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

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its operating fixed assets as at June 30, 2020, has not required any adjustment as its impact is considered insignificant.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are included in the statement of profit or loss during the period in which they are incurred.

Exchange differences related to foreign currency loans obtained for the acquisition, development and construction of qualifying assets are capitalised in the cost of plant & machinery as referred to in note 4.18(b) to these unconsolidated financial statements.

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

4.2.2 Capital work-in-progress

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

4.2.3 Major spare parts and stand-by equipment

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

4.3 Intangible assets

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

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

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

4.4 Impairment of non-financial assets

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

4.5 Investments

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

4.5.1 Investments in equity instruments of subsidiary

Investment in equity instruments of subsidiary is measured at cost as per the requirements of IAS-27 "Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amount of the investment and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. If any such indication exists, the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognised as an expense in the statement of profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that a previously recognised impairment loss may no longer exist or may have decreased. It assesses whether there have been favorable events or changes in circumstances, since impairment loss was recognised. If any such indication exists, the Company estimates the recoverable amount of that investment and reverses the impairment loss. The amount of any reversal recognised is restricted to increasing the carrying value of investment to the carrying value that would have been recognised if the original impairment had not occurred.

The Company is required to issue consolidated financial statements along with its separate financial statements in accordance with the requirements of IFRS 10, 'Consolidated financial statements' and IAS 27, 'Separate financial statements'.

4.6 Stores and spares

Stores, spare parts and loose tools are valued at moving weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. For items which are slow moving and/or identified as obsolete, adequate provision is made for any excess book value over estimated realizable value. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence.

4.7 Financial assets

4.7.1 Classification

The Company classifies its financial assets other than investments in equity instruments of subsidiary in the following measurement categories:

- those to be measured subsequently at fair value [either through other comprehensive income ('OCI') or through profit or loss], and

- those to be measured at amortised cost.

The classification depends on the Company’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ('FVOCI').

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

4.7.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

4.7.3 Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

I) Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method, except for delayed payment markup on amounts due under the PPA which is included in revenue. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the statement of profit or loss.

ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in other income using the effective interest rate method. Impairment expenses are presented as separate line item in the statement of profit or loss.

iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the statement of profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

4.7.4 Impairment of financial assets other than those due from the Government of Pakistan and investment in equity instruments

The Company assesses on a forward-looking basis, the expected credit losses ('ECL') associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies general 3-stage approach for loans, deposits and other receivables 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 instrument or a group of financial instruments has not increased significantly since initial recognition.

Following are the financial assets that are subject to the ECL model:

- Long term security deposits
- Loans, deposits and other receivables
- Bank balances.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counter party's ability to meet its obligations;

- actual or expected significant changes in the operating results of the counter party;

- significant increase in credit risk on other financial instruments of the same counter party; and

- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the company, in full (without taking into account any collaterals held by the company).

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of borrowers; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Company recognises an impairment gain or loss in the unconsolidated statement of profit or loss for financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the unconsolidated statement of financial position.

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of counterparty's sources of income or assets to generate sufficient future cash flows to repay the amount. The Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

4.8 Financial liabilities

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed on profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

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

4.9 Offsetting of financial assets and financial liabilities

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

4.10 Financial assets due from the Government of Pakistan

Financial assets due from the Government of Pakistan include trade debts and other receivables due from CPPA-G under the PPA that also includes accrued amounts. SECP through SRO 985(I)/2019 dated September 2, 2019 has notified that, in respect of companies holding financial assets due from the Government of Pakistan, the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method shall not be applicable till June 30, 2021 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. Accordingly, the same continue to be reported as per the following accounting policy:

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable.

The Company assesses at the end of each reporting period whether there is objective evidence that the financial asset is impaired. The financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the unconsolidated statement of profit or loss. When the financial asset is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the unconsolidated statement of profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the unconsolidated statement of profit or loss.

4.11 Trade debts

Trade debts are amounts due from CPPA-G in the ordinary course of business. They are generally due for settlement as referred to in note 4.19 and therefore are all classified as current. Trade debts are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade debts with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

4.12 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown in current liabilities in the unconsolidated statement of financial position. Book overdrafts are shown within trade and other payables in current liabilities.

4.13 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

4.14 Borrowing costs

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

4.15 Trade and other payables

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

4.16 Provisions

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

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4.17 Employee benefits

i) Short term obligations

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

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

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

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

The Company operates an un-funded gratuity scheme for all permanent employees according to the terms of employment, subject to a minimum qualifying period of service and provision is made annually to cover the obligations under the scheme. These benefits are calculated with reference to last drawn salaries and prescribed qualifying periods of service of the employees. The management considers that the valuation by an independent actuary is not expected to result in a significant deviation from the management's estimation.

4.18 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in these unconsolidated financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The unconsolidated financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the unconsolidated statement of profit or loss except for exchange differences related to foreign currency loans obtained for the acquisition, development and construction of qualifying assets which are capitalised over the period of the Implementation Agreement in accordance with the SRO 986(I)/2019 dated September 2, 2019 (previously SRO 24(i)/2012) of the SECP.

4.19 Revenue recognition

Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset and thus has the ability to direct the use and obtain the benefits from the good or service.

- Revenue from sale of electricity to CPPA-G, the sole customer of the Company, is recorded based upon the output delivered and capacity available based on the rates determined under the mechanism laid down in the PPA.

- Other supplemental charges representing delayed payment markup on amounts due under the PPA are accrued on a time proportion basis by reference to the amount outstanding and the applicable rate of return under the PPA.

Invoices are generally raised on a monthly basis and are due after 30 days from acknowledgement by CPPA-G.

4.20 Dividend and appropriation to / from reserves

Dividend distribution to the Company's members and appropriation to/from reserves is recognized in the Company's financial statements in the period in which these are approved.

4.21 Share capital

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

4.22 Contingent liabilities

Contingent liability is disclosed when:

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

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

4.23 Contract asset and contract liability

A contract asset is recognised for the Company's right to consideration in exchange for goods or services that it has transferred to a customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Company presents the amount as a contract asset, excluding any amounts presented as a receivable.

A contract liability is recognised for the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional (i.e. a receivable), before the company transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

4.24 Leases

The Company is the lessee.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From July 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

4.25 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand Rupees unless otherwise stated.

5. Issued, subscribed and paid up share capital

2020	2019		2020	2019
(Number of shares)			(Rupees in thousand)	
359,480,000	359,480,000	Ordinary shares of Rs 10 each fully paid in cash	3,594,800	3,594,800
3,900,000	3,900,000	Ordinary shares of Rs 10 each issued for consideration other than cash	39,000	39,000
363,380,000	363,380,000		3,633,800	3,633,800

5.1 As at June 30, 2020, 211,397,063 (2019: 211,397,063) ordinary shares of the Company which represent 58.18% (2019: 58.18%) of the issued, subscribed and paid up share capital of the Company are held by the Holding Company.

5.2 Ordinary shares of the Company held by related parties (other than the Holding Company) as at year end are as follows:

		2020	2019
		(Number of shares)	
Directors			
Mr Taimur Dawood		1,000	1,000
Mr Faisal Dawood		22,500	22,500
Mr Farooq Nazir		500	500
Mr Shah Muhammad Chaudhry		500	500
Syed Rizwan Ali Shah		500	500
Mr Fazal Hussain Asim	-note 5.2.1	-	500
Ms. Mehreen Dawood		500	-
Other related party			
Descon Holdings (Private) Limited		30,000	30,000
		55,500	55,500

5.2.1 Mr Fazal Hussain Asim ceased to be the director of the Company with effect from July15, 2019.

5.3 No other related party holds any shares in the Company.

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

7. Long term financing - unsecured

The reconciliation of the carrying amount of long term financing is as follows:

		2020	2019
		(Rupees in thousand)	
Opening balance		-	79,120
Mark-up accrued during the year	- note 27.1	-	1,861
Repayment during the year		-	(80,981)
Closing balance		-	-

8. Deferred liabilities

		2020	2019
Provision for:			
Staff gratuity	- note 8.1	4,913	4,640
Accumulating compensated absences	- note 8.2	440	467
		5,353	5,107

8.1 Staff gratuity

	2020	2019
Opening liability	4,640	3,937
Provision for the year	469	703
	5,109	4,640
Payments during the year	(196)	-
Closing liability	4,913	4,640

		2020	2019
		(Rupees in thousand)	

8.2 Accumulating compensated absences

	2020	2019
Opening liability	467	441
Provision for the year	9	26
	476	467
Benefits due but not paid during the year	(36)	-
Closing liability	440	467

9. Trade and other payables

		2020	2019
RLNG charges due to SNGPL		1,949	1,131
Trade creditors	- note 9.1	7,981	11,211
Due to PMCL (wholly owned subsidiary) - unsecured	- note 9.2	-	80,000
Withholding income tax payable		354	6,029
Withholding sales tax payable		360	275
Punjab Workers' Welfare Fund	- note 9.4	33,837	-
Accrued liabilities		5,733	8,865
		50,214	107,511

9.1 This includes the following amounts due to related parties:

	2020	2019
Descon Engineering Limited (common directorship)	2,587	3,653
Descon Power Solutions (Private) Limited (common directorship)	4,842	4,788
Descon Corporation (Private) Limited (common directorship)	55	382
Rousch (Pakistan) Power Limited (subsidiary)	-	250
Inspectest (Private) Limited (common directorship)	88	891
	7,572	9,964

9.2 Short term loan from subsidiary company - unsecured

The reconciliation of the carrying amount of loan is as follows:

	2020	2019
Opening balance	80,000	5,704
Repayment during the year	(80,000)	(5,704)
Receipt during the year	-	80,000
Closing balance	-	80,000

9.2.1 This was unsecured and carried mark up at six months Karachi Inter Bank Offered Rate ('KIBOR') plus 100 basis points per annum. The mark-up rate charged during the year on the outstanding balance ranged from 8.04% to 11.84% (2019: 7.15% to 7.21%) per annum. The amount had been borrowed to finance working capital needs of the Company. The loan has been fully repaid during the year.

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

9.4 Punjab Workers' Welfare Fund

	2020	2019
Opening balance	-	-
Provision for the year	33,837	-
Closing balance	33,837	-

10. Short term borrowing - secured

10.1 Running finances

The running finance facility obtained from financial institution under mark-up arrangements amounted to Rs 300 million (2019: Rs 300 million). The amount utilised at June 30, 2020, for the said facility was Rs 55.05 million (2019: nil). The facility carried mark-up at three months KIBOR plus 100 basis points per annum, payable quarterly, on the balance outstanding. The mark-up rate charged during the current year on the outstanding balance ranged from 12.22% to 14.55% (2019: 7.50% to 11.99%) per annum. The facility is secured against first hypothecation charge of Rs 1,340 million over present and future current assets of the Company and cross corporate guarantee issued by Descon Engineering Limited, (related party, on the basis of common directorship).

10.2 Letters of bank guarantees

The facility for letter of guarantee amounts Rs 700 million (2019: Rs 700 million). The amount utilised at June 30, 2020, for the said facility was Rs 532.68 million (2019: Rs 532.68 million). The facility is secured against first hypothecation charge of Rs 1,340 million over present and future current assets of the Company and cross corporate guarantee issued by Descon Engineering Limited, (related party, on the basis of common directorship).

11. This represents unclaimed dividends declared by the Company in current and prior periods. The Companies (Amendment) Ordinance, 2020 ('CAO'), promulgated on April 30, 2020, prescribed that unclaimed and unpaid dividend to be deposited in a separate profit bearing account, to disclose the particulars of that dividend on the Company's website and include certain disclosures in its financial statements. The Company in consultation with their legal counsel is of the view that these requirements are applicable on dividends declared on or after the promulgation of CAO. Accordingly, since the amount of unclaimed dividend relates to the periods before the promulgation of CAO, therefore, the Company has not presented the disclosures as required by CAO in these unconsolidated financial statements.

	2020	2019
12. Accrued finance cost	(Rupees in thousand)	
Mark-up accrued on:		
Amount due to PMCL (wholly owned subsidiary)- unsecured	-	6,447
Short term borrowing - secured	2,021	54
	2,021	6,501

13. Contingencies and commitments

13.1 Contingencies

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

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

iii) In respect of tax years 2010, 2011, 2012 and 2013, the ACIR raised demands aggregating to Rs 9.30 million under section 122 (5A) of the Income Tax Ordinance, 2001 which mainly related to subjecting capacity price payments to minimum taxation under section 113 of the Income Tax Ordinance, 2001. The Company preferred an appeal before CIR(A) against the impugned tax demand. The CIR(A) decided the appeal in favour of Company thereby deleting the alleged tax demand. The tax department has filed an appeal before the ATIR against the order of CIR(A) on November 3, 2016 and the case is now pending for adjudication. The Company has not made any provision against the above demand as the case has already been decided in Company's favour on merits by CIR(A) and the management is confident that the ultimate outcome of the appeal would be in favour of the Company, inter alia on the basis of the advice of the tax consultant and the relevant law and the facts.

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

v) In respect of tax year 2015, the Additional Commissioner (Audit), Inland Revenue ['AC(A)IR'] passed an amended assessment order under section 122(5A), creating income tax demand amounting to Rs 81.60 million which mainly relates to denying the claim of exemption of dividend income from PMCL (wholly owned subsidiary) on account of non-filing of group tax return for the said tax year. The Company being aggrieved of the said order filed appeal before CIR(A). CIR(A), through order dated April 16, 2018, accepted all the contentions of the Company except the taxation of dividend income thereby reducing the demand to Rs 68.33 million. On April 18, 2018, the Company filed an appeal before ATIR against the CIR(A)'s order. On July 15, 2020, ATIR decided the appeal in favour of the Company deleting the alleged tax demand.

vi) In respect of tax year 2016, the AC(A)IR passed an amended assessment order under section 122(5A), creating income tax demand amounting to Rs 150.97 million which mainly relates to taxability of dividend income from PMCL on accrual basis. The Company being aggrieved of the said order filed the appeal before CIR(A). CIR(A), through order dated April 16, 2018, accepted all the contentions of the Company except the taxation of dividend income thereby reducing the demand to Rs 147.52 million. On April 18, 2018, the Company filed an appeal before ATIR against the CIR(A)'s order. On July 15, 2020, ATIR decided the appeal in favour of the Company deleting the alleged tax demand.

vii) Habib Metropolitan Bank Limited has issued bank guarantee amounting to Rs 532.68 million (2019: Rs 532.68 million) in favour of SNGPL as a security to cover natural gas / RLNG supply for which payments are made in arrears. The guarantee is due to expire on September 14, 2020 and is renewable.

13.2 Commitments - nil

14. Property, plant and equipment

		2020	2019
		(Rupees in thousand)	
Operating fixed assets	- note 14.1	502,506	563,044
Major spare parts and stand-by equipment	- note 14.2	2,692	2,692
		505,198	565,736

14.1 Operating fixed assets

2020

	Annual rate of depreciation	COST: Cost as at July 1, 2019	COST: Additions during the year	COST: Cost as at June 30, 2020	ACCUMULATED DEPRECIATION AND IMPAIRMENT: Balance as at July 1, 2019	Depreciation charge for the year	Impairment charge for the year	Balance as at June 30, 2020	Net book value as at June 30, 2020
	%	(Rupees in thousand)							
Freehold land	-	4,647	-	4,647	-	-	-	-	4,647
Building on freehold land	5	121,447	-	121,447	80,950	6,072	-	87,022	34,425
Plant and machinery (note 14.1.4 & 14.1.6)	3-25	1,270,001	-	1,270,001	755,545	53,507	-	809,052	460,949
Electric equipment	10	3,273	-	3,273	2,184	-	-	2,184	1,089
Office equipment	10-33	3,819	146	3,965	3,290	570	-	3,860	105
Vehicles	20	3,045	-	3,045	1,219	535	-	1,754	1,291
		1,406,232	146	1,406,378	843,188	60,684	-	903,872	502,506

2019

	Annual rate of depreciation	COST: Cost as at July 1, 2018	COST: Additions during the year	COST: Cost as at June 30, 2019	ACCUMULATED DEPRECIATION AND IMPAIRMENT: Balance as at July 1, 2018	Depreciation charge for the year	Impairment charge for the year	Balance as at June 30, 2019	Net book value as at June 30, 2019
	%	(Rupees in thousand)							
Freehold land	-	4,647	-	4,647	-	-	-	-	4,647
Building on freehold land	5	121,447	-	121,447	74,878	6,072	-	80,950	40,497
Plant and machinery (note 14.1.4 & 14.1.6)	3-25	1,269,692	309	1,270,001	629,307	55,180	71,058	755,545	514,456
Electric equipment	10	3,273	-	3,273	2,184	-	-	2,184	1,089
Office equipment	10-33	3,819	-	3,819	2,472	818	-	3,290	529
Vehicles	20	3,045	-	3,045	684	535	-	1,219	1,826
		1,405,923	309	1,406,232	709,525	62,605	71,058	843,188	563,044

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

		2020	2019
		(Rupees in thousand)	
Direct costs	- note 23	59,579	61,252
Administrative expenses	- note 24	1,105	1,353
		60,684	62,605

14.1.2 The cost of fully depreciated assets which are still in use as at June 30, 2020 is Rs 133.67 million (2019: Rs 128.9 million).

14.1.3 Freehold land represents an area measuring measuring 224 Kanals and 19 Marlas, situated at Tehsil Fateh Jang, District Attock.

14.1.4 Management has reviewed the business performance of the Company's Power Generation operations during the year and an assessment has been made in respect of triggering events as specified by IAS 36, 'Impairment of Assets' applicable to the assets relating to Power Generation operations at a CGU level. Based on the following indicators applicable to Power Generation CGU, an impairment test has been carried out by the management:

- Significant change in the technological and economic conditions;
- Decrease in the economic performance of Company's Power Generation operations; and
- Forecast operating losses and net cash outflows for Company's Power Generation operations.

Power Generation CGU is comprised of property, plant and equipment and intangible assets and stores and spares. The recoverable amount of the CGU has been determined based on higher of 'fair value less costs of disposal' and 'value in use'. Management involved an expert (professional valuer) to materially assess the 'fair value less costs of disposal' while the 'value in use' has been determined by management through discounted cash flow method. Based on the above, the 'fair value less costs of disposal' has been determined as higher of the two and consequently, has been used as the recoverable amount of the CGU. Since the recoverable amount of the CGU is higher than its carrying value, therefore, no impairment loss has been recognised in these unconsolidated financial statements

14.1.5 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. 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. Fair value is determined on the basis of objective evidence at each reporting date.

The different levels have been defined as follows:

- 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).

Valuation techniques and key assumptions used to determine level 2 and level 3 fair values

The fair value measurement of Power Generation CGU is categorised within the level 3 of fair value hierarchy in its entirety. The Company obtained independent valuation for its freehold land, building on freehold land and plant and machinery.

Level 2 fair value of freehold land has been derived using a comparable transactions approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input into this valuation approach is price per kanal or acre.

Level 3 fair value of building on freehold land has been determined using a depreciated replacement cost approach, whereby, current cost of construction of a similar building in a similar location has been adjusted using a suitable depreciation rate and forced sale factor to arrive at present market value.

Level 3 fair value of plant and machinery has been determined using a depreciated replacement cost approach, whereby, the assets' purchase costs have been adjusted using suitable inflation, exchange rate fluctuation, obsolescence, depreciation and forced sale factors to arrive at present market value.

Costs of disposal of plant and machinery have been determined on the basis of estimate of installation cost of similar plant and machinery.

14.1.6 According to the SRO 986(I)/2019 dated September 2, 2019 (previously SRO 24(I)/ 2012) issued by SECP [as fully explained in note 4.18(b) to these unconsolidated financial statements], the Company is allowed to capitalize exchange differences. There were no exchange difference capitalised during the year (2019: Nil). Had the Company followed IAS 21, 'The Effects of Changes in Foreign Exchange Rates', the effect on the unconsolidated financial statements would be as follows:

14.1.7 There was no disposal of operating fixed assets during the current and previous years.

		2020	2019
		(Rupees in thousand)	
Statement of financial position			
Decrease in the carrying amount of property, plant and equipment and un-appropriated profits as at June 30		(45,096)	(49,195)
Statement of profit or loss			
Decrease in cost of sales		4,100	4,100
Increase in profit for the year		4,100	4,100

14.2 Major spare parts and stand-by equipment

The reconciliation of the carrying amount is as follows:

		2020	2019
Opening balance		2,692	4,806
Impairment charge for the year	- note 14.1.4	-	(2,114)
Closing balance		2,692	2,692

15. Intangible assets

These represent computer software and ERP system.

		2020	2019
Cost			
Opening balance		7,565	7,565
Closing balance		7,565	7,565
Amortisation			
Opening balance		7,431	7,147
Charge for the year	- note 24	131	284
Closing balance		7,562	7,431
Net book value as at June 30		3	134
Annual amortization rate		33%	33%

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

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

15.3 The cost of fully amortised intangible assets which are still in use as at June 30, 2020 is Rs 7.20 million (2019: Rs 7.2 million).

16. Long term investment

		2020	2019
		(Rupees in thousand)	
Subsidiary - unquoted:			
Power Management Company (Private) Limited - (PMCL)			
320,451,000 (2019: 320,451,000) fully paid ordinary shares of Rs 10 each [Equity held 100% (2019: 100%)] - Cost	- note 16.1	3,204,510	3,204,510

16.1 The Company directly holds 100% shares in its wholly owned subsidiary, PMCL. PMCL is a private company limited by shares incorporated in Pakistan to invest, manage, operate, run, own and build power projects. The investment in PMCL is accounted for using cost method in the unconsolidated financial statements of the Company. PMCL, in turn, directly holds 58.18% shares in Rousch (Pakistan) Power Limited ('RPPL'). RPPL is an unlisted public company limited by shares incorporated in Pakistan to generate and supply electricity to CPPA-G from its combined cycle thermal power plant having a gross (ISO) capacity of 450 Mega Watts, located near Sidhnai Barrage, Abdul Hakim town, District Khanewal, Punjab.

17. Long term loan to employees - unsecured

		2020	2019
		(Rupees in thousand)	
- Key management personnel	- note 17.1	1,833	-
- Others		58	
		1,891	-
Current portion shown under current assets			
- Key management personnel		(667)	
- Others		(50)	
	- note 20	(717)	-
		1,174	-

17.1 This represents interest free loan to key management personnel, Chief Executive Officer (Umer Shehzad) of the Company for house building as per terms of his employment. As per the terms of the loan agreement, loan is repayable in three years in thirty six (36) equal monthly instalments. The loan is unsecured. The loans has been made in compliance with the requirements of the Act. The maximum amount due from key management personnel at the end of any month during the year was Rs 2 million (2019 : Nil).

The carrying amount of loan to Chief Executive Officer is as follows:

	2020	2019
	(Rupees in thousand)	
Balance at the beginning of the year	-	-
Received during the year	2,000	-
Repayments made during the year	(167)	-
Balance at the end of the year	1,833	-

The above loans have not been carried at amortized cost as the effect of discounting is not considered material.

		2020	2019
		(Rupees in thousand)	

18. Stores and spares

		2020	2019
Stores		6,272	6,270
Spares		32,525	64,779
		38,797	71,049
Write-down stores and spares	- note 14.1.4	-	(31,249)
		38,797	39,800

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

19. Trade debts - secured

		2020	2019
Considered good	- note 19.1	467,637	681,819
Considered doubtful		13,674	12,851
		481,311	694,670
Provision for doubtful debts	- note 19.2	(13,674)	(12,851)
		467,637	681,819

19.1 These represent trade receivables from CPPA-G and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up of reverse repo rate of State Bank of Pakistan plus 2% per annum is charged in case the amounts are not paid within due dates. The rate of delayed payment mark-up charged during the year on outstanding amounts was 10.00% to 15.75% (2019: 10.00% to 14.75%) per annum. These include unbilled receivables aggregating to Rs 57.05 million (2019: Rs 82.56 million).

19.2 Provision for doubtful debts

		2020	2019
Opening balance		12,851	9,356
Provision for the year	- note 19.3 and 24	823	3,495
Closing balance		13,674	12,851

19.3 During the year, a further provision of Rs 0.82 million (2019: Rs 3.49 million) has been made on account of disputed amounts relating to energy and capacity charges.

20. Advances, prepayments and other receivables

		2020	2019
Current portion of loans to employees	- note 17	717	-
Advances - considered good:			
- To suppliers		619	377
- To employees against expenses		125	151
Balances with statutory authorities:			
- Sales tax		18,134	94,531
- Receivable against Workers' Welfare Fund ('WWF')	- note 20.1	34,581	34,581
		52,715	129,112
Claims recoverable from CPPA-G for pass through items :			
- Receivable against Punjab Workers' Welfare fund	and 20.2	33,837	-
Prepayments	- note 20.3	2,138	1,932
		90,151	131,572

20.1 This includes WWF contribution amounting to Rs 33.32 million (2019: Rs 33.32 million) based on accounting profit for tax year 2014 paid under protest after demand by taxation authorities. Since the provisions of WWF were not applicable to the Company in the light of Supreme Court's decision, CPPA-G has not acknowledged this amount as a valid pass through item. Therefore, the Company has filed for a refund from the taxation authorities. The Company has not made any provision against the recoverable amount as the management is confident that the ultimate outcome of the matter would be in favour of the Company, inter alia on the basis of the advice of the tax consultant and the relevant law and the facts.

20.2 Punjab Workers' Welfare Fund

		2020	2019
		(Rupees in thousand)	
Opening balance		-	-
Accrued for the year	- note 9.4	33,837	-
Closing balance		33,837	-

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

20.3 This includes prepayment in respect of ERP annual support services cost made to Descon Corporation (Private) Limited, a related party (on the basis of common directorship), aggregating to Rs 0.38 million (2019: Rs 0.10 million).

21. Bank balances

		2020	2019
		(Rupees in thousand)	
Cash at bank:			
Saving accounts	- note 21.1	274	52,456
Current accounts		10,051	197,171
		10,325	249,627

21.1 These carry markup at the rates ranging from 5.50% to 14.00% per annum (2019: 4.75% to 10.60% per annum).

22. Revenue - net

Energy purchase price - gross	74,093	421,201
Sales tax	(10,766)	(61,200)
Energy purchase price - net	63,327	360,001
Capacity purchase price	9,606	43,894
Delayed payment mark-up	43,869	70,265
	116,802	474,160

			2020	2019
			(Rupees in thousand)	
23.	**Direct costs**			
	RLNG consumed		59,395	345,140
	Salaries, benefits and other allowances		778	746
	Operation and maintenance costs		26,400	35,801
	Stores and spares consumed		1,282	8,209
	Write-down stores and spares	- note 23.1	-	31,249
	Purchase of energy from CPPA-G		5,119	4,170
	Insurance		2,333	2,134
	Lube oil consumed		737	1,347
	Repairs and maintenance		5,458	4,119
	Travelling and conveyance		193	257
	Depreciation on operating fixed assets	- note 14.1.1	59,579	61,252
	Security expense		6,337	7,144
	Generation license fee		170	157
	Miscellaneous expenses		82	104
			167,863	501,829

23.1 This represented write-down of stores and spares to net realizable value. The write-down was recognized as part of the overall impairment testing of the Power Generation CGU as referred to in note 14.1.4.

			2020	2019
			(Rupees in thousand)	
24.	**Administrative expenses**			
	Salaries, benefits and other allowances	- note 24.1	7,058	11,268
	Directors' meeting fee	- note 32.1	625	500
	ERP related cost	- note 24.2	2,791	3,832
	Travelling and conveyance		1,615	1,461
	Utilities		854	648
	Postage and telephone		561	676
	Printing, stationery and advertisement		2,024	1,316
	Auditors' remuneration	- note 24.3	1,523	1,253
	Legal and professional expenses		8,321	20,306
	Fees and subscription		2,283	1,619
	Entertainment		179	194
	Amortisation on intangible assets	- note 15	131	284
	Depreciation on operating fixed assets	- note 14.1.1	1,105	1,353
	Repairs and maintenance		63	148
	Provision for doubtful debts	- note 19.2	823	3,495
	Rent, rates and taxes	- note 24.4	658	362
	Training expenses		-	-
	Miscellaneous expenses		158	237
			30,772	48,952

24.1 Salaries, benefits and other allowances include Rs 0.468 million (2019: Rs 0.70 million) and Rs 0.01 million (2019: Rs 0.05 million) on account of staff gratuity and accumulating compensated absences respectively.

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

	2020	2019
24.3. Auditors' remuneration	(Rupees in thousand)	
The charges for professional services (exclusive of sales tax) consist of the following in respect of auditors' services for:		
Statutory audit	869	830
Half yearly review	293	280
Certifications required by various regulations	245	58
Reimbursement of expenses	116	85
	1,523	1,253

24.4 This represents rentals in respect of property leased from Descon Corporation (Private) Limited, a related party (on the basis of common directorship).

25. This represented trade debts written off during the previous year being uncollectible.

		2020	2019
26. Other income		(Rupees in thousand)	
Profit on bank deposits		7,660	280
Dividend income from PMCL (wholly owned subsidiary)		1,780,310	1,148,087
Scrap sales		-	1,020
Liabilities no longer payable written back		641	761
		1,788,611	1,150,148
27. Finance cost			
Mark-up on:			
Long term financing - unsecured	- note 27.1	-	1,861
Due to PMCL (wholly owned subsidiary) - unsecured		7,580	3,378
Short term borrowing - secured		2,170	10,913
Bank charges		1,103	43
Guarantee commission		3,861	3,708
Surcharge on late payments to SNGPL		227	264
		14,941	20,167

27.1 This represented mark-up on loan from PMCL (wholly owned subsidiary).

	2020	2019
28. Taxation		
Current		
For the year	2,216	81
Prior years	-	649
	2,216	730

28.1 The Company along with certain related companies had obtained certificate of registration and designation letter of a group from SECP on June 5, 2015 and September 9, 2016, respectively, and the same were registered as a group with SECP under Group Companies Registration Regulations, 2008 to avail group relief under section 59B of the Income Tax Ordinance, 2001. At the time of registration of group, inter-corporate dividend [PMCL (wholly owned subsidiary) to the Company] was exempt from tax for companies entitled for group relief under Clause 103A of Part I of the Second Schedule to the Income Tax Ordinance, 2001. However, subsequent to the registration of the Group, this clause was amended through Finance Act, 2016 and the exemption in respect of inter-corporate dividend was withdrawn. The Company is of the view, that since the Company had been registered as a Group before the amendment in law, the Company remains entitled for the exemption. Based on the advice of the Company's legal advisor, management believes that there are meritorious grounds to defend its case in the courts of law with the taxation authorities. Consequently, no provision of Rs 436.58 million (2019: Rs 769.97 million) for tax on dividend income received from PMCL (wholly owned subsidiary) for the tax years from 2017 to 2018 has been recognized in these unconsolidated financial statements.

28.2 **Relationship between tax income and accounting profit**

	2020	2019
	(Rupees in thousand)	
Profit before taxation	1,691,837	955,552
Tax at the applicable rate of 29% (2019: 29%)	490,633	277,110
Tax effect of:		
Amounts that are exempt as referred to in note 4.1	(488,416)	(277,029)
Prior year's tax	-	649
	2,217	730

29. Cash generated from operations

	2020	2019
Profit before taxation	1,691,837	955,552
Adjustment for non cash charges and other items:		
- Depreciation on operating fixed assets	60,684	62,605
- Impairment loss on property, plant and equipment	-	73,172
- Amortisation of intangible assets	131	284
- Profit on bank deposits	(7,660)	(280)
- Dividend income from PMCL (wholly owned subsidiary)	(1,780,310)	(1,148,087)
- Finance cost	14,941	20,167
- Liabilities no longer payable written back	(641)	(761)
- Provision for doubtful debts	823	3,495
- Write-down of stores and spares	-	31,249
- Trade debts written off	-	24,636
- Provision for staff gratuity	469	703
- Provision for accumulating compensated absences	9	26
(Loss)/ profit before working capital changes	(19,717)	22,761

Effect on cash flow due to working capital changes:

	2020	2019
	(Rupees in thousand)	
Decrease in current assets		
- Stores and spares	1,003	5,377
- Trade debts - secured	213,359	224,969
- Advances, prepayments and other receivables	40,247	30,582
	255,542	260,928
Decrease/(increase) in current liabilities		
- Trade and other payables	23,308	(41,164)
	278,850	219,764
	259,133	242,525

30. Cash and cash equivalents

		2020	2019
Bank balances	- note 21	10,325	249,627
Short term borrowing - secured	- note 10	(55,053)	-
Due to PMCL (wholly owned subsidiary) - unsecured	- note 9.2	-	(80,000)
		(44,728)	169,627

31. Transactions with related parties

The related parties include the Holding Company and subsidiaries of the Holding Company, group companies, related parties on the basis of common directorship and key management personnel of the Company and its Holding Company. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Significant related party transactions have been disclosed in respective notes in these unconsolidated financial statements other than the following:

Relationship with the Company	Nature of transactions	2020	2019
		(Rupees in thousand)	
i. Holding company			
DEL Power (Private) Limited	Dividends paid	1,194,393	665,901
ii. Subsidiaries			
PMCL (wholly owned)	Dividends received	1,780,310	1,228,087
RPPL	Common costs charged to the Company	300	340

Relationship with the Company	Nature of transactions		2020	2019
iii. Other related parties			(Rupees in thousand)	
On the basis of common directorship				
Descon Engineering Limited	Common costs charged to the Company		3,131	2,455
Descon Power Solutions (Private) Limited	Operation and maintenance contractor's fee		26,400	35,801
	Purchases of spare parts		-	2,905
	Common costs charged to the Company		386	451
Descon Corporation (Private) Limited	Common costs charged to the Company		658	362
Inspectest (Private) Limited	Common costs charged to the Company		40	44
Group company				
Descon Holdings (Private) Limited	Dividends paid		157	95
iv. Key management personnel	Short term employee benefits	- note 31.2	5,013	7,816
	Post employment benefits	- note 31.2	230	578
	Long term benefits	- note 31.2	-	18
	Other benefits	- note 31.2	625	665
	Dividends paid		123	70

31.1 All transactions with related parties have been carried out on mutually agreed terms and conditions. There are no transactions with key management personnel other than under the terms of employment.

31.2 This represents remuneration of Chief Executive, a non-executive Director and an executive that is included in the remuneration disclosed in note 32.1 to these unconsolidated financial statements.

31.3 All the related parties with whom the company had entered into transactions or had arrangements/agreements in place during the year have been disclosed in relevant notes to these unconsolidated financial statements.

32. Remuneration of Chief Executive, Directors and Executives

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

		Chief Executive		Directors	
		2020	2019	2020	2019
		(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration		3,789	3,489	-	-
Car allowance		747	-	-	-
Gratuity		230	-	-	-
Other services rendered	-note 32.3	-	-	625	665
		4,766	3,489	625	665
Number of person(s)	-note 32.2	2	1	1	1

	Executives	
	2020	2019
	(Rupees in thousand)	
Managerial remuneration	477	3,469
Accumulating compensated absences	-	18
Gratuity	-	578
House rent, utilities and other allowances	-	347
Bonus	-	510
Car allowance	64	511
	541	5,433
Number of person(s)	1	1

32.2 During the year, Mr. Umer Shehzad Sheikh was appointed as Chief Executive Officer in place of Mr. Fazal Hussain Asim.

32.3 During the year the Company paid meeting fee amounting to Rs 0.625 million (2019: Rs 0.50 million) to its non-executive (independent) director. The number of non-executive directors is 7 (2019: 7).

33. Number of employees

	2020	2019
Total number of employees as at June 30	6	7
Average number of employees during the year	6	7

34. Financial risk management

34.1 Financial risk factors

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

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors ('BOD'). The Company's finance department evaluates and hedges financial risks based on principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the BOD. All treasury related transactions are carried out within the parameters of these policies.

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

a) Market risk

Market risk is the risk that the fair value or future cash flows of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, liquidity in the market etc. The Company is exposed to interest rate risk and currency risk only as there are no investments in equity instruments traded in the market at the reporting date.

i) **Currency risk**

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

The Company is not exposed to any significant currency risk.

ii) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on balances in savings accounts, overdue trade debts and short term borrowing. The Company has no significant long term interest-bearing assets. The interest rate profile of the Company's interest-bearing financial instruments at the statement of financial position date was as under:

		2020	2019
		(Rupees in thousand)	
Fixed rate instruments			
Financial assets			
Bank balances - saving accounts	- note 21	274	52,456
Financial liabilities		-	-
Net exposure		274	52,456
Floating rate instruments			
Financial assets			
Trade debts - secured, overdue		466,034	646,939
Financial liabilities			
Short term borrowing - secured	- note 10	(55,053)	-
Due to PMCL (wholly owned subsidiary) - unsecured	- note 9.2	-	(80,000)
		(55,053)	(80,000)
Net exposure		410,981	566,939

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on variable rate financial instruments, at the year end date, fluctuates by 1% higher/lower with all other variables held constant, post tax profit for the year would have been Rs 4.10 million (2019: Rs 5.56 million) higher/lower, mainly as a result of higher/lower net interest income on floating rate instruments.

iii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since there are no investments in equity instruments traded in the market at the reporting date. The Company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk mainly arises from deposits with banks, trade and other receivables. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by Board. The utilization of these credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

i) **Exposure to credit risk and concentration of credit risk**

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

		2020	2019
		(Rupees in thousand)	
Long term security deposit		38	38
Trade debts - secured	- note 19	467,637	681,819
Bank balances	- note 21	10,325	249,627
		478,000	931,484

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

	2020	2019
Neither past due nor impaired	15,277	47,731

Past due but not impaired	2020	2019
	(Rupees in thousand)	
1-30 days	894	7,047
31-120 days	1,442	-
121 to 360 days	120,292	414,660
Above 360 days	329,732	212,381
	452,360	634,088

Past due and impaired	2020	2019
1-30 days	-	10
31-120 days	-	12
121 to 360 days	21	32
Above 360 days	13,653	12,797
	13,674	12,851

(ii) Credit quality of major financial assets

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

	Rating		Rating	2020	2019
	Short term	Long term	Agency	(Rupees in thousand)	
CPPA-G	Not available			452,360	681,819
MCB Bank Limited	A1+	AAA	PACRA	1,939	1,912
The Bank of Punjab	A1+	AA	PACRA	4,294	4,293
Habib Bank Limited	A1+	AAA	JCR-VIS	175	186,210
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	3,917	57,212
				462,685	931,446

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

(iii) Impairment of financial assets other than those due from the Government of Pakistan

The Company's long term security deposits, other receivables and bank balances are subject to the impairment requirements of IFRS 9, however, the identified impairment loss was immaterial.

c) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Company's businesses, the Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Management monitors the forecasts of the Company's cash and cash equivalents on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows on regular basis and considering the level of liquid assets necessary to meet its liabilities, monitoring reporting date liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

As at June 30, 2020	Carrying amount	Less than one year	One to five year	More than five years
	-----------------------------(Rupees in thousand)	-----------------------------		
Financial liabilities				
Trade and other payables	49,500	49,500	-	-
Short term borrowing - secured	55,053	55,053	-	-
Accrued finance cost	2,021	2,021	-	-
Unclaimed dividend	3,988	3,988	-	-
	110,562	110,562	-	-

As at June 30, 2019	Carrying amount	Less than one year	One to five year	More than five years
	-----------------------------(Rupees in thousand)	-----------------------------		
Financial liabilities				
Trade and other payables	101,207	101,207	-	-
Short term borrowing - secured	-	-	-	-
Accrued finance cost	6,501	6,501	-	-
Unclaimed dividend	190,673	190,673	-	-
	298,381	298,381	-	-

The Company closely monitors its liquidity and cash flow position. The liquidity risk is managed by using a financial model and a continuous follow-up for collecting receivables from CPPA-G and managing debt repayments on due dates, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. However, under current circular debt issue faced by the power sector, the Company is significantly exposed to liquidity risk.

34.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity (as shown in statement of financial position). Net debt is calculated as non-current borrowings less cash and cash equivalents as disclosed in note 30 to these unconsolidated financial statements. Currently, the operations of the Company are primarily financed through equity and working capital including utilising borrowing facilities to finance its operations.

34.3 Fair value estimation

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

34.4 Offsetting financial assets and financial liabilities

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

34.5 Financial instruments by categories

	Financial assets at amortised cost	
	2020	2019
	(Rupees in thousand)	
Assets as per statement of financial position		
Long term security deposit	38	38
Trade debts - secured	467,637	681,819
Bank balances	10,325	249,627
	478,000	931,484

	Financial liabilities at amortised cost	
	2020	2019
Liabilities as per statement of financial position	(Rupees in thousand)	
Trade and other payables	49,500	101,207
Short term borrowing - secured	55,053	-
Accrued finance cost	2,021	6,501
Unclaimed dividend	3,988	190,673
	110,562	298,381

35. Plant capacity and actual generation

		2020	2019
Installed capacity	(MWh)	250,356	250,356
Practical maximum output	(MWh)	219,318	219,318
Actual energy delivered	(MWh)	3,728	22,029

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

		2020	2019
		(Rupees in thousand)	

36. Earnings per share - basic and diluted

36.1 Basic earnings per share

		2020	2019
Profit for the year	(Rupees in thousand)	1,689,621	954,822
Weighted average number of ordinary shares	(Number)	363,380,000	363,380,000
Earnings per share	(Rupees)	4.65	2.63

36.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2020 and June 30, 2019 which would have any effect on the earnings per share if the option to convert is exercised.

37. Impact of COVID-19 (Corona virus)

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID–19. The Company's operations were not affected as it fell under the exemption provided by the Government of Punjab to providers of essential services. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Due to this, management has assessed the accounting implications of these developments on these unconsolidated financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these unconsolidated financial statements.

38. Date of Authorisation for issue

These unconsolidated financial statements were authorised for issue on September 28, 2020 by the Board of Directors of the Company.

39. Corresponding figures

Corresponding figures have been reclassified wherever necessary to reflect better presentation of events and transactions for the purpose of comparison, however, no significant reclassifications have been made.

40. Event after the reporting date

On August 25, 2020, the Company has requested the Committee for negotiation with Independent Private Power Producers' (the 'Committee') to terminate its PPA on the terms to be mutually agreed between the Company and the Committee, however, no response has been received from the Committee till the date of authorisation of these unconsolidated financial statements. The management is of the view that the impact of the said event on the prospective unconsolidated financial statements of the Company cannot be estimated reliably as response from the Committee is yet to be received.

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

Consolidated Financial Statements

June 30, 2020

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A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

To the members of Altern Energy Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Altern Energy Limited and its subsidiaries (the Group),which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statement of profitor loss, the consolidated statement ofcomprehensive 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 June 30, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 20.3 to the annexed consolidated financial statements, which describes the uncertainty regarding the outcome of certain claims by Central Power Purchasing Agency (Guarantee) Limited ['CPPA(G)'], which have been disputed by the Group. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Following are the Key audit matters:

S. No.	Key audit matter	How the matter was addressed in our audit
(i)	**Impairment of Altern Energy Limited's ('AEL') Power Generation Cash-Generation Unit ('CGU')** *(Refer notes 16.1.4 to the annexed consolidated financial statements)* During the current year, the management has tested the assets relating to Altern Energy Limited's ('AEL') Power Generation operations [considered a Cash Generating Unit ('CGU')] for impairment. The recoverable amount of the CGU has been determined based on higher of 'fair value less costs of disposal' and 'value in use'. Management involved an expert (professional valuer) to materially assess the 'fair value less costs of disposal' while the 'value in use' has been determined by management through discounted cash flow method. The above valuations require significant judgement and estimations on the part of management. Due to the significant level of judgement and estimation involved, we consider this to be a key audit matter	Our audit procedures included the following: • Obtained understanding of manage ment's process for identification and measurement of the CGU; • Checked the management's assessment of presence and magnitude of impairment indicators for AEL's Power Generation CGU; • For 'fair value less costs of disposal', we reviewed the assumptions used by the Group in determining the fair market value of the assets, including those completed by external valuer, primarily using our auditor's expert and assessed the valuation methodology applied; • Examined the professional qualification of management's expert and assessed the independence, competence and experience of the management's expert in the field; • For value in use, we evaluated cash flow forecasts and the process by which they were determined and approved, including checking the mathematical accuracy of the underlying calculations • Compared the cash flows used against the understanding we obtained about the business areas through our audit and available market information; • Performed independently, a sensitivity analysis in consideration of the potential impact of reasonably possible upside or downside changes in key assumptions; and • Assessed the adequacy of the disclosures made by the Group in this area with regard to applicable accounting and reporting standards.

<table>
<tr><th>S. No.</th><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>(ii)</td><td>Disputed amounts by CPPA-G in revenue

(Refer notes 20.3 to the annexed consolidated financial statements)

CPPA-G has disputed an amount of Rs 247.70 million relating to Capacity Purchase Price ('CPP'). The management's view is that CPPA-G's claim is not justified and there are meritorious grounds to contest this dispute wherein it is very confident that the stance of the Group will be accepted by CPPA-G.

Due to revenue being one of the key performance indicators of the Group, significance of the amount involved and inherent risk of material misstatement in revenue recognition, we consider this to be a key audit matter.</td><td>Our audit procedures included the following:

• Obtained understanding of the Power Purchase Agreement (PPA) and interim Gas Supply Agreement of Rousch (Pakistan) Power Limited;

• Checked invoices raised by the Group during the year in accordance with the relevant agreements;

• Inspected the dispute notices/letters sent by CPPA-G for the relevant months;

• Inspected all the correspondences between the Group and CPPA-G in this regard;

• Inspected the minutes of operating committee meeting between CPPA-G, the Group and National Power Control Center ('NPCC') to ascertain actions taken and planned for the resolution of the disputed amounts;

• Obtained direct balance confirmation from CPPA-G and tested the reasonableness of the reconciling items;

• Made inquiries with management of the Group and read minutes of Board and committees formed thereunder to ascertain actions taken and planned for the resolution of the disputed amounts; and

• Checked the adequacy of the disclosures made by the Group in this area with regard to applicable accounting and reporting standards.</td></tr>
</table>

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports 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 the accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A.F. Ferguson & Co.

Chartered Accountants
Place: Lahore
Date: September 29, 2020

ALTERN ENERGY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2020	2019
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised share capital			
400,000,000 (2019: 400,000,000)			
ordinary shares of Rs 10 each		4,000,000	4,000,000
Issued, subscribed and paid up share capital			
363,380,000 (2019: 363,380,000)			
ordinary shares of Rs 10 each	5	3,633,800	3,633,800
Capital reserve: Share premium	6	41,660	41,660
Revenue reserve: Un-appropriated profits		14,637,976	13,306,785
Attributable to equity holders of the Parent Company		18,313,436	16,982,245
Non-controlling interests		11,484,480	11,026,973
Total equity		29,797,916	28,009,218
NON-CURRENT LIABILITIES			
Long term financing - secured	7	-	-
Deferred liabilities	8	21,912	23,292
Deferred taxation	9	-	1,005,062
		21,912	1,028,354
CURRENT LIABILITIES			
Current portion of long term financing - secured	7	-	2,112,666
Trade and other payables	10	936,356	3,035,852
Unclaimed dividend	11	3,988	190,673
Short term borrowings - secured	12	2,344,701	2,927,075
Accrued mark-up	13	81,874	97,591
Derivative financial instrument	14	-	7,842
		3,366,919	8,371,699
CONTINGENCIES AND COMMITMENTS	15		
		33,186,747	37,409,271

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

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

AS AT JUNE 30, 2020

	Note	2020	2019
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	16,074,703	17,843,296
Intangible assets	17	292	134
Long term deposits		739	739
Long term loans to employees	18	1,174	1,417
		16,076,908	17,845,586
CURRENT ASSETS			
Stores, spares and loose tools	19	696,207	661,678
Inventory of fuel oil		460,772	464,510
Income tax recoverable		148,751	224,813
Trade debts - secured	20	14,027,093	15,321,768
Loans, advances, prepayments and other receivables	21	1,360,430	688,305
Bank balances	22	416,586	2,202,611
		17,109,839	19,563,685
		33,186,747	37,409,271

Chief Executive | Chief Financial Officer | Director

ALTERN ENERGY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		(Rupees in thousand)	
Revenue - net	23	10,430,641	19,946,781
Direct costs	24	(5,759,805)	(15,721,983)
Gross profit		4,670,836	4,224,798
Administrative expenses	25	(199,207)	(225,354)
Other expenses	26	-	(24,636)
Other income	27	135,162	151,609
Finance cost	28	(358,218)	(1,111,430)
Impairment loss on property, plant and equipment	16.1.4	-	(73,172)
Profit before taxation		4,248,573	2,941,815
Taxation	29	832,897	(170,878)
Profit for the year		5,081,470	2,770,937
Profit for the year attributable to:			
Equity holders of the Parent Company		3,382,891	1,529,573
Non-controlling interests		1,698,579	1,241,364
		5,081,470	2,770,937
Earnings per share attributable to equity holders of the Parent Company during the year - basic and diluted **(Rupees)**	37	9.31	4.21

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

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

ALTERN ENERGY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		(Rupees in thousand)	
Profit for the year		5,081,470	2,770,937
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post retirement benefits obligation	8.3.7	2,329	1,442
		2,329	1,442
Total comprehensive income for the year		5,083,799	2,772,379
Total comprehensive income for the year attributable to:			
Equity holders of the Parent Company		3,384,288	1,530,438
Non-controlling interests		1,699,511	1,241,941
		5,083,799	2,772,379

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Chief Executive | Chief Financial Officer | Director

ALTERN ENERGY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

		Capital reserve	Revenue reserve			
	Share capital	Share Premium	Un-appropriated profits	Total equity attributable to equity holders of the Parent Company	Non-controlling interests	Total equity
	-----	-----	-----	(Rupees in thousand)	-----	-----
Balance as on July 1, 2018	3,633,800	41,660	12,920,994	16,596,454	10,613,034	27,209,488
Profit for the year	-	-	1,529,573	1,529,573	1,241,364	2,770,937
Other comprehensive income for the year	-	-	865	865	577	1,442
Total comprehensive income for the year	-	-	1,530,438	1,530,438	1,241,941	2,772,379
Interim dividend for the year ended June 30, 2019 @ Rs 3.15 per ordinary share	-	-	(1,144,647)	(1,144,647)	-	(1,144,647)
Dividend relating to 2019 paid to non-controlling interests	-	-	-	-	(828,002)	(828,002)
Total transactions with owners in their capacity as owners	-	-	(1,144,647)	(1,144,647)	(828,002)	(1,972,649)
Balance as on June 30, 2019	3,633,800	41,660	13,306,785	16,982,245	11,026,973	28,009,218
Profit for the year	-	-	3,382,891	3,382,891	1,698,579	5,081,470
Other comprehensive income for the year	-	-	1,397	1,397	932	2,329
Total comprehensive income for the year	-	-	3,384,288	3,384,288	1,699,511	5,083,799
Final cash dividend @ Rs 3 per ordinary share for the year ended June 30, 2019	-	-	(1,090,140)	(1,090,140)	-	(1,090,140)
Interim dividend for the year ended June 30, 2020 @ Rs 2.65 per ordinary share	-	-	(962,957)	(962,957)	-	(962,957)
Dividends relating to 2020 paid to non-controlling interests	-	-	-	-	(1,242,004)	(1,242,004)
Total transactions with owners in their capacity as owners	-	-	(2,053,097)	(2,053,097)	(1,242,004)	(3,295,101)
Balance as on June 30, 2020	3,633,800	41,660	14,637,976	18,313,436	11,484,480	29,797,916

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Chief Executive | Chief Financial Officer | Director

ALTERN ENERGY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	30.1	4,707,730	5,502,723
Finance cost paid		(373,934)	(545,149)
Income tax paid		(96,102)	(127,810)
Retirement benefits paid		(7,920)	(8,161)
Long term deposits - net		-	(370)
Long term loans to employees - net		4,028	5,025
Net cash inflow from operating activities		4,233,802	4,826,258
Cash flows from investing activities			
Fixed capital expenditure		(7,686)	(47,865)
Proceeds from disposal of operating fixed assets		695	527
Profit on bank deposits received		69,853	104,480
Net cash inflow from investing activities		62,862	57,142
Cash flows from financing activities			
Repayment of long term financing - secured		(2,011,220)	(3,519,296)
Dividends paid to:			
- Non-controlling interests		(1,242,004)	(828,002)
- Equity holders of the Parent Company		(2,239,782)	(955,310)
Settlement of derivative financial instrument		(7,309)	(46,701)
Net cash outflow from financing activities		(5,500,315)	(5,349,309)
Net decrease in cash and cash equivalents		(1,203,651)	(465,909)
Cash and cash equivalents at the beginning of the year		(724,464)	(258,555)
Cash and cash equivalents at the end of the year	30.2	(1,928,115)	(724,464)

Refer note 30.3 for reconciliation of liabilities arising from financing activities.

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

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

ALTERN ENERGY LIMITED AND ITS SUBSIDIARIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. Legal status and nature of business

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

The Group is structured as follows:

		(Effective holding percentage)	
- Altern Energy Limited, the Parent Company	- note 1.1		
Subsidiary companies:		**2020**	**2019**
- PMCL	- note 1.2	100%	100%
- RPPL	- note 1.3	59.98%	59.98%

1.1 Altern Energy Limited, the Parent Company

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

1.1.2 The principal activity of the Parent Company is to build, own, operate and maintain a gas fired power plant having gross capacity of 32 Mega Watts (2019: 32 Mega Watts). The Parent Company achieved Commercial Operations Date ('COD') on June 6, 2001. The Parent Company has a Power Purchase Agreement ('PPA') with its sole customer, Central Power Purchasing Agency (Guarantee) Limited ('CPPA-G') for thirty years which commenced from the COD.

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

1.2 PMCL

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

1.3 RPPL

1.3.1 RPPL is an unlisted public company, incorporated in Pakistan on August 4, 1994 under the repealed Companies Ordinance, 1984 (now the Act). The principal activities of RPPL are to generate and supply electricity to Central Power Purchasing Agency (Guarantee) Limited ('CPPA-G') from its combined cycle thermal power plant (the 'Complex') having a gross (ISO) capacity of 450 Mega Watts (2019: 450 Mega Watts), located near Sidhnai Barrage, Abdul Hakim town, District Khanewal, Punjab province, Pakistan. RPPL achieved Commercial Operations Date ('COD') on December 11, 1999.

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

'The Ministry of Petroleum and Natural Resources ('MOPNR'), empowered for Regasified Liquefied Natural Gas ('RLNG') allocation by the Economic Co-ordination Committee ('ECC'), issued an allocation of 85 MMSCFD of RLNG to the RPPL on firm basis on September 23, 2015 and advised RPPL and SNGPL to negotiate a long term GSA on firm basis. While negotiations for the long-term GSA are in process, the ECC approved interim GSA for supply of RLNG to RPPL up to June 30, 2018 or signing of a long-term GSA, whichever is earlier. The interim GSA was executed with CPPA-G and SNGPL which was effective from June 1, 2017. Under the interim GSA, RLNG was supplied on 'as-available' basis, however, the non-supply of RLNG was treated as 'Other Force Majeure Event' under the PPA. The interim GSA expired in June 2018. On July 31, 2019, the ECC of the Federal Cabinet approved the extension of the interim GSA of the Company with SNGPL and CPPA-G.

Subsequent to the reporting period, RPPL, CPPA-G and SNGPL have signed first Addendum to the Interim RLNG Supply Agreement and Payment Procedure. The terms of this agreement will be effective up to the date of signing of a long-term Gas Supply and Purchase Agreement ('GSPA').

1.3.3 In terms of Amendment No. 3 to the PPA executed between RPPL and CPPA-G on August 21, 2003, RPPL agreed to transfer ownership of the Complex to CPPA-G at a token value of US$ 1 at the expiry of 30 years term of PPA (starting from December 11, 1999), if CPPA-G does not opt for a renewal of the PPA for the additional term pursuant to section 4.1 (c) of the PPA. The PPA has been extended by a period of 177 days as of June 30, 2020, owing to non-supply of RLNG under interim GSA. The term of PPA will end in May 2030 and the remaining life of the project is approximately 10 years.

1.4 These consolidated financial statements are consolidated financial statements of the Group. Consolidated financial statements of the Ultimate Parent and its subsidiaries are prepared separately.

2. Basis of preparation

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:

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

ii) Provisions of and directives issued under the Act.

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

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

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

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

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2019 but are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these consolidated financial statements, except for the following:

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

SECP through SRO 986(I)/2019 dated September 2, 2019 has granted exemption from the requirements of IFRS 16 to all companies to the extent of their power purchase agreements executed before January 1, 2019. Therefore, the standard will not have any impact on the Group's consolidated financial statements to the extent of its power purchase agreement. For the remaining leases, the Group has assessed that the application of this standard does not have any material impact on these consolidated financial statements.

Under IFRS 16, the consideration required to be made by the lessee for the right to use the asset is to be accounted for as a finance lease. The Group's power plant's control due to purchase of total output by CPPA-G appears to fall under the scope of finance lease under IFRS 16. Consequently, if the Group were to follow IFRS 16 with respect to its power purchase agreement, the effect on the consolidated financial statements would be as follows:

	2020	2019
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(16,076,887)	(17,844,058)
De-recognition of trade debts	(8,496,340)	(4,935,066)
Recognition of lease debtor	17,087,628	13,755,385
Decrease in un-appropriated profits at the beginning of the year	(9,023,739)	(9,647,998)
Increase in profits for the year	1,538,140	624,259
Decrease in un-appropriated profits at the end of the year	(7,485,599)	(9,023,739)

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

There are certain standards, amendments to the IFRS and interpretations that are mandatory for the Group's accounting periods beginning on or after July 1, 2020, but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements, except for the following:

a) Definition of Material – Amendments to IAS 1 and IAS 8: (effective for periods beginning on July 01, 2020)

The IASB has made amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that Group assesses materiality in the context of the consolidated financial statements as a whole, and

- the meaning of 'primary users of general purpose financial statements' to whom those consolidated financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The Group is yet to assess the impact of this amendment.

b) Revised Conceptual Framework for Financial Reporting: (effective for periods beginning on July 01, 2020)

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.

Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis; and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from effective date. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The Group is yet to assess the impact of this amendment.

c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1: (effective for period beginning on July 01, 2022)

The narrow-scope amendments to IAS 1 'Presentation of Financial Statements' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The Group does not expect any significant impact of this amendment on its consolidated financial statements.

d) 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.

'The amendment is not likely to have an impact on the consolidated financial statements of the Group.

3. Basis of measurement

3.1 These consolidated financial statements have been prepared under historical cost convention except for certain retirement benefits have been measured at present value and certain classes of property, plant and equipment have been measured at 'fair value less costs of disposal'.

3.2 Critical accounting estimates and judgements

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the area that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to the estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

a) Useful lives and residual values of property, plant and equipment - notes 4.3.1 and 16.1
b) Provision for taxation - notes 4.2 and 9
c) Employees' retirement benefits - notes 4.23 and 8
d) Impairment of financial assets - note 4.9.4
e) Impairment of non-financial assets - notes 4.5, 16.1.4 and 16.1.5

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

3.3 Change in accounting estimate

During the year, the RPPL's PPA was extended by a period of 55 days owing to non-supply of RLNG under interim GSA treated as an 'Other Force Majeure Event' under PPA, thereby resulting in an increase in useful lives of freehold land, plant and office building on freehold land and plant and equipment by approximately three months. Such a change in useful lives has been accounted for as a change in an accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The effect of this change in the accounting estimate on the consolidated profit before taxation for the year ended June 30, 2020, carrying amount of operating fixed assets as at that date and future profits before taxation is not material, hence, has not been detailed in these consolidated financial statements.

4. Summary of significant accounting policies

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

4.1 Principles of consolidation

a) Subsidiaries

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

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

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

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

b) Changes in ownership interests

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

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

4.2 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognised in the consolidated statement of profit or loss except to the extent that relates to items recognised directly in equity or comprehensive income, in which case it is recognised directly in equity or comprehensive income. SECP vide its certificate dated November 19, 2019, has registered the Group as a taxation group, which comprises of DEL Processing (Private) Limited and its directly and indirectly held subsidiary companies namely :

- DEL Power (Private) Limited;
- DEL Chemicals (Private) Limited;
- Altern Energy Limited;
- Power Management Company (Private) Limited; and
- Rousch (Pakistan) Power Limited

and has also designated the Group for the purpose of group taxation under Section 59B of the Income Tax Ordinance, 2001, dated January 8, 2020. Consequently, the Group will now be taxed as one fiscal unit for the tax year 2020.

Current

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

Under clause (11A) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the Group is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the consolidated statement of profit or loss on income from sources not covered under the above clauses at current rates of taxation after taking into account, tax credits and rebates available, if any.

Deferred

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

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

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

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

(a) the Parent Company is able to control the timing of the reversal of the temporary difference; and
(b) it is probable that the temporary difference will not reverse in the foreseeable future.

Group taxation adjustments

Current and deferred taxes based on the consolidated results of the Group are allocated within the Group on the basis of separate return method, modified for determining realizability of tax credits and tax losses which are assessed at Group level. Any adjustments in the current and deferred taxes of the Group on account of group taxation are credited or charged to consolidated statement of profit or loss in the year in which they arise.

4.3 Property, plant and equipment

4.3.1 Operating fixed assets

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

The cost of an item of plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of such item can be measured reliably.

Recognition of the cost in the carrying amount of an item of plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

The cost of assets constructed by the Group includes project development and implementation cost.

The cost of plant and equipment includes;

a) its purchase prce including import duties, non-refundable purchase taxes after deducting trade discounts and rebates: and

b) any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation on all operating fixed assets of the Group are charged to consolidated statement of profit or loss by using the straight line method so as to write off the depreciable amounts of an asset over its estimated useful life at the annual rates mentioned in note 16.1 after taking into account their residual values. Depreciation on addition is charged from the month the asset is available for use, while in case of disposal it is charged up to the month of disposal.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Group's estimate of the residual value of its operating fixed assets as at June 30, 2020, has not required any adjustment as its impact is considered insignificant.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are included in the consolidated statement of profit or loss during the period in which they are incurred. Exchange differences related to foreign currency loans obtained for the acquisition, development and construction of qualifying assets are capitalised as referred to in note 4.19(b) to these consolidated financial statements.

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

4.3.2 Capital work-in-progress

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

4.3.3 Major spare parts and stand-by equipment

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

4.4 Intangible assets

Expenditure incurred to acquire computer software and Enterprise Resource Planning ('ERP') system has been capitalised as an intangible asset and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method at the annual rate mentioned in note 17.

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

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

4.5 Impairment of non-financial assets

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

4.6 Derivative financial instruments

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

4.7 Stores, spares and loose tools

These are stated at cost less provision for obsolescence, if any. Cost of stores, spares and loose tools other than chemicals and lubricants is determined under weighted average basis, whereas the cost of chemicals and lubricants is determined on first-in-first-out ('FIFO') basis. Stores, spares and loose tools in transit are stated at cost. Cost comprises of invoice value and other charges paid there-on upto reporting date. For items which are slow moving and/or identified as obsolete, adequate provision is made for any excess book value over estimated realisable value.

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

4.8 Inventory of fuel oil

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

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

4.9 Financial assets

4.9.1 Classification

The Group classifies its financial assets other than investments in equity instruments of subsidiary in the following measurement categories:

- those to be measured subsequently at fair value [either through comprehensive income ('OCI') or through profit or loss], and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ('FVOCI').

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

4.9.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

4.9.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

'Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

i) Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method, except for delayed payment markup accrued on amounts due under the PPAs which is included in revenue. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the statement of profit or loss.

ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in other income using the effective interest rate method. Impairment expenses are presented as separate line item in the consolidated statement of profit or loss.

iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the consolidated statement of profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

4.9.4 Impairment of financial assets other than those due from the Government of Pakistan

The Group assesses on a forward-looking basis, the expected credit losses ('ECL') associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group applies general 3-stage approach for loans, deposits and other receivables 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 instrument or a group of financial instruments has not increased significantly since initial recognition.

Following are the financial assets that are subject to the ECL model:

- Long term security deposits
- Loans, deposits and other receivables
- Bank balances.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- significant increase in credit risk on other financial instruments of the same counterparty; and
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of borrowers; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of counterparty's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

4.10 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed on profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

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

4.11 Offsetting of financial assets and financial liabilities

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

4.12 Financial assets due from the Government of Pakistan

Financial assets due from the Government of Pakistan include trade debts and other receivables due from CPPA-G under the PPA that also includes accrued amounts. As referred to in these consolidated financial statements, SECP through SRO 985(I)/2019 dated September 2, 2019 has notified that, in respect of companies holding financial assets due from the Government of Pakistan, the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method shall not be applicable till June 30, 2021 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. Accordingly, the same continue to be reported as per the following accounting policy:

A provision for impairment is established when there is objective evidence that the Group will not be able to collect all the amount due according to the original terms of the receivable.

The Group assesses at the end of each reporting period whether there is objective evidence that the financial asset is impaired. The financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. When the financial asset is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

4.13 Trade debts

Trade debts are amounts due from CPPA-G in the ordinary course of business. They are generally due for settlement as referred to in note 4.19 and therefore are all classified as current. Trade debts are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade debts with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

4.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown in current liabilities in the consolidated statement of financial position. Book overdrafts are shown within trade and other payables in current liabilities.

4.15 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

4.16 Borrowing costs

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

4..17 Trade and other payables

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

4.18 Provisions

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

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4.19 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss except for exchange differences related to foreign currency loans obtained for the acquisition, development and construction of qualifying assets which are capitalised over the period of the Implementation Agreement in accordance with the SRO 986(I)/2019 dated September 2, 2019 (previously SRO 24(i)/2012) of the SECP.

4.20 Revenue recognition

Revenue shall be recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset and thus has the ability to direct the use and obtain the benefits from the good or service.

- Revenue from sale of electricity to CPPA-G, the sole customer of the Group, is recorded based upon the output delivered and capacity available based on the rates determined under the mechanism laid down in the PPAs.

- Other supplemental charges representing delayed payment markup on amounts due under the PPAs are accrued on a time proportion basis by reference to the amount outstanding and the applicable rate of return under the PPAs.

For the Parent Company, the invoices are generally raised on a monthly basis and are due after 30 days from acknowledgement by CPPA-G. For RPPL, the invoices for fuel cost component are raised on a weekly basis and are due after 3 days from acknowledgement by CPPA-G. Monthly invoice for energy purchase price and capacity purchase price are raised on the first of the following month which are due after 25 days from acknowledgement by CPPA-G.

4.21 Dividend and appropriation to / from reserves

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

4.22 Share capital

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

4.23 Employee benefits

4.23.1 Short term obligations

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

4.23.2 Post employment benefits

a) Defined benefit plans

i) Un-funded gratuity plan

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

ii) Funded gratuity plan

The Group maintains an approved gratuity fund for all permanent employees of RPPL. Provisions are made in the consolidated financial statements to cover obligations on the basis of actuarial valuations carried out annually. The most recent actuarial valuation is carried out as at June 30, 2020 using the "Projected Unit Credit Method".

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in consolidated other comprehensive income in the year in which they arise. Past service costs are recognised immediately in the consolidated statement of profit or loss. The significant assumptions used for actuarial valuation are stated in note 8.3.1.

b) Defined contribution plan - provident fund

'The Group operates a recognized contributory provident fund for all eligible employees of RPPL. Equal monthly contributions are made, both by the Group and the employees, to the fund at the rate of 9% of the basic salary subject to completion of minimum qualifying period of service as determined under the rules of the fund. The Group has no further payment obligations once the contributions have been paid. Obligations for contributions to the defined contribution plan are recognised as an expense in the consolidated statement of profit or loss as and when incurred.

4.23.3 Other long term employee benefit obligations - accumulating compensated absences

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

4.24 Contingent liabilities

Contingent liability is disclosed when:

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

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

4.25 Contract asset and contract liability

A contract asset is recognised for the Group’s right to consideration in exchange for goods or services that it has transferred to a customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Group presents the amount as a contract asset, excluding any amounts presented as a receivable.

A contract liability is recognised for the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Group transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

4.26 Leases

The Group is the lessee:

4.26.1 Operating leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From July 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

4.27 Earnings per share

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

4.28 Rounding of amounts

All amounts disclosed in these consolidated financial statements and notes have been rounded off to the nearest thousand Rupees unless otherwise stated.

5. Issued, subscribed and paid up share capital

2020	2019		2020	2019
(Number of shares)			(Rupees in thousand)	
359,480,000	359,480,000	Ordinary shares of Rs 10 each fully paid in cash	3,594,800	3,594,800
3,900,000	3,900,000	Ordinary shares of Rs 10 each issued for consideration other than cash	39,000	39,000
363,380,000	363,380,000		3,633,800	3,633,800

5.1 As at June 30, 2020, 211,397,063 (2019: 211,397,063) ordinary shares of the Parent Company which represent 58.18% (2019: 58.18%) of the issued, subscribed and paid up share capital of the Parent Company are held by the Holding Company.

5.2 Ordinary shares of the Parent Company held by related parties (other than the Holding Company) as at year end are as follows:

		2020	2019
		(Number of shares)	
Directors			
Mr. Taimur Dawood		1,000	1,000
Mr. Faisal Dawood		22,500	22,500
Mr. Farooq Nazir		500	500
Mr. Shah Muhammad Chaudhry		500	500
Syed Rizwan Ali Shah		500	500
Mr. Fazal Hussain Asim	- note 5.2.1	-	500
Ms. Mehreen Dawood		500	-
Other related party			
Descon Holdings (Private) Limited		30,000	30,000
		55,500	55,500

5.2.1 Mr. Fazal Hussain Asim ceased to be the director of the Parent Company with effect from July 15, 2019.

5.3 No other related party holds any shares in the Parent Company.

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

7. Long term financing - secured

		2020	2019
		(Rupees in thousand)	
These are composed of the following long term loans taken from Standard Chartered Bank (Pakistan) Limited ('SCB'):			
- Facility A	- note 7.1 & 7.3	-	1,201,336
- Facility B	- note 7.2 & 7.3	-	911,330
		-	2,112,666
Current portion shown under current liabilities:			
- Facility A		-	(1,201,336)
- Facility B		-	(911,330)
		-	(2,112,666)
		-	-

7.1 This facility carried mark-up at the rate of three months London Inter Bank Offered Rate ('LIBOR') plus 4 percent per annum, payable on quarterly basis, on the outstanding amount. The said loan was secured by first charge on fixed assets of RPPL amounting to USD 49 million, assignment of receivables relating to capacity payments and lien on debt service account maintained with Standard Chartered Bank (Pakistan) Limited (SCB). The mark-up rate charged during the year on the outstanding balance was 6.31% (2019: 6.34% to 6.81%) per annum. The loan was fully repaid during the year on September 30, 2019.

7.2 This facility carried mark-up at the rate of three months LIBOR plus 1.4 percent per annum, payable on quarterly basis, on the outstanding amount. The said loan was secured by assignment of RPPL's receivables relating to capacity payments and lien on collection account maintained with the Trustee. The mark-up rate charged during the year on the outstanding balance ranged from 3.5% to 3.71% (2019: 3.74% to 4.20%) per annum. The loan was fully repaid on December 31, 2019.

7.3 Major terms of the above loans are as under:

	Facility A	Facility B
Arranger / underwriter	SCB	SCB
Facility amount	US$ 36.515 million	US$ 27.700 million
Facility utilized	US$ 36.515 million	US$ 27.700 million
Term in years	2.5	2.5
Repayment terms	5 equal semi-annual instalments	10 equal quarterly instalments
Interest per annum and payment terms	3 months LIBOR plus 4% Quarterly	3 months LIBOR plus 1.4% Quarterly

8. Deferred liabilities

		2020	2019
		(Rupees in thousand)	
Classified under non-current liabilities			
Unfunded			
Staff gratuity	- note 8.1	4,913	4,640
Accumulating compensated absences	- note 8.2	440	467
		5,353	5,107
Funded			
Gratuity fund	- note 8.3	16,559	18,185
		21,912	23,292

8.1 Staff gratuity

	2020	2019
Opening liability	4,640	3,937
Provision for the year	469	703
	5,109	4,640
Payments during the year	(196)	-
Closing liability	4,913	4,640

	2020	2019
	(Rupees in thousand)	
8.2 Accumulating compensated absences		
Opening liability	467	441
Provision for the year	9	26
	476	467
Benefits due but not paid during the year	(36)	-
Closing liability	440	467

8.3 The latest actuarial valuation of gratuity scheme was carried out as at June 30, 2020 under the projected unit credit method as per the requirements of IAS 19, the details of which are as follows:

	2020	2019
	(Percentage)	
8.3.1 Actuarial assumptions		
Valuation discount rate - per annum	8.50%	14.25%
Expected rate of increase in salaries - per annum	8.00%	8.00%
Mortality rates	SLIC (2001-05)-1	SLIC (2001-05)-1

	2020	2019
8.3.2 Net defined benefit obligation	(Rupees in thousand)	

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

	2020	2019
Present value of defined benefit obligation	49,658	41,505
Fair value of plan assets	(33,099)	(23,320)
Closing net liability	16,559	18,185

8.3.3 The movement in net defined benefit obligation is as follows:

	2020	2019
Opening net liability	18,185	20,228
Current service cost	5,835	5,798
Net interest on defined benefit obligation	6,222	3,444
Return on plan asset during the year	(3,630)	(1,681)
Charged to consolidated statement of profit or loss	8,427	7,561
Total remeasurements for the year charged to consolidated other comprehensive income	(2,329)	(1,442)
Contributions made by the Group during the year	(7,724)	(8,162)
Closing net liability	16,559	18,185

	2020	2019
	(Rupees in thousand)	
8.3.4 The movement in present value of defined benefit obligation is as follows:		
Opening present value of defined benefit obligation	41,505	36,024
Current service cost	5,835	5,798
Interest cost	6,222	3,444
Remeasurement gains on obligation	(2,886)	(2,754)
Benefits paid during the year	(1,018)	(1,007)
Closing present value of defined benefit obligation	49,658	41,505
8.3.5 The movement in fair value of plan assets is as follows:		
Opening fair value of plan assets	23,320	16,405
Interest income on plan assets	3,630	1,681
Remeasurement losses on fair value of plan assets	(557)	(1,311)
Benefits paid during the year	(1,018)	(1,007)
Contributions made during the year	7,724	7,552
Closing fair value of plan assets	33,099	23,320
8.3.6 Amounts recognised in the consolidated statement of profit or loss		
Current service cost	5,835	5,798
Interest cost	6,222	3,444
Interest income on plan assets	(3,630)	(963)
Net interest cost	2,592	2,481
	8,427	8,279
8.3.7 Total remeasurements credited to consolidated other comprehensive income		
Actuarial gains from changes in financial assumptions	(1,535)	(1,381)
Experience adjustments	(1,351)	(1,372)
	(2,886)	(2,753)
Remeasurements on fair value of plan assets	557	1,311
	(2,329)	(1,442)

8.3.8 Composition / fair value of plan assets

	2020		2019	
	(Rupees in thousand)	Percentage	(Rupees in thousand)	Percentage
Term deposit receipts	30,110	91%	357	2%
Cash and cash equivalents (after adjusting current liabilities)	2,989	9%	22,963	98%
	33,099	100%	23,320	100%

8.3.9 The Group faces the following risks on account of gratuity fund:

- Final salary risk (linked to inflation risk) – the risk that the final salary at the time of cessation of service is greater than the assumed salary. 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.

- 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.

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

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

	Impact on defined benefit obligation				
		2020		2019	
	Changes in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		(Rupees in thousand)			
Discount rate	1%	(3,106)	3,500	(3,431)	2,565
Salary growth rate	1%	3,223	(2,917)	2,342	(3,284)

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

9. Deferred taxation

		2020	2019
		(Rupees in thousand)	
The liability for deferred tax represents temporary difference relating to:			
Taxable undistributed earnings of subsidiaries	- note 9.1	-	1,005,062

9.1 The Parent Company expects to receive dividend from its subsidiaries in the foreseeable future. However a deferred tax liability on undistributed profits of the subsidiary companies has been de-recognized in these consolidated financial statements, due to formation of the taxation group with effect from November 19, 2019 as explained in note 4.2 to these consolidated financial statements. Inter corporate dividend within the group companies entitled to group relief under section 59B of the Income Tax Ordinance, 2001 is exempt from tax.

			2020	2019
			(Rupees in thousand)	
9.2	The gross movement in deferred tax liability during the year is as follows:			
	Opening balance		1,005,062	958,542
	Charged to consolidated statement of profit or loss	- note 29	(1,005,062)	46,520
	Closing balance		-	1,005,062

10. Trade and other payables

		2020	2019
RLNG charges due to SNGPL		1,949	2,103,351
Payable to CPPA-G for gas efficiency and import of energy		15,866	28,967
Operation and maintenance charges payable	- note 10.1	10,345	459,157
Other creditors	- note 10.2	462,349	101,212
Withholding income tax payable		584	10,003
Withholding sales tax payable		445	329
Payable to RPPL's Employees' Provident Fund		-	978
Workers' profit participation fund	- note 10.3	216,521	156,506
Provision for guarantee issued	- note 10.4	6,842	6,842
Lenders' related costs		1,352	3,356
Others	- note 10.5	99,658	165,151
Punjab Workers' Welfare Fund	- note 10.6	120,445	-
		936,356	3,035,852

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

Siemens Pakistan Engineering Company Limited (group company)	1,380	36,993
Siemens Aktiengesellschaft ('Siemens AG') (group company)	8,881	142,659
Descon Power Solutions (Private) Limited (common directorship)	84	71,832
	10,345	251,484

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

Descon Engineering Limited (common directorship)	19,710	17,593
Descon Power Solutions (Private) Limited (common directorship)	51,100	5,008
Descon Corporation (Private) Limited (common directorship)	215	2,749
Siemens Pakistan Engineering Company Limited (group company)	388	31,227
Siemens AG (group company)	59,365	24,453
Inspectest (Private) Limited (common directorship)	88	891
	130,866	81,921

		2020	2019
		(Rupees in thousand)	
10.3 Workers' profit participation fund			
Opening balance		156,506	179,878
Provision for the year	- note 21.3	216,521	156,506
		373,027	336,384
Payments made during the year		(156,506)	(179,878)
Closing balance		216,521	156,506

10.3.1 In case of Parent Company, the Workers' Profit Participation Fund ('WPPF') has not been provided for in these consolidated financial statements based on the advice of the Parent Company's legal consultant. However, in case the Parent Company pays WPPF, the same is recoverable from CPPA-G as a pass through item under section 14.2(a) of the PPA.

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

The court by its orders dated February 20, 1997, March 26, 2001 and November 11, 2003 granted the stay on levy of this fee/cess on the condition that the Group will furnish bank guarantee of equivalent amount till the final decision is made by the Court. Accordingly, the Group had arranged bank guarantees of Rs 64.95 million in favour of Director Excise and Taxation, Karachi and made full provision in the consolidated financial statements up to June 30, 2010. During the year 2008, the Honorable High Court of Sindh in its decision dated September 17, 2008 declared the imposition of levy of infrastructure fee/cess on import of material before December 28, 2006 as void and invalid, and ordered the guarantees to be returned and encashed. However, the levy imposed with effect from December 28, 2006 was declared to be legal and valid. The Government of Sindh has filed the appeal before Supreme Court of Pakistan against the order of High Court of Sindh. The Group has also filed an appeal before the Supreme Court of Pakistan against the Sindh High Court's decision of imposition of levy after December 28, 2006. During the year ended June 30, 2011, the Supreme Court of Pakistan ordered to agitate this matter before High Court of Sindh. The High Court by consent of the Excise and Taxation department has passed an order whereby it has mainly ordered to discharge any bank guarantee furnished for consignments cleared up to December 27, 2006 and any guarantee for consignment cleared after December 27, 2006 shall be encashed to the extent of 50% and a bank guarantee for remaining amount will be kept alive till the future disposal of litigations. For future consignments, goods will be cleared after 50% of the disputed amount has been paid by the respondents and bank guarantee of balance of 50% has been furnished. Accordingly, the Group has made provision of Rs 6.84 million (2019: Rs 6.84 million) being 50% of disputed amount i.e. Rs 13.68 million.

	2020	2019
	(Rupees in thousand)	
10.5 Includes the following amounts due to the following related parties:		
Siemens Pakistan Engineering Company Limited (group company)	-	270
Siemens AG (group company)	-	43,469
Descon Power Solutions (Private) Limited (common directorship)	-	140
	-	43,879
10.6 Punjab Workers' Welfare Fund		
Opening balance	-	-
Provision for the year	120,445	-
Closing balance	120,445	-

11. This represents unclaimed dividends declared by the Group in current and prior periods. The Companies (Amendment) Ordinance, 2020 ('CAO'), promulgated on April 30, 2020, prescribed that unclaimed and unpaid dividend to be deposited in a separate profit bearing account, to disclose the particulars of that dividend on the Group's website and include certain disclosures in its consolidated financial statements. The Group in consultation with their legal counsel is of the view that these requirements are applicable on dividends declared on or after the promulgation of CAO. Accordingly, since the amount of unclaimed dividend relates to the periods before the promulgation of CAO, therefore, the Group has not presented the disclosures as required by CAO in these consolidated financial statements.

12. Short term borrowings - secured

12.1 Running finances

Short term running finances available from a consortium of commercial banks under mark-up arrangements aggregate Rs 5,800 million (2019: Rs 3,300 million). Such facilities have been obtained at mark-up rates based on KIBOR plus spread and ranges from 11.93% to 14.86% (2019: 7.5% to 14.80%) per annum, payable quarterly, on the balance outstanding. In the event the Group fails to pay the balances on the due date for payment, or within any period stipulated herein or within any period stipulated in the demand, any outstanding amounts shall be payable immediately and the finance facility shall be terminated forthwith. The aggregate facilities are secured against hypothecated charge on all operating fixed assets of RPPL excluding land and building, and first hypothecated charge over present and future current assets of the Group and assignment of present and future Energy Purchase Price ('EPP') receivables to the lenders. The amount of unavailed facilities at the statement of financial position date is Rs 3,455.35 million (2019: Rs 373 million).

12.2 Letters of credit, guarantee and stand-by letters of credit

The facilities for opening letters of guarantee, letters of credit and stand-by letters of credit aggregate to Rs 850 million (2019: Rs 1,000 million), Rs 100 million (2019: Rs 100 million) and Rs 6,000 million (2019: Rs 6,000 million), respectively. The amount utilised at June 30, 2020, for letters of guarantee, letters of credit and stand-by letters of credit was Rs 575.21 million (2019: Rs 575.21 million), Nil (2019: Nil) and Rs 4,981 million (2019: Rs 4,981 million), respectively. The aggregate facilities for opening letters of credit and guarantee are secured against first hypothecation charge over present and future current assets of the Group, cross corporate guarantee issued by Descon Engineering Limited (related party, on the basis of common directorship) and assignment of present and future Energy Purchase Price receivables to the lenders.

		2020	2019
		(Rupees in thousand)	
13. Accrued Markup			
Mark-up accrued on:			
Long term financing - secured		-	1,292
Short term borrowings - secured		81,874	96,299
		81,874	97,591
14. Derivative financial instruments			
Interest rate swap	-Note 14.1	-	7,842

14.1 This represented derivative interest rate swap arrangement with a commercial bank. Under the terms of the arrangement, the Group pays a fixed interest rate of 4.80 percent per annum to the arranging bank on the notional US Dollar (USD) amount for the purposes of the interest rate swap, and receives three-month US Dollar LIBOR on the notional US Dollar (USD) amount from the arranging bank. There have been no transfer of liabilities under the arrangement, only the nature of interest payment has changed.

15. Contingencies and commitments

15.1 Contingencies:

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

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

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

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

v) In respect of tax year 2015, the Additional Commissioner (Audit), Inland Revenue ['AC(A)IR'] passed an amended assessment order under section 122(5A), creating income tax demand amounting to Rs 81.60 million which mainly relates to denying the claim of exemption of dividend income from PMCL (wholly owned subsidiary) on account of non-filing of group tax return for the said tax year. The Group being aggrieved of the said order filed appeal before CIR(A). CIR(A), through order dated April 16, 2018, has accepted all the contentions of the Group except the taxation of dividend income thereby reducing the demand to Rs 68.33 million. On April 18, 2018, the Group has filed an appeal before ATIR against the CIR(A)'s order. On July 15, 2020, ATIR decided the appeal in favour of the Group deleting the alleged tax demand.

vi) In respect of tax year 2016, the AC(A)IR passed an amended assessment order under section 122(5A), creating income tax demand amounting to Rs 150.97 million which mainly relates to taxability of dividend income from PMCL (wholly owned subsidiary) on accrual basis. The Group being aggrieved of the said order filed the appeal before CIR(A). CIR(A), through order dated April 16, 2018, has accepted all the contentions of the Group except the taxation of dividend income thereby reducing the demand to Rs 147.52 million. On April 18, 2018, the Group has filed an appeal before ATIR against the CIR(A)'s order. On July 15, 2020, ATIR decided the appeal in favour of the Company deleting the alleged tax demand.

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

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

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

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

The Group disputed the claim on account of LDs on the premise that its failure to dispatch electricity was due to CPPA-G’s non-payment of dues on timely basis to the Group and consequential inability of the Group to make timely payments to its gas supplier that resulted in inadequate level of electricity production owing to curtailment / suspension of gas supply. In this regard, the Group initiated the expert adjudication under the dispute resolution procedures specified in the PPA. The case was decided by the expert in the Group’s favour in August 2014. Decision of the expert is however not legally binding on any party.

In 2017, a Settlement Agreement for resolution of this LDs dispute was agreed by the respective Boards of directors of CPPA-G and the Group. Under the proposed Settlement Agreement, the period of non-performance due to unavailability of gas shall be treated as Other Force Majeure Event ('OFME') by CPPA-G under the PPA. As a result, the Group will not be entitled to any Capacity Payment for this period from CPPA-G and CPPA-G will not levy any LDs on the Group. By declaration of OFME, the PPA of the Group will be extended by the OFME period.

Similarly, in January 2017, SNGPL suspended the gas supply for a period of 26 days and as a result CPPA-G levied LDs amounting to Rs 858 million. The Group disputes this amount on the premise that it has already issued an OFME notice to CPPA-G in January for a period of 26 days. The same period is also contemplated as OFME in the proposed Settlement Agreement. Due to declaration of OFME, the Group did not raise Capacity Payment invoice for this period.

Once the Settlement Agreement is approved by the Government of Pakistan and signed by both the parties, the Group will refund the Capacity Payments already received from CPPA-G, which pertain to 2013 LDs period along with 50% of late payment interest accrued on these Capacity Payments. The event will be treated as OFME and PPA will be extended by a total of 112 days on account of 2013 and 2017 LDs period.

During the year, on the proposal recommended by Cabinet Committee on Energy (CCoE), the Economic Coordination Committee (ECC) of the Cabinet considered the approval of the Settlement Agreement regarding LDs and constituted a Committee to deliberate on the matter and submit a report thereon to the ECC for consideration. The Committee is yet to submit its report to the ECC. Once the matter is approved by the ECC, the Group and CPPA-G shall sign the Settlement Agreement.

Upon signing of the Settlement Agreement, the estimated net charge in the consolidated statement of profit or loss is not expected to exceed Rs 1,526.03 million up to June 30, 2020 (2019: Rs 1,480.77 million).

Based on the above grounds, no provision for the above-mentioned disputed amount has been recognised in the consolidated financial statements as the management is very confident that the Settlement Agreement will be approved by the ECC.

ix) For tax years 2011 and 2014, the tax authorities raised an aggregate demand of Rs 125.071 million subjecting capacity price payments to minimum taxation under section 113 of the Income Tax Ordinance, 2001. The matter was remanded back to the taxation officer for tax years 2011 and 2014 through orders dated April 05, 2016 and July 14, 2016 respectively. For the Tax years 2011 and 2014, the tax department has filed appeal before the ATIR dated September 28, 2016 respectively against the order of CIR(A) on this matter.

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

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

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

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

xii) The tax authorities amended the assessments for the tax years 2012, 2013, 2015 and 2016 in the same manner as for the tax year 2014, thereby subjecting bank interest income and supplemental charges to tax and disallowing set-off against depreciation losses. An aggregate tax demand of Rs 1,382 million was raised for these years. The Company filed an appeal against the above demand with CIR(A). In appeal, the CIR(A) through order dated May 18, 2018 for tax years 2013 and 2015, accepted the Group's claim of exemption on supplemental charges but upheld disallowance of set-off against unabsorbed tax depreciation and reduced the tax demand to Rs 175.93 million. The tax demand is adjustable against the tax paid during the above mentioned tax years as well as payment of Rs 50 million made by the Company against demand of tax year 2016. Both the Group and the tax authorities have filed appeals to the ATIR on July 18, 2018 and July 19, 2018 respectively on this matter and the case is pending adjudication. A favourable outcome is expected in view of decision of the ATIR in a parallel case, therefore, no provision for the demand amount of Rs 175.93 million has been made in these consolidated financial statements.

xiii) For the period July 2013 and June 2014, the tax authorities raised sales tax demand of Rs 344.4 million along with default surcharge and penalty alleging shortfall in sales tax pertaining to Gas Infrastructure Development Cess. On appeal filed by RPPL, the matter was remanded back to the Taxation Officer for re-adjudication. This is pending finalization, while RPPL as well as the tax department have filed appeal to the ATIR against the decision of the CIR(A). A favourable outcome is expected in view of decision of the ATIR in a parallel case, therefore, no provision for the demand amount has been made in these consolidated financial statements.

xiv) RPPL uses canal water for its plant for which it has an agreement with Irrigation Department, Sahiwal. Irrigation Department has levied canal water charges on maximum intake basis (7 Cusec) whereas the Group is of the view that canal water should be charged on actual consumption basis (3.62 Cusec). In order to resolve the issue, Arbitrator [Superintending Engineer ('SE') Irrigation Department] was appointed who decided the case against the Group. the Group, aggrieved by this decision, filed an appeal in Civil Court who referred the matter to SE Irrigation Department on September 09, 2015 for re-arbitration. Subsequent to the year end, the Arbitrator decided the case against the Group on July 6, 2019. the Group has filed an appeal before Civil Court Khanewal. The matter is pending adjudication in the Civil Court Khanewal.

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

Demands raised by the Executive Engineer, Khanewal Division (Irrigation Department), relating to the above mentioned matters amounts to Rs 117.89 million up to December 2019 as per the latest notice dated April 6, 2020. The Group has paid Rs 12.8 million against the above demands and does not agree with the amount levied by the Irrigation Department on the basis of the matter explained above. No further demand has been raised till date.

Based on the advice of the Group's legal counsel, the management is of the view that there are meritorious grounds available to defend the Group's position in the above matters, hence, no provision has been made in these consolidated financial statements in this connection amounting to Rs 105.09 million.

xv) The Group has issued the following guarantees:

a) Bank guarantees have been issued in favour of the Director, Excise and Taxation, Karachi aggregating Rs 41.842 million (2019: Rs 41.84 million).

b) Bank guarantee has been issued to Collector of Customs amounting to Rs 2.76 million (2019: Rs2.76 million).

c) Standby letter of credit facility of Rs 4,981 million (2019: Rs 4,981 million) issued in favour of SNGPL.

d) Habib Metropolitan Bank Limited has issued bank guarantee amounting to Rs 532.68 million (2019: Rs 532.68 million) in favour of SNGPL as a security to cover natural gas / RLNG supply for which payments are made in arrears. The guarantee is due to expire on September 14, 2020 and is renewable.

e) A guarantee amounting to Rs 0.69 million (2019: Rs 0.69 million) is available from Bank Alfalah Limited favoring Pakistan State Oil Company Limited ('PSO') against fuel supply.

15.2 Commitments

i) Letters of credit other than capital expenditure aggregating to Rs 3.83 million (2019: Rs Nil).

ii) RPPL has an agreement with Descon Power Solutions (Private) Limited, a related party based on common directorship, for the Operations and Maintenance ('O & M') of the power plant for a period of eight years from the agreement date i.e. July 1, 2017 uptill June 30, 2025 as per terms of the O & M Agreement dated July 27, 2017. Under the terms of above mentioned O & M Agreement, the Company is required to pay a monthly fixed O & M fee which shall be adjusted annually to account for the effect of inflation on the basis of indexation mechanism mentioned in the O & M Agreement.

iii) RPPL has a Long Term Maintenance Service Agreement ('LTMSA') with Siemens Open Consortium consisting of Siemens AG and Siemens Pakistan Engineering Company Limited, related parties by virtue of being group companies, starting from the agreement date i.e. June 29, 2017. During the year, all the rights, obligations and liabilities were transferred from Siemens AG to Siemens Gas and Power GmbH & Co. KG through Novation Agreement dated April 20, 2020. This agreement shall end for each gas turbine upon completion of the earlier of:

- 66,400 equivalent operating hours ('EOHS') on each gas turbine or eight scheduled outages of each gas turbine; whichever is later; and

- June 30, 2025.

Under the terms of above mentioned LTMSA, RPPL is required to pay a monthly fixed fee which shall be adjusted annually to account for the effect of inflation on the basis of indexation mechanism mentioned in the LTMSA. Furthermore, RPPL is also required to make a fixed annual payment under the above referred agreement.

16. Property, plant and equipment

		2020	2019
		(Rupees in thousand)	
Operating fixed assets	- note 16.1	16,070,928	17,840,604
Capital work- in- progress	- note 16.2	1,083	-
Major spare parts and stand-by equipment	- note 16.3	2,692	2,692
		16,074,703	17,843,296

16.1 Operating fixed assets

		COST				ACCUMULATED DEPRECIATION AND IMPAIRMENT				
	Annual rate of depreciation	Cost as at July 1, 2019	Additions / (disposals) during the year	Exchange differences capitalised - note 16.1.6	Cost as at June 30, 2020	Balance as at July 1, 2019	Depreciation charge / (deletions) for the year	Impairment loss for the year	Balance as at June 30, 2020	Net book value as at June 30, 2020
	%	(Rupees in thousand)								
Freehold land	0-8.96	59,413	-	-	59,413	35,750	1,826	-	37,576	21,837
Buildings on freehold land	3.33-8.96	1,933,891	-	-	1,933,891	1,263,076	66,251	-	1,329,327	604,564
Plant and machinery (note 16.1.4)	3-25	41,735,655	272	(54,772)	41,681,155	24,917,837	1,611,319	-	26,529,156	15,151,999
Improvements on leasehold land	10	2,141	-	-	2,141	1,120	214	-	1,334	807
Electric equipment	10	3,273	-	-	3,273	2,184	-	-	2,184	1,089
Furniture and fixtures	20	4,308	1,965	-	6,273	3,818	411	-	4,229	2,044
Office equipment	10-50	43,864	3,900 (378)	-	47,386	34,416	4,509 (341)	-	38,584	8,802
Vehicles	20	46,706	141 (3,291)	-	43,556	35,387	2,679 (2,633)	-	35,433	8,123
Capital spares	3.33-8.96	547,295	- -	-	547,295	242,354	33,278	-	275,632	271,663
		44,376,546	6,278 (3,669)	(54,772)	44,324,383	26,535,942	1,720,487 (2,974)	-	28,253,455	16,070,928

	Annual rate of depreciation	COST: Cost as at July 1, 2018	COST: Additions/ (disposals)/ adjustments during the year	COST: Exchange differences capitalised - note 16.1.6	COST: Cost as at June 30, 2019	ACCUMULATED DEPRECIATION AND IMPAIRMENT: Balance as at July 1, 2018	ACCUMULATED DEPRECIATION AND IMPAIRMENT: Depreciation charge / (deletions) for the year	ACCUMULATED DEPRECIATION AND IMPAIRMENT: Impairment loss for the year	ACCUMULATED DEPRECIATION AND IMPAIRMENT: Balance as at June 30, 2019	Net book value as at June 30, 2019
	%	(Rupees in thousand)								
Freehold land	0-8.63	59,413	-	-	59,413	33,924	1,826	-	35,750	23,663
Buildings on freehold land	3.33-8.63	1,933,891	-	-	1,933,891	1,196,512	66,564	-	1,263,076	670,815
Plant and machinery (note 16.1.4)	3-25	41,256,675	1,367	477,613	41,735,655	23,209,833	1,636,946	71,058	24,917,837	16,817,818
Improvements on leasehold land	10	2,141	-	-	2,141	906	214	-	1,120	1,021
Electric equipment	10	3,273	-	-	3,273	2,184	-	-	2,184	1,089
Furniture and fixtures	20	4,147	161	-	4,308	3,561	257	-	3,818	490
Office equipment	10-50	39,886	4,383	-	43,864	30,554	4,235	-	34,416	9,448
			(405)				(373)			
Vehicles	20	41,886	7,259	-	46,706	33,512	3,826	-	35,387	11,319
			(2,439)				(1,951)			
Capital spares	3.33-8.63	504,243	44,121	-	547,295	216,972	26,041	-	242,354	304,941
			(1,069)				(659)			
		43,845,555	57,291	477,613	44,376,546	24,727,958	1,739,909	71,058	26,535,942	17,840,604
			(3,913)				(2,983)			

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

		2020	2019
		(Rupees in thousand)	
Direct costs	- note 24	1,712,673	1,731,377
Administrative expenses	- note 25	7,814	8,532
		1,720,487	1,739,909

16.1.2 The cost of fully depreciated assets which are still in use as at June 30, 2020 is Rs 192.67 million (2019: Rs 183.10 million).

16.1.3 Freehold land represents an area measuring 1,045 Kanals and 12 Marlas in Tehsil Mian Channu, situated at Mouza Battian, District Khanewal, another area measuring 6 Kanals and 18 Marlas, situated at Pind Bagewal, Tehsil and District Islamabad and another area measuring 224 Kanals and 19 Marlas, situated at Tehsil Fateh Jang, District Attock. Since the land situated in Islamabad will not be transferred to the power purchaser at the end of the PPA, therefore, it is not depreciated and carried at its cost.

16.1.4 Management has reviewed the business performance of the Parent Company's Power Generation operations during the year and an assessment has been made in respect of triggering events as specified by IAS 36, 'Impairment of Assets' applicable to the assets relating to the Parent Company's Power Generation operations at a CGU level. Based on the following indicators applicable to the Parent Company's Power Generation CGU, an impairment test has been carried out by the management:

- Significant change in the technological and economic conditions;
- Decrease in the economic performance of the Parent Company’s Power Generation operations; and
- Forecast operating losses and net cash outflows for the Parent Company’s Power Generation operations.

Power Generation CGU is comprised of property, plant and equipment and intangible assets and stores and spares. The recoverable amount of the CGU has been determined based on higher of ‘fair value less costs of disposal’ and ‘value in use’. Management involved an expert (professional valuer) to materially assess the 'fair value less costs of disposal' while the 'value in use' has been determined by management through discounted cash flow method. Based on the above, the ‘fair value less costs of disposal’ has been determined as higher of the two and consequently, has been used as the recoverable amount of the CGU. Since the recoverable amount of the CGU is higher than its carrying value, therefore, no impairment loss has been recognised in these consolidated financial statements

16.1.5 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Underlying the definition of fair value is the presumption that the Parent 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. Fair value is determined on the basis of objective evidence at each reporting date.

The different levels have been defined as follows:

- 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).

Valuation techniques and key assumptions used to determine level 2 and level 3 fair values

The fair value measurement of the Parent Company's Power Generation CGU is categorised within the level 3 of fair value hierarchy in its entirety. Management has obtained independent valuation for the freehold land, building on freehold land and plant and machinery.

Level 2 fair value of freehold land has been derived using a comparable transactions approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input into this valuation approach is price per kanal or acre.

Level 3 fair value of building on freehold land has been determined using a depreciated replacement cost approach, whereby, current cost of construction of a similar building in a similar location has been adjusted using a suitable depreciation rate and forced sale factor to arrive at present market value.

Level 3 fair value of plant and machinery has been determined using a depreciated replacement cost approach, whereby, the assets' purchase costs have been adjusted using suitable inflation, exchange rate fluctuation, obsolescence, depreciation and forced sale factors to arrive at present market value.

Costs of disposal of plant and machinery have been determined on the basis of estimate of installation cost of similar plant and machinery.

16.1.6 According to the SRO 986(I)/2019 dated September 2, 2019 (Previously SRO 24(I)/ 2012) issued by SECP [as fully explained in note 4.19(b) to these consolidated financial statements], the Group is allowed to capitalize exchange difference arising on outstanding amounts of foreign currency loans contracted under the Implementation Agreement with Government of Pakistan until the date of expiry of such Implementation Agreement. The exchange differences capitalised are amortised over the remaining useful life of plant. Had the Group followed IAS 21, 'The Effects of Changes in Foreign Exchange Rates', the effect on the consolidated financial statements would be as follows:

	2020	2019
	(Rupees in thousand)	
Decrease in the carrying amount of property, plant and equipment and un-appropriated profit as at June 30	(6,035,613)	(6,700,014)
Decrease in cost of sales	609,630	604,865
Increase in other income/(increase in other expenses)	54,772	(477,613)
Decrease in profit for the year	664,402	127,252

16.1.7 The aggregate book value of sale of operating fixed assets during the current and previous years was below Rs 5 million.

16.1.8 All property, plant and equipment of RPPL except land and buildings are pledged as security for short term borrowings as disclosed in note 12 to these consolidated financial statements.

		2020	2019
16.2 Capital work- in- progress		(Rupees in thousand)	
Plant and machinery		1,083	-
16.2.1 The reconciliation of the carrying amount is as follows:			
Opening balance		-	9,267
Additions during the year		1,083	-
Charged to the consolidated statement of profit or loss		-	(150)
Transfers to operating fixed assets		-	(9,117)
Closing balance		1,083	-
16.3 Major spare parts and stand-by equipment			
Opening balance		2,692	4,806
Impairment charge for the year	- note 16.1.4	-	(2,114)
Closing balance		2,692	2,692

17. Intangible assets

These represent computer software and ERP systems.

		2020	2019
		(Rupees in thousand)	
Cost			
Opening balance		12,926	12,926
Additions during the year		324	-
Closing balance		13,250	12,926
Amortisation			
Opening balance		12,792	12,508
Charge for the year	- note 17.1	166	284
Closing balance		12,958	12,792
Net book value as at June 30		292	134
Annual amortisation rate		33%	33%

17.1 The amortisation charge for the year has been allocated to administrative expenses as referred to in note 25.

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

17.3 The cost of fully amortised intangible assets still in use as at June 30, 2020 is Rs 12.56 million (2019: Rs 12.56 million).

18. Long term loans to employees - secured

		2020	2019
		(Rupees in thousand)	
Loans to employees - considered good			
Key management personnel	- note 18.1	2,833	4,000
Others	- note 18.2	58	1,028
		2,891	5,028
Current portion shown under current assets			
Key management personnel		(1,667)	(3,000)
Others		(50)	(611)
	- note 21	(1,717)	(3,611)
		1,174	1,417

18.1 This includes interest free loans to key management personnel, Chief Executive Officer (Umer Shehzad), Chief Executive Officer of RPPL (Mubashar Ahmed) and Cheif Financial Officer of RPPL (Muhammad Junaid Asghar) for house building as per terms of their employment. As per the terms of the loan agreements, loan is repayable in five years in sixty (60) equal monthly instalments. The loans are secured against mortgage of property. The loans have been made in compliance with the requirements of the Act. The maximum aggregate amount due from key management personnel at the end of any month during the year was Rs 3.74 million (2019: Rs 4 million).

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

	Chief Executive 2020	2019
	(Rupees in thousand)	
Balance at the beginning of the year	-	-
Received during the year	2,000	-
Repayments made during the year	(167)	-
Balance at the end of the year	1,833	-

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

The above loans have not been carried at amortised cost as the effect of discounting is not considered material.

19. Stores, spares and loose tools

		2020	2019
Spares		678,250	647,924
Stores		23,240	19,038
		701,490	666,962
Provision for obsolete/slow-moving stores, spares and loose tools	- note 19.2	(5,284)	(5,284)
		696,207	661,678

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

19.2 Provision for obsolete / slow-moving stores, spares and loose tools

	2020	2019
Opening balance	5,284	5,696
Write-down stores and spares	-	-
Written off against provision	-	(412)
Closing balance	5,284	5,284

19.3 All the stores, spares and loose tools of RPPL are held and managed by Descon Power Solutions (Private) Limited, a related party (based on common directorship), the Operation and Maintenance contractor of the Company.

20. Trade debts - secured

		2020	2019
Considered good	- note 20.1 and 20.3	14,027,093	15,321,768
Considered doubtful		193,255	202,771
		14,220,348	15,524,539
Provision for doubtful debts	- note 20.2	(193,255)	(202,771)
		14,027,093	15,321,768

20.1 These represent trade receivables from CPPA-G and are considered good. These are secured by a guarantee from the Government of Pakistan under the implementation agreements and are in the normal course of business and interest free, however, a delayed payment mark-up of three months KIBOR / reverse repo rate of State Bank of Pakistan plus 200 basis points per annum is charged in case the amounts are not paid within due dates. The rate of delayed payment mark-up charged during the year on outstanding amounts was 10.00% to 15.75% (2019: 10.00% to 14.75%) per annum. These include unbilled receivables aggregating to Rs 1,085.67 million (2019: Rs 712.71 million).

	2020	2019
	(Rupees in thousand)	
20.2 Provision for doubtful debts		
Opening balance	202,771	192,353
(Reversal)/provision for the year	(9,516)	10,418
Closing balance	193,255	202,771

20.3 Included in trade debts is an amount of Rs 247.70 million relating to capacity revenue not acknowledged by CPPA-G on the pretext that no gas was available during the period from December 19, 2019 to January 1, 2020 and hence, this period should be treated as Other Force Majeure Event ('OFME') by the Company. The management is of the view that CPPA-G's claim is not justified and there are meritorious grounds to contest this dispute as the plant could not be operated during this period due to technical limits under the PPA being exceeded and as such this has no relevance with gas availability. Based on the above grounds, no provision for the disputed amount has been recognised in these consolidated financial statements as the management expects that this matter will be resolved and the stance of the Group will be accepted by CPPA-G.

		2020	2019
21. Loans, advances, prepayments and other receivables		(Rupees in thousand)	
Advances - considered good:			
- To suppliers	- note 21.1	28,164	28,285
- To employees against expenses		255	331
Balances with statutory authorities:			
- Sales tax receivable		585,205	296,208
- Receivable against WWF	- note 21.2	118,929	118,929
Claims recoverable from CPPA-G for pass through items:			
- Workers' profit participation fund	- note 21.3	373,027	156,506
- Punjab Workers' Welfare fund	-note 21.4	120,445	-
Interest receivable		-	677
Prepayments	- note 21.5	69,291	49,305
Other receivables	- note 21.6 and 21.7	63,397	34,453
Current portion of long term loan to employees - secured	- note 18	1,717	3,611
		1,360,430	688,305

21.1 This includes advance amounting to Rs 8.70 million (2019:Rs 0.32 million) to Siemens Pakistan Engineering Company Limited, a related parry by virtue of being a group company. Advances to employees are in the normal course of business.

21.1 This includes WWF contribution amounting to Rs 33.32 million (2019: Rs 33.32 million) based on accounting profit for tax year 2014 paid under protest after demand by taxation authorities. Since the provisions of WWF were not applicable to the Group in the light of Supreme Court's decision, CPPA-G has not acknowledged this amount as a valid pass through item. Therefore, the Group has filed for a refund from the taxation authorities. The Group has not made any provision against the recoverable amount as the management is confident that the ultimate outcome of the matter would be in favour of the Group, inter alia on the basis of the advice of the tax consultant and the relevant law and the facts. This also includes refundable WWF amounting to Rs 84.35 million (2019: Rs 84.35 million) as referred to in note 14.1(xi) to these consolidated financial statements.

21.3 Workers' profit participation fund

		2020	2019
		(Rupees in thousand)	
Opening balance		156,506	179,878
Provision for the year	- note 10.3	216,521	156,506
		373,027	336,384
Transfer to trade debts during the year		-	(179,878)
Closing balance		373,027	156,506

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

21.4 Punjab Workers' Welfare fund

	2020	2019
Opening balance	-	-
Accrued for the year	120,445	-
Closing balance	120,445	-

21.5 This includes prepayment in respect of ERP annual support services cost made to Descon Corporation (Private) Limited, a related party (on the basis of common directorship), aggregating to Rs 0.38 million (2019: Rs 0.10 million).

21.6 Includes the following amounts due from following related party:

	2020	2019
Descon Power Solutions (Private) Limited (common directorship)	566	52

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

21.7 This includes an amount of Rs 41.18 million (2019: Nil) and Rs 0.69 million (2019:Nil) deposited with Bank Alfalah Limited as 100% margin against the letter of guarantee in favour of the Director, Excise and Taxation, Karachi and Pakistan State Oil Company Limited respectively as disclosed in 15.1 (xv).

22. Bank balances

		2020	2019
Cash at bank:			
On current accounts		112,345	208,106
Term deposits		-	1,165,000
On savings accounts	- note 22.1	304,241	829,505
		416,586	2,202,611

22.1 These carry mark-up at the rates ranging from 5.50% to 14.00% per annum (2019: 4.14% to 10.60% per annum).

		2020	2019
23. Revenue-net		(Rupees in thousand)	
Energy purchase price -gross		3,402,317	15,310,966
Sales tax		(494,354)	(2,224,670)
Energy purchase price -net		2,907,963	13,086,296
Capacity purchase price		6,291,613	5,740,647
Delayed payment markup		1,231,065	1,151,315
Gas efficiency passed to CPPA-G		-	(31,477)
		10,430,641	19,946,781

24. Direct costs

		2020	2019
RLNG consumed		2,933,288	12,754,945
Salaries, benefits and other allowances	- note 24.1	39,342	40,253
Operation and maintenance		680,574	800,334
Stores, spares and loose tools consumed		57,677	121,821
Write-down stores and spares	- note 24.2	-	31,249
Purchase of energy from CPPA-G		134,842	76,199
Insurance		123,300	108,119
Lube oil consumed		737	1,347
Repairs and maintenance		14,855	11,028
Travelling and conveyance		193	257
Depreciation on operating fixed assets	- note 16.1.1	1,712,673	1,731,377
Generation license fee		30,054	6,884
Electricity duty		550	2,115
Colony maintenance		14,376	17,566
Communication		5,729	4,666
Security expense		6,337	7,144
Vehicle maintenance		1,235	852
Miscellaneous expenses		4,043	5,827
		5,759,805	15,721,983

24.1 This includes Rs 2.16 million (2019: Rs 2.27 million) in respect of provident fund contribution by the Group.

24.2 This represented write-down of stores and spares to net realizable value. The write-down had been recognized as part of the overall impairment testing of the Parent Company's Power Generation CGU as referred to in note 16.1.4.

		2020	2019
25. Administrative expenses		(Rupees in thousand)	
Salaries, benefits and other allowances	- note 25.1	85,912	88,768
Directors' meeting fee	- note 32.1	625	500
ERP running cost	- note 25.2	9,275	3,832
Traveling & conveyance		8,416	11,925
Utilities		854	648
Postage and telephone		1,267	1,458
Printing, stationery and advertisement		2,696	1,985
Auditors' remuneration	- note 25.3	4,494	4,063
Rent, rates and taxes	- note 25.4	9,513	6,181
Repairs and maintenance		250	263
Legal and professional expenses		55,853	71,226
Fees and subscription		2,283	1,619
Entertainment		605	2,212
Amortisation on intangible assets	- note 17.1	166	284
Depreciation on operating fixed assets	- note 16.1.1	7,814	8,532
Vehicle maintenance		1,362	1,070
Donations	- note 25.5	628	628
Insurance		2,955	3,335
Professional tax		100	100
Provision for doubtful debts		823	10,418
Miscellaneous expenses		3,316	6,307
		199,207	225,354

25.1 Salaries and other benefits includes Rs 4.01 million (2019: Rs 4.04 million) in respect of provident fund contribution by the Company and gratuity expense of Rs 8.43 million (2019: Rs 7.57 million).

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

	2020	2019
25.3 Auditors' remuneration	(Rupees in thousand)	
The charges for professional services (exclusive of sales tax) consist of the following in respect of auditors' services for:		
Statutory audit	3,566	3,342
Half yearly review	307	280
Certifications required by various regulations	349	222
Reimbursement of expenses	272	219
	4,494	4,063

25.4 Includes lease rentals of Rs 8.51 million (2019: Rs 4.86 million) in respect of property leased from Descon Corporation (Private) Limited, a related party on the basis of common directorship.

25.5 The donation is made to Bloomfield Hall School at Khanewal plant site. None of the directors or their spouses had any interest in the done.

26. This represented trade debts written off during the previous year being uncollectible.

		2020	2019
27.	**Other income**	**(Rupees in thousand)**	
	Profit on bank deposits	70,052	97,713
	Un-realised fair value gain on derivative financial instrument	-	37,390
	Realised fair value gain on derivative financial instrument	533	-
	Gain on disposal of operating fixed assets	-	7
	Exchange gain - net	45,102	1
	Scrap sales	1,120	1,958
	Provisions and unclaimed balances written back	18,150	14,507
	Others	205	33
		135,162	151,609
28.	**Finance cost**		
	Interest/mark-up on:		
	Long term financing - secured	33,888	222,389
	Short term borrowings - secured	264,706	212,478
	Exchange loss on foreign currency long term loan (Facility B)	3	558,640
	Guarantee commission	29,469	29,699
	Lenders' fees and charges	11,624	18,205
	Lenders' related other costs	360	3,540
	Surcharge on late payments to SNGPL	17,065	19,735
	Realised loss on derivative financial instrument	-	46,701
	Bank charges	1,103	43
		358,218	1,111,430
29.	**Taxation**		
	Current		
	For the year	103,910	122,944
	Prior years'	68,255	1,414
		172,165	124,358
	Deferred taxation - note 9.2	(1,005,062)	46,520
		(832,897)	170,878
29.1	**Relationship between tax income /(expense) and accounting profit**		
	Profit before taxation	4,248,573	2,941,815
	Tax at the applicable rate of 29% (2019: 29%) under the Income Tax Ordinance, 2001	1,232,086	853,126
	Tax effect of amounts that are:		
	-Exempt as referred to in note 4.2	(2,215,169)	(777,041)
	-Not deductible for tax purposes	529	291
	-Subject to final tax regime	81,402	93,088
	-Prior years' tax	68,255	1,414
		(2,064,983)	(682,248)
		(832,897)	170,878

29.2 The Group, along with certain related companies, had obtained certificate of registration and designation letter of a group (hereinafter referred to as 'Taxation Group') from SECP on June 5, 2015 and September 9, 2016, respectively, and the same were registered as Taxation Group with SECP under Group Companies Registration Regulations, 2008 to avail group relief under section 59B of the Income Tax Ordinance, 2001. At the time of registration of Taxation Group, inter-corporate dividend [PMCL (wholly owned subsidiary of the Parent Company) to the Parent Company] was exempt from tax for companies entitled for group relief under Clause 103A of Part I of the Second Schedule to the Income Tax Ordinance, 2001. However, subsequent to the registration of the Taxation Group, this clause was amended through Finance Act, 2016 and the exemption in respect of inter-corporate dividend was withdrawn. The Group is of the view, that since the Taxation Group had been registered as a group before the amendment in law, the Taxation Group remains entitled for the exemption. Based on the advice of the Group's legal advisor, management believes that there are meritorious grounds to defend its case in the courts of law with the taxation authorities. Consequently, no provision of Rs 436.58 million (2018: Rs 769.97 million) for tax on dividend income received from PMCL (wholly owned subsidiary of the Parent Company) for the tax years from 2017 to 2018 has been recognized in these consolidated financial statements.

30. Cash flow information

30.1 Cash generated from operations

	2020	2019
	(Rupees in thousand)	
Profit before taxation	4,248,573	2,941,815
Adjustments for non cash charges and other items:		
- Depreciation on operating fixed assets	1,720,487	1,739,909
- Impairment loss on property, plant and equipment	-	73,172
- Amortisation on intangible assets	166	284
- Liabilities no longer payable written back	(18,150)	(761)
- Profit on bank deposits	(69,176)	(97,713)
- Gain on disposal of operating fixed assets	-	(7)
- Finance cost	358,218	1,111,426
- Write-down of stores and spares	-	31,249
- Trade debts written off	-	24,636
- Provision for doubtful debts	823	10,418
- Provision for staff gratuity	469	703
- Provision for accumulating compensated absences	9	26
- Provision for retirement benefits	8,427	7,560
- Capital work-in-progress written off	-	150
- Capital spares consumed	-	410
- Un-realized gain on derivative financial instrument	-	(37,390)
- Exchange gain - net	(45,103)	(1)
Profit before working capital changes	6,204,743	5,805,886
Effect on cash flow due to working capital changes:		
Decrease/(increase) in current assets		
- Stores, spares and loose tools	(34,529)	(72,183)
- Inventory of fuel oil	3,738	4,050
- Trade debts - secured, considered good	1,304,191	(1,604,912)
- Advances, prepayments and other receivables	(677,296)	14,009
	596,104	(1,659,036)

	2020	2019
	(Rupees in thousand)	
(Decrease)/increase in current liabilities		
- Trade and other payables	(2,093,117)	1,355,873
	(1,497,013)	(303,163)
	4,707,730	5,502,723

30.2 Cash and cash equivalents

		2020	2019
Bank balances	- note 22	416,586	2,202,611
Short term borrowings - secured	- note 12	(2,344,701)	(2,927,075)
		(1,928,115)	(724,464)

30.3 Reconciliation of liabilities arising from financing activities

	Opening balance as at July 1, 2019	Cash flows	Other changes*	Closing balance as at June 30, 2020
Long term loans	2,112,666	(2,011,220)	(101,446)	-
Derivative financial instrument	7,842	(7,309)	(533)	-

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

31. Transactions with related parties

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

Relationship with the Group	Nature of transactions	2020	2019
		(Rupees in thousand)	
i. Holding company			
DEL Power (Private) Limited	Dividends paid	1,194,393	665,901

Relationship with the Group	Nature of transactions		2020	2019
			(Rupees in thousand)	
ii. Other related parties				
On the basis of common directorship				
Descon Engineering Limited	Supply of spares and services		16,794	8,863
	Common costs charged to the Group		3,131	2,455
Descon Power Solutions (Private) Limited	Operation and maintenance contractor's fee		481,208	453,595
	Purchases of spare parts		-	2,905
	Supply of spares and services		2,995	2,799
	Common costs charged to the Group		386	451
Descon Corporation (Private) Limited	Supply of spares and services		17,870	14,377
	Common costs charged to the Group		658	362
Inspectest (Private) Limited	Common costs charged to the Group		40	44
Group companies				
Descon Holdings (Private) Limited	Dividends paid		157	95
Siemens Gas and Power GmbH & Co. KG	Purchase of long term maintenance services		19,978	-
Siemens AG	Purchase of long term maintenance services		97,738	238,941
	Supply of spares and services		-	173,061
Siemens Pakistan Engineering Company Limited	Purchase of long term maintenance services		22,928	66,143
	Supply of spares and services		8,457	31,872
Investor under IAS 28				
Siemens Project Ventures GmbH	Dividends paid		807,106	538,070
iii. Key management personnel	Short term employee benefits	- note 31.2	80,859	62,284
	Post employment benefits	- note 31.2	9,938	7,835
	Long term benefits	- note 31.2	-	18
	Other benefits	- note 31.2	625	665
	Dividends paid		123	70
iv. Retirement benefit obligations	Expense charged in respect of defined benefit plan - gratuity fund		8,430	7,560
	Expense charged in respect of contributory provident fund		4,010	6,305

31.1 All transactions with related parties have been carried out on mutually agreed terms and conditions. There are no transactions with key management personnel other than under the terms of employment.

31.2 This represents remuneration of Chief Executive, a non-executive Director and an executive that is included in the remuneration disclosed in note 32.1 to these consolidated financial statements.

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

Name of company:	**Siemens AG**
Name of company:	Siemens Gas and Power GmbH & Co. KG
Country of incorporation:	Germany
Basis of association:	Group company
Name of company:	Siemens AG
Country of incorporation:	Germany
'Basis of association:	Group company
Aggregate percentage of shareholding, including shareholding through other companies or entities:	26% of issued, subscribed and paid up capital of RPPL

31.4 All the related parties with whom the Group had entered into transactions or had arrangements/agreements in place during the year have been disclosed in relevant notes to these consolidated financial statements.

32. Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Directors	
	2020	2019	2020	2019
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	3,789	3,489	-	-
Gratuity fund	230	-	-	-
House rent, utilities and others	747	-	625	1,247
	4,766	3,489	625	1,247
	------------------------ (Number) ------------------------			
Number of person(s)	2*	1	2	2

	Executives	
	2020	2019
	(Rupees in thousand)	
Managerial remuneration (including performance bonus)	75,293	55,185
Providend fund	5,804	3,854
Accumulating compensated absences	-	18
Gratuity fund	5,374	4,016
House rent, utilities and other allowances	11,547	6,879
Bonus	-	510
Car allowance	64	511
	98,082	70,973
Number of person(s)	9	9

* During the year, Mr. Umer Shehzad was appointed as Chief Executive Officer in place of Mr. Fazal Hussain Asim.

32.2 During the year the Group paid meeting fee amounting to Rs 0.625 million (2019: Rs 0.50 million) to its non-executive (independent) director.

32.3 In addition to the above, certain executives of the Group are provided with free use of Group maintained cars.

33. Number of employees

	2020	2019
Total number of employees as at June 30	34	38
Average number of employees during the year	36	38

34. Disclosure relating to Provident Fund

The investments by the provident fund in collective investment schemes, listed equity and debt securities have been made in accordance with the provisions of section 218 of the Act and the conditions specified thereunder.

35. Financial risk management

35.1 Financial risk factors

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

Risk management is carried out by the Board of Directors (the 'Board'). The Group's finance department evaluates and hedged financial risk. The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

The Group's overall risk management procedures to minimise the potential adverse effectsof financial market on the Group's performance are as follow :

c) **Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk mainly arises from deposits with banks, trade and other receivables. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by Board. The utilization of these credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

i) **Exposure to credit risk and concentration of credit risk**

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

	2020	2019
	(Rupees in thousand)	
Long term security deposits	739	739
Trade debts	14,027,093	15,321,768
Other receivables	436,424	191,636
Bank balances	416,586	2,202,611
	14,880,842	17,716,754
As of June 30, age analysis of trade debts was as follows:		
Neither past due nor impaired	2,160,109	3,711,765
Past due but not impaired		
- 1 to 30 days	655,645	3,066,573
- 31 to 120 days	1,564,502	2,923,163
- 121 to 360 days	5,008,395	3,350,391
- above 360 days	4,638,442	2,269,876
	11,866,984	11,610,003
Past due and impaired		
- 1 to 30 days	42	6,933
- 31 to 120 days	75	12
- 121 to 360 days	1,438	32
- above 360 days	191,700	195,794
	193,255	202,771

ii) **Credit quality of major financial assets**

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

	Rating		Rating	2020	2019
	Short term	Long term	Agency	(Rupees in thousand)	
CPPA-G	Not available			2,597,192	4,345,853
MCB Bank Limited	A1+	AAA	PACRA	1,939	1,912
The Bank of Punjab	A1+	AA	PACRA	4,294	4,293
Habib Bank Limited	A1+	AAA	JCR-VIS	175	186,210
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	106,096	65,093
Faysal Bank Limited	A1+	AA	JCR-VIS	-	2
Askari Bank Limited	A1+	AA+	PACRA	3	-
National Bank of Pakistan	A1+	AAA	JCR-VIS	301,107	762,924
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	2,972	-
				3,013,778	5,366,287

The Group's sole customer is CPPA-G. The credit risk on trade debts from CPPA-G is managed by a guarantee from the Government of Pakistan under the Implementation Agreement (IA) and by continuous follow-ups for release of payments from CPPA-G. Cash is held only with reputable banks with high quality external credit enhancements. The Group establishes a provision for doubtful debts that represents its estimate of incurred losses in respect of trade debts, if required. Due to the Group's long standing business relationships with these counter-parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Group. Accordingly, the credit risk is minimal.

iii) Impairment of financial assets other than those due from the Government of Pakistan

The Group long term security deposits, other receivables and bank balances are subject to the impairment requirements of IFRS 9, however, the identified impairment loss was immaterial.

b) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Group's business, the Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Management monitors the forecasts of the Company’s cash and cash equivalents (note 30.2) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the Company operates. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring reporting date liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans.

The table below analyses the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

As at June 30, 2020	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Financial liabilities				
Trade and other payables	928,485	928,485	-	-
Unclaimed dividend	3,988	3,988	-	-
Short term borrowings - secured	2,344,701	2,344,701	-	-
Accrued markup on short term borrowings - secured	81,874	81,874	-	-
	3,359,048	3,359,048	-	-
As at June 30, 2019				
Financial liabilities				
Current portion of long term financing - secured	2,112,666	2,112,666	-	-
Trade and other payables	3,018,678	3,018,678		
Unclaimed dividend	190,673	190,673	-	-
Short term borrowings - secured	2,927,075	2,927,075	-	-
Accrued mark-up	97,591	97,591	-	-
Derivative financial instrument	7,842	7,842	-	-
	8,354,525	8,354,525	-	-

c) Market risk

Market risk is the risk that the fair value or future cash flows of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, liquidity in the market etc. The Group is exposed to interest rate risk and currency risk only as there are no investments in equity instruments traded in the market at the reporting date.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on balances in savings accounts, overdue trade debts, long term loans, short term borrowings and derivative financial instruments. The Group has no significant long term interest-bearing assets. The interest rate profile of the Group's interest-bearing financial instruments at the consolidated statement of financial position date was as under:

	Carrying amounts 2020	Carrying amounts 2019
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Bank balances - saving accounts	304,241	829,505
Term deposits	-	1,165,000
Financial liabilities	-	-
Net exposure	304,241	1,994,505

	Carrying amounts 2020	2019
	(Rupees in thousand)	
Variable rate instruments		
Financial assets		
Trade debts - overdue	11,880,646	11,957,367
Financial liabilities		
Long term loans - secured	-	(2,112,666)
Short term borrowings - secured	(2,344,701)	(2,927,075)
Derivative financial instruments	-	(7,842)
Net exposure	9,535,945	6,909,784

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 statement of profit or loss or equity.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on variable rate financial instruments, at the year end date, fluctuates by 1% higher/lower with all other variables held constant, profit for the year would have been Rs 95.40 million (2019: Rs 68.91 million) higher/lower mainly as a result of higher/lower net interest income on floating rate instruments.

ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Exposure to currency risk

The Group is exposed to currency risk arising mainly from United States Dollar ('USD') and Euro.

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

	2020		
	Translated in Rupees	USD	Euro
	(Amounts in thousand)		
Other receivables	3,502	-	19
Trade and other payables and accrued liabilities	(176,920)	(51)	(932)
Net exposure	(173,418)	(51)	(913)

	2019		
	Translated in Rupees	USD	Euro
	(Amounts in thousand)		
Other receivables	31,520	-	169
Long term loans - secured	(2,112,666)	(12,843)	-
Accrued markup on long term loans - secured	(1,292)	(8)	-
Trade and other payables and accrued liabilities	(460,601)	(110)	(2,366)
	(2,543,039)	(12,961)	(2,197)

Foreign exchange risk in USD is mitigated by the indexation mechanism for tariff available under PPA.

The following significant exchange rates were applied during the year:

	Reporting date rate		Average rate	
	2020	2019	2020	2019
USD	168.05	164.50	166.28	143.05
Euro	188.61	186.99	187.80	164.28

Sensitivity analysis

At June 30, 2020, if the Rupee had weakened/strengthened by 5% against the USD with all other variables held constant, the impact on profit for the year would have been Rs 0.43 million (2019: Rs 46.54 million) lower/higher mainly as a result of exchange loss/gain on translation of USD denominated financial instruments. Since the exchange differences relating to foreign currency loan are capitalised, the impact on property, plant and equipment would have been Nil (2019: Rs 60.07 million) higher/lower mainly as a result of exchange loss/gain on translation of USD denominated financial instruments.

At June 30, 2020, if the Rupee had weakened/strengthened by 5% against the Euro with all other variables held constant, the impact on profit for the year would have been Rs 8.61 million (2019: Rs 20.55 million) lower/higher mainly as a result of exchange loss/gain on translation of Euro denominated financial instruments.

iii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since there are no investments in equity instruments traded in the market at the reporting date. The Company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

35.2 Fair value estimation

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

35.3 Financial instruments by categories

	Financial assets at amortised cost	
	2020	2019
Assets as per statement of financial position	(Rupees in thousand)	
Long term security deposits	739	739
Loans to employees	2,891	5,028
Trade debts - secured	14,027,093	15,321,768
Other receivables	523,032	191,209
Interest receivable	-	677
Bank balances	314,293	2,194,440
	14,868,048	17,713,861

Liabilities as per statement of financial position	Financial liabilities at amortised cost 2020	2019
	(Rupees in thousand)	
Long term loans - secured	-	2,112,666
Trade and other payables	485,936	2,324,154
Accrued liabilities	406,285	777,230
Short term borrowings - secured	2,344,701	2,927,075
Accrued markup on long term loans - secured	-	1,292
Accrued markup on short term borrowings - secured	81,874	102,746
Other provisions	6,842	6,842
Unclaimed dividend	3,988	190,673
	3,325,638	8,252,005

	Financial liabilities at fair value through profit or loss 2020	2019
	(Rupees in thousand)	
Derivative financial instruments	-	7,842

35.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and lenders and to maintain an optimal capital structure to reduce the cost of capital. Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net borrowings divided by total capital employed. Net borrowings are calculated as total borrowings including current and non-current borrowings as disclosed in note 7 and 12 to these consolidated financial statements less cash and cash equivalents as disclosed in note 30.2 to these financial statements. Total capital employed includes equity as shown in the consolidated statement of financial position, plus net borrowings.

The gearing ratio as at June 30, 2020 and June 30, 2019 is as follows:

	Note	2020	2019
		(Rupees in thousand)	
Borrowings	- note 7 and 12	2,344,701	5,039,741
Less: Cash and cash equivalents	- note 30.2	(1,928,115)	(724,464)
Net debt		4,272,816	5,764,205
Total equity		29,797,916	28,009,218
Total capital		32,142,617	33,048,959
Gearing ratio	Percentage	13.29	17.44

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

35.5 Offsetting financial assets and financial liabilities

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

36. Plant capacity and actual generation

		2020	2019
Installed capacity [based on 8,760 hours (2019: 8,760 hours)]	(MWh)	3,720,036	3,710,556
Practical maximum output	(MWh)	3,153,018	2,713,928
Actual energy delivered	(MWh)	221,258	1,057,879

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

37. Earnings per share - basic and diluted

37.1 Basic earnings per share

		2020	2019
Profit for the year attributable to equity holders of the Parent Company	(Rupees in thousand)	3,382,891	1,529,573
Weighted average number of ordinary shares	(Number)	363,380,000	363,380,000
Basic earnings per share	(Rupees)	9.31	4.21

37.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue as at June 30, 2020 and June 30, 2019 which would have any effect on the earnings per share if the option to convert is exercised.

38. Interests in other entities

38.1 Subsidiaries

The Group's principal subsidiaries as at June 30, 2020 and June 30, 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities
		2020	2019	2020	2019	
Power Management Company (Private) Limited	Lahore, Pakistan	100%	100%	0%	0%	Invest, manage, operate, run, own and build power projects, intermediate holding company of RPPL
Rousch (Pakistan) Power Limited	Islamabad, Pakistan	59.98%	59.98%	40.02%	40.02%	Generate and supply electricity to CPPA-G

38.2 Non-controlling interest

Set out below is summarised financial information for a subsidiary that has non-controlling interest that is material to the Group. The amounts disclosed for the subsidiary is before inter-company eliminations:

	Rousch (Pakistan) Power Limited	
	2020	2019
	(Rupees in thousand)	
Summarised statement of financial position		
Current assets	16,397,585	18,446,379
Current liabilities	3,252,901	8,152,138
Current net assets	13,144,684	10,294,241
Non-current assets	15,570,495	17,279,678
Non-current liabilities	16,559	18,185
Non-current net assets	15,553,936	17,261,493
Net assets	28,698,620	27,555,734
Accumulated non-controlling interest	11,484,480	11,026,973

	Rousch (Pakistan) Power Limited	
	2020	2019
Summarised statement of comprehensive income	(Rupees in thousand)	
Revenue-net	10,313,839	19,472,621
Profit for the year	4,244,324	3,101,858
Other comprehensive income for the year	2,329	1,442
Total comprehensive income for the year	4,246,653	3,103,300
Profit attributable to non-controlling interests	1,698,579	1,241,364
Other comprehensive income attributable to non-controlling interests	932	577
Dividends provided for non-controlling interests	1,242,004	828,002
Summarised cash flows		
Net cash inflow from operating activities	4,063,528	4,703,250
Net cash inflow from investing activities	55,349	56,862
Net cash outflow from financing activities	(5,122,295)	(5,635,174)
Net decrease in cash and cash equivalents during the year	(1,003,418)	(875,062)

38.4 Transactions with non-controlling interests

There were no transactions with non-controlling interest during the years ended June 30, 2020 and June 30, 2019.

39. Corresponding figures

Corresponding figures have been reclassified wherever necessary to reflect better presentation of events and transactions for the purpose of comparison, however, no significant reclassifications have been made.

40. Impact of COVID-19 (Corona virus)

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID–19. The Group's operations were not affected as it fell under the exemption provided by the Government of Punjab to providers of essential services. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Group continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Due to this, management has assessed the accounting implications of these developments on these consolidated financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these consolidated financial statements.

41. Date of authorization for issue

These consolidated financial statements were authorised for issue on September 28, 2020 by the Board of Directors of the Parent Company.

42. Events after the reporting date

42.1 On August 25, 2020, the Parent Company has requested the Committee for negotiation with Independent Private Power Producers' (the 'Committee') to terminate its PPA on the terms to be mutually agreed between the Parent Company and the Committee, however, no response has been received from the Committee till the date of authorisation of these consolidated financial statements. The management is of the view that the impact of the said event on the prospective consolidated financial statements of the Group cannot be estimated reliably as response from the Committee is yet to be received.

42.2 On August 18, 2020, a Memorandum of an Understanding ('MoU') was executed by and between the Committee for Negotiation with Independent Power Producers [on behalf of Government of Pakistan ('GoP')] and RPPL. Pursuant to the terms of this MOU, RPPL has voluntarily agreed to provide certain concessions to the GoP on a prospective basis, including reduction in existing capacity payments and variable operations and maintenance costs by 11%, discontinuance of USD exchange rate and US CPI indexations on 50% of the reduced capacity payment and fixing it on the basis of exchange rate prevailing as on August 12, 2020 and discontinuation of heat rate sharing as per existing arrangement. Furthermore, RPPL and the GoP shall also devise a mechanism for payment of the outstanding receivables within agreed time period which shall be reflected in the final agreement to be signed.

However, the terms of the MOU are subject to approval of the Board of Directors of RPPL and the Federal Cabinet, prior to execution of a final agreement between the parties. The management is of the view that the impact of this MoU on the prospective consolidated financial statements of the Group cannot be estimated reliably as the final agreement is yet to be executed.

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

SIX YEAR PERFORMANCE

Financial Year ending June 30	2020	2019	2018	2017	2016	2015
	(Rupees in thousand)					
Despatch (MWH)	3,728	22,029	145,115	187,844	175,069	173,306
Revenue	116,802	474,160	1,621,194	1,624,556	1,605,936	1,435,404
Direct Costs	167,863	501,829	1,558,269	1,386,609	1,398,141	1,263,377
GrossProfit/ (Loss)	(51,061)	(27,669)	62,925	237,947	207,795	172,027
Net Profit/ (Loss)	1,689,621	954,822	1,452,563	1,632,720	1,097,312	115,077
Total Assets	4,317,833	4,874,063	5,088,896	6,491,422	5,850,900	5,278,699

PATTERN OF SHAREHOLDING

FORM 34

THE COMPANIES ACT, 2017
(Section 227(2)(f))
PATTERN OF SHAREHOLDING

1.1 Name of the Company: ALTERN ENERGY LIMITED

2.1. Pattern of holding of the shares held by the shareholders as at: 30-06-2020

2.2 No. of Shareholders	------Shareholdings------ From	To	Total Shares Held
72	1	100	1,040
92	101	500	43,841
58	501	1,000	55,330
86	1,001	5,000	263,688
42	5,001	10,000	340,599
10	10,001	15,000	129,000
8	15,001	20,000	142,500
9	20,001	25,000	207,000
3	25,001	30,000	89,000
1	30,001	35,000	34,000
5	35,001	40,000	189,563
4	40,001	45,000	179,500
5	45,001	50,000	243,000
2	50,001	55,000	107,000
2	55,001	60,000	114,000
1	60,001	65,000	65,000
3	65,001	70,000	205,000
1	85,001	90,000	87,500
5	95,001	100,000	498,500
1	100,001	105,000	100,500
1	105,001	110,000	105,175
1	125,001	130,000	130,000
1	155,001	160,000	157,762
1	180,001	185,000	183,000
1	195,001	200,000	200,000
1	225,001	230,000	230,000
3	245,001	250,000	746,500
1	250,001	255,000	252,000
1	325,001	330,000	327,000
1	330,001	335,000	334,500
1	365,001	370,000	369,500
1	485,001	490,000	487,000
1	495,001	500,000	500,000
1	590,001	595,000	593,500
1	890,001	895,000	890,500
1	1,015,001	1,020,000	1,016,500
1	1,140,001	1,145,000	1,145,000
1	1,195,001	1,200,000	1,200,000
1	1,290,001	1,295,000	1,293,500
1	3,300,001	3,305,000	3,303,725
1	5,785,001	5,790,000	5,789,500
1	6,995,001	7,000,000	7,000,000
1	60,660,001	60,665,000	60,663,775
1	61,965,001	61,970,000	61,968,939
1	211,395,001	211,400,000	211,397,063
437			**363,380,000**

Categories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2020

S. No.	NAME	HOLDING	% AGE
DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN			
1	MR. FAISAL DAWOOD (CDC)	22,500	0.0062
2	MR. TAIMUR DAWOOD (CDC)	1,000	0.0003
3	MR. FAROOQ NAZIR (CDC)	500	0.0001
4	MR. SHAH MUHAMMAD CH. (CDC)	500	0.0001
5	SYED RIZWAN ALI SHAH (CDC)	500	0.0001
6	MR. SALIH MERGHANI	0	0.0000
7	MS. MEHREEN DAWOOD	500	0.0001
		25,500	0.0070
ASSOCIATED COMPANIES, UNDERTAKING & RELATED PARTIES			
1	DEL POWER (PRIVATE) LIMITED (CDC)	211,397,063	58.1752
NIT & ICP		0	0.0000
FINANCIAL INSTITUTION			
1	SONERI BANK LIMITED - ORDINARY SHARES (CDC)	5,789,500	1.5932
		5,789,500	1.5932
MODARABAS & MUTUAL FUNDS			
1	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND (CDC)	327,000	0.0900
		327,000	0.0900
PENSION FUNDS		0	0.0000
INSURANCE COMPANIES		0	0.0000
JOINT STOCK COMPANIES			
1	OCTAGON INTERNATIONAL (PVT) LTD	1,000	0.0003
2	ALI ASGHAR TEXTILE MILLS LTD (CDC)	334,500	0.0921
3	CRESCENT STEEL AND ALLIED PRODUCTS LTD. (CDC)	60,663,775	16.6943
4	CS CAPITAL (PVT) LTD. (CDC)	3,303,725	0.9092
5	DESCON HOLDINGS (PVT) LIMITED.(CDC)	30,000	0.0083
6	DOSSA COTTON & GENERAL TRADING (PVT) LIMITED (CDC)	246,500	0.0678
7	ELAHI CAPIATL (PRIVATE) LIMITED (CDC)	369,500	0.1017
8	FAZAL HOLDINGS (PVT.) LIMITED (CDC)	1,145,000	0.3151
9	MAPLE LEAF CAPITAL LIMITED (CDC)	1	0.0000
10	SAPPHIRE HOLDING LIMITED (CDC)	100,500	0.0277
11	SARFRAZ MAHMOOD (PVT) LTD. (CDC)	500	0.0001
12	SOFCOM (PRIVATE) LIMITED (CDC)	8,000	0.0022
13	UHF CONSULTING (PRIVATE) LIMITED (CDC)	1,000	0.0003
14	UHF CONSULTING (PRIVATE) LIMITED (CDC)	1,000	0.0003
15	ALLIANCE INVESTMENT MANAGEMENT LIMITED (CDC)	130,000	0.0358
		66,335,001	18.2550

FOREIGN COMPANY			
1	SAUDI ARABIAN CONSTRUCTION & REPAIR CO. LTD.	61,968,939	17.0535
2	MIDDLE EAST NORTH AFRICA FINANCIAL INVESTMETNS W.L.L. (CDC)	890,500	0.2451
		62,859,439	17.2985
OTHERS			
1	TRUSTEE - FEROZE AND SHERAZ BHANDARA CHARITABLE TRUST (CDC)	65,000	0.0179
2	TRUSTEE CITY SCHOOLS PROVIDENT FUND TRUST (CDC)	21,000	0.0058
3	SONERI BANK LIMITED EMPLOYEES GRATUITY FUND (CDC)	500,000	0.1376
4	SONERI BANK LIMITED EMPLOYEES PROVIDENT FUND (CDC)	593,500	0.1633
		1,179,500	0.3246
SHARES HELD BY THE GENERAL PUBLIC (LOCAL):		15,466,997	4.2564
SHARES HELD BY THE GENERAL PUBLIC (FOREIGN):		0	0.0000
		15,466,997	4.2564
	TOTAL:	**363,380,000**	**100.0000**

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

S. No.	Name	Holding	% AGE
1	DEL POWER (PRIVATE) LIMITED (CDC)	211,397,063	58.1752
2	SAUDI ARABIAN CONSTRUCTION & REPAIR CO. LTD.	61,968,939	17.0535
3	CRESCENT STEEL AND ALLIED PRODUCTS LTD. (CDC)	60,663,775	16.6943
		334,029,777	**91.9230**

SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL

S. No.	Name	Holding	% AGE
1	DEL POWER (PRIVATE) LIMITED (CDC)	211,397,063	58.1752
2	SAUDI ARABIAN CONSTRUCTION & REPAIR CO. LTD.	61,968,939	17.0535
3	CRESCENT STEEL AND ALLIED PRODUCTS LTD. (CDC)	60,663,775	16.6943
		334,029,777	**91.9230**

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows

S. No.	Name	Sale	Purchase
1	MS. MEHREEN DAWOOD	0	500

ALTERN ENERGY LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 26th Annual General Meeting of Altern Energy Limited (the "Company") will be held on Friday, October 23, 2020 at 10:00 am at Descon Headquarters, 18-K.M, Ferozepur Road Lahore – 54760 to transact the following business:

ORDINARY BUSINESS

1. To confirm minutes of the last Extra Ordinary General Meeting of the Company held on Tuesday, December 31, 2019.

2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 30th June 2020 together with the reports of Directors' and Auditor's thereon, together with Annual Audited Consolidated Financial Statements of the Company for the year ended 30th June 2020 together with the reports of Auditor's thereon.

3. To appoint External Auditors for the ensuing year and fix their remuneration. The Board of Directors, on recommendation of the Audit Committee, has recommended reappointment of M/s. A.F. Ferguson & Co., Chartered Accountants, as External Auditors, for the year ending 30th June 2021.

4. To transact any other business with the permission of the Chair.

By Order of the Board

Place : Lahore
Date: October 02, 2020

Salman Ali
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will be closed from 15-10-2020 to 23-10-2020 (both days inclusive). Transfers received at the Corplink (Pvt.) Limited, 1-K, Commercial Model Town Lahore the close of business on October 14, 2020 will be treated in time for the purpose of above entitlement to the transferees.

2. Members are requested to attend in person along with Computerized National Identity Card ("CNIC") or appoint some other member as proxy and send their proxy duly witnessed so as to reach the registered office of the Company not later than 48 hours before the time of holding the said Meeting.

3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or passport, Account and participant's I.D. Numbers to prove his/her identity, and in case of proxy it must enclose an attested copy of his / her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.

4. Shareholders are requested to immediately notify change in address, if any, to the Company's Share Registrar, M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore and also furnish attested photocopy of their CNIC as per Listing Regulations, if not provided earlier.

ALTERN ENERGY LIMITED

AEL

Form of Proxy

Altern Energy Limited

Shareholder Folio No.

IMPORTANT
This form of proxy, in order to be effective, must be deposited duly completed, at the Company's registered office at Descon Headquarters, 18-KM, Ferozepur Road, Lahore not less than 48 hours before the time of holding the meeting. A Proxy must be member of the Company. Signature should agree with the specimen register with the Company. Please quote registered Folio / CDC Account numbers.

OR

CDC Participant I.D.No.

& Sub Account No.

I/We ______________________________

of ______________________________

being a member of Altern Energy Limited entitled to vote and holder ______________

of ______________________________

ordinary shares, hereby appoint Mr./Mrs./Mst. ______________________

of ______________________________

Who is also a member of the Company, as my/our proxy in my / our absence to attend and vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held at Descon Headquarters,1 8 -km, Ferozepur Road, Lahore on Friday, October 23, 2020 at 10:00 am and at any Adjournment thereof.

As witness my / our hand this ______________ day of ____________________2020.

Signed by the said ______________________ in the presence of ________________

____
(Member's Signature)

Place ____________________

Date ____________________

Affix Rs. 5/ Revenue Stamp which must be cancelled either by signature over it or by some other means

____
(Witness's Signature)