

**National Power Parks Management
Company (Private) Limited**

Audit of financial statements for
the year ended 30 June 2022



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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of **National Power Parks Management Company (Private) Limited** ("the Company"), which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion Section of our report, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of the profit, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

The Company has long term loan from Pakistan Development Fund Limited (PDFL) with carrying amount of Rs 30,308.36 million at 30 June 2021 and 2022. As disclosed in note 16.1.1 to the financial statements, the Company did not pay the due amount of principal and mark up during the years ended 30 June 2021 and 2022. This nonpayment was an event of default under loan agreements which was not waived off by PDFL as at 30 June 2021 and 2022. As a consequence of default, PDFL has right to demand the repayment of entire amount of loan and as at 30 June 2021 and 2022 the Company did not have an unconditional right to defer its settlement for at least twelve months. Accordingly, non-current portion of carrying amount of long term loan of Rs 22,495.62 million and Rs 19,419.68 million as at 30 June 2021 and 2022 respectively should have been classified as current liability in accordance with accounting and reporting standards as applicable in Pakistan which has not been classified as current in the financial statements. Had the said liabilities been classified as current in the financial statements, total non-current liabilities would have been lower by Rs 22,495.62 million and Rs 19,419.68 million as at 30 June 2021 and 2022 respectively with a corresponding increase in current liabilities.

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 qualified opinion.

meat



KPMG Taseer Hadi & Co.

Emphasis of Mater

We draw attention to note 11.3.1 to the financial statements which describes the matter related to disputed Take or Pay invoices and decision of London Court of Arbitration in this regard. Further we draw attention to note 22.1 (a) to the financial statements which describes the matter relating to Take or Pay invoices raised by Sui Northern Gas Pipelines Limited (SNGPL) under the Gas Supply Agreements (GSAs) which have been disputed by the Company. Our opinion is not modified in respect of these matters.

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

Management is responsible for the other information. Other information comprises the information included in the director's report for the year ended 30 June 2022 but does not include the financial statements and our auditor's reports thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

KPMG



KPMG Taseer Hadi & Co.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

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

Other Matter

The financial statements of the Company for the year ended 30 June 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements, on 6 October 2021, with emphasis of matter relating to Take or Pay invoices raised by Sui Northern Gas Pipelines Limited (SNGPL) under the Gas Supply Agreements (GSAs) which were disputed by the Company and the matter was referred for arbitration in accordance with the GSAs.

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

Lahore

Date: 07 October 2022

UDIN: AR202210183xmfqDHXbY

KPMG Taseer Hadi & Co.
Chartered Accountants

National Power Parks Management Company (Private) Limited
Statement of Financial Position
As at 30 June 2022

	Note	2022 (Rupees in thousand)	2021 (Rupees in thousand)
ASSETS			
<u>Non - current assets</u>			
Operating fixed assets	5	136,693,376	137,966,405
Capital work-in-progress	6	21,560	19,358
Long term deposits and prepayments	8	17,551,622	17,607,546
		154,266,558	155,593,309
<u>Current assets</u>			
Stock-in-trade	9	5,589,146	3,041,625
Stores, spares and loose tools		1,696,848	1,402,887
Trade debts - secured	10	234,560,150	132,036,783
Advances, prepayments and other receivables	11	7,326,979	15,744,914
Tax recoverable from Government	12	9,366,497	7,360,665
Cash and bank balances	13	2,550,301	4,389,186
		261,089,921	163,976,060
		415,356,479	319,569,369
EQUITY AND LIABILITIES			
<u>Share capital and reserves</u>			
Authorized share capital 11,660,000,000 (2021: 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 (2021: 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
Unappropriated profit		107,780,720	74,471,265
		224,280,720	190,971,265
<u>Non-current liabilities</u>			
Long term loans	16	32,230,891	35,211,610
Lease liability against right of use asset	17	168,767	-
Staff retirement benefit	18	40,581	28,649
		32,440,239	35,240,259
<u>Current liabilities</u>			
Trade and other payables	19	91,055,271	33,065,609
Accrued markup	20	12,337,971	8,465,512
Short term borrowings - secured	21	41,381,948	41,528,217
Current maturity of long term loans	16	13,800,319	10,258,123
Current portion of lease liability against right of use asset	17	8,568	-
Provision for taxation		51,443	40,384
		158,635,520	93,357,845
CONTINGENCIES AND COMMITMENTS			
	22	415,356,479	319,569,369

The annexed notes 1 to 41 form an integral part of these financial statements.


Chief Executive Officer


Director

National Power Parks Management Company (Private) Limited

Statement of Profit or Loss

For the year ended 30 June 2022

	Note	2022 (Rupees in thousand)	2021
Sales	23	297,176,588	148,249,166
Cost of sales	24	<u>(268,960,904)</u>	<u>(124,399,008)</u>
Gross profit		28,215,684	23,850,158
Administration expenses	25	(505,807)	(302,235)
Other charges	26	(282,871)	-
Other income	27	<u>17,551,162</u>	<u>7,102,978</u>
Profit before interest and tax		44,978,168	30,650,901
Financial charges	28	<u>(11,628,929)</u>	<u>(6,454,536)</u>
Profit before taxation		33,349,239	24,196,365
Taxation	29	(22,591)	86,117
Profit after taxation		<u><u>33,326,648</u></u>	<u><u>24,282,482</u></u>

YUSWA

The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Executive Officer


Director



National Power Parks Management Company (Private) Limited
Statement of Comprehensive Income
For the year ended 30 June 2022

	<i>Note</i>	2022 (Rupees in thousand)	2021
Profit after taxation		33,326,648	24,282,482
Other comprehensive loss for the year			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
- Remeasurement of staff retirement benefits	18.3	(17,193)	(5,838)
Total comprehensive income for the year		<u>33,309,455</u>	<u>24,276,644</u>

MMA

The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Executive Officer




Director

National Power Parks Management Company (Private) Limited

Statement of Changes in Equity

For the year ended 30 June 2022

	Capital Reserves		Revenue Reserves	
	Share Capital	Share Deposit Money	Unappropriated profit	Total
	(Rupees in thousand) -----			
Balance as at July 1, 2020	55,500,000	61,000,000	50,194,621	166,694,621
Total comprehensive income for the year				
Profit for the year ended 30 June 30 2021	-	-	24,282,482	24,282,482
Other comprehensive loss for the year ended 30 June 2021	-	-	(5,838)	(5,838)
	-	-	24,276,644	24,276,644
Balance as at June 30, 2021	55,500,000	61,000,000	74,471,265	190,971,265
Total comprehensive income for the year				
Profit for the year ended 30 June 30 2022	-	-	33,326,648	33,326,648
Other comprehensive loss for the year ended 30 June 2022	-	-	(17,193)	(17,193)
	-	-	33,309,455	33,309,455
Balance as at June 30, 2022	55,500,000	61,000,000	107,780,720	224,280,720

The annexed notes 1 to 41 form an integral part of these financial statements.


Chief Executive Officer


Director



National Power Parks Management Company (Private) Limited
Statement of Cash Flows

For the year ended 30 June 2022

		2022	2021
		(Rupees in thousand)	
<u>Cash flows from operating activities</u>	Note		
Cash generated from / (used in) operations	30	6,141,703	(1,656,519)
Staff retirement benefits paid	18	(28,649)	(25,805)
Profit on term deposit receipts		186,306	111,034
Profit on saving accounts		80,165	50,740
Sales tax paid		(655,946)	(662,650)
Income tax paid		(193,505)	(568,774)
Net cash generated from / (used in) operating activities		5,530,074	(2,751,974)
<u>Cash flows from investing activities</u>			
Operating fixed assets		(10,796)	(168,843)
Capital work-in-progress		(2,202)	(6,012)
Long term deposits and prepayments		(1,621)	-
Net cash used in investing activities		(14,619)	(174,855)
<u>Cash flows from financing activities</u>			
Long term loan - net		561,477	(2,403,020)
Short term borrowings - net		(146,269)	11,976,906
Lease rentals paid during the year		(28,174)	-
Financial charges paid		(7,741,373)	(7,489,416)
Net cash (used in) / generated from financing activities		(7,354,339)	2,084,470
Net decrease in cash and cash equivalents		(1,838,885)	(842,359)
Cash and cash equivalents at beginning of the year		4,389,186	5,231,545
Cash and cash equivalents at end of the year	13	2,550,301	4,389,186

The annexed notes 1 to 41 form an integral part of these financial statements.


Chief Executive Officer


Director

National Power Parks Management Company (Private) Limited

Notes to the Financial Statements

For the year ended 30 June 2022

1 Legal status and nature of business

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

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

- 1.2 For the purpose of setting up two RLNG based combined cycle power plants of 1,230 MW at Haveli Bahadur Shah ('HBS'), District Jhang and 1,223 MW at Balloki, District Kasur respectively, the Company entered into Engineering, Procurement and Construction ('EPC') contracts for both plants.
- 1.3 The EPC contractor for HBS plant 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 HBS and Balloki plants on 09 August 2016. The Commercial Operations Date ('CoD') tariff was determined for both plants on 19 February 2020 which was subsequently revised on 20 May 2020. The Return on Equity ('RoE') tariff has been reduced by NEPRA vide its order dated 18 February 2021 with effect from 6 October 2020.
- 1.5 PPAs for the two plants were entered between the Company and CPPA on October 29, 2016 for the period of 30 years and Gas Supply Agreements ('GSAs') had been entered, for HBS and Balloki plants with Sui Northern Gas Pipelines Limited ('SNGPL') on 29 October 2016 for the period of 15 years.
- 1.6 The Company entered into two agreements for operation and maintenance activities of the HBS and Balloki plants with SEPCO III Electric Power Construction Corporation ('SEPCO III') dated 04 May 2017, and TNB Repair & Maintenance SDN BHD ('TNB') dated 05 May 2017 respectively for the period of 12 years. The Company also entered into two Long Term Service Agreements ('LTSA') with General Electric ('GE') for both HBS and Balloki plants on 18 October 2016 for the period of 12 years.

2 Basis of preparation

2.1 Statement of compliance

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

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

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

2.2 Functional and presentation currency

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

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

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

Certain standard amendments and interpretations to approved accounting standards are effective for the accounting periods beginning on or after July 1, 2021 but are considered not to be relevant or to have any significant effect on the Company operations and are, therefore, not detailed in these financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 clarifies that the 'cost of fulfilling a contract' for the purposes of the onerous contract assessment comprises the costs that relate directly to the contract, including both the incremental costs and an allocation of other direct costs to fulfil the contract. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

now 104

The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 grouping IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This amendment enables the fair value measurement of biological assets on a post-tax basis.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022.
- Classification of liabilities as current or non-current (Amendments to IAS 1) apply retrospectively for the annual periods beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period.

An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.

mm

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
 - the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures.
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Company's financial statements.

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

- Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Company applies the amendments.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

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

mmA

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

2.5.1 The Securities and Exchange Commission of Pakistan (SECP) through S.R.O 229 (I) / 2019 dated 14 February 2019 notified that the standard IFRS 9, 'Financial Instruments' would be effective for reporting period / year ending on or after 30 June 2019. However, SECP through SRO 1177 (I) / 2021 dated 13 September 2021 granted exemption from applying expected credit loss based impairment model to financial assets due from the Government of Pakistan in respect of circular debt till 30 June 2022, provided that the Company shall follow relevant requirements of IAS 39- Financial Instruments: Recognition and Measurement, in respect of above referred financial assets during the exemption period. Accordingly, receivable from CPPA are exempt from expected credit loss-based impairment model of IFRS 9 till 30 June 2022. The management is in the process of determining the potential impact of application of expected credit loss based impairment model to receivable from CPPA. Further, the management also intends to approach SECP for further extension of exemption period granted earlier under SRO 1177 (I) / 2021 dated 13 September 2021.

2.5.2 International Accounting Standards Board (IASB) has issued IFRS-16 "Leases", which is effective for financial periods beginning on or after 01 January 2019. According to the said standard an arrangement conveys the right to use the asset, if the arrangement conveys to the purchaser (lessee) the right to control the use of the underlying asset. The right to control the use of the underlying asset is conveyed when the purchaser has the ability or right to operate the asset or direct others to operate the asset in a manner it determines while obtaining or controlling more than an insignificant amount of the output or other utility of the asset. Such arrangements are to be accounted for as a lease in accordance with the requirements of IFRS-16 "Leases".

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

Consequently, the Company is not required to account for a portion of its PPAs as a lease under IFRS 16. Had the exemption not been available, the effects on the financial statements would have been as follows:

	2022	2021
	(Rupees in thousand)	
De-recognition of property, plant and equipment	<u>(136,447,128)</u>	<u>(137,841,771)</u>
Recognition of lease receivable	<u>139,025,035</u>	<u>141,716,071</u>
Increase in unappropriated profit at the beginning of the year	3,874,301	1,284,625
(Decrease) / increase in profit for the year	<u>(1,296,393)</u>	<u>2,589,676</u>
Increase in unappropriated profit at end of the year	<u>2,577,908</u>	<u>3,874,301</u>

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

3 Basis of Measurement

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

3.2 Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

3.2.1 Property, plant and equipment

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

3.2.2 Taxation

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

3.2.3 Stock in trade

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

3.2.4 Employee benefits

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

OK

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

3.2.5 Provisions

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

3.2.6 Contingencies

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

3.2.7 Impairment

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

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

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

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

3.2.7.3 Impairment of non-financial assets

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

4 Significant Accounting Policies

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

MMA

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 4.19 to the financial statements.

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

4.2 Capital work in progress

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

4.3 Intangible assets

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

4.4 Stock-in-trade

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

4.5 Stores, spares and loose tools

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

4.6 Trade debts

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

4.7 Advances, prepayments and other receivables

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

4.8 Cash and cash equivalents

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

4.9 Mark-up bearing borrowings

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

MMMA

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

4.10 Staff retirement benefits

Defined benefit plan – Gratuity

The Company operates a funded defined benefit gratuity scheme for all employees with a qualifying service period of one year. Contribution is made to the fund on the basis of actuarial recommendations. Gratuity is based on employee's last drawn salary. The liability relating to defined benefit plan is determined through actuarial valuation using the projected unit credit method and is charged to statement of profit or loss. The latest actuarial valuation was carried out by an independent actuary as at 30 June 2022.

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

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

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

4.11 Leave fare assistance

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

4.12 Trade and other payables

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

4.13 Borrowing costs

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

4.14 Taxation

Current

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

Deferred

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

4.15 Provisions

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

4.16 Foreign currency transactions and translation

Transactions in foreign currencies are translated into functional currency (Pakistani Rupee) using exchange rates approximating those ruling on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pakistani Rupee at the rates of exchange ruling at the statement of financial position date. Exchange gains and losses resulting from settlement of foreign currency transactions and translation of monetary assets and liabilities at the rates prevailing at the reporting date are included in the statement of profit or loss except the waiver granted by SECP from the requirements of IAS-21, to the extent of capitalization of exchange differences to the power sector companies as mentioned in note 37. Non-monetary items that are measured in terms of a historical cost in a foreign currency are not re-translated.

10/10/2024

4.17 Financial instruments

4.17.1 Recognition and initial measurement

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

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

4.17.2 Classification and subsequent measurement

Financial assets

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

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

Amortized cost

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

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

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

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

Debt Instrument - FVOCI

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

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

Handwritten signature

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

Equity Instrument - FVOCI

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

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

Fair value through profit or loss (FVTPL)

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

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

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

Financial assets – Business model assessment:

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

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

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

Handwritten signature/initials

Financial liabilities

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

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

4.17.3 Derecognition

Financial assets

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

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

Financial liabilities

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

4.18 Write-off policy

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

4.19 Impairment

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

The Company recognizes loss allowances for ECLs on:

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

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

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

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

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

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

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

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

Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

msn

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

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

Financial assets due from the Government of Pakistan comprise of trade debts and other receivables under 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, 2021 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. SECP through SRO 1177(I)/2021 dated September 13, 2021 has extended this exemption to financial assets due from Government of Pakistan in respect of circular debt till 30 June 2022. Accordingly, the same continue to be reported as per the following accounting policy:

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

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

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

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

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

MWD

4.21 Off setting of financial instruments

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

4.22 Revenue recognition

Sale of electricity and related products under IFRS 15

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

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

Other revenue recognition policies are as follows:

- Markup on delayed payments from CPPA is recognized on accrual basis after taking into account agreed markup rates, due dates and outstanding amounts of underlying invoices.
- Profit on bank deposits is recognized on a time proportion basis by reference to the amount outstanding and the applicable rates of return.

4.23 Segment reporting

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

4.24 Contingent liabilities

A contingent liability is disclosed when:

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

WZC/PA

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

4.25 Leases

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

The Company is the lessee

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

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

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

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

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

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

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

mm

5 Operating fixed assets

	Owned assets								Leased asset	Total
	Freehold land	Plant and machinery	Capital spares	Building on freehold land	Motor vehicles	Office equipment	Furniture and fixtures	Computers and IT equipment	Right of use asset - building	
	(Rupees in thousand)									
Note										
Net book value basis (NBV)										
Year ended 30 June 2022										
Opening balance	1,154,331	124,469,449	3,996,937	8,221,053	76,619	16,867	29,799	1,350	-	137,966,405
Additions (at cost)	2,413	-	-	8,384	-	-	-	-	-	10,797
Right of use assets recognized during the year	-	-	-	-	-	-	-	-	190,412	190,412
Other adjustments	-	3,816,070	-	-	-	-	-	-	-	3,816,070
Depreciation charge	-	(4,767,470)	(148,490)	(305,549)	(39,891)	(2,606)	(4,435)	(710)	(21,157)	(5,290,308)
Closing balance	1,156,744	123,518,049	3,848,447	7,923,888	36,728	14,261	25,364	640	169,255	136,693,376

Gross book value basis

As at 30 June 2022

Cost	1,156,744	142,655,324	4,452,384	9,732,958	219,151	26,063	44,345	11,521	190,412	158,488,902
Accumulated depreciation	-	(19,137,275)	(603,937)	(1,809,070)	(182,423)	(11,802)	(18,981)	(10,881)	(21,157)	(21,795,526)
Net book value (NBV)	1,156,744	123,518,049	3,848,447	7,923,888	36,728	14,261	25,364	640	169,255	136,693,376

Depreciation rate % per annum

Net book value basis (NBV)

Year ended 30 June 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	-	(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 30 June 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%	3-4%	20%	10%	10%	30%	-	
--	---	------	------	------	-----	-----	-----	-----	---	--

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

		2022	2021
		(Rupees in thousand)	
5.2	Depreciation charged to	<i>Note</i>	
	Cost of sales	24	5,221,509
	Administration expenses	25	68,799
			<u>5,290,308</u>
6	Capital work-in-progress		
	Advance for purchase of land	6.1	998
	Housing complex		20,562
			<u>21,560</u>
6.1	This represents advance for purchase of land at HBS plant. This has been paid to Revenue office, Government of Punjab at the request of Assistant Commissioner / Land Acquisition Collector, however mutation has not been issued in favor of the Company.		
6.2	Movement of capital work in progress	<i>Note</i>	
	Opening balance		19,358
	Additions during the year		2,202
	Closing balance		<u>21,560</u>
7	Intangible assets		
	Computer software and licenses		
	Net carrying value basis		
	Opening net book value		-
	Additions (at cost)		-
	Amortization charge		(54)
	Closing net book value		<u>-</u>
	Gross carrying value basis		
	As at June 30		
	Cost		2,650
	Accumulated amortization		(2,650)
	Closing balance		<u>-</u>
	Amortization rate % per annum		33.33%
8	Long term deposits and prepayments		
	RLNG escrow account	8.1	17,135,265
	Security deposit - rental premises		8,658
	Security deposit - bank lockers		50
	O&M mobilization cost	8.2	407,649
			<u>17,551,622</u>
8.1	This represents amount deposited in escrow accounts maintained with National Bank of Pakistan (NBP), which is a related party, under the terms of GSAs signed with SNGPL, for the supply of RLNG to both the plants. The amount comprises of Rs 7,694.91 million (2021: Rs 7,694.91 million) deposited for HBS plant and Rs 9,440.35 million (2021: Rs 9,440.35 million) for Balloki plant. During the year, interest amounting to Rs 977.99 million (2021: Rs 956.92 million) received on escrow account has been adjusted against trade receivables from CPPA pursuant to section 9.11 of respective plants' PPAs.		

mmmm

- 8.2 This represents unamortized balance of mobilization cost at the year end which comprises Rs 162.34 million (2021: Rs 185.40 million) and Rs 245.30 million (2021: Rs 279.79 million) related to Operations and Maintenance (O&M) contractors of HBS (SEPCO III) and Balloki (TNB) plants respectively. Mobilization cost was paid to these contractors as per the terms of O&M agreements signed with these contractors. These amounts are being amortized over 12 years term of both the contracts.

		2022 (Rupees in thousand)	2021 (Rupees in thousand)
9	Stock-in-trade		
	High speed diesel	5,589,146	3,041,625
9.1	This represents high speed diesel (HSD) stock maintained as back-up fuel for both the plants and is being valued on First-In-First-Out basis (FIFO).		
10	Trade debts - secured		
	Considered good, billed	217,794,250	122,910,546
	Considered good, unbilled	16,765,900	9,126,237
		<u>234,560,150</u>	<u>132,036,783</u>

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

- 10.1.1 Maximum aggregate amount of billed trade debts outstanding at any time during the year, calculated with respect to month end balances, amounts to Rs. 217,794.25 million (2021: Rs 122,910.54 million).

- 10.1.2 Trade debts, billed include Rs 57,713.76 million (2021: Rs 44,375.87 million) which are neither overdue nor impaired and Rs 160,080.49 million (2021: Rs 78,534.68 million) which are overdue but not impaired.

	2022 (Rupees in thousand)	2021 (Rupees in thousand)
Overdue receivables:		
Up to 3 months	79,523,747	36,729,620
Up to 6 months	11,991,331	14,819,013
More than 6 months	68,565,414	26,986,043
	<u>160,080,492</u>	<u>78,534,676</u>

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

- 10.2 Un-billed receivables include Rs 1,820.42 million (2021: Rs. 3,152.15 million) pertaining to capacity components, Rs 8,744.01 million (2021: Rs. 5,056.64 million) pertaining to un-billed delay payment charges, and Rs 6,201.47 million (Rs. 917.45 million) related to other fuel price adjustments.

MUWA

		2022	2021
		(Rupees in thousand)	
11 Advances, prepayments and other receivables	<i>Note</i>		
Accrued profit	11.1	10,466	1,875
Advance income tax		193,505	568,775
Prepaid expenses		4,464	5,503
Advance for office expenses	11.2	371	386
Advance to employees	11.2	4,814	5,314
Other receivables	11.3	-	10,384,149
Recoverable from CPPA as pass-through items:			
- Workers' Welfare Fund	11.4	1,712,074	1,045,089
- Workers' Profit Participation Fund	11.4	5,401,285	3,733,823
		7,113,359	4,778,912
		<u>7,326,979</u>	<u>15,744,914</u>

11.1 This represents profit accrued on saving accounts and Term Deposit Receipts (TDRs) maintained with banks. This primarily includes accrued profit from National Bank of Pakistan (NBP), a related party, amounting to Rs 10.4 million (2021: Rs 1.8 million).

11.2 Advance for office expenses and advance to employees include amounts due from executives of Rs 0.40 million (2021: Rs 0.16 million) and Rs 4.49 million (2021: Rs 4.80 million) respectively.

11.3 This represented an amount of Rs 10,384.14 million receivable as on 30 June 2021 from SNGPL, a related party, on account of disputed Take or Pay invoices. The details of the matter are given below in note 11.3.1.

11.3.1 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 29 October 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. SNGPL raised invoices with aggregate net amount of Rs.13,969.57 million, in respect of ToP, related to the period from November 2017 to August 2020. As per SNGPL, the invoiced amount represents the amount payable by the Company on account of ToP under GSAs. 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 (SBLs) of the Company during the year ended June 30, 2018 for an aggregate amount of Rs 10,384.14 million, which along with deposit in escrow account was furnished as a Gas Supply Deposit equal to one-fourth of the maximum gas allocation under section 8.3 of GSA. This amount of Rs 10,384.14 million encashed by SNGPL was recorded as receivable from SNGPL.

The Company disputed the ToP invoices raised by SNGPL, being unjustified and contrary to the requirements of GSAs, through its correspondence and filed a constitutional petition before the Honorable Lahore High Court (LHC). LHC on 22 June 2018 directed that the matter should be dealt with in accordance with the dispute resolution mechanism available in the GSAs. 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 GSAs, 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.

Handwritten signature

The expert issued his recommendations on 14 September 2019 in favor of SNGPL. As per section 18.2(g) of GSA, unless the parties agree otherwise in writing at the time of selection of expert, the determination of expert is not binding. Since no such agreement was made, the matter was referred for arbitration in accordance with the rules of London Court of International Arbitration (LCIA) under section 18.3 "Arbitration" of respective GSAs.

During the year, LCIA arbitrator made its final and binding arbitral awards, which is sole and exclusive remedy under the GSAs, on 12 December 2021 in favor of the Company and ordered that SNGPL shall pay the Company the sums improperly drawn down from Gas Supply Deposit, interest at the delayed payment rate (1 Month KIBOR plus 2%) from the date of wrongful drawdown till the date of payment, along with the costs of arbitration proceedings. Accordingly, the Company has set off the total receivable claim aggregating to Rs. 15,507.56 million which comprises improper drawdown amount of Rs. 10,384.14 million, interest of Rs. 5,056.91 million and cost of arbitration proceedings of Rs. 66.51 million with the gas payables and communicated the same to SNGPL vide its letter No. NPPMCL/RLNG/CEO/2021/23259 dated December 15, 2021. SNGPL has rejected the Company's set off letter through its letter No. GMS: 938 (LNG) dated 20 December 2021 and challenged LCIA award by filing an appeal with the High Court of Justice, Queen's Bench Division Commercial Court.

The Company based on the opinion of its legal advisors believes that the LCIA arbitral awards are final and binding between the parties pursuant to section 18.3 (e) of GSAs and set-off made by the Company is backed by legal provisions. Further the management based on the legal advisor's opinion believes that the Company has strong grounds for arguing that SNGPL's challenge of LCIA award in High Court of Justice, Queen's Bench Division Commercial Court is hopeless. Accordingly, management believes that adjustment of award amount against undisputed gas payable and recognition of interest of Rs. 5,056.90 million and cost of arbitration of Rs. 66.51 million as other income are appropriate.

The said income, based on the opinion of tax and legal advisors relates to profits and gains from sale of electricity and hence exempt from tax under clause 132AA of Second Schedule of Income Tax Ordinance 2001.

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

12	Tax recoverable from Government	Note	2022	2021
			(Rupees in thousand)	
	Income tax		1,830,227	480,341
	Sales tax	12.1	7,536,270	6,880,324
			<u>9,366,497</u>	<u>7,360,665</u>

- 12.1** This includes sales tax amounting to Rs 2,458.61 million and Rs 1,097.7 million against which refund applications have been filed with Federal Board of Revenue (FBR) in the monthly sales tax return of November, 2018 and August, 2020 respectively.

13	Cash and bank balances	Note	2022	2021
			(Rupees in thousand)	
	Cash at bank - current accounts	13.1	326	317
	Cash at bank - saving accounts	13.2	1,650,964	1,362,879
	Cash at bank - sales tax accounts	13.3	735,039	700,736
	Term deposit receipts	13.4	163,972	2,325,254
			<u>2,550,301</u>	<u>4,389,186</u>

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

- 13.2** The includes balance of saving accounts maintained with National Bank of Pakistan (NBP), which is a related party, aggregating to Rs 10.17 million (2021: Rs 3.45 million) at the year end. Other banks include United Bank Limited (UBL), Habib Bank Limited (HBL) and the Bank of Punjab (BoP). These balances carry interest at the rate of 12.25% (2021: 5.50% to 6.60%) per annum.

mark

Two fuel cost accounts are maintained with UBL in pursuance of the SBLCs and working capital facility agreements for procurement of RLNG/HSD. As per the aforementioned agreements, lien has been marked on the fuel cost accounts in favor of the security trustee, NBP. The security trustee has the right of set-off, right of transfer and right of appropriation over all amounts standing to the credit of the fuel cost accounts. The balance of fuel cost accounts amounts to Rs 554.14 million (2021: Rs 538.43 million) at the year end.

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

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 12.00% to 12.50% (2021: 5.75% to 6.65%) per annum. This includes TDRs issued by NBP, a related party, as at 30 June 2022 aggregating to Rs 163.97 million (2021: Rs 556.97 million).

13.4.1 As at 30 June 2022, TDR amounting to Rs. 0.972 million (2021: Rs. 0.972 million) placed with NBP is under lien against the bank guarantee issued in the favor of Pakistan State Oil Company Limited, a related party, for purchase of POL/Fuel under contract number "NPPMCL/admin/PSO/3/16".

As at 30 June 2021, TDR amounting to Rs. 1.768.28 million, placed with HBL, was under lien against the bank guarantee issued in the favor of General Electric International for completion of extra works at Balloki Plant under purchase order number "NPPMCL/Balloki/LTSA-01". However, as at 30 June 2022 the Company has no such TDR.

		2022	2021
		(Rupees in thousand)	
14	Share capital		
	Authorized share capital		
	11,660,000,000 (2021: 11,660,000,000) ordinary shares of Rs 10 each	<u>116,600,000</u>	<u>116,600,000</u>
	Issued, subscribed and paid up capital		
	5,550,000,000 (2021: 5,550,000,000) ordinary shares of Rs 10 each fully paid in cash	<u>55,500,000</u>	<u>55,500,000</u>
14.1	5,300 million (2021: 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 nominee personnel of the Government of Pakistan.		
		2022	2021
	Note	(Rupees in thousand)	
15	Share deposit money		
	Share deposit money	15.1	<u>61,000,000</u>
15.1	This represents advance against issue of fixed number of ordinary shares of Rs. 10 each. During previous years, the Finance Division, Government of Pakistan (GoP) through letter numbered "F. No. 2(23)Inv-1/2017-466" dated 17 August 2017 informed the Company that Pakistan Development Fund Limited (PDFL) has acquired equity shares of GoP in the Company amounting to Rs 114,000 million. However, till 30 June 2022, ordinary shares to the extent of Rs 53,000 million have been issued to PDFL.		<u>61,000,000</u>

MAC 104

16	Long term loans	Note	2022 (Rupees in thousand)	2021
	Loan from Pakistan Development Fund			
	Limited (PDFL) - unsecured	16.1	30,308,360	30,308,360
	Loan from banks - secured	16.2	15,722,850	15,161,373
	Less: Current maturity		<u>(13,800,319)</u>	<u>(10,258,123)</u>
			<u>32,230,891</u>	<u>35,211,610</u>

16.1 The Company received an unsecured long-term loan from its sponsor, PDFL, a related party, amounting to Rs 32,738 million, for a period of 10 years. The outstanding amount of loan is repayable in 36 quarterly installments started from 30 September 2019. The loan carries markup at the rate of 3 months KIBOR plus 1% (2021: 3 months KIBOR plus 1%) per annum, payable quarterly in arrears.

16.1.1 As at June 30, 2022, principal amount of Rs. 7,812.74 million (2021 Rs. 4,985.82 million) along with markup of Rs 10,453.35 million (2021: Rs 7,296.12 million) are due for payment however, due to circular debt issue, the Company has not received sufficient funds from the power purchaser and therefore these due amounts could not be paid. During the year, the Company received various requests from PDFL for payment of the overdue amounts however, all these payment requests were withdrawn vide letter # PDFL/CFO/2022-18 dated March 06, 2022.

Considering the correspondence with sponsor, PDFL, and terms of the loan agreements, the legal advisor of the Company vide opinion dated 21 March 2022 has opined that an Event of Default has not yet occurred under the loan agreements hence, the Company's obligation to discharge its liability to repay the loans in terms of the Illustrative Payment Schedule continues. Accordingly, the Company has recorded overdue amount of Rs. 7,812.74 million along with Rs. 3,075.94 million due in next financial year under current liabilities and Rs. 19,419.68 million which was not yet due at the year end is reflected as non-current liabilities in the financial statements.

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

	2022 (Rupees in thousand)	2021
Opening balance	30,308,360	32,738,000
Repayments during the year	-	(2,429,640)
	<u>30,308,360</u>	<u>30,308,360</u>
Current portion shown under current liabilities	<u>(10,888,680)</u>	<u>(7,812,740)</u>
Closing balance	<u>19,419,680</u>	<u>22,495,620</u>

16.2 This amount consists of Rs 6,801.03 million (June 30, 2021: Rs 7,808.60 million), and Rs 8,921.81 million (June 30, 2021: Rs 7,352.80 million) utilized in HBS and Balloki plants respectively. The Company arranged financing facilities from the Bank of Punjab (BoP) led consortium of banks comprising the Bank of Punjab (BoP) 40.79%, Meezan Bank Limited (MBL) 26.32%, Dubai Islamic Bank Pakistan Limited (DIBL) 19.74%, and Askari Bank Limited (ABL) 13.15%, and signed Musharakah facility agreements amounting to Rs 18,400 million and Rs 19,600 million for HBS and Balloki plants respectively on June 11, 2019. These outstanding amounts of facilities are repayable in 27 equal quarterly installments ending on 31 December 2028. These facilities carry mark-up at the rate of three months KIBOR plus 0.90%. The said facilities have been secured by way of GoP guarantee and lien over capacity payment receivables (debt component) pertaining to respective plants.

muht

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

	2022	2021
	(Rupees in thousand)	
Opening balance	15,161,373	15,134,753
Disbursements during the year	2,691,651	1,819,077
Repayments during the year	(2,130,174)	(1,792,457)
	15,722,850	15,161,373
Current portion shown under current liabilities	(2,911,638)	(2,445,384)
Closing balance	12,811,212	12,715,989

17 Lease liability against right of use asset

Lease liability against right of use asset	177,335	-
Current portion of lease liability against right of use asset	(8,568)	-
	168,767	-
Maturity analysis of lease liability against right of use asset is as follows		
Less than one year	29,753	-
One to five year	200,257	-
More than five years	19,018	-
Total undiscounted lease liability against right of use asset	249,028	-
Impact of discounting on lease liability against right of use asset	(71,693)	-
	177,335	-

18 Staff retirement benefit

Provision for gratuity	40,581	28,649
------------------------	--------	--------

The latest actuarial valuation of the Company's defined benefit plan, was conducted on 30 June 2022 using projected unit credit method. Detail of obligation for defined benefit plan is as follows:

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

	Note	2022	2021
		(Rupees in thousand)	
Present value of defined benefit obligation	18.1	144,764	102,307
Gratuity due but not paid at the year end	18.1	1,556	2,724
Less: Fair value of plan assets	18.2	(105,739)	(76,382)
Net liability at end of the year		40,581	28,649
Net liability at beginning of the year		28,649	25,805
Charge to profit or loss for the year	18.3	23,388	22,812
Charge to other comprehensive income for the year	18.3	17,193	5,837
		(28,649)	(25,805)
Contribution made during the year		40,581	28,649
Net liability at end of the year			

14/12/22

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

	2022	2021
	(Rupees in thousand)	
Present value of defined benefit obligations at beginning of the year	102,307	78,060
Current service cost for the year	22,306	21,908
Interest cost for the year	10,014	6,313
Benefits due but not paid	(1,556)	(2,724)
Actuarial loss on present value of defined benefit obligations	14,466	3,594
Benefits paid during the year	(2,773)	(4,844)
Present value of defined benefit obligation at end of the year	<u>144,764</u>	<u>102,307</u>

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

Fair value of plan assets at beginning of the year	76,382	54,066
Contributions made during the year	28,649	25,805
Expected return on plan assets for the year	8,932	5,409
Actuarial loss during the year	(2,727)	(2,243)
Benefits paid during the year	(5,497)	(6,655)
Fair value of plan assets at end of the year	<u>105,739</u>	<u>76,382</u>

Plan assets comprise of:

Cash at bank - saving accounts	4,393	2,957
Accrued interest	346	65
Term deposit receipts	101,000	73,360
	<u>105,739</u>	<u>76,382</u>

18.3 Charge for the year

In statement of profit or loss

Current service cost for the year	22,306	21,908
Interest cost for the year	10,014	6,313
Expected return on plan assets for the year	(8,932)	(5,409)
	<u>23,388</u>	<u>22,812</u>

In other comprehensive income

Actuarial loss on retirement benefits - net	17,193	5,837
	<u>40,581</u>	<u>28,649</u>

Actuarial assumptions

The following are the principal actuarial assumptions at 30 June 2022:

	2022	2021
	(Percentage)	
Discount rate used for year end obligations	13.25%	10.00%
Discount rate used for interest cost in profit or loss	10.00%	10.00%
Expected rate of growth per annum in future salaries	12.25%	9.00%
Expected mortality rate	SLIC 2001 - 2005	SLIC 2001 - 2005
	Setback 1 Year 60 Years	Setback 1 Year 60 Years

Retirement assumptions

18.4 The Company expects to charge Rs. 34 million to statement of profit or loss on account of defined benefit plan in the year ending 30 June 2023.

MD/NT

18.5 Sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the present value of the defined benefit obligation as at 30 June 2022 would have been as follows:

	Gratuity	
	Present value of defined benefit obligation	
	Increase in assumption (Rupees in thousand)	Decrease in assumption (Rupees in thousand)
Discount rate + 100 bps	135,131	155,949
Future salary increase + 100 bps	155,949	134,970

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

18.6 At 30 June 2022, the average duration of the defined benefit obligation was 7 years.

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

	Note	2022 (Rupees in thousand)	2021 (Rupees in thousand)
Cost of sales	24	15,459	15,109
Administration expenses	25	7,929	7,702
		23,388	22,811

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

18.8.1 Salary risk

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

18.8.2 Withdrawal rate risk

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

18.8.3 Interest rate risk

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

18.8.4 Mortality rate risk

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

19	Trade and other payables	Note	2022 (Rupees in thousand)	2021
	Trade creditors	19.1	59,609,261	5,640,098
	PCCC - QEL	19.2	12,921,579	10,247,301
	HEI - HRL	19.3	10,668,213	11,880,546
	Consultancy services	19.4	62,541	65,180
	Insurance premium	19.5	426,802	289,548
	Accrued expenses		7,049	9,474
	Withholding tax payable		11,843	69
	Other liabilities		234,624	154,481
	Workers' Welfare Fund (WWF)	19.6	1,712,074	1,045,089
	Workers' Profit Participation Fund (WPPF)	19.7	5,401,285	3,733,823
			<u>91,055,271</u>	<u>33,065,609</u>

19.1 Trade creditors

	SNGPL (related party)	19.1.1	56,818,891	2,862,229
	SEPCO-III		540,851	307,339
	TNB Remaco		792,705	516,943
	GE International		1,456,814	1,953,587
			<u>59,609,261</u>	<u>5,640,098</u>

19.1.1 As explained in note 11.3.1 to the financial statements, LCIA in the matter of Take or Pay (ToP) dispute with SNGPL on account of invoices issued by SNGPL related to the period from November 2017 to August 2020, has made its final and binding arbitral awards on 12 December 2021 in favor of the Company and ordered that SNGPL shall pay the Company the sums improperly drawn down from Gas Supply Deposit, interest at the delayed payment rate (1 Month KIBOR plus 2%) from the date of wrongful drawdown till the date of recovery, along with the costs of arbitration proceedings. Accordingly, the Company has set off the receivables of aggregate amount of Rs. 15,507.56 million with the gas payables to SNGPL vide its letter No. NPPMCL/RLNG/CEO/2021/23259 dated 15 December 2021.

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

The target completion dates for GT1, GT2 and the Facility were 12 April 2017, 12 May 2017 and 09 January 2018 respectively whereas taking over certificates for GT1 and GT2 were procured on 17 April 2018 and taking over certificate for the Facility was procured on 8 May 2018. Due to such delay, Contractor for HBS became liable to pay liquidated damages (LDs) to the Company in accordance with the respective EPC contract on the basis of number of days of delay from target completion dates to actual taking over dates but restricted to a maximum cap of 10% of the contract price. Liquidated Damages (LDs) amounting to USD 58.95 million (Rs 11,404.83 million) being 10% of the agreement price were charged to the Contractor for HBS by the Company on 15 May 2018, payable within fourteen days of the invoice.

Contractor for HBS has expressed its disagreement over the LDs charged claiming that the delays were attributed to the Company, which was rebutted by the Company in the terms of EPC contract. In order to prevent the Company from calling the performance guarantee, Contractor for HBS agreed to reduce the amount of LCs established for the plant to the extent of LDs amount. Due to the uncertainty attached with the realization of such LDs, the aforementioned LDs have not been recorded in these financial statements. Refer to note 22.1.(e) for counter claim filed by EPC Contractor for HBS against the Company.

mm

- 19.3** 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 02 April, 2017, 02 May 2017 and 29 January 2018 respectively whereas taking over certificate for GT1 and GT2 were procured on 06 July 2018 and taking over certificate for the Facility was procured on 27 July 2018. Due to such delay, Contractor for Balloki became liable to pay liquidated damages (LDs) to the Company under the said contract on the basis of number of days of delay from target completion dates to actual taking over dates but restricted to a maximum cap of 10% of the contract price. LDs amounting to USD 56.26 million (Rs 10,394.62 million) being 10% of the contract price were charged to the Contractor for Balloki by the Company on 11 August 2018, payable within fourteen days of the invoice.

Contractor for Balloki has expressed its disagreement over the LDs charged claiming that the delays were attributed to the Company, which was rebutted by the Company in the terms of EPC contract. In order to prevent the Company from calling the performance guarantee, Contractor for Balloki agreed to reduce the amount of LCs established for the plant to the extent of LDs amount. To amicably resolve this dispute the Company has issued a notice to HEI-HRL dated 06 August 2021 for the commencement of arbitration proceedings under clause 20.6 of the EPC contract, however, formal proceedings in this respect are yet to be initiated. Due to the uncertainty attached with the realization of such LDs, the aforementioned LDs have not been recorded in these financial statements.

- 19.4** 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.
- 19.5** This amount pertains to the balance payable to National Insurance Company Limited, a related party, against insurance premium.
- 19.6** Provision is made as per the requirements of the Punjab Workers Welfare Fund Act promulgated on 13 December 2019.

		2022	2021
		(Rupees in thousand)	
Workers' Welfare Fund (WWF)	<i>Note</i>		
Opening balance		1,045,089	561,162
Provision for the year		666,985	483,927
Closing balance		<u>1,712,074</u>	<u>1,045,089</u>

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

		2022	2021
		(Rupees in thousand)	
19.7 Workers' Profit Participation Fund (WPPF)			
Opening balance		3,733,823	2,524,005
Provision for the year		1,667,462	1,209,818
Closing balance		<u>5,401,285</u>	<u>3,733,823</u>

unpaid

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

		2022 (Rupees in thousand)	2021
20	Accrued markup		
	Long term loan	10,955,740	7,600,365
	Short term borrowings	1,382,231	865,147
		<u>12,337,971</u>	<u>8,465,512</u>

20.1 This includes markup amounting to Rs 10,453.35 million (2021: Rs 7,296.12 million) payable on the loan received from PDFL and Rs 502.39 million (2021: Rs 304.24 million) as accrued markup on long term loan from banks.

20.2 This includes markup amounting to Rs 459.63 million (June 30, 2021: Rs 287.45 million) payable to NBP, a related party, on account of short term borrowings as disclosed in note 21.

		2022 (Rupees in thousand)	2021
21	Short term borrowings - secured		
	Working capital finance	41,381,948	41,528,217

21.1 This amount consists of Rs 20,635.87 million (2021: Rs 20,526.99 million), and Rs 20,746.07 million (2021: Rs 21,001.22 million) utilized in HBS and Balloki plants respectively.

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

- a first ranking lien and charge on the working capital accounts of respective plants and the amounts standing to the credit of such accounts;
- a first ranking hypothecation charge over the hypothecated fuel stock of respective plants;
- 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;
- assignment by way of mortgage of energy payment receivables and GSA receivables pertaining to respective plants; and
- 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, amounting to Rs 13,532.01 million (2021: Rs 13,852.02 million).

22 Contingencies and commitments

22.1 Contingencies

- (a)** In addition to the Take or Pay (ToP) invoices settled under LCIA award as discussed in note 11.3.1 to these financial statements, SNGPL raised further ToP invoices, for the months of November 2020, April 2021 and November 2021 with respect to Balloki Plant and for the month of October 2021 with respect to HBS plant with an aggregate amount of Rs. 11,213 million, which were also disputed by the Company on various legal grounds.

MMA

The main reasons for dispute are not raising the ToP invoices during the month to which they relate and non-availability of gas during the said months. Management on the basis of legal advisor's view believes that grounds of dispute were the main precursors of LCIA award based on which LCIA arbitrator decided the award in favor of the Company. Accordingly, the management believes that the Company does not have any legal obligation to pay these invoices and related default surcharge and therefore no liability has been recognized in these financial statements. SNGPL has not raised any further invoice for any month after November 2021 and no further actions has been taken by SNGPL under dispute resolution mechanism prescribed in GSA.

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

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

(i) **Tax Year 2021**

During the year, the Additional Commissioner Inland Revenue (the "Add. CIR") issued a show cause notice dated 26 January 2022 under section 122(5A) of the Ordinance requiring the Company to submit its response to the observations mentioned therein including the claim of tax credit under section 65D of the Ordinance. The Company made, due compliance of the said notice; however, the Add. CIR issued order dated 30 June 2022 under section 122(5A) of the Ordinance by reducing the income tax refunds from Rs. 557.24 million to Rs. 279.73 million mainly on account of charging tax on profit earned on escrow accounts. Being aggrieved with the adverse treatment, the Company has preferred an appeal before the learned Commissioner Inland Revenue (Appeals) [the "CIR (A)"], which is pending adjudication at the year end.

During the year ended 30 June 2021, the Company received notice dated 04 January 2021 under section 147(7) of the Ordinance requiring the Company to submit its reply duly supported by the documentary evidences in relation to advance tax working submitted for the quarter ended 31 December 31 2020. The Company has made due compliance of the said notice. On receipt of Company's response Deputy Commissioner Inland Revenue (DCIR) rejected the Company's claim of tax credit and issued recovery order u/s 147 and demand notice u/s 137 to pay Rs. 1,263.6 million as advance tax for December quarter along with default surcharge and penalty. Being aggrieved, the Company filed appeal before CIR (A) who disposed off the appeal through order dated 06 April 2022 and remanded back the case to department with a direction to re-examine the case in the light of exemptions given to the Company vide Finance Act 2021. No further notice received in this regard from the department.

W470A

(ii) Tax Year 2020

During the year ended 30 June 2021, the Company received a show cause notice dated 22 January 2021 from the Add. CIR under section 122(SA) of the Ordinance requiring the Company to submit its response to observations mentioned therein including the claim of tax credit under section 65(D) of the Ordinance. Upon receiving the Company's response, Add. CIR vide order dated 26 February 2021, raised income tax demand amounting to Rs 3,515 million by amending the Company's assessment for tax year 2020. Being aggrieved, the Company filed an appeal before CIR (A), who decided the matter against the Company through order dated 31 August 31 2021. Being aggrieved with the decision, the Company has filed an appeal before ATIR. The case has been heard by ATIR on 18 April 2022, however the final order is yet awaited at the year end.

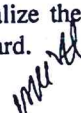
During the year ended June 30, 2020, the Company received recovery notice dated 27 September 2019 under section 137(2) of the Ordinance amounting to Rs 483.28 million from Deputy Commissioner Inland Revenue (DCIR) to pay advance tax for the quarter ended September 30, 2019. The Company challenged the recovery notice by filing a writ petition before the Honorable 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 30 September 2019 and 31 December 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 CIR (A).

Accordingly, two separate appeals were filed before CIR(A) against the notices for quarters ended 30 September 2019 and 31 December 2019. With respect to the quarter ended 30 September 2019, the CIR (A) upheld the order of the department through order dated 29 June 2020 received on 19 August 2020. Being aggrieved, the Company filed an appeal before ATIR. The case has been heard by ATIR on 30 May 2022, however the final order is yet awaited at the year end. Further, with respect to quarter ended 31 December 2019, the CIR (A) has remanded back the case to DCIR, with a direction to re-examine the case in the light of exemptions given to the Company vide Finance Act 2021. No further notice received in this regard from the department.

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

(iii) Tax Year 2019

During the year ended 30 June 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 LHC granted stay with the remarks that the coercive measures taken by the tax department are illegal and remanded back the case to the tax department with a direction to finalize the matter within a period of 15 days after giving the Company an opportunity of being heard.



After hearing, the tax department issued demand notice, under section 137(2) of the Ordinance, dated 09 March 2020, amounting to Rs 2,468.62 million by amending the Company's complete assessment for tax year 2019. Being aggrieved with the demand, the Company filed an appeal before CIR (A) who vide order dated 21 December 2021 has annulled the impugned order passed by Add. CIR and also directed tax department to decide the case in light of new pronouncements in law. The tax department issued hearing notice under section 124/129/122(5A) of the Ordinance and initiated remand back proceedings in light of the order issued by the learned CIR (A). The Company has made due compliance of the said hearing notice and no order has been issued by the tax department, till date.

(iv) Tax Year 2018

During the year ended 30 June 2020, the Company received a recovery notice, dated 25 October 2019, under section 137(2) and 138(1) of the Ordinance amounting to Rs 388.04 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 CIR (A) along with stay application which was rejected. The Company filed stay application with ATIR and a stay was granted on recovery proceedings dated 26 November 2019 for 45 days. Afterwards, the Company sought interim relief from LHC, who vide order sheet dated 15 January 2020 granted stay from coercive measures for 30 days and directed CIR (A) to decide the pending appeal within 30 days. CIR(A) decided the appeal against the Company through order dated 18 February 2020. Being aggrieved, the Company filed an appeal before ATIR along with stay application. ATIR upheld the decision of CIR (A) through order dated 14 September 2020. The Company filed an appeal before LHC dated 28 September 2020 which is pending adjudication at the year end. Meanwhile, LHC has granted stay from coercive recovery measures till the next hearing.

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

Based on tax credit under section 65D of the Ordinance, the Company has cumulatively claimed tax credit amounting Rs 4,264.75 million till June 30, 2022 (Tax Year 2018: Rs 586.29 million, Tax Year 2019: Rs 1,387.72 million, Tax Year 2020: Rs 2,192.68 million, Tax Year 2021: Rs 35.38 million, and Tax Year 2022: Rs 62.68 million).

- (c)** The Company filed sales tax refund claim in sales tax return on November 2018 comprising of the tax periods from December 2015 to November 2018. On the basis of refund claim, the Company was selected for audit under section 25 of the Sales Tax Act 1990 (the "Act") for the period December 2015 to November 2018. DCIR, Audit-I rejected the Company's claim of input tax while specifying that the Company is not eligible for claiming the input tax paid on purchase of goods and services pertaining to the construction period and not relevant to production of electricity and thereby issued assessment order No. A-03/2550/2020 dated 11 November 2020 received on 02 December 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 CIR (A).

CIR(A) vide order dated 24 September 2021 has remanded back the case to the assessing officer to the extent of issue of input tax claim liability on services, however, failed to adjudicate grounds on remaining issues while issuing the aforesaid order. The Company has filed a rectification application under section 57 of the Act with respect to grounds not adjudicated in the impugned order which is pending adjudication. In addition, the Company also preferred an appeal before the ATIR on issues not adjudicated as well as issue of input tax disallowance remanded back to the assessing officer which is also pending adjudication at the year end.

YMM/DA

DCIR, Audit-I issued another assessment order u/s 11(2) dated 27 April 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 CIR (A). DCIR issued rectification order dated 17 June 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. CIR (A) vide order dated 05 October 2021 has set aside the order of DCIR and directed the assessing officer to re-examine the case and give the cogent reasons of not allowing the input tax to the Company. Being aggrieved, the Company preferred an appeal before ATIR which is pending adjudication. DCIR has reassessed the case through order dated 29 November 2021 and raised a demand of Rs. 1,519.9 million along with penalty amounting Rs. 76 million and default surcharge to be calculated at the time of recovery. Being aggrieved, the Company has filed an appeal before CIR (A) who vide order dated 27 April 2022 has again set aside the reassessment order of DCIR. However, remand back proceedings have not been initiated by the tax department.

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

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

- (e) As mentioned in Note 19.2 to the financial statements of the Company, Liquidated Damages (LD) amounting to USD 58.95 million (Rs 11,404.83 million) being 10% of the agreement price were charged to the Contractor for HBS by the Company on May 15, 2018.

The Company received a notice under Clause 20 of the EPC agreement from the joint venture of Power Construction Corporation of China and Qavi Engineers (PCCC-QEL) dated 26 February 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 15 May 2018 amounting to USD 58.95 million (Rs 11,404.83 million), PCCC-QEL has claimed its entitlement for early completion bonus amounting to USD 29.47 million (Rs 6,070.82 million) compensation for delays not attributable to the Contractor amounting to USD 70.59 million (Rs 14,541.54 million) and interest on delay in payments amounting to USD 12.28 million (Rs 2,529.68 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.

YMD/PA

Considering all the facts and circumstances of the dispute, 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). The management of the Company is hopeful of favorable outcome of this case. Consequently, no provision has been made in these financial statements against the notice issued by PCCC-QEL.

22.2 Commitments

22.2.1 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 (2021: USD 751.7 million) out of which USD 5.76 million (2021: USD 23.7 million) is outstanding. The total amount pertaining to onshore payment LCs add up to Rs 20,001 million (2021: Rs. 20,001 million) out of which Rs 79.32 million (2021: Rs 453.5 million) is outstanding.

22.2.2 Pursuant to GSAs signed with SNGPL for HBS and Balloki plants, the Company has entered into two SBLC arrangements amounting Rs 11,383 million (2021: Rs 11,383 million) for HBS plant and Rs 11,397 million (2021: 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 30 June 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 5,158.41 million (2021: Rs 5,158.41 million) and Rs 7,237.16 million (2021: Rs 7,237.16 million) respectively. This includes balance of SBLC of HBS and Balloki plant issued by NBP, a related party, at the year end amounting to Rs 1,711.44 million (2021: Rs 1,711.44 million) and Rs 2,401.11 million (2021: Rs 2,401.11 million) respectively.

22.2.3 The Company has provided a bank guarantee via NBP dated January 15, 2016 in favor of Pakistan State Oil Company Limited (PSO), a related party, for the purchase of fuel on credit for its fleet of cars amounting to Rs 0.971 million (2021: Rs 0.971 million).

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

23	Revenue	Note	2022 (Rupees in thousand)	2021
	Energy purchase price	23.1	302,589,549	134,847,073
	Less: Sales tax		(43,198,244)	(19,459,854)
	Net energy purchase price		259,391,305	115,387,219
	Capacity purchase price		36,088,096	29,709,843
	Accrued income		1,697,187	3,152,104
			<u>297,176,588</u>	<u>148,249,166</u>

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 09 May 2018 and Balloki from 29 July 2018.

4/11/2018

24	Cost of sales	Note	2022 (Rupees in thousand)	2021
	Fuel cost		251,155,590	108,776,715
	Operation and maintenance costs	24.1	8,674,019	6,681,771
	Depreciation	5.2	5,221,509	5,258,503
	Insurance		3,385,655	3,230,126
	Salaries, wages and other benefits	24.2	289,977	225,880
	Security services		136,243	135,348
	Professional services - NESPAK		53,644	39,598
	Miscellaneous		44,267	51,067
			<u>268,960,904</u>	<u>124,399,008</u>

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

24.2 Salaries, wages and other benefits expense includes provision for gratuity as mentioned in note 18.7 to these financial statements.

25	Administration expenses	Note	2022 (Rupees in thousand)	2021
	Salaries, wages and benefits	25.1	197,541	144,493
	Directors' meeting fee and expenses		10,464	8,705
	Travelling and conveyance		698	634
	Vehicles running and maintenance		7,601	6,046
	Printing and stationery		2,662	407
	Office supplies and utilities		11,068	6,398
	Repair and maintenance		906	798
	Legal and professional		179,570	46,317
	Auditors' remuneration	25.2	5,910	6,633
	Tendering and advertisements		1,419	1,145
	Fee and subscription		2,058	1,609
	Training and development		1,000	-
	Rent, rates and taxes		7,851	20,427
	Corporate social responsibility		100	-
	Telephone and telex		2,005	1,731
	Insurance		6,155	7,200
	Depreciation	5.2	68,799	49,638
	Amortization of intangible assets		-	54
			<u>505,807</u>	<u>302,235</u>

25.1 Salaries, wages and other benefits expense includes provision for gratuity as mentioned in note 18.7 to these financial statements.

25.2	Auditor's remuneration	Note	2022 (Rupees in thousand)	2021
	Audit fee		2,592	2,592
	Review, compliance and other fees		3,318	3,841
	Out of pocket expenses		-	200
			<u>5,910</u>	<u>6,633</u>

26 Other charges

	Foreign exchange loss	26.1	<u>282,871</u>	<u>-</u>
--	-----------------------	------	----------------	----------

mdk 2021

- 26.1** This represents foreign exchange loss - net of gain incurred on settlement of transactions with General Electric Inc. (LTSA Contractor), National Insurance Company Limited (NICTL) for insurance services and from translation of related liabilities at year end exchange rates.

		2022	2021
		(Rupees in thousand)	
27 Other income	<i>Note</i>		
Profit on saving accounts	13.2	80,165	50,740
Profit on term deposit receipts	13.4	194,897	104,456
Delayed payment charges - CPPA	27.1	12,152,175	6,883,784
Interest charged to SNGPL under LCIA award	27.2	5,056,909	-
Recovery of arbitration costs under LCIA award	27.3	66,513	-
Foreign exchange gain	27.4	-	62,216
Miscellaneous		503	1,782
		<u>17,551,162</u>	<u>7,102,978</u>

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

- 27.2** This represents interest charged to SNGPL at the delayed payment rate (1 Month KIBOR plus 2%), on the amount improperly drawn down by SNGPL from Gas Supply Deposit, from the date of wrongful drawdown till the date of payment. The same has been recognized under arbitral awards of LCIA as fully explained in note 11.3.1 to these financial statements.

- 27.3** This represents arbitration costs recovered from SNGPL under arbitral awards of LCIA as fully explained in note 11.3.1 to these financial statements.

- 27.4** This represented foreign exchange gain - net of loss incurred on settlement of transactions with General Electric Inc. (LTSA Contractor), National Insurance Company Limited (NICTL) for insurance services and from the translation of such liabilities at year end exchange rates.

		2022	2021
		(Rupees in thousand)	
28 Financial charges	<i>Note</i>		
Interest on long term loans	16	4,748,868	3,839,406
Markup on short term borrowings	28.1	6,806,024	2,556,109
Interest on lease liability		15,097	-
SBLC commission	28.2	49,582	49,583
Other bank charges		9,358	9,438
		<u>11,628,929</u>	<u>6,454,536</u>

28.1 Markup on short term borrowings

Markup on Working Capital Facility	21.1	4,564,966	2,555,566
Markup on SNGPL Delay Payment		2,241,058	543
		<u>6,806,024</u>	<u>2,556,109</u>

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

mm

	Note	2022 (Rupees in thousand)	2021
29 Taxation			
Current tax	29.1	22,591	11,532
Prior year tax adjustments		-	(97,649)
		<u>22,591</u>	<u>(86,117)</u>

29.1 This represents provision of current tax on income from other sources for the year. Based on Corporate Tax and Super Tax levied for tax year 2022 on taxable income, the total provision for taxation is Rs 85.27 million. However, the Company is entitled to claim a tax credit equal to the amount of Rs 62.68 million under section 65D "Tax credit for newly established industrial undertakings" of the Income Tax Ordinance, 2001 which is admissible where the industrial undertaking is set up with at least seventy per cent equity raised through issuance of new shares for cash consideration. Therefore, the tax liability for the current period is Rs 22.59 million.

	Note	2022 (Rupees in thousand)	2021
29.2 Tax charge reconciliation			
Accounting profit		<u>33,349,239</u>	<u>24,196,365</u>
Income tax charge @ 29%		9,671,279	7,016,945
Super tax		7,994	-
Tax effect of income exempt from tax		(9,594,002)	(6,970,031)
Change in prior tax years		-	(97,649)
Effect of tax credit under section 65D		<u>(62,680)</u>	<u>(35,382)</u>
		<u>22,591</u>	<u>(86,117)</u>

30 Cash generated from operations

Profit before tax		33,349,239	24,196,365
Adjustments for:			
Depreciation	5	5,290,308	5,308,141
Amortization		57,545	57,599
Provision for staff retirement benefits	18.3	23,388	22,811
Financial charges		11,628,929	6,454,536
Foreign exchange loss / (gain)		282,871	(62,216)
Delayed payment charges		(12,152,175)	(6,883,784)
Profit on term deposit receipts		(194,897)	(104,456)
Profit on saving accounts		(80,165)	(50,740)
		<u>4,855,804</u>	<u>4,741,891</u>
Operating profit before working capital changes		<u>38,205,043</u>	<u>28,938,256</u>

Effect on cash flow due to working capital changes

(Increase) / decrease in current assets

- Stock-in-trade	(2,547,521)	(16,651)
- Stores, spares and loose tools	(293,961)	(434,331)
- Trade debts	(91,163,835)	(30,474,171)
- Advances, prepayments and other receivables	1,554	(272,245)
	<u>(94,003,763)</u>	<u>(31,197,398)</u>

Increase in current liabilities

- Trade and other payables	61,940,423	602,623
	<u>6,141,703</u>	<u>(1,656,519)</u>

mmma

31 Remuneration of Chief Executive, Directors and Executives

- 31.1 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	
	2022	2021	2022	2021	2022	2021
	(Rupees in thousand)					
Short term employee benefits						
Managerial remuneration	23,654	20,337	-	-	263,672	236,830
Leave fare assistance	3,862	1,513	-	-	30,371	14,894
Bonus	10,885	3,027	-	-	77,542	39,536
Utilities	461	354	-	-	-	-
	38,862	25,231	-	-	371,585	291,260
Staff retirement benefits						
Gratuity	2,107	1,513	-	-	21,837	20,048
	40,969	26,744	-	-	393,422	311,308
Number of persons	1	1	8	8	41	36

- 31.2 Aggregate amount charged in the financial statements for the year as directors fee in respect of 8 directors (2021: 8 directors) is Rs 10.46 million (2021: Rs 8.7

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

32 Segment Information

32.1 Reportable segments

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

The following summary describes the operations of each reportable segment.

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

The management reviews internal management reports of each division.

32.2 Information about reportable segments

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

	2022			2021		
	HBS	Balloki	Total	HBS	Balloki	Total
	(Rupees in thousand)			(Rupees in thousand)		
Sale of energy						
Energy purchase price	130,172,977	129,218,328	259,391,305	65,311,283	50,075,936	115,387,219
Capacity purchase price	18,465,138	17,622,958	36,088,096	15,396,294	14,313,549	29,709,843
Accrued income	905,276	791,911	1,697,187	2,459,897	692,207	3,152,104
	149,543,391	147,633,197	297,176,588	83,167,474	65,081,692	148,249,166
Cost of sales	(134,253,047)	(134,707,857)	(268,960,904)	(68,474,527)	(55,924,481)	(124,399,008)
Gross profit	15,290,344	12,925,340	28,215,684	14,692,947	9,157,211	23,850,158
Administrative expenses	(250,087)	(255,720)	(505,807)	(149,105)	(153,130)	(302,235)
Other charges	(122,946)	(159,925)	(282,871)	-	-	-
Other Income	10,077,631	7,473,531	17,551,162	3,950,715	3,152,263	7,102,978
	24,994,942	19,983,226	44,978,168	18,494,557	12,156,344	30,650,901
Financial charges	(5,632,518)	(5,996,411)	(11,628,929)	(3,032,437)	(3,422,099)	(6,454,536)
Taxation	(10,436)	(12,155)	(22,591)	58,765	27,352	86,117
Profit after taxation	19,351,988	13,974,660	33,326,648	15,520,885	8,761,597	24,282,482

	2022	2021
	(Rupees in thousand)	
Segment profit after tax	33,326,648	24,282,482
Other adjustment	-	-
Segment profit after tax after adjustment	33,326,648	24,282,482

32.2.1 Revenue from major products and services

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

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

32.4 All non-current assets of the Company at 30 June 2022 are located and operating in Pakistan.

32.5 Segment assets and liabilities

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

	2022			2021		
	HBS	Balloki (Rupees in thousand)	Total	HBS	Balloki (Rupees in thousand)	Total
Assets						
Non-current Assets						
Operating fixed assets	70,071,257	66,622,119	136,693,376	70,027,398	67,939,007	137,966,405
Capital work-in-progress	12,061	9,499	21,560	10,941	8,417	19,358
Long term deposits and prepayments	7,861,611	9,690,011	17,551,622	7,883,862	9,723,684	17,607,546
	<u>77,944,929</u>	<u>76,321,629</u>	<u>154,266,558</u>	<u>77,922,201</u>	<u>77,671,108</u>	<u>155,593,309</u>
Current Assets						
Stock in trade	2,699,126	2,890,020	5,589,146	1,456,754	1,584,871	3,041,625
Stores, spares and loose tools	772,006	924,842	1,696,848	735,419	667,468	1,402,887
Trade debts - secured	127,613,231	106,946,919	234,560,150	75,226,642	56,810,141	132,036,783
Advances, prepayments and other receivables	4,392,218	2,934,761	7,326,979	9,425,377	6,319,537	15,744,914
Tax recoverable from Government	4,378,288	4,988,209	9,366,497	3,368,392	3,992,273	7,360,665
Cash and bank balances	1,355,842	1,194,459	2,550,301	1,148,744	3,240,442	4,389,186
	<u>141,210,711</u>	<u>119,879,210</u>	<u>261,089,921</u>	<u>91,361,328</u>	<u>72,614,732</u>	<u>163,976,060</u>
Total Assets	<u>219,155,640</u>	<u>196,200,839</u>	<u>415,356,479</u>	<u>169,283,529</u>	<u>150,285,840</u>	<u>319,569,369</u>
Liabilities						
Non-current liabilities						
Long term loans	13,867,555	18,363,336	32,230,891	16,250,846	18,960,764	35,211,610
Lease liability against right of use asset	84,384	84,383	168,767	-	-	-
Staff retirement benefits	22,194	18,387	40,581	15,610	13,039	28,649
	<u>13,974,133</u>	<u>18,466,106</u>	<u>32,440,239</u>	<u>16,266,456</u>	<u>18,973,803</u>	<u>35,240,259</u>
Current Liabilities						
Trade and other payables	45,574,706	45,480,565	91,055,271	15,942,633	17,122,976	33,065,609
Accrued markup	5,501,394	6,836,577	12,337,971	3,806,347	4,659,165	8,465,512
Short term borrowings- secured	20,635,876	20,746,072	41,381,948	20,526,993	21,001,224	41,528,217
Current maturity of long term loans	6,144,901	7,655,418	13,800,319	4,769,171	5,488,952	10,258,123
Current portion of lease liability against right of use asset	4,284	4,284	8,568	-	-	-
Provision for taxation	28,667	22,776	51,443	22,909	17,475	40,384
	<u>77,889,828</u>	<u>80,745,692</u>	<u>158,635,520</u>	<u>45,068,053</u>	<u>48,289,792</u>	<u>93,357,845</u>
Total Liabilities	<u>91,863,961</u>	<u>99,211,798</u>	<u>191,075,759</u>	<u>61,334,509</u>	<u>67,263,595</u>	<u>128,598,104</u>

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

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

32.6 Other segment information - non cash items

	2022			2021		
	HBS	Balloki (Rupees in thousand)	Total	HBS	Balloki (Rupees in thousand)	Total
Cash flows						
Net cash generated from / (used in) operating activities	5,054,127	475,947	5,530,074	(2,996,573)	244,599	(2,751,974)
Net cash used in investing activities	(4,343)	(10,276)	(14,619)	(899)	(173,956)	(174,855)
Net cash (used in) / generated from financing activities	(4,842,686)	(2,511,653)	(7,354,339)	1,275,464	809,006	2,084,470
Non - cash items						
Capital expenditure	(2,414)	(8,382)	(10,796)	899	(169,742)	(168,843)
Depreciation	2,728,035	2,562,273	5,290,308	2,718,168	2,589,973	5,308,141
Amortization	23,061	34,484	57,545	23,088	34,511	57,599
Finance Cost	5,632,518	5,996,411	11,628,929	3,032,437	3,422,099	6,454,536
Non-cash items other than depreciation, amortization and finance cost	(6,883,766)	(5,237,212)	(12,120,978)	(3,937,356)	(3,141,029)	(7,078,385)

22/07/2022

33 Financial risk management

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

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

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

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

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

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

33.1 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.

33.1.1 Exposure to credit risk

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

	2022 (Rupees in thousand)	2021
Long term deposits	17,143,973	17,142,353
Trade debts	234,560,150	132,036,783
Accrued profit	10,466	1,875
Other receivables	-	10,384,149
Recoverable from CPPA as pass-through items	7,113,359	4,778,912
Bank balances	2,550,301	4,389,186
	<u>261,378,249</u>	<u>168,733,258</u>

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk and the risk attributable to trade debts and recoverable from CPPA as pass-through items is mitigated by guarantee from the Government of Pakistan under the Implementation Agreement. Age analysis of trade receivable balances is given in note 10.1.2 to these financial statements.

33.1.2 Credit quality of bank balances

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

Name of bank	Rating agency	Rating		2022 (Rupees in thousand)	2021
		Short term	Long term		
National Bank of Pakistan	PACRA	A1+	AAA	18,044,618	18,396,592
United Bank Limited	JCR-VIS	A-1+	AAA	554,143	538,428
Habib Bank Limited	VIS	A-1+	AAA	1,373	1,794,389
The Bank of Punjab	PACRA	A1+	AA+	1,085,432	795,042
				<u>19,685,566</u>	<u>21,524,451</u>

33.2 Liquidity risk

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

Maturity analysis of financial liabilities

The Company maintains working capital facilities (refer note 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, 2022 the Company had Rs 1,408 million (2021: Rs. 1,261.78 million) available borrowing limits from financial institutions and Rs 2,550.30 million (2021: Rs 4,389.19 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.

	2022				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	Above 5 years
<u>Financial liabilities at amortized cost</u>	(Rupees in thousand)				
Trade and other payables	83,930,069	83,930,069	83,930,069	-	-
Short term borrowings	41,381,948	41,381,948	41,381,948	-	-
Accrued markup	12,337,971	12,337,971	12,337,971	-	-
Long term loan from PDFL	30,308,360	43,516,876	15,486,328	23,479,138	4,551,410
Long term loan from Banks	15,722,850	23,939,960	5,203,564	14,749,198	3,987,198
Lease liability against right of use asset	177,335	249,028	29,753	200,257	19,018
	<u>183,858,533</u>	<u>205,355,852</u>	<u>158,369,633</u>	<u>38,428,593</u>	<u>8,557,626</u>
	2021				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	Above 5 years
<u>Financial liabilities at amortized cost</u>	(Rupees in thousand)				
Trade and other payables	28,286,628	28,286,628	28,286,628	-	-
Short term borrowings	41,528,217	41,528,217	41,528,217	-	-
Accrued markup	8,465,512	8,465,512	8,465,512	-	-
Long term loan from PDFL	30,308,360	39,089,946	10,286,168	19,546,943	9,256,835
Long term loan from Banks	15,161,373	19,970,586	3,623,484	10,886,817	5,460,285
	<u>123,750,090</u>	<u>137,340,889</u>	<u>92,190,009</u>	<u>30,433,760</u>	<u>14,717,120</u>

33.3 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.

man

33.3.1 Currency risk

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

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

	Currency	2022 (Rupees in thousand)	2021
Trade creditors	USD	9,143,767	14,170,154
Payable to PCCC - QEL	USD	57,461,618	57,636,618
Payable to HEI - HRL	USD	44,803,213	62,724,498
Net exposure - USD		<u>111,408,598</u>	<u>134,531,270</u>

An increase / decrease in exchange rate by Rs 1 per USD will result in an increase / decrease in trade creditors, payable to PCCC - QEL, payable to HEI-HRL, by Rs 9.14 million, Rs 57.46 million, and Rs 44.80 million respectively.

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss in the case of plant costs are recorded in capital work in progress / operating fixed assets whereas in the case of operational costs gain or loss is charged to the profit or loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

The significant spot exchange rate applied at year end is PKR/USD 206.00 (2021: 158.30), whereas average rate used during the year is PKR/USD 179.17 (2021: 159.95).

33.3.2 Interest rate risk

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

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

Further, the working capital facility carries mark-up of three months KIBOR plus 1.50%. KIBOR rates are determined at the beginning of each quarter, therefore, the Company has no risk exposure due to change in exposure at the reporting date. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is:

	2022 (Rupees in thousand)	2021
Fixed rate instruments		
Financial assets		
Cash at bank - saving accounts	1,650,964	1,362,879
Term deposit receipts	<u>163,972</u>	<u>2,325,254</u>
	<u>1,814,936</u>	<u>3,688,133</u>
Floating rate instruments		
Financial assets		
Trade debts - overdue	160,080,492	78,534,676
Financial liabilities		
Long term loan and current maturity	(46,031,210)	(45,469,733)
Short term borrowings - secured	<u>(41,381,948)</u>	<u>(41,528,217)</u>
	<u>72,667,334</u>	<u>(8,463,274)</u>

11/00/21

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit before tax by amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant. This analysis is performed on the same basis for the year 2022

	Profit before tax	
	2022	2021
	(Rupees in Rupees)	
Increase of 100 basis points		
Variable rate instruments	726,673	(84,633)
Decrease of 100 basis points		
Variable rate instruments	(726,673)	84,633

33.3.3 Other price risk

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

33.4 Fair value of financial instruments

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

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price.

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

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

MANA

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

	Financial assets at amortized cost	Other financial liabilities	Total
Note	----- (Rupees in thousand) -----		
30 June 2022			
<u>Financial assets at fair value</u>			
	-	-	-
	-	-	-
<u>Financial assets at amortized cost</u>			
Long term deposits	17,143,973	-	17,143,973
Trade debts	234,560,150	-	234,560,150
Accrued profit	10,466	-	10,466
Recoverable from CPPA as pass-through items	7,113,359	-	7,113,359
Cash and bank balances	2,550,301	-	2,550,301
33.4.1	261,378,249	-	261,378,249
<u>Financial liabilities measured at fair value</u>			
	-	-	-
	-	-	-
<u>Financial liabilities not measured at fair value</u>			
Trade and other payables	-	83,930,069	83,930,069
Short term borrowings	-	41,381,948	41,381,948
Accrued markup	-	12,337,971	12,337,971
Long term loan from PDFL	-	30,308,360	30,308,360
Long term loan from Banks	-	15,722,850	15,722,850
33.4.1	-	183,681,198	183,681,198
30 June 2021			
<u>Financial assets measured at fair value</u>			
	-	-	-
	-	-	-
<u>Financial assets at amortized cost</u>			
Long term deposits	17,142,353	-	17,142,353
Trade debts	132,036,783	-	132,036,783
Accrued profit	1,875	-	1,875
Other receivables	10,384,149	-	10,384,149
Recoverable from CPPA as pass-through items	4,778,912	-	4,778,912
Bank balances	4,389,186	-	4,389,186
33.4.1	168,733,258	-	168,733,258
<u>Financial liabilities measured at fair value</u>			
	-	-	-
	-	-	-
<u>Financial liabilities not measured at fair value</u>			
Trade and other payables	-	28,286,628	28,286,628
Short term borrowings	-	41,528,217	41,528,217
Accrued markup	-	8,465,512	8,465,512
Long term loan from PDFL	-	30,308,360	30,308,360
Long term loan from Banks	-	15,161,373	15,161,373
33.4.1	-	123,750,090	123,750,090

33.4.1 The Company has not disclosed the fair values of these financial assets and liabilities as these are for short term or reprice over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

Handwritten signature/initials.

33.5 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

	2022	2021
	(Rupees in thousand)	
Long term loans	32,230,891	35,211,610
Short term borrowings	41,381,948	41,528,217
Current maturity of long term loans	13,800,319	10,258,123
Total borrowing	87,413,158	86,997,950
Issued, subscribed and paid up capital	55,500,000	55,500,000
Share deposit money	61,000,000	61,000,000
Accumulated profit	107,780,720	74,471,265
Total equity	224,280,720	190,971,265
Total capital employed	311,693,878	277,969,215
Gearing ratio	28.0%	31.3%

34 Capacity and Production

	2022	2021
	MWH	MWH
Plants available capacity	19,890,615	18,522,177
Total energy delivered	14,675,311	13,715,155

- 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 4 days only as compared to 121 days of last year which was due to extra works for repair and maintenance, thus resulted in increased available capacity during the year.

MWA

35 Transactions and balances with related parties

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

Name of parties	Relationship	Transactions	2022	2021
			(Rupees in thousand)	
a) Central Power Purchasing Agency- Guarantee Limited	Government Owned Associate	Sale of energy to related party	297,176,588	148,249,166
b) Sui Northern Gas Pipelines Limited	Government Owned Associate	Purchase of RLNG from related party	242,428,083	108,001,370
c) National Engineering Services Pakistan	Government Owned Associate	Consultancy fee charged by related party	53,644	39,598
d) National Bank of Pakistan	Government Owned Associate	Profit on saving account received from related party	17,102	10,495
		Profit on term deposits received from related party	121,481	75,158
		Short term borrowings - net	(319,999)	4,138,536
		Markup on short term borrowings charged by related party	1,516,654	847,937
		Commission charged by related party	16,450	16,450
e) Pakistan State Oil Company Limited	Government Owned Associate	Purchase of HSD from related party	8,007,488	731,329
f) Pakistan Development Fund Limited	Government Owned Associate	Markup expense charged by related party	3,157,226	2,625,500
g) National Insurance Company Limited	Government Owned Associate	Insurance expense charged by related party	3,391,810	3,230,508
h) Key management personnel	Key management personnel	Remuneration and other benefits	141,507	115,104
i) Employee benefits Gratuity	Post employment benefit plan	Contribution paid during the year	28,649	25,805

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

Name	Relationship	% of shareholding in the Company
Mr. Dhanpat Kotak	Key management personnel	N/A
Muhammad Akram Kamal	Key management personnel	N/A
Syed Mubashar Masood	Key management personnel	N/A
Mr. Sajjad Ahmad	Key management personnel	N/A
Mr. Shahzad Iqbal	Key management personnel	N/A
Aamir Iftikhar	Key management personnel	N/A
Muhammad Awais Chaudry	Key management personnel	N/A
Shariyar Arshad Chishty	Director	N/A
Shah Jhan Mirza	Director	N/A
Tarbez Aslam Shami	Director	N/A
Mahfuz-Ur-Rehman Pasha	Director	N/A
Muhammad Irfan Akram	Director	N/A
Mr Nasir Gulzar	Director	N/A
Mr Asim Iqbal	Director	N/A
Mr Muhammad Asif	Director	N/A

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

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

12/8/2021

2021						
Issued, subscribed and paid up capital	Share deposit money	Long term loans	Lease liability against right of use asset	Accrued markup	Short term borrowings - secured	Total
55,500,000	61,000,000	47,872,753	-	9,500,392	29,551,311	203,424,456
----- (Rupees in thousand) -----						
-	-	(2,403,020)	-	-	-	(2,403,020)
-	-	-	-	-	11,976,906	11,976,906
-	-	-	-	(7,489,416)	-	(7,489,416)
-	-	(2,403,020)	-	(7,489,416)	11,976,906	2,084,470
-	-	-	-	6,454,536	-	6,454,536
-	-	-	-	6,454,536	-	6,454,536
55,500,000	61,000,000	45,469,733	-	8,465,512	41,528,217	211,963,462

for 2021

As at 01 July 2020

Changes from financing cash flows

Long term loan - net
Short term borrowings - net
Financial charges paid
Total changes from financing cash flows

Other changes

Finance cost
Total liability related other changes

As at 30 June 2021

37 Waiver from application of IAS-21

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

	2022	2021
	(Rupees in thousand)	
<u>Impact on statement of financial position</u>		
Decrease in operating fixed assets	<u>(10,974,091)</u>	<u>(6,297,879)</u>
Decrease in unappropriated profit	<u>(10,974,091)</u>	<u>(6,297,879)</u>
<u>Impact on statement of profit or loss</u>		
Decrease in cost of sales	424,858	234,733
Increase in other charges	(5,101,070)	-
Increase in other income	-	1,276,620
Impact on profit after taxation	<u>(4,676,212)</u>	<u>1,511,353</u>
Impact on total comprehensive income	<u>(4,676,212)</u>	<u>1,511,353</u>

38 Impact of COVID-19 (CORONA VIRUS)

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.

39 Event after the balance sheet date

Subsequent to the year end, Unit Auxiliary Transformer # 1 and 2 were damaged as a result of an unscheduled maintenance event occurred on 02 August 2022 at HBS plant. Operations and Maintenance (O&M) contractor of HBS (SEPCO III) has been engaged to restore the damaged equipment. Complete replacement of damaged equipment is expected to be completed by April 30, 2023 however, pursuant to a temporary restoration plan duly approved by National Engineering Services Pakistan (NESPAC), half complex of HBS has been made available on 16 August 2022 and full complex is expected to be restored on 10 October 2022. As a result of aforementioned event, loss of revenue in terms of capacity billing is estimated to be Rs. 1,937 million. Further, estimated cost to replace the damaged equipment is USD 4.6 million and estimated cost for temporary restoration is Rs. 42 million.

40	Number of employees	<u>2022</u>	<u>2021</u>
	Total number of employees as at close	94	81
	Average number of employees during the year	82	81

41 Date of authorization

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 05 OCT 2022.

mm

[Signature]

Chief Executive Officer

[Signature]
Director

[Signature]