Ministry of Energy, Power Division, Government of Pakistan
Malik Plaza, 2nd Floor, 7-C/1, M.M. Alam Road, Gulberg III, Lahore

No. NPPMCL/2024/CFO/-32830

February 29, 2024

The Federal Secretary,
Ministry of Energy (Power Division)
Government of Pakistan
Islamabad

Subject: **COMPLIANCE OF SECTION 28 OF STATE-OWNED ENTERPRISES (GOVERNANCE AND OPERATIONS) ACT, 2023 (SOE Act)**

Dear Sir,

Pursuant to section 28 of the SOE Act with regard to submission of half-yearly report, please find enclosed herewith:

a) A statement on the extent the National Power Parks Management Company (Private) Limited (the Company) has achieved the business goals specified in its statement of corporate intent (**Annex-A**), and

b) Financial statements of the Company for the half year ended December 31, 2023 (**Annex-B**).

Regards,

Sajjad Ahmad
Chief Financial Officer

Copy:
1. Unit Head CMU, Finance Division, FBC Building, 2nd Floor, G-5/2, Islamabad
2. Section officer (Corporate affairs – I), Ministry of Energy (Power Division), Islamabad
3. Master file / Company Secretary, NPPMCL

Schedule-III
Statement of Corporate Intent
(see Section 8(4))

Business Goals	Statement on the extent NPPMCL have achieved the business goals till 31/12/2023
1. Summary of the business goals of the state-owned enterprise:	
• Maximize return for the shareholders. • Help the country achieve self-sufficiency in power generation to support economic growth and reduce poverty. • Adopt best Management practices to ensure optimum operational efficiency. • Strive for Excellence, which is recognized and followed by industry in general as a model and ensures long term growth through sustainable operation. • Hard-core professional, social and ethical commitments towards its stakeholders including shareholders, client, and community. • Provide reliable and sustainable electricity to National Grid.	The profit earned by the Company amounting to Rs. 36.29 billion during this half year (from.1st July 2023 to 31st December 2023) reflects a sizeable increase in shareholders (Government of Pakistan) wealth. Earning of this profits has been remained a result, inter alia, of best of management practices, optimum operational efficiency and professional commitment on part of management of company besides the fact that generation and provision of reliable & sustainable electricity to the national grid also contributed to the economic growth of country and reduction of poverty as well.

2. **Summary of the performance measures and benchmarks against the state-owned enterprises business goals and its primary objective:**
   - Availability of Plants as assured under PPAs
   - Net Electric Output during the reporting period
   - Maintenance of Efficiency of Plants as provided under PPAs
   - Earning of RoE provided under approved Tariff
   - Budgetary Compliances
   - Equipped Human Resource
   - Number of forced outages
   - Performance against benchmarks of Health, Safety & Environment
   - Non-operational performance

3. **Summary of the strategies of the state-owned enterprise for achieving its business goals and primary objective:**
   - Efficient management of resources, finance, and income to avoid unnecessary expenditure or waste or duplication.
   - Risk management is specially focused and based on sensitivity, bottlenecks, and critical path analysis. Safe operations, health & safety of employees, risk minimization and conducive environments are essential for the success of the Company and to meet CSR.

- The principle of unity of command is the essence in the Power production as well as in regulated commercial operations and management. The Company believes in keeping the singleness of the command functions tightly knitted with aptness to meet the desired results.
- Teamwork to create a synergetic effect for efficient output in a sustained manner.
- Timeliness to meet the dictates of Key Performance Indicators.
- Keep pace with technology to enhance efficiency and explore new innovations for cutting edge results in our operations.
- Overall control, discretion, administration, and supervision of all the activities and the day-to-day affairs of the Company, including the conduct of business, and the custody and maintenance of its' properties, assets, records, and accounts.
- Appropriate Maintenance of Plants.
- Ensuring Availability of Plants under Dispatch instructions.
- Maintenance of critical stocks.
- Continuous development of Human Resource.
- Installation/Institution of Controls and Adherence thereof
- Extending Monitoring.
- Always have a backup plan prepared in case the main one looks less probable to succeed during the implementation phase.

B

National Power Parks Management Company (Private) Limited

Financial Statements (Un-audited) for the half year ended 31 December 2023

KPMG

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

INDEPENDENT AUDITOR'S REPORT

On Review of Interim Financial Statements

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

Introduction

We have reviewed the accompanying statement of financial position of **National Power Parks Management Company (Private) Limited** ("the Company") as at 31 December 2023 and the related statement of profit or loss, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the six months period then ended, and notes, comprising material accounting policies and other explanatory information ("the interim financial statements"). Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

The Company has long term loan from Pakistan Development Fund Limited (the lender) with carrying amount of Rs. 19,926.16 million (30 June 2023: Rs. 23,288.34 million). As disclosed in note 15.1.1, the Company did not pay principal amount of Rs. 2,144.62 million (30 June 2023: Rs. 3,868.66 million) along with markup of Rs. 6,521.30 million (30 June 2023: Rs. 8,124.79 million) which were due for payment. This nonpayment was an event of default under loan agreements which was not waived off by the lender as at 31 December 2023 and 30 June 2023. As a consequence of default, the lender has right to demand the repayment of entire amount of loan as at 31 December 2023 and 30 June 2023, 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. 14,290.33 million (30 June 2023: Rs. 16,072.78 million) should have been classified as current liability in accordance with accounting and reporting standards as applicable in Pakistan which has not been classified as current in the interim financial statements. Had the said liabilities been classified as current in the interim financial statements, total non-current liabilities would have been lowered by Rs. 14,290.33 million (30 June 2023: Rs. 16,072.78 million) with a corresponding increase in current liabilities. Our audit opinion on the financial statements for year ended 30 June 2023 was also qualified accordingly.

KPMG Taseer Hadi & Co.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan.

Other Matter

The interim financial statements have been prepared specifically for management's internal and privatization purposes and may not be suitable for another purpose.

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

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Lahore

Date: 28 February 2024

RR0324

National Power Parks Management Company (Private) Limited
Statement of Financial Position
As at 31 December 2023

	Note	Un-Audited 31 December 2023	Audited 30 June 2023
		(Rupees in thousand)	
ASSETS			
Non - current assets			
Operating fixed assets	5	136,322,766	139,563,094
Capital work-in-progress	6	23,295	24,293
Long term deposits and prepayments	7	17,465,305	17,494,077
		153,811,366	157,081,464
Current assets			
Stock-in-trade	8	9,286,128	9,286,813
Stores, spares and loose tools		1,797,599	1,797,599
Trade debts - secured	9	299,779,906	263,729,445
Advances, prepayments and other receivables	10	15,675,137	11,062,677
Tax recoverable from Government	11	9,363,844	8,490,085
Cash and bank balances	12	2,935,591	2,461,094
		338,838,205	296,827,713
		492,649,571	453,909,177
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 11,660,000,000 (June 30, 2023: 11,660,000,000) ordinary shares of Rs 10 each	13	116,600,000	116,600,000
Issued, subscribed and paid up capital 5,550,000,000 (June 30, 2023: 5,550,000,000) ordinary shares of Rs 10 each	13	55,500,000	55,500,000
Share deposit money	14	61,000,000	61,000,000
Unappropriated profit		189,000,167	152,708,028
		305,500,167	269,208,028
Non-current liabilities			
Long term loans	15	24,431,020	27,481,056
Lease liability against right of use asset	16	131,644	146,284
Staff retirement benefit	17	18,075	28,874
		24,580,739	27,656,214
Current liabilities			
Trade and other payables	18	100,916,005	92,086,937
Accrued markup	19	9,831,946	11,423,486
Short term borrowings - secured	20	42,786,156	42,786,999
Current maturity of long term loans	15	8,804,796	10,384,526
Current portion of lease liability against right of use asset	16	28,957	25,636
Provision for taxation		200,805	337,351
		162,568,665	157,044,935
CONTINGENCIES AND COMMITMENTS	21		
		492,649,571	453,909,177

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

Chief Executive Officer

Director

National Power Parks Management Company (Private) Limited
Statement of Profit or Loss - (Un-audited)
For the half year ended 31 December 2023

	Note	31 December 2023	31 December 2022
		(Rupees in thousand)	
Sales	22	199,212,735	162,137,763
Cost of sales	23	(168,799,226)	(142,585,423)
Gross profit		30,413,509	19,552,340
Administration expenses	24	(206,074)	(217,124)
Other charges	25	(59,883)	(214,294)
Other income	26	19,810,051	12,786,378
Profit before interest and tax		49,957,603	31,907,300
Financial charges	27	(13,490,102)	(11,352,528)
Profit before taxation		36,467,501	20,554,772
Taxation	28	(171,955)	(8,186)
Profit after taxation		36,295,546	20,546,586

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

Chief Executive Officer

Director

National Power Parks Management Company (Private) Limited

Statement of Comprehensive Income - (Un-audited)

For the half year ended 31 December 2023

	31 December 2023	31 December 2022
	(Rupees in thousand)	
Profit after taxation	**36,295,546**	20,546,586
Other comprehensive loss for the period		
Items that will not be reclassified subsequently to profit or loss:		
- Remeasurement of staff retirement benefits	**(3,407)**	9,288
Total comprehensive income for the period	**36,292,139**	20,555,874

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

Chief Executive Officer

Director

National Power Parks Management Company (Private) Limited

Statement of Changes in Equity

For the half year ended 31 December 2023

	Capital Reserves		Revenue Reserves	
	Share Capital	Share Deposit Money	Unappropriated profit	Total
	(Rupees in thousand)			
Balance as at July 01, 2022 (Audited)	55,500,000	61,000,000	107,780,720	224,280,720
Total comprehensive income for the period - Unaudited				
Profit for the period	-	-	20,546,586	20,546,586
Other comprehensive income	-	-	9,288	9,288
	-	-	20,555,874	20,555,874
Balance as at December 31, 2022 (Un-audited)	55,500,000	61,000,000	128,336,594	244,836,594
Balance as at July 01, 2023 (Audited)	**55,500,000**	**61,000,000**	**152,708,028**	**269,208,028**
Total comprehensive income for the period - Unaudited				
Profit for the period	-	-	36,295,546	36,295,546
Other comprehensive loss	-	-	(3,407)	(3,407)
	-	-	**36,292,139**	**36,292,139**
Balance as at December 31, 2023 (Un-audited)	55,500,000	61,000,000	189,000,167	305,500,167

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

Chief Executive Officer

Director

National Power Parks Management Company (Private) Limited

Condensed Interim Statement of Cash Flows - (Un-audited)

For the half year ended 31 December 2023

	Note	31 December 2023	31 December 2022
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	29	16,778,954	2,416,463
Staff retirement benefits paid	17	(28,874)	(40,581)
Profit received on term deposit receipts		311	9,311
Profit received on saving accounts		440,598	18,918
Sales tax (paid) / adjusted		(694,793)	1,639,757
Income tax paid		(317,473)	(134,867)
Net cash generated from operating activities		16,178,723	3,909,001
Cash flows from investing activities			
Operating fixed assets		(1,172)	(14,726)
Capital work-in-progress		-	(2,258)
Net cash used in investing activities		(1,172)	(16,984)
Cash flows from financing activities			
Long term loan repaid - net		(4,629,766)	(456,201)
Short term borrowings - net		(843)	1,405,051
Lease rentals paid		(20,968)	(6,405)
Financial charges paid		(11,051,477)	(5,295,842)
Net cash used in financing activities		(15,703,054)	(4,353,397)
Net increase/ (decrease) in cash and cash equivalents		474,497	(461,380)
Cash and cash equivalents at beginning of the year		2,461,094	2,550,301
Cash and cash equivalents at end of the period	12	2,935,591	2,088,921

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

Chief Executive Officer **Director**

1 Legal status and nature of business

1.1 National Power Parks Management Company (Private) Limited ('the Company') was incorporated as a private limited Company under the Companies Ordinance, 1984, now Companies Act, 2017, on 02 March 2015. It is a public sector Company as it is beneficially owned and controlled by the Government of Pakistan ('GoP') through Pakistan Development Fund Limited ('PDFL'). The principal activity of the Company is to carry on business of generation of electricity through two combined cycle power plants operating on Regassified Liquefied Natural Gas ('RLNG') as primary fuel and High Speed Diesel ('HSD') as back-up fuel, of 1,230 MW at Haveli Bahadur Shah ('HBS'), District Jhang and 1,223 MW at Balloki, District Kasur.

The Company has entered into two separate Power Purchase Agreements ('PPAs') for each plant with Central Power Purchasing Agency (Guarantee) Limited ('CPPA') on behalf of ex-WAPDA Distribution Companies ('the Power Purchaser') for the sale of its entire power generation.

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

1.2 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.

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

1.4 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 Accounting Standard (IAS) 34 issued by the International Accounting Standards Board 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, 2023 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 1 January 2024:

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

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

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

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

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

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

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

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

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

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

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

	31 December 2023	30 June 2023
	(Rupees in thousand)	
De-recognition of property, plant and equipment	**(136,154,939)**	(139,373,995)
Recognition of lease receivable	**134,878,734**	140,999,845
Increase in unappropriated profit at the beginning of the year	**1,625,850**	2,577,907
Increase / (decrease) in profit for the year	**(2,902,055)**	(952,057)
Increase in unappropriated profit at end of the year	**(1,276,205)**	1,625,850

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

3 Basis of Measurement

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

3.2 Use of estimates and judgments

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

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

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

3.2.1 Property, plant and equipment

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

3.2.2 Taxation

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

3.2.3 Stock in trade

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

3.2.4 Employee benefits

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

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

3.2.5 Provisions

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

3.2.6 Contingencies

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

3.2.7 Impairment

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

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

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

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

3.2.7.3 Impairment of non-financial assets

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

4 Material Accounting Policy Information

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

4.1 Operating fixed assets

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

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

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

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

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

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

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

4.2 Capital work in progress

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

4.3 **Intangible assets**

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

Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

4.4 **Stock-in-trade**

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

4.5 **Stores, spares and loose tools**

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

4.6 **Trade debts**

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

4.7 **Advances, prepayments and other receivables**

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

4.8 **Cash and cash equivalents**

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

4.9 Mark-up bearing borrowings

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

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

4.10 Staff retirement benefits

Defined benefit plan – Gratuity

The Company operates a funded defined benefit gratuity scheme for all employees with a qualifying service period of one year. Contribution is made to the fund on the basis of actuarial recommendations. Gratuity is based on employee's last drawn salary. The liability relating to defined benefit plan is determined through actuarial valuation using the projected unit credit method and is charged to statement of profit or loss. The latest actuarial valuation was carried out by an independent actuary as at 31 Dec 2023.

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

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

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

4.11 Leave fare assistance

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

4.12 Trade and other payables

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

4.13 Borrowing costs

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

4.14 Taxation

Current

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

Deferred

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

4.15 Provisions

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

4.16 Foreign currency transactions and translation

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

4.17 Financial instruments

4.17.1 Recognition and initial measurement

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

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

4.17.2 Classification and subsequent measurement

Financial assets

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

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

Amortized cost

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

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

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

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

Debt Instrument - FVOCI

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

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

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

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

Equity Instrument - FVOCI

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

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

Fair value through profit or loss (FVTPL)

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

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

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

Financial assets – Business model assessment:

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

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

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

Financial liabilities

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

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

4.17.3 Derecognition

Financial assets

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

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

Financial liabilities

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

4.18 Write-off policy

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

4.19 Impairment

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

The Company recognizes loss allowances for ECLs on:

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

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

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

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

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

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

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

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

Non-financial assets

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

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

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

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

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

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

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

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

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

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

4.21 Off setting of financial instruments

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

4.22 Revenue recognition

Sale of electricity and related products under IFRS 15

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

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

Other revenue recognition policies are as follows:

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

4.23 Segment reporting

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

4.24 Contingent liabilities

A contingent liability is disclosed when:

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

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

4.25 Leases

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

The Company is the lessee

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

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

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

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

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

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

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

5 Operating fixed assets

	Note	Owned assets								Leased asset	
		Freehold land	Plant & Machinery	Capital spares	Building & Civil Works	Motor vehicles	Office equipment	Furniture & Fixtures	Computers and IT equipment	Right of use asset - Building	Total
		(Rupees in thousand)									
Net book value basis (NBV)											
Period ended December 31, 2023 (Un-audited)											
Opening balance		1,157,062	126,887,391	3,699,956	7,629,586	-	14,280	21,422	15,877	137,520	139,563,094
Additions (at cost)		998	-	-	-	-	764	-	408	-	2,170
Other adjustments	5.1	-	(454,367)	-	-	-	-	-	-	-	(454,367)
Depreciation charge		-	(2,538,277)	(74,245)	(153,165)	-	(1,458)	(2,242)	(2,876)	(15,868)	(2,788,131)
Closing balance		1,158,060	123,894,747	3,625,711	7,476,421	-	13,586	19,180	13,409	121,652	136,322,766
Gross book value basis											
As at December 31, 2023 (Un-audited)											
Cost		1,158,060	150,630,681	4,452,384	9,744,908	219,151	29,595	44,843	29,802	190,412	166,499,836
Accumulated depreciation		-	(26,735,934)	(826,673)	(2,268,487)	(219,151)	(16,009)	(25,663)	(16,393)	(68,760)	(30,177,070)
Net book value (NBV)		1,158,060	123,894,747	3,625,711	7,476,421	-	13,586	19,180	13,409	121,652	136,322,766
Depreciation rate % per annum		-	3-4%	3-4%	3-4%	20%	10%	10%	30%	17%	
Net book value basis (NBV)											
Year ended 30 June 2023 (Audited)											
Opening balance		1,156,744	123,518,049	3,848,447	7,923,888	36,728	14,261	25,364	640	169,255	136,693,376
Additions (at cost)		318	629,419	-	11,950	-	2,768	498	17,873	-	662,826
Other adjustments	5.1	-	7,908,335	-	-	-	-	-	-	-	7,908,335
Depreciation charge		-	(5,075,686)	(148,491)	(306,252)	(36,728)	(2,749)	(4,440)	(2,636)	(31,735)	(5,608,717)
Deletion (at written down value)		-	(92,726)	-	-	-	-	-	-	-	(92,726)
Closing balance		1,157,062	126,887,391	3,699,956	7,629,586	-	14,280	21,422	15,877	137,520	139,563,094
Gross book value basis											
As at 30 June 2023 (Audited)											
Cost		1,157,062	151,085,048	4,452,384	9,744,908	219,151	28,831	44,843	29,394	190,412	166,952,033
Accumulated depreciation		-	(24,197,657)	(752,428)	(2,115,322)	(219,151)	(14,551)	(23,421)	(13,517)	(52,892)	(27,388,939)
Net book value (NBV)		1,157,062	126,887,391	3,699,956	7,629,586	0	14,280	21,422	15,877	137,520	139,563,094
Depreciation rate % per annum		-	3-4%	3-4%	3-4%	20%	10%	10%	30%	17%	

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

			Un-audited 31 December 2023	Un-audited 31 December 2022
5.2	**Depreciation charged to**	*Note*	(Rupees in thousand)	
	Cost of sales	*23*	2,765,687	2,651,378
	Administration expenses	*24*	22,442	39,710
			2,788,131	2,691,088

			Un-audited 31 December 2023	Audited 30 June 2023
6	**Capital work-in-progress**		(Rupees in thousand)	
	Advance for purchase of land	*6.1*	-	998
	Housing complex		23,295	23,295
		6.2	23,295	24,293

6.1 This represents advance for purchase of land at HBS plant. This has been capitalized during the period because mutation has been issued in favor of the Company.

			Un-audited 31 December 2023	Audited 30 June 2023
6.2	**Movement of capital work in progress**	*Note*	(Rupees in thousand)	
	Opening balance		24,293	21,560
	Capitalized during the period / year		(998)	-
	Additions during the period / year		-	2,733
	Closing balance		23,295	24,293

7	**Long term deposits and prepayments**			
	RLNG escrow account	*7.1*	17,135,265	17,135,265
	Security deposit - rental premises		8,658	8,658
	Security deposit - bank lockers		50	50
	O&M mobilization cost	*7.2*	321,332	350,104
			17,465,305	17,494,077

7.1 This represents amount deposited in escrow accounts maintained with National Bank of Pakistan (NBP), which is a related party, under the terms of GSAs signed with SNGPL, for the supply of RLNG to both the plants. The amount comprises of Rs 7,694.91 million (June 30, 2023: Rs 7,694.91 million) deposited for HBS plant and Rs 9,440.35 million (June 30, 2023: Rs 9,440.35 million) for Balloki plant. During the period, interest amounting to Rs 1,541.11 million (June 30, 2023: Rs 1,958.19 million) has been received on escrow account balances outstanding during the period. The same is adjusted with trade receivables from CPPA as per Section 9.11 of the PPAs.

7.2 This represents unamortized balance of mobilization cost amounting to Rs 127.75 million (June 30, 2023: Rs 139.28 million) and Rs 193.58 million (June 30, 2023: Rs 210.82 million) related to Operations and Maintenance (O&M) contractors of HBS (SEPCO III) and Balloki (TNB) plants respectively. Mobilization cost was paid to these contractors as per the terms of the O&M agreements signed with these contractors. These amounts are being amortized over 12 years term of both the contracts.

			Un-audited 31 December 2023	Audited 30 June 2023
8	**Stock-in-trade**	*Note*	(Rupees in thousand)	
	High speed diesel	*8.1*	9,286,128	9,286,813

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

			Un-audited 31 December 2023	Audited 30 June 2023
9	**Trade debts - secured**	*Note*	(Rupees in thousand)	
	Considered good, billed	*9.1*	**275,037,660**	242,935,869
	Considered good, unbilled	*9.2*	**24,742,246**	20,793,576
			299,779,906	263,729,445

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

9.1.1 Maximum aggregate amount of billed trade debts outstanding at any time during the period, calculated with respect to month end balances, amounts to Rs 276,001.93 million (June 30, 2023: Rs 271,307.20 million).

9.1.2 Trade debts, billed include Rs 39,821.75 million (June 30, 2023: Rs 42,312.68 million) which are neither overdue nor impaired and Rs 235,215.90 million (June 30, 2023: Rs 200,623.18 million) which are overdue but not impaired.

	Un-audited 31 December 2023	Audited 30 June 2023
Overdue receivables:	(Rupees in thousand)	
Up to 3 months	**105,967,482**	96,141,923
Up to 6 months	**24,113,151**	17,539,341
More than 6 months	**105,135,274**	86,941,926
	235,215,907	200,623,190

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

9.2 Un-billed receivables include Rs 6.11 million (June 30, 2023: Rs 2,594.72 million) pertaining to capacity components, Rs 22,233.25 million (June 30, 2023: Rs 17,608.64 million) pertaining to un-billed delay payment charges, and Rs 2,502.89 million (June 30, 2023: Rs 590.22 million) related to other fuel price adjustments.

			Un-audited 31 December 2023	Audited 30 June 2023
10	**Advances, prepayments and other receivables**	*Note*	(Rupees in thousand)	
	Accrued profit	*10.1*	**100,427**	63,833
	Advance income tax		**317,470**	487,464
	Prepaid expenses	*10.2*	**2,368,353**	171,579
	Advance for office expenses	*10.3*	**317**	200
	Advance to employees	*10.3*	**9,943**	12,982
	Other receivables	*10.4*	**45,810**	46,527
	Recoverable from CPPA as pass-through items:			
	- Workers' Welfare Fund	*10.5*	**3,346,205**	2,616,855
	- Workers' Profit Participation Fund	*10.5*	**9,486,612**	7,663,237
			12,832,817	10,280,092
			15,675,137	11,062,677

10.1 This represents profit accrued on saving accounts and Term Deposit Receipts (TDRs) maintained with National Bank of Pakistan (NBP), a related party.

10.2 This includes prepaid insurance premium amounting to Rs. 2,337.87 million (June 30, 2023: Rs. 171.58 million) and NEPRA annual generation license fee amounting to Rs. 30.48 million (June 30, 2023: Nil).

10.3 Advance for office expenses and advance to employees include amounts due from executives of Rs 0.40 million (June 30, 2023: Rs 0.2 million) and Rs 9.12 million (June 30, 2023: Rs 12.26 million) respectively.

10.4 In light of Judgement passed by High Court of Justice, London in matter of Take or Pay, the Company is entitled to recover from SNGPL cost of legal proceedings amounting GBP 120,000 along with pre-judgement interest and interest for any delayed payment. However, no interest for delayed payment has been charged in these financial statements.

10.5 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.

	Note	**Un-audited 31 December 2023**	Audited 30 June 2023
11 Tax recoverable from Government		**(Rupees in thousand)**	
Income tax		**2,180,107**	2,001,141
Sales tax	*11.1*	**7,183,737**	6,488,944
		9,363,844	8,490,085

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

	Note	**Un-audited 31 December 2023**	Audited 30 June 2023
12 Cash and bank balances		**(Rupees in thousand)**	
Cash at bank - current accounts	*12.1*	**1,540**	2,455
Cash at bank - saving accounts	*12.2*	**2,064,521**	1,647,603
Cash at bank - sales tax accounts	*12.3*	**866,530**	808,036
Term deposit receipts	*12.4*	**3,000**	3,000
		2,935,591	2,461,094

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

12.2 This includes balance of saving accounts maintained with National Bank of Pakistan (NBP), which is a related party, aggregating to Rs 142.94 million (June 30, 2023: Rs 24.23 million) at the period 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 20.50% (June 30, 2023: 19.50%) per annum.

Two fuel cost accounts are maintained with UBL in pursuance of the SBLCs and working capital facility agreements for procurement of RLNG/HSD. As per the aforementioned agreements, lien has been marked on the fuel cost accounts in favor of the security trustee, NBP. The security trustee has the right of set-off, right of transfer and right of appropriation over all amounts standing to the credit of the fuel cost accounts. The balance of fuel cost accounts amounts to Rs 491.06 million (June 30, 2023: Rs 148.27 million) at the period end.

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

12.4 Term Deposit Receipts (TDRs) issued by the banks have a maturity period of equal to or less than 3 months. The rate of return on these TDRs is 20.40% (June 30, 2023: 19.70%) per annum. This includes TDRs issued by NBP, a related party, as at December 31, 2023 aggregating to Rs 3.0 million (June 30, 2023: Rs 3.0 million).

12.4.1 As at December 31, 2023, TDR amounting to Rs. 3.0 million (June 30, 2023: Rs. 3.0 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".

		Un-audited 31 December 2023	Audited 30 June 2023
13 Share capital		**(Rupees in thousand)**	
Authorized share capital 11,660,000,000 (June 30, 2023: 11,660,000,000) ordinary shares of Rs 10 each		**116,600,000**	116,600,000
Issued, subscribed and paid up capital 5,550,000,000 (June 30, 2023: 5,550,000,000) ordinary shares of Rs 10 each fully paid in cash		**55,500,000**	55,500,000

13.1 5,300 million (June 30, 2023: 5,300 million) ordinary shares of Rs 10 each are held by Pakistan Development Fund Limited and 250 million ordinary shares of Rs 10 each are held by the Government of Pakistan including 3 ordinary shares of Rs 10 each are held by nominee personnel of the Government of Pakistan.

	Note	Un-audited 31 December 2023	Audited 30 June 2023
14 Share deposit money		**(Rupees in thousand)**	
Share deposit money	*14.1*	**61,000,000**	61,000,000

14.1 This represents advance against issue of fixed number of ordinary shares of Rs. 10 each. During previous years, the Finance Division, Government of Pakistan (GoP) through letter numbered "F. No. 2(23)Inv-I/2017-466" dated 17 August 2017 informed the Company that Pakistan Development Fund Limited (PDFL) has acquired equity shares of GoP in the Company amounting to Rs 114,000 million. However, till 31 December 2023, ordinary shares to the extent of Rs 53,000 million have been issued to PDFL.

	Note	Un-audited 31 December 2023	Audited 30 June 2023
15 Long term loans		**(Rupees in thousand)**	
Loan from Pakistan Development Fund Limited (PDFL) - unsecured	*15.1*	**19,926,160**	23,288,340
Accrued markup		**6,521,302**	8,124,790
		26,447,462	31,413,130
Loan from banks - secured	*15.2*	**13,309,656**	14,577,242
Accrued markup		**790,792**	832,328
		14,100,448	15,409,570
Less: Current maturity		**(8,804,796)**	(10,384,526)
Less: Accrued markup presented separately	*19*	**(7,312,094)**	(8,957,118)
		24,431,020	27,481,056

15.1 The Company received an unsecured long-term loan from its sponsor, PDFL, a related party, amounting to Rs 32,738 million, for a period of 10 years. The outstanding amount of loan is repayable in 36 quarterly installments started from 30 September 2019. The loan carries markup at the rate of 3 months KIBOR plus 1% (June 30, 2023: 3 months KIBOR plus 1%) per annum, payable quarterly in arears.

15.1.1 As at December 31, 2023, principal amount of Rs. 2,144.62 million (June 30, 2023: Rs. 3,868.66 million) along with markup of Rs 6,521.30 million (June 30, 2023: Rs 8,124.79 million) are due for payment however, due to circular debt issue, the Company has not received sufficient funds from the power purchaser and therefore these due amounts could not be paid. During the year, the Company has paid an amount of Rs. 3,362.18 million against principal and Rs.4,255.61 million against markup. During FY 2021-22, the Company received various requests from PDFL for payment of the overdue amounts, however, all these payment requests were withdrawn vide letter # PDFL/CFO/2022-18 dated March 06, 2022.

Considering the correspondence with sponsor, PDFL, and terms of the loan agreements, the legal advisor of the Company vide opinion dated March 21, 2022 has opined that an Event of Default has not yet occurred under the loan agreements hence, the Company's obligation to discharge its liability to repay the loans in terms of the Illustrative Payment Schedule continues. Accordingly, the Company has recorded overdue amount of Rs. 2,144.62 million along with Rs. 3,491.21 million due in next financial year under current liabilities and Rs. 14,290.33 million which was not yet due at the period end is reflected as non-current liabilities in the financial statements.

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

	Un-audited 31 December 2023	Audited 30 June 2023
	(Rupees in thousand)	
Opening balance	23,288,340	30,308,360
Repayments during the period / year	(3,362,180)	(7,020,020)
	19,926,160	23,288,340
Current portion shown under current liabilities	(5,635,830)	(7,215,560)
Closing balance	14,290,330	16,072,780

15.2 This amount consists of Rs 6,370.47 million (June 30, 2023: Rs 6,977.18 million), and Rs 6,939.19 million (June 30, 2023: Rs 7,600.06 million) utilized in HBS and Balloki plants respectively. The Company arranged financing facilities from the Bank of Punjab (BoP) led consortium of banks comprising the Bank of Punjab (BoP) 40.79%, Meezan Bank Limited (MBL) 26.32%, Dubai Islamic Bank Pakistan Limited (DIBL) 19.74%, and Askari Bank Limited (ABL) 13.15%, and signed Musharakah facility agreements amounting to Rs 18,400 million and Rs 19,600 million for HBS and Balloki plants respectively on June 11, 2019. These outstanding amounts of facilities are repayable in 27 equal quarterly installments ending on December 31, 2028. These facilities carry mark-up at the rate of three months KIBOR plus 0.90%. The said facilities have been secured by way of GoP guarantee and lien over capacity payment receivables (debt component) pertaining to respective plants.

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

	Un-audited 31 December 2023	Audited 30 June 2023
	(Rupees in thousand)	
Opening balance	14,577,242	15,722,850
Disbursements during the period / year	-	1,301,200
Repayments during the period / year	(1,267,586)	(2,446,808)
	13,309,656	14,577,242
Current portion shown under current liabilities	(3,168,966)	(3,168,966)
Closing balance	10,140,690	11,408,276

16 Lease liability against right of use asset

Lease liability against right of use asset	160,601	171,920
Current portion of lease liability against right of use asset	(28,957)	(25,636)
	131,644	146,284
Maturity analysis of lease liability against right of use asset is as follows		
Less than one year	45,895	44,173
One to five year	126,609	173,894
Total undiscounted lease liability against right of use asset	172,504	218,067
Impact of discounting on lease liability against right of use asset	(40,860)	(46,147)
	131,644	171,920

17 Staff retirement benefit

Provision for gratuity	18,075	28,874

The latest actuarial valuation of the Company's defined benefit plan, was conducted on December 31, 2023 using projected unit credit method. Detail of obligation for defined benefit plan is as follows:

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

	Note	Un-audited 31 December 2023	Audited 30 June 2023
		(Rupees in thousand)	
Present value of defined benefit obligation	*17.1*	177,480	189,422
Less: Fair value of plan assets	*17.2*	(159,405)	(160,548)
Net liability at end of the period / year		18,075	28,874

	Note	Un-audited 31 December 2023	Audited 30 June 2023
Net liability at beginning of the period / year		28,874	40,581
Charge to profit or loss for the period / year	*17.3*	14,668	25,642
Charge to other comprehensive income for the period / year	*17.3*	3,407	3,232
Contribution made during the period / year		(28,874)	(40,581)
Net liability at end of the period / year		18,075	28,874

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

	Un-audited 31 December 2023	Audited 30 June 2023
	(Rupees in thousand)	
Present value of defined benefit obligations at beginning of the period / year	189,422	144,764
Gratuity payable at the beginning of the period / year	-	1,556
Current service cost for the period / year	13,495	23,056
Interest cost for the period / year	13,573	19,149
Actuarial loss on present value of defined benefit obligations	5,723	2,942
Benefits paid during the period / year	(44,733)	(2,045)
Present value of defined benefit obligation at end of the period / year	177,480	189,422

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

	Un-audited 31 December 2023	Audited 30 June 2023
Fair value of plan assets at beginning of the period / year	160,548	105,739
Contributions made during the period / year	28,874	40,581
Expected return on plan assets for the period / year	12,400	16,563
Actuarial gain / (loss) during the period / year	2,316	(290)
Benefits paid during the period / year	(44,733)	(2,045)
Fair value of plan assets at end of the period / year	159,405	160,548

Plan assets comprise of:

	Un-audited 31 December 2023	Audited 30 June 2023
Cash at bank - saving accounts	54,379	16,174
Accrued interest	4,026	2,374
Term deposit receipts	101,000	142,000
	159,405	160,548

		Un-audited December 31, 2023	Un-audited December 31, 2023
17.3	Charge for the year	(Rupees in thousand)	
	In statement of profit or loss		
	Current service cost for the period / year	13,495	11,528
	Interest cost for the period / year	13,573	9,523
	Expected return on plan assets for the period / year	(12,400)	(8,247)
		14,668	12,804
	In other comprehensive income		
	Actuarial loss / (gain) on retirement benefits - net	3,407	(9,288)
		18,075	3,516

	Un-audited 31 December 2023	Audited 30 June 2023
Actuarial assumptions		
The following are the principal actuarial assumptions at :	(Percentage)	
Discount rate used for period/year end obligations	15.50%	16.25%
Expected rate of growth per annum in future salaries	14.50%	15.25%
Expected mortality rate	SLIC 2001 - 2005 Setback 1 Year	SLIC 2001 - 2005 Setback 1 Year
Retirement assumptions	60 Years	60 Years

17.4 The Company expects to charge Rs. 32.96 million to statement of profit or loss on account of defined benefit plan in the year ending June 30, 2024.

17.5 Sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the present value of the defined benefit obligation as at December 31, 2023 would have been as follows:

	Gratuity	
	Present value of defined benefit obligation	
	Increase in assumption	Decrease in assumption
	(Rupees in thousand)	
Discount rate + 100 bps	165,541	173,199
Future salary increase + 100 bps	190,281	165,539

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

17.6 At December 31, 2023, the average duration of the defined benefit obligation was 8 years.

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

	Note	Un-audited 31 December 2023	Un-audited 31 December 2022
		(Rupees in thousand)	
Cost of sales	23	9,994	8,312
Administration expenses	24	4,674	4,492
		14,668	12,804

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

17.8.1 **Salary risk**

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

17.8.2 **Withdrawal rate risk**

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

17.8.3 **Interest rate risk**

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

17.8.4 **Mortality rate risk**

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

		Un-audited 31 December 2023	Audited 30 June 2023
18 Trade and other payables	*Note*	**(Rupees in thousand)**	
Trade creditors	*18.1*	56,342,255	50,269,906
PCCC - QEL	*18.2*	15,685,525	15,929,317
HEI - HRL	*18.3*	14,091,174	14,301,749
Consultancy services	*18.4*	62,883	62,883
Advance against insurance claims	*18.5*	1,556,684	826,355
Insurance premium	*18.6*	-	72,809
Accrued expenses		1,617	51,111
Withholding tax payable		106	22
Other liabilities	*18.7*	342,944	292,693
Workers' Welfare Fund (WWF)	*18.8*	3,346,205	2,616,855
Workers' Profit Participation Fund (WPPF)	*18.9*	9,486,612	7,663,237
		100,916,005	92,086,937

18.1 **Trade creditors**

SNGPL (related party)	18.1.1	53,272,865	46,881,310
SEPCO-III		497,341	500,303
TNB Remaco		770,160	866,992
GE International		1,801,889	2,021,301
		56,342,255	50,269,906

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

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

The target completion dates for GT1, GT2 and the Facility were April 12, 2017, May 12, 2017 and January 09, 2018 respectively whereas taking over certificates for GT1 and GT2 were procured on April 17, 2018 and taking over certificate for the Facility was procured on May 8, 2018. Due to such delay, Contractor for HBS became liable to pay liquidated damages (LDs) to the Company in accordance with the respective EPC contract on the basis of number of days of delay from target completion dates to actual taking over dates but restricted to a maximum cap of 10% of the contract price. Liquidated Damages (LDs) amounting to USD 58.94 million (Rs 15,367 million) being 10% of the agreement price were charged to the Contractor for HBS by the Company on May 15, 2018, payable within fourteen days of the invoice.

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

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

In case of Balloki power plant, target completion dates for GT1, GT2 and the Facility were April 02, 2017, May 02, 2017 and January 29, 2018 respectively whereas taking over certificate for GT1 and GT2 were procured on July 06, 2018 and taking over certificate for the Facility was procured on July 27, 2018. Due to such delay, Contractor for Balloki became liable to pay liquidated damages (LDs) to the Company under the said contract on the basis of number of days of delay from target completion dates to actual taking over dates but restricted to a maximum cap of 10% of the contract price. LDs amounting to USD 56.26 million (Rs 13,817 million) being 10% of the contract price were charged to the Contractor for Balloki by the Company on August 11, 2018, payable within fourteen days of the invoice.

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

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

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

18.5 This represents advance received from National Insurance Company Limited (NICL), a related party, against insurance claims. As the claims are not finalized by the insurer at this stage, therefore, on prudent basis, the claim amount is not recognized in the statement of profit or loss.

18.6 This pertains to accrual for insurance premium payable to National Insurance Company Limited (NICL), a related party.

18.7 Other liabilities include interest amounting to Rs. 320.93 million (June 30, 2023: Rs. 241.04 million) earned on sales tax accounts as referred in note 12.3 to these financial statements.

		Un-audited 31 December 2023	Audited 30 June 2023
18.8	**Workers' Welfare Fund (WWF)**	(Rupees in thousand)	
	Opening balance	2,616,855	1,712,074
	Provision for the year	729,350	904,781
	Closing balance	3,346,205	2,616,855

18.8.1 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.

		Un-audited 31 December 2023	Audited 30 June 2023
18.9	**Workers' Profit Participation Fund (WPPF)**	(Rupees in thousand)	
	Opening balance	7,663,237	5,401,285
	Provision for the year	1,823,375	2,261,952
	Closing balance	9,486,612	7,663,237

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

			Un-audited 31 December 2023	Audited 30 June 2023
19	**Accrued markup**	*Note*	(Rupees in thousand)	
	Long term loan	*19.1*	7,312,094	8,957,118
	Short term borrowings	*19.2*	2,519,852	2,466,368
			9,831,946	11,423,486

19.1 This includes markup amounting to Rs 6,521.30 million (June 30, 2023: Rs 8,124.79 million) payable on the loan received from PDFL and Rs 790.79 million (June 30, 2023: Rs 832.33 million) as accrued markup on long term loan from banks.

19.2 This includes markup amounting to Rs 835.61 million (June 30, 2023: Rs 818.40 million) payable to NBP, a related party, on account of short term borrowings as disclosed in note 20.

			Un-audited 31 December 2023	Audited 30 June 2023
20	**Short term borrowings - secured**	*Note*	(Rupees in thousand)	
	Working capital finance	*20.1*	42,786,156	42,786,999
	Accrued markup		2,519,852	2,466,368
			45,306,008	45,253,367
	Less: Accrued markup presented separately	*19*	(2,519,852)	(2,466,368)
			42,786,156	42,786,999

20.1 This amount consists of Rs 21,337.87 million (June 30, 2023: Rs 21,338.64 million), and Rs 21,448.28 million (June 30, 2023: Rs 21,448.35 million) utilized in HBS and Balloki plants respectively.

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

These facilities are secured by way of the following:

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

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

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

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

20.1.1 This includes working capital finance availed from NBP, a related party, amounting to Rs 14,195.68 million (June 30, 2023: Rs 14,195.68 million).

21 Contingencies and commitments

21.1 Contingencies

(a) As explained in note 18.1.1, subsequent to the periods covered under LCIA awards dated December 15, 2022, SNGPL raised further ToP invoices, for the months of November 2020, April 2021 and November 2021 with respect to Balloki Plant and for the month of October 2021 with respect to HBS plant with an aggregate amount of Rs. 11,213 million, which were also disputed by the Company on various legal and factual grounds.

SNGPL has not raised further invoice for any month after November 2021 and no further action has been taken by SNGPL under dispute resolution mechanism prescribed in GSA. However both parties have entered into a 'Side agreement for one time local arbitration' on November 27, 2023 for resolving dispute on the aforementioned ToP invoices. Management on the basis of LCIA Awards, Judgement of High Court of Justice, London and legal advisor's view believes that the Company does not have any legal obligation to pay these invoices and related default surcharge and therefore no liability has been recognized in these financial statements.

(b) The Company claimed a tax credit under section 65D "Tax credit for newly established industrial undertakings" of the Income Tax Ordinance, 2001 (the "Ordinance") which is admissible where the industrial undertaking is set up with at least seventy per cent equity raised through issuance of new shares for cash consideration. As per section 65D of the Ordinance, this tax credit is available to the Company for five tax years. The Company started claiming this tax credit from tax year 2018 after commercial operations date (CoD) till tax year 2022.

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

Tax Year 2021

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

(ii) Further during the year ended June 30, 2021, the Company received notice dated January 04, 2021 under section 147(7) of the Ordinance requiring the Company to submit its reply duly supported by the documentary evidences in relation to advance tax working submitted for the quarter ended December 31, 2020.

The Company made due compliance of the said notice. On receipt of Company's response Deputy Commissioner Inland Revenue (DCIR) rejected the Company's claim of tax credit and issued recovery order u/s 147 and demand notice u/s 137 to pay Rs. 1,263.62 million as advance tax for December quarter along with default surcharge and penalty. Being aggrieved, the Company filed appeal before CIR (A) who disposed off the appeal through order dated April 06, 2022 and remanded back the case to department with a direction to re-examine the case in the light of exemptions given to the Company vide Finance Act, 2021. No further notice received in this regard from the department.

Tax Year 2020

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

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

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

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

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

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

Tax Year 2018

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

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

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

Based on tax credit under section 65D of the Ordinance, the Company has cumulatively claimed tax credit amounting Rs 4,257.04 million till June 30, 2023 (Tax Year 2018: Rs 586.29 million, Tax Year 2019: Rs 1,387.72 million, Tax Year 2020: Rs 2,184.97 million, Tax Year 2021: Rs 35.38 million, and Tax Year 2022: Rs 62.68 million).

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

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

Meanwhile, DCIR has re-examined the case and revised the sales tax demand amounting to Rs. 4,191.16 million along with default surcharge to be calculated at the time of recovery and penalty amounting Rs. 234.72 million through order dated June 25, 2023 by declaring inadmissible input tax claim on services not related with taxable supplies. However, due to multiple discrepancies observed in the DCIR order, the Commissioner Inland Revenue (CIR) vide order dated 19 July 2023 issued under section 45(A)(4) of the ST Act remanded back the case to the learned DCIR along with the directions to provide sufficient opportunity of hearing to the Company.

DCIR, Audit-I issued another assessment order u/s 11(2) dated April 27, 2021 for the period December 2018 to September 2019, while specifying that the Company is not eligible for claiming the input tax paid on purchase of goods and services not relevant to production of electricity and thereby created sales tax demand of Rs 3,054.24 million along with penalty amounting Rs. 124.73 million and default surcharge to be calculated at the time of payment. Being aggrieved with the order, the Company filed rectification application with DCIR u/s 57 and an appeal before CIR (A). 'DCIR issued rectification order dated June 17, 2021 and reduced the sales tax demand to Rs. 1,534.36 million along with penalty amounting Rs 124.7 million and default surcharge to be calculated at the time of recovery. CIR (A) vide order dated October 05, 2021 has set aside and remanded back the order of DCIR with regards to tax demand of Rs. 1,534.36 million along with penalty amounting Rs. 76.72 million whereas deleted the demand relating to penalty amounting Rs. 45.56 million and upheld another penalty amount of Rs. 2.41 million. Being aggrieved with the demand upheld by CIR (A), the Company preferred an appeal before ATIR which is pending adjudication.

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

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

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

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

(e) As mentioned in Note 18.2 to the financial statements of the Company, Liquidated Damages (LD) amounting to USD 58.94 million (Rs 15,367 million) being 10% of the agreement price were charged to the Contractor for HBS by the Company on May 15, 2018.

The Company received a notice under Clause 20 of the EPC agreement from the joint venture of Power Construction Corporation of China and Qavi Engineers (PCCC-QEL) dated February 26, 2021 regarding the Contractor's intent to refer various disputes for the Haveli Bahadur Shah plant to the Dispute Adjudication Board. Apart from rejecting the Company's abovementioned LD invoice dated May 15, 2018 amounting to USD 58.94 million (Rs 15,367 million), PCCC-QEL has claimed its entitlement for early completion bonus amounting to USD 29.47 million (Rs 8,322 million) compensation for delays not attributable to the Contractor amounting to USD 70.59 million (Rs 19,935 million) and interest on delay in payments amounting to USD 12.28 million (Rs 3,468 million) under the EPC agreement.

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

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

(f) On May 20, 2022, National Electric Power Regulatory Authority ("NEPRA") issued two show cause notices to the Company, claiming HBS and Balloki plants' failure to start during the nation-wide power system breakdown on January 09, 2021, under various provisions of the Grid Code issued by National Transmission and Dispatch Company Limited ("NTDC") and National Electric Power Regulatory Authority Licensing (Generation) Rules, 2000.

The Company submitted its replies to show cause notices on June 06, 2022 based on the grounds that the plants were not available due to technical reasons and the Company has a right to declare forced outages and that there is credible information available to establish the cause of non-availability of plants as per Power Purchase Agreements (PPAs). On February 13, 2023, NEPRA rejected the Company's replies to the show cause notices and imposed a fine amounting to Rs. 10 million to each plant. Being aggrieved with the orders of NEPRA, the Company filed two appeals before the Appellate Tribunal (NEPRA) to set aside the aforementioned orders. On March 17, 2023, Appellate Tribunal (NEPRA) passed two interim orders to deposit post-dated cheques equal to fine amount with the Registrar of NEPRA and directed the NEPRA to refrain from taking any coercive measure against the Company till next date of hearing. Based on the advice of legal counsel, the Company expects favorable outcome in these cases, hence, no provision against these fines has been made in these financial statements.

21.2 Commitments

21.2.1 Pursuant to the GSAs signed with SNGPL for the HBS and Balloki plants, the Company has entered into two SBLC arrangements amounting Rs 11,383 million (June 30, 2023: Rs 11,383 million) for HBS plant and Rs 11,397 million (June 30, 2023: Rs 11,397 million) for Balloki plant.

These SBLCs are secured by way of :

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

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

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

However during the financial year ended June 30, 2018, SBLCs amounting to Rs 6,224.2 million pertaining to HBS plant and Rs 4,159.95 million pertaining to Balloki plant were encashed by SNGPL under the take-or-pay clause of GSA. As a result, the balance amount of SBLC of HBS and Balloki plant stands at Rs 5,158.41 million (June 30, 2023: Rs 5,158.41 million) and Rs 7,237.16 million (June 30, 2023: Rs 7,237.16 million) respectively.

This includes balance of SBLC of HBS and Balloki plant issued by NBP, a related party, at the period end amounting to Rs. 1,711.44 million (June 30, 2023: Rs. 1,711.44 million) and Rs. 2,401.11 million (June 30, 2023: Rs. 2,401.11 million) respectively.

21.2.2 The Company has provided a bank guarantee via NBP in favor of Pakistan State Oil Company Limited (PSO), a related party, for the purchase of fuel on credit for its fleet of cars amounting to Rs 3 million (June 30, 2023 : Rs 3 million).

21.2.3 The Company is committed to pay monthly fee / quarterly fee to its contractors as per terms agreed in the O&M agreements and LTSA agreements as disclosed in note 1.4 to these financial statements.

	Note	Un-Audited 31 December 2023	Un-Audited 31 December 2022
		(Rupees in thousand)	
22 Revenue			
Energy purchase price	*22.1*	195,678,302	161,941,427
Less: Sales tax		(29,557,468)	(23,529,951)
Net energy purchase price		166,120,834	138,411,476
Capacity purchase price		33,091,901	23,726,287
		199,212,735	162,137,763

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

23 Cost of sales	Note	Un-Audited 31 December 2023	Un-Audited 31 December 2022
		(Rupees in thousand)	
Fuel cost		**156,631,227**	132,721,958
Operation and maintenance costs	*23.1*	**6,837,628**	5,225,455
Depreciation	*5.2*	**2,765,687**	2,651,378
Insurance		**2,247,133**	1,693,633
Salaries, wages and other benefits	*23.2*	**191,452**	181,065
Security services		**73,035**	68,615
Professional services - NESPAK		**10,800**	10,107
Miscellaneous		**42,264**	33,212
		168,799,226	142,585,423

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

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

24 Administration expenses	Note	Un-Audited 31 December 2023	Un-Audited 31 December 2022
		(Rupees in thousand)	
Salaries, wages and benefits	*24.1*	**150,022**	125,964
Directors' meeting fee and expenses		**4,981**	4,742
Travelling and conveyance		**1,254**	3,125
Vehicles running and maintenance		**10,304**	9,824
Printing and stationery		**214**	2,889
Office supplies and utilities		**8,722**	7,938
Repair and maintenance		**1,623**	1,226
Legal and professional		**1,738**	16,951
Auditors' remuneration		**500**	475
Tendering and advertisements		**138**	110
Fee and subscription		**249**	174
Training & development		**163**	378
Rent, rates and taxes		**100**	100
Telephone and telex		**1,064**	1,010
Insurance		**2,560**	2,508
Depreciation	*5.2*	**22,442**	39,710
		206,074	217,124

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

25 Other charges	Note	Un-audited 31 December 2023	Un-audited 31 December 2022
		(Rupees in thousand)	
Plant and machinery - written off	*5*	**-**	92,726
Foreign exchange loss	*25.1*	**59,883**	121,568
		59,883	214,294

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

26 Other income	*Note*	**Un-Audited 31 December 2023**	Un-Audited 31 December 2022
		(Rupees in thousand)	
Profit on saving accounts	*12.2*	**477,192**	101,554
Profit on term deposit receipts	*12.4*	**311**	9,311
Delayed payment charges-CPPA	*26.1*	**19,331,396**	12,675,184
Miscellaneous		**1,152**	329
		19,810,051	12,786,378

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

27 Financial charges	*Note*	**Un-Audited 31 December 2023**	Un-Audited 31 December 2022
		(Rupees in thousand)	
Interest on long term loans	*15*	**4,280,959**	3,788,972
Markup on Working Capital Facility		**5,151,547**	3,514,963
Markup on SNGPL Delay Payment	*27.1*	**4,020,516**	4,009,828
Interest on lease liability		**9,649**	10,885
SBLC commission	*27.2*	**24,791**	24,791
Other bank charges		**2,640**	3,089
		13,490,102	11,352,528

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

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

28 Taxation	*Note*	**Un-Audited 31 December 2023**	Un-Audited 31 December 2022
		(Rupees in thousand)	
Current tax	*28.1*	**171,955**	8,186

MMA

28.1 This represents provision of current tax on 'Income from other sources' for the period. Based on Corporate Tax and Super Tax levied for tax year 2024 on taxable income, the total provision for taxation is Rs 171.95 million.

	Note	Un-Audited 31 December 2023	Un-Audited 31 December 2022
		(Rupees in thousand)	
28.2 Tax charge reconciliation			
Accounting profit		36,467,501	20,554,772
Income tax charge @ 29%		10,575,575	5,960,884
Super Tax		44,091	-
Tax effect of income exempt from tax		(10,447,711)	(5,952,698)
		171,955	8,186

29 Cash generated from operations

	Note	Un-Audited 31 December 2023	Un-Audited 31 December 2022
Profit before tax		36,467,501	20,554,772
Adjustments for:			
Depreciation	5	2,788,131	2,691,088
Amortization of O&M mobilization cost		28,772	28,772
Provision for staff retirement benefits	17.3	14,668	12,804
Financial charges	27	13,490,102	11,352,528
Foreign exchange loss		59,883	121,568
Loss on diposal of fixed asset		-	92,726
Delayed payment charges		(19,331,396)	(12,675,184)
Profit on term deposit receipts		(311)	(9,311)
Profit on saving accounts		(477,192)	(101,554)
		(3,427,343)	1,513,437
Operating profit before working capital changes		33,040,158	22,068,209
Effect on cash flow due to working capital changes			
(Increase) / decrease in current assets			
- Stock-in-trade		685	(3,699,915)
- Stores, spares and loose tools		-	(7,949)
- Trade debts		(16,719,065)	(12,261,065)
- Advances, prepayments and other receivables		(2,193,135)	(25,862)
		(18,911,515)	(15,994,791)
Increase / (decrease) in current liabilities			
- Trade and other payables		2,650,311	(3,656,955)
		16,778,954	2,416,463

30 Remuneration of Chief Executive, Directors and Executives

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

	(Un-audited)					
	Chief Executive		Directors		Executives	
	31 December 2023	31 December 2022	**31 December 2023**	31 December 2022	**31 December 2023**	31 December 2022
	(Rupees in thousand)					
Short term employee benefits						
Managerial remuneration	**15,427**	12,880	-	-	**171,534**	158,298
Leave fare assistance	**5,214**	-	-	-	**15,292**	12,122
Bonus	**10,121**	8,427	-	-	**79,982**	70,544
Utilities	**304**	456	-	-	-	-
	31,066	21,763	-	-	**266,808**	240,964
Staff retirement benefits						
Gratuity	**1,302**	1,053	-	-	**14,041**	13,212
	32,368	22,816	-	-	**280,849**	254,176
Number of persons	**1**	1	**8**	8	**46**	44

30.2 Aggregate amount charged in the financial statements for the year as directors fee in respect of 8 directors (December 31, 2022: 8 directors) is Rs 4.98 million (December 31, 2022: Rs 4.74 million).

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

30.4 Mr. Dhanpat Kotak served as CEO until the first quarter ended on September 30, 2023, after which he resigned. Subsequently, Mr. Akram Kamal became the CEO.

31 Segment Information

31.1 Reportable segments

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

The following summary describes the operations of each reportable segment.

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

The management reviews internal management reports of each power plant.

31.2 Information about reportable segments

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

	31 December 2023			31 December 2022		
	HBS	Balloki	Total	HBS	Balloki	Total
	(Rupees in thousand)			(Rupees in thousand)		
Sale of energy						
Energy purchase price	90,008,835	76,111,999	166,120,834	64,119,919	74,291,557	138,411,476
Capacity purchase price	16,766,737	16,325,164	33,091,901	10,670,919	13,055,368	23,726,287
	106,775,572	92,437,163	199,212,735	74,790,838	87,346,925	162,137,763
Cost of sales	(90,982,881)	(77,816,345)	(168,799,226)	(66,719,072)	(75,866,351)	(142,585,423)
Gross profit	15,792,691	14,620,818	30,413,509	8,071,766	11,480,574	19,552,340
Administrative expenses	(103,173)	(102,901)	(206,074)	(108,157)	(108,967)	(217,124)
Other charges	(36,817)	(23,066)	(59,883)	(159,181)	(55,113)	(214,294)
Other income	10,408,949	9,401,102	19,810,051	6,374,533	6,411,845	12,786,378
	26,061,650	23,895,953	49,957,603	14,178,961	17,728,339	31,907,300
Financial charges	(6,520,164)	(6,969,938)	(13,490,102)	(4,820,738)	(6,531,790)	(11,352,528)
Taxation	(88,760)	(83,195)	(171,955)	(5,483)	(2,703)	(8,186)
Profit after taxation	19,452,726	16,842,820	36,295,546	9,352,740	11,193,846	20,546,586

Reconciliation:	**(Un-audited) 31 December 2023**	(Un-audited) 31 December 2022
	(Rupees in thousand)	
Segment profit after tax	**36,295,546**	20,546,586
Other adjustment	-	-
Segment profit after tax after adjustment	36,295,546	20,546,586

31.2.1 **Revenue from major products and services**

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

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

31.4 All non-current assets of the Company at December 31, 2023 are located and operating in Pakistan.

31.5 **Segment assets and liabilities**

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

	(Un-audited) 31 December 2023			(Audited) 30 June 2023		
	HBS	Balloki	Total	HBS	Balloki	Total
		(Rupees in thousand)			(Rupees in thousand)	
Assets						
Non-current Assets						
Operating fixed assets	70,315,588	66,007,178	136,322,766	72,005,527	67,557,567	139,563,094
Capital work-in-progress	11,063	12,232	23,295	12,061	12,232	24,293
Long term deposits and prepayments	7,827,020	9,638,285	17,465,305	7,838,551	9,655,526	17,494,077
	78,153,671	75,657,695	153,811,366	79,856,139	77,225,325	157,081,464
Current Assets						
Stock in trade	4,674,171	4,611,957	9,286,128	4,674,297	4,612,516	9,286,813
Stores, spares and loose tools	779,959	1,017,640	1,797,599	779,959	1,017,640	1,797,599
Trade debts - secured	162,837,887	136,942,019	299,779,906	141,120,525	122,608,920	263,729,445
Advances, prepayments and other receivables	8,776,040	6,899,097	15,675,137	6,154,084	4,908,593	11,062,677
Tax recoverable from Government	4,275,997	5,087,847	9,363,844	3,965,468	4,524,617	8,490,085
Cash and bank balances	1,583,596	1,351,995	2,935,591	1,221,594	1,239,500	2,461,094
	182,927,650	155,910,555	338,838,205	157,915,927	138,911,786	296,827,713
Total Assets	261,081,321	231,568,250	492,649,571	237,772,066	216,137,111	453,909,177

	31 December 2023			30 June 2023		
	HBS	Balloki	Total	HBS	Balloki	Total
		(Rupees in thousand)			(Rupees in thousand)	
Liabilities		(Un-audited)			(Audited)	
Non-current liabilities						
Long term loans	10,892,090	13,538,930	24,431,020	12,292,851	15,188,205	27,481,056
Lease liability against right of use asset	65,822	65,822	131,644	73,142	73,142	146,284
Staff retirement benefits	8,572	9,503	18,075	16,196	12,678	28,874
	10,966,484	13,614,255	24,580,739	12,382,189	15,274,025	27,656,214
Current Liabilities						
Trade and other payables	52,438,745	48,477,260	100,916,005	45,049,311	47,037,626	92,086,937
Accrued markup	3,675,219	6,156,727	9,831,946	4,776,261	6,647,225	11,423,486
Short term borrowings- secured	21,337,871	21,448,285	42,786,156	21,338,653	21,448,346	42,786,999
Current maturity of long term loans	3,442,388	5,362,408	8,804,796	4,382,078	6,002,448	10,384,526
Current portion of lease liability against right of use asset	14,479	14,478	28,957	12,818	12,818	25,636
Provision for taxation	106,992	93,813	200,805	182,022	155,329	337,351
	81,015,694	81,552,971	162,568,665	75,741,143	81,303,792	157,044,935
Total Liabilities	91,982,178	95,167,226	187,149,404	88,123,332	96,577,817	184,701,149

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

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

32 Financial risk management

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

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

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

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

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

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

32.1 Credit risk

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

32.1.1 Exposure to credit risk

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

	Un-audited 31 December 2023	Audited 30 June 2023
	(Rupees in thousand)	
Long term deposits	17,143,973	17,143,973
Trade debts	299,779,906	263,729,445
Accrued profit	100,427	63,833
Other receivables	45,810	46,527
Recoverable from CPPA as pass-through items	12,832,817	10,280,092
Bank balances	2,935,591	2,461,094
	332,838,524	293,724,964

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk and the risk attributable to trade debts and recoverable from CPPA as pass-through items is mitigated by guarantee from the Government of Pakistan under the Implementation Agreement. Age analysis of trade receivable balances is given in note 9.2 to these financial statements.

32.1.2 Credit quality of bank balances

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

Name of bank		Short term	Long term	Un-audited 31 December 2023	Audited 30 June 2023
				(Rupees in thousand)	
National Bank of Pakistan	PACRA	A1+	AAA	18,147,738	17,970,534
United Bank Limited	JCR-VIS	A-1+	AAA	491,271	148,467
Habib Bank Limited	VIS	A-1+	AAA	1,057	1,259
The Bank of Punjab	PACRA	A1+	AA+	1,430,790	1,476,099
				20,070,856	19,596,359

32.2 Liquidity risk

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

Maturity analysis of financial liabilities

The Company maintains working capital facilities (refer note 20) to meet the short term funding requirements due to delay in payments by CPPA. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. At December 31, 2023 the Company had Rs. 3.84 million (June 30, 2023: Rs. 3 million) available borrowing limits from financial institutions and Rs 2,935.59 million (June 30, 2023: Rs 2,461.09 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.

	31 December 2023				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	Above 5 years
Financial liabilities at amortized cost	(Rupees in thousand)				
Trade and other payables	88,083,082	88,083,082	88,083,082	-	-
Short term borrowings	42,786,156	42,786,156	42,786,156	-	-
Accrued markup	9,831,946	9,831,946	9,831,946	-	-
Long term loan from PDFL	19,926,160	21,286,427	3,303,965	17,982,462	-
Long term loan from Banks	13,309,656	14,093,595	1,693,191	12,400,404	-
Lease liability against right of use asset	160,601	172,504	45,895	126,609	-
	174,097,601	176,253,710	145,744,235	30,509,475	-

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

32.3 Market risk

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

32.3.1 Currency risk

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

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

	Currency	Un-audited 31 December 2023	Audited 30 June 2023
Trade creditors	USD	6,380,628	7,294,008
Payable to PCCC - QEL	USD	51,870,757	51,870,757
Payable to HEI - HRL	USD	44,803,213	44,803,213
Net exposure - USD		103,054,598	103,967,978

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 6.38 million, Rs 51.87 million, and Rs 44.80 million respectively.

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

The significant spot exchange rate applied at period end is PKR/USD 282.4 (June 30, 2023: 287.1), whereas average rate used during the period is PKR/USD 285.75 (June 30, 2023: 253.66).

32.3.2 Interest rate risk

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

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

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

	Un-audited 31 December 2023	Audited 30 June 2023
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Cash at bank - saving accounts	2,064,521	1,647,603
Term deposit receipts	3,000	3,000
	2,067,521	1,650,603
Floating rate instruments		
Financial assets		
Trade debts - overdue	235,215,907	200,623,190
Financial liabilities		
Long term loan and current maturity	(33,235,816)	(37,865,582)
Short term borrowings - secured	(42,786,156)	(42,786,999)
	159,193,935	119,970,609

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 :

	Un-audited	
	Profit before tax	
	31 December 2023	31 December 2022
	(Rupees in thousand)	
Increase of 100 basis points		
Variable rate instruments	1,591,939	1,231,522
Decrease of 100 basis points		
Variable rate instruments	(1,591,939)	(1,231,522)

32.3.3 Other price risk

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

32.4 Fair value of financial instruments

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

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

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

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

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

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

	Note	Financial assets at amortized cost	Financial liabilities	Total
		----------(Rupees in thousand)----------		
December 31, 2023 (Un-audited)				
Financial assets at fair value		-	-	-
		-	-	-
Financial assets at amortized cost				
Long term deposits		17,143,973	-	17,143,973
Trade debts		299,779,906	-	299,779,906
Accrued profit		100,427	-	100,427
Other receivables		45,810	-	45,810
Recoverable from CPPA as pass-through items		12,832,817	-	12,832,817
Cash and bank balances		2,935,591	-	2,935,591
	32.4.1	332,838,524	-	332,838,524
Financial liabilities measured at fair value		-	-	-
		-	-	-
Financial liabilities at amortized cost				
Trade and other payables		-	88,083,082	88,083,082
Short term borrowings		-	42,786,156	42,786,156
Accrued markup		-	9,831,946	9,831,946
Long term loan from PDFL		-	19,926,160	19,926,160
Long term loan from Banks		-	13,309,656	13,309,656
	32.4.1	-	173,937,000	173,937,000
June 30, 2023 (Audited)				
Financial assets measured at fair value		-	-	-
		-	-	-
Financial assets at amortized cost				
Long term deposits		17,143,973	-	17,143,973
Trade debts		263,729,445	-	263,729,445
Accrued profit		63,833	-	63,833
Other receivables		46,527	-	46,527
Recoverable from CPPA as pass-through items		10,280,092	-	10,280,092
Cash and bank balances		2,461,094	-	2,461,094
	32.4.1	293,724,964	-	293,724,964
Financial liabilities measured at fair value		-	-	-
		-	-	-
Financial liabilities at amortized cost				
Trade and other payables		-	81,806,823	81,806,823
Short term borrowings		-	42,786,999	42,786,999
Accrued markup		-	11,423,486	11,423,486
Long term loan from PDFL		-	23,288,340	23,288,340
Long term loan from Banks		-	14,577,242	14,577,242
	32.4.1	-	173,882,890	173,882,890

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

32.5 Capital risk management

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

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

	Un-audited 31 December 2023	Un-audited 30 June 2023
	(Rupees in thousand)	
Long term loans	24,431,020	27,481,056
Short term borrowings	42,786,156	42,786,999
Current maturity of long term loans	8,804,796	10,384,526
Total borrowing	76,021,972	80,652,581
Issued, subscribed and paid up capital	55,500,000	55,500,000
Share deposit money	61,000,000	61,000,000
Accumulated profit	189,000,167	152,708,028
Total equity	305,500,167	269,208,028
Total capital employed	381,522,139	349,860,609
Gearing ratio	19.9%	23.1%

33 Capacity and Production

	Un-audited 31 December 2023	Un-audited 31 December 2022
	MWh	MWh
Plants available capacity	10,040,237	9,066,448
Total energy delivered	6,917,490	6,208,292

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

34 Transactions and balances with related parties

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

	Name of parties	Transactions	Un-Audited 31 December 2023	Un-Audited 31 December 2022
			(Rupees in thousand)	
a)	**Central Power Purchasing Agency- Guarantee Ltd.**	Sale of energy	199,212,735	162,137,763
b)	**Sui Northern Gas Pipelines Ltd.**	Purchase of RLNG	156,630,542	128,599,281
c)	**National Engineering Services Pakistan**	Consultancy fee charged	10,800	10,107
d)	**National Bank of Pakistan**	Profit on saving account	91,722	18,401
		Profit on term deposits	311	9,311
		Short term borrowings - net	-	663,668
		Markup on short term borrowings	1,709,283	1,166,265
		Commission charged	8,226	8,226
e)	**Pakistan State Oil Company Ltd.**	Purchase of HSD	-	4,963,059
f)	**Pakistan Development Fund Ltd.**	Long term loan repayment	3,362,180	578,180
		Markup expense charged	2,652,122	2,513,133
g)	**National Insurance Company Ltd.**	Insurance expense charged	2,249,691	1,696,141
h)	**Key management personnel**	Remuneration and other benefits	101,138	89,230
i)	**Employee benefits**			
	Gratuity	Contribution paid	28,874	40,581

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

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

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

	Un-audited						
	31 December 2023						
	Issued, subscribed and paid up capital	Share deposit money	Long term loans	Lease liability against right of use asset	Accrued markup	Short term borrowings - secured	Total
	----------(Rupees in thousand)----------						
As at 01 July 2023 (Audited)	55,500,000	61,000,000	37,865,582	171,920	11,423,486	42,786,999	208,747,987
Changes from financing cash flows							
Long term loan repaid	-	-	(4,629,766)	-	-	-	(4,629,766)
Short term borrowings - net	-	-	-	-	-	(843)	(843)
Lease rentals paid during the period	-	-	-	(20,968)	-	-	(20,968)
Financial charges paid	-	-	-	-	(11,051,477)	-	(11,051,477)
Total changes from financing cash flows	-	-	(4,629,766)	(20,968)	(11,051,477)	(843)	(15,703,054)
Other changes							
Finance cost	-	-	-	9,649	9,459,937	-	9,469,586
Total liability related other changes	-	-	-	9,649	9,459,937	-	9,469,586
As at 31 December 2023	55,500,000	61,000,000	33,235,816	160,601	9,831,946	42,786,156	202,514,519

36 Waiver from application of IAS-21

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

	Un-audited 31 December 2023	Audited 30 June 2023
	(Rupees in thousand)	
Impact on statement of financial position		
Decrease in operating fixed assets	(17,310,572)	(18,118,917)
Decrease in unappropriated profit	(17,310,572)	(18,118,917)
Impact on statement of profit or loss		
Decrease in cost of sales	353,978	763,509
Decrease / (increase) in other charges	454,367	(7,908,335)
Impact on profit after taxation	808,345	(7,144,826)
Impact on total comprehensive income	808,345	(7,144,826)

37 Number of employees

	Un-audited 31 December 2023	Audited 30 June 2023
Total number of employees as at close	77	84
Average number of employees during the year	81	92

38 Date of authorization

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 27 FEB 2024.

Chief Executive Officer

Director