Riaz Ahmad & Company
Chartered Accountants

QUETTA ELECTRIC SUPPLY COMPANY LIMITED

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEAR ENDED 30 JUNE 2021

A member of Nexia International

Riaz Ahmad & Company
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the members of Quetta Electric Supply Company Limited

Report on the Audit of Financial Statements

Qualified Opinion

We have audited the annexed financial statements of Quetta Electric Supply Company Limited (the Company), which comprise the statement of financial position as at 30 June 2021, 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, except as described in the basis for qualified opinion section below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

Basis for Qualified Opinion

a) as stated in note 3.1.5 to the financial statements, legal titles to the vehicles and some of the freehold land and leasehold land transferred from Pakistan Water and Power Development Authority (WAPDA) and National Transmission and Distribution Company (NTDC) could not be transferred in the name of the Company. Owing to this, the Company has not issued the ordinary shares in favour of WAPDA against the Deposit for Shares. Due to this, we remained unable to verify the rights and obligation of the Company in relation to those assets.

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 of Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered

Accountants of Pakistan ('the Code') and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty relating to Going Concern

We draw attention to note 1.1 to the financial statements, which states that the Company incurred a loss after taxation amounting to Rupees 48,690.418 million during the year and its accumulated loss as at 30 June 2021 is Rupees 413,372.889 million resulting in net capital deficiency of Rupees 382,103.489 million. As of that date, the Company's current liabilities exceed its current assets by Rupees 344,563.647 million. These conditions indicate existence of material uncertainties as to Company's ability to continue as a going concern, however in view of the mitigating factors described in said note, the financial statements have been prepared on a going concern basis. Our opinion is not further qualified in respect of this matter.

Emphasis of Matters

We also draw attention to the following matters:

i) Note 24.1 (i) to (iii) of the accompanying financial statements, which describes various matters regarding tax contingencies, the ultimate outcome of which cannot be presently determined; hence pending the resolution thereof, no provision for the same has been made in accompanying financial statements; and

ii) Note 24.1 (iv) to the financial statements states that the Company has not recognized the impact of some debit notes issued by Central Power Purchasing Agency (Guarantee) Limited (CPPA) for supplementary charges, being the mark-up charged by Independent Power Producers (IPPs) on account of delayed payments by CPPA, aggregating to Rupees 32,391.31 million, which the Company does not acknowledge.

Our opinion is not further qualified 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 of the Company 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 draw attention to the matter described in the Basis for Qualified Opinion section above. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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 is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) except for the effects of the matter discussed in the *Basis for Qualified Opinion* section of our report, proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) except for the effects of the matter discussed in the *Basis for Qualified Opinion* section of our report, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes 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) except for the possible effects of the matter discussed in the *Basis for Qualified Opinion* section of our report, investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

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

R. Ahmad & Co.

RIAZ AHMAD & COMPANY
Chartered Accountants

KARACHI

Date: 04 March 2022

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

	Note	2021 Rupees	2020 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	**91,747,197,422**	87,717,096,555
Long term loans	4	**2,943,949**	7,921,866
Long term deposits	5	**2,378,070**	2,066,260
		91,752,519,441	87,727,084,681
CURRENT ASSETS			
Stores and spares	6	**4,450,678,784**	3,579,266,664
Trade debts	7	**68,539,638,506**	64,327,722,081
Loans and advances	8	**772,322,481**	843,910,958
Due from associated undertakings	9	**322,502,092**	384,679,193
Receivable from Government of Pakistan	10	**22,047,824,584**	15,448,172,102
Other receivables	11	**22,575,225,271**	23,500,972,316
Advance income tax		**1,516,349,499**	2,007,422,171
Bank balances	12	**5,744,765,640**	6,482,216,827
		125,969,306,857	116,574,362,312
TOTAL ASSETS		**217,721,826,298**	204,301,446,993
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital			
5,000 (2020: 5,000) million ordinary shares of Rupees 10 each		**50,000,000,000**	50,000,000,000
Issued, subscribed and paid up share capital	13	**10,000**	10,000
Capital reserves			
Surplus on revaluation of property, plant and equipment	14	**31,269,389,018**	30,215,783,705
Revenue reserves			
Accumulated loss		**(413,372,888,658)**	(350,619,048,452)
Total equity		**(382,103,489,640)**	(320,403,254,747)
Deposit for issuance of shares	15	**48,928,786,561**	58,597,520,635
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred credit	16	**13,183,323,210**	11,979,375,131
Long term financing	17	**13,294,065,169**	12,685,872,952
Security deposits	18	**1,234,207,002**	1,131,625,151
Receipt against deposit works and connections	19	**13,330,050,359**	12,001,110,021
Staff retirement benefits	20	**39,321,929,991**	22,556,153,902
		80,363,575,731	60,354,137,157
CURRENT LIABILITIES			
Trade and other payables	21	**2,387,152,569**	2,016,374,121
Due to associated undertakings	22	**445,986,487,057**	382,994,402,570
Current portion of long term financing	17	**5,837,663,497**	4,759,251,554
Accrued mark-up	23	**15,509,311,864**	13,269,394,731
Provision for taxation		**812,338,659**	2,713,620,972
		470,532,953,646	405,753,043,948
TOTAL LIABILITIES		**550,896,529,377**	466,107,181,105
CONTINGENCIES AND COMMITMENTS	24		
TOTAL EQUITY AND LIABILITIES		**217,721,826,298**	204,301,446,993

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

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

	Note	2021 Rupees	2020 Rupees
Electricity sales - net	25	**49,995,195,563**	54,077,513,536
Agricultural tube-wells subsidy		**18,837,970,000**	18,836,240,000
Tariff differential subsidy	26	**21,850,043,829**	13,507,911,340
		90,683,209,392	86,421,664,876
Cost of electricity	27	**(81,254,868,916)**	(88,987,019,383)
Gross profit/(loss)		**9,428,340,476**	(2,565,354,507)
Amortization of deferred credit	16	**603,098,757**	588,243,685
		10,031,439,233	(1,977,110,822)
Operating and management expense excluding depreciation	28	**(10,123,433,900)**	(8,871,747,134)
Depreciation	3.1.9	**(1,674,483,614)**	(1,626,013,139)
Impairment on property, plant and equipment		**(7,459,884)**	(6,552,078)
Allowance for expected credit losses against trade debts		**(44,586,139,417)**	(87,239,394,985)
Allowance for expected credit losses against advances & other receivables		**(66,941,857)**	(4,599,232,071)
(Provision) / reversal of for slow moving and obsolete stock		**(460,254,485)**	6,744,592
Other income	29	**4,589,744,916**	4,704,525,614
		(52,328,968,241)	(97,631,669,201)
Operating loss		**(42,297,529,008)**	(99,608,780,023)
Finance cost	30	**(7,182,481,175)**	(7,762,973,254)
Loss before taxation		**(49,480,010,183)**	(107,371,753,277)
Taxation	31	**789,591,974**	(1,029,569,496)
Loss after taxation		**(48,690,418,209)**	(108,401,322,773)
Loss per share	32		
- Basic		**(48,690,418)**	(108,401,323)
- Diluted		**(9.95)**	(18.50)

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

CHIEF EXECUTIVE OFFICER | **DIRECTOR**

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

	2021 Rupees	2020 Rupees
Loss after taxation	**(48,690,418,209)**	(108,401,322,773)
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to profit and loss:	-	-
Items that will not be reclassified subsequently to profit or loss:		
- Revaluation surplus / (Impairment against revaluation surplus)	**1,144,106,233**	(242,718,944)
- Remeasurement of post retirement benefits obligation	**(14,153,922,917)**	217,440,056
	(13,009,816,684)	(25,278,888)
	(13,009,816,684)	(25,278,888)
Total comprehensive loss for the year	**(61,700,234,893)**	(108,426,601,661)

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

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

		Capital Reserves	Revenue Reserves	
	Issued, subscribed and paid-up capital	Surplus on revaluation of property, plant and equipment	Accumulated loss	Total
	Rupees	Rupees	Rupees	Rupees
Balance at 30 June 2019	**10,000**	**30,631,304,355**	**(242,607,967,441)**	**(211,976,653,086)**
Loss for the year ended 30 June 2020	-	-	(108,401,322,773)	(108,401,322,773)
Other comprehensive loss	-	(242,718,944)	217,440,056	(25,278,888)
Total comprehensive loss for the year	-	(242,718,944)	(108,183,882,717)	(108,426,601,661)
Incremental depreciation charged during the year	-	(172,801,706)	172,801,706	-
Balance at 30 June 2020	**10,000**	**30,215,783,705**	**(350,619,048,452)**	**(320,403,254,747)**
Loss for the year ended 30 June 2021	-	-	(48,690,418,209)	(48,690,418,209)
Other comprehensive loss	-	1,144,106,233	(14,153,922,917)	(13,009,816,684)
Total comprehensive loss for the year	-	1,144,106,233	(62,844,341,126)	(61,700,234,893)
Incremental depreciation charged during the year	-	(90,500,920)	90,500,920	-
Balance at 30 June 2021	**10,000**	**31,269,389,018**	**(413,372,888,658)**	**(382,103,489,640)**

CHIEF EXECUTIVE OFFICER **DIRECTOR**

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

	Note	2021 Rupees	2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	33	**151,484,686**	3,991,236,213
Staff retirement benefits paid / adjusted		**(1,539,938,601)**	(1,324,762,341)
Income tax paid		**(620,617,667)**	(719,851,692)
Net cash (used in) / flow from operating activities		**(2,009,071,582)**	1,946,622,180
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition in property, plant and equipment		**(241,938,485)**	(213,442,745)
Additions in capital work in progress		**(3,522,819,321)**	(3,329,816,155)
Profit on bank deposits		**238,151,345**	346,862,925
Long term deposits		**(311,810)**	(21,960)
Long term loans to employees		**9,565,294**	15,346,459
Net cash used in investing activities		**(3,517,352,977)**	(3,181,071,476)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing acquired - net		**1,686,604,160**	917,181,530
Receipt against deposit works and connections		**3,135,987,174**	3,137,256,566
Finance cost paid		**(136,199,813)**	(108,604,823)
Security deposits received - net		**102,581,851**	105,809,642
Net cash flow from financing activities		**4,788,973,372**	4,051,642,915
NET (DECREASE) /INCREASE IN CASH AND CASH EQUIVALENTS		**(737,451,187)**	2,817,193,619
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**6,482,216,827**	3,665,023,208
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	**5,744,765,640**	6,482,216,827

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

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

1. THE COMPANY AND ITS OPERATIONS

Quetta Electric Supply Company Limited ("the Company") is a public limited Company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company was established to take over all the properties, rights, assets, obligations and liabilities of Quetta Area Electricity Board owned by Pakistan Water & Power Development Authority (WAPDA) and such other assets and liabilities as agreed. The Company was incorporated in 13 May 1998 and commenced commercial operation on 01 July 1998. The principal activity of the Company is that of a public electricity distributor and supplier, mainly through purchase of electricity from Central Power Purchasing Agency (CPPA) and through own generation to a limited extent. The Company has obtained distribution license from National Electric Power Regulatory Authority (NEPRA).

Head Office:

The registered office of the Company is located at Zargoon Road, Quetta Cantt, Quetta.

Power Generation Plants:

Sr. No.	Power Generation Units	Location
1.	Diesel Generating Power Station QESCO	Pasni, Balochistan
2.	Diesel Generating Power Station QESCO	Panjgur, Balochistan
3.	Awaran Power House (New)	Awaran, Balochistan
4.	Awaran Power House (Old)	Awaran, Balochistan
5.	Mashkay Power House	Mashkay, Balochistan
6.	Washuk Power House	Washuk, Balochistan
7.	Kalmat Power House	Kalmaat, Balochistan

Other Offices:

The Company have various 132-KV, 66-KV, 33 KV and 11KV grid stations along with other offices located in different districts of Province of Balochistan. The principal activity of the Company is distribution and supply of electricity to public within defined geographical boundaries.

1.1 The Company during the year ended 30 June 2021 incurred loss after taxation of Rupees 48,690.418 (2020: 108,401.323) million, its accumulated loss as of this date is Rupees 413,372.889 (2020: 350,619.048) million resulting in net capital deficiency amounting to Rupees 382,103.489 (2020: Rupees 320,403.255) million as of 30 June 2021. As of that date the Company's current liabilities exceeds current assets by Rupees 344,563.647 (2020: Rupees 289,178.682) million.

NEPRA has allowed 17.5% total line losses as per latest tariff determined from July 2020 to June 2021. However, the line losses exceed by 10.53% of the approved limit as the aggregate annual line losses sustained have been 28.03%. These continuously sustained line losses are one of the prime factors of incurrence of financial / accounting losses over the years. Among others, the reasons of line losses include transmission losses, technical faults and damages to distribution network at various places, aluminum conductor network and metering equipment inefficiencies. The theft of electricity is also one of the prime factors resulting in line losses, which are difficult to be identified and billed. Even where theft is identified, the Company, as per rules, can raise detection billing only for last six months by spreading the total detection units evenly over six months period, due to which the billing falls in lower tariff slabs, therefore, the detection billing also does not contribute considerably to the gross revenue. The continuous line losses have directly affected the profitability of the Company since incorporation. These conditions indicate existence of material uncertainties as to Company's ability to continue as a going concern.

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

The President of Pakistan, being the 100% shareholder of the Company, through Ministry of Water and Power extends support to maintain the Company's going concern status considering the Company a sole distributor of electricity licensed from NEPRA to supply electricity in its designated geographical area.

Funds are continued to be received to the Company under cash development loans for the rehabilitation programme designed with the objective of converting the Company into a profitable entity by overcoming different technical inefficiencies. During the year, the Company has completed and electrified transmission lines and multiple grid stations rehabilitated under different Power Distribution Enhancement Investment Program of ADB and expecting improvement in efficiency and reliability in the transmission and distribution network to reduce the technical and distribution losses in the coming years.

The current mechanism of determining tariff is on the basis of minimum cost of generation. As the Government determined tariff is lower than the tariff determined by the National Electric Power Regulatory Authority (NEPRA), the difference between the actual cost of energy and the domestic charge ends up as a direct subsidy to the consumers by the Government. The continuous support through tariff differential subsidy to the consumers comforts the Company in reducing doubtful recoveries and to recover the cost of transmission and distribution. Where the government determined tariff is higher than the tariff determined by the NEPRA, the difference will be called 'Inter-Disco Tariff Rationalization' that will be payable to Government by the Company. During the year ended 2021, net tariff differential subsidy allowed, amounted to Rupees 21,850.044 (2020: Rupees 13,507.911) million.

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

- Replacement of LT bare conductor with Aerial Bundle Cable;
- Improvement in system loading conditions rehabilitation and bifurcation of lengthy 11 KV lines;
- Replacement of sluggish conventional meters with TOU meters;
- Installation of AMR and AMI at all of common delivery points and on the receiving end and consumer level of high loss making subdivisions.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

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

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

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

b) Accounting convention

These financial statements have been prepared under the historical cost convention except otherwise Stated in the financial statements

Critical accounting estimates and adjustments

The preparation of financial statements in conformity with the approved accounting and reporting standards as applicable in Pakistan requires management 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. The 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. Revision to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected. In the process of applying the Company's accounting policies, management has made following estimates and judgments which are significant to these financial statements.

i. Provision for doubtful items and stores and spares losses

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

ii. Income taxes

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

iii. Allowance for expected credit loss

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 Company's experience of actual credit loss in the past years.

iv. Employees' retirement benefits

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligation and the underlying assumptions are disclosed in note 20.

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

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

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

The Scheme also provides that 50 percent of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holding employees. The balance 50 percent dividend would be transferred by the respective Trust Fund to the Central Revolving Fund, managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by the Government. The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of SOEs, needs to be accounted for by the covered entities, including the Company, under the provisions of amended IFRS 2. However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP, on receiving representations from some of entities covered under the scheme and after having consulted the Institute of Chartered Accountants of Pakistan, has granted exemption vide SRO 587(I)/2011 dated 07 June 2011 to such entities from the application of IFRS 2 to the Scheme. Further, as per Ministry of Privatisation letter dated 08 May 2019, Ministry has advised to initiate the case for winding up of the scheme. In response to this letter, trustees of the scheme have requested the parent ministry for the directions of winding up.

d) Amendments and interpretation to published accounting and reporting standards which became effective during the current year.

There were certain amendments and interpretations to accounting and reporting standards which became effective for the Company's annual financial statements for the current year. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been disclosed in these financial statements.

e) New standard and amendments to published accounting and reporting standards that are not yet effective.

The following amendments with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective amendments:

		Effective date (Annual reporting periods beginning on or after)
IAS 1	Presentation of financial statements (Amendments)	January 1, 2023
IAS 8	Accounting policies, changes in estimates and error (Amendments)	January 1, 2023
IAS 12	Income taxes (Amendments)	January 1, 2023
IAS 16	Property, Plant and Equipment (Amendments)	January 1, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IFRS 9	Financial Instruments (Amendments)	January 1, 2022
IFRS 7	Financial Instruments: Disclosures (Amendments)	January 1, 2021
IFRS 16	Leases (Amendments)	January 1, 2021

The management anticipates that application of above amendments in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

f) SECP through S.R.O. 985 (I)/2019 dated 02 September 2019 has notified that in respect of companies holding financial assets due from the Government, the requirements contained in IFRS 9 'Financial Instruments', with respect to application of Expected Credit Loss (ECL) method shall not be applicable till 30 June 2021, provided that such companies shall follow relevant requirements of IAS 39 'Financial Instruments: Recognition and Measurement' in respect of above referred financial assets during the exemption period.

Therefore, in case this exemption period is not extended by the SECP, the requirements of IFRS 9 with respect to the applicability of ECL on financial assets due from the Government shall become applicable which would result in application of ECL method on trade debt and other receivables from Government. At present the impacts of application of ECL method on such dues are being assessed by the Company's management.

g) Standard and amendments to approved published 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 2021 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 transaction and translation

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

2.3 Property, plant and equipment

a) Initial recognition

Operating fixed assets (except leasehold & freehold land) are stated at revalued amount less accumulated depreciation and impairment loss, if any. Leasehold & Freehold land are stated at revalued amount less recognized impairment loss, if any.

b) Measurement subsequent to initial recognition

Except leasehold land and freehold land, all others items of property, plant and equipment (note 3) are stated at revalued amount less accumulated depreciation and accumulated impairment losses, if any. Capital work in progress is stated at cost less impairment losses; if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition.

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

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.

d) Depreciation

Depreciation on property, plant and equipment is charged on the straight-line method so as to write off the depreciable amount of an asset over its estimated useful life at the rates given in Note 3.1.

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

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

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

e) Capital work in progress

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

2.4 Borrowing costs

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

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

2.5 Loans and advances

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

2.6 Stores and spares

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

Provision is made for obsolete and slow-moving items where necessary and is recognized in the statement of profit or loss.

2.7 Financial assets

a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), if any, and
- those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments, if any:

a) 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 amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

b) Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/ (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

c) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments, if any, at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

a) Fair value through other comprehensive income (FVTOCI)

Where the Company's management has elected to present fair value gains and losses on equity investments, if any, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

b) Fair value through profit or loss

Changes in the fair value of equity investments, if any, at fair value through profit or loss are recognised in other income/ (other expenses) in the statement of profit or loss as applicable.

Dividends from such investments will continue to be recognised in statement of profit or loss as other income when the Company's right to receive payments is established.

2.8 Financial liabilities

Classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit or loss. Any gain or loss on de-recognition is also included in statement of profit or loss.

2.9 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised 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 permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (Note 2.11).

2.10 De-recognition of financial assets and financial liabilities

a) Financial assets

The Company derecognizes 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 derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

b) **Financial liabilities**

The Company derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

2.11 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.

2.12 Trade debts and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally do not include amounts over due by 365 days except for balances due from government.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Expected credit losses are recognized as follows:

a) No expected credit loss on Government institutions balances as it is considered sovereign;
b) Expected credit loss of hundred 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:

Permanently disconnected connections	100%
Deferred arrears	100%
Arrears:	
More than 3 months and up to 6 months	0%
More than 6 months and up to 1 year	10%
More than 1 year	100%

Other receivables are recognized at amortized cost, less any allowance for expected credit losses.

2.13 Trade and other payables

Liabilities for trade and other payables are initially recognized at fair value plus directly attributable cost. These are subsequently measured at amortized cost.

2.14 Cash and cash equivalent

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

2.15 Interest / mark-up bearing loan and borrowings

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

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

2.16 Deferred credit

a) Consumer contribution towards cost of supplying and laying service connection

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

b) Government grants

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

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

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

2.17 Employees retirement and other service benefits

a) Defined benefit plans

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

Provisions are made to cover the obligations under defined benefit pension scheme, post-retirement medical benefits, and electricity rebate and compensated absences on the basis of actuarial valuation and are charged to the statement of profit or loss. The most recent valuation was carried out as of 30 June 2021 using the "Projected Unit Credit Method".

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

b) Defined benefit pension scheme

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

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

c) Post-retirement medical benefits

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

d) Electricity rebate

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

e) Earned leave

The Company's employees are also entitled for accumulated compensated absences, which are en-cashed at the time of retirement up to a maximum limit of 365 days. Provision is made on the basis of actuarial valuation carried out using Projected Unit Credit Method. Actuarial gains and losses relating to compensated absences are recognized in the year of occurrence in the statement of profit or loss.

f) Other staff welfare funds

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

2.18 Taxation

a) Current tax

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

The minimum tax is provided in case when the Company is having taxable loss for the year.

b) Deferred tax

Deferred tax is recognized using balance sheet liability method, providing for all significant temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company recognizes a deferred tax liability for all taxable temporary difference and deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the income statement, except where deferred tax arises on the items credited or charged to equity which case it is included in equity.

2.19 Provisions

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

2.20 Revenue from contracts with customers

1) Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

a) Sale of electricity

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

b) Tariff differential subsidy

Tariff differential subsidy is recognized in the relevant period as a difference between rates notified by NEPRA and the rates charged to consumers as notified by Government, on accrual basis up to the date of approval of financial statements by the Board of Directors of the Company. Tariff adjustment in respect of variation in fuel prices is recognized on accrual basis when the Company entitled to receive it.

c) Duties and surcharge

Surcharge on delayed payments is recognized on the basis of energy charges and Neelum Jhelum surcharge (NJS) due from consumers.

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

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

d) Interest

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

e) Amortization of deferred credit

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

f) Other revenues

All other miscellaneous incomes are recognized on actual receipt basis.

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 liability

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.

2.21 Related party transactions

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

2.22 Appropriations to reserves

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

	Note	2021 Rupees	2020 Rupees
Operating fixed assets	3.1	**80,250,494,971**	60,250,651,415
Capital work-in-progress	3.2	**11,496,702,451**	27,466,445,140
		91,747,197,422	87,717,096,555

3.1 Operating Fixed Assets

	Land - Leasehold	Land - Freehold	Buildings on lease hold land	Buildings on free hold land	Transmission & Distribution equipment	Generation equipment	Other plant and Equipment	Computers and Office equipment	Vehicles	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Year ended 30 June 2020										
Opening net book value	2,758,040,115	9,238,560,621	18,715,884	1,377,736,444	47,267,193,947	160,097,705	87,040,117	7,480,290	159,778,883	61,074,644,006
Additions	-	-	-	14,888,037	1,035,559,301	-	4,988,758	10,303,908	-	1,065,740,004
Depreciation charge	-	-	(365,407)	(26,825,333)	(1,541,522,777)	(5,806,652)	(9,704,596)	(2,977,180)	(53,259,628)	(1,640,461,573)
Surplus / (deficit) during the year	143,167,005	259,039,887	48,795,860	(295,192,514)	(498,739,504)	504,487	7,034,082	(6,552,078)	92,671,753	(249,271,022)
Closing net book value	**2,901,207,120**	**9,497,600,508**	**67,146,337**	**1,070,606,634**	**46,262,490,967**	**154,795,540**	**89,358,361**	**8,254,940**	**199,191,008**	**60,250,651,415**
At 30 June 2020										
Cost / revalued amount	2,901,207,120	9,497,600,508	67,877,151	1,120,821,686	49,302,647,574	166,408,844	108,553,510	13,481,056	305,710,264	63,484,307,713
Accumulated depreciation	-	-	730,814	50,215,052	3,040,156,607	11,613,304	19,195,149	5,226,116	106,519,256	3,233,656,298
Net book value	**2,901,207,120**	**9,497,600,508**	**67,146,337**	**1,070,606,634**	**46,262,490,967**	**154,795,540**	**89,358,361**	**8,254,940**	**199,191,008**	**60,250,651,415**
Year ended 30 June 2021										
Opening net book value	2,901,207,120	9,497,600,508	67,146,337	1,070,606,634	46,262,490,967	154,795,540	89,358,361	8,254,940	199,191,008	60,250,651,415
Additions	-	-	-	-	20,489,085,540	-	14,733,064	19,709,187	14,152,000	20,537,679,791
Depreciation charge	-	-	(1,275,780)	(20,720,537)	(1,598,700,954)	(5,318,427)	(7,649,607)	(3,991,172)	(44,285,991)	(1,681,942,468)
Surplus / (deficit) during the year	145,060,356	474,880,026	(658,706)	19,668,420	505,240,468	(2,036,858)	3,004,523	3,339,316	(4,391,312)	1,144,106,233
Closing net book value	**3,046,267,476**	**9,972,480,534**	**65,211,851**	**1,069,554,517**	**65,658,116,021**	**147,440,255**	**99,446,341**	**27,312,271**	**164,665,705**	**80,250,494,971**
At 30 June 2021										
Cost / revalued amount	3,046,267,476	9,972,480,534	67,218,445	1,140,490,106	70,296,973,582	164,371,986	126,291,097	36,529,559	315,470,952	85,166,093,737
Accumulated depreciation	-	-	2,006,594	70,935,589	4,638,857,561	16,931,731	26,844,756	9,217,288	150,805,247	4,915,598,766
Net book value	**3,046,267,476**	**9,972,480,534**	**65,211,851**	**1,069,554,517**	**65,658,116,021**	**147,440,255**	**99,446,341**	**27,312,271**	**164,665,705**	**80,250,494,971**
Annual rate of depreciation (%)	**-**	**-**	**2**	**2 - 3.5**	**3.5**	**3.5**	**10**	**25**	**25**	

3.1.1 The properties and rights in assets amounting to Rupees 4,689 million have been transferred to the Company from WAPDA through a Business Transfer Agreement (the BTA) dated 29 June 1998 and Supplementary Business Transfer Agreement (the SBTA) dated 30 June 2004. The values of assets transferred to the Company represented unaudited values according to WAPDA records.

3.1.2 Further, fixed assets amounting to Rupees 1,569 million and Rupees 231 million were transferred by WAPDA during the years ended 30 June 2005 and 2007 respectively. The values of assets transferred to the Company represented unaudited values according to WAPDA. Furthermore, during the year 30 June 2008, assets amounting to Rupees 76.99 million were transferred by NTDC through Directorate Grid Station Construction (GSC).

3.1.3 On 20 May 2020, the Company entered into an Authorization and Interest agreement with Power Holding Limited (PHL) and Meezan Bank Limited (MBL), in which Company authorized PHL to carry out "Certain Actions" in relation to Relevant Transaction Assets representing certain grid stations, colonies and other stations amounting to Rupees 23,042.854 million. Certain Actions include selling the Relevant Transaction Assets to MBL and creating a security interest over the same for the purpose of enabling PHL to raise financing through the Sukuk issue. In addition to this agreement, PHL entered into an Asset Purchase Agreement with MBL for selling the Relevant Transaction Assets to MBL which include the 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 PHL for a period of ten years.

3.1.4 The total forced sale value of land is Rupees 10,969.9 million, building on lease hold land is Rupees 55.430 million, building on free hold land is Rupees 937.86 million, transmission & distribution equipment is Rupees 38,734.305 million, generation equipment is Rupees 127.760 million, other plant and equipment is Rupees 84.650 million, Computer and other equipment is Rupees 6.463 million, and Vehicle is Rupees 135.462 million as per valuation carried as at 30 June 2021.

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

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

3.1.7 As at 30 June 2021, revaluation of property, plant and equipment was conducted by external valvar G3 Engineering Consultants (Pvt) Limited based on which revaluation surplus / impairment has been recorded in these financial statements.

3.1.8 Had there been no revaluation, the cost (including fully depreciated assets) and book value of such revalued assets as at 30 June 2021 would have been as follows:

	2021		2020	
	Cost	Written down value	Cost	Written down value
	Rupees	Rupees	Rupees	Rupees
Land - freehold	**25,426,123**	**25,426,123**	25,426,123	25,426,123
Land - leasehold	**21,041,874**	**21,041,874**	21,041,874	21,041,874
Buildings	**2,383,229,829**	**959,767,770**	2,383,229,829	979,996,505
Distribution equipment	**62,128,963,301**	**47,730,391,577**	41,639,877,761	28,755,105,828
Generation equipment	**948,747,410**	**137,010,966**	948,747,410	142,291,053
Other plant & equipment	**329,237,332**	**71,927,186**	314,504,268	64,324,278
Computers & office	**141,355,563**	**21,653,808**	121,646,376	5,846,580
Vehicles	**432,372,351**	**13,886,650**	418,220,351	40,835,468
	66,410,373,783	**48,981,105,954**	45,872,693,992	30,034,867,709

3.1.9 Depreciation charge for the year has been allocated as follows:

	Note	2021 Rupees	2020 Rupees
Operating and management expenses		**1,674,483,614**	1,626,013,139
Capital work-in-progress		**2,140,427**	8,641,782
Cost of generation		**5,318,427**	5,806,652
		1,681,942,468	1,640,461,573

3.2 CAPITAL WORK-IN-PROGRESS

	Note	2021 Rupees	2020 Rupees
Transmission equipment	3.2.1	**1,147,811,204**	2,772,249,517
Distribution equipment	3.2.1	**9,121,184,356**	8,573,791,746
Transmission enhancement and distribution improvement programs		**-**	15,210,338,216
Civil works		**994,423,814**	902,605,777
Generation equipment		**7,459,884**	7,459,884
Mobilization advance to contractors		**233,283,077**	-
		11,504,162,335	27,466,445,140
Less: Provision for impairment		**(7,459,884)**	-
		11,496,702,451	27,466,445,140

3.2.1 These balances includes material, labour, overhead expenditure along with capitalization of borrowing cost at the rate defined in Note 17.6 in respect of cash development loans, incurred on extension of transmission and distribution network. During the year, borrowing cost of Rupees 68.264 (2020: Rupees 125.029) million has been capitalized.

3.2.2 Movement in capital work in progress

	Transmission equipment	Distribution equipment	Transmission enhancement and distribution improvement programs	Civil works	Generation equipment	Total
	....	....	........Rupees........	....	....	
Balance at 30 June 2019	1,471,788,434	7,342,164,729	15,157,709,920	884,773,843	7,459,884	24,863,896,810
Capital expenditure incurred during the year	1,750,061,171	1,634,324,188	52,628,296	17,831,934	-	3,454,845,589
Transfer to operating fixed assets	(449,600,088)	(402,697,171)	-	-	-	(852,297,259)
Balance at 30 June 2020	2,772,249,517	8,573,791,746	15,210,338,216	902,605,777	7,459,884	27,466,445,140
Capital expenditure incurred during the year	1,584,337,043	2,214,202,384	209,817,960	91,818,037	-	4,100,175,424
Transfer to operating fixed assets	(3,208,775,356)	(1,666,809,774)	(15,420,156,176)	-	-	(20,295,741,306)
Balance at 30 June 2021	1,147,811,204	9,121,184,356	-	994,423,814	7,459,884	11,270,879,258

4.	LONG TERM LOANS	Note	2021 Rupees	2020 Rupees
	Considered good - secured			
	- for house building		**10,821,275**	17,669,387
	- for vehicle purchase		**2,157,758**	4,874,940
		4.1	**12,979,033**	22,544,327
	Less: Amount due within one year shown under current assets	8	**(10,035,084)**	(14,622,461)
			2,943,949	7,921,866
4.1	**Considered good**			
	- Due from executives	4.2	**578,887**	793,887
	- Due from other employees		**12,400,146**	21,750,440
			12,979,033	22,544,327
4.2	**Reconciliation of carrying amount of loans to executives:**			
	Opening balance as at 01 July		**793,887**	450,384
	Disbursements during the year		**-**	548,329
	Repayments during the year		**(215,000)**	(204,826)
	Closing balance as at 30 June		**578,887**	793,887

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

4.4 Long term loan has not been discounted to their present value as financial impact thereof is not considered to be material.

5. These represent the amounts held by Sui Southern Gas Company Limited and Pakistan Telecommunication Company Limited in respect of connections at various offices of the Company.

6.	STORES AND SPARES	Note	2021 Rupees	2020 Rupees
	Distribution equipment		**2,652,154,104**	1,812,509,063
	Grid station equipment		**2,072,481,882**	1,580,460,318
	Generation equipment		**227,699,980**	227,699,980
	Others		**1,910,925**	1,910,925
			4,954,246,891	3,622,580,286
	Less: Provision for slow moving and obsolete stock	6.1	**(503,568,107)**	(43,313,622)
			4,450,678,784	3,579,266,664
6.1	**Movement in provision for slow moving & obsolete stock:**			
	Balance at 01 July		**43,313,622**	50,058,214
	Provision for the year		**460,254,485**	1,910,925
	Reversal of provision during the year		**-**	(8,655,517)
	Balance at 30 June		**503,568,107**	43,313,622

7.	TRADE DEBTS - net	Note	2021 Rupees	2020 Rupees
	Partially secured :			
	Considered good		**68,539,638,506**	64,327,722,081
	Considered doubtful		**269,396,117,855**	230,459,953,294
		7.1 - 7.2	**337,935,756,361**	294,787,675,375
	Less: Allowance for expected credit losses	7.3	**(269,396,117,855)**	(230,459,953,294)
			68,539,638,506	64,327,722,081

7.1 Trade debts as at 30 June represent the outstanding electricity dues (excluding taxes) billed to consumers and accrual for the period end in respect of electricity connections under different categories. Break up of trade debts under private, government/public and agriculture connections is as under:

	Note	2021 Rupees	2020 Rupees
Government connections		**23,975,316,671**	22,952,661,514
Private connections		**20,726,759,139**	18,286,307,602
Agriculture connections:			
- Share of Consumers		**306,409,945,315**	268,267,738,276
- Share of Government of Pakistan (GOP)		**29,694,198,840**	20,391,234,595
- Share of Government of Balochistan (GOB)		**19,937,536,565**	19,402,344,323
		400,743,756,530	349,300,286,310
Less: Duties / charges and taxes receivables classified under Note 11.1		**(62,808,000,169)**	(54,512,610,935)
		337,935,756,361	294,787,675,375

7.2 Debtors are secured to the extent of corresponding consumers' security deposit. Debtors include an amount of Rupees 38.417 (2020: 35.142) million, which is disputed and is under litigation with different consumers.

7.3 Movement in allowance for expected credit losses:

	Note	2021	2020
Balance at 01 July		**230,459,953,294**	156,103,708,406
Recognized during the year	7.3.1	**38,936,164,561**	74,356,244,888
Balance at 30 June		**269,396,117,855**	230,459,953,294

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

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

	Note	2021	2020
Not past due yet		**5,270,303,924**	6,131,059,360
Upto 2 month		**133,447,142**	183,072,440
Upto 3 month		**110,301,922**	1,512,385,082
Upto 6 month		**373,406,331**	496,216,721
6 months to 1 year		**2,150,352,318**	1,171,368,215
1 year to 3 years		**5,401,682,568**	5,291,279,120
3 years and above		**282,096,131,935**	243,190,349,756
Agency balance		**42,171,437,043**	33,945,245,399
Deferred balances		**552,035,926**	30,891,029,914
Credit balance of consumers		**(323,342,748)**	(228,349,701)
		337,935,756,361	322,583,656,306
Less: Allowance for expected credit losses	7.3	**(269,396,117,855)**	(230,459,953,294)
		68,539,638,506	92,123,703,012

7.5 The maximum aggregate amount (including taxes) due at the end of any month during the year from Government connections was Rupees 27,697.873 million, share under agriculture connections due from Government of Pakistan (GOP) was Rupees 25,671.970 million and from Government of Balochistan (GoB) was Rupees 30,747.840 million.

8. LOANS AND ADVANCES

	Note	2021	2020
Advance against expenses		**81,946,775**	68,280,746
Advance to suppliers		**63,091,203**	121,596,382
Advance to Federal Board of Revenue (FBR)	8.1	**647,664,160**	647,664,160
Other receivables		**139,925,247**	95,145,340
Current portion of long term loan to employees	4	**10,035,084**	14,622,461
		942,662,469	947,309,089
Less: Allowance for expected credit losses	8.2	**(170,339,988)**	(103,398,131)
		772,322,481	843,910,958

8.1 This represents the amount paid to FBR in lieu of demands raised amounting to Rupees 695.756 million for the tax period July 2007 to June 2009 against the sales tax on supply of energy to steel melters morefully disclosed in Note 24(1)(i) to the financial statements.

8.2 Movement in allowance for expected credit losses:

	Note	2021	2020
Balance at 01 July		**103,398,131**	43,770,820
Recognized during the year - net		**66,941,857**	59,627,311
Balance at 30 June		**170,339,988**	103,398,131

9. DUE FROM ASSOCIATED UNDERTAKINGS

	Note	2021 Rupees	2020 Rupees
Central Power Generation Company Limited (GENCO - II)		**4,756,169**	4,344,110
Pension receivables from associates undertakings	9.1	**180,828,831**	256,294,529
WAPDA			
- current account		**4,539,604,760**	4,539,604,760
- welfare trust		**136,917,092**	124,040,554
		4,862,106,852	4,924,283,953
Less: Allowance for expected credit losses		**(4,539,604,760)**	(4,539,604,760)
		322,502,092	384,679,193

9.1 Receivable on account of disbursement of pension

	2021	2020
National Transmission and Dispatch Company Limited (NTDC)	**18,173,455**	47,487,341
Jamshoro Power Company Limited (GENCO - I)	**1,309,991**	2,852,598
Central Power Generation Company Limited (GENCO - II)	**27,756,832**	57,856,189
Central Power Generation Company Limited (GENCO - III)	**428,507**	862,228
Lakhra Power Generation Company Limited (GENCO - IV)	**499,019**	729,874
Director Pension Wapda Lahore	**132,661,027**	135,141,762
Islamabad Electric Supply Company Limited	-	2,701,045
Gujranwala Electric Power Company Limited	-	1,796,950
Sukkur Electric Power Company Limited	-	3,267,043
Peshawar Electric Supply Company Limited	-	470,631
Faisalabad Electric Supply Company Limited	-	3,128,868
	180,828,831	256,294,529

9.2 The ageing analysis of amount due from associated undertakings are as follows:

	2021	2020
Upto 6 months	**63,048,556**	132,711,370
6 months to 1 year	**29,048,078**	25,883,838
1 year to 3 years	**175,638,621**	174,388,575
3 years and above	**4,594,371,597**	4,591,300,170
	4,862,106,852	4,924,283,953

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

	2021	2020
Central Power Generation Company Limited (GENCO-II)	**54,412,328**	57,879,891
National Transmission and Dispatch Company Limited (NTDC)	**2,263,510**	45,757,933
Lakhra Power Generation Company Limited (GENCO IV)	**965,150**	817,426
Lahore Electric Supply Company Limited (LESCO)	**626,884**	-
Islamabad Electric Supply Company Limited (IESCO)	**3,934,385**	3,334,460
Gujranwala Electric Power Company Limited (GEPCO)	**3,133,261**	5,050,852
Sukkur Electric Power Company Limited (SEPCO)	**375,838**	3,799,651
Peshawar Electric Supply Company Limited (PESCO)	**919,959**	1,290,816
Jamshoro Power Company Limited (GENCO - I)	**3,872,972**	3,620,294
Faisalabad Electric Supply Company Limited (FESCO)	**4,935,747**	3,128,868
Central Power Generation Company Limited (GENCO - III)	**1,050,550**	862,228
Water and Power Development Authority	**4,597,908,058**	4,674,722,820

10. RECEIVABLE FROM GOVERNMENT OF PAKISTAN

	2021	2020
Balance at 01 July	**15,448,172,102**	9,787,919,565
Subsidy for the year	**21,850,043,829**	13,507,911,340
	37,298,215,931	23,295,830,905
Less: Adjusted against tariff rationalization surcharge and credit notes received from CPPA	**(15,250,391,347)**	(7,847,658,803)
Balance at 30 June	**22,047,824,584**	15,448,172,102

10.1 These represent the tariff subsidies (excluding agriculture subsidy) claimed from Government of Pakistan as difference rates determined by NEPRA and the rates charged to consumers as notified by the Government of Pakistan from time to time.

11.	OTHER RECEIVABLES - Considered good	Note	2021 Rupees	2020 Rupees
	General sales tax receivable from government - net		12,229,121,005	13,783,517,965
	Duties, charges and taxes receivable from consumers	11.1	9,467,104,266	8,832,805,574
	Receivable from divisions		-	5,648,777
	Sales tax receivable from WAPDA	11.2	-	-
	Receivable from Balochistan Revenue Authority (BRA)	11.3	879,000,000	879,000,000
			22,575,225,271	23,500,972,316

11.1 Duties / charges and tax receivables

	Note	2021 Rupees	2020 Rupees
Receivable not yet realised			
Electricity duty		1,909,686,232	1,476,956,563
Income tax		200,205,781	174,048,656
Neelum Jhelum surcharge		2,732,780,634	2,557,214,543
T.V. license fee		316,552,061	286,132,773
Equalization surcharge		671,683,426	676,428,222
Financing cost surcharge	11.1.2	8,176,517,609	6,802,888,795
Tariff rationalization surcharge	11.1.3	855,291,912	877,932,417
Extra tax		39,268,393	35,913,651
Further tax		48,201,964	43,622,375
Sales tax (SRO 608(I)/2014)		12,730,968	9,435,437
Additional sales tax		-	2,101
Sales tax		47,845,081,189	41,572,035,402
		62,808,000,169	54,512,610,935
Payables on realization			
Electricity duty		(1,909,686,232)	(1,476,956,563)
Income tax		(200,205,781)	(174,048,656)
Neelum Jhelum surcharge		(2,732,780,634)	(2,557,214,543)
T.V. license fee		(316,552,061)	(286,132,773)
Equalization surcharge		(671,683,426)	(676,428,222)
Financing cost surcharge		(8,176,517,609)	(6,802,888,795)
Tariff rationalization surcharge		(855,291,912)	(877,932,417)
		(14,862,717,655)	(12,851,601,969)
		47,945,282,514	41,661,008,966
Less: Allowance for expected credit losses against duties and tax receivables	11.1.4	(38,478,178,248)	(32,828,203,392)
		9,467,104,266	8,832,805,574

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

11.1.2 This represents financing cost surcharge levied by NEPRA through SRO 374(I)/2018 issued under Section 31(5) of the NEPRA Act dated 22 March 2018 levied at the rate of Rupees 0.43/kwh.

11.1.3 This represents tariff rationalization surcharge levied by NEPRA through SRO 374(I)/2018 issued under Section 31(5) of the NEPRA Act dated 22 March 2018 levied at the rate notified by the Federal Government mentioned against the categories specified in the schedule of electricity tariffs.

11.1.4 Allowance for expected credit losses

Allowance for expected credit loss against sales tax, further tax, extra tax, Sales tax SRO603(1)/2014 and additional sales tax considered doubtful of recovery is made in same proportion of doubtful debts to total trade debts. Movement is under:

		2021 Rupees	2020 Rupees
Balance as at 01 July		32,828,203,392	19,945,053,295
Recognized during the year		5,649,974,856	12,883,150,097
Balance as at 30 June		38,478,178,248	32,828,203,392

11.2 Sales tax receivable from WAPDA

	Note	2021 Rupees	2020 Rupees
Considered good		-	-
Considered doubtful		247,570,510	247,570,510
		247,570,510	247,570,510
Less: Provision against receivables considered doubtful	11.2.1	(247,570,510)	(247,570,510)
		-	-

11.2.1 Movement in provision against sales tax receivable from WAPDA	Note	2021 Rupees	2020 Rupees
Balance as at 01 July		**247,570,510**	247,570,510
Provision made during the year		**-**	-
Provision written off during the year		**-**	-
Balance as at 30 June		**247,570,510**	247,570,510

11.3 This represents the amount detained by Balochistan Revenue Authority (BRA) during the previous years through attachment of bank accounts of the Company on account of non-payment of due sales tax on the taxable services for the period from 01 July 2015 to 30 June 2018. An instant appeal against these orders were filed with Additional Commissioner by the Company and subsequently the case was decided in favour of the Company. It was directed that the amount detained from the appellant shall be refunded to the appellant within 45 days of the receipt of the order. However, during the previous year, Commissioner Appeals (BRA) vide a corrigendum order dated, 16 December 2019 reckoned that the time for the refund of the amount recovered from the appellant shall be forty five days from the date of the re-assessment order by the concerned authorities of BRA Quetta, after the recovery / adjustment of any demand created therein. During the year, the Additional Commissioner (BRA) vide its orders dated 09 October 2020 created a revised demand aggregating to Rupees 90.578 million along with default surcharge (to be calculated at the time of final payment) within fifteen days of receipt of the order. The Company on the grounds that Rupees 879 million had already been detained by BRA, has not made any payment in this regard. Further, the Company has again filed an appeal against the orders of Additional Commissioner demanding Rupees 90.578 million and confident about the favourable outcome. Consequently, the same has not been provided for in these financial statements.

12. BANK BALANCES

	Note	2021 Rupees	2020 Rupees
Current accounts	12.1	**1,198,209,078**	1,525,752,111
Saving accounts	12.2	**914,610,646**	4,956,464,716
Term deposits receipts	12.3	**3,631,945,916**	-
		5,744,765,640	6,482,216,827

12.1 This include an amount of Rupees 16.073 million (2020: Rupees 394.936 million) kept in a separate bank accounts maintained in respect of security deposits received from consumers and contractors. (Note 18.2)

12.2 This carries mark up ranging from 5.54% to 7.9% (2020: 5.3% to 12.5%).

12.3 These represent term deposits receipts (TDRs) placed with different banks having maturity of one to six months at profit rates ranging from 6.65% to 7.2%. The accumulated profit earned on the TDRs is also included therein.

13. SHARE CAPITAL

2021	2020		2021 Rupees	2020 Rupees
Number of Shares				
13.1 Authorized capital				
5,000,000,000	5,000,000,000	Ordinary shares of Rupees 10/- each	**50,000,000,000**	50,000,000,000
13.2 Issued, subscribed and paid up capital				
1,000	1,000	Ordinary shares of Rupees 10/- each fully paid in cash	**10,000**	10,000

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

14. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

This represents the surplus resulting from revaluation of property, plant and equipment (Freehold land, Leasehold land, Building on freehold land, Building on leasehold land, Distribution equipment, Generation equipment, Other plant and equipment, Computer and office equipment and Vehicles) net of incremental depreciation arising out of revaluation.

15. DEPOSIT FOR ISSUANCE OF SHARES

	Note	2021 Rupees	2020 Rupees
Allocation from net worth	15.1	**1,924,360,633**	1,924,360,633
Debt service payments by WAPDA on behalf of the Company	15.2	**949,154,044**	949,154,044
Fixed assets and long term loans transferred by WAPDA	15.3	**3,023,855,923**	3,023,855,923
Foreign relent loans and cash development loans	15.4	**1,072,311,000**	1,072,311,000
Repayment of long term loan by WAPDA	15.5	**406,182,000**	406,182,000
Incorporation expenses incurred by WAPDA	15.6	**5,042,375**	5,042,375
WAPDA Net Worth loan converted to equity participation	15.7	**5,056,618,968**	5,056,618,968
Transfer on account of clearance of circular debt	15.8	**36,491,261,618**	46,159,995,692
		48,928,786,561	58,597,520,635

15.1 This represents amount equivalent the net worth of the Company as on 13 May 1998 against which the Company will issue share to WAPDA.

15.2 This represents amount transferred from WAPDA current account on account of payment of interest on long term loans on behalf of the Company during the period from 1st July 2001 to 30 June 2005.

15.3 This represents net amount transferred from WAPDA current account on account of certain fixed assets and long term loans amounting to Rupees 3,598.980 million and Rupees 575.124 million respectively transferred to the Company in the period from 1 July 1999 to 30 June 2005.

15.4 This represents Foreign Relent Loans and Cash Development Loans transferred to Deposit for shares account as per WAPDA advices and directives of Government of Pakistan.

15.5 This represent amounts paid by WAPDA on account of long term financing and transferred to Deposit for shares account in 2002.

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

15.7 This represents amount equivalent the net worth of the Company. Initially it was recorded as long term loan but subsequently it was transferred to Deposit for shares account as per WAPDA advice.

15.8 This represents GoP's investment / equity in the Company channelized through PEPCO / NTDC/CPPA as a measure taken to clear circular debts of Rupees 361.269 billion prevailing in the power sector. During the year, Ministry of Energy (Power Division) re-allocated GoP equity in distribution companies in light of the ECC decision No. ECC 243/20/2019 resulting a decrease in GoP investment/equity of Rupees 9,668.734 million in the Company which has been accounted for following the debit note issued by CPPA.

16. DEFERRED CREDIT	**Note**	**2021 Rupees**	**2020 Rupees**
Balance at 01 July		**17,080,805,819**	16,782,067,589
Transfer from receipt against deposit work	19	**1,807,046,836**	298,738,230
		18,887,852,655	17,080,805,819
Less: Amortization			
Amortized balance at 01 July		**5,101,430,688**	4,513,187,003
Amortized during the year		**603,098,757**	588,243,685
		5,704,529,445	5,101,430,688
Amortized balance at 30 June		**13,183,323,210**	11,979,375,131

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

17. LONG TERM FINANCING

Secured			
Relent loan from Asian Development Bank			
Tranch - I	17.1	**1,995,170,893**	1,995,170,893
Tranch - II	17.2	**1,191,319,035**	1,191,319,035
Tranch - III	17.3	**7,828,693,226**	7,828,693,226
Tranch - IV	17.4	**1,062,898,747**	1,062,898,747
		12,078,081,901	12,078,081,901
Unsecured			
Relent loan From Kuwait Fund	17.5	**1,210,344,958**	1,210,344,958
Cash Development Loans	17.6	**5,843,301,807**	4,156,697,647
		19,131,728,666	17,445,124,506
Less: Current and overdue portion			
- Overdue portion		**(4,759,251,554)**	(3,782,752,916)
- Current portion		**(1,078,411,943)**	(976,498,638)
		(5,837,663,497)	(4,759,251,554)
		13,294,065,169	12,685,872,952

17.1 This represent the relent portion of loans obtained by Government of Pakistan (GoP) from Asian Development Bank (ADB) for Distribution Enhancement Investment Program which is secured against the guarantee by GoP. Pursuant to relent terms conveyed through Economic Affairs Division letter No. 6(9) ADB: II/86 dated 30 March 2009 between GoP and the Company, the facility amount of Rupees 1,995 million (2020: Rupees 1,995 million) has been transferred to the Company. This facility carries interest rate of 17% per annum which is inclusive of relending interest of 11% plus exchange risk cover fee of 6% payable on half yearly basis. Repayments are to be made within maximum period of 15 years including a grace period of 2 years. Loan is repayable to GoP on the advice of debt management wing of Economic Affairs Division of Pakistan. This project has been closed by ADB with effect from 30 June 2012 due to un-ability of the Company to utilize full amount of loan within given time. As at 30 June 2021, the overdue portion of loan amounted to Rupees 555.870 million (2020: 439.197) and the interest payable amounted to Rupees 3,445,647 million (2020: 3,106.468 million) has not yet been paid by the Company.

17.2 This represent the relent portion of loans obtained by Government of Pakistan (GoP) from Asian Development Bank (ADB) for Distribution Enhancement Investment Program which is secured against the guarantee by GoP. Pursuant to relent terms conveyed through Economic Affairs Division letter No. 1(3) ADB:II/06-A dated 30 March 2011 with an addendum issued on 09 April 2011 between GoP and the Company, the facility amount of Rupees 1,191.319 million (2020: 1,191.319 million) has been transferred to the Company. This facility carries interest rate of 15% per annum which is inclusive of relending interest of 8.2% plus exchange risk cover fee of 6.8% payable on half yearly basis. The loan is repayable to GoP on the advice of debt management wing of Economic Affairs Division of Pakistan, within a period of 20 years including the grace period of 3 years. This project was due to be closed on 30 June 2018 and the support of such loan was extended till 31 January 2019. As at 30 June 2021, the overdue portion of loan amounted to Rupees 320.013 million (2020: 260.445 million) and the interest payable amounted to Rupees 1,544.239 million (2020: 1,362.665) has not yet been paid by the Company.

17.3 This represent the relent portion of loans obtained by GoP from ADB for Distribution Enhancement Investment Program which is secured against the guarantee by GoP. Pursuant to relent terms conveyed through Economic Affairs Division letter No. 2(18) ADB-II/13 dated 07 November 2014 between GoP and the Company, the facility amount of Rupees 7,828.693 (2020: 7,828.693 million) has been transferred to the Company. This carries interest rate of 15% per annum which is inclusive of relending interest of 8.2% plus exchange risk cover fee of 6.8% payable on half yearly basis. The loan is repayable to GoP on the advice of debt management wing of Economic Affairs Division of Pakistan, within a period of 25 years including the grace period of 5 years. This project was due to be closed on 30 June 2018 and the support of such loan was extended till 31 January 2019. As at 30 June 2021, the overdue portion of loan amounted to Rupees 1,732.99 million (2020: 1,135.358 million) and the interest payable amounted to Rupees 5,829.162 million (2020: 4,635.939 million) has not yet been paid by the Company.

17.4 This represent the relent portion of loans obtained by GoP from ADB for Distribution Enhancement Investment Program which is secured against the guarantee by GoP. Pursuant to relent terms conveyed through Economic Affairs Division letter No. 2(18) ADB-II/13 dated 07 November 2014 between GoP and the Company, the facility amount of Rupees 1,062.898 million (2020: 1062.898 million) has been transferred to the Company. This carries interest rate of 15% per annum which is inclusive of relending interest of 8.2% plus exchange risk cover fee of 6.8% payable on half yearly basis. The loan is repayable to GoP on the advice of debt management wing of Economic Affairs Division of Pakistan, within a period of 25 years including the grace period of 5 years. This project was due to be closed on 30 June 2018 and the support of such loan was extended till 31 January 2019. As at 30 June 2021, the overdue portion of loan amounted to Rupees 127.548 million (2020: 85.032 million) and interest payable amounted to Rupees 781.800 million (2020: 619.801 million) has not yet been paid by the Company.

17.5 This loan was taken by GoP from Kuwait Fund for Arab Economic Development and relent to the Company. The interest advised is 11% per annum. As at 30 June 2021, the interest payable amounted to Rupees 1,533.557 million (2020: 1,400.420 million) has not yet been paid by the Company.

17.6 Cash Development Loans	**Note**	**2021 Rupees**	**2020 Rupees**
Cash Development Loan (non-assignment account)	**17.6.1**	**3,168,062,564**	3,168,062,564
Cash Development Loan (assignment account)	**17.6.2**	**2,675,239,243**	988,635,083
		5,843,301,807	4,156,697,647

17.6.1 Movement - Cash Development Loan (Non-Assignment Account)

	2021	2020
Balance at 01 July	**3,168,062,564**	3,168,062,564
Disbursed during the year	**-**	-
Balance at 30 June	**3,168,062,564**	3,168,062,564

This loan has been granted by GoP for power enhancement projects. The interest rate advised during the current year is 10.30% (2020: 11%). The loan is repayable annually in 20 years time with a grace period of 5 years and the first installment was due in January 2014. As at 30 June 2021, the overdue portion amounted to Rupees 803.346 million (2020: 652.310 million) the interest payable amounted to Rupees 2,055.315 million (2020: 1,708.891 million) has not yet been paid by the Company.

17.6.2 Movement - Cash Development Loan (Assignment Account)

	2021	2020
Balance at 01 July	**988,635,083**	71,453,553
Disbursed during the year	**1,686,604,160**	917,181,530
Balance at 30 June	**2,675,239,243**	988,635,083

This loan has been granted by GoP for power enhancement projects. The interest rate advised during the current year is 10.30% (2020: 12.20%) per annum. The loan is repayable annually in 20 years time with a grace period of 5 years and the first installment was due in May 2020. As at 30 June 2021, the overdue portion amounted to Rupees 9.132 million (2020: 0.061 million) the interest payable amounted to Rupees 339.693 million (2020: 435.211 million) has not yet been paid by the Company.

18. SECURITY DEPOSITS

These mainly represents security deposits received from consumers at the time of electricity connection and are refundable/adjustable on disconnection of electricity supply. Movement during the year is as under:

	Note	2021 Rupees	2020 Rupees
Balance at 01 July		**1,131,625,151**	1,025,815,509
Deposits received during the year		**102,581,851**	105,985,570
Deposits adjusted / refunded during the year		**-**	(175,928)
Balance at 30 June		**1,234,207,002**	1,131,625,151

Balance of Rupees 16.072 million (2020: Rupees 394.936 million) kept in a separate bank account maintained in respect of security deposits received from consumers and contractors (Note 12.1).

19. RECEIPT AGAINST DEPOSIT WORKS AND CONNECTIONS

	Note	2021 Rupees	2020 Rupees
Balance at 01 July		**12,001,110,021**	9,162,591,685
Contribution received		**3,135,987,174**	3,137,256,566
Transferred to deferred credit against completed projects	16	**(1,807,046,836)**	(298,738,230)
Balance at 30 June	19.1	**13,330,050,359**	12,001,110,021

19.1 Balance as at 30 June consists of:

	Note	2021 Rupees	2020 Rupees
Capital contribution from consumers awaiting service connections	19.1.1	**194,299,450**	196,573,903
Receipt against deposit works	19.1.2	**13,135,750,909**	11,804,536,118
		13,330,050,359	12,001,110,021

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

19.1.2 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.

20. STAFF RETIREMENT BENEFITS - unfunded

Post Retirement Benefits

	Note	2021 Rupees	2020 Rupees
Pension	20.1	**35,307,750,060**	21,048,344,516
Free electricity benefits	20.1	**1,689,000,242**	794,623,451
Free medical benefits	20.1	**471,134,481**	103,260,677
		37,467,884,783	21,946,228,644
Compensated absences	20.1	**1,854,045,208**	609,925,258
		39,321,929,991	22,556,153,902

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

	30 June 2021				
	Pension	**Free electricity benefits**	**Free medical benefits**	**Compensated absences**	**Total**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Balance as at 01 July 2020	**21,048,344,516**	**794,623,451**	**103,260,677**	**609,925,258**	**22,556,153,902**
Charge for the year (20.2)	**2,749,901,075**	**103,131,658**	**11,509,331**	**1,287,249,709**	**4,151,791,773**
Remeasurement recognized in statement of comprehensive income (Note 20.3)	**12,969,547,130**	**823,350,420**	**361,025,367**	**-**	**14,153,922,917**
Benefits paid	**(1,460,042,661)**	**(32,105,287)**	**(4,660,894)**	**(43,129,759)**	**(1,539,938,601)**
Balance as at 30 June 2021	**35,307,750,060**	**1,689,000,242**	**471,134,481**	**1,854,045,208**	**39,321,929,991**

	30 June 2020				
	Pension	Free electricity benefits	Free medical benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 July 2019	19,491,620,635	749,358,365	99,841,426	491,159,222	20,831,979,648
Charge for the year (20.2)	2,958,192,657	129,930,809	15,538,528	162,714,657	3,266,376,651
Remeasurement recognized in statement of comprehensive income (Note 20.3)	(174,641,484)	(34,137,104)	(8,661,468)	-	(217,440,056)
Benefits paid	(1,226,827,292)	(50,528,619)	(3,457,809)	(43,948,621)	(1,324,762,341)
Balance as at 30 June 2020	21,048,344,516	794,623,451	103,260,677	609,925,258	22,556,153,902

20.2 Amounts recognized in the statement of profit or loss are:

	30 June 2021				
	Pension	**Free electricity benefits**	**Free medical benefits**	**Compensated absences**	**Total**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Current service cost	**362,498,101**	**29,167,431**	**1,920,959**	**832,726**	**394,419,217**
Interest cost	**2,387,402,974**	**73,964,227**	**9,588,372**	**55,894,236**	**2,526,849,809**
Actuarial losses recognised during the year	**-**	**-**	**-**	**1,230,522,747**	**1,230,522,747**
	2,749,901,075	**103,131,658**	**11,509,331**	**1,287,249,709**	**4,151,791,773**

	30 June 2020				
	Pension	Free electricity benefits	Free medical benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Current service cost	362,439,196	30,367,876	2,048,056	-	394,855,128
Interest cost	2,595,753,461	99,562,933	13,490,472	162,714,657	2,871,521,523
	2,958,192,657	129,930,809	15,538,528	162,714,657	3,266,376,651

20.3 Remeasurement recognized in statement of comprehensive income:

	30 June 2021				
	Pension	**Free electricity benefits**	**Free medical benefits**	**Compensated absences**	**Total**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Remeasurement chargeable to OCI	**12,969,547,130**	**823,350,420**	**361,025,367**	**-**	**14,153,922,917**

	30 June 2020				
	Pension	Free electricity benefits	Free medical benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Remeasurement chargeable to OCI	(174,641,484)	(34,137,104)	(8,661,468)	-	(217,440,056)

20.4 Reconciliation of present value of defined benefit obligations:

	30 June 2021				
	Pension	**Free electricity benefits**	**Free medical benefits**	**Compensated absences**	**Total**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Balance as at 01 July 2020	**21,048,344,516**	**794,623,451**	**103,260,677**	**609,925,258**	**22,556,153,902**
Current service cost	**362,498,101**	**29,167,431**	**1,920,959**	**832,726**	**394,419,217**
Interest cost	**2,387,402,974**	**73,964,227**	**9,588,372**	**55,894,236**	**2,526,849,809**
Benefits paid during the year	**(1,460,042,661)**	**(32,105,287)**	**(4,660,894)**	**(43,129,759)**	**(1,539,938,601)**
Actuarial losses	**12,969,547,130**	**823,350,420**	**361,025,367**	**1,230,522,747**	**15,384,445,664**
Balance as at 30 June 2021	**35,307,750,060**	**1,689,000,242**	**471,134,481**	**1,854,045,208**	**39,321,929,991**

	30 June 2020				
	Pension	Free electricity benefits	Free medical benefits	Compensated absences	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 July 2019	19,491,620,635	749,358,365	99,841,426	491,159,222	20,831,979,648
Current service cost	2,595,753,461	99,562,933	13,490,472	162,714,657	2,871,521,523
Interest cost	362,439,196	30,367,876	2,048,056	-	394,855,128
Benefits paid during the year	(1,226,827,292)	(50,528,619)	(3,457,809)	(43,948,621)	(1,324,762,341)
Actuarial gains	(174,641,484)	(34,137,104)	(8,661,468)	-	(217,440,056)
Balance as at 30 June 2020	21,048,344,516	794,623,451	103,260,677	609,925,258	22,556,153,902

20.5 Principal actuarial assumptions used in the actuarial valuation:	2021 % per annum	2020 % per annum
Financial assumptions		
Discount rate	**10.50**	11.75
Salary increase rate	**10.50**	8.75
Pension indexation rate	**8.50**	7.00
Electricity indexation rate	**10.50**	4.25
Medical indexation rate	**10.50**	4.25
Demographic assumptions		
Mortality rate	**SLIC 2001-2005**	SLIC 2001-2005
Withdrawal rate	**Low**	Low
Duration	**15 Years**	-

20.6 Sensitivity analysis for actuarial assumptions:

The sensitivity of the staff retirement benefits as at reporting date to changes in the weighted assumptions is:

	2021		2020	
	Rupees	Percentage	Rupees	Percentage
Pension Scheme Rate Increase + 1%	(30,622,593,672)	-13.27%	1,805,895,000	91.77%
Pension Scheme Rate Decrease - 1%	41,228,709,365	16.77%	(1,548,193,000)	92.95%
Electricity Scheme Increase +1%	(1,472,492,318)	-12.82%	142,373,000	99.35%
Electricity Scheme Decrease - 1%	1,961,845,522	16.15%	(114,248,000)	99.48%
Medical Benefit Rate Increase +1%	(394,110,652)	-16.35%	15,724,000	99.93%
Medical Benefit Rate Decrease - 1%	571,613,436	21.33%	(12,892,000)	99.94%
Leave Encashment Rate Increase +1%	(1,738,093,559)	-6.25%	1,081,309,000	95.07%
Leave Encashment Rate Decrease - 1%	1,985,285,512	7.08%	(948,112,000)	95.68%

The sensitivity analysis is based on a change in discount rate (2020: 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.

20.7 Risks associated with staff retirement benefits:

a) Longevity risks

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

b) 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.

c) 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.

21. TRADE AND OTHER PAYABLES	Note	2021 Rupees	2020 Rupees
Creditors		**190,303,827**	234,817,401
Accrued liabilities	21.1	**191,383,740**	184,767,388
Employees' share in funds contribution payable		**5,967,538**	2,480,240
Tax deducted at source payable		**25,330,012**	28,173,974
Professional tax payable		**1,900**	47,305
Income tax collected at source payable		**59,528,585**	57,978,287
Electricity duty payable		**736,679,211**	522,781,120
TV license fee payable		**8,944,139**	8,970,781
Neelum Jhelum surcharge payable		**46,528,222**	38,780,521
Equalization surcharge payable		**238,750,205**	234,128,013
Extra tax payable		**11,770,044**	9,518,909
Further tax payable		**10,686,594**	9,039,736
Additional GST Payable		**286,340**	284,240
Sales tax (SRO 608(I)/2014) payable		**24,073,141**	22,924,734
Financing cost surcharge payable		**211,497,256**	153,773,943
Tariff rationalization surcharge payable		**252,854,563**	246,917,798
Retention money payable		**221,091,818**	84,931,096
Others	21.2	**151,475,434**	176,058,635
		2,387,152,569	2,016,374,121

21.1 This includes insurance payable under Wapda Equipment Protection Scheme (WEPS) to WAPDA amounting to Rupees 122.111million (2020: 124.502 million).

21.2 This includes balance of Rupees 33.205 million (2020: Rupees 33.205 million) unutilized out of receipts from WAPDA for construction of WAPDA Hospital in quetta.

22. DUE TO ASSOCIATED UNDERTAKINGS

Central Power Purchasing Agency Guarantee Limited (CPPA)	**440,300,700,402**	376,718,127,094
Jamshoro Power Company Limited (GENCO - I)	**49,147**	49,147
Northern Power Generation Company Limited (GENCO - III)	**645,600**	724,522
Lakhra Power Generation Company Limited (GENCO IV)	**1,406,289**	1,406,289
National Transmission and Dispatch Company	**5,247,438,268**	6,039,790,021
Lahore Electric Supply Company Limited	**43,974,954**	21,355,074
Faisalabad Electric Supply Company Limited	**42,097,652**	20,547,325
Multan Electric Power Company Limited	**64,598,753**	35,864,398
Peshawar Electric Supply Company Limited	**77,528,773**	52,615,622
Islamabad Electric Supply Company Limited	**31,738,915**	14,329,676
Hyderabad Electric Supply Company Limited	**80,709,878**	57,224,018
Tribal Electric Supply Company Limited	**42,637**	173,122
Sukkur Electric Power Company Limited	**73,752,475**	21,560,646
Gujranwala Electric Power Company Limited	**21,803,314**	10,635,616
	445,986,487,057	382,994,402,570

23. ACCRUED MARK-UP

Asian Development Bank (ADB)	**11,600,848,618**	9,724,872,028
Cash Development Loan (CDL)	**2,374,905,475**	2,144,102,877
Kuwait Fund	**1,533,557,771**	1,400,419,826
	15,509,311,864	13,269,394,731

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

i) Demands had been raised amounting to Rupees 695.756 million, Rupees 556.716 million and Rupees 634.044 million for tax periods July 2007 to June 2009, July 2009 to June 2011 and July 2011 to June 2013 respectively against the sales tax on supply of energy to steel melters, which is to be paid to FBR as per SRO No. 480(I)/2007 dated 09 June 2007. The Company is in appeal before Appellate Tribunal in respect of demands of Rupees 695.756 million which is pending. During the previous years, CIR Appeals has set aside the original assessment orders and remanded back the case for denovo consideration, also against which the Company has filed appeal before ATIR. Further, the demand in respect of Rupees 556.716 and Rupees 634.044 was remanded back by Appellate Tribunal. During the previous year, again orders have been issued by Deputy Commissioner Inland Revenue in respect of the orders remanded back. The Company has filed appeals, to Appellate Tribunal in respect of these new orders earlier remanded back by ITAT. During the year, no further correspondence was made in this regard. However, the management in consultation with their tax advisor is confident of favorable outcome on the above matters on the grounds that ATIR has decided the appeal of the same issue of the latter period in favour of the Company and consequently no provision has been made in these financial statements.

ii) FBR has again issued order u/s 122(5A) of income tax ordinance, 2001 demanding to Rupees 573.719 million, Rupees 329.078 million and Rupees 476.045 million for tax year 2016, 2017 and 2018 on the grounds that the Company did not pay turnover tax in respect of said tax years on the subsidy considering it part of turnover u/s 113. The tax authorities calculated turnover tax considering tariff subsidy receivable from Government of Pakistan be a part of turnover. The Company filed appeals before Appellate Tribunal Inland Revenue (ATIR), which are pending. The Company has paid Rupees 573.719 million related to the orders pertaining to tax year 2016 to FBR. During the year, full Bench of ATIR has decided the similar case for tax year 2015 in favour of distribution companies including QESCO and hold that subsidy received from government is not part of turnover, therefore, minimum tax is not chargeable on subsidy received by the Company. Therefore, all pending appeals having same issue will settle on the basis of the decision of the full bench of ATIR. Accordingly, provision maintained has been reversed during the year.

Further the Additional Commissioner Inland Revenue also imposed a penalty under section 182(12) of the Income Tax Ordinance, 2001 amounting to Rupees 636.747 million for the above tax year 2016. However based on the Company`s appeal filed before ATIR the Company was also granted a stay for the payment of the penalty. Therefore the aforementioned amount has also not been accounted for in these financial statements.

iii) FBR has issued order u/s 33 and 34 of the Sales Tax Act, 1990, for imposition of penalty and default surcharge for late filling of sales tax returns amounting to Rupees 5.302 million , Rupees 1.095 million and Rupees 2.480 million for tax period July 2015 to June 2016, July 2014 to June 2015 and July 2016 to June 2017, respectively. The Company has filled appeals before the Appellate Tribunal Inland Revenue (ATIR), which are still pending. The management in consultation with their tax advisor is confident of favorable outcome on this matter.

iv) 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. As per tariff determination, it was mutually agreed by the representatives of CPPA and distribution companies that, as per clause 9.3(d) of electricity supply agreement dated 29 June 1998 between DISCOs and NTDC, the DISCOs are obliged to pay late payment charges (supplementary charges) to CPPA on account of 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.

During the year, late payment surcharges to the extent of Rupees 4,147.742 have been accounted for on the basis that the same amount has been charged to the consumers as late payment surcharges. Whereas, no provision for late payment surcharges (supplementary charges) aggregating to Rupees 32,391.31 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. Other miscellaneous debit and credit notes not booked by the Company amounts to Rupees 5,036.354 million on net basis resulting decrease in balance payable to CPPA, since the same are contentious and needs to be reconciled with CPPA.

v) 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.

		2021	2020
24.2 Commitments	**Note**	**Rupees**	**Rupees**
Purchase orders outstanding		**2,992,270,105**	442,085,076
Commitments for project expenditure		**901,971,320**	1,032,503,196

25. ELECTRICITY SALES - NET

	Note	2021 Rupees	2020 Rupees
Residential		**7,808,402,291**	8,009,549,020
Commercial		**4,296,461,518**	3,983,199,242
Industrial		**4,541,325,589**	3,976,041,845
Agricultural		**36,677,113,864**	41,766,977,467
Others	25.1	**9,678,126,720**	8,833,938,751
Gross sales	25.2	**63,001,429,982**	66,569,706,325
Less: Taxes directly attributable to sales	25.3	**(13,006,234,419)**	(12,492,192,789)
Net sales		**49,995,195,563**	54,077,513,536

25.1 This includes supply of electricity in respect of Public street lights, Bulk connections, General services (A-3) and Residential colonies.

25.2 Electricity sales includes Rupees 2,284.634 (2020: Rupees 1,981.502) million on account of electricity bill for the month of June 2021 billed to consumers in July 2021.

25.3 This amount includes taxes which are collected on behalf of other authorities including electricity duty, equalisation surcharge, income tax, sales tax, sales tax (2014), further tax, extra tax, financing cost surcharge, tariff rationalization surcharge, Neelum Jhelum surcharge, and PTV fee.

26. TARIFF DIFFERENTIAL SUBSIDY

This represents the tariff subsidy receivable from the Government of Pakistan as the difference between the National Electric Power Regulatory Authority (NEPRA) tariff determinations and notifications from time to time and the rates charged to the consumers in accordance with the tariff notified by the Government of Pakistan.

27. COST OF ELECTRICITY

	Note	2021 Rupees	2020 Rupees
Purchase of electricity	27.1 - 27.2	**80,913,378,004**	88,601,576,054
Cost of own generation	27.3	**341,490,912**	385,443,329
		81,254,868,916	88,987,019,383

27.1 Power Purchase Price (PPP)

		2021 Rupees	2020 Rupees
PPP-Variable charges		**78,018,210,246**	86,120,752,249
PPP-Fixed charges		**2,895,167,758**	2,480,823,805
		80,913,378,004	88,601,576,054
Units purchased (kwh)		**6,629,021,536**	6,603,989,469
Units generated (kwh)		**5,992,000**	5,494,700
		6,635,013,536	6,609,484,169
Units sold (kwh)		**4,775,245,837**	4,842,019,737
Transmission and distribution losses %		**28.03%**	26.74%

27.2 This represents cost of electricity purchased from Central Power Purchase Agency (CPPA), a related party. Electricity purchases during the year have been incorporated according to invoices issued by NTDC/CPPA and adjusted in accordance with monthly Fuel Price Adjustment determined and notified by NEPRA. The average rate for the year was Rupees 12.21 (2020: Rupees 13.43) per Kilo Watt Hour (KWH).

27.3 Cost of own generation

	Note	2021 Rupees	2020 Rupees
Fuel, additives and other chemicals		**53,836,925**	126,780,696
Salaries, wages and other benefits	27.3.1	**189,424,892**	169,258,562
Repair and maintenance		**66,218,968**	56,176,568
Power, light and water		**2,418,179**	2,845,090
Postage and telephone		**75,268**	105,503
Office supplies and other expenses		**526,252**	453,629
Travelling		**10,905,538**	11,762,415
Transportation		**9,874,998**	9,869,207
Depreciation	3.1.9	**5,318,427**	5,806,652
Miscellaneous expenses		**2,891,465**	2,385,007
		341,490,912	385,443,329

27.3.1 This includes Rupees 121.114 million (2020: Rupees 93.627 million) on account of employees' post retirement benefits.

28. OPERATING AND MANAGEMENT EXPENSES EXCLUDING DEPRECIATION

	Note	2021 Rupees	2020 Rupees
Salaries, wages and other benefits	28.1	**8,377,232,440**	7,315,626,927
Directors' meeting fee		**17,901,000**	9,983,000
Repair and maintenance		**736,043,940**	717,736,727
Rent, rates and taxes		**12,348,528**	13,070,275
Power, light and water		**45,215,367**	52,052,928
Postage and telephone		**13,062,283**	13,196,365
Office supplies and other expenses		**38,398,383**	37,322,865
Travelling		**273,449,685**	237,734,641
Transportation		**254,381,305**	256,133,153
Management fee		**148,687,247**	48,621,189
Legal and professional fee		**19,025,822**	7,888,873
Auditors' remuneration	28.2	**1,274,000**	1,300,000
Electricity bill collection charges		**24,734,930**	23,888,612
NEPRA license fee and other charges		**20,828,180**	16,803,916
Insurance		**23,653,552**	20,740,602
Injuries and damages		**34,153,388**	42,356,000
Miscellaneous expenses		**83,043,850**	57,291,061
		10,123,433,900	8,871,747,134

28.1 The aggregate amount charged in respect of employees' post retirement benefits amounts to Rupees 4,033.253 million (2020: Rupees 3,122.254 million).

		Note	2021 Rupees	2020 Rupees
28.2	**Auditors' remuneration**			
	Statutory audit fee		**974,000**	974,000
	Out of pocket expenses		**300,000**	326,000
			1,274,000	1,300,000

29. OTHER INCOME

	Note	2021 Rupees	2020 Rupees
Income from financial assets			
Return on bank deposits		**238,151,345**	346,862,925
Late payment surcharge		**4,147,742,238**	4,242,688,293
		4,385,893,583	4,589,551,218
Income from non-financial assets			
Meter and service rentals		**615,316**	579,077
Public lighting		**416,969**	412,919
Reconnection fee		**255,515**	835,739
Sale of scrap		**11,684,980**	1,233,901
Non-utility operations	29.1	**64,074,435**	40,240,242
Miscellaneous and non operating revenue	29.2	**126,804,118**	71,672,518
		203,851,333	114,974,396
		4,589,744,916	4,704,525,614

29.1 It represents recovery on labour and overhead charges at the time of application for new connections. It is recognized at the time of installation of connection.

29.2 It represents amount received quarter/shop rent, commission on collection of PTV fee, tender fee, recoveries from parties and receipts of liquidated damages during the year. Further it includes other electric revenue charged at the rate of 3% on electricity duty realized for the year.

30. FINANCE COST

	Note	2021 Rupees	2020 Rupees
Late payment surcharge	30.1	**4,147,742,238**	4,242,688,293
Markup transfer from GoP	30.2	**658,621,991**	1,247,528,108
Markup on long term financing		**2,372,379,807**	2,268,793,030
Bank charges		**3,737,139**	3,963,823
		7,182,481,175	7,762,973,254

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

30.2 This represents mark up on PHL loans accounted for on the advices received from CPPA.

31. TAXATION

	Note	2021 Rupees	2020 Rupees
Current tax	31.1	**812,338,659**	1,360,011,222
Prior year tax	31.2	**(1,601,930,633)**	(330,441,726)
		(789,591,974)	1,029,569,496

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

31.2 During the year, the Company has reversed the provision for minimum tax on subsidy from government accounted for in prior years on prudent basis in light of the decision of the ATIR in favour of the Company on the matter.

Relationship between tax expense and accounting profit

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

31.3 Deferred tax

Deferred income tax effect due to:

	2021 Rupees	2020 Rupees
Accelerated tax depreciation	**16,487,651,384**	14,497,790,542
Deferred credit	**(3,823,163,731)**	(3,474,018,788)
Allowance for expected credit losses	**(78,124,874,178)**	(66,833,386,455)
Provision for slow moving and obsolete items of stores and spares	**(146,034,751)**	(12,560,950)
Provision against advance and other receivables	**(12,524,555,669)**	(9,520,178,984)
Staff retirement benefits	**(11,403,359,697)**	(6,541,284,632)
Unused tax losses and credit	**(73,980,239,233)**	(53,539,455,485)
Net deferred income tax asset	**(163,514,575,875)**	(125,423,094,752)
Unrecognized deferred income tax asset	**163,514,575,875**	125,423,094,752
	-	-

31.3.1 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.

		Note	2021 Rupees	2020 Rupees
32.	**LOSS PER SHARE**			
	Basic loss per share			
	Loss after taxation		**(48,690,418,209)**	(108,401,322,773)
	Weighted average number of ordinary shares (number)		**1,000**	1,000
	Loss per share - Basic		**(48,690,418)**	(108,401,323)
	Diluted loss per share			
	Loss after taxation		**(48,690,418,209)**	(108,401,322,773)
	Weighted average number of ordinary shares including deposit for shares (number)		**4,892,879,656**	5,859,753,064
	Loss per share - Diluted		**(9.95)**	(18.50)
33.	**CASH GENERATED FROM OPERATIONS**			
	Loss before taxation		**(49,480,010,183)**	(107,371,753,277)
	Adjustments for non-cash charges and other items:			
	Depreciation on property, plant and equipment		**1,679,802,041**	1,626,013,139
	Impairment on property, plant and equipment		**7,459,884**	6,552,078
	Amortization of deferred credit		**(603,098,757)**	(588,243,685)
	Provision for staff retirement benefits		**4,151,791,773**	3,266,376,651
	Finance cost		**7,182,481,175**	3,520,284,961
	Allowance for expected credit losses against trade debts		**44,586,139,417**	87,239,394,985
	Allowance for expected credit losses against advances & other receivables		**66,941,857**	4,599,232,071
	Provision for slow moving and obsolete stock		**460,254,485**	(6,744,592)
	Profit on bank deposits		**(238,151,345)**	(346,862,925)
	Working capital changes	33.1	**(7,662,125,661)**	12,046,986,807
			151,484,686	3,991,236,213
33.1	**Working capital changes**			
	(Increase) / decrease in current assets			
	Stores and spares		**(1,331,666,605)**	255,645,228
	Trade debts		**(48,798,055,842)**	(69,110,824,906)
	Loans and advances		**(66,882,614)**	378,628,388
	Due from associated undertaking		**62,177,101**	76,190,191
	Receivable from Government of Pakistan		**(6,599,652,482)**	(5,660,252,537)
	Other receivables		**925,747,045**	7,724,913,063
			(55,808,333,397)	(66,335,700,573)
	(Decrease) / increase in current liabilities			
	Trade and other payables		**(370,778,448)**	111,393,221
	Due to associated undertakings		**48,516,986,184**	78,271,294,159
			48,146,207,736	78,382,687,380
			(7,662,125,661)	12,046,986,807

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

	Long term financing	Consumers' security deposits	Receipt against deposit works	Accrued mark up	Total
	Rupees	Rupees	Rupees		Rupees
Balance as at 01 July 2020	17,445,124,506	1,131,625,151	12,001,110,021	13,269,394,731	43,847,254,409
Financing obtained	1,686,604,160	-	-	-	1,686,604,160
Consumer security deposits - net	-	102,581,851	-	-	102,581,851
Receipts against deposit work received	-	-	3,135,987,174	-	3,135,987,174
Transfer to deferred credit	-	-	(1,807,046,836)	-	(1,807,046,836)
Finance cost	-	-	-	7,182,481,175	7,182,481,175
Interest adjusted against CPPA payable	-	-	-	(4,806,364,229)	(4,806,364,229)
Interest paid	-	-	-	(136,199,813)	(136,199,813)
Balance as at 30 June 2021	19,131,728,666	1,234,207,002	13,330,050,359	15,509,311,864	49,205,297,891

34. TRANSACTIONS WITH RELATED PARTIES

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

34.1 Remuneration of Chief Executive Officer, directors and executives is disclosed in note 35. Other significant transactions with related parties are as follows:

Name of Related party	Nature of transactions	2021 Rupees	2020 Rupees
Government of Pakistan			
Economic Affairs Division			
Ministry of finance	Tariff differential subsidy accrued	**21,850,043,829**	13,507,911,340
	Tariff differential subsidy received	**15,250,391,347**	7,847,658,803
	Non-cash adjustment of deposit for shares	**9,668,734,074**	-
Associated companies / undertaking			
National Transmission and Dispatch Company	Use of system charges	**2,895,167,758**	2,480,823,805
	Settlement against use of system charges	**3,607,278,153**	347,966,541
	Free supply of electricity provided to employees of associated Company	**1,358,090**	1,055,236
	Expenditure incurred on behalf of NTDC	**78,883,268**	-
	Pension paid to employees of associated Company	**24,411,714**	24,398,581
Central Power Purchasing Agency Guarantee Limited (CPPA)	Purchase of electricity (including taxes)	**84,713,315,811**	92,992,840,891
	Market operation fee	**27,853,170**	27,903,274
	Supplementary charges	**4,147,742,238**	4,242,688,293
	Debit note raised on account of payment made against Installments of Markup - PHPL	**658,621,981**	1,247,528,108
	Debit note raised on account of payment made to arrangement, trustee and legal fee	**17,700,822**	-
	Debit note raised on account of PEPCO management fees.	**148,687,247**	48,621,189
	Debit note on account of adjustment as per Ministry of energy	**9,688,734,074**	-
	Debit Settlement advices against Use of System Charges	**3,607,278,153**	347,966,541
	Credit Note Settlement against Tariff Differential Subsidy, Tarif Rationalization Surcharge and GOP Subsidy	**22,926,715,631**	11,797,657,755
	Remittances to CPPA	**16,480,644,569**	9,586,763,191
Northern Power Generation Company Limited (GENCO - III)	Free supply of electricity provided to employees of associated Company	**186,692**	91,608
	Free supply of electricity received by employees of the associated Company	**150,952**	-
	Pension paid to employees of associated Company	**753,288**	1,889,950

Name of Related party	Nature of transactions	2021 Rupees	2020 Rupees
Islamabad Electric Supply Company Limited	Free supply of electricity provided to employees of associated Company	**336,477**	259,015
	Free supply of electricity received by employees of the associated Company	**2,117,439**	1,976,719
	Pension paid to employees of associated Company	**1,480,008**	1,593,253
	Pension received by employees of associated Company	**16,018,270**	16,785,979
	Purchase of material	**2,645,000**	16,700,000
Peshawar Electric Supply Company Limited	Free supply of electricity provided to employees of associated Company	**295,725**	7,785,351
	Free supply of electricity received by employees of the associated Company	**2,946,342**	33,202
	Pension paid to employees of associated Company	**496,176**	470,631
	Pension received by employees of associated Company	**29,024,092**	12,696,467
Gujranwala Electric Power Company Limited	Free supply of electricity provided to employees of associated Company	**119,607**	80,049
	Free supply of electricity received by employees of the associated Company	**1,234,528**	724,492
	Pension paid to employees of associated Company	**1,556,963**	1,051,196
	Pension received by employees of associated Company	**12,983,488**	10,220,680
	Purchase of material	**4,273,000**	1,468,325
	Sale of material	**12,193,996**	-
Faisalabad Electric Supply Company Limited	Free supply of electricity provided to employees of associated Company	**99,106**	235,842
	Free supply of electricity received by employees of the associated Company	**2,650,719**	2,112,268
	Pension paid to employees of associated Company	**1,936,593**	1,676,800
	Pension received by employees of associated Company	**19,608,311**	25,772,892
	Purchase of material	**29,107,887**	1,998,000
	Sale of material	**23,619,228**	-
Hyderabad Electric Supply Company Limited	Free supply of electricity provided to employees of associated Company	**20,844,161**	231,579
	Free supply of electricity received by employees of the associated Company	**22,763,853**	30,578,604
	Pension received by employees of associated Company	**27,472,755**	18,074,561
	Purchase of material	**1,680,000**	6,411,000
	Sale of material	**17,064,173**	10,024,399
Lakhra Power Generation Company Limited (GENCO IV)	Free supply of electricity received by employees of the associated Company	**-**	248,805
	Pension paid to employees of associated Company	**705,234**	759,632

Name of Related party	Nature of transactions	2021 Rupees	2020 Rupees
Tribal Electric Supply Company Limited	Free supply of electricity provided to employees of associated Company	**9,416**	-
Jamshoro Power Company Limited (GENCO - I)	Pension paid to employees of associated Company	**2,598,191**	2,166,303
Sukkur Electric Power Company Limited	Free supply of electricity provided to employees of associated Company	**643,681**	869,876
	Free supply of electricity received by employees of the associated Company	**4,428,810**	5,015,099
	Pension paid to employees of associated Company	**2,855,270**	2,705,655
	Pension received by employees of associated Company	**56,024,383**	30,516,448
	Purchase of material	**12,233,184**	9,992,480
	Sale of material	**85,915,231**	54,293,329
Lahore Electric Supply Company Limited	Free supply of electricity provided to employees of associated Company	**266,587**	83,980
	Free supply of electricity received by employees of the associated Company	**3,160,357**	2,101,919
	Pension paid to employees of associated Company	**679,967**	-
	Pension received by employees of associated Company	**29,667,242**	17,280,099
	Purchase of material	**-**	19,981,910
Multan Electric Power Company Limited	Free supply of electricity provided to employees of associated Company	**90,701**	187,912
	Free supply of electricity received by employees of the associated Company	**2,708,898**	3,704,395
	Pension paid to employees of associated Company		
	Pension received by employees of associated Company	**23,845,924**	27,499,845
	Purchase of material	**-**	5,121,000
Central Power Generation Company Limited (GENCO-II)	Free supply of electricity provided to employees of associated Company	**382,894**	1,086,895
	Free supply of electricity received by employees of the associated Company	**79,532**	209,984
	Pension paid to employees of associated Company	**36,478,831**	35,343,083
Water and Power Development Authority (WAPDA)	Pension paid to employees of associated Company	**38,880,991**	32,559,379
Power Information Technology Company (Private) Limited (PITC)	Consultancy fee	**11,992,089**	17,205,387
	Software license fee	**20,327,692**	22,275,157

35. 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, Director and executives of the Company are as follows:

	2021			2020		
	CHIEF EXECUTIVE OFFICER	DIRECTORS	EXECUTIVES	CHIEF EXECUTIVE OFFICER	DIRECTORS	EXECUTIVES
Basic pay	2,159,530	-	22,888,210	1,760,640	-	19,810,850
Allowances	3,764,270	-	41,027,654	4,595,052	-	32,900,632
Meeting fee	-	17,901,000	-	-	9,983,000	-
	5,923,800	17,901,000	63,915,864	6,355,692	9,983,000	52,711,482
Number of person	1	11	38	1	9	39

35.1 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.

35.2 Comparative figures have been amended to reflect the changes in the definition of executives in accordance with the requirements of the Companies Act, 2017.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk factors

The Company has expose it to a variety of financial risk ; Credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risk).

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

36.1 Credit risk and concentration of credit risk

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

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

	30 June 2021		30 June 2020	
	Financial Asset	Maximum Exposure	Financial Asset	Maximum Exposure
	Rupees	Rupees	Rupees	Rupees
Long term loans	**2,943,949**	**2,943,949**	7,921,866	7,921,866
Long term deposits	**2,378,070**	**2,378,070**	2,066,260	2,066,260
Trade debts	**337,935,756,361**	**68,539,638,506**	294,787,675,375	64,327,722,081
Loans and advances	**149,960,331**	**33,391,163**	109,767,801	109,767,801
Other receivables	**47,945,282,514**	**9,467,104,266**	41,666,657,743	8,838,454,351
Due from associated undertakings	**4,862,106,852**	**322,502,092**	4,924,283,953	384,679,193
Bank balances	**5,744,765,640**	**5,744,765,640**	6,482,216,827	6,482,216,827
	396,643,193,717	**84,112,723,686**	347,980,589,825	80,152,828,379

Out of total financial asset of Rupees 396,541.263 million (2020: Rupees 247,980.589 million), the financial asset which are subject to credit risk amounted to Rupees 84,010.792 million (2020: Rupees 80,152.828 million). Difference in the balances as per statement of financial position and maximum exposure were due to the fact that trade debt amounting to Rupees 312,530.470 million (2020: Rupees 267,827.761 million) has been provided for.

36.1.1 Credit risk related to trade debts

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

36.1.2 Collateral against trade debts

The Company receives security deposit from each customer at the time of allotment of new connection which is adjustable against the amount due from him in case of his default. At present the Company holds security deposits amounting to Rupees 1,230.200 million (2020: Rupees 1,131.625 million).

36.1.3 Credit risk related to financial instruments and cash deposits

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

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

Name of bank	Rating Agency	Credit rating	
		Short-term	Long-term
National Bank of Pakistan	PACRA	A-1+	AAA
Habib Bank Limited	VIS	A-1+	AAA
United Bank Limited	VIS	A-1+	AAA
Allied Bank Limited	PACRA	A-1+	AAA
MCB Bank Limited	PACRA	A-1+	AAA
First Women Bank Limited	PACRA	A-2	A-
Bank Alfalah Limited	PACRA	A-1+	AA+
Askari Commercial Bank Limited	PACRA	A-1+	AA+
Meezan Bank Limited	VIS	A-1+	AA+
Standard Chartered Bank (Pakistan) Limited	PACRA	A-1+	AAA
Sindh Bank Limited	VIS	A-1	A+
Al- Baraka Bank (Pakistan) Limited	VIS	A-1	A+

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

36.2 Liquidity risk

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

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

30 June 2021	Carrying amount	Contractual cash flows	6-12 months	1 - 5 years	More than 5 years
	----------------------	----------------------	-----Rupees-----	----------------------	----------------------
Long term financing	**19,131,728,666**	**40,909,335,736**	**7,468,423,069**	**10,403,268,266**	**23,037,644,401**
Security deposits	**1,234,207,002**	**1,234,207,002**	**1,234,207,002**	**-**	**-**
Accrued mark-up	**15,509,311,864**	**15,509,311,864**	**15,509,311,864**	**-**	**-**
Trade and other payables	**754,254,819**	**1,010,520,226**	**1,010,520,226**	**-**	**-**
Due to associated undertakings	**445,986,487,057**	**445,986,487,057**	**445,986,487,057**	**-**	**-**
	482,615,989,408	**504,649,861,885**	**471,208,949,218**	**10,403,268,266**	**23,037,644,401**
30 June 2020					
Long term financing	17,445,124,506	43,332,152,845	6,455,286,028	10,967,758,546	25,909,108,271
Consumers' security deposits	1,131,625,151	1,131,625,151	1,131,625,151		
Accrued mark-up	13,269,394,731	13,269,394,731	13,269,394,731	-	-
Trade and other payables	680,574,520	680,574,520	680,574,520	-	-
Due to associated undertakings	382,994,402,570	382,994,402,570	382,994,402,570	-	-
	415,521,121,478	441,408,149,817	404,531,283,000	10,967,758,546	25,909,108,271

36.3 Market risk management

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

36.3.1 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the following:

	2021 Rupees	2020 Rupees
Fixed rate instruments		
Financial assets		
Term deposits receipts	**3,624,000,000**	-
Financial liabilities		
Long term financing	**19,131,728,666**	17,445,124,506
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	**914,610,646**	4,956,464,716

Fair value sensitivity analysis for fixed rate instruments:

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

36.3.2 Foreign exchange risk management

Foreign 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. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities which mainly include payables to foreign suppliers of goods in foreign currency. The Company deals in local supply of electricity and does not have any foreign currency foreign debtors.

Sensitivity analysis

The strengthening and weakening of the functional currency against US dollars at 30 June 2021 would have no effect on profit and loss of the Company for the year as the Company has no exposure in foreign currency.

36.3.3 Equity price risk management

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

36.4 Determination of fair values

36.4.1 Fair value of financial instruments

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

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

Fair value hierarchy

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

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

There were no financial asset and financial liability to be reported under above levels as the carrying amounts of all financial assets and financial liabilities presented in these financial statements are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value.

36.4.2 Recognized fair value measurements - non-financial assets

(i) Fair value hierarchy

Judgments and estimates are made for non-financial assets not measured at fair value in these financial statements but for which the fair value is described in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels:

	Level 1	Level 2	Level 3	Total
As at 30 June 2021	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Operating fixed assets	**-**	**80,250,494,971**	**-**	**80,250,494,971**
As at 30 June 2020				
Operating fixed assets	-	60,250,651,415	-	60,250,651,415

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

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

The Company obtained independent value for its property, plant and equipment's as at 30 June 2021. The management determined property, plant and equipment's' value within a range of reasonable fair value estimates. The best evidence of fair value is current prices in an active market for similar properties.

(iii) Valuation processes

The Company engaged external, independent and qualified valuer to determine the fair value of the Company's property, plant and equipment's.

36.5 Financial instruments by category

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

	2021 Rupees	2020 Rupees
Financial assets as per statement of financial position	**At amortized cost**	**At amortized cost**
Long term loans	**2,943,949**	7,921,866
Long term deposits	**2,378,070**	2,066,260
Loans and advances	**33,391,163**	109,767,801
Trade debts	**68,539,638,506**	64,327,722,081
Due from associated undertakings	**322,502,092**	384,679,193
Other receivables	**9,467,104,266**	8,838,454,351
Bank balances	**5,744,765,640**	6,482,216,827
	84,112,723,686	80,152,828,379
Financial liabilities as per statement of financial position	**At amortized cost**	
Long term financing	**19,131,728,666**	17,445,124,506
Security deposit	**1,234,207,002**	1,131,625,151
Trade and other payables	**754,254,819**	13,269,394,731
Due to associated undertakings	**445,986,487,057**	382,994,402,570
Accrued mark-up	**15,509,311,864**	13,269,394,731
	482,615,989,408	428,109,941,689

37. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital, i.e. its shareholders' equity is to safeguard its ability to continue as a going concern to maintain a strong capital base to support the sustained development of its business. The Company is not exposed to any external capital requirement. As mentioned in note 15, Company will issue shares amounting to Rupees 48,928,786,561 at the rate of Rupees 10 per share on the closing of supplementary business transfer agreement which will strengthen the capital management of the Company. As public interest entity financial support is available to the Company from Federal Government and WAPDA in the form of delayed settlement of CPPA against electricity purchase, tariff revision and subsidy on purchases.

38. NUMBER OF EMPLOYEES

	2021	2020
	----------------Number	---------------
Number of employees as at June 30	**5,674**	6,085
Average number of employees during the year	**5,880**	6,160

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 11 FEB 2022 by the Board of Directors of the Company.

40. Corresponding figures

40.1 Corresponding figures have been re-arranged and / or re-classified for the purpose of more appropriate presentation and comparison. Following major re-classifications have been made during the year for better presentation:

From	To	Amount
Due from associated undertaking	Receivable from Government of Pakistan (presented on face of financial position)	15,448,172,102
Trade and other payable: Extra tax payable Further tax payable Sales tax (SRO 608(I)/2014) payable	Other receivable: General sales tax receivable from government - net	88,971,462
Capital work in progress: Civil work	Trade and other payables: Other	256,265,407
Operating and management expense excluding depreciation: Late payment surcharge	Finance cost: Late payment surcharge	4,242,688,293
Miscellaneous expenses	Directors' meeting fee	9,983,000
	Management fee	48,621,189
	Legal and professional fee	7,888,873
	Injuries and damages	42,356,000
		108,849,062

40.2 Figures have been rounded off to the nearest Rupees.

CHIEF EXECUTIVE OFFICER

DIRECTOR