

INDEPENDENT AUDITOR'S REPORT

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

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 June 30, 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit, its comprehensive income, changes in equity and cash flows and for the year then ended.

Basis for Opinion

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

Emphasis of Matter

We draw attention to notes 11.3 & 23.1 (a) to the financial statements which describe the matter relating to Take or Pay (ToP) invoices raised by the Sui Northern Gas Pipelines Limited (SNGPL) under the Gas Supply Agreements (GSAs) which have been disputed by the Company and that the matter has been referred to London Court of International Arbitration in accordance with the GSAs. Our opinion is not modified in respect of this matter.

Member of
Deloitte Touche Tohmatsu Limited

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Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional 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) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and 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).

Other Matter

The annual financial statements of the Company for the year ended June 30, 2019 have been audited by another firm of chartered accountants who vide their report dated December 31, 2019 expressed an unmodified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.


Yousuf Adil
Chartered Accountants

Lahore
Dated: November 03, 2020

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020 Rupees in thousand	2019
ASSETS			
NON CURRENT ASSETS			
Operating fixed assets	5	144,501,463	149,469,418
Capital work in progress	6	13,346	181,702
Intangible assets	7	54	663
Long term deposits and prepayments	8	17,665,091	12,001,676
		162,179,954	161,653,459
CURRENT ASSETS			
Stock-in-trade	9	3,024,974	2,979,474
Stores, spares and loose tools		968,557	101,851
Trade debts - secured	10	94,678,828	65,344,992
Advances, prepayments and other receivables	11	14,890,524	13,409,946
Tax recoverable from Government	12	6,867,068	5,660,821
Bank balances	13	5,231,545	2,707,653
		125,661,496	90,204,737
		287,841,450	251,858,196
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 11,660,000,000 (2019: 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 (2019: 5,300,010,000) ordinary shares of Rs. 10 each	14	55,500,000	53,000,100
Share deposit money	15	61,000,000	63,499,900
Accumulated profit		50,194,621	22,266,189
		166,694,621	138,766,189
NON CURRENT LIABILITIES			
Long term loans	16	39,816,446	-
Staff retirement benefits	17	25,805	51,927
		39,842,251	51,927
CURRENT LIABILITIES			
Trade and other payables	18	28,451,425	30,190,262
Retention money	19	5,414,430	6,355,372
Accrued markup	20	9,555,499	6,160,416
Short term borrowings - secured	21	29,551,311	37,133,868
Short term loan- unsecured	22	-	32,738,000
Current maturity of long term loans	16	8,056,307	-
Provision for taxation		275,606	462,162
		81,304,578	113,040,080
CONTINGENCIES AND COMMITMENTS			
	23	287,841,450	251,858,196

The annexed notes 1 to 40 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 JUNE 30, 2020

		2020	2019
		(Rupees in thousand)	
Revenue	24	162,672,728	145,611,544
Cost of sales	25	<u>(131,819,886)</u>	<u>(122,997,455)</u>
Gross profit		30,852,842	22,614,089
Administrative expenses	26	(272,629)	(218,462)
Other operating gains / (losses)	27	64,806	(344,442)
Other income	28	<u>9,618,507</u>	<u>3,493,517</u>
Profit before interest and tax		40,263,526	25,544,702
Financial charges	29	<u>(12,205,440)</u>	<u>(6,553,705)</u>
Profit before tax		28,058,086	18,990,997
Taxation	30	(126,501)	-
Profit for the year		<u><u>27,931,585</u></u>	<u><u>18,990,997</u></u>

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

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Chief Executive Officer



Director

**NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019
	(Rupees in thousand)	
Profit for the year	27,931,585	18,990,997
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of staff retirement benefits	(3,153)	(332)
Total comprehensive income for the year	<u><u>27,928,432</u></u>	<u><u>18,990,665</u></u>

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The annexed notes 1 to 40 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 JUNE 30, 2020

	Share capital	Share deposit money ----- (Rupees in thousand) -----	Accumulated profit	Total
Balance as at July 1, 2018	100	116,499,900	3,275,524	119,775,524
Share issued during the year	53,000,000	(53,000,000)	-	-
Total comprehensive income for the year	-	-	18,990,665	18,990,665
Balance as at June 30, 2019	<u>53,000,100</u>	<u>63,499,900</u>	<u>22,266,189</u>	<u>138,766,189</u>
Share issued during the year	2,499,900	(2,499,900)	-	-
Total comprehensive income for the year	-	-	27,928,432	27,928,432
Balance as at June 30, 2020	<u>55,500,000</u>	<u>61,000,000</u>	<u>50,194,621</u>	<u>166,694,621</u>

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

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Chief Executive Officer

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Director

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees in thousand)	2019
Cash flows from operating activities			
Cash generated from / (used in) operations	33	14,636,314	(6,831,106)
Profit received on saving account / TDRs		395,173	1,081,785
Staff retirement benefits paid		(56,159)	(5,457)
Financial charges paid		(8,810,357)	(3,633,327)
Sales tax paid		(908,564)	(1,365,178)
Income tax paid		(1,255,035)	(759,397)
Net cash generated from / (used in) operating activities		4,001,372	(11,512,680)
Cash flows from investing activities			
Additions to operating fixed assets		(2,536,130)	(4,138,909)
Adjustments to capital work in progress		168,356	430,667
Payment of retention money		(940,942)	-
Long term deposits and prepayments - Net		(5,720,960)	234,341
Net cash used in investing activities		(9,029,676)	(3,473,901)
Cash flows from financing activities			
Proceeds from long term loans		15,134,753	-
Short term borrowings - net		(7,582,557)	4,519,995
Net cash generated from financing activities		7,552,196	4,519,995
Net increase / (decrease) in cash and cash equivalents		2,523,892	(10,466,586)
Cash and cash equivalents at the beginning of the year		2,707,653	13,174,239
Cash and cash equivalents at the end of the year	13	5,231,545	2,707,653

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

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Chief Executive Officer

[Signature]
 Director

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 March 2, 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 fossil fuels and bio fuels, including but not limited to oil (residual fuel oil, high speed diesel), gas, coal, hydro or alternative energy resources including but not limited to wind, solar and hydel or any other fuel mix used for generation of electricity in Pakistan and or outside Pakistan and to provide/sell the electricity produced to buyers in accordance with applicable laws. For this purpose, the Company is operating two Regasified Liquefied Natural Gas ('RLNG') based combined cycle power plants. 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 1,223 MW and 1,230 MW at Balloki, District Kasur and Haveli Bahadur Shah ('HBS'), District Jhang respectively, the Company entered Engineering, Procurement and Construction ('EPC') contracts for both plants.
- 1.3 The EPC contractor for HBS plant is a joint venture of Power Construction Corporation of China and Qavi Engineers (Private) Limited ('PCCC-QEL') whereas the EPC contractor for Balloki plant is 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 Balloki and HBS plants on August 9, 2016 and Commercial Operation Date ('COD') tariff on February 19, 2020 which was revised on May 20, 2020. Power Purchase Agreements ('PPAs') for two plants were entered between the Company and Central Power Purchasing Agency (Guarantee) Limited ('CPGA') on October 29, 2016 for the period of 30 years and Gas Supply Agreements ('GSAs') had been entered, for Balloki and HBS plants with Sui Northern Gas Pipelines Limited ('SNGPL') on October 29, 2016 for the period of 15 years.
- 1.5 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 May 04, 2017, and TNB Repair & Maintenance SDN BHD ('TNB') dated May 05, 2017 respectively. The Company also entered into two Long Term Service Agreements ('LTSA') with General Electric ('GE') for both HBS and Balloki plants on October 18, 2016.

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 as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

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

The following standards, amendments and interpretations are effective for the period ended June 30, 2020. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

Standards or Interpretations	Effective from annual period beginning on or after:
IFRS 16 Leases, this standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019

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Standards or Interpretations**Effective from annual period
beginning on or after:**

Amendments to IAS 28 'Investments in Associates and Joint Ventures' Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

January 01, 2019

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

January 01, 2019

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.

January 01, 2019

IFRS 14 'Regulatory deferral accounts. IFRS 14 was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after January 01, 2016. However, SECP has adopted from July 01, 2019.

July 01, 2019

Annual improvements to IFRS standards 2015-2017 cycle amendments to:

January 01, 2019

- 'IFRS 3 Business Combinations;
- 'IFRS 11 Joint Arrangements; and
- 'IAS 12 Income Taxes
- 'IAS 23 Borrowing Costs.

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

The following new accounting standards, interpretations and amendments to accounting and reporting standards are effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments, interpretations and standards are, either not relevant to the Company's operations, or are not expected to have a significant impact on the Company's financial statements other than certain additional disclosures.

Standards or Interpretations**Effective from annual period
beginning on or after:**

Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS.

January 01, 2020

Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.

January 01, 2020

Amendments to IFRS 3 'Business Combinations' - Amendments updating a reference to the Conceptual Framework

January 01, 2022

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.

Effective from annual period beginning on or after a date to be determined. Earlier application is permitted.

Amendments to IAS 39, IFRS 7 and IFRS 9 – The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform.

January 01, 2020

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.

January 01, 2020

Amendments to IAS 1 'Presentation of Financial Statements' - Amendments regarding the classification of liabilities

January 01, 2023

Amendment to IFRS 16 'Leases' - Provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification

January 01, 2020

Amendments to IAS 16 'Property, Plant and Equipment', prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.

January 01, 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' regarding the costs to include when assessing whether a contract is onerous

January 01, 2022

Amendments to IFRS 09 'Financial instruments' - Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities)

January 01, 2022

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Standards or Interpretations

Effective from annual period
beginning on or after:

Amendments to IFRS 14 'Insurance contracts' - Amendments regarding replacement issues in the context of the IBOR reform.

January 01, 2021

Amendments to IAS 41 'Agriculture' - Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (taxation in fair value measurements)

January 01, 2020

Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards.

January 01, 2022

Certain annual improvements have also been made to a number of IFRS.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board ('IASB') has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

2.4 Adoption of new accounting standards

Following changes in accounting standards have taken place effective from July 01, 2019:

Impact of IFRS 16 - 'Leases'

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC-15, 'Operating Leases- Incentive', and SIC-27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces an on balance sheet lease accounting model for long term operating leases (short-term leases and leases where the underlying assets are of low value continue to be treated as off-statement of financial position operating leases). A lessee recognizes a 'right-of-use' asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments.

Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases. However, SECP through S.R.O. 986 (I)/2019, dated September 2, 2019, has granted exemption from requirements of IFRS 16 to Power Companies to the extent of the power purchase agreements executed before the effective date of IFRS 16 till June 30, 2021.

SECP also granted waiver from the application of IFRIC 4 to all companies including power sector companies. This interpretation provides guidance on determining whether arrangements that do not take the legal form of a lease should, nonetheless, be accounted for as a lease in accordance with IAS 17, 'Leases'. However, the SECP made it mandatory to disclose the impact of application of IFRIC 4 or IFRS 16 or IFRIC 12 on the results of the Company.

Consequently, the Company is not required to account for a portion of its PPA as a lease under IAS 17. If the Company were to follow IFRIC 4 / IFRS 16 and IAS 17, the effect on the financial statements would be as follows:

	2020	2019
	(Rupees in thousand)	
De-recognition of property, plant and equipment	<u>(144,328,990)</u>	<u>(149,246,159)</u>
Recognition of lease debtor	<u>143,894,474</u>	<u>150,620,964</u>
Increase in accumulated profit at the beginning of the year	1,374,805	90,625
Decrease / (increase) in profit for the year	<u>(1,809,321)</u>	<u>1,284,180</u>
Decrease / (increase) in accumulated profit at the end of the year	<u>(434,516)</u>	<u>1,374,805</u>

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

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a) **Staff retirement benefits**

Staff retirement benefits involve a high degree of judgment where assumptions and estimates are significant to the financial statements. The Company valued its retirement benefit obligations using valuation performed by an independent actuary. The valuation is based on assumptions as mentioned in note 4.10.

b) **Provision for taxation**

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

c) **Useful life and residual values of operating fixed assets**

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

4 Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below.

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. Cost comprises of acquisition and other directly attributable cost.

Depreciation is charged to 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 is charged from the month in which an asset is acquired or is available for use, and on disposals up to the preceding month of disposal.

Assets residual values, useful lives and depreciation rates 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. In case of replacement, the carrying amount of the replaced part is derecognized. 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 year the asset is derecognized.

Capital spares are classified under operating fixed assets rather than stores, spares and loose tools as they meet the definition of operating fixed assets. 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. It comprises of all expenses incurred and advances made in respect of operating fixed assets in course of their acquisition, erection, construction and installation. It also includes salaries and wages and other costs directly attributable to capital work-in-progress, as determined by the management. Financial charges on borrowings for financing the plants which takes substantial time for completion, until such plants are available for their intended use, are also part of capital work-in-progress. These costs are transferred to operating fixed assets as and when assets are ready for intended 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 at the rate shown in note 7 to the financial statements.

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.

The Company assesses at each statement of financial position date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income for the year. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future years to allocate the asset's revised carrying amount over its estimated useful life.

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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 and spares

Stores and spares are valued at invoice value plus other charges paid thereon till the statement of financial position date while items considered obsolete are carried at nil value.

4.6 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

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 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 Borrowings

These are recorded as the proceeds received and stated at net of repayments. Financial charges are accounted for on accrual basis and are disclosed as accrued interest / markup to the extent of the amount remaining unpaid.

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. 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 and capital work in progress for respective employees. The latest actuarial valuation was carried out as at June 30, 2020. The amount recognized in the statement of financial position represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains / (losses). Re-measurement actuarial gains / (losses) are recognized in other comprehensive income when they occur.

The principal assumptions used in the actuarial valuations are as follows:

	2020	2019
Discount rate used for year-end obligation	8.50%	14.25%
Expected rate of increase in salary level per annum	7.50%	13.25%
Retirement assumption	8 years	8 years

4.11 Leave fare assistance

Employees' entitlement to leave fare assistance is recognized 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.

DYA

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

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax is calculated using prevailing tax rates and is charged to statement of profit or loss. Whereas current tax related with power generation income is recorded as receivable from CPPA, being pass-through item under PPA.

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 37. Non-monetary items that are measured in terms of a historical cost in a foreign currency are not re-translated.

4.17 Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4.17.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

4.17.2. Classification of financial assets:

a) Debt instruments that meet the following conditions are measured subsequently at amortized cost:

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

b) Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

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

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

As at reporting date, the Company do not possess any assets classified as at FVTOCI

DIA

c) Equity instruments designated as at FVTOCI:

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

As at reporting date, the Company do not possess any equity instruments designated as at FVTOCI.

d) Financial assets at fair value through profit or loss

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

As at reporting date, the Company do not possess any financial assets classified as at FVTPL.

e) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets except trade debt due from Government. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for financial assets except trade debts due from Government using simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the financial assets, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

f) Financial assets due from the Government of Pakistan

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

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method, less provision for impairment. 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognized in the statement of profit or loss. When a trade debt is uncollectible, it is written-off against the provision. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss.

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade date i.e. the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of profit or loss. Financial assets are de-recognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Financial assets at amortized cost are measured using the effective interest rate method.

4.17.3 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.

4.17.4 Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

DYA

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the statement of profit or loss.

4.17.5 Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method.

Financial liabilities that are not :

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or
- designated as at FVTPL, are measured subsequently at amortized cost using the effective interest

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

4.17.6 Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4.18 Off-setting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.19 Impairment of non - financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit or loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects the current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognized.

4.20 Revenue recognition

Revenue from sale of electricity to the CPPA, sole customer of the Company, is recorded based upon the output delivered and capacity available at rates as specified under the Power Purchase Agreement (PPA) signed with CPPA, as amended from time to time.

Income on bank deposits and income on overdue trade receivables due under the PPA is accrued on a time proportion basis by reference to the principal/amount outstanding and the applicable rate of return. Income from scrap sales is recognized on accrual basis.

DYA

5 Operating fixed assets

Freehold Land	Plant & Machinery	Capital Spares	Building on freehold land	Motor vehicles	Office equipment	Furniture & Fixture	Computers and IT equipment	Total
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Rupees in thousand

Year ended June 30, 2020

Opening net book value (NBV)	832,980	134,948,907	4,270,761	9,193,511	161,391	20,629	37,427	3,812	149,469,418
Additions (at cost)	6,342	-	-	-	-	1,309	202	433	8,286
Transfers from CWIP	169,591	-	-	-	-	-	-	-	169,591
Net exchange loss capitalized *	-	221,942	-	-	-	-	-	-	221,942
Depreciation charge	-	(4,681,124)	(147,692)	(486,229)	(43,830)	(2,501)	(4,346)	(2,052)	(5,367,774)
Closing net book value (NBV)	1,008,913	130,489,725	4,123,069	8,707,282	117,561	19,437	33,283	2,193	144,501,463

Gross carrying value basis

As at June 30, 2020

Cost	1,008,913	140,235,014	4,430,758	9,724,574	219,151	26,027	43,459	10,644	155,698,540
Accumulated depreciation	-	(9,745,289)	(307,689)	(1,017,292)	(101,590)	(6,590)	(10,176)	(8,451)	(11,197,077)
Net book value (NBV)	1,008,913	130,489,725	4,123,069	8,707,282	117,561	19,437	33,283	2,193	144,501,463

Depreciation rate % per annum

Net carrying value basis

Year ended June 30, 2019

Operating net book value (NBV)	734,969	67,006,377	2,093,873	5,320,628	67,317	15,116	11,674	4,389	75,254,343
Additions (at cost)	98,011	3,894,295	103,273	-	33,728	418	9,184	-	4,138,909
Transfers from CWIP	-	68,737,031	2,221,882	4,359,111	105,303	7,532	21,049	2,031	75,453,939
Depreciation charge	-	(4,688,796)	(148,267)	(486,228)	(44,957)	(2,437)	(4,480)	(2,608)	(5,377,773)
Closing net book value (NBV)	832,980	134,948,907	4,270,761	9,193,511	161,391	20,629	37,427	3,812	149,469,418

Gross carrying value basis

As at June 30, 2019

Cost	832,980	140,013,072	4,430,758	9,724,574	219,151	24,718	43,257	10,211	155,298,721
Accumulated depreciation	-	(5,064,165)	(159,997)	(531,063)	(57,760)	(4,089)	(5,830)	(6,399)	(5,829,303)
Net book value (NBV)	832,980	134,948,907	4,270,761	9,193,511	161,391	20,629	37,427	3,812	149,469,418

Depreciation rate % per annum

3.33% 3.33% 5% 20% 10% 10% 30%

* Net exchange loss also includes adjustments on account of spur gas pipeline cost, consultancy fee to NESPAK and other miscellaneous plants cost.

DPA

	Note	2020 (Rupees in thousand)	2019
5.1 Depreciation charged to:			
Cost of sales		5,315,045	5,323,293
Administrative expenses		52,729	54,480
		<u>5,367,774</u>	<u>5,377,773</u>

6 Capital work in progress

Advance for purchase of land	6.1	998	170,589
Housing complex		12,348	11,113
		<u>13,346</u>	<u>181,702</u>

6.1 This includes 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.

	Note	2020 (Rupees in thousand)	2019
6.2 Movement of capital work in progress			
Opening balance		181,702	64,724,610
Additions during the year		1,235	10,911,031
Transferred to operating fixed assets		(169,591)	(75,453,939)
Closing balance		<u>13,346</u>	<u>181,702</u>

7 Intangible assets

Computer software and licenses

Net carrying value basis

Opening Net Book Value (NBV)		663	1,547
Amortization charge		(609)	(884)
Closing NBV		<u>54</u>	<u>663</u>

Gross carrying value basis

Cost		2,650	2,650
Accumulated amortization		(2,596)	(1,987)
NBV		<u>54</u>	<u>663</u>

Amortization rate % per annum

33.33% 33.33%

8 Long term deposits and prepayments

LNG escrow account	8.1	17,135,265	11,414,305
Security deposit - rental premises		7,038	7,038
Security deposit - bank lockers		50	50
O&M mobilization cost	8.2	522,738	580,283
		<u>17,665,091</u>	<u>12,001,676</u>

8.1 This represents the amount deposited in escrow accounts 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 (2019: Rs 5,691.31 million) deposited for HBS Plant and Rs 9,440.35 million (2019: Rs 5,723.00 million) for Balloki Plant. During the year, interest amounting to Rs 1,082.40 million (2019: Rs 585.00 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.

8.2 This represents unamortized mobilization fee amounting to Rs 208.46 million (2019: Rs 231.52 million) and Rs 314.28 million (2019: Rs 348.76 million) related to operations and maintenance ('O&M') contractors of HBS ('SEPCO III') and Balloki Plants (TnB Repair & Maintenance Sdn. bhd.) respectively 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.

DPA

	Note	2020 (Rupees in thousand)	2019
9 Stock-in-trade			
High Speed Diesel	9.1	<u>3,024,974</u>	<u>2,979,474</u>

9.1 This represents High Speed Diesel (HSD) stock acquired as back-up fuel for both the plants and is being valued on First-In-First-Out basis ('FIFO').

	Note	2020 (Rupees in thousand)	2019
10 Trade debts - secured			
Considered good - Billed	10.1	86,409,766	65,344,992
Considered good - Unbilled	10.4	<u>8,269,062</u>	-
		<u>94,678,828</u>	<u>65,344,992</u>

10.1 This represents the receivable balance from CPPA, a related party, against combined cycle invoices and delayed payment charges. Trade debts are secured by 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 by way of charge to the Security Trustee (National Bank of Pakistan) all energy payments receivable from CPPA.

10.2 Maximum aggregate amount of trade debts, billed which remained outstanding at any time during the year is Rs. 87,312.44 million.(2019: Rs. 65,345.00 million).

10.3 Trade debts, billed include Rs. 23,205.462 million which are neither overdue nor impaired (2019: Rs. 19,798.110 million) The aging analysis of overdue but not impaired trade debts is a follows:

	2020 (Rupees in thousand)	2019
Up to 3 months	30,579,129	31,506,579
Up to 6 months	7,320,663	8,125,707
More than 6 months	<u>25,304,512</u>	<u>5,914,596</u>
	<u>63,204,304</u>	<u>45,546,882</u>

10.4 This includes un-billed adjustments made on account of revised tariff determined by NEPRA for the both plants vide its notification no. NEPRA/R/SA(Tariff)/TRF-359/NPPMCL-2016/13852-13854 and NEPRA/R/SA(Tariff)/TRF-358/NPPMCL-2016/13846-13848 dated May 20, 2020.

	Note	2020 (Rupees in thousand)	2019
11 Advances, prepayments and other receivables			
Accrued profit	11.1	8,453	32,443
Advance income tax		1,254,587	759,397
Prepaid expenses		5,799	9,613
Advance for office expenses		635	319
Advance to employees		2,629	-
Other receivables	11.2, 11.3	10,384,149	11,024,911
Recoverable from CPPA as pass-through items:			
- Workers Profit Participation Fund	11.4	2,524,005	1,121,101
- Workers Welfare Fund	11.4	561,162	-
- Income Tax	30.1	149,105	462,162
		<u>3,234,272</u>	<u>1,583,263</u>
		<u>14,890,524</u>	<u>13,409,946</u>

11.1 This amount represents profit accrued on Company saving accounts and Term Deposit Receipts ('TDRs') maintained with banks.

11.2 This represents an amount of Rs 10,384.14 million receivable from SNGPL, a related party, on account of Take or Pay invoices. The details of the matter are stated in note 11.3 to the financial statements.

D/A

- 11.3 The Company entered into Gas Supply Agreements ('GSAs') for supply of Re-liquefied Natural Gas ('RLNG') with Sui Northern Gas Pipelines Limited ('SNGPL') for its plants located at Haveli Bahadur Shah, District Jhang and Balloki, District Kasur on October 29, 2016. Under clause 3.6 of the respective GSAs, the Company shall take and if not taken, pay for the unutilized gas on account of Take or Pay (ToP) arrangements. If the Company does not fully utilize the ToP quantity, it may request SNGPL to divert any unutilized quantity to other power plants. In case, the power plants refuse, or SNGPL due to technical constraints or other reasons is unable to supply the unutilized quantity to the power plants, it can divert that quantity to any of its consumers. The amounts recovered from these consumers, after deduction of any additional charges incurred by SNGPL in arranging the sale is required to be paid to the Company. Till date SNGPL has invoiced the Company an amount of Rs 14,745.66 million (2019 Rs 12,422.00 million) in respect of ToP. As per SNGPL, the invoiced amount represents the amount payable by the Company on account of ToP under GSA, net of amounts recovered by the SNGPL from other consumers to whom such gas was supplied. The Company disputed SNGPL invoices for ToP claim. Despite the disagreement on ToP invoices SNGPL partially recovered the amounts by encashment of Standby Letter of Credit (SBLC) of the Company during June 2018 for a net amount of Rs 10,384.14 million, which along with deposit in escrow account, was furnished as a security deposit equal to one-fourth of the maximum gas allocation under section 8.3 of GSA. The amount of Rs 10,384.14 million encashed by SNGPL was recorded as receivable from SNGPL and subsequent invoices and revisions amounting to Rs 4,361.52 million have not been recorded in the financial statements. Out of total Rs. 4,361.52 million, Rs 1,344.05 million is on account of revisions made in invoices for the period prior to CoD whereas Rs 3,017.47 million pertains to period after CoD.

The Company disputed the ToP invoices raised by SNGPL, being unjustified and contrary to the requirements of GSAs, through its correspondence and filed a constitutional petition before the Honorable Lahore High Court ('LHC'). LHC on June 22, 2018 directed that the matter should be dealt with in accordance with the dispute resolution mechanism available in the GSA. LHC also directed that the Company will make timely payments of the gas delivered to NPPMCL for ensuring RLNG supplies, which shall not be suspended by SNGPL subject to such timely payments and maintaining minimum of 15 days gas supply deposit. Under the GSA, the Company notified SNGPL regarding referral of dispute to an Expert under section 18.2 of the GSAs and the expert was mutually agreed on October 9, 2018 after negotiation with SNGPL.

The expert issued his recommendations on September 14, 2019 in favor of SNGPL. As per section 18.2(g) of GSA, unless the parties agree otherwise in writing at the time of selection of expert, the determination of expert is not binding. Since no such agreement has been made, the matter has been referred for arbitration in accordance with the rules of London Court of International Arbitration ('LCIA') dated October 11, 2019, under section 18.3 of respective GSAs. Based on the opinion of its legal advisor the management believes that the Company has an arguable case in its favor considering all the facts and circumstances of the dispute and demand is liable to be declared as contrary to GSA and the applicable law.

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

	Note	2020 (Rupees in thousand)	2019 (Rupees in thousand)
12 Tax recoverable from Government			
Income tax		649,394	351,711
Sales tax	12.1	6,217,674	5,309,110
		<u>6,867,068</u>	<u>5,660,821</u>

- 12.1 This includes Rs. 2,458.61 million related with construction period against which a refund application has been filed with FBR in the monthly sales tax return of November 2018. This refund application is under the review of FBR. Another refund application amounting to Rs. 1,097.7 million is filed after the year end while filing sales tax return for the month of August 2020.

	Note	2020 (Rupees in thousand)	2019 (Rupees in thousand)
13 Bank balances			
Cash at bank - saving accounts	13.1	3,651,756	1,097,222
Cash at bank - sales tax accounts	13.2	663,327	568,959
Term Deposit Receipts	13.3	916,462	1,041,472
		<u>5,231,545</u>	<u>2,707,653</u>

- 13.1 Saving accounts are maintained with National Bank of Pakistan ('NBP'), which is a related party, United Bank Limited ('UBL'), Habib Bank Limited ('HBL') and the Bank of Punjab ('BoP'). These balances carry interest rate ranging from 6.50% to 11.25% (June 2019: 4.50% to 10.25%) 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 is Rs 3,292.97 million (2019: Rs 1,084.74 million).

- 13.2 This represents two accounts maintained with NBP for depositing EPC contractors sales tax amount retained on the direction of LHC.

- 13.3 Term deposit receipts issued by the banks have a maturity period of equal to or less than 3 months. The rate of return on these term deposits ranges from 5.80% to 6.75% (2019: 9.70% to 11.20%) per annum.

DIX

	Note	2020 (Rupees in thousand)	2019
14 Share capital			
Authorized 11,660,000,000 (2019: 11,660,000,000) ordinary shares of Rs. 10 each		<u>116,600,000</u>	<u>116,600,000</u>
Issued, subscribed and paid up 5,550,000,000 (2019: 5,300,010,000) ordinary shares of Rs. 10 each fully paid in cash		<u>55,500,000</u>	<u>53,000,100</u>

14.1 Movement in ordinary shares

Opening number of shares		5,300,010	10
Issued for cash		<u>249,990</u>	<u>5,300,000</u>
Closing number of shares		<u>5,550,000</u>	<u>5,300,010</u>

15 Share deposit money

Opening share deposit money		63,499,900	116,499,900
Issuance of shares	15.1	<u>(2,499,900)</u>	<u>(53,000,000)</u>
		<u>61,000,000</u>	<u>63,499,900</u>

15.1 The Company issued 249.99 million ordinary shares at Rs. 10 each to Government of Pakistan (GoP) on July 26, 2019 against the share deposit money amounting Rs. 2,499.9 million received from GOP as per Circular No. GPI-7(02)/2015 dated June 09, 2015.

	Note	2020 (Rupees in thousand)	2019
15.2 Share deposit money is represented by:			
Government of Pakistan		-	2,499,900
Pakistan Development Fund Limited	15.3	<u>61,000,000</u>	<u>61,000,000</u>
		<u>61,000,000</u>	<u>63,499,900</u>

15.3 Finance Division, GOP through letter F. No. 2(23)Inv-I/2017-466 dated August 17, 2017 informed the Company that Pakistan Development Fund Limited (PDFL) has acquired equity share of Government of Pakistan (GOP) in NPPMCL amounting to Rs 114,000 million. However, ordinary shares amounting to Rs 53,000 million only have been issued to PDFL as at year ended June 30, 2020.

	Note	2020 (Rupees in thousand)	2019
16 Long term loans			
Loan from Pakistan Development Fund Limited (PDFL)	16.1 & 22	32,738,000	-
Loan from banks - secured	16.2	15,134,753	-
Less: Current maturity		<u>(8,056,307)</u>	<u>-</u>
		<u>39,816,446</u>	<u>-</u>

16.1 The Company received long term loan from PDFL, a related party amounting to Rs. 32,738 million. The loan has been disbursed in two tranches to HBS and Balloki plants. The first tranche was disbursed on August 31, 2017 vide letter F.No.2(23)INV-I/2017 amounting to Rs. 11,937 million for HBS Plant and Rs. 15,801 million for Balloki Plant, respectively. The second tranche was disbursed on May 22, 2018 vide letter F.No.2(23)INV-I/2017-374 amounting to Rs. 2,500 million for each plant. The loan was granted for a period of 24 months from the date of disbursement and mark up on the loan was fixed at 3 months KIBOR plus 1% per annum. As on June 30, 2019 this loan was classified as a short term loan as mentioned in note 22 because the agreement to reschedule payments, on a long term basis was completed after the year ended June 30, 2019 vide letter F.No.2(23) Inv-I/2017-298, dated October 09, 2019, whereby PDFL informed the Company that the period of the loan has been rescheduled to ten years starting from initial date of disbursement which was August 31, 2017. The mark up on the loan was fixed at 3 months KIBOR plus 1% from the date of commercial operations date of each plant subject to quarterly review of KIBOR as fixed by The State Bank of Pakistan. Formal agreements are signed on January 29, 2020 separately for each plant.

16.2 This amount consists of Rs 8,495.42 million (2019: Rs Nil), and Rs 6,639.33 million (2019: Rs Nil) utilized in HBS and Balloki Plants respectively. The Company financing facilities are arranged from the Bank of Punjab (BoP) led consortium of banks comprising the Bank of Punjab (BoP) 40.79% (a related party), Mezan Bank Limited (MBL) 26.32%, Dubai Islamic Bank Pakistan Limited (DIBL) 19.74%, and Askari Bank Limited (ABL) 13.15%, and signed Musharaka facility agreements amounting Rs. 18,400 million and Rs. 19,600 million for HBS and Balloki Plants respectively on June 11, 2019. These facilities are carrying a mark-up of three months KIBOR plus 0.90%. First drawdown has been taken on July 10, 2019. The said facilities have been secured by way of GoP guarantee and lien over capacity payment receivables (debt component) pertaining to respective plants.

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	2020	2019
	(Rupees in thousand)	
17 Staff retirement benefits		
Provision for gratuity	<u>25,805</u>	<u>51,927</u>
17.1 Amount recognized in statement of financial position		
Present value of defined benefit obligation	79,871	51,927
Fair value of plan assets	<u>(54,066)</u>	-
Net liability	<u>25,805</u>	<u>51,927</u>
17.2 Movement in liability		
Opening liability	51,927	36,293
Gratuity payable at the beginning of the year	3,776	-
Charge to statement of profit or loss	23,108	20,758
Benefits paid during the year	-	(1,680)
Contribution made in plan asset	(56,159)	-
Remeasurement loss recognised in other comprehensive income	3,153	332
Gratuity payable at the end of the year	-	(3,776)
Liability as at reporting date	<u>25,805</u>	<u>51,927</u>
17.2.1 Changes in present value of defined benefit obligation		
As at July 1	51,927	36,293
Gratuity payable at the beginning of the year	3,776	-
Current service cost	19,570	17,606
Interest cost for the year	7,232	3,152
Benefits paid during the year	(4,315)	(1,680)
Remeasurements due to experience adjustments	1,681	332
Gratuity Payable at the end of the year	-	(3,776)
Present value of defined benefit at reporting date	<u>79,871</u>	<u>51,927</u>
17.2.2 Movement in fair value of plan assets		
Balance as at July 1	-	-
Interest income	3,694	-
Remeasurement loss	(1,472)	-
Contributions made	56,159	-
Benefits paid	(4,315)	-
	<u>54,066</u>	<u>-</u>
17.3 Amounts recognized in statement of profit or loss		
Current service cost	19,570	17,606
Interest cost	3,538	3,152
	<u>23,108</u>	<u>20,758</u>
17.4 Amounts recognized in statement of comprehensive income		
Actuarial gain from changes in financial assumptions	1,681	332
Actuarial (gain)/loss on plan assets	1,472	-
	<u>3,153</u>	<u>332</u>
17.5 Plan assets comprise of		
Cash at bank - saving accounts	339	-
Accrued Interest	134	-
Term Deposit Receipts	53,593	-
	<u>54,066</u>	<u>-</u>
17.6 The estimated expense to be charged in the statement of profit or loss for the year ending June 30, 2021 will be Rs. 22.81 million.		

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- 17.7 Significant actuarial assumptions for the determination of defined benefit obligation are discount rate and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period.

	Note	2020 (Rupees in thousand)	2019
Year end sensitivity analysis on present value of defined benefit obligation			
Discount rate + 1%		7,806	3,575
Discount rate - 1%		(5,275)	(4,319)
Salary Increase + 1%		(5,275)	(4,330)
Salary Increase - 1%		7,910	3,659

17.8 Expected maturity analysis of undiscounted benefits

	2020	2019
Year 1	4,016	11,853
Year 2	6,783	3,469
Year 3	8,994	3,860
Year 4	11,629	4,574
Year 5	14,422	4,600
Next 5 year	80,238	184,430

18 Trade and other payables

	Note	2020	2019
Trade creditors	18.1	5,388,795	7,178,255
PCCC - QEL	18.2	9,797,298	11,918,472
HEI - HRL	18.2	9,388,531	9,202,096
Consultancy services	18.3	88,107	221,679
Insurance services		505,226	374,905
Accrued expenses		81,559	14,190
Withholding tax payable		-	24,526
Other liabilities		116,742	67,038
Provision for spur gas pipeline-SNGPL		-	68,000
Workers Welfare Fund (WWF)	18.4	561,162	-
Workers Profit Participation Fund (WPPF)	18.5	2,524,005	1,121,101
		<u>28,451,425</u>	<u>30,190,262</u>

18.1 Trade creditors

	2020	2019
SNGPL (related party)	2,234,199	4,104,900
Pakistan State Oil Company Limited	54,466	-
SEPCO-III	949,047	367,066
TNB	1,032,648	440,611
GE International	1,118,435	2,265,678
	<u>5,388,795</u>	<u>7,178,255</u>

- 18.2 The Company entered into two Engineering, Procurement and Construction ('EPC') contracts with joint venture of Power Construction Corporation of China and Qavi Engineers ('PCCC-QEL') for Haveli Bahadur Shah plant (Contractor for HBS) and a joint venture of Harbin Electric International Company Limited and Habib Rafiq (Private) Limited ('HEI-HRL') for Balloki plant (Contractor for Balloki). Both contractors failed to complete the works and failed to procure the taking over certificates within the time stipulated for completion of Gas turbine 1, Gas turbine 2 and the for the Facility as defined in the respective EPC contracts.

In case of Haveli Bahadur Shah power plant, target completion dates for GT1, GT2 and the Facility were April 12, 2017, May 12, 2017 and January 9, 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 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 ('LD') amounting to USD 58.95 million (Rs 9,472.64 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.

In case of Balloki power plant, target completion dates for GT1, GT2 and the Facility were April 2, 2017, May 2, 2017 and January 29, 2018 respectively whereas taking over certificate for GT1 and GT2 were procured on July 6, 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 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. Liquidated damages amounting to USD 56.26 million (Rs 8,725.70 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.

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Both the contractors have expressed their 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, both the contractors for HBS and Balloki, agreed to reduce the amount of LCs established for the plant to the extent of LD amount. Due to the uncertainty attached with the realization of such LDs, the aforementioned LDs have not been recorded in these financial statements.

18.3 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.

18.4 Provision is provided as per the requirements of the Punjab Workers Welfare Fund Act promulgated on December 13, 2019.

	2020	2019
	(Rupees in thousand)	
18.5 Workers Profit Participation Fund		
Opening balance	1,121,101	171,551
Provision for the year	1,402,904	949,550
Closing balance	<u>2,524,005</u>	<u>1,121,101</u>

19 Retention money

PCCC - QEL	1,342,871	2,087,730
HEI - HRL	4,071,559	4,267,642
	<u>5,414,430</u>	<u>6,355,372</u>

19.1 This represents amount retained on payments to EPC contractors at the rate of 7% of each invoice value. Maximum 5% of contract price can be retained from payments as retention money. 50% of the retention money is payable after the facility take over certificate is issued by the Company and the rest of the 50% will be paid upon completion of punch list items by the respective EPC contractors.

	Note	2020	2019
		(Rupees in thousand)	
20 Accrued markup			
Long term loan	20.1	8,305,444	5,252,003
Short term borrowings - secured	21	1,250,055	908,413
		<u>9,555,499</u>	<u>6,160,416</u>

20.1 This includes markup amounting to Rs 7,934.56 million (2019: Rs 5,252 million) payable on the loan received from PDFL and Rs 370.89 million (2019: Rs Nil) as an accrued markup on long term loan from banks. Markup on PDFL loan and loan from banks for the current year has been accrued at the agreed rate of three months KIBOR plus 1% (2019: 7.14%) and three months KIBOR plus 0.90% respectively.

	Note	2020	2019
		(Rupees in thousand)	
21 Short term borrowings - secured			
Working capital finance	21.1	<u>29,551,311</u>	<u>37,133,868</u>

21.1 This amount consists of Rs 13,670.27 million (2019: Rs 18,061.55 million), and Rs 15,881.04 million (2019: Rs 19,072.32 million) utilized in HBS and Balloki plants respectively.

Working capital finance is available from consortium of banks comprising NBP 33.18% (a related party), UBL 29.77%, HBL 29.77%, and BOP a related party 7.28%. These facilities, amounting to Rs 21,340.00 million for HBS plant and Rs 21,450.00 million for Balloki plant, are carrying a mark-up of three months KIBOR plus 1.50%. The said facilities have been secured by way of:

- (i) a first ranking lien and charge on the working capital 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 charge amounting to Rs. 7,113 million and Rs. 7,151 million over the hypothecated plant and machinery of HBS and Balloki plants, respectively;
- iv) assignment by way of mortgage of energy payment receivables and GSA receivables pertaining to respective plants; and
- (v) a lien and charge on the fuel cost accounts of respective plants and the amounts standing to the credit of such accounts.

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	Note	2020 (Rupees in thousand)	2019
22 Short term loan - unsecured			
Loan from Pakistan Development Fund Limited	22.1	-	32,738,000

22.1 The loan was classified as a short term loan on June 30, 2019 as mentioned in note 16.1 as the agreement to reschedule payments, on a long term basis was completed after the year ended June 30, 2019.

23 Contingencies and commitments

23.1 Contingencies

- a) As mentioned in note 11.3 to the accounts, SNGPL raised invoices amounting to Rs 14,745.66 million (2019: Rs 12,422.00 million) under clause 3.6 of GSAs. The invoices have been disputed by the Company. A significant portion of the demand amounting to Rs 10,384.14 million was recovered by SNGPL through encashment of the Stand-by Letter of Credit, which has been recorded as receivable from SNGPL. Subsequent invoices and revisions amounting to Rs 4,361.52 million have not been recorded in the financial statements. The dispute was referred to an expert mutually decided under section 18.2 "Determination of Expert" of the respective GSAs for resolution. The expert's recommendations were in favor of SNGPL. The matter has been further referred for arbitration on October 11, 2019 in accordance with the rules of London Court of International Arbitration ('LCIA'), under section 18.3 of respective GSAs. Based on the opinion of the legal advisor the management believes that the Company has a reasonable case in its favor considering all the facts and circumstances of the dispute and demand is liable to be declared as contrary to GSA and the applicable law. Consequently, no provision has been made in these financial statements against the demand. If at any time this cost proved payable to the SNGPL, the Company can invoice ToP amount to CPPA which qualify for NPD / Take or Pay energy short fall payment as per the terms of the PPAs.
- b) The Company claimed a tax credit under section 65D "Tax credit for newly established industrial undertakings" of the Income Tax Ordinance, 2001 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, this tax credit is available to the Company for 5 tax years. The Company started claiming this tax credit from TY 2018 after commercial operations start date.

(i) Tax Year - 2020

During 2019-20 the Company received recovery notice dated September 27, 2019 u/s 137(2) amounting to Rs. 483.28 million from Deputy Commissioner Inland Revenue who directed the Company to pay advance tax for September quarter of tax year 2020. The Company challenged the recovery notice by filing a writ petition before the Honorable Lahore High Court (the Court). The Court granted interim relief to the Company and remanded back the case to FBR with a direction to finalize the matter after giving opportunity of hearing to the Company. After hearing the Company, FBR raised two demand notices u/s 137 amounting Rs. 638.17 million and Rs. 1,291.71 million as advance tax for September 2020 and December 2020 quarters respectively. The Company challenged these notices before the court along with stay application against coercive measures of FBR, however the applications have been dismissed and the court directed to file appeal before Commissioner Inland Revenue Appeals (CIRA).

Accordingly, two separate appeals have been filed before CIRA against the notices received for September 2019 and December 2019 quarters the stay on which has been granted by Appellate Tribunal Inland Revenue (ATIR) till decision of CIRA. CIRA has disposed of the Company's appeal in the case of September 2019 quarter in the favor of tax department through order dated June 29, 2020 received on August 19, 2020. Being aggrieved the Company has filed appeal before ATIR in the case of September 2019 quarter which is pending for decision.

Further, the Company received a recovery notice dated June 29, 2020 u/s 137(2) amounting to Rs. 496.3 million from Deputy Commissioner Inland Revenue and directed the Company to pay advance tax for June quarter of TY 2020. Being aggrieved with the tax liability computed by DCIR, the Company filed appeal before CIRA along with stay application. CIRA has granted stay for 60 days ending September 23, 2020 whereas decision of main appeal is pending before CIRA.

(ii) Tax Year - 2019

During 2018-19, the Company received recovery notice under section 138(1) of Income Tax Ordinance (the Ordinance), 2001 amounting to Rs. 498.49 million from Deputy Commissioner Inland Revenue conveying the rejection of Company's claim of tax credit of the Ordinance and directed the Company to pay advance tax for the tax year 2019. Thereafter, the tax department attached the Company's bank accounts and recovered Rs. 15.00 million against the said demand. Subsequently, the Company challenged the recovery notice by filing a writ petition before the Honorable Lahore High Court. The Honorable Lahore High Court granted the stay with the remarks that the coercive measures taken by FBR are illegal and remanded back the case to FBR with a direction to finalize the matter within a period of 15 days after giving opportunity of hearing to the Company.

After hearing the Company, FBR has issued demand notice u/s 137(2) dated March 09, 2020 amounting Rs. 2,468.62 million by amending the Company's complete assessment for tax year 2019. The Company has filed appeal before CIRA along with stay application. Appeal proceedings are not yet finalised but CIRA rejected the stay application. The Company aggrieved from this, filed stay application before ATIR. Stay was granted by ATIR dated June 25, 2020 to avoid any coercive recovery measures of tax department till the decision of CIRA and also directed CIRA to dispose of the main appeal within 60 days of the receipt of ATIR stay order. The appeal is pending before CIRA for decision.

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(iii) Tax Year - 2018

On October 25, 2019, the Company received a recovery notice under section 137(2) and 138(1) of the Ordinance amounting to Rs. 388.04 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 CIRA along with stay application which was rejected. The Company filed stay application with ATIR and a stay was granted on recovery proceedings dated November 26, 2019 for 45 days. Afterwards, the Company sought interim relief from the Honorable Lahore High Court, who vide order sheet dated January 15, 2020 granted stay from coercive measures for 30 days and directed CIRA to decide the pending appeal within 30 days. CIRA decided the appeal against the Company through order dated February 18, 2020. Being aggrieved, the Company filed appeal before ATIR along with stay application. ATIR upheld the decision of Commissioner (Appeals) through order dated September 14, 2020. The Company has filed appeal before the Honorable Lahore High Court dated September 28, 2020 which is pending for decision. Meanwhile High court has granted stay from coercive recovery measures till February 09, 2021.

The Company, based on legal and tax advisor's opinion, believes that the demands are unjustified and the Company is eligible for tax credit under Section 65D of the Ordinance. Therefore, no provision has been made in these financial statements against these demands.

Based on tax credit u/s 65D, the Company has cumulatively claimed tax credit to the tune of Rs. 4,166.69 million till June 30, 2020 (TY 2018: Rs. 586.29 million, TY 2019: Rs. 1,387.72 million, TY 2020: Rs. 2,192.68 million).

- c) During the financial year 2018-19, 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. The amount notified by PRA to be paid by the Company was Rs. 16,928.18 million. The Lahore High Court granted interim relief till July 10, 2019 and then remanded back the case to PRA for review and decision. The matter is still under review with PRA. The Company based on the opinion of its tax advisors believes that the claim of PRA is contrary to the provisions of the Punjab Sales Tax on Services Act 2012. Consequently, no provision has been recorded in these financial statements.

23.2 Commitments

- a) Commitments for capital expenditure include; Engineering consultancy cost of Rs 11.0 million (2019: Rs 24.89 million) for each plant. To facilitate payments to EPC contractors for both plants, the Company has opened four Letters of Credit (LCs) with NBP for each plant. Two LCs pertain to onshore payments and two LCs pertain to offshore payments. The total amount pertaining to offshore payment LCs add up to USD 751.7 million (2019: USD 751.7 million) out of which USD 29.50 million (2019: USD 48.4 million) is outstanding. The total amount pertaining to onshore payment LCs add up to Rs 20,001 million (2019: 20,001 million) out of which Rs 792 million (2019: Rs 1,354 million) is outstanding.
- b) 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 2019: Rs 11,383 million) for HBS plant and Rs 11,397 million (June 2019: Rs 11,397 million) for Balloki plant. These SBLCs along with 10% margin are secured by way of (i) a first ranking hypothecation charge over the hypothecated plant & machinery of respective plants, and (ii) assignment by way of mortgage of energy payments receivable from CPPA pertaining to respective plant. However during the previous year SBLC amounting to Rs 6,224 million pertaining to HBS plant and Rs 4,160 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 plants stands at Rs 5,159 million (June 2019: Rs 5,159 million) and Rs 7,237 million (June 2019: Rs 7,237 million) respectively.
- c) The Company has provided a bank guarantee via NBP dated January 15, 2016 in favor of Pakistan State Oil Company Limited (PSO) for the purchase of fuel on credit for its fleet of cars amounting to Rs 0.971 million (June 2019: Rs 0.971 million).

	Note	2020 (Rupees in thousand)	2019
24 Revenue			
Energy purchase price	24.1	144,461,546	134,966,938
Less: Sales tax		(21,166,083)	(20,048,423)
Net energy purchase price		123,295,463	114,918,515
Capacity purchase price	24.1	35,650,757	30,693,029
Tariff adjustment	24.2	3,726,508	-
		<u>162,672,728</u>	<u>145,611,544</u>

24.1 This represents energy produced and supplied to the National Grid from combined cycle operations of both plants. Combined cycle operations of HBS started from May 09, 2018 and Balloki from July 29, 2018.

24.2 This represents adjustments on account of revised tariff determined by NEPRA on May 20, 2020. The revised tariff has resulted in increase in fuel cost component of energy purchase price by Rs. 445.85 million, variable operations and maintenance decreased by Rs 2,581.45 and capacity purchase price has increased by Rs. 5,862.11 million. This has resulted in net increase in revenue of Rs. 3,726.51 million from Commercial operations dates.

The above has resulted in net increase in revenue of Rs. 3,726.51 million from Commercial operations date of the HBS and Balloki plants i.e. May 09, 2018 and July 29, 2018 respectively till June 30, 2020 and accordingly has been incorporated in current year revenue.

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	Note	2020 (Rupees in thousand)	2019
25 Cost of sales			
Fuel cost		115,357,735	109,889,140
Operation and maintenance costs	25.1	7,942,899	5,723,370
Depreciation		5,315,045	5,323,293
Insurance		2,809,622	1,797,585
Salaries, wages and benefits	25.2	235,337	184,776
Security services		123,061	50,170
Miscellaneous		36,187	29,121
		<u>131,819,886</u>	<u>122,997,455</u>

25.1 This includes variable and fixed fee incurred in respect of O&M and LTSA contracts of both plants.

25.2 Salaries, wages and benefits include provision for gratuity aggregating to Rs. 15.99 million (2019: Rs. 14.48 million).

	Note	2020 (Rupees in thousand)	2019
26 Administrative expenses			
Salaries, wages and benefits	26.1	142,652	104,501
Directors' meeting fee and expenses		2,338	2,035
Travelling and conveyance		1,501	1,148
Vehicles running and maintenance		2,899	3,270
Printing and stationary		991	4,029
Office supplies and utilities		4,744	4,900
Repair and maintenance		262	241
Legal and Professional		20,454	5,644
Auditors' remuneration	26.2	11,732	6,130
Inauguration and advertisements		1,133	1,020
Fee and subscription		1,192	1,763
Rent, rates and taxes		18,914	17,513
Security services		-	295
Telephone and telex		1,764	1,511
Insurance		8,716	9,097
Depreciation	5	52,729	54,480
Amortization		608	885
		<u>272,629</u>	<u>218,462</u>

26.1 Salaries, wages and benefits include gratuity expense for head office aggregating to Rs 7.12 million (2019: Rs 5.74 million).

	Note	2020 (Rupees in thousand)	2019
26.2 Auditors' remuneration			
Statutory audit fee		6,064	5,555
Half year review and special audit fee		4,647	-
Compliance and other certificates		200	370
Out of pocket expenses		821	205
		<u>11,732</u>	<u>6,130</u>

27 Other operating gains / (losses)

Foreign exchange gain / (loss)	27.1	<u>64,806</u>	<u>(344,442)</u>
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27.1 This represents foreign exchange gain/ (loss) incurred on settlement of transactions with General Electric Inc. (LTSA Contractor), National Insurance Company Limited ('NICTL') for insurance services and from the translation of such liabilities at year end exchange rates.

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	Note	2020 (Rupees in thousand)	2019
28 Other income			
Profit on saving accounts	13.1	80,449	91,781
Profit on term deposit receipts	13.3	290,733	1,022,446
Delayed payment charges	28.1	9,247,103	2,379,132
Miscellaneous		222	158
		<u>9,618,507</u>	<u>3,493,517</u>

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

	Note	2020 (Rupees in thousand)	2019
29 Financial charges			
Interest on long term loan	20.1	6,743,031	2,237,254
Markup on short term borrowings	29.1	5,395,952	4,259,747
SBLC commission	29.2	53,376	47,403
Other bank charges		13,081	9,301
		<u>12,205,440</u>	<u>6,553,705</u>

29.1 Markup on short term borrowings

Markup on Working Capital Facility	5,340,845	3,161,853
Markup on SBLC funded facility	-	1,097,894
Markup on SNGPL Delay Payment	55,107	-
	<u>5,395,952</u>	<u>4,259,747</u>

29.2 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 the unfunded amount.

	Note	2020 (Rupees in thousand)	2019
30 Taxation			
Current tax	30.1	<u>126,501</u>	-

30.1 This represents provision of current taxation for the period. As per clause 11.3 (b) of Part IV of Schedule 1 of PPA, corporate income tax payable on generation, sale, exportation or supply of electricity are pass-through items and shall be claimable from CPPA.

Based on Corporate Tax, the total provision for taxation is Rs 2,930.45 million. However, the Company is entitled to claim a tax credit equal to the amount of Rs 2,192.68 million under section 65D "Tax credit for newly established industrial undertakings" of the Income Tax Ordinance, 2001 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 and Rs. 462.16 million minimum tax under section 113 paid during Tax Year 2019. Therefore, the tax liability for the current period is Rs 275.61 million, out of which Rs. 149.11 million is claimable from CPPA as pass-through item as reflected in note 11 of the financial statements.

30.2 No deferred tax liability has been recognized as future tax payments in respect of generation, sale, exportation or supply of electricity are pass-through items as per PPA and shall be claimable from CPPA.

	Note	2020 (Rupees in thousand)	2019
30.3 Tax charge reconciliation			
Accounting profit		28,058,086	18,990,997
Income tax charge		8,136,845	5,507,389
Difference due to minimum tax / taxable income		(5,668,557)	(3,657,506)
Tax claimable as pass-through item		(149,105)	(462,162)
Effect of tax credit u/s 65D		<u>(2,192,682)</u>	<u>(1,387,721)</u>
Current tax		<u>126,501</u>	-

D/A

31 Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Directors				Executives	
	2020	2019	2020	2019	2020	2019		
	Rupees in thousand							
Short term employee benefits								
Managerial remuneration	21,506	12,626	-	-	263,459	211,619		
Leave fare assistance	1,283	-	-	-	22,721	-		
Bonus	-	5,130	-	-	-	66,074		
House rent	-	-	-	-	-	-		
Utilities	274	149	-	-	-	-		
Post employment benefits								
Gratuity / Pension	23,063	17,905	-	-	286,180	277,693		
	1,489	1,283	-	-	18,766	17,967		
	<u>24,552</u>	<u>19,188</u>	<u>-</u>	<u>-</u>	<u>304,946</u>	<u>295,660</u>		
Number of persons	1	1	8	9	37	40		

31.1 Aggregate amount charged in the financial statements for the period as directors fee in respect of 8 directors (2019: 9 directors) is Rs 2.34 million (2019: Rs 2.03 million).

31.2 The Chief Executive and certain Executives are provided with the Company maintained motor vehicles.

S/A

32.1 The management has determined the operating segments based on the generation licenses. The Company has the following two reportable segments under HBS and Balloki Power Plant.

Identifiable assets, liabilities, income and expenses of the plants have been recorded on actual basis for the Plant. Certain common assets, common liabilities, common income and common expenses of the Company have been allocated equally to two plants of the Company.

	June 2020			June 2019		
	HBS	Balloki	Total	HBS	Balloki	Total
	Rupees in thousand			Rupees in thousand		
Sale of energy						
Energy purchase price	67,042,410	56,253,053	123,295,463	67,508,696	47,409,820	114,918,516
Capacity purchase price	18,024,038	17,626,719	35,650,757	17,451,550	13,241,478	30,693,028
Tariff adjustment	1,557,687	2,168,821	3,726,508	-	-	-
	86,624,135	76,048,593	162,672,728	84,960,246	60,651,298	145,611,544
Cost of Sales	(70,632,613)	(61,187,273)	(131,819,886)	(71,334,225)	(51,665,230)	(122,997,455)
Gross Profit	15,991,522	14,861,320	30,852,842	13,626,021	8,988,068	22,614,089
Administrative expenses	(134,638)	(137,991)	(272,629)	(109,093)	(109,369)	(218,462)
Other operating gains / (expenses)	50,163	14,643	64,806	(195,259)	(149,183)	(344,442)
Other Income	5,607,513	4,010,994	9,618,507	2,049,800	1,443,717	3,493,517
Profit before interest and tax	21,514,560	18,748,966	40,263,526	15,371,469	10,175,233	25,544,702
Financial charges	(5,940,016)	(6,265,424)	(12,205,440)	(3,425,730)	(3,127,975)	(6,553,705)
Taxation	(81,676)	(44,825)	(126,501)	-	-	-
Profit for the period	15,492,868	12,438,717	27,931,585	11,945,739	7,045,258	18,990,997

D/A

32.2

Assets

June 2020

June 2019

Non-current Assets
 Operating fixed assets
 Capital work-in-progress
 Intangible assets
 Long term deposits and prepayments

	HBS	Balloon	Total	HBS	Balloon	Total
	Rupees in thousand			Rupees in thousand		
	73,365,884	71,135,579	144,501,463	76,119,054	73,350,364	149,469,418
	10,942	2,404	13,346	15,918	165,784	181,702
	27	27	54	331	332	663
	7,906,923	9,758,168	17,665,091	5,926,371	6,075,305	12,001,676
	81,283,776	80,896,178	162,179,954	82,061,674	79,591,785	161,653,459

Current Assets

Stock in trade
 Stores, spares and loose tools
 Trade debts
 Advances, prepayments and other receivables
 Tax recoverable from Government
 Cash and bank balances

	1,403,755	1,621,219	3,024,974	1,403,992	1,575,482	2,979,474
	735,419	233,138	968,557	101,851	-	101,851
	51,155,310	43,523,518	94,678,828	35,644,326	29,700,666	65,344,992
	8,838,358	6,052,166	14,890,524	8,529,094	4,880,852	13,409,946
	3,427,003	3,440,065	6,867,068	2,480,142	3,180,679	5,660,821
	2,870,753	2,360,792	5,231,545	1,106,112	1,601,541	2,707,653
	68,430,598	57,230,898	125,661,496	49,265,517	40,939,220	90,204,737

Total Assets

149,714,374 138,127,076 287,841,450

131,327,191 120,531,005 251,858,196

32.3

Liabilities

Non-current liabilities
 Long term loan
 Deferred liabilities

	18,970,169	20,846,277	39,816,446	-	-	-
	13,405	12,400	25,805	26,032	25,895	51,927
	18,983,574	20,858,677	39,842,251	26,032	25,895	51,927

Current Liabilities

Trade and other payables
 Retention money
 Accrued markup
 Short term borrowings- secured
 Short term loan- unsecured
 Current maturity of long term loan
 Provision for taxation

	14,682,828	13,768,597	28,451,425	16,677,014	13,513,248	30,190,262
	1,342,871	4,071,559	5,414,430	2,087,730	4,267,642	6,355,372
	4,466,997	5,088,502	9,555,499	2,828,071	3,332,345	6,160,416
	13,670,273	15,881,038	29,551,311	18,061,551	19,072,317	37,133,868
	-	-	-	14,437,000	18,301,000	32,738,000
	3,962,251	4,094,056	8,056,307	-	-	-
	174,262	101,344	275,606	269,507	192,655	462,162
	38,299,482	43,005,096	81,304,578	54,360,873	58,679,207	113,040,080
	57,283,056	63,863,773	121,146,829	54,386,905	58,705,102	113,092,007

Total Liabilities

DPA

	Note	2020 (Rupees in thousand)	2019
33 Cash generated from operations			
Profit before tax		28,058,086	18,990,997
Adjustments for:			
Depreciation	5	5,367,774	5,377,775
Amortization of mobilization cost	7	57,545	57,543
Amortization on intangible assets		609	885
Provision for staff retirement benefits		23,108	20,219
Financial charges		12,205,440	6,553,704
Foreign exchange (gain) / loss		(64,806)	344,442
Delayed payment charges		(9,247,102)	(2,379,132)
Profit on saving account / TDRs		(371,183)	(1,114,227)
		<u>7,971,385</u>	<u>8,861,209</u>
Operating profit before working capital changes		36,029,471	27,852,206
Effect on cash flow due to working capital changes			
Increase in stock-in-trade		(45,500)	(1,101,263)
Increase in stores, spares and loose tools		(866,706)	(101,851)
Increase in trade debts		(20,086,734)	(33,977,041)
Increase in advances, prepayments and other receivables		(860,273)	(819,899)
Decrease in trade and other payables		466,056	1,316,742
		<u>(21,393,157)</u>	<u>(34,683,312)</u>
		<u>14,636,314</u>	<u>(6,831,106)</u>

34 Financial risk management

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

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

34.1 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.

D/M

The maximum exposure to credit risk at the reporting date is as follows:

	2020	2019
	(Rupees in thousand)	
Long term deposits	17,142,353	11,421,393
Trade debts	94,678,828	65,344,992
Accrued profit	8,453	32,443
Other receivables	10,384,149	11,024,911
Recoverable from CPPA as pass-through items	3,234,272	1,583,263
Bank balances	5,231,545	2,707,653
	<u>130,679,600</u>	<u>92,114,655</u>

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, Workers' Welfare Fund, Workers' Profit Participation Fund and Income Tax receivable from CPPA is mitigated by guarantee from the Government of Pakistan under the Facilitation Agreement. Age analysis of trade receivable balances is given in note 10.3.

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

Name of bank	Rating		2020	2019
	Short term	Long term		
			(Rupees in thousand)	
National Bank of Pakistan	A-1+	AAA	1,283,476	1,622,814
United Bank Limited	A-1+	AAA	3,293,173	1,084,739
Habib Bank Limited	A-1+	AAA	106	100
The Bank of Punjab	A-1+	AA	654,790	-
			<u>5,231,545</u>	<u>2,707,653</u>

34.2 Liquidity risk

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

Maturity analysis of financial liabilities

The Company maintains running finance facilities (refer note 21) 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.

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.

D/A

		2020 (Rupees in thousand)	2019
Trade and other payables	Maturity upto 3 months	25,366,258	30,190,262
Short term borrowings	Maturity upto 3 months	29,551,311	37,133,868
Accrued markup	Maturity upto 3 months	9,555,499	6,160,416
Retention money	Maturity upto 3 months	5,414,430	6,355,372
Short term loan	Maturity up to 1 year	-	32,738,000
Long term loan	Maturity less than 1 year	8,056,307	-
	Maturity more than 1 year	39,816,446	-
		<u>117,760,251</u>	<u>112,577,918</u>

34.3 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.

a) 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 arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro. Apart from trade creditors, major foreign exchange risk relates to expenditures of consultants and contractors which are not in Pak Rupees. The Company's exposure to currency risk is as follows:

	Currency	2020	2019
Trade creditors	USD	6,627,766	18,683,006
Payables to PCCC – QEL	USD	51,870,757	66,076,503
Payables to HEI – HRL	USD	44,803,213	44,803,213
Retention money payable to PCCC – QEL	USD	7,065,861	11,776,433
Retention money payable to HEI – HRL	USD	22,401,607	22,401,607
Payables to NESPAK	USD	-	3,668
Net exposure - USD		<u>132,769,204</u>	<u>163,744,430</u>
Payables to NESPAK	EURO	-	137,790
Net exposure - Euro		<u>-</u>	<u>137,790</u>

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, Retention money payable to PCCC - QEL, and Retention money payable to HEI - HRL by Rs 6.63 million, Rs 51.87 million, Rs 44.80 million, Rs 7.07 million, and Rs 22.40 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 set-off against capital work in progress / operating fixed assets whereas in the case of operational costs gain or loss is charged to the profit and 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 is PKR/US\$ 168.75 (2019: 164.50) and PKR/Euro 189.73 (2019: 186.99), whereas average rate used during the period is PKR/US\$ 160.78 (2019: 139.00) and PKR/Euro 189.73 (2019: 186.99).

b) 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%.

D/A

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. Therefore, the Company has no risk exposure due to change in interest rates as on reporting date.

c) 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.

34.4 Fair value of financial instruments

'IFRS 13 "Fair Value Measurement" defines fair value as 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.

IFRS 13 requires the Company to classify financial instruments 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 market price (unadjusted) in active markets for an identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company does not have any financial assets and liability measured at fair value. The carrying values of all the financial assets and financial liabilities reported in the statement of financial position approximate their fair values.

34.4.1 Financial instruments by categories

2020 2019
(Rupees in thousand)

Following financial assets and liabilities are classified and measured at amortized cost.

Assets as per Statement of Financial Position

Long term deposits	17,142,353	11,421,393
Trade debts	94,678,828	65,344,992
Advances and other receivables	10,384,784	11,784,627
Cash and bank balances	5,231,545	2,707,653
	127,437,510	91,258,665

Liabilities as per Statement of Financial Position

Long term loan	39,816,446	-
Current maturity of long term loan	8,056,307	-
Retention money	5,414,430	6,355,372
Trade and other payables	25,366,258	30,190,262
Short term borrowings	29,551,311	37,133,868
Short term loan	-	32,738,000
	108,204,752	106,417,502

34.5 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.

DYA

	2020	2019
	(Rupees in thousand)	
Long term loan	39,816,446	-
Short term borrowings	29,551,311	37,133,868
Short term loan	-	32,738,000
Current maturity of long term loan	8,056,307	-
Total borrowing	77,424,064	69,871,868
Issued, subscribed and paid up capital	55,500,000	53,000,100
Share deposit money	61,000,000	63,499,900
Accumulated profit	50,194,621	22,266,189
Total equity	166,694,621	138,766,189
Total capital employed	244,118,685	208,638,057
Gearing ratio	31.7%	33.5%

35

Capacity & Production

	2020	2019
	MWH	MWH
Plants available capacity	20,211,854	16,871,161
Total energy delivered	12,962,192	12,042,211

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

36

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 related group companies, directors of the Company, companies considered related parties by the way of common directorship, associated companies, 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 remuneration of Chief Executive, Directors and Executives unless disclosed elsewhere in these financial statements are as follows:

Transactions during the period		2020	2019
Government owned entities - Associates		(Rupees in thousand)	
	Nature of the Transaction		
CPPA	Sale of energy	162,066,887	145,611,544
SNGPL	Purchase of RLNG	115,356,682	112,875,160
NESPAK	Consultancy fee	100,265	98,045
NBP	Profit on saving account	12,027	40,947
NBP	Profit on term deposits	260,854	1,022,446
NBP	Short term borrowings / (repayments)	(2,754,741)	5,092,906
NBP	Markup on short term borrowings	1,771,632	1,462,540
BOP	Short term borrowings / (repayments)	(605,481)	1,119,419
BOP	Markup on short term borrowings	389,247	314,308
BOP	Long term loan	6,173,386	-
BOP	Accrued markup	484,412	-
PDFL	Accrued markup	5,555,455	2,337,493
NICL	Insurance	2,811,435	47,594
Employees gratuity fund	Payment of contribution	56,159	-
		291,678,219	270,022,402

37

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 accumulated profit would have been lower by Rs 8,361.00 million (2019: Rs 7,922.00 million) and property, plant, and equipment would have been lower by Rs 8,361.00 million (2019: Rs 7,922.00 million).

D/A

38	Number of employees	2020	2019
	Total number of employees as at close	80	92
	Average number of employees during the period/ year	83	95

39 **Date of authorization**

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

03 NOV 2020

40 **General**

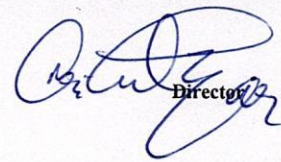
40.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. However, no significant re-arrangements have been made.

40.2 These financial statements are presented in Pakistani Rupee ("Rs") which is the Company's functional currency. All financial information presented in Rupees has been rounded off to the nearest thousand rupees, unless otherwise stated.

40.3 The Company regularly follows the development of the Covid-19 corona virus and evaluates the extent to which this may affect the Company's operations in the short and long term. With the high levels of uncertainty surrounding the situation it is very difficult to predict the full financial impact that the situation may have on the Company. However, due to the nature of power generation business and its continuing demand, the Company expects that it will sail through this crisis without major damage.



Chief Executive Officer



Director

DVA