Multan Electric Power Company Limited

Financial Statements

For The Year Ended

June 30, 2023

YOUSUF ADIL

Yousuf Adil
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the members of Multan Electric Power Company Limited

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphasis of Matters

We draw attention to the following matters:

a) Note 12.1.1 to the financial statements, which states that the Company has not recognized the impact of debit notes issued by Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for supplementary charges, being the mark-up charged on CPPA-G by Independent Power Producers (IPPs) on account of delayed payments, aggregating to Rupees 46,408.338 million.

b) Note 14.1 to the financial statements describes various tax contingencies, the ultimate outcome of which cannot be presently determined hence, no provision for the same has been made in accompanying financial statements.

Our opinion is not modified in respect of these matters.

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

Management is responsible for the other information. The other information comprises the Directors' report as required under Companies Act, 2017, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Sufyan.

Yousuf Adil
Chartered Accountants

Place: Multan
Date: October 19, 2023

UDIN: AR202310180PMdWp5SZh

MULTAN ELECTRIC POWER COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	5	**10,823,636,048**	10,823,636,048
Deposit for shares	6	**61,508,552,556**	49,639,659,930
Accumulated loss		**(190,836,566,413)**	(147,180,135,100)
TOTAL EQUITY		**(118,504,377,809)**	(86,716,839,122)
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	7	**5,751,926,806**	6,633,766,788
Staff retirement benefits	8	**137,742,128,574**	108,696,744,299
Long term security deposits	9	**13,593,750,786**	12,453,362,239
Contract liabilities	10	**38,552,737,052**	33,955,076,491
Deferred credit	11	**69,557,824,169**	65,581,575,650
		265,198,367,387	227,320,525,468
CURRENT LIABILITIES			
Trade and other payables	12	**168,917,291,956**	192,312,653,012
Accrued mark-up	13	**10,286,735,913**	9,225,118,719
Current portion of long term financing	7	**8,447,137,700**	7,583,631,043
Provision for taxation		**9,796,494,492**	8,859,434,993
		197,447,660,061	217,980,837,766
TOTAL LIABILITIES		**462,646,027,448**	445,301,363,234
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		**344,141,649,639**	358,584,524,113
NON-CURRENT ASSETS			
Property, plant and equipment	15	**139,984,141,285**	129,412,958,632
Intangible assets	16	**-**	-
Long term loans to employees	17	**203,673,368**	120,430,533
Long term deposits	18	**49,185**	49,185
		140,187,863,837	129,533,438,350
CURRENT ASSETS			
Stores and spare parts	19	**8,463,443,060**	8,778,303,293
Trade debts	20	**65,069,311,455**	94,417,538,728
Loans and advances	21	**318,842,399**	290,561,168
Other receivables	22	**78,334,213,862**	76,767,309,645
Advance income tax		**7,757,132,820**	3,143,055,837
Sales tax receivable	23	**5,858,872,823**	7,327,081,624
Accrued interest		**295,721,200**	107,552,341
Short term investments	24	**13,100,000,000**	-
Bank balances	25	**24,756,248,184**	38,219,683,127
		203,953,785,802	229,051,085,763
TOTAL ASSETS		**344,141,649,639**	358,584,524,113

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

MULTAN ELECTRIC POWER COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
Sale of electricity - net	26	**372,963,168,220**	345,843,911,414
Tariff differential subsidies	27	**77,811,456,859**	70,283,937,519
		450,774,625,079	416,127,848,933
Cost of electricity	28	**(438,573,956,481)**	(406,934,603,535)
Gross profit		**12,200,668,598**	9,193,245,398
Amortization of deferred credit	11	**3,660,012,645**	3,366,498,166
		15,860,681,243	12,559,743,564
Distribution cost excluding depreciation	29	**(37,109,250,997)**	(25,557,972,938)
Customer service cost	30	**(5,020,542,839)**	(4,239,627,641)
Depreciation on operating fixed assets	15	**(6,182,414,130)**	(5,702,236,440)
Allowance for expected credit losses	20.1	**(5,903,781,369)**	(420,545,586)
		(54,215,989,335)	(35,920,382,605)
Loss from operations		**(38,355,308,091)**	(23,360,639,041)
Other income	31	**16,983,603,455**	6,872,303,585
Finance cost	32	**(1,064,361,559)**	(1,998,538,246)
Loss before taxation		**(22,436,066,195)**	(18,486,873,702)
Taxation	33	**(937,059,499)**	(4,327,557,090)
Loss for the year		**(23,373,125,694)**	(22,814,430,792)

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

MULTAN ELECTRIC POWER COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

	Note	**2023 Rupees**	2022 Rupees
Loss for the year		**(23,373,125,694)**	(22,814,430,792)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
- Remeasurement of defined benefit obligations	8.3	**(20,283,305,619)**	(16,770,350,723)
Items that may be reclassified subsequently to profit or loss		**-**	-
		(20,283,305,619)	(16,770,350,723)
Total comprehensive income for the year		**(43,656,431,313)**	(39,584,781,515)

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

MULTAN ELECTRIC POWER COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023

	Note	SHARE CAPITAL	DEPOSIT FOR SHARES	ACCUMULATED LOSS	TOTAL EQUITY
		Rupees			
Balance as at June 30, 2021		10,823,636,048	24,684,349,025	(107,595,353,585)	(72,087,368,512)
Non-cash settlement against deposit for shares	6	-	24,955,310,905	-	24,955,310,905
Loss for the year		-	-	(22,814,430,792)	(22,814,430,792)
Other comprehensive income for the year					
- Remeausrement loss on defined benefit plan		-	-	(16,770,350,723)	(16,770,350,723)
Total comprehensive income for the year		-	-	(39,584,781,515)	(39,584,781,515)
Balance as at June 30, 2022		10,823,636,048	49,639,659,930	(147,180,135,100)	(86,716,839,122)
Non-cash settlement against deposit for shares	6	**-**	**11,868,892,626**	**-**	**11,868,892,626**
Loss for the year		**-**	**-**	**(23,373,125,694)**	**(23,373,125,694)**
Other comprehensive income for the year					
- Remeausrement loss on defined benefit plan		**-**	**-**	**(20,283,305,619)**	**(20,283,305,619)**
Total comprehensive income for the year		**-**	**-**	**(43,656,431,313)**	**(43,656,431,313)**
Balance as at June 30, 2023		**10,823,636,048**	**61,508,552,556**	**(190,836,566,413)**	**(118,504,377,809)**

The annexed notes from 1 to 43 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER **DIRECTOR**

MULTAN ELECTRIC POWER COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(22,436,066,195)**	(18,486,873,702)
Adjustments for:			
Depreciation	15.3	**6,182,414,130**	5,702,236,440
Provision for staff retirement benefits	8.1	**18,328,345,451**	10,105,946,933
Amortization of deferred credit	11	**(3,660,012,645)**	(3,366,498,166)
Allowance for expected credit losses	29	**5,903,781,369**	420,545,586
Provision for stores and spare parts	29	**310,590,776**	143,737,868
Impairment of capital work-in-progress	29	**20,526,572**	45,649,454
Profit on bank deposits and term deposit receipts	31	**(5,567,288,749)**	(2,326,335,082)
Contract liabilities transferred to other income	31	**(3,222,366,000)**	-
Finance cost	32	**1,064,361,559**	1,998,538,246
		(3,075,713,731)	(5,763,052,423)
Effect on cash flows due to working capital changes:			
(Increase) / decrease in current assets:			
Stores and spare parts		**4,269,456**	(3,183,269,629)
Trade debts		**23,444,445,904**	(54,480,432,319)
Loans and advances		**(28,281,231)**	23,014,745
Other receivables		**(1,566,904,217)**	33,800,904,571
Sales tax receivable		**1,468,208,801**	(3,371,528,135)
Increase /(decrease) in trade and other payables		**(11,526,468,430)**	55,551,320,692
		11,795,270,285	28,340,009,925
Finance cost paid		**(2,744,365)**	(791,948,874)
Taxes paid		**(4,614,076,982)**	(2,621,596,478)
Staff retirement benefits paid		**(9,566,266,792)**	(7,155,055,275)
		(14,183,088,139)	(10,568,600,627)
Net cash (used in) / generated from operating activities		**(5,463,531,586)**	12,008,356,875
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		**(16,774,123,355)**	(12,000,474,055)
Net increase in short term investments - amortized cost		**(13,100,000,000)**	18,075,614,275
Net increase in long term loans to employees		**(83,242,835)**	(7,487,552)
Profit on bank deposits and term deposit receipts		**5,379,119,890**	2,484,394,540
Net cash (used in) / generated from investing activities		**(24,578,246,300)**	8,552,047,208
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		**(18,333,325)**	(32,777,899)
Consumers' security deposits received		**1,230,735,325**	1,123,917,911
Consumers' security deposits repaid		**(90,346,782)**	(66,064,209)
Receipt against deposit works and connections		**15,456,287,725**	11,160,075,662
Net cash generated from financing activities		**16,578,342,943**	12,185,151,465
Net increase in cash and cash equivalents	**(A+B+C)**	**(13,463,434,942)**	32,745,555,548
Cash and cash equivalents at beginning of the year		**38,219,683,127**	5,474,127,579
Cash and cash equivalents at end of the year		**24,756,248,184**	38,219,683,127

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

MULTAN ELECTRIC POWER COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1 THE COMPANY AND ITS ACTIVITIES

1.1 Multan Electric Power Company Limited (the Company) is a public limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company was established to takeover all the properties, rights, assets, obligations and liabilities of Multan Area Electricity Board (MAEB) owned by Pakistan Water and Power Development Authority (WAPDA) and such other assets and liabilities as agreed. The Company was incorporated on May 14, 1998 and commenced operations on June 09, 1998. Its registered office is situated at Shahrah-e-Quaid-e-Azam, WAPDA House, Lahore. The principal place of business of the Company is located at Khanewal Road, Multan. While the Company have various 132-KV and 66-KV grid stations along with other offices located in 13 districts of South Punjab including Multan, Pakpattan, Sahiwal, Khanewal, Bahawalnagar, Bahawalpur, Rahim Yar Khan, Lodhran, Dera Ghazi Khan, Layyah, Muzaffargarh, Rajanpur and Vehari. The principal activity of the Company is distribution and supply of electricity to public within defined geographical boundaries.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

- Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP) as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Companies Act, 2017; and

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

2.2 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

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

Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)

2.3 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from Accounting period beginning on or after
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023

	Effective from Accounting period beginning on or after
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 ' Income taxes' - International Tax Reform — Pillar Two Model Rules	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IFRS 16 ' Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' - Supplier Finance Arrangements	January 01, 2024
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective policies and notes given herein:

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

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

3.2 Significant accounting estimates and judgments

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies which the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

(a) Useful lives, patterns of economic benefits and impairments

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

(b) Provision for obsolescence of stores and spare parts

The Company regularly reviews the provision for slow-moving stores and spare parts. Provision for obsolete and slow-moving stores and spare parts is based on management estimate.

(c) Taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities. In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

(d) Impairment of financial assets

The amount of expected credit losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of respective financial assets.

(e) Contingencies

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

(f) Staff retirement benefits

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Staff retirement benefits

4.1.1 Defined benefit plans

The Company operates funded pension scheme, an unfunded free electricity scheme and an unfunded free medical facility scheme for all its employees. Further, the Company's employees are also entitled for accumulated compensated absences which are encashed at the time of retirement up to maximum limit of 365 days. The Company's obligations under these schemes are determined annually by a qualified actuary using Projected Unit Credit Actuarial Cost Method. The Company's net obligation in respect of defined benefits plans is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Past service cost is recognized immediately in the statement of profit or loss.

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

4.1.2 General / Employees' Provident Fund

For General / Employees' Provident Fund and WAPDA Welfare Fund, the Company makes deduction from salaries of the employees and remits these amounts to the funds established by WAPDA.

The provident fund related disclosure required by the Companies Act, 2017 is not shown in these financial statements as General / Employees' Provident Fund established by WAPDA includes the employees of other power distribution and generation companies and the Company's share cannot be segregated from the whole General / Employees' Provident Fund.

4.2 Taxation

Current

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

Deferred

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

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

4.3 Property, plant and equipment

a) Cost

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss, except freehold land which is stated at cost less any identified impairment loss and leasehold land which is stated at cost less accumulated depreciation and any identified impairment loss. Capital work-in-progress is stated at cost less any recognized impairment loss. This includes all costs connected with specific assets (including borrowing cost) incurred during installation and construction period. These are transferred to specific assets as and when these assets are available for intended use. Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to the erection / construction period of qualifying assets and directly attributable costs of bringing the assets to working condition for their intended use.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewals or improvements can be measured reliably. The cost of day-to-day servicing of property, plant and equipment is recognized in statement of profit or loss as incurred.

b) Depreciation

Depreciation on operating fixed assets is calculated applying the straight line method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 15.2. The Company charges the depreciation on additions from the month when the asset is available for use and on deletions up to the month when the asset is de-recognized. Depreciation on operating fixed assets is charged to the statement of profit or loss except for depreciation provided on construction equipment and vehicles during the period of construction of operating fixed assets that is capitalized as part of the cost of operating fixed assets. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

c) Derecognition

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

4.4 Intangible assets

Intangible assets represent the cost of computer softwares and is stated at cost less accumulated amortization and any identified impairment loss. Intangible asset is amortized from the month, when the assets becomes available for use, using the straight line method, and up to the last month prior to the month of disposal, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed and adjusted, if appropriate, at each reporting date.

4.5 Stores and spare parts

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

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

4.6 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

4.7 Revenue from contracts with customers

(a) Revenue recognition

Sale of electricity

Revenue from the sale of electricity is recognized on supply of electricity to consumers at the rates determined by NEPRA and notified by the Government of Pakistan in official gazette from time to time. Late payment surcharges are recognized on accrual basis.

Tariff differential subsidies

Subsidies from Government are announced by the Government of Pakistan for consumers and is recognized under revenue on accrual basis.

Rental and service income

Meter rentals are recognized on time proportion basis.

Rendering of services

Revenue from a contract to provide services is recognized over time as the services are rendered based on either a fixed price or an hourly rate.

Interest income

Interest income is recognized on a time proportion basis on the principal amount outstanding at the applicable rates.

Other revenue

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

(b) Contract assets

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

(c) Contract liabilities

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

4.8 Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

4.8.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets:

a) Debt instruments that meet following conditions are measured subsequently at amortized cost:

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

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

b) Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

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

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

As at reporting date, the Company does not possess any assets classified as at fair value through other comprehensive income (FVTOCI).

c) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

As at reporting date, the Company does not possess any equity instruments designated as at FVTOCI.

d) Financial assets at fair value through profit or loss

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

As at reporting date, the Company does not possess any financial assets classified as FVTPL.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade debts using simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the trade debts, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Write-off policy

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

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received is recognized in the statement of profit or loss.

4.8.2 Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method. Financial liabilities that are not:

- Contingent consideration of an acquirer in a business combination,
- Held-for-trading, or
- Designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Impairment of non-financial assets

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

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

4.9 Trade debts and other receivables

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

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

4.10 Deferred credit

Amounts received from consumers and Government as contributions towards the cost of extension of electricity distribution network and of providing service connections are deferred and amortized over the estimated useful lives of related assets except for separately identifiable services in which case revenue is recognized upfront upon establishing a connection network. Amortization of deferred credit for the year is recognized as income in the statement of profit or loss.

4.11 Borrowings

Financing and borrowings are initially recognized at fair value of the consideration received, net of transaction costs. These are subsequently measured at amortized cost using the effective interest method.

4.12 Borrowing cost

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

4.13 Share capital

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

4.14 Trade and other payables

Trade and other payables are initially recognized at fair value plus directly attributable costs. These are subsequently measured at amortized cost.

4.15 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. The carrying amount of the Company's other non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and fair value less cost to sell. Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment losses had been recognized. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount.

4.16 Provisions

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

4.17 Contingent assets

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

4.18 Contingent liabilities

A contingent liability is disclosed when:

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

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

		Note	2023 Rupees	2022 Rupees
5 SHARE CAPITAL				
Authorized share capital				
5,000,000,000 (2022: 5,000,000,000) ordinary shares of Rs. 10 each			**50,000,000,000**	50,000,000,000
Issued, subscribed and paid up share capital				
NUMBER OF SHARES				
1,000	1,000	Ordinary shares of Rs. 10 each fully paid in cash to the Government of Pakistan (GoP) and its nominee directors	**10,000**	10,000
1,082,362,604	1,082,362,604	Ordinary shares of Rs. 10 each fully paid issued for consideration other than in cash to WAPDA	**10,823,626,048**	10,823,626,048
1,082,363,604	1,082,363,604		**10,823,636,048**	10,823,636,048

6 DEPOSIT FOR SHARES

	Note	2023 Rupees	2022 Rupees
Balance as at beginning of the year	6.1	**49,639,659,930**	24,684,349,025
Credit notes received against deposit for shares	6.2	**11,868,892,626**	24,955,310,905
Balance as at end of the year		**61,508,552,556**	49,639,659,930

6.1 This represents credit notes received by the Company in financial year 2014 from Central Power Purchase Agency (Guarantee) Limited (CPPA) in pursuance of letter No. F.1(5)-CF-1/2012-13/1017 dated July 02, 2013 from Ministry of Finance as GoP investment against circular debt of Rs. 341 billion. Hence this was treated as GoP equity investment in the Company.

6.2 This represents credit notes of Rs. 11,868.89 million received by the Company in financial year 2023 from Central Power Purchase Agency (Guarantee) Limited (CPPA) in pursuance of letters: F-No. 05 (02) 2021-2022 dated October 18, 2022 against amount of Rs. 532 million, F-No. 05 (02) 2021-2022 dated February 14, 2023 against amount of Rs. 1,903 million, F-No. 05 (02) 2021-2022 dated February 14, 2023 against amount of Rs. 509 million, F-No. 05 (02) 2021-2022 dated February 14, 2023 against amount of Rs. 1,981 million, F-No. 05 (02) 2021-2022 dated March 13, 2023 against amount of Rs. 254 million, F-No. 05 (02) 2021-2022 dated May 09, 2023 against amount of Rs. 508 million, F-No. 05 (02) 2021-2022 dated May 09, 2023 against amount of Rs. 3,961 million, F-No. 05 (02) 2021-2022 dated June 13, 2023 against an amount of Rs. 253 million, F-No. 05 (02) 2021-2023 dated August 01, 2023 against amount of Rs. 1,963.03 million from Ministry of Energy as GoP investment against circular debt and to stabilize equity. Hence this was treated as GoP equity investment in the Company.

	Note	**2023 Rupees**	2022 Rupees
7 LONG TERM FINANCING			
Loans from related party - Secured			
From GoP - (foreign re-lent):			
International Bank for Reconstruction and Development	7.1	**3,849,036,226**	3,849,036,226
Asian Development Bank - Tranche I	7.2	**1,354,866,393**	1,354,866,393
Asian Development Bank - Tranche II	7.3	**2,168,842,944**	2,168,842,944
Asian Development Bank - Tranche III	7.4	**3,118,563,244**	3,118,563,244
Asian Development Bank - Tranche IV	7.5	**2,772,764,983**	2,772,764,983
		13,264,073,790	13,264,073,790
Cash Development Loan from GoP - Unsecured	7.6	**797,050,000**	797,050,000
		14,061,123,790	14,061,123,790
Other loans			
The Thal Industries Corporation Limited (Layyah Sugar Mill)	7.7	**4,583,716**	22,917,041
Atlas Solar Limited (Formerly: Zhenfa Pakistan New Energy Company Limited)	7.8	**133,357,000**	133,357,000
		137,940,716	156,274,041
		14,199,064,506	14,217,397,831
Less:			
Current portion shown under current liabilities		**863,506,659**	895,408,247
Overdue portion shown under current liabilities		**7,583,631,041**	6,688,222,796
		8,447,137,700	7,583,631,043
		5,751,926,806	6,633,766,788

7.1 This represents re-lent portion of loan obtained by the GoP from International Bank for Reconstruction and Development (IBRD) for electricity distribution and transmission improvement project which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 17% per annum which comprises of re-lending interest of 11% per annum and exchange risk cover of 6% per annum payable on half yearly basis. Repayment of principal has to be made on half yearly basis within maximum period of 15 years including grace period of 2 years starting from September 2011. The overdue amounts of principal and mark-up aggregate to Rupees 3,528.441 million (2022: Rupees 3,207.846 million) and Rupees 2,098.143 million (2022: Rupees 2,017.101 million) respectively.

7.2 This represents re-lent portion of loan obtained by GoP from Asian Development Bank (ADB) for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 17% inclusive of relending interest of 11% per annum plus exchange risk cover fee of 6% per annum which shall be charged both on principal amount and interest amount separately. Repayment of principal has to be made on half yearly basis within maximum period of 15 years including grace period of 2 years starting from February 2011. The overdue amounts of principal and mark-up aggregate to Rupees 1,290.713 million (2022: Rupees 1,162.408 million) and Rupees 598.36 million (2022: Rupees 579.304 million) respectively.

7.3 This represents re-lent portion of loan obtained by GoP from ADB for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately. Repayment of principal has to be made on half yearly basis within maximum period of 17 years excluding grace period of 3 years starting from June 2014. The overdue amounts of principal and mark-up aggregate to Rupees 1,183.497 million (2022: Rupees 1,052.117 million) and Rupees 1,654.654 million (2022: Rupees 1,490.65 million) respectively.

7.4 This represents re-lent portion of loan obtained by GoP from ADB for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately. Repayment of principal has to be made on half yearly basis within maximum period of 25 years including grace period of 5 years starting from June 2018. The overdue amounts of principal and mark-up aggregate to Rupees 852.656 million (2022: Rupees 696.386 million) and Rupees 2,512.217 million (2022: Rupees 2,150.008 million) respectively.

7.5 This represents re-lent portion of loan obtained by GoP from ADB for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately. Repayment of principal will be started from June 2019 and will be repaid on half yearly basis within maximum period of 25 years including grace period of 5 years. The overdue amounts of principal and mark-up aggregate to Rupees 623.875 million (2022: Rupees 485.233 million) and Rupees 2,208.338 million (2022: Rupees 1,865.814 million) respectively.

7.6 This represents a loan obtained from the GoP under "Prime Minister's Southern Punjab Development Package" for construction of new grid stations and laying transmission lines. The limit of the loan facility is Rupees 1,228 million. As per instructions of the Finance Division of GoP for loan disbursements, the interest shall be chargeable at a prevailing rate of interest for respective year, which has been assessed as 12.59% for the year 2009-10, 13.61% for 2010-11 and 12.64% per annum for the year 2011-12 by the Company. Repayment of principal has to be made on yearly basis within maximum period of 25 years including grace period of 5 years starting from June 2015. The overdue amounts of principal and mark-up aggregate to Rupees 99.867 million (2022: Rupees 79.646 million) and Rupees 1,215.207 million (2022: Rupees 1,122.032 million) respectively.

7.7 These represents interest free loan from The Thal Industries Corporation Limited under an agreement to meet expenses for grid interconnection. The loan is repayable in 36 equal monthly installments commencing after 18 months of commercial operation date of the project which is 01 December 2017. The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments' arising in respect of this loan is not considered material and hence not recognized.

7.8 These represents interest free loan from Atlas Solar Limited (Formerly: Zhenfa Pakistan New Energy Company Limited) under an agreement to meet expenses for grid interconnection. The loan is repayable in 36 equal monthly installments commencing after 18 months of commercial operation date which has not yet been assessed. The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments' arising in respect of this loan is not considered material and hence not recognized.

		Note	2023 Rupees	2022 Rupees
8	**STAFF RETIREMENT BENEFITS**			
	Free medical benefits	8.1	**17,168,570,942**	13,666,367,778
	Pension	8.1	**105,027,800,069**	85,542,052,092
	Free electricity benefits	8.1	**9,592,270,230**	5,549,566,389
	Compensated absences	8.1	**5,953,487,333**	3,938,758,040
			137,742,128,574	108,696,744,299

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

	Note	**June 30, 2023**				
		Free medical benefits	**Pension**	**Free electricity benefits**	**Compensated absences**	**Total**
		Rupees				
Balance as at July 01, 2022		**13,666,367,778**	**85,542,052,092**	**5,549,566,389**	**3,938,758,040**	**108,696,744,299**
Charge for the year	8.2	**2,205,753,533**	**12,818,555,719**	**936,155,118**	**2,367,881,081**	**18,328,345,451**
Remeasurement recognized in other comprehensive income	8.3	**1,322,300,366**	**15,554,329,945**	**3,406,675,308**	**-**	**20,283,305,619**
Benefits paid		**(25,850,735)**	**(6,764,314,927)**	**(300,126,585)**	**(353,151,785)**	**(7,443,444,032)**
Contribution made		**-**	**(2,122,822,760)**	**-**	**-**	**(2,122,822,760)**
Balance as at June 30, 2023		**17,168,570,942**	**105,027,800,069**	**9,592,270,230**	**5,953,487,333**	**137,742,128,574**

		June 30, 2022				
		Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
		Rupees				
Balance as at July 01, 2021		10,629,987,763	69,408,209,420	5,069,643,090	3,867,661,645	88,975,501,918
Charge for the year	8.2	1,379,194,173	7,726,982,732	674,497,015	325,273,014	10,105,946,933
Remeasurement recognized in other comprehensive income	8.3	1,683,462,375	15,117,530,324	(30,641,976)	-	16,770,350,723
Benefits paid		(26,276,533)	(5,042,741,193)	(163,931,740)	(254,176,619)	(5,487,126,085)
Contribution made		-	(1,667,929,191)	-	-	(1,667,929,191)
Balance as at June 30, 2022		13,666,367,778	85,542,052,092	5,549,566,389	3,938,758,040	108,696,744,299

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

	Note	**June 30, 2023**				
		Free medical benefits	**Pension**	**Free electricity benefits**	**Compensated absences**	**Total**
		Rupees				
Present value of defined benefit obligations		**-**	**113,370,152,568**	**-**	**-**	**113,370,152,568**
Fair value of plan assets	8.1.1.1	**-**	**(8,342,352,499)**	**-**	**-**	**(8,342,352,499)**
		-	**105,027,800,069**	**-**	**-**	**105,027,800,069**

8.1.1.1 Change in fair value of plan assets

Balance as at beginning of the year	**-**	**5,226,692,230**	**-**	**-**	**5,226,692,230**
Interest income	**-**	**848,893,987**	**-**	**-**	**848,893,987**
Cash flows:					
- Total employer's contributions					
(i) Employer's contributions	**-**	**2,122,822,760**	**-**	**-**	**2,122,822,760**
(ii) Employer's direct benefit payments	**-**	**6,764,314,927**	**-**	**-**	**6,764,314,927**
- Benefit payments from Plan	**-**	**(6,764,314,927)**	**-**	**-**	**(6,764,314,927)**
Return / (loss) on plan assets	**-**	**143,943,522**	**-**	**-**	**143,943,522**
Balance as at end of the year	**-**	**8,342,352,499**	**-**	**-**	**8,342,352,499**

	Note	June 30, 2022				
		Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
		Rupees				
Present value of defined benefit obligations		-	90,768,744,322	-	-	90,768,744,322
Fair value of plan assets	8.1.1.2	-	(5,226,692,230)	-	-	(5,226,692,230)
		-	85,542,052,092	-	-	85,542,052,092

8.1.1.2 Change in fair value of plan assets

Balance as at beginning of the year	-	3,170,130,116			3,170,130,116
Interest income	-	410,419,708			410,419,708
Cash flows:					
- Total employer's contributions					
(i) Employer's contributions	-	1,667,929,191	-	-	1,667,929,191
(ii) Employer's direct benefit payments	-	5,042,741,193	-	-	5,042,741,193
- Benefit payments from Plan	-	(5,042,741,193)	-	-	(5,042,741,193)
Return / (loss) on plan assets	-	(21,786,785)	-	-	(21,786,785)
Balance as at end of the year	-	5,226,692,230	-	-	5,226,692,230

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

	June 30, 2023				
	Free medical benefits	**Pension**	**Free electricity benefits**	**Compensated absences**	**Total**
	Rupees				
Current service cost	**362,538,807**	**1,870,260,481**	**207,222,200**	**79,265,355**	**2,519,286,843**
Interest cost	**1,843,214,726**	**10,948,295,238**	**728,932,918**	**507,894,590**	**14,028,337,472**
Actuarial gains	**-**	**-**	**-**	**1,780,721,137**	**1,780,721,137**
Net charge for the year	**2,205,753,533**	**12,818,555,719**	**936,155,118**	**2,367,881,081**	**18,328,345,451**

	June 30, 2022				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees				
Current service cost	290,967,100	956,563,124	163,260,100	70,332,658	1,481,122,982
Interest cost	1,088,227,073	6,770,419,608	511,236,915	383,408,767	8,753,292,363
Actuarial gains	-	-	-	(128,468,411)	(128,468,411)
Net charge for the year	1,379,194,173	7,726,982,732	674,497,015	325,273,014	10,105,946,933

8.3 Remeasurement recognized in other comprehensive income:

	June 30, 2023				
	Free medical benefits	**Pension**	**Free electricity benefits**	**Compensated absences**	**Total**
	Rupees				
Experience adjustments	**1,322,300,366**	**15,698,273,467**	**3,406,675,308**	**-**	**20,427,249,141**
Return on plan assets	**-**	**(143,943,522)**	**-**	**-**	**(143,943,522)**
Total	**1,322,300,366**	**15,554,329,945**	**3,406,675,308**	**-**	**20,283,305,619**

	June 30, 2022				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees				
Experience adjustments	1,683,462,375	15,095,743,539	(30,641,976)	-	16,748,563,938
Return on plan assets	-	21,786,785	-	-	21,786,785
Total	1,683,462,375	15,117,530,324	(30,641,976)	-	16,770,350,723

8.4 Movement in present value of defined benefit obligations:

	June 30, 2023				
	Free medical benefits	**Pension**	**Free electricity benefits**	**Compensated absences**	**Total**
	Rupees				
Balance as at July 01, 2022	**13,666,367,778**	**90,768,744,322**	**5,549,566,389**	**3,938,758,040**	**113,923,436,529**
Current service cost	**362,538,807**	**1,870,260,481**	**207,222,200**	**79,265,355**	**2,519,286,843**
Interest cost	**1,843,214,726**	**11,797,189,226**	**728,932,918**	**507,894,590**	**14,877,231,460**
Benefits paid	**(25,850,735)**	**(6,764,314,927)**	**(300,126,585)**	**(353,151,785)**	**(7,443,444,032)**
Remeasurements	**1,322,300,366**	**15,698,273,467**	**3,406,675,308**	**-**	**20,427,249,141**
Actuarial gains	**-**	**-**	**-**	**1,780,721,137**	**1,780,721,137**
Balance as at June 30, 2023	**17,168,570,942**	**113,370,152,568**	**9,592,270,230**	**5,953,487,333**	**146,084,481,078**

	June 30, 2022				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees				
Balance as at July 01, 2021	10,629,987,763	72,578,339,536	5,069,643,090	3,867,661,645	92,145,632,034
Current service cost	290,967,100	956,563,124	163,260,100	70,332,658	1,481,122,982
Interest cost	1,088,227,073	7,180,839,316	511,236,915	383,408,767	9,163,712,071
Benefits paid	(26,276,533)	(5,042,741,193)	(163,931,740)	(254,176,619)	(5,487,126,085)
Remeasurements	1,683,462,375	15,095,743,539	(30,641,976)	-	16,748,563,938
Actuarial gains	-	-	-	(128,468,411)	(128,468,411)
Balance as at June 30, 2022	13,666,367,778	90,768,744,322	5,549,566,389	3,938,758,040	113,923,436,529

8.5 All of the investment of plan assets is in deposit account of a commercial bank along with certain term deposit receipts of commercial banks.

8.6 Principal actuarial assumptions:

	June 30, 2023			
	Free medical benefits	**Pension**	**Free electricity benefits**	**Compensated absences**
Discount rate (per annum)	**15.75%**	**15.75%**	**15.75%**	**15.75%**
Inflation rate (per annum)	**-**	**-**	**15.75%**	**-**
Annual medical claim - Rupees	**29,977**	**-**	**-**	**-**
Salary increase rate used for year end obligation (per year)	**-**	**15.25%**	**-**	**15.25%**
Medical / pension / electricity indexation rate	**15.75%**	**11.25%**	**15.75%**	**-**
Medical exposure rate (per annum)	**13.25%**	**-**	**-**	**-**
Mortality rates	**SLIC 2001-2005 setback 1 year**	**SLIC 2001-2005 setback 1 year**	**SLIC 2001-2005 setback 1 year**	**SLIC 2001-2005 setback 1 year**
Withdrawal rates	**Low**	**Low**	**Low**	**Low**
Expected charge to the statement of profit or loss for the next financial year (Rupees)	**3,130,564,525**	**18,315,743,597**	**1,750,642,258**	**1,029,423,903**

	June 30, 2022			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate (per annum)	13.50%	13.50%	13.50%	13.50%
Inflation rate (per annum)	-	-	13.50%	-
Annual medical claim - Rupees	26,323	-	-	-
Salary increase rate used for year end obligation (per year)	-	13.00%	-	13.00%
Medical / pension / electricity indexation rate	13.50%	7.25%	13.50%	-
Medical exposure rate (per annum)	10.25%	-	-	-
Mortality rates	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year
Withdrawal rates	Low	Low	Low	Low
Expected charge to the statement of profit or loss for the next financial year (Rupees)	2,207,498,457	13,418,437,513	879,975,683	610,997,690

8.7 Sensitivity analysis for actuarial assumptions:

The sensitivity of the staff retirement benefits to changes in the weighted principal assumption is:

	June 30, 2023			
	Free medical benefits	**Pension**	**Free electricity benefits**	**Compensated absences**
Discount rate	**1.00%**	**1.00%**	**1.00%**	**1.00%**
Increase in assumption (Rupees)	**(1,817,612,177)**	**(11,068,199,800)**	**(982,536,416)**	**(618,191,712)**
Decrease in assumption (Rupees)	**2,179,950,297**	**21,017,997,377**	**1,172,172,445**	**725,694,585**
Medical exposure rate	**1.00%**	**-**	**-**	**-**
Increase in assumption (Rupees)	**1,236,137,108**	**-**	**-**	**-**
Decrease in assumption (Rupees)	**(1,064,451,398)**	**-**	**-**	**-**
Medical inflation rate	**1.00%**	**-**	**-**	**-**
Increase in assumption (Rupees)	**2,282,622,205**	**-**	**-**	**-**
Decrease in assumption (Rupees)	**(1,931,387,412)**	**-**	**-**	**-**
Withdrawal rates	**10.00%**	**10.00%**	**10.00%**	**10.00%**
Increase in assumption (Rupees)	**(24,035,999)**	**(56,685,076)**	**(5,755,362)**	**5,953,487**
Decrease in assumption (Rupees)	**29,186,571**	**56,685,077**	**5,755,362**	**(5,953,487)**
Future salary increase	**-**	**1.00%**	**-**	**1.00%**
Increase in assumption (Rupees)	**-**	**5,480,880,647**	**-**	**725,661,193**
Decrease in assumption (Rupees)	**-**	**(4,787,736,017)**	**-**	**(628,516,314)**
Indexation rate	**-**	**1.00%**	**1.00%**	**-**
Increase in assumption (Rupees)	**-**	**15,076,907,694**	**1,227,398,901**	**-**
Decrease in assumption (Rupees)	**-**	**(6,687,238,840)**	**(1,043,871,907)**	**-**
Mortality setback	**1 year**	**1 year**	**-**	**1 year**
Increase in assumption (Rupees)	**(643,821,410)**	**5,631,180,088**	**-**	**(3,572,092)**
Decrease in assumption (Rupees)	**648,971,982**	**831,400,664**	**-**	**3,572,092**

	June 30, 2022			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate	1.00%	1.00%	1.00%	1.00%
Increase in assumption (Rupees)	(2,155,231,055)	(10,785,893,960)	(892,791,499)	(486,515,725)
Decrease in assumption (Rupees)	2,824,359,426	13,378,571,354	1,171,654,005	423,424,237
Medical exposure rate	1.00%	-	-	-
Increase in assumption (Rupees)	(712,154,071)	-	-	-
Decrease in assumption (Rupees)	(4,948,261,257)	-	-	-
Medical inflation rate	1.00%	-	-	-
Increase in assumption (Rupees)	(2,271,020,896)	-	-	-
Decrease in assumption (Rupees)	(3,695,439,256)	-	-	-
Withdrawal rates	10.00%	10.00%	10.00%	10.00%
Increase in assumption (Rupees)	(3,051,261,998)	(18,226,693,956)	(482,965,085)	(67,228,735)
Decrease in assumption (Rupees)	(3,018,309,036)	(18,154,115,616)	(476,881,513)	(74,964,059)
Future salary increase	-	1.00%	-	1.00%
Increase in assumption (Rupees)	-	(14,568,745,643)	-	423,215,865
Decrease in assumption (Rupees)	-	(21,376,593,891)	-	(493,628,138)
Indexation rate	-	1.00%	1.00%	-
Increase in assumption (Rupees)	-	(11,527,713,216)	541,817,443	-
Decrease in assumption (Rupees)	-	(23,909,577,941)	(1,334,567,433)	-
Mortality setback	1 year	1 year	1 year	1 year
Increase in assumption (Rupees)	(3,435,004,556)	(18,030,732,439)	-	(73,416,994)
Decrease in assumption (Rupees)	(2,634,566,478)	(18,342,819,299)	-	(68,775,800)

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

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 discount rate structure and decrease in inflationary expectations.

8.8 As at June 30, 2023 the average duration of these benefits was 12 years.

8.9 **Risks associated with staff retirement benefits**

Salary increase risk

The risk that the actual salary increase are higher than the expected salary increase, where benefits are linked with final salary at the time of cessation of service, is likely to have an impact on liability.

Withdrawal risk

Actual withdrawals experience may different from that assumed in the calculation.

Mortality risk

Actual mortality experience maybe different than that assumed in the calculation.

Pension increase risk

The risk that the actual pension increase is higher than the expected, where benefits are being paid in form of monthly pension, is likely to have an impact on the plan liability.

Discount rate risk

The risk of changes in discount rate may have an impact on the plans liabilities.

9 LONG TERM SECURITY DEPOSITS

These represent security deposits received from consumers on account of electricity connections. These are refundable / adjustable on disconnection of electricity supply. Out of the total amount, an amount of Rupees 134.282 million (2022: Rupees 362.894 million) is kept in separate bank accounts while Rupees 13,459.3 million (2022: Rupees 12,090.467 million) is kept in Term Deposit Receipts (TDRs).

	Note	2023 Rupees	2022 Rupees
10 CONTRACT LIABILITIES			
Consumers demand notices awaiting connections	10.1	**6,012,438,551**	6,931,195,779
Funds received against deposit works	10.2	**32,540,298,501**	27,023,880,712
		38,552,737,052	33,955,076,491

10.1 These represent amounts received from consumers through demand notices against which the related works / jobs have not been completed. These contributions are received in accordance with GoP notified approved rates on every new connection.

	2023 Rupees	2022 Rupees
10.1.1 Consumers demand notices awaiting connections		
Balance as at beginning of the year	**6,931,195,779**	6,101,107,912
Add: addition during the year	**5,101,819,956**	5,422,972,275
	12,033,015,735	11,524,080,187
Less: transferred to deferred credit against completed jobs	**(5,322,254,831)**	(4,592,884,408)
Less: transferred to other income	**(698,546,000)**	-
Balance as at end of the year	**6,012,214,904**	6,931,195,779

10.2 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.

	2023 Rupees	2022 Rupees
10.2.1 Funds received against deposit works		
Balance as at beginning of the year	**27,023,880,712**	23,022,247,357
Add: addition during the year	**10,354,467,769**	5,737,103,387
	37,378,348,481	28,759,350,744
Less: transferred to deferred credit against completed jobs	**(2,314,229,980)**	(1,735,470,032)
Less: transferred to other income	**(2,523,820,000)**	-
Balance as at end of the year	**32,540,298,501**	27,023,880,712
11 DEFERRED CREDIT		
Balance as at beginning of the year	**99,796,519,987**	93,468,165,547
Add: transferred from contract liabilities	**7,636,261,164**	6,328,354,440
	107,432,781,151	99,796,519,987
Less: Accumulated amortization		
Balance as at beginning of the year	**34,214,944,337**	30,848,446,171
Amortization for the year	**3,660,012,645**	3,366,498,166
	37,874,956,982	34,214,944,337
Balance as at end of the year	**69,557,824,169**	65,581,575,650

11.1 This represents the capital contributions received from consumers and Government against which assets are constructed by the Company and are being amortized over the useful life of the respective assets.

	Note	2023 Rupees	2022 Rupees
12 TRADE AND OTHER PAYABLES			
Creditors		**1,752,236,130**	3,261,706,398
Due to associated companies	12.1	**150,769,893,074**	172,940,326,164
Surcharges payable	12.2	**5,929,632,751**	6,085,105,920
Duties, charges and taxes	22.7	**-**	-
Accrued liabilities		**1,878,388,086**	1,217,194,473
Contract liabilities		**1,480,902,264**	1,480,902,264
Retention money payable		**490,238,967**	422,026,395
carry forward		**162,301,291,273**	185,407,261,614

	Note	2023 Rupees	2022 Rupees
brought forward		**162,301,291,273**	185,407,261,614
Compact Fluorescent Lamps cost payable	12.3	**-**	807,373,696
Net metering payable		**663,360,044**	-
Workers' profit participation fund	12.4	**3,156,432,725**	3,156,432,725
Liquidity damages		**1,008,522,840**	570,140,831
Other liabilities		**1,787,685,074**	2,371,444,146
		168,917,291,956	192,312,653,012

12.1 Due to associated companies

	Note	2023 Rupees	2022 Rupees
Central Power Purchasing Agency (Guarantee) Limited (CPPA)	12.1.1	**139,119,524,926**	163,248,997,237
National Transmission and Despatch Company Limited (NTDC)		**11,452,090,654**	9,335,005,030
Hyderabad Electric Supply Company Limited (HESCO)		**7,657,040**	752,725
Gujranwala Electric Power Company Limited (GEPCO)		**4,226,787**	21,569,967
Faisalabad Electric Supply Company Limited (FESCO)		**111,554,632**	284,823,038
Power Information Technology Company (Private) Limited (PITC)		**74,839,035**	49,178,167
		150,769,893,074	172,940,326,164

12.1.1 The Company has received various invoices from CPPA representing late payment charges (supplementary charges) being the share of the Company in the mark-up charged to CPPA by Independent Power Producers (IPPs) on account of delayed payments aggregating to Rupees 46,408.33 million (2022: Rupees 38,509.10 million).

As mentioned in Para 18 of tariff determination by NEPRA communicated through letter no. NEPRA/TRF-283/MEPCO-2014/4264-4266 dated 27 March 2015 and Para 8.10 and 20 of tariff determination by NEPRA communicated through letter no. NEPRA/TRF-332/MEPCO-2015/2697-2699 dated 29 February 2016, 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 delay payments of invoices.

NEPRA has decided that the late payment charges (supplementary charges) recovered from consumers on utility bills shall be offset against the late payment charges (supplementary charges) invoices raised by CPPA and CPPA cannot account for late payment charges (supplementary charges) over and above what is calculated as per agreement. Therefore, no provision for late payment charges (supplementary charges) of Rupees 28,041.303 million (2022: Rupees 25,770.386 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.

Further, the Company has received credit note no. PPA-392/MEPCO-48 dated September 14, 2023 from CPPA-G regarding reversal of differential supplemental charges of Rs. 3,018.93 million which were previously invoiced by CPPA-G but not recorded by the Company. As a result, after incorporating the effect of of this credit note the unrecorded supplemental charges would amount to Rs. 25,023.30 million at year end.

12.2 Surcharges payable

	2023 Rupees	2022 Rupees
Equalization surcharge payable	**2,240,154,254**	2,239,832,663
Electricity duty payable	**-**	60,614,566
Neelum Jhelum surcharge payable	**347,274,011**	343,052,285
T.V license fees payable	**169,906,943**	173,151,328
Finance cost surcharge	**1,347,462,417**	1,444,957,976
Tariff rationalization surcharge	**1,824,835,127**	1,823,497,102
	5,929,632,751	6,085,105,920

12.3 During financial year 2013-14, the Company had received Compact Fluorescent Lamps (CFLs) from Pakistan Electric Power Company (PEPCO) under the Clean Development Mechanism (CDM) Program of activities - "National CFL Project - Pakistan". During the year, same has been transferred to other income based on PC-1 of the project as the cost was to be borne by Governement of Pakistan.

12.4 The Company has not made payment of its contribution towards Workers' Profit Participation Fund (WPPF), being the Company's liability on account of provision of Companies Profit (Workers' Participation) Act, 1968 up till 30 June 2023. 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 of amount aggregating to Rupees 4,741.80 million (2022: Rupees 3,123.47 million) on unpaid amount has been recognized by the Company in these financial statements as required under Companies Profit (Workers' Participation) Act, 1968.

13 ACCRUED MARK-UP

	2023 Rupees	2022 Rupees
Foreign re-lent loans	**968,825,226**	1,111,311,372
Cash development loan	**92,960,555**	95,278,000
Overdue mark-up on foreign re-lent and cash development loans	**9,224,950,132**	8,018,529,347
	10,286,735,913	9,225,118,719

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 Large number of small cases have been filed against the Company, primarily by the Company's employees, customers and vendors, the quantum of which cannot be estimated reliably. However, the management is of the view that in the overall context of these financial statements, there would be no significant liability of the Company against such cases.

14.1.2 Income Tax

(i) 1. Minimum Tax – Tax year 2007 and 2008

Additional Commissioner Inland Revenue (ACIR), RTO, Multan initiated proceedings u/s 122 on January 29, 2009 for tax year 2007 and 2008. Subsequently the learned ACIR issued an order against MEPCO vide order no 92/10/ dated February 26, 2009 and has charged income tax u/s 113 of the Income Tax Ordinance, 2001 (the "Ordinance") on turnover for tax year 2007 amounting to Rs. 153 million and for tax year 2008 amounting to Rs. 72 million along with default surcharge amounting to Rs. 9.9 million and Rs. 2 million for tax year 2007 and 2008 respectively.

Being aggrieved by the order of ACIR, an appeal was filed before CIR (A) on March 21, 2009. The learned CIR (A) issued an order against MEPCO vide order dated April 30, 2009 and upheld the order of learned ACIR.

Second appeal was filed before Appellate Tribunal Inland Revenue on May 14, 2009. ATIR upheld the order of learned CIR (A) order dated July 27, 2009.

Being aggrieved by the above mentioned orders, a writ petition was filed before Hon'ble High court vide petition no PTR 44/2011 and PTR 43/2011. The Hon'ble High Court remanded back the case to the full bench of ATIR to decide the case which is still pending for adjudication.

(ii) Minimum Tax – Tax year 2009 to 2010

The ACIR, RTO, Multan initiated proceedings u/s 122 on January 01, 2015 and created demand of R.s 5.6m. The ACIR had confirmed the demand via order no. 10/07 dated February 02, 2015. Being aggrieved by the order of ACIR, MEPCO filed an appeal before CIR(A). CIR(A) had upheld the demand. MEPCO filed second appeal before ATIR. The matter is still pending before ATIR for adjudication.

(iii) Minimum Tax – Tax year 2010 and 2013

Additional Commissioner Inland Revenue (ACIR), RTO, Multan amended deemed assessment u/s 120 of the Income Tax Ordinance, 2001 (the "Ordinance") for tax year 2010 and 2013 by passing an order no. 10/07 u/s 122 (5) (A) of the Ordinance dated February 02, 2015 and no. 19/18 dated April 14, 2015 respectively on the grounds that MEPCO had not discharged its liability of minimum tax u/s 113 and 113 C of the Ordinance and created a demand of Rs. 5.63 million for Tax year 2010 and Rs. 109.82 million for Tax year 2013.

Being aggrieved from the impugned orders, MEPCO filed appeals before Commissioner Inland Revenue (Appeals) (CIR (A)) on May 05, 2015. The learned CIR (A) issued an order dated September 23, 2015 and upheld the order of learned ACIR.

MEPCO, being aggrieved, filed second appeal against the order of CIR (A) before honorable Appellate Tribunal Inland Revenue (ATIR) on October 19, 2015, which is still pending for adjudication.

(iv) Minimum Tax-Tax Year 2014

Additional Commissioner Inland Revenue (ACIR), RTO, Multan amended the deemed assessment for the tax year 2014 vide order bearing bar code no. 100000008089093 dated November 12, 2015 u/s 122 (5A) of the Ordinance on the ground that the minimum tax liability under section 113 of the Ordinance has not been discharged and thereby created a demand of Rs. 1,736 million.

Being aggrieved by the order of ACIR, an appeal was filed with learned CIR (A) dated December 03, 2015 decided the case vide appellate order dated March 29, 2016 and upheld the order of ACIR.

A second appeal filed before ATIR on April 05, 2016 on the basis of the same grounds as used in the case mentioned in sr. 1 for tax year 2010 and tax year 2013 which is pending for adjudication.

(v) Proceedings u/s 122 read with section 113-

The learned ACIR, RTO Multan started proceedings for amendment of assessment u/s 122 of the Ordinance for Tax Year 2016 vide Show cause notice bearing bar code no. 100000029073948 dated January 17, 2018. By ignoring all the submissions, the learned ACIR issued an order u/s 122 (5A) of the Ordinance vide bar code no. 100000032291023 dated April 13, 2018 against MEPCO by raising the demand amounting to Rs. 1,294 million.

Being aggrieved by the order of learned ACIR, MEPCO has filed appeal before CIR (A) on May 11, 2018, which has been decided by CIR (A) in favor of MEPCO on February 10, 2021. Being aggrieved from the order, department filed an appeal before ATIR which is still pending for adjudication.

(vi) Minimum Tax-Tax Year 2017

Additional Commissioner Inland Revenue (ACIR), RTO Multan passed the order for tax year 2017 that the Company was liable to pay Rs. 1,303 million being higher of minimum tax under section 113 and 113 (C) of the Ordinance. The assessment already finalized under section 120(1) of the Ordinance, therefore, being erroneous in so far as prejudicial to the interest of revenue, is amended under section 122 of the Ordinance.

Being aggrieved by the impugned order, MEPCO filed appeal before the CIR (A) and the same was upheld by the learned CIR (A).

Second appeal against the order of CIR (A) have been filed before ATIR on May 25, 2021 which is pending for adjudication.

(vii) Minimum Tax-Tax Year 2018

Additional Commissioner Inland Revenue (ACIR), RTO Multan passed the order for tax year 2018 that the Company was liable to pay Rs. 2,269 million being higher of minimum tax under section 113 and 113 (C) of the Ordinance. The assessment already finalized under section 120(1) of the Ordinance, therefore, being erroneous in so far as prejudicial to the interest of revenue, is amended under section 122 of the Ordinance.

Being aggrieved by the impugned order, MEPCO filed appeal before the CIR (A) and the same was upheld by the learned CIR (A).

Second appeal against the order of CIR (A) have been filed before ATIR on March 10, 2022 which is pending for adjudication.

(viii) Minimum Tax-Tax Year 2019

Additional Commissioner Inland Revenue (ACIR), RTO Multan passed the order for tax year 2019 that the Company was liable to pay Rs. 2,915 million being higher of minimum tax under section 113 and 113 (C) of the Ordinance. The assessment already finalized under section 120(1) of the Ordinance, therefore, being erroneous in so far as prejudicial to the interest of revenue, is amended under section 122 of the Ordinance.

Being aggrieved by the impugned order, MEPCO filed appeal before the CIR (A) on April 25, 2022 which is pending for adjudication.

(ix) Minimum Tax-Tax Year 2020

Additional Commissioner Inland Revenue (ACIR), RTO Multan passed the order for tax year 2020 that the Company was liable to pay Rs. 3,002 million being higher of minimum tax under section 113 and 113 (C) of the Ordinance. The assessment already finalized under section 120(1) of the Ordinance, therefore, being erroneous in so far as prejudicial to the interest of revenue, is amended under section 122 of the Ordinance.

Being aggrieved by the impugned order, MEPCO filed appeal before the CIR (A) on April 14, 2023 which is pending for adjudication.

(x) Minimum Tax-Tax Year 2022

The learned ACIR, RTO Multan started proceedings for amendment of assessment u/s 122 of the Ordinance for Tax Year 2022 vide Show cause notice bearing bar code no. 100000147387262 dated March 02, 2023 which is pending for adjudication.

(xi) Income Tax Audit - Tax Year 2011

Assistant Commissioner Inland Revenue (ACIR), RTO, Multan started proceedings by issuing show cause notice u/s 122 of the Ordinance for tax year 2011 vide 1688 dated April 19, 2017. By ignoring all submissions made by MEPCO, the learned ACIR issued an order vide 14/39 dated June 22, 2017 that the taxpayer company was liable to pay Rs. 226 million due to violation of certain provisions of Ordinance.

Being aggrieved from the impugned order, MEPCO filed an appeal before the CIR (A) on July 7, 2017 and CIR(A) annulled the order on February 10, 2021. Against the order of CIR (A), the department filed a second appeal before ATIR on May 06, 2021. Now the case is pending before ATIR.

(xii) Income Tax Audit - Tax Year 2016

Assistant Commissioner Inland Revenue (ACIR), RTO, Multan started proceedings by issuing show cause notice u/s 122 of the Ordinance for tax year 2016 vide 100000116798605 dated January 21, 2022. By ignoring all submissions made by MEPCO, the learned ACIR issued an order vide 100000126337617 dated June 25, 2022 that the taxpayer company was liable to pay Rs. 1,294 million due to violation of certain provisions of Ordinance.

Being aggrieved by the impugned order, MEPCO filed appeal before the CIR (A) on August 12, 2022 which is pending for adjudication.

(xiii) Withholding income tax on Service Charges on

The IRAO, RTO, Multan initiated proceedings through show cause notice on April 20, 2012 vide E&C unit-02/MN/799, 797, and 798 for tax year 2010, 2011 and 2012 respectively. Subsequently, the learned ACIR issued an order u/s 124/162/205 vide 10/62 dated June 24, 2015 and raised a demand of income tax amounting to Rs. 52.906 million treating service fee for the collection of PTV license fees as commission rather than as service fee.

Against the above said order, an appeal was filed before the Learned CIR (A) on August 11, 2015 which is decided in favor of MEPCO vide appellate order dated March 29, 2016 and the case was remanded back to the learned ACIR with direction to recalculate the service charges/service fee according to the agreement of WAPDA with PTV.

Against the order of CIR (A), RTO, Multan has filed 2nd appeal before ATIR who vide order dated December 01, 2022 decided the matter in the favor of the company.

(xiv) Withholding income tax u/s 161/205-Tax Year

After initiating proceedings u/s 161/205 vide show cause notice no. 625 dated June 02, 2017, the learned ACIR, RTO, Multan issued an order bearing bar code no. 100000026203200 dated November 09, 2017 u/s 161 of the Ordinance and raised the demand of tax amounting to Rs. 191 million along with default surcharge amounting to Rs. 13 million on the ground that income tax was not deducted by MEPCO while making payments to certain parties.

Being aggrieved by the order of ACIR, MEPCO filed an appeal before CIR (A) on December 13, 2017 and CIR(A) annulled the order on February 10, 2021. Against the order of CIR (A), the department filed a second appeal before ATIR on May 06, 2021. Now the case is pending before ATIR.

(xv) Withholding income tax u/s 161/205-Tax Year

The IRAO, RTO, Multan initiated proceedings u/s 161/205 of the Ordinance vide notice no. 291 dated May 09, 2013 regarding discharging of liability to deduct income tax on different heads of account. By ignoring submissions made by MEPCO, the learned IRAO issued an order vide 10/47 dated October 21, 2013 and raised the demand of income tax amounting to Rs. 718 million along with default surcharge amounting to Rs. 161 million.

Being aggrieved by the above said order, MEPCO filed an appeal before CIR (A) on November 19, 2013. The Learned CIR (A) issued an order dated February 24, 2014 and confirmed/upheld the demand of Rs. 379 million.

Being aggrieved by the order issued by CIR (A), a second appeal was filed before ATIR which is decided against MEPCO vide order no. ITA no. 565/LB.2014 dated June 11, 2014 and the order of CIR (A) was maintained by ATIR.

Against the orders of the above mentioned all learned officers, a writ petition vide tax reference no. 27 of 2014 was filed before honorable High court to address the main issue in the above orders of chargeability of income tax u/s 235 on the differential amount of sales tax. The honorable court decided the case on July 02, 2016 in favor of MEPCO, as a result of which the demand of Rs. 301 million is deleted. To give the effect of High Court judgement, the learned ACIR, RTO, Multan issued appeal effect order vide DCR no. 03/51 dated September 20, 2017. To give the effect of High Court judgement, the department through appeal effect order, has raised a demand of income tax amounting to Rs. 77 million along with default surcharge amounting to Rs. 66 million.

Being aggrieved, further appeal was filed before CIR (A) on December 15, 2017, CIR (A) remanded the case back to the department for rehearing on February 22, 2021. Being aggrieved the department has filed a second appeal before ATIR on May 06, 2021. Now the case is pending before ATIR.

(xvi) Proceedings u/s 161 for advance tax u/s 235-

The ACIR, RTO, Multan initiated proceedings through show cause notice no. 826798-1 dated May 17, 2018 u/s 161 regarding advance tax collection of the differential amount of sales tax for tax year 2011. Subsequently, the ACIR issued an order no 02/30 dated August 28, 2018 and raised the demand of income tax amounting to Rs. 307 million and default surcharge amounting to Rs. 364 million.

Against the above said order, an appeal was filed before the Learned CIR (A) on August 26, 2018 which CIR(A) set aside the order on January 29, 2021. Against the order of CIR (A), the department filed a second appeal before ATIR on April 07, 2021. Now the case is pending before ATIR.

(xvii) Withholding tax u/s 161/205 - Tax Year 2018

Deputy Commissioner Inland Revenue (DCIR), initiated proceedings u/s 161/205 through show cause notice no. 100000053757151 dated July 07, 2019. The learned DCIR issued an order on March 21, 2021 raising demand of income tax amounting to Rs. 21,334 million on the grounds that MEPCO has not made tax deduction u/s 161/205 of the Ordinance on various payments.

Being aggrieved by the above order, an appeal was filed before CIR (A) against which the learned CIR (A) issued an order favoring MEPCO on June 10, 2021 on withholding of tax u/s 235 and partially confirmed stance of DCIR for non-withholding of tax on various payments on u/s 161 of the ordinance.

Being aggrieved by the order of learned CIR (A), an appeal was filed before ATIR which is still pending for adjudication.

(xviii) Withholding tax u/s 161/205 - Tax Year 2014

Deputy Commissioner Inland Revenue DCIR, initiated proceedings u/s 161/205 through show cause notice no. 22 dated November 11, 2020. The learned DCIR issued an order on November 17, 2020 raising demand of income tax amounting to Rs. 2,801.9 million on the grounds that MEPCO has made not made tax deduction u/s 161 of the Ordinance on various payments.

Being aggrieved by the above order, an appeal was filed before CIR (A) on the grounds that MEPCO is not liable to withheld income tax u/s 161/235 of the Ordinance from the parties having valid exemptions and the case is also time barred. The learned CIR (A) rejected the contentions of MEPCO and issued an order dated March 24, 2021.

Being aggrieved by the order of learned CIR (A), an appeal was filed before ATIR who vide order dated May 03, 2023 decided the matter in the favor of the company and remanded back to DCIR.

(xix) Withholding tax u/s 161/205 -Tax Year 2019

Deputy Commissioner Inland Revenue (DCIR), initiated proceedings u/s 161/205 through show cause notice no. 100000105146811 dated September 24, 2021. The learned DCIR issued an order on December 31, 2021 raising demand of income tax amounting to Rs. 16,985 million on the grounds that MEPCO has not made tax deduction u/s 161/205 of the Ordinance on various payments.

Against the above said order, an appeal was filed before the Learned CIR (A) on February 11, 2022 who decided the case vide order dated May 05, 2023 against the company. Being aggrieved by the order of CIR(A), a second appeal was filed before ATIR on February 02, 2023 which is still pending for adjudication.

14.1.3 Sales Tax:

(i) Sales tax audit proceedings- Tax period July

The Deputy Commissioner Inland Revenue (DCIR), RTO, Multan initiated proceeding through notice no. 532 dated April 28, 2016 and then passed an order vide Audit unit-01/Corporate Zone/TAMS-0763/2010-11/529 dated December 14, 2016 through which demand of sales tax was raised for amounting Rs. 10,054 million.

Being aggrieved by the decision, MEPCO filed appeal before the CIR (A) on January 16, 2017. The learned CIR (A) issued an order u/s 45B of the Sales Tax Act, 1990 (the "Act") against MEPCO and upheld the order of DCIR on August 04, 2017.

Being aggrieved by the order of the learned CIR (A), a second appeal was filed before ATIR on September 18, 2017 who decided the case in favor of MEPCO and remanded the case to the ACIR.

ACIR has once again made demand of sales tax amounting to Rs. 6,095 million and penalty of amounting to Rs. 304.780 million vide order no. 38/2019-ST dated June 23, 2020. Being aggrieved with the decision, an appeal was filed in CIR(A) dated July 29, 2020 which CIR(A) set aside the order on January 06, 2021. Against the order of CIR (A), the department filed a second appeal before ATIR on April 07, 2021. Now the case is pending before ATIR.

(ii) Sales tax Audit-Tax period July 2012 to June

The Deputy Commissioner Inland Revenue (DCIR), RTO, Multan started proceedings against MEPCO by issuing show cause notice vide Audit unit-01/Corp. Zone/TAMS-0389/2012-2013/139 dated December 14, 2016. By ignoring submissions of MEPCO, the learned officer issued an order against MEPCO vide 95/2017 dated April 27, 2017 on the grounds that MEPCO is required to pay Sales Tax on various heads and raised a demand of sales tax amounting to Rs. 17,185.81 million.

Being aggrieved by the decision, MEPCO filed an appeal before the CIR (A) on May 25, 2017. CIR (A) has decided the case by issuing order on July 23, 2018 in favor of MEPCO by annulling the DCIR order. Against the order of CIR (A), the department filed a second appeal before ATIR on April 07, 2021. Now the case is pending before ATIR.

(iii) Sales tax Audit-Tax period July 2016 to June

The Deputy Commissioner Inland Revenue (DCIR), RTO, Multan started proceedings against MEPCO by issuing show cause notice vide 45 dated December 07, 2020. By ignoring submissions of MEPCO, the learned officer issued an order against MEPCO vide 11/2021-22 dated March 03, 2022 on the grounds that MEPCO is required to pay Sales Tax on various heads and raised a demand of sales tax amounting to Rs. 2,439.5.

Being aggrieved by the above order, an appeal was filed before CIR (A) on April 29, 2022 who decided the case in against the company vide order June 06, 2023. Being aggrieved by the order of CIR(A), a second appeal was filed before ATIR on June 23, 2023 which is still pending for adjudication.

(iv) Sales tax on supplies to unregistered persons-

The Deputy Commissioner Inland Revenue (DCIR), RTO, Multan initiated proceedings through notice no. 742 dated January 05, 2016 and afterward issued an order vide 19/2016 dated February 05, 2016 alleging that MEPCO has failed to charge sales tax on supplies of electricity made to unregistered persons and raised a demand of sales tax amounting to Rs. 476 million.

Against the above order, the appeal was filed before CIR (A) on November 11, 2016 which is decided against MEPCO and the learned CIR (A) confirmed the order of DCIR. Subsequently, in appeal before ATIR, Hon'ble ATIR decided the case in favor of MEPCO vide order dated April 18, 2018 and remanded back the proceeding to the learned DCIR/ACIR.

In 2nd round of proceedings, ACIR once again issued an order on April 30, 2019 by ignoring the contentions and submissions of MEPCO. Being aggrieved by the order, appeal has been filed before CIR (A), who decided the case in favor of MEPCO and set aside the order of ACIR dated February 22, 2021. Against the order of CIR (A) the department has filed an appeal before ATIR which is still pending.

(v) Extra Tax & Further tax on supplies to

The Deputy Commissioner Inland Revenue (DCIR), RTO, Multan passed an order against MEPCO on March 31, 2014 on the grounds that MEPCO has short paid further tax amounting Rs. 36.8 million and Extra Tax amounting Rs. 23.5 million aggregating to Rs. 60.3 million for the tax period from July 2013 to October 2013.

Being aggrieved by the decision, MEPCO filed appeal before the CIR (A) who upheld the order of DCIR vide order dated May 02, 2015.

Afterwards, a second appeal was filed before ATIR on June 06, 2015 which has been upheld vide order dated May 09, 2022. MEPCO is in the process of filing a reference before the High Court.

(vi) Sales tax on steel melters/re-rollers-Tax

The DCIR, RTO, Multan issued notice no. 741 dated January 05, 2016. Subsequently, the DCIR passed an order vide 18/2016 dated February 19, 2016 and raised a demand of sales tax amounting to Rs. 199 million on the grounds that MEPCO has made taxable supplies to three steel melters / re-rollers but declared lesser quantity of electricity sold to its buyers during the period under consideration.

Being aggrieved by the decision, MEPCO filed appeal before the CIR (A) who upheld the order of DCIR on March 27, 2017. Being aggrieved by the order of CIR (A), second appeal was filed before ATIR. ATIR decided the case in favor of MEPCO vide order dated April 18, 2018 and remanded back the case to DCIR, RTO, Multan.

In 2nd round of proceedings, ACIR once again issued an order on April 02, 2019 by ignoring the contentions and submissions of MEPCO. Being aggrieved by the order, appeal has been filed before CIR (A), who decided the case in favor of MEPCO and set aside the order of ACIR dated February 22, 2021.

(vii) Short payment of sales tax-Tax period July to

The DCIR, RTO, Multan issued notice no. 745 dated January 06, 2016. Subsequently, the DICR passed an order vide 21/2016 dated May 02, 2016 and raised a demand of sales tax amounting to Rs. 691.82 million on the grounds that MEPCO has short paid the amount of tax for tax periods (July-14, Aug-14, Jan-15, Apr-15) in violation of sections 3(1) (A) of the Sales Tax Act, 1990 (the Act).

Against the order of learned DCIR, MEPCO filed appeal before the CIR (A) who upheld the order of DCIR vide order dated March 27, 2017. Afterwards, second appeal was filed before ATIR. ATIR decided the case in favor of MEPCO vide order dated April 18, 2018 and remanded back the case to DCIR, RTO, Multan.

In 2nd round of proceedings, ACIR once again issued an order on May 05, 2019 by ignoring the contentions and submissions of MEPCO. Being aggrieved by the order, appeal has been filed before CIR (A), who decided the case in favor of MEPCO and set aside the order of ACIR dated February 22, 2021.

(viii) Sales tax on retailers-Tax period July to

The DCIR, RTO, Multan issued notice no. 740 dated January 05, 2016 and subsequently passed the order vide 20/2016 dated May 02, 2016 and raised a demand of sales tax amounting to Rs. 22.27 million on the grounds that MEPCO has not charged and paid sales tax on supplies to retailers during the tax periods of July & August 2014 along with default surcharge and penalty of Rs. 1.11 million.

Being aggrieved by the order of DCIR, MEPCO filed appeal before the CIR (A) who upheld the order of DCIR vide order dated March 27, 2016.

Afterwards, a second appeal was filed before ATIR. ATIR decided the case in favor of MEPCO vide order 85 dated April 18, 2018 and remanded back the case to learned DCIR/ACIR.

In 2nd round of proceedings, ACIR once again issued an order and made demand of sales tax amounting to Rs. 22.27 million along with default surcharge and penalty of Rs. 1.11 million on April 30, 2019 by ignoring the contentions and submissions of MEPCO. Being aggrieved by the order, appeal has been filed before CIR (A) and who decided the case vide appellate order dated June 25, 2021 and upheld the order of ACIR.

Being aggrieved by the impugned order, MEPCO file an appeal before ATIR on August 27, 2021 which is still pending for adjudication.

(ix) Extra tax and Further tax-Tax Period July 2016

The ACIR, RTO Multan issued notice no. 421 dated November 17, 2016. Subsequently, the ACIR passed order vide 84 dated April 07, 2017 and raised a demand of sales tax amounting to Rs. 51.9 million on the ground that MEPCO has failed to charge/pay extra tax and further tax on supply of electricity to unregistered persons during the period from July 2016 to September 2016.

Being aggrieved by the order, MEPCO filed an appeal before CIR (A) on May 05, 2017. The learned CIR (A) issued an order on April 11, 2018 in favor of MEPCO by annulling the case. The case is now pending before learned ACIR.

(x) GST Withheld-Tax Period July 2014 to June

The ACIR, RTO Multan passed an order against MEPCO on August 28, 2017 in which he raised a demand of sales tax amounting to Rs. 565 million on the ground that MEPCO has failed to deduct the sales tax during the tax period from July 2014 to June 2016.

Being aggrieved by the said order, MEPCO filed appeal before CIR (A) on October 06, 2017. CIR (A) annulled the case on April 11, 2018. Being aggrieved the department has filed a second appeal before ATIR. Now the case is pending before ATIR.

(xi) Sales tax refund-Tax period July 2009 to October 2009

MEPCO filed claim before DCIR, RTO Multan for sales tax refund amounting Rs. 274 million for the period from July to October 2009. The DCIR issued order vide 122/2016 dated May 18, 2016 rejecting the sales tax refund.

Being aggrieved by the order of DCIR, MEPCO filed an appeal before the CIR (A) on June 22, 2016. The learned CIR (A) issued his judgement in favor of MEPCO and annulled the order of DCIR on February 08, 2018. Being aggrieved the department has filed a second appeal before ATIR. Now the case is pending before ATIR.

(xii) Sales tax refund-Tax period November to

MEPCO submitted claim before DCIR, RTO Multan for sales tax refund amounting Rs. 419 million for the period November 2009 to December 2009. The DCIR issued order vide 123/2016 dated May 18, 2016 rejecting the application of sales tax refund.

Being aggrieved, MEPCO filed appeal before the CIR (A) on June 22, 2016. The CIR (A) issued judgement in favor of MEPCO and annulled the order of DCIR on February 08, 2018. Being aggrieved the department has filed a second appeal before ATIR. Now the case is pending before ATIR.

(xiii) Short payment of sales tax on supply to

The DCIR, RTO, Multan initiated proceeding through notice no. 651 dated December 18, 2015 and subsequently issued an order vide 09/2016 dated April 15, 2016 on the assumption that MEPCO has failed to charge sales tax on supply of electricity to retailers during the month of October 2015 raising demand of sales tax amounting to Rs. 23 million along with default surcharge amounting to Rs. 1.16 million.

Being aggrieved by the order of DCIR, MEPCO filed appeal before the CIR (A) on the ground that sales tax was not subject to charge on certain retailers under the provision of STGO 66/2014 dated July 21, 2015.

The CIR (A) issued judgement on February 08, 2018 in favor of MEPCO and annulled the order of DCIR. Against the order of CIR (A), the department filed a second appeal before ATIR on June 02, 2018. Now the case is pending before ATIR.

(xiv) GST Withheld-Tax period July 2016 to June

The ACIR, RTO Multan initiated proceedings vide show cause notice no. 684 dated December 04, 2017 and raised question of withholding of GST withheld (1/5) amounting to Rs. 84 million. After submission made by MEPCO, the learned ACIR accepted the contentions of MEPCO to the extent of GST withheld amounting to Rs. 65 million. However, the learned officer rejected the submission on account of GST withheld amounting to Rs. 19 million and issued an order vide 174/2018 dated February 28, 2018 and raised a demand for sales tax amounting to Rs. 19 million along with default surcharge amounting to Rs. 1.9 million.

Being aggrieved by the order of ACIR, MEPCO filed appeal before the CIR (A) on March 30, 2018. The learned CIR (A) issued an order on July 10, 2018 in favor of MEPCO and annulled the order of ACIR. Being aggrieved, the department has filed an appeal before ATIR which is still pending for adjudication.

(xv) Sales tax withholding PRA-Tax period July

The Additional Commissioner PRA (ACPRA), Multan issued an order no. ENF-I, Unit-01, WH/112/2016-17 dated November 28, 2016 by alleging that MEPCO has failed to withhold Punjab sales tax amounting Rs. 1,645 million on payments made on account of services acquired by MEPCO.

Being aggrieved by the order, MEPCO filed an appeal before Commissioner Appeal PRA. The learned Commissioner Appeal PRA issued an order no. 27/2017 dated November 14, 2017 and reduced the tax liability to Rs. 71 million along with penalty of Rs. 3.5 million.

Being aggrieved by the decision of Commissioner Appeal PRA, MEPCO has filed second appeal before Appellate Tribunal PRA on December 22, 2017, who decided the case against MEPCO but deleted the penalty of Rs. 3.5 million. Against the order of Appellate Tribunal PRA, MEPCO has filed a writ petition in High Court which is still pending for adjudication.

(xvi) Sales tax withholding PRA-Tax period July

The Additional Commissioner PRA (ACPRA), Multan issued an order no. PRA/MTN/SC/Adc/1798 dated November 03, 2021 by alleging that MEPCO has failed to withhold Punjab sales tax amounting Rs. 10,453 million on payments made on account of services acquired by MEPCO. By ignoring the fact of the case, ACPRA issued an order on April 05, 2022 against MEPCO.

Being aggrieved by the order, MEPCO filed an appeal before Commissioner Appeal PRA on May 12, 2022 which is still pending for adjudication. Meanwhile, MEPCO has also filed writ petition before Hon'ble High Court against the said proceedings and the Hon'ble High Court has directed the PRA to not to take any coercive actions against MEPCO.

(xvii) Proceedings for wrong claim of input tax on

The ACIR, RTO Multan initiated proceedings through notice no. 151 dated June 04, 2018 alleging that MEPCO claimed inadmissible input tax amounting to Rs. 33 million on purchase of cement. By ignoring the fact of the case, ACIR issued an order on August 17, 2018 against MEPCO.

Appeal against the ACIR order was filed before CIR (A), which CIR(A) set aside the order on January 29, 2021. Against the order of CIR (A), the department filed a second appeal before ATIR on April 07, 2021. Now the case is pending before ATIR.

(xviii) Default surcharge for late filing of sales tax

The ACIR, RTO Multan initiated proceedings through notice on April 02, 2019 alleging that MEPCO filed sales tax returns after the due date as prescribed in the Act. ACIR subsequently issued an order against MEPCO vide OIO no 47/2019 dated July 23, 2019 and raised a demand of penalty and default surcharge amounting to Rs. 19,800/- and 5,103,383/- respectively.

Appeal against the ACIR order was filed before CIR (A) on August 23, 2019 which is decided in favor of MEPCO on August 06, 2020 by annulling the order of learned ACIR and remanded the case back for review of the facts.

In 2nd round of proceedings, ACIR once again ordered against MEPCO. Being aggrieved by the order, appeal has been filed before CIR (A), who also decided the case against MEPCO dated June 26, 2021. Against the order of CIR (A), MEPCO has filed a second appeal before ATIR on August 27, 2021. Now the case is pending

(xix) Sales tax on free electricity supplies to

The ACIR, RTO Multan issued notice on November 22, 2018 and alleged that MEPCO has not charged sales tax on electricity supplied to employees free of cost. Subsequently, ACIR issued an order on March 22, 2019 and raised demand of sales tax amounting to Rs. 1056.59 million.

Being aggrieved, an appeal was filed before CIR (A), who decided the case in favor of MEPCO and set aside the order on February 10, 2021. Against the order of CIR (A), the department has filed an appeal before ATIR dated May 06, 2021. Now the case is pending before ATIR.

(xx) Sales tax on reconnection fee - Tax Year 2016

The ACIR, RTO Multan issued notice on November 22, 2018 and alleged that MEPCO has not charged sales tax on reconnection fees recovered from consumers. By ignoring the facts of the case, ACIR subsequently issued an order on March 20, 2019 and raise demand of sales tax amounting to Rs. 9.35 million.

Being aggrieved, an appeal was filed before CIR (A), who decided the case against MEPCO on June 25, 2021. Against the order of CIR (A), MEPCO has filed an appeal before ATIR on August 27, 2021. ATIR vide order February 6, 2023 decided the matter in favour of the company.

(xxi) Sales tax on Government Subsidy-Tax period

The Deputy Commissioner Inland Revenue (DCIR), RTO, Multan passed an order against MEPCO on November 19, 2012 by incorrectly treating the "Subsidy" aggregating to Rs. 24,739.75 million as taxable supplies under the Act and also taxed another item namely unexplained difference amounting to Rs.925.29 million and has created a demand of Rs. 4,363 million on these accounts.

Being aggrieved by the order, MEPCO filed appeal before the CIR (A) on December 26, 2012 who upheld the order of DCIR on February 12, 2013.

Afterwards, second appeal was filed before ATIR and vide its order no. STA 247/LB/2013 dated December 19, 2014 the point of unexplained income was remanded back to DCIR and point of the subsidy was upheld against which MEPCO.

Being aggrieved by the decision of ATIR, an appeal was filed before Honorable Lahore High Court who remanded back the case to the full bench of ATIR to decide the case. The full bench of ATIR vide its order dated March 04, 2021 has now decided in favor of MEPCO that sales tax is not applicable on amount of subsidy received from the Government. Against the order of ATIR, the department has filed an appeal before Honorable High court which is still pending.

(xxii) Sales tax on Tariff Differential Subsidy - Tax

The ACIR, RTO Multan issued notice on November 22, 2018 and alleged that MEPCO has not charged sales tax on Tariff Differential Subsidy (TDS). By ignoring the facts of the case, ACIR subsequently issued an order on March 18, 2019 and raised demand of sales tax amounting to Rs. 4,516.7 million.

Being aggrieved, an appeal was filed before CIR (A), who decided the case in favor of MEPCO and set aside the order on February 22, 2021. Against the order of CIR (A), the department has filed an appeal before ATIR dated May 06, 2021. Now the case is pending before ATIR.

(xxiii) Sales tax on Tariff Differential Subsidy - Tax

The ACIR, RTO Multan issued notice no. 188 on April 05, 2021 and alleged that MEPCO has not charged sales tax on Tariff Differential Subsidy (TDS) and MEPCO has no specific exemption regarding withholding of tax on advertisement expense as per Sales Tax Special Procedure (Withholding) Rules, 2007. By ignoring the facts of the case, ACIR subsequently issued an order on June 15, 2021 and raised demand of sales tax amounting to Rs. 10,683 million.

Being aggrieved by the above order, an appeal was filed before CIR (A) against which the learned CIR (A) issued an order in favor of MEPCO on TDS on and confirmed action of DCIR on advertisement expense.

Being aggrieved by the order of learned CIR (A), an appeal was filed before ATIR which is still pending for adjudication.

(xxiv) Sales tax on Tariff Differential Subsidy - Tax

The ACIR, RTO Multan issued notice no. 289 on June 14, 2021 and alleged that MEPCO has not charged sales tax on Tariff Differential Subsidy (TDS) and MEPCO has no specific exemption regarding withholding of tax on advertisement expense as per Sales Tax Special Procedure (Withholding) Rules, 2007. By ignoring the facts of the case, ACIR subsequently issued an order on August 23, 2021 and raised demand of sales tax amounting to Rs. 18,300 million.

Being aggrieved by the above order, an appeal was filed before CIR (A) against which the learned CIR (A) issued an order in favor of MEPCO on TDS on and confirmed action of DCIR on advertisement expense.

Being aggrieved by the order of learned CIR (A), an appeal was filed before ATIR which is still pending for adjudication.

(xxv) Inadmissible input tax-January 2016 to June

The ACIR, RTO Multan initiated proceedings alleging that MEPCO claimed inadmissible input tax amounting to R.s 7.7 million. By ignoring the reply and supporting documents, ACIR issued an order against MEPCO and raised a demand of sales tax amounting to Rs. 7.7 million.
Being aggrieved by the above order, an appeal was filed before CIR (A) who decided the case against MEPCO on August 05, 2021. Against the order of CIR (A), MEPCO has filed an appeal before ATIR on October 08, 2021. ATIR decided the case in favor of MEPCO vide order 191 dated June 15, 2022 and remanded back the case to learned DCIR/ACIR. Again DCIR/ACIR passed an order dated December 12, 2022. Being aggrieved by the order of DCIR/ACIR, MEPCO filed an appeal before CIR(A) dated January 20, 2023. Now the matter is pending before CIR(A) for adjudication.

(xxvi) Inadmissible input tax-February 2018 to May

The ACIR, RTO Multan initiated proceedings alleging that MEPCO claimed inadmissible input tax amounting to R.s 0.747 million. By ignoring the reply and supporting documents, ACIR issued an order against MEPCO and raised a demand of sales tax amounting to Rs. 7.7 million.
Being aggrieved by the above order, an appeal was filed before CIR (A) on April 29, 2022 who decided the case in favor of the company vide order dated November 11, 2022.

(xxvii) Inadmissible input tax on steel melters -July

The ACIR, RTO Multan initiated proceedings alleging that MEPCO claimed inadmissible input tax on supply to steel melters of amounting to R.s 464 million. By ignoring the reply and supporting documents, ACIR issued an order against MEPCO and raised a demand of sales tax amounting to Rs. 126 million.
Being aggrieved by the above order, an appeal was filed before CIR (A) on October 08, 2021 who decided the matter in favor of the company.

(xxviii) Inadmissible input tax on steel melters -July

The ACIR, RTO Multan initiated proceedings alleging that MEPCO claimed inadmissible input tax on supply to steel melters of amounting to R.s 420 million. By ignoring the reply and supporting documents, ACIR issued an order against MEPCO and raised a demand of sales tax amounting to Rs. 223.60 million.
Being aggrieved by the above order, an appeal was filed before CIR (A) who decided case in favor of MEPCO on January 21, 2022 and remanded back the case to ACIR. Against the order of learned CIR (A), the department has filed an appeal before ATIR which is still pending for adjudication.

(xxix) Short payment on sale of scrap – Tax year

The ACIR/DCIR, LTO Multan initiated proceedings via show cause notice no. 135 dated September 15, 2022 alleged short payment of sales tax paid on sale of scrap and created demand of R.s. 14m. After going through the submissions modified demand to R.s. 3m via order no. 10 dated December, 2023. Being aggrieved by the decision of ACIR/DCIR, MEPCO filed an appeal before CIR(A) dated January 23, 2023. Now the matter is pending before CIR(A) for adjudication.

(xxx) Sales Tax Audit under section 72B – Tax year

The ACIR/DCIR, LTO Multan initiated proceedings via show cause notice no. 68 dated April 4, 2023 alleged short payment of sales tax amounting to R.s 5191m. The matter is still pending before ACIR/DCIR for adjudication.

The ACIR/DCIR, LTO Multan initiated proceedings via show cause notice no. 138 dated May 26, 2023 and alleged short payment of sales tax amounting to R.s. 3923m. The matter is still pending before ACIR for adjudication.

The ACIR/DCIR, LTO Multan initiated proceedings via show cause notice no. 246 dated December 16, 2023 and alleged short payment of sales tax amounting R.s 230m. The ACIR passed the order via No. 13/2022-2023 dated May 26, 2023. Being aggrieved by the decision of ACIR/DCIR, MEPCO filed an appeal before CIR(A) on June 23, 2023. The matter is still pending for adjudication.

14.2 Commitments

Letters of credit for capital expenditure and other than capital expenditure are of Rupees 812.37 million (2022: Rupees 6,355.213 million). Keeping in view the nature of Company's business, segregation of capital expenditure and other than capital expenditure is not possible at this stage.

	Note	**2023 Rupees**	2022 Rupees
15 PROPERTY, PLANT AND EQUIPMENT			
Capital work-in-progress	15.1	**22,405,348,739**	19,754,100,989
Operating fixed assets	15.2	**117,578,792,546**	109,658,857,643
		139,984,141,285	129,412,958,632
15.1 Capital work-in-progress			
Civil works		**145,191,940**	259,919,869
Distribution equipment		**22,260,156,799**	19,494,181,120
		22,405,348,739	19,754,100,989
15.1.1 Movement in capital work-in-progress			
Balance as at beginning of the year - gross		**20,016,693,510**	17,124,171,155
Add: Additions during the year		**11,172,790,598**	7,057,574,247
		31,189,484,108	24,181,745,402
Less: Transferred to operating fixed assets	15.1.3	**(8,501,016,276)**	(4,165,051,892)
Balance as at end of the year - gross		**22,688,467,832**	20,016,693,510
Provision for capital work-in-progress			
Balance as at beginning of the year		**262,592,521**	216,943,067
Add: Impairment for the year	29	**20,526,572**	45,649,454
		283,119,093	262,592,521
Balance as at end of the year		**22,405,348,739**	19,754,100,989

15.1.2 Depreciation capitalized related to capital work-in-progress was Rupees 12.54 million (2022: Rupees 34 million). Moreover operating expenses of Rupees 933 million (2022: Rupees 584 million) have also been included in capital work-in-progress.

	2023 Rupees	2022 Rupees
15.1.3 Opening CWIP projects transferred to operating fixed assets	**4,989,030,485**	3,001,788,060
CWIP projects started during the year and transferred to ope	**3,511,985,791**	1,163,263,832
Total CWIP projects transferred to operating fixed assets	**8,501,016,276**	4,165,051,892

15.2 OPERATING FIXED ASSETS

	Land Freehold	Land Leasehold	Buildings on freehold land	Office equipment	Distribution equipment	Other plant and equipment	Vehicles	Total
	Rupees							
As at June 30, 2021								
Cost	401,196,784	2,277,338	4,880,519,776	664,277,585	154,799,859,663	991,330,136	1,412,406,035	163,151,867,317
Accumulated depreciation	-	(790,164)	(1,247,217,456)	(424,572,918)	(53,793,430,828)	(497,172,356)	(935,541,212)	(56,898,724,934)
Net book value	401,196,784	1,487,174	3,633,302,320	239,704,667	101,006,428,835	494,157,780	476,864,823	106,253,142,383
Year ended June 30, 2022								
Opening net book value	401,196,784	1,487,174	3,633,302,320	239,704,667	101,006,428,835	494,157,780	476,864,823	106,253,142,383
Additions	-	-	215,552,315	4,883,471	8,873,591,422	59,088,091	-	9,153,115,299
Disposals / Adjustments	-	-	-	-	-	-	(11,154,580)	(11,154,580)
Depreciation charge	-	-	(95,257,381)	(54,929,413)	(5,436,300,384)	(72,825,199)	(76,933,082)	(5,736,245,459)
Closing net book value	401,196,784	1,487,174	3,753,597,254	189,658,725	104,443,719,873	480,420,672	388,777,161	109,658,857,643
As at June 30, 2022								
Cost	401,196,784	2,277,338	5,096,072,091	669,161,056	163,673,451,085	1,050,418,227	1,401,251,456	172,293,828,037
Accumulated depreciation	-	(790,164)	(1,342,474,837)	(479,502,331)	(59,229,731,212)	(569,997,555)	(1,012,474,295)	(62,634,970,394)
Net book value	401,196,784	1,487,174	3,753,597,254	189,658,725	104,443,719,873	480,420,672	388,777,161	109,658,857,643
Year ended June 30, 2023								
Opening net book value	**401,196,784**	**1,487,174**	**3,753,597,254**	**189,658,725**	**104,443,719,873**	**480,420,672**	**388,777,161**	**109,658,857,643**
Additions	**-**	**-**	**453,087,618**	**14,994,260**	**13,616,275,724**	**31,253,933**	**699,786**	**14,116,311,321**
Disposals / Adjustments	**-**	**-**	**-**	**-**	**(1,418,898)**	**-**	**-**	**(1,418,898)**
Depreciation charge	**-**	**-**	**(101,133,823)**	**(55,189,030)**	**(5,892,771,541)**	**(75,391,001)**	**(70,472,127)**	**(6,194,957,522)**
Closing net book value	**401,196,784**	**1,487,174**	**4,105,551,049**	**149,463,955**	**112,165,805,158**	**436,283,604**	**319,004,820**	**117,578,792,544**
As at June 30, 2023								
Cost	**401,196,784**	**2,277,338**	**5,549,159,709**	**684,155,316**	**177,288,307,911**	**1,081,672,160**	**1,401,951,242**	**186,408,720,460**
Accumulated depreciation	**-**	**(790,164)**	**(1,443,608,660)**	**(534,691,361)**	**(65,122,502,753)**	**(645,388,556)**	**(1,082,946,420)**	**(68,829,927,914)**
Net book value	**401,196,784**	**1,487,174**	**4,105,551,049**	**149,463,955**	**112,165,805,158**	**436,283,604**	**319,004,822**	**117,578,792,546**
Annual rate of depreciation (%)	**-**	**-**	**2**	**10**	**3.5**	**10**	**10**	

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

15.2.2 Furniture and fixture have been included in other plant and equipment and computers have been included in office equipment.

15.2.3 Title of some of freehold land has not been transferred with the name of the Company. Book value of such freehold land is not available separately.

15.2.4 On March 01, 2019, the Company entered into an Authorization and Interest agreement with Power Holding (Private) Limited (PHPL) and Meezan Bank Limited (MBL), in which the Company authorized PHPL to carry out "Certain Actions" in relation to Relevant Transaction Assets representing freehold land at Bahawalpur, Khanpur, Dera Ghazi Khan, Jampur, Bahawalnagar, Multan, Tounsa Shareef, Arifwala and Sahiwal having combined area of 1181 kanal and 14 marla of Rupees 256.94 million disclosed in note 15.2. Certain actions include selling the Relevant Transaction Assets to MBL and creating a security interest over the same for the purpose of enabling PHPL to raise financing through the Sukuk issue. In addition to this agreement, PHPL entered into an Asset Purchase Agreement with MBL for selling the Relevant Transaction Assets to MBL which include the land of the Company and of other distribution and generation companies for a total purchase price of Rupees 200,000 million against which Sukuk certificates have been issued by PHPL for a period of ten years.

	Note	2023 Rupees	2022 Rupees

15.3 DEPRECIATION ALLOCATION

Depreciation charge for the year has been allocated as follows:

	Note	2023 Rupees	2022 Rupees
Operating cost		**6,182,414,130**	5,702,236,440
Transfer to capital work-in-progress	15.1.2	**12,543,392**	34,009,019
		6,194,957,522	5,736,245,459

16 INTANGIBLE ASSETS

Computer Softwares

	2023 Rupees	2022 Rupees
Opening book value	-	-
Amortization charged during the year	-	-
Closing book value	-	-
Cost	**86,476,981**	86,476,981
Accumulated amortization	**(86,476,981)**	(86,476,981)
Net book value	-	-
Amortization rate (per annum)	**20%**	20%

16.1 These include SAP software, Dongle Software and Global Positioning System (GPS).

17 LONG TERM LOANS TO EMPLOYEES

	Note	2023 Rupees	2022 Rupees
House building / purchase of plots		**242,816,482**	137,753,336
Vehicles		**14,254,216**	17,721,363
		257,070,698	155,474,699
Less: Current portion	21	**53,397,330**	35,044,166
		203,673,368	120,430,533

17.1 Loans for house building and purchase of plot are repayable in ten years, car and motor cycle loans in five years and bicycle loans in four years. As per the Company's policy, interest is charged equal to the profit rate applied on 'General Provident Fund' which is 12.40% per annum for the current year (2022: 7.9%). The principal and interest amount is recoverable in equal monthly installments.

18 LONG TERM DEPOSITS

These represent security deposits with utility companies against connections.

19 STORES AND SPARE PARTS

	Note	2023 Rupees	2022 Rupees
Stores		**8,884,803,441**	8,776,811,014
Spare parts		**244,261,858**	356,523,742
		9,129,065,300	9,133,334,756
Less: Provision for stores and spare	19.1	**665,622,239**	355,031,463
		8,463,443,060	8,778,303,293

19.1 Provision for slow moving and obsolete items of stores and spare parts

	Note	2023 Rupees	2022 Rupees
Balance as at beginning of the year		**355,031,463**	211,293,595
Add: Provision for the year	29	**310,590,776**	143,737,868
Balance as at end of the year		**665,622,239**	355,031,463

		Note	2023 Rupees	2022 Rupees
20	**TRADE DEBTS**			
	Considered good - unsecured		**65,069,311,455**	94,417,538,728
	Considered doubtful		**18,492,495,377**	12,613,695,778
			83,561,806,832	107,031,234,506
	Allowance for expected credit losses	20.1	**(18,492,495,377)**	(12,613,695,778)
			65,069,311,455	94,417,538,728

20.1 Allowance for expected credit losses

	2023	2022
Balance as at beginning of the year	**12,613,695,778**	12,505,349,978
Add: Expected credit loss allowance for the year	**5,903,781,369**	420,545,586
	18,517,477,147	12,925,895,564
Less: Trade debts written off during the	**(24,981,770)**	(312,199,786)
Balance as at end of the year	**18,492,495,377**	12,613,695,778

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

20.3 Aging analysis of these trade debts is as follows:

	2023 Rupees	2022 Rupees
Not past due yet	**12,140,133,168**	33,110,475,875
Due up to 1 months	**4,882,747,318**	3,135,194,936
Due up to 2 months	**1,025,480,023**	521,789,191
2 to 3 months	**989,708,960**	372,834,918
3 to 6 months	**2,188,677,067**	554,722,663
6 months to 1 year	**2,102,636,602**	742,072,809
1 year to 3 years	**3,378,946,027**	4,349,091,751
3 years and above	**7,016,177,152**	5,175,984,293
Deferred arrears (1 year to 3 years)	**9,735,492,343**	7,760,904,488
Balances due from Government	**40,101,808,172**	51,308,163,582
	83,561,806,832	107,031,234,506

20.4 Trade debts include fuel price adjustment for the period from November 2019 to June 2020 amounting to Rupees 3,261.50 million which was to be charged to the consumers in the month of August and September 2020 as per the S.R.O. 700(I)/2020 dated August 07, 2020. However the above balances remained unbilled to the consumers during the year. Power Information Technology Company (Private) Limited (PITC) through its letter dated October 27, 2021 confirmed that the non-chargeability of this adjustment from the consumers was stopped on the instructions of Ministry of Energy (MOE) till further order. No further order was issued by MOE up till June 30, 2022. During the year, the Company has recognised provision against this receivable balance.

20.5 As per the NEPRA notification S.R.O. 1441(1)/2022 dated August 12, 2022, the Company had accounted for the Fuel Price Adjustment (FPA) of Rs. 16,847.13 million for the month of June 2022 during the year ended June 30, 2022. Originally, the intention was to recover this amount from consumers in their August 2022 electricity bills. However, the Ministry of Energy (MOE) directed the Company not to bill or recover this amount for consumers with monthly electricity consumption of 300 units or less in June 2022 through their letter no. Tariff/XWDISCOs-2018/19 dated August 24, 2022 and letter no. Tariff/XWDISCOs-2018/19(FCA) dated September 03, 2022. Consequently, the Company billed consumers only Rs. 8,688.97 million in August 2022, and Rs. 8,158.16 million remained unbilled to the consumers in August 2022.

Similarly, during current financial year as per notification S.R.O. 1727(1)/2022 dated September 12, 2022, the Company had accounted for the FPA of Rs. 7,708.44 million for July 2022, meant to be recovered in September 2022 electricity bills. Again, the MOE instructed the Company not to bill or recover this amount from consumers with monthly electricity consumption of 300 units or less in July 2022 through their letter no. Tariff/XWDISCOs-2018/19 dated September 16, 2022. As a result, the Company billed consumers Rs. 4,489.79 million in September 2022, with Rs. 3,218.65 million remaining unbilled in the same month.

Subsequently, NEPRA's vide its notification SRO 326(1)/2023 dated March 09, 2023, directed the Company to recover these deferred FPAs for June and July 2022 over 8 months, starting from March 01, 2023. As a result, the Company billed Rs. 4,989.42 million for June and Rs. 1,990.04 million for July 2022. Moreover, Rs. 3,168.73 million and Rs. 1,228.61 million for June and July 2022, respectively is to be billed to the consumers in next four months i.e., from July 01, 2023 to October 31, 2023.

		Note	**2023 Rupees**	2022 Rupees
21	**LOANS AND ADVANCES**			
	Employees against expenses		**34,082,358**	26,251,274
	Advances to suppliers		**231,362,711**	229,265,728
	Current portion of long term loans and a	17	**53,397,330**	35,044,166
			318,842,399	290,561,168
22	**OTHER RECEIVABLES**			
	Due from associated companies / underl	22.1	**6,855,905,437**	6,294,503,036
	Sales tax receivable from consumers		**6,933,237,659**	5,604,699,046
	Subsidies receivable from Government	22.4	**64,390,732,642**	64,791,368,955
	Duties, charges and taxes	22.7	**-**	-
	Receivable against damaged items		**21,129,279**	27,065,336
	Others		**133,208,845**	49,673,272
			78,334,213,862	76,767,309,645
22.1	**Due from associated companies / undertakings**			
	Jamshoro Power Company Limited (GENCO-I)		**4,881,917**	3,905,958
	Guddu Power Generation Company Limited (GENCO-II)		**449,322,275**	379,265,827
	Northern Power Generation Company Limited (GENCO-III)		**1,461,364,510**	1,132,839,982
	Lakhra Power Generation Company Limited (GENCO-IV)		**933,633**	1,556,669
	Lahore Electric Supply Company Limited (LESCO)		**427,112,533**	361,785,050
	Quetta Electric Supply Company Limited (QESCO)		**61,998,637**	53,456,835
	Islamabad Electric Supply Company Limited (IESCO)		**85,713,808**	79,897,570
	Peshawar Electric Supply Company Limited (PESCO)		**440,527,999**	429,599,513
	Sukkur Electric Power Company Limited (SEPCO)		**6,809,984**	6,664,971
	WAPDA Current Account		**3,546,278,062**	3,507,099,032
	WAPDA Welfare Fund		**370,962,079**	338,431,629
			6,855,905,437	6,294,503,036
22.2	The aging analysis of amount due from associated companies / undertakings is as follows:			
	Upton 6 months		**623,590,770**	674,002,557
	6 months to 1 year		**509,240,312**	252,749,155
	1 year to 3 years		**2,562,422,022**	527,113,081
	3 years and above		**3,160,652,333**	4,840,638,243
			6,855,905,437	6,294,503,036
22.3	The maximum aggregate amount due from associates / undertakings at the end of any month during the year are as follows:			
	Jamshoro Power Company Limited (GENCO-I)		**1,937,592**	696,397
	Guddu Power Generation Company Limited (GENCO-II)		**48,361,857**	47,680,310
	Northern Power Generation Company Limited (GENCO-III)		**108,854,518**	52,998,975
	Lakhra Power Generation Company Limited (GENCO-IV)		**252,130**	227,907
	Lahore Electric Supply Company Limited (LESCO)		**74,235,031**	36,907,436
	Quetta Electric Supply Company Limited (QESCO)		**1,293,710**	3,494,280
	Islamabad Electric Supply Company Limited (IESCO)		**5,844,065**	7,270,326
	Peshawar Electric Supply Company Limited (PESCO)		**15,777,692**	23,852,899
	Sukkur Electric Power Company Limited (SEPCO)		**13,029,074**	1,606,629
	WAPDA Current Account		**17,817,367**	2,397,690,780
	WAPDA Welfare Fund		**10,672,640**	4,995,038

	Note	2023 Rupees	2022 Rupees
22.4 Subsidies receivable from Government			
GST subsidy	22.5	**33,470,004,432**	28,363,518,677
Agriculture subsidy receivable from Government of Punjab		**150,006,763**	150,006,763
Tariff differential subsidy receivable	22.6	**29,806,563,213**	35,041,721,633
Industrial Support		**964,158,234**	1,236,121,882
		64,390,732,642	64,791,368,955

22.5 These include balances of Rupees 31,696.8 million (2022: Rupees 26,589.87) receivable from Government of Punjab and Rupees 1,773.32 (2022: Rupees. 1,773.32 million) receivable from Governement of Pakistan.

22.6 National Electric Power Regulatory Authority (NEPRA) determines the tariff for the Company to be charged to consumers. However, the Government of Pakistan (GoP) sometime notifies lesser rate to be charged to the consumers. The difference of determined rate by NEPRA and notified rate by GoP is given to the Company in the shape of subsidies. This includes tariff differential subsidy and subsidy on Applicable Quarterly Tariff Adjustment (AQTA).

	2023 Rupees	2022 Rupees
22.7 Duties, charges and taxes		
Receivables not yet realized:		
Electricity duty	**635,117,443**	463,223,998
Income tax	**930,387,186**	685,562,044
Other taxes	**522,462,000**	391,100,999
Neelum Jhelum surcharge	**160,931,895**	166,278,366
Debt service surcharge	**4,246,609,925**	1,824,459,941
Universal obligation surcharge	**99,449,660**	101,874,346
T.V license fee	**181,712,020**	157,934,860
Equalization surcharge	**3,958,530**	4,202,443
	6,780,628,659	3,794,636,997
Payables not yet realized:		
Electricity duty	**(635,117,443)**	(463,223,998)
Income tax	**(930,387,186)**	(685,562,044)
Other taxes	**(522,462,000)**	(391,100,999)
Neelum Jhelum surcharge	**(160,931,895)**	(166,278,366)
Debt service surcharge	**(4,246,609,925)**	(1,824,459,941)
Universal obligation surcharge	**(99,449,660)**	(101,874,346)
T.V license fee	**(181,712,020)**	(157,934,860)
Equalization surcharge	**(3,958,530)**	(4,202,443)
	(6,780,628,659)	(3,794,636,997)
	-	-

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

23 SALES TAX RECEIVABLE

This include Rupees 4,139.03 million against sales tax refunds due from the Government relating to financial years from 2009-10 to 2011-12. An Application for request to allow input tax carry forward by cancelling the applications for refund claims was filed by the Company dated April 26, 2018. The Company also filed a Writ Petition No. 589/2019 dated July 11, 2019 before High Court Multan Bench which is pending adjucation.

24 SHORT TERM INVESTMENTS

These represent term deposit receipts placed with different banks having maturity period of more than three months to one year at profit rates of 21% (2022: 15%) per annum. Out of these term deposit receipts of Rs. 100 million is marked as lien with bank for issuance of bank gaurantee. Further, this also include Rupees 13,000 million of long term security deposits received from consumers as disclosed in note 9.

2023	2022

		Note	Rupees	Rupees
25	**BANK BALANCES**			
	Current accounts		**2,378,662,126**	7,556,408,440
	Deposit accounts	25.1	**22,377,586,058**	30,663,274,687
			24,756,248,184	38,219,683,127

25.1 This includes deposit with various banks and the rate of profit on these deposit accounts ranges between 7.5% to 19.5% (2022: 5.3% to 10.75%) per annum.

		2023 Rupees	2022 Rupees
26	**SALE OF ELECTRICITY - NET**		
	Gross sales	**443,144,646,783**	401,051,643,105
	Less: Sales tax	**70,181,478,563**	55,207,731,691
		372,963,168,220	345,843,911,414

27 TARIFF DIFFERENTIAL SUBSIDIES

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

28 COST OF ELECTRICITY

The Company purchased electricity from CPPA and other private power producers. The electricity purchased during the year has been accounted for according to invoices issued by CPPA.

		Note	2023 Rupees	2022 Rupees
29	**DISTRIBUTION COST EXCLUDING DEPRECIATION**			
	Salaries, wages and other benefits		**12,627,610,271**	11,208,226,902.03
	Staff retirement benefits	8.2	**15,694,562,210**	7,926,517,701
	Repair and maintenance		**1,207,706,626**	1,752,301,008
	Travelling and conveyance		**787,897,191**	720,857,419
	Transportation		**750,993,952**	479,561,310
	Advertising and publicity		**33,955,261**	30,507,831
	Office supplies and other expenses		**92,017,495**	65,752,933
	Legal and professional		**33,307,375**	32,928,113
	Auditors' remuneration	29.1	**4,975,000**	4,950,000
	Power, light and water		**183,379,848**	130,456,944
	Fees and subscriptions		**303,145,246**	205,396,945
	Telephone and postage		**90,731,112**	61,176,142
	Management fees		**152,813,911**	89,032,605
	Rent, rates and taxes		**31,042,771**	27,833,706
	Insurance		**61,716,784**	60,399,356
	Impairment of capital work in progress	15.1.1	**20,526,572**	45,649,454
	Provision stores and spare parts	19.1	**310,590,776**	143,737,868
	Late payment charges (supplementary charges)	29.2	**5,628,321,643**	3,103,827,729
	Other charges		**27,375,643**	52,880,570
			38,042,669,686	26,141,994,538
	Less: Charged to capital work-in-progress	15.1.2	**933,418,690**	584,021,600
			37,109,250,997	25,557,972,938
29.1	**Auditor's remuneration**			
	Audit fee		**2,000,000**	2,000,000
	Tax consultancy fee		**2,700,000**	2,700,000
	Reimbursable expenses		**275,000**	250,000
			4,975,000	4,950,000

29.2 These include supplemental charges of Rupees 5,628.32 million (2022: Rupees 3,103.8 million) passed on the Company, which comprise re-allocation of mark-up on late payments imposed by Independent Power Producers (IPPs) to CPPA on the basis of average outstanding balance.

		Note	2023 Rupees	2022 Rupees
30	**CUSTOMER SERVICES COST**			
	Salaries, wages and other benefits		**918,899,860**	686,741,779
	Staff retirement benefits	8.2	**2,633,783,241**	2,179,429,232
	Repair and maintenance		**9,440,415**	4,231,992
	Travelling and conveyance		**122,665,980**	113,073,230
	Electricity bills collection charges		**493,095,117**	606,194,525
	Transportation		**22,827,704**	18,729,329
	Office supplies and other expenses		**257,112,737**	184,321,142
	Power, light and water		**34,637,161**	32,496,662
	Fees and subscriptions		**461,847,928**	372,483,991
	Telephone and postage		**63,335,821**	38,336,368
	Rent, rates and taxes		**449,154**	598,872
	Other charges		**2,447,720**	2,990,521
			5,020,542,839	4,239,627,641
31	**OTHER INCOME**			
	Income from financial assets:			
	Profit on bank deposits and term deposit receipts		**5,567,288,749**	2,326,335,082
	Late payment surcharge		**5,628,321,643**	3,103,827,729
			11,195,610,391	5,430,162,811
	Income from non-financial assets:			
	Commission on T.V license fee services		**58,144,729**	56,352,459
	Meter / service rent		**74,057,014**	69,028,044
	Service charges		**139,707,586**	667,681,559
	Reconnection fees		**57,597,061**	52,872,147
	Contract liabilites transferred to other income		**3,222,366,000**	-
	Sale of scrap		**447,567**	7,908,400
	Miscellaneous		**1,428,299,410**	588,298,165
	Liabilities written back		**807,373,696**	-
			5,787,993,064	1,442,140,774
			16,983,603,455	6,872,303,585
32	**FINANCE COST**			
	Mark-up on long term financing		**1,061,617,194**	1,206,589,372
	Mark-up transferred from GoP		**-**	788,499,051
	Bank charges and commission		**2,744,365**	3,449,823
			1,064,361,559	1,998,538,246
33	**TAXATION**			
33.1	**Current tax**			
	For the year		**937,059,499**	4,327,557,090
33.2	**Relationship between tax expense and accounting profit**			
	Loss before taxation		**(22,436,066,195)**	(18,486,873,702)
	Tax calculated at appliacble rate of 29% (2022: 29%)		**(6,506,459,196)**	(5,361,193,373)
	Difference of NTR and turnover tax		**937,059,499**	4,327,557,090
	Deferred tax not recognized as asset		**6,506,459,196**	5,361,193,373
			937,059,499	4,327,557,090

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

	2023 Rupees	2022 Rupees
Deferred tax asset		
Deferred income tax effect due to:		
Accelerated tax depreciation	**(21,366,639,901)**	(20,251,223,274)
Allowance for expected credit losses	**5,362,823,659**	3,657,971,776
Provision for slow moving and obsolete items of stores and spare parts	**193,030,449**	102,959,124
Staff retirement benefits	**39,945,217,286**	31,522,055
Unused tax losses and credit	**168,650,458,268**	158,313,671,008
Deferred tax asset	**192,784,889,762**	141,854,900,689

33.4 The unused tax losses would expire as follows:

Accounting year to which the unused tax losses relates	Amount of unused tax losses	Accounting year in which unused tax losses will expire
	Rupees	
2018	80,639,803,988	2024
2019	86,563,621,515	2025
2020	66,877,530,644	2026
2021	50,658,533,373	2027
2022	79,938,585,148	2028
2023	88,992,978,724	2029
	453,671,053,392	

33.5 The minimum tax would expire as follows:

Accounting year to which the minimum tax relates	Amount of minimum tax	Accounting year in which minimum tax will expire
	Rupees	
2021	3,251,711,413	2026
2022	4,323,048,893	2027
2023	932,407,921	2028
	8,507,168,227	

34 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other shareholders and to maintain an optimal capital structure to reduce the cost of capital. As public interest entity, financial support is available to the Company from Federal Government and WAPDA in the form of delayed settlement of CPPA against electricity purchase, tariff revision and subsidy on purchases.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, less cash and cash equivalents.

	2023 Rupees	2022 Rupees
The gearing ratios is as follows:		
Long term financing	**14,199,064,506**	14,217,397,831
Accrued mark-up	**10,286,735,913**	9,225,118,719
Total debt	**24,485,800,419**	23,442,516,550
Total equity	**(119,311,751,505)**	(86,716,839,122)
Total capital	**(94,825,951,086)**	(63,274,322,572)
Gearing ratio	**-26%**	-37%

35 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	2023			
	Long term financing	**Long term security deposits**	**Contract Liabilities and deferred credit**	**Total**
	---Rupees---			
Balance as at July 01, 2022	**14,217,397,831**	**12,453,362,239**	**99,536,652,141**	**126,207,412,211**
Financing obtained	**-**	**-**	**-**	**-**
Repayment of financing	**(18,333,325)**	**-**	**-**	**(18,333,325)**
Security deposits received	**-**	**1,140,388,547**	**-**	**1,140,388,547**
Receipts against deposit works	**-**	**-**	**12,233,921,725**	**12,233,921,725**
Amortization of deferred credit	**-**	**-**	**(3,660,012,645)**	**(3,660,012,645)**
Balance as at June 30, 2023	**14,199,064,506**	**13,593,750,786**	**108,110,561,221**	**135,903,376,513**

	2022			
	Long term financing	Long term security deposits	Contract Liabilities and deferred credit	Total
	---Rupees---			
Balance as at July 01, 2021	14,250,175,730	11,395,508,533	91,743,074,645	117,388,758,908
Financing obtained	-	-	-	-
Repayment of financing	(32,777,899)	-	-	(32,777,899)
Security deposits received	-	1,057,853,706	-	1,057,853,706
Receipts against deposit works	-	-	11,160,075,662	11,160,075,662
Amortization of deferred credit	-	-	(3,366,498,166)	(3,366,498,166)
Balance as at June 30, 2022	14,217,397,831	12,453,362,239	99,536,652,141	126,207,412,211

36 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, directors and executives of the Company are as follows:

	2023	2022	**2023**	2022
	Chief Executive Officer		**Executives**	
	---Rupees---			
Basic pay	**3,509,860**	1,830,850	**112,620,781**	87,281,233
Allowances	**3,934,700**	3,400,172	**110,756,899**	80,671,526
Meeting fee	**3,060,000**	2,650,000	**-**	-
	10,504,560	7,881,022	**223,377,680**	167,952,759
Number of persons	**1**	1	**67**	67

36.1 The Chief Executive Officer is provided unfurnished accommodation, free electricity, free use of the Company's maintained vehicle 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 the Company's maintained vehicle and telephone facility as per the Company's rules.

36.2 Aggregate amount charged in the financial statements for meeting fee to 16 directors (2022: 10) was Rupees 28.947 million (2022: Rupees 25.196 million).

36.3 No remuneration was paid to any Director of the Company and Rupees 60,000 (2022: Rupees 60,000) was paid to each Director for meeting.

37 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies / undertakings and key management personnel. Detail of transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	Note	**2023 Rupees**	2022 Rupees
Associated companies / undertakings:			
Purchase of electricity		**438,573,956,481**	406,934,603,535
Free supply of electricity provided to employees of associated companies		**377,441,707**	248,174,985
Free supply of electricity received by employees of the Company		**56,065,509**	99,438,805
Electricity bills of the Company received by associated companies		**2,913,412**	1,341,904
Electricity bills of associated companies received by the Company		**12,332,091**	4,237,515
Pension paid to employees of associated companies		**1,299,994,563**	1,309,427,588
Pension received by employees of the Company from associated companies		**380,815,234**	302,115,356
Finance cost		**1,061,617,194**	1,995,088,423

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

37.2 Associated companies / undertakings with whom the Company have transactions during the year:

Name of the related party	**Basis of relationship**	**% of shareholding**
Jamshoro Power Company Limited (GENCO-I)	GoP holding	Not applicable
Central Power Generation Company Limited (GENCO-II)	GoP holding	Not applicable
Northern Power Generation Company Limited (GENCO-III)	GoP holding	Not applicable
Lakhra Power Generation Company Limited (GENCO-IV)	GoP holding	Not applicable
National Transmission and Despatch Company Limited(NTDC)	GoP holding	Not applicable
Central Power Purchasing Agency (Guarantee) Limited (CPPA)	GoP holding	Not applicable
Lahore Electric Supply Company Limited (LESCO)	GoP holding	Not applicable
Quetta Electric Supply Company Limited (QESCO)	GoP holding	Not applicable
Islamabad Electric Supply Company Limited (IESCO)	GoP holding	Not applicable
Peshawar Electric Supply Company Limited (PESCO)	GoP holding	Not applicable
Hyderabad Electric Supply Company Limited (HESCO)	GoP holding	Not applicable
Sukkur Electric Power Company Limited (SEPCO)	GoP holding	Not applicable
Faisalabad Electric Supply Company Limited (FESCO)	GoP holding	Not applicable
Gujranwala Electric Power Company Limited (GEPCO)	GoP holding	Not applicable
Water and Power Development Authority (WAPDA)	GoP holding	Not applicable
Power Information Technology Company (Private) Limited	GoP holding	Not applicable

37.2.1 The Company and all of the above mentioned companies / undertakings are under common control of the Government of Pakistan with the Ministry of Water and Power.

38 NUMBER OF EMPLOYEES

	2023	**2022**
Number of employees at the year end	**14,702**	15,005
Average number of employees during the year	**14,821**	15,287

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company has exposure to the following risks from financial instruments:
a) Credit risk
b) Liquidity risk
c) Market risk

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

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

The Board of Directors of the Company oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

39.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties 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. Keeping in view short term and long-term outlook of each sector, management has taken into consideration the factors while calculating expected credit losses against trade debts and other receivables.

The Company monitors the credit quality of its financial assets with reference to the historical performance of such assets and available external credit ratings. The carrying values of the financial assets exposed to credit risk are as follows:

	2023 Rupees	2022 Rupees
Trade debts	**65,069,311,455**	94,417,538,728
Loans and advances	**257,070,698**	155,474,699
Accrued interest	**295,721,200**	107,552,341
Deposits	**49,185**	49,185
Other receivables	**13,943,481,219**	11,975,940,690
Short term investment	**13,100,000,000**	-
Bank balances	**24,756,248,184**	38,219,683,127
	117,421,881,940	144,876,238,770

To manage exposure to credit risk in respect of trade debts, management takes into account the long standing business relationships with these counterparties, and after giving due consideration to their strong financial standing, including obtaining security deposits from them, the management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, credit risk is minimal.

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

Based on the past experience and deliberations management has recognized expected credit losses in respect of

39.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with the financial instruments. The management is closely monitoring the Company's liquidity and cash flow position through its treasury function and ensures availability of funds by maintaining credit facilities available from financial institutions. The liquidity management also involves monitoring of liquidity ratios and maintaining debt financing plans.

Table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted cash flows:

	June 30, 2023				
	Carrying amount	**Contractual cash flows**	**6 months or less**	**6-12 months**	**More than 3 years**
	(Rupees)				
Non-derivative financial liabilities:					
Long term financing	**14,199,064,506**	**14,199,064,506**	**7,135,975,187**	**396,278,107**	**6,666,811,212**
Long term security deposits	**13,593,750,786**	**13,593,750,786**	**-**	**-**	**13,593,750,786**
Trade and other payables	**165,087,330,663**	**165,087,330,663**	**165,087,330,663**	**-**	**-**
Accrued mark-up	**9,225,118,719**	**9,225,118,719**	**9,225,118,719**	**-**	**-**
	202,105,264,673	**202,105,264,674**	**181,448,424,569**	**396,278,107**	**20,260,561,998**

	June 30, 2022				
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 3 years
	(Rupees)				
Non-derivative financial liabilities:					
Long term financing	14,217,397,831	20,552,221,902	1,002,616,696	969,607,061	18,579,998,145
Long term security deposits	12,453,362,239	12,453,362,239	-	-	12,453,362,239
Trade and other payables	187,675,318,023	187,675,318,023	187,675,318,023	-	-
Accrued mark-up	9,225,118,719	9,225,118,719	9,225,118,719	-	-
	223,571,196,812	229,906,020,883	197,903,053,438	969,607,061	31,033,360,384

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June. The rates of mark-up have been disclosed in Note 7 to these financial statements.

trade debts as given in Note 20 to the financial statements.

The credit quality of the Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating			2023	2022
	Short term	Long term	Agency	(Rupees)	
Allied Bank Limited	A1+	AAA	PACRA	**762,426,747**	1,166,388,784
United Bank Limited	A-1+	AAA	VIS	**143,691,766**	178,268,718
MCB Bank Limited	A1+	AAA	PACRA	**30,783,118**	352,289,820
Habib Bank Limited	A-1+	AAA	VIS	**13,105,376,255**	4,469,558,588
National Bank of Pakistan	A1+	AAA	PACRA	**785,671,189**	4,595,071,677
The Bank of Punjab	A1+	AA+	PACRA	**4,205,583,017**	349,336,150
Bank Alfalah Limited	A1+	AA+	PACRA	**5,000,863,585**	8,384,105,336
Bank Al-Habib Limited	A1+	AAA	PACRA	**6,104,024,727**	172,142,927
Meezan Bank Limited	A-1+	AAA	VIS	**5,066,207**	5,477,162
Soneri Bank Limited	A1+	AA-	PACRA	**1,002,452,878**	4,224,975,863
Askari Bank Limited	A1+	AA+	PACRA	**948,755**	28,362,850
Faysal Bank Limited	A1+	AA	PACRA	**5,128,697,009**	17,990,214
Habib Metropolitan Bank	A1+	AA+	PACRA	**12,992**	6,875,005,456
Standard Chartered Bank Limited	A1+	AAA	PACRA	**1,064**	1,536
Zarai Taraqiati Bank Ltd	A-1+	AAA	VIS	**52,704,306**	26,589,366
Summit Bank	A-3	BBB-	VIS	**270,100**	-
JS Bank Limited	A1+	AA-	PACRA	**9,352,916**	8,490,201
Silkbank Limited	A-2	A-	VIS	**-**	-
AlBaraka Bank (Pakistan) Limited	A-1	A+	PACRA	**109,416**	38,374
Dubai Islamic Bank Pakistan Limited	A-1+	AA	VIS	**367,646**	812,559
Bank Islami Pakistan Ltd	A1	AA-	PACRA	**234,600**	167,012
Trust Investment Bank Ltd	N/A	N/A	N/A	**214,383,418**	214,383,418
Punjab Provincial Bank Ltd	N/A	N/A	N/A	**9,165,640**	39,373,617
Pakistan Post Office	N/A	N/A	N/A	**1,294,060,833**	7,110,853,499
				37,856,248,184	38,219,683,127

39.3 Market Risk

Market risk is the risk that the value of the financial instruments may fluctuate as a result of change in foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

a) Foreign currency risk

Foreign currency risk is the risk that the future cash flows of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is not exposed to any foreign currency risk as there was no foreign party transaction during the year and no receivable and payable balance in foreign currency at the year end.

b) Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company mitigates its risk against exposure by maintaining adequate bank balances. Majority of the interest rate exposure arises from long term financing, long term advances, bank balances in saving accounts and term deposit receipts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk. Interest rates are mostly dependent upon Karachi Inter Bank Offered Rate ("KIBOR") as indicated in respective notes.

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

	2023 Rupees	2022 Rupees
Fixed rate instruments		
Financial assets		
Long term advances	**257,070,698**	155,474,699
Term deposit receipts	**13,100,000,000**	-
	13,357,070,698	**155,474,699**
Financial liabilities		
Long term financing	**14,061,123,790**	14,061,123,790
	14,061,123,790	14,061,123,790
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	**22,377,586,058**	30,663,274,687
Short term investments - fixed	**13,100,000,000**	-
	35,477,586,058	30,663,274,687
	62,895,780,546	**44,879,873,176**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 354.75 million (2022: Rupees 306.63 million) higher / lower, mainly as a result of higher / lower interest income on bank balances in deposit accounts. This analysis is prepared assuming amounts of financial instruments outstanding at reporting date were outstanding for the whole year.

c) Other price risk

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

39.4 Financial instruments by categories

	2023 Rupees	2022 Rupees
	At amortized cost	
Financial assets as per statement of financial position:		
Trade debts	**65,069,311,455**	94,417,538,728
Loans and advances	**257,070,698**	155,474,699
Accrued interest	**295,721,200**	107,552,341
Deposits	**49,185**	49,185
Other receivables	**13,943,481,219**	11,975,940,690
Short term investments	**13,100,000,000**	-
Bank balances	**24,756,248,184**	38,219,683,127
	117,421,881,940	144,876,238,770

	2023 Rupees	2022 Rupees
	At amortized cost	
Financial liabilities as per statement of financial position:		
Long term financing	**14,199,064,506**	14,217,397,831
Long term security deposits	**13,593,750,786**	12,453,362,239
Trade and other payables	**168,917,291,956**	191,505,279,316
Accrued mark-up	**10,286,735,913**	9,225,118,719
	206,996,843,160	227,401,158,105

40 RECOGNIZED FAIR VALUE MEASUREMENTS

Fair value hierarchy

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

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

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

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

41 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, for the purpose of better comparison. Following are the major reclassifications that have been made during the period:

Reclassified		Reason	Rupees
From	**To**		
Distribution cost	Customer service cost	Better presentation	686,741,779
Distribution cost	Customer service cost	Better presentation	2,179,429,232
Distribution cost	Customer service cost	Better presentation	4,231,992
Distribution cost	Customer service cost	Better presentation	113,073,230
Distribution cost	Customer service cost	Better presentation	606,194,525
Distribution cost	Customer service cost	Better presentation	18,729,329
Distribution cost	Customer service cost	Better presentation	184,321,142
Distribution cost	Customer service cost	Better presentation	32,496,662
Distribution cost	Customer service cost	Better presentation	372,483,991
Distribution cost	Customer service cost	Better presentation	38,336,368
Distribution cost	Customer service cost	Better presentation	598,872
Distribution cost	Customer service cost	Better presentation	2,990,521
Short term investments	Bank balances	Better presentation	27,500,000,000

42 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on ____________________.

43 GENERAL

Figures have been rounded off to the nearest Rupee unless otherwise stated.

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CHIEF EXECUTIVE OFFICER | **DIRECTOR**