HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Crowe

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INDEPENDENT AUDITOR'S REPORT

To the Members of Hyderabad Electric Supply Company Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of **Hyderabad Electric Supply Company Limited** (the Company), which comprise of the statement of financial position as at June 30, 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the *Basis of Qualified Opinion* section of the report, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the loss, comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

a) Property and equipment include operating fixed assets having net book value of Rs. 30,901.573 million in respect of which, we noted that the fixed assets register maintained by the Company does not include all particulars including location of an assets as prescribed in TR-6 issued by Institute of Chartered Accountant of Pakistan.

   Furthermore, we also noted that the management does not carry out a formal review for impairment assessment on operating fixed assets and capital work in progress as required by IAS 36. Furthermore, an exercise to physically verify the Company's property and equipment has not been performed since the formation of the Company in 1998.

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In the absence of such details, impairment assessment and physical verification of the Company's property and equipment, we were not able to ensure the appropriate basis to determine the net book value and related depreciation of these assets and impairment, if any, on the operating fixed assets and capital work in progress. Therefore, we remained unable to determine the amount of adjustments that may be required in the financial statements;

b) As at 30 June 2021, receivables from consumers amount to Rs. 88,741.748 million on account of energy charges (Note 18) and Rs. 29,668.576 million on account of related duties and taxes (Note 22.1). Out of these receivables exposed to default, aggregate amount of Rs. 80,432.559 million is overdue for more than one year. Against these receivables exposed to default, the Company has recorded cumulative provision of Rs. 40,745.843 million considered doubtful representing Rs. 33,100.374 million against energy charges (Note 18.4) and Rs. 7,645.468 million against taxes and duties (Note 22.1) based on ageing of receivables basis. The Company has not developed expected credit loss model determining the allowance for expected credit losses in accordance with IFRS 9. In the absence of verifiable expected credit loss model, we were unable to determine the adequacy of allowance for expected credit losses accounted for in the financial statements;

c) As disclosed in Note 20.1 to the financial statements, the Company has receivable balance of Rs. 4,889.186 million from its associated company Sukkur Electric Power Company Limited (SEPCO) as at 30 June 2021. Capital work-in-progress amounting to Rs. 1,367 million was transferred to SEPCO in December 2012 in compliance with the Supplementary Business Transfer Agreement (SBTA) between the Company and SEPCO dated 26 December 2012. Out of total stated amount, projects valuing Rs. 927.521 million were not acknowledged by SEPCO. Additionally, Capital work-in-progress and materials amounting to Rs. 1,756.132 million have been transferred to SEPCO during the preceding year ended 30 June 2018 but the SEPCO have confirmed acceptance of Rs. 993.123 million only while the balance of Rs. 763.009 million is not acknowledged to be paid by SEPCO. Therefore, these balances appear to be irrecoverable but no allowance for expected credit losses have been maintained in the books of the Company against receivable from SEPCO. As further mentioned in note 1.2 to the financial statement's further adjustments for the transfer of business under SBTA between these two companies were to be incorporated up to 30 June 2013 which is yet to be closed. Furthermore, in prior years, the Company and SEPCO jointly engaged independent consultant to identify and determine the adjustments to be incorporated in the books of both companies on account of capital work carried in the jurisdiction of SEPCO by the Company under the 'Transmission Enhancement and Distribution Improvement Program' funded by Asian Development Bank (Note 6). We have not been furnished with the status update on the matter nor with the consultant's final report thereof. In view of the pending determination of adjustments by consultant, non-closure of SBTA and non-confirmation by SEPCO of the transferred/outstanding balance, presently, we were not able to determine the amount of possible adjustments that may be required in the financial statements;

d) As disclosed in note 21 to the financial statements, the Company has recorded receivable from the Government of Pakistan (GoP) amounting to Rs. 73,147 million (2020: Rs. 61,102 million) on account of various subsidies which mainly includes tariff differential subsidy. The Company raises monthly subsidy claims with Federal Ministry of Energy, which then verify the subsidy claim and notify the Company in this respect on monthly basis. Accordingly, out of the verified amount, a portion of payment is released by the Federal Ministry of Finance to CPPA on ad hoc basis, which then adjust outstanding balances of the Company with CPPA.

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On the basis of historical trend of claims by the Company and subsequent verification by the Federal Ministry of Energy, an average provision for doubtful receivables amounting to Rs. 23,500 million should have been recorded in the financial statements. Had the same provision was recorded, the net loss of the Company would have increased and shareholders' equity of the Company would have reduced by the same amount.

e) As disclosed in note 13.2 (iv) under the head 'other matter' to the financial statements, management has disclosed contingencies related to legal cases the details of which have not been provided to us. In the absence of sufficient and appropriate audit evidence, we are unable to determine whether any adjustments are required to be made in the financial statements; and

f) As a significant period has lapsed between the date of statement of financial position and our reporting date, a complete review of subsequent events was not possible. Accordingly, we remained unable to determine the effect of subsequent events, if any, on the financial statements.

Material uncertainty relating to going concern

We draw attention of the members to note 1.1 to the financial statements which indicates, that the Company incurred a net loss after tax of Rs. 10,865.871 million during the year, leaving a negative equity of Rs. 247,078.374 million. The current liabilities of the Company on the balance sheet date exceeded its current assets by Rs. 138,328.887 million. These conditions, along with other matters as set forth in such note, indicate the existence of a material uncertainty which may cast significant doubt about the Company' s ability to continue as a going concern. However, the enclosed financial statements have been prepared on going concern basis for the reasons and mitigating factors mentioned in aforesaid note.

Emphasis of Matter

We draw attention to the following matters, in respect of which our opinion is not modified:

a) Note 1 of the financial statements explains pending closure of Business Transfer Agreement dated 29 June 1998 and Supplementary Business Transfer Agreement dated 30 June 2004 due to pending transfer of legal title of leasehold land transferred from Pakistan Water and Power Development Authority (WAPDA) in the name of the Company. Further, the Company has not so far carried out fair valuation exercise of assets required under the Companies (Further Issue of Shares) Regulations, 2018 for issuance of shares in consideration other than cash;

b) Note 10.1 to the financial statements, Interest on workers profit participation fund amounting to Rs. 337.694 million was not accounted for by the Company. Moreover, Workers profit participation fund 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; and

c) Note 13.1 to 13.2 {(i) to (iii)} to the financial statements, discloses the contingencies pending for resolution and the management's assessment of the favorable outcome thereof. Accordingly, no provisions for the same have been made in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the Directors'

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Report, but does not include the financial statements and our auditors' 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. For the matters described in the Basis for Qualified Opinion section above, we conclude that the other information is also materially misstated with respect those matters.

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.

Auditors' 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 auditors' 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.

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- 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 auditors' 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 auditors' 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, except for the matters described in the Basis for Qualified Opinion section, 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 and are in agreement with the books of account and returns;

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

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

The engagement partner on the audit resulting in this independent auditors' report is Imran Shaikh.

Crowe Hussain Chaudhury & Co.

Crowe Hussain Chaudhury & Co.
Chartered Accountants

Place: Karachi

Date: 06 OCT 2022

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Rupees	(Restated) 2020 Rupees
Electricity sales - net	24	**54,449,073,350**	49,202,362,251
Subsidies from Government of Pakistan	25	**30,927,020,489**	35,805,702,119
		85,376,093,839	85,008,064,370
Cost of electricity - restated	26	**(74,791,578,108)**	(82,418,141,655)
Gross profit / (loss)		**10,584,515,731**	2,589,922,715
Amortization of deferred credit - restated	5	**725,522,615**	714,414,938
		11,310,038,346	3,304,337,653
Operating expenses excluding depreciation - restated	27	**(10,970,281,636)**	(11,990,561,389)
Depreciation on operating fixed assets	14.1	**(1,244,002,296)**	(1,230,148,965)
Provision for doubtful debts	18 & 22.1.8	**(8,253,544,430)**	(6,554,973,984)
Provision for slow moving stock	17.1	**(15,871,143)**	(526,484,902)
Other income	28	**2,407,045,564**	2,809,220,384
		(18,076,653,941)	(17,492,948,856)
Operating loss		**(6,766,615,595)**	(14,188,611,203)
Finance cost - restated	29	**(3,261,935,400)**	(4,059,976,892)
Loss before taxation		**(10,028,550,995)**	(18,248,588,095)
Taxation	30	**(837,320,441)**	(773,094,160)
Loss after taxation		**(10,865,871,436)**	(19,021,682,255)
Loss per share			
- Basic	31	**(10,865,871)**	(19,021,682)
- Diluted		**(1.49)**	(2.60)

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Rupees	2020 Rupees
Loss after taxation		**(10,865,871,436)**	(19,021,682,255)
Other comprehensive income / (loss)			
Items that will not be reclassified subsequently to profit or loss:			
- Remeasurement of post retirement benefits obligation	9.4	**(6,890,214,864)**	(3,842,337,828)
Items that may be reclassified subsequently to profit or loss:		-	-
		(6,890,214,864)	(3,842,337,828)
Total comprehensive loss for the year		**(17,756,086,300)**	(22,864,020,083)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2021 Rupees	2020 Rupees (Restated)	2019 Rupees (Restated)
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized Share Capital				
5,000 (2020: 5,000) million ordinary shares of Rupees 10 each		**50,000,000,000**	50,000,000,000	50,000,000,000
Issued, subscribed and paid up share capital	3	**10,000**	10,000	10,000
Accumulated loss		**(247,078,384,272)**	(229,322,297,972)	(206,458,277,889)
TOTAL EQUITY		**(247,078,374,272)**	(229,322,287,972)	(206,458,267,889)
Deposit for issuance of shares	4	**73,029,740,974**	73,029,740,974	73,029,740,974
Deferred credit - restated	5	**20,003,694,963**	19,697,440,421	18,738,222,244
LIABILITIES				
NON-CURRENT LIABILITIES				
Long term financing	6	**4,167,282,559**	4,838,163,733	5,952,782,893
Consumers' security deposits	7	**2,576,730,304**	2,353,248,498	2,213,880,909
Receipt against deposit works and connections	8	**3,470,715,400**	3,207,964,259	3,769,710,402
Staff retirement benefits	9	**51,812,663,757**	43,503,793,677	36,591,193,366
		62,027,392,020	53,903,170,167	48,527,567,570
CURRENT LIABILITIES				
Trade and other payables	10	**7,115,050,633**	7,272,758,652	4,850,824,933
Due to associated undertakings - restated	11	**286,506,244,132**	256,825,029,210	210,288,268,525
Accrued mark-up - Long term financing	12	**10,229,873,860**	8,928,599,105	7,638,303,756
Current and overdue portion of long term financing		**5,157,649,303**	4,486,768,129	3,372,148,969
		309,008,817,928	277,513,155,096	226,149,546,183
TOTAL LIABILITIES		**371,036,209,948**	331,416,325,263	274,677,113,753
CONTINGENCIES AND COMMITMENTS	13.			
TOTAL EQUITY AND LIABILITIES		**216,991,271,613**	194,821,218,686	159,986,809,082
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	14	**45,124,897,437**	43,855,140,784	43,024,293,756
Long term loans	15	**1,293,135**	4,328,617	7,788,622
Long term deposits	16	**1,185,150,000**	1,561,150,000	1,561,150,000
		46,311,340,572	45,420,619,401	44,593,232,378
CURRENT ASSETS				
Stores and spares	17	**2,079,608,152**	2,203,722,548	3,031,187,085
Trade debts	18	**54,206,150,533**	47,776,384,694	37,718,466,121
Loans and advances	19	**43,492,329**	70,992,073	37,427,026
Due from associated undertakings - restated	20	**13,024,057,343**	12,460,860,260	11,316,179,409
Receivable from Government of Pakistan	21	**73,145,807,129**	61,101,945,456	39,701,373,825
Other receivables	22	**17,434,884,329**	17,075,797,155	17,136,536,480
Advance income tax - net		**832,873,179**	816,545,153	745,994,187
Accrued mark up		**48,894,939**	117,446,618	57,196,865
Bank balances	23	**9,864,163,108**	7,776,905,328	5,649,215,706
		170,679,931,041	149,400,599,285	115,393,576,704
TOTAL ASSETS		**216,991,271,613**	194,821,218,686	159,986,809,082

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Share capital	Accumulated loss	Total
	Rupees	**Rupees**	**Rupees**
Balance at 30 June 2019	10,000	(201,460,233,946)	(201,460,223,946)
Impact of restatement (Note 5 and 11)		(4,998,043,943)	(4,998,043,943)
Balance as at 30 June 2019 - restated	10,000	(206,458,277,889)	(206,458,267,889)
Comprehensive loss for the year			
Loss for the year ended 30 June 2020 - restated	-	(19,021,682,255)	(19,021,682,255)
Other comprehensive income	-	(3,842,337,828)	(3,842,337,828)
Total comprehensive loss for the year	-	(22,864,020,083)	(22,864,020,083)
Balance at 30 June 2020 - restated	10,000	(229,322,297,972)	(229,322,287,972)
Comprehensive loss for the year			
Loss for the year ended 30 June 2021	**-**	**(10,865,871,436)**	**(10,865,871,436)**
Other comprehensive income	**-**	**(6,890,214,864)**	**(6,890,214,864)**
Total comprehensive loss for the year	**-**	**(17,756,086,300)**	**(17,756,086,300)**
Balance at 30 June 2021	**10,000**	**(247,078,384,272)**	**(247,078,374,272)**

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Rupees	(Restated) 2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	32	**7,866,955,572**	5,626,129,471
Staff retirement benefits paid / adjusted		**(2,911,916,649)**	(2,491,639,071)
Finance cost paid		**(1,960,660,645)**	(947,576,948)
Income tax paid		**(853,648,467)**	(843,645,126)
Net cash flow from operating activities		**2,140,729,811**	1,343,268,326
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions in operating fixed assets		**(526,029,500)**	(141,463,511)
Additions in capital work in progress		**(1,098,626,091)**	(968,941,288)
Profit on bank deposits received		**320,842,832**	499,490,162
Long term deposits		**(376,000,000)**	-
Long term loans to employees		**3,035,482**	3,460,005
Net cash used in investing activities		**(1,676,777,277)**	(607,454,632)
CASH FLOWS FROM FINANCING ACTIVITIES			
Consumers' security deposits		**223,481,806**	139,367,589
Receipt against deposit works and connections		**1,399,823,440**	1,252,508,338
Net cash flow from financing activities		**1,623,305,246**	1,391,875,927
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,087,257,780**	2,127,689,621
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**7,776,905,327**	5,649,215,706
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**9,864,163,107**	7,776,905,327

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. THE COMPANY AND ITS OPERATIONS

Hyderabad Electric Supply Company Limited ("the Company") was incorporated in Pakistan as a public limited Company on April 23, 1998 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) and commenced commercial operations on July 01, 1998. The Company was established to take over all the properties, rights, assets, obligations and liabilities of Hyderabad Area Electricity Board ("HAEB") owned by Pakistan Water and Power Development Authority ("WAPDA") and such other assets and liabilities as agreed in the Business transfer Agreement "BTA" dated June 29, 1998 and further amended by Supplementary Business Transfer Agreement "SBTA" dated 30 June 2004. The SBTA will be closed on issuance of ordinary shares to WAPDA in consideration of net worth of assets transferred to the Company. However, such shares could not be issued so far due to pending (i) transfer of legal title of leasehold land from WAPDA to the name of the Company as disclosed in note 14.1 to the financial statements and (ii) fair valuation exercise of assets required under rule 8 of the Company Issue of Capital Rules, 1996 for issuance of shares in consideration other than cash.

The Company has obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The Company is principally engaged in the distribution of electric energy to different categories of consumers' in its licensed areas under the Electricity Act, 1910 and National Electric Power Regulatory Authority Act, 1997, as amended.

Head Office:

The registered office of the Company is situated at WAPDA House, Shahra-e-Quaid-e-Azam, Lahore in the province of Punjab. However principal place of business of the Company is located at WAPDA Office Complex, Hussainabad, Hyderabad in the province of Sindh.

Other Offices:

The Company have various 132-KV, 66-KV, 33 KV and 11KV grid stations along with other offices located in 13 districts of Province of Sindh including Hyderabad, Tando Allayar, Digri, Mirpurkhas, Umerkot, Tando Muhammad Khan, Phuleli, Kotri, Thatta, Badin, Nawabshah, Tando Adam and Sanghar. The principal activity of the Company is distribution and supply of electricity to public within defined geographical boundaries.

1.1 Going Concern

The Company during the year ended June 30, 2021 incurred loss after taxation of Rupees 10,865.871 (2020: Rupees 19,021.682 million - restated), its accumulated loss as of this date is Rupees 247,078.384 (2020: Rupees 229,322.298 million – restated) resulting in net capital deficiency amounting to Rupees 247,078.374 (2020: Rupees 229,322.288 million – restated) as of June 30, 2021. As of that date the Company's current liabilities exceeds current assets by Rupees 138,328.887 (2020: Rupees 128,122.556 million – restated).

NEPRA has allowed 19.43% total line losses as per latest tariff determined from July 2020 to June 2021. However, the line losses exceed by 8.77% of the approved limit as the aggregate annual line losses sustained have been 28.20%. These continuously sustained line losses are one of the prime factors of incurrence of financial / accounting losses over the years. Among others, the reasons of line losses include transmission losses, technical faults and damages to distribution network at various places, aluminum conductor network and metering equipment inefficiencies. The theft of electricity is also one of the prime factors resulting in line losses, which are difficult to be identified and billed. Even where theft is identified, the Company, as per

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line losses include transmission losses, technical faults and damages to distribution network at various places, aluminum conductor network and metering equipment inefficiencies. The theft of electricity is also one of the prime factors resulting in line losses, which are difficult to be identified and billed. Even where theft is identified, the Company, as per rules, can raise detection billing only for last six months by spreading the total detection units evenly over six months period, due to which the billing falls in lower tariff slabs, therefore, the detection billing also does not contribute considerably to the gross revenue. The continuous line losses have directly affected the profitability of the Company since incorporation. These conditions indicate existence of material uncertainties as to Company's ability to continue as a going concern.

The Government of Pakistan (GoP) continues to provide necessary support through various packages as explained in the ensuing paragraphs. Brief summary of support that the Company has been receiving from GOP is depicted below:

The President of Pakistan, being the 100% shareholder of the Company, through Ministry of Water and Power extends support to maintain the Company's going concern status.

Funds are continued to be received to the Company under the tri-partite agreement that has been made between International Bank of Reconstruction and Development (IBRD) or Asian Development Bank (ADB), Government of Pakistan (Economics Affairs Division) and Pakistan Electric Power Company Limited (PEPCO) for the rehabilitation programme designed with the objective of converting the Company into a profitable entity by overcoming different technical inefficiencies. The company has commenced working on a comprehensive plan in the form of following programs:

- Power Distribution Enhancement Investment Program Project - 1 (PDEIP - 1) of ADB
- Power Distribution Enhancement Investment Program Project - 2 (PDEIP - 2) of ADB
- Power Distribution Enhancement Investment Program Project - 3 (PDEIP - 3) of ADB
- Power Distribution Enhancement Investment Program Project - 4 (PDEIP - 4) of ADB
- Electricity Distribution and Transmission Improvement Project (EDTIP) of IBRD

Abovementioned programs are focusing towards the transmission and distribution network to improve efficiency and reliability and to reduce the technical and distribution losses.

The current mechanism of determining tariff is on the basis of minimum cost of generation. As the government determined tariff is always lower than the tariff determined by the National Electric Power Regulatory Authority (NEPRA), the difference between the actual cost of energy and the domestic charge ends up as a direct subsidy to the consumers by the government. The continuous support through tariff subsidy to the consumers comforts the Company in reducing doubtful recoveries and to recover the cost of transmission and distribution. During the year ended 2021 tariff differential subsidy allowed, amounted to Rupees 30,927.021 (2020: Rupees 35,805.702) million.

The management is also in the process of envisioning an effective remedial action plan going forward, focusing on controlling the T&D losses through appropriate planning, customer awareness programs creating sense of social responsibility, improved surveillance and monitoring, appropriate legal actions against theft cases and replacing the worn out distribution conductors and meters in different phases, as may be concluded. For the next year, the anticipated rehabilitation plan includes the following:

- Replacement of LT bare conductor with Aerial Bundle Cable;
- Improvement in system loading conditions rehabilitation and bifurcation of lengthy 11 KV lines;
- Replacement of sluggish conventional meters with TOU meters;

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- Installation of AMR and AMI at all of common delivery points and on the receiving end and consumer level of high loss making subdivisions.

The management of the Company is confident to overcome existing temporary factors that are negatively affecting its bottom line results. Management believes that considering the mitigating factors set out in the preceding paragraphs, the going concern assumption is appropriate and has, as such, prepared these financial statements on a going concern basis.

1.2 Bifurcation of the Company and transfer of assets and liabilities along with business operation to Sukkur Electric Power Company Limited (SEPCO)

Pakistan Electric Power Company Limited (PEPCO) issued Notification No. MDP/GM(HR)Dir(O&M)P(PEPCO)/1632-99 on 26 July 2010 regarding bifurcation/split off of the Company into two companies i.e. Hyderabad Electric Supply Company Limited (termed as HESCO Modified) and Sukkur Electric Power Company Limited (termed as SEPCO). As per notification, the 'HESCO Modified' will comprise of 03 circles namely, Hyderabad 1, Hyderabad 2 and Nawabshah Circles, whereas SEPCO will also comprise of 03 circles namely Sukkur, Dadu and Larkana Circles. Overall objective of this bifurcation is to improve the management of electricity utility, increase operational efficiency, reduction in line losses and improvement in customer services through enhanced monitoring in both companies.

WAPDA through its notification No. GMF(P)/MF(HQ)/Accounts/1495-99 dated 27 January 2011 also required the Company to surrender respective assets and liabilities in favour of SEPCO on the basis of balances transferred to the Company as at July 01, 1998. However, no accounting modalities were defined by WAPDA or PEPCO to affect the transfer of assets and liabilities in the accounting records of the Company. Due to a number of factors e.g. lapse of many years, incurrence of further expenditures, payment of previous liabilities, inter-transfers, retiring and revamping of assets etc., ascertaining the balances of assets and liabilities as at July 01, 1998 was difficult. Therefore, the management of both companies mutually decided the cut-off date of 31 December 2011 for determination of values of assets and liabilities to be transferred through business transfer agreement signed on 26 December 2012 between Hyderabad Electric Supply Company Limited and Sukkur Electric Supply Company Limited.

As per the agreement dated 26 December 2012, the balances of assets and liabilities transferred were subject to verification by SEPCO until 30 June 2013. No such adjustments have been identified by the management of SEPCO in this regard up to specified date. Nonetheless, the Company and SEPCO have engaged third party for bifurcation of various loans being utilized in common projects and preparation of Supplementary Business Transfer Agreement and Supplementary Loan Liability Transfer Agreement.

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 the 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 applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise:

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

- Provision of and directives issued under the Companies Act, 2017.

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

b) Accounting convention

These financial statements have been prepared under the historical cost convention except for the following:

- "foreign currency transactions as stated in note 2.12"

- "Defined benefits obligations are stated at present value in accordance with the requirements of IAS-19 "Employee Benefits", as referred to in notes 2.11.

c) Critical accounting estimates and adjustments

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

The Scheme also provides that 50 percent of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holding employees. The balance 50 percent dividend would be transferred by the respective Trust Fund to the Central Revolving Fund, managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by the Government. The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of SOEs, needs to be accounted for by the covered entities, including the Company, under the provisions of amended IFRS 2. However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP, on receiving representations from some of entities covered under the scheme and after having consulted the Institute of Chartered Accountants of Pakistan, has granted exemption vide SRO 587(I)/2011 dated 07 June 2011 to such entities from the application of IFRS 2 to the Scheme.

e) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

f) Standards, amendments and interpretations to the published standards that are relevant to the company and adopted in the current year

New and amended standards and interpretations mandatory for the first time for the financial year beginning July 1, 2020:

	Effective date
IAS 1 & 8 Definition of material	January 1, 2021

Amendments to IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' are intended to make the definition of material in IAS 1 easier to understand and are intended to alter the underlying concept of materiality in IFRS. In preparing their general-purpose financial statements in accordance with IFRS. Refined definition of expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2020 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

i. Property and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values used in calculation of depreciation on an annual basis. The residual values are assessed to be insignificant and have not been taken into account for charging the depreciation. Useful life is determined by considering expected usage, physical wear and tear and technical obsolescence. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

ii. Provision for doubtful items and stores and spares losses

The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and / or physical form of related stores, spares and loose tools. Impairment is also made for slow moving items.

iii. Income taxes

In making the estimates for income tax payable by the Company, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past. Further, the Company uses financial projections which are prepared using assumptions for key economic and business drivers, to assess reliability of deferred tax assets.

iv. Provision for impairment of trade debts and other receivables

The Company assesses the recoverability of its debts and other receivables if there is objective evidence that the Company will not be able to collect the entire amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade debt is impaired.

v. Employees' retirement benefits

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligation and the underlying assumptions are disclosed in note 9.

Provisions are made in the financial statements to cover obligations under the scheme. The provisions require assumptions to be made of future outcome which mainly include increase in remuneration, expected return on plan assets and the discount rate used to convert future cash flows to current values. Actuarial gains and losses arising from the actuarial valuation are recognized immediately and presented in statement of comprehensive income.

d) Implication of revised IFRS 2 'Share-based Payment'

On 14 August 2009, the Government of Pakistan (GOP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs), including the Company and Non-State Owned Enterprises (Non-SOEs), where the GOP holds significant investments. The Scheme is applicable to permanent and contractual employees who were in

employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

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g) Standards, interpretations and amendments to published accounting standards that are not yet effective and have not been early adopted by the Company.

	Effective for accounting periods beginning on or after
IFRS 3 'Definition of a business' Amendment to IFRS 3	January 1, 2022
IAS 37 Onerous contracts	January 1, 2022

h) Standards, interpretations and amendments to published standards that are not yet notified by Security Exchange Commission of Pakistan

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	Effective for accounting periods beginning on or after
IFRS 17 - Insurance Contract	January 1, 2022

i) Significant judgments and key sources of estimation in applying the accounting policies

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognized in the periods in which the estimate is revised and in any future periods affected.

2.2 Property, plant and equipment

a) Initial recognition

The cost of an item of property and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably. Recognition of the cost in the carrying amount of an item of operating fixed assets ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management, except for replacement of distribution equipment that are charged to repair and maintenance as and when incurred.

b) Measurement subsequent to initial recognition

Except leasehold land and freehold land, all others items of property and equipment (note 14) are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Capital work in progress is stated at cost less impairment losses; if any.

Cost in relation to items of property and equipment stated at cost represent historical costs. Cost comprises acquisitions and other directly attributable cost. Stores and spares, which form part of the contract under which the project was undertaken, are also capitalized with plant and machinery.

Expenditure incurred to replace a component of an item of operating assets, the cost of day to day servicing are charged to profit and loss account.

c) De-recognition

An item of property 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 profit and loss account in the year the asset is de-recognized.

d) Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment, if any, and consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their acquisition, erection, construction and installation, including salaries and wages directly attributable to capital work-in-progress, determined by the management. The assets are transferred to relevant category of operating fixed assets when they are available for use.

e) Depreciation

Depreciation is charged to profit and loss account, applying the reducing balance method whereby costs of assets, less their accumulated depreciation, at rates disclosed in note 14.1.

Depreciation on additions is charged on full year basis use up to the month preceding the disposal. In case of extension and addition in existing units, depreciation is provided on full year basis and in respect of material replacements and modernization, from the date of capitalization. Cost of subsequent acquisition of stores and spares under specific agreement for specific project are depreciated over the remaining economic useful life of such asset.

Useful lives are determined by the management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each reporting date.

2.3 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.4 Loans and advances

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

2.5 Stores and spares

These are stated at fortnightly weighted average cost less impairment loss, if any, except items in transit, which are stated at cost. For items which are slow moving and/or obsolete, adequate provision is made against those items. These are valued at lower of cost or net realizable value.

Provision is made for obsolete and slow moving items where necessary and is recognized in the profit and loss account.

2.6 Financial instrument

A financial instruments carried on the statement of financial position include deposits, trade debts, loans and advances, accrued interest, other receivables, cash and bank balances, long term financing, accrued mark-up and trade and other payables. Financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. A financial asset or part thereof is de-recognized when the Company loses control of the contractual right that comprises the financial asset or part there-of. Such control is deemed to be lost if the Company realizes the rights to the benefits specified in the contracts, the rights expire or the Company surrenders those rights. A financial liability or part thereof is removed from the balance sheet when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is recognized in profit and loss account.

2.6.1 Initial recognition

The financial assets and financial liabilities are initially recognized at fair value and in case of a financial asset or financial liability not at fair value through profit or loss, initial recognition is made at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, as the case may be.

2.6.2 Subsequent measurement

The financial assets other than loans and advances are stated at fair value. Loans and advances are stated at amortized cost. Financial liabilities are subsequently measured at amortized cost.

a) **Creditors, accrued and other liabilities**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the Company.

b) **Trade debts and other receivables**

Trade debts and other receivables are carried at original invoice amount less an estimate for provision of doubtful debts. Debts considered irrecoverable are written off. No provision is made in respect of active consumers considered good.

c) **Offsetting of financial assets and financial liabilities**

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

2.6.3 Impairment

a) **Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

b) **Non-financial assets**

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

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

2.7 Cash and cash equivalent

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks and short term placements readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

2.8 Share based payments

a) Benazir Employees' Stock Option Scheme

On 14 August 2009 the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ('the Scheme') for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in the employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allocated units by each Trust Fund in proportion to their respective length of service, and on retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would

be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State-Owned Enterprises need to be accounted by the covered entities, including the Company, under the provisions of amended International Financial Reporting Standard 2 Share Based Payments (IFRS 2). However, keeping in view the difficulties that may be faced by entities covered under the Scheme, the Securities and Exchange Commission of Pakistan on receiving representation from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from application of IFRS 2 to the Scheme.

b) Establishment of Trust

In accordance with the directive of GoP, the Company was required to implement the Benazir Employees Stock Option Scheme. However, the Company has only 1000 ordinary shares in issue till the reporting date and issuance of ordinary shares to WAPDA against purchase consideration is still pending. No dividends have been paid by the Company from the date of its incorporation; therefore, management strongly believes that there is almost no impact of the scheme on the Company till the reporting date. However, the Company is in the process of implementation of the Scheme as soon as the ordinary shares are issued.

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2.9 Interest / mark-up bearing loan and borrowings

All loan and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Loan and borrowings are subsequently stated at amortized cost with any difference between the proceeds (net of transaction cost) and the redemption value recognized in the profit and loss account over the period of the borrowings using the effective interest method.

2.10 Deferred credit

2.10.1 Consumer contribution towards cost of supplying and laying service connection

Deferred credit represents amounts received from consumers as contribution towards the cost of supplying and laying service connections, extension of mains and street lights along with the transfer from Specific Grants. Amortization of deferred revenue commences upon completion of related work, over the useful lives of the related assets except for separately identifiable services in which case the revenue is recognized upfront upon establishing a connection network. Amortization of deferred credit for the year is recognized in the statement of profit or loss.

2.10.2 Government grants

Government grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the entity should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognized in profit or loss in the period in which they become receivable.

2.11 Employees retirement and other service benefits

a) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods, that benefit is discounted to determine its present value. The calculation is performed at least once annually, by a qualified actuary using the projected unit credit method. The Company operates a Defined Benefit 'Gratuity' Plan, for its regular permanent employees who have completed qualifying period of service. An unfunded gratuity scheme is in place for the Management and employees of the Company.

Provisions are made to cover the obligations under defined benefit pension scheme, post-retirement medical benefits, and electricity rebate and compensated absences on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as of 30 June 2018 using the "Projected Unit Credit Method".

Calculation of gratuity and pension requires assumptions to be made of future outcomes which mainly include increase in remuneration and other discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

b) Defined benefit pension scheme

The Company operates an approved unfunded defined benefit pension scheme for all its eligible employees. The Scheme provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of 25 years of service. Pension is based on employees' last drawn salary i.e. (basic salary plus qualifying allowance).

The commutation of pension equals to the 35% of the total amount is provided to the employee retiring from the Company and remaining 65% is converted in to the monthly pension payments over the life of the employee and afterwards to his family. In case of expiry of employee during his service 25% of commutation will be provided and remaining 75% will be disbursed to his family through monthly pension payments.

c) Post-retirement medical benefits

The Company operates an unfunded defined benefit medical scheme and provides medical allowances and free hospitalization benefits to all its retired employees and their spouses in accordance with their service regulations.

d) Electricity rebate

The Company provides a rebate on electricity bills to its eligible retired employees.

e) Earned leave

The Company's employees are also entitled for accumulated compensated absences, which are en-cashed at the time of retirement up to a maximum limit of 180 days. Provision is made on the basis of actuarial valuation carried out using Projected Unit Credit Method. Actuarial gains and losses relating to compensated absences are recognized in the year of occurrence.

f) Other staff welfare funds

For General Provident Fund and WAPDA Welfare Fund, the Company makes deduction according to different slab rates as approved by WAPDA from salaries of the employees and remits those amounts to funds established by WAPDA.

2.12 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the statement of profit of loss.

2.13 Taxation

a) Current tax

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any, in accordance with the provision of the Income Tax Ordinance, 2001 and decision taken by the tax authorities. Instances where the Company's view differ from the income tax department at assessment stage and where the Company considers that it's view on items of material nature is in accordance with the law, the amounts are shown as contingent liability.

The minimum tax is provided in case when the Company is having taxable loss for the year except in case of having gross loss before depreciation and other inadmissible expenses but in the next financial year the exemption from minimum tax available to companies in case of gross loss has been withdrawn.

b) Deferred tax

Deferred tax is recognized using balance sheet liability method, providing for all significant temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company recognizes a deferred tax liability for all taxable temporary difference and deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future 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 income statement, except where deferred tax arises on the items credited or charged to equity which case it is included in equity.

2.14 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions is reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.15 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and revenue can be measured reliably. The specific accounting policies are:

- Revenue from electricity sales is recognized on the basis of electricity supplied to consumers at rates determined by NEPRA and notified by GoP which may be less than as determined by NEPRA.

- Tariff differential subsidy is recognized in the relevant period on the basis of rates notified by NEPRA, on accrual basis up to the date of approval of financial statements by the Board of Directors of the Company.

- Tariff adjustment in respect of variation in fuel prices is recognized on accrual basis when the Company entitled to receive it.

- Surcharge on delayed payments is recognized on the basis of energy charges.

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

- Commission on collection of PTV fee and electricity duty is recognized on the basis of actual billing collections from consumers.

- Interest on bank deposits is recognized on time proportionate basis.

- Profit on investments is recognized on the basis of effective yield.

- Revenue from sale of scrap is recognized on dispatch of goods.

- Deferred credit against consumers' contributions is released to profit and loss account over the expected useful life of the asset underlying the contribution except for separately indefinable services in which case revenue is recognized upfront upon establishing a connection network.

- All other miscellaneous incomes are recognized on actual receipt basis.

2.16 Related party transactions

Transactions with related parties for purchase and sale of electricity are based on tariff determined by NEPRA. Prices for other transactions with related parties are charged on the basis of directives issued by WAPDA and PEPCO.

2.17 Appropriations to reserves

Appropriations to reserves are recognized in the financial statements in the period in which these are approved.

2.18 Earnings / (loss) per share – basic and diluted

The Company presents basic and diluted earnings / (loss) per share data for its ordinary shares. Basic earnings / (loss) per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings / (loss) per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2021	2020			2021	2020
Number of Shares			**Note**	**Rupees**	Rupees
1,000	1,000	Ordinary shares of Rupees 10/- each fully paid in cash		**10,000**	10,000

3.1 All of the shares are beneficially owned by President of Pakistan directly and through nominee directors.

4. DEPOSIT FOR ISSUANCE OF SHARES

	Note	2021 Rupees	2020 Rupees
Incorporation expenses incurred by WAPDA	4.1	**5,042,375**	5,042,375
Allocation from net worth	4.2	**25,044,848,007**	25,044,848,007
Investment of GoP	4.3	**47,979,850,592**	47,979,850,592
		73,029,740,974	73,029,740,974

4.1 This represents amount paid by WAPDA on account of preliminary expenses and transferred into Deposit for shares account at the time of incorporation of Company.

4.2 It represents net worth of assets and liabilities transferred to Company from WAPDA as per the Business Transfer Agreement and Supplementary Business Transfer Agreement as mentioned in note 1. These are unsecured and carry no interest. Adjustments are incorporated on intimation from WAPDA. Number of shares to be issued against this deposit amount will be determined on finalization of closing process as defined in Business Transfer Agreement (BTA) and Supplementary Business Transfer Agreement (SBTA).

4.3 It represents credit advice received from Central Power Purchase Authority Gaurantee Limited (CPPAGL) in respect of settlement of power sector circular debt of Rupees 341 billion on intimation of Ministry of finance to PEPCO through letter No. F.1(5) CF-1/2012-13/1017 dated 02 July 2013. CPPAGL issued credit note dated 12 February 2014 to the Company with narration that 'Credit afforded on account of GoP Investment against Circular Debt'. Hence this has been treated as GoP equity investment in the Company. In financial year 2018-19 an amount of Rupees 1,508.582 million adjusted by CPPA on account of supplementary charges paid by GoP vide letter No. F.1(17)CF-1/2011-12/948 dated 13 September 2018 issued by Finance Division, GoP.

5. DEFERRED CREDIT - RESTATED

	Note	2021 Rupees	(Restated) 2020 Rupees
Balance at 01 July		**25,783,619,779**	24,109,986,664
Transfer from receipt against deposit works		**1,031,777,157**	1,673,633,115
		26,815,396,936	25,783,619,779
Less: Amortization			
Amortized balance at 01 July	5.1	**6,086,179,358**	5,371,764,420
Amortized during the year		**725,522,615**	714,414,938
		6,811,701,973	6,086,179,358
Balance at 30 June		**20,003,694,963**	19,697,440,421

5.1 During prior years, amortization income in respect of deferred credit was accounted for using sraight line method. As per Company's policy the amounts of project completed projects is transfered to deferred credit from receipt against deposit work which is then amortized based on the useful life of respective assets. Since, respective fixed assets are depreciated using reducing balance method, therefore deferred credit is amortized on the same basis retrospectively. The change in accounting policy has been account for respectively in the financial statements in accordance with IAS 8 'Accounting policies, Changes in Accounting estimates and errors". The effect of such retrospective restatement on the statement of profit or loss and statement of financial position of the preceding years as under:

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	2021 Rupees	2020 Rupees
Statement of profit or loss:		
Decrease in amortization income	**213,016,278**	871,808,584
Increase in loss after taxation	**(213,016,278)**	(871,808,584)
Increase in loss per share - basic	**(213,016)**	871,809
Increase in loss per share - Diluted	**(0.029)**	(0.119)
Statement of financial position		
Increase in accumulated loss	**(213,016,278)**	(871,808,584)
Increase in Deferred Credit	**213,016,278**	871,808,584

6. LONG TERM FINANCING

Relent - Loans from Government of Pakistan - Secured

	Note	2021	2020
Asian Development Bank			
PDEIP-1	6.1	**1,887,314,578**	1,887,314,578
PDEIP-2	6.2	**2,238,228,319**	2,238,228,319
PDEIP-3	6.3	**2,195,590,662**	2,195,590,662
PDEIP-4	6.4	**746,267,143**	746,267,143
International Bank for Reconstruction and Development	6.5	**2,257,531,160**	2,257,531,160
		9,324,931,862	9,324,931,862
Less: Current and overdue portion	6.6		
Asian Development Bank			
PDEIP-1		**(1,669,624,311)**	(1,504,849,665)
PDEIP-2		**(870,426,283)**	(822,251,708)
PDEIP-3		**(507,668,856)**	(363,698,212)
PDEIP-4		**(188,989,100)**	(93,283,393)
International Bank for Reconstruction and Development		**(1,920,940,753)**	(1,702,685,151)
		(5,157,649,303)	(4,486,768,129)
		4,167,282,559	4,838,163,733

6.1 Long term finance from Asian Development Bank (PDEIP-1)

	Note	2021	2020
Balance at 01 July		**1,887,314,578**	1,887,314,578
Balance at 30 June	6.1.1	**1,887,314,578**	1,887,314,578

6.1.1 The Government of Pakistan obtained financing facility from Asian Development Bank (ADB) for Power Distribution Enhancement Investment Program - Project 1 (PDEIP-1) under loan agreement no 2438-PAK dated 29 November 2008. This represents amount utilized from portion of facility re-lent to the Company amounting to US$ 22.894 million from such facility, unutilized facility as at expiry of facility is US$ 1.503 million. This financing facility having an availability period up to 31 October 2012 is repayable in Pak rupees to GoP based on the repayment schedule provided by Ministry of Economic Affairs and Statistics, GoP. This facility is payable in 26 equal half yearly installments after the expiry of 2 years grace period, first installment was due on 15 February 2011 and final installment is due on 15 August 2023. This facility carries interest at the rate 17% inclusive of relenting interest of 11% per annum plus exchange risk cover fee of 6% per annum chargeable both on principal amount and interest amount separately.

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			2021	2020
6.2	**Long term finance from Asian Development Bank (PDEIP-2)**	**Note**	**Rupees**	Rupees
	Balance at 01 July		**2,238,228,319**	2,238,228,319
	Balance at 30 June	6.2.1	**2,238,228,319**	2,238,228,319

6.2.1 The Government of Pakistan obtained financing facility from Asian Development Bank (ADB) for Power Distribution Enhancement Investment Program - Project 2 (PDEIP-2) under loan agreement no 2727-PAK dated 28 January 2011. This represents portion of facility re-lent to the Company amounting to US$ 34.09 million, unutilized facility as at year end is US$ 13.204 million. This financing facility having an availability period up to 31 March 2018 is repayable in Pak Rupees to GoP based on the repayment schedule provided by Ministry of Economic Affairs and Statistics, GoP. This facility is payable in 34 equal half yearly installments after the expiry of 3 years grace period, first installment was due on 01 June 2014 and final installment is due on 01 December 2030. This facility carries interest at the rate 15% inclusive of relenting interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum chargeable both on principal amount and interest amount separately.

			2021	2020
6.3	**Long term finance from Asian Development Bank (PDEIP-3)**	**Note**	**Rupees**	Rupees
	Balance at 01 July		**2,195,590,662**	2,195,590,662
	Balance at 30 June	6.3.1	**2,195,590,662**	2,195,590,662

6.3.1 The Government of Pakistan obtained financing facility from Asian Development Bank (ADB) for Power Distribution Enhancement Investment Program - Project 3 (PDEIP-3) under loan agreement no 2972-PAK dated 09 September 2013. This represents portion of facility re-lent to the Company amounting to US$ 24.5 million, unutilized facility as at year end is US$ 5.146 million. This financing facility having an availability period up to 31 December 2018 is repayable in Pak rupees to GoP based on the repayment schedule provided by Ministry of Economic Affairs and Statistics, GoP. This facility is payable in 40 equal half yearly installments after the expiry of 3 years grace period first installment is due on 01 June 2018 and final installment is due on 01 December 2037. This facility carries interest at the rate 15% inclusive of relenting interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum chargeable both on principal amount and interest amount separately.

			2021	2020
6.4	**Long term finance from Asian Development Bank (PDEIP-4)**	**Note**	**Rupees**	Rupees
	Balance at 01 July		**746,267,143**	746,267,143
	Balance at 30 June	6.4.1	**746,267,143**	746,267,143

6.4.1 The Government of Pakistan obtained financing facility from Asian Development Bank (ADB) for Power Distribution Enhancement Investment Program - Project 4 (PDEIP-4) under loan agreement no 3096-PAK dated 30 April 2014. This represents portion of facility re-lent to the Company amounting to US$ 11.767 million, unutilized facility as at year end is US$ 4.915 million. This financing facility having an availability period up to 30 June 2018 is repayable in Pak rupees to GoP based on the repayment schedule provided by Ministry of Economic Affairs and Statistics, GoP. This facility is payable in 40 equal half yearly installments after the expiry of 5 years grace period first installment was due on 01 June 2019 and final installment is due on 01 December 2038. This facility carries interest at the rate 15% inclusive of relenting interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum chargeable both on principal amount and interest amount separately.

6.5	**Long term finance from International Bank for Reconstruction and Development**	**Note**	**2021 Rupees**	2020 Rupees
	Balance at 01 July		**2,257,531,160**	2,257,531,160
	Balance at 30 June	6.5.1	**2,257,531,160**	2,257,531,160

6.5.1 The Government of Pakistan obtained financing facility from International Bank for Reconstruction and Development (IBRD) for Electricity Distribution and Transmission Improvement Project (ETDIP) under loan agreement no 7565-PAK dated 14 July 2008. This represents portion of facility re-lent to the Company amounting to US$ 41.815 million,unutilized facility as at year end is US$ 4.915 million obtained by Government of Pakistan (GoP). This financing facility having an availability period up to 30 June 2014 is repayable in Pak rupees to GoP based on the repayment schedule provided by Ministry of Economic Affairs and Statistics, GoP. This facility is payable in Pak Rupees to GoP based on the repayment schedule provided by Economic Affairs Division GoP. This facility is payable in 26 equal half yearly installments after the expiry of 2 years grace period first installment was due on 15 September 2011 and final installment is due on 15 March 2024. It carries markup at the rate 17 % per annum inclusive of relenting interest of 11% plus exchange risk cover fee of 6% chargeable both on principal amount and interest amount separately.

6.6 It includes overdue portion of Rupees 4,436.17 million (2020: 3,372.15 million).

7.	**CONSUMERS' SECURITY DEPOSITS**	**Note**	**2021 Rupees**	2020 Rupees
	Balance at 01 July		**2,353,248,498**	2,213,880,909
	Deposits received during the year	7.1	**223,481,806**	139,367,589
	Balance at 30 June	7.2	**2,576,730,304**	2,353,248,498

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

7.2 Out of this an amount of Rupees 554.392 million (2020: Rupees 432.273 million) kept in a separate bank account maintained in respect of security deposits received from consumers and contractors.

8.	**RECEIPT AGAINST DEPOSIT WORKS AND CONNECTIONS**	**Note**	**2021 Rupees**	2020 Rupees
	Balance at 01 July		**3,207,964,259**	3,769,710,402
	Contribution received		**1,399,823,440**	1,252,508,338
	Transferred to deferred credit against completed projects		**(1,031,777,157)**	(1,673,633,115)
	Transferred to labour and overhead recovery		**(105,295,142)**	(140,621,366)
	Balance at 30 June		**3,470,715,400**	3,207,964,259
	The balance at June 30 consist of:			
	Capital contribution from consumers awaiting service connections	8.1	**514,788,659**	156,989,861
	Fund received against deposit works	8.2	**2,955,926,741**	3,050,974,398
			3,470,715,400	3,207,964,259

8.1 These represent amounts received from consumers through demand notices against which the related works / jobs have not been completed. These capital contributions are received in accordance with the Government notification for approved rates of capital contribution on every new connection.

8.2 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.

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		Note	2021 Rupees	2020 Rupees
9.	**STAFF RETIREMENT BENEFITS**			
	Post Retirement Benefits			
	Free medical benefits	9.1 & 9.2	**3,678,962,606**	3,439,353,767
	Pension	9.1 & 9.2	**45,679,178,286**	37,586,776,833
	Free electricity benefits	9.1 & 9.2	**549,768,803**	679,099,604
			49,907,909,695	41,705,230,204
	Compensated Absences	9.1 & 9.2	**1,904,754,062**	1,798,563,473
			51,812,663,757	43,503,793,677

9.1 The Company adopted the WAPDA's employee pension scheme, post retirement free electricity scheme and post retirement medical benefits scheme. All these schemes are unfunded except for pension.

9.2 Balance reconciliation:

	30 June 2021				
	Free medical benefits	**Pension**	**Free electricity benefits**	**Compensated absences**	**Total**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Balance as at 01 July 2020	**3,439,353,767**	**37,586,776,833**	**679,099,604**	**1,798,563,473**	**43,503,793,677**
Charge for the year (Note 9.3)	**364,516,092**	**3,741,076,949**	**63,494,343**	**161,484,481**	**4,330,571,865**
Remeasurement (gain) / loss recognized in statement of comprehensive income (Note 9.4)	**108,296,018**	**6,835,203,488**	**(111,597,683)**	**58,313,041**	**6,890,214,864**
Benefits paid	**(233,203,271)**	**(2,483,878,984)**	**(81,227,461)**	**(113,606,933)**	**(2,911,916,649)**
Balance as at 30 June 2021	**3,678,962,606**	**45,679,178,286**	**549,768,803**	**1,904,754,062**	**51,812,663,757**

	30 June 2020				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 July 2019	864,506,118	32,788,461,794	1,063,824,623	1,874,400,831	36,591,193,366
Charge for the year (Note 9.3)	162,842,934	4,983,774,327	153,980,583	261,303,710	5,561,901,554
Remeasurement (gain) / loss recognized in statement of comprehensive income (Note 9.4)	2,602,105,148	1,954,502,912	(471,842,335)	(242,427,897)	3,842,337,828
Benefits paid	(190,100,433)	(2,139,962,200)	(66,863,267)	(94,713,171)	(2,491,639,071)
Balance as at 30 June 2020	3,439,353,767	37,586,776,833	679,099,604	1,798,563,473	43,503,793,677

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9.3 Charge for the year recognized in the statement of profit or loss:

	30 June 2021				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Current services cost	**57,161,520**	**379,034,001**	**4,434,400**	**371,680**	**441,001,601**
Net Interest cost	**307,354,572**	**3,362,042,948**	**59,059,943**	**161,112,801**	**3,889,570,264**
	364,516,092	**3,741,076,949**	**63,494,343**	**161,484,481**	**4,330,571,865**

	30 June 2020				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Current services cost	51,271,828	384,480,591	4,573,600	949,905	441,275,924
Net Interest cost	111,571,106	4,599,293,736	149,406,983	260,353,805	5,120,625,630
	162,842,934	4,983,774,327	153,980,583	261,303,710	5,561,901,554

9.4 Remeasurement (gain) / loss recognized in statement of comprehensive income:

	30 June 2021				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Experience adjustments	**108,296,018**	**6,835,203,488**	**(111,597,683)**	**58,313,041**	**6,890,214,864**

	30 June 2020				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Experience adjustments	2,602,105,148	1,954,502,912	(471,842,335)	(242,427,897)	3,842,337,828

9.5 Reconciliation of present value of defined benefit obligations:

	30 June 2021				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 July 2020	**3,439,353,767**	**37,586,776,833**	**679,099,604**	**1,798,563,473**	**43,503,793,677**
Current service cost	**57,161,520**	**379,034,001**	**4,434,400**	**371,680**	**441,001,601**
Net interest cost	**307,354,572**	**3,362,042,948**	**59,059,943**	**161,112,801**	**3,889,570,264**
Benefits paid during the year	**(233,203,271)**	**(2,483,878,984)**	**(81,227,461)**	**(113,606,933)**	**(2,911,916,649)**
Remeasurement (gain) / loss	**108,296,018**	**6,835,203,488**	**(111,597,683)**	**58,313,041**	**6,890,214,864**
Balance as at 30 June 2021	**3,678,962,606**	**45,679,178,286**	**549,768,803**	**1,904,754,062**	**51,812,663,757**

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	30 June 2020				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 July 2019	864,506,118	32,788,461,794	1,063,824,623	1,874,400,831	36,591,193,366
Current service cost	51,271,828	384,480,591	4,573,600	949,905	441,275,924
Net interest cost	111,571,106	4,599,293,736	149,406,983	260,353,805	5,120,625,630
Benefits paid during the year	(190,100,433)	(2,139,962,200)	(66,863,267)	(94,713,171)	(2,491,639,071)
Remeasurement (gain) / loss	2,602,105,148	1,954,502,912	(471,842,335)	(242,427,897)	3,842,337,828
Balance as at 30 June 2020	3,439,353,767	37,586,776,833	679,099,604	1,798,563,473	43,503,793,677

9.6 Principal actuarial assumptions used:

	30 June 2021			
	Free medical benefits	**Pension**	**Free electricity benefits**	**Compensated absences**
Discount rate	**10.25%**	**10.25%**	**10.25%**	**10.25%**
Salary increase rate	**8.25%**	**8.25%**	**8%**	**8.25%**
Indexation rate	**-**	**4.00%**	**-**	**-**
Expected charge to profit or loss account for the next financial year (Rupees)	**440,114,243**	**5,100,161,983**	**61,240,228**	**195,647,069**

	30 June 2020			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate	9.25%	9.25%	9.25%	9.25%
Salary increase rate	7.25%	7.25%	-	7.25%
Indexation rate	-	4.25%	0.0725	-
Expected charge to profit or loss account for the next financial year (Rupees)	374,154,695	3,896,967,397	67,813,371	167,404,892

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9.7 Sensitivity analysis for actuarial assumptions:

The sensitivity of the staff retirement benefits as at reporting date to changes in the weighted principal

	30 June 2021		
	Free medical benefits	**Pension**	**Free electricity benefits**
Discount rate	**1%**	**1%**	**1%**
Increase in assumption (Rupees)	**3,266,918,793**	**40,644,150,906**	**488,992,304**
Decrease in assumption (Rupees)	**4,179,301,519**	**52,103,072,928**	**622,586,486**
Medical inflation rate	**1%**	-	-
Increase in assumption (Rupees)	**4,059,120,848**	-	-
Decrease in assumption (Rupees)	**3,366,250,784**	-	-
Withdrawal rates	**10%**	**10%**	**10%**
Increase in assumption (Rupees)	**3,678,019,210**	**45,757,860,814**	**549,627,826**
Decrease in assumption (Rupees)	**3,679,911,306**	**45,803,641,565**	**549,910,573**
Future salary increase	-	**1%**	-
Increase in assumption (Rupees)	-	**48,065,210,674**	-
Decrease in assumption (Rupees)	-	**43,770,976,212**	-
Pension increase rate	-	**1%**	-
Increase in assumption (Rupees)	-	**49,983,424,148**	-
Decrease in assumption (Rupees)	-	**42,173,227,996**	-
Indexation rate	-	-	**1%**
Increase in assumption (Rupees)	-	-	**626,549,728**
Decrease in assumption (Rupees)	-	-	**484,943,107**
Mortality setback	**1 year**	**1 year**	-
Increase in assumption (Rupees)	**3,685,764,814**	**45,881,468,842**	-
Decrease in assumption (Rupees)	**3,672,113,704**	**45,684,611,612**	-

	30 June 2020		
	Free medical benefits	Pension	Free electricity benefits
Discount rate	1%	1%	1%
Increase in assumption (Rupees)	3,054,146,144	34,543,628,430	604,025,689
Decrease in assumption (Rupees)	3,907,105,878	44,299,698,454	769,047,341
Medical inflation rate	1%	-	-
Increase in assumption (Rupees)	3,794,752,509	-	-
Decrease in assumption (Rupees)	3,147,008,696	-	-
Withdrawal rates	10%	-	10%
Increase in assumption (Rupees)	3,438,471,814	-	678,925,463
Decrease in assumption (Rupees)	3,440,240,679	-	679,274,725
Future salary increase	1%	1%	-
Increase in assumption (Rupees)	3,585,348,152	38,991,784,524	-
Decrease in assumption (Rupees)	3,308,871,426	36,577,856,551	-
Indexation rate	-	-	1%
Increase in assumption (Rupees)	-	-	773,942,919
Decrease in assumption (Rupees)	-	-	599,023,935
Mortality setback	1 year	1 year	-
Increase in assumption (Rupees)	3,445,712,951	37,996,459,395	-
Decrease in assumption (Rupees)	3,432,950,930	39,414,928,031	-

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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.

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

		2021	2020	2019
9.8	**Amounts for the current and previous two years:**	**Rupees**	**Rupees**	**Rupees**
	Present value of defined benefit obligation of :			
	Free medical benefits	**3,678,962,606**	3,439,353,767	864,506,118
	Pension	**45,679,178,286**	37,586,776,833	32,788,461,794
	Free electricity benefits	**549,768,803**	679,099,604	1,063,824,623
	Compensated absences	**1,904,754,062**	1,798,563,473	1,874,400,831
	Remeasurement (gain) / loss on obligation of:			
	Free medical benefits	**108,296,018**	(2,812,441,463)	2,219,738,202
	Pension	**6,835,203,488**	(2,448,661,492)	12,287,523,649
	Free electricity benefits	**(111,597,683)**	(297,109,044)	(699,073,521)
	Compensated absences	**58,313,041**	-	180,623,930

9.9 Risks associated with staff retirement benefits:

a) Investment risk

The risk arises when actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

b) Longevity risk

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

c) Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

d) Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

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10. TRADE AND OTHER PAYABLES

	Note	2021 Rupees	2020 Rupees
Creditors		**1,026,445,872**	1,374,622,057
Accrued liabilities		**947,502,631**	990,327,873
Retention money payable		**118,293,644**	126,685,821
Employees' share in funds contribution payable		**4,586,613**	4,448,856
Income tax deducted at source payable		**16,456,465**	14,370,896
Professional tax payable		**35,263**	122,409
Income tax collected at source payable		**147,116,320**	140,172,925
Electricity duty payable		**473,983,248**	555,847,457
TV license fee payable		**14,719,150**	11,440,136
Neelum Jhelum surcharge payable		**36,937,091**	25,346,062
Equalization surcharge payable		**625,450,742**	625,227,212
Extra tax payable		**228,525,709**	228,709,539
Further tax payable		**122,198,936**	120,411,221
Sales tax (SRO 608(I)/2014) payable		**48,066,709**	46,704,454
Financing cost surcharge payable		**454,451,091**	422,341,323
Workers' profit participation fund	10.1	**113,649,226**	113,649,226
Security payable against bank guarantee		**10,000,000**	10,000,000
Others		**2,726,631,923**	2,462,331,185
		7,115,050,633	7,272,758,652

10.1 The Company has not made payment of its contribution towards Works' Profit Participation Fund (WPPF), being the Company's liability on account of provision of Sindh Workers' Profit Participation Act, 2015 pertaining to prior years. This matter is pending for decision with Economic Coordination Committee (ECC) upon recommendation submitted by WAPDA to exempt the undertakings established under the umbrella of WAPDA from compliance with the requirements of Companies Profit (Workers' Participation) Act, 1968. Due to pending decision with the ECC no provision for mark-up is made as required under Sindh Workers' Profit Participation Act, 2015. However, the Company has shown the mark-up as contingent liability under note 13(iii) to the financial statements.

11. DUE TO ASSOCIATED UNDERTAKINGS

	Note	2021 Rupees	(Restated) 2020 Rupees
Central Power Purchasing Agency Guarantee Limited - restated	11.1	**281,850,375,935**	251,590,327,518
WAPDA - Power wing		**256,194,601**	338,464,070
WAPDA - Water wing		**97,996,736**	97,996,736
WAPDA - Coordination		**34,966,600**	34,966,600
National Transmission and Despatch Company Limited - restated	11.1	**4,195,396,977**	4,660,689,232
Faisalabad Electric Supply Company Limited (FESCO)		**2,544,309**	2,432,163
Peshawar Electric Supply Company Limited (PESCO)		**2,626,128**	2,646,923
Gujranwala Electric Power Company Limited (GEPCO)		**56,573**	544,682
Pakistan Electric Power Company (Private) Limited (PEPCO)		**29,094,055**	29,291,929
Multan Electric Power Company Limited (MEPCO) - pension	11.1	**2,708,950**	686,020
Lahore Electric Supply Company Limited (LESCO) - pension - restated	11.1	**12,325,449**	17,886,022
Islamabad Electric Supply Company Limited (IESCO) - pension - restated	11.1	**1,846,498**	8,022,416
Gujranwala Electric Power Company Limited (GEPCO) - pension - restated	11.1	**3,583,631**	571,729
Peshawar Electric Supply Company Limited (PESCO) - pension - restated	11.1	**11,497,783**	18,281,817
Faisalabad Electric Supply Company Limited (FESCO) - pension - restated	11.1	**5,029,907**	22,221,353
		286,506,244,132	256,825,029,210

11.1 During prior years, certain liabilities were not accounted for in respect of "Central Power Purchasing Agency Guarantee Limited" (CPPA)'s against cost of electricity and markup related to Power Holding Private Limited (PHPL). Furthermore, in preceeding year, payment related to CPPA was recorded against use of system charges to National Transmission and Despatch Company Limited (NTDC) which is corrected during the current year. Moreover, unrecorded pension liabilites related to other DISCO's were also accounted for in the financial statements. These prior period errors has been rectified respectively in the financial statements in accordance with IAS 8 'Accounting policies, Changes in Accounting estimates and errors". The effect of such retrospective restatement on the statement of profit or loss and statement of financial position of the preceding years as under:

Statement of profit or loss:	2021 Rupees	2020 Rupees
Increase in cost of electricity	**127,997,303**	3,723,104,343
Increase in markup against PHPL / STFF	**497,895,604**	601,119,526
Increase in pension expense	**14,777,871**	131,794,948
Increase in loss after taxation	**(640,670,778)**	(4,456,018,817)
Increase in loss per share - basic	**640,671**	4,456,019
Increase in loss per share - Diluted	**(0.088)**	(0.610)

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	2021 Rupees	2020 Rupees
Statement of financial position		
Increase in accumulated loss	**(772,465,726)**	(4,456,018,817)
Increase in CPPA	**772,465,726**	4,456,018,817

12. ACCRUED MARK-UP - LONG TERM FINANCING

	2021 Rupees	2020 Rupees
Asian Development Bank-Tranche I	**6,563,013,878**	5,582,255,168
International Bank for Reconstruction and Development (IBRD)	**3,666,859,982**	3,346,343,937
	10,229,873,860	8,928,599,105

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

Sales tax

	Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal Parties	Date instituted
i)	Appellate Tribunal, IR	Demands had been raised amounting to Rupees 149.30 million and Rupees 14.02 million for tax periods July 2008 to June 2010 and July 2010 respectively against the sales tax on supply of energy to steel melters, which is to be paid to FBR as per SRO No. 480(I)/2007 dated 09/06/2007. The Company is in appeal before Appellate Tribunal in respect of demands of Rupees 149.30 million and Rupees 14.02 million which is pending. The Company has paid these mentioned demands aggregating to Rupees 163.327 million. The management in consultation with their tax advisor is confident of favorable outcome on this matter.	Company and FBR	16 March 2011 05&15 March 2012
ii)	Appellate Tribunal, IR	FBR has raised a demand of Rupees 7.159 million for nonpayment / short payment of sales tax on the net unit consumed by Steel Sector and Re-Rolling Mills relating to tax periods 2011-12 and 2012-13. The Company had filed an appeal before Commissioner (Appeals) which was dismiss now the Company has again filled an appeal before appellate tribunal and final decision is pending. The Company has paid Rupees 2 million, the Company is confident of favorable outcome on this matter.	Company and FBR	29 January 2014

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iii)	Appellate Tribunal, IR	FBR has raised a demand of Rupees 8.216 million for nonpayment / short payment of sales tax on the net unit consumed by Steel Sector and Re-Rolling Mills relating to tax periods 2018-19. The Company had filed an appeal before Commissioner (Appeals)I and final decision is pending. The Company is confident of favorable outcome on this matter.	Company and FBR	27 November 2019
iv)	Appellate Tribunal, IR	FBR Issued show cause notice for claiming of wrong exemption on Sales Tax for the month of July 2015 amounting to Rupees 10.572 million, which was further converted into Sales Tax Order No. 148 of 2017. The Company has filed appeal before Commissioner (IR) Appeals, which was dismiss now the Company has again filled an appeal before appellate tribunal and final decision is pending. The Company, in consultation with its tax advisor, is confident of the favorable outcomes.	Company and FBR	25 January 2017
v)	Appellate Tribunal, IR	FBR raised demands amounting to Rupees 0.634 million and Rupees 48.993 million relating to tax period 2011-2012 in respect of discrepancies found due to claiming at difference tax period by unlawful input tax adjustment during the said period on the grounds that suppliers to which that input tax claim relates, have not reported sales in the same period. The Company filed the case to deputy commissioner for rectification on the basis of returns received by the Company from the suppliers. The Deputy Commissioner decided the case against the Company on which Company filed an appeal before Appellate Tribunal. The issue is under process for removal of mistakes of the tax department. The cases are pending in appeals and in consultation with tax advisor, the Company is confident that this amount will also be withdrawn.	Company and FBR	18 July 2016 30 August 2016

vi)	Appellate Tribunal, IR	FBR issued 3 show cause notices regarding non-filing of Extra tax, Further tax and Retailer tax during period from August 2015 to October 2015, after providing of records. Orders have been passed against the Company on late filing of Extra tax, Further tax and Retailer tax involving amounts Rupees 3.479 million, Rupees 1.592 million and 0.767 million respectively. The Company has filed appeals on all 3 orders before Appellate Tribunal, which are still pending. The Company, in consultation with its tax advisor, is confident of the favorable outcomes.	Company and FBR	25 January 2017 25 January 2017 25 January 2017
vii)	Appellate Tribunal, IR	The Deputy Commissioner Income tax issued show cause notice under section 48 of the Sales Tax Act 1990 for the short payment of extra tax of Rupees 18.05 million that was levied at 5% and further tax of Rupees 4.81 million at 1 % on the billed amount for the period August 2013 to April 2014. Another, show cause notice was issued under section 48 of the Sales Tax Act 1990 for the short payment of extra tax of Rupees 18.197 million and further tax of Rupees 9.787 million for the period of May-2014 to January-2015 as well as show cause notice was issued under section 48 of the Sales Tax Act 1990 for the short payment of extra tax of Rupees 45.452 million and further tax of Rupees 14.217 million for the period February-2015 to July-2015. The Company have filed appeals before the Commissioner Appeals against all 03 orders thereof order having amount Rupees 22.860 million, Rupees 27.980 million and Rupees 59.669 million were rejected by Commissioner (IR) Appeals, which was further appealed before Appellate Tribunal. In consultation with its tax advisor is confident of the favourable outcome.	Company and FBR	05 May 2014 30 June 2015 4 September 2015

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viii)	Appellate Tribunal, IR	FBR issued show cause notice for charging of reduced rate at 5% for making supply of energy during the month of November 2014 amount involved Rupees 11.341 million, which were further converted into Sales Tax Order. The Company has filled an appeal before commissioner (IR) Appeals, which has decided against the Company. Hence, according to procedure, the Company has filed an appeal before Appellate Tribunal Karachi and in consultation with its tax advisor is confident of the favorable outcome.	Company and FBR	01 January 2016
ix)	Appellate Tribunal, IR	FBR raised demand for amounting Rs. 133,263,478/-regarding non deduction of 1/5th of Sales Tax for the period from July 2014 to June 2015 vide Order No. 14 of 2016. The Company has filed an appeal before Commissioner (IR) Appeals, which was dispossed off against HESCO, The Company has filled another appeal before Appellate Tribunal Karachi and in consultation with its tax advisor, is confident of the favorable outcomes.	Company and FBR	18 December 2015
x)	Appellate Tribunal, IR	During the year 2009, refund claims amounting to Rupees 993.161 million were rejected by the sales tax department on the ground that Company purchased electricity from NTDC while payment was made to WAPDA, and not to NTDC (invoice issuing agency) which is violation of Section 7 & 73 Sales Tax Act 1990. The Company had filed an appeal before the Commissioner Appeals which was dismissed. However, the Company has now filed an appeal before Appellate Tribunal and in consultation with its tax advisor is confident of the favourable outcome.	Company and FBR	21 October 2010
xi)	Second Secretary IR, ST & FE, Islamabad	During the Month January-2012, refund claims amounting to Rupees 3,807.748 million was filed for refund claim before secretary IR (Exemption) which was rejected by FBR. HESCO filed an application for condonation of time limit against rejection of application before the Secretary IR (Exemption) Islamabad in consultation with its tax advisor is confident of the favourable outcome.	Company and FBR	26 February 2016

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xii)	Comissioner Appeal, IR	During the period 2015-16 and 2014-15 refund claims amounting to Rupees 64.911 million and 14.119 million was filed against excess payment in sales tax return but rejected through order No. 14 of 2018 and 13 of 2018 respectively, then filed an appeal to Commissioner Appeals against order in consultation with tax advisor is confident of the favourable outcome.	Company and FBR	02 November 2016 26 January 2016
xiii)	Second Secretary IR, ST & FE, Islamabad	The Company could not claim the input sales tax of Rupees 527.415 million for the month of August 2010 and September 2010 in its monthly sales tax returns and the claim period has expired. Company's tax consultant approached to Secretary IR (Exemption) Revenue Division Islamabad, who called detailed report from Chief Commissioner RTO Hyderabad. After that Comissioner Inland Revenue has requested vide letter No: 1731 dated 13-05-2016 to explian cogent reason, thereof reply has already been submitted vide our Tax Consultant letter No: 167 dt: 23-05-2016 and issued several reminders to FBR Islamabad but they have rejected the condonation vide letter No: 130463-R dated 26-10-2017. Now, HESCO has again filed application against rejection to Second Secretery-IR ST & FE, FBR Islamabad vide letter No: 176 dated 05-12-2017 and issued subsequent reminders as well, the company is confident of favourable outcome on this matter.	Company and FBR	4 April 2013
xiv)	Second Secretary IR, ST & FE, Islamabad	HESCO write-off 03 Nos of Cases amounting to Rs. 566.061Million, 829.178 Million and 2,909.54 Million for the period of July-2003 to June-2010, 2009 to 2014 and 2009 to 2016 respectively and filed refund application to FBR which were rejected by FBR. HESCO filed an application for condonation o time limit against rejection of application before the Secretary IR (Exemption) Islamabad in consultation with its tax advisor is confident of the favourable outcome.	Company and FBR	4 December 2015 24 April 2017 24 April 2017

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xv)	Second Secretary IR, ST & FE, Islamabad	The Company could not claim the input sales tax of amounting to Rupees 241.166 million, 67.904 million and 464.445 million for the period 2015-16, 2015-16 and 2009 to 2016 in the monthly sales tax returns and the claim period has expired. Company's tax consultant approached to Secretary IR (Exemption) Revenue Division Islamabad and issued subsequent reminders as well, the company is confident of favourable outcome on this matter.	Company and FBR	24 April 2017 23 July 2018 24 April 2017
	Income tax			
i)	Appellate Tribunal, IR	FBR has issued order u/s 122(5A) of income tax ordinance, 2001 demanding to Rupees 48.171 million, Rupees 47.33 million, Rupees 28.85 million and Rupees 30.25 million for the Tax Year 2007, 2009, 2010 and 2011 on the grounds that the Company did not pay turnover tax in respect of said tax years due to gross loss occurred during these years. The Company filed an appeal before Commissioner (Appeals) which were dismissed. Now the company has again filled appeal of all cases before appellate tribunal and final decisions are pending. The Company has paid Rupees 20 million against Rupees 30.25 million for the Tax Year 2011 and Rupees 48.171 million for the Tax Year 2007. The Company is confident that the judgment will be decided in favour of the Company.	Company and FBR	8 March 2010 6 August 2013 28 March 2012 28 March 2012
ii)	Appellate Tribunal, IR	FBR has raised a demand of Rupees 256.777 million on account of failure to deduct withholding tax on payment of purchase of electricity. The Commissioner had passed the order during 2013 which was rectified subsequently thereby reducing the amount to Rupees 167.498 million on filing of rectification application. The Tax Authority revised his order in the preceding year and rectified the amount to Rupees 157.038 million. The Company had also submitted all relevant documents to authorities and filed an appeal before Commissioner (Appeals) which was dismissed. Now the Company has again filled an appeal before appellate tribunal. In consultation with their tax advisor, the Company is confident of favorable outcome on this matter.	Company and FBR	19 September 2014

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iii)	Appellate Tribunal, IR	FBR has issued demand against HESCO u/s 161/205 amounting to Rupees 1,359.787 million vide Order no: 08/01 dated 29.04.2016 and issued corrigendum vide No: 285 dated 02.05.2016 and confimed the amount i.e Rupees 1,395.787 million on the basis that the Company has not duly deducted tax at source for tax year 2014 under income tax ordinance, 2001. The Company is of the view that it has correctly deducted tax at source except in the cases where tax department has granted exemptions and in case of payments against supply of electricity. FBR has recovered the amount Rupees 148.022 million. The Company has filed an appeal before Commissioner (Appeals), which has been decided with shorten the demand Rupees 906.349 million. HESCO has gone into appeal before Appellate Tribunal IR Karachi, thereof decision is pending and in consultation with their tax advisor, the company is confident of favorable	Company and FBR	28 March 2015
iv)	Appellate Tribunal, IR	FBR has issued order u/s 205(IA) of Income Tax Ordinance, 2001 demanding to Rupees 0.168 million for tax period 2008 on the grounds that the Company fails to pay the installment of advance tax u/s 147. The Company filed an appeal before Commissioner (Appeals) which was dismissed now the company has again filled an appeal before Appellate Tribunal Karachi and the final decision is pending. The Company has paid Rupees 0.168 million against the demand, the Company in consultation with its tax advisor is confident that the judgment will be decided in favor of the Company.	Company and FBR	13 January 2010

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v)	Supreme Court	FBR had raised demands of Rupees 125.15 million and Rupees 0.537 million relating to tax period 2009 and 2010 respectively for non-payment of advance tax on the gross billing to consumers. As per income tax law, the Company is required to charge income tax @10% on each commercial and industrial consumer on the basis of consumption charges, whereas FBR is of the view that the income tax @ 10% may be charged on each commercial and industrial consumer on the basis of total gross bill which includes Excise Duty, Income Tax, GST, NJ Surcharge and Bill adjustment. The Company filed an appeal before Commissioner (Appeals) in respect of all said litigations and succeeded in respect of Rupees 125.15 million and Rupees 0.537 million against which tax department filed an appeal before Appellate Tribunal and High Court, where decision has also been made in Company's favor. Company had paid the aforesaid amount of Rupees 125.15 million and Rupees 0.537 million. FBR filed an appeal before Supreme Court of Pakistan against the decision of High Court, the hearing of which is pending. The Company is confident of the favorable outcome on this matter.	Company and FBR	13 May 2010 20 April 2010
vi)	Appellate Tribunal, IR	FBR has issued order u/s 182 (2) demanding to Rupees 0.991 million for the Tax Year 2009 for non-filing of Withholding Statement U/s 165, for which appeal has been filed to Commissioner (Appeals) which was dismiss now the Company has again filled an appeal before Appellate Tribunal and final decision is pending. Another order has issued u/s 182(2) imposition of penalty on Turnover Tax (Minimum Tax) demanding to Rupees 28.985 million for Tax Year 2011 for which appeal has been filed to Commissioner (Appeals) which was dismissed earlier now the Company has again filled an appeal before Appellate Tribunal and final decision is pending and the Company is confident that the judgment will be decided in favor of the Company.	Company and FBR	3 September 2009 16 January 2014

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vii)	Commissioner Appeals (IR)	FBR has issued order u/s 161/205 of income tax ordinance 2001 demanding Rupees 640.436 million for the tax period 2015 on the grounds that the Company fails to deduct and deposit withholding income Tax on various transactions. The Company has filed an appeal before Commissioner (Appeals) and decision is still pending, the Company is confident that the judgment will be decided in favour of the Company.	Company and FBR	25 April 2017
viii)	Commissioner Appeals (IR)	FBR has issued order u/s 161 of income tax ordinance 2001 demanding Rupees 118.82 million for the tax period 2015 on the grounds that the Company fails to deduct and deposit withholding income Tax on ADB, PSDP and World Bank projects. The Company has filed an appeal before Commissioner IR (Appeals) and decision is still pending, the Company is confident that the judgment will be decided in favour of the Company.	Company and FBR	29 June 2020
ix)	Commissioner Appeals (IR)	FBR passed order No.1566 & 1567 u/s 161/205 of income tax ordinance 2001 regarding non-withholding of income tax against Use of Sysytem Charges and create demand amounting to Rupees 149.059 million and penalty Rs. 8.112 Million respectively for the tax period 2013. The Company has filed an appeal before Commissioner (Appeals) and decision is still pending, the Company is confident that the judgment will be decided in favour of the Company.	Company and FBR	09 April 2019 09 April 2019
x)	Commissioner Appeals (IR)	FBR passed order No.22/02 U/S 161(1) of income tax ordinance 2001 regarding short payment of Advance Tax U/S 235 and create demand amounting to Rupees 77.379 million for the tax period July,2010 to June-2011. The Company has filed an appeal before Commissioner (Appeals) and decision is still pending, the Company is confident that the judgment will be decided in favour of the Company.	Company and FBR	28 April 2018

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xi)	Appellate Tribunal. IR	FBR has issued order u/s 122(5A) of income tax ordinance, 2001 demanding to Rupees 479.122 million, Rupees 711.331 million, Rupees 313.022 million and Rupees 153.345 million for the Tax Year 2019, 2016, 2017 and 2020 respectively on the grounds that the Company did not pay turnover tax on subsidy. The Company filed an appeal before Commissioner (Appeals) and final decisions are pending. The Company is confident that the judgment will be decided in favour of the Company.	Company and FBR	28 October 2020 30 March 2021 30 March 2021 30 March 2021
	Sindh Sales Tax			
i)	Commissioner Appeals-II SRB	SRB has passed the orders 268 of 2019 & 128 of 2019 regarding non withholding of Sindh Sales Tax demanding to Rupees 457.123 million and Rupees 537.335 million respectively, The Company filed an appeal before Commissioner (Appeals-II) which is still pending. The Company has paid Rupees 22.379 million against Rupees 457.123 million for the Tax Year 2016. The Company is confident that the judgment will be decided in favour of the Company.	Company and SRB	4 March 2019 12 February 2018

13.2 Other matters

i) The Company has received various invoices from CPPA representing late payment charges (supplementary charges) being the share of the Company in the mark-up charged to CPPA by Independent Power Producers (IPPs) on account of delayed payments aggregating to Rupees 47,344.521 million (2020: Rupees 35,513.257 million). As per tariff determination, it was mutually agreed by the representatives of CPPA and distribution companies that, as per clause 9.3(d) of electricity supply agreement dated 29 June 1998 between DISCOs and NTDC, the DISCOs are obliged to pay late payment charges (supplementary charges) to CPPA on account of delayed payment of invoices.

ii) 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, no provision for late payment charges (supplementary charges) of Rupees 38,515.575 million have been recognized in these financial statements as the management is of the view that supplementary charges have not been allowed as expense by NEPRA in tariff determination while Rupees 8,828.946 million have been recognized as allowed by NEPRA as expense.

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iii) The Sindh Workers' (Profit Participation) Act, 2015 requires payment of the allocated amount to the workers profit participation fund 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, no provision for interest aggregating to Rupees 337.695 million (2020: Rupees 326.238 million) on unpaid amount has been recognized by the Company in these financial statements.

iv) 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.

	Note	2021 Rupees	2020 Rupees
13.3 Commitments			
Purchase orders outstanding		**1,037,774,785**	1,090,163,616

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14. PROPERTY AND EQUIPMENT

	Note	2021 Rupees	2020 Rupees
Operating fixed assets	14.1	34,414,466,255	34,003,489,983
Capital work-in-progress	14.2	10,710,431,182	9,851,650,801
		45,124,897,437	43,855,140,784

14.1 Operating fixed assets

	Land - Leasehold	Buildings on lease hold land	Distribution equipment	Construction equipment	Transportation equipment	Computers and Office equipment	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Year ended 30 June 2021							
Opening net book value	139,801,280	1,306,789,606	32,254,131,779	44,838,524	189,501,823	68,426,969	34,003,489,983
Additions	-	7,221,091	1,634,230,963	6,198,856	-	7,327,658	1,654,978,568
Depreciation charge	-	(26,280,217)	(1,186,092,696)	(5,103,738)	(18,950,183)	(7,575,462)	(1,244,002,296)
Closing net book value	139,801,280	1,287,730,480	32,702,270,046	45,933,642	170,551,640	68,179,165	34,414,466,255
At 30 June 2021							
Cost	139,801,280	1,924,480,541	52,610,308,004	309,171,925	674,607,264	126,865,878	55,785,234,892
Accumulated depreciation	-	(636,750,061)	(19,908,037,958)	(263,238,282)	(504,055,623)	(58,686,713)	(21,370,768,637)
Net book value	139,801,280	1,287,730,480	32,702,270,046	45,933,643	170,551,641	68,179,165	34,414,466,255
Year ended 30 June 2020							
Opening net book value	139,801,280	1,255,073,761	29,189,532,641	45,561,754	210,557,581	61,045,630	30,901,572,647
Additions	-	78,385,019	4,234,438,118	4,258,828	-	14,984,336	4,332,066,301
Depreciation charge	-	(26,669,174)	(1,169,838,980)	(4,982,057)	(21,055,757)	(7,602,997)	(1,230,148,965)
Closing net book value	139,801,280	1,306,789,606	32,254,131,779	44,838,525	189,501,824	68,426,969	34,003,489,983
At 30 June 2020							
Cost	139,801,280	1,917,259,450	50,976,077,041	302,973,069	674,607,264	119,538,220	54,130,256,324
Accumulated depreciation	-	(610,469,844)	(18,721,945,262)	(258,134,544)	(485,105,440)	(51,111,251)	(20,126,766,341)
Net book value	139,801,280	1,306,789,606	32,254,131,779	44,838,525	189,501,824	68,426,969	34,003,489,983
Depreciation rate (%)	-	2	3.5	10	10	10	

14.1.1 The property and rights in the above assets were transferred to the Company on 01 July 1998 by WAPDA in accordance with the terms and conditions of the Business Transfer Agreement (BTA) executed between WAPDA and the Company.

14.1.2 Through Letter No. D(PMC)/F-7 1/96-220 dated 25 May 2016, WAPDA instructed the Company to avoid the transfer of the WAPDA Land assets to the Company. Accordingly, WAPDA Land assets amounting to Rupees 138.488 million will be leased out to the Company on Discounted Rate Rental Value and will remain the assets of the WAPDA and the Company has to pay rent of these assets to the WAPDA. The WAPDA has not yet issued further instructions for valuation of Discounted Rate Rental therefore, no provision for rental has been charged in the financial statements.

14.1.3 Building on lease hold land includes book values of residential building amounting to Rupees 145.135 million (2020: Rupees 140.876) million, Hospitals and dispensaries of Rupees 18.351 million (2020: Rupees 18.725) million, mosque of Rupees 10.133 million (2020: Rupees 10.340) million and school / colleges of Rupees 1.290 million (2020: Rupees 1.316) million.

14.1.4 Title of some of leasehold land has not been transferred in the name of the Company. Book value of such leasehold land is not available separately.

14.1.5 On 20 May 2020, the Company entered into an authorization and interest agreement with Power Holding Limited (PHL) and Meezan Bank Limited (MBL), in which Company authorized PHL to carry out "Certain Action" in relation to relevent transaction assets representing grid stations, colonies and other stations amounting to Rupees 57.01 million. Certain action include selling the relevent transaction assets to MBL and creating a security interest over the same for the purpose of enabling PHL to raise financing through Sukuk issue. In addition to this agreement, PHL entered into an asset purchase agreement with MBL for selling the Relevent Transaction Assets to MBL which include the land of the Company and other distribution and generation companies for a total purchase price of Rupees 200,000 million against Sukuk certificate which will be issued by PHL for a period of ten years.

		Note	2021 Rupees	2020 Rupees
14.2	**Capital work-in-progress**			
	Transmission equipment	14.2.1	**5,245,476,366**	4,847,495,057
	Distribution equipment	14.2.1	**3,594,391,189**	3,168,111,117
	Civil works		**176,965,540**	148,093,540
	Transmission enhancement and distribution improvement programs	14.2.2	**1,693,598,087**	1,687,951,087
		14.2.3	**10,710,431,182**	9,851,650,801

14.2.1 The balance includes material, labour and overhead expenditure incurred on extension of transmission and distribution network.

14.2.2 The balance includes capitalization of borrowing cost of Rupees Nil (2020: Rupees Nil) at the capitalization rate defined in note 6 and material, labour and overhead expenditure incurred on projects under Power Distribution Enhancement Investment Program (Tranche 2, 3 and 4) of Asian Development bank and Electricity Distribution and Transmission Improvement Project of International Bank for Reconstruction and Development.

14.2.3 Movement in capital work-in-progress

	Transmission equipment	Distribution equipment	Civil works	Transmission enhancement and distribution improvement programs	Total
	-----	-----	Rupees	-----	-----
Balance at 30 June 2019	6,301,716,579	3,160,893,784	182,616,244	2,477,494,502	12,122,721,109
Additions made during the year	875,628,926	1,250,987,638	43,862,315	422,892,160	2,593,371,039
Transferred to operating fixed asset	(2,329,850,448)	(1,179,646,756)	(78,385,019)	-	(3,587,882,223)
Transferred to maintenance and reverseal to store		(64,123,549)		(1,212,435,575)	(1,276,559,124)
Balance at 30 June 2020	4,847,495,057	3,168,111,117	148,093,540	1,687,951,087	9,851,650,801
Balance at 30 June 2020	**4,847,495,057**	**3,168,111,117**	**148,093,540**	**1,687,951,087**	**9,851,650,801**
Additions made during the year	**701,830,001**	**1,242,341,448**	**37,911,000**	**5,647,000**	**1,987,729,449**
Transferred to operating fixed asset	**(303,848,692)**	**(816,061,376)**	**(9,039,000)**	**-**	**(1,128,949,068)**
Balance at 30 June 2021	**5,245,476,366**	**3,594,391,189**	**176,965,540**	**1,693,598,087**	**10,710,431,182**

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15. LONG TERM LOANS	Note	2021 Rupees	2020 Rupees
To employees - considered good			
- for house building	15.1 & 15.2	**6,727,048**	9,456,856
- for vehicle purchase	15.1 & 15.2	**155,938**	195,429
		6,882,986	9,652,285
Less: Amount due within one year shown under current assets	19	**(5,589,851)**	(5,323,668)
		1,293,135	4,328,617

15.1 These loans are interest free and have been given to employees, other than executives of the Company for purchase of house, vehicles or for personal use in accordance with their terms of employment. The house building loans are recoverable in ten years, car and motorcycle loans in five years and bicycle loans in four years. Any outstanding loan due from an employee at the time of leaving the service of the Company is adjustable against final settlement.

15.2 Long term loans have been carried at cost as the effect of carrying these balances at amortised cost would not be material in the overall context of these financial statements.

16. LONG TERM DEPOSITS	Note	2021 Rupees	2020 Rupees
Term deposit receipts	16.1	**1,913,289,000**	2,088,289,000
Less: Term deposits maturing within 12 months	22	**(728,139,000)**	(527,139,000)
		1,185,150,000	1,561,150,000

16.1 As at 30 June 2021, the rate of mark-up on term deposit receipts ranges from 7.25% to 11.65% (2020: from 7.25% to 12.70%) per annum. This also includes term deposits of Rupees 352.139 (2020: Rupees 352.139) million under lien with National Bank of Pakistan against power producing Companies for the purchase of electricity.

17. STORES AND SPARES	Note	2021 Rupees	2020 Rupees
Stores		**2,769,081,317**	2,866,321,453
Spares		**20,426,976**	31,430,093
		2,789,508,293	2,897,751,546
Less: Provision for slow moving and obsolete stock	17.1	**(709,900,141)**	(694,028,998)
		2,079,608,152	2,203,722,548

17.1 Movement in provision for slow moving and obsolete stock:

	2021	2020
Balance at July 01	**694,028,998**	167,544,096
Provision for the year	**15,871,143**	526,484,902
Balance at June 30	**709,900,141**	694,028,998

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18. TRADE DEBTS

	Note	2021	2020
Considered good		**54,206,150,533**	47,776,384,694
Considered doubtful		**34,535,597,198**	27,913,400,135
	18.1 & 18.4	**88,741,747,731**	75,689,784,829
Less: allowance for expected credit losses	18.5	**(34,535,597,198)**	(27,913,400,135)
		54,206,150,533	47,776,384,694

18.1 Debtors are secured to the extent of corresponding consumers' security deposit. Debtors include an amount of Rupees 1,898.370 (2020: Rupees 2,237.516) million, which is disputed and under litigation with different consumers.

18.2 It includes Rupees 10,163.763 million (excluding electricity duty, income tax, neelum jhelum surcharge, TV license fee, equalization surcharge, extra tax, further tax and sales tax disclosed in note 21.1) outstanding from government authorities against which allowance for expected credit losses of Rupees 1,515.190 million has been maintained.

18.3 The Company do not have outstanding balances that are not past due but impaired.

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

	2021 Rupees	2020 Rupees
Not past due yet	**3,607,291,222**	3,846,029,177
Due upto 2 months	**381,629,556**	303,917,252
2 to 3 months	**504,575,337**	568,449,206
3 to 6 months	**829,640,485**	1,163,348,817
6 months to 1 year	**2,986,052,024**	1,635,278,777
1 year to 3 years	**21,569,807,540**	23,723,302,587
3 years and above	**55,328,484,302**	40,371,869,135
Agency balances	**2,492,795,491**	2,180,238,529
Deferred balances	**1,446,701,476**	2,237,516,468
Unpaid debt	**3,524,892**	5,752,299
Credit balance of consumers	**(408,754,594)**	(345,917,418)
	88,741,747,731	75,689,784,829
Less: allowance for expected credit losses	**(34,535,597,198)**	(27,913,400,135)
	54,206,150,533	47,776,384,694

18.5 **Movement in allowance for expected credit losses:**

Balance at 01 July	**27,913,400,135**	22,497,907,037
Recognized during the year	**6,622,197,063**	5,415,493,098
Balance at 30 June	**34,535,597,198**	27,913,400,135

19. LOANS AND ADVANCES - Considered good

	Note	2021 Rupees	2020 Rupees
Advance against expenses		**14,838,578**	45,203,322
Advance to suppliers		**23,063,900**	20,465,083
Current portion of long term loan to employees	15	**5,589,851**	5,323,668
		43,492,329	70,992,073

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			2021	(Restated) 2020
20.	**DUE FROM ASSOCIATED UNDERTAKINGS**		**Rupees**	Rupees
	Other power distribution companies			
	- Distribution of free electricity	20.1	**10,167,713,261**	9,788,881,189
	- Supply of material		**109,386,344**	100,411,294
	- Disbursement of pension - restated	20.2	**2,123,526,928**	2,008,769,038
			12,400,626,533	11,898,061,521
	WAPDA			
	- WAPDA current account		**329,187,940**	302,621,739
	- WAPDA welfare trust		**294,242,870**	260,177,000
			623,430,810	562,798,739
		20.4	**13,024,057,343**	12,460,860,260

		2021	2020
20.1	**Distribution of free electricity**		
	Jamshoro Power Generation Company Limited - (GENCO-I)	**2,390,273,579**	2,144,288,171
	Central Power Generation Company Limited - (GENCO-II)	**1,545,826,017**	1,521,307,940
	Northern Power Generation Company Limited - (GENCO-III)	**95,099,290**	96,970,200
	Lakhra Power Generation Company Limited - (GENCO-IV)	**1,157,141,159**	1,027,461,227
	Sukkur Electric Power Company Limited (SEPCO)	**4,889,186,666**	4,892,476,244
	Quetta Electric Supply Company Limited (QESCO)	**66,503,166**	86,064,603
	Multan Electric Power Company Limited (MEPCO)	**13,058,641**	11,467,395
	Lahore Electric Supply Company Limited (LESCO)	**5,142,030**	4,487,472
	Islamabad Electric Supply Company Limited (IESCO)	**5,409,794**	4,306,765
	Tribal Electrical Supply Company Limited (TESCO)	**72,919**	51,172
		10,167,713,261	9,788,881,189
20.2	**Disbursement of pension**		
	Jamshoro Power Generation Company Limited (GENCO-I)	**210,927,606**	319,998,370
	Central Power Generation Company Limited (GENCO-II)	**27,409,098**	18,172,908
	Northern Power Generation Company Limited (GENCO-III)	**14,338,824**	17,765,928
	Lakhra Power Generation Company Limited (GENCO-IV)	**62,010,535**	33,287,523
	Water and Power Development Authority (WAPDA)	**1,347,459,702**	1,232,569,651
	National Transmission and Dispatch Company Limited (NTDC)	**278,930,151**	190,643,184
	Pakistan Electric Power Company Limited (PEPCO)	**145,523,903**	136,286,804
	Sukkur Electric Power Company Limited (SEPCO)	**5,164,153**	30,193,865
	Quetta Electric Supply Company Limited (QESCO)	**31,762,956**	29,850,805
		2,123,526,928	2,008,769,038

20.3 These amounts represent balance due from either DISCOs and WAPDA in respect of current accounts (associated undertakings). Although certain balances are outstanding for considerable period of time, however the management considers these as good debts as these are due from Government owned entities and will ultimately be recovered in the normal course of business.

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20.4 These represent amounts due from associated undertakings. The ageing analysis is as follows:

	Note	2021 Rupees	2020 Rupees
Upto 6 months		**1,041,511,223**	996,868,821
6 months to 1 year		**2,603,778,058**	2,492,172,052
1 year to 3 years		**2,994,344,766**	2,865,997,860
3 years and above		**6,379,256,242**	6,105,821,527
		13,018,890,289	12,460,860,260

20.5 The maximum aggregate amount due from associated undertakings at the end of any month during the year was as follows:

	Note	2021 Rupees	2020 Rupees
Jamshoro Power Generation Company Limited (GENCO-I)		**2,271,450,101**	2,338,559,890
Central Power Generation Company Limited (GENCO-II)		**1,527,936,348**	1,543,886,666
Northern Power Generation Company Limited (GENCO-III)		**93,538,997**	129,571,880
Lakhra Power Generation Company Limited (GENCO-IV)		**1,097,088,457**	1,027,129,285
National Transmission and Dispatch Company Limited (NTDC)		**5,108,380,487**	200,053,278
Water and Power Development Authority (WAPDA)		**1,227,175,096**	1,227,175,096
WAPDA current account		**317,834,905**	294,947,171
WAPDA welfare trust		**305,471,154**	263,988,582
Pakistan Electric Power Company Limited (PEPCO)		**29,244,507**	57,414,504
Sukkur Electric Power Company Limited (SEPCO)		**4,269,814,005**	68,097,449
Quetta Electric Supply Company Limited(QESCO)		**61,971,967**	35,361,729
Multan Electric Power Company Limited (MEPCO)		**12,295,103**	25,396,757
Lahore Electric Supply Company Limited (LESCO)		**4,505,234**	712,872
Islamabad Electric Supply Company Limited (IESCO)		**4,867,957**	2,892,373
Gujranwala Electric Power Company Limited (GEPCO)		**321,964**	2,862,726
Peshawar Electric Supply Company Limited (PESCO)		**2,947,302**	1,625,131
Tribal Electrical Supply Company Limited (TESCO)		**64,570**	46,884
Faisalabad Electric Supply Company Limited(FESCO)		**2,692,032**	1,903,052

21. RECEIVEABLE FROM GOVERNMENT OF PAKISTAN

	Note	2021 Rupees	2020 Rupees
Tariff differential subsidy	21.1	**64,720,347,713**	53,738,754,400
Industrial support packages	21.2	**1,907,459,502**	790,241,175
Zero rated industrial rebate	21.3	**895,804,817**	922,282,320
AQTA receivable from GOP	21.5	**5,452,935,492**	5,481,407,956
Agricultural subsidy	21.6	**169,259,605**	169,259,605
		73,145,807,129	61,101,945,456

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21.1	Tariff differential subsidy	Note	2021 Rupees	2020 Rupees
	Opening balance		**53,738,754,400**	38,677,768,493
	Subsidy receivable and accrued during the year		**23,440,891,153**	29,293,031,133
			77,179,645,553	67,970,799,626
	Amount received/adjusted during the year		**(12,459,297,840)**	(14,232,045,226)
	Closing balance		**64,720,347,713**	53,738,754,400

21.1.1 Tariff differential subsidy relates to difference between the rate determine by nepra and the service charge to consumer in according with the tariff notification issued by GOP.

21.2	Industrial support packages	Note	2021 Rupees	2020 Rupees
	Opening balance		**790,241,175**	696,480,520
	Subsidy receivable and accrued during the year		**1,117,218,327**	266,845,917
			1,907,459,502	963,326,437
	Amount received/adjusted during the year		-	(173,085,262)
	Closing balance		**1,907,459,502**	790,241,175

21.2.1 Industrial supports packages subsidy relates to the rebate allowed to industrial consumer by GOP through letter no. F-NO.P1-4(18)/2014-2015 dated february for 2016. The subsidy of Rs. 3/KWH/unit will be provided to industrial consumer on usage of electricity during peak hour, whereas subsidy for off peak hours usage was discountined by GOP w.e.f July 01, 2019 through letter no. PF-05/(02)2012 dated July 03, 2019 .

21.3	Zero rated industrial rebate	Note	2021 Rupees	2020 Rupees
	Opening balance		**922,282,320**	157,865,207
	Subsidy receivable and accrued during the year		**421,074,026**	766,961,903
			1,343,356,346	924,827,110
	Amount received/adjusted during the year		**(447,551,529)**	(2,544,790)
	Closing balance		**895,804,817**	922,282,320

21.3.1 During previou year, the GOP introduce dollar based tariff vide its SRO 12(1)/2019 for zero rated industrail consumer i.e 7.5% per unit, translated into PKR at prvailing on the last working day of preceding month.

Further, the difference between the relevant payment due from zero industrial consumers as per SRO 6(I)/2019 and special relief package will be payable by the GOP.

21.4	COVID-19 relief to small business & induatrial consumer	Note	2021 Rupees	2020 Rupees
	Opening balance		-	-
	Subsidy receivable and accrued during the year		**629,688,473**	816,784,218
			629,688,473	816,784,218
	Amount received/adjusted during the year		**(629,688,473)**	(816,784,218)
	Closing balance		-	-

21.4.1 This relief was allowed under the Prime minister relief package to small and medium enterprises. This relief was given to commercial and industrial consumer based upon the electricity consumption from May 2019 to July 2019. Maximum relief allowed to commercial and industrial consumers was upto Rs. 100,000 and Rs. 450,000 upto three months (i.e October 2020), provided that the connected load of commercial consumers and industrial consumers is upto 5 KV and 70 KV respectively.

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21.5 AQTA Subsidy

GOP through SRO no. 664(I)/2019 introduce quarter tariff defferential subsidy for a life line, domestic consumer comsuming upto 300 units, domestic consumers consuming about 300 units including domestic TOU consumers, commercial consumer less then 5 KV and additional charges of Rs 0.31/ unit for maintain uniform tarriff on all category of consumer (except for life line, all domestic consumers, commercial consumers less than 5 KV and agriculture consumer) the said adjustments applicable from July 01, 2019 to September 30, 2020.

GOP through SRO no. 1173(I)2019 introduce quarter tariff defferential subsidy for a life line, domestic consumer comsuming upto 300 units,additional charges of Rs 0.30/ unit for maintain uniform tarriff on all category of consumer (except for life line, and domestic consumer consuming upto 300 units). The said adjustment applicable from October 01, 2019 to September 30, 2020

GOP through SRO no. 1475(I)/2019 introduce quarterly tariff differential subsidy domestic consumer and additional charge of Rs 0.11/ unit for maining uniform tariff on all category of consumers (except domestic consumer). The said adjustment applicable from December 01, 2019 to November 30, 2020

GOP through SRO no. 1067(I)2020 introduce quarter tariff defferential subsidy for a life line, domestic consumer comsuming upto 300 units,additional charges of Rs 0.40/ unit for maintain uniform tarriff on all category of consumer (except for life line, and domestic consumer consuming upto 300 units). The said adjustment applicable from October 01, 2020 to November 30, 2020.

GOP through SRO no. 1377(I)2020 introduce quarter tariff defferential subsidy for a life line, domestic consumer comsuming upto 300 units,additional charges of Rs 1.27/ unit for maintain uniform tarriff on all category of consumer (except for life line, and domestic consumer consuming upto 300 units). The said adjustment applicable from December 01, 2020 to September 30, 2021

AQTA subsidy relates to different between the rates determine by nepra and the rates charged to the consumer in accordance with the tariff notification issued by GOP.

21.6 Agricultural subsidy

This includes in amount of Rs. 65.5 millions, being the general sales tax subsidy to the agriculture consumer on the electricity cost, in the years and it 30-June-2008 to 2010, and the remaining amount represents subsidy to agricultiure consumer and in the years ended 13-June-2014 to 2016, being the difference of tariff notified by the GOP and rate notified by the ministry of water and power, GOP for agriculture consumers.

During the year, the company vide letter no. GEPCO/FD/CPC/5768-69, has requested the monistry of energy, GOP through PEPCO, for the early settlement of the subsidy.

21.7 These amounts represent balance due from Ministry of Energy in respect of tariff subsidy against sale of electricity. Although certain balances are outstanding for considerable period of time, however the management considers these as good debts as these are due from ministry of energy and will ultimately be recovered in the normal course of business.

22. OTHER RECEIVABLES

	Note	2021 Rupees	2020 Rupees
Considered good			
General sales tax receivable from government - net		**4,914,417,476**	6,214,644,543
Duties, charges and taxes receivable from consumers	22.1	**12,520,445,022**	10,861,130,781
		17,434,862,498	17,075,775,324
Considered doubtful			
Sales tax receivable from WAPDA	22.2	**1,131,212,293**	1,131,212,293
Receivables from suppliers		**423,409,523**	423,409,523
		1,554,621,816	1,554,621,816
Less: allowance for expected credit losses		**(1,554,599,985)**	(1,554,599,985)
		17,434,884,329	17,075,797,155

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22.1 Duties / charges and tax receivables

	Note		Receivables not yet realized Rupees	Payables on realization Rupees
Electricity duty		1,530,506,705	(1,530,506,705)	-
Income tax		527,356,036	(527,356,036)	-
Neelum Jhelum surcharge		1,052,873,042	(1,052,873,042)	-
T.V. license fee		1,192,514,289	(1,192,514,289)	-
Equalization surcharge		21,600,833	(21,600,833)	-
Financing cost surcharge	22.1.1	3,776,563,316	(3,776,563,316)	-
Tariff rationalization surcharge	22.1.2	1,069,742,951	(1,069,742,951)	-
Extra tax	22.1.3	82,184,125		82,184,125
Further tax	22.1.4	121,545,029		121,545,029
Sales tax (SRO 608(I)/2014)	22.1.5	59,288,507		59,288,507
Additional sales tax	22.1.6	-		-
Sales tax		20,234,401,157		20,234,401,157
30 June 2021	22.1.7	29,668,575,990	(9,171,157,172)	20,497,418,818
Less: Provision for doubtful receivable against sales tax (Note 22.1.8)				(7,976,973,796)
				12,520,445,022

		Receivables not yet realized Rupees	Payables on realization Rupees	Total Rupees
Electricity duty		1,345,847,557	(1,345,847,557)	-
Income tax		503,262,767	(503,262,767)	-
Neelum Jhelum surcharge		971,417,190	(971,417,190)	-
T.V. license fee		1,046,801,601	(1,046,801,601)	-
Equalization surcharge		21,869,052	(21,869,052)	-
Financing cost surcharge	21.1.1	3,103,419,025	(3,103,419,025)	-
Tariff rationalization surcharge	21.1.2	1,097,442,969	(1,097,442,969)	-
Extra tax	21.1.3	83,190,874	-	83,190,874
Further tax	21.1.4	114,550,081	-	114,550,081
Sales tax (SRO 608(I)/2014)	21.1.5	53,429,210	-	53,429,210
Additional sales tax	21.1.6	21,501	-	21,501
Sales tax		16,955,565,544	-	16,955,565,544
30 June 2020	21.1.7	25,296,817,371	(8,090,060,161)	17,206,757,210
Less: Provision for doubtful receivable against sales tax (Note 22.1.8)				(6,345,626,429)
				10,861,130,781

22.1.1 This represents Financing cost surcharge levied by NEPRA through SRO 567(I)/2015 issued under Section 31(5) of the NEPRA Act dated 10 June 2015 levied at the rate of Rupees 0.43/kwh.

22.1.2 This represents Tariff rationalization surcharge levied by NEPRA through SRO 567(I)/2015 dated 10 June 2015 which remained effective from July 2017 to February 2018 and SRO 375(I)/2018 dated 21 March 2018 which remained effective from March 2018 to June 2018 during the financial year, issued under Section 31(5) of the NEPRA Act levied at the rate notified by the Federal Government mentioned against the categories specified in the schedule of electricitv tariffs.

22.1.3 This represents Extra tax levied by Federal Government through SRO 509(I)/2013 dated 12 June 2013 at the rate of 5 percent of the total billed amount on supplies of electric power and natural gas to persons having industrial and commercial connections who have not obtained registration number.

22.1.4 This represents Further tax levied by Federal Government through Sales Tax Act 1990 Section 3(1A) levied at the rate of 3 percent of total billed amount on supplies of electric power and natural gas to persons who have not obtained registration number.

22.1.5 This represents Sales tax levied by Federal Government through SRO 608(I)/2014 dated 02 July 2014 levied on retailers at the rate of 5 percent where the monthly bill amount does not exceed Rupees 20,000 and at the rate of 7.5% where the monthly bill amount exceeds the aforesaid amount.

22.1.6 This represents Sales tax levied by Federal Government through SRO 488(I)/2016 dated 30 June 2016 levied at the tax rate of Rupees 1.25 per electricity unit consumed by marble and granite manufacturing and polishing units.

22.1.7 These receivables include the amount billed to the customers on behalf of respective authorities against which no recoveries have been made as at 30 June 2021 these amounts have been netted off against respective payables except for further tax, extra tax, sales tax, sales tax 2014 and additional sales tax payable on accrual basis irrespective of realization from consumers.

22.1.8 Movement in allowance for expected credit losses	**Note**	**2021 Rupees**	2020 Rupees
Balance as at 01 July		**6,345,626,429**	5,206,145,544
Recognized during the year	22.1.9	**1,631,347,367**	1,139,480,885
Balance as at 30 June		**7,976,973,796**	6,345,626,429

22.1.9 This represents the allowance for expected credit losses against sales tax, further tax, extra tax, Sales tax 2014 and additional sales tax considered doubtful of recovery in same proportion to doubtful debts.

22.2 The gross amount represents General Sales Tax, recoverable from the Government of Pakistan, through WAPDA. Provision has been made since no recovery could be effected since long.

23. BANK BALANCES		**2021 Rupees**	2020 Rupees
Current accounts	23.1	**4,978,145,237**	3,608,880,453
Saving accounts	23.2	**4,157,878,871**	3,640,885,875
Term deposits maturing within 12 months	16	**728,139,000**	527,139,000
		9,864,163,108	7,776,905,328

23.1 This include an amount of Rupees 602.498 million (2020: Rupees 432.273 million) kept in a separate bank account maintained in respect of security deposits received from consumers.

23.2 This carries mark up ranging from 6.55% to 7.02% (2020: 5.51% to 6.53%).

24. ELECTRICITY SALES - NET		**2021 Rupees**	2020 Rupees
Gross sales		**64,254,292,296**	58,132,524,837
Less: Sales tax		**(9,805,218,946)**	(8,930,162,586)
	24.1	**54,449,073,350**	49,202,362,251

24.1 Residential	24.2	**25,780,271,628**	23,640,822,541
Commercial		**5,451,190,009**	4,983,298,229
Industrial		**13,852,031,252**	12,187,342,222
Agricultural		**2,446,895,312**	2,225,195,959
Others	24.3	**6,918,685,149**	6,165,703,300
	24.4	**54,449,073,350**	49,202,362,251

24.2 Electricity sales includes Rupees 4,217.775 million on account of electricity bill for the month of June 2021 billed to consumers in July 2021.

24.3 This includes supply of electricity in respect of street lights, bulk connections, residential colonies and general services.

24.4 During the year, the Company sold 4,014.177 million(2020: 3,890.000 million) (kwh) electricity units to the consumers in different tariff categories.

25.	SUBSIDIES FROM GOVERNMENT OF PAKISTAN	Note	2021 Rupees	2020 Rupees
	- Tariff Differential Subsidy	21.1	**23,440,891,153**	29,293,031,133
	- Industrial Subsidy	21.2	**1,117,218,327**	266,845,917
	- Zero Rated Industries	21.3	**421,074,026**	766,961,903
	- COVID-19 relief to small business & industrial consumer	21.4	**629,688,473**	816,784,218
	- AQTA	21.5	**5,318,148,510**	4,662,078,948
			30,927,020,489	35,805,702,119

25.1 This represents tariff subsidy receivable from the Government of Pakistan as the difference between the National Electric Power Regulatory Authority (NEPRA) tariff determinations and notifications from time to time, and the rates charged to the consumers in accordance with the tariff notified by the Government of Pakistan. The Company's tariff for the financial year ended 30 June 2017 has been notified on 01 January 2019 vide SRO 1(I)/2019. The claim of tariff differential subsidy for the year has been calculated and booked in these financial statements on the basis of same tariff till january 2021. Subssequently, new tariff rate were notified vide SRO P1-4(18)/2019/20 dated 12 February 2021. Therefore, the claim for tariff subsidy for the remainder period has been calculated and accounted for on the basis of new tariff

26.	COST OF ELECTRICITY		2021 Rupees	(Restated) 2020 Rupees
	Purchase of electricity	26.1	**74,791,578,108**	82,418,141,655

26.1 Power Purchase Price (PPP)

	2021	2020
Energy transfer charges	**33,074,061,216**	33,034,442,942
Capacity transfer charges	**38,735,906,534**	46,688,309,442
Use of system charges	**2,957,156,313**	2,670,668,059
Market operation fees	**24,454,045**	24,721,212
	74,791,578,108	82,418,141,655
Units purchased (kwh)	**5,590,954,549**	5,470,781,037
Units sold (kwh)	**4,014,177,377**	3,890,000,447
Transmission and distribution losses %	**28.20%**	28.89%

26.2 This represents cost of electricity purchased from Central Power Purchase Agency (Guarantee) Limited (CPPAGL), a related party. Electricity purchases during the year have been incorporated according to invoices issued by NTDC/CPPAGL and adjusted in accordance with monthly Fuel Price Adjustment determined and notified by NEPRA. The average rate for the year was Rupees 13.38 (2020: Rupees 15.06) per Kilo Watt Hour (KWH).

27. OPERATING EXPENSES EXCLUDING DEPRECIATION

	Note	2021 Rupees	(Restated) 2020 Rupees
Salaries, wages and other benefits - restated	27.1	**9,694,729,743**	10,638,288,638
Repairs and maintenance		**350,305,516**	598,639,200
Travelling		**260,667,236**	234,544,588
Transportation		**142,292,017**	144,417,800
Rents, rates and taxes		**10,181,498**	5,044,417
Office supplies and other expenses		**68,284,194**	44,715,349
Legal and professional charges		**14,898,400**	13,275,700
Power, light and water		**30,291,179**	19,791,383
Advertisement expenses		**3,728,940**	8,687,635
Collection charges		**48,638,739**	61,563,743
Supervisory charges to PEPCO		**14,381,774**	100,623,954
Prime Minister assistance package	27.2	**198,538,735**	15,564,200
Postage and telephone		**28,932,221**	28,773,515
Distribution license fee (NEPRA)		**15,877,129**	14,542,194
NEPRA fines and penalties		**234,175**	4,550
Software license fee to PEPCO		**30,017,581**	17,766,725
Directors' meeting fee		**14,595,000**	5,796,000
Auditors' remuneration	27.3	**1,430,000**	850,000
Insurance charges to WAPDA		**9,439,979**	8,504,186
Other expenses		**32,817,580**	29,167,612
		10,970,281,636	11,990,561,389

27.1 The aggregate amount charged in respect of staff retirement benefits amounts to Rupees 4,330.572 million (2020: Rupees 5,561.901 million).

27.2 This represents the cost of incentive package announced by Government of Pakistan vide Cabinat Secretariate O.M No. 8/10/2013-E-2(Pt.) dated 04 December 2015 for the families of deceased employees who died in service. Subsequently, the same has also been approved by PEPCO vide O.M Ref.# GM(HR)/HRD/A-332-4050-75 dated 04 November 2016 with effect from 09 Febraury 2015. The financial implication of this packge has been calculated from effective date to October 2017 on actual basis for 157 deceased employees.

27.3 Auditors' remuneration

	Note	2021 Rupees	2020 Rupees
Statutory audit fee		**1,300,000**	800,000
Out of pocket expenses		**130,000**	50,000
		1,430,000	850,000

28. OTHER INCOME

	Note	2021 Rupees	2020 Rupees
Income from financial assets			
Return on TDR's and saving accounts		**389,394,511**	559,739,915
Income from non-financial assets			
Rental and service income	28.1	**1,482,288,081**	1,460,290,459
Reconnection fee		**109,981**	157,573
Sale of scrap		**45,028,600**	208,965,529
Non-utility operations	28.2	**120,085,618**	153,894,492
Stores handling and others	28.3	**370,138,773**	426,172,416
		2,017,651,053	2,249,480,469
		2,407,045,564	2,809,220,384

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28.1 Rental and service income

	Note	2021 Rupees	2020 Rupees
Meter and service rentals		**19,745,029**	20,152,655
Late payment surcharge		**1,461,399,217**	1,438,976,875
Public lighting		**1,143,835**	1,160,929
		1,482,288,081	1,460,290,459

28.2 It represents recovery on labour and overhead charges at the time of application for new connections. It is recognized at the time of installation of connection. Further it includes other electric revenue charged at the rate of 3% on electricity duty realized for the month.

28.3 It represents amount received from customers in respect of material handling charges, commission on collection of PTV fee, tender fee, recoveries from parties and receipts of liquidated damages during the year.

29. FINANCE COST

	Note	2021 Rupees	(Restated) 2020 Rupees
Bank charges		**1,365,824**	1,840,756
Supplementary charges		**1,461,399,217**	1,438,976,875
Mark up on long term financing		**1,301,274,755**	1,671,582,313
Mark up against PHPL/STFF		**497,895,604**	947,576,948
		3,261,935,400	4,059,976,892

30. TAXATION

	Note	2021 Rupees	2020 Rupees
Current tax	30.1	**837,320,441**	773,094,160

30.1 The charge for current taxation is based on minimum tax payable on turnover at the current rate of taxation after taking into account applicable tax credits, rebates and exemption available if any.

30.2 Relationship between tax expense and accounting profit

The relationship between tax expense and accounting profit has not been presented in these financial statements as taxable income and tax liability are based on minimum tax payable on turnover for the year.

30.3 Deferred tax

Deferred income tax effect due to:	Note	2021 Rupees	2020 Rupees
Accelerated tax depreciation		**5,434,110,461**	4,884,778,161
Deferred Credit		**(15,025,672,490)**	(12,616,100,166)
Allowance for doubtful debts		**(5,801,071,539)**	(5,459,433,233)
Provision for slow moving and obsolete stock		**(10,760,576,603)**	(9,935,117,704)
Provision against other receivables		**(205,871,041)**	(201,268,409)
Staff retirement benefits		**(532,240,021)**	(532,240,021)
Unused tax losses and credit- unabsorbed tax depreciation		**(8,534,159,988)**	(7,212,960,498)
Unused tax losses and credit- business loss		**(36,567,496,721)**	(29,337,119,263)
Net deferred income tax asset		**(71,992,977,942)**	(60,409,461,133)
Unrecognized deferred income tax asset		**71,992,977,942**	60,409,461,133
		-	-

30.3.1 Deferred tax liability arised as at June 30 2021 amounting to Rupees 5,434.110 million (2020: Rupees 4,884.778 million) on property and equipment has been utilized against the deferred tax asset on the unabsorbed tax depreciation as at June 30, 2021 amounting to Rupees 8,534.160 million (2020: Rupees 7,212.960 million).

30.3.2 Deferred tax asset has not been recognized in these financial statements due to uncertainty in availability of sufficient future taxable profits as these temporary differences are not likely to reverse in the foreseeable future.

31. LOSS PER SHARE

		2021	2020
Basic loss per share			
Loss after taxation	**(Rupees)**	**(10,865,871,436)**	(19,021,682,255)
Weighted average number of ordinary shares	**(Numbers)**	**1,000**	1,000
Loss per share - basic	**(Rupees)**	**(10,865,871)**	(19,021,682)
Diluted loss per share			
Loss after taxation	**(Rupees)**	**(10,865,871,436)**	(19,021,682,255)
Weighted average number of ordinary shares including deposit for shares	**(Numbers)**	**7,302,975,097**	7,302,975,097
Loss per share - diluted	**(Rupees)**	**(1.490)**	(2.600)

32. CASH GENERATED FROM OPERATIONS

	Note	2021	2020
Loss before taxation		**(10,028,550,995)**	(18,248,588,095)
Adjustments for non-cash charges and other items:			
Depreciation on operating fixed assets		**1,244,002,296**	1,230,148,965
Amortization of deferred credit		**(725,522,615)**	(714,414,938)
Provision for staff retirement benefits		**4,330,571,865**	5,561,901,554
Finance cost		**3,261,935,400**	4,059,976,892
Allowance for expected credit losses		**8,253,544,430**	6,554,973,984
Allowance for slow moving stock		**15,871,143**	526,484,902
Profit on bank deposits		**(389,394,511)**	(559,739,915)
Other income			-
Non-utility operations		**(105,295,142)**	(140,621,366)
Working capital changes	32.1	**2,009,793,701**	7,356,007,488
		7,866,955,572	5,626,129,471

		2021 Rupees	(Restated) 2020 Rupees
32.1	**Working capital changes**		
	Decrease in current assets		
	Stores and spares	**108,243,253**	300,979,635
	Trade debts	**(13,051,962,902)**	(15,473,411,671)
	Loans and advances	**27,499,744**	(33,565,047)
	Other receivables	**(1,990,434,541)**	(1,078,741,560)
	Due from associated undertaking	**(563,197,083)**	(1,144,680,851)
	Subsidies from Government of Pakistan	**(12,043,861,673)**	(21,400,571,631)
		(27,513,713,202)	(38,829,991,125)
	Increase in current liabilities		
	Trade and other payables	**(157,708,019)**	2,421,933,719
	Due to associated undertakings	**29,681,214,922**	43,764,064,894
		29,523,506,903	46,185,998,613
	Working capital changes	**2,009,793,701**	7,356,007,488

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

	Long term financing	Consumers' security deposit received	Receipt against deposit works	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at 01 July 2020	9,324,931,862	2,353,248,498	3,207,964,259	14,886,144,619
Security deposits received	-	223,481,806	-	223,481,806
Receipts against deposit work received-net	-	-	1,399,823,440	1,399,823,440
Amortization of deferred credit	-	-	(1,031,777,157)	(1,031,777,157)
Transferred to labour and overhead recovery	-	-	(105,295,142)	(105,295,142)
Balance as at 30 June 2021	**9,324,931,862**	**2,576,730,304**	**3,470,715,400**	**15,372,377,566**

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The Company is exposed to credit risk from its operating activities primarily for trade debts, deposits with banks and other financial instruments. The carrying amount of financial assets as at 30 June 2021 represents the maximum credit exposure, which is as follows:

	30 June 2021		30 June 2020	
	Financial Asset Rupees	**Maximum Exposure Rupees**	Financial Asset Rupees	Maximum Exposure Rupees
Long term loans	**1,293,135**	**1,293,135**	4,328,617	4,328,617
Long term deposits	**1,185,150,000**	**1,185,150,000**	1,561,150,000	1,561,150,000
Trade debts	**88,741,747,731**	**54,206,150,533**	75,689,784,829	47,776,384,694
Loans and advances	**43,492,329**	**43,492,329**	70,992,073	70,992,073
Due from associated undertakings	**13,024,057,343**	**13,024,057,343**	12,460,860,260	12,460,860,260
Other receivables	**20,497,418,818**	**12,520,445,022**	17,206,757,210	10,861,130,781
Accrued mark up	**117,446,618**	**117,446,618**	57,196,865	57,196,865
Bank balances	**9,864,163,108**	**9,864,163,108**	7,776,905,328	7,776,905,328
	133,474,769,082	**90,962,198,088**	114,827,975,182	80,568,948,618

Out of total financial asset of Rupees 205,387.101 million (2020: Rupees 176,216.550 million), the financial asset which are subject to credit risk amounted to Rupees 168,281.664 million (2020: Rupees 141,957.524 million). Difference in the balances as per statement of financial statements and maximum exposure were due to the fact that trade debt amounting to Rupees 37,105.437 million (2020: Rupees 34,259.027 million) has been provided for.

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33. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Government of Pakistan (GoP), Pakistan Electric Power Company Limited (PEPCO), National Transmission Despatch Company (NTDC), eight distribution companies, four power generation companies, Central Power Purchasing Agency (Guarantee) Limited (CPPAGL) and WAPDA. Amounts due from and to related parties and key management personnel, if any, are shown under receivables and payables. Remuneration of Chief Executive Officer, directors and executives is disclosed in note 33.

Relationship with Related parties and nature of transactions	**2021** **Rupees**	2020 Rupees
a) Associated Undertaking		
Purchase of electricity from CPPAGL	**74,791,578,108**	82,418,141,655
Software license fee to PEPCO	**30,017,581**	17,766,725
Insurance charges to WAPDA	**9,439,979**	8,504,186
Distribution license fee to NEPRA	**15,877,129**	14,542,194
Supplementary charges to CPPA	**1,461,399,217**	1,438,976,875
Mark up against PHPL/STFF	**497,895,604**	947,576,948
Pension paid to employees of associated companies	**1,003,854,582**	914,431,089
Free supply of electricity provided to employees of associated companies	**489,562,569**	2,665,245,585
Supply of material	**187,624,014**	145,018,322
Purchase of material	**178,638,964**	111,801,821
b) Economic Affairs Division (GoP)		
Accrued mark-up on relent loans	**1,301,274,755**	1,290,295,349
C) Ministry of Water and Power (GoP)		
Subidies from Government of Pakistan	**30,927,020,489**	35,805,702,119

33.1 A number of governmental departments are the electricity consumers of the Company to whom the electricity is sold on the notified tariff rates, the detail of which cannot be produced due to impracticability.

33.2 Associated companies / undertakings with whom the Company have transactions or have arrangements / agreements in place:

Jamshoro Power Generation Company Limited (GENCO-I)
Central Power Generation Company Limited (GENCO-II)
Northern Power Generation Company Limited (GENCO-III)
Lakhra Power Generation Company Limited (GENCO-IV)
Pakistan Electric Power Company Limited (PEPCO)
National Transmission and Dispatch Company Limited (NTDC)
Economic Affairs Division (Government of Pakistan)
Central Power Purchasing Agency (Guarantee) Limited (CPPAGL)
Lahore Electric Supply Company Limited (LESCO)
Quetta Electric Supply Company Limited (QESCO)
Islamabad Electric Supply Company Limited (IESCO)
Peshawar Electric Supply Company Limited (PESCO)
Sukkur Electric Power Company Limited (SEPCO)
Faisalabad Electric Supply Company Limited (FESCO)
Gujranwala Electric Power Company Limited (GEPCO)
Water and Power Development Authority (WAPDA)
Power Information Technology Company (Private) Limited (PITC)
Ministry of Water and Power
Other Government authorities

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33.2.1 The Company and all of the above mentioned companies / undertakings are under common control of Water and Power Development Authority (WAPDA) and GoP with the Ministry of Water and Power.

34. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

Aggregate amount charged in these financial statements in respect of remuneration including all benefits to the Chief Executive Officer and executives of the Company are as follows:

	2021	2020	**2021**	2020
	-----------Rupees-----------		**-----------Rupees-----------**	
	Chief Executive Officer		**Executives**	
Basic pay	**2,368,211**	1,628,647	**1,959,520**	3,429,860
Allowances	**3,372,389**	2,299,237	**2,351,424**	4,089,818
Meeting fee	**1,295,000**	-	**-**	-
Bonus	**166,720**	-	**-**	-
	7,202,320	3,927,884	**4,310,944**	7,519,678
Number of persons	**1**	1	**15**	26

34.1 No remuneration was paid to any director of the Company.

34.2 Aggregate amount charged in the financial statements for meeting fee to 8 (2020: 8) directors was Rupees 14.595 million (2020: Rupees 5.796 million).

34.3 The Chief Executive Officer is provided unfurnished accommodation, free electricity, free medical, free use of Company's maintained vehicles and telephone facility as per the Company's rules. Moreover, all executives are provided free electricity and some of the executives are also provided unfurnished accommodation, free use of Company's maintained vehicle and telephone facility as per Company's rules.

35. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise creditors, accrued and other liabilities. The Company's financial assets comprise of trade debts and bank balance. The Company also holds loans, advances, and other receivables.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including cash flow interest rate risk, currency risk, equity price risk and fair value interest rate risk).

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The Board has established a Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. Further the Risk Management Committee assists the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing Company's financial risk exposures.

35.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

35.1.1 Credit risk related to trade debts

Financial instruments that potentially subject the Company to concentration of credit risk are trade debts. The Company's electricity is sold to domestic, commercial, agriculture, industrial and bulk rate consumers including government organizations. Due to large number and diversity of its customer base, concentration of credit risk with respect to trade debts is limited. Further the Company manages its credit risk by obtaining security deposit from the customers. The Company believes that it is not exposed to significant credit risks except to the extent of receivables from its defaulted consumers including government administrative offices. The Company controls its credit risk by continuous monitoring of its receivables and disconnecting defaulting consumers. In addition, outstanding customer receivables are regularly monitored and appropriate actions are taken to minimize risk of bad debts.

35.1.2 Collateral against trade debts

The Company receives security deposit from each customer at the time of allotment of new connection which is adjustable against the amount due from him in case of his default. At present the Company holds security deposit amounting to Rupees 2,576.730 million (30 June 2020: Rupees 2,353.548 million).

35.1.3 Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by Chief Executive Officer and Chief Financial Officer in accordance with the Company's policy.

The credit risk on liquid funds (bank balances) is limited because the counter parties are banks with a reasonably high credit rating. The names and credit rating of banks as at 30 June 2021 where the Company maintains its major bank balances are as follows:

Name of bank	Rating Agency	Short-term / Long-term	2021 Rupees	2020 Rupees
National Bank of Pakistan	PACRA	A1+ / AAA	**6,506,006,152**	5,039,792,049
Habib Bank Limited	VIS	A1+ / AAA	**508,221,313**	505,465,754
United Bank Limited	VIS	A-1+ / AAA	**378,986,883**	265,331,431
Allied Bank Limited	PACRA	A1+ / AA+	**1,328,008,787**	1,157,178,684
MCB Bank Limited	PACRA	A1+ / AAA	**758,115,901**	649,421,967
Bank Alhabib limited	PACRA	A1+ / AA+	**30,553**	-
Bank Alfalah Limited	VIS	A-1+ / AA+	**45,345,094**	11,491,637
Askari Commercial Bank	PACRA	A-1+ / AA+	**255,786,209**	244,941,579
Meezan Bank Limited	VIS	A1+ / AAA	**1,439,198**	1,404,970
Faysal Bank limited	PACRA	A1+ / AA	**5,792,718**	4,482,144
Sindh Bank Limited	VIS	A-1+ / A+	**2,315,594**	2,208,306
Silk Bank limited	VIS	A-2 / A-	**74,114,706**	80,484,336
			9,864,163,108	7,962,202,857

There is no significant credit risk against other receivables as majority of the receivables are from other Distribution Companies which are financially backed by the Ministry of Water and Power Development Authority and the Government of Pakistan.

35.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or would have difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring substantial losses or risk damage to the Company's reputation.

The following table shows the Company's remaining contractual maturities of financial liabilities, including interest payments:

		Contractual cash flows	
	Carrying amount	**Less than one year**	**More than 5 years**
30 June 2021	**--------------------------------Rupees--------------------------------**		
Long term financing	**9,324,931,862**	**5,157,649,303**	**4,167,282,559**
Consumers' security deposits	**2,576,730,304**	**2,576,730,304**	**-**
Accrued mark-up	**10,229,873,860**	**10,229,873,860**	**-**
Trade and other payables	**4,828,874,070**	**4,828,874,070**	**-**
Due to associated undertakings	**286,632,872,026**	**286,632,872,026**	**-**
	313,593,282,122	**309,425,999,563**	**4,167,282,559**

		Contractual cash flows	
	Carrying amount	Less than one year	More than 5 years
30 June 2020	------------------------------Rupees------------------------------		
Long term financing	9,324,931,862	4,486,768,129	4,838,163,733
Consumers' security deposits	2,353,248,498	2,353,248,498	-
Accrued mark-up	8,928,599,105	8,928,599,105	-
Trade and other payables	4,963,966,936	4,963,966,936	-
Due to associated undertakings	256,825,029,210	256,825,029,210	-
	282,395,775,611	277,557,611,878	4,838,163,733

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35.3 Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as fuel price and equity price risk. Financial instruments affected by market risk include loans and borrowings, bank deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

35.3.1 Interest rate risk management

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 exposure to the risk of changes in market interest rates relates primarily to the following:

	2021 Rupees	2020 Rupees
Fixed rate instruments		
Financial assets		
Term deposit receipts	**1,913,289,000**	2,088,289,000
Financial liabilities		
Long term financing	**9,324,931,862**	9,324,931,862
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	**4,157,878,871**	3,640,885,875

Fair value sensitivity analysis for fixed rate instruments:

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

35.3.3 Equity price risk management

The Company do not have any investments in listed and unlisted equity securities which are susceptible to market price risk arising from uncertainties about future values of the investment securities.

35.4 Determination of fair values

35.4.1 Fair value of financial instruments

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

The carrying values of all financial assets and liabilities reflected in the financial statements approximate

(i) Fair value hierarchy

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 has classified its financial instruments into the following three levels.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale 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.

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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. This is the case for unlisted equity securities.

There were no financial asset and financial liability to be reported under above levels as the carrying amounts of all financial assets and financial liabilities presented in these financial statements 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.

35.4.2 Recognized fair value measurements - non-financial assets

There were no non-financial assets as at 30 June 2021 (2020: Nil) for the recognized fair value

35.5 Financial instruments by category

The accounting policies for financial instruments have been applied for line items below:

	At amortized cost	Loans and receivables
	2021	2020
Assets as per statement of financial position	Rupees	Rupees
Long term loans	**1,293,135**	4,328,617
Long term deposits	**1,185,150,000**	1,561,150,000
Loans and advances	**43,492,329**	70,992,073
Trade debts	**54,206,150,533**	47,776,384,694
Due from associated undertakings	**13,024,057,343**	12,460,860,260
Other receivables	**12,520,445,022**	10,861,130,781
Accrued mark up	**48,894,939**	117,446,618
Bank balances	**9,864,163,108**	7,776,905,328
	90,893,646,409	80,629,198,371

	At amortized cost	
	2021	2020
Liabilities as per statement of financial position	Rupees	Rupees
Long term financing	**9,324,931,862**	9,324,931,862
Trade and other payables	**4,828,874,070**	4,963,966,936
Due to associated undertakings	**286,506,244,132**	256,825,029,210
Accrued mark-up	**10,229,873,860**	8,928,599,105
	310,889,923,924	280,042,527,113

36. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital, i.e. its shareholders' equity is to safeguard its ability to continue as a going concern to maintain a strong capital base to support the sustained development of its business. The Company is not exposed to any external capital requirement. As mentioned in note 4, Company will issue shares amounting to Rupees 73,029,740,974 at the rate of Rupees 10 per share on the closing of supplementary business transfer agreement which will strengthen the capital management of the Company. As public interest entity financial support is available to the Company from Federal Government and WAPDA in the form of delayed settlement of CPPAGL against electricity purchase, tariff revision and subsidy on purchases.

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35.3 Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as fuel price and equity price risk. Financial instruments affected by market risk include loans and borrowings, bank deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

35.3.1 Interest rate risk management

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 exposure to the risk of changes in market interest rates relates primarily to the following:

	2021 Rupees	2020 Rupees
Fixed rate instruments		
Financial assets		
Term deposit receipts	**1,913,289,000**	2,088,289,000
Financial liabilities		
Long term financing	**9,324,931,862**	9,324,931,862
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	**4,157,878,871**	3,640,885,875

Fair value sensitivity analysis for fixed rate instruments:

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

35.3.3 Equity price risk management

The Company do not have any investments in listed and unlisted equity securities which are susceptible to market price risk arising from uncertainties about future values of the investment securities.

35.4 Determination of fair values

35.4.1 Fair value of financial instruments

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

The carrying values of all financial assets and liabilities reflected in the financial statements approximate

(i) Fair value hierarchy

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 has classified its financial instruments into the following three levels.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale 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.

Gm

	2021	2020
37. NUMBER OF EMPLOYEES	----------Number	----------
Number of employees as at June 30	**7,159**	7,837
Average number of employees during the year	**7,498**	7,750

38. CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation. Following reclassifications has been made in the financial statements:

	Reclassified from component	Reclassified to component	— Rupees —
1	***(Disclosed in Due from associated undertakings)*** Receivable from government of Pakistan	***(Disclosed on the face of statement of financial position)*** Receivable from government of Pakistan	61,101,945,456
2	***(Disclosed in Due from associated undertakings -*** Multan Electric Power Company Limited (MEPCO) - pension	***(Disclosed in Due to associated undertakings - restated)*** Multan Electric Power Company Limited (MEPCO) - pension	686,020
	Lahore Electric Supply Company Limited (LESCO) - pension	Lahore Electric Supply Company Limited (LESCO) - pension	17,886,022
	Islamabad Electric Supply Company Limited (IESCO) - pension	Islamabad Electric Supply Company Limited (IESCO) - pension	8,022,416
	Gujranwala Electric Power Company Limited (GEPCO) - pension	Gujranwala Electric Power Company Limited (GEPCO) - pension	571,729
	Peshawar Electric Supply Company Limited (PESCO) - pension	Peshawar Electric Supply Company Limited (PESCO) - pension	18,281,817
	Faisalabad Electric Supply Company Limited (FESCO) - pension	Faisalabad Electric Supply Company Limited (FESCO) - pension	22,221,353

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 26 AUG 2022 by the Board of Directors of the Company.

40. GENERAL

- Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan.
- Figures have been rounded off to the nearest Rupees.

CHIEF EXECUTIVE OFFICER **DIRECTOR**