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HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Private & Confidential

Crowe Hussain Chaudhury & Co.
Charted Accountants

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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 30 June 2023, 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 30 June 2023 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 The Institute of Chartered Accountants 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.

In 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 operating fixed assets and capital work in progress. Therefore, we were unable to determine whether any adjustments to these amounts were necessary;

b) As disclosed in Note 20.1 to the financial statements, the Company has receivable balance of Rs. 1,062.794 million from its associated company Sukkur Electric Power Company Limited (SEPCO) as at 30 June 2023. 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 year ended 30 June 2018, However SEPCO have confirmed acceptance of Rs. 993.123 million only whereas the balance of Rs. 763.009 million was 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;

c) Federal Investigation Agency (FIA) seized records related to expenses for the year 2017 to 2023 from various divisions as a result of on-going inquiry and investigation activity during the year and management does not possess copies of these records. Consequently, in absence of alternative means to obtain sufficient appropriate audit evidence, we were unable to verify accuracy, completeness, and existence of operating expenses amounting to Rs. 4,179.113 million. Furthermore, due to same reason, we were also unable to verify direct additions to property and equipment from operation divisions amounting to Rs. 948.754 million;

d) The cash and bank balances reported in Note 23 amount to Rs. 14,504.886 million, which includes Rs. 4,322.622 million pertaining to Pakistan Post Office (PPO) balances. The balance confirmed by PPO in this respect amounts to Rs. 202.1 million, in respect of which management was unable to provide reconciliation for the difference amounting to Rs. 4,120.522 million.

Consequently, we were unable to determine whether any adjustments to said balance was necessary;

e) In current year HESCO reported total revenue of Rs. 82,627.486 million from consumers across various categories and tariff slabs. This amount also includes Rs. 12,191.31 million generated from detection and penalties related to theft.

NEPRA allows DISCOs to impose detection charge as per the consumer's service manual, however, we were unable to obtain sufficient evidence to confirm whether detection revenue was calculated as per said manual. Therefore, we are unable to obtain sufficient appropriate audit evidence as to the accuracy and occurrence of the said balance;

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f) As disclosed in Note 8.1 to the financial statements, the Company reported a liability amounting to Rs. 1,445.445 million on account of receipts against connections. The Company does not maintain a consumer-wise breakup of this liability. In the absence of sufficient and appropriate audit evidence, including the inability to perform alternative procedures to verify the balance as of reporting date and the amounts required to be transferred to "Deferred Credit" for completed jobs, we were unable to determine whether any adjustments to the liability or related accounts were necessary.

g) As mentioned in note 13.2 (iv) under the head 'other matter' to the financial statements, management has disclosed contingencies related to legal cases in respect of which we were unable to obtain sufficient and appropriate audit evidence. In absence of same, we are unable to determine whether any adjustments are required to be made in the financial statements; and

h) 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. 59,501.425 million during the year, leaving a negative equity of Rs. 330,311.796 million. The current liabilities of the Company on the balance sheet date exceeded its current assets by Rs. 256,983.354 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.

b) Note 2.8 to the financial statements, the Company has not so far carried out fair valuation exercise of assets required under the Companies (Further Issue of Shares) Regulations, 2020 for issuance of shares in consideration other than cash.

c) Note 10.1 to the financial statements, interest on workers profit participation fund amounting to Rs. 386.564 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

d) 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.

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Information Other than the Financial Statements and Auditors' Report Thereon

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

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Crowe Hussain Chaudhury & Co.
Chartered Accountants

Place: Karachi
Date: 17 MAR 2025
UDIN: AR202310207Hh7Grp4VI

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

	Note	2023	2022
		------Rupees------	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital			
5,000 (2022: 5,000) million ordinary shares of Rs. 10 each		50,000,000,000	50,000,000,000
Issued, subscribed and paid up share capital	3	10,000	10,000
Accumulated loss		(472,927,343,239)	(387,170,535,939)
		(472,927,333,239)	(387,170,525,939)
Deposit for issuance of shares	4	142,615,518,518	115,722,036,572
TOTAL EQUITY		(330,311,814,721)	(271,448,489,367)
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred credit	5	22,464,923,440	21,318,280,601
Long term financing	6	3,044,312,819	3,621,836,206
Consumers' security deposits	7	2,905,754,642	2,723,938,794
Receipt against deposit works and connections	8	4,734,489,070	4,229,496,670
Staff retirement benefits	9	91,206,128,438	54,333,378,348
		124,355,608,409	86,226,930,619
CURRENT LIABILITIES			
Trade and other payables	10	6,997,485,847	8,141,958,921
Due to associated undertakings	11	334,681,237,252	298,410,880,970
Accrued mark-up - long term financing	12	13,061,134,419	11,542,332,196
Current and overdue portion of long term financing		6,280,619,043	5,703,095,656
		361,020,476,561	323,798,267,743
TOTAL LIABILITIES		485,376,084,970	410,025,198,362
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		155,064,270,249	138,576,708,995
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	14	50,768,017,918	47,018,590,495
Long term loans	15	-	-
Long term deposits	16	259,150,000	275,000,000
		51,027,167,918	47,293,590,495
CURRENT ASSETS			
Stores and spares	17	8,108,945,596	4,081,590,457
Trade debts	18	30,704,759,332	20,316,539,823
Loans and advances	19	83,460,427	76,430,745
Due from associated undertakings	20	10,631,462,788	13,533,088,354
Receivable from Government of Pakistan	21	28,311,751,516	27,495,961,456
Other receivables	22	10,344,208,711	9,718,322,933
Advance income tax - net		1,270,469,197	727,019,506
Accrued mark up		77,158,368	148,088,317
Bank balances	23	14,504,886,396	15,186,076,909
		104,037,102,331	91,283,118,500
TOTAL ASSETS		155,064,270,249	138,576,708,995

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

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

	Note	2023	2022
		----------Rupees----------	
Electricity sales - net	24	82,627,485,684	74,708,398,941
Subsidies from Government of Pakistan	25	34,105,180,893	30,818,388,069
		116,732,666,577	105,526,787,010
Cost of electricity	26	(128,215,055,699)	(114,502,289,946)
Gross loss		(11,482,389,122)	(8,975,502,936)
Amortization of deferred credit	5	814,789,969	773,201,887
Gross loss before operating expenses		(10,667,599,153)	(8,202,301,049)
Operating expenses excluding depreciation	27	(25,099,645,575)	(13,287,458,824)
Depreciation on operating fixed assets	14.1	(1,321,508,388)	(1,255,812,010)
Provision for doubtful debts	18.4 & 22.1	(14,604,357,346)	(17,804,048,092)
Provision for doubtful subsidies		(6,494,846,290)	(11,886,973,210)
Provision for slow moving stock	17.1	(635,261,150)	(356,087,128)
Other income	28	3,195,436,882	2,006,026,785
		(44,960,181,867)	(42,584,352,479)
Operating loss		(55,627,781,020)	(50,786,653,528)
Finance cost	29	(3,585,457,294)	(2,678,350,235)
Loss before taxation		(59,213,238,314)	(53,465,003,763)
Taxation	30	(1,042,271,042)	(944,366,822)
Loss after taxation		(60,255,509,356)	(54,409,370,585)
Loss per share			
- Basic	31	(60,255,509)	(54,409,371)
- Diluted		(4.23)	(4.70)

The annexed notes from 1 to 39 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 2023

	Note	2023	2022
		----Rupees----	
Loss after taxation		(60,255,509,356)	(54,409,370,585)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
- Remeasurement of post retirement benefits obligation	9.3	(25,501,297,944)	(308,141,597)
Total comprehensive loss for the year		(85,756,807,300)	(54,717,512,182)

The annexed notes from 1 to 39 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 2023

	Share capital	Accumulated loss	Deposit for issuance of shares	Total
	--------	-------- Rupees	--------	
Balance as at 30 June 2021	10,000	(332,453,023,757)	73,029,740,974	(259,423,272,783)
Comprehensive loss for the year				
Loss for the year ended 30 June 2022	-	(54,409,370,585)	-	(54,409,370,585)
Other comprehensive loss	-	(308,141,597)	-	(308,141,597)
Non-cash settlement against deposit for shares	-	-	42,692,295,598	42,692,295,598
Total comprehensive loss for the year	-	(54,717,512,182)	42,692,295,598	(12,025,216,584)
Balance as at 30 June 2022	**10,000**	**(387,170,535,939)**	**115,722,036,572**	**(271,448,489,367)**
Comprehensive loss for the year				
Loss for the year ended 30 June 2023	-	(60,255,509,356)	-	(60,255,509,356)
Other comprehensive loss	-	(25,501,297,944)	-	(25,501,297,944)
Non-cash settlement against deposit for shares	-	-	26,893,481,946	26,893,481,946
Total comprehensive loss for the year	-	(85,756,807,300)	26,893,481,946	(58,863,325,354)
Balance as at 30 June 2023	**10,000**	**(472,927,343,239)**	**142,615,518,518**	**(330,311,814,721)**

The annexed notes from 1 to 39 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 2023

	Note	2023	2022
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations after working capital changes	32	(17,988,495,712)	(33,554,474,839)
Staff retirement benefits paid		(4,346,345,800)	(3,058,526,825)
Finance cost paid		(2,066,655,071)	(1,365,891,899)
Income tax paid		(1,585,720,733)	(838,513,149)
Net cash used in operating activities		(25,987,217,316)	(38,817,406,712)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions in operating fixed assets		(948,753,798)	(628,695,814)
Additions in capital work in progress		(4,122,182,013)	(2,520,809,254)
Profit on bank deposits received		694,627,387	472,632,881
Long term deposits		15,850,000	910,150,000
Long term loans to employees		-	1,293,135
Net cash used in investing activities		(4,360,458,424)	(1,765,429,052)
CASH FLOWS FROM FINANCING ACTIVITIES			
Consumers' security deposits		181,815,848	147,208,490
Deposit for issuance of shares		26,893,481,946	42,692,295,598
Receipt against deposit works and connections		2,591,187,433	3,065,245,477
Net cash flow generated from financing activities		29,666,485,227	45,904,749,565
Net (decrease)/increase in cash and cash equivalents		(681,190,513)	5,321,913,801
Cash and cash equivalents at beginning of the year		15,186,076,909	9,864,163,108
Cash and cash equivalents at end of the year		14,504,886,396	15,186,076,909

The annexed notes from 1 to 39 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 2023

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 12 districts of Province of Sindh including Hyderabad, Tando Allayar, Digri, Mirpurkhas, Umerkot, Tando Muhammad Khan, Jamshoro, 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 30 June 2023 incurred loss after taxation of Rs. 60,255.509 million (2022: Rs. 54,409.371 million), its accumulated loss as of this date is Rs. 472,927.343 million (2022: Rs. 387,170.536 million) resulting in net capital deficiency amounting to Rs. 330,311.815 (2022: Rs. 271,448.489 million) as of 30 June 2023. As of that date the Company's current liabilities exceeds current assets by Rs. 256,983.374 million (2022: Rs. 232,515.149 million). Further, the Company has incurred negative operating cash flows amounting to Rs. 25,987.217 million (2022: Rs. 38,817.407 million) during the year.

NEPRA has allowed 18.57% total line losses as per latest tariff determined from July 2022 to June 2023. However, the line losses exceed by 8.54% of the approved limit as the aggregate annual line losses sustained have been 27.11%. 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 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 have been received by 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 2023 tariff differential subsidy allowed, amounted to Rupees 34,105.181 million (2022: Rupees 30,818.388) 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;
- 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.

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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 as set out below are consistently applied / adopted for all years presented in these financial statements.

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 experience 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:

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. Expected credit Loss

The Company reviews its trade debts and other receivables at each reporting date to identify the existence of any doubtful debts and to assess whether a provision should be recorded in the statement of profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of the future cash flows, when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

v. Provision in contingent asset & liability

The assessment of provisions inherently involves exercise of significant judgment as outcome of future events cannot be predicted with certainty. The Company, based on availability of latest information, estimates values of contingent assets and liabilities which may differ on occurrence / non-occurrence of uncertain future events. Based on expected outcomes and lawyers' judgments, appropriate disclosure or provision is made in the financial statements.

vi. 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.

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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.

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 *Share-based Payment*. 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) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

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

- Amendments to IAS 16 'Property, Plant and Equipment - Proceeds before Intended Use'.
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of Fulfilling a Contract amends IAS 1 'Presentation of Financial Statements'.
- Annual improvements to IFRS standards 2018-2020 which amended IFRS 9 'Financial Instruments' and IFRS 16 'Leases'.

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

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

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

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

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

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring assessment of an entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 *'Accounting Policies, Changes in Accounting Estimates and Errors'*.

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

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

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

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

On 22 September 2022, the IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' which amends IFRS 16 to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale transaction. The amendments are effective for reporting periods beginning on or after 1 January 2024.

On 25 May 2023, the IASB issued 'Suppliers Finance Arrangements (Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*)' to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangement. The amendments are effective for reporting period beginning on or after 1 January 2024.

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

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

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

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j) 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 Company'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 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.

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 weighted average cost less impairment loss, if any. For items which are slow moving and/or obsolete, adequate provision is made against those items.

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 instrument 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.

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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

IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward-looking expected credit loss model, rather than the current incurred loss model, when assessing the impairment of financial asset in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVTOCI, but not to investment in equity instruments. For the provision of other financial assets, the company follows expected credit loss model of IFRS 9.

Impairment loss in respect of financial assets classified as fair value through other comprehensive income (other than debt securities) is recognized based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. The determination of what is significant or prolonged requires judgment.

In case of impairment of financial assets at FVOCI, the cumulative loss that has been recognized directly in statement of comprehensive income is taken to the statement of profit or loss.

Other individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All these impairment losses are recognized in the statement of profit or loss.

On November 4, 2024, Securities and Exchange Commission of Pakistan (SECP) issued S.R.O. 1784(I)/2024, under which it was notified that, in respect of companies holding financial assets, due or ultimately due from the Government of Pakistan in respect of circular debt, the requirements contained in "IFRS-9 (Financial Instruments) with respect to application of Expected Credit Losses Method" shall not be applicable on such financial assets for the financial years ending on or before December 31, 2025. Under the abovementioned exemption provided by SECP, the Company do not apply impairment requirement under IFRS 9 on following balances:

- Due from associated undertakings;
- Receivable from Government of Pakistan; and
- Other receivables

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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.

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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.

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.

2.9 Deferred credit

2.9.1 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.

2.9.2 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.

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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.

2.10 Employee's 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 2023 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.

2.11 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.

2.12 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.

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.

2.13 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.

2.14 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.

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- Tariff adjustment in respect of variation in fuel prices is recognized on accrual basis when the Company becomes 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.

2.15 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.

2.16 Appropriations to reserves

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

2.17 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

2023	2022		2023	2022
Number of Shares			Rupees	
1,000	1,000	Ordinary shares of Rs. 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	2023	2022
		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	117,565,628,136	90,672,146,190
		142,615,518,518	115,722,036,572

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 Guarantee 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. During the year CPPAGL issued credit note of Rs. 26,893,481,946 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.

5. DEFERRED CREDIT

	Note	2023	2022
		Rupees	
Balance at 01 July		28,903,184,461	26,815,396,936
Transfer from receipt against deposit works	8	1,961,432,808	2,087,787,525
		30,864,617,269	28,903,184,461
Less: Amortization			
Amortized balance at 01 July	5.1	7,584,903,860	6,811,701,973
Amortized during the year		814,789,969	773,201,887
		8,399,693,829	7,584,903,860
Balance at 30 June		22,464,923,440	21,318,280,601

5.1 This represents deferred portion of capital contributions received from consumers & the Government (nomination authorities) against which assets are constructed by the Company. This is amortized and recognized in profit or loss on a systematic basis over the periods in which the Company recognizes the related costs for which this is intended to compensate.

	Note	2023	2022
		------------------Rupees------------------	
6. LONG TERM FINANCING			
Re-lent - Loans from Government of Pakistan - Secured			
Asian Development Bank	6.1	1,887,314,578	1,887,314,578
PDEIP-1	6.2	2,238,228,319	2,238,228,319
PDEIP-2	6.3	2,195,590,662	2,195,590,662
PDEIP-3	6.4	746,267,143	746,267,143
PDEIP-4			
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			
Asian Development Bank		(1,887,314,578)	(1,800,669,421)
PDEIP-1		(1,234,434,749)	(1,080,004,969)
PDEIP-2		(696,114,301)	(585,041,978)
PDEIP-3		(205,224,255)	(167,910,754)
PDEIP-4			
International Bank for Reconstruction and Development		(2,257,531,160)	(2,069,468,534)
		(6,280,619,043)	(5,703,095,656)
	6.6	3,044,312,819	3,621,836,206

6.1 Long term finance from Asian Development Bank (PDEIP-1)	Note	2023	2022
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, whereas un-utilized facility as at expiry of the facility was US$ 1.503 million. This financing facility had an availability period up to 31 October 2012 and was repayable in Pak rupees to GoP based on the repayment schedule provided by Ministry of Economic Affairs and Statistics, GoP. The said facility was payable in 26 equal half yearly instalments 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. The facility carries interest at the rate 17% inclusive of re-lending interest of 11% per annum plus exchange risk cover fee of 6% per annum chargeable both on principal amount and interest amount separately.

6.2 Long term finance from Asian Development Bank (PDEIP-2)	Note	2023	2022
		------------------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, where as unutilized facility as at year end is US$ 13.204 million. This financing facility had an availability period up to 31 March 2018 and was repayable in Pak Rupees to GoP based on the repayment schedule provided by Ministry of Economic Affairs and Statistics, GoP. The said facility was 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. The facility carries interest at the rate 15% inclusive of re-lending 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.

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		Note	2023	2022
			---Rupees---	
6.3	**Long term finance from Asian Development Bank (PDEIP-3)**			
	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, where as unutilized facility as at year end was US$ 5.146 million. This financing facility had an availability period up to 31 December 2018 and was repayable in Pak rupees to GoP based on the repayment schedule provided by Ministry of Economic Affairs and Statistics, GoP. The said facility was 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. The facility carries interest at the rate 15% inclusive of re-lending 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.

		Note	2023	2022
			---Rupees---	
6.4	**Long term finance from Asian Development Bank (PDEIP-4)**			
	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, where as unutilized facility as at year end is US$ 4.915 million. This financing facility had an availability period up to 30 June 2018 and was repayable in Pak rupees to GoP based on the repayment schedule provided by Ministry of Economic Affairs and Statistics, GoP. This said facility was 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. The facility carries interest at the rate 15% inclusive of re-lending 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.

		Note	2023	2022
			---Rupees---	
6.5	**Long term finance from International Bank for Reconstruction and Development**			
	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, where as unutilized facility as at year end is US$ 4.915 million obtained by Government of Pakistan (GoP). This financing facility had an availability period up to 30 June 2014 and was repayable in Pak rupees to GoP based on the repayment schedule provided by Ministry of Economic Affairs and Statistics, GoP. The said facility was payable in Pak Rupees to GoP based on the repayment schedule provided by Economic Affairs Division GoP. The facility was 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 5,712.85 million (2022: 5,059.36 million).

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7. CONSUMERS' SECURITY DEPOSITS	Note	2023	2022
		Rupees	
Balance as at 01 July		2,723,938,794	2,576,730,304
Deposits received during the year	7.1	181,815,848	147,208,490
Balance as at 30 June	7.2	2,905,754,642	2,723,938,794

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 In respect of said liability, the company has maintained bank balance in separate bank account amounting to Rs. 3,004.171 million (2022: Rs. 2,115.452 million) and Term Deposit Receipts (TDR's) amounting to Rs. 259.15 million (2022: Rs. 873.15 million).

8. RECEIPT AGAINST DEPOSIT WORKS AND CONNECTIONS	Note	2023	2022
		Rupees	
Balance as at 01 July		4,229,496,670	3,470,715,400
Contribution received		2,591,187,433	3,065,245,477
Transferred to deferred credit against completed projects		(1,961,432,808)	(2,087,787,525)
Transferred to labour and overhead recovery		(124,762,225)	(218,676,682)
Balance as at 30 June		4,734,489,070	4,229,496,670
The balance at 30 June consist of:			
Capital contribution from consumers awaiting service connections	8.1	1,445,444,920	420,237,125
Fund received against deposit works	8.2	3,289,044,150	3,809,259,545
		4,734,489,070	4,229,496,670

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	2023	2022
		Rupees	
9. STAFF RETIREMENT BENEFITS-Unfunded			
Post Retirement Benefits			
Free medical benefits	9.1	6,740,847,035	3,664,193,356
Pension	9.1	78,523,383,451	48,118,042,533
Free electricity benefits	9.1	3,369,097,241	868,061,097
		88,633,327,727	52,650,296,986
Compensated Absences	9.1	2,572,800,711	1,683,081,362
		91,206,128,438	54,333,378,348

9.1 Balance reconciliation:

30 June 2023	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 July 2022	3,664,193,356	48,118,042,533	868,061,097	1,683,081,362	54,333,378,348
Charge for the year (Note 9.2)	646,275,726	13,612,169,857	461,635,687	997,716,676	15,717,797,946
Remeasurement loss recognized in statement of comprehensive income (Note 9.3)	2,742,542,107	20,578,029,238	2,180,726,599	-	25,501,297,944
Benefits paid	(312,164,154)	(3,784,858,177)	(141,326,142)	(107,997,327)	(4,346,345,800)
Balance as at 30 June 2023	6,740,847,035	78,523,383,451	3,369,097,241	2,572,800,711	91,206,128,438

30 June 2022	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 July 2021	3,678,962,606	45,679,178,284	549,768,803	1,904,753,964	51,812,663,657
Charge for the year (Note 9.2)	438,653,795	4,901,249,139	57,539,641	(126,342,656)	5,271,099,919
Remeasurement loss recognized in statement of comprehensive income (Note 9.3)	(178,955,068)	153,304,140	333,792,525	-	308,141,597
Benefits paid	(274,467,977)	(2,615,689,030)	(73,039,872)	(95,329,946)	(3,058,526,825)
Balance as at 30 June 2022	3,664,193,356	48,118,042,533	868,061,097	1,683,081,362	54,333,378,348

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

30 June 2023	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Current service cost	85,836,206	400,684,743	4,931,631	1,404,353	492,856,933
Past service cost	86,844,497	6,970,921,128	349,055,323	22,321,709	7,429,142,657
Net interest cost	473,595,023	6,240,563,986	107,648,733	219,926,164	7,041,733,906
Remeasurement (gain) / loss recognized in statement of profit or loss:	-	-	-	754,064,450	754,064,450
	646,275,726	13,612,169,857	461,635,687	997,716,676	15,717,797,946

30 June 2022	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Current service cost	75,626,613	353,026,205	4,931,631	1,237,315	434,821,764
Net interest cost	363,027,182	4,548,222,934	52,608,010	(127,579,971)	4,836,278,155
	438,653,795	4,901,249,139	57,539,641	(126,342,656)	5,271,099,919

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

	30 June 2023				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Experience adjustments	2,742,542,107	20,578,029,238	2,180,726,599	-	25,501,297,944

	30 June 2022				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Experience adjustments	(178,955,068)	153,304,140	333,792,525	-	308,141,597

9.4 Principal actuarial assumptions used:

	30 June 2023			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate	15.75%	15.75%	15.75%	15.75%
Inflation rate	-	-	-	-
Salary increase rate	15.75%	13.75%	15.75%	13.75%
Indexation rate	-	9.50%	-	-
Medical exposure rate	-	-	-	-
Expected charge to profit and loss account for the next financial year (Rupees)	1,330,253,904	13,298,186,768	602,411,937	402,338,547

	30 June 2022			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate	13.50%	13.50%	13.50%	13.50%
Inflation rate	-	-	-	-
Salary increase rate	11.50%	11.50%	11.50%	11.50%
Indexation rate	-	7.25%	-	-
Medical exposure rate	-	-	-	-
Expected charge to profit and loss account for the next financial year (Rupees)	580,502,309	6,916,048,862	122,785,649	228,620,336

9.5 Sensitivity analysis for actuarial assumptions:

	30 June 2023		
	Free medical benefits	**Pension**	**Free electricity benefits**
Discount rate	**1%**	**1%**	**1%**
Increase in assumption (Rupees)	-	**74,197,851,103**	**3,070,476,122**
Decrease in assumption (Rupees)	-	**92,557,894,472**	**3,709,554,746**
Medical inflation rate	**1%**	-	-
Increase in assumption (Rupees)	-	-	-
Decrease in assumption (Rupees)	-	-	-
Withdrawal rates	**10%**	**10%**	**10%**
Increase in assumption (Rupees)	**6,644,686,934**	**78,628,320,136**	**3,370,107,969**
Decrease in assumption (Rupees)	**6,665,314,342**	**78,722,730,766**	**3,368,086,511**
Future salary increase	-	**1%**	-
Increase in assumption (Rupees)	-	**80,922,654,748**	-
Decrease in assumption (Rupees)	-	**76,679,765,492**	-
Pension increase rate	-	**1%**	-
Increase in assumption (Rupees)	-	**90,200,822,299**	-
Decrease in assumption (Rupees)	-	**76,002,066,351**	-
Indexation rate	-	-	**1%**
Increase in assumption (Rupees)	-	-	**3,736,152,355**
Decrease in assumption (Rupees)	-	-	**3,052,688,086**
Mortality setback	**1 year**	**1 year**	**1 year**
Increase in assumption (Rupees)	**7,133,090,720**	**83,845,877,805**	-
Decrease in assumption (Rupees)	**6,241,454,380**	**80,857,455,641**	-

	30 June 2022		
	Free medical benefits	**Pension**	**Free electricity benefits**
Discount rate	1%	1%	1%
Increase in assumption (Rupees)	3,186,052,714	45,987,827,207	738,131,613
Decrease in assumption (Rupees)	4,236,137,809	57,199,159,931	1,019,811,921
Medical inflation rate	1%	-	-
Increase in assumption (Rupees)	4,251,922,727	-	-
Decrease in assumption (Rupees)	3,158,085,286	-	-
Withdrawal rates	10%	10%	10%
Increase in assumption (Rupees)	3,663,094,098	48,232,999,265	867,800,868
Decrease in assumption (Rupees)	3,665,292,614	48,290,913,612	868,321,514
Future salary increase	-	1%	-
Increase in assumption (Rupees)	-	49,315,139,508	-
Decrease in assumption (Rupees)	-	47,323,080,814	-
Pension increase rate	-	1%	-
Increase in assumption (Rupees)	-	56,107,330,445	-
Decrease in assumption (Rupees)	-	46,766,066,519	-
Indexation rate	-	-	1%
Increase in assumption (Rupees)	-	-	1,025,492,213
Decrease in assumption (Rupees)	-	-	732,296,600
Mortality setback	1 year	1 year	1 year
Increase in assumption (Rupees)	3,670,788,904	48,368,132,743	869,970,930
Decrease in assumption (Rupees)	3,657,231,389	48,160,606,130	866,238,168

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.

		2023	2022
		--Rupees--	
9.6	**Amounts for the current and previous two years:**		
	Present value of defined benefit obligation of :		
	Free medical benefits	**6,654,002,537**	3,664,193,356
	Pension	**78,523,383,451**	48,118,042,533
	Free electricity benefits	**3,369,097,240**	868,061,097
	Compensated absences	**2,550,479,881**	1,683,081,362
	Remeasurement (gain) / loss on obligation of:		
	Free medical benefits	**2,742,542,107**	(178,955,068)
	Pension	**20,578,029,238**	153,304,140
	Free electricity benefits	**2,180,726,599**	333,792,525
	Compensated absences	**-**	-

9.7 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.

10. TRADE AND OTHER PAYABLES

	Note	2023	2022
		---Rupees---	
Creditors		2,811,209,680	1,820,641,780
Accrued liabilities		1,094,369,292	1,121,769,111
Retention money payable		95,217,851	91,645,328
Employees' share in funds contribution payable		22,167,280	8,001,627
Income tax deducted at source payable		20,411,412	16,694,829
Professional tax payable		90,275	90,275
Income tax collected at source payable		272,516,575	220,198,461
Electricity duty payable		612,760,712	306,746,423
TV license fee payable		22,922,620	16,679,645
Neelum Jhelum surcharge payable		91,225,442	70,537,242
Equalization surcharge payable		626,147,791	625,590,058
Extra tax payable		357,061,750	336,512,163
Further tax payable		139,509,819	127,650,852
Sales tax (SRO 608(I)/2014) payable		86,414,970	51,120,526
Financing cost surcharge payable		-	451,856,360
Workers' profit participation fund	10.1 & 13.2	113,649,226	113,649,226
Security payable against bank guarantee		10,000,000	10,000,000
Others		621,811,152	2,752,575,015
		6,997,485,847	8,141,958,921

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 13.2(iii) to the financial statements.

11. DUE TO ASSOCIATED UNDERTAKINGS

	Note	2023	2022
		---Rupees---	
- Cost of electricity	11.1	334,132,037,319	297,831,973,115
- Distribution of free electricity	11.2	32,876,347	32,946,176
- Disbursement of pension	11.3	112,565,226	123,077,304
- Supply of material	11.4	15,169,775	34,295,790
- WAPDA	11.5	388,588,585	388,588,585
		334,681,237,252	298,410,880,970

11.1 Cost of electricity

	2023	2022
Central Power Purchasing Agency Guarantee Limited	320,551,563,235	291,228,728,710
National Transmission and Despatch Company Limited	13,580,474,084	6,603,244,405
	334,132,037,319	297,831,973,115

11.2 Distribution of free electricity

	2023	2022
Faisalabad Electric Supply Company Limited (FESCO)	526,344	1,284,191
Peshawar Electric Supply Company Limited (PESCO)	4,705,273	3,810,326
Pakistan Electric Power Company (Private) Limited (PEPCO)	27,644,730	27,851,659
	32,876,347	32,946,176

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		2023	2022
		--Rupees--	
11.3	**Disbursement of pension**		
	Sukkur Electric Power Company Limited (SEPCO) - pension	-	17,360,741
	Multan Electric Power Company Limited (MEPCO) - pension	4,709,703	46,921,496
	Lahore Electric Supply Company Limited (LESCO) - pension	19,894,436	8,784,974
	Islamabad Electric Supply Company Limited (IESCO) - pension	18,695,724	18,248,255
	Gujranwala Electric Power Company Limited (GEPCO) - pension	4,686,753	325,160
	Peshawar Electric Supply Company Limited (PESCO) - pension	49,298,206	22,690,436
	Faisalabad Electric Supply Company Limited (FESCO) - pension	15,280,404	8,746,242
		112,565,226	123,077,304
11.4	**Supply of material**		
	Quetta Electric Supply Company Limited (QESCO)	10,614,137	25,544,654
	Lahore Electric Supply Company Limited (LESCO)	-	4,229,656
	Gujranwala Electric Power Company Limited (GEPCO)	4,555,638	4,521,480
		15,169,775	34,295,790
11.5	**WAPDA**		
	WAPDA - Power wing	255,625,249	255,625,249
	WAPDA - Water wing	97,996,736	97,996,736
	WAPDA - Coordination	34,966,600	34,966,600
		388,588,585	388,588,585

12. ACCRUED MARK-UP - LONG TERM FINANCING

	2023	2022
Asian Development Bank	8,665,485,290	7,549,833,403
International Bank for Reconstruction and Development (IBRD)	4,395,649,129	3,992,498,793
	13,061,134,419	11,542,332,196

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	FBR has raised a demand of Rs. 7.159 million for non-payment / 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 dismissed however, the Company has again filed an appeal before the appellate tribunal and the final decision is pending. The Company has paid Rs. 2 million, the Company is confident of a favorable outcome on this matter on the basis the Company has duly paid/discharged sales tax as per the prescribed rates under Rule-58H of the Sales Tax Special Procedures Rules, 2007, whereby the standard rate sales tax is adjustable against input tax through column No. 13a of the prescribed sales tax returns. Hence, the sales tax collected/deducted is discharged as per law to the government treasury there is remaining no liability against the Company.	Company and FBR	29 January 2014

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ii)	Appellate Tribunal, IR	FBR issued a show cause notice for claiming of wrong exemption on Sales Tax for the month of July 2015 amounting to Rs. 10.572 million, which was further converted into Sales Tax Order No. 148 of 2017, on the basis that the electricity was consumed by the company at his own Offices, SDOs, Xen Offices, Grid Stations, etc, and the own consumption of electricity by the Company filed on sales tax returns as exempt sales was just only for the purpose of balancing the sales of electricity. However, the same has been suspected by the department and alleged to charge sales tax at the prescribed rates and recoverable U/s 11(2) of the Sales Tax Act, 1990. The Company has filed an appeal before Commissioner (IR) Appeals, which was dismissed now the Company has again filed an appeal before the appellate tribunal and the final decision is pending. The Company, in consultation with its tax advisor, is confident of the favorable outcomes.	Company and FBR	25 January 2017
iii)	Appellate Tribunal, IR	FBR raised demands amounting to Rs. 0.634 million and Rupees 48.993 million relating to the tax period 2011-2012 due to discrepancies found by the FBR as the input tax claimed by the company is different from the tax declared by the supplier, this is because the supplier has declared the relevant input tax in next tax period. The Company filed the case to the deputy commissioner for rectification based on 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 by the tax department. The cases are pending appeals and in consultation with the tax advisor, the Company is confident that this amount will also be withdrawn.	Company and FBR	18 July 2016 30 August 2016
iv)	Appellate Tribunal, IR	FBR issued 3 show cause notices regarding non-filing of Extra tax, Further tax, and Retailer tax during the period from August 2015 to October 2015 the amounts involved are Rs. 3.479 million, Rs. 1.592 million, and Rs. 0.767 million respectively. The proceedings were initiated for nonpayment of further, extra, and retailer sales tax. Those taxes were already paid/discharged by the Company. Although the payment was late, however, the department has not confronted the said penalties through the show cause notices to HESCO which is contravene the legal provision of the Sales Tax Act, 1990 and is against the natural justice. 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

v)	Appellate	The Deputy Commissioner Income tax issued show cause notice u/s 48 of the Sales Tax Act 1990 for the short payment of extra tax of Rs. 18.05 million that was levied at 5% and further tax of Rs. 4.81 million at 1% on the billed amount for the period August, 2013 to April, 2014. Another, show cause notice was issued u/s 48 of the Sales Tax Act 1990 for the short payment of extra tax of Rs. 18.19 million and further tax of Rs. 9.78 million for the period of May, 2014 to January, 2015 as well a show cause notice was issued u/s 48 of the Sales Tax Act 1990 for the short payment of extra tax of Rs. 45.452 million and further tax of R.s 14.21 million for the period February, 2015 to July, 2015. However, the Company has paid the said taxes on the realization of the bill amounts for the periods. The Company has filed appeals before the Commissioner (Appeals) against all three orders thereof order having amounts of Rs. 22.860 million, Rs. 27.980 million, and Rs. 59.669 million were rejected by Commissioner (IR) Appeals, which was further appealed before the Appellate Tribunal. In consultation with its tax advisor managment is confident of the favorable outcome.	Company and FBR	05 May 2014 30 June 2015 4 September 2015
vi)	Appellate Tribunal, IR	FBR issued a show cause notice for charging of reduced rate of 5% for making the supply of energy during November 2014 amount involved Rs. 11.341 million, which was further converted into Sales Tax Order. The Company has filed an appeal before Commissioner (IR) Appeals, which has decided against the Company. Hence, according to the procedure, the Company has filed an appeal before Appellate Tribunal Karachi and in consultation with its tax advisor managment is confident of a favorable outcome.	Company and FBR	01 January 2016
vii)	Appellate Tribunal, IR	FBR raised a demand amounting to Rs. 133.263 million 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 disposed off against HESCO, The Company has filed 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
viii)	Appellate Tribunal, IR	During the year 2009, refund claims amounting to Rs. 993.161 million were rejected by the sales tax department on the ground that the Company purchased electricity from NTDC while the payment was made to WAPDA, and not to NTDC (invoice issuing agency) which is a violation of Section 7 & 73 Sales Tax Act 1990. The Company had filed an appeal before the Commissioner of 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 a favourable outcome.	Company and FBR	21 October 2010

ix)	Second Secretary IR, ST & FE,	During the Month of January-2012, refund claims amounting to Rs. 3,807.748 million were filed for refund claim before secretary IR (Exemption) which was rejected by FBR. HESCO applied 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 favorable outcome.	Company and FBR	26 February 2016
x)	Comissioner Appeal, IR	During the period 2015-16 and 2014-15, refund claims amounting to Rs. 64.911 million and Rs. 14.119 million were filed against excess payment in a sales tax return but rejected through order No. 14 of 2018 and 13 of 2018 respectively, then filed an appeal to Commissioner (Appeals) against the order in consultation with a tax advisor is confident of the favorable outcome.	Company and FBR	02 November 2016 26 January 2016
xi)	Second Secretary IR, ST & FE,	The Company could not claim the input sales tax of Rs. 527.415 million for August 2010 and September 2010 in its monthly sales tax returns and the claim period has expired. The company's tax consultant approached Secretary IR (Exemption) Revenue Division Islamabad, who called for a detailed report from Chief Commissioner RTO Hyderabad. After that, Comissioner Inland Revenue requested vide letter No: 1731 dated 13 May, 2016 to explain the cogent reason, thereof reply has already been submitted vide our Tax Consultant letter No: 167 dated 23 may, 2016 and issued several reminders to FBR Islamabad in this respect, however they have rejected the condonation vide letter No: 130463-R dated 26 October, 2017. Now, HESCO has again applied for review 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 a favourable outcome on this matter.	Company and FBR	4 April 2013
xii)	Second Secretary IR, ST & FE,	HESCO write-off three Cases amounting to Rs. 566.061 million, Rs. 829.178 Million, and Rs. 2,909.54 Million for the period of July, 2003 to June, 2010, 2009 to 2014, and 2009 to 2016 respectively, and filed refund applications to FBR which were rejected by the same. HESCO applied for condonation of time limit against rejection of application before the Secretary IR (Exemption) Islamabad in consultation with its tax advisor managment is confident of the favorable outcome.	Company and FBR	4 December 2015 24 April 2017
xiii)	Second Secretary IR, ST & FE, Islamabad	The Company could not claim the input sales tax amounting to Rs. 241.166 million, Rs. 67.904 million, Rs. 10.689, and Rs. 464.445 million for the period 2015 to 2016, and 2009 to 2016 in the monthly sales tax returns, and the claim period has expired. The company's tax consultant approached Secretary IR (Exemption) Revenue Division Islamabad and issued subsequent reminders as well, the managment is confident of a favourable outcome on this matter.	Company and FBR	24 April 2017 23 July 2018 24 April 2017

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xiv)	Second Secretary IR, ST & FE,	FBR issued show cause notice No. 799 dated 16 March, 2022 regarding charging 17% GST on retailer tax from July 2020 to June 2021 amounting to Rs. 186.152 million instead of charging 5% which was already paid during the year and after clarification to FBR, Deputy Commissioner Inland Revenue (DCIR) converted same into Sales Tax Order no.10/186 of 202-2022 without any facts. The Company has filed an appeal before Commissioner (IR) Appeals, the tax advisor is confident that the said demand should be in favor of HESCO.	Company and FBR	16 March 2022
xv)	Commissioner Appeals-II Karachi	The Deputy Commissioner IR raised demand amounting to Rs. 5,076.326 Million regarding Audit Observation for the Tax period July 2017 to June 2019 vide order No. 02/32/2022-23 dated 27.06.2023. Now, HESCO has filed an appeal before Commissioner Appeals-II Karachi and granted stay order vide order No. 28 dated 01.08.2023 from Commissioner Appeals-II Karachi. The tax advisor is confident that the said demand should be in favor of HESCO.	Company and FBR	27 June 2023
	Income tax			
i)	Appellate Tribunal, IR	FBR has issued order u/s 122(5A) of Income Tax Ordinance, 2001 demanding Rs. 48.171 million, Rs. 47.33 million, Rs. 28.85 million, and Rs. 30.25 million for the Tax Year 2007, 2009, 2010 and 2011 because the company did not pay turnover tax in respect of said tax years due to the gross loss occurred during these years however at that time, in respect of losses no turnover tax was payable. The company filed an appeal before Commissioner which was dismissed. Now the company has again filed an appeal of all cases before the appellate tribunal on 14 September 2022 and 20 September 2022, the appeal against the orders demanding Rs. 47.33 million and Rs. 28.85 million respectively was annulled. The Company has paid Rs. 20 million against Rs. 30.25 million for the Tax Year 2011 and Rs. 48.171 million for the Tax Year 2007. The Company is confident that the judgment will be decided in favor 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 Rs. 256.777 million on account of failure to deduct withholding tax on payment of the purchase of electricity. The Commissioner passed the order in 2013 which was rectified subsequently thereby reducing the amount to Rs. 167.498 million on the filing of the rectification application. The Tax Authority revised his order in the preceding year and rectified the amount to Rs. 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 filed an appeal before the appellate tribunal. In consultation with their tax managment advisor, the Company is confident of a favorable outcome on this matter.	Company and FBR	19 September 2014

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iii)	Appellate Tribunal, IR	FBR has issued a demand against HESCO u/s 161/205 amounting to Rs. 1,359.787 million vide Order no: 08/01 dated 29 April 2016 and issued corrigendum vide No: 285 dated 02 May, 2016 and confirmed the amount i.e Rs. 1,395.787 million on the basis that the Company has not duly deducted tax at source for the 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 the tax department has granted exemptions and in case of payments against the supply of electricity. FBR has recovered the amount of Rs. 148.022 million. The Company has filed an appeal before Commissioner (Appeals), which has decided to shorten the demand to Rs. 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 a favorable outcome.	Company and FBR	28 March 2015
iv)	Appellate Tribunal, IR	FBR has issued order u/s 205(IA) of Income Tax Ordinance, 2001 demanding Rs. 0.168 million for the tax period 2008 because 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 filed an appeal before Appellate Tribunal Karachi and the final decision is pending. The Company has paid Rs. 0.168 million against the demand, the Company in consultation with its tax managment advisor is confident that the judgment will be decided in favor of the Company.	Company and FBR	13 January 2010
v)	Supreme Court	FBR had raised demands of Rs. 125.15 million and Rs. 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 an income tax @10% on each commercial and industrial consumer based on consumption charges, whereas FBR is of the view that the income tax of 10% may be charged on each commercial and industrial consumer based on a 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 Rs. 125.15 million and Rs. 0.537 million against which the tax department filed an appeal before the Appellate Tribunal and High Court, where a decision has also been made in Company's favor. The company had paid the aforesaid amount of Rs. 125.15 million and Rs. 0.537 million. FBR filed an appeal before the Supreme Court of Pakistan against the decision of the 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	The Tax Department imposed a penalty u/s 182 (2) of the Income Tax Ordinance, 2001 for non-filing of Withholding Statement U/s 165 during the subject tax year. Whereas the statement U/s 165 was already filed manually which receipts are placed on record. The Company filed an appeal before the Commissioner IR (Appeals) but received no favorable outcomes. Then the Company filed 2nd Appeal before Tribunal Inland Revenue, Karachi wherefrom it is expected favorable outcomes. Another order has issued u/s 182(2) imposition of penalty on Turnover Tax (Minimum Tax) demanding 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 filed an appeal before Appellate Tribunal and the appeal against this order has been annulled 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
vii)	Commissioner Appeals (IR)	FBR has issued order u/s 161/205 of Income tax ordinance 2001 demanding Rs. 640.436 million for the tax period 2015 because the Company fails to deduct and deposit withholding income Tax on various transactions. The Company has filed an appeal before Commissioner (Appeals) and the decision is still pending, the Company is confident that the judgment will be decided in favor of the Company.	Company and FBR	25 April 2017
viii)	Appellate Tribunal, IR	FBR has issued order u/s 122(5A) of the income tax ordinance, 2001 demanding Rs. 479.122 million and Rs. 711.331 million, for the tax year 2019 and 2016 respectively because the Company did not pay turnover tax on subsidy which is exempt from tax. The Company filed an appeal before Commissioner (Appeals) and the order demanding tax of Rs. 711.331 million has been vacated and withdrawn in favor of the Company. The Company is confident that the judgment relating to the other order will also be decided in favor of the Company.	Company and FBR	28 October 2020 30 March 2021 30 March 2021
ix)	Commissioner Appeals (IR)	FBR has issued order 06/158 dated 30 September2021 u/s 161/205 of Income tax ordinance 2001 demanding Rs. 505.362 million regarding Monitoring of Withholding of Income Tax for the tax period 2018 because the Company fails to deduct and deposit withholding income Tax on various transactions. The Company has filed an appeal before Commissioner (Appeals) and the decision is still pending, the Company is confident that the judgment will be decided in favor of the Company.	Company and FBR	30 September 2021
	Sindh Sales Tax			
i)	Commissioner Appeals-II	SRB has passed orders 268 of 2019 & 128 of 2019 regarding non-withholding of Sindh Sales Tax demanding Rs. 457.123 million and Rs. 537.335 million respectively, The Company filed an appeal before Commissioner (Appeals-II) which is still pending. The Company has paid Rs. 22.379 million against Rs. 457.123 million for the Tax Year 2016. The Company is confident that the judgment will be decided in favor of the Company.	Company and SRB	4 March 2019 12 February 2018

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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 Rs. 74,143.644 million (2022: Rs. 64,105.511 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 Rs. 62,669.780 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 Rs. 11,473.864 million have been recognized as allowed by NEPRA as expense.

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 Rs 386.564 million (2022: Rs. 357.845 million) on unpaid amount has been recognized by the Company in these financial statements.

iv) In addition to the above-mentioned matters, a 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.

	2023	2022
	-----Rupees-----	
13.3 Commitments		
Purchase orders outstanding	**561,977,004**	790,903,257

14. PROPERTY AND EQUIPMENT

	Note	2023	2022
		Rupees	
Operating fixed assets	14.1	36,617,656,408	34,790,151,726
Capital work-in-progress	14.2	14,150,361,510	12,228,438,769
		50,768,017,918	47,018,590,495

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 2023							
Opening net book value	139,801,280	1,279,545,837	33,111,266,862	44,156,272	153,496,477	61,884,996	34,790,151,726
Additions	-	155,824,381	2,944,092,312	743,145	46,500,000	1,853,232	3,149,013,070
Depreciation charge	-	(28,707,404)	(1,261,937,571)	(4,489,942)	(19,999,648)	(6,373,823)	(1,321,508,388)
Closing net book value	139,801,280	1,406,662,814	34,793,421,603	40,409,475	179,996,829	57,364,405	36,617,656,408
At 30 June 2023							
Cost	139,801,280	2,098,233,456	57,164,258,439	313,043,952	721,107,264	129,301,052	60,565,745,443
Accumulated depreciation	-	(691,570,644)	(22,370,836,834)	(272,634,477)	(541,110,435)	(71,936,646)	(23,948,089,035)
Net book value	139,801,280	1,406,662,812	34,793,421,605	40,409,475	179,996,829	57,364,406	36,617,656,408
Year ended 30 June 2022							
Opening 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
Additions	-	17,928,534	1,609,858,123	3,128,882	-	581,942	1,631,497,481
Depreciation charge	-	(26,113,177)	(1,200,861,307)	(4,906,252)	(17,055,163)	(6,876,111)	(1,255,812,010)
Closing net book value	139,801,280	1,279,545,837	33,111,266,862	44,156,272	153,496,477	61,884,996	34,790,151,726
At 30 June 2022							
Cost	139,801,280	1,942,409,075	54,220,166,127	312,300,807	674,607,264	127,447,820	57,416,732,373
Accumulated depreciation	-	(662,863,238)	(21,108,899,265)	(268,144,534)	(521,110,786)	(65,562,824)	(22,626,580,647)
Net book value	139,801,280	1,279,545,837	33,111,266,862	44,156,273	153,496,478	61,884,996	34,790,151,726
Depreciation rate (%)	-	2	3.5	10	10	10	

14.1.1 The property rights in the above assets were transferred to the Company on the date of transfer of assets by WAPDA and NTDC. However, titles to the vehicles and some of the freehold land and leasehold land have not been transferred in the name of the Company in the registration authority and land revenue records respectively.

14.1.2 Through Letter No. D(PMC)/F-7 1/96-220 dated 25 May 2016, Property Management Cell of WAPDA has communicated to all DISCOs that, in pursuance of the letter No. F.(Pwr)FESCO-FA/PC/98 dated 30 October 2015 issued by the Privatization Commission of Pakistan, the WAPDA land (as per the requirements of the DISCOs) will be leased out to the Company on DC rate rental value and will remain the property of WAPDA and the Companies has to pay rent of these properties to WAPDA. Accordingly, to avoid transfer and re-transfer of the WAPDA land assets, the transfer of the land assets to the Companies will not be done till further instructions on this matter from the Property Management Cell of WAPDA. No further instructions in this regards has been received till the reporting date.

14.1.3 Building on lease hold land includes book values of residential building amounting to Rs.139.849 million (2022: Rs. 142.232) million, Hospitals and dispensaries of Rs. 17.649 million (2022: Rs. 17.984) million, mosque of Rs. 41.993 million (2022: Rs. 9.930) million and school / colleges of Rs. 1.239 million (2022: Rs. 1.264) million.

14.1.4 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 relevant transaction assets representing grid stations, colonies and other stations amounting to Rs. 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 Rs. 200,000 million against Sukuk certificate which will be issued by PHL for a period of ten years.

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		Note	2023	2022
			---Rupees---	
14.2	**Capital work-in-progress**			
	Transmission equipment	14.2.1	**7,557,505,238**	6,066,210,806
	Distribution equipment	14.2.1	**4,641,093,118**	4,247,279,016
	Civil works		**252,446,336**	215,632,129
	Transmission enhancement and distribution improvement programs		**1,699,316,818**	1,699,316,818
		14.2.2	**14,150,361,510**	12,228,438,769

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

14.2.2 Movement in capital work-in-progress

	Transmission equipment	Distribution equipment	Civil works	Transmission enhancement and distribution improvement programs	Total
	---Rupees---				
Balance at 30 June 2021	5,245,476,366	3,594,391,189	176,965,540	1,693,598,087	10,710,431,182
Additions made during the year	921,614,176	1,533,762,786	59,713,561	5,718,731	2,520,809,254
Transferred to operating fixed asset	(100,879,736)	(880,874,959)	(21,046,972)	-	(1,002,801,667)
Balance at 30 June 2022	6,066,210,806	4,247,279,016	215,632,129	1,699,316,818	12,228,438,769
Balance at 30 June 2022	**6,066,210,806**	**4,247,279,016**	**215,632,129**	**1,699,316,818**	**12,228,438,769**
Additions made during the year	**1,792,718,512**	**2,245,029,292**	**84,434,209**	**-**	**4,122,182,013**
Transferred to operating fixed asset	**(301,424,080)**	**(1,851,215,190)**	**(47,620,002)**	**-**	**(2,200,259,272)**
Balance at 30 June 2023	**7,557,505,238**	**4,641,093,118**	**252,446,336**	**1,699,316,818**	**14,150,361,510**

		Note	2023	2022
			---Rupees---	
15.	**LONG TERM LOANS**			
	To employees - considered good			
	- for house building	15.1 & 15.2	**2,571,123**	4,462,678
	- for vehicle purchase	15.1 & 15.2	**151,996**	154,567
			2,723,119	4,617,245
	Less: Amount due within one year shown under current assets	19	**(2,723,119)**	(4,617,245)
			-	-

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.

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	Note	2023	2022
		Rupees	
16. LONG TERM DEPOSITS			
Term deposit receipts	16.1	611,289,000	1,225,289,000
Less: Term deposits maturing within 12 months	23	(352,139,000)	(950,289,000)
		259,150,000	275,000,000

16.1 As at 30 June 2023, the rate of mark-up on term deposit receipts ranges from 5.50% to 7.35% (2022: from 5.50% to 10.50%) per annum. This also includes term deposits of Rs. 352.139 million (2022: Rs. 352.139 million) under lien with National Bank of Pakistan against power producing Companies for the purchase of electricity.

	Note	2023	2022
		Rupees	
17. STORES AND SPARES			
Stores		9,779,613,767	5,116,997,478
Spares		30,580,248	30,580,248
		9,810,194,015	5,147,577,726
Less: Provision for slow moving and obsolete stock	17.1	(1,701,248,419)	(1,065,987,269)
		8,108,945,596	4,081,590,457
17.1 Provision for slow moving and obsolete stock			
Opening balance		1,065,987,269	709,900,141
Provision for the year		635,261,150	356,087,128
Closing balance		1,701,248,419	1,065,987,269
18. TRADE DEBTS			
Considered good		30,704,759,332	20,316,539,823
Considered doubtful		105,255,462,685	93,358,339,165
		135,960,222,017	113,674,878,988
Less: allowance for expected credit losses	18.4	(105,255,462,685)	(93,358,339,165)
		30,704,759,332	20,316,539,823

18.1 Debtors are secured to the extent of corresponding consumers' security deposit. Debtors include an amount of Rs. 2,349.20 million (2022: Rs. 2,082.426 million) which is disputed and under litigation with different consumers and has been fully provided.

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

	2023	2022
	Rupees	
18.3 As at 30 June, ageing analysis of these trade debts is as follows:		
Not past due yet	4,960,617,528	11,796,218,450
Due upto 2 months	309,954,763	128,240,596
2 to 3 months	373,032,035	179,943,984
3 to 6 months	1,124,336,693	404,614,194
6 months to 1 year	1,313,800,049	2,146,390,234
1 year to 3 years	17,477,228,271	11,938,073,726
3 years and above	103,992,339,001	82,212,627,799
Agency balances	5,311,682,799	3,875,863,297
Deferred balances	1,848,801,098	1,569,281,238
Unpaid debt	21,210,542	2,580,187
Credit balance of consumers	(772,780,762)	(578,954,717)
	135,960,222,017	113,674,878,988
Less: allowance for expected credit losses	(105,255,462,685)	(93,358,339,165)
	30,704,759,332	20,316,539,823

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		Note	2023 Rupees	2022 Rupees
18.4	**Movement in allowance for expected credit losses:**			
	Balance at 01 July		93,358,339,165	79,684,980,521
	Recognized during the year		11,897,123,520	13,673,358,644
	Balance at 30 June		105,255,462,685	93,358,339,165
19.	**LOANS AND ADVANCES - Considered good**			
	Advance against expenses		19,676,367	15,637,877
	Advance to suppliers		61,060,941	56,175,623
	Current portion of long term loan to employees	15	2,723,119	4,617,245
			83,460,427	76,430,745
20.	**DUE FROM ASSOCIATED UNDERTAKINGS**			
	Other power distribution companies			
	- Distribution of free electricity	20.1	7,187,448,497	10,468,448,836
	- Supply of material	20.2	315,860,582	173,682,730
	- Disbursement of pension	20.3	2,287,322,956	2,183,501,570
			9,790,632,035	12,825,633,136
	WAPDA			
	- WAPDA current account		461,940,649	373,675,611
	- WAPDA welfare trust		378,890,104	333,779,607
			840,830,753	707,455,218
		20.4	10,631,462,788	13,533,088,354
20.1	**Distribution of free electricity**			
	Jamshoro Power Generation Company Limited - (GENCO-I)		2,927,461,912	2,539,539,511
	Central Power Generation Company Limited - (GENCO-II)		1,540,705,915	1,531,669,964
	Northern Power Generation Company Limited - (GENCO-III)		111,100,469	103,852,261
	Lakhra Power Generation Company Limited - (GENCO-IV)		1,441,973,869	1,307,009,009
	Sukkur Electric Power Company Limited (SEPCO)		1,062,793,839	4,891,844,133
	Quetta Electric Supply Company Limited (QESCO)		59,050,731	66,848,027
	Multan Electric Power Company Limited (MEPCO)		16,391,859	14,332,474
	Lahore Electric Supply Company Limited (LESCO)		9,350,536	6,437,908
	Islamabad Electric Supply Company Limited (IESCO)		7,213,720	6,254,594
	Gujranwala Electric Power Company Limited (GEPCO)		766,840	201,023
	Tribal Electrical Supply Company Limited (TESCO)		638,807	459,932
			7,187,448,497	10,468,448,836
20.2	**Supply of material**			
	Sukkur Electric Power Company Limited (SEPCO)		87,471,255	81,674,791
	Multan Electric Power Company Limited (MEPCO)		91,210,981	28,472,384
	National Transmission and Dispatch Company Limited (NTDC)		106,713,157	63,535,555
	Lahore Electric Supply Company Limited (LESCO)		176,236	-
	Islamabad Electric Supply Company Limited (IESCO)		70,883	-
	Faisalabad Electric Supply Company Limited (FESCO)		30,218,070	-
			315,860,582	173,682,730

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		2023	2022
		---Rupees---	
20.3	**Disbursement of pension**		
	Jamshoro Power Generation Company Limited (GENCO-I)	53,480,239	312,659,449
	Central Power Generation Company Limited (GENCO-II)	9,673,744	42,644,758
	Northern Power Generation Company Limited (GENCO-III)	7,262,493	15,541,556
	Lakhra Power Generation Company Limited (GENCO-IV)	147,076,862	78,749,147
	Water and Power Development Authority (WAPDA)	1,725,731,803	1,366,467,478
	National Transmission and Dispatch Company Limited (NTDC)	257,032,228	269,022,601
	Pakistan Electric Power Company Limited (PEPCO)	84,442,996	76,802,137
	Sukkur Electric Power Company Limited (SEPCO)	323,768	-
	Quetta Electric Supply Company Limited (QESCO)	2,298,823	21,614,444
		2,287,322,956	2,183,501,570

20.4 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 consider these as good debts as these are due from Government owned entities and will ultimately be recovered in the normal course of business.

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

	2023	2022
	---Rupees---	
Upto 6 months	850,517,023	1,082,647,068
6 months to 1 year	2,126,292,558	2,706,617,671
1 year to 3 years	2,445,236,441	3,112,610,321
3 years and above	5,209,416,767	6,631,213,294
	10,631,462,788	13,533,088,354

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

	2023	2022
	---Rupees---	
Jamshoro Power Generation Company Limited (GENCO-I)	2,718,128,900	2,447,067,576
Central Power Generation Company Limited (GENCO-II)	1,537,052,970	1,534,483,682
Northern Power Generation Company Limited (GENCO-III)	107,347,469	99,337,423
Lakhra Power Generation Company Limited (GENCO-IV)	1,383,339,630	1,233,206,918
National Transmission and Dispatch Company Limited (NTDC)	10,112,742,300	5,903,269,293
Water and Power Development Authority (WAPDA)	1,227,175,096	1,227,175,096
WAPDA current account	395,381,448	349,895,087
WAPDA welfare trust	335,446,475	316,458,939
Pakistan Electric Power Company Limited (PEPCO)	16,176,343	28,167,943
Sukkur Electric Power Company Limited (SEPCO)	3,298,309,390	4,892,437,848
Quetta Electric Supply Company Limited(QESCO)	68,390,036	65,179,268
Multan Electric Power Company Limited (MEPCO)	15,061,013	13,411,178
Lahore Electric Supply Company Limited (LESCO)	7,525,846	5,338,503
Islamabad Electric Supply Company Limited (IESCO)	6,506,008	5,545,232
Gujranwala Electric Power Company Limited (GEPCO)	436,036	31,065
Peshawar Electric Supply Company Limited (PESCO)	3,894,444	3,398,411
Tribal Electrical Supply Company Limited (TESCO)	279,743	229,567
Faisalabad Electric Supply Company Limited(FESCO)	1,291,521	1,992,057

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21. RECEIVEABLE FROM GOVERNMENT OF PAKISTAN

	Note	2023	2022
		-----Rupees-----	
Tariff differential subsidy	21.1	71,244,022,347	61,707,026,418
Industrial support packages	21.2	1,100,110,514	1,176,161,892
Zero rated industrial rebate	21.3	741,677,157	1,022,716,347
AQTA receivable from GOP	21.4	3,114,270,774	4,983,539,785
Agricultural subsidy	21.5	169,259,605	169,259,605
Winter Incentive Package	21.6	100,018,612	100,018,612
Prime Minister Incentive Package	21.7	1,868,425,100	1,868,425,100
Kissan package	21.8	-	-
		78,337,784,109	71,027,147,759
Provision for unverified subsidy			
Tariff differential subsidy	21.1	(44,491,647,005)	(35,896,073,401)
Industrial support packages	21.2	-	-
Zero rated industrial rebate	21.3	(451,671,102)	(314,354,178)
AQTA receivable from GOP	21.4	(3,114,270,774)	(5,352,315,012)
Agricultural subsidy	21.5	-	-
Winter Incentive Package	21.6	(100,018,612)	(100,018,612)
Prime Minister Incentive Package	21.7	(1,868,425,100)	(1,868,425,100)
		(50,026,032,593)	(43,531,186,303)
Receivable from Government of Pakistan - Net		28,311,751,516	27,495,961,456

21.1 Tariff differential subsidy

	Note	2023	2022
Opening balance		61,707,026,418	64,720,347,713
Subsidy receivable and accrued during the year		29,320,544,865	25,877,633,757
Amount received/adjusted during the year		(19,783,548,936)	(28,890,955,052)
		71,244,022,347	61,707,026,418
Provision for tariff differential subsidy	21.1.1	(44,491,647,005)	(35,896,073,401)
Net closing balance		26,752,375,342	25,810,953,017

21.1.1 Provision for tariff differential subsidy

	2023	2022
Opening balance	35,896,073,401	27,670,454,349
Claimed during the year	29,320,544,865	25,877,633,757
Claim approved by GOP	(20,724,971,261)	(17,652,014,705)
Closing balance	44,491,647,005	35,896,073,401

21.1.2 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

	2023	2022
	-----Rupees-----	
Opening balance	1,176,161,892	1,910,034,042
Subsidy receivable and accrued during the year	-	819,741,915
Amount received/adjusted during the year	(76,051,378)	(1,553,614,065)
Closing balance	1,100,110,514	1,176,161,892

21.2.1 Industrial support package subsidy relates to the rebate allowed to industrial consumer by GOP through letter no. F-NO.PI-4(18)/2014-2015 dated February 04, 2016. The subsidy of Rs. 3/Kwh/unit is being provided to industrial consumers on usage of electricity during peak hours, whereas subsidy for off peak hours usage was discountined by GOP with effect from July 01, 2019 through letter no. PF-05/(02) 2012 dated July 03, 2019. This subsidy of Rs. 3/Kwh continued upto 31 October, 2020. From 01 November, 2020, Industrial support package subsidy was revised to Rs. 12.96/Kwh which is supplemented by a further discount of Rs. 4.96/Kwh on incremental sales from corresponding month of the preceding fiscal year.

21.3 Zero rated industrial rebate

	Note	2023	2022
		-----Rupees-----	
Opening balance		1,022,716,347	895,804,817
Subsidy receivable and accrued during the year		785,007,966	855,904,091
Amount received/adjusted during the year		(1,066,047,156)	(728,992,561)
		741,677,157	1,022,716,347
Provision for zero rated industrial rebate	21.3.1	(451,671,102)	(314,354,178)
Closing balance		290,006,055	708,362,169

21.3.1 Provision for zero rated industrial rebate

	2023	2022
Opening balance	314,354,178	223,143,949
Claimed during the year	785,007,966	855,904,091
Claim approved by GOP	(647,691,042)	(764,693,862)
Closing balance	451,671,102	314,354,178

21.3.2 The GOP introduced dollar based tariff vide its SRO 12 (I)/2019 for zero rated industrial consumers at the rate of US $ 7.5 cent per unit, translated into Pak Rupee at rates prevailing on last working day of preceding month. In financial year 2022, GOP has increased rate to US $ 9 cent per unit through letter no. PF-5(02-ZRI)2021-22 dated 10th September 2021. During the year, Zero Rated Industrial Rebate has been withdrawn vide notification PF-5-(02-ZRI) 2020 dated 28th Feb 2023.

21.4 AQTA Subsidy

	Note	2023	2022
		-----Rupees-----	
Opening balance		4,983,539,787	5,452,935,490
Subsidy accrued during the year		3,911,779,570	1,296,664,594
Amount received/adjusted during the year		(5,781,048,583)	(1,766,060,299)
		3,114,270,774	4,983,539,785
Provision for AQTA subsidy	21.4.1	(3,114,270,774)	(5,352,315,012)
Closing balance		-	(368,775,227)

21.4.1 Provision for AQTA subsidy

	2023	2022
Opening balance	5,352,315,012	3,750,614,794
Claimed during the year	3,911,779,570	1,296,664,594
Claim approved by GOP	(2,660,201,083)	305,035,624
Reversal of provision	(3,489,622,725)	-
Closing balance	3,114,270,774	5,352,315,012

GOP through S.R O No. 1010(I) 2021 introduced quarterly tariff differential subsidy domestic consumer and additional charge of Rs. 0.1692 per unit for maintaining uniform tariff on all category of consumers (except domestic consumers). The said adjustments applicable from October 01, 2021 for next twelve months.

GOP through S.R.O No. 1067(J) 2021 introduced quarterly tariff differential subsidy domestic consumer and additional charge of Rs. 0.0603 per unit for maintaining uniform tariff on all category of consumers (except domestic consumers) The said adjustments applicable from October 01, 2021 for next twelve months.

GOP through S.R.O No. 728(1) 2022 introduced quarterly tariff differential subsidy domestic consumer and additional charge of Rs. 0.547 per unit for maintaining uniform tariff on all category of consumers (except lifeline consumers). The said adjustments applicable from June 01, 2022 for next three months.

GOP through S.R O No. 993(I) 2022 introduced quarterly tariff differential subsidy domestic consumer and additional charge of Rs. 0.0334 per unit for maintaining uniform tariff on all category of consumers (except lifeline consumers). The said adjustments applicable from July 01, 2022 for next three months.

GOP through S.R.O No. 1587(I) 2022 introduced quarterly tariff differential subsidy domestic consumer and additional subsidy of Rs. 0.3346 per unit for maintaining uniform tariff on all category of consumers (except lifeline consumers). The said adjustments applicable from September 01, 2022 for next three months.

GOP through SRO No. 136(I) 2023 introduced quarterly tariff differential subsidy from domestic consumer and additional charge of Rs. 0.3947 per unit for maintaining uniform tariff on all category of consumers (except lifeline consumers). The said adjustments applicable from February 01, 2023 for next two months.

GOP through S.R.O No. 488(I) 2023 introduced quarterly tariff differential subsidy domestic consumer and additional subsidy of Rs. 1.511 per unit for maintaining uniform tariff on all category of consumers (except lifeline consumers). The said adjustments applicable from April 01, 2023 for next three months.

AQTA subsidy relates to difference between the rates determined by NEPRA and the rates charged to the consumers in accordance with the tariff notifications issued by GOP.

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21.5 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 Development Authority, GOP for agriculture consumers.

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

	Note	2023	2022
		Rupees	
21.6 Winter Incentive Package			
Opening balance		100,018,612	-
Subsidy receivable and accrued during the year		-	100,018,612
		100,018,612	100,018,612
Provision for winter incentive package	21.6.1	(100,018,612)	(100,018,612)
Closing balance		-	-

	2023	2022
21.6.1 Provision for winter incentive package		
Opening balance	100,018,612	-
Claimed during the year	-	100,018,612
Closing balance	100,018,612	100,018,612

21.6.2 The Federal Government through SRO 1418 (1) 2021 introduced winter incentive package for period of 01 November 2021 to 28 February 2022. The Flat tariff rate of Rs.12.96/kwh shall be charged to domestic consumers (Non-Tou), commercial consumers (Non-Tou) and general services consumer on the incremental consumption above the reference consumption pertaining to preceding period of November 2020 to February 2021. Winter incentive package relates to difference between the service charge to consumer in accordance with the tariff notification issued by GOP and flat tariff rate.

	Note	2023	2022
		Rupees	
21.7 Prime Minister Incentive Package			
Opening balance		1,868,425,100	-
Subsidy receivable and accrued during the year		-	1,868,425,100
		1,868,425,100	1,868,425,100
Provision for prime minister incentive package	21.7.1	(1,868,425,100)	(1,868,425,100)
Closing balance		-	-

	2023	2022
21.7.1 Provision for prime minister incentive package		
Opening balance	1,868,425,100	-
Claimed during the year	-	1,868,425,100
Closing balance	1,868,425,100	1,868,425,100

21.7.2 During 2022, GOP has introduced Prime Minister's (PM's) relief package. PM's relief package is Rs.5 per unit for eligible consumers. Commercial Consumers having sanctioned load less than 5KW and domestic (non TOU) consumers having monthly consumptions up-to 700 units (excluding life line consumers) are eligible consumers for PM's relief package.

	2023	2022
	Rupees	
21.8 Kissan package		
Opening balance	-	-
Subsidy receivable and accrued during the year	87,848,492	-
	87,848,492	-
Amount adjusted during the year	(87,848,492)	-
Closing balance	-	-

21.8.1 During the year, GOP has introduced kissan package 2022. Kissan Package is Rs. 3.60 per unit in the base rate of Rs. 16.6 per unit for eligible consumers. Agriculture Consumers having sanctioned load less than 5KW (non TOU) are eligible consumers for Kissan Package.

22. OTHER RECEIVABLES

	Note	2023	2022
		----Rupees----	
Considered good			
General sales tax receivable from government - net	22.1	5,432,274,382	3,159,380,596
Duties, charges and taxes receivable from consumers		4,911,902,500	6,558,920,506
		10,344,176,882	9,718,301,102
Considered doubtful			
Sales tax receivable from WAPDA	22.2	1,131,212,293	1,131,212,293
Receivables from suppliers		423,419,521	423,409,523
		1,554,631,814	1,554,621,816
Less: provision for doubtful receivables		(1,554,599,985)	(1,554,599,985)
		10,344,208,711	9,718,322,933

22.1

Duties / charges and tax	Note	Receivables not yet realized	Payables on realization	Total
		---- Rupees ----		
Electricity duty		2,013,129,650	(2,013,129,650)	-
Income tax		1,035,480,718	(1,035,480,718)	-
Neelum Jhelum surcharge		997,795,689	(997,795,689)	-
T.V. license fee		1,454,770,375	(1,454,770,375)	-
Equalization surcharge		21,012,653	(21,012,653)	-
Financing cost surcharge	22.1.1	5,382,091,245	(5,382,091,245)	-
Tariff rationalization surcharge	22.1.2	1,049,687,350	(1,049,687,350)	-
Extra tax	22.1.3	197,073,595		197,073,595
Further tax	22.1.4	144,222,250		144,222,250
Sales tax (SRO 608(I)/2014)	22.1.5	81,507,949		81,507,949
Sales tax	22.1.6	28,860,251,481		28,860,251,481
As at 30 June 2023		41,237,022,955	(11,953,967,680)	29,283,055,275
Less: Provision for doubtful receivable against sales tax (Note 22.1.7)				(23,850,780,893)
				5,432,274,382

Duties / charges and tax	Note	Receivables not yet realized	Payables on realization	Total
		---- Rupees ----		
Electricity duty		1,725,028,766	(1,725,028,766)	-
Income tax		611,614,383	(611,614,383)	-
Neelum Jhelum surcharge		1,019,060,373	(1,019,060,373)	-
T.V. license fee		1,321,938,183	(1,321,938,183)	-
Equalization surcharge		21,405,322	(21,405,322)	-
Financing cost surcharge	22.1.1	4,397,391,464	(4,397,391,464)	-
Tariff rationalization surcharge	22.1.2	1,051,941,200	(1,051,941,200)	-
Extra tax	22.1.3	125,631,415		125,631,415
Further tax	22.1.4	129,991,478		129,991,478
Sales tax (SRO 608(I)/2014)	22.1.5	68,538,947		68,538,947
Sales tax	22.1.6	23,978,765,823		23,978,765,823
As at 30 June 2022		34,451,307,354	(10,148,379,691)	24,302,927,663
Less: Provision for doubtful receivable against sales tax (Note 22.1.7)				(21,143,547,067)
				3,159,380,596

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 electricity 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 Rs. 20,000 and at the rate of 7.5% where the monthly bill amount exceeds the aforesaid amount.

22.1.6 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 2023 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.

22.1.7 Movement in allowance for expected credit losses	Note	2023	2022
		-----Rupees-----	
Balance as at 01 July		**21,143,547,067**	17,012,857,619
Recognized during the year	22.1.8	**2,707,233,826**	4,130,689,448
Balance as at 30 June		**23,850,780,893**	21,143,547,067

22.1.8 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	Note	2023	2022
		-----Rupees-----	
Current accounts	23.1	**12,560,273,082**	9,766,763,397
Saving accounts	23.2	**1,592,474,314**	4,469,024,512
Term deposits maturing within 12 months	16	**352,139,000**	950,289,000
		14,504,886,396	15,186,076,909

23.1 This include an amount of Rs. 3,004.171 million (2022: Rs. 2758.431 million) kept in a separate bank account maintained in respect of security deposits received from consumers.

23.2 This includes an amount of Rs. 176.569 million (2022: Rs. 176.569 million) deposited against bank guarantees for the purchase of electricity.

23.2 This carries mark up ranging from 7.50% to 19.50% (2022: 7.50% to 12.52%).

24. ELECTRICITY SALES - NET	Note	2023	2022
		-----Rupees-----	
Gross sales		**95,145,835,647**	86,890,028,898
Less: Output sales tax		**(12,518,349,963)**	(12,181,629,957)
	24.1	**82,627,485,684**	74,708,398,941
24.1 Residential		**36,183,056,912**	31,788,052,395
Commercial		**7,892,257,984**	7,371,354,720
Industrial		**23,544,340,102**	21,699,487,920
Agricultural		**3,982,240,481**	3,856,988,977
Others	24.3	**11,025,590,205**	9,992,514,929
	24.2 & 24.4	**82,627,485,684**	74,708,398,941

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24.2 Sale of electricity has been recognized based on the notified rates and includes accrual of Rs. 1,537.724 million (2022: 5,673.573) relating to fuel price adjustment (FPA) for the month of May 2023 and June 2023 and prior year adjustment (PYA) amounting to Rs. 6,680.103 million. The effect of above mentioned FPA and PYA is passed to consumers after the year end in accordance with Nepra notification.

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 3,565.298 million (2022: 4,034.539 million) (kwh) electricity units to the consumers in different tariff categories.

	Note	2023	2022
25. SUBSIDIES FROM GOVERNMENT OF PAKISTAN		------Rupees------	
Tariff Differential Subsidy	21.1	**29,320,544,865**	25,877,633,757
Industrial Subsidy	21.2	-	819,741,915
Zero Rated Industries	21.3	**785,007,966**	855,904,091
AQTA	21.4	**3,911,779,570**	1,296,664,594
Agriculture Subsidy	21.5	-	100,018,612
PM-Relief	21.7	-	1,868,425,100
Kissan Package	21.8	**87,848,492**	
		34,105,180,893	30,818,388,069

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. During the financial year ended 30 June 2023, tariff rate were notified vide SRO 1426(I)/2021 dated November, 05 2021 & 1166 (I)/2022 dated July 25, 2022.

	Note	2023	2022
26. COST OF ELECTRICITY		------Rupees------	
Purchase of electricity	26.1	**128,215,055,699**	114,502,289,946
26.1 Power Purchase Price			
Energy transfer charges		**54,633,358,064**	61,487,380,287
Capacity transfer charges		**64,583,403,977**	47,510,782,218
Use of system charges	26.3	**8,939,179,322**	5,469,713,469
Market operation fees		**59,114,336**	34,413,972
		128,215,055,699	114,502,289,946
Units purchased (kwh)		**4,916,837,448**	5,610,330,810
Units sold (kwh)		**3,565,298,201**	4,034,539,276
Transmission and distribution losses %		**27.49%**	28.09%

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 Rs. 26.08 (2022: Rs. 20.41) per Kilo Watt Hour (KWH).

26.3 This represent amounting of Rs. 3,896.107 million (2022: Rs. 2,353.820 million) charged by Pak Matyari Lahore Transmission Company (PMLTC), which is a part of national transmission line. As per NEPRA tariff amount billed by PMLTC to NTDCL shall be allocated to DISCOs based on their monthly KW consumption for their month.

27. OPERATING EXPENSES EXCLUDING DEPRECIATION

	Note	2023	2022
		----Rupees----	
Salaries, wages and other benefits	27.1	**21,982,009,484**	11,586,948,482
Repairs and maintenance		**1,762,385,703**	532,471,504
Travelling		**234,117,343**	278,935,289
Transportation		**241,107,602**	163,244,039
Rents, rates and taxes		**6,103,999**	10,099,743
Office supplies and other expenses		**84,114,816**	72,631,451
Legal and professional charges		**25,494,830**	16,685,398
Power, light and water		**55,995,288**	53,295,383
Advertisement expenses		**4,752,020**	7,058,261
Collection charges		**53,861,735**	50,425,617
Supervisory charges to PEPCO		**67,353,366**	5,920,356
Prime Minister assistance package	27.2	**322,204,340**	298,131,355
Postage and telephone		**25,189,998**	27,447,826
Distribution license fee (NEPRA)		**1,244,892**	41,475,997
NEPRA fines and penalties		**-**	980,025
Software license fee to PEPCO		**35,802,778**	18,571,373
Directors' meeting fee		**33,976,968**	34,053,736
Auditors' remuneration	27.3	**2,641,522**	1,670,000
Insurance charges to WAPDA		**8,545,780**	9,180,816
Other expenses		**152,743,111**	78,232,173
		25,099,645,575	13,287,458,824

27.1 The aggregate amount charged in respect of staff retirement benefits amounts to Rs. 15,717.798 million (2022: Rs. 5,271.100 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 implications of this package have been calculated on an actual basis for this year, as of June 30, 2023, for 148 deceased employees.

27.3 Auditors' remuneration

	Note	2023	2022
		----Rupees----	
Statutory audit fee		**1,937,520**	1,520,000
Out of pocket expenses		**193,752**	150,000
Other certifications		**534,750**	-
		2,641,522	1,670,000

28. OTHER INCOME

	Note	2023	2022
Income from financial assets			
Return on TDR's and saving accounts		**623,697,438**	571,826,259
Income from non-financial assets			
Rental and service income	28.1	**1,841,894,035**	841,815,053
Reconnection fee		**43,561**	105,305
Sale of scrap		**52,411,000**	-
Non-utility operations	28.2	**146,394,639**	237,473,480
Stores handling and others	28.3	**530,996,209**	354,806,688
		2,571,739,444	1,434,200,526
		3,195,436,882	2,006,026,785

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		2023	2022
		--Rupees--	
28.1	**Rental and service income**		
	Meter and service rentals	**17,902,443**	18,643,467
	Late payment surcharge	**1,822,874,247**	822,043,733
	Public lighting	**1,117,345**	1,127,853
		1,841,894,035	841,815,053

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.

		Note	2023	2022
			--Rupees--	
29.	**FINANCE COST**			
	Bank charges		**1,330,500**	1,404,319
	Supplementary charges	29.1	**1,822,874,247**	822,043,733
	Mark up on long term financing		**1,518,802,223**	1,312,458,336
	Mark up against PHPL/STFF	29.2	**242,450,324**	542,443,847
			3,585,457,294	2,678,350,235

29.1 This represents supplementary charges passed on to the Company, which compromise re-allocation of mark-up on late payments imposed by Independent Power Producers (IPPs) to CPPA on the basis of average outstanding balance.

29.2 It represnts markup in respect of syndicated term finance facility amounting to Rs. 41 billion. The facility was obtained by PHL. As per ECC of the cabinet, servicing of markup, principal repayments and all other amount becoming due and payable in respect of this facility shall be responsible of respective DISCOs.

		Note	2023	2022
			--Rupees--	
30.	**TAXATION**			
	Current tax	30.1	**1,042,271,042**	944,366,822

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.

32.1 Working capital changes

	2023	2022
	Rupees	
Increase in current assets		
Stores and spares	**(4,662,616,289)**	(2,358,069,433)
Trade debts	**(22,167,461,761)**	(24,933,131,257)
Loans and advances	**(7,029,682)**	(32,938,416)
Other receivables	**(3,451,000,872)**	(5,450,011,975)
Due from associated undertaking	**2,901,625,566**	(509,031,011)
Subsidies from Government of Pakistan	**(815,790,060)**	14,008,207,121
	(28,202,273,098)	(19,274,974,971)
Increase in current liabilities		
Trade and other payables	**(1,144,473,074)**	1,479,174,501
Due to associated undertakings	**36,270,356,282**	11,904,636,838
	35,125,883,208	13,383,811,339
Working capital changes	**6,923,610,110**	(5,891,163,632)

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

	Long term financing	**Consumers' security deposit received**	**Receipt against**	**Total**
	Rupees	**Rupees**	**Rupees**	**Rupees**
Balance as at 01 July 2022	9,324,931,862	2,576,730,304	3,470,715,400	15,372,377,566
Security deposits received	-	181,815,848	-	181,815,848
Receipts against deposit work received-net	-	-	3,065,245,477	3,065,245,477
Transfer to deferred credit	-	-	(2,087,787,525)	(2,087,787,525)
Transferred to labour and overhead recovery	-	-	(218,676,682)	(218,676,682)
Balance as at 30 June 2023	**9,324,931,862**	**2,758,546,152**	**4,229,496,670**	**16,312,974,684**

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33. TRANSACTIONS WITH RELATED PARTIES

Related parties comprises of Government of Pakistan (GoP), Pakistan Electric Power Company Limited (PEPCO), National Transmission Despatch Company (NTDC), eight distribution companies, four power generation companies, Power Information Technology Company (Private) Limited (PITC), 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 are disclosed in note 34.

Relationship with Related parties and nature of transactions	2023	2022
	------------------Rupees------------------	
a) Associated Undertaking		
Purchase of electricity from CPPAGL	**128,215,055,699**	114,502,289,946
Software license fee to PEPCO	**35,802,778**	18,571,373
Insurance charges to WAPDA	**8,545,780**	9,180,816
Distribution license fee to NEPRA	**1,244,892**	41,475,997
Supplementary charges to CPPA	**1,822,874,247**	822,043,733
Mark up against PHPL/STFF	**242,450,324**	542,443,847
Pension paid to employees of associated companies	**1,053,278,579**	1,217,883,261
Free supply of electricity provided to employees of associated companies	**464,804,588**	290,671,341
Supply of material	**250,845,929**	109,588,318
Purchase of material	**66,786,433**	51,002,561
b) Economic Affairs Division (GoP)		
Accrued mark-up on relent loans	**1,518,802,223**	1,312,458,336
C) Ministry of Water and Power (GoP)		
Subidies from Government of Pakistan	**34,105,180,893**	30,818,388,069

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

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.

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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:

	2023	2022	2023	2022
	-----------Rupees-----------		-----------Rupees-----------	
	Chief Executive Officer		Executives	
Basic pay	**2,763,190**	3,095,360	**39,786,533**	9,744,383
Allowances	**500,626**	2,661,557	**25,878,910**	13,636,467
Meeting fee	**1,330,000**	1,820,000	**-**	-
Bonus	**-**	-	**-**	1,145,960
	4,593,816	7,576,917	**65,665,443**	24,526,810
Number of persons	**1**	1	**13**	14

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 7 directors (2022: 8 directors) was Rs. 33.977 million (2022: Rs. 34.054 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 comprises 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.

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 2023 represents the maximum credit exposure, which is as follows:

	30 June 2023		30 June 2022	
	Financial Asset	Maximum Exposure	Financial Asset	Maximum Exposure
	----Rupees----		----Rupees----	
Long term loans			-	-
Long term deposits	259,150,000	259,150,000	275,000,000	275,000,000
Trade debts	135,960,222,017	30,704,759,332	113,674,878,988	20,316,539,823
Loans and advances	83,460,427	83,460,427	76,430,745	76,430,745
Due from associated undertakings	10,631,462,788	10,631,462,788	13,533,088,354	13,533,088,354
Other receivables	29,283,055,275	4,911,902,500	24,302,927,663	6,558,920,506
Accrued mark up	77,158,368	77,158,368	148,088,317	148,088,317
Bank balances	14,504,886,396	14,504,886,396	15,186,076,909	15,186,076,909
	190,799,395,271	61,172,779,811	167,196,490,976	56,094,144,654

Out of total financial asset of Rs. 190,799.515 million (2022: Rs. 167,196.29 million), the financial asset which are subject to credit risk amounted to Rs. 61,172.800 million (2022: Rs. 56,094.144 million). Difference in the balances as per statement of financial statements and maximum exposure were due to the fact that trade debt and other receivables amounting to Rs. 105,255.463 million (2022: Rs. 93,358.339 million) and Rs. 24,371.153 million (2022: Rs. 17,744.007 million) respectively has been provided for.

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 Rs. 2,909.714 million (30 June 2022: Rs. 2,723.938 million).

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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 2023 where the Company maintains its major bank balances are as follows:

Name of bank	Rating Agency	Short-term / Long-term	2023	2022
			Rupees	
National Bank of Pakistan	PACRA	A1+ / AAA	**9,650,362,105**	10,937,839,964
Habib Bank Limited	VIS	A1+ / AAA	**840,759,919**	648,201,262
United Bank Limited	VIS	A-1+ / AAA	**975,442,473**	381,476,752
Allied Bank Limited	PACRA	A1+ / AA+	**1,972,050,426**	1,803,439,522
MCB Bank Limited	PACRA	A1+ / AAA	**835,875,109**	1,042,804,461
Bank Alhabib limited	PACRA	A1+ / AA+	**-**	-
Bank Alfalah Limited	VIS	A-1+ / AA+	**9,885,704**	8,686,326
Askari Commercial Bank	PACRA	A-1+ / AA+	**113,537,253**	272,909,301
Meezan Bank Limited	VIS	A1+ / AAA	**1,562,587**	1,482,351
Faysal Bank limited	PACRA	A1+ / AA	**66,107,545**	7,711,797
Sindh Bank Limited	VIS	A-1+ / A+	**2,812,528**	2,471,299
Silk Bank limited	VIS	A-2 / A-	**36,490,747**	79,053,874
			14,504,886,396	15,186,076,909

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**
	----------Rupees----------		
30 June 2023			
Long term financing	**9,324,931,862**	**6,280,619,043**	**3,044,312,819**
Consumers' security deposits	**2,905,754,642**	**2,905,754,642**	**-**
Accrued mark-up	**13,061,134,419**	**13,061,134,419**	**-**
Trade and other payables	**4,632,607,975**	**4,632,607,975**	**-**
Due to associated undertakings	**334,681,237,252**	**334,681,237,252**	
	327,798,715,056	**324,176,878,850**	**3,621,836,206**

		Contractual cash flows	
	Carrying amount	Less than one year	More than 5 years
	----------Rupees----------		
30 June 2022			
Long term financing	9,324,931,862	5,703,095,656	3,621,836,206
Consumers' security deposits	2,723,938,794	2,723,938,794	-
Accrued mark-up	11,542,332,196	11,542,332,196	-
Trade and other payables	5,796,631,234	5,796,631,234	-
Due to associated undertakings	298,410,880,970	298,410,880,970	
	327,798,715,056	324,176,878,850	3,621,836,206

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:

	2023	2022
	Rupees	
Fixed rate instruments		
Financial assets		
Term deposit receipts	**611,289,000**	1,225,289,000
Financial liabilities		
Long term financing	**9,324,931,862**	9,324,931,862
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	**1,592,474,314**	4,469,024,512

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 profit or loss.

35.3.2 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 their fair values.

(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.

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.

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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 2023 (2022: Nil) for the recognized fair value measurement.

35.5 Financial instruments by category

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

	At amortized cost	
	2023	2022
	Rupees	
Assets as per statement of financial position		
Long term deposits	259,150,000	275,000,000
Loans and advances	83,460,427	76,430,745
Trade debts	30,704,759,332	20,316,539,823
Due from associated undertakings	10,631,462,788	13,533,088,354
Other receivables	4,911,902,500	6,558,920,506
Accrued mark up	77,158,368	148,088,317
Bank balances	14,504,886,396	15,186,076,909
	61,172,779,811	56,094,144,654

	At amortized cost	
	2023	2022
	Rupees	
Liabilities as per statement of financial position		
Long term financing	9,324,931,862	9,324,931,862
Trade and other payables	4,632,607,975	5,796,631,234
Due to associated undertakings	334,681,237,252	298,410,880,970
Accrued mark-up	13,061,134,419	11,542,332,196
	361,699,911,508	325,074,776,262

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 Rs. 142,615.5 million at the rate of Rs. 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.

37. NUMBER OF EMPLOYEES

	2023	2022
	Number	
Number of employees as at June 30	7,122	7,273
Average number of employees during the year	7,198	7,216

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38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 06 FEB 2025 by the Board of Directors of the Company.

39. 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