NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

pwc

A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

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, 2021, 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, 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 11.4 and 22.1 to the financial statements which describe the matter relating to Take or Pay 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 for arbitration in accordance with the GSAs. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's 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.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
23-C, Aziz Avenue, Canal Bank, Gulberg-V, P.O.Box 39, Lahore-54660, Pakistan
Tel: +92 (42) 3571 5868-71 / 3577 5747-50 Fax: +92 (42) 3577 5754 www.pwc.com/pk

KARACHI ▪LAHORE ▪ISLAMABAD

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, 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, 2020 have been audited by another firm of chartered accountants who vide their report dated November 03, 2020 expressed an unmodified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is Hammad Ali Ahmad.

A F Ferguson &..

A. F. Ferguson & Co.
Chartered Accountants

Lahore

Date: 06-10-21

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2021

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Operating fixed assets	5	137,966,405	144,501,463
Capital work-in-progress	6	19,358	13,346
Intangible assets	7	-	54
Long term deposits and prepayments	8	17,607,546	17,665,091
		155,593,309	162,179,954
CURRENT ASSETS			
Stock-in-trade	9	3,041,625	3,024,974
Stores, spares and loose tools		1,402,887	968,557
Trade debts - secured	10	132,036,783	94,678,828
Advances, prepayments and other receivables	11	15,744,914	14,890,524
Tax recoverable from Government	12	7,360,665	6,867,068
Cash and bank balances	13	4,389,186	5,231,545
		163,976,060	125,661,496
		319,569,369	287,841,450
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 11,660,000,000 (June 30, 2020: 11,660,000,000) ordinary shares of Rs 10 each	14	116,600,000	116,600,000
Issued, subscribed and paid up capital 5,550,000,000 (June 30, 2020: 5,550,000,000) ordinary shares of Rs 10 each	14	55,500,000	55,500,000
Share deposit money	15	61,000,000	61,000,000
Accumulated profit		74,471,265	50,194,621
		190,971,265	166,694,621
NON CURRENT LIABILITIES			
Long term loan	16	35,211,610	39,816,446
Staff retirement benefits	17	28,649	25,805
		35,240,259	39,842,251
CURRENT LIABILITES			
Trade and other payables	18	29,153,734	28,506,532
Retention money	19	3,911,875	5,414,430
Accrued markup	20	8,465,512	9,500,392
Short term borrowings - secured	21	41,528,217	29,551,311
Current maturity of long term loan	16	10,258,123	8,056,307
Provision for taxation		40,384	275,606
		93,357,845	81,304,578
CONTINGENCIES AND COMMITMENTS	22		
		319,569,369	287,841,450

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive **Director**

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
Sales	23	148,249,166	162,672,728
Cost of sales	24	(124,399,008)	(131,819,886)
Gross profit		23,850,158	30,852,842
Administration expenses	25	(302,235)	(272,629)
Other income	26	7,102,978	9,683,313
Profit before interest and tax		30,650,901	40,263,526
Financial charges	27	(6,454,536)	(12,205,440)
Profit before tax		24,196,365	28,058,086
Taxation	28	86,117	(126,501)
Profit for the year		24,282,482	27,931,585

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive **Director**

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	
Profit for the year	24,282,482	27,931,585
Other comprehensive income for the year		
Items that will not be reclassified subsequently to profit or loss:		
- Remeasurement of staff retirement benefits	(5,838)	(3,153)
Total comprehensive income for the year	24,276,644	27,928,432

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2021

	Share Capital	Share Deposit Money	Accumulated Profit	Total
	(Rupees in thousand)			
Balance as at July 1, 2019	53,000,100	63,499,900	22,266,189	138,766,189
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	55,500,000	61,000,000	50,194,621	166,694,621
Total comprehensive income for the year	-	-	24,276,644	24,276,644
Balance as at June 30, 2021	55,500,000	61,000,000	74,471,265	190,971,265

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
Cash flows from operating activities			
Cash (used in) / generated from operations	29	(395,165)	15,031,487
Staff retirement benefits paid		(25,805)	(56,159)
Sales tax paid		(662,650)	(908,564)
Income tax paid		(568,775)	(1,255,035)
Net cash (used in) / generated from operating activities		(1,652,395)	12,811,729
Cash flows from investing activities			
Operating fixed assets		(1,268,422)	(3,308,716)
Capital work-in-progress		(6,012)	-
Long term deposits and prepayments		-	(5,720,960)
Net cash used in investing activities		(1,274,434)	(9,029,676)
Cash flows from financing activities			
Long term loan - net		(2,403,020)	15,134,753
Short term borrowings - net		11,976,906	(7,582,557)
Financial charges paid		(7,489,416)	(8,810,357)
Net cash generated from / (used in) financing activities		2,084,470	(1,258,161)
Net (decrease) / increase in cash and cash equivalents		(842,359)	2,523,892
Cash and cash equivalents at the beginning of the year		5,231,545	2,707,653
Cash and cash equivalents at the end of the year	13	4,389,186	5,231,545

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive **Director**

NATIONAL POWER PARKS MANAGEMENT COMPANY (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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 two thermal power plants operating on Regassified Liquefied Natural Gas ('RLNG') as primary fuel and High Speed Diesel ('HSD') as back-up fuel. The Company has entered into Power Purchase Agreements ('PPAs') with Central Power Purchasing Agency (Guarantee) Limited ('CPPA') on behalf of ex-WAPDA Distribution Companies ('the Power Purchaser') for the sale of its entire power generation.

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

1.2 For the purpose of setting up two RLNG based combined cycle power plants of 1,223 MW and 1,230 MW at Balloki, District Kasur and Haveli Bahadur Shah ('HBS'), District Jhang respectively, the Company entered into 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. The Commercial Operations Date ('CoD') tariff was determined on February 19, 2020 which was subsequently revised on May 20, 2020. The Return on Equity ('RoE') tariff has been reduced by NEPRA during the year ended June 30, 2021 vide its order dated February 18, 2021 with effect from October 6, 2020.

1.5 PPAs for the two plants were entered between the Company and CPPA on October 29, 2016 for the period of 30 years and Gas Supply Agreements ('GSAs') 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.

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

2 Basis of preparation

2.1 Statement of compliance

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

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

A7r

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

2.2 Functional and presentation currency

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

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

Certain standard amendments and interpretations to approved accounting standards are effective for the accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or to have any significant effect on the Company operations and are, therefore, not detailed in these financial statements.

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the 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:**
Amendments to IFRS 3 'Business Combinations'- Amendments updating a reference to the Conceptual Framework	January 1, 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 1 'Presentation of Financial Statements'- Amendments regarding the classification of liabilities	January 1, 2023
Amendments to IAS 8 'Accounting policies, changes in accounting estimates and errors'	January 1, 2023
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 1, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' regarding the costs to include when assessing whether a contract is onerous	January 1, 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 1, 2022
Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards.	January 1, 2022
Amendments to IFRS 9 'Financial Instruments interest rate benchmarks'	January 1, 2021

٣١٢

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

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

2.5.1 The Securities and Exchange Commission of Pakistan (SECP) through S.R.O 229 (I) / 2019 dated February 14, 2019 notified that the standard IFRS 9, 'Financial Instruments' would be effective for reporting period / year ending on or after June 30, 2019. However, SECP through SRO 1177 (I) / 2021 dated September 13, 2021 granted exemption from applying expected credit loss based impairment model to financial assets due from the Government till June 30, 2022. The management of the Company believes that the application of this standard subsequent to June 30, 2021 will not have any material impact on the Company.

2.5.2 The Securities and Exchange Commission of Pakistan (SECP) through S.R.O. 24(I) / 2012 dated January 16, 2012, as modified by S.R.O. 986(I) / 2019 dated September 2, 2019, granted exemption from the application of IFRS 16 'Leases' to all companies, which have entered into PPAs before January 1, 2019. However, SECP made it mandatory to disclose the impact of the application of IFRS 16 on the company's financial statements.

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

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(137,841,770)	(144,328,990)
Recognition of lease receivable	133,597,505	143,894,474
(Decrease) / increase in accumulated profit at the beginning of the year	(434,516)	1,374,805
Decrease in profit for the year	(3,809,749)	(1,809,321)
Decrease in accumulated profit at the end of the year	(4,244,265)	(434,516)

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. Some of these significant policies may 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:

a) Staff retirement benefits

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.10.

A1r

b) **Provision for taxation**

The Company takes into account the current income tax law including specific income tax exemptions granted to the company 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, residual values and indicators for impairment 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 operating fixed assets 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. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Operating fixed assets

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

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

The Company assesses at each statement of financial position date whether there is any indication that operating fixed assets may be impaired as per note 4.18 to the financial statements.

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.

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

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

A1F

4.2 Capital work in progress

Capital work-in-progress is stated at cost less identified impairment loss, 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 as per note 4.18 to the financial statements.

4.4 Stock-in-trade

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

4.5 Stores, spares and loose tools

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

4.6 Trade debts

Trade debts are carried at a value to be received less provision for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified. Furthermore, the Company holds the trade debts with the objective of collecting the contractual cashflows and therefore measures the trade debts subsequently at amortised cost using the effective interest method.

4.7 Advances, prepayments and other receivables

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

4.8 Cash and cash equivalents

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

۹۱۲

4.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued finance costs to the extent of the amount remaining unpaid.

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

4.10 Staff retirement benefits

Defined benefit plan – Gratuity

The Company operates a funded defined benefit gratuity scheme for all employees with a qualifying service period of one year. Contribution is made to the fund on the basis of actuarial recommendation. Gratuity is based on employee's last drawn salary. The liability relating to defined benefit plan is determined through actuarial valuation using the projected unit credit method and is charged to statement of profit or loss. The latest actuarial valuation was carried out as at June 30, 2021. 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 in accordance with IAS 19 "Employee Benefits".

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

	2021	**2020**
Discount rate used for year-end obligation	**10.00%**	**8.50%**
Expected rate of increase in salary level per annum	**9.00%**	**7.50%**
Retirement assumption	**8 years**	**8 years**

The Board of Trustees are managing the gratuity fund as per applicable Trust Deed, Rules and Regulations applicable to the fund.

4.11 Leave fare assistance

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

4.12 Trade and other payables

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

4.13 Borrowing costs

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

4.14 Taxation

Current

The profits and gains of the Company derived from electric power generation are exempt from tax in terms of clause 132AA of Part I of the Second Schedule to the Income Tax Ordinance, 2001. However, full provision is made in the profit and loss account on income from sources not covered under the above clause at current rates of taxation after taking into account, tax credits and rebates available, if any.

Deferred

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

4.15 Provisions

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

4.16 Foreign currency transactions and translation

Transactions in foreign currencies are translated into functional currency (Pakistani Rupee) using exchange rates approximating those ruling on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pakistani Rupee at the rates of exchange ruling at the statement of financial position date. Exchange gains and losses resulting from settlement of foreign currency transactions and translation of monetary assets and liabilities at the rates prevailing at the reporting date are included in the statement of profit or loss except the waiver granted by SECP from the requirements of IAS-21, to the extent of capitalization of exchange differences to the power sector companies as mentioned in note 35. 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. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in statement of profit or loss.

As at the reporting date, the Company carries cash and cash equivalents, trade debts, accrued profit and employees' advances at amortised cost.

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 does not possess any assets classified as FVTOCI

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 FVTOCI. Designation as 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 does not possess any equity instruments designated as 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). A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in statement of profit or loss in the period in which it arises.

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

e) **Impairment of financial assets**

The Company recognizes a loss allowance for expected credit losses (ECL) 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 comprise of trade debts and other receivables under PPA which also include accrued amounts. SECP through SRO 985(I)/2019 dated September 2, 2019 has notified that, in respect of companies holding financial assets due from the Government of Pakistan, the requirements contained in IFRS 9 with respect to application of expected credit losses method shall not be applicable till June 30, 2022 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. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the 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 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.

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

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and financial liabilities at amortised cost, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

The Company's financial liabilities include trade and other payables and loans and borrowings including working capital facilities.

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

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

4.17.7 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.

4.18 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). Where an impairment loss is recognised, the depreciation / amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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.

4.19 Revenue recognition

Revenue from sale of electricity to the Central Power Purchasing Authority (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 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 under the PPA.

4.20 Segment reporting

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

4.21 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

5 Operating fixed assets

	Note	Freehold Land	Plant & Machinery	Capital Spares	Building & Civil Works	Motor Vehicles	Office Equipment	Furniture & Fixtures	Computers and IT Equipment	Total
		(Rupees in thousand)								
Net book value basis (NBV)										
Year ended June 30, 2021										
Opening balance		1,008,913	130,489,725	4,123,069	8,707,282	117,561	19,437	33,283	2,193	144,501,463
Additions (at cost)		145,418	-	21,626	-	-	36	886	877	168,843
Other adjustments	5.1	-	(1,395,760)	-	-	-	-	-	-	(1,395,760)
Depreciation charge		-	(4,624,516)	(147,758)	(486,229)	(40,942)	(2,606)	(4,370)	(1,720)	(5,308,141)
Closing balance		1,154,331	124,469,449	3,996,937	8,221,053	76,619	16,867	29,799	1,350	137,966,405
Gross book value basis										
As at June 30, 2021										
Cost		1,154,331	138,839,254	4,452,384	9,724,574	219,151	26,063	44,345	11,521	154,471,623
Accumulated depreciation		-	(14,369,805)	(455,447)	(1,503,521)	(142,532)	(9,196)	(14,546)	(10,171)	(16,505,218)
Net book value (NBV)		1,154,331	124,469,449	3,996,937	8,221,053	76,619	16,867	29,799	1,350	137,966,405
Depreciation rate % per annum		-	3-4%	3-4%	5%	20%	10%	10%	30%	
Net book value basis (NBV)										
Year ended June 30, 2020										
Opening balance		832,980	134,948,907	4,270,761	9,193,511	161,391	20,629	37,427	3,812	149,469,418
Additions / Transfers from CWIP (at cost)		175,933	-	-	-	-	1,309	202	433	177,877
Other adjustments		-	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 balance		1,008,913	130,489,725	4,123,069	8,707,282	117,561	19,437	33,283	2,193	144,501,463
Gross book 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		-	3-4%	3-4%	5%	20%	10%	10%	30%	

5.1 Other adjustments represent adjustments on account of foreign exchange gain.

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	

5.2 Depreciation charged to

Cost of sales		5,258,503	5,315,045
Administrative expenses		49,638	52,729
		5,308,141	5,367,774

6 Capital work-in-progress

Advance for purchase of land	6.1	998	998
Housing complex		18,360	12,348
		19,358	13,346

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 favour of the Company.

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	

6.2 Movement of capital work in progress

Opening balance		13,346	181,702
Additions / adjustments during the year		6,012	1,235
Transferred to operating fixed assets		-	(169,591)
Closing balance		19,358	13,346

7 Intangible assets

Computer software and licenses

Net carrying value basis

Opening net book value		54	663
Amortization charge		(54)	(609)
Closing net book value		-	54

Gross carrying value basis

Cost		2,650	2,650
Accumulated amortization		(2,650)	(2,596)
Closing balance		-	54
Amortization rate % per annum		33.33%	33.33%

8 Long term deposits and prepayments

RLNG escrow account	8.1	17,135,265	17,135,265
Security deposit - rental premises		7,038	7,038
Security deposit - bank lockers		50	50
O&M mobilization cost	8.2	465,193	522,738
		17,607,546	17,665,091

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 (June 30, 2020: Rs 7,694.91 million) deposited for HBS plant and Rs 9,440.35 million (June 30, 2020: Rs 9,440.35 million) for Balloki plant. During the year, interest amounting to Rs 956.92 million (June 30, 2020: Rs 1,082.40 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.

An

8.2 This represents unamortized mobilization fee amounting to Rs 185.40 million (June 30, 2020: Rs 208.46 million) and Rs 279.79 million (June 30, 2020: Rs 314.28 million) related to Operations and Maintenance (O&M) contractors of HBS (SEPCO III) and Balloki plants (TNB) 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.

9 Stock-in-trade	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
High Speed Diesel	9.1	3,041,625	3,024,974

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).

10 Trade debts - secured	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
Considered good, billed	10.1	122,910,546	86,409,766
Considered good, unbilled	10.4	9,126,237	8,269,062
		132,036,783	94,678,828

10.1 This represents the receivable balance from CPPA, a related party, against energy, capacity 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 122,910.54 million.(June 30, 2020: Rs 87,312.44 million).

10.3 Trade debts, billed include Rs 44,375.87 million which are neither overdue nor impaired (June 30, 2020: Rs 23,205.46 million) and Rs 78,534.67 million (June 30, 2020: Rs 63,204.30 million) which are overdue but not impaired. The aging analysis of overdue but not impaired trade debts is a follows:

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	
Up to 3 months	36,729,620	30,579,129
Up to 6 months	14,819,013	7,320,663
More than 6 months	26,986,043	25,304,512
	78,534,676	63,204,304

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

10.4 Un-billed receivables include Rs 2,459.89 million pertaining to insurance component of HBS, Rs 692.26 million pertaining to insurance component of Balloki, Rs 5,056.64 million pertaining to un-billed delay payment charges and Rs 917.45 million pertaining to other fuel price adjustments determined till June 30, 2021.

41r

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
11 Advances, prepayments and other receivables			
Accrued profit	11.1	1,875	8,453
Advance income tax		568,775	1,254,587
Prepaid expenses		5,503	5,799
Advance for office expenses	11.2	386	635
Advance to employees	11.2	5,314	2,629
Other receivables	11.3, 11.4	10,384,149	10,384,149
Recoverable from CPPA as pass-through items:			
- Workers' Welfare Fund	11.5	1,045,089	561,162
- Workers' Profit Participation Fund	11.5	3,733,823	2,524,005
- Income Tax		-	149,105
		4,778,912	3,234,272
		15,744,914	14,890,524

11.1 This amount represents profit accrued on saving accounts and Term Deposit Receipts (TDRs) maintained with banks. This includes accrued profit from National Bank of Pakistan (NBP), a related party, amounting to Rs 1.87 million (June 30, 2020: Rs 8.45 million).

11.2 Included in advance for office expenses and advance to employees are amounts due from executives of Rs 0.16 million (June 30, 2020: Rs 0.4 million) and Rs 4.80 million (June 30, 2020: Rs 2.41 million) respectively.

11.3 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 11.4 to the financial statements.

11.4 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 16,106 million (June 30, 2020: Rs 14,746 million) in respect of ToP. Out of Rs 16,106 million, Rs 1,732 million pertains to invoices received during the year ended June 30, 2021 and a downward revision amounting to Rs 372 million pertains to invoices received during the prior years. 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 others 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 in year ended June 30, 2018 for a net amount of Rs 10,384 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 million encashed by SNGPL was recorded as receivable from SNGPL and subsequent invoices amounting to Rs 5,722 million have not been recorded in the financial statements.

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 Honourable Lahore High Court (the Court). The Court 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 the Company 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 favour 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) under section 18.3 "Arbitration" of respective GSAs. The request for arbitration was submitted on October 11, 2019 and the case is proceeding as per the procedural timeline approved by the arbitrator. Based on the opinion of its legal advisor the management believes that the Company has an arguable case in its favour considering all the facts and circumstances of the dispute and demand is liable to be declared as contrary to GSA and the applicable law.

11.5 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 pass-through items.

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
12 Tax recoverable from Government			
Income tax		480,341	649,394
Sales tax	12.1	6,880,324	6,217,674
		7,360,665	6,867,068

12.1 This includes Rs 2,458.61 million related to construction period against which a refund application has been filed with Federal Board of Revenue (FBR) in the monthly sales tax return of November, 2018. Another refund application amounting to Rs 1,097.7 million is filed in the monthly sales tax return of August, 2020.

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
13 Cash and bank balances			
Cash at bank - current accounts	13.1	317	-
Cash at bank - saving accounts	13.2	1,362,879	3,651,756
Cash at bank - sales tax accounts	13.3	700,736	663,327
Term deposit receipts	13.4	2,325,254	916,462
		4,389,186	5,231,545

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

13.2 Saving accounts are maintained with National Bank of Pakistan (NBP), which is a related party. Other banks are United Bank Limited (UBL), Habib Bank Limited (HBL) and the Bank of Punjab (BoP). These balances carry interest rate ranging from 5.50% to 6.60% (June 30, 2020: 6.50% to 11.25%) 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 favour 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 538.43 million (June 30, 2020: Rs 3,292.97 million).

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

13.4 Term Deposit Receipts (TDRs) issued by the banks have a maturity period of equal to or less than 3 months. The rate of return on these TDRs ranges from 5.75% to 6.65% (June 30, 2020: 5.80% to 6.75%) per annum. This includes a TDR amounting Rs. 1,768.28 million placed with HBL and is under lien against the bank guarantee issued in the favour of General Electric International for completion of extra works at Balloki plant under purchase order number NPPMCL/Balloki/LTSA-01.

AIr

		June 30, 2021	June 30, 2020
		(Rupees in thousand)	

14 Share capital

Authorized share capital		
11,660,000,000 (June 30, 2020: 11,660,000,000) ordinary shares of Rs 10 each	116,600,000	116,600,000
Issued, subscribed and paid up capital		
5,550,000,000 (June 30, 2020: 5,550,000,000) ordinary shares of Rs 10 each fully paid in cash	55,500,000	55,500,000

14.1 Movement in ordinary shares

Opening number of shares	5,550,000	5,300,010
Issued for cash	-	249,990
Closing number of shares	5,550,000	5,550,000

14.2 5,300 million (June 30, 2020: 5,300 million) ordinary shares of Rs 10 each held by Pakistan Development Fund Limited, 250 million ordinary shares of Rs 10 each held by the Government of Pakistan and 3 ordinary shares of Rs 10 each are held by each of three nominee personnel of the Government of Pakistan.

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
15 Share deposit money			
Opening share deposit money		61,000,000	63,499,900
Less: Issuance of shares		-	(2,499,900)
	15.1	61,000,000	61,000,000

15.1 Finance Division, Government of Pakistan (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 shares of GoP in NPPMCL amounting to Rs 114,000 million. However, ordinary shares amounting to Rs 53,000 million have only been issued to PDFL as at June 30, 2021.

	Note	June 30, 2021	June 30, 2020
16 Long term loans		(Rupees in thousand)	
Loan from Pakistan Development Fund Limited - unsecured	16.1	30,308,360	32,738,000
Loan from banks - secured	16.2	15,161,373	15,134,753
Less: Current maturity		(10,258,123)	(8,056,307)
		35,211,610	39,816,446

16.1 The Company received long term loan from PDFL, a related party, amounting to Rs 32,738 million. The period of the loan is ten years starting from commercial operation dates of each plant. The mark up on the loan is charged at 3 months KIBOR plus 1% from the date of CoD of each plant subject to quarterly review of KIBOR as fixed by the State Bank of Pakistan.

A11

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	

16.1.1 The reconciliation of the carrying amount is as follows:

Opening balance	32,738,000	32,738,000
Repayments during the year	(2,429,640)	-
	30,308,360	32,738,000
Current portion shown under current liabilities	(7,812,740)	(5,894,200)
Closing balance	22,495,620	26,843,800

16.2 This amount consists of Rs 7,808.60 million (June 30, 2020: Rs 8,495.42 million), and Rs 7,352.80 million (June 30, 2020: Rs 6,639.33 million) 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%, Meezan 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 to 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%. The said facilities have been secured by way of GoP guarantee and lien over capacity payment receivables (debt component) pertaining to respective plants.

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	

16.2.1 The reconciliation of the carrying amount is as follows:

Opening balance	15,134,753	-
Disbursements during the year	1,819,077	15,829,681
Repayments during the year	(1,792,458)	(694,928)
	15,161,372	15,134,753
Current portion shown under current liabilities	(2,445,383)	(2,162,107)
Closing balance	12,715,989	12,972,646

17 Staff Retirement Benefits

	Note	June 30, 2021	June 30, 2020
Provision for gratuity	17.1	28,649	25,805

17.1 Amount recognized in statement of financial position

Present value of defined benefit obligation	102,307	78,060
Gratuity payable at year end	2,724	1,811
Fair value of plan assets	(76,382)	(54,066)
Net liability	28,649	25,805

17.2 Movement in liability

Liability as at July 1	25,805	51,927
Gratuity payable at the beginning of the year	-	3,776
Charge to statement of profit or loss	22,812	23,108
Benefits paid	(25,805)	(56,159)
Remeasurement loss recognized in other comprehensive income	5,837	3,153
	28,649	25,805

Ajr

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	

17.3 Changes in present value of defined benefit obligation

Liability as at July 1	78,060	51,927
Gratuity payable at the beginning of the year	1,811	3,776
Current service cost	21,908	19,570
Net interest	6,313	7,232
Remeasurements due to experience adjustment	3,594	1,681
Gratuity payable at the end of the year	(2,724)	(1,811)
Benefits paid	(6,655)	(4,315)
	102,307	78,060

17.4 Movement in fair value of plan assets

Balance as at July 1	54,066	-
Interest income	5,409	3,694
Remeasurement loss	(2,243)	(1,472)
Contributions made	25,805	56,159
Benefits paid	(6,655)	(4,315)
	76,382	54,066

17.5 Plan assets comprise of

Cash at bank - saving accounts	2,957	339
Accrued interest	65	134
Term Deposit Receipts	73,360	53,593
	76,382	54,066

Investments out of fund have been made in accordance with the provisions of section 218 of the Act and the conditions specified thereunder.

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	

17.6 Amount recognized in statement of profit or loss

Current service cost	21,908	19,570
Interest cost	904	3,538
	22,812	23,108

17.7 Amount recognized in statement of Other comprehensive income

Actuarial loss on defined benefit obligation	3,594	1,681
Actuarial loss on plan assets	2,243	1,472
	5,837	3,153

17.8 As per the latest actuarial valuation carried out on June 30, 2021, the estimated expense to be charged in the statement of profit or loss for the year ending June 30, 2022 will be Rs 23.47 million.

A1r

17.9 Significant actuarial assumptions for the determination of defined benefit obligations are discount rate and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably changes of respctive assumptions occuring at the end of reporting period.

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	
Year end sensitivity analysis on present value of defined benefit obligation		
Discount rate + 1%	7,828	7,806
Discount rate - 1%	(8,478)	(5,275)
Salary Increase + 1%	(8,478)	(5,275)
Salary decrease - 1%	7,828	7,910
Expected maturity analysis of undiscounted benefits		
Year 1	8,254	4,016
Year 2	9,519	6,783
Year 3	12,571	8,994
Year 4	16,147	11,629
Year 5	18,526	14,422
Year 6+	113,820	80,238

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

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

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

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

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

18 Trade and other payables	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
Trade creditors	18.1	5,640,098	5,443,902
PCCC - QEL	18.2	9,255,248	9,797,298
HEI - HRL	18.3	8,960,724	9,388,531
Consultancy services	18.4	65,180	88,107
Insurance services		289,548	505,226
Accrued expenses		9,474	81,559
Withholding tax payable		69	-
Other liabilities		154,481	116,742
Workers' Welfare Fund (WWF)	18.5	1,045,089	561,162
Workers' Profit Participation Fund (WPPF)	18.6	3,733,823	2,524,005
		29,153,734	28,506,532

Air

		June 30, 2021	June 30, 2020
		(Rupees in thousand)	
18.1	**Trade creditors**		
	SNGPL (related party)	2,862,229	2,289,306
	Pakistan State Oil Company Limited	-	54,466
	SEPCO-III	307,339	949,047
	TNB Remaco	516,943	1,032,648
	GE International	1,953,587	1,118,435
		5,640,098	5,443,902

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

The 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 (LDs) amounting to USD 58.95 million (Rs 8,930.59 million) being 10% of the agreement price were charged to the Contractor for HBS by the Company on May 15, 2018, payable within fourteen days of the invoice.

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

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

In case of Balloki power plant, target completion dates for GT1, GT2 and the Facility were April 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. LDs amounting to USD 56.26 million (Rs 8,257.50 million) being 10% of the contract price were charged to the Contractor for Balloki by the Company on August 11, 2018, payable within fourteen days of the invoice.

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

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

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

Alt

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
Workers' Welfare Fund			
Opening balance		561,162	-
Provision for the year		483,927	561,162
Closing balance		1,045,089	561,162

18.6 Workers' Profit Participation Fund

		June 30, 2021	June 30, 2020
Opening balance		2,524,005	1,121,101
Provision for the year		1,209,818	1,402,904
Closing balance		3,733,823	2,524,005

19 Retention money

	Note	June 30, 2021	June 30, 2020
PCCC - QEL		992,053	1,342,871
HEI - HRL		2,919,822	4,071,559
	19.1	3,911,875	5,414,430

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	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
20 Accrued markup			
Long term loan	20.1	7,600,365	8,305,444
Short term borrowings	20.2	865,147	1,194,948
		8,465,512	9,500,392

20.1 This includes markup amounting to Rs 7,296.12 million (June 30, 2020: Rs 7,934.56 million) payable on the loan received from PDFL and Rs 304.24 million (June 30, 2020: Rs 370.89 million) 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% (June 30, 2020: three months KIBOR plus 1%) and three months KIBOR plus 0.90% respectively.

20.2 This includes markup amounting to Rs 287.45 million (June 30, 2020: 396.32 million) payable to NBP, a related party, on account of short term borrowings as disclosed in note 21.

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
21 Short term borrowings - secured			
Working capital finance	21.1	41,528,217	29,551,311

21.1 This amount consists of Rs 20,527.00 million (June 30, 2020: Rs 13,670.27 million), and Rs 21,001.22 million (June 30, 2020: Rs 15,881.04 million) utilized in HBS and Balloki plants respectively.

41r

Working capital finance is available from consortium of banks comprising NBP 33.18% (a related party), UBL 29.77%, HBL 29.77%, and BOP 7.28%. These facilities, amounting to Rs 21,340 million for HBS plant and Rs 21,450 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.

21.1.1 This includes working capital finance availed from NBP, a related party, amouting to Rs 13,852.02 million (June 30, 2020: Rs 9,713.46 million).

22 Contingencies and commitments

22.1 Contingencies

a) As mentioned in note 11.4 to the financial statements, SNGPL raised invoices amounting to Rs 19,287 million (June 30, 2020: Rs 14,746 million) under clause 3.6 of GSAs. The invoices have been disputed by the Company on various factual, legal and contractual grounds. A significant portion of the demand amounting to Rs 10,384 million was recovered by SNGPL through encashment of the Stand-by Letter of Credit, which has been recorded as receivable from SNGPL. Out of Rs 16,106 million, Rs 1,732 million pertains to invoices received during the year ended June 30, 2021 and a downward revision amounting to Rs 372 million pertains to invoices received during the year ended June 30, 2020. 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 favour 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 an arguable case in its favour 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.

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

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

A11

(i) **Tax Year 2021**

During the year ended June 30, 2021, the Company received notices, dated January 04, 2021 and then June 22, 2021, under section 147(7) of the Ordinance requiring the Company to submit its reply duly supported by the documentary evidences in relation to advance tax working submitted for the quarters ended December 31, 2020 and March 31, 2021 respectively. The Company has made due compliance of the said notices. On receipt of Company's response Deputy Commissioner Inland Revenue (DCIR) issued recovery order u/s 147 and demand notice u/s 137 to pay Rs. 1,263.6 million as advance tax for December quarter along with default surcharge and penalty. Being aggrieved, the Company has filed appeal before Commissioner Inland Revenue Appeals (CIRA) which is pending adjudication. In relation to advance tax notice of quarter ended March 31, 2021 Company made the due compliance, however, no order has been passed to date.

(ii) **Tax Year 2020**

The Company received a show cause notice dated January 22, 2021 from Additional Commissioner Inland Revenue (ACIR) under section 122(5A) of the Ordinance requiring the Company to submit its response to observations mentioned therein including the claim of tax credit under section 65(D) of the Ordinance. Upon receiving the Company's response, ACIR issued order to pay tax amounting to Rs 3,515 million by amending the Company's assessment for TY 2020. The Company had filed an appeal before Commissioner Inland Revenue Appeals (CIRA), which has been decided against the Company through order dated August 31, 2021. Being aggrieved with the decision, the Company has filed an appeal before ATIR, which is pending adjudication.

During year ended June 30, 2020, the Company received recovery notice dated September 27, 2019 under section 137(2) of the Ordinance amounting to Rs 483.28 million from Deputy Commissioner Inland Revenue (DCIR) to pay advance tax for the quarter ended September 30, 2019. The Company challenged the recovery notice by filing a writ petition before the Honourable Lahore High Court (LHC). LHC granted interim relief to the Company and remanded back the case to Federal Board of Revenue (FBR) with a direction to finalize the matter after giving Company an opportunity of being heard. After hearing, FBR raised two advance tax demand notices under section 137 of the Ordinance amounting to Rs 638.17 million and Rs 1,291.71 million for quarters ended September 30, 2019 and December 31, 2019 respectively. The Company challenged these notices before LHC along with stay application against coercive measures of FBR. However, the applications were dismissed and LHC directed to file appeal before CIRA.

Accordingly, two separate appeals were filed before CIRA against the notices for quarters ended September 30 2019 and December 31, 2019 and stay was granted by Appellate Tribunal Inland Revenue (ATIR) till decision of CIRA. Subsequently, CIRA disposed off the case for quarter ended September 30, 2019 in the favour of tax department through order dated June 29, 2020 received on August 19, 2020. Being aggrieved, the Company filed appeal before ATIR against quarter ended September 30, 2019 which is pending for decision. Whereas decision against quarter ended December 31, 2019 is pending before CIRA.

Further, the Company received another recovery notice dated June 29, 2020 under section 137(2) of the Ordinance amounting to Rs 496.3 million from DCIR to pay advance tax for the quarter ended June 30, 2020. Being aggrieved, the Company filed an appeal before CIRA which was rejected through order dated November 16, 2020. The Company has filed an appeal before ATIR which is pending for decision.

(iii) **Tax Year 2019**

During the year ended June 30, 2019, the Company received recovery notice dated March 26, 2019 under section 138(1) of the Ordinance amounting to Rs 498.49 million from DCIR conveying the rejection of Company's claim of tax credit and directed to pay advance tax for quarter ended March 31, 2019. Thereafter, the tax department attached the Company's bank accounts and recovered Rs 15 million against the said demand. Subsequently, the Company challenged the recovery notice by filing a writ petition before LHC. The Court granted 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 the Company an opportunity of being heard.

ݕݛ

After hearing, FBR issued demand notice under section 137(2) of the Ordinance dated March 09, 2020 amounting Rs 2,468.62 million by amending the Company's complete assessment for tax year 2019. The Company filed appeal before CIRA along with stay application. Appeal proceedings are not yet finalised but CIRA rejected the stay application. The Company being aggrieved, filed stay application before ATIR. Stay was granted by ATIR through order dated June 25, 2020 till the decision of CIRA and also directed CIRA to dispose off the appeal within 60 days of the receipt of order. The appeal is still pending before CIRA for decision.

(iv) 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 LHC, 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 an appeal before ATIR along with stay application. ATIR upheld the decision of CIRA through order dated September 14, 2020. The Company filed an appeal before LHC dated September 28, 2020 which is pending for decision. Meanwhile, LHC has granted stay from coercive recovery measures till the next hearing.

The Company, based on legal and tax advisor's opinion and amendments made for the Company in Income Tax Ordinance 2001 through Finance Act 2021, believes that the demands are unjustified and the Company is not only eligible for tax credit under section 65D of the Income Tax Ordinance, 2001 but also is exempt from levy of income tax on the income generated from power generation since commercial operations date of the plants. Therefore no provision has been made in these financial statements against these demands.

Based on tax credit under section 65D of the Ordinance, the Company has cumulatively claimed tax credit amounting Rs 4,202.08 million till June 30, 2021 (Tax Year 2018: Rs 586.29 million, Tax Year 2019: Rs 1,387.72 million, Tax Year 2020: Rs 2,192.68 million, Tax Year 2021: Rs 35.38 million).

c) The Company was selected for audit under section 25 of the Sales Tax Act 1990 for the period December 2015 to November 2018. DCIR, Audit-I rejected the Company's claim of input tax while specifying that the Company is not eligible for claiming the input tax paid on purchase of goods and services pertaining to the construction period and not relevant to production of electricity and thereby issued assessment order No. A-03/2550/2020 dated November 11, 2020 received on December 2, 2020 while creating sales tax demand of Rs 4,228.5 million along with default surcharge and penalty amounting Rs 2,056.5 million. Being aggrieved with the aforesaid order, the Company has filed an appeal before CIRA which is pending for decision.

DCIR, Audit-I issued another assessment order u/s 11(2) dated April 27, 2021 for the period December 2018 to September 2019, while specifying that the Company is not eligible for claiming the input tax paid on purchase of goods and services not relevant to production of electricity and thereby creating sales tax demand of Rs 3,054.2 million along with penalty amounting Rs. 124.7 million and default surcharge to be calculated at the time of payment. Being aggrieved with the order, the Company filed rectification application with DCIR u/s 57 and an appeal before CIRA. DCIR issued rectification order dated June 17, 2021 and reduced the sales tax demand to Rs. 1,534 million along with penalty amounting Rs 124.7 million and default surcharge to be calculated at the time of recovery. Whereas, appeal is pending before CIRA for hearing.

The Company, based on advice from its tax advisor, believes that it has an arguable case in these proceedings on the basis of legal and factual grounds. Consequently, no provision has been recorded in these financial statements.

d) During the year ended June 30, 2019, Punjab Revenue Authority (PRA) notified that the Company had, in its capacity as a withholding agent, failed to withhold Punjab Sales Tax on various offshore payments under relevant EPC Contracts. The amount notified by PRA to be paid by the Company was Rs 16,928.18 million. LHC 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.

A1r

e) As mentioned in Note 18.2 to the financial statements of the Company, Liquidated Damages (LD) amounting to USD 58.95 million (Rs 8,930.59 million) being 10% of the agreement price were charged to the Contractor for HBS by the Company on May 15, 2018.

The Company received a notice under Clause 20 of the EPC agreement from Power Construction Corporation of China and Qavi Engineers (PCCC-QEL) dated February 26, 2021 regarding the Contractor's intent to refer various disputes for the Haveli Bahadur Shah plant to the Dispute Adjudication Board. Apart from rejecting the Company's abovementioned LD invoice dated May 15, 2018 amounting to USD 58.95 million (Rs 8,930.59 million), PCCC-QEL has claimed its entitlement for early completion bonus amounting to USD 29.47 million (Rs 4,665.10 million) compensation for delays not attributable to the Contractor amounting to USD 70.59 million (Rs 11,174.4 million) and interest on delay in payments amounting to USD 12.28 million (Rs 1,943.92 million) under the EPC agreement.

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

Considering all the facts and circumstances of the dispute and based on the opinion of the legal advisor, the management believes that since at this stage, the proceedings under Dispute Adjudication Board and arbitration are yet pending, therefore these claims have not yet crystallized as obligations, and would be subject to decision of the Dispute Adjudication Board and subsequently, arbitration proceedings (if any). Consequently, no provision has been made in these financial statements against the notice issued by PCCC-QEL.

22.2 Commitments

a) 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 (June 30, 2020: USD 751.7 million) out of which USD 23.7 million (June 30, 2020: USD 29.5 million) is outstanding. The total amount pertaining to onshore payment LCs add up to Rs 20,001 million (June 30, 2020: 20,001 million) out of which Rs 453.5 million (June 30, 2020: Rs 792 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 30, 2020: Rs 11,383 million) for HBS plant and Rs 11,397 million (June 30, 2020: 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 and machinery of respective plants, and (ii) assignment by way of mortgage of energy payments receivable from CPPA pertaining to respective plant. However during the financial year ended June 30, 2018, SBLCs 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 plant stands at Rs 5,159 million (June 30, 2020: Rs 5,159 million) and Rs 7,237 million (June 30, 2020: Rs 7,237 million) respectively.

c) The Company has provided a bank guarantee via NBP dated January 15, 2016 in favour 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 30, 2020: Rs 0.971 million).

d) The Company has provided another bank guarantee amounting to Rs 1,768.28 million via HBL dated April 01, 2021 in favour of General Electric International Inc. for the performance of extra work services under purchase order number NPPMCL/Balloki/LTSA-01 dated April 02, 2021. This guarantee is valid up to September 30, 2021.

Ajr

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
23 Revenue			
Energy purchase price	23.1	134,847,073	144,461,546
Less: Sales tax		(19,459,854)	(21,166,083)
Net energy purchase price		115,387,219	123,295,463
Capacity purchase price	23.1	29,709,843	35,650,757
Accrued income	23.2	3,152,104	3,726,508
		148,249,166	162,672,728

23.1 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 9, 2018 and Balloki from July 29, 2018.

23.2 This represents indexations on account of tariff and other price differentials determined by NEPRA subsequent to the year end.

23.3 Ministry of Energy (Power Division) vide its letter No. IPPs-10(18)/2020 dated October 6, 2020 has conveyed the decision of the Cabinet Committee on Energy (CCoE) to NPPMCL, which was ratified by the Cabinet in case No. 648/35/2020 dated September 8, 2020, regarding reduction in ROE of the Government owned power projects from 16% IRR with Dollar indexation to 12% IRR with Dollar indexation along with direction to approach NEPRA for revision of ROE component by submission of tariff revision petition to NEPRA.

Accordingly, the Company with the approval of its Board of directors has filed two separate petitions for HBS and Balloki dated October 22, 2020 as per direction of the Federal Government for revision of CoD tariff determinations under relevant provisions of the NEPRA Act, Rules and other applicable regulation / guidelines. NEPRA has finally conveyed its decision dated February 18, 2021 by reducing ROE from 16% with Dollar indexation to 12% with Dollar indexation with effect from October 6, 2020 through letters No. NEPRA/R/ADG(TRF)/TRF-471/NPPMCL-2019/8774-8776 for HBS plant and NEPRA/R/ADG(TRF)/TRF-470/NPPMCL-2019/8768-6870 for Balloki plant.

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
24 Cost of sales			
Fuel cost		108,776,715	115,357,735
Operation and maintenance costs	24.1	6,681,771	7,942,899
Depreciation		5,258,503	5,315,045
Insurance		3,230,126	2,809,622
Salaries, wages and other benefits	24.2	225,880	235,337
Security Services		135,348	123,061
Professional services - NESPAK		39,598	-
Miscellaneous		51,067	36,187
		124,399,008	131,819,886

24.1 This primarily comprises of variable and fixed fee incurred in respect of O&M and LTSA contracts of both plants except for Rs. 977 million payable to General Electric International pursuant to the extra works performed at Balloki plant under the purchase order number NPPMCL/Balloki/LTSA-01 dated April 02, 2021 issued by the Company. As the root cause analysis report is not yet finalized, therefore, the cost incurred till date has been recorded as an expense for plant repair and maintenance.

24.2 Salaries and administration expenses include provision for gratuity aggregating to Rs 15.11 million (June 30, 2020: Rs 15.99 million).

Air

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	

25 Administration expenses

	Note	June 30, 2021	June 30, 2020
Salaries, wages and benefits	25.1	144,493	142,652
Directors' meeting fee and expenses		8,705	2,338
Travelling and conveyance		634	1,501
Vehicles running and maintenance		6,046	2,899
Printing and stationery		407	991
Office supplies and utilities		6,396	4,744
Repair and maintenance		796	262
Legal and Professional		46,317	20,454
Auditors' remuneration		6,633	11,732
Tendering and advertisements		1,145	1,133
Fee and subscription		1,609	1,192
Rent, rates and taxes		20,427	18,914
Telephone and telex		1,733	1,764
Insurance		7,200	8,716
Depreciation	5	49,638	52,729
Amortization		56	608
		302,235	272,629

25.1 Salaries, wages and benefits include gratuity expense for head office employees aggregating to Rs 7.70 million (June 30, 2020: Rs 7.12 million).

25.2 Auditor's remuneration

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
Statutory audit fee		2,592	2,100
Review, Compliance and other fees		3,841	8,070
Out of pocket expenses		200	1,562
		6,633	11,732

26 Other income

	Note	June 30, 2021	June 30, 2020
Profit on saving accounts	13.2	50,740	80,449
Profit on term deposit receipts	13.4	104,456	290,733
Delayed payment charges	26.1	6,883,784	9,247,103
Foreign exchange gain	26.2	62,216	64,806
Miscellaneous		1,782	222
		7,102,978	9,683,313

26.1 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.

26.2 This represents foreign exchange gain incurred on settlement of transactions with General Electric Inc. (LTSA Contractor), National Insurance Company Limited (NICL) for insurance services and from the translation of such liabilities at year end exchange rates.

27 Financial charges

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
Interest on long term loans	20.1	3,839,406	6,743,031
Markup on short term borrowings	27.1	2,556,109	5,395,952
SBLC commission	27.2	49,583	53,376
Other bank charges		9,438	13,081
		6,454,536	12,205,440

A1r

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	

27.1 Markup on short term borrowings

Markup on Working Capital Facility	2,555,566	5,340,845
Markup on SNGPL Delay Payment	543	55,107
	2,556,109	5,395,952

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

28 Taxation

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
Current tax	28.1	11,532	126,501
Prior year tax adjustments	28.2	(97,649)	-
		(86,117)	126,501

28.1 This represents provision of current tax on income from other sources for the year. Based on Corporate Tax on other income, the total provision for taxation is Rs 46.91 million. However, the Company is entitled to claim a tax credit equal to the amount of Rs 35.39 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. Therefore, the tax liability for the current period is Rs 11.53 million.

28.2 While filing income tax return for Tax year 2020 on December 31, 2020, based on opinion of tax advisor, the Company has revised prior year income tax expense amounting to Rs 126.50 million due to available adjustment of minimum taxes paid during tax year 2018 and 2019 against the normal tax expense computed for tax year 2020. Further as per Finance Act 2021, income from generation and sale of electricity is exempt from tax while tax shall be payable on income from other sources, therefore, provision for tax on income from other sources is charged at Rs 28.85 million.

28.3 Tax charge reconciliation

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	
Accounting profit	24,196,365	28,058,086
Income tax charge @ 29%	7,016,945	8,136,845
Tax effect of income exempt from tax	(2,604,285)	-
Tax effect of pre-commencement expenditure	(15,652)	(15,652)
Tax effect of deductible temporary differences (tax depreciation and brought forward losses)	(4,350,094)	(5,652,905)
Change in prior tax years	(97,649)	-
Effect of pass through tax	-	(149,105)
Effect of tax credit under section 65D	(35,382)	(2,192,682)
Current tax	(86,117)	126,501

-47-

	Note	June 30, 2021	June 30, 2020
		(Rupees in thousand)	
29 Cash (used in) / generated from operations			
Profit before tax		24,196,365	28,058,086
Adjustments for:			
Depreciation	5	5,308,141	5,367,774
Amortization		57,599	58,154
Provision for staff retirement benefits	17	22,812	23,108
Financial charges	27	6,454,536	12,205,440
Foreign exchange gain		(62,216)	(64,806)
Delayed payment charges		(6,883,784)	(9,247,102)
Accrued profit on saving account/Term Deposit Receipts		(1,875)	(371,183)
		4,895,213	7,971,385
Operating profit before working capital changes		29,091,578	36,029,471
Effect on cash flow due to working capital changes			
Increase in current assets			
- Stock-in-trade		(16,651)	(45,500)
- Stores, spares and loose tools		(434,331)	(866,706)
- Trade debts		(30,474,171)	(20,086,734)
- Advances, prepayments and other receivables		(263,792)	(465,100)
		(31,188,945)	(21,464,040)
Increase in current liabilities			
Increase in trade and other payables		1,702,202	466,056
		(395,165)	15,031,487

41f

30 Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Directors		Executives	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	(Rupees in thousand)					
Short term employee benefits						
Managerial remuneration	20,337	21,506	-	-	236,830	263,459
Leave fare assistance	1,513	1,283	-	-	14,894	22,721
Bonus	3,027	-	-	-	39,536	-
Utilities	354	274	-	-	-	-
	25,231	23,063	-	-	291,260	286,180
Staff retirement benefits						
Gratuity	1,513	1,489	-	-	20,048	18,766
	26,744	24,552	-	-	311,308	304,946
Number of persons	**1**	**1**	**8**	**8**	**36**	**37**

30.2 Aggregate amount charged in the financial statements for the period as directors fee in respect of 8 directors (June 30, 2020: 8 directors) is Rs 8.7 million (June 30,2020: Rs 2.34 million).

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

41

31 Segment Information

31.1 The management has determined the operating segments based on the generation licenses. The Company has the following two reportable segments under Haveli Bahadur Shah Power Plant (HBS) and Balloki Power Plant (Balloki).

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 the two plants of the Company.

	June 30, 2021			June 30, 2020		
	HBS	**Balloki**	**Total**	**HBS**	**Balloki**	**Total**
	(Rupees in thousand)			**(Rupees in thousand)**		
Sale of energy						
Energy purchase price	65,311,283	50,075,936	115,387,219	67,042,410	56,253,053	123,295,463
Capacity purchase price	15,396,294	14,313,549	29,709,843	18,024,038	17,626,719	35,650,757
Accrued income	2,459,897	692,207	3,152,104	1,557,687	2,168,821	3,726,508
	83,167,474	65,081,692	148,249,166	86,624,135	76,048,593	162,672,728
%age of total sales	**56.10%**	**43.90%**	**100.00%**	**53.25%**	**46.75%**	**100.00%**
Cost of sales	(68,474,527)	(55,924,481)	(124,399,008)	(70,632,613)	(61,187,273)	(131,819,886)
Gross profit	14,692,947	9,157,211	23,850,158	15,991,522	14,861,320	30,852,842
Administrative expenses	(149,105)	(153,130)	(302,235)	(134,638)	(137,991)	(272,629)
Other Income	3,950,715	3,152,263	7,102,978	5,657,676	4,025,637	9,683,313
Profit before interest and tax	18,494,557	12,156,344	30,650,901	21,514,560	18,748,966	40,263,526
Financial charges	(3,032,437)	(3,422,099)	(6,454,536)	(5,940,016)	(6,265,424)	(12,205,440)
Taxation	58,765	27,352	86,117	(81,676)	(44,825)	(126,501)
Profit for the year	15,520,885	8,761,597	24,282,482	15,492,868	12,438,717	27,931,585
%age of total profit for the year	**63.92%**	**36.08%**	**100.00%**	**55.47%**	**44.53%**	**100.00%**

477

	June 30, 2021			June 30, 2020		
	HBS	Balloki	Total	HBS	Balloki	Total
	(Rupees in thousand)			(Rupees in thousand)		
31.2 Assets						
Non-current Assets						
Operating fixed assets	70,027,398	67,939,007	137,966,405	73,365,884	71,135,579	144,501,463
Capital work-in-progress	10,941	8,417	19,358	10,942	2,404	13,346
Intangible assets	-	-	-	27	27	54
Long term deposits and prepayments	7,883,862	9,723,684	17,607,546	7,906,923	9,758,168	17,665,091
	77,922,201	77,671,108	155,593,309	81,283,776	80,896,178	162,179,954
Current Assets						
Stock in trade	1,456,754	1,584,871	3,041,625	1,403,755	1,621,219	3,024,974
Stores, spares and loose tools	735,419	667,468	1,402,887	735,419	233,138	968,557
Trade debts - secured	75,226,642	56,810,141	132,036,783	51,155,310	43,523,518	94,678,828
Advances, prepayments and other receivables	9,425,377	6,319,537	15,744,914	8,838,358	6,052,166	14,890,524
Tax recoverable from Government	3,368,392	3,992,273	7,360,665	3,427,003	3,440,065	6,867,068
Cash and bank balances	1,148,744	3,240,442	4,389,186	2,870,753	2,360,792	5,231,545
	91,361,328	72,614,732	163,976,060	68,430,598	57,230,898	125,661,496
Total Assets	169,283,529	150,285,840	319,569,369	149,714,374	138,127,076	287,841,450

41

31.3 Liabilities

	June 30, 2021			June 30, 2020		
	HBS	Balloki	Total	HBS	Balloki	Total
	(Rupees in thousand)			(Rupees in thousand)		
Non-current liabilities						
Long term loan	16,250,846	18,960,764	35,211,610	18,970,169	20,846,277	39,816,446
Staff retirement benefits	15,610	13,039	28,649	13,405	12,400	25,805
	16,266,456	18,973,803	35,240,259	18,983,574	20,858,677	39,842,251
Current Liabilities						
Trade and other payables	14,950,580	14,203,154	29,153,734	14,707,062	13,799,470	28,506,532
Retention money	992,053	2,919,822	3,911,875	1,342,871	4,071,559	5,414,430
Accrued markup	3,806,347	4,659,165	8,465,512	4,442,763	5,057,629	9,500,392
Short term borrowings- secured	20,526,993	21,001,224	41,528,217	13,670,273	15,881,038	29,551,311
Current maturity of long term loan	4,769,171	5,488,952	10,258,123	3,962,251	4,094,056	8,056,307
Provision for taxation	22,909	17,475	40,384	174,262	101,344	275,606
	45,068,053	48,289,792	93,357,845	38,299,482	43,005,096	81,304,578
Total Liabilities	61,334,509	67,263,595	128,598,104	57,283,056	63,863,773	121,146,829

A11

32 Financial risk management

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

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

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

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

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

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

32.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to trade debts and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure.

i) Exposure to credit risk

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

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	
Long term deposits	17,142,353	17,142,353
Trade debts	132,036,783	94,678,828
Accrued profit	1,875	8,453
Other receivables	10,384,149	10,384,149
Recoverable from CPPA as pass-through items	4,778,912	3,234,272
Bank balances	4,389,186	5,231,545
	168,733,258	130,679,600

415

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 Implementation Agreement. Age analysis of trade receivable balances is given in note 10.3.

ii) Credit quality of bank balances

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

Name of bank	Rating agency	Rating Short term	Rating Long term	June 30, 2021 (Rupees in thousand)	June 30, 2020 (Rupees in thousand)
National Bank of Pakistan	PACRA	A1+	AAA	1,261,327	1.283,476
United Bank Limited	JCR-VIS	A-1+	AAA	538,428	3,293,173
Habib Bank Limited	JCR-VIS	A-1+	AAA	1,794,389	106
The Bank of Punjab	PACRA	A1+	AA+	795,042	654,790
				4,389,186	5,231,545

32.2 Liquidity risk

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

Maturity analysis of financial liabilities

The Company maintains 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. At June 30, 2021, the Company had Rs 1,261.78 million (June 30,2020: Rs 13,238.69 million) available borrowing limits from financial institutions and Rs 4,389.19 million (June 30,2020: Rs 5,231.55 million) bank balances.

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

		June 30, 2021 (Rupees in thousand)	June 30, 2020 (Rupees in thousand)
Trade and other payables	Maturity up to 3 months	24,374,822	25,366,258
Short term borrowings	Maturity up to 3 months	41,528,217	29,551,311
Accrued markup	Maturity up to 3 months	8,465,512	9,500,392
Retention money	Maturity up to 3 months	3,911,875	5,414,430
Current maturity of long term loan	Maturity up to 1 year	10,258,123	8,056,307
Long term loans	Maturity more than 1 year	35,211,610	39,816,446
		123,750,159	117,705,144

41

32.3 Market risk

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

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

	Currency	June 30, 2021	June 30, 2020
Trade creditors	USD	14,170,154	6,627,766
Payable to PCCC - QEL	USD	51,870,757	51,870,757
Payable to HEI - HRL	USD	44,803,213	44,803,213
Retention money payable to PCCC - QEL	USD	5,765,861	7,065,861
Retention money payable to HEI - HRL	USD	17,921,285	22,401,607
Net exposure - USD		134,531,270	132,769,204

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 14.17 million, Rs 51.87 million, Rs 44.80 million, Rs 5.76 million, and Rs 17.92 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 or loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

The significant spot exchange rate applied is PKR/USD 158.30 (June 30, 2020: 168.75), whereas average rate used during the year is PKR/USD 159.95 (June 30, 2020: 160.78).

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%.

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. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is:

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Cash at bank - saving accounts	1,362,879	3,651,756
Term deposit receipts	2,325,254	916,462
Floating rate instruments		
Financial assets		
Trade debts - overdue	78,534,676	63,204,304
Financial liabilities		
Long term loan	(45,469,733)	(47,872,753)
Short term borrowings - secured	(41,528,217)	(29,551,311)
	(8,463,274)	(14,219,760)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

As the interest rates are determined at the beginning of each quarter, therefore, the Company has no cash flow sensitivity due to change in interest rates as at 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.

32.4 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).

41

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	

32.5 Financial instruments by categories

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

	June 30, 2021	June 30, 2020
Assets as per Statement of Financial Position		
Long term deposits	17,142,353	17,142,353
Trade debts	132,036,783	94,678,828
Advances and other receivables	10,384,535	10,384,784
Cash and bank balances	4,389,186	5,231,545
	163,952,857	127,437,510
Liabilities as per Statement of Financial Position		
Long term loans	35,211,610	39,816,446
Retention money	3,911,875	5,414,430
Trade and other payables	24,374,822	25,366,258
Short term borrowings	41,528,217	29,551,311
Current maturity of long term loan	10,258,123	8,056,307
	115,284,647	108,204,752

32.6 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.

	June 30, 2021	June 30, 2020
	(Rupees in thousand)	
Long term loans	35,211,610	39,816,446
Short term borrowings	41,528,217	29,551,311
Current maturity of long term loans	10,258,123	8,056,307
Total borrowing	86,997,950	77,424,064
Issued, subscribed and paid up capital	55,500,000	55,500,000
Share deposit money	61,000,000	61,000,000
Accumulated profit	74,471,265	50,194,621
Total equity	190,971,265	166,694,621
Total capital employed	277,969,215	244,118,685
Gearing ratio	31.3%	31.7%

41r

33 Capacity and Production

	June 30, 2021 MWH	June 30, 2020 MWH
Plants available capacity	18,522,177	20,246,014
Total energy delivered	13,715,155	12,962,192

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

- During the year, GT1 of Balloki power plant was unavailable for 121 days due to extra works for repair and maintenance resulting in reduced available capacity.

34 Transactions and balances with related parties

The Company is owned by the Government of Pakistan and therefore, all the government departments / agencies are related parties of the Company. Further, the related parties comprise of 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:

		June 30, 2021 (Rupees in thousand)	June 30, 2020
Transactions during the year			
Government owned entities - Associates			
CPPA	Sale of energy	148,249,166	162,066,887
SNGPL	Purchase of RLNG	108,001,370	115,356,682
NESPAK	Consultancy fee	39,598	100,265
NBP	Profit on saving account	10,495	12,027
NBP	Profit on term deposits	75,158	260,854
NBP	Short term borrowings / (repayments)	4,138,556	(2,754,741)
NBP	Markup on short term borrowings	847,937	1,771,632
PDFL	Long term loan repaid	2,429,640	-
PDFL	Markup expense	2,625,500	5,555,455
NICL	Insurance	3,230,508	2,811,435
Employees gratuity fund - Payment of contribution		25,805	56,159
		269,673,733	285,236,655

35 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 7,084.4 million (June 30, 2020: Rs 8,361.00 million) and property, plant and equipment would have been lower by Rs 7,084.4 million (June 30, 2020: Rs 8,361.00 million).

36 Number of employees

	June 30, 2021	June 30, 2020
Total number of employees as at close	81	80
Average number of employees during the year	81	83

41

37 Subsequent Events

a) As mentioned in Note 18.3 to the financial statements of the Company, Liquidated Damages (LD) amounting to USD 56.26 million (Rs 8,257.50 million) being 10% of the agreement price were charged to the Contractor for Balloki (HEI-HRL) by the Company on August 11, 2018. The Company has issued a notice to HEI-HRL dated August 6, 2021 for the commencement of arbitration proceedings under clause 20.6 of the EPC contract. Formal proceedings in respect of this dispute are yet to be initiated.

b) As mentioned in Note 10.4, NEPRA vide its notifications NEPRA/R/ADG(trf)/TRF-358/NPPMCL-2016/31060-31062 dated July 5, 2021 and NEPRA/R/ADG(trf)/TRF-359/NPPMCL-2016/34560-34562 dated August 17, 2021 has confirmed the annual adjustment of insurance component for HBS and Balloki power plants for the periods May 9, 2018 to May 8, 2021 and July 29, 2020 to July 28, 2021 respectively.

38 Date of authorization

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 03 OCT 2021.

39 General

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

39.2 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.

39.3 The World Health Organization declared COVID-19 (the virus) a global pandemic. The Management has evaluated that the Company's operations were not affected as it fell under the exemption provided by the Government of Pakistan to providers of essential services. In order to meet the obligations under PPA, the Company's plants remained available and operational as per power purchaser requirements. The Company responded to the situation by implementing a combination of protective and preventive measures at head office and plant sites to contribute to the containment of the virus while supplying uninterrupted power supply to the power purchaser.

While the virus has impacted the global economy, however, according to the management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

Chief Executive | **Director**