Riz Ahmad & Company
Chartered Accountants

560-F, Raja Road, Gulistan Colony
Faisalabad 38000, Pakistan
T: +92 (41) 886 10 42, 886 36 44
F: +92 (41) 886 36 11
racofsd@racopk.com
www.racopk.com

INDEPENDENT AUDITOR'S REPORT

To the members of Faisalabad Electric Supply Company Limited

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to the following matters:

a) Notes 14.1.1 and 14.1.2 to the financial statements, which state that the Company has not recognized the impact of debit notes issued and credit notes withdrawn by Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for:

(i) Supplementary charges, being the mark-up charged on CPPA-G by Independent Power Producers (IPPs) on account of delayed payments, aggregating to Rupees 13,694.27 million.

(ii) an amount of Rupees 7,922.53 million regarding the credit notes against tariff differential subsidy withdrawn by CPPA-G

b) Note 14.1.3 to the financial statements, which states that provision for Workers' Profit Participation Fund (WPPF) amounting to Rupees 2,707 million relating to financial years ended 30 June 2009, 30 June 2010, 30 June 2013, 30 June 2014 and 30 June 2015 and for the total interest accrued on outstanding WPPF thereon was not accounted for by the Company. Moreover, WPPF of previous years along with related interest was not paid to the workers due to pending decision of Economic Coordination Committee to exempt the corporatized entities under the umbrella of WAPDA.

c) Note 14.1.5 to the financial statements describes various matters regarding tax contingencies the ultimate outcome of which cannot be presently determined hence no provision for the same has been made in accompanying financial statements.

Our opinion is not modified in respect of these matters.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980)

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

Riaz Ahmad & Co.
RIAZ AHMAD & COMPANY
Chartered Accountants

Faisalabad

Date: 06 October 2023

UDIN: AR202310184E6LRf9OtH

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	NOTE	2023 RUPEES	2022 RUPEES
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
5 000 000 000 (2022: 5 000 000 000) ordinary shares of Rupees 10 each		50,000,000,000	50,000,000,000
Issued, subscribed and paid up share capital	3	10,000	10,000
Deposit for shares	4	41,556,652,056	34,478,691,078
Surplus on revaluation of property, plant and equipment - net of deferred income tax	5	46,005,096,651	46,709,166,741
Accumulated loss		(96,762,692,971)	(77,474,995,875)
Total equity		(9,200,934,264)	3,712,871,944
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	6	3,042,416,823	3,358,578,576
Staff retirement benefits	7	109,949,054,090	100,304,821,118
Long term security deposits	8	11,915,862,061	10,963,989,417
Receipts against deposit works	9	20,199,527,280	18,100,335,897
Deferred credit	10	40,910,697,913	35,194,177,355
Deferred income tax liability	11	6,500,486,235	6,788,064,159
		192,518,044,402	174,709,966,522
CURRENT LIABILITIES			
Trade and other payables	12	116,126,576,246	116,269,492,182
Accrued mark-up	13	5,231,507,822	4,351,920,956
Current portion of long term financing	6	2,498,862,956	2,182,701,203
Provision for taxation		523,870,380	605,159,874
		124,380,817,404	123,409,274,215
TOTAL LIABILITIES		316,898,861,806	298,119,240,737
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		307,697,927,542	301,832,112,681

	NOTE	2023 RUPEES	2022 RUPEES
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	161,693,883,649	144,046,144,024
Intangible assets	16	1,837,465	2,306,605
Long term advances	17	104,537,732	52,737,253
Long term deposits	18	40,553,756	4,058,176
		161,840,812,602	144,105,246,058
CURRENT ASSETS			
Stores, spares and loose tools	19	5,004,927,377	3,366,236,924
Trade debts	20	68,479,551,056	82,644,146,816
Loans and advances	21	374,236,998	73,049,817
Other receivables	22	31,087,145,503	25,535,189,068
Sales tax receivable		8,095,458,270	8,425,644,698
Receivable from the Government of Pakistan	23	6,531,405,095	6,965,309,257
Accrued interest		870,546,283	247,866,218
Cash and bank balances	24	25,413,844,358	30,469,423,825
		145,857,114,940	157,726,866,623
TOTAL ASSETS		307,697,927,542	301,832,112,681

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2023

	NOTE	2023 RUPEES	2022 RUPEES
SALE OF ELECTRICITY - NET	25	326,543,079,242	279,867,790,025
TARIFF DIFFERENTIAL SUBSIDIES	26	51,244,289,375	57,944,694,157
		377,787,368,617	337,812,484,182
COST OF ELECTRICITY	27	(360,599,527,850)	(316,040,275,362)
GROSS PROFIT		17,187,840,767	21,772,208,820
AMORTIZATION OF DEFERRED CREDIT	10	2,206,904,646	1,929,584,764
		19,394,745,413	23,701,793,584
DISTRIBUTION COST	28	(28,222,734,343)	(22,011,437,199)
ADMINISTRATIVE EXPENSES	29	(4,548,908,583)	(3,505,811,182)
CUSTOMER SERVICES COSTS	30	(6,217,751,731)	(2,574,506,691)
		(38,989,394,657)	(28,091,755,072)
LOSS FROM OPERATIONS		(19,594,649,244)	(4,389,961,488)
OTHER INCOME	31	9,354,457,922	6,124,505,889
FINANCE COST	32	(882,417,807)	(470,354,612)
(LOSS) / PROFIT BEFORE TAXATION		(11,122,609,129)	1,264,189,789
TAXATION	33	(3,860,778,316)	(3,249,034,267)
LOSS AFTER TAXATION		(14,983,387,445)	(1,984,844,478)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	2023 RUPEES	2022 RUPEES
LOSS AFTER TAXATION	(14,983,387,445)	(1,984,844,478)
OTHER COMPREHENSIVE LOSS		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit obligations	(5,008,379,741)	(12,276,853,040)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive loss for the year	(5,008,379,741)	(12,276,853,040)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(19,991,767,186)	(14,261,697,518)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	SHARE CAPITAL	DEPOSIT FOR SHARES	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF DEFERRED INCOME TAX	ACCUMULATED LOSS	TOTAL EQUITY
	------------	------------	---RUPEES---	------------	------------
Balance as at 01 July 2021	10,000	15,641,656,359	47,433,929,524	(63,938,061,140)	(862,465,257)
Non-cash settlement against deposit for shares	-	18,837,034,719	-	-	18,837,034,719
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	(587,148,972)	587,148,972	-
Transfer from surplus on revaluation of property, plant and equipment on account of transfer of property, plant and equipment - net of deferred income tax	-	-	(137,613,811)	137,613,811	-
Loss for the year	-	-	-	(1,984,844,478)	(1,984,844,478)
Other comprehensive loss for the year	-	-	-	(12,276,853,040)	(12,276,853,040)
Total comprehensive loss for the year	-	-	-	(14,261,697,518)	(14,261,697,518)
Balance as at 30 June 2022	10,000	34,478,691,078	46,709,166,741	(77,474,995,875)	3,712,871,944
Non-cash settlement against deposit for shares	-	7,077,960,978	-	-	7,077,960,978
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	(561,925,044)	561,925,044	-
Transfer from surplus on revaluation of property, plant and equipment on account of transfer of property, plant and equipment - net of deferred income tax	-	-	(142,145,046)	142,145,046	-
Loss for the year	-	-	-	(14,983,387,445)	(14,983,387,445)
Other comprehensive loss for the year	-	-	-	(5,008,379,741)	(5,008,379,741)
Total comprehensive loss for the year	-	-	-	(19,991,767,186)	(19,991,767,186)
Balance as at 30 June 2023	10,000	41,556,652,056	46,005,096,651	(96,762,692,971)	(9,200,934,264)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	NOTE	2023 RUPEES	2022 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	19,133,776,535	15,701,079,681
Income tax paid		(4,229,645,734)	(2,791,264,023)
Finance cost paid		(2,830,941)	(2,822,764)
Staff retirement benefits paid		(7,991,185,721)	(6,279,845,912)
Payment for fund contribution regarding pension obligation		(3,913,000,000)	(4,700,000,000)
Net (increase) / decrease in long term advances		(57,039,953)	47,963,965
Net increase in long term deposits		(36,495,580)	(322,511)
Net cash generated from operating activities		2,903,578,606	1,974,788,436
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment and intangible assets		(22,696,344,054)	(14,520,032,683)
Profit received from bank deposits and term deposit receipts		3,762,696,750	2,593,136,121
Net cash used in investing activities		(18,933,647,304)	(11,926,896,562)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term security deposits received - net		951,872,644	1,108,878,626
Receipts against deposit works - net		10,022,616,587	11,429,498,825
Net cash from financing activities		10,974,489,231	12,538,377,451
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(5,055,579,467)	2,586,269,325
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		30,469,423,825	27,883,154,500
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 24)		25,413,844,358	30,469,423,825

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

1. LEGAL STATUS AND OPERATIONS

1.1 Faisalabad Electric Supply Company Limited (the Company) is a public limited company incorporated on 21 March 1998 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company was established to take over all the properties, rights, assets, obligations and liabilities of Faisalabad Area Electricity Board (FAEB) owned by Pakistan Water and Power Development Authority (WAPDA) and such other assets and liabilities as agreed. The registered office of the Company is located at West Canal Road, Abdullahpur, Faisalabad. While the Company has various 132-KV and 66-KV grid stations along with other offices located in 08 districts of Central Punjab including Faisalabad, Jhang, Toba Tek Singh, Chiniot, Sargodha, Mianwali, Khushab and Bhakkar. The principal activity of the Company is distribution and supply of electricity to public within defined geographical boundaries.

1.2 The Council of Common Interest (CCI) in its meeting held on 12 September 1993 approved the privatization of thermal power generation units (GENCOs) and power distribution companies (DISCOs) in a phased program. Cabinet Committee on Privatization (CCOP) in its meeting held on 17 February 2009 approved privatization of certain GENCOs and DISCOs, this decision was ratified by Federal Cabinet in its meeting, held on 06 January 2010. President and Prime Minister of Pakistan also approved privatization of GENCOs and DISCOs including the Company during a presentation given to them by Ministry of Privatization on 22 November 2010. Decision of President and Prime Minister had also been subsequently ratified by the CCI during its meeting held on 28 April 2011. Since October 2013, the CCOP approved 68 Public Sector Enterprises (PSEs) for inclusion in the privatization program. The Company had been approved by CCOP for early implementation. The Privatization Commission (PC) on behalf of the Government of Pakistan (GoP) invited Expression of Interest (EOI) from prospective private sector strategic partner(s) to acquire seventy-four percent (74%) shareholding in the Company, currently owned by the GoP, together with management control on 02 November 2015. However, protests against privatization were started by the opposition parties and by labour unions. In order to give the union a chance to perform, the GoP has reconsidered the privatization mode of the power sector by shifting it from strategic sale to divestment through capital markets. CCOP in its meeting held on 14 July 2016 considered proposals regarding divestment of Power Sector Entities and PC to initiate process for listing of shares of the Company on the stock exchange through Initial Public Offering (IPO). It was also decided that GoP would retain the control of FESCO as well as management. The PC in its meeting held on 02 October 2017, had discussion on volume of circular debt and nature of losses being accrued in GENCOs and DISCOs and decided that the PC would seek approval of the Government to privatize the Company as strategic sale. The matter is now with the GoP.

1.3 Ministry of Energy (Power Division), Government of Pakistan vide S.R.O. 1932(1)/2022 dated 20 October 2022 notified periodic adjustment of Rupees 11,226 million for fourth quarter of financial year 2021-22. The above quarterly adjustment is fully recovered during the year. Moreover vide S.R.O. 488(I)/2023 dated 13 April 2023, periodic adjustment of Rupees 4,574 million for the second quarter of financial year 2022-23 was announced from which Rupees 3,444 million recovered in financial year 2022-23 and Rupees 1,130 million will be recovered in financial year 2023-24. Further periodic adjustment of Rupees 10,138 million for third quarter and Rupees 22,022 million for fourth quarter of financial year 2022-23 was notified vide S.R.O. 885(1)/2023 dated 04 July 2023 and vide notification No. 33892-94 dated 22 September 2023 respectively, subsequent to the reporting period, which will be recovered in 3 months from July 2023 to September 2023 and 6 months from October 2023 to March 2024 respectively. Had the remaining amount of Rupees 1,130 million for second quarter of financial year 2022-23 and total amount of Rupees 32,160 million for the third and fourth quarters adjustments of financial year 2022-23 were recovered in financial year 2022-23, the revenue for the financial year 2022-23 would have been increased by Rupees 33,290 million. Consequently, accumulated loss for the year ended 30 June 2023 would have been reduced by Rupees 22,064 million after adjusting the previous years effect of Rupees 11,226 million which was recovered during the current year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

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

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

b) Accounting convention

These financial statements have been prepared under historical cost convention, except for certain items of property, plant and equipment stated at revalued amounts and certain staff retirement benefits which are measured at present value of defined benefit obligations less fair value of plan assets.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting and reporting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgements were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairment

The estimates for revalued amounts of different classes of property, plant and equipment are based on revaluation performed by external professional valuer and recommendations of technical teams of the Company. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of assets including intangible assets for possible impairment on annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment along with intangible assets with a corresponding effect on the depreciation / amortization charge and impairment.

Provision for obsolescence of stores, spares and loose tools

The Company reviews the carrying amount of stores, spares and loose tools on regular basis and provision for obsolescence is made if there is any change in usage pattern and physical form of stores, spares and loose tools.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past. 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.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, based on the Company's experience of actual credit loss in past years.

Provisions

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognized provision is recognized in the statement of profit or loss unless the provision was originally recognized as part of cost of an asset.

Contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the tax 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 statement of financial position date.

Revenue from contracts with customers involving sale of goods

When recognizing revenue in relation to the sale of goods to customers, the key performance obligation of the Company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Tariff adjustment determination

As per the mechanism laid out in the Multi Year Tariff (MYT) decision, the Company seeks adjustments for fuel price, cost of power purchase, distribution margin and unrecovered / over recovered cost as per NEPRA's determination on a monthly / quarterly / annual basis. The monthly / quarterly / annual determinations of the tariff adjustment are approved by NEPRA from time to time.

Staff retirement benefits

The Company operates funded pension scheme, a funded free electricity scheme and a funded free medical facility scheme for all its employees along with entitlement for accumulated compensated absences which are encashed at the time of retirement upto maximum limit of 365 days. The calculation of the benefits requires assumptions to be made of future outcomes, the principal ones being in respect of increase in salary and the discount rates used to convert future cash flows to current values. The assumptions used for the plans 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. Calculations are sensitive to changes in the underlying assumptions. The figure of staff retirement benefit liabilities primarily represents the increase in actuarial present value of the obligations for benefits earned on employee service during the year and the interest on the obligations in respect of employee service in previous years, net of the respected return on plan assets.

d) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following amendments to published approved accounting standards are mandatory for the Company’s accounting periods beginning on or after 01 July 2022:

• Amendments to IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’ - Onerous Contracts – Cost of Fulfilling a Contract amends IAS 1 ‘Presentation of Financial Statements’

• Amendments to IAS 16 ‘Property, Plant and Equipment’ - Proceeds before Intended Use’

• Annual improvements to IFRS standards 2018-2020 which amended IFRS 9 ‘Financial Instruments’ and IFRS 16 ‘Leases’

The above-mentioned amendments to approved accounting standards did not have any impact on the amounts recognized in prior period and are not expected to significantly affect the current or future periods.

e) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2022 but are considered not to be relevant or do not have any significant impact on the Company’s financial statements and are therefore not detailed in these financial statements.

f) Amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2023 or later periods:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified 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 shall apply these amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual periods beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 stated that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual periods beginning on or after 01 January 2023. These amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors) effective for annual periods beginning on or after 01 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

On 31 October 2022, the IASB issued 'Non-current Liabilities with Covenants (Amendments to IAS 1)' to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after 01 January 2024.

On 25 May 2023, the IASB issued 'Suppliers Finance Arrangements (Amendments to IAS 7 and IFRS 7)' to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangement. The amendments are effective for reporting period beginning on or after 01 January 2024.

On 22 September 2022, the IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective for annual periods beginning on or after 01 January 2024.

The above amendments and improvements are likely to have no significant impact on the financial statements.

g) Standards and amendments to published approved accounting standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published approved standards that are mandatory for accounting periods beginning on or after 01 July 2023 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Functional and presentation currency along with foreign currency transactions and translation

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of profit or loss.

2.3 Staff retirement benefits

2.3.1 Defined benefit plans

The Company provides funded pension scheme, a funded free electricity scheme and a funded free medical facility scheme for all its regular employees. Further, the Company's employees are also entitled for accumulated compensated absences which are encashed at the time of retirement upto maximum limit of 365 days. The Company's obligations under these schemes are determined annually by a qualified actuary using Projected Unit Credit Actuarial Cost Method. Latest actuarial valuations have been carried on 30 June 2023. The Company's net obligation in respect of defined benefit plans 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. Past service cost is recognized immediately in the statement of profit or loss.

Remeasurements of the net defined benefit liability (except for compensated absences), which comprises 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 other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefits payments. Net interest expense and other expenses related to defined benefit plan is recognized in profit or loss. Remeasurement related to the compensated absences is recognized in the year of occurrence in the statement of profit or loss.

2.3.2 General / Employees' Provident Fund

For General / Employees' Provident Fund and WAPDA Welfare Fund, the Company makes deduction from salaries of the employees and remits these amounts to the funds established by WAPDA. The provident fund related disclosure required by the Companies Act, 2017 is not shown in these financial statements as General / Employees' Provident Fund established by WAPDA includes the employees of other power distribution and generation companies and the figures related to the Company cannot be segregated from the whole General / Employees' Provident Fund.

2.4 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments including tax credits and exemptions available, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences at the reporting date arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.5 Property, plant and equipment

2.5.1 Operating fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss, except freehold land which is stated at revalued amount less any identified impairment loss and buildings on freehold land, feeders, grids and related equipment which are stated at revalued amount less accumulated depreciation and any identified impairment loss. Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to the erection / construction period of qualifying assets and directly attributable costs of bringing the assets to working condition for their intended use.

Subsequent costs are included in the asset's 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. All other repair and maintenance costs are charged to the statement of profit or loss during the period in which these are incurred.

Increases in the carrying amounts arising on revaluation of operating fixed assets are recognized, net of deferred income tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of deferred income tax, is reclassified from surplus on revaluation of property, plant and equipment to accumulated loss. Valuations are performed with sufficient regularity to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Depreciation

Depreciation on operating fixed assets is calculated applying the straight line method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 15.1. The Company charges the depreciation on additions from the month when the asset is available for use and on deletions up to the month when the asset is de-recognized. Depreciation on operating fixed assets is charged to the statement of profit or loss except for depreciation provided on construction equipment and vehicles during the period of construction of operating fixed assets that is capitalized as part of the cost of operating fixed assets. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of profit or loss in the year the asset is de-recognized.

2.5.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any recognized impairment loss. This includes all costs connected with specific assets incurred during installation and construction period. These are transferred to specific assets as and when these assets are available for use.

2.6 Intangible assets and amortization

Intangible assets represent the cost of computer softwares acquired and are stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to the statement of profit or loss on straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization is charged from the month in which the asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed of. Intangible assets are amortized over a period of five years.

2.7 Stores, spares and loose tools

Stores and spares are valued at lower of cost or net realizable value. Usable stores and spare parts are valued principally at cost using moving average cost formula less provision for slow moving, while items considered obsolete are carried at nil value. Items-in-transit are valued at cost comprising invoice value plus other charges paid thereon. Provision for obsolete items is based on their condition as at the reporting date depending upon the management's judgement.

Net realizable value represents the estimated selling price in the ordinary course of the business less estimated cost of completion and estimated cost necessary to be incurred in order to make the sale.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in transit, 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 insignificant risk of changes in values.

2.9 Revenue from contracts with customers

i) Revenue recognition

Sale of electricity

Revenue from the sale of electricity is recognized on transmission of electricity to consumers at the rates determined by NEPRA and notified by the Government of Pakistan in official gazette from time to time.

Tariff differential subsidies

Tariff differential subsidy on electricity announced by the Government of Pakistan for consumers is recognized under revenue on an accrual basis.

Rental and service income

Meter rentals are recognized on time proportion basis.

Interest income

Interest income is recognized as interest accrues using the effective interest method. This is a method of calculating the amortized cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Late payment surcharge

Surcharge on late payment is accounted for after the due date of payment has passed.

Fuel price adjustment

Fuel price adjustment is recognized on the basis of rates notified by the NEPRA on accrual basis.

Gain on installation of new connections

Gain / loss on installation of new connections / deposit works is recognized up to 10% of variation between receipts against deposit works and actual expenditure incurred on the project.

Service charges on collection of Pakistan Television (PTV) license fee and electricity duty

Service charges on collection of PTV license fee and electricity duty is recognized on the basis of actual billing collections from consumers.

Other revenue

Other revenue is recognized when it is accrued or when the right to receive payment is established.

ii) Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due. Contract assets are treated as financial assets for impairment purposes.

iii) Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

2.10 Financial Instruments

i) Classification and measurement of financial instruments

Financial assets

a) Classification

The Company classifies its financial assets and financial liabilities at amortized cost. A financial asset is measured at amortized cost if both of following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments at amortized cost. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in statement of profit or loss and presented in other income / (other expenses).

Financial liabilities

Classification and measurement

Financial liabilities are classified at amortized cost. These are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

ii) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For financial assets, except for the bank balances for which 12-month expected credit loss is measured, the Company applies the simplified approach to recognize expected lifetime losses from initial recognition of the receivables. The Company recognizes in statement of profit or loss, the amount of expected credit losses or reversal which is required to adjust its loss allowance at the reporting date.

iii) De-recognition

Financial assets

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the 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 it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

The Company also de-recognizes 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 de-recognition 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 profit or loss.

iv) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

2.11 Deferred credit

Amounts received from consumers and Government as contributions towards the cost of extension of electricity distribution network and of providing service connections are deferred and amortized over the estimated useful lives of related assets. Amortization of deferred credit commences upon completion of related work which is taken to the statement of profit or loss each year corresponding to the depreciation charge of relevant asset for the year.

2.12 Borrowings

Borrowings are recognized initially at fair value of the consideration received, net of transaction costs. These are subsequently stated at amortized cost using the effective interest method.

2.13 Borrowing cost

Interest, mark-up and other charges on long term finances directly attributable to the acquisition, construction and production of qualifying assets are capitalized up to the date of commissioning of respective qualifying assets. All other interest, mark-up and other charges are charged to the statement of profit or loss in the period in which these are incurred.

2.14 Trade debts and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

The Company has applied the simplified approach to measure expected credit losses, which uses a lifetime expected credit loss allowance. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

Expected credit losses are recognized as follows:

a) No expected credit loss on Government institutions balances, being not subject to risk of default.

b) Expected credit loss of whole amount receivable from permanently disconnected consumers, exceeding one year;

c) Expected credit loss on whole arrears from private consumers, exceeding one year; and

d) Expected credit loss on all deferred arrears.

2.15 Share capital

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as of deduction, net of tax.

2.16 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value plus directly attributable costs. These are subsequently measured at amortized cost using the effective interest method.

2.17 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the statement of profit or loss.

2.18 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and reliable estimate of the amount can be made. However provisions are reviewed at each reporting date and adjusted to reflect current best estimate. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

2.19 Contingent assets

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes certain.

2.20 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the financial statements.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2023	2022		2023	2022
NUMBER OF SHARES			RUPEES	RUPEES
1 000	1 000	Ordinary shares of Rupees 10 each fully paid in cash to Government of Pakistan (GoP)	10,000	10,000

3.1 This represents 1 000 (2022: 1 000) ordinary shares of Rupees 10 each fully paid up in cash issued in the name of President of Islamic Republic of Pakistan.

4. DEPOSIT FOR SHARES

This represents credit of Rupees 41,556.652 million (2022: Rupees 34,478.691 million) received by the Company in financial year 2014 from Central Power Purchase Agency (Guarantee) Limited (CPPA-G) in pursuance of letter No. F.1(5)-CF-1/2012-13/1017 dated 02 July 2013 from Ministry of Finance as GoP investment against circular debt of Rupees 341 billion and equity injection by the Ministry of Finance as mark up on syndicated loans. Hence this was treated as GoP equity investment in the Company. During the year the Company has made a non-cash adjustment in deposit for shares amounting to Rupees 7,077.961 million as intimated vide various letters received from CPPA-G on the directions of Ministry of Energy, Power Division, GoP.

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF DEFERRED INCOME TAX

	2023	2022
As at 01 July	46,709,166,741	47,433,929,524
Less:		
Incremental depreciation charged during the year transferred to accumulated loss - net of deferred income tax	561,925,044	587,148,972
Adjustment of deferred income tax liability on transfer of property, plant and equipment - net of deferred income tax	142,145,046	137,613,811
	704,070,090	724,762,783
As at 30 June	46,005,096,651	46,709,166,741

5.1 This represents surplus resulting from revaluation of freehold land, buildings thereon, grids and equipment carried out on 01 July 2019 and feeders carried out on 30 June 2020 by Messrs F K S Building Services, an independent valuer enrolled on panel of the State Bank of Pakistan (SBP). Previously revaluation was carried out by an independent valuer on 30 June 2013 and 30 June 2006.

6. LONG TERM FINANCING

Secured

From Asian Development Bank - Relent by the GoP

	2023	2022
- Tranche I (Note 6.1)	832,226,142	832,226,142
- Tranche II (Note 6.2)	1,000,702,296	1,000,702,296
- Tranche III (Note 6.3)	2,260,911,648	2,260,911,648
- Tranche IV (Note 6.4)	1,447,439,693	1,447,439,693
	5,541,279,779	5,541,279,779
Less:		
Current portion shown under current liabilities	316,161,754	375,606,486
Overdue portion shown under current liabilities	2,182,701,202	1,807,094,717
	2,498,862,956	2,182,701,203
	3,042,416,823	3,358,578,576

6.1 This represents re-lent portion of loan obtained by GoP from Asian Development Bank (ADB) for Power Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 17% inclusive of relending interest of 11% per annum plus exchange risk component of 6% per annum which shall be charged both on principal amount and interest amount separately and commitment charges at the rate of 0.15% per annum on the un-disbursed amount of loan. Repayment of principal has to be made on half yearly basis within maximum period of 15 years including grace period of 2 years starting from February 2011. The overdue amounts of principal and mark-up aggregate to Rupees 772.781 million (2022: Rupees 653.892 million) and Rupees 960.556 million (2022: Rupees 813.585 million) respectively.

6.2 This represents re-lent portion of loan obtained by GoP from ADB for Power Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk component of 6.8% per annum which shall be charged both on principal amount and interest amount separately and commitment charges at the rate of 0.15% per annum on the un-disbursed amount of loan. Repayment of principal has to be made on half yearly basis within maximum period of 17 years excluding grace period of 3 years starting from June 2014. The overdue amounts of principal and mark-up aggregate to Rupees 469.665 million (2022: Rupees 398.860 million) and Rupees 903.023 million (2022: Rupees 747.338 million) respectively.

6.3 This represents re-lent portion of loan obtained by GoP from ADB for Power Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk component of 6.8% per annum which shall be charged both on principal amount and interest amount separately and commitment charges at the rate of 0.15% per annum on the un-disbursed amount of loan. Repayment of principal has to be made on half yearly basis within maximum period of 20 years excluding a grace period of 5 years starting from June 2018. The overdue amounts of principal and mark-up aggregate to Rupees 614.581 million (2022: Rupees 501.041 million) and Rupees 1,939.879 million (2022: Rupees 1,588.136 million) respectively.

6.4 This represents re-lent portion of loan obtained by GoP from ADB for Power Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk component of 6.8% per annum which shall be charged both on principal amount and interest amount separately and commitment charges at the rate of 0.15% per annum on the un-disbursed amount of loan. Repayment of principal has to be made on half yearly basis within maximum period of 20 years excluding a grace period of 5 years starting from June 2019. The overdue amounts of principal and mark-up aggregate to Rupees 325.674 million (2022: Rupees 253.302 million) and Rupees 1,314.728 million (2022: Rupees 1,089.541 million) respectively.

6.5 These loans have been granted by Asian Development Bank (ADB) to GoP which have been re-lent to the Company on account of Power Distribution Enhancement Investment Program. These loans have been secured against the guarantees provided by GoP.

6.6 Pakistan Electric Power Company (Private) Limited (PEPCO) now Power Planning and Monitoring Company (Private) limited (PPMC) vide its letter No. DGCPCC/PEPCO/2152-63 dated 20 February 2017 directed the Company that the payment of debt service on account of foreign relent loans may be withheld till the final decision on the matter that debt service by the WAPDA, GENCOs and DISCOs may be adjusted against their receivable balances from GoP. Resultantly, the Company did not make any payment in respect of foreign relent loans. However, the Economic Affairs Division, GoP in its letter no. 6-16(1) DMR-II/2011 dated 27 March 2023 demanded repayment of principal along with mark-up amounting to Rupees 1,807 million and Rupees 3,354 million respectively.

7. STAFF RETIREMENT BENEFITS

	2023 RUPEES	2022 RUPEES
Pension obligations (Note 7.1)	95,914,178,428	88,938,166,809
Free medical benefits (Note 7.1)	5,034,717,809	5,386,516,267
Free electricity (Note 7.1)	6,969,330,444	3,964,605,230
Leave encashment (Note 7.1)	2,030,827,409	2,015,532,812
	109,949,054,090	100,304,821,118

7.1 Movement in the net liabilities recognized in the statement of financial position is as follows:

	30 June 2023				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	----------RUPEES----------				
Balance as at 01 July 2022	88,938,166,809	5,386,516,267	3,964,605,230	2,015,532,812	100,304,821,118
Charge for the year (Note 7.2)	13,506,864,256	784,348,968	613,987,414	745,539,723	15,650,740,361
Remeasurements recognized in statement of comprehensive income (Note 7.3)	1,734,153,165	175,942,866	3,098,283,710	-	5,008,379,741
Liability transferred from GENCO's (Note 22.2.3)	763,999,744	46,244,599	79,054,248	-	889,298,591
Benefits paid	(6,542,576,081)	(718,344,665)	(323,845,494)	(406,419,481)	(7,991,185,721)
Contribution made	(2,486,429,465)	(639,990,226)	(462,754,664)	(323,825,645)	(3,913,000,000)
Balance as at 30 June 2023	95,914,178,428	5,034,717,809	6,969,330,444	2,030,827,409	109,949,054,090

	30 June 2022				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	----------RUPEES----------				
Balance as at 01 July 2021	74,067,929,707	7,361,878,341	5,055,546,219	2,437,214,143	88,922,568,410
Charge for the year (Note 7.2)	8,441,642,251	803,626,744	586,625,159	253,351,426	10,085,245,580
Remeasurements recognized in statement of comprehensive income (Note 7.3)	14,560,000,637	(1,366,393,662)	(916,753,935)	-	12,276,853,040
Benefits paid	(5,144,894,545)	(643,887,243)	(204,986,269)	(286,077,855)	(6,279,845,912)
Contribution made	(2,986,511,241)	(768,707,913)	(555,825,944)	(388,954,902)	(4,700,000,000)
Balance as at 30 June 2022	88,938,166,809	5,386,516,267	3,964,605,230	2,015,532,812	100,304,821,118

7.1.1 The amount of pension obligation recognized in the statement of financial position is as follows:

	30 June 2023				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	----------RUPEES----------				
Present value of defined benefit obligations	107,857,884,961	8,109,028,642	9,192,257,637	3,586,383,489	128,745,554,729
Fair value of plan assets	(11,943,706,533)	(3,074,310,833)	(2,222,927,193)	(1,555,556,080)	(18,796,500,639)
	95,914,178,428	5,034,717,809	6,969,330,444	2,030,827,409	109,949,054,090

	30 June 2022				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	----------RUPEES----------				
Present value of defined benefit obligations	96,650,322,782	7,371,573,360	5,399,930,943	3,019,942,514	112,441,769,599
Fair value of plan assets	(7,712,155,973)	(1,985,057,093)	(1,435,325,713)	(1,004,409,702)	(12,136,948,481)
	88,938,166,809	5,386,516,267	3,964,605,230	2,015,532,812	100,304,821,118

7.1.1.1 Change in fair value of plan assets

	30 June 2023				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	----------RUPEES----------				
Balance as at 01 July	7,712,155,973	1,985,057,093	1,435,325,713	1,004,409,702	12,136,948,481
Expected return on plan assets	426,306,200	262,693,783	203,145,340	130,020,226	1,022,165,549
Cash flows:					
- Total employer's contributions					
(i) Employer's contributions	2,486,429,465	639,990,226	462,754,664	323,825,645	3,913,000,000
(ii) Employer's direct benefit payments	6,542,576,081	718,344,665	323,845,494	406,419,481	7,991,185,721
- Benefit payments from plan	(6,542,576,081)	(718,344,665)	(323,845,494)	(406,419,481)	(7,991,185,721)
Actuarial gain on plan assets	1,318,814,895	186,569,731	121,701,476	97,300,507	1,724,386,609
Balance as at 30 June	11,943,706,533	3,074,310,833	2,222,927,193	1,555,556,080	18,796,500,639

	30 June 2022				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES				
Balance as at 01 July	4,051,785,845	1,042,902,433	754,086,462	527,693,297	6,376,468,037
Expected return on plan assets	126,335,254	113,294,559	95,274,396	59,361,012	394,265,221
Cash flows:					
- Total employer's contributions					
(i) Employer's contributions	2,986,511,241	768,707,913	555,825,944	388,954,902	4,700,000,000
(ii) Employer's direct benefit payments	5,144,894,545	643,887,243	204,986,269	286,077,855	6,279,845,912
- Benefit payments from plan	(5,144,894,545)	(643,887,243)	(204,986,269)	(286,077,855)	(6,279,845,912)
Actuarial gain on plan assets	547,523,633	60,152,188	30,138,911	28,400,491	666,215,223
Balance as at 30 June	7,712,155,973	1,985,057,093	1,435,325,713	1,004,409,702	12,136,948,481

7.2 Amounts recognized in the statement of profit or loss against defined benefit schemes are:

	30 June 2023				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES				
Current service cost	1,327,000,766	100,368,612	110,001,648	65,954,405	1,603,325,431
Interest cost	12,606,169,690	946,674,139	707,131,106	380,258,924	14,640,233,859
Actuarial loss	-	-	-	526,647,127	526,647,127
Gain on plan assets	(426,306,200)	(262,693,783)	(203,145,340)	(227,320,733)	(1,119,466,056)
Net charge for the year	13,506,864,256	784,348,968	613,987,414	745,539,723	15,650,740,361

	30 June 2022				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES				
Current service cost	824,382,506	88,430,495	96,917,752	56,980,047	1,066,710,800
Interest cost	7,743,594,999	828,490,808	584,981,803	289,241,523	9,446,309,133
Actuarial gains	-	-	-	(5,108,641)	(5,108,641)
Gain on plan assets	(126,335,254)	(113,294,559)	(95,274,396)	(87,761,503)	(422,665,712)
Net charge for the year	8,441,642,251	803,626,744	586,625,159	253,351,426	10,085,245,580

7.3 Remeasurements recognized in statement of comprehensive income:

	30 June 2023				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES				
Experience adjustments	3,052,968,060	362,512,597	3,219,985,186	-	6,635,465,843
Gain on plan assets	(1,318,814,895)	(186,569,731)	(121,701,476)	-	(1,627,086,102)
	1,734,153,165	175,942,866	3,098,283,710	-	5,008,379,741

	30 June 2022				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES				
Experience adjustments	15,107,524,270	(1,306,241,474)	(886,615,024)	-	12,914,667,772
Gain on plan assets	(547,523,633)	(60,152,188)	(30,138,911)	-	(637,814,732)
	14,560,000,637	(1,366,393,662)	(916,753,935)	-	12,276,853,040

7.4 Reconciliation of present value of defined benefit obligations:

	30 June 2023				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES				
Balance as at 01 July 2022	96,650,322,782	7,371,573,360	5,399,930,943	3,019,942,514	112,441,769,599
Current service cost	1,327,000,766	100,368,612	110,001,648	65,954,405	1,603,325,431
Interest cost	12,606,169,690	946,674,139	707,131,106	380,258,924	14,640,233,859
Liability transferred from GENCO's	763,999,744	46,244,599	79,054,248	-	889,298,591
Benefits paid during the year	(6,542,576,081)	(718,344,665)	(323,845,494)	(406,419,481)	(7,991,185,721)
Remeasurements	3,052,968,060	362,512,597	3,219,985,186	-	6,635,465,843
Actuarial loss	-	-	-	526,647,127	526,647,127
Balance as at 30 June 2023	107,857,884,961	8,109,028,642	9,192,257,637	3,586,383,489	128,745,554,729

	30 June 2022				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES				
Balance as at 01 July 2021	78,119,715,552	8,404,780,774	5,809,632,681	2,964,907,440	95,299,036,447
Current service cost	824,382,506	88,430,495	96,917,752	56,980,047	1,066,710,800
Interest cost	7,743,594,999	828,490,808	584,981,803	289,241,523	9,446,309,133
Benefits paid during the year	(5,144,894,545)	(643,887,243)	(204,986,269)	(286,077,855)	(6,279,845,912)
Remeasurements	15,107,524,270	(1,306,241,474)	(886,615,024)	-	12,914,667,772
Actuarial gains	-	-	-	(5,108,641)	(5,108,641)
Balance as at 30 June 2022	96,650,322,782	7,371,573,360	5,399,930,943	3,019,942,514	112,441,769,599

7.5 All of the investment of plan assets is in certain term deposit receipts of commercial banks.

7.6 The principal actuarial assumptions at the reporting date were as follows:

	30 June 2023			
	Pension	Free medical benefits	Free electricity benefits	Leave encashment
Discount rate for defined benefit obligation (per annum)	15.75%	15.75%	15.75%	15.75%
Discount rate for statement of profit or loss (per annum)	13.50%	13.50%	13.50%	13.50%
Electricity inflation rate (per annum)	-	-	15.75%	-
Annual medical claim per retired person's family - Rupees	-	11,933	-	-
Salary increase rate (per annum)	14.75%	14.75%	-	14.75%
Pension indexation rate (per annum)	9.75%	-	-	-
Take up rate of allowance-in service of facility	-	11.95%	-	-
Medical inflation rate (per annum)	-	13.50%	-	-
Mortality rates	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year
Withdrawal rates	Low	Low	Low	Low
Expected charge to the statement of profit or loss for the next financial year (Rupees)	17,623,615,921	935,979,544	1,630,147,091	330,241,224
Duration of scheme (years)	15	9	11	14

	30 June 2022			
	Pension	Free medical benefits	Free electricity benefits	Leave encashment
Discount rate for defined benefit obligation (per annum)	13.50%	13.50%	13.50%	13.50%
Discount rate for statement of profit or loss (per annum)	10.25%	10.25%	10.25%	10.25%
Electricity inflation rate (per annum)	-	-	10.25%	-
Annual medical claim per retired person's family - Rupees	-	13,860	-	-
Salary increase rate (per annum)	9.25%	9.25%	-	9.25%
Pension indexation rate (per annum)	4.25%	-	-	-
Take up rate of allowance-in service of facility	-	11.95%	-	-
Medical inflation rate (per annum)	-	13.50%	-	-
Mortality rates	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year
Withdrawal rates	Low	Low	Low	Low
Expected charge to the statement of profit or loss for the next financial year (Rupees)	13,796,382,644	827,548,308	838,992,325	336,769,283
Duration of scheme (years)	12	9	18	12

7.7 Sensitivity analysis for actuarial assumptions:

	30 June 2023			
	Pension	Free medical benefits	Free electricity benefits	Leave encashment
Discount rate	1.00%	1.00%	1.00%	1.00%
Increase in assumption (Rupees)	(5,555,932,193)	(694,943,754)	(955,653,420)	(465,818,995)
Decrease in assumption (Rupees)	26,530,264,984	831,986,339	1,145,243,952	553,347,221
Future salary increase	1.00%	-	-	1.00%
Increase in assumption (Rupees)	10,993,148,254	-	-	555,969,613
Decrease in assumption (Rupees)	724,531,590	-	-	(475,528,219)
Indexation rate	1.00%	-	1.00%	-
Increase in assumption (Rupees)	20,589,175,301	-	1,196,548,025	-
Decrease in assumption (Rupees)	(1,174,971,233)	-	(1,013,231,934)	-
Withdrawal rates	10.00%	10.00%	-	-
Increase in assumption (Rupees)	(32,357,365)	(2,432,708)	-	-
Decrease in assumption (Rupees)	32,357,365	2,432,709	-	-
Mortality setback	1 year	1 year	-	-
Increase in assumption (Rupees)	11,143,447,695	(4,865,417)	-	-
Decrease in assumption (Rupees)	6,343,668,271	4,865,417	-	-
Medical inflation rate	-	1.00%	-	-
Increase in assumption (Rupees)	-	730,623,481	-	-
Decrease in assumption (Rupees)	-	(639,802,359)	-	-

	30 June 2022			
	Pension	Free medical benefits	Free electricity benefits	Leave encashment
Discount rate	1.00%	1.00%	1.00%	1.00%
Increase in assumption (Rupees)	(10,653,031,301)	(625,402,864)	(827,335,585)	(320,497,098)
Decrease in assumption (Rupees)	13,100,518,911	752,806,847	1,111,951,943	383,256,618
Future salary increase	1.00%	-	-	1.00%
Increase in assumption (Rupees)	3,807,153,810	-	-	384,875,128
Decrease in assumption (Rupees)	(3,316,053,242)	-	-	(327,097,449)
Indexation rate	1.00%	-	1.00%	-
Increase in assumption (Rupees)	9,466,080,853	-	453,426,847	-
Decrease in assumption (Rupees)	(7,270,951,952)	-	(353,650,736)	-
Withdrawal rates	10.00%	10.00%	-	-
Increase in assumption (Rupees)	13,067,593,658	(2,948,629)	-	-
Decrease in assumption (Rupees)	3,837,291,053	2,948,629	-	-
Mortality setback	1 year	1 year	-	-
Increase in assumption (Rupees)	57,990,194	(5,160,101)	-	-
Decrease in assumption (Rupees)	(10,704,629,676)	5,160,101	-	-
Medical inflation rate	-	1.00%	-	-
Increase in assumption (Rupees)	-	667,873,647	-	-
Decrease in assumption (Rupees)	-	(576,510,322)	-	-

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the staff retirement benefits to significant actuarial assumptions, the same method (present value of the staff retirement benefits calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liabilities of staff retirement benefits recognized within the statement of financial position.

The methods, types and rates of assumptions used in preparing the sensitivity analysis were changed as compared to the previous year due to upward trend in discount rate structure and increase in inflationary expectations.

7.8 Risks associated with staff retirement benefits

The defined benefit plans expose the Company to the following risks:

Discount rate risk:

The risk of changes in discount rate will have an impact on the actuarial liability. Any increase in discount rate will reduce the liability and vice versa.

Salary increase / inflation risk:

The increase in salary in the future years being higher than assumed will increase the liability.

Mortality risk

Any reduction in the mortality rates being assumed will increase the liability.

Withdrawal Risk:

Any differences in the assumed withdrawal rates will have a corresponding impact on the liability depending on the benefits payable on withdrawal.

8. LONG TERM SECURITY DEPOSITS

These represent security deposits received from consumers at the time of electricity connections and are refundable / adjustable on disconnection of electricity supply.

9. RECEIPTS AGAINST DEPOSIT WORKS

	2023 RUPEES	2022 RUPEES
Consumers demand notices awaiting connections (Note 9.1)	497,981,116	694,879,283
Funds received against deposit works (Note 9.2)	19,701,546,164	17,405,456,614
	20,199,527,280	18,100,335,897

9.1 These represent amounts received from consumers through demand notices against which the related works / jobs have not been completed.

9.2 These represent amounts received directly by the Company for electrification of villages, colonies and other deposit works, mainly provided through Government funding against which the related works / jobs have not been completed.

10. DEFERRED CREDIT

	2023 RUPEES	2022 RUPEES
Balance as at 01 July	55,130,993,252	49,888,747,814
Additions during the year	7,923,425,204	5,242,245,438
	63,054,418,456	55,130,993,252
Less: Accumulated amortization		
Balance as at 01 July	19,936,815,897	18,007,231,133
Amortization for the year	2,206,904,646	1,929,584,764
	22,143,720,543	19,936,815,897
Balance as at 30 June	40,910,697,913	35,194,177,355

10.1 This represents the capital contributions received from consumers and the Government against which assets are constructed by the Company.

		2023 RUPEES	2022 RUPEES
11.	**DEFERRED INCOME TAX LIABILITY**		
	Balance as at 01 July	6,788,064,159	7,084,094,028
	Less:		
	Deferred income tax liability on incremental depreciation transferred to the statement of profit or loss	229,518,680	239,821,411
	Deferred income tax liability on assets transferred during the year transferred to the statement of profit or loss	58,059,244	56,208,458
		287,577,924	296,029,869
	Balance as at 30 June	6,500,486,235	6,788,064,159

11.1	Deferred income tax effect due to:		
	Accelerated tax depreciation on operating fixed assets	19,361,791,345	18,579,328,400
	Allowance for expected credit losses	(1,251,130,231)	(412,125,905)
	Provision for slow moving and obsolete items of stores, spares and loose tools	(10,944,333)	(11,702,546)
	Staff retirement benefits	(31,885,225,686)	(29,088,398,124)
	Unused tax losses	(107,435,757,458)	(103,846,363,655)
		(121,221,266,363)	(114,779,261,830)
	Unrecognized deferred tax asset	121,221,266,363	114,779,261,830
		-	-

11.2 Deferred income tax liability is created on surplus on revaluation of property, plant and equipment. Other taxable and deductible temporary differences result in deferred income tax asset which has not been recognized in these financial statements due to uncertainty and in availability of sufficient future taxable profits as these temporary differences are not likely to reverse in the foreseeable future.

12.	**TRADE AND OTHER PAYABLES**		
	Creditors	846,387,890	869,168,988
	Due to associated companies (Note 12.1)	91,623,032,248	97,858,781,616
	Billing related payables (Note 12.2)	14,948,356,132	12,015,081,431
	Workers' profit participation fund (Note 12.3 and Note 12.4)	1,650,983,096	1,650,983,096
	Excess receipt against deposit work	1,048,519,119	1,169,413,342
	Accrued liabilities	644,228,732	493,417,675
	Contract liabilities - unsecured (Note 12.5)	953,913,967	587,788,294
	Sales tax payable	2,509,983,158	-
	Income tax deducted at source	92,860,571	90,579,133
	Retention money payable	247,504,770	142,941,027
	Other liabilities	1,560,806,563	1,391,337,580
		116,126,576,246	116,269,492,182
12.1	**Due to associated companies**		
	Central Power Purchasing Agency (Guarantee) Limited (CPPA-G)	87,539,690,681	95,273,750,402
	National Transmission and Despatch Company Limited (NTDC)	3,437,302,946	1,889,416,839
	Due to associated companies on account of free electricity (Note 12.1.1)	587,646,953	613,513,103
	Due to associated companies on account of pension (Note 12.1.2)	58,391,668	82,101,272
		91,623,032,248	97,858,781,616
12.1.1	**Due to associated companies on account of free electricity**		
	Lahore Electric Supply Company Limited (LESCO)	583,974,581	611,321,730
	Sukkur Electric Power Company Limited (SEPCO)	3,672,371	2,191,373
		587,646,953	613,513,103
12.1.2	**Due to associated companies on account of pension**		
	Peshawar Electric Supply Company Limited (PESCO)	52,414,763	81,171,997
	Lahore Electric Supply Company Limited (LESCO)	5,976,905	929,275
		58,391,668	82,101,272

		2023 RUPEES	2022 RUPEES
12.2	**Billing related payables**		
	Equalization surcharge payable (Note 12.2.1)	2,203,140,504	2,203,206,426
	Electricity duty payable	190,535,854	297,082,485
	TV License fee payable	118,015,783	122,115,480
	Neelum Jhelum surcharge (Note 12.2.2)	1,126,504,331	1,125,721,010
	Extra / further tax	961,428,830	707,811,756
	Income tax	998,387,679	856,567,030
	Financing cost surcharge payable	3,724,547,148	1,079,972,981
	Tariff rationalization surcharge payable	5,508,476,896	5,552,893,402
	General sales tax	117,319,107	69,710,861
		14,948,356,132	12,015,081,431

12.2.1 Equalization surcharge was collected from consumers pursuant to S.R.O. 235(1)2011, dated 15 March 2011 issued by the Ministry of Energy, GoP. The amount was collected from customers during the period from April 2011 to May 2012 but further collection was discontinued on account of a subsequent S.R.O. 505(1)2012, dated 16 May 2012. Payment of this amount to the Federal Government is currently deferred as payment mechanism has not been conveyed to the Company by the GoP. The Company through letter No. 8612/FESCO/CFO/Compilation dated 06 April 2023 requested the PPMC to impart necessary guidelines for adjustment of the equalization surcharge.

12.2.2 On 19 February 2021 ECC of the cabinet through Its decision No. ECC-53/6/2021 approved Neelum Jhelum surcharge (NJ surcharge) revocation summary dated 12 February 2021, submitted by Ministry of Energy (Power division). Further, it was approved that NJ surcharge collected by DISCOs and transferred to WAPDA after 28 December 2018 will be audited by the Auditor General of Pakistan and the amount would be returned to the eligible consumers / adjusted in their forthcoming electricity bills.

		2023 RUPEES	2022 RUPEES
12.3	**Workers' profit participation fund**		
	Balance as at 01 July	1,650,983,096	1,584,446,791
	Provision for the year	-	66,536,305
	Balance as at 30 June	1,650,983,096	1,650,983,096

12.4 The Company has not made payment of its contribution towards Workers' Profit Participation Fund (WPPF), being the Company's liability on account of provision of Companies Profit (Workers' Participation) Act, 1968 relating to profit for the years ended 30 June 2004, 30 June 2005, 30 June 2020, 30 June 2021 and 30 June 2022. The matter is pending for decision with the Economic Coordination Committee (ECC) upon a recommendation submitted by WAPDA to exempt the corporatized entities under its umbrella from the requirements of the Companies Profit (Workers' Participation) Act, 1968. Due to pending decision with the ECC, no provision of mark-up is made as required under the Companies Profit (Workers' Participation) Act, 1968. Further, the Company has not made provision against WPPF amounting to Rupees 2,707 million relating to the financial years ended 30 June 2009, 30 June 2010, 30 June 2013, 30 June 2014 and 30 June 2015. However the Company has shown the WPPF for the years ended 30 June 2009, 30 June 2010, 30 June 2013, 30 June 2014 and 30 June 2015 along with total mark-up as contingent liabilities under Note 14.1.3 to the financial statements.

12.5 The Company has recognized revenue of Rupees 345.734 million (2022: Rupees 314.732 million) from amounts included in contract liabilities at the year end.

		2023 RUPEES	2022 RUPEES
13.	**ACCRUED MARK-UP**		
	Foreign re-lent loans	113,322,002	113,322,002
	Overdue mark-up on foreign re-lent loans	5,118,185,820	4,238,598,954
		5,231,507,822	4,351,920,956

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 The Company has received various invoices from CPPA-G representing late payment charges (supplementary charges) being the share of the Company in late payment charges charged to CPPA-G by Independent Power Producers (IPPs) on account of delayed payments aggregating to Rupees 13,694.27 million (2022: Rupees 13,413.92 million) over the years. Moreover, NEPRA has decided that the late payment charges (supplementary charges) recovered from consumers on utility bills shall be offset against the late payment charges (supplementary charges) invoices raised by CPPA and CPPA cannot account for late payment charges (supplementary charges) over and above what is calculated as per agreement. Therefore, the Company has not acknowledged this amount as its liability.

14.1.2 The Company had received credit notes issued to the Company against Tariff Differential Subsidy of Rupees 7,922.53 million from CPPA-G in the financial year 2015, on the basis of Pakistan Electric Power Company (Private) Limited (PEPCO) now Power Planning and Monitoring Company (Private) Limited (PPMC) allocation as per previous practice. As per CPPA-G the allocation to the Company was not based on the actual releases so in order to correct the allocation, CPPA-G has withdrawn these credit notes. However according to the management of the Company, CPPA-G has withdrawn these credit notes after adjusting the Tariff Rationalization Surcharge against subsidy receivable from Government of Pakistan which has been allowed with effect from June 2015 but these credit notes relate to the period prior to June 2015. Therefore, the Company has not acknowledged this reversal of credit notes and has not recognised this amount as liability.

14.1.3 The Companies Profit (Workers' Participation) Act, 1968 requires payment of the allocated amount to the Workers Profit Participation Fund (WPPF) within nine months of the close of relevant financial year. However, due to pending decision of the Economic Coordination Committee to exempt the corporatized entities under the umbrella of WAPDA from requirements of the said Act, the Company has not made provision of WPPF amounting to Rupees 2,707 million for the financial years ended 30 June 2009, 30 June 2010, 30 June 2013, 30 June 2014 and 30 June 2015 and for the total interest accrued on WPPF thereon as given in Note 12.4.

14.1.4 In addition to above-mentioned matters, large number of small cases have been filed against the Company, primarily by the Company's employees, customers and vendors, the quantum of which cannot be estimated reliably. However, the management is of the view that in the overall context of these financial statements, there would be no significant liability of the Company against such cases.

14.1.5 Income tax

(i) Additional Commissioner Inland Revenue passed an Order No. 344 dated 07 January 2014 for tax the year 2013 under section 122(5A) of the Ordinance, raising a demand of Rupees 88.769 million, in respect of non payment of minimum tax on subsidy under section 113 of the Income Tax Ordinance, 2001 (the Ordinance). The Company filed an appeal to Appellate Tribunal Inland Revenue (ATIR) against this order. The ATIR decided the case in favour of the Company. The Regional Tax Office filed reference dated 12 May 2016 against the decision before the Lahore High Court, Lahore which is pending for adjudication.

(ii) Additional Commissioner Inland Revenue passed Order No. 8299 dated 06 April 2016 and Order No. 8524 dated 21 June 2016 for tax the years 2014 and 2015 respectively under section 122(5A) of the Ordinance, raising a demand of Rupees 1,574.665 million and Rupees 558.964 million, in respect of non payment of minimum tax on subsidy under section 113 of the Ordinance and alleged incorrect claim of tax credit under section 65B of the Ordinance, respectively. The Company filed an appeal to Appellate Tribunal Inland Revenue (ATIR) against this order. The ATIR decided the case in favour of the Company. The Regional Tax Office has filed reference application on 14 April 2017 against the decision before the Lahore High Court, Lahore which is pending for adjudication.

(iii) Additional Commissioner Inland Revenue passed an Order vide letter No. 539335-1 dated 09 January 2017 under section 122(9) of the Ordinance, raising a demand of Rupees 13.896 million in respect of less depositing of turnover tax under section 113 of the Ordinance in tax year 2011. The Commissioner Inland Revenue (Appeals) has decided the case against the Company. The Company has filed an appeal against the decision before Appellate Tribunal Inland Revenue on 03 December 2020, which is pending for adjudication.

(iv) Additional Commissioner Inland Revenue passed an Order No. 678 dated 23 December 2015 under section 122(5A) raising a demand of Rupees 156.009 million for the tax year 2010, in respect of illegal set off of part of accumulated unabsorbed depreciation against interest from bank deposits / instruments and non-payment of tax on such income. The Company filed to Appellate Tribunal Inland Revenue (ATIR) against this order. The matter has been resolved in favour of the Company by the ATIR. However, Regional Tax Office has filed an appeal on 22 November 2018 before the Lahore High Court, Lahore which is pending for adjudication.

(v) Additional Commissioner Inland Revenue issued a show cause notice No. 438 dated 04 February 2014 for the tax year 2009 under section 122(5A) of the Ordinance, raising a demand of Rupees 122.559 million, in respect of illegal set off of part of accumulated unabsorbed depreciation against interest from bank deposits / instruments and non-payment of tax on such income. The matter has been resolved in favour of the Company by the Appellate Tribunal Inland Revenue (ATIR) on 18 January 2016. However, Regional Tax Office has requested to file reference application before the Lahore High Court, Lahore on 12 May 2016.

(vi) Deputy Commissioner Inland Revenue passed order dated 06 June 2018 under section 205/160 of the Ordinance for the tax years 2016 and 2017 raising a demand of Rupees 67.023 million, in respect of non deduction of withholding tax against payment of use of system charges to NTDC. The Commissioner Inland Revenue (Appeals) (CIR (A)) passed order against the Company. The Company has filed reference application No. 18479 dated 27 February 2021 before the Lahore High Court, Lahore against the order of Appellate Tribunal Inland Revenue dated 11 November 2020, which is pending for adjudication.

(vii) Deputy Commissioner Inland Revenue passed Orders under section 205 of the Ordinance for the tax years 2012, 2013, 2014 and 2015 raising a demand of Rupees 229.280 million, in respect of non deduction of withholding tax against payment of use of system charges to NTDC. The Company filed appeals against these orders before Appellate Tribunal Inland Revenue (ATIR), which were decided against the Company. The Company filed Income Tax Reference Nos. 45069, 45078, 45072 and 45074 dated 10 June 2020 before Lahore High Court, Lahore against the orders of ATIR, which are pending for adjudication.

(viii) Additional Commissioner Inland Revenue passed an Order No. 1758 dated 26 September 2018 under section 161(1) and raised demand of Rupees 46.353 million, in respect of alleged non-payment of withholding tax on various payments, in respect of tax year 2017. The Company has filed reference application on 27 February 2021 before Lahore High Court, Lahore against the orders of Appellate Tribunal Inland Revenue, which is pending for adjudication.

(ix) Additional Commissioner Inland Revenue passed an Order vide bar code No. 100000118080488 dated 22 February 2022 for tax year 2017 under section 122(5A) of the Ordinance, raising a demand of Rupees 422.765 million, in respect of illegal tax credit claimed under section 65B of the Ordinance for the tax year 2017. The Company has filed appeal before Commissioner Inland Revenue (Appeals) on 14 March 2022, which is pending for adjudication.

(x) Additional Commissioner Inland Revenue passed an Order vide bar code No. 100000115217240 dated 23 December 2021 for tax year 2018 under section 122(5A) of the Ordinance, creating a demand of Rupees 3,699.121 million in respect of non payment of alternative corporate tax. Being aggrieved with the order of Additional Commissioner Inland Revenue, the Company has filed an appeal before Commissioner Inland Revenue (Appeals) on 31 January 2022, the proceedings of which is pending for adjudication.

(xi) Deputy Commissioner Inland Revenue issued Order vide bar code No. 100000126469023 dated 28 June 2022 for tax year 2016 under section 161(1) of the Ordinance raising a demand of Rupees 485.783 million in respect of tax year 2016 regarding non deduction of withholding tax against payment of salaries, wages and other benefits to employees. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) on 25 July 2022, which is pending for adjudication.

(xii) Deputy Commissioner Inland Revenue issued Order vide bar code No. 100000115292828 dated 27 December 2021 for tax year 2020 under section 161(1) of the Ordinance raising a demand amounting to Rupees 655.422 million, in respect of non deduction of withholding tax against payment of salaries, wages and other benefits to employees. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) on 26 January 2022, which is pending for adjudication.

(xiii) Deputy Commissioner Inland Revenue issued Order vide bar code No. 100000126474388 dated 28 June 2022 for tax year 2016 under section 161(1A) raising a demand of Rupees 1,120.707 million, in respect of non-deduction of withholding tax on supply of electricity. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) on 28 July 2022, which is pending for adjudication.

Aggregate provision of Rupees 9,241.316 million regarding the cases stated in paragraph numbers 14.1.5 (i) to 14.1.5 (xiii) has not been accounted for in the books of account of the Company as in the opinion of tax advisors, the favorable outcomes of these cases are expected.

Sales Tax

(xiv) Assistant Commissioner Punjab Revenue Authority passed an Order No. 1 dated 04 January 2018 raising a demand of Rupees 385.803 million, in respect of non charging of Punjab Sales Tax on various services performed by the Company for the tax period from July 2015 to June 2016 under section 52(1) of Punjab Sales Tax Act, 2012. The Company has filed writ petition dated 05 September 2020 before the Lahore High Court, Lahore against the order of Commissioner Appeals (Punjab Revenue Authority), which is pending for adjudication.

(xv) Deputy Commissioner Inland Revenue issued show cause notice No. 07 dated 31 December 2011 under section 36(2) of Sales Tax Act, 1990 raising a demand of Rupees 6,888.265 million for the tax period from July 2008 to June 2009 in respect of non-charging and payment of sales tax on subsidy, non-utility operations, new connections awaiting installation, work-in-progress, repair, testing and inspection fee, reconnections, unlawful input tax claim / adjustment against suspended registration and black listed parties. The Appellate Tribunal Inland Revenue has decided the case in favour of the Company. However, Regional Tax Office filed reference application before the Lahore High Court, Lahore on 08 December 2014, which is pending for adjudication.

(xvi) Assistant Commissioner Inland Revenue issued an Order vide letter No. 1317 dated 05 December 2014 raising a demand of Rupees 3.833 million in respect of non-charging and payment of extra tax and further tax on assessment basis on supply of electricity. The Company has filed an appeal on 14 April 2016 before the Appellate Tribunal Inland Revenue, which is pending for adjudication.

(xvii) Deputy Commissioner Inland Revenue issued a show cause notice No. 344 dated 09 January 2013 raising a demand of Rupees 6,767.126 million for the tax year 2009-10 in respect of penalty for suppression of sales, inadmissible input tax claimed, non-charging of sales tax on subsidy etc. The Appellate Tribunal Inland Revenue (ATIR) has decided the case in favour of the Company. The Regional Tax Office filed reference application against the decision of ATIR before Lahore High Court, Lahore on 23 December 2019 which is pending for adjudication.

(xviii) Assistant Commissioner Inland Revenue issued an Order No. 1725 dated 27 February 2019 under section 26 of Sales Tax Act, 1990 raising a demand of Rupees 66.640 million in respect of non-chargeability of sales tax on free supply to Company's employees. The Company has filed an appeal on 13 April 2019 before the Commissioner Inland Revenue (Appeals), who remanded back the case to the Assistant Commissioner Inland Revenue vide Order No. 473 dated 05 November 2019. The Assistant Commissioner Inland Revenue has passed the order against the Company. The Company has filed an appeal dated 29 June 2021 before Commissioner Inland Revenue (Appeals) against the order of Assistant Commissioner Inland Revenue, which is pending for adjudication.

(xix) Assistant Commissioner Inland Revenue issued show cause notice No. 2565 dated 12 March 2020 under section 3(1) and 3(1)(A) of the Sales Tax Act, 1990 regarding non charging of sales tax on Large Tax Payer and zero rated supplies amounting to Rupees 4,820 million for the period from July 2014 to May 2016. The Company has submitted the reply to Assistant Commissioner Inland Revenue (ACIR). ACIR has reduced the demand to Rupees 2,321 million. The Company has filed an appeal before Appellate Tribunal Inland Revenue on 19 June 2021 against the demand, which is pending for adjudication.

(xx) The Company has lodged twelve sales tax refund claims amounting to Rupees 7,704 million with Regional Tax Officer from November 2008 to June 2014. Out of these twelve claims, eight refund claims amounting to Rupees 5,224 million have been rejected by Assistant Commissioner Inland Revenue. However, Commissioner Inland Revenue (Appeals) have remanded back the case to Assistant Commissioner Inland Revenue. The Company has filed an appeal before Appellate Tribunal Inland Revenue on 30 April 2021 against the rejection of claims, which is pending for adjudication.

(xxi) Additional Commissioner Punjab Revenue Authority issued show cause notice No. 11149 dated 30 December 2020 raising a demand of Rupees 1,554.748 million, in respect of non-chargeability of Punjab Sales Tax on various services performed by the Company for the tax period from July 2016 to June 2019. The Company has filed petition No. 19883 dated 15 March 2021 before Lahore High Court, Lahore which is pending for adjudication.

(xxii) Additional Commissioner Punjab Revenue Authority issued show cause notice No. 12225 dated 14 December 2021 under section 24 and 52 of Punjab Sales Tax Act, 2012 by raising a demand of Rupees 1,131.949 million, in respect of non-chargeability of Punjab Sales Tax on various services performed by the Company for the tax period from July 2019 to June 2021. The Company has filed a writ petition dated 12 January 2022 before Lahore High Court, Lahore which is pending for adjudication.

(xxiii) Additional Commissioner Punjab Revenue Authority issued show cause notice No. 11376 dated 26 February 2021 raising a demand of Rupees 20.934 million, in respect of default surcharge on non charging of Punjab Sales Tax on services performed by the Company for the tax period from July 2014 to June 2020 under section 52 of Punjab Sales Tax Act, 2012. The Company has filed an appeal before Commissioner (Appeals), Punjab Revenue Authority dated 28 September 2021, which is pending for adjudication.

(xxiv) Assistant Commissioner Inland Revenue issued show cause notice No. 1305 dated 18 June 2021 raising a demand of Rupees 33.059 million against two times adjustment of input tax. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals), who rejected the appeal in the Order No. 36/2021 dated 30 March 2022. The Company has filed an appeal before Appellate Tribunal Inland Revenue dated 15 June 2022, which is pending for adjudication.

(xxv) Deputy Commissioner Inland Revenue issued show cause notice under section 11(2) of Sales Tax Act, 1990 for recovery of sales tax amounting to Rupees 17.267 million along with default surcharge and penalty for not disclosing the supply in Annex-C of sales tax return for tax period spanning from January 2020 to June 2020. The Company filed an appeal dated 13 December 2022 before Commissioner Inland Revenue (Appeals), which is pending for adjudication.

(xxvi) Deputy Commissioner Inland Revenue passed an order No. 17/2022-23 dated 26 June 2023 in respect of non chargeability of sales tax on free supply of electricity to Company's employees during tax period July 2018 to June 2019 and raised demand of Rupees 132.103 million along with default surcharge and penalty amounting to Rupees 6.605 million. An appeal is filed before Commissioner Inland Revenue (Appeals) on 27 May 2021 which is pending for adjudication.

(xxvii) Deputy Commissioner Inland Revenue issued Order No. 02/2021 dated 26 March 2021 in respect of late filing of sales tax return during tax period August 2019 to June 2020 raising demand of Rupees 263.461 million as penalty and default surcharge. An appeal has been filed against Commissioner Inland Revenue (Appeals) on 14 April 2021 which is pending for adjudication.

(xxviii) Assistant Commissioner Inland Revenue issued a show cause notice No. 17/145 dated 08 March 2021 in respect of inadmissible adjustments of input tax claimed by the Company in monthly sale tax returns during tax periods June 2016 to September 2017 related to unregistered suppliers raising a demand of Rupees 17.044 million. Appeal filed by the Company was concluded before Appellate Tribunal Inland Revenue on 07 March 2022 who remanded back the case to assessment officer vide STA No. 10/2022 dated 24 May 2022 for fresh adjudication at department level. The proceedings are currently continued.

(xxix) The Company has claimed input tax adjustment pertaining to the tax periods July 2019 and August 2019 on which show cause notices u/s 11 of the Sales Tax Act, 1990 were issued that input tax was claimed against output tax on purchase of items which were not admissible so the amounts of Rupees 13.757 million and Rupees 19.996 million were ordered to be recovered from Company along with default surcharge and penalty. The Company filed appeal before Commissioner Inland Revenue (Appeals) who confirmed assessing officer orders and dismissed it. The Company filed second appeals before Appellate Tribunal Inland Revenue on 20 January 2023 who submitted that the input tax adjustment claimed is admissible in terms of section 7 of the Act. The case was remanded back to assessing officer vide order STA No. 861 & 862 to obtain necessary evidences from the Company in support of the claim and thereafter decide the issue in accordance with law. The issue is currently pending with assessing officer.

Aggregate provision of Rupees 27,347.590 million relating to the above stated paragraph numbers 14.1.5 (xiv) to 14.1.5 (xxix) has not been recorded in the books of accounts of the Company on the advice of tax advisors of the Company, as favourable outcome of these cases are expected.

14.2 Commitments

14.2.1 Contracts for capital expenditure are of Rupees 1,546.218 million (2022: Rupees 3,814.899 million).

14.2.2 Inland letter of credits in respect of capital expenditure are of Rupees 468.876 million (2022: Rupees 388.499 million).

14.2.3 Contracts for other than capital expenditure are of Rupees 46.831 million (2022: Rupees 66.128 million).

	2023 RUPEES	2022 RUPEES
15. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 15.1)	135,871,992,836	125,813,104,999
Capital work-in-progress (Note 15.2)	25,821,890,813	18,233,039,025
	161,693,883,649	144,046,144,024

15.1 OPERATING FIXED ASSETS

	Freehold land	Buildings on freehold land	Feeders (up to 11 kv)	Grids and equipment	Vehicles	Furniture, fixtures and office equipment	Total
	---RUPEES---						
As at 30 June 2021							
Cost / revalued amount	31,245,628,250	4,412,973,319	84,899,695,241	34,169,272,990	935,489,412	951,793,971	156,614,853,183
Accumulated depreciation	-	(552,793,856)	(30,147,556,153)	(8,455,263,088)	(796,364,428)	(640,363,551)	(40,592,341,076)
Impairment loss	-	(453,912,940)	-	-	-	-	(453,912,940)
Net book value	31,245,628,250	3,406,266,523	54,752,139,088	25,714,009,902	139,124,984	311,430,420	115,568,599,167
Year ended 30 June 2022							
Opening net book value	31,245,628,250	3,406,266,523	54,752,139,088	25,714,009,902	139,124,984	311,430,420	115,568,599,167
Additions	-	495,628,577	8,357,948,686	6,420,365,598	388,012,026	137,710,608	15,799,665,495
Transferred to stores and spares / written off							
Cost / revalued amount	-	-	(1,490,544,015)	(174,507,281)	(47,450)	(2,793,329)	(1,667,892,075)
Accumulated depreciation	-	-	497,605,169	68,470,005	1,186	2,530,702	568,607,062
	-	-	(992,938,846)	(106,037,276)	(46,264)	(262,627)	(1,099,285,013)
Depreciation charge	-	(80,123,231)	(3,047,439,717)	(1,212,115,286)	(49,720,550)	(66,475,866)	(4,455,874,650)
Closing net book value	31,245,628,250	3,821,771,869	59,069,709,211	30,816,222,938	477,370,196	382,402,535	125,813,104,999
As at 30 June 2022							
Cost / revalued amount	31,245,628,250	4,908,601,896	91,767,099,912	40,415,131,307	1,323,453,988	1,086,711,250	170,746,626,603
Accumulated depreciation	-	(632,917,087)	(32,697,390,701)	(9,598,908,369)	(846,083,792)	(704,308,715)	(44,479,608,664)
Impairment loss	-	(453,912,940)	-	-	-	-	(453,912,940)
Net book value	31,245,628,250	3,821,771,869	59,069,709,211	30,816,222,938	477,370,196	382,402,535	125,813,104,999
Year ended 30 June 2023							
Opening net book value	31,245,628,250	3,821,771,869	59,069,709,211	30,816,222,938	477,370,196	382,402,535	125,813,104,999
Additions	540,730	468,500,386	11,370,845,440	3,914,995,170	348,329,078	146,414,075	16,249,624,879
Transferred to stores and spares / written off							
Cost / revalued amount	-	-	(1,566,986,846)	(129,129,137)	(15,540,097)	(6,973,720)	(1,718,629,800)
Accumulated depreciation	-	-	538,147,123	54,885,040	15,540,097	74,761	608,647,021
	-	-	(1,028,839,723)	(74,244,097)	-	(6,898,959)	(1,109,982,779)
Depreciation charge	-	(90,617,554)	(3,343,206,286)	(1,476,106,008)	(92,934,981)	(77,889,434)	(5,080,754,263)
Closing net book value	31,246,168,980	4,199,654,701	66,068,508,642	33,180,868,003	732,764,293	444,028,217	135,871,992,836

	Freehold land	Buildings on freehold land	Feeders (up to 11 kv)	Grids and equipment	Vehicles	Furniture, fixtures and office equipment	Total
	----------	----------	----------	RUPEES	----------	----------	----------
As at 30 June 2023							
Cost / revalued amount	31,246,168,980	5,377,102,282	101,570,958,506	44,200,997,340	1,656,242,969	1,226,151,605	185,277,621,682
Accumulated depreciation	-	(723,534,641)	(35,502,449,864)	(11,020,129,337)	(923,478,676)	(782,123,388)	(48,951,715,906)
Impairment loss	-	(453,912,940)	-	-	-	-	(453,912,940)
Net book value	31,246,168,980	4,199,654,701	66,068,508,642	33,180,868,003	732,764,293	444,028,217	135,871,992,836
Annual rate of depreciation (%)	-	2	3.5	3.5	10	10-33.33	

15.1.1 The property and rights in the above assets were transferred to the Company on 29 June 1998 by WAPDA in accordance with the terms and conditions of the Business Transfer Agreement (BTA) executed between WAPDA and the Company. The detail of these assets were finalized with WAPDA through a Supplementary Business Transfer Agreement (SBTA).

15.1.2 Title of freehold land valuing Rupees 18,505.226 million is in the name of WAPDA and title of freehold land valuing of Rupees 9,256.935 million has neither been transferred in the name of WAPDA nor in the name of the Company. The possession of freehold land amounting to Rupees 28 million and buildings thereon amounting to Rupees 1.586 million is not in control of the Company and with some other third parties, therefore, these assets are not revalued. Moreover, the operating fixed assets having book value of to Rupees 686.971 million has not been revalued due to certain inherent limitations.

15.1.3 On 01 March 2019 and on 20 May 2020, the Company entered into Authorization and Interest agreements with Power Holding Limited (PHL) and Meezan Bank Limited (MBL), in which Company authorized PHL to carry out "Certain Actions" in relation to Relevant Transaction Assets representing freehold land at all districts within the geographical area of the Company, having combined area of 4 646 kanals and 6 marlas amounting to Rupees 9,389.915 million. Certain Actions include selling the Relevant Transaction Assets to MBL and creating a security interest over the same for the purpose of enabling PHL to raise financing through the Sukuk issue. In addition to this agreement, PHL entered into an Asset Purchase Agreement with MBL for selling the Relevant Transaction Assets to MBL which include the freehold land of the Company and of other distribution and generation companies for a total purchase price of Rupees 200,000 million against which Sukuk certificates have been issued by PHL for a period of ten years. However, the Company holds the title of the transaction assets as title agent.

15.1.4 Forced sales value of freehold land was Rupees 26,535 million, buildings on freehold land was Rupees 2,422 million, grids and equipment was Rupees 22,278 million as per the valuation carried on 01 July 2019. Forced sales value of feeders (up to 11 kv) was Rupees 46,118 million as per the valuation carried on 30 June 2020.

15.1.5 Operating fixed assets include assets having cost of Rupees 1,481.099 million (2022: Rupees 1,388.738 million) which are fully depreciated and still in use of the Company.

15.1.6 If the freehold land, buildings on freehold land, feeders (up to 11 kv), grids and equipment were measured using the cost model, the carrying amount would be as follows:

	Cost	Accumulated depreciation	Impairment loss	Net book value
	----------	---------- RUPEES	----------	----------
Land - freehold	1,156,055,867	-	-	1,156,055,867
Building on freehold land	4,084,513,861	(913,174,701)	(453,912,940)	2,717,426,220
Feeders (up to 11 kv)	89,166,967,526	(29,702,221,429)	-	59,464,746,097
Grids and equipment	27,671,307,299	(8,819,918,043)	-	18,851,389,256
2023	122,078,844,553	(39,435,314,173)	(453,912,940)	82,189,617,440
2022	107,687,315,157	(35,777,300,848)	(453,912,940)	71,456,101,369

		2023 RUPEES	2022 RUPEES
15.1.7	**Depreciation charge for the year has been allocated as follows:**		
	Distribution cost (Note 28)	4,915,904,094	4,317,778,732
	Administrative expenses (Note 29)	131,222,881	109,881,586
	Customer services costs (Note 30)	1,477,454	1,107,426
	Included in capital work-in-progress (Note 15.2.5)	32,149,834	27,106,906
		5,080,754,263	4,455,874,650

15.2	**Capital work in progress**		
	Civil works	230,404,780	179,377,656
	Distribution equipment (Note 15.2.1)	24,922,738,180	16,834,989,170
		25,153,142,960	17,014,366,826
	Cost of implementation of Enterprise Resource Planning	79,913,507	68,160,833
	Mobilization advance to suppliers / contractors	52,778,275	552,205,202
	Capital stores (Note 15.2.4)	536,056,071	598,306,164
		25,821,890,813	18,233,039,025

15.2.1	**Distribution equipment**		
	Materials	19,934,579,437	13,493,785,051
	Overheads	2,024,597,797	1,403,899,726
	Contract work	2,963,560,946	1,937,304,393
		24,922,738,180	16,834,989,170

15.2.2 Borrowing costs capitalized amounting to Rupees Nil (2022: Rupees 576.930) incurred specifically to finance the construction of grid station projects. The capitalization rate used was Nil (2022: 15 percent) per annum.

15.2.3	**Movement in civil works and distribution equipment during the year:**		
	Balance as at 01 July	17,014,366,826	17,298,471,458
	Add: Additions during the year	18,915,781,616	11,866,848,650
		35,930,148,442	29,165,320,108
	Less:		
	Transferred to buildings on freehold land	(468,500,386)	(495,628,577)
	Transferred to feeders, grids and equipment	(10,308,505,096)	(11,655,324,705)
		(10,777,005,482)	(12,150,953,282)
	Balance as at 30 June	25,153,142,960	17,014,366,826

15.2.4 These represent items of stores, spares and loose tools held for capitalization.

15.2.5 Depreciation capitalized related to capital work-in-progress was Rupees 32.150 million (2022: Rupees 27.107 million) as given in Note 15.1.7. Moreover operating expenses of Rupees 1,112.519 million (2022: Rupees 686.906 million) have also been included in capital work-in-progress (Note 28).

16. INTANGIBLE ASSETS

Computer softwares		
Cost	213,570,873	213,570,873
Accumulated amortization	(211,733,408)	(211,264,268)
Net book value	1,837,465	2,306,605
Movement during the year		
Opening net book value	2,306,605	27,244,458
Addition during the year	-	2,345,700
Amortization charge for the year (Note 29)	(469,140)	(27,283,553)
	1,837,465	2,306,605
Amortization rate (per annum)	20%	20%

16.1 Intangible assets having cost of Rupees 211.225 million (2022: Rupees 211.225 million) are fully amortised.

16.2 These include various modules of SAP ERP softwares.

		2023 RUPEES	2022 RUPEES
17.	**LONG TERM ADVANCES**		
	Considered good - secured		
	House building / purchase of plot	120,953,566	64,161,351
	Vehicles / motor cycles	2,359,996	2,112,258
		123,313,562	66,273,609
	Less: Current portion of long term advances (Note 21)	(18,775,830)	(13,536,356)
		104,537,732	52,737,253

17.1 These include advances given to executives amounting to Rupees 14.810 million (2022: Rupees 2.335 million). The maximum aggregate amount due from these executives at the end of any month during the year was Rupees 14.810 million (2022: Rupees 2.449 million)

17.2 Advances for house building and purchase of plot are repayable in five years and for car and motor cycle loans in three years. As per Company's policy, interest is charged equal to the profit rate applied on 'General Provident Fund' which is 14.22 percent (2022: 12.40 percent) per annum. These are recoverable in equal monthly installments. These advances are secured by mortgage of immovable property and hypothecation of vehicles.

18. LONG TERM DEPOSITS

These represent security deposits with utility companies and an oil company against connections and fuel cards respectively.

		2023 RUPEES	2022 RUPEES
19.	**STORES, SPARES AND LOOSE TOOLS**		
	Stores, spares and loose tools	5,042,666,455	3,406,590,529
	Less: Provision for slow moving and obsolete items of stores, spares and loose tools (Note 19.1)	(37,739,078)	(40,353,605)
		5,004,927,377	3,366,236,924
19.1	**Provision for slow moving and obsolete items of stores, spares and loose tools**		
	Balance as at 01 July	40,353,605	40,197,988
	Add: Provision during the year	-	155,617
		40,353,605	40,353,605
	Less: Provision reversed during the year (Note 31)	2,614,527	-
	Balance as at 30 June	37,739,078	40,353,605
20.	**TRADE DEBTS**		
	Partially secured:		
	Considered good (Note 20.1 and Note 20.2)	72,793,793,232	84,065,270,625
	Less: Allowance for expected credit losses (Note 20.3)	4,314,242,176	1,421,123,809
		68,479,551,056	82,644,146,816

20.1 Trade debts are partially secured to the extent of corresponding consumers' security deposits. Trade debts as at the reporting date are classified into residential, commercial, industrial, agriculture, public lights, residential colonies and others.

20.2 CPPA-G vide its Credit Note Nos. PPA-331/FESCO-32 dated 03 July 2023 effective as on 13 June 2023 and PPA-329/FESCO-34, PPA-329/FESCO-34 dated 03 July 2023 effective as on 26 June 2023 directed the Company to adjust Zero Rated Industrial Rebate (ZRIR), included in trade debts amounting to Rupees 7,499.715 million against the amount payable to CPPA-G on account of purchase of electricity. Hence, the Company has adjusted the said amounts as at 30 June 2023 against trade debts.

		2023 RUPEES	2022 RUPEES
20.3	**Allowance for expected credit losses**		
	Balance as at 01 July	1,421,123,809	1,108,784,284
	Add: Allowance for expected credit loss-net (Note 30)	2,893,118,367	312,339,525
	Balance as at 30 June	4,314,242,176	1,421,123,809

20.3.1 The allowance / reversal of allowance for expected credit loss is made on net basis due to large number of consumers of the Company.

20.4 As at 30 June, ageing analysis of these trade debts is as follows:

	2023 RUPEES	2022 RUPEES
Not past due yet	26,591,387,670	40,177,888,960
Due up to 1 year	5,131,800,462	2,644,477,075
1 year to 3 years	216,166,118	201,250,588
3 years and above	3,238,371,032	445,195,022
Balances due from Government	36,756,362,924	39,821,780,781
Deferred arrears	859,705,026	774,678,199
	72,793,793,232	84,065,270,625
Less: Allowance for expected credit losses	4,314,242,176	1,421,123,809
	68,479,551,056	82,644,146,816

		2023 RUPEES	2022 RUPEES
21.	**LOANS AND ADVANCES**		
	Considered good		
	Advances to suppliers	332,951,014	50,424,943
	Advances to employees against expenses	22,420,154	8,853,318
	Advances to employees for sports	90,000	235,200
	Current portion of long term advances (Note 17)	18,775,830	13,536,356
		374,236,998	73,049,817

		2023 RUPEES	2022 RUPEES
22.	**OTHER RECEIVABLES**		
	Considered good		
	Duties, charges and taxes (Note 22.1)	-	-
	Sales tax and other taxes receivable from consumers	18,368,113,118	13,771,905,534
	Receivable against damaged items during warranty period	75,913,837	79,493,532
	Due from associated companies / undertakings (Note 22.2)	12,081,574,831	11,494,893,866
	Others (Note 22.3)	561,543,717	188,896,136
		31,087,145,503	25,535,189,068

		2023 RUPEES	2022 RUPEES
22.1	**Duties, charges and taxes**		
	Receivables not yet realized:		
	Income tax	1,123,681,895	800,794,183
	Tariff rationalization surcharge (Note 22.1.2)	97,895,520	53,166,313
	Financing cost surcharge (Note 22.1.3)	7,241,961,207	3,704,855,425
	Electricity duty	417,222,262	291,623,264
	Equalization surcharge	1,406,342	1,398,595
	Extra / Further sales tax	992,608,002	729,546,702
	PTV license fee	86,994,578	61,444,352
	Neelum Jhelum surcharge	449,315,047	450,829,563
		10,411,084,853	6,093,658,397
	Payables not yet realized:		
	Income tax	1,123,681,895	800,794,183
	Tariff rationalization surcharge	97,895,520	53,166,313
	Financing cost surcharge	7,241,961,207	3,704,855,425
	Electricity duty	417,222,262	291,623,264
	Equalization surcharge	1,406,342	1,398,595
	Extra / Further sales tax	992,608,002	729,546,702
	PTV license fee	86,994,578	61,444,352
	Neelum Jhelum surcharge	449,315,047	450,829,563
		10,411,084,853	6,093,658,397
		-	-

22.1.1 These represent the amounts billed to the customers on behalf of the respective authorities and are receivable at year end which have been netted off against their respective payables.

22.1.2 This represents Tariff Rationalization Surcharge receivable from the consumers pursuant to S.R.O. 568(I)/2015, dated 10 June 2015 issued by the Power Division, Ministry of Energy, GoP. The amount of surcharge is to be kept in escrow account of CPPA-G for discharging of determined cost of power producers by the CPPA-G. During the financial year ended 30 June 2018, GoP revised the tariff rationalization surcharge rates for categories of electricity consumers of the Company.

22.1.3 This represents Financing Cost Surcharge receivable from the consumers pursuant to S.R.O. 03(I)/2019, dated 01 January 2019 issued by the Power Division, Ministry of Energy, GoP. The amount of surcharge is to be kept in escrow account of CPPA-G for exclusive use of discharging the financing cost of various loans obtained to discharge liabilities of power producers against the sovereign guarantees of the GoP.

		2023 RUPEES	2022 RUPEES
22.2	**Due from associated companies / undertakings**		
	Due on account of free electricity (Note 22.2.1)	1,068,952,285	1,363,254,697
	Due on account of pension (Note 22.2.2)	4,207,212,101	4,291,498,805
	Due on account of WAPDA welfare fund	485,730,091	489,661,897
	Due on account of past service cost of GENCOs employees (Note 22.2.3)	889,298,591	-
	Due on account of past service cost of WAPDA employees (Note 22.2.4)	5,317,810,147	5,317,810,147
	Due on account of Free Electricity of WAPDA employees	112,571,616	32,668,320
		12,081,574,831	11,494,893,866

22.2.1 Due from associated companies on account of free electricity

	2023 RUPEES	2022 RUPEES
National Transmission and Despatch Company Limited (NTDC)	65,237,152	410,974,701
Islamabad Electric Supply Company Limited (IESCO)	197,331,464	184,762,539
Peshawar Electric Supply Company Limited (PESCO)	67,803,555	85,608,743
Gujranwala Electric Power Company Limited (GEPCO)	43,598,382	37,382,748
Quetta Electric Supply Company Limited (QESCO)	30,439,460	26,004,857
Hyderabad Electric Supply Company Limited (HESCO)	1,596,998	2,286,668
Tribal Areas Electric Supply Company Limited (TESCO)	1,742,078	1,489,193
Jamshoro Power Company Limited (GENCO-I)	1,503,128	783,244
Central Power Generation Company Limited (GENCO-II)	13,780,616	11,139,431
Northern Power Generation Company Limited (GENCO-III)	582,015,592	551,316,956
Multan Electric Power Company Limited (MEPCO)	58,686,256	46,083,522
Lakhra Power Generation Company Limited (GENCO-IV)	2,305,683	2,240,353
Pakistan Electric Power Company (Private) Limited (PEPCO) now (PPMC)	2,911,921	3,181,742
	1,068,952,285	1,363,254,697

22.2.2 Due from associated companies / undertakings on account of pension

	2023 RUPEES	2022 RUPEES
Water and Power Development Authority (WAPDA) (Note 22.2.2.1)	2,925,412,829	2,925,412,829
National Transmission and Despatch Company Limited (NTDC)	577,053,176	551,335,149
Islamabad Electric Supply Company Limited (IESCO)	166,569,095	183,427,521
Gujranwala Electric Power Company Limited (GEPCO)	47,960,462	128,927,917
Quetta Electric Supply Company Limited (QESCO)	40,732,968	26,959,423
Hyderabad Electric Supply Company Limited (HESCO)	15,868,665	10,038,972
Tribal Areas Electric Supply Company Limited (TESCO)	301,591	291,584
Sukkur Electric Power Company Limited (SEPCO)	35,992,802	28,693,273
Multan Electric Power Company Limited (MEPCO)	83,425,353	266,739,970
Jamshoro Power Company Limited (GENCO-I)	1,628,314	2,506,551
Central Power Generation Company Limited (GENCO-II)	12,984,608	27,314,286
Northern Power Generation Company Limited (GENCO-III)	299,282,238	138,418,878
Lakhra Power Generation Company Limited (GENCO-IV)	-	1,432,452
	4,207,212,101	4,291,498,805

22.2.2.1 This includes receivable from WAPDA amounting to Rupees 1,100 million (2022: Rupees 1,100 million) on account of monthly pension payments to retired WAPDA employees who retired on or before 30 June 1998 (ex-WAPDA pensioners). The settlement of the receivable has been contested between the Company and PEPCO now PPMC since 2009, and upon a request raised by PEPCO now PPMC in the past, the Power Division, Ministry of Energy, GoP referred the matter to NEPRA. NEPRA in its tariff determination dated 10 March 2015 has decided that above amount is receivable from the WAPDA.

22.2.3 Due from associated companies on account of past service cost

	2023 RUPEES	2022 RUPEES
Jamshoro Power Company Limited (GENCO-I)	49,068,192	-
Central Power Generation Company Limited (GENCO-II)	232,027,525	-
Northern Power Generation Company Limited (GENCO-III)	581,548,073	-
Lakhra Power Generation Company Limited (GENCO-IV)	26,654,801	-
	889,298,591	-

22.2.3.1 This represents the balance receivable from GENCOs on account of the past service cost of certain employees related to GENCOs before October 2021 retired from time to time. Related staff retirement benefits are disclosed in Note 7.1.

22.2.4 This represents the balance receivable from WAPDA on account of the past service cost relating to years 2015 and 2016 related to employees of WAPDA retired before July 1998.

22.2.5 The ageing analysis of amounts due from associated companies / undertakings is as follows:

	2023 RUPEES	**2022 RUPEES**
Upto 6 months	1,469,281,445	231,199,156
6 months to 1 year	574,776,890	4,092,928,900
1 year to 3 years	865,325,403	1,351,861,533
3 years and above	9,172,191,094	5,818,904,277
	12,081,574,832	11,494,893,866

22.2.6 The maximum aggregate amount due from National Transmission and Despatch Company Limited (NTDC) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 1,085.543 million (2022: Rupees 1,169.604 million).

22.2.7 The maximum aggregate amount due from Islamabad Electric Supply Company Limited (IESCO) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 423.384 million (2022: Rupees 409.566 million).

22.2.8 The maximum aggregate amount due from Peshawar Electric Supply Company Limited (PESCO) with respect to balance mentioned in Note 22.2.1, at the end of any month during the year was Rupees 85.838 million (2022: Rupees 85.609 million).

22.2.9 The maximum aggregate amount due from Gujranwala Electric Power Company Limited (GEPCO) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 190.544 million (2022: Rupees 172.050 million).

22.2.10 The maximum aggregate amount due from Quetta Electric Supply Company Limited (QESCO) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 71.172 million (2022: Rupees 72.435 million).

22.2.11 The maximum aggregate amount due from Hyderabad Electric Supply Company Limited (HESCO) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 19.338 million (2022: Rupees 23.896 million).

22.2.12 The maximum aggregate amount due from Tribal Areas Electric Supply Company Limited (TESCO) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 2.056 million (2022: Rupees 2.197 million).

22.2.13 The maximum aggregate amount due from Northern Power Generation Company Limited (GENCO-III) with respect to balances mentioned in Note 22.2.1, Note 22.2.2 and Note 22.2.3 at the end of any month during the year was Rupees 1,571.867 million (2022: Rupees 756.220 million).

22.2.14 The maximum aggregate amount due from Central Power Generation Company Limited (GENCO-II) with respect to balances mentioned in Note 22.2.1, Note 22.2.2 and Note 22.2.3 at the end of any month during the year was Rupees 293.666 million (2022: Rupees 38.454 million).

22.2.15 The maximum aggregate amount due from Lakhra Power Generation Company Limited (GENCO-IV) with respect to balances mentioned in Note 22.2.1, Note 22.2.2 and Note 22.2.3 at the end of any month during the year was Rupees 31.659 million (2022: Rupees 4.468 million).

22.2.16 The maximum aggregate amount due from Jamshoro Power Company Limited (GENCO-I) with respect to balances mentioned in Note 22.2.1, Note 22.2.2 and Note 22.2.3 at the end of any month during the year was Rupees 56.488 million (2022: Rupees 4.747 million).

22.2.17 The maximum aggregate amount due from Sukkur Electric Power Company Limited (SEPCO) with respect to balance mentioned in Note 22.2.2, at the end of any month during the year was Rupees 35.992 million (2022: Rupees 28.693 million).

22.2.18 The maximum aggregate amount due from Multan Electric Power Company Limited (MEPCO) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 336.317 million (2022: Rupees 326.168 million).

22.2.19 The maximum aggregate amount due from Water and Power Development Authority (WAPDA) current account with respect to balance mentioned in Note 22.2.2 and Note 22.2.4, at the end of any month during the year was Rupees 8,243.223 million (2022: Rupees 8,243.223 million).

22.2.20 The maximum aggregate amount due from Pakistan Electric Power Company (Private) Limited (PEPCO) now Power Planning and Monitoring Cell (PPMC) with respect to balance mentioned in Note 22.2.1, at the end of any month during the year was Rupees 3.468 million (2022: Rupees 3.399 million).

22.2.21 The maximum aggregate amount due from Water and Power Development Authority (WAPDA) welfare fund at the end of any month during the year was Rupees 485.730 million (2022: Rupees 489.662 million).

22.3 These include an amount of Rupees 13.004 million (2022: Rupees 16.582 million) receivable from employees against shortage and theft.

23. RECEIVABLE FROM GOVERNMENT OF PAKISTAN

	2023 RUPEES	2022 RUPEES
Balance as at 01 July	6,965,309,257	33,614,145,065
Tariff differential and other subsidies recognized during the year (Note 23.1)	51,244,289,375	57,944,694,157
Adjusted against tariff rationalization surcharge and credit notes received from CPPA-G	(51,678,193,537)	(84,593,529,965)
Balance as at 30 June	6,531,405,095	6,965,309,257

23.1 These represent the tariff subsidies claimed from the Government of Pakistan as the difference between rates determined by NEPRA and rates charged to the consumers as notified by the Government of Pakistan from time to time.

24. CASH AND BANK BALANCES

	2023 RUPEES	2022 RUPEES
Cash in transit (Note 24.1)	362,464,440	115,864,538
Cash with banks on:		
Current accounts	1,572,926,669	3,235,917,293
Deposit accounts (Note 24.2 and Note 24.3)	4,478,453,249	3,617,641,994
Term Deposit Receipts (TDRs) (Note 24.4 and Note 24.5)	19,000,000,000	23,500,000,000
	25,051,379,918	30,353,559,287
	25,413,844,358	30,469,423,825

24.1 This represents cash transmitted by National Database and Registration Authority (NADRA) against collection of consumer bills but not received by the Company at reporting date.

24.2 These carry profit ranging from 12.25% to 21.00% (2022: 5.50% to 15.81%) per annum.

24.3 These include an amount of Rupees 122.238 million (2022: Rupees 66.233 million) kept in separate bank accounts relating to customers' security deposits.

24.4 These represent term deposits receipts placed with different banks having maturity of three months (2022: three months) at profit rates ranging from 15.25% to 21.00% (2022: 7.45% to 15.99%) per annum.

24.5 Term deposit receipts (TDRs) include an amount of Rupees 12,150 million (2022: Rupees 11,170 million) relating to customers' security deposits. The profit earned on the TDRs related to consumers' security deposits is also included therein.

25. SALE OF ELECTRICITY - NET

	2023 RUPEES	2022 RUPEES
Gross sales	400,699,102,373	337,118,972,927
Less: Sales tax	74,156,023,131	57,251,182,902
	326,543,079,242	279,867,790,025

25.1 Electricity sales include Rupees 8,210.298 million (2022: Rupees 3,463.822 million) on account of electricity bills for the month of June 2023 billed to consumers in July 2023.

25.2 During the year, the Company sold 14 662.682 million (2022: 15 918.880 million) (Kwh) electricity units to the consumers in different tariff categories.

25.3 Revenue is recognized at point in time when the electricity units are consumed by the customers.

26. TARIFF DIFFERENTIAL SUBSIDIES

These represent the tariff subsidies claimed from the Government of Pakistan as the difference between rates determined by NEPRA and rates charged to the consumers as notified by the Government of Pakistan from time to time.

27. COST OF ELECTRICITY

27.1 The Company purchased electricity from CPPA-G. The electricity purchased during the year has been accounted for according to invoices issued by CPPA-G and adjusted in accordance with monthly fuel price adjustment determined and notified by NEPRA. The average rate for the year was Rupees 22.48 per KWH (2022: Rupees 18.05 per KWH).

27.2 This includes supplemental charges of Rupees 2,681.814 million (2022: Rupees 2,619.697 million) passed on the Company, which comprise re-allocation of mark-up on late payments imposed by Independent Power Producers (IPPs) to CPPA-G on the basis of average outstanding balance.

28. DISTRIBUTION COST

	2023 RUPEES	2022 RUPEES
Salaries, wages and other benefits (Note 28.1)	22,682,962,544	16,472,498,129
Depreciation (Note 15.1.7)	4,915,904,094	4,317,778,732
Repair and maintenance	675,671,237	607,259,943
Rent, rates and taxes (Note 28.2)	22,304,377	24,162,340
Telephone and postage	21,613,410	19,896,933
Power, light and water	57,442,296	45,010,113
Office supplies and other expenses	23,769,671	17,774,201
Travelling and conveyance	289,488,271	278,501,211
Legal and professional	19,227,778	17,136,059
Transportation	531,222,205	347,559,329
Workers' profit participation fund	-	55,210,569
Other charges / expenses	95,647,594	495,555,336
	29,335,253,477	22,698,342,895
Less: Charged to capital work-in-progress (Note 15.2.5)	(1,112,519,134)	(686,905,696)
	28,222,734,343	22,011,437,199

28.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rupees 12,897.572 million (2022: Rupees 8,369 million).

28.2 These include Rupees 22.118 million (2022: Rupees 23.949 million) in respect of short term leases.

29. ADMINISTRATIVE EXPENSES

	2023 RUPEES	2022 RUPEES
Salaries, wages and other benefits (Note 29.1)	3,317,258,185	2,620,826,338
Directors' meeting fee	40,404,864	33,905,800
Depreciation (Note 15.1.7)	131,222,881	109,881,586
Amortization (Note 16)	469,140	27,283,553
Repair and maintenance	112,339,168	82,469,750
Rent, rates and taxes (Note 29.2)	909,981	20,088
Power, light and water	75,202,650	54,669,921
Office supplies and other expenses	281,200,904	152,933,337
Travelling and conveyance	75,119,069	64,644,430
Legal and professional	187,632,542	131,700,133
Auditor's remuneration (Note 29.3)	2,283,333	2,080,237
Transportation	133,035,582	84,686,206
Management fees	143,861,748	81,220,361
Telephone and postage	17,301,816	17,882,258
Insurance	3,183,248	3,345,483
Advertisement	14,756,867	14,350,068
Workers' profit participation fund	-	7,792,003
Provision for slow moving and obsolete stores, spares and loose tools	-	155,617
Other charges	12,726,605	15,964,013
	4,548,908,583	3,505,811,182

29.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rupees 1,822.252 million (2022: Rupees 1,181 million).

29.2 These include Rupees 0.880 million (2022: Rupees Nil) in respect of short term leases.

		2023 RUPEES	2022 RUPEES
29.3	**Auditor's remuneration**		
	Audit fee	1,950,000	1,746,904
	Reimbursable expenses	333,333	333,333
		2,283,333	2,080,237
30.	**CUSTOMER SERVICES COSTS**		
	Salaries, wages and other benefits (Note 30.1)	2,873,412,081	1,816,655,206
	Depreciation (Note 15.1.7)	1,477,454	1,107,426
	Electricity bills collection charges	386,264,606	389,765,298
	Travelling and conveyance	28,225,900	27,195,954
	Repair and maintenance	898,635	719,170
	Rent, rates and taxes (Note 30.2)	1,920,546	3,313,546
	Telephone and postage	2,766,077	2,521,711
	Power, light and water	7,485,782	5,411,543
	Office supplies and other expenses	17,467,698	7,454,340
	Transportation	4,168,095	3,908,668
	Allowance for expected credit losses (Note 20.3)	2,893,118,367	312,339,525
	Workers' profit participation fund	-	3,533,732
	Other charges	546,490	580,572
		6,217,751,731	2,574,506,691

30.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rupees 930.916 million (2022: Rupees 536 million).

30.2 These include Rupees 1.921 million (2022: Rupees 3.114 million) in respect of short term leases.

		2023 RUPEES	2022 RUPEES
31.	**OTHER INCOME**		
	Income from financial assets		
	Profit on bank deposits and term deposit receipts	4,385,376,815	2,795,284,791
	Late payment surcharge	3,887,085,187	2,358,681,844
		8,272,462,002	5,153,966,635
	Income from non-financial assets		
	Gain on installation of new connection	317,649,895	441,695,763
	Repair, testing and inspection fee	81,622,328	56,513,454
	Recovery of late delivery charges	40,038,673	87,320,616
	Reversal of provision for slow moving and obsolete stores, spares and loose tools (Note 19.1)	2,614,527	-
	Meter / service rent	58,760,966	56,349,920
	Reconnection fees	51,060,027	26,678,628
	Excess deposit work receipts / credit balances written back	154,330,251	41,504,372
	Service charges on collection of PTV license fee and electricity duty	163,469,361	135,985,782
	Company's colonies quarter rent	10,240,263	7,274,203
	Miscellaneous	202,209,629	117,216,516
		1,081,995,920	970,539,254
		9,354,457,922	6,124,505,889
32.	**FINANCE COST**		
	Mark-up on long term financing	879,586,866	302,656,398
	Mark-up transferred from GoP	-	164,875,450
	Bank charges and commission	2,830,941	2,822,764
		882,417,807	470,354,612
33.	**TAXATION**		
	Current:		
	- for the year (Note 33.1)	4,146,117,060	3,542,344,092
	- for prior year	2,239,180	2,720,044
		4,148,356,240	3,545,064,136
	Deferred (Note 11)	(287,577,924)	(296,029,869)
		3,860,778,316	3,249,034,267

33.1 Provision for current taxation represents minimum tax on turnover and tax on other income under relevant provisions of the Income Tax Ordinance, 2001. However tariff differential subsidy from Government of Pakistan is excluded from turnover of the Company as it constitutes exempt income. Tax losses available for carry forward as at 30 June 2023 are of Rupees 370,468.129 million (2022: Rupees 358,090.909 million). The tax losses related to unabsorbed tax depreciation are of Rupees 72,790.124 million and business losses are of Rupees 297,678.005 million. Total minimum tax available for carry forward under section 113 and other provisions of the Income Tax Ordinance, 2001 as at 30 June 2023 is of Rupees 14,772.500 million. Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not presented in view of unused tax losses of the Company. The Company has not recognized deferred income tax assets in respect of above losses and minimum tax available for carry forward as sufficient taxable profits would not be available to utilize these in the foreseeable future and would expire as follows:

Accounting year to which the unused tax losses relates	Amount of unused tax losses	Accounting year in which unused tax losses will expire
	RUPEES	
2023	62,199,486,179	2029
2022	54,676,880,923	2028
2021	34,306,907,236	2027
2020	47,626,672,008	2026
2019	46,073,599,598	2025
2018	52,794,458,975	2024
	297,678,004,919	

Accounting year to which the minimum tax relates	Amount of minimum tax	Accounting year in which minimum tax will expire
	RUPEES	
2023	4,143,741,319	2026
2022	3,542,344,092	2025
2021	2,638,704,514	2026
2020	2,554,447,641	2025
2019	1,893,262,865	2024
	14,772,500,431	

	2023 RUPEES	2022 RUPEES

34. CASH GENERATED FROM OPERATIONS

(Loss) / profit before taxation	(11,122,609,129)	1,264,189,789
Adjustments for non-cash charges and other items:		
Depreciation	5,048,604,429	4,428,767,744
Amortization of intangible assets	469,140	27,283,553
Provision for staff retirement benefits	16,540,038,952	10,085,245,580
Amortization of deferred credit	(2,206,904,646)	(1,929,584,764)
Finance cost	882,417,807	470,354,612
Allowance for expected credit losses	2,893,118,367	312,339,525
Profit on bank deposits and term deposit receipts	(4,385,376,815)	(2,795,284,791)
Excess deposit work receipts written back / credit balances written back	(154,330,251)	(41,504,372)
(Reversal of provision) / provision of slow moving, obsolete items of stores, spares and loose tools	(2,614,527)	155,617
Non-cash settlement against deposit for shares	7,077,960,978	18,837,034,719
Working capital changes (Note 34.1)	4,563,002,230	(14,957,917,531)
	19,133,776,535	15,701,079,681

34.1 Working capital changes

(Increase) / decrease in current assets:		
Stores, spares and loose tools	(1,636,075,926)	(124,272,990)
Trade debts	11,271,477,393	(39,406,630,601)
Loans and advances	(295,947,707)	(6,510,814)
Receivable from Government of Pakistan	433,904,162	26,648,835,808
Other receivables	(5,551,956,435)	(8,665,552,588)
Sales tax receivable	330,186,428	(330,186,428)
	4,551,587,915	(21,884,317,613)
Increase in trade and other payables	11,414,315	6,926,400,082
	4,563,002,230	(14,957,917,531)

34.2 Reconciliation of movement of liabilities to cash flows arising from financing activities:

	2023			
	Long term financing	Long term security deposits	Receipt against deposit works and deferred credit	Total
	---------- RUPEES ----------			
Balance as at 01 July 2022	5,541,279,779	10,963,989,417	53,294,513,252	69,799,782,448
Security deposits received	-	951,872,644	-	951,872,644
Receipts against deposit work received-net	-	-	10,022,616,587	10,022,616,587
Amortization of deferred credit	-	-	(2,206,904,646)	(2,206,904,646)
Balance as at 30 June 2023	5,541,279,779	11,915,862,061	61,110,225,193	78,567,367,033

	2022			
	Long term financing	Long term security deposits	Receipt against deposit works and deferred credit	Total
	---------- RUPEES ----------			
Balance as at 01 July 2021	5,541,279,779	9,855,110,791	43,794,599,191	59,190,989,761
Security deposits received	-	1,108,878,626	-	1,108,878,626
Receipts against deposit work received-net	-	-	11,429,498,825	11,429,498,825
Amortization of deferred credit	-	-	(1,929,584,764)	(1,929,584,764)
Balance as at 30 June 2022	5,541,279,779	10,963,989,417	53,294,513,252	69,799,782,448

35. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise Government of Pakistan, associated companies / undertakings, other related parties and key management personnel. The Company in the normal course of business carries out transactions with various related parties at mutually agreed terms and conditions. Detail of transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Name of related party	Nature of transactions	2023 RUPEES	2022 RUPEES
Government of Pakistan			
Economic Affairs Division	Finance cost	879,586,866	879,586,866
Ministry of Finance	Subsidies from GoP accrued	51,244,289,375	57,944,694,157
	Non-cash adjustment of deposit for shares	(7,077,960,978)	(18,837,034,719)
Associated companies / undertakings			
National Electric Power Regulatory Authority	Fee paid to NEPRA	132,661,748	50,420,361
National Transmission and Despatch Company Limited	Use of system charges	20,786,040,127	10,000,950,398
	Settlement against use of system charges	1,547,886,105	421,570,639
	Free supply of electricity provided to employees of associated company	65,869,076	106,693,704
	Pension paid to employees of associated company	414,370,952	362,252,549
Central Power Purchasing Agency (Guarantee) Limited	Purchase of electricity	360,599,527,850	316,040,275,362
	Financing cost surcharge	9,154,125,107	5,745,788,479
	Finance cost	-	164,875,450
Northern Power Generation Company Limited	Free supply of electricity provided to employees of associated company	30,698,636	38,756,499
	Pension paid to employees of associated company	379,668,093	331,597,465
Water and Power Development Authority	Free supply of electricity provided to employees of associated company	118,687,419	85,480,043
	Pension paid to employees of associated company	-	87,597,465
Islamabad Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	21,615,555	43,373,914
	Free supply of electricity received by employees of the Company from associated company	9,046,629	4,425,594
	Pension paid to employees of associated company	110,704,153	97,013,771
	Pension received by employees of the Company from associated company	47,562,579	42,966,748
	Sale of material	19,650,000	1,842,000
	Purchase of material	19,650,000	988,174
Peshawar Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	18,977,631	25,777,808
	Free supply of electricity received by employees of the Company from associated company	36,782,820	4,570,679
	Pension paid to employees of associated company	20,112,037	14,405,681

Name of related party	Nature of transactions	2023 RUPEES	2022 RUPEES
	Pension received by employees of the Company from associated company	51,121,454	36,558,154
	Purchase of material	-	35,100,000
	Sale of material	-	3,246,000
Gujranwala Electric Power Company Limited	Free supply of electricity provided to employees of associated company	12,295,680	13,215,134
	Free supply of electricity received by employees of the Company from associated company	6,080,046	7,000,928
	Pension paid to employees of associated company	65,266,467	49,976,219
	Pension received by employees of the Company from associated company	45,953,769	29,975,272
	Sale of material	88,765,000	5,137,720
	Purchase of material	168,888,030	22,300,000
Quetta Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	4,927,109	3,235,352
	Free supply of electricity received by employees of the Company from associated company	492,506	350,892
	Pension paid to employees of associated company	28,679,802	32,650,825
	Pension received by employees of the Company from associated company	1,985,977	1,930,726
	Sale of material	39,613,500	75,599,400
	Purchase of material	62,809,886	28,524,500
Central Power Generation Company Limited	Free supply of electricity provided to employees of associated company	2,641,185	2,001,389
	Pension paid to employees of associated company	34,878,289	37,136,498
Hyderabad Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	877,463	744,780
	Free supply of electricity received by employees of the Company from associated company	1,567,133	1,913,836
	Pension paid to employees of associated company	20,398,082	17,892,082
	Pension received by employees of the Company from associated company	2,511,440	900,814
	Purchase of material	23,000,000	-
Lakhra Power Generation Company Limited	Free supply of electricity provided to employees of associated company	65,330	39,602
	Pension paid to employees of associated company	1,368,542	1,739,305
Tribal Areas Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	252,885	326,569
	Free supply of electricity received by employees of the Company from associated company	-	53,782
	Pension paid to employees of associated company	192,600	578,298
Jamshoro Power Company Limited	Free supply of electricity provided to employees of associated company	719,884	783,244
	Pension paid to employees of associated company	5,907,697	4,666,082

Name of related party	Nature of transactions	2023 RUPEES	2022 RUPEES
Sukkur Electric Power Company Limited	Free supply of electricity provided to employees of associated company	585,911	564,382
	Free supply of electricity received by employees of the Company from associated company	2,066,909	1,550,872
	Pension paid to employees of associated company	10,643,705	9,364,156
Lahore Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	37,577,782	26,906,109
	Free supply of electricity received by employees of the Company from associated company	10,230,634	17,612,622
	Pension paid to employees of associated company	105,412,732	98,170,320
	Pension received by employees of the Company from associated companies	110,460,362	102,832,235
	Sale of material	29,626,200	-
	Purchase of material	81,442,000	3,736,000
Multan Electric Power Company Limited	Free supply of electricity provided to employees of associated company	23,589,527	41,325,648
	Free supply of electricity received by employees of the Company from associated company	10,986,793	11,742,671
	Pension paid to employees of associated company	157,288,382	132,818,649
	Pension received by employees of the Company from associated company	29,988,925	31,109,070
	Sale of material	245,219,100	23,997,500
	Purchase of material	20,971,130	66,275,720
Pakistan Electric Power Company (Private) Limited now Power Planning and Monitoring Company (Private) limited (PPMC)	Free supply of electricity provided to employees of associated company	-	140,400,963
	Management fee	11,200,000	30,800,000
Power Information Technology Company (Private) Limited	Consultancy fee and software license fee	92,784,907	73,368,245
Other related parties			
FESCO Employees Pension Fund Trust	Contribution Paid	3,913,000,000	4,700,000,000

35.1 The Company and the above mentioned companies / undertakings are under common control of GoP with the Ministry of Water and Power. While Government of Pakistan is the sovereign authority over all these companies / undertakings.

35.2 Detail of compensation to key management personnel comprising of Chief Executive officer, directors and executives is disclosed in Note 36.

36. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including all benefits to the Chief Executive Officer, directors and executives of the Company is as follows:

	2023	2022	2023	2022
	Chief Executive Officer		Executives	
	---RUPEES---			
Basic salary	3,376,300	2,142,970	313,818,406	91,905,480
Conveyance allowance & transport subsidy	300,000	300,000	10,246,169	5,055,996
Honorarium / bonus	384,450	186,720	16,557,706	7,658,790
Utilities and other benefits	4,312,117	4,661,170	211,380,491	104,965,860
Travelling and daily allowance	1,427,439	1,217,720	31,452,274	11,923,682
	9,800,306	8,508,580	583,455,046	221,509,808
Number of persons	1	1	185	65

36.1 The Chief Executive Officer is provided with the Company's maintained vehicles, free electricity and other utilities. Further, most of the executives of the Company have been provided with the Company's maintained vehicles and unfurnished accommodation according to the Company's policy, while free electricity has been provided to all executives.

36.2 Aggregate amount charged in the financial statements for meeting fee to 14 (2022: 8) directors including Chief Executive Officer (CEO) was Rupees 40.405 million (2022: Rupees 33.906 million).

36.3 No remuneration other than meeting fee was paid to any Director of the Company.

37. NUMBER OF EMPLOYEES

	2023	2022
Number of employees as on 30 June	13 117	13 590
Average number of employees during the year	13 354	13 865

38. ENTITY - WIDE INFORMATION

The Company's main revenue generation is from sale of electricity. The Company does not hold non-current assets in any foreign country. The Company revenue earned from large mix of customers.

39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, investment of excess liquidity and use of non-derivative financial instruments.

(a) Market risk

Market risk is the risk that changes in market process, such as currency risk, interest rate risk and other price risk which affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

i) 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 has no receivable / payable balance in foreign currency as at 30 June 2023 (2022: Nil).

ii) 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 other price risk.

iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long term financing, long term advances, bank balances in saving accounts and term deposit receipts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

At the reporting date the interest rate profile of the Company’s interest bearing financial instruments was:

	2023 RUPEES	2022 RUPEES
Fixed rate instruments		
Financial assets		
Long term advances	123,313,562	66,273,609
Term deposit receipts	19,000,000,000	23,500,000,000
Financial liabilities		
Long term financing	5,541,279,779	5,541,279,779

	2023 RUPEES	2022 RUPEES
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	4,478,453,249	3,617,641,994

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

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, (loss) / profit after taxation for the year would have been Rupees 44.785 million lower / higher (2022: Rupees 34.368 million higher / lower), mainly as a result of higher / lower interest income on floating rate financial instruments. This analysis is prepared assuming amounts of financial instruments outstanding at reporting date were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Trade debts	68,479,551,056	82,644,146,816
Loans and advances	123,313,562	66,273,609
Accrued interest	870,546,283	247,866,218
Deposits	40,553,756	4,058,176
Other receivables	31,087,145,503	25,535,189,068
Bank balances	25,051,379,918	30,353,559,287
	125,652,490,078	138,851,093,174

To manage exposure to credit risk in respect of trade debts, management takes into account the long standing business relationships with these counterparties, and after giving due consideration to their strong financial standing, including obtaining security deposits from them, the management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, credit risk is minimal. The Company's electricity is sold to industrial, commercial and residential consumers and government organizations. Due to large number and diversity of its consumer base, concentration of credit risk with respect to trade debts is limited. Additionally other receivables mainly includes receivables from related parties (Government owned entities). Therefore, management has assessed that there is no impairment loss in respect of these balances and these are recoverable in full.

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debts. Management uses actual historical credit loss experience, credit risk characteristics and past days due, adjusted for forward-looking factors specific to the debtors and the economic environment to determine expected credit loss allowance.

Based on the past experience and deliberations management has recognized expected credit losses in respect of trade debts as given in Note 20.3 to the financial statements.

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

	Rating			2023	2022
	Short term	Long term	Agency	-----------RUPEES-----------	
Banks					
National Bank of Pakistan	A1+	AAA	PACRA	524,004,343	108,057,068
Sindh Bank Limited	A-1	A+	VIS	17,158	15,779
The Bank of Khyber	A-1	A+	VIS	7,306	5,111
The Bank of Punjab	A1+	AA+	PACRA	130,547,846	55,424,422
First Women Bank Limited	A2	A-	PACRA	-	19,704
Zarai Taraqiati Bank Limited	A-1+	AAA	VIS	4,673,514,661	234,231,354
Allied Bank Limited	A1+	AAA	PACRA	295,679,890	174,230,990
Askari Bank Limited	A1+	AA+	PACRA	3,801,709,865	486,054
Bank Alfalah Limited	A1+	AA+	PACRA	4,438,115,237	4,721,878,419
Faysal Bank Limited	A1+	AA	PACRA	3,800,862,386	4,714,272,086
Habib Bank Limited	A-1+	AAA	VIS	250,264,502	5,377,543,962
JS Bank Limited	A1+	AA-	PACRA	3,823,062,695	4,700,145,455
MCB Bank Limited	A1+	AAA	PACRA	374,385,896	589,074,560
Telenor Microfinance Bank Limited	A1	A	PACRA	58,179,172	6,702,075
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	17,411	18,267
United Bank Limited	A-1+	AAA	VIS	100,695,686	700,716,384
Bank Al-Habib Limited	A1+	AAA	PACRA	1,363,248,574	663,220,047
Samba Bank Limited	A-1	AA	VIS	11,672	11,665
Dubai Islamic Bank Pakistan Limited	A-1+	AA	VIS	625,618	36,159
Meezan Bank Limited	A-1+	AAA	VIS	403,141	550,450
BankIslami Pakistan Limited	A1	AA-	PACRA	31,192	68,245
Soneri Bank Limited	A1+	AA-	PACRA	297,636,314	4,700,861,315
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	16,521	22,911
AlBaraka Bank (Pakistan) Limited	A-1	A+	VIS	730,341	296,954
Summit Bank Limited	Suspended		VIS	597	-
The Punjab Provincial Co-operative Bank Limited*	N/A	N/A	N/A	7,781,621	36,571
Receivable from General Post Office (GPO)**	N/A	N/A	N/A	1,109,830,273	3,605,633,280
				25,051,379,918	30,353,559,287

* State Bank of Pakistan has exempted the Bank from credit rating requirements till the completion of its restructuring process.

** As Pakistan Post Office is not a bank, therefore no credit rating is available.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities. The Company's approach for managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. For this purpose financial support is available to the Company from Federal Government. Further, liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

Following are the contractual maturities of financial liabilities as at 30 June 2023:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-3 years	More than 3 years
	RUPEES					
Non-derivative financial liabilities:						
Long term financing	5,541,279,779	14,246,748,391	7,745,777,089	370,586,730	1,384,288,712	4,746,095,860
Long term security deposits	11,915,862,061	11,915,862,061	-	-	-	11,915,862,061
Trade and other payables	95,970,479,322	95,970,479,322	95,970,479,322	-	-	-
Accrued mark-up	5,231,507,822	5,231,507,822	5,231,507,822	-	-	-
	118,659,128,984	127,364,597,596	108,947,764,233	370,586,730	1,384,288,712	16,661,957,921

Following are the contractual maturities of financial liabilities as at 30 June 2022:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-3 years	More than 3 years
	RUPEES					
Non-derivative financial liabilities:						
Long term financing	5,541,279,779	13,925,911,061	6,520,300,991	459,748,699	1,527,232,796	5,418,628,575
Long term security deposits	10,963,989,417	10,963,989,417	-	-	-	10,963,989,417
Trade and other payables	101,925,060,227	101,925,060,227	101,925,060,227	-	-	-
Accrued mark-up	4,351,920,956	4,351,920,956	4,351,920,956	-	-	-
	122,782,250,379	131,166,881,661	112,797,282,174	459,748,699	1,527,232,796	16,382,617,992

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June. The rates of mark-up have been disclosed in Note 6 to these financial statements.

(d) Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern. The Company is not exposed to any external capital requirement. As public interest entity, financial support is available to the Company from Federal Government and WAPDA in the form of delayed settlement of CPPA-G against electricity purchase, tariff revision and subsidy on purchases.

39.2 Financial instruments by categories

	2023 RUPEES	2022 RUPEES
	At amortized cost	
As at 30 June		
Assets as per statement of financial position		
Trade debts	68,479,551,056	82,644,146,816
Loans and advances	123,313,562	66,273,609
Accrued interest	870,546,283	247,866,218
Deposits	40,553,756	4,058,176
Other receivables	31,087,145,503	25,535,189,068
Cash and bank balances	25,413,844,358	30,469,423,825
	126,014,954,518	138,966,957,712
Liabilities as per statement of financial position		
Long term financing	5,541,279,779	5,541,279,779
Long term security deposits	11,915,862,061	10,963,989,417
Trade and other payables	95,970,479,322	101,925,060,227
Accrued mark-up	5,231,507,822	4,351,920,956
	118,659,128,984	122,782,250,379

39.3 Reconciliation of financial assets and financial liabilities to the line items presented in the statement of financial position is as follows:

	2023			2022		
	Financial assets	Other than financial assets	Total as per statement of financial position	Financial assets	Other than financial assets	Total as per statement of financial position
	RUPEES					
Assets as per statement of financial position						
Trade debts	68,479,551,056	-	68,479,551,056	82,644,146,816.00	-	82,644,146,816
Long term advances	104,537,732	-	104,537,732	52,737,253	-	52,737,253
Loans and advances	18,775,830	355,461,168	374,236,998	13,536,356	59,513,461	73,049,817
Accrued interest	870,546,283	-	870,546,283	247,866,218	-	247,866,218
Deposits	40,553,756	-	40,553,756	4,058,176	-	4,058,176
Other receivables	31,087,145,503	-	31,087,145,503	25,535,189,068	-	25,535,189,068
Cash and bank balances	25,413,844,358	-	25,413,844,358	30,469,423,825	-	30,469,423,825
	126,014,954,519	355,461,168	126,370,415,687	138,966,957,712	59,513,461	139,026,471,173

	2023			2022		
	Financial liabilities	Other than financial liabilities	Total as per statement of financial position	Financial liabilities	Other than financial liabilities	Total as per statement of financial position
	RUPEES					
Liabilities as per statement of financial position						
Long term financing	5,541,279,779	-	5,541,279,779	5,541,279,779	-	5,541,279,779
Long term security deposits	11,915,862,061	-	11,915,862,061	10,963,989,417	-	10,963,989,417
Trade and other payables	95,970,479,322	20,156,096,924	116,126,576,246	101,925,060,227	14,344,431,955	116,269,492,182
Accrued mark-up	5,231,507,822	-	5,231,507,822	4,351,920,956	-	4,351,920,956
	118,659,128,984	20,156,096,924	138,815,225,908	122,782,250,379	14,344,431,955	137,126,682,334

39.4 Offsetting financial assets and financial liabilities

As on the reporting date, recognized financial instruments are not subject to offsetting as there are no enforceable master netting arrangements and similar agreements.

40. RECOGNIZED FAIR VALUE MEASUREMENTS

Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

41. RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the non-financial assets that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels:

As at 30 June 2023	Level 1	Level 2	Level 3	Total
	------------------	RUPEES	------------------	
Land - freehold	-	31,246,168,980	-	31,246,168,980
Buildings on freehold land	-	4,199,654,701	-	4,199,654,701
Feeders (up to 11 kv)	-	66,068,508,642	-	66,068,508,642
Grids and equipment	-	33,180,868,003	-	33,180,868,003
Total non-financial assets	-	134,695,200,326	-	134,695,200,326

As at 30 June 2022	Level 1	Level 2	Level 3	Total
	------------------	RUPEES	------------------	
Land - freehold	-	31,245,628,250	-	31,245,628,250
Buildings on freehold land	-	3,821,771,869	-	3,821,771,869
Feeders (up to 11 kv)	-	59,069,709,211	-	59,069,709,211
Grids and equipment	-	30,816,222,938	-	30,816,222,938
Total non-financial assets	-	124,953,332,268	-	124,953,332,268

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

(ii) Valuation techniques used to determine level 2 fair values

The Company obtains independent valuation for its freehold land, buildings thereon, feeders, grids and equipment. The best evidence of fair value of land is current prices in an active market for similar lands. The best evidence of fair value of buildings is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same building. The best evidence of fair value of feeders, grids and equipment is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the value of new feeders, grids and equipment.

42. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of better presentation and for comparison. However, no significant re-arrangements have been made.

43. DATE OF AUTHORIZATION

These financial statements were authorized for issue on 05 OCT 2023 by the Board of Directors of the Company.

44. GENERAL

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER

DIRECTOR