

**MULTAN ELECTRIC POWER  
COMPANY LIMITED**

**FINANCIAL STATEMENTS WITH  
ACCOMPANYING INFORMATION**

**30 JUNE 2020**

## 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 30 June 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of the profit, 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 (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

We draw attention to the following matters:

- a) 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) for supplementary charges, being the mark-up charged on CPPA by Independent Power Producers (IPPs) on account of delayed payments, aggregating to Rupees 16,357.33 million.

# Riaz Ahmad & Company

Chartered Accountants

- b) Note 12.1.2 to the financial statements, interest on workers' profit participation fund amounting to Rupees 1,837.72 million was not accounted for by the Company. Moreover, workers' profit participation fund along with related interest was not paid to the workers due to pending decision of Economic Coordination Committee to exempt the corporatized entities under the umbrella of WAPDA.
- c) Note 12.1.4 to the financial statements describes various matters regarding tax contingencies the ultimate outcome of which cannot be presently determined hence no provision for the same has been made in accompanying financial statements.

Our opinion is not modified in respect of these matters.

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

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

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

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

## **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

# Riaz Ahmad & Company

Chartered Accountants

## **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980)

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

**RIAZ AHMAD & COMPANY**  
**Chartered Accountants**

**Faisalabad**

**Date:**

**MULTAN ELECTRIC POWER COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	NOTE	2020 RUPEES	2019 RUPEES Restated	2018 RUPEES Restated	ASSETS	NOTE	2020 RUPEES	2019 RUPEES	2018 RUPEES
<b>EQUITY AND LIABILITIES</b>									
<b>SHARE CAPITAL AND RESERVES</b>									
<b>Authorized share capital</b>									
5 000 000 000 (2019: 5 000 000 000) ordinary shares of Rupees 10 each									
		50,000,000,000	50,000,000,000	50,000,000,000					
<b>Issued, subscribed and paid up share capital</b>	3	10,823,636,048	10,823,636,048	10,823,636,048					
Deposit for shares	4	31,337,632,169	31,337,632,169	30,590,260,624					
Accumulated loss		(127,536,887,153)	(133,587,076,083)	(106,192,058,629)					
<b>Total equity</b>		(85,375,618,936)	(91,425,807,866)	(64,778,161,957)					
<b>LIABILITIES</b>									
<b>NON-CURRENT LIABILITIES</b>									
Long term financing	5	8,117,630,545	8,811,426,965	9,234,627,888	Stores and spare parts	17	6,328,680,702	8,103,425,849	5,763,585,227
Staff retirement benefits	6	80,582,683,869	79,175,417,563	70,394,154,272	Trade debts	18	51,201,853,926	29,489,190,947	39,154,330,754
Long term security deposits	7	10,179,383,631	9,179,842,474	8,164,534,805	Loans and advances	19	320,793,215	349,920,881	411,795,054
Receipt against deposit works	8	25,803,025,352	20,722,976,017	20,448,934,978	Other receivables	20	94,228,676,437	57,164,705,281	57,697,402,536
Deferred credit	9	59,724,026,331	57,194,876,289	52,220,167,587	Tax refunds due from Government	21	4,621,111,602	6,679,287,571	10,673,864,099
Deferred mark-up		-	-	626,688,464	Accrued interest		157,817,812	103,482,195	48,504,557
		184,406,749,728	175,084,539,308	161,089,107,994	Cash and bank balances	22	17,367,926,676	10,457,887,798	10,220,738,570
							174,226,860,370	112,347,900,522	123,970,220,797
<b>CURRENT LIABILITIES</b>									
Trade and other payables	10	174,852,741,194	123,000,632,069	116,154,515,079					
Accrued mark-up	11	10,788,639,164	9,292,966,980	7,164,857,708					
Current portion of long term financing	5	6,031,857,596	5,376,169,185	4,472,645,281					
Provision for taxation		1,275,956,097	-	-					
		192,949,194,051	137,669,768,234	127,792,018,068					
<b>TOTAL LIABILITIES</b>		377,355,943,779	312,754,307,542	288,881,126,062					
<b>CONTINGENCIES AND COMMITMENTS</b>									
	12								
<b>TOTAL EQUITY AND LIABILITIES</b>		291,980,324,843	221,328,499,676	224,102,964,105	<b>TOTAL ASSETS</b>		291,980,324,843	221,328,499,676	224,102,964,105

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

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 CHIEF EXECUTIVE OFFICER


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 DIRECTOR



**MULTAN ELECTRIC POWER COMPANY LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 RUPEES	2019 RUPEES Restated
SALES OF ELECTRICITY - NET	23	199,343,165,359	165,347,625,359
TARIFF DIFFERENTIAL SUBSIDY	24	79,587,951,363	69,964,631,669
		<u>278,931,116,722</u>	<u>235,312,257,028</u>
COST OF ELECTRICITY	25	(248,407,080,166)	(225,725,413,330)
GROSS PROFIT		30,524,036,556	9,586,843,698
AMORTIZATION OF DEFERRED CREDIT	9	2,952,291,619	2,758,528,394
		<u>33,476,328,175</u>	<u>12,345,372,092</u>
OPERATING EXPENSES EXCLUDING DEPRECIATION AND AMORTIZATION	26	(28,622,813,514)	(31,940,190,116)
DEPRECIATION ON OPERATING FIXED ASSETS	13.3	(5,121,211,315)	(4,693,124,291)
AMORTIZATION ON INTANGIBLE ASSET	14	(10,101,690)	(17,295,396)
		<u>(33,754,126,519)</u>	<u>(36,650,609,803)</u>
LOSS FROM OPERATIONS		(277,798,344)	(24,305,237,711)
OTHER INCOME	27	4,141,557,469	3,812,922,702
FINANCE COST	28	(2,211,859,833)	(2,310,169,241)
PROFIT / (LOSS) BEFORE TAXATION		<u>1,651,899,292</u>	<u>(22,802,484,250)</u>
TAXATION	29	(1,275,956,097)	-
PROFIT / (LOSS) AFTER TAXATION		<u><u>375,943,195</u></u>	<u><u>(22,802,484,250)</u></u>
EARNINGS / (LOSS) PER SHARE - BASIC	30	<u>0.35</u>	<u>(21.07)</u>
EARNINGS / (LOSS) PER SHARE - DILUTED	30	<u>0.09</u>	<u>(5.41)</u>

The annexed notes 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 30 JUNE 2020**

	<b>2020 RUPEES</b>	<b>2019 RUPEES Restated</b>
PROFIT / (LOSS) AFTER TAXATION	375,943,195	(22,802,484,250)
OTHER COMPREHENSIVE INCOME / (LOSS)		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit obligations	5,674,245,735	(4,592,533,204)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income / (loss) for the year	5,674,245,735	(4,592,533,204)
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>	<b>6,050,188,930</b>	<b>(27,395,017,454)</b>

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

  
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 CHIEF EXECUTIVE OFFICER

  
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 DIRECTOR



**MULTAN ELECTRIC POWER COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	SHARE CAPITAL	DEPOSIT FOR SHARES	ACCUMULATED LOSS	TOTAL EQUITY
	-----RUPEES-----			
<b>Balance as at 30 June 2018</b>	10,823,636,048	30,590,260,624	(106,224,501,798)	(64,810,605,126)
Impact of restatement - Note 11.1	-	-	32,443,169	32,443,169
<b>Balance as at 30 June 2018 - restated</b>	10,823,636,048	30,590,260,624	(106,192,058,629)	(64,778,161,957)
Non-cash settlement against deposit for shares		747,371,545	-	747,371,545
Loss for the year - restated	-	-	(22,802,484,250)	(22,802,484,250)
Other comprehensive loss for the year	-	-	(4,592,533,204)	(4,592,533,204)
Total comprehensive loss for the year - restated	-	-	(27,395,017,454)	(27,395,017,454)
<b>Balance as at 30 June 2019 - restated</b>	10,823,636,048	31,337,632,169	(133,587,076,083)	(91,425,807,866)
Profit for the year	-	-	375,943,195	375,943,195
Other comprehensive income for the year	-	-	5,674,245,735	5,674,245,735
Total comprehensive income for the year	-	-	6,050,188,930	6,050,188,930
<b>Balance as at 30 June 2020</b>	<u>10,823,636,048</u>	<u>31,337,632,169</u>	<u>(127,536,887,153)</u>	<u>(85,375,618,936)</u>

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


  
 CHIEF EXECUTIVE OFFICER

  
 DIRECTOR

**MULTAN ELECTRIC POWER COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 RUPEES	2019 RUPEES
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>	31	12,860,153,660	7,901,805,194
Finance cost paid		(4,905,299)	(4,452,579)
Staff retirement benefits paid		(4,469,675,503)	(4,329,892,086)
Payment for Fund contribution regarding pension obligation		(681,651,671)	(160,224,720)
Net decrease / (increase) in long term advances		3,759,420	(2,423,799)
<b>Net cash generated from operating activities</b>		7,707,680,607	3,404,812,010
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		(13,886,727,969)	(13,439,008,582)
Profit on bank deposits received		1,566,162,096	768,437,015
<b>Net cash used in investing activities</b>		(12,320,565,873)	(12,670,571,567)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		-	554,481,341
Repayment of long term financing		(38,108,009)	(74,158,360)
Consumers' security deposits received		999,541,157	1,015,307,669
Receipt against deposit works-net		10,561,490,996	8,007,278,135
<b>Net cash from financing activities</b>		11,522,924,144	9,502,908,785
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		6,910,038,878	237,149,228
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		10,457,887,798	10,220,738,570
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 22)</b>		17,367,926,676	10,457,887,798

The annexed notes 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 30 JUNE 2020**

**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 14 May 1998 and commenced operation on 09 June 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.

**1.2** Ministry of Energy, Government of Pakistan vide S.R.O. 667(I)/2019 dated 28 June 2019 has allowed an amount of Rupees 34,633 million as quarterly adjustment on account of Power Purchase Cost relating to first half of financial year 2018-19, which will be recovered in next fifteen months after year end. However, an amount of Rupees 26,367 million has been recovered during the year and remaining amount of Rupees 8,266 million has to be recovered in next 3 months after year end. Federal Government notified vide S.R.O.1170(I)/2019 the adjustment in the approved tariff, on account of annual indexation / adjustment of distribution margin and periodic adjustment for the 3rd and 4th Quarters of FY 2018-19 with immediate application of Rupees 4,791 million and 5,495 million respectively. However, an amount of Rupees 2,883 million in respect of Annual Indexation and amount of Rupees 3,306 million has been recovered during the year and remaining amounts of Rupees 1,908 million and 2,189 million respectively has to be recovered in the next 3 months after year end. Federal Government notified vide S.R.O.1474(I)2019 the adjustment in the approved tariff, on account of periodic adjustment for 1st Quarter of FY 2019-20 of Rupees 1,428 million. However an amount of Rupees 672 million has been recovered during the year and remaining amount of Rupees 756 million has to be recovered in the next 5 months after the year end. If these adjustments had been allowed in the respective years, the revenue for years ended 30 June 2019 and 30 June 2020 would have been increased by Rupees 44,919 million and Rupees 756 million respectively. Consequently, accumulated loss would have been reduced by Rupees 13,119 million.

**1.3 Impact of COVID-19 on these financial statements**

The pandemic of COVID-19 which rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. From 24 March 2020, Government of Punjab announced a temporary lockdown as a measure to reduce the spread of COVID-19. Lockdown impacted the purchasing power of general public so, the Government of Pakistan issued a Prime Minister's Relief Package for Small and Medium Enterprises (SMEs) and a package for domestic consumers. Under the package for SMEs, the Government of Pakistan will bear relief allowed to commercial and industrial consumers. In this regard, the Company has Rupees 3.988 billion receivable from Government of Pakistan at the reporting date. Under the relief package to domestic consumers the bills are collectible in three installments due to which the Company has deferred amount against the consumers of Rupees 13.417 billion. The total recoverability deferred under these packages amounted to Rupees 17.405 billion. Apart from these, according to management's assessment there is no other significant accounting impact of these effects of COVID-19 in these financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies

**2.1 Basis of preparation**

**a) Statement of compliance**

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

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

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

**b) Accounting convention**

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective accounting policies.

**c) Critical accounting estimates and judgments**

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

**Useful lives, patterns of economic benefits and impairments**

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

**Provision for obsolescence of stores and spare parts**

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

**Taxation**

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

**Allowance for expected credit losses**

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

**Revenue from contracts with customers involving sale of goods**

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

**Staff retirement benefits**

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

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

Following interpretation and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2019:

- Amendments to IFRS 09 'Financial Instruments'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRSs: 2015 – 2017 Cycle

The amendments and interpretation listed above do not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

e) **Standards and amendments to published approved accounting standards that are effective in current year but not relevant to the Company**

There are other standards and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2019 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

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

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2020 or later periods:

Interest Rate Benchmark Reform which amended IFRS 7 'Financial Instruments: Disclosures', IFRS 9 'Financial Instruments' and IAS 39 'Financial Instruments: Recognition and Measurement', is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published report setting out its recommended reforms of some major interest rate benchmarks such as Interbank Offer Rates (IBORs). Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rates benchmarks reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential impacts of the uncertainty caused by the reform. A company shall apply these exceptions to all hedging relationships directly affected by interest rate benchmark reform. However, the amendments are not likely to affect the financial statements of the Company.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRSs.

Amendments to IAS 1 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2022). These amendments have been added to further clarify when a liability is classified as current. These amendments also amend the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply these amendments retrospectively in accordance with IAS 8. The amendments are not likely to affect the financial statements of the Company.

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' (effective for annual periods beginning on or after 01 January 2022). These amendments clarify what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. However, the amendments are not likely to affect the financial statements of the Company.

Amendments to IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2022). These amendments clarify that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management, are recognized in profit or loss in accordance with applicable standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply these amendments retrospectively, but only to items of property, plant and equipment which are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. However, the amendments are not likely to affect the financial statements of the Company.

On 14 May 2020, IASB issued Annual Improvements to IFRSs: 2018 - 2020 Cycle, incorporating amendments to three IFRSs more specifically in IFRS 9 'Financial Instruments', relevant to the Company. The amendments clarify that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to de-recognize a financial liability. These amendments are effective for annual periods beginning on or after 01 January 2022 and are not likely to have an impact on Company's financial statements.



On 29 March 2018, the IASB has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits—this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income, and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, de-recognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRSs. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 01 January 2020 for preparers that develop an accounting policy based on the Framework.

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

There are other standards and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2020 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

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

These financial statements 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.

**2.3 Staff retirement benefits**

**2.3.1 Defined benefit plans**

The Company provides 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 upto maximum limit of 365 days. The company's obligations under these schemes are determined annually by a qualified actuary using projected unit Credit Actuarial Cost Method. latest actuarial valuations have been carried on 30 June 2020. 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.

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

**2.3.2 General / Employees' Provident Fund**

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

**2.4 Taxation**

**Current**

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

## **Deferred**

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

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

## **2.5 Property, plant, equipment and depreciation**

### **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 13.2. 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) De-recognition**

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

## **2.6 Stores and spare parts**

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.

## **2.7 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.

## **2.8 Revenue from contracts with customers**

### **i) 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 charges are recognized on accrual basis.



### **Tariff differential subsidy**

Tariff differential subsidy on electricity announced by the Government of Pakistan for consumers 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**

Interest income is recognized as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

### **Other revenue**

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

#### **ii) Contract assets**

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

#### **iii) Contract liabilities**

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

## **2.9 Financial Instruments**

### **i) Recognition, classification and measurement of financial instruments**

#### **a) Recognition**

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

#### **b) Classification**

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

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

#### **c) Measurement**

##### ***Financial assets***

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

Financial assets measured at amortized cost comprise of trade debts, loans and advances, accrued interest, cash and bank balances, deposits and other receivables.

### ***Financial liabilities***

Financial liabilities are classified and measured at amortized cost. These are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss. Financial liabilities measured at amortized cost comprise of long term financing, trade and other payables, long term security deposits and accrued mark-up.

#### **ii) Impairment of financial assets**

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade debts and other receivables, the Company applies the simplified approach to recognize expected lifetime losses from initial recognition of the receivables.

#### **iii) De-recognition**

##### ***Financial assets***

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

##### ***Financial liabilities***

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

#### **iv) Offsetting of financial instruments**

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

### **2.10 Trade receivables**

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

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

Expected credit losses are recognized as follows:

- a) No expected credit loss on Government institutions balances;
- b) Expected credit loss of seventy five percent on permanently disconnected consumers; and
- c) Expected credit loss on arrears from private consumers and deferred arrears at the rates approved.

The percentage rates for creating allowance for expected credit losses on trade debts is as follows:

<b>Permanently disconnected connections</b>	75%
<b>Deferred arrears</b>	75%
<b>Arrears:</b>	
More than 3 months and up to 6 months	5%
More than 6 months and up to 1 year	10%
More than 1 year	100%

### **2.11 Deferred credit**

Amounts received from consumers and Government as contributions towards the cost of extension of electricity distribution network and of providing service connections are deferred and amortized over the estimated useful lives of related assets 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.

## **2.12 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.

## **2.13 Borrowing cost**

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

## **2.14 Loans, advances, deposits and receivables**

These are recognized at cost less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end.

## **2.15 Share capital**

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

## **2.16 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.

## **2.17 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. 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.

## **2.18 Provisions**

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

## **2.19 Earnings / (loss) per share**

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

## **2.20 Contingent assets**

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

## **2.21 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 reliability.

## 2.22 Intangible asset

Intangible asset represents 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 upto the last month previous 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.

## 3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2020 NUMBER OF SHARES	2019 NUMBER OF SHARES		2020 RUPEES	2019 RUPEES
1 000	1 000	Ordinary shares of Rupees 10 each fully paid in cash to Government of Pakistan (GoP) and its nominee directors	10,000	10,000
1 082 362 604	1 082 362 604	Ordinary shares of Rupees 10 each fully paid issued for consideration other than in cash to WAPDA	10,823,626,048	10,823,626,048
<u>1 082 363 604</u>	<u>1 082 363 604</u>		<u>10,823,636,048</u>	<u>10,823,636,048</u>

## 4. DEPOSIT FOR SHARES

This represents credit of Rupees 31,337,632,169 (2019: Rupees 31,337,632,169) 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 02 July 2013 from Ministry of Finance as GoP investment against circular debt of Rupees 341 billion. Hence this was treated as GoP equity investment in the Company.

	2020 RUPEES	2019 RUPEES
<b>5. LONG TERM FINANCING</b>		
<b>Loans from related party</b>		
<b>Secured</b>		
From GoP - (foreign re-lent) :		
International Bank for Reconstruction and Development (Note 5.1)	3,849,036,226	3,849,036,226
Asian Development Bank - Tranche I (Note 5.2)	1,354,866,393	1,354,866,393
Asian Development Bank - Tranche II (Note 5.3)	2,168,842,944	2,168,842,944
Asian Development Bank - Tranche III (Note 5.4)	3,118,563,244	3,118,563,244
Asian Development Bank - Tranche IV (Note 5.5)	2,772,764,983	2,772,764,983
	<u>13,264,073,790</u>	<u>13,264,073,790</u>
<b>Unsecured</b>		
Cash Development Loan from GoP (Note 5.6)	797,050,000	797,050,000
	<u>14,061,123,790</u>	<u>14,061,123,790</u>
Other loans (Note 5.7, 5.8, 5.9 and 5.10)	88,364,351	126,472,360
	<u>14,149,488,141</u>	<u>14,187,596,150</u>
Less:		
Current portion shown under current liabilities	934,027,986	951,588,840
Overdue portion shown under current liabilities	5,097,829,610	4,424,580,345
	<u>6,031,857,596</u>	<u>5,376,169,185</u>
	<u>8,117,630,545</u>	<u>8,811,426,965</u>

**5.1** 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 amount of principal and mark-up aggregate to Rupees 2,566.656 million (2019: Rupees 2,246.061 million) and Rupees 3,722.036 million (2019: Rupees 3,458.130 million) respectively.

**5.2** 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 amount of principal and mark-up aggregate to Rupees 905.799 million (2019: Rupees 1,017.485 million) and Rupees 925.569 million (2019: Rupees 832.868 million) respectively.

- 5.3** 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. Disbursements during the year of Rupees Nil (2019: Rupees 16.186 million) have been transferred to 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 amount of principal and mark-up aggregate to Rupees 789.359 million (2019: Rupees 657.980 million) and Rupees 1,798.902 million (2019: Rupees 1,573.079 million) respectively.
- 5.4** 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. Disbursements during the year of Rupees Nil (2019: Rupees 192.484 million) have been transferred to 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 amount of principal and mark-up aggregate to Rupees 383.848 million (2019: Rupees 227.578 million) and Rupees 1,826.320 million (2019: Rupees 1,390.581 million) respectively.
- 5.5** 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. Disbursements during the year of Rupees Nil (2019: Rupees 345.812 million) have been transferred to 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 amount of principal and mark-up aggregate to Rupees 207.957 million (2019: Rupees 69.319 million) and Rupees 1,411.020 million (2019: Rupees 1,003.261 million) respectively.
- 5.6** 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 amount of principal and mark-up aggregate to Rupees 239.115 million (2019: Rupees 199.263 million) and Rupees 842.782 million (2019: Rupees 762.184 million) respectively.
- 5.7** These include Rupees Nil (2019: Rupees 13.889 million) interest free loan from RYK Mills Limited under an agreement to meet expenses for grid interconnection. This loan has been completely repaid during the year. The overdue amount of principal aggregates to Rupees Nil (2019: Rupees 2.778 million).
- 5.8** These include two interest free loans of Rupees 3.617 million (2019: Rupees 11.573 million) and Rupees 9.444 million (2019: Rupees 15.555 million) from Hamza Sugar Mills Limited under an agreement to meet expenses for grid interconnection. Loan No. 1 is repayable in 36 equal monthly installments commencing after 18 months of commercial operation date of the project which is 01 March 2016. The overdue amount of principal aggregate to Rupees 1.447 million (2019: Rupees 0.723 million). Loan No. 2 is repayable in 36 equal monthly installments commencing after 18 months of commercial operation date of the project which is 10 March 2017. The overdue amount of principal aggregates to Rupees 1.111 million (2019: Rupees 0.555 million).
- 5.9** These include Rupees 55 million (2019: Rupees 55 million) 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 has not yet been assessed.
- 5.10** These include Rupees 20.303 million (2019: Rupees 30.455 million) interest free loan from Harappa Solar (Private) Limited under an agreement to meet expenses for grid interconnection. The loan is repayable in 36 equal monthly installments commencing after 17 months of commercial operation date which is 14 October 2017. The overdue amount of principal aggregates to Rupees 2.538 million (2019: Rupees 2.538 million).
- 5.11** The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments' arising in respect of the loans given in Note 5.8, Note 5.9 to Note 5.10 is not considered material and hence not recognized.

	2020 RUPEES	2019 RUPEES
<b>6. STAFF RETIREMENT BENEFITS</b>		
Free medical benefits (Note 6.1)	8,894,496,626	6,690,277,642
Pension (Note 6.1)	64,365,593,400	65,322,228,339
Free electricity benefits (Note 6.1)	3,488,920,119	3,356,447,248
Compensated absences (Note 6.1)	3,833,673,724	3,806,464,334
	80,582,683,869	79,175,417,563



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

	30 June 2020				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Balance as at 01 July 2019	6,690,277,642	65,322,228,340	3,356,447,248	3,806,464,334	79,175,417,564
Charge for the year (Note 6.2)	1,236,313,088	10,074,662,763	612,437,422	309,425,941	12,232,839,214
Remeasurement recognized in other comprehensive income (Note 6.3)	979,597,361	(6,278,116,187)	(375,726,909)	-	(5,674,245,735)
Benefits paid	(11,691,465)	(4,071,529,845)	(104,237,642)	(282,216,551)	(4,469,675,503)
Contribution made	-	(681,651,671)	-	-	(681,651,671)
Balance as at 30 June 2020	<u>8,894,496,626</u>	<u>64,365,593,400</u>	<u>3,488,920,119</u>	<u>3,833,673,724</u>	<u>80,582,683,869</u>

	30 June 2019				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Balance as at 01 July 2018	4,493,494,423	60,148,562,987	2,573,361,784	3,178,735,078	70,394,154,272
Charge for the year (Note 6.2)	631,702,722	6,795,636,027	330,036,560	921,471,585	8,678,846,894
Remeasurement recognized in other comprehensive income (Note 6.3)	1,580,306,908	2,478,153,017	534,073,279	-	4,592,533,204
Benefits paid	(15,226,411)	(3,939,898,971)	(81,024,375)	(293,742,329)	(4,329,892,086)
Contribution made	-	(160,224,720)	-	-	(160,224,720)
Balance as at 30 June 2019	<u>6,690,277,642</u>	<u>65,322,228,340</u>	<u>3,356,447,248</u>	<u>3,806,464,334</u>	<u>79,175,417,564</u>

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

	2020	2019
	RUPEES	RUPEES
Present value of defined benefit obligations	66,714,371,425	66,802,556,973
Fair value of plan assets (Note 6.1.1.1)	(2,348,778,025)	(1,480,328,633)
	<u>64,365,593,400</u>	<u>65,322,228,340</u>

**6.1.1.1 Change in fair value of plan assets**

	2020	2019
	RUPEES	RUPEES
Balance as at 01 July	1,480,328,633	1,213,580,349
Interest income	214,647,652	121,358,035
Cash flows:		
- Total employer's contributions		
(i) Employer's contributions	681,651,671	160,224,719
(ii) Employer's direct Benefit payments	4,753,181,506	3,939,898,971
- Benefit payments from Plan	(4,753,181,506)	(3,939,898,971)
Return on plan assets	(27,849,931)	(14,834,470)
Balance as at 30 June	<u>2,348,778,025</u>	<u>1,480,328,633</u>

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

	30 June 2020				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Current service cost	267,070,462	898,125,568	133,309,800	4,538,758	1,303,044,588
Interest cost	969,242,626	9,176,537,195	479,127,622	531,476,628	11,156,384,071
Actuarial gains	-	-	-	(226,589,445)	(226,589,445)
Net charge for the year	<u>1,236,313,088</u>	<u>10,074,662,763</u>	<u>612,437,422</u>	<u>309,425,941</u>	<u>12,232,839,214</u>

	30 June 2019				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Current service cost	183,114,600	977,774,677	76,751,600	54,123,805	1,291,764,682
Interest cost	448,588,122	5,817,861,350	253,284,960	303,186,391	6,822,920,823
Actuarial losses	-	-	-	564,161,389	564,161,389
Net charge for the year	<u>631,702,722</u>	<u>6,795,636,027</u>	<u>330,036,560</u>	<u>921,471,585</u>	<u>8,678,846,894</u>

**6.3 Remeasurement recognized in other comprehensive income:**

	30 June 2020				
	Free medical benefits RUPEES	Pension RUPEES	Free electricity benefits RUPEES	Compensated absences RUPEES	Total RUPEES
Loss / (gain) on obligation	979,597,361	(6,305,966,118)	(375,726,909)	-	(5,702,095,666)
Loss on plan assets	-	27,849,931	-	-	27,849,931
Experience adjustments	979,597,361	(6,278,116,187)	(375,726,909)	-	(5,674,245,735)

	30 June 2019				
	Free medical benefits RUPEES	Pension RUPEES	Free electricity benefits RUPEES	Compensated absences RUPEES	Total RUPEES
Loss on obligation	1,580,306,908	2,463,318,547	534,073,279	-	4,577,698,734
Loss on plan assets	-	14,834,470	-	-	14,834,470
Experience adjustments	1,580,306,908	2,478,153,017	534,073,279	-	4,592,533,204

**6.4 Movement in present value of defined benefit obligations:**

	30 June 2020				
	Free medical benefits RUPEES	Pension RUPEES	Free electricity benefits RUPEES	Compensated absences RUPEES	Total RUPEES
Balance as at 01 July 2019	6,690,277,642	65,322,228,340	3,356,447,248	3,806,464,334	79,175,417,564
Current service cost	267,070,462	898,125,568	133,309,800	4,538,758	1,303,044,588
Interest cost	969,242,626	9,176,537,195	479,127,622	531,476,628	11,156,384,071
Benefits paid	(11,691,465)	(4,071,529,845)	(104,237,642)	(282,216,551)	(4,469,675,503)
Remeasurements	979,597,361	(6,278,116,187)	(375,726,909)	-	(5,674,245,735)
Actuarial gains	-	-	-	(226,589,445)	(226,589,445)
Contribution made	-	(681,651,671)	-	-	(681,651,671)
Balance as at 30 June 2020	8,894,496,626	64,365,593,400	3,488,920,119	3,833,673,724	80,582,683,869

	30 June 2019				
	Free medical benefits RUPEES	Pension RUPEES	Free electricity benefits RUPEES	Compensated absences RUPEES	Total RUPEES
Balance as at 01 July 2018	4,493,494,423	60,148,562,987	2,573,361,784	3,178,735,078	70,394,154,272
Current service cost	183,114,600	977,774,677	76,751,600	54,123,805	1,291,764,682
Interest cost	448,588,122	5,817,861,350	253,284,960	303,186,391	6,822,920,823
Benefits paid	(15,226,411)	(3,939,898,971)	(81,024,375)	(293,742,329)	(4,329,892,086)
Remeasurements	1,580,306,908	2,478,153,017	534,073,279	-	4,592,533,204
Actuarial losses	-	-	-	564,161,389	564,161,389
Contribution made	-	(160,224,720)	-	-	(160,224,720)
Balance as at 30 June 2019	6,690,277,642	65,322,228,340	3,356,447,248	3,806,464,334	79,175,417,564

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

**6.6 Principal actuarial assumptions :**

	30 June 2020			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate (per annum)	9.25%	9.25%	9.25%	9.25%
Inflation rate (per annum)	-	-	7.25%	-
Annual medical claim - Rupees	17,771	-	-	-
Salary increase rate used for year end obligation (per annum)	-	8.75%	-	-
Medical / pension / electricity indexation rate	9.25%	3.00%	7.25%	-
Medical exposure rate (per annum)	14.50%	-	-	-
Mortality rates	SLIC 2001-2005 setback 1 year Low	SLIC 2001-2005 setback 1 and 4 years Low	SLIC 2001-2005 setback 1 year Low	SLIC 2001-2005 setback 1 year Low
Withdrawal rates				
Expected charge to the statement of profit or loss for the next financial year (Rupees)	1,114,515,418	6,935,019,573	468,366,068	359,573,412



	30 June 2019			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate (per annum)	14.50%	14.50%	14.50%	14.25%
Inflation rate (per annum)	-	-	12.50%	-
Annual medical claim - Rupees	13,153	-	-	-
Salary increase rate used for year end obligation (per annum)	-	14.00%	-	-
Medical / pension indexation rate	14.50%	8.25%	12.25%	-
Medical exposure rate (per annum)	14.50%	-	-	-
Mortality rates	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 and 4 years	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)	1,179,756,475	10,591,275,113	574,565,433	613,909,085

#### 6.7 Sensitivity analysis for actuarial assumptions:

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

	30 June 2020			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate	1.00%	1.00%	1.00%	1.00%
Increase in assumption (Rupees)	(1,554,667,322)	(4,704,177,338)	(587,942,395)	(411,645,453)
Decrease in assumption (Rupees)	1,898,280,323	12,734,879,534	703,618,602	491,389,953
Medical exposure rate	1.00%	-	-	-
Increase in assumption (Rupees)	640,403,757	-	-	-
Decrease in assumption (Rupees)	(551,458,791)	-	-	-
Medical inflation rate	1.00%	-	-	-
Increase in assumption (Rupees)	1,982,279,173	-	-	-
Decrease in assumption (Rupees)	(357,903,469)	-	-	-
Withdrawal rates	10.00%	10.00%	10.00%	10.00%
Increase in assumption (Rupees)	(12,452,295)	2,315,420,839	(2,093,352)	(23,402,924)
Decrease in assumption (Rupees)	15,120,644	2,382,135,211	2,093,352	(31,015,852)
Future salary increase	-	1.00%	-	1.00%
Increase in assumption (Rupees)	-	4,732,310,253	-	491,156,145
Decrease in assumption (Rupees)	-	(1,013,704,689)	-	(418,735,906)
Indexation rate	-	1.00%	1.00%	-
Increase in assumption (Rupees)	-	9,528,756,873	761,209,716	-
Decrease in assumption (Rupees)	-	(2,408,372,252)	(634,993,791)	-
Mortality setback	1 year	1 year	1 year	1 year
Increase in assumption (Rupees)	(333,543,623)	4,159,059,723	-	(29,759,719)
Decrease in assumption (Rupees)	336,211,972	2,002,189,132	-	(24,659,057)

	30 June 2019			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate	1.00%	1.00%	1.00%	1.00%
Increase in assumption (Rupees)	(1,103,055,655)	(4,617,905,548)	(464,046,472)	(373,200,523)
Decrease in assumption (Rupees)	1,332,236,830	12,644,723,197	592,173,681	440,418,710
Medical exposure rate	1.00%	-	-	-
Increase in assumption (Rupees)	481,699,991	-	-	-
Decrease in assumption (Rupees)	(414,797,213)	-	-	-
Medical inflation rate	1.00%	-	-	-
Increase in assumption (Rupees)	1,357,364,759	-	-	-
Decrease in assumption (Rupees)	(1,138,311,151)	-	-	-
Withdrawal rates	10.00%	10.00%	10.00%	10.00%
Increase in assumption (Rupees)	(9,366,388)	1,446,927,355	(2,013,868)	3,806,464
Decrease in assumption (Rupees)	11,373,472	1,513,729,911	2,013,868	(3,806,464)
Future salary increase	-	1.00%	-	1.00%
Increase in assumption (Rupees)	-	4,630,146,172	-	440,371,816
Decrease in assumption (Rupees)	-	(1,296,163,505)	-	(379,478,634)
Indexation rate	-	1.00%	-	-
Increase in assumption (Rupees)	-	9,362,154,945	643,430,937	-
Decrease in assumption (Rupees)	-	(2,051,255,932)	(503,467,087)	-
Mortality setback	1 year	1 year	1 year	1 year
Increase in assumption (Rupees)	(250,885,411)	4,183,547,201	-	(2,550,331)
Decrease in assumption (Rupees)	252,892,495	2,057,896,898	-	2,550,331

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.

6.8 As at 30 June 2020, the average duration of these benefits was 14 years.

**6.9 Risks associated with staff retirement benefits**

**Longevity risk**

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

**Salary increase risk**

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

**Withdrawal risk**

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

**7. 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 1,723.660 million (2019: Rupees 1,268.952 million) is kept in separate bank accounts maintained in respect of security deposits received.

	2020 RUPEES	2019 RUPEES
<b>8. RECEIPT AGAINST DEPOSIT WORKS</b>		
Consumers demand notices awaiting connections (Note 8.1)	4,759,638,093	4,823,951,134
Funds received against deposit works (Note 8.2)	21,043,387,259	15,899,024,883
	<u>25,803,025,352</u>	<u>20,722,976,017</u>

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

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

	2020 RUPEES	2019 RUPEES
<b>9. DEFERRED CREDIT</b>		
Balance as at 01 July	81,943,095,059	74,209,857,963
Addition during the year	<u>5,481,441,661</u>	<u>7,733,237,096</u>
	87,424,536,720	81,943,095,059
Less: Amortization		
Balance as at 01 July	<u>24,748,218,770</u>	<u>21,989,690,376</u>
Amortization for the year	<u>2,952,291,619</u>	<u>2,758,528,394</u>
	27,700,510,389	24,748,218,770
Balance as at 30 June	<u>59,724,026,331</u>	<u>57,194,876,289</u>

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

	2020 RUPEES	2019 RUPEES
<b>10. TRADE AND OTHER PAYABLES</b>		
Creditors	2,171,261,305	3,203,238,163
Equalization surcharge payable	2,237,968,773	2,235,784,140
Due to associated companies (Note 10.1)	160,511,794,554	107,784,414,901
Accrued liabilities	1,138,994,294	1,026,265,209
Contract liabilities	960,319,052	693,986,358
Retention money payable	804,528,670	855,663,073
Electricity duty payable	51,922,924	360,849,896
Neelum Jhelum surcharge payable	142,211,788	169,431,383
T.V. license fees payable	115,666,435	138,752,150
Financing cost surcharge	1,183,851,409	1,296,471,778
Tariff rationalization surcharge	1,786,009,455	1,762,846,490
Compact Fluorescent Lamps cost payable (Note 10.2)	807,373,696	807,373,696
Workers' profit participation fund (Note 10.3 and Note 10.4)	1,779,060,924	1,692,118,856
Other liabilities	1,161,777,915	973,435,976
	<u>174,852,741,194</u>	<u>123,000,632,069</u>
<b>10.1 Due to associated companies</b>		
Central Power Purchasing Agency (Guarantee) Limited (CPPA)	155,442,616,672	104,090,970,184
Hyderabad Electric Supply Company Limited (HESCO)	7,498,707	925,667
Gujranwala Electric Power Company Limited (GEPCO)	11,766,077	17,910,967
Faisalabad Electric Supply Company Limited (FESCO)	179,339,754	61,595,780
National Transmission and Despatch Company Limited (NTDC)	4,865,395,938	3,604,849,050
Sukkur Electric Power Company Limited (SEPCO)	5,177,406	8,163,253
	<u>160,511,794,554</u>	<u>107,784,414,901</u>
<b>10.2</b>	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". CFLs cost will have to be borne by the Company from its distribution margin.	
<b>10.3</b>	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 uptill 30 June 2015. This matter is pending for decision with Economic Coordination Committee (ECC) upon recommendation submitted by WAPDA to exempt the undertakings established under the umbrella of WAPDA from compliance with the requirements of Companies Profit (Workers' Participation) Act, 1968. Due to pending decision with the ECC, no provision for mark-up is made as required under Companies Profit (Workers' Participation) Act, 1968. However, the Company has shown the mark-up as contingent liability under Note 12.1.2 to the financial statements.	
<b>10.4 Workers' profit participation fund</b>		
At the beginning of the year	1,692,118,856	1,692,118,856
Provision for the year (Note 26)	86,942,068	-
At the end of the year	<u>1,779,060,924</u>	<u>1,692,118,856</u>

	2020 RUPEES	2019 RUPEES Restated
<b>11. ACCRUED MARK-UP</b>		
Foreign re-lent loans	175,152,313	204,553,143
Cash development loan (Note 11.1)	86,858,135	68,309,832
Overdue mark-up on foreign re-lent and cash development loans	10,526,628,716	9,020,104,005
	<u>10,788,639,164</u>	<u>9,292,966,980</u>

**11.1** The figure of accrued mark-up has been restated based on the confirmation received from Finance Division, Government of Pakistan (GoP). Mark-up was charged by the Finance Division of GoP on each sanctioned amount individually while the Company charged the mark-up on cumulative amount as per the rate applied by Ministry of Finance Division on last sanctioned amount.

This prior period error has been corrected retrospectively in these financial statements in accordance with IAS 8. Consequently, for the financial year ended 30 June 2018, accrued mark-up and accumulated loss has been decreased by Rupees 32,443,169. For the financial year ended 30 June 2019, accrued mark-up and loss after taxation have been increased by Rupees 20,155,304. Basic loss per share has been increased by Rupees 0.02 per share while no significant effect has been made on diluted loss per share.

## **12. CONTINGENCIES AND COMMITMENTS**

### **12.1 Contingencies**

**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 22,018.83 million (2019: Rupees 17,058.28 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 16,357.33 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.

**12.1.2** The Companies Profit (Workers' Participation) Act, 1968 requires payment of the allocated amount to the workers' profit participation fund within nine months of the close of relevant financial year. However, due to pending decision of the Economic Coordination Committee to exempt the corporatized entities under the umbrella of WAPDA from requirements of the said Act, no provision of interest aggregating to Rupees 1,837.72 million (2019: Rupees 1,531.48 million) on unpaid amount has been recognized by the Company in these financial statements.

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

### **12.1.4 Income Tax**

- (i)** Additional Commissioner Inland Revenue amended the deemed assessments under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) by passing an order under section 122(5A) of the Ordinance on the grounds that the minimum tax liability under section 113 was not discharged. He passed the orders vide DCR No. 10/07 dated 02 February 2015 and 19/18 dated 14 April 2015 for tax years 2010 and 2013 and created a demand of Rupees 5.63 million for the Tax Year 2010 and Rupees 109.82 million for the Tax Year 2013. Being aggrieved from the impugned orders, the Company filed appeals before the Commissioner Inland Revenue (Appeals) (CIR(A)) on 05 May 2015 and the same was upheld by the Learned CIR(A). Appeal against the orders of CIR(A) has been filed with the Appellate Tribunal Inland Revenue on 19 October 2015 which is pending for adjudication.
- (ii)** Inland Revenue Audit Officer passed an order no. DCR 01/54 dated 12 November 2007 for the tax year 2007 under section 161 and 205 of the Ordinance creating a demand amounting to Rupees 10.22 million on grounds that withholding tax was not timely deducted by the Company on payments to certain parties. Being aggrieved an appeal was filed with Commissioner Inland Revenue (Appeals) (CIR(A)) and same was upheld by the Learned CIR (A). Against the orders of Learned CIR(A), second appeal was filed before Appellate Tribunal Inland Revenue. The matter is pending for adjudication.
- (iii)** Additional Commissioner Inland Revenue (ACIR) passed the orders vide 92/10 dated 26 February 2009 under section 113 of the Ordinance and charged income tax on turnover for the tax year 2007 amounting to Rupees 153 million and for the tax year 2008 amounting to Rupees 72 million along with default surcharge of Rupees 9.9 million and Rupees 2 million respectively. Being aggrieved from the impugned orders, the Company filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) and the same was upheld by the Learned CIR(A). Subsequently appeal against the orders of CIR(A) was filed with the Appellate Tribunal Inland Revenue (ATIR) on 14 May 2009 who upheld the orders of CIR (A). Being aggrieved with both forums writ petition is filed before Honorable Lahore High Court, Lahore vide petition no. PTR 43/2011 and PTR 44/2011. The Honorable Lahore High Court, Lahore remanded back the case to the full bench of ATIR, which is pending for adjudication.
- (iv)** Additional Commissioner Inland Revenue amended the deemed assessment under section 122(5A) of the Ordinance for the tax year 2014 vide bar code no.100000008089093 dated 12 November 2015 on ground that the minimum tax liability under section 113 was not discharged and thereby raised a demand of Rupees 1,736 million. Being aggrieved an appeal was filed with Commissioner Inland Revenue (Appeals) on 03 December 2015 who upheld the said order and subsequently another appeal has been filed with Appellate Tribunal Inland Revenue on 05 April 2016, which is pending for adjudication.



- (v) The Inland Revenue Audit Officer (IRAO) made an assessment under sections 124, 162(1) and 205 of the Ordinance vide no. 10/62 dated 24 June 2015 for Tax Year 2010, 2011 and 2012 wherein he raised demand amounting to Rupees 52.906 million treating service fee for the collection of Pakistan Television (PTV) license fees as commission rather than as service fee. In this regard, an appeal has been filed before the Learned Commissioner Inland Revenue (Appeals) (CIR(A)) on 11 August 2015 which is decided in favor of the Company vide orders dated 29 March 2016 and case was remanded back to the concerned IRAO / Assistant Commissioner Inland Revenue (ACIR) with direction to recalculate the service fee according to the agreement between WAPDA and PTV. Against the order of CIR(A), Regional Tax Office, Multan has filed appeal before Appellate Tribunal Inland Revenue. The said appeal is pending for adjudication.
- (vi) Additional Commissioner Inland Revenue passed the order for tax year 2015 that the Company was liable to pay Rupees 893 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 from the impugned order, the Company filed appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) and same was upheld by the learned CIR(A). Appeals against the orders of CIR(A) has been filed with the Appellate Tribunal Inland Revenue on 17 January 2017, which are pending for adjudication.
- (vii) Assistant Commissioner Inland Revenue passed the order under section 122(1) of the Ordinance vide 14/39 dated 22 June 2017 for the tax year 2011 that the Company was liable to pay Rupees 226 million due to violation of certain provisions of Ordinance. Being aggrieved from the impugned order, the Company filed appeal before the Commissioner Inland Revenue (Appeals) on 07 July 2017 which is pending for adjudication.
- (viii) Assistant Commissioner Inland Revenue started proceedings for amendment of assessment under section 122 of the Ordinance on 17 January 2018. By ignoring all submissions, the ACIR issued an order vide bar code no. 100000032291023 dated 13 April 2018 raising a demand of Rupees 1,294 million. Being aggrieved, the Company filed appeal before Commissioner Inland Revenue (Appeals) (CIR (A)) on 11 May 2018. The matter is pending for adjudication before CIR (A).
- (ix) Assistant Commissioner Inland Revenue issued an order vide bar code no. 100000026203200 dated 09 November 2017 under section 161 of the Ordinance and raised a demand of Rupees 191 million along with default surcharge of Rupees 13 million on the grounds that the Company failed to deduct income tax while making payment to certain parties. Being aggrieved with the orders the Company has filed an appeal before Commissioner Inland Revenue (Appeals) on 13 December 2017, the proceeding of which is pending.
- (x) The Inland Revenue Audit Officer (IRAO) started proceedings under sections 161 and 205 of the Ordinance regarding discharging of liability to deduct income tax on different heads of account. By ignoring all submissions the Learned IRAO issued an order vide no. 10/47 dated 21 October 2013 and raised a demand of Rupees 718 million along with default surcharge of Rupees 161 million. Being aggrieved, the Company filed appeal before Commissioner Inland Revenue (Appeals) (CIR (A)) on 19 November 2013. The Learned CIR (A) issued an order dated 24 February 2014 and confirmed the demand of Rupees 379 million. A second appeal was filed before Appellate Tribunal Inland Revenue on 11 June 2014 who upheld the orders of CIR (A). Being aggrieved with both forums a writ petition vide tax reference no. 27 of 2014 was filed before Honorable Lahore High Court, Lahore who decided the case on 02 July 2016 in favor of the Company and deleted the demand of Rupees 301 million. To give effect to the judgment to decision of Honorable Lahore High Court, Lahore the Assistant Commissioner Inland Revenue issued appeal effect order and raised a demand of Rupees 78 million along with default surcharge of Rupees 66 million. Being aggrieved, further appeal was filed before CIR (A) on 15 December 2017 which is pending for adjudication.
- (xi) Assistant Commissioner Inland Revenue issued an order under section 161 of the Ordinance vide bar code no. 100000028613889 dated 04 January 2018 on the grounds that income tax was not deducted by the Company while making payment to certain parties during the tax years 2012 to 2015 and raised a demand of default surcharge of Rupees 277 million. Being aggrieved by the orders, an appeal was filed before Commissioner Inland Revenue (Appeals) (CIR (A)) on 01 February 2018. The Learned CIR (A) decided the case vide orders dated 24 April 2018 in favor of the Company by accepting the two contentions out of four. A second appeal was filed before Appellate Tribunal Inland Revenue for two contentions rejected by the Learned CIR (A). The ATIR remanded the case back to learned ACIR for rehearing. The Learned ACIR reordered against Company on the two contentions not accepted, for which appeal has been filed before CIR-A dated 22 June 2020 which is pending adjudication.
- (xii) Assistant Commissioner Inland Revenue (ACIR) started proceedings through show cause notice no. 826798-1 date 17 May 2018 under section 161 regarding advance tax collection of the differential amount of sales tax for tax year 2011. Subsequently, ACIR issued order no. 2/30 date 28 August 2018 and raised demand of income tax amounting to Rupees 307 million and default surcharge amounting to Rupees 363.668 million. Being aggrieved by the order, an appeal was filed before Commissioner Inland Revenue (Appeals) (CIR (A)) on 26 August 2018 which is pending for adjudication.
- (xiii) Assistant Commissioner Inland Revenue (ACIR) initiated proceedings through show cause notice vide document no. 100000033710411 dated 13 June 2018 under section 161 regarding advance tax collection of the differential amount of sales tax for tax year 2017. Subsequently, ACIR issued order no. 1/30 dated 27 August 2018 and raised demand of income tax amounting to Rupees 293 million and default surcharge amounting to Rupees 40.687 million. Being aggrieved by the order, an appeal was filed before Commissioner Inland Revenue (Appeals) (CIR (A)) on 26 August 2018 and same was upheld by the learned CIR(A). A second appeal was filed before Appellate Tribunal Inland Revenue which is pending for adjudication.

- (xiv) Assistant Commissioner Inland Revenue initiated proceedings through notice bearing bar code no. 100000034664302 dated 02 July 2018 under section 161 questioning the compliance of income tax withholding on payment to CPPA on account to use of system charges during tax year 2017. By disregarding the reply submitted, ACIR issued order no. 4/30 dated 09 September 2018 and raised demand of income tax amounting to Rupees 293 million and default surcharge amounting to Rupees 42.7 million. Being aggrieved by the order, an appeal was filed before learned Commissioner Inland Revenue (Appeals) (CIR (A)) on 26 August 2018 and same was upheld by the learned CIR(A). A second appeal was filed before Appellate Tribunal Inland Revenue and the proceedings are still pending.

Aggregate provision of Rupees 6,528.53 million regarding the cases stated in paragraph numbers 12.1.4(i) to 12.1.4(xiv) has not been accounted for in the books of account of the Company as in the opinion of tax advisor, the favorable outcome of these cases is expected.

**Sales Tax:**

- (xv) The Deputy Commissioner Inland Revenue (DCIR) has passed an order against the Company dated 19 November 2012 by treating the "Subsidy" aggregating to Rupees 24,739.75 million during the period from July 2010 to June 2011 as taxable supplies under the Sales Tax Act, 1990 (the Act) and also taxed unexplained differences amounting to Rupees 925.29 million and raised a demand of Rupees 4,363.05 million. Being aggrieved by the order, the Company filed an appeal before the Commissioner Inland Revenue (Appeals) who upheld the order of DCIR, afterwards second appeal was filed before the Appellate Tribunal Inland Revenue (ATIR) and vide its order number STA 247/LB/2013 dated 19 December 2014 the point of unexplained income was remanded back to DCIR and matter of subsidy was upheld against which the Company filed a writ petition before Honorable Lahore High Court, Lahore on 25 May 2018 who remanded back the case to the full bench of ATIR to decide the case which is still pending for adjudication.
- (xvi) The Deputy Commissioner Inland Revenue (DCIR) passed the order vide no. 21/2016 dated 02 May 2016 thereby alleging that the Company has paid less amount of sales tax withheld of Rupees 691.82 million for tax periods July 2014, August 2014, January 2015 and April 2015 in violation of sections 3(1)(A) of the Act. Against the said order of DCIR, the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) who upheld the orders of DCIR. Afterwards, second appeal was filed before the Appellate Tribunal Inland Revenue who remanded back the case to DCIR vide order dated 18 April 2018. Later Assistant Commissioner Inland Revenue issued an order on 05 May 2019 by ignoring the contentions and submissions of the Company. Being aggrieved by the order, an appeal has been filed with CIR (A) which is pending for adjudication.
- (xvii) The Deputy Commissioner Inland Revenue (DCIR) has passed the order vide no. 20/2016 dated 02 May 2016 alleging that the Company has not charged and paid sales tax on supplies to retailers amounting Rupees 22.27 million during the tax periods of July 2014 and August 2014 and has directed the Company to deposit the same along with default surcharge and penalty of Rupees 1.11 million. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) who upheld the orders of DCIR on 27 March 2016. Being aggrieved, the Company has filed an appeal before Appellate Tribunal Inland Revenue who remanded back the case to DCIR vide order dated 18 April 2018. Later Assistant Commissioner Inland Revenue issued an order on 30 April 2019 by ignoring the contentions and submissions of the Company. Being aggrieved by the order, appeal has been filed before CIR (A), which is pending for adjudication.
- (xviii) The Deputy Commissioner Inland Revenue (DCIR) has passed the order vide no. 09/2016 dated 15 April 2016 alleging that the Company has not charged and paid sales tax amounting to Rupees 23 million from retailers during the month of October 2015 and has directed it to deposit the same along with default surcharge and penalty of Rupees 1.160 million. Against the orders of DCIR an appeal has been filed before the Commissioner Inland Revenue (Appeals) (CIR(A)) and CIR(A) has confirmed the orders of DCIR. Being aggrieved, the Company has filed an appeal before Appellate Tribunal Inland Revenue on 02 June 2018 which is pending for adjudication.
- (xix) The Deputy Commissioner Inland Revenue (DCIR) has passed an order against the Company dated 31 March 2014 on the grounds that the Company has less paid further tax amounting to Rupees 36.8 million and extra tax of Rupees 23.5 million for the tax period from July 2013 to October 2013. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) who upheld the order of DCIR vide order dated 02 May 2015. Afterwards, a second appeal was filed before Appellate Tribunal Inland Revenue on 06 June 2015 for which decision is awaited.
- (xx) The Deputy Commissioner Inland Revenue (DCIR) has passed an order vide no. 19/2016 dated 05 February 2016 on the grounds that the Company has supplied electricity to unregistered persons during the period from July 2014 to June 2015 without payment of sales tax amounting to Rupees 476 million, leviable thereon. Being aggrieved the Company has filed an appeal on 11 November 2016 before the Commissioner Inland Revenue (Appeals) who upheld the order of DCIR. Afterwards, a second appeal was filed before Appellate Tribunal Inland Revenue (ATIR). ATIR decided the case in favor of the Company vide order dated 18 April 2018 and remanded back the proceedings to the Learned DCIR / Assistant Commissioner Inland Revenue (ACIR). In second round of proceedings, Assistant Commissioner Inland Revenue (ACIR) once again issued order on 30 April 2019 by ignoring the contentions and submissions of the Company. Being aggrieved with the order an appeal has been filed before the Commissioner Inland Revenue (Appeals) (CIR(A)) which is pending for adjudication.

- (xxi) The Deputy Commissioner Inland Revenue (DCIR) has passed an order against the Company dated 19 February 2016 and raised a demand amounting to Rupees 199 million on the grounds that the Company has made taxable supplies to three steel melters / rerollers but declared lesser quantity of electricity sold to buyers during the period from July 2011 to June 2015. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) who upheld the order of DCIR. Afterwards an appeal was filed before Appellate Tribunal Inland Revenue who remanded back the case to DCIR vide order dated 18 April 2018. In second round of proceedings Assistant Commissioner Inland Revenue (ACIR) once again issued orders on 02 April 2019 by ignoring the contentions and submissions of the Company. Being aggrieved with the order an appeal has been filed by the Company before the Commissioner Inland Revenue (Appeals) (CIR(A)) which is pending for adjudication.
- (xxii) The Deputy Commissioner Inland Revenue (DCIR) has passed the order vide no. Audit unit-01/Corporate Zone/TAMS-0763/2010-11/529 dated 14 December 2016 on the grounds that the Company is required to pay sales tax on various heads amounting to Rupees 10,054 million. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) on 16 January 2017 who upheld the orders of DCIR. A second appeal was filed before Appellate Tribunal Inland Revenue (ATIR) dated 18 September 2017 which has been decided in favour of the Company and remanded the case to DCIR. Additional Commissioner Inland Revenue (ACIR) has once again made demand of sale tax amounting to Rupees 6,095 million and penalty of amounting to Rupees 304.780 million vide order no. 38/2019-ST dated 23 June 2020. Being aggrieved with the decision, an appeal was filed in CIR-A dated 29 July 2020 which is pending for adjudication.
- (xxiii) The Deputy Commissioner Inland Revenue (DCIR) has passed the order No. 95/2017 dated 27 April 2017 on the grounds that the Company is required to pay sales tax on various heads amounting to Rupees 17,185.81 million. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) on 25 May 2017. CIR (A) has decided the case by issuing order on 23 July 2018 in favor of the Company by annulling the orders of DCIR and directed him to provide appropriate opportunity of being heard. Proceedings of the case are pending before DCIR for adjudication.
- (xxiv) The Assistant Commissioner Inland Revenue (ACIR) has passed the order vide no. 84 dated 07 April 2017 and raised a demand of sales tax amounting to Rupees 51.9 million on the grounds that the Company has failed to pay extra tax and further tax on supply of electricity to unregistered persons during the period from July 2015 to September 2016. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) on 05 May 2017. The Learned CIR(A) has issued an order dated 11 April 2018 in favor of the Company by annulling the case. Now the case is pending before ACIR.
- (xxv) The Assistant Commissioner Inland Revenue (ACIR) has passed the order on 28 August 2017 and raised a demand of sales tax amounting to Rupees 565 million on the grounds that the Company has failed to deduct the sales tax during the tax periods from July 2014 to June 2016. Being aggrieved the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) on 06 October 2017. CIR(A) has decided the case in favor of the Company vide its order dated 11 April 2018 by annulling the order of the Learned ACIR. Now the case is pending before ACIR.
- (xxvi) The Assistant Commissioner Inland Revenue (ACIR) vide its show cause notice no. 684 dated 04 December 2017 raised question of withholding of sales tax amounting to Rupees 84 million. On submissions made by the Company, the ACIR accepted the contentions of the Company to the extent of Rupees 65 million and rejected the submission of Rupees 19 million. The ACIR issued an order vide 174/2018 dated 28 February 2018 and raised demand of sales tax amounting to Rupees 19 million along with default surcharge amounting to Rupees 1.9 million. Being aggrieved, the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) on 30 March 2018. CIR(A) issued an order on 10 August 2018 in favor of the Company and annulled the order of ACIR. Now the case is pending before the Learned ACIR.
- (xxvii) The Additional Commissioner Punjab Revenue Authority has issued an order vide no. ENF-I, Unit-01, WH/112/2016-17 dated 28 November 2016 alleging that the Company has failed to withhold PRA sales tax amounting to Rupees 1,645 million from payments made on account of services acquired by the Company. Being aggrieved with the order, the Company has filed an appeal before the Commissioner (Appeals) Punjab Revenue Authority (C(A)PRA). The C(A)PRA has issued an order vide no. 27/2017 dated 14 November 2017 reducing the tax liability to Rupees 71 million along with penalty of Rupees 3.5 million. Afterwards, the Company has filed second appeal before the Appellate Tribunal Punjab Revenue Authority on 22 December 2017, the decision of which is awaited.
- (xxviii) The Assistant Commissioner Inland Revenue (ACIR) initiated proceedings through notice no. 99 dated 15 August 2018 alleging that the Company has claimed inadmissible input tax amounting to Rupees 2.8 million. By ignoring the reply and supporting documents ACIR issued order against the Company and raised demand of sales tax amounting to Rupees 2.8 million. Being aggrieved with the order of ACIR the Company filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)). CIR(A) set aside the order and remanded the case back to Learned ACIR, which is still pending for adjudication.
- (xxix) The Assistant Commissioner Inland Revenue (ACIR) initiated proceedings through notice no. 151 dated 04 June 2018 alleging that the Company has claimed inadmissible input tax amounting to Rupees 33 million on purchase of cement. The ACIR issued order dated 17 August 2018 against the Company. Being aggrieved with the order of the ACIR the Company filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) which is still pending for adjudication.



- (xxx) The Assistant Commissioner Inland Revenue (ACIR) issued notice on 22 November 2018 alleging that the Company has not charged sales tax on electricity supplied to employees for free of cost. The ACIR issued order on 22 March 2019 and raised demand of sales tax amounting to Rupees 1,056.59 million. Being aggrieved with the order of the ACIR the Company filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR(A)) which is pending for adjudication.
- (xxxi) The Assistant Commissioner Inland Revenue (ACIR) issued notice on 22 November 2018 alleging that the Company has not charged sales tax on reconnection fee recovered from consumers. The ACIR issued order dated 20 March 2019 and raised demand of sales tax amounting to Rupees 9.35 million. Being aggrieved, an appeal was filed before the Commissioner Inland Revenue (Appeals) (CIR(A)) which is still pending for adjudication.
- (xxxii) The Assistant Commissioner Inland Revenue (ACIR) issued notice on 22 November 2018 alleging that the Company has not charged sales tax on Tariff Differential Subsidy (TDS). The ACIR issued an order dated 18 March 2019 and raised a demand of sales tax amounting to Rupees 4,516.7 million. Being aggrieved, an appeal was filed before the Commissioner Inland Revenue (Appeals) (CIR(A)) which is still pending for adjudication.
- (xxxiii) The Assistant Commissioner Inland Revenue (ACIR) issued notice dated 02 April 2019 alleging that the Company has filed sales tax returns after due date as prescribed in the Act. Subsequently, after year end the ACIR issued order dated 23 July 2019 against the Company and raised the demand of penalty and default surcharge amounting to Rupees 0.019 million and 5.103 million respectively. Being aggrieved, an appeal against the order has been filed on 23 August 2019, before the Commissioner Inland Revenue (Appeals) (CIR(A)). CIR(A) decided the case in favor of the Company on 06 August 2020 by annulling the order of ACIR and remanded the case back to ACIR for review of facts. It is now pending for adjudication before ACIR.

Aggregate provision of Rupees 35,732.22 million relating to the above stated paragraph numbers 12.1.4(xv) to 12.1.4(xxxiii) has not been recorded in the books of account of the Company on the advice of tax advisor of the Company.

## 12.2 Commitments

Letters of credit for capital expenditure and other than capital expenditure are of Rupees 2,516.084 million (2019: Rupees 1,153.065 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.

	2020 RUPEES	2019 RUPEES
<b>13. PROPERTY, PLANT AND EQUIPMENT</b>		
Capital work-in-progress (Note 13.1)	15,040,135,950	10,899,402,994
Operating fixed assets (Note 13.2)	102,631,884,734	97,990,414,860
	<u>117,672,020,684</u>	<u>108,889,817,854</u>
<b>13.1 Capital work-in-progress</b>		
Civil works	239,918,365	209,407,849
Distribution equipment (Note 13.1.2)	14,800,217,585	10,689,995,145
	<u>15,040,135,950</u>	<u>10,899,402,994</u>
<b>13.1.1 Movement in capital work-in-progress</b>		
Balance at 01 July	10,899,402,994	11,161,660,296
Add: Additions during the year	8,140,108,075	8,562,460,880
	19,039,511,069	19,724,121,176
Less:		
Transferred to operating fixed assets (13.1.4)	3,975,209,944	8,795,912,542
Impairment charged during the year (Note 26)	24,165,175	28,805,640
	3,999,375,119	8,824,718,182
Balance as at 30 June	<u>15,040,135,950</u>	<u>10,899,402,994</u>
<b>13.1.2</b> These include borrowing cost of Rupees 40.851 million (2019: Rupees 144.401 million) incurred specifically to finance the construction of distribution equipment. The capitalization rate used was 15.557 (2019: 15.557) percent per annum.		
<b>13.1.3</b> Depreciation capitalized related to capital work-in-progress was Rupees 7.052 million (2019: Rupees 5.581 million). Moreover operating expenses of Rupees 673.786 million (2019: Rupees 412.367 million) have also been included in capital work-in-progress.		
<b>13.1.4</b> Opening work transferred to operating fixed assets	2,162,185,137	4,010,964,366
Work started during the year and transferred to operating fixed assets	1,813,024,807	4,784,948,176
Total work transferred to operating fixed assets	<u>3,975,209,944</u>	<u>8,795,912,542</u>

**13.2 OPERATING FIXED ASSETS**

	Land -Freehold	Land -Leasehold	Buildings on freehold land	Office equipment	Distribution equipment	Other plant and equipment	Vehicles	Total
----- (RUPEES) -----								
<b>At 30 June 2018</b>								
Cost	358,679,002	2,277,338	4,036,180,530	565,703,381	123,981,113,872	509,950,673	1,019,094,116	130,472,998,912
Accumulated depreciation	-	(790,164)	(983,983,732)	(270,653,629)	(39,265,641,728)	(311,702,375)	(773,550,353)	(41,606,321,981)
Net book value	<u>358,679,002</u>	<u>1,487,174</u>	<u>3,052,196,798</u>	<u>295,049,752</u>	<u>84,715,472,144</u>	<u>198,248,298</u>	<u>245,543,763</u>	<u>88,866,676,931</u>
<b>Year ended 30 June 2019</b>								
Opening net book value	358,679,002	1,487,174	3,052,196,798	295,049,752	84,715,472,144	198,248,298	245,543,763	88,866,676,931
Additions	37,177,432	-	300,673,209	51,866,521	13,077,759,651	351,470,595	3,496,100	13,822,443,508
Disposals	-	-	-	-	-	-	-	-
Depreciation charge	-	-	(82,265,161)	(46,946,611)	(4,485,036,782)	(39,520,936)	(44,936,089)	(4,698,705,579)
Closing net book value	<u>395,856,434</u>	<u>1,487,174</u>	<u>3,270,604,846</u>	<u>299,969,662</u>	<u>93,308,195,013</u>	<u>510,197,957</u>	<u>204,103,774</u>	<u>97,990,414,860</u>
<b>At 30 June 2019</b>								
Cost	395,856,434	2,277,338	4,336,853,739	617,569,902	137,058,873,523	861,421,268	1,022,590,216	144,295,442,420
Accumulated depreciation	-	(790,164)	(1,066,248,893)	(317,600,240)	(43,750,678,510)	(351,223,311)	(818,486,442)	(46,305,027,560)
Net book value	<u>395,856,434</u>	<u>1,487,174</u>	<u>3,270,604,846</u>	<u>299,969,662</u>	<u>93,308,195,013</u>	<u>510,197,957</u>	<u>204,103,774</u>	<u>97,990,414,860</u>
<b>Year ended 30 June 2020</b>								
Opening net book value	395,856,434	1,487,174	3,270,604,846	299,969,662	93,308,195,013	510,197,957	204,103,774	97,990,414,860
Additions	-	-	248,640,822	16,368,405	9,388,284,352	78,052,335	38,387,311	9,769,733,225
Depreciation charge	-	-	(87,523,125)	(52,115,502)	(4,874,010,566)	(69,690,906)	(44,923,252)	(5,128,263,351)
Closing net book value	<u>395,856,434</u>	<u>1,487,174</u>	<u>3,431,722,543</u>	<u>264,222,565</u>	<u>97,822,468,799</u>	<u>518,559,386</u>	<u>197,567,833</u>	<u>102,631,884,734</u>
<b>At 30 June 2020</b>								
Cost	395,856,434	2,277,338	4,585,494,561	633,938,307	146,447,157,875	939,473,603	1,060,977,527	154,065,175,645
Accumulated depreciation	-	(790,164)	(1,153,772,018)	(369,715,742)	(48,624,689,076)	(420,914,217)	(863,409,694)	(51,433,290,911)
Net book value	<u>395,856,434</u>	<u>1,487,174</u>	<u>3,431,722,543</u>	<u>264,222,565</u>	<u>97,822,468,799</u>	<u>518,559,386</u>	<u>197,567,833</u>	<u>102,631,884,734</u>
<b>Annual rate of depreciation (%)</b>	-	-	2	10	3.5	10	10	

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

**13.2.2** Furniture and fixture have been included in other plant and equipment and computers have been clubbed in office equipment.

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

**13.2.4** On 01 March 2019, the Company entered into an Authorization and Interest agreement with Power Holding (Private) Limited (PHPL) and Meezan Bank Limited (MBL), in which 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 amounting to Rupees 256,940,077. 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 will be issued by PHPL for a period of ten years.

	2020 RUPEES	2019 RUPEES
<b>13.3 Depreciation charge for the year has been allocated as follows:</b>		
Operating cost	5,121,211,315	4,693,124,291
Capital work-in-progress (Note 13.1.3)	7,052,036	5,581,288
	<u>5,128,263,351</u>	<u>4,698,705,579</u>
<b>14. INTANGIBLE ASSET</b>		
<b>Computer Softwares</b>		
Opening book value	10,101,690	27,397,086
Amortization charged during the year	(10,101,690)	(17,295,396)
Closing book value	<u>-</u>	<u>10,101,690</u>
Cost	86,476,981	86,476,981
Accumulated amortization	(86,476,981)	(76,375,291)
Net book value	<u>-</u>	<u>10,101,690</u>
Amortization rate (per annum)	<u>20%</u>	<u>20%</u>
<b>14.1</b> These include SAP software, Dongle Software and Global Positioning System (GPS).		
<b>15. LONG TERM LOANS AND ADVANCES</b>		
<b>Considered good - secured:</b>		
House building / purchase of plots	90,045,510	92,265,426
Vehicles	24,478,291	26,017,795
	<u>114,523,801</u>	<u>118,283,221</u>
Less: Current portion shown under current assets (Note 19)	33,129,197	37,652,796
	<u>81,394,604</u>	<u>80,630,425</u>
<b>15.1</b> 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 Company's policy, interest is charged equal to the profit rate applied on 'General Provident Fund' which is 12 percent (2019: 14.35 percent) per annum. The principal amount is recoverable in equal monthly installments and interest is recoverable in lump sum at the time of final settlement of loans. These loans are secured by mortgage of immovable property and hypothecation of vehicles.		
<b>16. LONG TERM DEPOSITS</b>		
These represent security deposits with utility companies against connections.		
<b>17. STORES AND SPARE PARTS</b>		
Stores	5,939,215,726	7,644,539,367
Spare parts	460,287,893	540,936,597
	<u>6,399,503,619</u>	<u>8,185,475,964</u>
Less: Provision for slow moving and obsolete items of stores and spare parts (Note 17.1)	70,822,917	82,050,115
	<u>6,328,680,702</u>	<u>8,103,425,849</u>
<b>17.1 Provision for slow moving and obsolete items of stores and spare parts</b>		
Balance as at 01 July	82,050,115	91,734,823
Less: Reversal of provision for slow moving and obsolete items (Note 27)	(11,227,198)	(9,684,708)
Balance as at 30 June	<u>70,822,917</u>	<u>82,050,115</u>

	2020 RUPEES	2019 RUPEES
<b>18. TRADE DEBTS</b>		
<b>Partially secured:</b>		
Considered good	62,669,478,427	40,472,778,854
Less: Allowance for expected credit losses (Note 18.2)	(11,467,624,501)	(10,983,587,907)
	<u>51,201,853,926</u>	<u>29,489,190,947</u>
<b>18.1</b> Trade debts include the amount receivable from domestic consumers up to 300 units, in respect of Prime Minister's Relief Package for deferred payment of electricity bill due to COVID-19 pandemic. As per the directions by Government of Pakistan, the bills are collectable in the form of three installments. Trade debts include the deferred amount against the consumers, who have opt for the installments. The said amount accumulates to a total of Rupees 13,416.803 million. Late Payment Surcharge (LPS) will not be levied in case of non-payment by such consumers. In addition to this, no mark-up will be charged on the deferred amount.		
<b>18.2 Allowance for expected credit losses</b>		
Balance as at 01 July	10,983,587,907	4,073,166,345
Add: Expected credit loss allowance for the year (Note 26)	583,580,214	6,955,204,725
	<u>11,567,168,121</u>	<u>11,028,371,070</u>
Less:		
Trade debts written off against allowance for expected credit losses	99,543,620	44,783,163
Balance as at 30 June	<u>11,467,624,501</u>	<u>10,983,587,907</u>
<b>18.3</b> 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, agriculture, public lights, residential colonies and others.		
<b>18.4</b> As at 30 June, ageing analysis of these trade debts is as follows:		
Not past due yet	8,638,252,225	4,787,273,305
Due upto 2 months	6,244,919,178	3,059,737,138
2 to 3 months	12,799,344,560	233,942,274
3 to 6 months	4,486,842,359	412,429,391
6 months to 1 year	579,226,900	1,649,131,771
1 year to 3 years	2,163,782,601	2,602,765,852
3 years and above	2,575,475,002	2,588,707,385
Balances due from Government	16,802,787,025	16,802,787,025
Deferred arrears (1 year to 3 years)	8,378,848,577	8,336,004,713
	<u>62,669,478,427</u>	<u>40,472,778,854</u>
Less: Allowance for expected credit losses	11,467,624,501	10,983,587,907
	<u>51,201,853,926</u>	<u>29,489,190,947</u>
<b>19. LOANS AND ADVANCES</b>		
<b>Considered good:</b>		
Employees against expenses	41,519,632	37,316,143
Advances to suppliers	246,144,386	274,951,942
Current portion of long term loans and advances (Note 15)	33,129,197	37,652,796
	<u>320,793,215</u>	<u>349,920,881</u>
<b>20. OTHER RECEIVABLES</b>		
<b>Considered good:</b>		
Due from associated companies / undertakings (Note 20.1)	3,511,540,561	3,537,293,994
Sales tax receivable from consumers	20,730,719,043	13,438,739,583
Agriculture subsidy receivable from Government of Punjab	150,006,763	150,006,763
Tariff differential subsidy receivable from Government of Pakistan	65,699,063,554	39,910,496,354
Prime Minister's relief package for Small and Medium Enterprises (Note 20.13)	3,988,253,868	-
Duties, charges and taxes (Note 20.14)	-	-
Receivable against damaged items during warranty period	41,007,873	38,096,625
Others	108,084,775	90,071,962
	<u>94,228,676,437</u>	<u>57,164,705,281</u>

	2020 RUPEES	2019 RUPEES
<b>20.1 Due from associated companies / undertakings</b>		
Jamshoro Power Company Limited (GENCO-I)	2,195,004	1,556,133
Central Power Generation Company Limited (GENCO-II)	239,247,169	293,995,215
Northern Power Generation Company Limited (GENCO-III)	954,432,843	976,059,922
Lakhra Power Generation Company Limited (GENCO-IV)	949,483	571,003
Lahore Electric Supply Company Limited (LESCO)	386,439,776	416,582,705
Quetta Electric Supply Company Limited (QESCO)	79,092,350	68,769,763
Islamabad Electric Supply Company Limited (IESCO)	79,159,620	79,450,779
Peshawar Electric Supply Company Limited (PESCO)	451,296,860	454,627,978
WAPDA Current Account	997,648,536	947,323,847
WAPDA Welfare Fund	321,078,920	298,356,649
	<u>3,511,540,561</u>	<u>3,537,293,994</u>

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

Upto 6 months	273,929,548	391,284,359
6 months to 1 year	191,684,540	366,504,653
1 year to 3 years	311,584,761	501,070,040
3 years and above	2,734,341,712	2,278,434,942
	<u>3,511,540,561</u>	<u>3,537,293,994</u>

**20.3** The maximum aggregate amount due from Jamshoro Power Company Limited (GENCO-I) at the end of any month during the year was Rupees 2.29 million (2019: Rupees 3.22 million).

**20.4** The maximum aggregate amount due from Central Power Generation Company Limited (GENCO-II) at the end of any month during the year was Rupees 363.20 million (2019: Rupees 303.74 million).

**20.5** The maximum aggregate amount due from Northern Power Generation Company Limited (GENCO-III) at the end of any month during the year was Rupees 962.56 million (2019: Rupees 993.01 million).

**20.6** The maximum aggregate amount due from Lakhra Power Generation Company Limited (GENCO-IV) at the end of any month during the year was Rupees 0.95 million (2019: Rupees 0.99 million).

**20.7** The maximum aggregate amount due from Lahore Electric Supply Company Limited (LESCO) at the end of any month during the year was Rupees 434.22 million (2019: Rupees 480.11 million).

**20.8** The maximum aggregate amount due from Quetta Electric Supply Company Limited (QESCO) at the end of any month during the year was Rupees 89.85 million (2019: Rupees 68.77 million).

**20.9** The maximum aggregate amount due from Islamabad Electric Supply Company Limited (IESCO) at the end of any month during the year was Rupees 81.97 million (2019: Rupees 102.15 million).

**20.10** The maximum aggregate amount due from Peshawar Electric Supply Company Limited (PESCO) at the end of any month during the year was Rupees 474.17 million (2019: Rupees 528.55 million).

**20.11** The maximum aggregate amount due from Water and Power Development Authority (WAPDA) current account at the end of any month during the year was Rupees 11,143.84 million (2018: Rupees 1,373.43 million).

**20.12** The maximum aggregate amount due from Water and Power Development Authority (WAPDA) welfare fund at the end of any month during the year was Rupees 292.66 million (2019: Rupees 298.36 million).

**20.13** This relief was allowed under the Prime Minister's Relief Package to Small and Medium Enterprises (SMEs). This relief was given to commercial and industrial consumers based upon the electricity consumption from May 2019 to July 2019. Maximum relief allowed to commercial consumers and industrial consumers was upto Rupees 100,000 and Rupees 450,000 upto 3 months (i.e. October 2020), provided that the connected load of commercial consumers and industrial consumers is upto 5KW and 70KW respectively.



	2020 RUPEES	2019 RUPEES
<b>20.14 Duties, charges and taxes</b>		
Receivables not yet realized:		
Electricity duty	204,041,508	265,120,574
Income tax	440,920,276	321,219,743
Other taxes	132,291,224	87,308,477
Neelum Jhelum surcharge	390,475,913	231,922,348
Debt service surcharge	1,820,686,518	906,830,035
Universal obligation surcharge	137,775,551	155,525,181
T.V. license fee	390,475,913	117,366,195
Equalization surcharge	7,195,653	8,807,433
	<u>3,523,862,556</u>	<u>2,094,099,986</u>
Payables not yet realized:		
Electricity duty	(204,041,508)	(265,120,574)
Income tax	(440,920,276)	(321,219,743)
Other taxes	(132,291,224)	(87,308,477)
Neelum Jhelum surcharge	(390,475,913)	(231,922,348)
Debt service surcharge	(1,820,686,518)	(906,830,035)
Universal obligation surcharge	(137,775,551)	(155,525,181)
T.V. license fee	(390,475,913)	(117,366,195)
Equalization surcharge	(7,195,653)	(8,807,433)
	<u>(3,523,862,556)</u>	<u>(2,094,099,986)</u>
	<u>-</u>	<u>-</u>

**20.14.1** 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.

**21. TAX REFUNDS DUE FROM GOVERNMENT**

Income tax	2,551,409,801	1,868,796,960
Sales tax	2,069,701,801	4,810,490,611
	<u>4,621,111,602</u>	<u>6,679,287,571</u>

**22. CASH AND BANK BALANCES**

Current accounts	452,976,140	29,123,711
Deposit accounts (Note 22.1)	4,913,909,263	1,801,134,333
Term deposit receipts (Note 22.2)	12,001,000,000	8,627,629,754
	<u>17,367,885,403</u>	<u>10,457,887,798</u>
Cash in hand	41,273	-
	<u>17,367,926,676</u>	<u>10,457,887,798</u>

**22.1** Rate of profit on deposit accounts ranges from 3.25 percent to 6.50 percent (2019: 3.75 percent to 10.25 percent) per annum.

**22.2** These represent term deposit receipts placed with different banks having maturity period of one to three (2019: one to three) months at profit rates ranging from 7.10 percent to 10.75 percent (2019: 10.00 percent to 12.50 percent) per annum.

**23. SALES OF ELECTRICITY**

Gross sales	233,231,503,470	193,456,721,670
Less: Sales tax	33,888,338,111	28,109,096,311
	<u>199,343,165,359</u>	<u>165,347,625,359</u>

**24. TARIFF DIFFERENTIAL SUBSIDY**

This represents the tariff subsidy 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.

**25. 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 and adjusted in accordance with monthly fuel price adjustment determined and notified by NEPRA.

	2020 RUPEES	2019 RUPEES
<b>26. OPERATING EXPENSES EXCLUDING DEPRECIATION</b>		
Salaries, wages and other benefits	9,543,846,206	9,174,535,394
Staff retirement benefits (Note 6.2)	12,232,839,214	8,678,846,893
Repair and maintenance	1,728,679,986	1,725,590,787
Travelling and conveyance	951,754,379	985,638,113
Electricity bills collection charges	452,719,415	515,747,868
Transportation	399,307,873	364,247,145
Advertising and publicity	24,237,581	49,167,906
Office supplies and other expenses	249,959,567	242,123,990
Legal and professional	39,285,783	33,865,767
Auditors' remuneration (Note 26.1)	\ 2,897,500	1,150,000
Power, light and water	112,211,083	91,173,885
Computer and outside services	608,448,685	526,603,244
Telephone and postage	54,772,519	66,623,126
Management fees	162,567,586	121,387,617
Rent, rates and taxes	25,131,993	23,411,165
Insurance	\ 33,044,384	34,272,659
Allowance for expected credit losses (Note 18.2)	583,580,214	6,955,204,725
Exchange loss	\ 404,991	1,841,518
Impairment of capital work in progress (Note 13.1.1)	\ 24,165,175	28,805,640
Workers' profit participation fund (Note 10.4)	\ 86,942,068	-
Other charges (Note 26.2)	\ 1,979,804,018	2,732,320,532
	<u>29,296,600,220</u>	<u>32,352,557,975</u>
Less: Charged to capital work-in-progress (Note 13.1.3)	673,786,706	412,367,859
	<u>28,622,813,514</u>	<u>31,940,190,116</u>
<b>26.1 Auditor's remuneration</b>		
Audit fee	1,072,500	850,000
Other certifications fee	1,650,000	150,000
Reimbursable expenses	175,000	150,000
	<u>2,897,500</u>	<u>1,150,000</u>
<b>26.2</b>	These include supplemental charges of Rupees 1,847.91 million (2019: Rupees 2,171.19 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.	
<b>27. OTHER INCOME</b>		
<b>Income from financial assets</b>		
Profit on bank deposits and term deposit receipts	-1,620,497,713	- 823,414,653
Late payment surcharge	-1,847,910,761	- 2,171,197,235
	<u>3,468,408,474</u>	<u>2,994,611,888</u>
<b>Income from non-financial assets</b>		
T.V. license fee services	31,185,467	40,675,225
Meter / service rent	-72,970,122	-70,440,954
Miscellaneous service charges	-77,935,906	-91,181,175
Reconnection fees	-55,854,948	- 67,636,839
Sale of scrap	96,394,954	46,869,963
Credit balances written back	37,216,164	51,222,439
Reversal of provision for slow moving and obsolete items of stores and spare parts (Note 17.1)	11,227,198	9,684,708
Miscellaneous	290,364,236	440,599,511
	<u>673,148,995</u>	<u>818,310,814</u>
	<u>4,141,557,469</u>	<u>3,812,922,702</u>
	<b>2020 RUPEES</b>	<b>2019 RUPEES Restated</b>
<b>28. FINANCE COST</b>		
Mark-up on long term financing	1,431,235,173	1,336,863,528
Mark-up transferred from GoP	775,719,361	968,853,134
Bank charges and commission	4,905,299	4,452,579
	<u>2,211,859,833</u>	<u>2,310,169,241</u>



	2020 RUPEES	2019 RUPEES
<b>29. TAXATION</b>		
<b>29.1 Current</b>		
For the year	<u>1,275,956,097</u>	<u>-</u>

Provision for current taxation represents minimum tax under section 113 of the Income Tax Ordinance 2001 adjusted by brought forward tax credit for non-equity investment in plant and machinery under repealed section 65B of the Ordinance. However tariff differential subsidy from Government of Pakistan is excluded from turnover of the Company as it constitutes exempt income. Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not required in view of accumulated tax losses of the Company of Rupees 552,103.374 million (2019: Rupees 509,824.357 million).

	2020 RUPEES	2019 RUPEES
<b>29.2 Deferred</b>		
Deferred income tax effect due to:		
Accelerated tax depreciation	18,654,645,054	17,541,708,604
Allowance for expected credit losses	(3,325,611,105)	(3,185,240,493)
Provision for slow moving and obsolete items of stores and spare parts	(20,538,646)	(23,794,533)
Staff retirement benefits	(23,368,978,322)	(22,960,871,093)
Unused tax losses and credit	<u>(160,109,978,443)</u>	<u>(151,581,851,680)</u>
Net deferred income tax asset	(168,170,461,462)	(160,210,049,195)
Unrecognized deferred income tax asset (Note 29.3)	<u>168,170,461,462</u>	<u>160,210,049,195</u>
	-	-

**29.3** 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.

	2020	2019 Restated
<b>30. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED</b>		
<b>Basic earnings / (loss) per share</b>		
Profit / (loss) after taxation (Rupees)	<u>375,943,195</u>	<u>(22,802,484,250)</u>
Weighted average number of ordinary shares (Numbers)	<u>1 082 363 604</u>	<u>1 082 363 604</u>
Earnings / (loss) per share - Basic (Rupees)	<u>0.35</u>	<u>(21.07)</u>
<b>Diluted earnings / (loss) per share</b>		
Profit / (loss) after taxation (Rupees)	<u>375,943,195</u>	<u>(22,802,484,250)</u>
Weighted average number of ordinary shares including deposit for shares (Numbers)	<u>4 216 126 821</u>	<u>4 216 126 821</u>
Earnings / (loss) per share - Diluted (Rupees)	<u>0.09</u>	<u>(5.41)</u>

	2020 RUPEES	2019 RUPEES Restated
<b>31. CASH GENERATED FROM OPERATIONS</b>		
<b>Profit / (loss) before taxation</b>	1,651,899,292	(22,802,484,250)
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	5,121,211,315	4,693,124,291
Provision for staff retirement benefits	12,232,839,214	8,678,846,893
Amortization of intangible asset	10,101,690	17,295,396
Amortization of deferred credit	(2,952,291,619)	(2,758,528,394)
Allowance for expected credit losses	583,580,214	6,955,204,725
Provision for slow moving and obsolete items of stores and spare parts reversed during the year	(11,227,198)	(9,684,708)
Provision for workers' profit participation fund	86,942,068	-
Impairment of capital work-in-progress	24,165,175	28,805,640
Profit on bank deposits	(1,620,497,713)	(823,414,653)
Credit balances written back	37,216,164	51,222,439
Exchange loss	404,991	1,841,518
Finance cost	2,211,859,833	2,290,013,937
Working capital changes (Note 31.1)	<u>(4,516,049,766)</u>	<u>11,579,562,360</u>
	<u>12,860,153,660</u>	<u>7,901,805,194</u>

	2020 RUPEES	2019 RUPEES
<b>31.1 Working capital changes</b>		
<b>Decrease / (increase) in current assets</b>		
Stores and spare parts	1,785,972,345	(2,330,155,914)
Trade debts	(22,296,243,193)	3,295,447,596
Loans and advances	24,604,067	60,627,357
Other receivables	(37,063,971,156)	532,697,255
Tax refunds due from Government	2,058,175,969	3,994,576,528
	(55,491,461,968)	5,553,192,822
Increase in trade and other payables	50,975,412,202	6,026,369,538
	<u>(4,516,049,766)</u>	<u>11,579,562,360</u>

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

	2020			
	Long term financing	Long term security deposits	Receipt against deposit works and deferred credit	Total
	RUPEES			
Balance as at 01 July 2019	14,187,596,150	9,179,842,474	77,917,852,306	101,285,290,930
Repayment of financing	(38,108,009)	-	-	(38,108,009)
Security deposits received	-	999,541,157	-	999,541,157
Receipts against deposit work received-net	-	-	10,561,490,996	10,561,490,996
Amortization of deferred credit	-	-	(2,952,291,619)	(2,952,291,619)
Balance as at 30 June 2020	<u>14,149,488,141</u>	<u>10,179,383,631</u>	<u>85,527,051,683</u>	<u>109,855,923,455</u>
	2019			
	Long term financing	Long term security deposits	Receipt against deposit works and deferred credit	Total
	RUPEES			
Balance as at 01 July 2018	13,707,273,169	8,164,534,805	72,669,102,565	94,540,910,539
Financing obtained	554,481,341	-	-	554,481,341
Repayment of financing	(74,158,360)	-	-	(74,158,360)
Security deposits received	-	1,015,307,669	-	1,015,307,669
Receipts against deposit work received-net	-	-	8,007,278,135	8,007,278,135
Amortization of deferred credit	-	-	(2,758,528,394)	(2,758,528,394)
Balance as at 30 June 2019	<u>14,187,596,150</u>	<u>9,179,842,474</u>	<u>77,917,852,306</u>	<u>101,285,290,930</u>

**32. 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:

	2020	2019	2020	2019
	Chief Executive Officer		Executives	
	RUPEES	RUPEES	RUPEES	RUPEES
Basic pay	2,147,350	1,586,760	82,352,760	80,558,880
Allowances	7,004,059	2,414,243	99,504,108	78,638,736
Meeting fee	1,162,500	980,000	-	-
	<u>10,313,909</u>	<u>4,981,003</u>	<u>181,856,868</u>	<u>159,197,616</u>
Number of persons	<u>1</u>	<u>1</u>	<u>55</u>	<u>53</u>

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

**32.2** Aggregate amount charged in the financial statements for meeting fee to 10 (2019: 10) directors was Rupees 7.17 million (2019: Rupees 4.45 million).

**32.3** No remuneration was paid to any Director of the Company.

### 33. 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:

	2020 RUPEES	2019 RUPEES
<b>Associated companies / undertakings:</b>		
Purchase of electricity	248,407,080,166	225,725,413,330
Free supply of electricity provided to employees of associated companies	208,965,955	244,230,937
Free supply of electricity received by employees of the Company	87,603,004	135,700,088
Electricity bills of the Company received by associated companies	1,554,532	1,248,138
Electricity bills of associated companies received by the Company	2,128,484	1,233,493
Pension paid to employees of associated companies	1,055,633,331	888,608,506
Pension received by employees of the Company from associated companies	257,060,297	278,587,181
Finance cost	2,206,954,534	2,285,561,358

33.1 Detail of compensation to key management personnel comprising of Chief Executive Officer, directors and executives is disclosed in Note 32.

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

Jamshoro Power Company Limited (GENCO-I)  
Central Power Generation Company Limited (GENCO-II)  
Northern Power Generation Company Limited (GENCO-III)  
Lakhra Power Generation Company Limited (GENCO-IV)  
National Transmission and Despatch Company Limited (NTDC)  
Central Power Purchasing Agency (Guarantee) Limited (CPPA)  
Lahore Electric Supply Company Limited (LESCO)  
Quetta Electric Supply Company Limited (QESCO)  
Islamabad Electric Supply Company Limited (IESCO)  
Peshawar Electric Supply Company Limited (PESCO)  
Hyderabad Electric Supply Company Limited (HESCO)  
Sukkur Electric Power Company Limited (SEPCO)  
Faisalabad Electric Supply Company Limited (FESCO)  
Gujranwala Electric Power Company Limited (GEPCO)  
Water and Power Development Authority (WAPDA)  
Power Information Technology Company (Private) Limited (PITC)

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

### 34. NUMBER OF EMPLOYEES

	2020	2019
Number of employees as on 30 June	16 174	17 108
Average number of employees during the year	16 235	17 036

### 35. FINANCIAL RISK MANAGEMENT

#### 35.1 Financial risk factors

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

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

##### (a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

##### (i) Currency risk

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

The Company is exposed to currency risk arising from currency exposure, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from the foreign entities. The Company's exposure to currency risk was as follows:

	2020	2019
Trade and other payables - USD	47,646	47,646
Following significant exchange rates were applied during the year:		
<b>Rupees per US Dollar</b>		
Average rate	164.50	140.92
Reporting date rate	168.75	160.25

## Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit / (loss) after taxation for the year would have been Rupees 0.382 million lower / higher (2019: Rupees 0.382 million higher / lower), mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. Since the amount exposed to currency risk is negligible, therefore any adverse / favorable movement in functional currency in respect of USD will not have any material impact on the operational results.

### (ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk.

### (iii) Interest rate risk

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

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

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

	2020 RUPEES	2019 RUPEES
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Long term advances	114,523,801	118,283,221
Term deposit receipts	12,001,000,000	8,627,629,754
<b>Financial liabilities</b>		
Long term financing	14,061,123,790	14,061,123,790
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances - deposit accounts	4,913,909,263	1,801,134,333

#### 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 / (loss) after taxation for the year would have been Rupees 46.682 million higher / lower (2019: Rupees 18.011 million lower / higher), 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.

### (b) Credit risk

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

Trade debts	51,201,853,926	29,489,190,947
Loans and advances	114,523,801	118,283,221
Accrued interest	157,817,812	103,482,195
Deposits	49,185	49,185
Other receivables	24,391,352,252	17,104,202,164
Bank balances	17,367,885,403	10,457,887,798
	<u>93,233,482,379</u>	<u>57,273,095,510</u>

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

	Rating			2020	2019
	Short term	Long term	Agency	(RUPEES)	
Allied Bank Limited	A1+	AAA	PACRA	1,181,331,989	352,020,528
United Bank Limited	A-1+	AAA	VIS	2,699,979,971	1,885,767,634
MCB Bank Limited	A1+	AAA	PACRA	1,133,744,537	720,022,140
Habib Bank Limited	A-1+	AAA	VIS	2,630,531,460	2,510,735,942
National Bank of Pakistan	A-1+	AAA	VIS	5,017,390,155	745,216,534
The Bank of Punjab	A1+	AA	PACRA	844,660,560	751,546,253
Bank Alfalah Limited	A1+	AA+	PACRA	257,014,519	25,275,807
<b>Sub total:-</b>				<u>13,764,653,191</u>	<u>6,990,584,838</u>

	Rating			2020	2019
	Short term	Long term	Agency	(RUPEES)	
Bank Al-Habib Limited	A1+	AA+	PACRA	1,109,097,931	653,554,864
Meezan Bank Limited	A-1+	AA+	VIS	4,879,571	503,456,499
Soneri Bank Limited	A1+	AA-	PACRA	979,614,419	864,451,651
Askari Bank Limited	A1+	AA+	PACRA	104,113,597	2,997,560
Faysal Bank Limited	A1+	AA	PACRA	714,313,344	866,536,574
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	14,733	76
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	1,784	-
Zarai Taraqati Bank Limited	A-1+	AAA	VIS	63,485,977	-
JS Bank Limited	A1+	AA-	PACRA	4,005,552	69,689
Silkbank Limited*	A-2	A-	VIS	3,377,233	-
First Women Bank Limited	A2	A-	PACRA	3	-
AlBaraka Bank (Pakistan) Limited	A1	A	PACRA	292,785	2,584,758
Dubai Islamic Bank Pakistan Limited	A-1+	AA	VIS	954,389	-
BankIslami Pakistan Limited	A1	A+	PACRA	480,279	772,078
Summit Bank Limited*			VIS	497,660	-
Trust Investment Bank Limited**	N/A	N/A	N/A	214,373,418	214,373,418
The Punjab Provincial Cooperative Bank Limited***	N/A	N/A	N/A	11,362,131	31,169,053
Pakistan Post Office ****	N/A	N/A	N/A	392,367,406	327,336,740
<b>Sub total:-</b>				<b>3,603,232,212</b>	<b>3,467,302,960</b>
<b>Grand total:-</b>				<b>17,367,885,403</b>	<b>10,457,887,798</b>

\* VIS has suspended the credit rating of the Bank till availability of updated financial information, as no financial statements have been made available by the Bank after the period ended February 2019.

\*\* PACRA has withdrawn the credit ratings of the Bank since 19 November 2012 on the request of the Bank's management as SECP has not renewed Bank's license to operate investment finance services.

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

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

The Company's exposure to credit risk and expected credit losses related to trade debts is disclosed in Note 18.

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

### (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The cash management has not yet been delegated to the Company and WAPDA disburses funds to the Company as and when needed. Following are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows.

Following are the contractual maturities of financial liabilities as at 30 June 2020:

Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-3 years	More than 3 years
(RUPEES)					
<b>Non-derivative financial liabilities:</b>					
Long term financing	14,149,488,141	34,583,031,608	5,785,993,888	485,855,286	1,839,359,909
Long term security deposits	10,179,383,631	10,179,383,631	-	-	10,179,383,631
Trade and other payables	165,788,356,738	165,788,356,737	165,788,356,737	-	-
Accrued mark-up	10,788,639,164	10,788,639,164	10,788,639,164	-	-
	<b>200,905,867,674</b>	<b>221,339,411,140</b>	<b>182,362,989,789</b>	<b>485,855,286</b>	<b>1,839,359,909</b>
					<b>36,651,206,156</b>

Following are the contractual maturities of financial liabilities as at 30 June 2019:

Carrying amount	Contractual cash flows	6 months or less	Less than 1 year	1-3 years	More than 3 years
(RUPEES)					
<b>Non-derivative financial liabilities:</b>					
Long term financing	14,187,596,150	34,612,490,593	4,665,353,058	475,824,418	2,766,721,211
Long term security deposits	9,179,842,474	9,179,842,474	-	-	9,179,842,474
Trade and other payables	113,843,017,322	113,843,017,322	113,843,017,322	-	-
Accrued mark-up	9,292,966,980	9,292,966,980	9,292,966,980	-	-
	<b>146,503,422,926</b>	<b>166,928,317,369</b>	<b>127,801,337,360</b>	<b>475,824,418</b>	<b>2,766,721,211</b>
					<b>35,884,434,380</b>

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 5 to these financial statements.



**(d) Capital risk management**

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

**35.2 Financial instruments by categories**

	2020 RUPEES	2019 RUPEES
	<u>At amortized cost</u>	
<b>As at 30 June</b>		
<b>Assets as per statement of financial position</b>		
Trade debts	51,201,853,926	29,489,190,947
Loans and advances	114,523,801	118,283,221
Accrued interest	157,817,812	103,482,195
Deposits	49,185	49,185
Other receivables	24,391,352,252	17,104,202,164
Cash and bank balances	17,367,926,676	10,457,887,798
	<u>93,233,523,652</u>	<u>57,273,095,510</u>
<b>Liabilities as per statement of financial position</b>		
Long term financing	14,149,488,141	14,187,596,150
Long term security deposits	10,179,383,631	9,179,842,474
Trade and other payables	165,788,356,738	113,843,017,322
Accrued mark-up	10,788,639,164	9,292,966,980
	<u>200,905,867,674</u>	<u>146,503,422,926</u>

**35.3 Offsetting financial assets and financial liabilities**

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

**36. 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.

**37. DATE OF AUTHORIZATION**

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

**38. CORRESPONDING FIGURES**

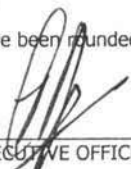
Corresponding figures have been re-arranged and re-classified for better presentation, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made except following:

PARTICULARS	RECLASSIFICATION		RUPEES
	FROM	TO	
Advances from consumers	Trade debts	Trade and other payables	693,986,357

Moreover same reclassification was made in earliest period presented of 2018 in statement of financial position by Rupees 108,473,843.

**39. GENERAL**

Figures have been rounded off to the nearest Rupee.

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR