

**FAISALABAD ELECTRIC SUPPLY
COMPANY LIMITED**

**FINANCIAL STATEMENTS WITH
ACCOMPANYING INFORMATION**

30 JUNE 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Faisalabad Electric Supply Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Faisalabad Electric Supply Company Limited (the Company), which comprise the statement of financial position as at 30 June 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Emphasis of Matter

We draw attention to the following matters:

- a) Note 14.1.1 to the financial statements, which state that the Company has not recognized the impact of debit notes issued by Central Power Purchasing Agency

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(Guarantee) Limited (CPPA-G) for supplementary charges, being the mark-up charged on CPPA-G by Independent Power Producers (IPPs) on account of delayed payments, aggregating to Rupees 8,148.34 million.

b) Note 14.1.3 to the financial statements, provision for workers' profit participation fund amounting to Rupees 2,839 million for the financial year ended 30 June 2015 and for interest accrued on outstanding WPPF thereon was not accounted for by the Company. Moreover, workers' profit participation fund of previous years along with related interest was not paid to the workers due to pending decision of Economic Coordination Committee to exempt the corporatized entities under the umbrella of WAPDA.

c) Note 14.1.5 to the financial statements describes various matters regarding tax contingencies the ultimate outcome of which cannot be presently determined hence no provision for the same has been made in accompanying financial statements.

Our opinion is not modified in respect of these matters.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Board of directors 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.

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

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

Riaz Ahmad & Co.

RIAZ AHMAD & COMPANY

Chartered Accountants

Faisalabad

Date: 29 OCT 2020

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	NOTE	2020 RUPEES	2019 RUPEES Restated		NOTE	2020 RUPEES	2019 RUPEES Restated
EQUITY AND LIABILITIES				ASSETS			
SHARE CAPITAL AND RESERVES				NON-CURRENT ASSETS			
Authorized share capital				Property, plant and equipment			
5 000 000 000 (2019: 5 000 000 000) ordinary shares of Rupees 10 each				Intangible assets			
		50,000,000,000	50,000,000,000	Long term advances			
Issued, subscribed and paid up share capital	3	10,000	10,000	Long term deposits			
Deposit for shares	4	19,859,074,629	19,859,074,629			3,358,455	3,009,006
Surplus on revaluation of property, plant and equipment - net of deferred income tax	5	48,200,525,076	25,928,656,216			126,898,203,015	98,004,641,331
Accumulated loss		(78,596,797,773)	(89,194,297,816)				
Total equity		(10,537,188,068)	(43,406,556,971)				
LIABILITIES				CURRENT ASSETS			
NON-CURRENT LIABILITIES				Stores, spares and loose tools			
Long term financing	6	4,109,791,548	4,485,398,034	Trade debts			
Staff retirement benefits	7	84,058,208,918	84,240,901,708	Loans and advances			
Long term security deposits	8	8,810,689,510	7,958,478,777	Other receivables			
Receipt against deposit works	9	10,988,774,453	8,096,357,282	Tax refunds due from the Government			
Deferred credit	10	28,855,892,283	27,044,728,463	Receivable from the Government of Pakistan			
Deferred income tax liability	11	7,397,210,521	5,637,080,744	Accrued interest			
		144,220,567,233	137,462,945,008	Cash and bank balances			
CURRENT LIABILITIES						25,811,426,527	20,879,447,558
Trade and other payables	12	119,370,773,806	76,332,175,106			130,180,185,410	75,830,496,819
Accrued mark-up	13	2,592,747,224	2,390,693,262				
Current portion of long term financing	6	1,431,488,231	1,055,881,745				
		123,395,009,261	79,778,750,113				
TOTAL LIABILITIES		267,615,576,494	217,241,695,121				
CONTINGENCIES AND COMMITMENTS				TOTAL ASSETS			
TOTAL EQUITY AND LIABILITIES	14	257,078,388,426	173,835,138,150			257,078,388,426	173,835,138,150

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 RUPEES	2019 RUPEES Restated
SALE OF ELECTRICITY - NET	26	167,648,853,142	147,887,011,087
TARIFF DIFFERENTIAL SUBSIDY	27	58,561,450,422	41,038,912,061
		<u>226,210,303,564</u>	<u>188,925,923,148</u>
COST OF ELECTRICITY	28	(194,741,760,619)	(176,516,757,734)
GROSS PROFIT		31,468,542,945	12,409,165,414
AMORTIZATION OF DEFERRED CREDIT	10	1,579,095,603	1,460,436,524
		<u>33,047,638,548</u>	<u>13,869,601,938</u>
DISTRIBUTION COST	29	(23,077,689,348)	(20,240,339,809)
ADMINISTRATIVE EXPENSES	30	(4,038,902,316)	(3,408,934,500)
CUSTOMER SERVICES COSTS	31	(2,395,888,410)	(2,136,982,132)
		<u>(29,512,480,074)</u>	<u>(25,786,256,442)</u>
PROFIT / (LOSS) FROM OPERATIONS		3,535,158,474	(11,916,654,504)
OTHER INCOME	32	5,642,282,294	4,287,434,490
FINANCE COST	33	(894,910,629)	(309,181,237)
PROFIT / (LOSS) BEFORE TAXATION		<u>8,282,530,139</u>	<u>(7,938,401,251)</u>
TAXATION	34	(2,208,167,309)	(962,951,347)
PROFIT / (LOSS) AFTER TAXATION		<u><u>6,074,362,831</u></u>	<u><u>(8,901,352,598)</u></u>

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	2020 RUPEES	2019 RUPEES Restated
PROFIT / (LOSS) AFTER TAXATION	6,074,362,831	(8,901,352,598)
OTHER COMPREHENSIVE INCOME / (LOSS)		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit obligations	3,649,186,333	(8,624,735,548)
Surplus on revaluation of property, plant and equipment	25,262,915,368	-
Deferred income tax relating to surplus on revaluation of property, plant and equipment	(2,117,095,629)	-
	23,145,819,739	-
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income / (loss) for the year-net of tax	26,795,006,072	(8,624,735,548)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	32,869,368,902	(17,526,088,146)

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

SHARE CAPITAL	DEPOSIT FOR SHARES	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF DEFERRED INCOME TAX	ACCUMULATED LOSS	TOTAL EQUITY	
-----RUPEES-----					
Balance as at 01 July 2018	10,000	19,411,172,270	26,637,954,507	(72,377,507,961)	(26,328,371,184)
Non-cash settlement against deposit for shares	-	447,902,359	-	-	447,902,359
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	(618,547,569)	618,547,569	-
Transfer from surplus on revaluation of property, plant and equipment on account of transfer of property, plant and equipment - net of deferred income tax	-	-	(90,750,722)	90,750,722	-
Loss for the year - restated	-	-	(8,901,352,598)	(8,901,352,598)	(8,901,352,598)
Other comprehensive loss for the year	-	-	(8,624,735,548)	(8,624,735,548)	(8,624,735,548)
Total comprehensive loss for the year - restated	-	-	(17,526,088,146)	(17,526,088,146)	(17,526,088,146)
Balance as at 30 June 2019-restated	10,000	19,859,074,629	25,928,656,216	(89,194,297,816)	(43,406,556,971)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax	-	-	(755,958,866)	755,958,866	-
Transfer from surplus on revaluation of property, plant and equipment on account of transfer of property, plant and equipment - net of deferred income tax	-	-	(117,992,013)	117,992,013	-
Profit for the year	-	-	6,074,362,831	6,074,362,831	6,074,362,831
Other comprehensive income for the year	-	-	3,649,186,333	3,649,186,333	26,795,006,072
Total comprehensive income for the year	-	-	23,145,819,739	9,723,549,164	32,869,368,903
Balance as at 30 June 2020	<u>10,000</u>	<u>19,859,074,629</u>	<u>48,200,525,076</u>	<u>(78,596,797,773)</u>	<u>(10,537,188,068)</u>

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 RUPEES	2019 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	35	15,158,238,163	11,444,592,394
Income tax paid		(2,698,493,821)	(1,374,294,528)
Finance cost paid		(7,582,902)	(6,524,839)
Staff retirement benefits paid		(5,554,858,642)	(4,957,155,438)
Payment for Fund contribution regarding pension obligation		(4,391,000,000)	-
Net decrease / (increase) in long term advances		25,135,141	(7,615,431)
Net increase in long term deposits		(349,449)	(213,841)
Net cash generated from operating activities		2,531,088,490	5,098,788,316
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(7,696,099,402)	(6,244,348,509)
Profit on bank deposits received		2,962,102,554	1,438,394,771
Net cash used in investing activities		(4,733,996,848)	(4,805,953,738)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		-	326,405,606
Consumers' security deposits received		852,210,733	876,095,316
Receipt against deposit works-net		6,282,676,594	2,279,544,216
Net cash from financing activities		7,134,887,327	3,482,045,138
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,931,978,969	3,774,879,716
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		20,879,447,558	17,104,567,841
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 25)		25,811,426,527	20,879,447,558

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. LEGAL STATUS AND OPERATIONS

- 1.1 Faisalabad Electric Supply Company Limited (the Company) is a public limited company incorporated on 21 March 1998 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company was established to take over all the properties, rights, assets, obligations and liabilities of Faisalabad Area Electricity Board (FAEB) owned by Pakistan Water and Power Development Authority (WAPDA) and such other assets and liabilities as agreed. The registered office of the Company is located at West Canal Road, Abdullahpur, Faisalabad. While the Company has various 132-KV and 66-KV grid stations along with other offices located in 08 districts of Central Punjab including Faisalabad, Jhang, Toba Tek Singh, Chiniot, Sargodha, Mianwali, Khushab and Bhakkar. The principal activity of the Company is distribution and supply of electricity to public within defined geographical boundaries.
- 1.2 The Council of Common Interest (CCI) in its meeting held on 12 September 1993 approved the privatization of thermal power generation units (GENCOs) and power distribution companies (DISCOs) in a phased program. Cabinet Committee on Privatization (CCOP) in its meeting held on 17 February 2009 approved privatization of certain GENCOs and DISCOs, this decision was ratified by Federal Cabinet in its meeting, held on 06 January 2010. President and Prime Minister of Pakistan also approved privatization of GENCOs and DISCOs including the Company during a presentation given to them by Ministry of Privatization on 22 November 2010. Decision of President and Prime Minister has also been subsequently ratified by the CCI during its meeting held on 28 April 2011. Since October 2013, the CCOP approved 68 Public Sector Enterprises (PSEs) for inclusion in the privatization program. The Company has been approved by CCOP for early implementation. The Privatization Commission (PC) on behalf of the Government of Pakistan (GoP) invited Expression of Interest (EOI) from prospective private sector strategic partner(s) to acquire seventy-four percent (74%) shareholding in the Company, currently owned by the GoP, together with management control on 02 November 2015. However, protests against privatization were started by the opposition parties and by labour unions. In order to give the union a chance to perform, the GoP has reconsidered the privatization mode of the power sector by shifting it from strategic sale to divestment through capital markets. CCOP in its meeting held on 14 July 2016 considered proposals regarding divestment of Power Sector Entities and PC to initiate process for listing of shares of the Company on the stock exchange through Initial Public Offering (IPO). It was also decided that GoP would retain the control of FESCO as well as management. The PC in its meeting held on 02 October 2017, had discussion on volume of circular debt and nature of losses being accrued in GENCOs and DISCOs and decided that the PC would seek approval of the Government to privatize the Company as strategic sale. The matter is now with the GoP.
- 1.3 Ministry of Energy, Government of Pakistan vide S.R.O. 662(I)/2019 dated 28 June 2019 has allowed an amount of Rupees 26,894 million as quarterly adjustment on account of Power Purchase Price relating to first half of financial year 2018-19, which was to be recovered in next fifteen months after the year ended 30 June 2019. However, an amount of Rupees 19,419 million has been recovered during the year and remaining amount of Rupees 7,475 million has to be recovered in next 3 months after year end. Moreover Federal Government notified vide S.R.O.1169(I)/2019 dated 30 September 2019 the adjustment in the approved tariff, on account of annual indexation / adjustment of distribution margin and periodic adjustment for the 3rd and 4th quarters of financial year 2018-19 with immediate application of Rupees 2,639 million and 1,748 million respectively. However, an amount of Rupees 1,522 million in respect of annual indexation and amount of Rupees 1,048 million of periodic adjustment for the 3rd and 4th quarters has been recovered during the year and remaining amounts of Rupees 1,117 million and 700 million respectively has to be recovered in the next 3 months after year end. Furthermore Federal Government notified vide S.R.O.1470(I)2019 dated 29 November 2019 the adjustment by way of relief in the approved tariff, on account of periodic adjustment for 1st quarter of Financial year 2019-20 of Rupees 1,307 million. However an amount of Rupees 576 million has been adjusted during the year and remaining amount of Rupees 731 million has to be adjusted in the next 5 months after the year end. If these adjustments had been allowed in the respective years, the revenue for years ended 30 June 2019 and 30 June 2020 would have been increased / (decreased) by Rupees 31,281 million and Rupees 731 million respectively. Consequently, accumulated loss would have been reduced by Rupees 8,561 million.

Moreover NEPRA vide its notification No. NEPRA/R/ADG(Tariff)/TRF-100/XWDISCOS/31509-31511 dated 24 September 2020, after the reporting period, has intimated to the Federal Government for periodic adjustments for the 2nd and 3rd quarters of financial year 2019-20 amounting to Rupees 10,350 million and Rupees 12,876 million. However, the above mentioned periodic adjustments has not been notified yet by the Government of Pakistan.

1.4 Impact of COVID-19 on these financial statements

The pandemic of COVID-19 which rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. From 24 March 2020, Government of Punjab announced a temporary lockdown as a measure to reduce the spread of COVID-19. Lockdown impacted the purchasing power of general public so, the Government of Pakistan issued a Prime Minister's Relief Package for Small and Medium Enterprises (SMEs) and a package for domestic consumers. Under the package for SMEs, the Government of Pakistan will bear relief allowed to commercial and industrial consumers. In this regard, the Company has Rupees 4.561 billion receivable from Government of Pakistan at the reporting date. Under the relief package to domestic consumers the bills are collectible in three installments due to which the Company has deferred amount against the consumers of Rupees 4.705 billion. The total recoverability deferred under these packages amounted to Rupees 9.266 billion. Apart from these, according to management's assessment there is no other significant accounting impact of these effects of COVID-19 in these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all 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 as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

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

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

b) Accounting convention

These financial statements have been prepared under historical cost convention, except otherwise stated.

c) Critical accounting estimates and judgments

The preparation of these 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. 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. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In the process of applying the Company's accounting policies, management has made following estimates and judgements which are significant to these financial statements:

Useful lives, patterns of economic benefits and impairments of property, plant, equipment and intangible assets

The estimates for revalued amounts of different classes of property, plant and equipment are based on revaluation performed by external professional valuer and recommendations of technical teams of the Company. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of assets for possible impairment on annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant, equipment and intangible assets with a corresponding effect on the depreciation / amortization charge and impairment.

Provision for obsolescence of stores, spares and loose tools

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

Taxation

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

Allowance for expected credit losses

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

Revenue from contracts with customers involving sale of goods

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

Staff retirement benefits

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

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

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

- Amendments to IFRS 9 'Financial Instruments'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRSs: 2015 – 2017 Cycle

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3 Staff retirement benefits

2.3.1 Defined benefit plans

The Company provides funded pension scheme, an unfunded free electricity scheme and an unfunded free medical facility scheme for all its regular employees. Further, the Company's employees are also entitled for accumulated compensated absences which are encashed at the time of retirement upto maximum limit of 365 days. The Company's obligations under these schemes are determined annually by a qualified actuary using Projected Unit Credit Actuarial Cost Method. Latest actuarial valuations have been carried on 30 June 2020. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Past service cost is recognized immediately in the statement of profit or loss.

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

2.3.2 General / Employees' Provident Fund

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

2.4 Taxation

Current

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

Deferred

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

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

2.5 Property, plant and equipment

2.5.1 Operating fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss, except freehold land which is stated at revalued amount less any identified impairment loss and buildings on freehold land, feeders, grids and related equipment which are stated at revalued amount less accumulated depreciation and any identified impairment loss. Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to the erection / construction period of qualifying assets and directly attributable costs of bringing the assets to working condition for their intended use.

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 benefits 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 the statement of profit or loss during the period in which they are incurred.

Increases in the carrying amounts arising on revaluation of operating fixed assets are recognized, net of deferred income tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of deferred income tax, is reclassified from surplus on revaluation of property, plant and equipment to accumulated loss. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Depreciation

Depreciation on operating fixed assets is calculated applying the straight line method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 15.1. The Company charges the depreciation on additions from the month when the asset is available for use and on deletions up to the month when the asset is de-recognized. Depreciation on operating fixed assets is charged to the statement of profit or loss except for depreciation provided on construction equipment and vehicles during the period of construction of operating fixed assets that is capitalized as part of the cost of operating fixed assets. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

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

2.5.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any recognized impairment loss. This includes all costs connected with specific assets incurred during installation and construction period. These are transferred to specific assets as and when these assets are available for use.

2.6 Intangible assets and amortization

Intangible assets represent the cost of computer softwares acquired and are stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to the statement of profit or loss on straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization is charged from the month in which the asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed of. Intangible assets are amortized over a period of five years.

2.7 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis, comprising invoice values and the related charges that have been incurred in bringing the inventories to their present location and condition.

Net realizable value represents the estimated selling price in the ordinary course of the business less all estimated costs of completion and estimated costs necessary to be incurred in order to make the sale.

2.8 Cash and cash equivalents

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

2.9 Revenue from contracts with customers

i) Revenue recognition

Sale of electricity

Revenue from the sale of electricity is recognized on transmission of electricity to consumers at the rates determined by NEPRA and notified by the Government of Pakistan in official gazette from time to time.

Tariff differential subsidy

Tariff differential subsidy on electricity announced by the Government of Pakistan for consumers is recognized under revenue on an accrual basis.

Rental and service income

Meter rentals are recognized on time proportion basis.

Interest income

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.

Late payment surcharge

Surcharge on late payment is accounted for after the due date of payment has passed.

Fuel price adjustment

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

Gain on installation of new connections

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

Service charges on collection of Pakistan Television (PTV) license fee and electricity duty

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

Other revenue

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

ii) Contract assets

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

iii) Contract liabilities

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

2.10 Financial Instruments

i) Recognition of financial instruments

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

ii) Classification and measurement of financial instruments

Financial assets

a) Classification

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

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

b) Measurement

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

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

Financial liabilities

Classification and measurement

Financial liabilities are classified at amortised cost. These are also subsequently measured at amortised cost using the effective interest method. Interest expense is recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

iii) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

iv) De-recognition

Financial assets

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

Financial liabilities

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

v) 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 legally 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.

2.11 Deferred credit

Amounts received from consumers and Government as contributions towards the cost of extension of electricity distribution network and of providing service connections are deferred and amortized over the estimated useful lives of related assets. Amortization of deferred credit commences upon completion of related work which is taken to the statement of profit or loss each year corresponding to the depreciation charge of relevant asset for the year.

2.12 Borrowings

Borrowings are recognized initially at fair value of the consideration received, net of transaction costs. These are subsequently stated at amortized cost using the effective interest method.

2.13 Borrowing cost

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

2.14 Trade debts

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

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

Expected credit losses are recognized as follows:

- a) No expected credit loss on Government institutions balances;
- b) Expected credit loss of whole amount receivable from permanently disconnected consumers, exceeding one year;
- c) Expected credit loss on whole arrears from private consumers, exceeding one year; and
- d) Expected credit loss on all deferred arrears.

2.15 Loans, advances, deposits and receivables

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

2.16 Share capital

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

2.17 Trade and other payables

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

2.18 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the statement of profit or loss.

2.19 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and reliable estimate of the amount can be made. However provisions are reviewed at each reporting date and adjusted to reflect current best estimate. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

2.20 Contingent assets

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

2.21 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the financial statements.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2020	2019		2020	2019
Number of shares			RUPEES	RUPEES
1 000	1 000	Ordinary shares of Rupees 10 each fully paid in cash to Government of Pakistan (GoP) and its nominee directors	10,000	10,000

4. DEPOSIT FOR SHARES

This represents credit of Rupees 19,859,074,629 (2019: Rupees 19,859,074,629) received by the Company in financial year 2014 from Central Power Purchase Agency (Guarantee) Limited (CPPA-G) in pursuance of letter No. F.1(5)-CF-1/2012-13/1017 dated 02 July 2013 from Ministry of Finance as GoP investment against circular debt of Rupees 341 billion. Hence this was treated as GoP equity investment in the Company.

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF DEFERRED INCOME TAX

Surplus on revaluation of property, plant and equipment as at 01 July	25,928,656,216	26,637,954,507
Add: Surplus arising on revaluation during the year - net of deferred income tax	23,145,819,739	-
	49,074,475,955	26,637,954,507
Less:		
Incremental depreciation charged during the year transferred to accumulated loss - net of deferred income tax	755,958,866	618,547,569
Adjustment of deferred income tax liability on transfer of property, plant and equipment - net of deferred income tax	117,992,013	90,750,722
	873,950,879	709,298,291
	48,200,525,076	25,928,656,216

5.1 This represents surplus resulting from revaluation of freehold land, buildings thereon, grids and equipment carried out on 01 July 2019 and feeders carried out on 30 June 2020 by Messrs F K S Building Services, an independent valuer enrolled on panel of the State Bank of Pakistan (SBP). Previously revaluation was carried out by an independent valuer on 30 June 2013 and 30 June 2006.

6. LONG TERM FINANCING

Loans from related party

Secured

From GoP (foreign re-lent):

Asian Development Bank - Tranche I (Note 6.1 and Note 6.5)	832,226,142	832,226,142
Asian Development Bank - Tranche II (Note 6.2 and Note 6.5)	1,000,702,296	1,000,702,296
Asian Development Bank - Tranche III (Note 6.3 and Note 6.5)	2,260,911,648	2,260,911,648
Asian Development Bank - Tranche IV (Note 6.4 and Note 6.5)	1,447,439,693	1,447,439,693
	5,541,279,779	5,541,279,779
Less:		
Current portion shown under current liabilities	375,606,486	375,631,486
Overdue portion shown under current liabilities	1,055,881,745	680,250,259
	1,431,488,231	1,055,881,745
	4,109,791,548	4,485,398,034

- 6.1 This represents re-lent portion of loan obtained by GoP from Asian Development Bank (ADB) for Power Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 17% inclusive of relending interest of 11% per annum plus exchange risk component of 6% per annum which shall be charged both on principal amount and interest amount separately and commitment charges at the rate of 0.15% per annum on the un-disbursed amount of loan. Repayment of principal has to be made on half yearly basis within maximum period of 15 years including grace period of 2 years starting from February 2011. The overdue amounts of principal and mark-up aggregate to Rupees 416.113 million (2019: Rupees 297.223 million) and Rupees 519.643 million (2019: Rupees 506.304 million) respectively.
- 6.2 This represents re-lent portion of loan obtained by GoP from ADB for Power Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk component of 6.8% per annum which shall be charged both on principal amount and interest amount separately and commitment charges at the rate of 0.15% per annum on the un-disbursed amount of loan. Repayment of principal has to be made on half yearly basis within maximum period of 17 years excluding grace period of 3 years starting from June 2014. The overdue amounts of principal and mark-up aggregate to Rupees 257.250 million (2019: Rupees 186.444 million) and Rupees 435.967 million (2019: Rupees 397.000 million) respectively.
- 6.3 This represents re-lent portion of loan obtained by GoP from ADB for Power Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. Disbursements during the year of Rupees Nil (2019: Rupees 290.373 million) have been transferred to the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk component of 6.8% per annum which shall be charged both on principal amount and interest amount separately and commitment charges at the rate of 0.15% per annum on the un-disbursed amount of loan. Repayment of principal has to be made on half yearly basis within maximum period of 20 years excluding a grace period of 5 years starting from June 2018. The overdue amounts of principal and mark-up aggregate to Rupees 273.961 million (2019: Rupees 160.397 million) and Rupees 884.648 million (2019: Rupees 749.214 million) respectively.
- 6.4 This represents re-lent portion of loan obtained by GoP from ADB for Power Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. Disbursements during the year of Rupees Nil (2019: Rupees 36.032 million) have been transferred to the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk component of 6.8% per annum which shall be charged both on principal amount and interest amount separately and commitment charges at the rate of 0.15% per annum on the un-disbursed amount of loan. Repayment of principal has to be made on half yearly basis within maximum period of 20 years excluding a grace period of 5 years starting from June 2019. The overdue amounts of principal and mark-up aggregate to Rupees 108.558 million (2019: Rupees 36.186 million) and Rupees 639.167 million (2019: Rupees 629.319 million) respectively.
- 6.5 Pakistan Electric Power Company (Private) Limited (PEPCO) vide its letter no. DGCPCC/PEPCO/2152-63 dated 20 February 2017 directed the Company that the payment of debt service on account of foreign relent loans may be withheld till the final decision on the matter that debt service by the WAPDA, GENCOs and DISCOs may be adjusted against their receivable balances from GoP. Resultantly, the Company did not make any payment in respect of foreign relent loans. However, the Economic Affairs Division, GoP in its letter vide 6-15(1)/DM/GF/2011 dated 15 January 2019 demanded repayment of principal along with mark-up (including exchange risk fee) amounting to Rupees 492 million and Rupees 1,609 million respectively.

7. STAFF RETIREMENT BENEFITS

	2020 RUPEES	2019 RUPEES
Pension obligations (Note 7.1)	65,385,432,710	68,105,722,169
Free medical benefits (Note 7.1)	8,194,604,624	5,384,142,631
Free electricity (Note 7.1)	7,521,724,822	7,548,851,871
Leave encashment (Note 7.1)	2,956,446,762	3,202,185,037
	<u>84,058,208,918</u>	<u>84,240,901,708</u>

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

	30 June 2020				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Balance as at 01 July 2019	68,105,722,169	5,384,142,631	7,548,851,871	3,202,185,037	84,240,901,708
Charge for the year (Note 7.2)	11,197,784,135	851,387,078	1,274,690,298	88,490,674	13,412,352,185
Remeasurements recognized in statement of comprehensive income (Note 7.3)	(4,967,291,695)	2,471,800,875	(1,153,695,513)	-	(3,649,186,333)
Benefits paid	(4,559,781,899)	(512,725,960)	(148,121,834)	(334,228,949)	(5,554,858,642)
Contribution made	(4,391,000,000)	-	-	-	(4,391,000,000)
Balance as at 30 June 2020	65,385,432,710	8,194,604,624	7,521,724,822	2,956,446,762	84,058,208,918

	30 June 2019				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Balance as at 01 July 2018	54,927,199,615	5,291,461,198	5,445,976,996	3,532,301,986	69,196,939,795
Charge for the year (Note 7.2)	8,294,340,053	2,283,670,397	777,077,975	21,293,378	11,376,381,803
Remeasurements recognized in statement of comprehensive income (Note 7.3)	8,941,911,435	(1,788,598,619)	1,471,422,732	-	8,624,735,548
Benefits paid	(4,057,728,934)	(402,390,345)	(145,625,832)	(351,410,327)	(4,957,155,438)
Balance as at 30 June 2019	68,105,722,169	5,384,142,631	7,548,851,871	3,202,185,037	84,240,901,708

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

	2020 RUPEES	2019 RUPEES
Present value of defined benefit obligations	69,817,104,848	-
Fair value of plan assets	(4,431,672,138)	-
	65,385,432,710	-

7.1.1.1 Change in fair value of plan assets

Balance as at 01 July	-	-
Expected return on plan assets	318,347,500	-
Cash flows:		
- Total employer's contributions		
(i) Employer's contributions	4,391,000,000	-
(ii) Employer's direct Benefit payments	4,559,781,899	-
- Benefit payments from Plan	(4,559,781,899)	-
Actuarial loss on plan assets	(277,675,362)	-
Balance as at 30 June	4,431,672,138	-

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

	30 June 2020				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Current service cost	1,971,386,108	107,859,029	190,845,610	59,801,689	2,329,892,436
Interest cost	9,226,398,027	743,528,049	1,083,844,688	440,085,232	11,493,855,996
Actuarial gains	-	-	-	(411,396,247)	(411,396,247)
Net charge for the year	11,197,784,135	851,387,078	1,274,690,298	88,490,674	13,412,352,185

	30 June 2019				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Current service cost	1,601,511,609	135,993,942	80,527,154	17,059,486	1,835,092,191
Past service cost	1,402,994,929	1,638,649,852	159,234,413	136,259,051	3,337,138,245
Interest cost	5,289,833,515	509,026,603	537,316,408	335,659,682	6,671,836,208
Actuarial gains	-	-	-	(467,684,841)	(467,684,841)
Net charge for the year	8,294,340,053	2,283,670,397	777,077,975	21,293,378	11,376,381,803

7.3 Remeasurements recognized in statement of comprehensive income:

	30 June 2020				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Loss on obligation	-	2,127,592,050	-	-	2,127,592,050
(Gain) on obligation	(2,561,659,702)	-	(136,479,941)	-	(2,698,139,643)
Experience adjustments	(2,683,307,355)	344,208,825	(1,017,215,572)	-	(3,356,314,102)
Loss on plan assets	277,675,362	-	-	-	277,675,362
	(4,967,291,695)	2,471,800,875	(1,153,695,513)	-	(3,649,186,333)

	30 June 2019				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Loss on obligation	204,585,874	-	-	-	204,585,874
(Gain) on obligation	-	(3,694,538,508)	(227,335,929)	-	(3,921,874,437)
Experience adjustments	8,737,325,561	1,905,939,889	1,698,758,661	-	12,342,024,111
	<u>8,941,911,435</u>	<u>(1,788,598,619)</u>	<u>1,471,422,732</u>	<u>-</u>	<u>8,624,735,548</u>

7.4 Reconciliation of present value of defined benefit obligations:

	30 June 2020				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Balance as at 01 July 2019	68,105,722,169	5,384,142,631	7,548,851,871	3,202,185,037	84,240,901,708
Current service cost	1,971,386,108	107,859,029	190,845,610	59,801,689	2,329,892,436
Interest cost	9,226,398,027	743,528,049	1,083,844,688	440,085,232	11,493,855,996
Benefits paid during the year	(4,559,781,899)	(512,725,960)	(148,121,834)	(334,228,949)	(5,554,858,642)
Remeasurements	(4,967,291,695)	2,471,800,875	(1,153,695,513)	-	(3,649,186,333)
Actuarial gains	-	-	-	(411,396,247)	(411,396,247)
Contribution made	(4,391,000,000)	-	-	-	(4,391,000,000)
Balance as at 30 June 2020	<u>65,385,432,710</u>	<u>8,194,604,624</u>	<u>7,521,724,822</u>	<u>2,956,446,762</u>	<u>84,058,208,918</u>

	30 June 2019				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment	Total
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES
Balance as at 01 July 2019	54,927,199,615	5,291,461,198	5,445,976,996	3,532,301,986	69,196,939,795
Current service cost	1,601,511,609	135,993,942	80,527,154	17,059,486	1,835,092,191
Interest cost	5,289,833,515	509,026,603	537,316,408	335,659,682	6,671,836,208
Past service cost	1,402,994,929	1,638,649,852	159,234,413	136,259,051	3,337,138,245
Benefits paid during the year	(4,057,728,934)	(402,390,345)	(145,625,832)	(351,410,327)	(4,957,155,438)
Remeasurements	8,941,911,435	(1,788,598,619)	1,471,422,732	-	8,624,735,548
Actuarial gains	-	-	-	(467,684,841)	(467,684,841)
Balance as at 30 June 2019	<u>68,105,722,169</u>	<u>5,384,142,631</u>	<u>7,548,851,871</u>	<u>3,202,185,037</u>	<u>84,240,901,708</u>

7.5 All of the investment of plan assets is in certain term deposit receipts of a commercial banks.

7.6 The principal actuarial assumptions at the reporting date were as follows:

	30 June 2020			
	Pension	Free medical benefits	Free electricity benefits	Leave encashment
Discount rate for defined benefit obligation (per annum)	9.25%	9.25%	9.25%	9.25%
Discount rate for statement of profit or loss (per annum)	14.50%	14.50%	14.50%	14.50%
Electricity inflation rate (per annum)	-	-	8.25%	-
Annual medical claim - Rupees	-	10,279	-	-
Salary increase rate (per annum) - Short term	8.25%	8.25%	-	8.25%
Salary increase rate (per annum) - Long term	8.25%	8.25%	-	8.25%
Expected return on plan assets	9.25%	-	-	-
Pension indexation rate (per annum)	3.25%	-	-	-
Take up rate of allowance-in service of facility	-	11.85%	-	-
Medical inflation rate (per annum)	-	9.25%	-	-
Mortality rates	SLIC 2001-2005 setback 1 year Low	SLIC 2001-2005 setback 1 year Low	SLIC 2001-2005 setback 1 year Low	SLIC 2001-2005 setback 1 year Low
Withdrawal rates	-	-	-	-
Expected charge to the statement of profit or loss for the next financial year (Rupees)	7,535,573,044	842,897,864	807,199,480	269,976,185
Duration of scheme (years)	11.60	11.00	17.19	10.14

	30 June 2019			
	Pension	Free medical benefits	Free electricity benefits	Leave encashment
Discount rate for defined benefit obligation (per annum)	14.50%	14.50%	14.50%	14.50%
Discount rate for statement of profit or loss (per annum)	10.00%	10.00%	10.00%	10.00%
Electricity inflation rate (per annum)	-	-	13.50%	-
Annual medical claim - Rupees	-	7,477	-	-
Salary increase rate (per annum) - Short term	13.50%	13.50%	-	13.50%
Salary increase rate (per annum) - Long term	13.50%	13.50%	-	13.50%
Pension indexation rate (per annum)	8.50%	-	-	-
Take up rate of allowance-in service of facility	-	12.95%	-	-
Medical exposure rate (per annum)	-	14.50%	-	-
Mortality rates	SLIC 2001-2005 setback 1 year Low	SLIC 2001-2005 setback 1 year Low	SLIC 2001-2005 setback 1 year Low	SLIC 2001-2005 setback 1 year Low
Withdrawal rates	-	-	-	-
Expected charge to the statement of profit or loss for the next financial year (Rupees)	11,162,221,602	828,686,984	1,187,064,110	448,291,995
Duration of scheme (years)	11.46	9.29	16.67	9.09

7.7 Sensitivity analysis for actuarial assumptions:

30 June 2020				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment
Discount rate	1.00%	1.00%	1.00%	1.00%
Increase in assumption (Rupees)	(7,278,204,756)	(812,390,592)	(1,125,778,689)	(273,490,963)
Decrease in assumption (Rupees)	8,917,275,527	990,458,544	1,460,253,236	325,869,483
Future salary increase	1.00%	-	-	1.00%
Increase in assumption (Rupees)	2,584,130,421	-	-	340,581,784
Decrease in assumption (Rupees)	(2,259,172,631)	-	-	(290,143,646)
Indexation rate	1.00%	-	1.00%	-
Increase in assumption (Rupees)	6,603,732,634	-	-	-
Decrease in assumption (Rupees)	(5,666,964,397)	-	-	-
Withdrawal rates	10.00%	10.00%	-	-
Increase in assumption (Rupees)	(23,197,560)	(2,909,887)	-	-
Decrease in assumption (Rupees)	23,310,627	2,924,806	-	-
Mortality setback	1 year	1 year	-	-
Increase in assumption (Rupees)	51,950,048	(4,759,394)	-	-
Decrease in assumption (Rupees)	(49,216,766)	4,725,687	-	-
Medical inflation rate	-	1.00%	-	-
Increase in assumption (Rupees)	-	738,633,542	-	-
Decrease in assumption (Rupees)	-	(643,273,811)	-	-

30 June 2019				
	Pension	Free medical benefits	Free electricity benefits	Leave encashment
Discount rate	1.00%	1.00%	1.00%	1.00%
Increase in assumption (Rupees)	(7,038,100,213)	(455,848,415)	(1,102,470,206)	(267,294,531)
Decrease in assumption (Rupees)	8,576,745,187	544,301,025	1,414,896,948	314,941,666
Future salary increase	1.00%	-	-	1.00%
Increase in assumption (Rupees)	2,597,823,081	-	-	329,940,213
Decrease in assumption (Rupees)	(2,298,304,365)	-	-	(284,144,590)
Indexation rate	1.00%	-	1.00%	-
Increase in assumption (Rupees)	6,233,235,970	-	1,038,746,261	-
Decrease in assumption (Rupees)	(5,368,340,289)	-	(868,576,560)	-
Withdrawal rates	10.00%	10.00%	-	-
Increase in assumption (Rupees)	(23,091,104)	(2,015,246)	-	-
Decrease in assumption (Rupees)	23,191,194	2,024,355	-	-
Mortality setback	1 year	1 year	-	-
Increase in assumption (Rupees)	63,514,609	(3,243,828)	-	-
Decrease in assumption (Rupees)	(60,377,926)	3,221,129	-	-
Medical inflation rate	-	1.00%	-	-
Increase in assumption (Rupees)	-	379,144,194	-	-
Decrease in assumption (Rupees)	-	(337,702,378)	-	-

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

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

7.8 As at 30 June 2020, the average duration of these benefits was 11.97 years.

7.9 Risks associated with staff retirement benefits

The defined benefit plans expose the Company to the following risks:

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.

Salary Increase Risk:

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

Withdrawal Risk:

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

8. LONG TERM SECURITY DEPOSITS

These represent security deposits received from consumers at the time of electricity connections. These are refundable / adjustable on disconnection of electricity supply.

	2020 RUPEES	2019 RUPEES
9. RECEIPT AGAINST DEPOSIT WORKS		
Consumers demand notices awaiting connections (Note 9.1)	876,309,731	947,187,276
Funds received against deposit works (Note 9.2)	10,112,464,722	7,149,170,006
	<u>10,988,774,453</u>	<u>8,096,357,282</u>

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

9.2 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.

10. DEFERRED CREDIT

Balance as at 01 July	41,726,757,820	38,254,766,323
Additions during the year	3,390,259,423	3,471,991,497
	<u>45,117,017,243</u>	<u>41,726,757,820</u>
Less: Amortization		
Balance as at 01 July	14,682,029,357	13,221,592,833
Amortization for the year	1,579,095,603	1,460,436,524
	<u>16,261,124,960</u>	<u>14,682,029,357</u>
Balance as at 30 June	<u>28,855,892,283</u>	<u>27,044,728,463</u>

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

11. DEFERRED INCOME TAX LIABILITY

Opening balance	5,637,080,744	5,926,794,130
Add: Deferred income tax liability on surplus arising on revaluation during the year	2,117,095,629	-
Less:		
Deferred income tax liability on incremental depreciation transferred to the statement of profit or loss	308,771,931	252,646,190
Deferred income tax liability on assets transferred during the year transferred to the statement of profit or loss	48,193,921	37,067,196
	<u>356,965,852</u>	<u>289,713,386</u>
	<u>7,397,210,521</u>	<u>5,637,080,744</u>

	2020 RUPEES	2019 RUPEES
11.1 Deferred income tax effect due to:		
Accelerated tax depreciation on operating fixed assets	17,818,151,176	15,775,815,620
Allowance for expected credit losses	(239,365,314)	(217,175,810)
Provision for slow moving and obsolete items of stores, spares and loose tools	(12,214,712)	(14,235,961)
Unused tax losses	(81,675,591,512)	(75,775,705,547)
Staff retirement benefits	(24,376,880,586)	(24,429,861,495)
	<u>(88,485,900,948)</u>	<u>(84,661,163,193)</u>
Unrecognized deferred tax asset (Note 11.1.1)	88,485,900,948	84,661,163,193
	<u>-</u>	<u>-</u>

11.1.1 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.

	2020 RUPEES	2019 RUPEES Restated
12. TRADE AND OTHER PAYABLES		
Creditors	1,265,301,686	721,033,605
Due to associated companies / undertakings (Note 12.1)	101,663,933,648	62,742,318,335
Billing related payables (Note 12.2)	11,384,072,704	10,694,557,095
Workers' profit participation fund (Note 12.3 and Note 12.4)	546,108,557	110,185,918
Excess receipt against deposit work	624,913,233	417,608,118
Accrued liabilities	708,749,783	293,349,458
Advances from customers	746,952,981	394,735,594
Sales tax payable	1,579,476,888	437,487,189
Income tax deducted at source	17,573,601	33,199,078
Retention money payable	108,076,617	97,215,940
Others liabilities	725,614,108	390,484,776
	<u>119,370,773,806</u>	<u>76,332,175,106</u>

	2020 RUPEES	2019 RUPEES
12.1 Due to associated companies / undertakings		
Central Power Purchasing Agency (Guarantee) Limited (CPPA-G)	97,744,525,340	60,554,170,170
National Transmission and Despatch Company Limited (NTDC)	2,991,071,697	1,194,780,308
Due to associated companies on account of free electricity (Note 12.1.1)	701,768,992	716,117,182
Due to associated companies on account of pension (Note 12.1.2)	50,942,184	73,813,925
Pakistan Electric Power Company (Private) Limited (PEPCO)	135,566,482	135,970,403
Water and Power Development Authority (WAPDA)	40,058,953	67,466,347
	<u>101,663,933,648</u>	<u>62,742,318,335</u>

	2020 RUPEES	2019 RUPEES
12.1.1 Due to associated companies on account of free electricity		
Multan Electric Power Company Limited (MEPCO)	70,567,333	78,109,681
Lahore Electric Supply Company Limited (LESCO)	630,438,364	637,576,195
Sukkur Electric Power Company Limited (SEPCO)	763,295	431,306
	<u>701,768,992</u>	<u>716,117,182</u>

12.1.2 Due to associated company on account of pension

This represents amounts payable to Peshawar Electric Supply Company Limited (PESCO) on account of pension paid to the retired employees of the Company residing within the territorial jurisdiction of PESCO.

	2020 RUPEES	2019 RUPEES Restated
12.2 Billing related payables		
Equalization surcharge payable (Note 12.2.1)	2,204,599,806	2,206,366,572
Electricity duty payable	-	23,137,860
TV License fee payable	160,189,966	98,409,584
Neelum Jhelum surcharge	115,804,704	122,907,057
Extra / further tax	304,674,580	22,389,646
Income tax	571,190,151	80,621,519
Financing cost surcharge payable	990,063,553	1,028,510,576
Tariff rationalization surcharge payable (Note 12.2.2)	6,998,986,030	6,982,854,725
General sales tax	38,563,914	129,359,556
	<u>11,384,072,704</u>	<u>10,694,557,095</u>

12.2.1 Equalization surcharge was collected from consumers pursuant to S.R.O. 235(1)2011, dated 15 March 2011 issued by the Ministry of Energy, GoP. The amount was collected from customers during the period from April 2011 to May 2012 but further collection was discontinued on account of a subsequent S.R.O. 506(1)2012, dated 16 May 2012. Payment of this amount to the Federal Government is currently deferred as payment mechanism has not been conveyed to the Company by the GoP. The Company through letter No. 400/FESCO/CFO/Comp dated 20 January 2020 requested the Power Division, Ministry of Energy to impart necessary guidelines for adjustment of the equalization surcharge. The Company expects that same will be accorded soon.

12.2.2 The figure of tariff realization surcharge payable has been restated due to inter disco tariff rationalization which was wrongly recognised as sales instead of tariff rationalization surcharge payable in the year ended 30 June 2019. This prior period error has been corrected retrospectively in these financial statements in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Consequently, for the financial year ended 30 June 2019, tariff realization surcharge payable has been increased by Rupees 855.319 million, tax refunds due from Government has been increased by Rupees 10.691 million and loss after taxation has been increased by Rupees 844.628 million.

12.3 Workers' profit participation fund

At the beginning of the year	110,185,918	110,185,918
Provision for the year	435,922,639	-
At the end of the year	<u>546,108,557</u>	<u>110,185,918</u>

12.4 The Company has not made payment of its contribution towards Workers' Profit Participation Fund (WPPF), being the Company's liability on account of provision of Companies Profit (Workers' Participation) Act, 1968 relating to profit for the years ended 30 June 2004 and 30 June 2005. The matter is pending for decision with the Economic Coordination Committee (ECC) upon a recommendation submitted by WAPDA to exempt the corporatized entities under its umbrella from the requirements of the Companies Profit (Workers' Participation) Act, 1968. Due to pending decision with the ECC, no provision of mark-up is made as required under the Companies Profit (Workers' Participation) Act, 1968. Further, the Company has not made provision against WPPF amounting to Rupees 2,839 million for the financial year ended 30 June 2015. However the Company has shown the WPPF for the year ended 30 June 2015 along with mark-up as contingent liabilities under Note 14.1.3 to the financial statements.

	2020 RUPEES	2019 RUPEES
13. ACCRUED MARK-UP		
Foreign re-lent loans	113,322,002	108,855,708
Overdue mark-up on foreign re-lent loans (Note 13.1)	2,479,425,222	2,281,837,554
	<u>2,592,747,224</u>	<u>2,390,693,262</u>

13.1 Pursuant to notification No.F.1(14)CF-2015-16/365 dated 30 June 2020 from Government of Pakistan, the Finance Secretary has approved the Economic Coordination Committee (ECC) decisions in case No.ECC-243/20/2019 dated 19 June 2019 and case No.ECC-270/21/2019 dated 25 June 2019 regarding the adjustment of payable Industrial Support Package (ISP) claims of the Company against interest on foreign re-lent loans amounting to Rupees 677.533 million. Accordingly, the Company has made the above mentioned adjustment during the year.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 The Company has received various invoices from CPPA-G representing late payment charges (supplementary charges) being the share of the Company in late payment charges charged to CPPA-G by Independent Power Producers (IPPs) on account of delayed payments aggregating to Rupees 8,148.34 million (2019: Rupees 6,821.91 million) over the years. Moreover, NEPRA has decided that the late payment charges (supplementary charges) recovered from consumers on utility bills shall be offset against the late payment charges (supplementary charges) invoices raised by CPPA and CPPA cannot account for late payment charges (supplementary charges) over and above what is calculated as per agreement. Therefore, the Company has not acknowledged this amount as its liability.

14.1.2 The Company had received credit notes issued to the Company against Tariff Differential Subsidy of Rupees 7,922 million from CPPA-G in the financial year 2015, on the basis of Pakistan Electric Power Company (Private) Limited (PEPCO) allocation as per previous practice. As per CPPA-G the allocation to the Company was not based on the actual releases so in order to correct the allocation, CPPA-G has withdrawn these credit notes. However according to the management of the Company CPPA-G has withdrawn these credit notes after adjusting the Tariff Rationalization Surcharge against subsidy receivable from Government of Pakistan which has been allowed with effect from June 2015 but these credit notes relate to the period prior to June 2015. Therefore, the Company has not acknowledged this reversal of credit notes and has not recognised this amount as liability.

14.1.3 The Companies Profit (Workers' Participation) Act, 1968 requires payment of the allocated amount to the Workers Profit Participation Fund (WPPF) within nine months of the close of relevant financial year. However, due to pending decision of the Economic Coordination Committee to exempt the corporatized entities under the umbrella of WAPDA from requirements of the said Act, the Company has not made provision of WPPF amounting to Rupees 2,839 million for the financial year ended 30 June 2015 and for interest accrued on outstanding WPPF thereon as given in Note 12.4.

14.1.4 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.

14.1.5 Income tax

- (i) Additional Commissioner Inland Revenue passed an Order No. 344 dated 07 January 2014 for tax the year 2013 under section 122 (5A) of the Ordinance, raising a demand of Rupees 88.769 million, in respect of non payment of minimum tax on subsidy under section 113 of the Income Tax Ordinance, 2001 (the Ordinance). The Company filed to Appellate Tribunal Inland Revenue (ATIR) against this order. The ATIR decided the case in favour of the Company. The Regional Tax Office filed reference dated 12 May 2016 against the decision before the Honorable Lahore High Court, Lahore which is pending for adjudication.
- (ii) Additional Commissioner Inland Revenue passed Order No. 8299 dated 06 April 2016 and Order No. 8524 dated 21 June 2016 for tax the years 2014 and 2015 respectively under section 122 (5A) of the Ordinance, raising a demand of Rupees 1,574.665 million and Rupees 558.964 million, in respect of non payment of minimum tax on subsidy under section 113 of the Ordinance and alleged incorrect claim of tax credit under section 65B of the Ordinance, respectively. The Company filed to Appellate Tribunal Inland Revenue (ATIR) against this order. The ATIR decided the cases in favour of the Company. The Regional Tax Office has filed reference application on 14 April 2017 against the decision before the Honorable Lahore High Court, Lahore which is pending for adjudication.
- (iii) Additional Commissioner Inland Revenue passed an Order vide letter No. 539335-1 dated 09 January 2017 under section 122(9) of the Ordinance, raising a demand of Rupees 13.896 million in respect of less depositing of turnover tax under section 113 of the Ordinance in tax year 2011. Being aggrieved with the order the Company has filed an appeal before Commissioner Inland Revenue (Appeals) on 08 October 2017, which is pending for adjudication.
- (iv) Additional Commissioner Inland Revenue passed an Order No. 678 dated 23 December 2015 under section 122(5A) raising a demand of Rupees 156.009 million for the tax year 2010, in respect of illegal set off of part of accumulated unabsorbed depreciation against interest from bank deposits / instruments and non-payment of tax on such income. The Company filed to Appellate Tribunal Inland Revenue (ATIR) against this order. The matter has been resolved in favour of the Company by the ATIR. The Regional Tax Office has filed an appeal on 22 November 2018 before the Honorable Lahore High Court, Lahore, which is pending for adjudication.
- (v) Additional Commissioner Inland Revenue issued a show cause notice under section 161 and raised demand of Rupees 120.044 million, in respect of alleged non-payment of withholding tax on various payments, in respect of tax year 2017. The Company filed an appeal before Commissioner Inland Revenue (Appeals) (CIR (A)) on 21 June 2017. CIR (A) remanded back the case to Additional Commissioner Inland Revenue which is pending for decision.
- (vi) The Additional Commissioner Inland Revenue issued a show cause notice vide bar code No. 10000050411892 dated 10 May 2019 for the tax year 2016 under section 122(5A) of the Ordinance, creating a demand of Rupees 1,877.421 million, in respect of non payment of Alternative Corporate Tax. Being aggrieved with the orders the Company has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) on 11 June 2019, the proceedings of which is pending.

- (vii) Additional Commissioner Inland Revenue issued a show cause notice No. 438 dated 04 February 2014 for the tax year 2009 under section 122(5A) of the Ordinance, raising a demand of Rupees 122.559 million, in respect of illegal set off of part of accumulated unabsorbed depreciation against interest from bank deposits / instruments and non-payment of tax on such income. The matter has been resolved in favour of the Company by the Appellate Tribunal Inland Revenue (ATIR). The Regional Tax Office has filed an appeal before the Honorable Lahore High Court, Lahore which is pending for adjudication.
- (viii) Deputy Commissioner Inland Revenue passed order dated 06 June 2018 under section 205/160 of the Ordinance for the tax years 2016 and 2017 raising a demand of Rupees 67.023 million, in respect of non deduction of withholding tax against payment of use of system charges to NTDC. Appeals filed against these orders are pending before Commissioner Inland Revenue (Appeals) (CIR (A)).
- (ix) Deputy Commissioner Inland Revenue passed orders under section 205 of the Ordinance for the tax years 2012, 2013, 2014 and 2015 raising a demand of Rupees 229.280 million, in respect of non deduction of withholding tax against payment of use of system charges to NTDC. The Company filed appeals against these orders before Appellate Tribunal Inland Revenue (ATIR), which were decided against the Company. Then the Company filed Income Tax Reference Nos. 64214, 64206, 64224 and 64219 dated 12 June 2020 before Lahore High Court, Lahore against the orders of Appellate Tribunal Inland Revenue (ATIR) which are pending for adjudication.
- (x) Additional Commissioner Inland Revenue passed an Order No. 1758 dated 26 September 2018 under section 161(1) and raised demand of Rupees 46.353 million, in respect of alleged non-payment of withholding tax on various payments, in respect of tax year 2017. The Company has filed an appeal on 11 June 2019 before the Appellate Tribunal Inland Revenue (ATIR) against this order, which is pending for adjudication.
- (xi) Deputy Commissioner Inland Revenue issued a show cause notice No.100000047975695 dated 27 February 2019 for the tax year 2018 under section 161(1A) of the Ordinance, raising a demand of Rupees 120.559 million, in respect of default surcharge on non deduction of tax against payment to CPPA and PTV. The Company has filed an appeal before Commissioner Inland Revenue (Appeals-I) which is pending for adjudication.

Aggregate provision of Rupees 4,975.542 million regarding the cases stated in paragraph numbers 14.1.5 (i) to 14.1.5 (xi) has not been accounted for in the books of account of the Company as in the opinion of tax advisors, the favorable outcomes of these cases are expected.

Sales Tax

- (xii) Assistant Commissioner Punjab Revenue Authority (ACPRA) passed an Order No.1 dated 04 January 2018 raising a demand of Rupees 385.802 million, in respect of non charging of Punjab Sales Tax (PST) on various services performed by the Company for the tax period from July 2015 to June 2016 under section 52(1) of Punjab Sales Tax Act, 2012 and Punjab Sales Tax Withholding Rules, 2015. The Company filed to Commissioner Appeals (PRA) against this order which is pending for adjudication.
- (xiii) Assistant Commissioner Punjab Revenue Authority (ACPRA) passed an order raising a demand of Rupees 137.656 million, in respect of non withholding of Punjab Sales Tax on various services received by the Company in respect of tax periods from July 2014 to June 2016. The Company filed an appeal before Commissioner (Appeals) PRA, who decided the case in favor of the Company on time limitation dated 13 November 2017. The tax department has filed writ petition No. 152963 before the Lahore High Court, Lahore which has granted stay on 20 January 2018. The Lahore High Court, Lahore decided the case against the Company on 18 February 2020 against which the Company has filed the Civil Petition Leave to Appeal (CPLA) No.1152-L-2020 in Supreme Court of Pakistan, which is pending for adjudication.
- (xiv) Deputy Commissioner Inland Revenue issued show cause notice No. 07 dated 31 December 2011 under section 36(2) of Sales Tax Act, 1990 raising a demand of Rupees 6,888.265 million for the tax period from July 2008 to June 2009 in respect of non-charging and payment of sales tax on subsidy, non-utility operations, new connections awaiting installation, work in progress, repair, testing and inspection fee, reconnections, unlawful input tax claim / adjustment against suspended registration and black listed parties. The Appellate Tribunal Inland Revenue (ATIR) has decided the case in favour of the Company. The Regional Tax Office filed reference application before the Lahore High Court, Lahore on 08 December 2014, which is pending for adjudication.
- (xv) Assistant Commissioner Inland Revenue issued an order vide letter No. 1317 dated 05 December 2014 raising a demand of Rupees 3.833 million in respect of non-charging and payment of extra tax and further tax on assessment basis on supply of electricity. The Company has filed an appeal on 14 April 2016 before the Appellate Tribunal Inland Revenue (ATIR), which is pending for adjudication.
- (xvi) Deputy Commissioner Inland Revenue issued a show cause notice No. 344 dated 09 January 2013 raising a demand of Rupees 6,767.126 million for the tax years 2009-10 in respect of penalty for suppression of sales, inadmissible input tax claimed, non-charging of sales tax on subsidy etc. The Appellate Tribunal Inland Revenue (ATIR) has decided the case in favour of the Company. The Regional Tax Office filed reference application against the decision of ATIR before Lahore High Court, Lahore which is pending for adjudication.

- (xvii) Deputy Commissioner Inland Revenue issued a show cause notice No. 822 dated 15 June 2017 raising a demand of Rupees 6,402.392 million along with default surcharge and penalty in respect of tax period from July 2013 to June 2014 on suppression of sales, inadmissible input tax claimed, non-charging of sales tax on subsidy etc. The Company has filed an appeal on 19 October 2018 before the Appellate Tribunal Inland Revenue (ATIR), which is pending for adjudication.
- (xviii) Deputy Commissioner Inland Revenue issued a show cause notice No. 07 dated 31 December 2011 under section 36(2) of Sales Tax Act, 1990 raising a demand of Rupees 4,696.088 million in respect of tax period from July 2008 to November 2008 on account of non-charging and payment of sales tax on subsidy, non-utility operations, new connections awaiting installation, work in progress, repair, testing and inspection fee, reconnections, unlawful input tax claim / adjustment against suspended registration and black listed parties. The Company filed writ petition No. 19561 dated 06 August 2013 before the Lahore High Court, Lahore. The Lahore High Court, Lahore dismissed the petition on 02 October 2019. The Company has filed CPLA No.3145-L/2019 dated 02 November 2019 before Supreme Court of Pakistan, which is pending for adjudication.
- (xix) Assistant Commissioner Inland Revenue issued an Order No. 1725 dated 27 February 2019 under section 26 of Sales Tax Act, 1990 raising a demand of Rupees 66.640 million in respect of non-chargeability of sales tax on free supply to Company's employees. The Company has filed an appeal on 13 April 2019 before the Commissioner Inland Revenue (Appeals), who remanded back the case to the Assistant Commissioner Inland Revenue vide order No.473 dated 05 November 2019 which is pending for adjudication.
- (xx) Assistant Commissioner Inland Revenue issued show cause Notice No. 627 dated 15 December 2017 under section 45-B of Sales Tax Act, 1990 raising a demand of Rupees 22 million in respect of inadmissible input tax claim on billing stationery and computer articles. The Company filed an appeal before the Commissioner Inland Revenue (Appeals), who remanded back the case to the Assistant Commissioner Inland Revenue vide order No. 209 dated 18 December 2018. The Assistant Commissioner Inland Revenue again passed the order No. 306/2019 dated 08 November 2019 against the Company. The Company has filed an appeal on 17 August 2020 after reporting date before the Commissioner Inland Revenue (Appeals), which is pending for adjudication.
- (xxi) Assistant Commissioner Inland Revenue passed an order No. 302/2019 dated 25 October 2019 and an order No. 303/2019 dated 09 October 2019 under section 11(2) of the Sales Tax Act, 1990 raising a demand of Rupees 19.996 million and 13.757 million respectively in respect of inadmissible input tax claim on wires, PC poles and steel structure. The Company filed appeals before the Commissioner Inland Revenue (Appeals), on 06 August 2020 after the reporting period which are pending for adjudication.
- (xxii) Assistant Commissioner Inland Revenue issued show cause notice No. 2565 dated 12 March 2020 under section 3(1) and 3(1)(A) of the Sales Tax Act, 1990 regarding non charging of sales tax on Large Tax Payer and zero rated supplies amounting to Rupees 4,820 million for the period from July 2014 to May 2016. The Company has submitted the reply to Assistant Commissioner Inland Revenue. The proceeding related to this notice is continued.
- (xxiii) Assistant Commissioner Inland Revenue issued show cause notice No. 2626 dated 19 March 2020 under various sections of the Sales Tax Act, 1990 regarding non charging of sales tax on retailer amounting to Rupees 757.209 million for the period from July 2019 to January 2020. The Company has submitted the reply to Assistant Commissioner Inland Revenue. The proceeding related to this notice is continued.
- (xxiv) The Company has lodged twelve sales tax refund claims amounting to Rupees 7,704 million with Regional Tax Officer(RTO) from November 2008 to June 2014. Out of these twelve claims, five refund claims amounting to Rupees 4,183 millions have been rejected by Assistant Commissioner Inland Revenue. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) (CIR (A)) against the rejection of claims, which is pending for adjudication.

Aggregate provision of Rupees 35,163.764 million relating to the above stated paragraph numbers 14.1.5 (xii) to 14.1.5 (xxiv) has not been recorded in the books of accounts of the Company on the advice of tax advisors of the Company, as favourable outcome of these cases are expected.

14.2 Commitments

14.2.1 Contracts for capital expenditure are of Rupees 2,183.802 million (2019: Rupees 1,191.761 million).

14.2.2 Inland letter of credits in respect of capital expenditure are of Rupees 633.449 million (2019: Rupees 164.614 million).

14.2.3 Contracts for other than capital expenditure are of Rupees 289.122 million (2019: Rupees 5.832 million).

15. PROPERTY, PLANT AND EQUIPMENT

	2020 RUPEES	2019 RUPEES
Operating fixed assets (Note 15.1)	112,645,023,064	85,944,842,615
Capital work-in-progress (Note 15.2)	14,069,895,898	11,814,661,568
	<u>126,714,918,962</u>	<u>97,759,504,183</u>

15.1 OPERATING FIXED ASSETS

	Freehold land	Buildings on freehold land	Feeders (up to 11 kv)	Grids and equipment	Vehicles	Furniture, fixtures and office equipment	Total
-----RUPEES-----							
As at 30 June 2018							
Cost / revalued amount	12,750,002,284	2,288,977,772	74,524,788,438	20,272,702,075	866,112,981	801,572,788	111,504,156,338
Accumulated depreciation	-	(360,046,437)	(22,516,509,198)	(5,723,599,372)	(703,650,884)	(457,925,321)	(29,761,731,212)
Net book value	<u>12,750,002,284</u>	<u>1,928,931,335</u>	<u>52,008,279,240</u>	<u>14,549,102,703</u>	<u>162,462,097</u>	<u>343,647,467</u>	<u>81,742,425,126</u>
Year ended 30 June 2019							
Opening net book value	12,750,002,284	1,928,931,335	52,008,279,240	14,549,102,703	162,462,097	343,647,467	81,742,425,126
Additions	533,040,354	206,249,188	4,861,447,425	2,860,529,374	3,842,000	53,429,920	8,518,538,261
Transferred to stores and spares / written off							
Cost / revalued amount	-	-	(616,521,931)	(513,906,301)	(386,783)	(146,748)	(1,130,961,763)
Accumulated depreciation	-	-	189,298,728	150,317,623	386,783	138,134	340,141,268
	-	-	(427,223,203)	(363,588,678)	-	(8,614)	(790,820,495)
Depreciation charge	-	(46,353,338)	(2,664,198,977)	(719,981,174)	(34,696,955)	(60,069,833)	(3,525,300,277)
Closing net book value	<u>13,283,042,638</u>	<u>2,088,827,185</u>	<u>53,778,304,485</u>	<u>16,326,062,225</u>	<u>131,607,142</u>	<u>336,998,940</u>	<u>85,944,842,615</u>
As at 30 June 2019							
Cost / revalued amount	13,283,042,638	2,495,226,960	78,769,713,932	22,619,325,148	869,568,198	854,855,960	118,891,732,836
Accumulated depreciation	-	(406,399,775)	(24,991,409,447)	(6,293,262,923)	(737,961,056)	(517,857,020)	(32,946,890,221)
Net book value	<u>13,283,042,638</u>	<u>2,088,827,185</u>	<u>53,778,304,485</u>	<u>16,326,062,225</u>	<u>131,607,142</u>	<u>336,998,940</u>	<u>85,944,842,615</u>
Year ended 30 June 2020							
Opening net book value	13,283,042,638	2,088,827,185	53,778,304,485	16,326,062,225	131,607,142	336,998,940	85,944,842,615
Effect of surplus on revaluation	17,962,585,612	1,473,184,978	(4,479,891,629)	10,307,036,407	-	-	25,262,915,368
Additions	-	246,198,560	5,324,772,910	1,090,210,406	-	60,756,432	6,721,938,308
Transferred to stores and spares / written off							
Cost / revalued amount	-	-	(758,338,593)	(302,404,289)	(4,401,786)	(357,970)	(1,065,502,638)
Accumulated depreciation	-	-	238,154,716	142,972,905	4,401,786	286,815	385,816,221
	-	-	(520,183,877)	(159,431,384)	-	(71,155)	(679,686,417)
Depreciation charge	-	(70,755,173)	(2,816,192,522)	(1,171,520,044)	(31,395,874)	(61,210,258)	(4,151,073,871)
Impairment loss	-	(453,912,940)	-	-	-	-	(453,912,940)
Closing net book value	<u>31,245,628,250</u>	<u>3,283,542,610</u>	<u>51,286,809,367</u>	<u>26,392,357,610</u>	<u>100,211,268</u>	<u>336,473,959</u>	<u>112,645,023,064</u>

	Freehold land	Buildings on freehold land	Feeders (up to 11 kv)	Grids and equipment	Vehicles	Furniture, fixtures and office equipment	Total
	-----RUPEES-----						
As at 30 June 2020							
Cost / revalued amount	31,245,628,250	4,214,610,498	78,856,256,620	33,714,167,672	865,166,412	915,254,422	149,811,083,874
Accumulated depreciation	-	(477,154,948)	(27,569,447,253)	(7,321,810,062)	(764,955,144)	(578,780,463)	(36,712,147,870)
Impairment loss	-	(453,912,940)	-	-	-	-	(453,912,940)
Net book value	<u>31,245,628,250</u>	<u>3,283,542,610</u>	<u>51,286,809,367</u>	<u>26,392,357,610</u>	<u>100,211,268</u>	<u>336,473,959</u>	<u>112,645,023,064</u>
Annual rate of depreciation (%)	-	2	3.5	3.5	10	10-33.33	

15.1.1 The property and rights in the above assets were transferred to the Company on 29 June 1998 by WAPDA in accordance with the terms and conditions of the Business Transfer Agreement (BTA) executed between WAPDA and the Company. The detail of these assets were finalized with WAPDA through a Supplementary Business Transfer Agreement (SBTA).

15.1.2 Title of freehold land valuing Rupees 18,454.326 million is in the name of WAPDA and title of freehold land valuing of Rupees 9,518.543 million has neither been transferred in the name of WAPDA nor in the name of the Company. The possession of freehold land amounting to Rupees 28 million and buildings thereon amounting to Rupees 1.586 million is not in control of the Company and with some other third parties, therefore, these assets are not revalued. Moreover, the operating fixed assets having book value of to Rupees 686.97 million has not been revalued due to certain inherent limitations.

15.1.3 (I) On 01 March 2019, the Company entered into an Authorization and Interest agreement with Power Holding (Private) Limited (PHPL) and Meezan Bank Limited (MBL), in which Company authorized PHPL to carry out "Certain Actions" in relation to Relevant Transaction Assets representing freehold land at Faisalabad and Jhang districts having combined area of 1 062 kanals and 9 marlas amounting to Rupees 5,661,814,320. Certain Actions include selling the Relevant Transaction Assets to MBL and creating a security interest over the same for the purpose of enabling PHPL to raise financing through the Sukuk issue. In addition to this agreement, PHPL entered into an Asset Purchase Agreement with MBL for selling the Relevant Transaction Assets to MBL which include the freehold land of the Company and of other distribution and generation companies for a total purchase price of Rupees 200,000 million against which Sukuk certificates will be issued by PHPL for a period of ten years. However, the Company holds the title of the transaction assets as title agent.

(II) On 20 May 2020, the Company entered into another Authorization and Interest agreement with Power Holding (Private) Limited (PHPL) and Meezan Bank Limited (MBL), in which Company authorized PHPL to carry out "Certain Actions" in relation to Relevant Transaction Assets representing freehold land at all districts within the geographical area of the Company, having combined area of 3 548 kanals and 696.56 marlas amounting to Rupees 3,728,100,810. Certain Actions include selling the Relevant Transaction Assets to MBL and creating a security interest over the same for the purpose of enabling PHPL to raise financing through the Sukuk issue. In addition to this agreement, PHPL entered into an Asset Purchase Agreement with MBL for selling the Relevant Transaction Assets to MBL which include the freehold land of the Company and of other distribution and generation companies for a total purchase price of Rupees 200,000 million against which Sukuk certificates will be issued by PHPL for a period of ten years. However, the Company holds the title of the transaction assets as title agent.

15.1.4 Forced sales value of freehold land is Rupees 26,535 million, buildings on freehold land is Rupees 2,422 million, grids and equipment is Rupees 22,278 million as per the valuation carried on 01 July 2019. Forced sales value of feeders (up to 11 kv) is Rupees 46,118 million as per the valuation carried on 30 June 2020.

15.1.5 If the freehold land, buildings on freehold land, feeders (up to 11 kv), grids and equipment were measured using the cost model, the carrying amount would be as follows:

	Cost	Accumulated depreciation	Impairment loss	Net book value
	-----RUPEES-----			
Land - freehold	1,155,515,137	-	-	1,155,515,137
Building on freehold land	2,922,022,076	717,013,683	453,912,940	1,751,095,453
Feeders (up to 11 kv)	65,769,929,004	23,492,185,516	-	42,277,743,488
Grids and equipment	16,913,036,658	5,486,788,496	-	11,426,248,162
2020	<u>86,760,502,875</u>	<u>29,695,987,695</u>	<u>453,912,940</u>	<u>56,610,602,240</u>
2019	<u>80,879,961,949</u>	<u>26,969,462,376</u>	<u>-</u>	<u>53,910,499,573</u>

	2020 RUPEES	2019 RUPEES
15.1.6 Depreciation charge for the year has been allocated as follows:		
Distribution cost (Note 29)	4,032,034,446	3,428,243,779
Administrative expenses (Note 30)	93,585,659	69,470,999
Customer services costs (Note 31)	997,414	861,004
Included in capital work-in-progress (Note 15.2.4)	24,456,352	26,724,495
	<u>4,151,073,871</u>	<u>3,525,300,277</u>
15.2 Capital work in progress		
Civil works	68,273,139	133,010,094
Distribution equipment (Note 15.2.1)	<u>13,594,979,244</u>	<u>11,282,354,240</u>
	13,663,252,383	11,415,364,334
Cost of implementation of Enterprise Resource Planning	68,419,277	31,522,986
Mobilization advance to suppliers / contractors	62,159,338	3,420,837
Capital stores (Note 15.2.3)	276,064,900	364,353,411
	<u>14,069,895,898</u>	<u>11,814,661,568</u>
15.2.1 Distribution equipment		
Materials	8,249,081,576	6,615,166,165
Overheads	1,995,148,424	1,368,409,814
Contract	2,585,069,185	2,573,207,313
Others (Note 15.2.1.1)	188,749,591	162,872,267
Borrowing costs (Note 15.2.1.2)	576,930,468	562,698,681
	<u>13,594,979,244</u>	<u>11,282,354,240</u>
15.2.1.1 These include various turnkey projects awarded for construction of 132 KV Grid Station at various locations of Faisalabad region.		
15.2.1.2 These represent borrowing costs incurred specifically to finance the construction of grid station projects. The capitalization rate used was 15 percent (2019: 15 percent) per annum.		
15.2.2 Movement in civil works and distribution equipment during the year:		
Balance as at 01 July	11,415,364,334	12,075,580,763
Add: Additions during the year	<u>4,674,485,539</u>	<u>4,016,753,920</u>
	16,089,849,873	16,092,334,683
Less:		
Transferred to freehold land and buildings on freehold land	(246,140,060)	(715,437,899)
Transferred to feeders, grids and equipment	<u>(2,180,457,430)</u>	<u>(3,961,532,450)</u>
	(2,426,597,490)	(4,676,970,349)
Balance as at 30 June	<u>13,663,252,383</u>	<u>11,415,364,334</u>
15.2.3 These represent items of stores, spares and loose tools held for capitalization.		
15.2.4 Depreciation capitalized related to capital work-in-progress was Rupees 24.456 million (2019: Rupees 26.724 million) as given in Note 15.1.6. Moreover operating expenses of Rupees 555.528 million (2019: Rupees 513.312 million) have also been included in capital work-in-progress (Note 29).		
16. INTANGIBLE ASSETS		
Computer Softwares		
Cost	211,225,173	211,225,173
Accumulated amortization	(141,735,680)	(99,490,645)
Net book value	<u>69,489,493</u>	<u>111,734,528</u>
Movement during the year		
Opening net book value	111,734,528	153,979,563
Amortization charge for the year (Note 30)	<u>(42,245,035)</u>	<u>(42,245,035)</u>
	<u>69,489,493</u>	<u>111,734,528</u>
Amortization rate (per annum)	20%	20%
16.1 These include various modules of SAP ERP softwares.		

	2020 RUPEES	2019 RUPEES
17. LONG TERM ADVANCES		
Considered good - secured		
House building / purchase of plot	132,609,046	156,614,652
Vehicles / motor cycles	6,523,303	7,652,838
	<u>139,132,349</u>	<u>164,267,490</u>
Less: Current portion of long term advances (Note 21)	(28,696,244)	(33,873,876)
	<u>110,436,105</u>	<u>130,393,614</u>
17.1	Loans for house building and purchase of plot are repayable in five years and for car and motor cycle loans in three years. As per Company's policy, interest is charged equal to the profit rate applied on 'General Provident Fund' which is 12 percent (2019: 14.35 percent) per annum. These are recoverable in equal monthly installments. These loans are secured by mortgage of immovable property and hypothecation of vehicles.	
18. LONG TERM DEPOSITS		
These represent security deposits with utility companies against connections.		
19. STORES, SPARES AND LOOSE TOOLS		
Stores, spares and loose tools	3,096,815,231	3,180,819,397
Less: Provision for slow moving and obsolete items of stores, spares and loose tools (Note 19.1)	(42,119,695)	(49,089,521)
	<u>3,054,695,536</u>	<u>3,131,729,876</u>
19.1 Provision for slow moving and obsolete items of stores, spares and loose tools		
Balance as at 01 July	49,089,521	49,764,726
Less: Reversal of provision for slow moving and obsolete items (Note 32)	6,969,826	675,205
Balance as at 30 June	<u>42,119,695</u>	<u>49,089,521</u>
20. TRADE DEBTS		
Partially secured:		
Considered good (Note 20.1, Note 20.2 and Note 20.3)	44,417,903,437	20,893,878,005
Less: Allowance for expected credit losses (Note 20.4)	825,397,635	748,882,101
	<u>43,592,505,802</u>	<u>20,144,995,904</u>
20.1	Trade debts are partially secured to the extent of corresponding consumers' security deposits. Trade debts as at the reporting date are classified into residential, commercial, agriculture, public lights, residential colonies and others.	
20.2	CPPA-G vide its Credit Note No. PPA-160/FESCO-14 dated 30 June 2020 effective as on 30 April 2020 and Credit Note No. PPA-203/FESCO-18 dated 30 June 2020 effective as on 11 May 2020 directed the Company to adjust Industrial Support Package, included in trade debts amounting to Rupees 736.956 million and Rupees 58.485 million respectively against the amount payable to CPPA-G on account of purchase of electricity. Moreover, the Government of Pakistan has directed the Company to adjust the payable Industrial Support Package claims of the Company against interest on foreign relent loans amounting to Rupees 677.533 million as described in Note 13.1. Hence, the Company has adjusted the said amounts as at 30 June 2020 against trade debts.	
20.3	Trade debts include the amount receivable from domestic consumers up to 300 units, in respect of Prime Minister's Relief Package for deferred payment of electricity bill due to COVID-19 pandemic. As per the directions by Government of Pakistan, the bills are collectable in the form of three installments. Trade debts include the deferred amount against the consumers, who have opted for the installments. The said amount accumulates to a total of Rupees 4,704.604 million. Late Payment Surcharge (LPS) will not be levied in case of non-payment by such consumers. In addition to this, no mark-up will be charged on the deferred amount.	
20.3 Allowance for expected credit losses		
Balance as at 01 July	748,882,101	771,241,770
Add: Expected credit loss allowance for the year- net (Note 31)	76,515,534	-
	<u>825,397,635</u>	<u>771,241,770</u>
Less: Reversal of expected credit loss allowance - net	-	22,359,669
Balance as at 30 June	<u>825,397,635</u>	<u>748,882,101</u>
20.3.1	The provision / reversal of expected credit loss allowance is made on net basis due to large number of consumers of the Company.	

	2020 RUPEES	2019 RUPEES
20.4 As at 30 June, ageing analysis of these trade debts is as follows:		
Not past due yet	14,624,630,104	6,304,268,310
Due up to 1 year	3,256,657,843	1,589,812,477
1 year to 3 years	167,199,927	166,254,643
3 years and above	373,600,532	348,017,715
Balances due from Government	25,711,217,855	11,856,179,523
Deferred arrears	284,597,176	234,609,743
	<u>44,417,903,437</u>	<u>20,499,142,411</u>
Less: Allowance for expected credit losses	825,397,635	748,882,101
	<u>43,592,505,802</u>	<u>19,750,260,310</u>

21. LOANS AND ADVANCES

Considered good - unsecured

Advances to suppliers	23,089,893	17,131,893
Advances to employees against expenses	8,630,698	7,618,608
Advances to employees for sports	1,887,000	1,102,600
Current portion of long term advances (Note 17)	28,696,244	33,873,876
	<u>62,303,835</u>	<u>59,726,977</u>

22. OTHER RECEIVABLES

Considered good

Duties, charges and taxes (Note 22.1)	-	-
Sales tax and other taxes receivable from consumers	7,347,315,087	3,422,784,993
Receivable against damaged items during warranty period	54,745,065	56,623,567
Due from associated companies / undertakings (Note 22.2)	7,456,483,182	7,579,826,309
Others (Note 22.3)	24,725,938	29,639,487
	<u>14,883,269,272</u>	<u>11,088,874,356</u>

22.1 Duties, charges and taxes

Receivables not yet realized:

Income tax	519,192,337	181,872,972
Tariff rationalization surcharge (Note 22.1.2)	58,242,709	71,002,954
Financing cost surcharge (Note 22.1.3)	1,830,422,721	694,333,670
Electricity duty	69,679,189	93,545,689
Equalization surcharge	1,607,405	1,339,488
Extra / Further sales tax	254,794,717	94,395,278
PTV license fee	75,874,555	48,463,007
Neelum Jhelum surcharge	430,636,675	165,672,765
	<u>3,240,450,308</u>	<u>1,350,625,823</u>

Payables not yet realized:

Income tax	519,192,337	181,872,972
Tariff rationalization surcharge	58,242,709	71,002,954
Financing cost surcharge	1,830,422,721	694,333,670
Electricity duty	69,679,189	93,545,689
Equalization surcharge	1,607,405	1,339,488
Extra / Further sales tax	254,794,717	94,395,278
PTV license fee	75,874,555	48,463,007
Neelum Jhelum surcharge	430,636,675	165,672,765
	<u>3,240,450,308</u>	<u>1,350,625,823</u>

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

22.1.2 This represents Tariff Rationalization Surcharge receivable from the consumers pursuant to S.R.O. 568(I)/2015, dated 10 June 2015 issued by the Power Division, Ministry of Energy, GoP. The amount of surcharge is to be kept in escrow account of CPPA-G for discharging of determined cost of power producers by the CPPA-G. During the financial year ended 30 June 2018, GoP revised the tariff rationalization surcharge rates for categories of electricity consumers of the Company.

22.1.3 This represents Financing Cost Surcharge receivable from the consumers pursuant to S.R.O. 03(I)/2019, dated 01 January 2019 issued by the Power Division, Ministry of Energy, GoP. The amount of surcharge is to be kept in escrow account of CPPA-G for exclusive use of discharging the financing cost of various loans obtained to discharge liabilities of power producers against the sovereign guarantees of the GoP.

	2020 RUPEES	2019 RUPEES
22.2 Due from associated companies / undertakings		
Due on account of free electricity (Note 22.2.1)	983,580,487	890,822,197
Due on account of pension (Note 22.2.2)	4,384,512,259	4,054,157,558
Due on account of WAPDA welfare fund	520,014,124	510,210,427
Due from NTDC on account of general sales tax receivable on UOSC	-	556,259,815
Due on account of past service cost of WAPDA employees (Note 22.2.4)	1,568,376,312	1,568,376,312
	<u>7,456,483,182</u>	<u>7,579,826,309</u>
22.2.1 Due from associated companies on account of free electricity		
National Transmission and Despatch Company Limited (NTDC)	261,866,569	222,334,934
Islamabad Electric Supply Company Limited (IESCO)	128,480,721	122,650,346
Peshawar Electric Supply Company Limited (PESCO)	58,544,194	59,228,817
Gujranwala Electric Power Company Limited (GEPCO)	31,505,616	30,486,602
Quetta Electric Supply Company Limited (QESCO)	20,854,653	18,338,538
Hyderabad Electric Supply Company Limited (HESCO)	3,304,261	3,354,362
Tribal Area Electric Supply Company Limited (TESCO)	737,869	1,796,782
Jamshoro Power Company Limited (GENCO-I)	1,359,488	949,938
Central Power Generation Company Limited (GENCO-II)	7,839,713	5,556,796
Northern Power Generation Company Limited (GENCO-III)	466,946,082	424,125,951
Lakhra Power Generation Company Limited (GENCO-IV)	2,141,321	1,999,131
	<u>983,580,487</u>	<u>890,822,197</u>
22.2.2 Due from associated companies / undertakings on account of pension		
Water and Power Development Authority (WAPDA) (Note 22.2.2.1)	2,973,390,702	2,970,625,191
National Transmission and Despatch Company Limited (NTDC)	522,041,825	407,179,542
Islamabad Electric Supply Company Limited (IESCO)	165,690,996	117,136,402
Gujranwala Electric Power Company Limited (GEPCO)	94,902,952	69,858,406
Quetta Electric Supply Company Limited (QESCO)	46,640,906	25,916,807
Hyderabad Electric Supply Company Limited (HESCO)	24,290,968	22,096,205
Tribal Area Electric Supply Company Limited (TESCO)	272,459	206,834
Sukkur Electric Power Company Limited (SEPCO)	9,457,365	5,031,435
Multan Electric Power Company Limited (MEPCO)	257,100,667	150,471,966
Lahore Electric Supply Company Limited (LESCO)	24,293,549	24,586,527
Jamshoro Power Company Limited (GENCO-I)	4,784,236	3,900,135
Central Power Generation Company Limited (GENCO-II)	29,738,273	18,739,600
Northern Power Generation Company Limited (GENCO-III)	230,377,770	237,452,204
Lakhra Power Generation Company Limited (GENCO-IV)	1,529,591	956,304
	<u>4,384,512,259</u>	<u>4,054,157,558</u>
22.2.2.1 This includes receivable from WAPDA amounting to Rupees 1,100 million (2019: Rupees 1,100 million) on account of monthly pension payments to retired WAPDA employees who retired on or before 30 June 1998 (ex-WAPDA pensioners). The settlement of the receivable has been contested between the Company and PEPCO since 2009, and upon a request raised by PEPCO in the past, the Power Division, Ministry of Energy, GoP referred the matter to NEPRA. NEPRA in its tariff determination dated 10 March 2015 has decided that above amount is receivable from the WAPDA.		
22.2.3 The ageing analysis of amounts due from associated companies / undertakings is as follows:		
Upto 6 months	281,907,719	25,547,462
6 months to 1 year	151,008,967	214,281,517
1 year to 3 years	2,251,721,091	2,603,620,015
3 years and above	4,771,845,405	4,736,377,315
	<u>7,456,483,182</u>	<u>7,579,826,309</u>
22.2.4 This represents the balance receivable from WAPDA after adjustments made by the Company against the deposit for shares balance of WAPDA amounting to Rupees 3,748 million on account of the past service cost relating to years 2015 and 2016 amounting to Rupees 5,318 million, of the employees of WAPDA retired before July 1998.		
22.2.5 The maximum aggregate amount due from National Transmission and Despatch Company Limited (NTDC) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 783.908 million (2019: Rupees 1,295.147 million).		

- 22.2.6 The maximum aggregate amount due from Islamabad Electric Supply Company Limited (IESCO) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 294.172 million (2019: Rupees 239.786 million).
- 22.2.7 The maximum aggregate amount due from Peshawar Electric Supply Company Limited (PESCO) with respect to balance mentioned in Note 22.2.1, at the end of any month during the year was Rupees 59.358 million (2019: Rupees 60.270 million).
- 22.2.8 The maximum aggregate amount due from Gujranwala Electric Power Company Limited (GEPCO) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 129.053 million (2019: Rupees 104.558 million).
- 22.2.9 The maximum aggregate amount due from Quetta Electric Supply Company Limited (QESCO) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 67.496 million (2019: Rupees 44.432 million).
- 22.2.10 The maximum aggregate amount due from Hyderabad Electric Supply Company Limited (HESCO) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 33.302 million (2019: Rupees 25.742 million).
- 22.2.11 The maximum aggregate amount due from Tribal Area Electric Supply Company Limited (TESCO) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 2.215 million (2019: Rupees 2.579 million).
- 22.2.12 The maximum aggregate amount due from Northern Power Generation Company Limited (GENCO-III) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 697.324 million (2019: Rupees 778.628 million).
- 22.2.13 The maximum aggregate amount due from Central Power Generation Company Limited (GENCO-II) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 40.475 million (2019: Rupees 41.138 million).
- 22.2.14 The maximum aggregate amount due from Lakhra Power Generation Company Limited (GENCO-IV) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 3.671 million (2019: Rupees 3.814 million).
- 22.2.15 The maximum aggregate amount due from Jamshoro Power Company Limited (GENCO-I) with respect to balances mentioned in Note 22.2.1 and Note 22.2.2, at the end of any month during the year was Rupees 6.144 million (2019: Rupees 7.400 million).
- 22.2.16 The maximum aggregate amount due from Sukkur Electric Power Company Limited (SEPCO) with respect to balance mentioned in Note 22.2.2, at the end of any month during the year was Rupees 9.457 million (2019: Rupees 9.468 million).
- 22.2.17 The maximum aggregate amount due from Lahore Electric Supply Company Limited (LESCO) with respect to balance mentioned in Note 22.2.2, at the end of any month during the year was Rupees 54.917 million (2019: Rupees 64.669 million).
- 22.2.18 The maximum aggregate amount due from Multan Electric Power Company Limited (MEPCO) with respect to balance mentioned in Note 22.2.2, at the end of any month during the year was Rupees 257.101 million (2019: Rupees 208.649 million).
- 22.2.19 The maximum aggregate amount due from Water and Power Development Authority (WAPDA) current account with respect to balance mentioned in Note 22.2.2, at the end of any month during the year was Rupees 2,973.391 million (2019: Rupees 4,709.097 million).
- 22.2.20 The maximum aggregate amount due from Water and Power Development Authority (WAPDA) welfare fund at the end of any month during the year was Rupees 520.014 million (2019: Rupees 510.210 million).
- 22.3 These include an amount of Rupees 21.337 million (2019: Rupees 18.422 million) receivable from employees against shortage and theft.

	2020 RUPEES	2019 RUPEES Restated
23. TAX REFUNDS DUE FROM THE GOVERNMENT		
Sales tax	8,095,458,270	8,095,458,270
Income tax	534,463,938	401,103,278
	<u>8,629,922,208</u>	<u>8,496,561,548</u>
24. RECEIVABLE FROM GOVERNMENT OF PAKISTAN		
Balance as at 01 July	11,870,189,429	2,806,427,483
Tariff differential subsidy recognized during the year (Note 24.1)	58,561,450,422	41,038,912,061
Adjusted against tariff rationalization surcharge and credit notes received from CPPA-G	(41,023,594,085)	(31,975,150,115)
Balance as at 30 June	29,408,045,766	11,870,189,429
Prime Minister's relief package for Small and Medium Enterprises (Note 24.2)	4,560,556,025	-
	<u>33,968,601,791</u>	<u>11,870,189,429</u>

24.1 This represents tariff differential subsidy receivable from Government of Pakistan (GoP) as a difference between rates determined by NEPRA under different tariff determinations and rates notified by the GoP which are charged to the consumers.

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

	2020 RUPEES	2019 RUPEES
25. CASH AND BANK BALANCES		
Cash in transit (Note 25.1)	311,109,925	357,406,052
Cash with banks on:		
Current accounts	664,327,908	462,101,975
Deposit accounts (Note 25.2 and Note 25.3)	3,935,988,694	2,259,939,531
Term Deposit Receipts (TDRs) (Note 25.4 and Note 25.5)	20,900,000,000	17,800,000,000
	25,500,316,602	20,522,041,506
	<u>25,811,426,527</u>	<u>20,879,447,558</u>

25.1 This represents cash transmitted by National Database and Registration Authority (NADRA) against collection of consumer bills but not received by the Company at reporting date.

25.2 These carry profit ranging from 5.50% to 13.25% (2019: 6.65% to 11.75%) per annum.

25.3 These include an amount of Rupees 158.270 million (2019: Rupees 195.196 million) kept in separate bank accounts relating to customers' security deposits.

25.4 These represent term deposits receipts placed with different banks having maturity of three months (2019: one to three months) at profit rates ranging from 7.60% to 8.25% (2019: 12.32% to 12.60%) per annum.

25.5 Term deposit receipts (TDRs) include an amount of Rupees 8,700 million (2019: Rupees 9,353 million) relating to customers' security deposits.

	2020 RUPEES	2019 RUPEES Restated
26. SALE OF ELECTRICITY - NET		
Gross sales	201,584,440,882	171,809,582,473
Less: Sales tax	33,935,587,740	23,922,571,386
	<u>167,648,853,142</u>	<u>147,887,011,087</u>

27. TARIFF DIFFERENTIAL SUBSIDY

This represents the tariff subsidy claimed from the Government of Pakistan as the difference between rates determined by NEPRA and rates charged to the consumers as notified by the Government of Pakistan from time to time.

28. COST OF ELECTRICITY

28.1 The Company purchased electricity from CPPA-G. The electricity purchased during the year has been accounted for according to invoices issued by CPPA-G and adjusted in accordance with monthly fuel price adjustment determined and notified by NEPRA. The average rate for the year was Rupees 13.31 per KWH (2019: Rupees 11.67 per KWH).

28.2 This includes supplemental charges of Rupees 1,677.11 million (2019: Rupees 2,337.74 million) passed on the Company, which comprise re-allocation of mark-up on late payments imposed by Independent Power Producers (IPPs) to CPPA-G on the basis of average outstanding balance.

	2020 RUPEES	2019 RUPEES
29. DISTRIBUTION COST		
Salaries, wages and other benefits (Note 29.1)	18,266,867,590	16,244,477,404
Depreciation (Note 15.1.6)	4,032,034,446	3,428,243,779
Repair and maintenance	265,193,297	295,447,555
Rent, rates and taxes	23,620,342	26,446,148
Telephone and postage	18,202,178	17,664,232
Power, light and water	37,154,588	28,334,062
Office supplies and other expenses	14,808,567	13,389,704
Travelling and conveyance	286,928,065	269,323,677
Legal and professional	15,636,646	15,902,868
Transportation	271,595,721	235,071,626
Workers' profit participation fund	359,707,626	-
Other charges / expenses	41,468,758	179,350,542
	<u>23,633,217,824</u>	<u>20,753,651,598</u>
Less: Charged to capital work-in-progress (Note 15.2.4)	(555,528,476)	(513,311,789)
	<u>23,077,689,348</u>	<u>20,240,339,809</u>

29.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rupees 11,067 million (2019: Rupees 9,368 million).

	2020 RUPEES	2019 RUPEES
30. ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits (Note 30.1)	2,740,226,045	2,469,115,237
Directors' meeting fee	7,508,500	6,117,000
Depreciation (Note 15.1.6)	93,585,659	69,470,999
Amortization (Note 16)	42,245,035	42,245,035
Impairment loss on buildings on freehold land	453,912,940	-
Repair and maintenance	57,000,038	63,551,916
Rent, rates and taxes	136,327	217,015
Power, light and water	38,838,170	30,322,672
Office supplies and other expenses	136,919,997	116,574,943
Travelling and conveyance	62,662,210	63,077,401
Legal and professional	184,661,794	75,185,345
Auditors' remuneration (Note 30.2)	2,021,428	1,714,285
Transportation	57,549,924	50,527,547
Management fees	76,611,106	305,580,634
Telephone and postage	10,109,980	10,998,520
Insurance	3,715,735	64,739,635
Advertisement	8,962,321	35,345,236
Workers' profit participation fund	48,821,085	-
Other charges	13,414,022	4,151,081
	<u>4,038,902,316</u>	<u>3,408,934,500</u>

30.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rupees 1,502 million (2019: Rupees 1,272 million).

30.2 Auditor's remuneration

Audit fee	1,588,095	1,380,952
Reimbursable expenses	333,333	333,333
Other certification fee	100,000	-
	<u>2,021,428</u>	<u>1,714,285</u>

31. CUSTOMER SERVICES COSTS

Salaries, wages and other benefits (Note 31.1)	1,913,872,342	1,742,886,985
Depreciation (Note 15.1.6)	997,414	861,004
Electricity bills collection charges	324,274,904	343,073,400
Travelling and conveyance	30,813,232	29,943,411
Repair and maintenance	480,263	420,642
Rent, rates and taxes	3,694,520	2,672,833
Telephone and postage	2,486,279	2,372,369
Power, light and water	4,893,964	4,193,345
Office supplies and other expenses	7,176,748	6,552,634
Transportation	2,613,814	3,347,775
Expected credit loss allowance (Note 20.3)	76,515,534	-
Workers' profit participation fund	27,393,928	-
Other charges	675,468	657,734
	<u>2,395,888,410</u>	<u>2,136,982,132</u>

31.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rupees 843 million (2019: Rupees 736 million).

32. OTHER INCOME

Income from financial assets

Profit on bank deposits and term deposit receipts	2,980,591,823	1,536,745,836
Late payment surcharge	1,680,983,340	1,406,002,036
Reversal of expected credit loss allowance - net	-	22,359,669
	<u>4,661,575,163</u>	<u>2,965,107,541</u>

Income from non-financial assets

Gain on installation of new connection	572,301,445	989,769,243
Repair, testing and inspection fee	27,382,202	13,461,704
Recovery of late delivery charges	51,925,004	67,730,014
Reversal of provision for slow moving and obsolete stores, spares and loose tools (Note 19.1)	6,969,826	675,205
Meter / service rent	52,274,980	49,995,271
Reconnection fees	21,922,990	20,983,880
Excess deposit work receipts / credit balances written back	134,025,385	82,351,232
Service charges on collection of PTV license fee and electricity duty	83,572,110	81,336,650
Company's colonies quarterly rent	7,064,384	8,954,967
Miscellaneous	23,268,805	7,068,783
	<u>980,707,131</u>	<u>1,322,326,949</u>
	<u>5,642,282,294</u>	<u>4,287,434,490</u>

33. FINANCE COST

Mark-up on long term financing	302,656,398	302,656,398
Mark-up transferred from GoP	584,671,329	-
Bank charges and commission	7,582,902	6,524,839
	<u>894,910,629</u>	<u>309,181,237</u>

	2020 RUPEES	2019 RUPEES Restated
34. TAXATION		
Current:		
- for the year (Note 34.1)	2,554,553,607	1,496,584,471
- for prior year	10,579,554	(243,919,738)
	<u>2,565,133,161</u>	<u>1,252,664,733</u>
Deferred (Note 11)	(356,965,852)	(289,713,386)
	<u>2,208,167,309</u>	<u>962,951,347</u>

34.1 Provision for current taxation represents minimum tax under section 113 of the Income Tax Ordinance 2001. However tariff differential subsidy from Government of Pakistan is excluded from turnover of the Company as it constitutes exempt income. Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not required in view of accumulated tax losses of the Company of Rupees 281,639.971 million (2019: Rupees 261,295.536 million).

35. CASH GENERATED FROM OPERATIONS

Profit / (loss) before taxation	8,282,530,139	(7,938,401,251)
Adjustments for non-cash charges and other items:		
Depreciation	4,126,617,520	3,498,575,782
Amortization of intangible assets	42,245,035	42,245,035
Impairment loss on buildings on freehold land	453,912,940	
Provision for staff retirement benefits	13,412,352,185	11,376,381,803
Amortization of deferred credit	(1,579,095,603)	(1,460,436,524)
Finance cost	894,910,629	309,181,237
Adjustment of finance cost against industrial support package	(677,532,904)	-
Provision / (reversal) for expected credit loss allowance	76,515,534	(22,359,669)
Profit on bank deposits and term deposit receipts	(2,980,591,823)	(1,536,745,836)
Excess deposit work receipts written back	(134,025,385)	(82,351,232)
(Reversal) of provision for slow moving, obsolete items of stores, spares and loose tools	(6,969,826)	(675,205)
Non-cash settlement against deposit for shares	-	447,902,359
Workers' profit participation fund	435,922,639	-
Working capital changes (Note 35.1)	(7,188,552,917)	6,811,275,895
	<u>15,158,238,163</u>	<u>11,444,592,394</u>

35.1 Working capital changes

Decrease / (increase) in current assets:		
Stores, spares and loose tools	84,004,166	(421,373,590)
Trade debts	(23,524,025,432)	(1,349,166,917)
Loans and advances	(7,754,490)	(2,693,701)
Tax refunds due from the Government	-	138,642,014
Receivable from Government of Pakistan	(22,098,412,362)	(9,063,761,946)
Other receivables	(3,794,394,916)	(1,420,335,167)
	<u>(49,340,583,034)</u>	<u>(12,118,689,307)</u>
Increase in trade and other payables	42,152,030,117	18,929,965,203
	<u>(7,188,552,917)</u>	<u>6,811,275,895</u>

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

	2020		
	Long term security deposits	Receipt against deposit works and deferred credit	Total
	----- RUPEES -----		
Balance as at 01 July 2019	7,958,478,777	35,141,085,745	43,099,564,522
Security deposits received	852,210,733	-	852,210,733
Receipts against deposit work received-net	-	6,282,676,594	6,282,676,594
Amortization of deferred credit	-	(1,579,095,603)	(1,579,095,603)
Balance as at 30 June 2020	<u>8,810,689,510</u>	<u>39,844,666,736</u>	<u>48,655,356,246</u>

	2019			
	Long term financing	Long term security deposits	Receipt against deposit works and deferred credit	Total
	----- RUPEES -----			
Balance as at 01 July 2018	5,214,874,173	7,082,383,461	34,321,978,053	46,619,235,687
Financing obtained	326,405,606	-	-	326,405,606
Security deposits received	-	876,095,316	-	876,095,316
Receipts against deposit work received-net	-	-	2,279,544,216	2,279,544,216
Amortization of deferred credit	-	-	(1,460,436,524)	(1,460,436,524)
Balance as at 30 June 2019	<u>5,541,279,779</u>	<u>7,958,478,777</u>	<u>35,141,085,745</u>	<u>48,640,844,301</u>

36. **TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise 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:

Name of related party	Nature of transactions	2020 RUPEES	2019 RUPEES
Government of Pakistan			
Economic Affairs Division	Loans received	-	326,405,606
	Finance cost	879,586,866	865,355,079
Ministry of Finance	Tariff differential subsidy accrued	58,561,450,422	41,038,912,061
	Non-cash adjustment of deposit for shares	-	447,902,359
Associated companies / undertakings			
National Electric Power Regulatory Authority	Fee paid to NEPRA	44,936,306	39,126,391
National Transmission and Despatch Company Limited	Use of system charges	5,710,772,525	5,373,169,610
	Settlement against use of system charges	1,796,291,389	1,391,329,911
	Free supply of electricity provided to employees of associated company	39,531,635	33,178,504
	Pension paid to employees of associated company	272,485,708	285,641,951
Central Power Purchasing Agency (Guarantee) Limited	Purchase of electricity	194,741,760,619	176,516,757,734
	Financing cost surcharge	4,536,237,378	5,380,017,962
	Tariff rationalization surcharge	-	115,716,159
	Finance cost	584,671,329	-
Northern Power Generation Company Limited	Free supply of electricity provided to employees of associated company	42,820,131	41,610,720
	Pension paid to employees of associated company	274,782,101	216,548,593
Water and Power Development Authority	Free supply of electricity provided to employees of associated company	27,985,798	40,008,681
	Pension paid to employees of associated company	2,876,689	488,629,921
	WAPDA welfare fund paid	83,097,401	71,036,033
Islamabad Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	9,681,850	8,529,575
	Free supply of electricity received by employees of the Company from associated company	3,851,474	3,566,525
	Pension paid to employees of associated company	78,130,204	67,787,338
	Pension received by employees of the Company from associated company	26,222,969	21,689,779
	Sale of material	-	992,000
	Purchase of material	8,711,100	4,235,553
Peshawar Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	1,859,268	762,652
	Free supply of electricity received by employees of the Company from associated company	2,543,211	1,691,395
	Pension paid to employees of associated company	10,461,188	13,820,253

Name of related party	Nature of transactions	2020 RUPEES	2019 RUPEES
	Pension received by employees of the Company from associated company	12,194,089	34,001,183
	Sale of material	3,380,000	33,405,700
Gujranwala Electric Power Company Limited	Free supply of electricity provided to employees of associated company	6,679,679	5,648,344
	Free supply of electricity received by employees of the Company from associated company	5,660,666	3,399,252
	Pension paid to employees of associated company	46,722,395	37,471,715
	Pension received by employees of the Company from associated company	21,629,308	16,598,977
	Sale of material	2,631,000	2,349,000
	Purchase of material	10,194,000	18,200,000
Quetta Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	2,632,159	2,594,490
	Free supply of electricity received by employees of the Company from associated company	116,045	-
	Pension paid to employees of associated company	26,239,031	26,826,950
	Pension received by employees of the Company from associated company	601,160	1,862,242
	Sale of material	4,695,000	14,266,600
	Purchase of material	-	13,500,000
Central Power Generation Company Limited	Free supply of electricity provided to employees of associated company	2,282,917	1,178,603
	Pension paid to employees of associated company	29,571,147	24,884,493
Hyderabad Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	1,104,065	1,335,820
	Free supply of electricity received by employees of the Company from associated company	1,154,165	1,128,466
	Pension paid to employees of associated company	15,601,664	15,035,043
	Pension received by employees of the Company from associated company	683,290	976,109
Lakhra Power Generation Company Limited	Free supply of electricity provided to employees of associated company	142,190	193,414
	Pension paid to employees of associated company	1,680,421	1,503,645
Tribal Area Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	333,566	631,292
	Free supply of electricity received by employees of the Company from associated company	1,392,479	-
	Pension paid to employees of associated company	65,625	232,259
Jamshoro Power Company Limited	Free supply of electricity provided to employees of associated company	409,550	169,140
	Pension paid to employees of associated company	4,412,429	4,348,105
Sukkur Electric Power Company Limited	Free supply of electricity provided to employees of associated company	633,739	746,449
	Free supply of electricity received by employees of the Company from associated company	965,728	921,894
	Pension paid to employees of associated company	6,905,902	7,888,981

Name of related party	Nature of transactions	2020 RUPEES	2019 RUPEES
Lahore Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	21,984,034	20,419,514
	Free supply of electricity received by employees of the Company from associated company	14,846,202	16,459,885
	Pension paid to employees of associated company	75,061,357	63,981,212
	Pension received by employees of the Company from associated companies	75,354,335	76,701,640
	Purchase of material	1,870,000	41,250,000
Multan Electric Power Company Limited	Free supply of electricity provided to employees of associated company	13,270,058	9,972,802
	Free supply of electricity received by employees of the Company from associated company	5,727,710	5,350,442
	Pension paid to employees of associated company	127,429,787	114,219,342
	Pension received by employees of the Company from associated company	20,801,086	11,499,468
	Sale of material	13,200,000	3,616,300
	Purchase of material	6,810,000	19,272,000
Pakistan Electric Power Company (Private) Limited	Free supply of electricity provided to employees of associated company	403,921	231,364
	Management fee	31,674,800	266,454,243

36.1 The Company and the above mentioned companies / undertakings are under common control of GoP with the Ministry of Water and Power. While Government of Pakistan is the sovereign authority over all these companies / undertakings.

36.2 Detail of compensation to key management personnel comprising of Chief Executive officer, directors and executives is disclosed in Note 37.

37. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits to the Chief Executive Officer, directors and executives of the Company is as follows:

	2020	2019	2020	2019
	Chief Executive Officer		Executives	
	RUPEES	RUPEES	RUPEES	RUPEES
Basic salary	2,300,474	2,387,910	65,073,600	47,712,000
Conveyance allowance	-	-	2,580,000	1,560,000
Bonus	186,720	336,620	5,422,800	3,976,000
Utilities and other benefits	4,325,458	4,609,274	47,229,972	29,467,721
Travelling and daily allowance	644,400	2,725,020	8,339,326	5,637,846
	7,457,052	10,058,824	128,645,698	88,353,567
Number of persons	1	1	43	33

37.1 The Chief Executive Officer is provided with the Company's maintained vehicle, free accommodation, free electricity and other utilities. Further, most of the executives of the Company have been provided with the Company's maintained vehicles and unfurnished accommodation according to the Company's policy, while free electricity has been provided to all executives.

37.2 Aggregate amount charged in the financial statements for meeting fee to 9 (2019: 10) directors including Chief Executive Officer was Rupees 7.508 million (2019: Rupees 6.117 million).

37.3 No remuneration other than meeting fee was paid to any Director of the Company.

38. NUMBER OF EMPLOYEES

2020

2019

The Company has employed following number of persons including permanent and contractual staff:

Number of employees as on 30 June	14 635	15 415
Average number of employees during the year	15 068	15 725

39. FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

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

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

(a) Market risk

Market risk is the risk that changes in market process, such as currency risk, interest rate risk and other price risk which affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions, or receivables and payables that exist due to transactions in foreign currencies. The Company has no receivable / payable balance in foreign currency as at 30 June 2020 (2019: Rupees Nil).

ii) Other price risk

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

iii) Interest rate risk

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

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

	2020 RUPEES	2019 RUPEES
Fixed rate instruments		
Financial assets		
Long term advances	139,132,349	164,267,490
Term deposit receipts	20,900,000,000	17,800,000,000
Financial liabilities		
Long term financing	5,541,279,779	5,541,279,779

	2020 RUPEES	2019 RUPEES
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	3,935,988,694	2,259,939,531

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit / (loss) after taxation for the year would have been Rupees 37.392 million higher / lower (2019: Rupees 22.693 million lower / higher), mainly as a result of higher / lower interest income on floating rate financial instruments. This analysis is prepared assuming amounts of financial instruments outstanding at reporting date were outstanding for the whole year.

(b) Credit risk

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

	2020 RUPEES	2019 RUPEES Restated
Trade debts	43,592,505,802	20,144,995,904
Loans and advances	139,132,349	164,267,490
Accrued interest	177,460,440	158,971,171
Deposits	3,358,455	3,009,006
Other receivables	14,883,269,272	11,088,874,356
Bank balances	25,500,316,602	20,522,041,506
	<u>84,296,042,920</u>	<u>52,082,159,433</u>

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

	Rating			2020	2019
	Short term	Long term	Agency	-----RUPEES-----	
Banks					
National Bank of Pakistan	A1+	AAA	PACRA	5,728,094,138	4,234,034,419
Sindh Bank Limited	A-1	A+	VIS	4,488,400	3,880,574,585
The Bank of Khyber	A1	A	PACRA	495,868	362,653
The Bank of Punjab	A1+	AA	PACRA	4,651,484,147	37,317,620
First Women Bank Limited	A2	A-	PACRA	131,827	3,204
Zarai Taraqiati Bank Limited	A-1+	AAA	VIS	1,189,454	5,120,220
Allied Bank Limited	A1+	AAA	PACRA	104,375,611	288,653,455
Askari Bank Limited	A1+	AA+	PACRA	7,759,660	1,140,634
Bank Alfalah Limited	A1+	AA+	PACRA	3,608,939	20,926,951
Faysal Bank Limited	A1+	AA	PACRA	4,608,782,663	3,814,284,970
Habib Bank Limited	A-1+	AAA	VIS	145,991,772	293,550,842
JS Bank Limited	A1+	AA-	PACRA	782,014	139,274
MCB Bank Limited	A1+	AAA	PACRA	1,187,360,033	4,011,407,912
Telenor Microfinance Bank Limited	A-1	A+	VIS	134,982,397	139,475,500
Standard Chartered Bank (Pakistan) Ltd	A1+	AAA	PACRA	18,286	18,294
United Bank Limited	A-1+	AAA	VIS	4,169,051,387	198,124,619
Punjab Provincial Co-operative Bank Limited*	N/A	N/A	N/A	232,176	3,051,748
Bank Al-Habib Limited	A1+	AA+	PACRA	4,615,357,438	3,545,465,955
Samba Bank Limited	A-1	AA	VIS	11,821	1,384
AlBaraka Bank (Pakistan) Limited	A1	A	PACRA	477,838	501,110
Dubai Islamic Bank Pakistan Limited	A-1+	AA	VIS	13,992	28,403
Meezan Bank Limited	A-1+	AA+	VIS	558,757	319,055
BankIslami Pakistan Limited	A1	A+	PACRA	57,171	1,090,667
Pakistan Post Office **	N/A	N/A	N/A	135,010,813	46,448,032
				<u>25,500,316,602</u>	<u>20,522,041,506</u>

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

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

The Company's exposure to credit risk and expected credit losses related to trade debts is disclosed in Note 20.

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

(c) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its 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 difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach for managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. For this purpose financial support is available to the Company from Federal Government. Further, liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

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

Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-3 years	More than 3 years	
-----RUPEES-----						
Non-derivative financial liabilities:						
Long term financing	5,541,279,779	10,983,114,639	1,589,923,554	519,183,188	1,928,146,533	6,945,861,364
Long term security deposits	8,810,689,510	8,810,689,510	-	-	-	8,810,689,510
Trade and other payables	105,096,589,075	105,096,589,075	105,096,589,075	-	-	-
Accrued mark-up	2,592,747,224	2,592,747,224	2,592,747,224	-	-	-
	<u>122,041,305,588</u>	<u>127,483,140,448</u>	<u>109,279,259,853</u>	<u>519,183,188</u>	<u>1,928,146,533</u>	<u>15,756,550,874</u>

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

Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-3 years	More than 3 years	
-----RUPEES-----						
Non-derivative financial liabilities:						
Long term financing	5,541,279,779	11,743,526,752	1,230,904,993	584,349,819	2,047,193,456	7,881,078,483
Long term security deposits	7,958,478,777	7,958,478,777	-	-	-	7,958,478,777
Trade and other payables	64,662,010,232	64,662,010,232	64,662,010,232	-	-	-
Accrued mark-up	2,390,693,262	2,390,693,262	2,390,693,262	-	-	-
	<u>80,552,462,050</u>	<u>86,754,709,023</u>	<u>68,283,608,487</u>	<u>584,349,819</u>	<u>2,047,193,456</u>	<u>15,839,557,260</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June. The rates of mark-up have been disclosed in Note 6 to these financial statements.

(d) **Capital risk management**

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

39.2 **Financial instruments by categories**

	2020	2019
	RUPEES	RUPEES
	At amortized cost	
As at 30 June		
Assets as per statement of financial position		
Trade debts	43,592,505,802	20,144,995,904
Loans and advances	139,132,349	164,267,490
Accrued interest	177,460,440	158,971,171
Deposits	3,358,455	3,009,006
Other receivables	14,883,269,272	11,088,874,356
Cash and bank balances	25,811,426,527	20,879,447,558
	<u>84,607,152,845</u>	<u>52,439,565,485</u>
	2020	2019
	RUPEES	RUPEES
		Restated
Liabilities as per statement of financial position		
Long term financing	5,541,279,779	5,541,279,779
Long term security deposits	8,810,689,510	7,958,478,777
Trade and other payables	105,096,589,075	64,662,010,232
Accrued mark-up	2,592,747,224	2,390,693,262
	<u>122,041,305,588</u>	<u>80,552,462,050</u>

39.3 **Offsetting financial assets and financial liabilities**

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

40. **RECOGNIZED FAIR VALUE MEASUREMENTS**

Fair value hierarchy

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

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

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

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

41. **RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS**

(i) **Fair value hierarchy**

Judgements and estimates are made in determining the fair values of the non-financial assets that are recognized and measured at fair value in the 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:

As at 30 June 2020	Level 1	Level 2	Level 3	Total
-----RUPEES IN THOUSAND-----				
Land - freehold	-	31,245,628,250	-	31,245,628,250
Buildings on freehold land	-	3,283,542,610	-	3,283,542,610
Feeders (up to 11 kv)	-	51,286,809,367	-	51,286,809,367
Grids and equipment	-	26,392,357,610	-	26,392,357,610
Total non-financial assets	-	112,208,337,837	-	112,208,337,837
As at 30 June 2019	Level 1	Level 2	Level 3	Total
-----RUPEES IN THOUSAND-----				
Land - freehold	-	13,283,042,638	-	13,283,042,638
Buildings on freehold land	-	2,088,827,185	-	2,088,827,185
Feeders (up to 11 kv)	-	53,778,304,485	-	53,778,304,485
Grids and equipment	-	16,326,062,225	-	16,326,062,225
Total non-financial assets	-	85,476,236,533	-	85,476,236,533

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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 obtains independent valuation for its freehold land, buildings thereon, feeders, grids and equipment. The best evidence of fair value of land is current prices in an active market for similar lands. The best evidence of fair value of buildings is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same building. The best evidence of fair value of feeders, grids and equipment is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the value of new feeders, grids and equipment.

42. **CORRESPONDING FIGURES**

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


PARTICULARS	RECLASSIFICATION		RUPEES
	FROM	TO	
Advances from customers	Trade debts	Trade and other payables	394,735,594
Long term financing	Long term financing	Current portion of long term financing	437,473

43. **DATE OF AUTHORIZATION**

These financial statements were authorized for issue on 29 OCT 2020 by the Board of Directors of the Company.

44. **GENERAL**

Figures have been rounded off to the nearest Rupee.


CHIEF EXECUTIVE OFFICER


DIRECTOR