# SAIF POWER LIMITED

A Saif Group Company

Annual Report 2015

True heros are made of hard work and integrity.

Hope Solo

"ALONE WE CAN DO SO LITTLE; TOGETHER WE CAN DO SO MUCH."

- Helen Keller

Never look down on anyone. Only God sits that high.

"Kindness is the language which the deaf can hear and the blind can see."

- Mark Twain

You never look good trying to make someone else look bad.

Unknown

Our life is what our thoughts make it.

Marcus Aurelius

Have the courage to say no. Have the courage to face the truth. Do the right thing because it is right. These are the magic keys to living your life with integrity.

W. Clement Stone

" It is when you give of yourself that you truly give. "

Kahlil Gibran

" If you can DREAM it, you can do it. "

Walt Disney

When money speaks, the truth keeps silent.

**Russian proverb**

Our Greatest WEAKNESS lies in giving up.

"It is health that is real wealth and not pieces of gold and silver."

- Mahatma Gandhi

"Love all, trust a few, do wrong to none."

William Shakespeare

Prophet Muhammad

The best of people is the one who humbles himself; the more his rank increases

"We rise by lifting others."

-Robert Ingersoll

You are responsible for your own happiness.

If you expect others to make you happy, you will always be dissapointed.

Enjoy the little things

" One lie is enough to question all truths "

Anonymous

"Meet your Fears With Faith"

-Max Lucado

DON'T WAIT. THE TIME WILL NEVER BE JUST RIGHT.

NAPOLEON HILL

"Hasty judgments begets remorse."

German Proverb

"A man's true wealth is the good he does in this world."

Muhammad (570 - 632 CE)

Everyone thinks of changing the world, but no one thinks of changing himself...

Some people walk in the rain, others just get wet...

(Roger Miller)

"Where there is no struggle, there is no strength."

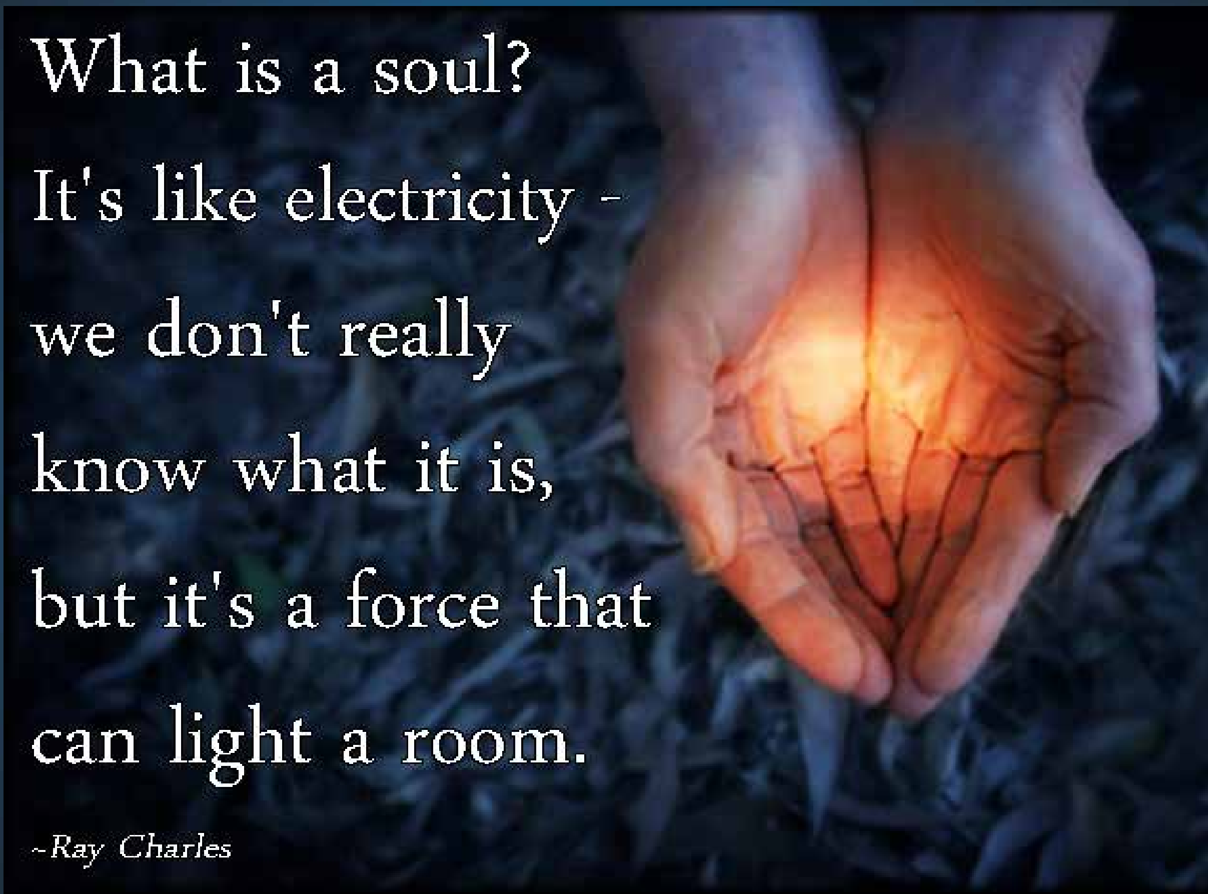
Oprah Winfrey

Disappointments are just God's way of saying, "I have Got Something better"

Be Patient... Have Faith... Trust God...

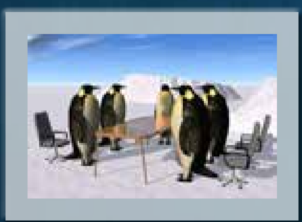
DON'T LET SOMEONE CHANGE WHO YOU ARE, TO BECOME WHAT THEY NEED

**Gratitude is the greatest power to change your life NOW.**


What is a soul?
It's like electricity -
we don't really
know what it is,
but it's a force that
can light a room.
-Ray Charles

## TABLE OF CONTENTS

# CORPORATE PROFILE / INFORMATION




## BOARD OF DIRECTORS

| | |
|---|---|
| Mr. Salim Saifullah Khan | Chairman |
| Mr. Javed Saifullah Khan | Director |
| Mr. Anwar Saifullah Khan | Director |
| Mr. Omar Saifullah Khan | CEO/Director |
| Ms. Hoor Yousafzai | Director |
| Mr. Osman Saifullah Khan | Director |
| Mr. Jehangir Saifullah Khan | Director |

## AUDIT COMMITTEE

| | |
|---|---|
| Mr. Javed Saifullah Khan | Chairman |
| Mr. Salim Saifullah Khan | Member |
| Ms. Hoor Yousafzai | Member |

## HUMAN RESOURCE AND REMUNERATION COMMITTEE

| | |
|---|---|
| Mr. Salim Saifullah Khan | Chairman |
| Mr. Jehangir Saifullah Khan | Member |
| Ms. Hoor Yousafzai | Member |

## CHIEF OPERATING OFFICER AND CHIEF FINANCIAL OFFICER

Mr. Sohail H Hydari

## COMPANY SECRETARY

Syed Muhammad Asif Makhdoomi

## AUDITORS

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

## LEGAL ADVISORS

M/s Salahauddin, Saif & Aslam
Attorneys at Law

M/s Cornelius, Lane & Mufti
Advocates & Solicitors

## REGISTERED / HEAD OFFICE

4th Floor Kulsum Plaza
Jinnah Avenue, Blue Area
Islamabad Pakistan
Tel: +92-51-2342155-60
Fax: +92-51-2342177
Email: info.spl@saifgroup.com

## WEBSITE

http://www.saifgroup.com/power.php

## SHARE REGISTRAR

THK Associates (Private) Ltd.
2nd Floor, State Life Building No.3
Dr. Ziauddin Ahmed Road
Karachi, Pakistan
Tel: +92-21-111-000-322
Fax: +91-21-35655595
Email: secretariat@thk.com.pk

## BANKERS

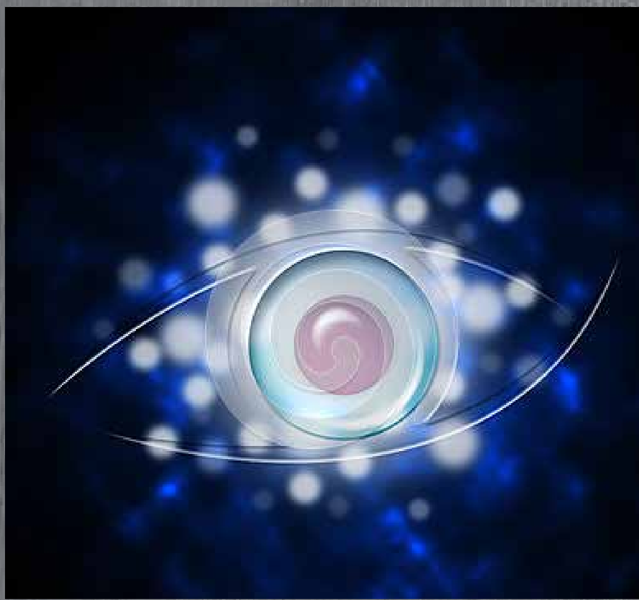
Allied Bank Limited
Askari Bank Limited
Bank Albaraka (Pakistan) Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Ltd
Faysal Bank Limited
Habib Bank Limited
JS Bank Limited
National Bank Limited
Pak Brunei Investment Company
Pak Oman Investment Company Limited
Saudi Pak Industrial and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

## PLANT LOCATION

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

## VISION STATEMENT

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





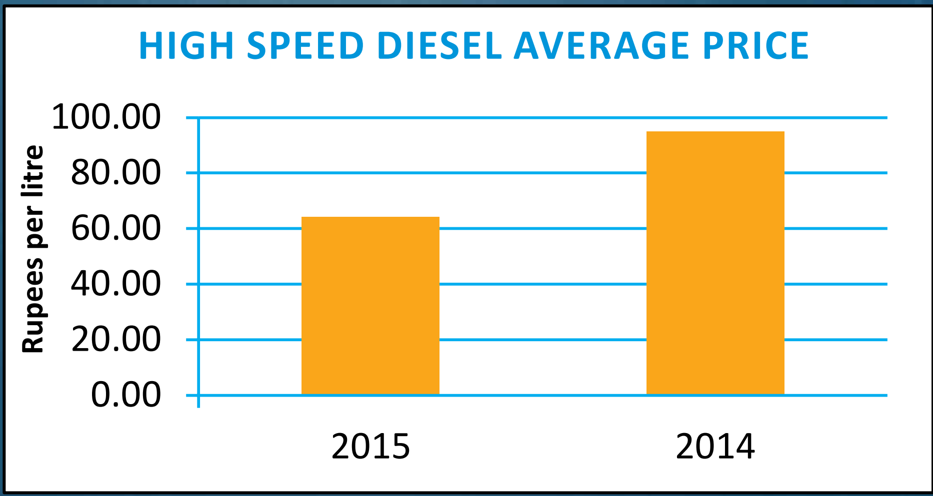

## MISSION STATEMENT

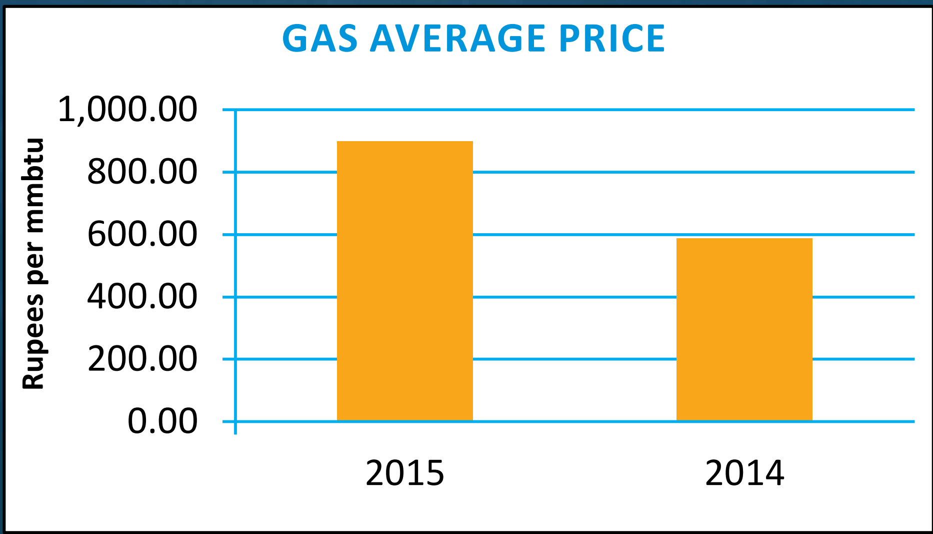
Be looked up as an honest and reliable supplier
Strive to perform at our best under a professional, effective,
transparent and cordial corporate culture
Add value to  stake holders' interests

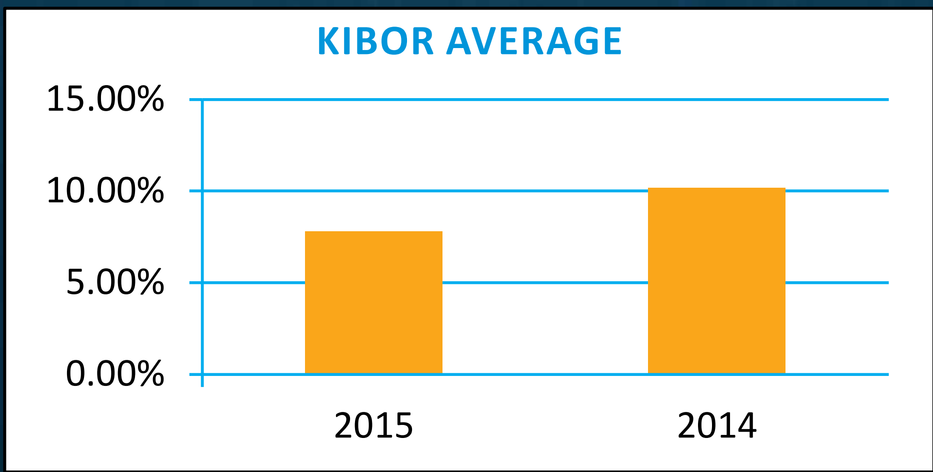
SIEMENS

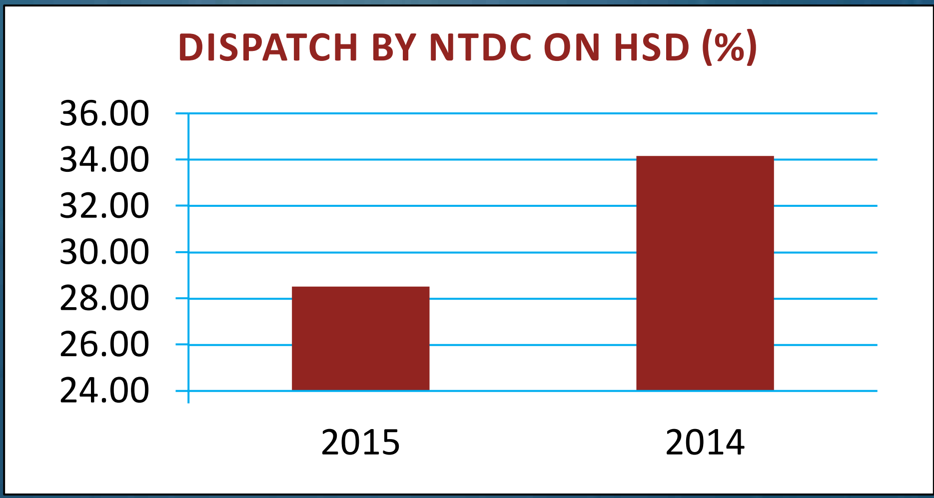
## Saif Group always works with the Best Brands

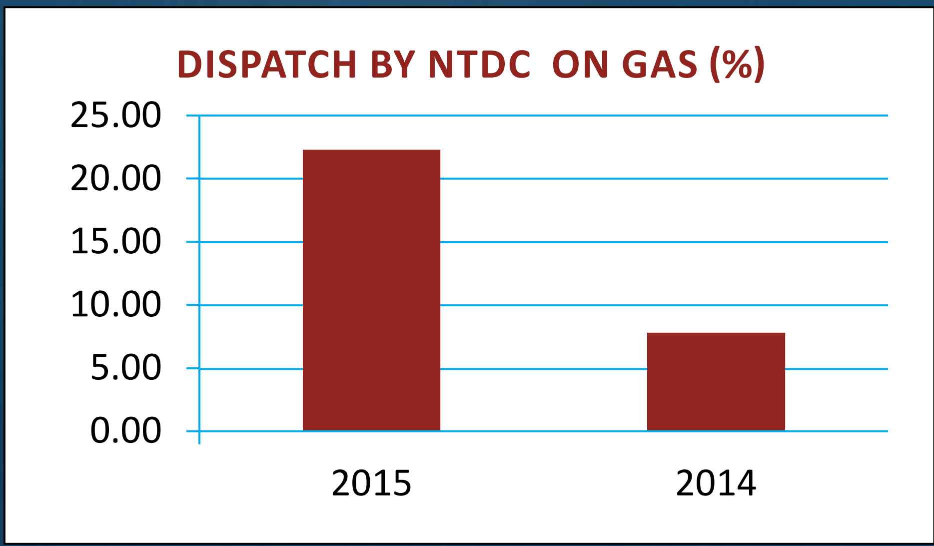
**With General Electric Gas Turbines and Siemens Steam Turbine,
the Combined Cycle Thermal Power Plant of Saif Power
is one of the Most Fuel Efficient Plants in the World
in the Category of 200-225MW**

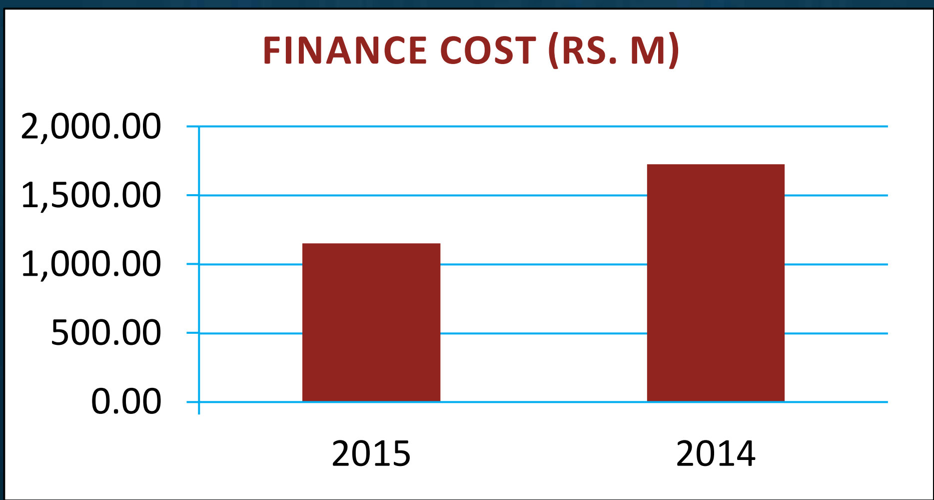

HIGH SPEED DIESEL AVERAGE PRICE
Rupees per litre
100.00
80.00
60.00
40.00
20.00
0.00
2015
2014


GAS AVERAGE PRICE
Rupees per mmbtu
1,000.00
800.00
600.00
400.00
200.00
0.00
2015
2014


KIBOR AVERAGE
15.00%
10.00%
5.00%
0.00%
2015
2014


DISPATCH BY NTDC ON HSD (%)
36.00
34.00
32.00
30.00
28.00
26.00
24.00
2015
2014


DISPATCH BY NTDC ON GAS (%)
25.00
20.00
15.00
10.00
5.00
0.00
2015
2014


FINANCE COST (RS. M)
2,000.00
1,500.00
1,000.00
500.00
0.00
2015
2014

## CORPORATE SOCIAL RESPONSIBILITY

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

Saifullah Khan Trust
Akbar Care Institute

SAIFULLAH KHAN TRUST focuses on promotion of skill based education and financial help to bright students in the shape of stipends. Around 300 students receive stipends each year. FM – 88 radio station was set up in 2004 in Lakki District for awareness oriented program and for entertainment. Both of these objectives are being achieved and FM 88 has gained huge popularity. Clean water facility has been provided to the village of Lawang Khel with a population of 2,000 people. Earlier these villagers did not have access to clean drinking water despite an existing water supply scheme which had not functioned for 10 years.

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

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

# DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors (BOD), I am pleased to present the Annual Report of Saif Power Limited (SPL) for the year ended December 31, 2015, along with the audited financial statements and Auditors' report

## MARKET AND INDUSTRY REVIEW

There is a buzz everywhere within the industry. A lot is happening. Coal based power plants, RLNG based power plants, wind power plants, solar power plants and hydel power are bubbling to come up. Private investors / entrepreneurs, Federal Government, Provincial Governments are thoroughly involved in these projects. Some projects are coming on board through CPEC as well. A long term RLNG contract with Qatar Gas has been executed on a government to government basis which will not only help in making idle capacity go functional but more such deals in future will also form the basis for new RLNG based power plants. So these are exciting times in the industry and the prospects of a load shedding free era is even more exciting for the common man of this country. Government of Pakistan must really be appreciated for facilitating and providing such a platform.

Hopefully, this will also induce investors to put their money in new diverse industries thus creating more jobs. Right now, the ever increasing population and the high percentage of unemployment poses a very big threat to the country with a significant percentage of its people living below the poverty line. The power plants themselves will not create much jobs as the human resource requirement is low for this industry. On the other hand, circular debt has still not come down substantially even though (i) the oil prices have fallen drastically and (ii) the Discos from time to time send inflated bills to consumers. Apparently, there is also no enthusiasm on the surface which may suggest that serious efforts are underway to move away from the one buyer model; NEPRA and GOP should seriously look into this. With so many new power plants coming up, the single buyer will face a huge burden and, one can anticipate significant issues of organization and handling and, an increase to the already prevalent dispute culture. Unless the one buyer model is gradually reduced in its scope to accommodate more bilateral transactions with new buyers and, unless the Discos are privatized, the current issues may even expand and may continue to bother all stake holders.

There are a few other things that relevant parties need to consider and reflect upon: (a) Will a cheaper energy mix (with addition of thousands of MWs), increase or decrease the circular debt if level of theft remains at the same level and payments are not recovered? It is foreseen that the Circular Debt will increase if these two factors are not eliminated; (b) Too many wind power and solar plants (though feasible over a 30 year cycle), would have higher tariffs than thermal plants (due to their low capacity factors) during the first 10 years. Pakistan needs to really take off during the next 5 years and therefore the renewable energy projects need to be rationalized till there is more improvement in technology and further decrease in equipment costs; (c) generally speaking, the confidence of those who have already invested in the industry is not at its peak for new investments as issues keep cropping up at the levels of Power Purchaser, PPIB, SNGPL etc. which are negatively affecting the IPP industry. Power Purchaser and other related departments would do well to honor the Agreements and to interpret them in the right spirit to restore such confidence; (d) Pakistan's ambient air quality is not healthy in general and is not confirming to the NEQS (National Environment Quality Standards) in many places. Any further emissions and pollutions will make the air quality even worse which would have negative effects on the health of people, crop and industries. Sincere and rational decisions are again required in this respect with focus and emphasis to not let the environment deteriorate further; coal plants should be located in remote areas and not in main towns and green fields; (f) Electricity is an essential service and cannot be run as a business model; the citizens of Pakistan have the right to receive electric power up to the full capacity available in the country through the national grid. The main focus should be on how to stop the theft.

## STOCK MARKET POTENTIAL

With CPI index (inflation) hovering between 4-5%; with KIBOR rate around 6% and the stock market being volatile and not performing so well, some of the listed IPPs including SPL offer a good return to the investors due to their fixed tariffs. SPL's dividend payout for the year under review was 37.5% as against 35% last year.

## CORPORATE SOCIAL RESPONSIBILITY

The Corporate social responsibility for all companies of Saif Group is centralized with the parent Holding company which is continuing with its activities as described elsewhere within the printed annual report.

## SAFETY, HEALTH, ENVIRONMENT AND QUALITY

Policies and procedures are determined and are earmarked and have also been submitted to NEPRA

## FUNDED GRATUITY SCHEME

Previously, the Company had an unfunded Gratuity Scheme for its employees. Near the end of the year under review, Company has applied for establishment of a Gratuity fund and approvals are currently awaited from relevant Authorities.

## OPERATIONS AND FUTURE OUTLOOK

During the year under review, operations of the company faced the same challenge of underutilized capacity as was the case last year. Although, the High Speed Diesel prices came down tremendously, the Power Purchaser still chose not to dispatch the full capacity. However, the future for capacity utilization looks very good indeed as Complex has already started to receive RLNG (swapped gas against Re gasified LNG) and, all parties are confident that RLNG supply will be continuous in the light of the long term RLNG deal between GOP and Qatar Gas.

## SUMMARY OF FINANCIAL PERFORMANCE

Your company has continued to perform in a reliable way and is continuing to add value to shareholders' money. Your company's net profit for the year is Rs.2.06 billion (2014: Rs.1.99 billion). Earnings per share is Rs.5.34 (2014: Rs.5.14)

## KEY OPERATIONAL AND FINANCIAL DATA OF LAST SIX YEARS IS AS FOLLOWS:

**(Rs. in Million)**

| FOR THE YEAR ENDING DECEMBER | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 (08 Months) |
|---|---|---|---|---|---|---|
| Turnover | 14,981 | 18,519 | 11,891 | 17,027 | 12,040 | 5,681 |
| Gross Profit | 3,290 | 3,746 | 3,145 | 3,786 | 3,376 | 2,160 |
| **Net Profit** | **2,063** | **1,988** | **1,224** | **1,454** | **779** | **462** |
| Property, Plant and Equipment | 14,802 | 15,353 | 15,966 | 16,213 | 16,720 | 17,196 |
| Net worth | 7,872 | 6,969 | 6,334 | 6,464 | 5,010 | 4,063 |
| Long term financing | 7,823 | 9,529 | 10,550 | 11,311 | 11,895 | 12,502 |
| Short term borrowing | 866 | 1,508 | 3,256 | 4,075 | 3,966 | 1,761 |
| Earnings per share | 5.34 | 5.14 | 3.17 | 3.76 | 2.07 | 1.32 |
| Dispatch level | 50.85% | 41.99% | 37.96% | 49.30% | 48.96% | 74.35% |
| Capacity Made Available-GWHs | 1,652 | 1,746 | 1,512 | 1,633 | 1,603 | 1,023 |

## PENDING ISSUES

Included in trade debts are:

(a) An amount of Rs. 477.56 million related to capacity purchase price not acknowledge by NTDCL as the plant was not fully available for power generation. However sole reason of this reduced generation was non-availability of fuel owing to non- payment by NTDCL. In this regard, with the consent of NTDCL, the Company took the matter to Expert mediator as per dispute resolution mechanism envisaged in the power Purchase Agreement (PPA). During the year in August 2015, the Expert gave the award in favor of the Company. The Company is awaiting Power Purchaser's response while the company, as an abundant precaution, has also filed the case in Arbitration Tribunal to avoid any time bar.

(b) An amount of Rs. 239.68 million relating to capacity purchase price not acknowledge by NTDC. The sole reason for this was non-supply of gas by SNGPL. The company took up legal proceedings against both, NTDC and SNGPL, to keep its rights and claims intact.

In the case against NTDC, the expert determined that NTDC is not obliged to pay such capacity amounts to the Company, whereas in the case against SNGPL in the London Court of International Arbitration, the arbitrator has given a binding award in favour of the Company for the whole amount.

## DIVIDENDS

Dividend payout for the year is 37.5 % (Rs. 3.75 per share) as against 35% (Rs. 3.5 per share) during the previous year. Unless there is any contingency, the Board of Directors of your company would continue with the policy of paying out all surplus cash available within the company.

## CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

As required by the Code of Corporate Governance, Directors are pleased to report that:

- The financial statements, prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts upon Company's ability to continue as a going concern.
- All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The directors were apprised of their duties and responsibilities through orientation courses.
- There has been no trading of shares by CEO, Directors, CFO. Company Secretary and their spouses.

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

| Name of Directors | Meetings attended |
|---|---|
| Mr. Salim Saifullah Khan (Chairman) | 05 |
| Mr. Javed Saifullah Khan | 05 |
| Mr. Anwar Saifullah Khan | 04 |
| Mr. Omer Saifullah Khan (Chief Executive Officer/Director) | 04 |
| Mr. Osman Saifullah Khan | 04 |
| Mr. Jehangir Saifullah Khan | 05 |
| Ms. Hoor Yousafzai | 05 |

Leave of absence was granted to Director(s) who could not attend any meeting.

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

| Name of Directors | Meetings attended |
|---|---|
| Mr. Javed Saifullah Khan (Chairman) | 04 |
| Mr. Salim Saifullah Khan | 04 |
| Ms. Hoor Yousafzai | 04 |

## DIRECTORS' TRAINING

During the year one Director completed the certified director training program organized by The Institute of Chartered Accountants of Pakistan duly approved by SECP held at Islamabad.

## RELATED PARTY TRANSACTIONS

Transactions undertaken with related parties during the year have been ratified by audit committee and approved by the Board.

## PATTERN OF SHAREHOLDING

The statement of pattern of shareholding as on December 31, 2015 is attached.

## APPROPRIATIONS:

The total dividend to be approved by the shareholders at the Annual General Meeting on April 29, 2016 will be Rs. 3.75 per share i.e. 37.5% amounting to Rs 1,449 million for the year ended December 31, 2015.

## AUDITORS:

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment for the year 2016. The Audit Committee of the Board has recommended the reappointment of the retiring auditors.

## ACKNOWLEDGEMENT:

The Directors of your company would like to show their appreciation of support of respected customer, banks, financial institutions, regulators and to all stakeholders for achieving good result and hope that this cooperation and support continues to grow in the future.

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

For and on behalf of the Board

**Islamabad:**
March 28, 2016

Mr. Salim Saifullah Khan
Chairman

**When your LIFE is in DARKNESS, PRAY TO GOD**

**and ask him to free you from Darkness.**

**Even after you pray, if you are still in Darkness**

**- Please PAY the ELECTRICITY BILL.**

# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE (CCG)

This statement is being presented to comply with the Code of Corporate Governance(the code) contained in listing regulations of Pakistan Stock Exchange Limited (PSX) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

**The company has applied the principles contained in the CCG in the following manner:**

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

| Category | Names |
|---|---|
| Executive Director | Mr. Omar Saifullah Khan |
| Non- Executive Directors | Mr. Salim Saifullah Khan |
| | Mr. Javed Saifullah Khan |
| | Mr. Anwar Saifullah Khan |
| | Mr. Osman Saifullah Khan |
| | Mr. Jehangir Saifullah Khan |
| | Ms. Hoor Yousafzai |

| | |
|---|---|
| Independent Director | Election of directors was held on 31 October 2014 i.e. prior to listing. Hence independent director will be appointed in next election of directors. |

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All directors are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI and are not a member of a stock exchange and none of them has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the period.
5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies for the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors if any, have been taken by the board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Within the Board of Directors five directors comply with the requirements of 15 years practical experience/ directors' training program. The remaining two directors would complete certifications under directors' training program in due course of time.
10. There was no new appointment of Chief Financial officer and Head of Internal Audit. Appointment of Company Secretary, including his remuneration and terms and conditions of employment, has been approved by the Board.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by the CFO and CEO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises 3 members, who are non-executive directors and chairman of committee is a non-executive director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed Human Resource and Remuneration Committee. It comprises of 3 members, who are non-executive directors and the chairman of the committee is a Non-Executive director.
18. The board has set up an effective internal audit function.
19. 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 ('ICAP'), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants ('IFAC') guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

**Islamabad**
28 March 2016

**Salim Saifullah Khan**
Chairman

# REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Saif Power Limited (the Company) for the year ended 31 December 2015 to comply with the requirements of Listing Regulation No. 35 of Karachi Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2015.

**KPMG Taseer Hadi & Co.**
**Chartered Accountants**
Engagement Partner:
Riaz Pesnani

**Islamabad**
28 March 2016


# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Saif Power Limited ("the Company") as at 31 December 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:-

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion-

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as indicated in note 3 with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the profit, its cash flows and changes in equity for the year then ended; and

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

We draw attention to notes 16.2 and 16.3 to the financial statements, which describe the matters regarding recoverability of certain trade debts. Our opinion is not qualified in respect of these matters.

**KPMG Taseer Hadi & Co.**
**Chartered Accountants**
*Engagement Partner: Riaz Pesnani*

**Islamabad**
28 March 2016

# FINANCIAL STATEMENTS
# 2015

# BALANCE SHEET
# AS AT 31 DECEMBER 2015

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Share capital | 4 | **3,864,717,790** | 3,864,717,790 |
| Unappropriated profit | | **4,006,987,470** | 3,104,298,218 |
| | | **7,871,705,260** | 6,969,016,008 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term financing | 5 | **6,404,276,170** | 7,823,222,915 |
| Sub-ordinated loan | 6 | **65,965,049** | 186,817,067 |
| Liabilities against assets subject to finance lease | 7 | **6,121,178** | 3,264,359 |
| Deferred liability - gratuity | 8 | **31,108,775** | 24,192,509 |
| | | **6,507,471,172** | 8,037,496,850 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 9 | **2,656,970,804** | 1,637,815,456 |
| Markup accrued | 10 | **377,846,903** | 519,723,387 |
| Short term borrowings | 11 | **865,803,310** | 1,508,332,599 |
| Current portion of non current liabilities | 12 | **2,079,671,377** | 2,214,983,990 |
| | | **5,980,292,394** | 5,880,855,432 |
| **TOTAL EQUITY AND LIABILITIES** | | **20,359,468,826** | 20,887,368,290 |
| **CONTINGENCIES AND COMMITMENTS** | 13 | | |

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

OS Khan
CHIEF EXECUTIVE

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 14 | 14,802,174,440 | 15,353,286,600 |
| Intangible assets | 15 | - | 213,252 |
| Long term deposits | | 1,281,200 | 511,800 |
| | | 14,803,455,640 | 15,354,011,652 |
| **CURRENT ASSETS** | | | |
| Stock in trade - HSD | | 128,210,622 | 228,163,546 |
| Trade debts | 16 | 5,075,065,458 | 4,417,254,552 |
| Advances | 17 | 3,542,327 | 5,165,045 |
| Trade deposits and short term prepayments | 18 | 49,694,746 | 59,603,763 |
| Other receivables | 19 | 283,352,133 | 281,995,598 |
| Advance income tax | | 11,382,439 | 7,366,171 |
| Short term investments | | - | 319,968,992 |
| Bank balances | 20 | 4,765,461 | 213,838,971 |
| | | 5,556,013,186 | 5,533,356,638 |
| **TOTAL ASSETS** | | 20,359,468,826 | 20,887,368,290 |

DIRECTOR

# PROFIT AND LOSS ACCOUNT
# FOR THE YEAR ENDED 31 DECEMBER 2015

| | Note | 2015<br>Rupees | 2014<br>Rupees |
|---|---|---|---|
| Turnover - net | 21 | 14,981,247,376 | 18,519,602,442 |
| Cost of sales | 22 | (11,691,574,582) | (14,773,909,829) |
| **Gross profit** | | 3,289,672,794 | 3,745,692,613 |
| Administrative expenses | 23 | (102,858,161) | (89,945,228) |
| Finance cost | 24 | (1,151,999,853) | (1,726,593,116) |
| Other income | 25 | 27,800,372 | 58,826,383 |
| **Profit for the year** | | 2,062,615,152 | 1,987,980,652 |
| Earnings per share- basic and diluted | 26 | 5.34 | 5.14 |

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

OS Khan
CHIEF EXECUTIVE

DIRECTOR

# STATEMENT OF COMPREHENSIVE INCOME
# FOR THE YEAR ENDED 31 DECEMBER 2015

| | **2015 Rupees** | 2014 Rupees |
|---|---|---|
| **Profit for the year** | **2,062,615,152** | 1,987,980,652 |
| **Other comprehensive income for the year** | | |
| *Items that will never be reclassified to profit and loss account* | | |
| Remeasurements of defined benefit liability | **(510,563)** | (715,037) |
| **Total comprehensive income for the year** | **2,062,104,589** | 1,987,265,615 |

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

CHIEF EXECUTIVE

DIRECTOR

# CASH FLOW STATEMENT
# FOR THE YEAR ENDED 31 DECEMBER 2015

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Profit for the year | | **2,062,615,152** | 1,987,980,652 |
| ***Adjustments for non cash items:*** | | | |
| Provision for staff retirement benefits - gratuity | 8 | **6,461,703** | 5,931,506 |
| Depreciation | 14 | **588,385,880** | 587,586,250 |
| Amortization | 15 | **213,252** | 915,000 |
| Finance cost | 24 | **1,138,493,325** | 1,726,593,116 |
| Gain on sale of property, plant and equipment | 25 | **(558,816)** | (156,231) |
| Profit on deposit accounts | 25 | **(10,391,185)** | (1,350,004) |
| Return on investments | 25 | **(16,599,951)** | (27,306,674) |
| ***Operating profit before working capital changes*** | | **3,768,619,360** | 4,280,193,615 |
| (Increase) / decrease in current assets | | | |
| Stock in trade | | **99,952,924** | 13,421,141 |
| Trade debts | | **(657,810,906)** | (4,236,525) |
| Advances | | **1,622,718** | 2,910,632 |
| Trade deposits and prepayments | | **9,909,017** | (1,939,399) |
| Other receivable | | **(1,356,535)** | 606,348,324 |
| Increase / (decrease) in trade and other payables | | **1,636,106,417** | 148,423,784 |
| ***Net cash generated from operations*** | | **4,857,042,995** | 5,045,121,572 |
| Income taxes paid | | **(4,016,268)** | (712,032) |
| Finance cost paid | | **(1,280,369,809)** | (1,727,332,706) |
| Staff retirement benefits paid | | **(56,000)** | (723,043) |
| **Net cash generated from operating activities** | | **3,572,600,918** | 3,316,353,791 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | **(1,209,414)** | (1,924,050) |
| Increase in long term deposits | | **(769,400)** | (257,180) |
| Proceeds from disposal of property, plant and equipment | | **1,372,249** | 354,264 |
| Profit on deposit accounts | | **10,391,185** | 1,350,004 |
| Return on investments - receipt | | **16,599,951** | 27,306,674 |
| **Net cash generated from investing activities** | | **26,384,571** | 26,829,712 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Repayment of long term financing | | **(1,705,458,675)** | (1,021,698,727) |
| Dividend paid | | **(1,776,366,406)** | (730,733,294) |
| Short term borrowings - net | | **(642,529,289)** | (1,747,672,252) |
| Repayment of liabilities against assets subject to finance lease | | **(3,673,621)** | (2,040,231) |
| **Net cash used in financing activities** | | **(4,128,027,991)** | (3,502,144,504) |
| **Net decrease in cash and cash equivalents** | | **(529,042,502)** | (158,961,001) |
| **Cash and cash equivalents at beginning of the year** | | **533,807,963** | 692,768,964 |
| **Cash and cash equivalents at end of the year** | 27 | **4,765,461** | 533,807,963 |

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

CHIEF EXECUTIVE

DIRECTOR

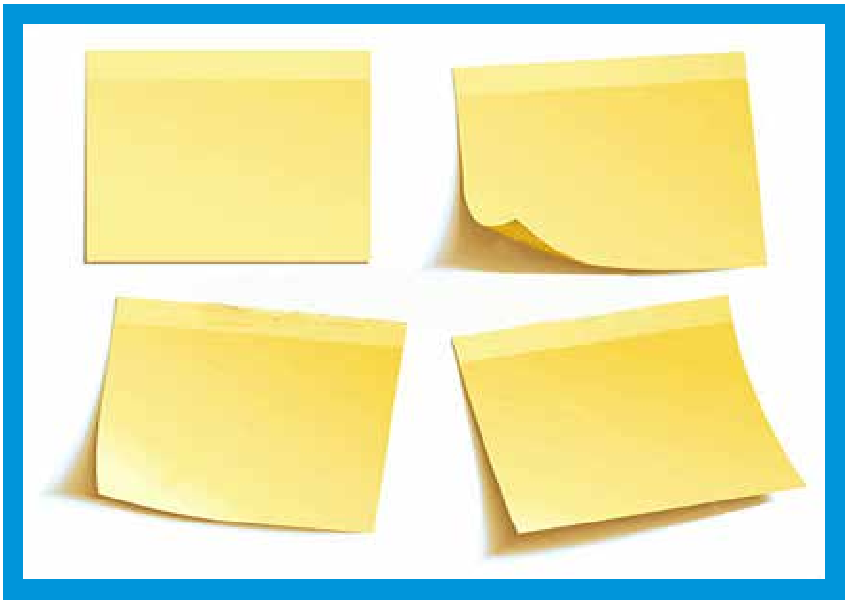
# STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED 31 DECEMBER 2015

| | Share capital Rupees | Unappropriated profit Rupees | Total Rupees |
|---|---|---|---|
| **Balance at 01 January 2014** | 3,864,717,790 | 2,469,683,830 | 6,334,401,620 |
| **Total comprehensive income for the year** | | | |
| Profit for the year | - | 1,987,980,652 | 1,987,980,652 |
| Other comprehensive income | - | (715,037) | (715,037) |
| **Total comprehensive income for the year** | - | 1,987,265,615 | 1,987,265,615 |
| | | | |
| **Transaction with owners of the company** | | | |
| **Distributions** | | | |
| First Interim dividend @ Rs. 2 per share | - | (772,943,558) | (772,943,558) |
| Second Interim dividend @ Rs. 1.50 per share | - | (579,707,669) | (579,707,669) |
| **Total distributions** | - | (1,352,651,227) | (1,352,651,227) |
| **Balance at 31 December 2014** | 3,864,717,790 | 3,104,298,218 | 6,969,016,008 |
| | | | |
| **Balance at 01 January 2015** | **3,864,717,790** | **3,104,298,218** | **6,969,016,008** |
| **Total comprehensive income for the year** | | | |
| Profit for the year | - | **2,062,615,152** | **2,062,615,152** |
| Other comprehensive income | - | **(510,563)** | **(510,563)** |
| **Total comprehensive income for the year** | - | **2,062,104,589** | **2,062,104,589** |
| | | | |
| **Transaction with owners of the company** | | | |
| **Distributions** | | | |
| First interim dividend @ Rs. 1.5 per share | - | **(579,707,669)** | **(579,707,669)** |
| Second interim dividend @ Rs. 0.75 per share | - | **(289,853,834)** | **(289,853,834)** |
| Third interim dividend @ Rs. 0.75 per share | - | **(289,853,834)** | **(289,853,834)** |
| **Total distributions** | - | **(1,159,415,337)** | **(1,159,415,337)** |
| **Balance at 31 December 2015** | **3,864,717,790** | **4,006,987,470** | **7,871,705,260** |

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

OS Khan
CHIEF EXECUTIVE

DIRECTOR



# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 31 DECEMBER 2015

## 1 STATUS AND NATURE OF OPERATIONS

Saif Power Limited ("the Company") was incorporated in Pakistan on 11 November 2004 as a public limited Company under the Companies Ordinance 1984. The shares of the Company were listed on Karachi Stock Exchange Limited however, due to integration of all three exchanges of Pakistan into Pakistan Stock Exchange Limited effective 11 January 2016, the shares of the Company are now quoted on Pakistan Stock Exchange Limited. The principal activities of the Company are to own, operate and maintain a combined cycle power plant having nameplate capacity of 225 MW (ISO) in district Sahiwal, Punjab, Pakistan and sell the electricity to National Transmission and Despatch Company (NTDC). The registered office of the Company is situated at Kulsum Plaza, Blue Area, Islamabad. The Company has commenced operations from 30 April 2010. The Company is a subsidiary of Saif Holdings Limited (the Holding Company) with shareholding of 51.04% shares (2014: 51.04%).

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

### 2.2 Basis of measurement

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

## 2.3 Significant accounting estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

### (a) Property, plant and equipment

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

### (b) Intangible assets

The Company reviews the residual values and useful lives of intangible assets on regular basis. Any change in the estimates in future years might affect the carrying amounts of the intangible assets with a corresponding effect on the amortization charge and impairment.

### (c) Impairment of financial assets

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

### (d) Impairment of non-financial assets

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

### (e) Taxation

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

### (f) Employee benefits

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

### (g) Provision for inventory obsolescence and doubtful receivables

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

### (h) Provisions and contingencies

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

Where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, it is disclosed as contingent liability.

### 2.4 Functional and presentation currency

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

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the change as mentioned in Note 3.1 below.

**3.1** IFRS 13 "Fair Value Measurement" became effective from financial periods beginning on or after 01 January 2015. IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. The application of IFRS 13 does not have any impact on the financial statements of the Company except for certain additional disclosures.

### 3.2 Property, plant and equipment

### (a) Tangible assets

#### Owned

These are stated at cost less accumulated depreciation and impairment loss, if any, except for freehold land, stores held for capitalization and capital work in progress which are stated at cost less impairment loss, if any. Cost comprises purchase price, including import duties, non-recourse purchase taxes and other related costs of bringing the asset to its present working condition and location for intended use. While exchange gains or losses on long term foreign currency loans utilized for acquisition of assets are added to / deducted from cost of respective asset in accordance with note 3.9.

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

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

#### Leased

Assets subject to finance lease in which the Company bears substantially all risks and rewards of ownership of the assets are recognised at the inception of lease at lower of their fair value and the present value of minimum lease payments. Related obligations under the agreement are accounted for as liabilities and financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability. Depreciation is charged on leased assets at the rates given in note 14.

### (b) Intangible assets

Expenditure incurred to acquire computer software are capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight line method over a period of five years. Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized, while no amortization is charged for the month in which the asset is disposed off. Gain / loss on retirement / disposal of intangible assets is taken to profit and loss account currently.

## 3.3 Staff retirement benefits - gratuity

The Company is operating an unfunded gratuity scheme for its employees according to the terms of employment subject to a minimum qualifying period of service. The liability is provided on the basis of actuarial valuation using Projected Unit Credit Method while movement in the liability is included in profit and loss account and other comprehensive income. The Company has a policy of carrying out actuarial valuations annually with assistance of independent actuarial appraisers. The details of actuarial valuation are given in note 8 to the financial statements.

## 3.4 Taxation

### (a) Current

The profits and gains of the Company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. Further, the Company is also exempt from minimum tax on turnover under clause (11 A) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

### (b) Deferred

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

### 3.5 Borrowing costs

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

### 3.6 Markup bearing borrowings

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

### 3.7 Provisions

Provision is recognized when the Company has a legal or constructive obligation as a result of past event, 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 balance sheet date and are adjusted to reflect the current best estimate.

### 3.8 Stock in trade

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

### 3.9 Foreign currency transactions

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

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

(c) All other exchange differences are charge to the profit and loss account on net basis.

### 3.10 Revenue recognition

Revenue from sale of electricity to National Transmission and Despatch Company Limited (NTDC) is recognised based on the transmission of electricity and whereas on account of capacity is recognised when due, at rates as specified under the Power Purchase Agreement (PPA) and revised reference tariff determined by National Electric Power Regulatory Authority (NEPRA) and after incorporation of relevant applicable quarterly indexation.

### 3.11 Financial instruments

***Non-derivative financial assets***

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

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

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

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

### Trade debts, deposits and other receivables

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

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

### Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and running finance under markup arrangements and are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

### Non-derivative financial liabilities

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

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

### Trade and other payables

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

### Borrowings

Subsequent to initial recognition borrowings are measured at amortised cost using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under mark-up payable on borrowings to the extent of the amount remains unpaid.

### Offsetting of financial assets and financial liabilities

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

## 3.12 Finance income and finance cost

Finance income comprises exchange gain – net, profit on saving accounts and profit on short term investment. Profit on saving accounts is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Income on term deposit receipts is recognized on time proportion basis taking into account the effective yield of such securities. Foreign currency gains and losses are reported on a net basis.

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

## 3.13 Impairment

### Non-financial assets

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

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

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

### Financial assets

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

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

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

### 3.14 Provisions for Workers' Profit Participation Fund

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

### 3.15 Dividend

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

### 3.16 Forthcoming changes in approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2016:

Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.

Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.

Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on Company's financial statements.

## 4 SHARE CAPITAL

| | 2015 Rupees | 2014 Rupees |
|---|---|---|
| **4.1 Authorized share capital** | | |
| 405,000,000 (2014: 405,000,000) ordinary shares of Rs.10 each | **4,050,000,000** | 4,050,000,000 |
| **4.2 Issued, subscribed and paid-up capital** | | |
| 386,471,779 (2014: 386,471,779) ordinary shares of Rs. 10 each fully paid in cash | **3,864,717,790** | 3,864,717,790 |

**4.3** Saif Holding Limited ("Holding Company") holds 197,272,619 i.e. 51.04% shares (2014: 197,272,619 i.e. 51.04%) ordinary shares of Rs.10/- each at the balance sheet date and 20,002 (2014: 20,002) ordinary shares of Rs. 10 each and 200 (2014: 200**)** ordinary shares of Rs. 10 each are held by nominee directors and associated companies respectively.

## 5 LONG TERM FINANCING - SECURED

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **Loan from banking companies and financial institutions** | | | |
| Syndicate term finance facilities | 5.1 | **7,823,222,915** | 9,328,681,590 |
| Term loan II | | **-** | 200,000,000 |
| | | **7,823,222,915** | 9,528,681,590 |
| Current portion of long term financing | 12 | **(1,418,946,745)** | (1,705,458,675) |
| | | **6,404,276,170** | 7,823,222,915 |
| **5.1 Breakup of syndicate term finance facilities is as follows:** | | | |
| Syndicate term finance facility under SFA | 5.1.1 | **6,488,673,007** | 7,740,940,951 |
| Syndicate term finance facility under TFFA | 5.1.2 | **1,334,549,908** | 1,587,740,639 |
| | | **7,823,222,915** | 9,328,681,590 |

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

| | 2015 Rupees | 2014 Rupees |
|---|---|---|
| National Bank of Pakistan | **1,512,154,715** | 1,803,989,868 |
| Habib Bank Limited | **1,512,154,715** | 1,803,989,868 |
| United Bank Limited | **1,512,154,715** | 1,803,989,868 |
| Allied Bank Limited | **725,834,260** | 865,915,137 |
| Faysal Bank Limited | **302,430,944** | 360,797,973 |
| Askari Bank Limited | **302,430,944** | 360,797,973 |
| Bank of Punjab | **302,430,944** | 360,797,973 |
| Pak Oman Investment Company Limited | **181,458,564** | 216,478,784 |
| Saudi Pak Industrial & Agricultural-Investment Company Limited | **137,623,206** | 164,183,507 |
| | **6,488,673,007** | 7,740,940,951 |

This represents a syndicated senior facility of Rs. 10,727.5 million (2014: Rs. 10,727.5 million) obtained from a consortium of seven banks and two investment companies led by Habib Bank Limited, an agent bank. The facility carries mark-up at the rate of 3 months KIBOR plus 3% per annum with no floor or cap and payable in quarterly installments in a period of ten years, started from 30 June 2010. The facility is secured against immovable property located at Sahiwal, project receivables, sponsors' shares constituting 51% of total issued share capital of the Company, lien over project accounts and all present and future assets and properties of the Company for an amount of Rs. 27,210.47 million (2014: Rs. 27,210.47 million).

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

| | **2015 Rupees** | 2014 Rupees |
|---|---|---|
| National Bank of Pakistan | **310,996,904** | 369,999,217 |
| Habib Bank Limited | **310,996,904** | 369,999,217 |
| United Bank Limited | **310,996,904** | 369,999,217 |
| Allied Bank Limited | **149,278,513** | 177,599,624 |
| Faysal Bank Limited | **62,199,379** | 73,999,843 |
| Askari Bank Limited | **62,199,379** | 73,999,843 |
| Saudi Pak Industrial & Agricultural Investment-Company Limited | **28,362,916** | 33,743,928 |
| Pak Brunei Investment Company Limited | **99,519,009** | 118,399,750 |
| | **1,334,549,908** | 1,587,740,639 |

This represents a syndicated term finance facility of Rs. 2,180 million (2014: Rs. 2,180 million) obtained from a consortium of six banks and two investment companies led by Habib Bank Limited, as an agent bank. The facility carries mark-up at the rate of 3 months KIBOR plus 3% per annum with no floor or cap and payable in quarterly installments in a period of ten years, started from 30 June 2010. The facility is secured against immovable property located at Sahiwal, project receivables, sponsors' shares constituting 51% of total issued share capital of the Company, lien over project accounts and all present and future assets and properties of the Company for an amount of Rs. 2,906.66 million (2014: Rs. 2,906.66 million).

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

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

(ii) Certain restriction on distribution of dividend;

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

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

## 6 SUB-ORDINATED LOAN - UNSECURED

| | **Note** | **2015 Rupees** | 2014 Rupees |
|---|---|---|---|
| Opening balance | | **693,960,378** | 725,692,165 |
| Exchange loss / (gain) capitalized | **6.2** | **28,972,501** | (31,731,787) |
| | **6.1** | **722,932,879** | 693,960,378 |
| Current portion of subordinated loan | **12** | **(656,967,830)** | (507,143,311) |
| | | **65,965,049** | 186,817,067 |

**6.1** This represents remaining balance of US $ 6,898,215 (2014: US $ 6,898,215) from the original foreign currency loan of US $ 8,946,353 obtained from Orastar Limited incorporated under the laws of British Virgin Island (BVI), duly registered with State Bank of Pakistan (SBP). The loan carries a mark-up at the rate of 3 months LIBOR plus 3% per annum and payable in quarterly installments in a period of six years subject to availability of surplus funds available for distribution. As per agreement, the Company can also issue shares to Orastar Limited in lieu of repayment on mutually agreed basis.

**6.2** Exchange loss / (gain) on sub-ordinated loan has been capitalized as disclosed in note 3.9 (b).

## 7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED

| | 2015 | | | 2014 |
|---|---|---|---|---|
| | **Minimum lease payments** | **Finance cost for future periods** | **Present value of minimum lease payments** | Present value of minimum lease payments |
| | **Rupees** | **Rupees** | **Rupees** | Rupees |
| Within one year | **4,440,772** | **683,970** | **3,756,802** | 2,382,004 |
| Later than one year and not later than five years | **6,450,113** | **328,935** | **6,121,178** | 3,264,359 |
| | **10,890,885** | **1,012,905** | **9,877,980** | 5,646,363 |

**7.1** Minimum lease payments have been discounted by using financing rates ranging from 8.85 % to 12.67% per annum (2014: 11.81 % to 12.70%per annum). Lease rental are repayable monthly. Title to the assets acquired under the leasing arrangements are transferable to the Company upon payment of entire lease obligations and on adjustment of lease key deposits.

## 8 DEFERRED LIABILITY - GRATUITY

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| The amount recognized in the balance sheet is as follows: | | | |
| Present value of defined benefit obligation | | **31,108,775** | 24,192,509 |
| The movement in present value of defined benefit obligation is as follows; | | | |
| Opening balance | | **24,192,509** | 18,269,009 |
| ***Included in profit and loss account*** | | | |
| Current service cost | | **3,924,430** | 3,693,070 |
| Interest cost on defined benefit obligation | | **2,537,273** | 2,238,436 |
| ***Included in other comprehensive income*** | | | |
| Actuarial loss on gratuity valuation | | **510,563** | 715,037 |
| ***Others*** | | | |
| Benefits paid during the year | | **(56,000)** | (723,043) |
| Closing balance | | **31,108,775** | 24,192,509 |
| **Allocation of expense** | | | |
| Cost of sales | **22.1** | **5,169,362** | 4,745,205 |
| Administrative expenses | **23.1** | **1,292,341** | 1,186,301 |
| | | **6,461,703** | 5,931,506 |

The latest actuarial valuation was carried out on 31 December 2015 using projected unit credit method.

| **Key actuarial assumptions** | **2015** | 2014 |
|---|---|---|
| Discount rate used for interest cost | **10.5%** | 12.5% |
| Discount rate used for year end obligation | **9.0%** | 10.50% |
| Expected rate of salary growth | **8.00%** | 9.50% |
| Expected mortality for active members | **As per SLIC 2001-2005 setback 1 Year Age Based** | As per SLIC 2001-2005 setback 1 Year Age Based |
| Average expected remaining working life time of employees | **6 years** | 6 years |

## Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumption set out above. Reasonably possible changes at the reporting date at one of the relevant actuarial assumptions, holding other assumption constant, would have affected the defined benefit obligations by the amount shown below;

| | 31 December 2015 | | 31 December 2014 | |
|---|---|---|---|---|
| | **Increase** | **Decrease** | Increase | Decrease |
| | **Rupees** | | | |
| Discount rate (1% movement) | **29,422,329** | **33,027,063** | 22,855,615 | 25,707,138 |
| Future salary growth (1% movement) | **33,085,352** | **29,339,104** | 25,746,649 | 22,795,716 |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Expected gratuity expense for the next financial year is Rs. 7,417,022 (2014: Rs. 5,931,506).

## Risk associated with defined benefit plan

### Longevity Risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

### Salary Increase Risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

### Withdrawal Risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

## Historical information

| | **2015** | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| | **Rupees** | | | | |
| Present value of defined benefit obligation | **31,108,775** | 24,192,509 | 18,269,009 | 12,341,603 | 9,316,122 |
| Experience adjustment on defined benefit obligation | **510,563** | 715,037 | 2,138,862 | - | - |

## 9 TRADE AND OTHER PAYABLES

| | Note | **2015 Rupees** | 2014 Rupees |
|---|---|---|---|
| Creditors | **9.1** | **2,302,345,464** | 661,606,163 |
| Accrued liabilities | | **17,598,518** | 17,379,122 |
| Dividend payable | | **4,966,864** | 621,917,933 |
| Retention money | | **212,271** | 212,271 |
| Withholding tax payable | | **5,267,136** | 13,554,848 |
| WPPF payable | **9.2** | **103,130,758** | 99,363,281 |
| Support services fee payable to Holding Company | | **221,525,725** | 221,525,725 |
| Other payables | | **1,924,068** | 2,256,113 |
| | | **2,656,970,804** | 1,637,815,456 |

**9.1** This includes an amount of Rs. 1,500.49 million (2014: Rs. 390.42 million) payable to Sui Northern Gas Pipelines Limited (SNGPL) against gas consumption. The Company has issued bank guarantees in the normal course of business to SNGPL for commercial and industrial use of gas for an amount of Rs. 2.50 billion (2014: Rs. 1.226 billion).

| **9.2** Workers' Profit Participation Fund | **Note** | **2015 Rupees** | 2014 Rupees |
|---|---|---|---|
| Opening balance | | **99,363,281** | 61,132,360 |
| Provision for the year | | **103,130,758** | 99,363,281 |
| Payment during the year | | **(99,363,281)** | (61,132,360) |
| Closing balance | **9.2.1** | **103,130,758** | 99,363,281 |

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

## 10 MARKUP ACCRUED

| | **Note** | **2015 Rupees** | 2014 Rupees |
|---|---|---|---|
| Markup on long term financing - secured | | **197,103,561** | 309,915,274 |
| Markup on short term borrowings - secured | | **14,871,310** | 73,371,674 |
| Markup on sub-ordinated loan - unsecured | | **165,872,032** | 136,436,439 |
| | | **377,846,903** | 519,723,387 |

## 11 SHORT TERM BORROWINGS - SECURED

| | | | |
|---|---|---|---|
| **Short term borrowings from banking companies** | | | |
| Working capital facilities - secured | **11.1** | **469,999,248** | 643,125,166 |
| Short term loan facilities - secured | **11.2** | **395,804,062** | 524,398,280 |
| Short term murabaha facilities- secured | **11.3** | **-** | 299,999,831 |
| **Other** | | | |
| Sponsor - unsecured | | **-** | 40,809,322 |
| | | **865,803,310** | 1,508,332,599 |

**11.1** The Company has obtained working capital facilities amounting to Rs. 6.195 billion (2014: Rs. 5.35 billion) from several commercial banks for meeting the working capital requirements, expiring on various dates during 2016. The facilities carries mark-up ranging from relevant months KIBOR plus 0.75% to 3 months KIBOR plus 2% per annum (31 December 2014: 3 months KIBOR plus 1.5% to 3 months KIBOR plus 2% per annum) with no floor or cap and payable in arrears on quarterly basis. The facilities are secured by way of mortgage charge on fuel stocks inventory and energy payment receivables up to Rs. 8.063 billion (2014: Rs. 7.008 billion ) and subordinated /ranking charge on all present and future assets and properties of the Company for an amount of Rs. 1.708 billion (2014: Rs. 1.425 billion).

**11.2** This represents utilized amount of short term finance facilities obtained from a commercial bank subject to a maximum limit of Rs. 965 million (2014: Rs.965 million). These facilities are expiring on various dates during 2016. These facilities carry markup ranging from 1 months KIBOR plus 0.9% to 3 months KIBOR plus 0.9% per annum (31 December 2014: 1 months KIBOR plus 0.9% to 3 months KIBOR plus 0.9% per annum) payable on quarterly basis in arrears. These facilities are secured by financial guarantee from bank of Singapore with 2.5% margin for an amount of USD 15.096 million (2014: USD 15.096 million) and / or lien over USD deposits. Also refer note 20.2.

**11.3** This represents utilized amount of short term murabaha facilities obtained from various commercial banks subject to a maximum limit of Rs.1,200 million (2014: Rs.1,300 million). These murabaha facilities are available for agreed maturity dates subject to maximum maturity of one Murabaha for a period of 180 days from date of disbursement. The facilities carry a mark-up of ranging from relevant KIBOR plus 1.5% (2014: 1.5% to relevant KIBOR plus 2.00%) and is secured by pari passu/ranking charge on fuel stock and energy purchase price receivables of the company up to Rs. 1,500 million (2014: Rs. 1,500 million).

### 11.4 Unavailed letter of guarantee

Facility of letter of guarantee amounting to Rs. 10 million (2014: Rs. 10 million) is available to the Company. Facility of letter of guarantee is secured by lien on SBLC.

## 12 CURRENT PORTION OF NON CURRENT LIABILITIES

| | **2015 Rupees** | 2014 Rupees |
|---|---|---|
| Current portion of long term financing - secured | **1,418,946,745** | 1,705,458,675 |
| Current portion of sub-ordinated loan - unsecured | **656,967,830** | 507,143,311 |
| Current portion of liabilities against assets subject to finance lease | **3,756,802** | 2,382,004 |
| | **2,079,671,377** | 2,214,983,990 |

## 13 CONTINGENCIES AND COMMITMENTS

### 13.1 Contingencies:

Tax authorities, during 2014, raised sales tax demand of Rs. 1,498.51 million by partially disallowing input sales tax for the tax periods 2010 to 2013 by apportioning the total claim to energy purchase price and capacity purchase price, the later being exempt from sales tax and related input tax being inadmissible. On appeal filed by the Company, the Appellate Tribunal Inland Revenue (ATIR) remanded back the case to be decided in line with expected judgment of the Honorable High Court in parallel cases. Consequently, at present, the aforesaid tax demand is no more payable. Tax Authorities, against the decision of ATIR, had filed reference application u/s 47 of the Sales Tax Act, 1990 before Honorable Islamabad High Court, which is not yet fixed for hearing. However, in case the matter is eventually resolved against the Company, the tax payment will be claimable under the Power Purchase Agreement.

Based on the advice of the Company's tax consultants and decision of ATIR, management believes that the contention of tax department even after filing of reference application does not commensurate with the related statutory provisions and the issue is likely to be decided in favour of the Company as there are meritorious grounds to defend the Company's stance in respect of the above mentioned issue.

### 13.2 Commitments:

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

## 14 PROPERTY, PLANT AND EQUIPMENT

| | Owned assets | | | | | | | | | | | Leased assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold land | Buildings on freehold land | Plant and machinery | Office equipment | Computer and accessories | Furniture and fixtures | Motorcycle and bicycle | Vehicles | Other assets | Stores held for capitalization | Capital work in progress | Vehicles | Total |
| **COST** | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees |
| Balance at 01 January 2014 | 43,890,600 | 2,352,888,758 | 14,872,273,834 | 9,601,045 | 4,364,149 | 3,117,866 | 326,190 | 3,544,960 | 626,230 | 511,038,581 | 224,919,775 | 8,966,834 | 18,035,558,822 |
| Additions | - | - | - | 165,210 | 342,900 | 22,208 | - | - | - | - | 1,393,732 | 5,275,136 | 7,199,186 |
| Disposals | - | - | - | (23,700) | - | - | - | (909,192) | - | - | - | - | (932,892) |
| Transfer | - | - | 226,313,507 | - | - | - | - | 909,192 | - | - | (226,313,507) | (909,192) | - |
| Effect of exchange gain (Refer note 6.2) | - | - | (31,731,787) | - | - | - | - | - | - | - | - | - | (31,731,787) |
| Balance at 31 December 2014 | 43,890,600 | 2,352,888,758 | 15,066,855,554 | 9,742,555 | 4,707,049 | 3,140,074 | 326,190 | 3,544,960 | 626,230 | 511,038,581 | - | 13,332,778 | 18,010,093,329 |
| Balance at 01 January 2015 | 43,890,600 | 2,352,888,758 | 15,066,855,554 | 9,742,555 | 4,707,049 | 3,140,074 | 326,190 | 3,544,960 | 626,230 | 511,038,581 | - | 13,332,778 | 18,010,093,329 |
| Additions | - | - | - | 450,639 | 367,635 | 391,140 | - | - | - | - | - | 7,905,238 | 9,114,652 |
| Disposals | - | - | - | (105,680) | (58,900) | - | - | (3,822,031) | - | - | - | - | (3,986,611) |
| Transfers | - | - | - | - | - | - | - | 8,058,642 | - | - | - | (8,058,642) | - |
| Effect of exchange loss (Refer note 6.2) | - | - | 28,972,501 | - | - | - | - | - | - | - | - | - | 28,972,501 |
| **Balance at 31 December 2015** | **43,890,600** | **2,352,888,758** | **15,095,828,055** | **10,087,514** | **5,015,784** | **3,531,214** | **326,190** | **7,781,571** | **626,230** | **511,038,581** | **-** | **13,179,374** | **18,044,193,871** |
| **DEPRECIATION** | | | | | | | | | | | | | |
| Balance at 01 January 2014 | - | 297,388,916 | 1,755,529,636 | 4,130,805 | 4,048,739 | 1,958,962 | 133,418 | 1,770,199 | 485,848 | - | - | 4,508,814 | 2,069,955,337 |
| Charge for the year | - | 78,351,196 | 505,239,269 | 1,103,227 | 351,662 | 312,895 | 65,238 | 567,194 | 62,623 | - | - | 1,532,946 | 587,586,250 |
| On disposals | - | - | - | (7,505) | - | - | - | (727,353) | - | - | - | - | (734,858) |
| Balance at 31 December 2014 | - | 375,740,112 | 2,260,768,905 | 5,226,527 | 4,400,401 | 2,271,857 | 198,656 | 1,610,040 | 548,471 | - | - | 6,041,760 | 2,656,806,729 |
| Balance at 01 January 2015 | - | 375,740,112 | 2,260,768,905 | 5,226,527 | 4,400,401 | 2,271,857 | 198,656 | 1,610,040 | 548,471 | - | - | 6,041,760 | 2,656,806,729 |
| Charge for the year | - | 78,351,196 | 505,471,038 | 1,062,281 | 276,756 | 330,710 | 28,383 | 1,038,077 | 62,623 | - | - | 1,764,816 | 588,385,880 |
| On disposals | - | - | - | (56,653) | (58,900) | - | - | (3,057,625) | - | - | - | - | (3,173,178) |
| Transfers | - | - | - | - | - | - | - | 4,877,673 | - | - | - | (4,877,673) | - |
| **Balance at 31 December 2015** | **-** | **454,091,308** | **2,766,239,943** | **6,232,155** | **4,618,257** | **2,602,567** | **227,039** | **4,468,165** | **611,094** | **-** | **-** | **2,928,903** | **3,242,019,431** |
| Carrying amounts - 31 December 2014 | 43,890,600 | 1,977,148,646 | 12,806,086,649 | 4,516,028 | 306,648 | 868,217 | 127,534 | 1,934,920 | 77,759 | 511,038,581 | - | 7,291,018 | 15,353,286,600 |
| **Carrying amounts - 31 December 2015** | **43,890,600** | **1,898,797,450** | **12,329,588,112** | **3,855,359** | **397,527** | **928,647** | **99,151** | **3,313,406** | **15,136** | **511,038,581** | **-** | **10,250,471** | **14,802,174,440** |
| *Rates of depreciation per annum (%)* | - | 3.33% | 3.33% to 3.8% | 10 % to 33.33% | 33.33% | 10% | 20% | 20% | 10% | - | - | 20% | |

| | | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|---|
| **14.1** | **The depreciation charge for the year has been allocated as follows:** | | | |
| | Cost of sales | 22 | **583,822,234** | 583,590,465 |
| | Administrative expenses | 23 | **4,563,646** | 3,995,785 |
| | | | **588,385,880** | 587,586,250 |

## 14.2 Detail of property, plant and equipment disposed during the year

| Asset description | Cost (Rupees) | Carrying amount (Rupees) | Sale proceeds (Rupees) | Purchaser | Mode of disposal |
|---|---|---|---|---|---|
| Vehicle | 2,004,731 | 400,946 | 633,972 | Employee | As per company policy |
| Vehicle | 1,817,300 | 363,460 | 625,750 | Employee | As per company policy |
| Computers & Accessories | 58,900 | - | 41,500 | | Insurance Claim |
| Office equipment | 105,680 | 49,027 | 71,027 | | Insurance Claim |
| **31 Dec 2015** | **3,986,611** | **813,433** | **1,372,249** | | |
| 31 Dec 2014 | 932,892 | 198,034 | 354,264 | | |

| | | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|---|
| **15** | **INTANGIBLE ASSETS** | | | |
| | **Cost** | | | |
| | Balance at 01 January | | **5,505,000** | 5,505,000 |
| | Balance at 31 December | | **5,505,000** | 5,505,000 |
| | **Amortization** | | | |
| | Balance at 01 January | | **5,291,748** | 4,376,748 |
| | Charge for the year | 23 | **213,252** | 915,000 |
| | Net book value | | **5,505,000** | 5,291,748 |
| | Carrying value at 31 December | | **-** | 213,252 |
| | Rate of amortization | | **20%** | 20% |
| **16** | **TRADE DEBTS - secured, considered good** | | | |
| | **National Transmission and Despatch Company (NTDC)** | 16.2 | **5,075,065,458** | 4,417,254,552 |

**16.1** These are secured by way of guarantee issued by the Government of Pakistan (GoP) under the Implementation Agreement (IA). These are subject to mark-up on delayed payments under section 9.6 (d) of PPA at the rate of KIBOR + 4.5% per annum.

**16.2** Included in trade debts is an amount of Rs. 477.56 million (2014: Rs. 477.56 million) relating to capacity purchase price not acknowledged by National Transmission and Despatch Company (NTDC) as the plant was not fully available for power generation. However, the sole reason of this under-utilization of plant capacity was non-availability of fuel owing to non-payment by NTDC. Since management considers that the primary reason for claiming these payments is that plant was available, however, could not buy fuel to generate electricity due to non-payment by NTDC, therefore, management believes that Company cannot be penalized in the form of payment deductions due to NTDC's default of making timely payments under the Power Purchase Agreement.

The Company along with other IPPs had agreed with NTDC to resolve the dispute through dispute resolution mechanism (appointment of expert) under the PPA. In his decision the expert determined that the amount mentioned above is payable to the company and accordingly the Company has claimed the said amount from NTDC. The Company is also under arbitration in London Court of International Arbitration for recovery of this amount.

**16.3** Included in trade debts is an amount of Rs. 239.68 million (2014: Rs. 239.68 million) relating to capacity purchase price not acknowledged by NTDC. According to management, the sole reason for this was non-supply of gas by SNGPL. The company took up legal proceedings against both, NTDC and SNGPL, to keep its rights and claims intact.

In the case against NTDC, the expert determined that NTDC is not obliged to pay such capacity amounts to the Company, whereas in the case against SNGPL in the London Court of International Arbitration, the arbitrator has given a binding award in favour of the Company for the whole amount.

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

## 17 ADVANCES - CONSIDERED GOOD

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Advances to supplier | | **3,542,327** | 5,155,027 |
| Advances to employees | | **-** | 10,018 |
| | | **3,542,327** | 5,165,045 |

## 18 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Prepayments | | **47,446,746** | 57,731,143 |
| Security deposit | | **2,248,000** | 1,618,000 |
| Lease key money | | **-** | 254,620 |
| | | **49,694,746** | 59,603,763 |

## 19 OTHER RECEIVABLES

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Sales tax receivable - net | | **11,686,238** | 61,166,929 |
| WPPF receivable | | **267,890,117** | 218,400,230 |
| Other receivables | | **3,775,778** | 2,428,439 |
| | | **283,352,133** | 281,995,598 |

## 20 BANK BALANCES

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **Cash at bank:** | | | |
| Current accounts | | | |
| Local currency | | **286,753** | 1,321 |
| Foreign currency | **20.2** | **305,513** | 201,093,447 |
| | | **592,266** | 201,094,768 |
| Deposit accounts | | | |
| Local currency | | **3,968,872** | 12,548,351 |
| Foreign currency | **20.2** | **204,323** | 195,852 |
| | | **4,173,195** | 12,744,203 |
| | **20.1** | **4,765,461** | 213,838,971 |

**20.1** These carry markup ranging from 4.50% to 4.62% (2014: 6.55% to 6.95%) per annum for PKR denominated balances while from 0.05% to 0.9% (2014: 0.09% to 0.9%) per annum for USD denominated balances.

**20.2** This represents an amount of USD 4.874 thousand (2014: USD 2,005 thousand) in US Dollar deposit and current accounts.

## 21 TURNOVER - NET

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Gross Energy Purchase Price (EPP) | | **13,627,436,400** | 16,296,970,333 |
| Less: Sales tax | | **(2,910,407,672)** | (2,367,935,857) |
| | | **10,717,028,728** | 13,929,034,476 |
| Capacity Purchase Price (CPP) | | **4,264,218,648** | 4,590,567,966 |
| | | **14,981,247,376** | 18,519,602,442 |

## 22 COST OF SALES

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Raw material consumed | | **10,079,727,213** | 13,201,510,976 |
| Operation and maintenance | | **797,005,746** | 734,026,602 |
| Salaries and other benefits | 22.1 | **42,798,122** | 40,049,140 |
| Electricity charges | | **40,558,406** | 40,777,572 |
| Insurance | | **145,007,799** | 170,671,598 |
| Depreciation | 14.1 | **583,822,234** | 583,590,465 |
| Office expenses | | **1,240,268** | 1,129,902 |
| Travelling, conveyance and entertainment | | **713,864** | 807,548 |
| Repair and maintenance | | **346,390** | 923,787 |
| Communication | | **147,041** | 147,784 |
| Others | | **207,499** | 274,455 |
| | | **11,691,574,582** | 14,773,909,829 |

**22.1** These include Rs. 5,169,362 (2014: Rs. 4,745,205) charged in respect of staff retirement benefits - gratuity.

## 23 ADMINISTRATIVE EXPENSES

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| Salaries and other benefits | 23.1 | **26,749,816** | 21,403,739 |
| Traveling and conveyance | | **2,389,266** | 2,785,470 |
| Rent, rates and taxes | | **8,014,333** | 7,479,974 |
| Security services | | **9,537,157** | 8,643,930 |
| Office expenses | | **4,993,708** | 4,757,360 |
| Fees and subscriptions | | **15,570,116** | 11,556,564 |
| Legal and professional | | **4,836,989** | 7,189,639 |
| Consultancy | | **13,392,420** | 8,033,318 |
| Repair and maintenance | | **5,639,368** | 5,737,841 |
| Utilities | | **2,853,360** | 3,177,595 |
| Insurance | | **2,817,522** | 1,760,738 |
| Depreciation | 14.1 | **4,563,646** | 3,995,785 |
| Amortization | 15 | **213,252** | 915,000 |
| Auditors' remuneration | 23.2 | **1,105,100** | 2,268,500 |
| Advertisements | | **182,108** | 239,775 |
| | | **102,858,161** | 89,945,228 |

**23.1** These include Rs. 1,292,341 (2014: Rs.1,186,301) charged in respect of staff retirement benefits - gratuity.

| **23.2 Auditors' remuneration** | **2015 Rupees** | 2014 Rupees |
|---|---|---|
| Annual audit fee | **540,000** | 500,000 |
| Half yearly review fee | **300,000** | 300,000 |
| Quarterly review fee | **-** | 300,000 |
| Out of pocket expenses | **90,100** | 149,000 |
| Certifications | **175,000** | 1,019,500 |
| | **1,105,100** | 2,268,500 |

## 24 FINANCE COST

| | **2015 Rupees** | 2014 Rupees |
|---|---|---|
| Markup on short term borrowings | **163,532,556** | 387,769,120 |
| Markup on long term financing | **932,723,476** | 1,278,124,392 |
| Markup on sub-ordinated loan | **23,322,105** | 22,587,122 |
| Markup on RCOD delay payment | **-** | 21,130,619 |
| Guarantee commission and arrangement fee | **17,843,494** | 16,262,410 |
| Markup on liabilities against assets subject to finance lease | **713,558** | 345,794 |
| Bank charges | **358,136** | 373,659 |
| Exchange loss - net | **13,506,528** | - |
| | **1,151,999,853** | 1,726,593,116 |

## 25 OTHER INCOME

| | | |
|---|---|---|
| **Income from financial assets** | | |
| Profit on deposit accounts | **10,391,185** | 1,350,004 |
| Return on investments | **16,599,951** | 27,306,674 |
| **Income from non financial assets** | | |
| Gain on disposal of property, plant and equipment | **558,816** | 156,231 |
| Scrap sales | **250,420** | 421,724 |
| Exchange gain-net | **-** | 29,591,750 |
| | **27,800,372** | 58,826,383 |

## 26 EARNINGS PER SHARE

| | | |
|---|---|---|
| Profit for the year (Rupees) | **2,062,615,152** | 1,987,980,652 |
| Weighted average number of shares (Numbers) | **386,471,779** | 386,471,779 |
| Earnings per share - basic (Rupees) | **5.34** | 5.14 |

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

## 27 CASH AND CASH EQUIVALENTS

| | **Note** | **2015 Rupees** | 2014 Rupees |
|---|---|---|---|
| Bank balances | **20** | **4,765,461** | 213,838,971 |
| Short term investments | | **-** | 319,968,992 |
| | | **4,765,461** | 533,807,963 |

## 28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or Liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

| On-balance sheet financial instruments | Note | Carrying Amount | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Fair value through profit and loss | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| **31 December 2015** | | (Rupees) | | | | (Rupees) | | | |
| **Financial assets measured at fair value** | | | | | | | | | |
| Short term investments | | - | - | - | - | - | - | - | - |
| **Financial assets not measured at fair value** | **28.2** | | | | | | | | |
| Trade debts, secured-considered good | | - | **5,075,065,458** | - | **5,075,065,458** | - | - | - | - |
| Trade deposits | | - | - | - | - | - | - | - | - |
| Other receivables | | - | **3,775,778** | - | **3,775,778** | - | - | - | - |
| Bank balances | | - | **4,765,461** | - | **4,765,461** | - | - | - | - |
| **Total** | | - | 5,083,606,697 | - | 5,083,606,697 | - | - | - | - |
| **Financial liabilities not measured at fair value** | | | | | | | | | |
| Long term financing - secured | | - | - | **7,823,222,915** | **7,823,222,915** | - | **7,823,222,916** | - | **7,823,222,916** |
| Sub-ordinated loan - unsecured | | - | - | **722,932,879** | **722,932,879** | - | **722,932,879** | - | **722,932,879** |
| Liabilities against assets subject to finance lease | | - | - | **9,877,980** | **9,877,980** | - | **9,877,980** | - | **9,877,980** |
| Trade and other payables | **28.2 & 28.3** | - | - | **2,548,572,910** | **2,548,572,910** | - | - | - | - |
| Markup accrued | **28.2** | - | - | **377,846,903** | **377,846,903** | - | - | - | - |
| Short term borrowings - secured | **28.2** | - | - | **865,803,310** | **865,803,310** | - | - | - | - |
| **Total** | | - | - | 12,348,256,897 | 12,348,256,897 | - | 8,556,033,775 | - | 8,556,033,775 |
| On-balance sheet financial instruments | | | | | | | | | |
| **31 December 2014** | | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | | |
| Short term investments | | 319,968,992 | - | - | 319,968,992 | 30,000,000 | 289,968,992 | - | - |
| Financial assets not measured at fair value | 28.2 | | | | | | | | |
| Trade debts, secured-considered good | | - | 4,417,254,552 | - | 4,417,254,552 | - | - | - | - |
| Trade deposits | | - | 254,620 | - | 254,620 | - | - | - | - |
| Other receivables | | - | 2,428,439 | - | 2,428,439 | - | - | - | - |
| Bank balances | | - | 213,838,971 | - | 213,838,971 | - | - | - | - |
| **Total** | | - | 4,633,776,582 | - | 4,633,776,582 | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | | |
| Long term financing - secured | | - | - | 9,528,681,590 | 9,528,681,590 | - | 9,528,681,590 | - | 9,528,681,590 |
| Sub-ordinated loan - unsecured | | - | - | 693,960,378 | 693,960,378 | - | 693,960,378 | - | 693,960,378 |
| Liabilities against assets subject to finance lease | | - | - | 5,646,363 | 5,646,363 | - | 5,646,363 | - | 5,646,363 |
| Trade and other payables | 28.2 & 28.3 | - | - | 1,524,897,327 | 1,524,897,327 | - | - | - | - |
| Markup accrued | 28.2 | - | - | 519,723,387 | 519,723,387 | - | - | - | - |
| Short term borrowings - secured | 28.2 | - | - | 1,508,332,599 | 1,508,332,599 | - | - | - | - |
| **Total** | | - | - | 13,781,241,644 | 13,781,241,644 | - | 10,228,288,331 | - | 10,228,288,331 |

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

**28.3** This excludes withholding tax payable and payable against WPPF.

**Financial instruments not measured at fair value**

| Type | Valuation technique |
|---|---|
| Other financial liabilities* | *Discounted cash flow:* The valuation model considers the present value of expected payment, discounted using a risk adjusted discount rate. |

* Other financial liabilities include secured bank loans, subordinated loan and finance lease liabilities.

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

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

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

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

## 28.4 Credit risk

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

### Exposure to credit risk

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

| | Note | 2015<br>Rupees | 2014<br>Rupees |
|---|---|---|---|
| Trade debts | 16 | 5,075,065,458 | 4,417,254,552 |
| Trade deposits | 18 | 2,248,000 | 1,618,000 |
| Other receivables | 19 | 3,775,778 | 2,428,439 |
| Short term investments | | - | 319,968,992 |
| Bank balances | 20 | 4,765,461 | 213,838,971 |
| | | 5,085,854,697 | 4,955,108,954 |

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

### Credit quality of financial assets

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

| Trade debts | 2015<br>Rupees | 2014<br>Rupees |
|---|---|---|
| Counterparties without external credit ratings | | |
| existing customer with no default in past | 5,075,065,458 | 4,417,254,552 |

### Impairment losses

The aging of trade debts at the reporting date was:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Gross<br>Rs | Impairment<br>Rs | Gross<br>Rs | Impairment<br>Rs |
| Not past due | 2,293,048,814 | - | 434,468,387 | - |
| Past due 0 - 60 days | 935,095,655 | - | 1,881,528,524 | - |
| Past due 61 - 120 days | 119,112,269 | - | 264,621,670 | - |
| Past due 121 - 180 days | 51,543,787 | - | 124,383,538 | - |
| 181 days and above | 1,676,264,933 | - | 1,712,252,433 | - |
| | 5,075,065,458 | - | 4,417,254,552 | - |

| | Rating | 2015<br>Rupees | 2014<br>Rupees |
|---|---|---|---|
| **Trade deposits** | | | |
| Counterparties without external credit ratings | | | |
| Others | | 2,248,000 | 1,618,000 |
| **Other receivables** | | | |
| Counterparties without external credit ratings | | | |
| Others | | 3,775,778 | 2,428,439 |
| **Short term investments** | | | |
| Counterparties without external credit ratings | | - | 289,968,992 |
| Counterparties with external credit ratings | A+ to AA+ | - | 30,000,000 |

### Cash and cash equivalents

The Company held cash and bank balance of Rs. 4,765,461 as at 31 December 2015 (2014: Rs. 213,838,971). Cash and bank balances are held with banks and financial institution counter parties, which are rated A1 to A1+ based on PACRA rating.

## 28.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

### 28.5.1 Foreign currency risk

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

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

#### Transactional exposure in respect of non functional currency monetary items

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

#### Transactional exposure in respect of non functional currency expenditure and revenues

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

#### Exposure to foreign currency risk on year end monetary balances

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

| | **2015** | 2014 | **2015** | 2014 |
|---|---|---|---|---|
| | **Rupees** | Rupees | **USD** | USD |
| Subordinated loan | **722,932,879** | 693,960,378 | **6,898,215** | 6,898,215 |
| Trade and other payables | **389,822,475** | 212,934,946 | **3,719,680** | 2,120,866 |
| Bank balances | **509,836** | 201,289,299 | **4,866** | 2,004,874 |
| | **1,113,265,190** | 1,108,184,623 | **10,622,761** | 11,023,955 |

The following significant exchange rates have been applied:

| | **Average Rate** | | **Reporting date mid spot rate** | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| USD 1 | **102.100** | 101.140 | **104.800** | 100.400 |

#### Foreign currency sensitivity analysis

Following is the demonstration of the sensitivity to a reasonably possible change in exchange rate of USD applied to assets and liabilities as at 31 December 2015 represented in foreign currency, with all other variables held constant, of the Company's profit before tax.

| | | **2015** | **2014** |
|---|---|---|---|
| Change in exchange rate | +/- | **5%** | 5% |
| Effect on profit before tax - Rupees | +/- | **19,516,616** | 20,711,212 |

### 28.5.2 Interest rate risk

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

#### Profile

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

| | **2015** | 2014 | **2015** | 2014 |
|---|---|---|---|---|
| | Effective rates (%) | | **Rupees** | Rupees |
| **Fixed rate instruments** | | | | |
| Financial assets | **4.56%** | 6.75% | **4,173,195** | 332,713,195 |
| **Variable rate instruments** | | | | |
| Financial liabilities | **9.84%** | 11.06% | **9,421,837,084** | 11,736,620,930 |

#### 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, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (1%) in interest rates at the reporting date would have increased or decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

| | | **2015** | 2014 |
|---|---|---|---|
| Change in interest rate | +/- | **1%** | 1% |
| Effect on Profit before tax - Rupees | +/- | **94,176,639** | 114,039,077 |

### 28.5.3 Equity price risk

Equity price risk is the risk of loss arising from movement in prices of equity investments. The Company is not exposed to any equity price risk, as the Company does not have any investment in equity shares.

### 28.6 Liquidity risk

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

**Profile**

Maturity profile of the Company's financial liabilities based on the contractual amount is as follows:

| | Carrying amount | Contractual cash flows | Maturity in less than 1 year | Maturity after one year and up to five years | Maturity after five years |
|---|---|---|---|---|---|
| | -------------------- | -------------------- | Rupees | -------------------- | -------------------- |
| **2015** | | | | | |
| Liabilities against assets subject to finance lease | **9,877,980** | **10,890,885** | **4,440,772** | **6,450,113** | - |
| Long term financing | **7,823,222,915** | **10,945,916,478** | **2,597,612,396** | **8,348,304,082** | - |
| Sub-ordinated loan | **722,932,879** | **801,609,331** | **734,808,553** | **66,800,778** | - |
| Trade and other payables | **2,548,572,910** | **2,548,572,910** | **2,548,572,910** | - | - |
| Mark-up accrued | **377,846,903** | **377,846,903** | **377,846,903** | - | - |
| Short term borrowing | **865,803,310** | **865,803,310** | **865,803,310** | - | - |
| | **12,348,256,897** | **15,550,639,817** | **7,129,084,844** | **8,421,554,973** | - |

| | Carrying amount | Contractual cash flows | Maturity in less than 1 year | Maturity after one year and up to five years | Maturity after five years |
|---|---|---|---|---|---|
| | -------------------- | -------------------- | Rupees | -------------------- | -------------------- |
| 2014 | | | | | |
| Liabilities against assets subject to finance lease | 5,646,363 | 6,449,837 | 2,870,272 | 3,579,565 | - |
| Long term financing | 9,528,681,590 | 13,555,668,155 | 2,609,751,676 | 10,945,916,478 | - |
| Sub-ordinated loan | 693,960,378 | 769,483,766 | 577,112,825 | 192,370,942 | - |
| Trade and other payables | 1,524,897,327 | 1,524,897,327 | 1,524,897,327 | - | - |
| Mark-up accrued | 519,723,387 | 519,723,387 | 519,723,387 | - | - |
| Short term borrowing | 1,508,332,599 | 1,508,332,599 | 1,508,332,599 | - | - |
| | 13,781,241,644 | 17,884,555,071 | 6,742,688,086 | 11,141,866,985 | - |

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

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

## 28.7 Capital Risk Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure which comprises of capital and reserves by monitoring the return on net assets and makes adjustments, if required, in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to shareholders, appropriation of amounts to capital reserves or / and issue new shares. There was no change in Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirement.

## 28.8 Fair Values of financial assets and liabilities

All financial assets and financial liabilities are initially recognized at fair value of consideration paid or received, net of transaction costs as appropriate. The financial assets and liabilities of the Company approximate their carrying values.

### Determination of fair value

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

### Non - derivative financial assets

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

### Non - derivative financial liabilities

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

## 29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration including benefits applicable to the Chief Executive, Directors and Executives of the Company are given below:

| | **2015**<br>**Rupees** | 2014<br>Rupees |
|---|---|---|
| Managerial remuneration | **39,742,850** | 34,434,560 |
| Staff retirement benefits | **3,508,880** | 2,895,380 |
| Bonus | **6,252,863** | 6,470,270 |
| | **49,504,593** | 43,800,210 |
| Number of Persons | **8** | 7 |

**29.1** In addition to the above, executives are provided with the company maintained vehicles and health insurance coverage as per the Company's policy. An executive has also been provided with a personal loan of Rs. 1.5 million secured against gratuity balance.

**29.2** No remuneration has been paid to Chief Executive Officer (CEO) and Directors of the Company.

## 30 RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Saif Holdings Limited ("Holding Company"), therefore the Holding Company and all associated undertakings of the Holding Company are the related parties of the Company. Other related parties comprise of directors, key management personnel, entities over which the directors are able to exercise significant influence and major shareholders. Balances with related parties are disclosed in note 9 to the financial statements. Transactions with related parties other than those disclosed elsewhere in these financial statements are as follows:

| | Note | 2015 Rupees | 2014 Rupees |
|---|---|---|---|
| **Transactions with Holding Company** | | | |
| Rent | | **4,928,220** | 4,480,110 |
| Dividend | | **591,817,857** | 690,454,167 |
| Expenses incurred on behalf of the company | | **778,363** | 201,390 |
| **Transactions with associated undertakings due to common directorship** | | | |
| Expenses incurred on behalf of the company | | **398,273** | 574,304 |
| Dividend | | **300** | 350 |
| **Transaction with key management personnel** | | | |
| Dividend | | **60,007** | 70,007 |
| Remuneration to key management personnel | 29 | **49,504,593** | 43,800,210 |

## 31 APPLICATION OF IFRIC INTERPRETATION - 4 (IFRIC-4)

### "Determining whether an arrangement contain a lease"

International Accounting Standards Board (IASB) has issued IFRIC-4 “Determining whether an Arrangement contains a Lease”, which is effective for financial periods beginning on or after 01 January 2006. According to the said interpretation an arrangement conveys the right to use the asset, if the arrangement conveys to the purchaser (lessee) the right to control the use of the underlying asset. The right to control the use of the underlying asset is conveyed when the purchaser has the ability or right to operate the asset or direct others to operate the asset in a manner it determines while obtaining or controlling more than an insignificant amount of the output or other utility of the asset. Such arrangements are to be accounted for as a lease in accordance with the requirements of IAS 17- "Leases".

The Company’s plant's control due to purchase of total output by WAPDA appears to fall under the scope of IFRIC 4. However, Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O No. 24 (I)/2012 has exempted application of IFRIC 4 for all companies. However, impact of IFRIC-4 is mandatory to be disclosed in the financial statements as per requirements of IAS-8.

| | 2015 Rupees | 2014 Rupees |
|---|---|---|
| Decrease increase in unappropriated profit at 01 January | **(280,682,534)** | (34,985,223) |
| Decrease in profit for the year | **(566,040,769)** | (245,697,311) |
| Decrease in unappropriated profit at 31 December | **(846,723,303)** | (280,682,534) |

## 32 NUMBER OF EMPLOYEES

| | 2015 | 2014 |
|---|---|---|
| Employees on year end (Number) | **40** | 40 |
| Average employees during the year (Number) | **40** | 39 |

## 33 CAPACITY AND PRODUCTION

| | | |
|---|---|---|
| Installed capacity based on 8,760 hours (2014: 8,760) – Megawatt hours | **1,787,223** | 1,788,854 |
| Actual energy delivered – Megawatt hours | **908,737** | 751,111 |

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

## 34 GENERAL

**34.1** Figures have been rounded off to the nearest rupee.

## 35 DATE OF APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors in their meeting held on 28 March 2016 .

OSKhan
CHIEF EXECUTIVE

DIRECTOR


# PATTERN OF SHAREHOLDING

| NO. OF SHAREHOLDERS | SHAREHOLDING From | SHAREHOLDING To | SHARES HELD | PERCENTAGE |
|---|---|---|---|---|
| 64 | 1 | 100 | 1929 | 0.0005 |
| 3816 | 101 | 500 | 1903555 | 0.4925 |
| 1208 | 501 | 1000 | 1206147 | 0.3121 |
| 657 | 1001 | 5000 | 1623303 | 0.4200 |
| 115 | 5001 | 10000 | 922886 | 0.2388 |
| 29 | 10001 | 15000 | 365088 | 0.0945 |
| 14 | 15001 | 20000 | 254000 | 0.0657 |
| 12 | 20001 | 25000 | 280500 | 0.0726 |
| 16 | 25001 | 30000 | 442000 | 0.1144 |
| 8 | 30001 | 35000 | 267500 | 0.0692 |
| 4 | 35001 | 40000 | 156000 | 0.0404 |
| 5 | 40001 | 45000 | 213000 | 0.0551 |
| 10 | 45001 | 50000 | 493000 | 0.1276 |
| 1 | 55001 | 60000 | 58000 | 0.0150 |
| 1 | 60001 | 65000 | 65000 | 0.0168 |
| 3 | 65001 | 70000 | 205000 | 0.0530 |
| 1 | 75001 | 80000 | 77000 | 0.0199 |
| 2 | 80001 | 85000 | 164000 | 0.0424 |
| 1 | 90001 | 95000 | 92500 | 0.0239 |
| 7 | 95001 | 100000 | 698000 | 0.1806 |
| 2 | 105001 | 110000 | 220000 | 0.0569 |
| 2 | 120001 | 125000 | 246000 | 0.0637 |
| 1 | 130001 | 135000 | 131500 | 0.0340 |
| 2 | 135001 | 140000 | 276500 | 0.0715 |
| 1 | 150001 | 155000 | 155000 | 0.0401 |
| 2 | 230001 | 235000 | 461000 | 0.1193 |
| 1 | 295001 | 300000 | 300000 | 0.0776 |
| 1 | 320001 | 325000 | 325000 | 0.0841 |
| 1 | 355001 | 360000 | 360000 | 0.0932 |
| 1 | 385001 | 390000 | 389000 | 0.1007 |
| 1 | 390001 | 395000 | 392500 | 0.1016 |

| | | | | |
|---|---|---|---|---|
| 1 | 485001 | 490000 | 487500 | 0.1261 |
| 1 | 495001 | 500000 | 500000 | 0.1294 |
| 1 | 500001 | 505000 | 503500 | 0.1303 |
| 2 | 510001 | 515000 | 1026000 | 0.2655 |
| 1 | 795001 | 800000 | 800000 | 0.2070 |
| 1 | 995001 | 1000000 | 1000000 | 0.2588 |
| 1 | 1105001 | 1110000 | 1108500 | 0.2868 |
| 1 | 1225001 | 1230000 | 1229500 | 0.3181 |
| 1 | 1320001 | 1325000 | 1322000 | 0.3421 |
| 1 | 1995001 | 2000000 | 2000000 | 0.5175 |
| 1 | 2170001 | 2175000 | 2170500 | 0.5616 |
| 1 | 2755001 | 2760000 | 2756382 | 0.7132 |
| 1 | 3370001 | 3375000 | 3375000 | 0.8733 |
| 1 | 3485001 | 3490000 | 3487500 | 0.9024 |
| 1 | 3760001 | 3765000 | 3765000 | 0.9742 |
| 1 | 6595001 | 6600000 | 6600000 | 1.7078 |
| 1 | 9385001 | 9390000 | 9389000 | 2.4294 |
| 1 | 13885001 | 13890000 | 13889000 | 3.5938 |
| 1 | 14010001 | 14015000 | 14010500 | 3.6252 |
| 1 | 27765001 | 27770000 | 27768354 | 7.1851 |
| 1 | 79280001 | 79285000 | 79280604 | 20.5139 |
| 1 | 197255001 | 197260000 | 197258031 | 51.0407 |
| **6012** | | | **386471779** | **100.00** |

| CATEGORY OF SHAREHOLDER | NO OF FOLIO | SHARES | PERCENTAGE |
|---|---|---|---|
| SPONSORS, DIRECTORS, CEO AND CHILDREN | 7 | 20,002 | 0.0052 |
| ASSOCIATED COMPANIES | 3 | 197,272,719 | 51.0445 |
| BANKS, DFI AND NBFI | 6 | 62,802,854 | 16.2503 |
| INSURANCE COMPANIES | 5 | 7,849,882 | 2.0312 |
| MODARABAS AND MUTUAL FUNDS | 6 | 7,192,500 | 1.8611 |
| GENERAL PUBLIC (LOCAL) | 5,913 | 16,132,097 | 4.1742 |
| GENERAL PUBLIC (FOREIGN) | 48 | 105,520 | 0.0273 |
| OTHERS | 24 | 95,096,205 | 24.6062 |
| **Company Total** | **6,012** | **386,471,779** | **100.000** |

| CATEGORY OF SHAREHOLDERS | | SHARES | PERCENTAGE |
|---|---|---|---|
| 1. | SPONSORS, DIRECTORS, CEO AND CHILDREN | | |
| | Javed Saifullah Khan | 5,000 | 0.0013 |
| | Anwar Saifullah Khan | 5,000 | 0.0013 |
| | Osman Saifullah Khan | 5,000 | 0.0013 |
| | Jehangir Saifullah Khan | 4,000 | 0.0010 |
| | Omar Saifullah Khan | 1,000 | 0.0003 |
| | Salim Saifullah Khan | 1 | 0.0000 |
| | Hoor Yousafzai | 1 | 0.0000 |
| 2. | ASSOCIATED COMPANIES | | |
| | Saif Holding Limited | 197,272,619 | 51.0445 |
| | Saif Textile Mills Limited | 100 | 0.0000 |
| 3. | BANKS, DFI AND NBFI | | |
| | Habib Bank Limited | 27,768,354 | 7.1851 |
| | Allied Bank Limited | 13,889,000 | 3.5938 |
| | United Bank Limited | 6,600,000 | 1.7078 |
| | MCB Bank Limited | 14,010,500 | 3.6252 |
| | First Women Bank Limited | 35,000 | 0.0091 |
| | Saudi Pak Industrial & Agricultural Investment Co. Ltd | 500,000 | 0.1294 |
| 4. | INSURANCE COMPANIES | | |
| | UBL Insurance Limited | 503,500 | 0.1303 |
| | EFU General Insurance Ltd | 800,000 | 0.2070 |
| | EFU Life Assurance Ltd | 3,765,000 | 0.9742 |
| | Adamjee Life Assurance Company Ltd | 25,000 | 0.0065 |
| | Adamjee Insurance Company Ltd | 2,756,382 | 0.7132 |
| 5. | MODARABAS AND MUTUAL FUNDS | | |
| | CDC- Trustee UBL Stock Advantage Fund | 3,487,500 | 0.9024 |
| | CDC - Trustee NAFA Stock Fund | 1,322,000 | 0.3421 |
| | CDC- Trustee NAFA Multi Asset Fund | 511,000 | 0.1322 |
| | CDC - CDC-Trustee NAFA Asset Allocation Fund | 155,000 | 0.0401 |
| | CDC - Trustee UBL Asset Allocation Fund | 1,229,500 | 0.3181 |
| | CDC-Trustee UBL Retirement Saving Fund | 487,500 | 0.1261 |
| 6. | GENERAL PUBLIC (LOCAL) | 16,132,097 | 4.1742 |
| 7. | GENERAL PUBLIC (FOREIGN) | 105,520 | 0.0273 |
| 8. | OTHERS | 95,096,205 | 24.6062 |
| | | **386,471,779** | **100.000** |

# NOTICE OF 12th ANNUAL GENERAL MEETING

Notice is hereby given that the 12th Annual General Meeting of Shareholder of Saif Power Limited ("the Company") will Insha-Allah be held on April 29, 2016, Friday at 11:30 A.M. at 4th floor Kulsum Plaza, Blue Area, Islamabad to transact the following business:

## ORDINARY BUSINESS

1. To confirm the minutes of 11th AGM held on April 29, 2015.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended December 31, 2015 together with Directors' and Auditors' report thereon.
3. To approve as recommended by the Directors, interim dividend of Rs. 3 per share i.e. 30 % and Rs. 0.75 per share i.e. 7.5 % as final dividend making total 3.75 per share i.e. 37.5 % per share (30 % already paid).
4. To appoint Auditors for the year ending December 2016 and fix their remuneration.
5. To transact any other business with the permission of Chair.

BY ORDER OF THE BOARD

Islamabad
April 07, 2016

**SYED MUHAMMAD ASIF MAKHDOOMI**
Company Secretary

## Notes:

i. Share Transfer Book of the Company will remain closed from April 23, 2016 to April 29, 2016 (Both days inclusive).Transfer received in order at the share Registrar's office by the close of business on April 22, 2016 will be treated in time for the purpose of payment of final dividend.

ii. A member entitled to attend and vote at the Meeting may appoint another member as his /her proxy to attend and vote on his /her behalf. The instrument appointing the proxy duly completed must be received at the Company's Registered Office not later than 48 hours before the time of holding of the meeting. Proxy form is enclosed herewith.

iii. CDC individual Account holders or Sub-account holders are required to bring with them their original Computerized National Identity Card (CNIC) / Original Passport along with participant's ID number and their account number in order to facilitate identification.

iv. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signature of nominees shall be produced (unless provided earlier) at the time of meeting.

v. Members are requested to immediately notify the change in address, if any.

vi. **Transmission of Annual Financial Statements through Email:**

As per the directives issued by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 787 (1)/2014 dated September 8, 2014 the Companies are allowed to circulate their annual balance sheet and profit and loss account, auditors' report and directors' report etc. (Audited Financial Statements) along with notice of Annual General Meeting to its member's through e-mail.

Those Shareholders who wish to receive the Annual Report through e-mail in future are requested to provide a duly completed annexed consent from to Company's Share Registrar, M/s THK Associates (Pvt) Ltd. 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi. Form is also available at Company's website **http://www.saifgroup.com/power.php**

Note: Please note that receipt of Annual Report through e-mail is not Compulsory but optional.

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# FORM OF PROXY

I/We, ______________________________________________________________________________

of ______________________________ CDC A/C NO. / FOLIO NO. ______________________________

being a shareholder of the Saif Power Limited (The Company) do hereby appoint.

Mr./Miss/Ms. ________________________________________________________________________

of ______________________________ CDC A/C NO. / FOLIO NO. ______________________________

and or failing him/her ________________________________ of ______________________________

who is/are also a shareholder of the said Company, as my/our proxy in my/our absence and to vote for me/us at the Annual General Meeting of the Company to be held on April 29, 2016 (Friday) at 11:30 A.M. ____________________________ and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally present at such meeting.

As witness my/our hands in this day of________________2016.

| |
|---|
| Affix Revenue Stamp of Rs.5 |

Signature ______________________________

Address ______________________________

______________________________________

CNIC No. ______________________________

No. of shares held ________________________

(Note: signature should agree with the specimen Signatures registered with the Company/Share Registrar)

**NOTES:**

1. No Proxy shall be valid unless duly signed along with revenue stamp and in case of company should be executed under its common seal under signed by its authorized person.
2. This instrument appointing a proxy, duly completed, must be received at the registered Office of the Company at Kulsum Plaza, Blue Area, Islamabad not later than 48 hours before the time of holding the Annual General Meeting.
3. Attested copies of the CNIC or the passport of beneficial owners shall be furnished with the proxy form.
4. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
5. In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be furnished along with proxy form to the Company.

The Company Secretary

**SAIF POWER LIMITED**
Kulsum Plaza, Jinnah Avenue,
Blue Area,
Islamabad

AFFIX

POSTAGE

# فارم برائے مختار نامہ

میں مسمی / مسماۃ ------------------------------------------------------------

از ---------------------------------- سی ڈی سی اکاؤنٹ نمبر/ فولیو نمبر -------------------

بطور حصہ دار سیف پاور کمپنی لمیٹیڈ برائے مختار نامہ (پراکسی) ہذا اپنی جانب سے

مسمی / مسماۃ --------------------------سی ڈی سی اکاؤنٹ نمبر/ فولیو نمبر--------------

اور یا بصورت دیگر اس کا ----------------------------از--------------------------

جو خود بھی مذکورہ بالا کمپنی میں حصہ دار ہے۔ اس کو میں / ہم اختیار دیتے ہیں کہ وہ ہماری غیر موجودگی میں سالانہ جنرل میٹنگ میں ہماری نمائندگی کرتے ہوئے میرا / ہمارا ووٹ ڈالے جو مورخہ ۲۹ اپریل سال ۲۰۱۶ بروز جمعہ بوقت ۱۱:۳۰ بجے دن بمقام کلثوم پلازہ، بلیو ایریا اسلام آباد منعقد ہوگی یا اس کے ملتوی ہونے کی صورت میں اسی طرح ہوگی اور وہ ووٹ اسی طرح ڈالے جسطرح میں / ہم ذاتی طور پر ایسی میٹنگوں میں ووٹ ڈالیں گے۔

لہٰذا میں / ہم بطور گواہ اس سند پر آج مورخہ -------۲۰۱۶ دستخط گذار ہیں

| |
|---|
| محصول ٹکٹ<br>قیمت ۵ روپے |

دستخط --------------------------

پتہ -----------------------------------------------------------------

شناختی کارڈ نمبر ------------------------------------------------------------

تعداد حصہ جات : -------------

(نوٹ: آپ کے دستخط آپ کے نمونے کے طور پر دیۓ گئے دستخطوں جیسے ہونے چاہئیں جو کمپنی کے حصہ جات کے رجسٹر میں موجود ہیں)

باملاحظہ ہوشیار باش:

۱) یہ سند مختار نامہ کے لئے ہے جس کو مکمل کرنے کے بعد کمپنی کے رجسٹرڈ دفتر بمقام کلثوم پلازہ بلیو ایریا اسلام آبادمیں سالانہ جنرل میٹنگ کے شروع ہونے سے پہلے ۴۸ گھنٹوں کے اندر جمع کرائیں۔

۲) شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بابت حصہ داران فارم مختارنامہ ہذا منسلک کریں۔

۳) میٹنگ کے موقع پر مختیار مذکور اپنے شناختی کارڈ یا پاسپورٹ کی اصل کاپی دکھائے۔

۴) شراکت دار کمپنی ہونے کی صورت میں اس کے بورڈ کی طرف سے جاری کردہ قرار داد / پاور آف اٹارنی و دستخطوں کے نمونے بابت نامزد کردہ شخص اس مختار نامے کے ساتھ جوڑ کر کمپنی کو پیش کی جائیں۔

The Company Secretary

**SAIF POWER LIMITED**
Kulsum Plaza, Jinnah Avenue,
Blue Area,
Islamabad

AFFIX

POSTAGE

## ELECTRONIC TRANSMISSION CONSENT FORM

Date:________________________

General Manager
THK Associates (Pvt.) Ltd,
2nd Floor, State Life Building No.3,
Dr. Ziauddin Ahmed Road,
Karachi.

Pursuant to the directions given by Securities and Exchange Commission of Pakistan through its SRO 787 (I)/2014 dated September 8, 2014, I/we Mr./Ms/M/s____________________________

__________________________________S/o, D/o, W/o___________________________________
hereby give consent to receive the Audited Financial Statements along with notice of Annual General Meeting of M/s Saif Power Limited through email on my/our email address provided as under:

Name of Member/shareholder: __________________________________________________

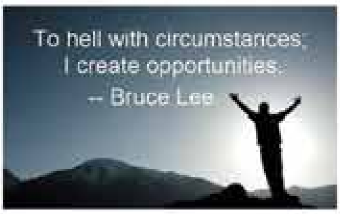
Folio/CDC Account Number: __________________________________________________

Email Address: __________________________________________________

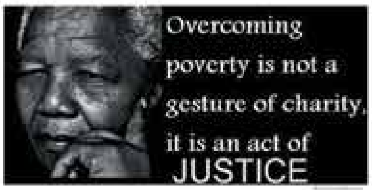
It is stated that above mentioned particulars are true and correct. I/we shall notify you and the Company in writing in case of any change in my/our email address or withdrawal of my/our above mentioned consent.

___________________________________
Signature of the Member/Shareholder
CNIC Number:

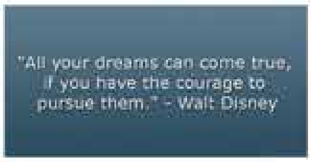

BY CHANGING NOTHING
...NOTHING CHANGES.
-TONY ROBBINS


To hell with circumstances;
I create opportunities.
-- Bruce Lee


“Friendship and money is like oil and water.”


Overcoming poverty is not a gesture of charity, it is an act of JUSTICE

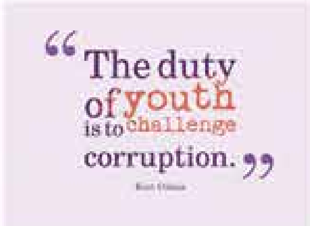

FAMILY IS NOT AN IMPORTANT THING.
It's everything.


"All your dreams can come true, if you have the courage to pursue them." - Walt Disney


Action always beats intention.


No one has ever become poor from giving
Anne Frank


LIFE IS REALLY SIMPLE, BUT WE INSIST ON MAKING IT COMPLICATED.
Confucius

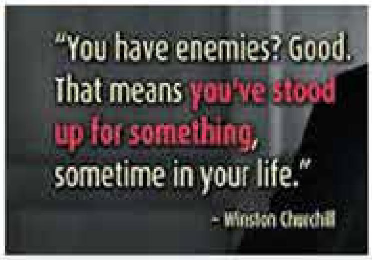

“The duty of youth is to challenge corruption.”


DOUBT KILLS more DREAMS THAN FAILURE EVER WILL


WEALTH CONSISTS NOT IN HAVING GREAT POSSESSIONS, BUT IN HAVING FEW WANTS.
Epictetus


“Wisdom is found only in truth.”
Johann Wolfgang von Goethe

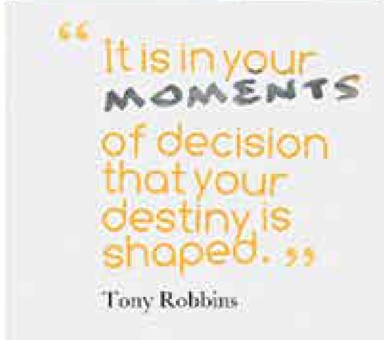

"If you judge people, you have no time to love them."
--Mother Teresa


“You have enemies? Good. That means you've stood up for something, sometime in your life.”
- Winston Churchill

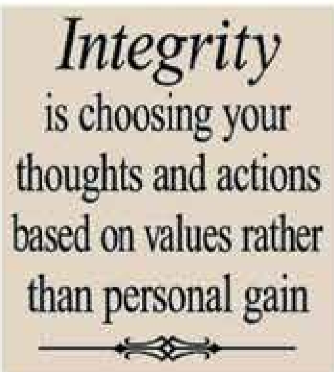

What Others Think Of You Is
NONE OF YOUR BUSINESS.


A BAD DAY FOR YOUR EGO
IS A GREAT DAY FOR YOUR SOUL.


“Quality is not an act, it is a habit.”

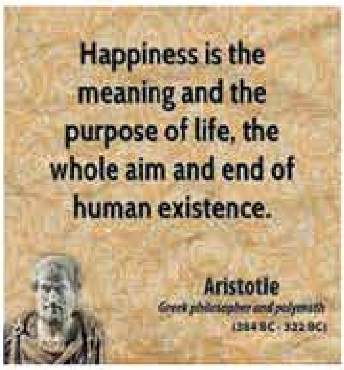

“It is in your MOMENTS of decision that your destiny is shaped.”
Tony Robbins


LEADERSHIP IS ACTION, NOT POSITION.
Donald H. McGannon

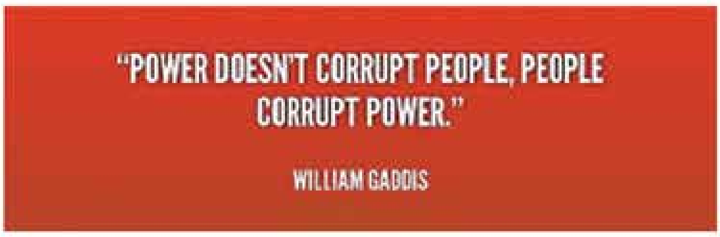

Integrity
is choosing your thoughts and actions based on values rather than personal gain


Be THe RaINBOW
In someone else's cLOUD.


life is beautiful


Happiness is the meaning and the purpose of life, the whole aim and end of human existence.
Aristotle
Greek philosopher and polymath
(384 BC - 322 BC)


WORK HARD DREAM BIG.


“POWER DOESN'T CORRUPT PEOPLE, PEOPLE CORRUPT POWER.”
WILLIAM GADDIS

# Saving Energy is a Bright Idea