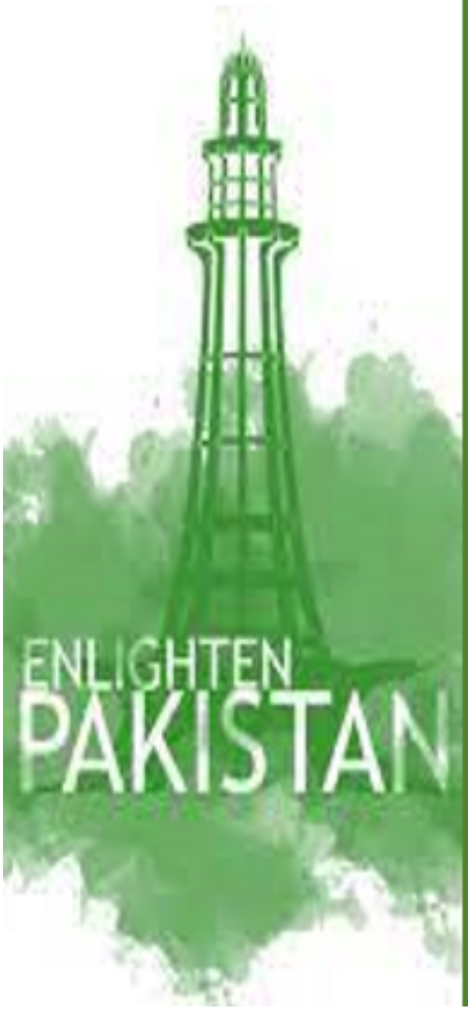

Annual Report

FY 2022-23

National Power Parks Management Company (Private) Limited

Ministry of Energy (Power Division), Government of Pakistan

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COMPANY PROFILE

(A) INTRODUCTION

(i) In line with its policy, the Government of Pakistan took the initiative to inject 2400 MW into the national system through its resources. National Power Parks Management Company (Private) Limited was established on March 2, 2025 and entrusted with the task of giving shape to this resolve of the Government under the auspices of the then Ministry of Water & Power.

(ii) The company, thereafter, took up the task and established two state-of-the-art Re-gasified Liquid Natural Gas (RLNG) based Combined Cycle Power Plants; 1223 MW CCPP at Balloki, District Kasur (Balloki CCPP) and 1230 MW CCPP at Haveli Bahadur Shah, Jhang (HBS CCPP). These state-of-the-art plants are providing cheap electricity to the national grid owing to their unparalleled latest technology and high efficiency.

(iii) The Company is managed under the supervision of a highly professional and competent Board of Directors, nominated by the Government of Pakistan, its committees and a management team comprising highly qualified and competent professionals.

(iv) During the year, the Board of Directors was convened twelve (12) times and transacted the business efficiently and effectively.

(v) During the Financial Year 2022-23, Haveli Bahadur Shah Power Plant produced 6,520.55 GWh while the Balloki Power Plant produced 6,863.65 GWh, cumulating a total of 13,384.20 GWh.

(B) VISION OF THE COMPANY

To be a leading company in power generation through the use of modern technology and dynamic human resource, in order to contribute to the economy of Pakistan on sustainable basis.

(C) MISSION OF THE COMPANY

To generate economical electricity by applying best plant management practices in order to meet stakeholders' expectations in a timely manner.

(D) CORE VALUES

INTEGRITY

Integrity, honesty, and accountability are at the core of our business. We adhere absolutely to the independence and objectivity requirements.

EXCELLENCE

We set and achieve ambitious goals. For us, excellence is not only a value; it's a discipline and a means for making Pakistan a better place.

EFFICIENCY

We keep things simple, do the work that adds value and ensure optimum use of money, materials, energy, and time.

TEAMWORK

The best solutions come from collective wisdom. We believe in working together and building productive and long-term relationships with our partners and each other.

(E) CORPORATE POLICIES AND CODE OF CONDUCT

The Company has approved a code of conduct for its employees and the following corporate policies:

(a) Annual Report Approval and Adoption Policy

(b) Anti-Corruption & Conflict of Interest Policy

(c) Whistle Blowing Policy

(d) Communication Policy

(e) Capital Expenditure Planning and Control Policy

(f) Investment Policy

(g) Fixed Assets Policy

(h) Transactions with Associated Concerns Policy

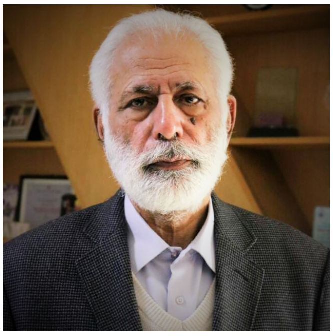
(i) Information Technology Policy

(j) Promotion Policy

(k) Bonus Policy

(F) BOARD OF DIRECTORS

Mr. Muhammad Irfan Akram
Chairman of the Board of Directors



Dr. Tabrez Aslam Shami
Independent Director

Mr. Mahfuz-Ur-Rehman Pasha
Independent Director

Mr. Nasir Gulzar
Independent Director

Mr. Muhammad Aslam Chaudhary
Non-Executive Director

Mr. Shah Jahan Mirza
Non-Executive Director

Mr. Rashid Sohail
Non-Executive Director

(G) MANAGEMENT TEAM


Mr. Dhanpat Kotak
Chief Executive Officer


Mr. Muhammad Akram Kamal
Chief Engineer


Mr. Sajjad Ahmed
Chief Financial Officer


Sayyed Mubashar Masood
Chief Legal Officer


Mr. Shahzad Iqbal
Company Secretary


Mr. Muhammad Awais Chaudhry
Chief Internal Auditor

DIRECTORS REPORT 2023 (ENGLISH)

DEAR MEMBERS

The Directors of National Power Parks Management Company (Private) Limited (the Company), are pleased to furnish this report along with the Financial Statements for the Financial Year ended on 30th of June 2023 and the Auditors Report thereon, as per the provisions of the Companies Act 2017.

(A) COMPANY'S OVERVIEW

(i) The Company's principal activity is to carry on the business electricity generation through two thermal power plants operating on Re-Gasified Liquefied Natural Gas as primary fuel and High-Speed Diesel as backup fuel.

(ii) Combustion Inspection of one (01) Gas Turbine of Balloki Power Plant and two (02) Gas Turbines of Haveli Bahadur Shah Power Plant was carried out during the fiscal year. Combustion Inspection of the second Gas Turbine of Balloki Power Plant is scheduled to commence in October 2023.

(iii) During the Financial Year 2022-23, Haveli Bahadur Shah Power Plant produced 6,520.55 GWh while the Balloki Power Plant produced 6,863.65 GWh, cumulating a total of 13,384.20 GWh.

(iv) The Company has achieved all the performance milestones including plants' efficiency, effectiveness, IRR, compliance/adherence to all corporate and legal stipulations etc.

(v) There are no significant doubts about the Company's ability to continue as a going concern.

(vi) During the financial year 2022-23 Company has earned a net profit of Rs. 44.93 billion (FY 2021-22 Rs. 33.33 billion). The Company has achieved 12% IRR guaranteed to the shareholders in the tariff.

(vii) The Company has posted remarkable profits which resulted value addition in government assets by enhancing its equity. The Company is proving itself as an instrument that provides approximately 2400MW power in the national grid and plays an important role in the electricity needs of the country.

(viii) In this manner, the Board of Directors has ensured to maintain the Company as a sustainable initiative of the Government.

(ix) The summary of the company's financial affairs for the latest six years is given hereunder:

Rs. in "000"

Detail	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Financial Position						
Non-Current Assets	157,081,464	154,266,558	155,593,308	162,179,954	161,653,459	152,274,061
Current Assets	296,827,713	261,089,921	163,976,061	125,661,496	90,204,737	59,672,829
Total	**453,909,177**	**415,356,479**	**319,569,369**	**287,841,450**	**251,858,196**	**211,946,890**
Equity & Reserves	269,208,028	224,280,720	190,971,265	166,694,621	138,766,189	119,775,524
Non-Current Liabilities	27,656,214	32,440,239	35,240,259	39,842,251	51,927	32,774,293
Current Liabilities	157,044,935	158,635,520	93,357,845	81,304,578	113,040,080	59,397,073
Total	**453,909,177**	**415,356,479**	**319,569,369**	**287,841,450**	**251,858,196**	**211,946,890**
Statement of Income						
Sales	354,634,297	297,176,588	148,249,166	162,672,728	145,611,544	30,320,511
Cost of sales	(312,279,305)	(268,960,904)	(124,399,008)	(131,819,886)	(122,997,455)	(27,217,452)
Gross Profit	**42,354,992**	**28,215,684**	**23,850,158**	**30,852,842**	**22,614,089**	**3,103,059**
Other Income	30,205,477	17,551,162	7,102,978	9,618,507	3,493,517	1,322,494
Admin Expenses	(488,943)	(505,807)	(302,235)	(207,823)	(562,904)	(238,996)
Other charges	(769,638)	(282,871)	-	-	-	-
Financial charges	(26,062,850)	(11,628,929)	(6,454,536)	(12,205,440)	(6,553,705)	(755,529)
Taxation	(308,498)	(22,591)	86,117	(126,501)	-	-
Net Profit / (Loss)	**44,930,540**	**33,326,648**	**24,282,482**	**27,931,585**	**18,990,997**	**3,431,028**

(B) CORPORATE & FINANCIAL REPORTING

(i) The Board has complied with the relevant principles of corporate governance.

(ii) The financial statements, prepared by the management of the Company present its state of affairs fairly, the result of operations, cash flows and changes in equity.

(iii) Proper books of accounts of the Company have been maintained.

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

(v) The Board recognizes its responsibility to establish and maintain sound system of internal control, which is regularly reviewed and monitored.

(i) The appointment of the chairman and other members of the Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the Company as well as in line with the best practices.

(C) VALUE OF INVESTMENT IN EMPLOYEES' GRATUITY FUND

Value of investment in employees' gratuity fund for the year ended June 30, 2023 is Rs. 160.548 million (FY 2021-22, Rs. 105.739 million).

(D) THE EARNING PER SHARE

Rs. 8.10 per share (FY 2021- 2022, Rs. 6.00 per share)

(E) REMUNERATION OF THE EXECUTIVES AND THE BOARD OF DIRECTORS

The executives' remuneration is based on the scales/rates approved by the Board, whereas the meetings' fee for the members of the board and its committees is based on an approval granted by the shareholders/members during the 6th Annual General Meeting, held on 9th of December 2020 i.e. fee of Rs. 62,500/meeting and TA/DA Entitlement. The disclosure about the remuneration of the executives and the board of directors is provided in note 30 of the Financial Statements.

(F) DESCRIPTION OF THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

Board views the risk management as integral to the creation, protection, and enhancement of shareholders' value by managing the significant uncertainties and risks that could influence the achievement of corporate goals and objectives. The Company is exposed to multiple risks laid as below:

Financial Risk

(a) The description of the Financial Risks is given in note number 32 of the Financial Statements of the Company. The Company is exposed to the financial risks such as:

(i) Credit risk

(ii) Liquidity risk

(iii) Market risk (including currency risk, interest rate risk and other price risk)

(iv) Capital risk.

(v) Property damage and consequent business interruption risk

(b) These risks have been managed carefully through various measures including the high credit rating of banks, Sovern guarantee, interest rate indexation and foreign currency indexation mechanism allowed by NEPRA in the Company's tariff.

Operational/Technical Risk:

(a) In order to manage Operational/Technical Risks, necessary strategies have been developed and continuously pursued to ensure the reliability of the operation of both plants.

(b) The Company has arranged appropriate insurances to cover any major incidents including unforeseen losses on account of machinery breakdown, stocks and revenue.

(c) The Technical Risks are being entered by the Company in a Risk Register and are being managed under the directions/guidance of the Risk Management Committee of the Board.

(d) The Board of Directors ensures that adequate internal controls are in place. The Internal Audit Function periodically reports to the Audit Committee regarding the compliance positions of the controls in place.

(G) QUALIFICATION OF AUDIT REPORT

(i) <u>Loan from Pakistan Development Fund Limited (PDFL) – Auditor's Qualification</u>

Company had obtained an unsecured long-term loan from its sponsor, Loan from Pakistan Development Fund Limited (PDFL), amounting to Rs. 32,738 million, for a period of 10 years.

As per agreed repayment schedule, the Company was required to pay principal and related interest in quarterly instalments over a period of 10 years. As explained in note 15.1.1 to the financial statements, as at June 30, 2023, principal amount of Rs. 3,868.66 million (June 30, 2022: Rs 7,812.74 million) along with mark-up of Rs 8,124.79 million (June 30, 2022: Rs 10,453.35 million) was due for payment however, due to circular debt issue, the Company has not received sufficient funds from the power purchaser and therefore these due amounts could not be paid. This non-payment constituted an event of default pursuant to the loan agreements with PDFL and the Company no longer has unconditional right to defer the payment of loan from more than twelve months. Accordingly, as per the requirements of IAS 1, the non-current portion of long-term loan from PDFL, amounting to Rs. 16,072.78 million (June 30, 2022: Rs 19,419.68 million) should have been classified as current liability at the year-end which is classified as non-current in the financial statements.

Owing to disagreement with the management over classification of long-term loan from PDFL, Auditors have qualified audit report with respect to this matter.

Management's View:

The Company had received an unsecured long-term loan from its sponsor, PDFL, a related party, amounting to Rs 32,738 million, for a period of 10 years. The outstanding amount of loan is repayable in 36 quarterly installments started from 30 September 2019. The loan carries markup at the rate of 3 months KIBOR plus 1 % (June 30, 2022: 3 months KIBOR plus 1 %) per annum, payable quarterly in arears.

As at June 30, 2023, principal amount of Rs. 3,868.66 million (June 30, 2022: Rs. 7,812.74 million) along with markup of Rs 8,124.79 million (June 30, 2022: Rs 10,453.35 million) are due for payment however, due to circular debt issue, the Company has not received sufficient funds from the power purchaser and therefore these due amounts could not be paid. Last year, the Company received various requests from PDFL for payment of the overdue amounts however, all these payment requests were withdrawn vide letter # PDFL/CFO/2022-18 dated March 06, 2022.

Considering the correspondence with sponsor, PDFL, and terms of the loan agreements, the legal advisor of the Company vide opinion dated 21 March 2022 has opined that an Event of Default has not yet occurred under the loan agreements hence, the Company's obligation to discharge its liability to repay the loans in terms of the illustrative Payment Schedule continues. Accordingly, the Company has recorded overdue amount of Rs. 3,868.66 million along with Rs. 3,346.90 million due in next financial year under current liabilities and Rs. 16,072.78 million which was not yet due at the year-end is reflected as non-current liabilities in the financial statements.

(H) ENVIRONMENTAL CONTRIBUTION

To contribute to the environment, approximately 1,241 plants have been planted at Haveli Bahadur Shah Site, whereas 1300 plants have been planted at the Balloki Site.

(I) BOARD MEMBERS RETIRED/DE-NOTIFIED DURING THE YEAR

Name of Director	Remained on Forum	
	From	To
Mr. Muhammad Asif Non-Executive Director	February 04, 2021	November 03, 2022
Mr. Arshad Majeed Non-Executive Director	July 29, 2022	April 14, 2023
Mr. Asim Iqbal Non-Executive Director	August 26, 2021	July 5, 2022

(J) ATTENDANCE OF BOARD MEETINGS FOR THE FINANCIAL YEAR 2022 – 23

(a) The attendance status of Board Meetings and its Standing Committees' Meetings during the Financial Year 2022-2023 is given hereunder:

Sr. No.	Name	Attendance
Board of Directors		
1	Mr. Muhammad Irfan Akram – Independent - Chairman	10/10
2	Dr. Tabrez Aslam Shami – Independent	10/10
3	Mr. Mahfuz-Ur-Rehman Pasha – Independent	10/10
4	Mr. Nasir Gulzar – Independent	10/10
5	Mr. Shah Jahan Mirza – Non-Executive	6/10
6	Mr. Muhammad Aslam Chaudhary – Non-Executive	5/5
	Mr. Muhammad Asif – Non-Executive	4/5
7	Mr. Rashid Sohail – Non-Executive	3/3
	Mr. Arshad Majeed – Non-Executive	5/6
8	Mr. Dhanpat Kotak – Chief Executive Officer	10/10
Audit Committee		
1	Mr. Nasir Gulzar - Convener	7/7
2	Mr. Mahfuz-Ur-Rehman Pasha	7/7
3	Mr. Muhammad Aslam Chaudhary	4/4
	Mr. Muhammad Asif	3/3
4	Mr. Rashid Sohail	2/2
	Mr. Arshad Majeed	4/5
HR Committee		
1	Mr. Muhammad Irfan Akram – Convener (attended all meetings after nomination on HR Committee)	6/6
2	Mr. Tabrez Aslam Shami	7/7
3	Mr. Shah Jahan Mirza	6/7
4	Mr. Muhammad Aslam Chaudhary	6/6
	Mr. Muhammad Asif	1/1
Procurement Committee		
1	Dr. Tabrez Aslam Shami - Convener	5/5
2	Mr. Muhammad Irfan Akram	5/5
3	Mr. Muhammad Aslam Chaudhary	3/3
	Mr. Muhammad Asif	2/2
4	Mr. Rashid Sohail	1/1
	Mr. Arshad Majeed	3/4
Risk Management Committee		
1	Mr. Mahfuz-Ur-Rehman Pasha – Convener	2/2
2	Mr. Muhammad Irfan Akram	2/2
3	Mr. Nasir Gulzar	2/2
4	Mr. Shah Jahan Mirza	1/2

(b) On request of directors/committee members, a leave of absence was granted to the members who did not attend the meeting(s).

(K) PATTERN OF SHAREHOLDING

Name of Shareholder	Holding
Government of Pakistan, through the President of Pakistan	4.50 %
Pakistan Development Fund Limited	95.50 %

Chief Executive Officer

Director

October 4, 2023

Compliance under Section 25(3) of State-Owned Enterprises (Governance and Operations) Act, 2023:

The Board of Directors of NPPMCL is of the opinion that reasonable grounds exist warranting NPPMCL's ability to pay its debts as they become due and payable. The Board of Directors is further of the opinion that the financial statements and notes to them comply with the requirements of State-Owned Enterprises (Governance and Operations) Act, 2023 and international accounting Standards.

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
351 Shadman-1, Jail Road,
Lahore 54000 Pakistan
+92 (42) 111-KPMGTH (576484), Fax +92 (42) 3742 9907

INDEPENDENT AUDITOR'S REPORT

To the members of National Power Parks Management Company (Private) Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of **National Power Parks Management Company (Private) Limited** ("the Company"), which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion Section of our report, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of the profit, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

The Company has long term loan from Pakistan Development Fund Limited (the lender) with carrying amount of Rs. 23,288.34 million (30 June 2022: Rs. 30,308.36 million). The Company did not pay principal amount of Rs. 3,868.66 million (30 June 2022: Rs. 7,812.74 million) along with markup of Rs. 8,124.79 million (30 June 2022: Rs. 10,453.35 million) which were due for payment. This nonpayment was an event of default under loan agreements which was not waived off by the lender as at 30 June 2023 and 30 June 2022. As a consequence of default, the lender has right to demand the repayment of entire amount of loan and as at 30 June 2023 and 30 June 2022, the Company did not have an unconditional right to defer its settlement for at least twelve months. Accordingly, non-current portion of carrying amount of long-term loan of Rs. 16,072.78 million (30 June 2022: Rs. 19,419.68 million) should have been classified as current liability in accordance with accounting and reporting standards as applicable in Pakistan which has not been classified as current in the financial statements (refer note 15.1.1 to the financial statements for details). Had the said liabilities been classified as current in the financial statements, total non-current liabilities would have been lowered by Rs. 16,072.78 million (30 June 2022: Rs. 19,419.68 million) with a corresponding increase in current liabilities. Our audit opinion on the financial statements for year ended 30 June 2022 was also qualified accordingly.

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

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

Management is responsible for the other information. Other information comprises the information included in the director's report for the year ended 30 June 2023 but does not include the financial statements and our auditor's reports thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) except for the effects of matter described in 'Basis for Qualified Opinion' section of our report, proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
b) except for the effects of matter described in 'Basis for Qualified Opinion' section of our report, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Mr. Rehan Chughtai.

KPMG Taseer Hadi & Co.
Chartered Accountants

Lahore

Date: 10 October 2023

UDIN: AR202310183vsYIqhOPJ

National Power Parks Management Company (Private) Limited
Statement of Financial Position
As at 30 June 2023

	Note	2023	2022
		(Rupees in thousand)	
ASSETS			
Non - current assets			
Operating fixed assets	5	**139,563,094**	136,693,376
Capital work-in-progress	6	**24,293**	21,560
Long term deposits and prepayments	7	**17,494,077**	17,551,622
		157,081,464	154,266,558
Current assets			
Stock-in-trade	8	**9,286,813**	5,589,146
Stores, spares and loose tools		**1,797,599**	1,696,848
Trade debts - secured	9	**263,729,445**	234,560,150
Advances, prepayments and other receivables	10	**11,062,677**	7,326,979
Tax recoverable from Government	11	**8,490,085**	9,366,497
Cash and bank balances	12	**2,461,094**	2,550,301
		296,827,713	261,089,921
		453,909,177	415,356,479
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 11,660,000,000 (June 30, 2022: 11,660,000,000) ordinary shares of Rs 10 each	13	**116,600,000**	116,600,000
Issued, subscribed and paid up capital 5,550,000,000 (June 30, 2022: 5,550,000,000) ordinary shares of Rs 10 each	13	**55,500,000**	55,500,000
Share deposit money	14	**61,000,000**	61,000,000
Unappropriated profit		**152,708,028**	107,780,720
		269,208,028	224,280,720
Non-current liabilities			
Long term loans	15	**27,481,056**	32,230,891
Lease liability against right of use asset	16	**146,284**	168,767
Staff retirement benefit	17	**28,874**	40,581
		27,656,214	32,440,239
Current liabilities			
Trade and other payables	18	**92,086,937**	91,055,271
Accrued markup	19	**11,423,486**	12,337,971
Short term borrowings - secured	20	**42,786,999**	41,381,948
Current maturity of long term loans	15	**10,384,526**	13,800,319
Current portion of lease liability against right of use asset	16	**25,636**	8,568
Provision for taxation		**337,351**	51,443
		157,044,935	158,635,520
CONTINGENCIES AND COMMITMENTS	21		
		453,909,177	415,356,479

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Officer | **Director**

National Power Parks Management Company (Private) Limited
Statement of Profit or Loss
For the year ended 30 June 2023

	Note	2023	2022
		(Rupees in thousand)	
Sales	22	**354,634,297**	297,176,588
Cost of sales	23	**(312,279,305)**	(268,960,904)
Gross profit		**42,354,992**	28,215,684
Administration expenses	24	**(488,943)**	(505,807)
Other charges	25	**(769,638)**	(282,871)
Other income	26	**30,205,477**	17,551,162
Profit before interest and tax		**71,301,888**	44,978,168
Financial charges	27	**(26,062,850)**	(11,628,929)
Profit before taxation		**45,239,038**	33,349,239
Taxation	28	**(308,498)**	(22,591)
Profit after taxation		**44,930,540**	33,326,648

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Officer **Director**

National Power Parks Management Company (Private) Limited

Statement of Comprehensive Income

For the year ended 30 June 2023

	2023	2022
	(Rupees in thousand)	
Profit after taxation	**44,930,540**	33,326,648
Other comprehensive loss for the year		
Items that will not be reclassified subsequently to profit or loss:		
- Remeasurement of staff retirement benefits	**(3,232)**	(17,193)
Total comprehensive income for the year	**44,927,308**	33,309,455

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Officer

Director

National Power Parks Management Company (Private) Limited

Statement of Changes in Equity

For the year ended 30 June 2023

	Capital Reserves		Revenue Reserves	
	Share Capital	**Share Deposit Money**	**Unappropriated profit**	**Total**
	------------------ (Rupees in thousand) ------------------			
Balance as at July 1, 2021	55,500,000	61,000,000	74,471,265	190,971,265
Total comprehensive income for the year				
Profit for the year	-	-	33,326,648	33,326,648
Other comprehensive income for the year	-	-	(17,193)	(17,193)
	-	-	33,309,455	33,309,455
Balance as at June 30, 2022	55,500,000	61,000,000	107,780,720	224,280,720
Balance as at July 01, 2022	**55,500,000**	**61,000,000**	**107,780,720**	**224,280,720**
Total comprehensive income for the year				
Profit for the year	-	-	44,930,540	44,930,540
Other comprehensive income for the year	-	-	(3,232)	(3,232)
	-	-	**44,927,308**	**44,927,308**
Balance as at June 30, 2023	**55,500,000**	**61,000,000**	**152,708,028**	**269,208,028**

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Officer

Director

National Power Parks Management Company (Private) Limited
Statement of Cash Flows
For the year ended 30 June 2023

	Note	2023	2022
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	29	**23,219,668**	6,141,703
Staff retirement benefits paid	17	**(40,581)**	(28,649)
Profit received on short term investment		**151,613**	-
Profit received on term deposit receipts		**9,563**	186,306
Profit received on saving accounts		**299,386**	80,165
Sales tax adjusted / (paid)		**1,047,326**	(655,946)
Income tax paid		**(487,463)**	(193,505)
Net cash generated from operating activities		**24,199,512**	5,530,074
Cash flows from investing activities			
Operating fixed assets		**(662,826)**	(10,797)
Capital work-in-progress		**(2,733)**	(2,202)
Long term deposits and prepayments		**-**	(1,621)
Net cash used in investing activities		**(665,559)**	(14,620)
Cash flows from financing activities			
Long term loan repaid		**(9,136,368)**	(2,130,174)
Long term loan obtained		**1,301,200**	2,691,651
Short term borrowings - net		**1,405,051**	(146,269)
Lease rentals paid		**(26,600)**	(28,174)
Financial charges paid		**(17,166,443)**	(7,741,373)
Net cash used in financing activities		**(23,623,160)**	(7,354,339)
Net decrease in cash and cash equivalents		**(89,207)**	(1,838,885)
Cash and cash equivalents at beginning of the year		**2,550,301**	4,389,186
Cash and cash equivalents at end of the year	12	**2,461,094**	2,550,301

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Officer **Director**

1 Legal status and nature of business

1.1 National Power Parks Management Company (Private) Limited ('the Company') was incorporated as a private limited Company under the Companies Ordinance, 1984, now Companies Act, 2017, on 02 March 2015. It is a public sector Company as it is beneficially owned and controlled by the Government of Pakistan ('GoP') through Pakistan Development Fund Limited ('PDFL'). The principal activity of the Company is to carry on business of generation of electricity through two combined cycle power plants operating on Regassified Liquefied Natural Gas ('RLNG') as primary fuel and High Speed Diesel ('HSD') as back-up fuel, of 1,230 MW at Haveli Bahadur Shah ('HBS'), District Jhang and 1,223 MW at Balloki, District Kasur. The Company has entered into two separate Power Purchase Agreements ('PPAs') for each plant with Central Power Purchasing Agency (Guarantee) Limited ('CPPA') on behalf of ex-WAPDA Distribution Companies ('the Power Purchaser') for the sale of its entire power generation.

The registered office of the Company is situated at Room no. 5, 6th Floor, Shaheed-e-Millat Secretariat, Blue Area, Islamabad and Head Office of the Company is situated at 7-C-1, 2nd Floor, M. M. Alam Road, Gulberg III, Lahore.

1.2 For the purpose of setting up two RLNG based combined cycle power plants of 1,230 MW at Haveli Bahadur Shah ('HBS'), District Jhang and 1,223 MW at Balloki, District Kasur respectively, the Company entered into Engineering, Procurement and Construction ('EPC') contracts for both plants.

1.3 The EPC contractor for HBS plant was a joint venture of Power Construction Corporation of China and Qavi Engineers (Private) Limited ('PCCC-QEL') whereas the EPC contractor for Balloki plant was a joint venture of Harbin Electric International and Habib Rafiq (Private) Limited ('HEI-HRL').

1.4 National Electric Power Regulatory Authority ('NEPRA') had determined reference generation tariff for both HBS and Balloki plants on 09 August 2016. The Commercial Operations Date ('CoD') tariff was determined for both plants on 19 February 2020 which was subsequently revised on 20 May 2020. The Return on Equity ('RoE') tariff has been reduced by NEPRA vide its order dated 18 February 2021 with effect from 6 October 2020.

1.5 PPAs for the two plants were entered between the Company and CPPA on October 29, 2016 for the period of 30 years and Gas Supply Agreements ('GSAs') were entered, for HBS and Balloki plants with Sui Northern Gas Pipelines Limited ('SNGPL') on 29 October 2016 for the period of 15 years.

1.6 The Company entered into two agreements for operation and maintenance activities of the HBS and Balloki plants with SEPCO III Electric Power Construction Corporation ('SEPCO III') dated 04 May 2017, and TNB Repair & Maintenance SDN BHD ('TNB') dated 05 May 2017 respectively for the period of 12 years. The Company also entered into two Long Term Service Agreements ('LTSA') with General Electric ('GE') for both HBS and Balloki plants on 18 October 2016 for the period of 12 years.

2 Basis of preparation

2.1 Statement of compliance

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

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

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

2.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupee, which is the Company's functional currency.

Figures in these financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise.

2.3 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan which are effective in current period

Certain standard amendments and interpretations to approved accounting standards are effective for the accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or to have any significant effect on the Company operations and are, therefore, not detailed in these financial statements.

2.4 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 01, 2023:

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 1 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.

– Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).

– Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Company's financial statements.

  The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

– Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

– Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences.

As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review

  Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7) introduce two new disclosure objectives for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. Under the amendments, companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement. The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities. The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

The above amendments, interpretations or improvements are likely to have no impact on the Company's financial statements

2.5 Standards, amendments and interpretations to existing standards that are effective but not applicable / exempt to the Company's operations

2.5.1 The Securities and Exchange Commission of Pakistan (SECP) through S.R.O 229 (I) / 2019 dated 14 February 2019 notified that the standard IFRS 9, 'Financial Instruments' would be effective for reporting period / year ending on or after 30 June 2019. However, SECP through SRO 67 (I) / 2023 dated 20 January 2023 granted exemption from applying expected credit loss based impairment model to financial assets due from the Government of Pakistan in respect of circular debt till 30 June 2024, provided that the Company shall follow relevant requirements of IAS 39- Financial Instruments: Recognition and Measurement, in respect of above referred financial assets during the exemption period. Accordingly, receivable from CPPA are exempt from expected credit loss-based impairment model of IFRS 9 till 30 June 2024.

2.5.2 International Accounting Standards Board (IASB) has issued IFRS-16 "Leases", which is effective for financial periods beginning on or after 01 January 2019. According to the said standard 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 IFRS-16 "Leases".

The Company's plant's control due to purchase of total output by CPPA appears to fall under the scope of IFRS 16. However, Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O986/(1)/2019 dated 02 September 2019 notified that the requirements contained in IFRS 16 shall not be applicable to all companies that have executed their power purchase agreements before January 1, 2019 to the extent of the power purchase agreements. Accordingly the requirements of IFRS 16 are not applicable to the Company to the extent of its lessor accounting owing to its arrangement under PPAs. However, impact of IFRS-16 is mandatory to be disclosed in the financial statements as per requirements of IAS-8.

Consequently, the Company is not required to account for a portion of its PPAs as a lease under IFRS 16. If the Company were to follow IFRS 16, the effect on the financial statements would be as follows:

	2023	2022
	(Rupees in thousand)	
De-recognition of property, plant and equipment	**(139,373,995)**	(136,447,128)
Recognition of lease receivable	**140,999,845**	139,025,035
Increase in unappropriated profit at the beginning of the year	**2,577,907**	3,874,300
Decrease in profit for the year	**(952,057)**	(1,296,393)
Increase in unappropriated profit at end of the year	**1,625,850**	2,577,907

The above impacts are calculated keeping in view the exemption from application of IAS 21.

3 Basis of Measurement

3.1 These financial statements have been prepared under the historical cost convention except for recognition of certain staff retirement benefits at present value.

3.2 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, 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 circumstances, and the results of which form the basis for making judgment about carrying value 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 estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where assumptions and estimates are applied to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

3.2.1 Property, plant and equipment

The Company reviews the useful lives and residual values of property, plant and equipment annually by considering expected pattern of economic benefit that the Company expects to derive from the item and the maximum period up to which such benefits are expected to be available. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

3.2.2 Taxation

The Company takes into account the current income tax law and decisions taken by the taxation 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.

3.2.3 Stock in trade

The Company reviews the carrying value of stock in trade to assess any diminution in the respective carrying values. Any change in estimates in future years might affect the carrying value of stock in trade. Net realizable value is determined with reference to estimated selling price less estimated cost of completion and expenditure to make the sales.

3.2.4 Employee benefits

The Company operates funded gratuity scheme covering all its full time permanent workers who have completed the minimum qualifying period of service as defined under the respective scheme. The gratuity scheme is managed by trustees. The calculation of the benefit requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used for the plan are determined by independent actuary on annual basis.

The amount of the expected return on plan assets is calculated using the expected rate of return for the year and the market-related value at the beginning of the year. Gratuity cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employee service during the year and the interest on the obligation in respect of employee service in previous years, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

3.2.5 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

3.2.6 Contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the reporting date.

3.2.7 Impairment

3.2.7.1 Impairment of financial assets - other than financial assets due from the Government of Pakistan in respect of circular debt

The Company estimates loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortized cost after considering the pattern of receipts from and future financial outlook of, the counterparty and is reviewed by the management on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of assets with a corresponding effect on the statement of profit or loss.

3.2.7.2 Impairment of financial assets due from the Government of Pakistan in respect of circular debt

The management of the Company reviews carrying amounts of its financial assets due from the Government of Pakistan for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

3.2.7.3 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 criteria given in respective accounting standards to determine the extent of impairment loss, if any.

4 Significant Accounting Policies

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

4.1 Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment loss, if any, except for freehold land which is stated at cost less impairment, if any. Cost comprises of acquisition and other directly attributable cost(s).

Depreciation is charged to the statement of profit or loss on the straight-line method so as to write off the historical cost of an asset over its estimated useful life at the rates specified in note 5. Depreciation on additions commences when the asset is available for use till its disposal.

The Company assesses at each statement of financial position date whether there is any indication that operating fixed assets may be impaired as per note 4.19 to the financial statements.

Assets residual values and useful lives are reviewed, and adjusted, if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to statement of profit or loss.

An item of operating fixed assets is derecognized upon disposal or when no future economic benefits are expected to arise from continuing use of assets. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the statement of profit or loss in the period the asset is derecognized.

The net exchange differences capitalized under waiver from the requirements of IAS-21 ('The effects of changes in foreign exchange rates') vide SECP S.R.O. 986(I)/2019 are depreciated in equal instalments over the remaining useful life of the plants.

Capital spares qualify as operating fixed assets when the Company expects to use them for more than one year. Available for use capital spares are depreciated over their useful lives.

4.2 Capital work in progress

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

4.3 Intangible assets

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is computed using the straight-line method over the estimated useful lives of the assets.

Amortization on additions 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.

4.4 Stock-in-trade

Stock-in-trade are valued at lower of cost based on First-In-First-Out (FIFO) and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. However, items in transit are stated at invoice value plus other charges paid thereon till the statement of financial position date.

4.5 Stores, spares and loose tools

Stores, spares and loose tools are valued at invoice value plus other charges paid thereon till the statement of financial position date. The Company reviews the stores, spare parts and loose tools for possible impairment on an annual basis. Any change in estimates in future years might affect the carrying amounts of the respective items of stores, spare parts and loose tools with a corresponding effect on the provision.

4.6 Trade debts

Trade debts initially recognized when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Furthermore, the Company holds the trade debts with the objective of collecting the contractual cashflows and therefore measures the trade debts subsequently at amortized cost.

4.7 Advances, prepayments and other receivables

These are initially recognized at cost, which is the fair value of the consideration given. Subsequent to initial recognition, assessment is made at each statement of financial position date to determine whether there is any indication that a financial asset or group of financial assets may be impaired. If such indication exists, the estimated recoverable amount of that asset or group of assets is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying value.

4.8 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents comprise cash in hand, cash at banks in current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.9 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost representing the fair value of consideration received less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the statement of profit or loss over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset. Finance costs are accounted for on an accrual basis and are reported under accrued finance costs to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

4.10 Staff retirement benefits

Defined benefit plan – Gratuity

The Company operates a funded defined benefit gratuity scheme for all employees with a qualifying service period of one year. Contribution is made to the fund on the basis of actuarial recommendations. Gratuity is based on employee's last drawn salary. The liability relating to defined benefit plan is determined through actuarial valuation using the projected unit credit method and is charged to statement of profit or loss. The latest actuarial valuation was carried out by an independent actuary as at 30 June 2023.

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if, any excluding interest), are recognized immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan is recognized in statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in statement of profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

4.11 Leave fare assistance

Employees' entitlement to leave fare assistance is recognized in profit or loss account when they accrue to the employees. The Company provides for leave fare assistance on annual basis subject to availing of at-least five continuous annual leaves. A provision, is made for the estimated liability for leave fare assistance as a result of services rendered by employees up to the reporting date.

4.12 Trade and other payables

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liability.

4.13 Borrowing costs

Borrowing and other related costs (net of interest income on specific borrowings) directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use are added to the cost of those assets to the extent the carrying amount of the assets does not exceed its recoverable value, until the assets are substantially ready for their intended use. All other borrowing costs are recognized as an expense in the year in which they are incurred.

4.14 Taxation

Current

The profits and gains of the Company derived from sale of electricity are exempt from tax in terms of clause 132AA of Part I of the Second Schedule to the Income Tax Ordinance, 2001. However, full provision is made in the statement of profit or loss on income from other sources not covered under the above clause at current rates of taxation after taking into account, tax credits and rebates available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

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 sale of electricity are exempt from tax in terms of clause 132AA of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

4.15 Provisions

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

4.16 Foreign currency transactions and translation

Transactions in foreign currencies are translated into functional currency (Pakistani Rupee) using exchange rates approximating those ruling on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pakistani Rupee at the rates of exchange ruling at the statement of financial position date. Exchange gains and losses resulting from settlement of foreign currency transactions and translation of monetary assets and liabilities at the rates prevailing at the reporting date are included in the statement of profit or loss except the waiver granted by SECP from the requirements of IAS-21, to the extent of capitalization of exchange differences to the power sector companies as mentioned in note 36. Non-monetary items that are measured in terms of a historical cost in a foreign currency are not re-translated.

4.17 Financial instruments

4.17.1 Recognition and initial measurement

All financial assets or financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

4.17.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in statement of profit or loss.

Financial assets measured at amortized cost comprise of cash and bank balances, deposits, loan to employees, accrued profit, term deposit receipts, trade debts and other receivables.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of profit or loss. However, the Company has no such instrument at the reporting date.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to statement of profit or loss. However, the Company has no such instrument at the reporting date.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss account. However, the Company has no such instrument at the reporting date.

Financial assets – Business model assessment:

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on derecognition is also recognized in statement of profit or loss.

Financial liabilities comprise trade and other payables, long term loans, current maturity of long term loans, markup accrued on borrowings and short term borrowings.

4.17.3 Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in statement of profit or loss.

4.18 Write-off policy

The Company writes off a financial asset when there is information indicating that the amount is not recoverable due to the conflict in invoices with customer. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in statement of profit or loss.

4.19 Impairment

Financial assets - other than financial assets due from the Government of Pakistan

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost other than due from government;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets 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 cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis.

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

4.20 Financial assets due from the Government of Pakistan in respect of circular debt

Financial assets due from the Government of Pakistan comprise of trade debts and other receivables under PPAs which also include accrued amounts. SECP through SRO 985(I)/2019 dated September 2, 2019 has notified that, in respect of companies holding financial assets due from the Government of Pakistan, the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method shall not be applicable till June 30, 2021 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. SECP through SRO 67 (I) / 2023 dated 20 January 2023 has extended this exemption to financial assets due from Government of Pakistan in respect of circular debt till 30 June 2024. Accordingly, the same continue to be reported as per the following accounting policy:

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

The Company assesses at the end of each reporting period whether there is objective evidence that the financial asset is impaired. The financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of profit or loss.

When the financial asset is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of profit or loss.

4.21 Off setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention and ability to settle on a net basis, or realize the asset and settle the liability simultaneously.

4.22 Revenue recognition

Sale of electricity and related products under IFRS 15

Under IFRS 15, revenue is recognized over time. The Company's PPA contains a distinct performance obligation for the delivery of electricity, availability of capacity (i.e. plant availability for generation), or a combination of the two. Determining what goods or services promised to the customer constitute a distinct performance obligation requires significant judgment. The Company considered all goods and services promised in its PPA contract and determined that while certain promises do have stand alone value to the customer, they are not distinct in the context of the contract.

The Company views each kilowatt hour (KWh) of electricity generation and/or available capacity to be a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer as measured using an output method. The amount that the Company has a right to bill the customer reflects the pattern of transfer and value of the completed performance to the customer. As a result, the Company applies the "right to invoice" practical expedient under IFRS 15 to measure and recognize revenue.

Other revenue recognition policies are as follows:

- Markup on delayed payments from CPPA is recognized on accrual basis after taking into account agreed markup rates, due dates and outstanding amounts of underlying invoices.

- Profit on bank deposits is recognized on a time proportion basis by reference to the amount outstanding and the applicable rates of return.

4.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reports issued to the chief operating decision-maker. The Chief Executive Officer has been identified as the 'chief operating decision-maker', who is responsible for allocating resources and assessing performance of the operating segments. The Company has two reportable segments namely Haveli Bahadur Shah power plant (HBS) and Balloki power plant (Balloki) based on generation licenses.

4.24 Contingent liabilities

A contingent liability is disclosed when:

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

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

4.25 Leases

Except as disclosed in note 2.5.2 to these financial statements, the Company applies the following accounting policies with respect to lease contracts.

The Company is the lessee

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

At initial recognition, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

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

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

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

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

5 Operating fixed assets

		Owned assets								Leased asset	
	Note	Freehold land	Plant & Machinery	Capital spares	Building & Civil Works	Motor vehicles	Office equipment	Furniture & Fixtures	Computers and IT equipment	Right of use asset - Building	Total
		(Rupees in thousand)									
Net book value basis (NBV)											
Year ended June 30, 2023											
Opening balance		1,156,744	123,518,049	3,848,447	7,923,888	36,728	14,261	25,364	640	169,255	136,693,376
Additions (at cost)		318	629,419	-	11,950	-	2,768	498	17,873	-	662,826
Other adjustments	*5.1*	-	7,908,335	-	-	-	-	-	-	-	7,908,335
Depreciation charge		-	(5,075,686)	(148,491)	(306,252)	(36,728)	(2,749)	(4,440)	(2,636)	(31,735)	(5,608,717)
Written off	*5.2*	-	(92,726)	-	-	-	-	-	-	-	(92,726)
Closing balance		1,157,062	126,887,391	3,699,956	7,629,586	-	14,280	21,422	15,877	137,520	139,563,094
Gross book value basis											
As at June 30, 2023											
Cost		**1,157,062**	**151,085,048**	**4,452,384**	**9,744,908**	**219,151**	**28,831**	**44,843**	**29,394**	**190,412**	**166,952,033**
Accumulated depreciation		-	**(24,197,657)**	**(752,428)**	**(2,115,322)**	**(219,151)**	**(14,551)**	**(23,421)**	**(13,517)**	**(52,892)**	**(27,388,939)**
Net book value (NBV)		**1,157,062**	**126,887,391**	**3,699,956**	**7,629,586**	-	**14,280**	**21,422**	**15,877**	**137,520**	**139,563,094**
Depreciation rate % per annum		-	**3-4%**	**3-4%**	**3-4%**	**20%**	**10%**	**10%**	**30%**	**17%**	
Net book value basis (NBV)											
Year ended 30 June 2022											
Opening balance		1,154,331	124,469,449	3,996,937	8,221,053	76,619	16,867	29,799	1,350	-	137,966,405
Additions (at cost)		2,413	-	-	8,384	-	-	-	-	-	10,797
Right of use assets recognized during the year		-	-	-	-	-	-	-	-	190,412	190,412
Other adjustments	5.1	-	3,816,070	-	-	-	-	-	-	-	3,816,070
Depreciation charge		-	(4,767,470)	(148,490)	(305,549)	(39,891)	(2,606)	(4,435)	(710)	(21,157)	(5,290,308)
Closing balance		1,156,744	123,518,049	3,848,447	7,923,888	36,728	14,261	25,364	640	169,255	136,693,376
Gross book value basis											
As at 30 June 2022											
Cost		1,156,744	142,655,324	4,452,384	9,732,958	219,151	26,063	44,345	11,521	190,412	158,488,902
Accumulated depreciation		-	(19,137,275)	(603,937)	(1,809,070)	(182,423)	(11,802)	(18,981)	(10,881)	(21,157)	(21,795,526)
Net book value (NBV)		1,156,744	123,518,049	3,848,447	7,923,888	36,728	14,261	25,364	640	169,255	136,693,376
Depreciation rate % per annum		-	3-4%	3-4%	3-4%	20%	10%	10%	30%	17%	

5.1 Other adjustments mainly include exchange loss arisen on liabilities towards EPC contractors which is capitalized in accordance with S.R.O 986(I)/2019 dated September 02, 2019 of Securities and Exchange Commission of Pakistan.

5.2 In August 2022, two Unit Auxiliary Transformers (UATs) were damaged as a result of fire incident at HBS plant and therefore deemed unusable and written off.

5.3 Depreciation charged to

	Note	2023	2022
		(Rupees in thousand)	
Cost of sales	*23*	**5,530,430**	5,221,509
Administration expenses	*24*	**78,287**	68,799
		5,608,717	5,290,308

6 Capital work-in-progress

	Note	2023	2022
Advance for purchase of land	*6.1*	**998**	998
Housing complex		**23,295**	20,562
	6.2	**24,293**	21,560

6.1 This represents advance for purchase of land at HBS plant. This has been paid to Revenue office, Government of Punjab at the request of Assistant Commissioner / Land Acquisition Collector, however mutation has not been issued in favor of the Company.

6.2 Movement of capital work in progress

	Note	2023	2022
		(Rupees in thousand)	
Opening balance		**21,560**	19,358
Additions during the year		**2,733**	2,202
Closing balance		**24,293**	21,560

7 Long term deposits and prepayments

	Note	2023	2022
RLNG escrow account	*7.1*	**17,135,265**	17,135,265
Security deposit - rental premises		**8,658**	8,658
Security deposit - bank lockers		**50**	50
O&M mobilization cost	*7.2*	**350,104**	407,649
		17,494,077	17,551,622

7.1 This represents amount deposited in escrow accounts maintained with National Bank of Pakistan (NBP), which is a related party, under the terms of GSAs signed with SNGPL, for the supply of RLNG to both the plants. The amount comprises of Rs 7,694.91 million (June 30, 2022: Rs 7,694.91 million) deposited for HBS plant and Rs 9,440.35 million (June 30, 2022: Rs 9,440.35 million) for Balloki plant. During the year, interest amounting to Rs 1,958.19 million (June 30, 2022: Rs 977.99 million) has been received on escrow account balances outstanding during the year. The same is adjusted with trade receivables from CPPA as per Section 9.11 of the PPAs.

7.2 This represents unamortized balance of mobilization cost amounting to Rs 139.28 million (June 30, 2022: Rs 162.34 million) and Rs 210.82 million (June 30, 2022: Rs 245.30 million) related to Operations and Maintenance (O&M) contractors of HBS (SEPCO III) and Balloki (TNB) plants respectively. Mobilization cost was paid to these contractors as per the terms of the O&M agreements signed with these contractors. These amounts are being amortized over 12 years term of both the contracts.

8 Stock-in-trade

	Note	2023	2022
		(Rupees in thousand)	
High speed diesel	*8.1*	**9,286,813**	5,589,146

8.1 This represents high speed diesel (HSD) stock maintained as back-up fuel for both the plants and is being valued on First-In-First-Out basis (FIFO).

9 Trade debts - secured	Note	2023 (Rupees in thousand)	2022
Considered good, billed	9.1	**242,935,869**	217,794,250
Considered good, unbilled	9.2	**20,793,576**	16,765,900
		263,729,445	234,560,150

9.1 This represents the receivable balance from CPPA, a related party, against energy, capacity and delayed payment charges. Trade debts are secured against a guarantee from the Government of Pakistan under the Implementation Agreement (IA) and are considered good. For the purpose of securing its obligation to the financiers as per the agreement of Stand By Letter of Credit (SBLC) and working capital facility, the Company has assigned all energy payments receivable from CPPA, by way of charge to the Security Trustee (National Bank of Pakistan) .

9.1.1 Maximum aggregate amount of billed trade debts outstanding at any time during the period, calculated with respect to month end balances, amounts to Rs 271,307.20 million (June 30, 2022: Rs 217,794.25 million).

9.1.2 Trade debts, billed include Rs 42,312.68 million (June 30, 2022: Rs 57,713.76 million) which are neither overdue nor impaired and Rs 200,623.19 million (June 30, 2022: Rs 160,080.49 million) which are overdue but not impaired.

Overdue receivables:	2023 (Rupees in thousand)	2022
Up to 3 months	**96,141,923**	79,523,747
Up to 6 months	**17,539,341**	11,991,331
More than 6 months	**86,941,926**	68,565,414
	200,623,190	160,080,492

Trade debts are Pakistan Rupee denominated and secured by sovereign guarantee from the Government of Pakistan under the Implementation Agreements of HBS and Balloki plants. These are in the normal course of business and are interest free, however, a late payment surcharge of 3 Months KIBOR plus 2 percent per annum is charged in case the amounts are not paid within due dates i.e. 25 days for EPP and 30 days for CPP from the invoice date as prescribed in the respective PPAs.

9.2 Un-billed receivables include Rs 2,594.72 million (June 30, 2022: 1,820.42 million) pertaining to capacity components, Rs 17,608.64 million (June 30, 2022: 8,744.01 million) pertaining to un-billed delay payment charges, and Rs 590.22 million (June 30, 2022: 6,201.47 million) related to other fuel price adjustments.

10 Advances, prepayments and other receivables	Note	2023 (Rupees in thousand)	2022
Accrued profit	10.1	**63,833**	10,466
Advance income tax		**487,464**	193,505
Prepaid expenses		**171,579**	4,464
Advance for office expenses	10.2	**200**	371
Advance to employees	10.2	**12,982**	4,814
Other receivables	10.3	**46,527**	-
Recoverable from CPPA as pass-through items:			
- Workers' Welfare Fund	10.4	**2,616,855**	1,712,074
- Workers' Profit Participation Fund	10.4	**7,663,237**	5,401,285
		10,280,092	7,113,359
		11,062,677	7,326,979

10.1 This represents profit accrued on saving accounts and Term Deposit Receipts (TDRs) maintained with banks. This includes accrued profit from National Bank of Pakistan (NBP), a related party, amounting to Rs 63.83 million (June 30, 2022: Rs 10.4 million).

10.2 Advance for office expenses and advance to employees include amounts due from executives of Rs 0.20 million (June 30, 2022: Rs 0.4 million) and Rs 12.26 million (June 30, 2022: Rs 4.49 million) respectively.

10.3 In light of Judgement passed by High Court of Justice, London in matter of Take or Pay, the Company is entitled to recover cost of legal proceedings amounting GBP 120,000 along with pre-judgement interest and interest for any delayed payment.

10.4 Under section 11.3 (a) of Part IV of Schedule 1 of the PPAs, payments to Workers Profit Participation Fund and Workers Welfare Fund are recoverable from CPPA as pass-through items.

11 Tax recoverable from Government	Note	2023	2022
		(Rupees in thousand)	
Income tax		**2,001,141**	1,830,227
Sales tax	*11.1*	**6,488,944**	7,536,270
		8,490,085	9,366,497

11.1 This includes sales tax amounting to Rs 2,458.61 million and Rs 1,097.71 million against which refund applications have been filed with Federal Board of Revenue (FBR) in the monthly sales tax return of November, 2018 and August, 2020 respectively.

12 Cash and bank balances	Note	2023	2022
		(Rupees in thousand)	
Cash at bank - current accounts	*12.1*	**2,455**	326
Cash at bank - saving accounts	*12.2*	**1,647,603**	1,650,964
Cash at bank - sales tax accounts	*12.3*	**808,036**	735,039
Term deposit receipts	*12.4*	**3,000**	163,972
		2,461,094	2,550,301

12.1 This represents Musharakah Facility debt repayment accounts maintained with Bank of Punjab (BoP) for repayment of quarterly instalments under the Musharakah Financing Facility.

12.2 This includes balance of saving accounts maintained with National Bank of Pakistan (NBP), which is a related party, aggregating to Rs 24.23 million (June 30, 2022: Rs 10.17 million) at the year end. Other banks include United Bank Limited (UBL), Habib Bank Limited (HBL) and the Bank of Punjab (BoP). These balances carry interest at the rate of 19.50% (June 30, 2022: 12.25%) per annum.

Two fuel cost accounts are maintained with UBL in pursuance of the SBLCs and working capital facility agreements for procurement of RLNG/HSD. As per the aforementioned agreements, lien has been marked on the fuel cost accounts in favor of the security trustee, NBP. The security trustee has the right of set-off, right of transfer and right of appropriation over all amounts standing to the credit of the fuel cost accounts. The balance of fuel cost accounts amounts to Rs 148.27 million (June 30, 2022: Rs 554.14 million) at the year end.

12.3 This represents two accounts maintained with NBP, a related party, for depositing EPC contractors sales tax amount retained on the direction of Lahore High Court (LHC).

12.4 Term Deposit Receipts (TDRs) issued by the banks have a maturity period of equal to or less than 3 months. The rate of return on these TDRs is 19.70% (June 30, 2022: 12.00% to 12.50%) per annum. This includes TDRs issued by NBP, a related party, as at June 30, 2023 aggregating to Rs 3.0 million (June 30, 2022: Rs 163.97 million).

12.4.1 As at June 30, 2023, TDR amounting to Rs. 3.0 million (June 30, 2022: Rs. 0.972 million) placed with NBP is under lien against the bank guarantee issued in the favor of Pakistan State Oil Company Limited, a related party, for purchase of POL/Fuel under contract number "NPPMCL/admin/PSO/3/16".

	2023	2022
13 Share capital	**(Rupees in thousand)**	
Authorized share capital		
11,660,000,000 (June 30, 2022: 11,660,000,000) ordinary shares of Rs 10 each	**116,600,000**	116,600,000
Issued, subscribed and paid up capital		
5,550,000,000 (June 30, 2022: 5,550,000,000) ordinary shares of Rs 10 each fully paid in cash	**55,500,000**	55,500,000

13.1 5,300 million (June 30, 2022: 5,300 million) ordinary shares of Rs 10 each are held by Pakistan Development Fund Limited, 250 million ordinary shares of Rs 10 each are held by the Government of Pakistan and 3 ordinary shares of Rs 10 each are held by nominee personnel of the Government of Pakistan.

	Note	2023	2022
14 Share deposit money	*Note*	**(Rupees in thousand)**	
Share deposit money	*14.1*	**61,000,000**	61,000,000

14.1 This represents advance against issue of fixed number of ordinary shares of Rs. 10 each. During previous years, the Finance Division, Government of Pakistan (GoP) through letter numbered "F. No. 2(23)Inv-I/2017-466" dated 17 August 2017 informed the Company that Pakistan Development Fund Limited (PDFL) has acquired equity shares of GoP in the Company amounting to Rs 114,000 million. However, till 30 June 2023, ordinary shares to the extent of Rs 53,000 million have been issued to PDFL.

	Note	2023	2022
15 Long term loans	*Note*	**(Rupees in thousand)**	
Loan from Pakistan Development Fund Limited (PDFL) - unsecured	*15.1*	**23,288,340**	30,308,360
Accrued markup		**8,124,790**	10,453,345
		31,413,130	40,761,705
Loan from banks - secured	*15.2*	**14,577,242**	15,722,850
Accrued markup		**832,328**	502,395
		15,409,570	16,225,245
Less: Current maturity		**(10,384,526)**	(13,800,319)
Less: Accrued markup presented separately	*19*	**(8,957,118)**	(10,955,740)
		27,481,056	32,230,891

15.1 The Company received an unsecured long-term loan from its sponsor, PDFL, a related party, amounting to Rs 32,738 million, for a period of 10 years. The outstanding amount of loan is repayable in 36 quarterly installments started from 30 September 2019. The loan carries markup at the rate of 3 months KIBOR plus 1% (June 30, 2022: 3 months KIBOR plus 1%) per annum, payable quarterly in arears.

15.1.1 As at June 30, 2023, principal amount of Rs. 3,868.66 million (June 30, 2022: Rs. 7,812.74 million) along with markup of Rs 8,124.79 million (June 30, 2022: Rs 10,453.35 million) are due for payment however, due to circular debt issue, the Company has not received sufficient funds from the power purchaser and therefore these due amounts could not be paid. During the year, the Company has paid an amount of Rs. 7,020.20 million against principal and Rs.7,848.32 million against markup.

During last financial year, the Company received various requests from PDFL for payment of the overdue amounts, however, all these payment requests were withdrawn vide letter # PDFL/CFO/2022-18 dated March 06, 2022. Considering the correspondence with sponsor, PDFL, and terms of the loan agreements, the legal advisor of the Company vide opinion dated March 21, 2022 has opined that an Event of Default has not yet occurred under the loan agreements hence, the Company's obligation to discharge its liability to repay the loans in terms of the Illustrative Payment Schedule continues. Accordingly, the Company has recorded overdue amount of Rs. 3,868.66 million along with Rs. 3,346.90 million due in next financial year under current liabilities and Rs. 16,072.78 million which was not yet due at the year end is reflected as non-current liabilities in the financial statements.

15.1.2 The reconciliation of the carrying amount with PDFL is as follows:

	2023	2022
	(Rupees in thousand)	
Opening balance	**30,308,360**	30,308,360
Repayments during the year	**(7,020,020)**	-
	23,288,340	30,308,360
Current portion shown under current liabilities	**(7,215,560)**	(10,888,680)
Closing balance	**16,072,780**	19,419,680

15.2 This amount consists of Rs 6,977.18 million (June 30, 2022: Rs 6,801.03 million), and Rs 7,600.06 million (June 30, 2022: Rs 8,921.81 million) utilized in HBS and Balloki plants respectively. The Company arranged financing facilities from the Bank of Punjab (BoP) led consortium of banks comprising the Bank of Punjab (BoP) 40.79%, Meezan Bank Limited (MBL) 26.32%, Dubai Islamic Bank Pakistan Limited (DIBL) 19.74%, and Askari Bank Limited (ABL) 13.15%, and signed Musharakah facility agreements amounting to Rs 18,400 million and Rs 19,600 million for HBS and Balloki plants respectively on June 11, 2019. These outstanding amounts of facilities are repayable in 27 equal quarterly installments ending on December 31, 2028. These facilities carry mark-up at the rate of three months KIBOR plus 0.90%. The said facilities have been secured by way of GoP guarantee and lien over capacity payment receivables (debt component) pertaining to respective plants.

15.2.1 The reconciliation of the carrying amount with BoP led consortium of banks is as follows:

	2023	2022
	(Rupees in thousand)	
Opening balance	**15,722,850**	15,161,373
Disbursements during the year	**1,301,200**	2,691,651
Repayments during the year	**(2,446,808)**	(2,130,174)
	14,577,242	15,722,850
Current portion shown under current liabilities	**(3,168,966)**	(2,911,638)
Closing balance	**11,408,276**	12,811,212

16 Lease liability against right of use asset

	2023	2022
	(Rupees in thousand)	
Lease liability against right of use asset	**171,920**	177,335
Current portion of lease liability against right of use asset	**(25,636)**	(8,568)
	146,284	168,767

Maturity analysis of lease liability against right of use asset is as follows

	2023	2022
Less than one year	**44,173**	29,753
One to five year	**173,894**	200,257
More than five years	**-**	19,018
Total undiscounted lease liability against right of use asset	**218,067**	249,028
Impact of discounting on lease liability against right of use asset	**(46,147)**	(71,693)
	171,920	177,335

17 Staff retirement benefit

	2023	2022
Provision for gratuity	**28,874**	40,581

The latest actuarial valuation of the Company's defined benefit plan, was conducted on June 30, 2023 using projected unit credit method. Detail of obligation for defined benefit plan is as follows:

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

	Note	2023	2022
		(Rupees in thousand)	
Present value of defined benefit obligation	*17.1*	**189,422**	144,764
Gratuity due but not paid at the year end	*17.1*	**-**	1,556
Less: Fair value of plan assets	*17.2*	**(160,548)**	(105,739)
Net liability at end of the year		**28,874**	40,581
Net liability at beginning of the year		**40,581**	28,649
Charge to profit or loss for the year	*17.3*	**25,642**	23,388
Charge to other comprehensive income for the year	*17.3*	**3,232**	17,193
Contribution made during the year		**(40,581)**	(28,649)
Net liability at end of the year		**28,874**	40,581

17.1 Movement in the present value of defined benefit obligations is as follows:

	2023	2022
	(Rupees in thousand)	
Present value of defined benefit obligations at beginning of the year	**144,764**	102,307
Gratuity payable at the beginning of the year	**1,556**	-
Current service cost for the year	**23,056**	22,306
Interest cost for the year	**19,149**	10,014
Benefits due but not paid	**-**	(1,556)
Actuarial loss on present value of defined benefit obligations	**2,942**	14,466
Benefits paid during the year	**(2,045)**	(2,773)
Present value of defined benefit obligation at end of the year	**189,422**	144,764

17.2 **Movement in the fair value of plan assets is as follows:**

	2023	2022
	(Rupees in thousand)	
Fair value of plan assets at beginning of the year	**105,739**	76,382
Contributions made during the year	**40,581**	28,649
Expected return on plan assets for the year	**16,563**	8,932
Actuarial loss during the year	**(290)**	(2,727)
Benefits paid during the year	**(2,045)**	(5,497)
Fair value of plan assets at end of the year	**160,548**	105,739

Plan assets comprise of:

	2023	2022
Cash at bank - saving accounts	**16,174**	4,393
Accrued interest	**2,374**	346
Term deposit receipts	**142,000**	101,000
	160,548	105,739

17.3 **Charge for the year**

	2023	2022
In statement of profit or loss		
Current service cost for the year	**23,056**	22,306
Interest cost for the year	**19,149**	10,014
Expected return on plan assets for the year	**(16,563)**	(8,932)
	25,642	23,388
In other comprehensive income		
Actuarial loss on retirement benefits - net	**3,232**	17,193
	28,874	40,581

Actuarial assumptions

The following are the principal actuarial assumptions at :

	2023	2022
	(Percentage)	
Discount rate used for year end obligations	**16.25%**	13.25%
Expected rate of growth per annum in future salaries	**15.25%**	12.25%
Expected mortality rate	**SLIC 2001 - 2005 Setback 1 Year**	SLIC 2001 - 2005 Setback 1 Year
Retirement assumptions	**60 Years**	60 Years

17.4 The Company expects to charge Rs. 34.25 million to statement of profit or loss on account of defined benefit plan in the year ending June 30, 2024.

17.5 **Sensitivity analysis**

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the present value of the defined benefit obligation as at June 30, 2023 would have been as follows:

	Gratuity	
	Present value of defined benefit obligation	
	Increase in assumption	Decrease in assumption
	(Rupees in thousand)	
Discount rate + 100 bps	173,199	207,170
Future salary increase + 100 bps	207,166	173,196

The sensitivity analysis of the defined benefit obligation to the significant actuarial assumptions has been performed using the same calculation techniques as applied for calculation of defined benefit obligation reported in the statement of financial position.

17.6 At June 30, 2023, the average duration of the defined benefit obligation was 9 years.

17.7 Gratuity charge to the statement of profit or loss for the period has been allocated as follows:

		2023	2022
	Note	**(Rupees in thousand)**	
Cost of sales	*23*	**16,448**	15,459
Administration expenses	*24*	**9,194**	7,929
		25,642	23,388

17.8 The Company faces the following risks on account of defined benefit plan:

17.8.1 Salary risk

The present value of the defined benefit liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the liability and vice versa.

17.8.2 Withdrawal rate risk

The present value of the defined benefit liability is calculated by reference to the best estimate of the withdrawal rate of plan participants. As such, an increase in the withdrawal rate may increase/decrease the liability and vice versa depending on the age-service distribution of the exiting employees.

17.8.3 Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate determined by reference to the market yields at the end of the reporting period on high quality corporate bonds, or where there is no deep market in such bonds, by reference to market yields on government bonds. Currencies and terms of bond yields used must be consistent with the currency and estimated term of the post-employment benefit obligations being discounted. A decrease in bond interest rates will increase the liability, and vice versa.

17.8.4 Mortality rate risk

The present value of the defined benefit liability is calculated by reference to the best estimate of the mortality of plan participants during employment. An improvement in the mortality rates of the participants may increase/decrease the liability and vice versa depending on the age-service distribution of the exiting employees.

18 Trade and other payables

		2023	2022
	Note	**(Rupees in thousand)**	
Trade creditors	*18.1*	**50,269,906**	59,609,261
PCCC - QEL	*18.2*	**15,929,317**	12,921,579
HEI - HRL	*18.3*	**14,301,749**	10,668,213
Consultancy services	*18.4*	**62,883**	62,541
Insurance premium	*18.5*	**899,164**	426,802
Accrued expenses		**51,111**	7,049
Withholding tax payable		**22**	11,843
Other liabilities		**292,693**	234,624
Workers' Welfare Fund (WWF)	*18.6*	**2,616,855**	1,712,074
Workers' Profit Participation Fund (WPPF)	*18.7*	**7,663,237**	5,401,285
		92,086,937	91,055,271

			2023	2022
18.1	**Trade creditors**	*Note*	**(Rupees in thousand)**	
	SNGPL (related party)	*18.1.1*	**46,881,310**	56,818,891
	SEPCO-III		**500,303**	540,851
	TNB Remaco		**866,992**	792,705
	GE International		**2,021,301**	1,456,814
			50,269,906	59,609,261

18.1.1 In the matter of disputed Take or Pay (ToP) invoices of SNGPL, LCIA arbitrator made its final and binding arbitral awards, a sole and exclusive remedy under the GSAs, on December 12, 2021 in favor of the Company. In light of the LCIA awards, the Company, during the year ended 30 June 2022, has set off the total receivable claim aggregating to Rs. 15,507.56 million with the gas payables and communicated the same to SNGPL vide its letter no. NPPMCL/RLNG/CEO/2021/23259 dated December 15, 2021. Whereas, SNGPL while rejecting the Company's set-off letter challenged LCIA awards by filing an appeal with the High Court of Justice, King's Bench Division Commercial Court, London. The High Court of Justice has given its judgement in favor of the Company through order dated February 15, 2023. The management based on the opinion of its legal advisors believes that all ToP invoices issued by SNGPL till August 2020 have been settled under the LCIA awards.

18.2 The Company entered into Engineering, Procurement and Construction (EPC) contract with a joint venture of Power Construction Corporation of China and Qavi Engineers (PCCC-QEL) for Haveli Bahadur Shah plant (Contractor for HBS). Contractor for HBS failed to complete the works and failed to procure the taking over certificate within the time stipulated for completion of Gas Turbine 1 (GT1), Gas Turbine 2 (GT2) and for the Facility as defined in the EPC contract.

The target completion dates for GT1, GT2 and the Facility were April 12, 2017, May 12, 2017 and January 09, 2018 respectively whereas taking over certificates for GT1 and GT2 were procured on April 17, 2018 and taking over certificate for the Facility was procured on May 8, 2018. Due to such delay, Contractor for HBS became liable to pay liquidated damages (LDs) to the Company in accordance with the respective EPC contract on the basis of number of days of delay from target completion dates to actual taking over dates but restricted to a maximum cap of 10% of the contract price. Liquidated Damages (LDs) amounting to USD 58.94 million (Rs 15,611 million) being 10% of the agreement price were charged to the Contractor for HBS by the Company on May 15, 2018, payable within fourteen days of the invoice.

Contractor for HBS has expressed its disagreement over the LDs charged claiming that the delays were attributed to the Company, which was rebutted by the Company in the terms of EPC contract. In order to prevent the Company from calling the performance guarantee, Contractor for HBS agreed to reduce the amount of LCs established for the plant to the extent of LDs amount. Due to the uncertainty attached with the realization of such LDs, the aforementioned LDs have not been recorded in these financial statements. Refer to note 21.1.(e) for details.

18.3 The Company entered into EPC contract with a joint venture of Harbin Electric International Company Limited and Habib Rafiq (Private) Limited (HEI-HRL) for Balloki plant (Contractor for Balloki). Contractor for Balloki failed to complete the works and failed to procure the taking over certificates within the time stipulated for completion of GT1, GT2 and for the Facility as defined in the respective EPC contract.

In case of Balloki power plant, target completion dates for GT1, GT2 and the Facility were April 02, 2017, May 02, 2017 and January 29, 2018 respectively whereas taking over certificate for GT1 and GT2 were procured on July 06, 2018 and taking over certificate for the Facility was procured on July 27, 2018. Due to such delay, Contractor for Balloki became liable to pay liquidated damages (LDs) to the Company under the said contract on the basis of number of days of delay from target completion dates to actual taking over dates but restricted to a maximum cap of 10% of the contract price. LDs amounting to USD 56.26 million (Rs 14,028 million) being 10% of the contract price were charged to the Contractor for Balloki by the Company on August 11, 2018, payable within fourteen days of the invoice.

Contractor for Balloki has expressed its disagreement over the LDs charged claiming that the delays were attributed to the Company, which was rebutted by the Company in the terms of EPC contract. In order to prevent the Company from calling the performance guarantee, Contractor for Balloki agreed to reduce the amount of LCs established for the plant to the extent of LDs amount.

To amicably resolve this dispute the Company has issued a notice to HEI-HRL dated August 06, 2021 for the commencement of arbitration proceedings under clause 20.6 of the EPC contract, however, formal proceedings in this respect are yet to be initiated. Due to the uncertainty attached with the realization of such LDs, the aforementioned LDs have not been recorded in these financial statements.

18.4 This amount pertains to the balance payable to National Engineering Services Pakistan (Private) Limited, a related party, for engineering consultancy services provided for the turnkey implementation of HBS and Balloki plants.

18.5 This amount pertains to the balance payable to National Insurance Company Limited, a related party, against insurance premium.

18.6 Workers' Welfare Fund (WWF)	2023	2022
	(Rupees in thousand)	
Opening balance	**1,712,074**	1,045,089
Provision for the year	**904,781**	666,985
Closing balance	**2,616,855**	1,712,074

18.6.1 Provision for Workers' Welfare Fund (WWF) is made as per the requirements of the Punjab Workers Welfare Fund Act promulgated on December 13, 2019. However, payment is not made due to ambiguity involved regarding institution in favor of whom liability should be discharged i.e. Federal or Provincial. If the Company is made liable to pay the liability, then paid amounts would be recoverable from CPPA-G as a pass-through item under the provisions of the respective PPAs.

18.7 Workers' Profit Participation Fund (WPPF)	2023	2022
	(Rupees in thousand)	
Opening balance	**5,401,285**	3,733,823
Provision for the year	**2,261,952**	1,667,462
Closing balance	**7,663,237**	5,401,285

18.7.1 Provision for Workers' Profit Participation Fund (WPPF) is made as per the requirements of the Companies Profits (Workers Participation) Act, 1968. However, the Fund is not established due to ambiguity involved about institution under which Fund needs to be established and payment is to be made i.e. Federal or Provincial. If the Company is made liable to pay the liability, then paid amounts would be recoverable from CPPA-G as a pass-through item under the provisions of respective PPAs.

19	Accrued markup	Note	2023	2022
			(Rupees in thousand)	
	Long term loan	19.1	**8,957,118**	10,955,740
	Short term borrowings	19.2	**2,466,368**	1,382,231
			11,423,486	12,337,971

19.1 This includes markup amounting to Rs 8,124.79 million (June 30, 2022: Rs 10,453.35 million) payable on the loan received from PDFL and Rs 832.33 million (June 30, 2022: Rs 502.40 million) as accrued markup on long term loan from banks.

19.2 This includes markup amounting to Rs 818.40 million (June 30, 2022: Rs 459.63 million) payable to NBP, a related party, on account of short term borrowings as disclosed in note 20.

20	Short term borrowings - secured	Note	2023	2022
			(Rupees in thousand)	
	Working capital finance	20.1	**42,786,999**	41,381,948
	Accrued markup		**2,466,368**	1,382,231
			45,253,367	42,764,179
	Less: Accrued markup presented separately	19	**(2,466,368)**	(1,382,231)
			42,786,999	41,381,948

20.1 This amount consists of Rs 21,338.64 million (June 30, 2022: Rs 20,635.88 million), and Rs 21,448.35 million (June 30, 2022: Rs 20,746.07 million) utilized in HBS and Balloki plants respectively.

Working capital finance has been availed from consortium of banks comprising NBP 33.18% (a related party), UBL 29.77%, HBL 29.77%, and BOP 7.28% having a sanctioned limit of Rs 21,340 million for HBS plant and Rs 21,450 million for Balloki plant. These facilities carry markup at the rate of three months KIBOR plus 1.50% per annum, payable quarterly in arears. These facilities are secured by way of the following:

i. a first ranking lien and charge on the working capital accounts (fuel cost accounts and facility accounts) of respective plants and the amounts standing to the credit of such accounts;

ii. a first ranking hypothecation charge over the hypothecated fuel stock of respective plants;

iii. a second ranking hypothecation charge over plant and machinery of the HBS and Balloki plants amounting to Rs. 7,113 million and Rs. 7,151 million respectively; and

iv. assignment by way of mortgage of energy payment receivables and GSA receivables pertaining to respective plants.

20.1.1 This includes working capital finance availed from NBP, a related party, amounting to Rs 14,195.68 million (June 30, 2022: Rs 13,532.01 million).

21 Contingencies and commitments

21.1 Contingencies

(a) As explained in note 18.1.1, subsequent to the periods covered under LCIA awards, SNGPL raised further ToP invoices, for the months of November 2020, April 2021 and November 2021 with respect to Balloki Plant and for the month of October 2021 with respect to HBS plant with an aggregate amount of Rs. 11,213 million, which were also disputed by the Company on various legal and factual grounds.

SNGPL has not raised further invoice for any month after November 2021 and no further action has been taken by SNGPL under dispute resolution mechanism prescribed in GSA. However subsequent to year end, the SNGPL, through their letters dated August 07, 2023 and August 17, 2023, proposed for execution of 'One time new arbitration agreement' for recovery of the aforementioned ToP invoices. Management on the basis of LCIA Awards, Judgement of High Court of Justice, London (as mentioned in note 18.1.1) and legal advisor's view believes that the Company does not have any legal obligation to pay these invoices and related default surcharge and therefore no liability has been recognized in these financial statements.

(b) The Company claimed a tax credit under section 65D "Tax credit for newly established industrial undertakings" of the Income Tax Ordinance, 2001 (the "Ordinance") which is admissible where the industrial undertaking is set up with at least seventy per cent equity raised through issuance of new shares for cash consideration. As per section 65D of the Ordinance, this tax credit is available to the Company for five tax years. The Company started claiming this tax credit from tax year 2018 after commercial operations date (CoD).

As per clause 132AA of Part I of the Second Schedule to the Ordinance introduced through Finance Act 2021, profits and gains derived from the sale of electricity by the Company commencing from the CoD have been declared exempt from tax. Further, as per clauses 4A and 11A of Part IV of the Second Schedule to the Ordinance introduced through Finance Act 2021, no provision of the Ordinance shall apply for the recoup of tax credit already allowed to the Company for investment in plant and machinery notwithstanding non-issuance of share certificates or any restructuring of its ownership pattern or debt to equity ratio prior to privatization as part of privatization process and provisions of section 113 regarding minimum tax shall not be applicable on the Company from commercial operation dates.

Tax Year 2021

(i) During the year ended June 30, 2022, the Additional Commissioner Inland Revenue ("the Add. CIR") issued a show cause notice dated January 26, 2022 under section 122(5A) of the Ordinance requiring the Company to submit its response to the observations mentioned therein including the claim of tax credit under section 65D of the Ordinance. The Company made, due compliance of the said notice; however, the Add. CIR issued order dated June 30, 2022 under section 122(5A) of the Ordinance by reducing the income tax refunds from Rs. 557.24 million to Rs. 279.73 million mainly on account of charging tax on profit earned on escrow accounts. Being aggrieved with the adverse treatment, the Company has preferred an appeal before the learned Commissioner Inland Revenue (Appeals) [the "CIR (A)"]. The CIR (A) vide its order dated June 08, 2023 upheld the recovery of tax on profit received on escrow accounts, however, directed the tax department to give due tax credit amounting Rs. 209.29 million u/s 65D to the Company. After taking effect of tax credit, net tax liability has been increased by Rs. 68.22 million. Being disagreed with the order of the CIR (A), the Company has filed an appeal before ATIR, which is pending adjudication.

(ii) Further during the year ended June 30, 2021, the Company received notice dated January 04, 2021 under section 147(7) of the Ordinance requiring the Company to submit its reply duly supported by the documentary evidences in relation to advance tax working submitted for the quarter ended December 31, 2020. The Company made due compliance of the said notice. On receipt of Company's response Deputy Commissioner Inland Revenue (DCIR) rejected the Company's claim of tax credit and issued recovery order u/s 147 and demand notice u/s 137 to pay Rs. 1,263.62 million as advance tax for December quarter along with default surcharge and penalty. Being aggrieved, the Company filed appeal before CIR (A) who disposed off the appeal through order dated April 06, 2022 and remanded back the case to department with a direction to re-examine the case in the light of exemptions given to the Company vide Finance Act, 2021. No further notice received in this regard from the department.

Tax Year 2020

(iii) During the year ended June 30, 2021, the Company received a show cause notice dated January 22, 2021 from the Add. CIR under section 122(5A) of the Ordinance requiring the Company to submit its response to observations mentioned therein including the claim of tax credit under section 65(D) of the Ordinance. Upon receiving the Company's response, Add. CIR vide order dated February 26, 2021, raised income tax demand amounting to Rs 3,515.29 million by amending the Company's assessment for tax year 2020.

Being aggrieved, the Company filed an appeal before CIR (A), who decided the matter against the Company through order dated August 31, 2021. Being aggrieved with the decision of CIR (A), the Company filed an appeal before ATIR who vide its order dated April 18, 2022 upheld the order of CIR (A). The Company filed reference application before Honorable Lahore High Court against the impugned order. Meanwhile, the Add. CIR, on the basis of decision of ATIR, issued appeal effect order dated December 07, 2022 and revised tax demand to Rs. 2,779.83 million. In response to the appeal effect order, the Company intimated to the Add. CIR about reference application filed before Honorable Lahore High Court in respect of which interim relief is granted to the Company on October 26, 2022.

(iv) During the year ended June 30, 2020, DCIR raised two advance tax demand notices dated January 30, 2020 and February 06, 2020 under section 137 of the Ordinance amounting to Rs 638.17 million and Rs 1,291.71 million for quarters ended September 30, 2019 and December 31, 2019 respectively.Two separate appeals were filed before CIR(A) against the notices for quarters ended September 30, 2019 and December 31, 2019.

With respect to the quarter ended September 30, 2019, the CIR (A) upheld the order of the department through order dated June 29, 2020. Being aggrieved, the Company filed an appeal before ATIR who vide its order dated September 07, 2022 upheld the order of CIR (A). Being aggrieved, the Company filed reference application before the Honorable Lahore High Court which is pending adjudication.

With respect to quarter ended December 31, 2019, the CIR (A), vide order dated December 09, 2021, has remanded back the case to DCIR, with a direction to re-examine the case in the light of exemptions given to the Company vide Finance Act, 2021. No further notice received in this regard from the department.

(v) Further, the Company received another recovery notice dated June 29, 2020 under section 137(2) of the Ordinance, from DCIR, requiring the Company to pay advance tax, amounting to Rs 496.32 million, for the quarter ended 30 June 2020. Being aggrieved, the Company filed an appeal before CIR (A), which was decided against the Company through order dated November 16, 2020. The Company filed an appeal before ATIR which is pending adjudication at the year end.

Tax Year 2018

(vi) During the year ended June 30, 2020, the Company received a recovery notice, dated 25 October 2019, under section 137(2) and 138(1) of the Ordinance amounting to Rs 388.05 million for tax year 2018 conveying the rejection of Company's claim of tax credit under section 65D of the Ordinance. The Company filed an appeal before CIR (A) who decided the appeal against the Company through order dated February 18, 2020. Being aggrieved, the Company filed an appeal before ATIR who also upheld the decision of CIR (A) through order dated September 14, 2020. Being aggrieved, the Company filed reference application before Honorable Lahore High Court on September 28, 2020 which is pending adjudication. Till the next hearing date, the Honorable Lahore Hight Court has provided interim relief to the Company.

The Company, based on the opinion of the tax advisor and amendments made for the Company in Income Tax Ordinance 2001 through Finance Act 2021, believes that all demands referred above, are unjustified and the Company is not only eligible for tax credit under section 65D of the Income Tax Ordinance, 2001 but also is exempt from levy of income tax on the income generated from sale of electricity since commercial operations date of the plants.

Therefore, no provision has been made in these financial statements against these demands.

Based on tax credit under section 65D of the Ordinance, the Company has cumulatively claimed tax credit amounting Rs 4,257.04 million till June 30, 2022 (Tax Year 2018: Rs 586.29 million, Tax Year 2019: Rs 1,387.72 million, Tax Year 2020: Rs 2,184.97 million, Tax Year 2021: Rs 35.38 million, and Tax Year 2022: Rs 62.68 million).

(c) The Company filed sales tax refund claim in sales tax return on November 2018 comprising of the tax periods from December 2015 to November 2018. On the basis of refund claim, the Company was selected for audit under section 25 of the Sales Tax Act 1990 (the "Act") for the period December 2015 to November 2018. DCIR, Audit-I rejected the Company's claim of input tax while specifying that the Company is not eligible for claiming the input tax paid on purchase of goods and services pertaining to the construction period and not relevant to production of electricity and thereby issued assessment order No. A-03/2550/2020 dated November 11, 2020 while creating sales tax demand of Rs 4,228.48 million along with default surcharge and penalty amounting Rs 2,056.49 million. Being aggrieved with the aforesaid order, the Company has filed an appeal before CIR (A).

CIR(A) vide order dated September 24, 2021 remanded back the case to assessing officer to the extent of issue of input tax claim on services, however, failed to adjudicate grounds on remaining issues while issuing the aforesaid order. The Company filed a rectification application under section 57 of the ST Act with respect to grounds not adjudicated in the impugned order and the CIR (A) vide its order dated May 30, 2023 decided the rectification application filed by the Company while holding that the entire order dated September 24, 2021 will be considered as remanded back. In addition, the Company also preferred an appeal before the ATIR on issues not adjudicated as well as issue of input tax disallowance remanded back to the assessing officer which is also pending adjudication.

Meanwhile, DCIR has re-examined the case and revised the sales tax demand amounting to Rs. 4,191.16 million along with default surcharge to be calculated at the time of recovery and penalty amounting Rs. 234.72 million through order dated June 25, 2023 by declaring inadmissible input tax claim on services not related with taxable supplies. However, due to multiple discrepancies observed in the DCIR order, the Commissioner Inland Revenue (CIR) vide order dated 19 July 2023 issued under section 45(A)(4) of the ST Act remanded back the case to the learned DCIR along with the directions to provide sufficient opportunity to the Company. Remand back proceedings are pending with the department. DCIR, Audit-I issued another assessment order u/s 11(2) dated April 27, 2021 for the period December 2018 to September 2019, while specifying that the Company is not eligible for claiming the input tax paid on purchase of goods and services not relevant to production of electricity and thereby creating sales tax demand of Rs 3,054.24 million along with penalty amounting Rs. 124.73 million and default surcharge to be calculated at the time of payment. Being aggrieved with the order, the Company filed rectification application with DCIR u/s 57 and an appeal before CIR (A). 'DCIR issued rectification order dated June 17, 2021 and reduced the sales tax demand to Rs. 1,534.36 million along with penalty amounting Rs 124.7 million and default surcharge to be calculated at the time of recovery. CIR (A) vide order dated October 05, 2021 has set aside and remanded back the order of DCIR with regards to tax demand of Rs. 1,534.36 million along with penalty amounting Rs. 76.72 million whereas deleted the demand relating to penalty amounting Rs. 45.56 million and upheld another penalty amount of Rs. 2.41 million. Being aggrieved with the demand upheld by CIR (A), the Company preferred an appeal before ATIR which is pending adjudication.

With respect to tax demand remanded back by CIR (A), DCIR has reassessed the case through order dated November 29, 2021 and raised a demand of Rs. 1,519.88 million along with penalty amounting Rs. 75.99 million and default surcharge to be calculated at the time of recovery.

Being aggrieved, the Company filed an appeal before CIR (A) who vide order dated April 27, 2022 again set aside the reassessment order of DCIR. DCIR has re-examined the case and revised the sales tax demand amounting to Rs. 1,204.22 million along with default surcharge to be calculated at the time of recovery and penalty amounting Rs. 60.21 million through order dated June 23, 2023 by declaring inadmissible input tax claim on services not related with taxable supplies. However, due to multiple discrepancies observed in the DCIR order, the Commissioner Inland Revenue (CIR) vide order dated 19 July 2023 issued under section 45(A)(4) of the ST Act remanded back the case to the learned DCIR along with the directions to provide sufficient opportunity to the Company. Remand back proceedings are pending with the department.

The Company, based on advice from its tax advisor, expects favorable outcome of this case, on the basis of legal and factual grounds. Consequently, no provision has been recorded in these financial statements against these demands.

(d) During the year ended June 30, 2019, Punjab Revenue Authority (PRA) notified that the Company had, in its capacity as a withholding agent, failed to withhold Punjab Sales Tax on various offshore payments under relevant EPC Contracts during the financial year 2016 - 2017 and 2017 - 2018. The amount notified by PRA to be paid by the Company was Rs 16,928.18 million. The Company filed a petition before the Honorable Lahore High Court (LHC) while challenging the show cause notice. LHC granted interim relief till July 10, 2019 and then disposed off the case through its order dated November 09, 2021 while instructing PRA to address the issues / objections observed in show cause notice through an order in writing, in particular that the supplies are not being taxed. Till date no order/notice is received from PRA.

'The Company, based on advice from its tax advisor, expects favorable outcome of this matter, on the basis of legal and factual grounds. Consequently, no provision has been recorded in these financial statements

(e) As mentioned in Note 18.2 to the financial statements of the Company, Liquidated Damages (LD) amounting to USD 58.94 million (Rs 15,611 million) being 10% of the agreement price were charged to the Contractor for HBS by the Company on May 15, 2018.

The Company received a notice under Clause 20 of the EPC agreement from the joint venture of Power Construction Corporation of China and Qavi Engineers (PCCC-QEL) dated February 26, 2021 regarding the Contractor's intent to refer various disputes for the Haveli Bahadur Shah plant to the Dispute Adjudication Board. Apart from rejecting the Company's abovementioned LD invoice dated May 15, 2018 amounting to USD 58.94 million (Rs 15,611 million), PCCC-QEL has claimed its entitlement for early completion bonus amounting to USD 29.47 million (Rs 8,461 million) compensation for delays not attributable to the Contractor amounting to USD 70.59 million (Rs 20,266 million) and interest on delay in payments amounting to USD 12.28 million (Rs 3,526 million) under the EPC agreement.

The Company has communicated its disagreement regarding these disputes to the Contractor and has also commenced arbitration proceedings under clause 20.6 of the agreement with respect to non-payment of the Company's LD invoice against PCCC-QEL which have been suspended until completion of proceedings by the Dispute Adjudication Board (DAB).

The DAB has rejected the Contractors' extension in time claims being un-substantiated through its decision dated February 27, 2023 and confirmed that the Company is entitled to charge delay LDs in light of the EPC agreement through its decision dated February 28, 2023. As the DAB decision is not binding on the parties under the agreement, the EPC contractor may opt to resume the arbitration proceedings under the agreement, therefore, the Company has not reversed the related EPC liabilities in its financial statements. Accordingly, whether the Company's claim on the liquidated damages have achieved finality cannot be confirmed at this stage.

(f) On May 20, 2022, National Electric Power Regulatory Authority ("NEPRA") issued two show cause notices to the Company, claiming HBS and Balloki plants' failure to start during the nation-wide power system breakdown on January 09, 2021, under various provisions of the Grid Code issued by National Transmission and Despatch Company Limited ("NTDC") and National Electric Power Regulatory Authority Licensing (Generation) Rules, 2000. The Company submitted its replies to show cause notices on June 06, 2022 based on the grounds that the plants were not available due to technical reasons and the Company has a right to declare forced outages and that there is credible information available to establish the cause of non-availability of plants as per Power Purchase Agreements (PPAs). On February 13, 2023, NEPRA rejected the Company's replies to the show cause notices and imposed a fine amounting to Rs. 10 million to each plant. Being aggrieved with the orders of NEPRA, the Company filed two appeals before the Appellate Tribunal (NEPRA) to set aside the aforementioned orders. On March 17, 2023, Appellate Tribunal (NEPRA) passed two interim orders to deposit post-dated cheques equal to fine amount with the Registrar of NEPRA and directed the NEPRA to refrain from taking any coercive measure against the Company till next date of hearing. Based on the advice of legal counsel, the Company expects favorable outcome in these cases, hence, no provision against these fines has been made in these financial statements.

21.2 Commitments

21.2.1 Pursuant to the GSAs signed with SNGPL for the HBS and Balloki plants, the Company has entered into two SBLC arrangements amounting Rs 11,383 million (June 30, 2022: Rs 11,383 million) for HBS plant and Rs 11,397 million (June 30, 2022: Rs 11,397 million) for Balloki plant.

These SBLCs are secured by way of :

(i) a ranking lien and charge over the amounts standing to the credit of SBLC and Fuel Cost accounts of respective plants;

(ii) a first ranking hypothecation charge over plant and machinery of the respective plants; and

(iii) assignment, by way of mortgage, of energy payment receivables pertaining to respective plants.

However during the financial year ended June 30, 2018, SBLCs amounting to Rs 6,224.2 million pertaining to HBS plant and Rs 4,159.95 million pertaining to Balloki plant were encashed by SNGPL under the take-or-pay clause of GSA. As a result, the balance amount of SBLC of HBS and Balloki plant stands at Rs 5,158.41 million (June 30, 2022: Rs 5,158.41 million) and Rs 7,237.16 million (June 30, 2022: Rs 7,237.16 million) respectively.

This includes balance of SBLC of HBS and Balloki plant issued by NBP, a related party, at the period end amounting to Rs. 1,711.44 million (June 30, 2022: Rs. 1,711.44 million) and Rs. 2,401.11 million (June 30, 2022: Rs. 2,401.11 million) respectively.

21.2.2 The Company has provided a bank guarantee via NBP dated January 15, 2016 (later enhanced through amendment dated August 25, 2022) in favor of Pakistan State Oil Company Limited (PSO), a related party, for the purchase of fuel on credit for its fleet of cars amounting to Rs 3 million (June 30, 2022 : Rs 0.971 million).

21.2.3 The Company is committed to pay monthly fee / quarterly fee to its contractors as per terms agreed in the O&M agreements and LTSA agreements as disclosed in note 1.6 to these financial statements.

22 Revenue

	Note	2023	2022
		(Rupees in thousand)	
Energy purchase price	22.1	**356,346,662**	302,589,549
Less: Sales tax		**(53,737,547)**	(43,198,244)
Net energy purchase price		**302,609,115**	259,391,305
Capacity purchase price		**52,025,182**	37,785,283
		354,634,297	297,176,588

22.1 This represents energy produced and supplied to the national grid from combined cycle operations of both plants. Combined cycle operations of HBS started from 09 May 2018 and Balloki from 29 July 2018.

23 Cost of sales

	Note	2023	2022
		(Rupees in thousand)	
Fuel cost		**290,320,607**	251,155,590
Operation and maintenance costs	23.1	**12,028,348**	8,674,019
Depreciation	5.3	**5,530,430**	5,221,509
Insurance		**3,794,302**	3,385,655
Salaries, wages and other benefits	23.2	**383,440**	289,977
Security services		**138,602**	136,243
Professional services - NESPAK		**20,880**	53,644
Miscellaneous		**62,696**	44,267
		312,279,305	268,960,904

23.1 This primarily comprises of variable and fixed fee incurred in respect of O&M and LTSA contracts of both plants.

23.2 Salaries, wages and other benefits expense includes provision for gratuity as mentioned in note 17.7 to these financial statements.

24 Administration expenses

	Note	2023	2022
		(Rupees in thousand)	
Salaries, wages and benefits	24.1	**267,095**	197,541
Directors' meeting fee and expenses		**9,592**	10,464
Travelling and conveyance		**6,153**	698
Vehicles running and maintenance		**20,943**	7,601
Printing and stationery		**3,158**	2,662
Office supplies and utilities		**17,295**	11,068
Repair and maintenance		**2,732**	906
Legal and professional		**63,288**	179,570
Auditors' remuneration	24.2	**6,385**	5,910
Tendering and advertisements		**2,358**	1,419
Fee and subscription		**2,271**	2,058
Training & development		**1,757**	1,000
Rent, rates and taxes		**100**	7,851
Corporate social responsibility		**-**	100
Telephone and telex		**2,331**	2,005
Insurance		**5,198**	6,155
Depreciation	5.3	**78,287**	68,799
		488,943	505,807

24.1 Salaries, wages and other benefits expense includes provision for gratuity as mentioned in note 17.7 to these financial statements.

24.2 Auditor's remuneration

	2023	2022
	(Rupees in thousand)	
Statutory audit of financial statements of the Company	**2,592**	2,592
Annual audit of financial statements of plants	**3,168**	3,318
Half year review	**625**	-
	6,385	5,910

25 Other charges

	Note	2023	2022
		(Rupees in thousand)	
Plant and machinery - written off	5	**92,726**	-
Foreign exchange loss	25.1	**676,912**	282,871
		769,638	282,871

25.1 This represents foreign exchange loss - net of gain incurred on settlement of transactions with General Electric Inc. (LTSA Contractor), National Insurance Company Limited (NICL) for insurance services, fee payable to LCIA legal counsels and from translation of related liabilities at period end exchange rates.

26 Other income

	Note	2023	2022
		(Rupees in thousand)	
Profit on saving accounts	12.2	**352,753**	80,165
Profit on term deposit receipts	12.4	**9,563**	194,897
Profit on short term investments		**482,073**	-
Delayed payment charges-CPPA	26.1	**29,312,639**	12,152,175
Interest charged to SNGPL under LCIA award		-	5,056,909
Recovery of arbitration costs under LCIA award		-	66,513
Recovery of legal costs under Judgement of High Court of Justice, London	10.3	**46,527**	-
Miscellaneous		**1,922**	503
		30,205,477	17,551,162

26.1 This represents delayed payment charges in respect of Capacity Purchase Price (CPP) and Energy Purchase Price (EPP) invoices to Central Power Purchasing Agency (CPPA). The delayed payments from CPPA carries mark-up at 3 month KIBOR plus 2% per annum compounding semi-annually.

27 Financial charges

	Note	2023	2022
		(Rupees in thousand)	
Interest on long term loans	15	**8,299,919**	4,748,868
Markup on Working Capital Facility		**7,895,461**	4,564,966
Markup on SNGPL Delay Payment	27.1	**9,789,707**	2,241,058
Interest on lease liability		**21,185**	15,097
SBLC commission	27.2	**49,582**	49,582
Other bank charges		**6,996**	9,358
		26,062,850	11,628,929

27.1 This represents delayed payment charges in respect of RLNG invoices from SNGPL. The delayed payments to SNGPL carries mark-up at 1 month KIBOR plus 2% per annum compounding semi-annually.

27.2 As per the requirement of Gas Supply Agreement, the Company is required to submit standby letters of credit (SBLC), readily available one for each plant as part requirement of gas supply deposits. This commission represents expense incurred on these SBLCs. Commission is payable quarterly in advance at 0.10% of SBLC amount.

28 Taxation

	Note	2023	2022
		(Rupees in thousand)	
Current tax	28.1	**308,498**	22,591
		308,498	22,591

28.1 This represents provision of current tax on 'Income from other sources' for the period. Based on Corporate Tax and Super Tax levied for tax year 2023 on taxable income, the total provision for taxation is Rs 308.5 million.

28.2 Tax charge reconciliation

	Note	2023	2022
		(Rupees in thousand)	
Accounting profit		**45,239,038**	33,349,239
Income tax charge @ 29%		**13,119,321**	9,671,279
Super Tax		**79,102**	7,994
Tax effect of income exempt from tax		**(12,889,925)**	(9,594,002)
Effect of tax credit under section 65D		**-**	(62,680)
		308,498	22,591

29 Cash generated from operations

	Note	2023	2022
Profit before tax		**45,239,038**	33,349,239
Adjustments for:			
Depreciation	5	**5,608,717**	5,290,308
Amortization of O&M mobilization cost		**57,545**	57,545
Provision for staff retirement benefits	17.3	**25,642**	23,388
Financial charges		**26,062,850**	11,628,929
Foreign exchange loss		**676,912**	282,871
Plant and machinery - written off		**92,726**	-
Delayed payment charges		**(29,312,639)**	(12,152,175)
Recovery of legal costs under Judgement of London High Court of Justice		**(46,527)**	-
Profit on short term investment		**(482,073)**	-
Profit on term deposit receipts		**(9,563)**	(194,897)
Profit on saving accounts		**(352,753)**	(80,165)
		2,320,837	4,855,804
Operating profit before working capital changes		**47,559,875**	38,205,043
Effect on cash flow due to working capital changes			
(Increase) / decrease in current assets			
- Stock-in-trade		**(3,697,667)**	(2,547,521)
- Stores, spares and loose tools		**(100,751)**	(293,961)
- Trade debts		**143,344**	(91,163,835)
- Advances, prepayments and other receivables		**(175,112)**	1,554
		(3,830,186)	(94,003,763)
Increase in current liabilities			
- Trade and other payables		**(20,510,021)**	61,940,423
		23,219,668	6,141,703

30 Remuneration of Chief Executive, Directors and Executives

30.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, Directors and Executives of the Company is as follows:

	Chief Executive		Directors		Executives	
	2023	2022	**2023**	2022	**2023**	2022
	(Rupees in thousand)					
Short term employee benefits						
Managerial remuneration	**29,221**	23,654	-	-	**346,571**	263,672
Leave fare assistance	-	3,862	-	-	**24,973**	30,371
Bonus	**21,844**	10,885	-	-	**135,089**	77,542
Utilities	**845**	461	-	-	**731**	-
	51,910	38,862	-	-	**507,364**	371,585
Staff retirement benefits						
Gratuity	**2,683**	2,107	-	-	**30,361**	21,837
	54,593	40,969	-	-	**537,725**	393,422
Number of persons	**1**	1	**8**	8	**44**	41

30.2 Aggregate amount charged in the financial statements for the year as directors fee in respect of 8 directors (2022: 8 directors) is Rs 9.59 million (2022: Rs 10.46 million).

30.3 The Chief Executive and certain Executives have been provided with the Company's maintained motor vehicles.

31 Segment Information

31.1 Reportable segments

The Company has the following two strategic divisions, which are its reportable segments. The management has determined the operating segments based on the generation licenses.

The following summary describes the operations of each reportable segment.

Reportable segments	Operation
Haveli Bahadur Shah Power Plant	Haveli Bahadur Shah Power Plant ('the Plant') is a 1,230 MW Regasified Liquefied Natural Gas ('RLNG') based combined cycle power plant, set up at Haveli Bahadur Shah, District Jhang. The principal activity of the segment is to carry on business of generation of electricity through thermal power plant operating on Regasified Liquefied Natural Gas ('RLNG') as primary fuel and High Speed Diesel ('HSD') as back-up fuel. The segment has entered into Power Purchase Agreement ('PPAs') for 30 years with Central Power Purchasing Agency (Guarantee) Limited ('CPPA') on behalf of ex-WAPDA Distribution Companies ('the Power Purchaser') for the sale of its entire power generation.
Balloki Power Plant	Balloki Power Plant ('the Plant') is a 1,223 MW Regasified Liquefied Natural Gas ('RLNG') based combined cycle power plant, set up at Balloki, District Kasur. The principal activity of the segment is to carry on business of generation of electricity through thermal power plant operating on Regasified Liquefied Natural Gas ('RLNG') as primary fuel and High Speed Diesel ('HSD') as back-up fuel. The segment has entered into Power Purchase Agreement ('PPAs') for 30 years with Central Power Purchasing Agency (Guarantee) Limited ('CPPA') on behalf of ex-WAPDA Distribution Companies ('the Power Purchaser') for the sale of its entire power generation.

The management reviews internal management reports of each division.

31.2 Information about reportable segments

Information related to each reportable segment is set out below. Segment operating profit or loss as included in internal management reports reviewed by the Company's top management is used to measure performance because management believes that such information is the most relevant in evaluating the result of the respective segments relative to other entities that operate in the same industries.

	30-Jun-23			30-Jun-22		
	HBS	**Balloki**	**Total**	HBS	Balloki	Total
	(Rupees in thousand)			(Rupees in thousand)		
Sale of energy						
Energy purchase price	**144,979,236**	**157,629,879**	**302,609,115**	130,172,977	129,218,328	259,391,305
Capacity purchase price	**24,705,386**	**27,319,796**	**52,025,182**	19,370,414	18,414,869	37,785,283
	169,684,622	**184,949,675**	**354,634,297**	149,543,391	147,633,197	297,176,588
Cost of sales	**(150,172,511)**	**(162,106,794)**	**(312,279,305)**	(134,253,047)	(134,707,857)	(268,960,904)
Gross profit	**19,512,111**	**22,842,881**	**42,354,992**	15,290,344	12,925,340	28,215,684
Administrative expenses	**(233,573)**	**(255,370)**	**(488,943)**	(250,087)	(255,720)	(505,807)
Other charges	**(498,433)**	**(271,205)**	**(769,638)**	(122,946)	(159,925)	(282,871)
Other income	**15,647,649**	**14,557,828**	**30,205,477**	10,077,631	7,473,531	17,551,162
	34,427,754	**36,874,134**	**71,301,888**	24,994,942	19,983,226	44,978,168
Financial charges	**(11,905,026)**	**(14,157,824)**	**(26,062,850)**	(5,632,518)	(5,996,411)	(11,628,929)
Taxation	**(163,787)**	**(144,711)**	**(308,498)**	(10,436)	(12,155)	(22,591)
Profit after taxation	**22,358,941**	**22,571,599**	**44,930,540**	19,351,988	13,974,660	33,326,648

Reconciliation:

	30-Jun-23	30-Jun-22
	(Rupees in thousand)	
Segment profit after tax	**44,930,540**	33,326,648
Other adjustment	**-**	-
Segment profit after tax after adjustment	**44,930,540**	33,326,648

31.2.1 Revenue from major products and services

The Company is involved in sale of electricity and CPPA is the only customer of the Company.

31.3 The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 4 to these financial statements.

31.4 All non-current assets of the Company at June 30, 2023 are located and operating in Pakistan.

31.5 Segment assets and liabilities

Reportable segment's assets and liabilities are reconciled to total assets and liabilities as follows:

	30-Jun-23			30-Jun-22		
	HBS	Balloki	Total	HBS	Balloki	Total
		(Rupees in thousand)			(Rupees in thousand)	
Assets						
Non-current Assets						
Operating fixed assets	72,005,527	67,557,567	139,563,094	70,071,257	66,622,119	136,693,376
Capital work-in-progress	12,061	12,232	24,293	12,061	9,499	21,560
Long term deposits and prepayments	7,838,551	9,655,526	17,494,077	7,861,611	9,690,011	17,551,622
	79,856,139	77,225,325	157,081,464	77,944,929	76,321,629	154,266,558
Current Assets						
Stock in trade	4,674,297	4,612,516	9,286,813	2,699,126	2,890,020	5,589,146
Stores, spares and loose tools	779,959	1,017,640	1,797,599	772,006	924,842	1,696,848
Trade debts - secured	141,120,525	122,608,920	263,729,445	127,613,231	106,946,919	234,560,150
Advances, prepayments and other receivables	6,154,084	4,908,593	11,062,677	4,392,218	2,934,761	7,326,979
Tax recoverable from Government	3,965,468	4,524,617	8,490,085	4,378,288	4,988,209	9,366,497
Cash and bank balances	1,221,594	1,239,500	2,461,094	1,355,842	1,194,459	2,550,301
	157,915,927	138,911,786	296,827,713	141,210,711	119,879,210	261,089,921
Total Assets	237,772,066	216,137,111	453,909,177	219,155,640	196,200,839	415,356,479

	30-Jun-23			30-Jun-22		
	HBS	Balloki	Total	HBS	Balloki	Total
		(Rupees in thousand)			(Rupees in thousand)	
Liabilities						
Non-current liabilities						
Long term loans	12,292,851	15,188,205	27,481,056	13,867,555	18,363,336	32,230,891
Lease liability against right of use asset	73,142	73,142	146,284	84,384	84,383	168,767
Staff retirement benefits	16,196	12,678	28,874	22,194	18,387	40,581
	12,382,189	15,274,025	27,656,214	13,974,133	18,466,106	32,440,239
Current Liabilities						
Trade and other payables	45,049,311	47,037,626	92,086,937	45,574,706	45,480,565	91,055,271
Accrued markup	4,776,261	6,647,225	11,423,486	5,501,394	6,836,577	12,337,971
Short term borrowings- secured	21,338,653	21,448,346	42,786,999	20,635,876	20,746,072	41,381,948
Current maturity of long term loans	4,382,078	6,002,448	10,384,526	6,144,901	7,655,418	13,800,319
Current portion of lease liability against right of use asset	12,818	12,818	25,636	4,284	4,284	8,568
Provision for taxation	182,022	155,329	337,351	28,667	22,776	51,443
	75,741,143	81,303,792	157,044,935	77,889,828	80,745,692	158,635,520
Total Liabilities	88,123,332	96,577,817	184,701,149	91,863,961	99,211,798	191,075,759

31.5.1 For the purposes of monitoring segment performance and allocating resources between segments:

Identifiable assets, liabilities, income and expenses are allocated to reportable segments on actual basis. Common assets, liabilities, income and expenses of the Company are allocated to reportable segments on equal proportionate basis.

32 Financial risk management

The Company has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk (including currency risk, interest rate risk and other price risk)

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors (the Board) 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 have been 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 Board of Directors review and agree policies for managing each of these risks.

The Company prepares quarterly financial statements which are scrutinized by the Board and variances from the budgets are investigated. Quantitative and qualitative analyses are carried out to measure risk exposures and to develop strategies for managing these risks. These analyses include ratio analysis and trend analysis over financial and non-financial measures of performance.

32.1 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. The Company's credit risk is primarily attributable to trade debts and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure.

32.1.1 Exposure to credit risk

The maximum exposure to credit risk at the reporting date is given below:

	2023	2022
	(Rupees in thousand)	
Long term deposits	**17,143,973**	17,143,973
Trade debts	**263,729,445**	234,560,150
Accrued profit	**63,833**	10,466
Other receivables	**46,527**	-
Recoverable from CPPA as pass-through items	**10,280,092**	7,113,359
Bank balances	**2,461,094**	2,550,301
	293,724,964	261,378,249

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk and the risk attributable to trade debts and recoverable from CPPA as pass-through items is mitigated by guarantee from the Government of Pakistan under the Implementation Agreement. Age analysis of trade receivable balances is given in note 9.1.2 to these financial statements.

32.1.2 Credit quality of bank balances

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate:

Name of bank		Short term	Long term	June 30, 2023	June 30, 2022
				(Rupees in thousand)	
National Bank of Pakistan	PACRA	A1+	AAA	**17,970,534**	18,044,618
United Bank Limited	JCR-VIS	A-1+	AAA	**148,467**	554,143
Habib Bank Limited	VIS	A-1+	AAA	**1,259**	1,373
The Bank of Punjab	PACRA	A1+	AA+	**1,476,099**	1,085,432
				19,596,359	19,685,566

32.2 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet obligations / commitments. Management closely monitors the Company's liquidity and cash flow position.

Maturity analysis of financial liabilities

The Company maintains working capital facilities (refer note 20) to meet the short term funding requirements due to delay in payments by CPPA. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. At June 30, 2023 the Company had Rs. 3 million (June 30, 2022: Rs. 1,408 million) available borrowing limits from financial institutions and Rs 2,461.09 million (June 30, 2022: Rs 2,550.30 million) bank balances.

The following table details the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities.

	June 30, 2023				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	Above 5 years
Financial liabilities at amortized cost	(Rupees in thousand)				
Trade and other payables	**81,806,823**	**81,806,823**	**81,806,823**	-	-
Short term borrowings	**42,786,999**	**42,786,999**	**42,786,999**	-	-
Accrued markup	**11,423,486**	**11,423,486**	**11,423,486**	-	-
Long term loan from PDFL	**23,288,340**	**25,077,933**	**5,197,050**	**19,880,883**	-
Long term loan from Banks	**14,577,242**	**15,411,060**	**1,600,232**	**11,512,207**	**2,298,621**
Lease liability against right of use asset	**171,920**	**218,067**	**44,173**	**173,894**	-
	174,054,810	**176,724,368**	**142,858,763**	**31,566,984**	**2,298,621**

	June 30, 2022				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	Above 5 years
Financial liabilities at amortized cost	(Rupees in thousand)				
Trade and other payables	83,930,069	83,930,069	83,930,069	-	-
Short term borrowings	41,381,948	41,381,948	41,381,948	-	-
Accrued markup	12,337,971	12,337,971	12,337,971	-	-
Long term loan from PDFL	30,308,360	43,516,876	15,486,328	23,479,138	4,551,410
Long term loan from Banks	15,722,850	23,939,960	5,203,564	14,749,198	3,987,198
Lease liability against right of use asset	177,335	249,028	29,753	200,257	19,018
	183,858,533	205,355,852	158,369,633	38,428,593	8,557,626

32.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's cost. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

32.3.1 Currency risk

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

The Company is exposed to currency risk primarily with respect to the United States Dollar (USD). Apart from trade creditors, major foreign exchange risk relates to liabilities towards contractors which are not in Pak Rupees. The Company's exposure to currency risk is as follows:

	Currency	2023	2022
Trade creditors	USD	**7,294,008**	9,143,767
Payable to PCCC - QEL	USD	**51,870,757**	57,461,618
Payable to HEI - HRL	USD	**44,803,213**	44,803,213
Net exposure - USD		**103,967,978**	111,408,598

An increase / decrease in exchange rate by Rs 1 per USD will result in an increase / decrease in trade creditors, payable to PCCC - QEL, payable to HEI-HRL, by Rs 7.29 million, Rs 51.87 million, and Rs 44.80 million respectively.

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 in the case of plant costs are recorded in capital work in progress / operating fixed assets whereas in the case of operational costs gain or loss is charged to the profit or loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

The significant spot exchange rate applied at period end is PKR/USD 287.1 (June 30, 2022: 206.00), whereas average rate used during the period is PKR/USD 253.66 (June 30, 2022: 179.17).

32.3.2 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

At the reporting date, the Company has long term loans and working capital facility as variable interest bearing financial instruments. Loan from PDFL carries mark-up of three months KIBOR plus 1.0%, whereas long term loan from banks carries mark-up of three months KIBOR plus 0.90%.

Further, the working capital facility carries mark-up of three months KIBOR plus 1.50%. However, the KIBOR rates are determined at the beginning of each quarter. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is:

	2023	2022
Fixed rate instruments	**(Rupees in thousand)**	
Financial assets		
Cash at bank - saving accounts	**1,647,603**	1,650,964
Term deposit receipts	**3,000**	163,972
	1,650,603	1,814,936
Floating rate instruments		
Financial assets		
Trade debts - overdue	**200,623,190**	160,080,492
Financial liabilities		
Long term loan and current maturity	**(37,865,582)**	(46,031,210)
Short term borrowings - secured	**(42,786,999)**	(41,381,948)
	119,970,609	72,667,334

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit before tax by amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant. This analysis is performed on the same basis for the year 2023:

	Profit before tax	
	2023	2022
Increase of 100 basis points	**(Rupees in thousand)**	
Variable rate instruments	**1,199,706**	726,673
Decrease of 100 basis points		
Variable rate instruments	**(1,199,706)**	(726,673)

32.3.3 Other price risk

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

32.4 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The 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.

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:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

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

	Note	Financial assets at amortized cost	Other financial liabilities	Total
		(Rupees in thousand)		
June 30, 2023				
Financial assets at fair value		-	-	-
		-	-	-
Financial assets at amortized cost				
Long term deposits		17,143,973	-	17,143,973
Trade debts		263,729,445	-	263,729,445
Accrued profit		63,833	-	63,833
Other receivables		46,527	-	46,527
Recoverable from CPPA as pass-through items		10,280,092	-	10,280,092
Cash and bank balances		2,461,094	-	2,461,094
	32.4.1	293,724,964	-	293,724,964
Financial liabilities measured at fair value		-	-	-
		-	-	-
Financial liabilities not measured at fair value				
Trade and other payables		-	81,806,823	81,806,823
Short term borrowings		-	42,786,999	42,786,999
Accrued markup		-	11,423,486	11,423,486
Long term loan from PDFL		-	23,288,340	23,288,340
Long term loan from Banks		-	14,577,242	14,577,242
	32.4.1	-	173,882,890	173,882,890
June 30, 2022				
Financial assets measured at fair value		-	-	-
		-	-	-
Financial assets at amortized cost				
Long term deposits		17,143,973	-	17,143,973
Trade debts		234,560,150	-	234,560,150
Accrued profit		10,466	-	10,466
Recoverable from CPPA as pass-through items		7,113,359	-	7,113,359
Cash and bank balances		2,550,301	-	2,550,301
	32.4.1	261,378,249	-	261,378,249
Financial liabilities measured at fair value		-	-	-
		-	-	-
Financial liabilities not measured at fair value				
Trade and other payables		-	83,930,069	83,930,069
Short term borrowings		-	41,381,948	41,381,948
Accrued markup		-	12,337,971	12,337,971
Long term loan from PDFL		-	30,308,360	30,308,360
Long term loan from Banks		-	15,722,850	15,722,850
	32.4.1	-	183,681,198	183,681,198

32.4.1 The Company has not disclosed the fair values of these financial assets and liabilities as these are for short term or reprice over short term. Therefore, their carrying amounts are reasonable approximation of fair value. Further, there is no financial instrument which may need to be classified as level 1, 2 or 3.

32.5 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 an optimal capital structure to reduce the cost of capital.

Consistent with other companies in the industry, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as total borrowing divided by total capital employed. Total capital employed includes total equity plus total borrowings.

	2023	2022
	(Rupees in thousand)	
Long term loans	**27,481,056**	32,230,891
Short term borrowings	**42,786,999**	41,381,948
Current maturity of long term loans	**10,384,526**	13,800,319
Total borrowing	**80,652,581**	87,413,158
Issued, subscribed and paid up capital	**55,500,000**	55,500,000
Share deposit money	**61,000,000**	61,000,000
Accumulated profit	**152,708,028**	107,780,720
Total equity	**269,208,028**	224,280,720
Total capital employed	**349,860,609**	311,693,878
Gearing ratio	**23.1%**	28.0%

33 Capacity and Production

	2023	2022
	MWh	MWh
Plants available capacity	**18,781,518**	19,890,615
Total energy delivered	**13,384,200**	14,675,311

- Actual energy delivered by the plants is dependent on the load demanded by CPPA and plants availability.

- During the period, GT1 of HBS Power Plant was unavailable for 78 days due to an unscheduled event resulting in reduced available capacity.

34 Transactions and balances with related parties

The Company is owned by the Government of Pakistan and therefore, all the government departments / agencies are related parties of the Company. Further, the related parties comprise of directors of the Company, and key management personnel. Being a government owned entity, details of significant and quantifiable transactions with government owned entities and other related parties, other than those disclosed elsewhere in these financial statements are as follows and the balances with related parties are disclosed in respective notes to these financial statements:

	Name of parties	Relationship	Transactions	2023	2022
				(Rupees in thousand)	
a)	**Central Power Purchasing Agency- Guarantee Limited**	Government Owned Associate	Sale of energy	**354,634,297**	297,176,588
b)	**Sui Northern Gas Pipelines Limited**	Government Owned Associate	Purchase of RLNG	**286,195,852**	242,428,083
c)	**National Engineering Services Pakistan**	Government Owned Associate	Consultancy fee charged	**20,880**	53,644
d)	**National Bank of Pakistan**	Government Owned Associate	Profit on saving account	**83,361**	17,102
			Profit on term deposits	**9,563**	121,481
			Short term borrowings - net	**663,668**	(319,999)
			Markup on short term borrowings	**2,619,714**	1,516,654
			Commission charged	**16,450**	16,450
e)	**Pakistan State Oil Company Limited**	Government Owned Associate	Purchase of HSD	**4,963,059**	8,007,488
f)	**Pakistan Development Fund Limited**	Government Owned Associate	Long term loan repayment	**7,020,020**	-
			Markup expense charged	**5,519,761**	3,157,226
g)	**National Insurance Company Limited**	Government Owned Associate	Insurance expense charged	**3,799,499**	3,391,810
h)	**Key management personnel**	Key management personnel	Remuneration and other benefits	**219,497**	141,507
i)	**Employee benefits**				
	Gratuity	Post employment benefit plan	Contribution paid	**40,581**	28,649

34.1 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of their management team, including Chief Executive Officer and Directors to be its key management personnel and these are disclosed below.

Name	Relationship	Number of shares held
Mr. Shah Jahan Mirza	Director	Nil
Mr. Tabrez Aslam Shami	Director	Nil
Mr. Mahfuz-Ur-Rehman Pasha	Director	Nil
Mr. Muhammad Irfan Akram	Director	Nil
Mr. Nasir Gulzar	Director	Nil
Mr. Muhammad Aslam Chaudhary	Director	Nil
Mr. Rashid Sohail	Director	1 qualifying share
Mr. Asim Iqbal	Director	Nil
Mr. Muhammad Asif	Director	Nil
Mr. Arshad Majeed	Director	Nil
Mr. Dhanpat Kotak	Key management personnel	Nil
Mr. Muhammad Akram Kamal	Key management personnel	Nil
Mr. Syed Mubashar Masood	Key management personnel	Nil
Mr. Sajjad Ahmad	Key management personnel	Nil
Mr. Shahzad Iqbal	Key management personnel	Nil
Mr. Muhammad Awais Chaudry	Key management personnel	Nil
Mr. Aamir Iftikhar	Key management personnel	Nil

35 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2023						
	Issued, subscribed and paid up capital	**Share deposit money**	**Long term loans**	**Lease liability against right of use asset**	**Accrued markup**	**Short term borrowings - secured**	**Total**
	-(Rupees in thousand)-						
As at 01 July 2022	55,500,000	61,000,000	46,031,210	177,335	12,337,971	41,381,948	**216,428,464**
Changes from financing cash flows							
Long term loan repaid	-	-	(9,136,368)	-	-	-	**(9,136,368)**
Long term loan obtained	-	-	1,301,200	-	-	-	**1,301,200**
Short term borrowings - net	-	-	-	-	-	1,405,051	**1,405,051**
Lease rentals paid during the period	-	-	-	(26,600)	-	-	**(26,600)**
Financial charges paid	-	-	-	-	(17,166,443)	-	**(17,166,443)**
Total changes from financing cash flows	**-**	**-**	**(7,835,168)**	**(26,600)**	**(17,166,443)**	**1,405,051**	**(23,623,160)**
Other changes							
Adjustment against accrued profit on short term investment	-	-	(330,460)	-	-	-	**(330,460)**
Finance cost	-	-	-	21,185	16,251,958	-	**16,273,143**
Total liability related other changes	**-**	**-**	**(330,460)**	**21,185**	**16,251,958**	**-**	**15,942,683**
As at 30 June 2023	**55,500,000**	**61,000,000**	**37,865,582**	**171,920**	**11,423,486**	**42,786,999**	**208,747,987**

	2022						
	Issued, subscribed and paid up capital	Share deposit money	Long term loans	Lease liability against right of use asset	Accrued markup	Short term borrowings - secured	Total
	----------------------------(Rupees in thousand)----------------------------						
As at 01 July 2021	55,500,000	61,000,000	45,469,733	-	8,465,512	41,528,217	211,963,462
Changes from financing cash flows							
Long term loan repaid	-	-	(2,130,174)	-	-	-	(2,130,174)
Long term loan obtained	-	-	2,691,651	-	-	-	2,691,651
Short term borrowings - net	-	-	-	-	-	(146,269)	(146,269)
Lease Rentals Paid during the year	-	-	-	(28,174)	-	-	(28,174)
Financial charges paid	-	-	-	-	(7,741,373)	-	(7,741,373)
Total changes from financing cash flows	-	-	561,477	(28,174)	(7,741,373)	(146,269)	(7,354,339)
Other changes							
Lease Liability against right of use asset recognized during the year	-	-	-	190,412	-	-	190,412
Finance cost	-	-	-	15,097	11,613,832	-	11,628,929
Total liability related other changes	-	-	-	205,509	11,613,832	-	11,819,341
As at 30 June 2022	55,500,000	61,000,000	46,031,210	177,335	12,337,971	41,381,948	216,428,464

36 **Waiver from application of IAS-21**

SECP through its S.R.O 986(I)/2019 dated September 02, 2019, exempted the power companies from application of IAS-21 'The effects of changes in foreign exchange rates' to the extent of charging exchange differences on plant costs. Had the exchange difference, as allowed by the above mentioned notification of the SECP, not been capitalized, the impact on these financial statements would have been as follows:

	2023	2022
Impact on statement of financial position	(Rupees in thousand)	
Decrease in operating fixed assets	**(18,118,917)**	(10,974,091)
Decrease in unappropriated profit	**(18,118,917)**	(10,974,091)
Impact on statement of profit or loss		
Decrease in cost of sales	**763,509**	424,858
Increase in other charges	**(7,908,335)**	(5,101,070)
Impact on profit after taxation	**(7,144,826)**	(4,676,212)
Impact on total comprehensive income	**(7,144,826)**	(4,676,212)

	2023	2022
37 **Number of employees**		
Total number of employees as at close	**84**	94
Average number of employees during the year	**92**	82

38 **Date of authorization**

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 04 OCT 2023.

Chief Executive Officer

Director

KPMG Taseer Hadi & Co.
Chartered Accountants
351 Shadman-1, Jail Road,
Lahore 54000 Pakistan
+92 (42) 111-KPMGTH (576484), Fax +92 (42) 3742 9907

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 ('the Rules') prepared by the Board of Directors of **National Power Parks Management Company (Private) Limited ('the Company')** for the year ended 30 June 2023.

The responsibility for compliance with the Rules 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 Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. 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 Rules.

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 Rules 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 Rules as applicable to the Company for the year ended 30 June 2023.

KPMG Taseer Hadi & Co.
Chartered Accountants

Lahore

Date: 10 October 2023

UDIN: CR2023101833hmunMWES

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

SCHEDULE I
[See paragraph 2(1)]

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

Name of Company:	**National Power Parks Management Company (Private) Limited**
Name of the Department:	**Ministry of Energy, Power Division, Government of Pakistan**
For the Year Ended:	**June 30, 2023**

(i) This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.

(ii) The company has complied with the provisions of the Rules in the following manner:

<table>
<tr><th rowspan="2">S. No.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule No.</th><th>Y</th><th>N</th></tr>
<tr><th colspan="2">Tick the relevant box</th></tr>
<tr><td>1.</td><td>The independent directors meet the criteria of independence, as defined under the Rules.</td><td>2(d)</td><td>✓</td><td></td></tr>
<tr><td>2.</td><td>The Board has at least one-third of its total members as independent directors. At present the Board includes:
<table>
<tr><th>Category</th><th>Names</th><th>Date of Appointment</th></tr>
<tr><td>Independent Directors</td><td>1. Mr. Muhammad Irfan Akram
2. Mr. Tabrez Aslam Shami
3. Mr. Nasir Gulzar
4. Mr. Mahfuz-ur-Rehman Pasha</td><td>January 03, 2020
January 03, 2020
January 03, 2020
January 03, 2020</td></tr>
<tr><td>Other Non-Executive Directors</td><td>5. Mr. Shah Jahan Mirza
6. Mr. Muhammad Aslam Chaudhary
7. Mr. Rashid Sohail</td><td>January 03, 2020
November 03, 2022
April 19, 2023</td></tr>
<tr><td>Executive Director (Chief Executive Officer)</td><td>8. Mr. Dhanpat Kotak</td><td>Re-appointment: September 04, 2021</td></tr>
</table></td><td>3(2)</td><td>✓</td><td></td></tr>
<tr><td>3.</td><td>The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.</td><td>3(5)</td><td>✓</td><td></td></tr>
<tr><td>4.</td><td>The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.</td><td>3(7)</td><td colspan="2">N/A</td></tr>
</table>

S. No.	Provision of the Rules	Rule No.	Y	N
			Tick the relevant box	
	Note: Government of Pakistan, being sole sponsor of the Company, has nominated all members of the Board of Directors of the Company.			
5.	The chairman of the Board is working separately from the chief executive of the Company.	4(1)	✓	
6.	The chairman has been elected by the Board of Directors except where Chairman of the Board has been appointed by the Government	4(4)	✓	
7.	The Board has evaluated the candidates for the position of chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. Note: Not applicable as no hiring has been initiated or made during the Financial Year.	5(2)	N/A	
8.	a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. (Address of website: www.nppmcl.com) c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓ ✓ ✓	
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity, and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓	
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5) (b) (ii)	✓	
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b) (vi)	✓	
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c) (ii)	✓	

S. No.	Provision of the Rules	Rule No.	Y	N
			Tick the relevant box	
13.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	✓	
14.	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	✓	
15.	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	✓	
16.	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	N/A	
17.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	✓	
18.	a) The Board has met at least four times during the year.	6(1)	✓	
	b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	✓	
	c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	✓	
19.	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8 (2)	✓	
20.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓	
21.	a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.	10	✓	
	b) In the case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.		NA	
	c) The Board has placed the annual financial statements on the company's website.		✓	

<table>
<tr><th rowspan="2">S. No.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule No.</th><th>Y</th><th>N</th></tr>
<tr><th colspan="2">Tick the relevant box</th></tr>
<tr><td>22.</td><td>All the Board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.</td><td>11</td><td>✓</td><td></td></tr>
<tr><td>23.</td><td>a) The Board has formed the requisite committees, as specified in the Rules.
b) The committees were provided with written term of reference defining their duties, authority and composition.
c) The minutes of the meetings of the committees were circulated to all the Board members.
d) The committees were chaired by the following non-executive directors:
<table>
<tr><th>Committee</th><th>Number of Members</th><th>Name of Chair</th></tr>
<tr><td>Audit Committee</td><td>4</td><td>Mr. Nasir Gulzar</td></tr>
<tr><td>Risk Management Committee</td><td>4</td><td>Mr. Mahfuz-ur-Rehman Pasha</td></tr>
<tr><td>Human Resource Committee</td><td>4</td><td>Mr. Muhammad Irfan Akram</td></tr>
<tr><td>Procurement Committee</td><td>4</td><td>Mr. Tabrez Aslam Shami</td></tr>
<tr><td>Nomination Committee</td><td>3</td><td>Mr. Muhammad Irfan Akram</td></tr>
</table></td><td>12</td><td>✓
✓
✓
✓</td><td></td></tr>
<tr><td>24.</td><td>The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.</td><td>13</td><td colspan="2">NA</td></tr>
<tr><td>25.</td><td>The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.</td><td>14</td><td>✓</td><td></td></tr>
<tr><td>26.</td><td>The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.</td><td>16</td><td>✓</td><td></td></tr>
<tr><td>27.</td><td>The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>✓</td><td></td></tr>
<tr><td>28.</td><td>The directors, CEO and executives, or their relatives, are not, directly, or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.</td><td>18</td><td>✓</td><td></td></tr>
<tr><td rowspan="2">29.</td><td rowspan="2">a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own</td><td rowspan="2">19</td><td colspan="2">N/A</td></tr>
<tr><td>✓</td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">S. No.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule No.</th><th>Y</th><th>N</th></tr>
<tr><th colspan="2">Tick the relevant box</th></tr>
<tr><td></td><td>remuneration.
b) The annual report of the company contains criteria and details of remuneration of each director.</td><td></td><td></td><td></td></tr>
<tr><td>30.</td><td>The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the Board.</td><td>20</td><td>✓</td><td></td></tr>
<tr><td>31.</td><td>The Board has formed an audit committee, with defined and written terms of reference, and having the following members:
<table>
<tr><th>Name of Member</th><th>Category</th><th>Professional background</th></tr>
<tr><td>Mr. Nasir Gulzar</td><td>Independent Director</td><td>Professional Chartered Accountant</td></tr>
<tr><td>Mr. Mahfur-ur-Rehman Pasha</td><td>Independent Director</td><td>CEO, Pak Gulf Leasing Company Ltd</td></tr>
<tr><td>Mr. Muhammad Aslam Chaudhary</td><td>Non-Executive Director</td><td>Civil Servant</td></tr>
<tr><td>Mr. Rashid Sohail</td><td>Non-Executive Director</td><td>Civil Servant</td></tr>
</table>
The chief executive and chairman of the Board are not members of the audit committee.</td><td>21 (1)
and
21(2)</td><td>✓
✓</td><td></td></tr>
<tr><td>32.</td><td>a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.
b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.
c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.</td><td>21(3)</td><td>✓
✓
✓</td><td></td></tr>
<tr><td>33.</td><td>a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.
b) The chief internal auditor has the requisite qualification and experience prescribed in the Rules.
c) The internal audit reports have been provided to the external auditors for their review.</td><td>22</td><td>✓
✓
✓</td><td></td></tr>
<tr><td>34.</td><td>The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation</td><td>23(4)</td><td>✓</td><td></td></tr>
</table>

S. No.	Provision of the Rules	Rule No.	Y	N
			Tick the relevant box	
	of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.			
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	**23(5)**	✓	

Chairman Board of Directors

Chief Executive Officer