

CENTRAL POWER GENERATION COMPANY LIMITED

DIRECTOR'S REPORT TO THE MEMBERS

The Directors of the Company are pleased to present 22nd Annual Report of the Company, together with the Audited Financial Statements and Auditors' Report, for the year ended on June 30, 2020.

2. Central Power Generation Company Limited is unlisted Public Limited Company (Public Sector) with its registered office at WAPDA House Lahore. The Company incorporated on October 26, 1998 and the Certificate of Commencement of Business issued on December 07, 1998, and started its commercial operations on March 01, 1999. The Company is 100% owned by the Government of Pakistan through Ministry of Energy (Power Division). The Public Sector Companies (Corporate Governance) Rules 2013 are applicable on the Company and the Board. The Government of Pakistan appoints the Board of Directors.

3. The principal activities of the Company are to own, operate and maintain power generation facilities. Currently, three Thermal Power Stations with total installed capacity of 2,532.64 MW owned by the company. These plants are located at Guddu, Quetta, and Sukkur. The installed capacity of these individual power plants is as under:

Place	No. of Units	Units in Operations	Installed Capacity (MW)
Guddu	13	13	1,655.00
747MW	03	03	776.70
Quetta	04	01	50.94
Sukkur	04	0	50.00
Total			2,532.64

The detail is as under:

Block	Unit	Fuel	Operation Mode	Make	Installations	Installed Capacity	Available Capacity	
						MW	MW	
Block-I	11	Gas	Gas Turbine	Seimens Germany	1992	136	130	
	12				1992	136	130	
	13		Steam Turbines		1994	143		
	Total					415	260	
Block-II	5	Gas	Steam Turbines	GE USA	1987	100	85	
	6				1988	100	85	
	7		Gas Turbine		1985	100	95	
	8				1986	100	95	
	9				1986	100	95	
	10				1986	100	95	
	Total					600	550	

Block-III	3	Gas	Steam	Russia	1980	210	Decommissioned on July 2019
	4			China	1985	210	
	Total					420	
Block-IV	1	Gas	Steam	Czechoslovakia	1974	110	
	2				1974	110	
	Total					220	
Block-V 747 MW	14	Gas	GT	GE - USA & HEI – China	2014	256	243
	15				2014	256	243
	16		ST		2014	266	261
	Total					777	747
TPS Quetta	1	Coal	Steam Turbine	Ladewal - USA	1964	8	Decommissioned
	2		Steam Turbine	Ladewal - USA	1964	8	
	3	Gas	Gas Turbine	Fiat – Italy	1972	-	
	6			Mitsubishi - Japan	1984	35	22
	Total					51	22
TPS Sukkur	1	Gas	Steam Turbine	GE - Canada	1965	13	Decommissioned
	2		Steam Turbine	GE - Canada	1965	13	
	3		Steam Turbine	GE - Canada	1967	13	
	4		Steam Turbine	GE - Canada	1967	13	
	Total					50	
Grand Total						2,533	1,579

4. The Capacity of Quetta Thermal Power Station was 88.19 MW with 06 Units. The Units No. 4 and 5 having capacity of 12.5 MW and 25 MW respectively, were shifted to Panjgoor under QESCO in November 1999. Units No. 1, 2 and 3 have completed their useful live and are no operative. The remaining capacity of this station is only 25 MW of Unit No. 6. The generation license issued for unit no. 6, by NEPRA on July 10, 2019, although non-operative due to non-availability of Gas quota and tariff.

5. The operation of Thermal Power Station Sukkur was discontinued in April 2000 on account of technical reasons (inefficient units), and is decommissioned.

6. Moreover, Company has installed Block V, state of art plant 747MW, CCPP, in Guddu having efficiency of 49% and 92% availability with dual fire operation i.e. natural gas and HSD. The plant remained under trial run and testing phase March 2014 to Dec-2014 and achieved COD on December 17, 2014. Since then, plant is in continuous successful operation.

7. The authorized capital of the Company is Rs. 50,000,000,000/- divided into 5,000,000,000 ordinary shares of Rs. 10 each. In total 50,000/- shares have been issued and out of which one share of Rs. 10 each has been issued to seven directors of the Company and 49,993 shares were issued to WAPDA which were subsequently transferred in the name of President Islamic Republic of Pakistan. Moreover, an amount of Rs. 3,343.919 Million is appearing as deposit against issue of shares to WAPDA.

FINANCIAL RESULTS

8. The financial information of the Company covering business activities for the period ended June 30, 2020. Operating results summarized below:

(Rupees in thousands)

Description	Jul-19 to Jun-20	Jul-18 to Jun-19
Revenue	68,935,625	79,222,801
Operations, Maintenances and Administrative Expenditures	(62,759,871)	(70,054,767)
Finance Cost	(3,033,294)	(4,173,593)
Taxation	(1,932,924)	(1,477,599)
Net Profit / (Loss) after tax	1,209,536	3,516,842
Add: Depreciation	5,713,922	5,007,823
Finance Cost	3,033,294	4,173,593
Taxation	1,932,924	1,477,599
Operating Profit	11,889,676	14,175,857

9. Revenue from sale of electricity in these accounts is based on the actual billing made for old Guddu plants and 747 MW CCPP, on NEPRA's approved tariff, to the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), on account of electricity supplied during the period under consideration. Electricity tariff has been charged to CPPA-G, which is sole purchaser of the power from the Company.

10. The NEPRA determination and notified tariff dated 26th July, 2004. The 2nd tariff petition was filed with NEPRA in May 2005 by the management of Company for approval of Reference Tariff for three (3) years i.e. 2005, 2006, 2007. NEPRA gave determination on petition on 24th February 2006 which was subsequently notified by the Government of Pakistan on 24th June 2006. In the current year previously notified tariff applied after adjustment of CPI (Consumer Price Index) for the old Guddu plant from Blocks (I - IV) and tariff determination of 747 MW CCP Guddu for new power plant notified by NEPRA on quarterly basis. The average approved tariff for the period under review is as under:-

Energy Purchase Price ("EPP")	Rs. 7.75 per KWh
Capacity Purchase Price ("CPP")	Rs. 2,533.54 per KW per Month
Estimated Dependable Capacity	1,640.790 MW as invoiced

11. Followings are the financial results compared with last year results.

	FY 2019-20	FY 2018-19 (Restated)
Energy unit sold (GWh)	5,921.761	9,384.298




CORPORATE GOVERNANCE COMPLIANCE

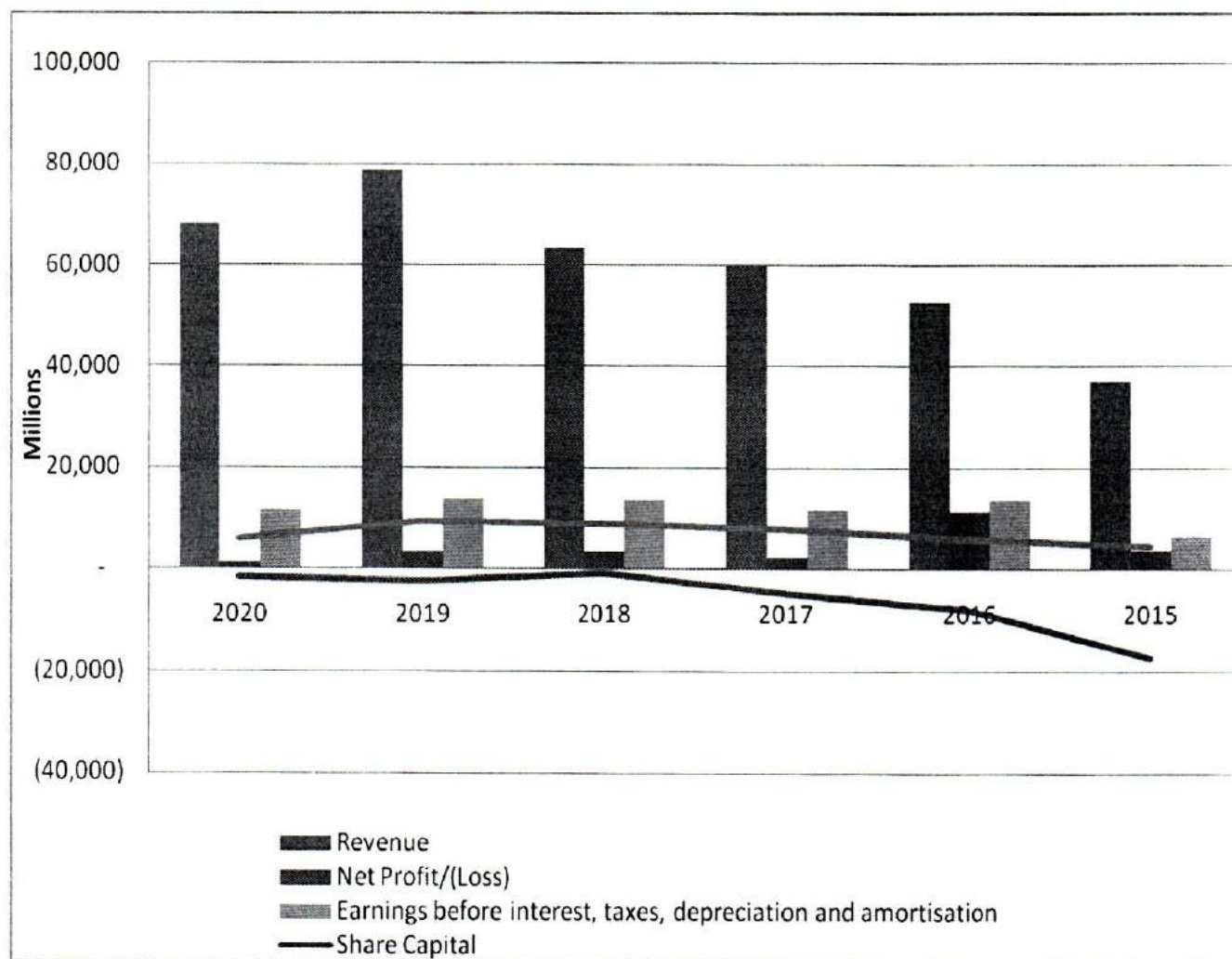
12. The Company complies with all the principal of Public Sector Corporate Governance Rules. The Financial Statements are prepared on the adopted International Financial Reporting Standards and present true and fair view of the state of affairs of the company. The sound internal control are in place and overall improvements in the systems and operations are appearing.

13. Key Operating and Financial data for last six years is, summarized below:

SIX YEARS OPERATIONAL AND FINANCIAL DATA

Description	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
OPERATIONAL PERFORMANCE	(UNITS MkWh)					
Units Generated (NEO)	5,921.761	9,384.298	8,775.785	7,951.816	6,005.575	4,750.473
Per Unit Cost (Rs./kWh)	7.7476	6.188	5.179	5.498	6.053	5.587
PROFIT AND LOSS ACCOUNT	(RS. IN MILLION)					
Revenue	68,405.062	78,735.612	63,651.576	60,072.227	52,689.872	36,961.157
Cost of goods sold	(61,780.426)	(68,561.713)	(55,464.640)	(51,316.502)	(42,806.884)	(31,958.977)
Gross profit	6,624.636	10,173.899	8,186.936	8,755.726	9,882.988	5,002.180
Operating profit	5,645.191	8,680.844	7,322.490	7,483.084	8,700.587	4,543.594
Profit before tax	3,142.460	4,994.440	6,431.473	8,035.649	10,595.647	5,116.476
Profit after tax	1,209.536	3,516.842	3,358.211	2,453.572	11,481.008	3,805.898
Earnings before interest, taxes, depreciation and amortization	11,691.086	13,856.948	13,769.359	11,733.938	13,576.357	6,750.580
BALANCE SHEET	(RS. IN MILLION)					
Share Capital	(1,418.290)	(2,273.781)	(665.241)	(4,578.727)	(7,873.765)	(17,266.818)
Property, plant and equipment	101,901.574	105,871.790	96,378.931	83,003.004	80,317.102	81,811.050
Inventory	928.352	928.352	870.461	556.963	450.384	939.570
Current assets	89,297.577	72,008.592	30,911.439	11,507.017	11,089.562	9,722.607
Current liabilities	121,592.979	105,815.754	60,347.036	35,710.335	34,782.347	44,282.717
Non-current assets	101,954	105,921.230	96,428.219	85,051.958	85,689.308	82,091.625
Noncurrent liabilities	71,076.398	74,387.930	67,657.944	65,427.448	69,870.369	64,798.418
SUMMARY OF CASH FLOW STATEMENTS	(RS. IN MILLION)					
Cash flows from operating activities	13,021.474	9,816.131	19,740.997	10,125.524	(4,749.327)	7,494.900
Cash flows from investing activities	(805.825)	(89.258)	(12,167.559)	(5,413.286)	(633.725)	(12,368.129)
Cash flows from financing activities	(8,154.592)	(6,908.184)	(5,579.836)	(5,407.706)	4,761.990	3,037.765
Cash and cash equivalents at the beginning of the year	6,105.556	3,286.867	1,293.265	1,988.733	2,609.795	4,445.259
Net cash flows during the year	10,166.613	6,105.556	3,286.867	1,293.265	1,988.733	2,609.795
FINANCIAL INDICATORS	%					
Profitability Ratios						
Gross profit ratio	9.68%	12.92%	12.86%	14.58%	18.76%	13.53%
Net profit ratio	1.77%	4.47%	5.28%	4.08%	21.79%	10.30%
EBITDA margin	17.09%	17.60%	21.63%	19.53%	25.77%	18.26%
Return on equity	-5.83%	-18.27%	-14.07%	-6.41%	-18.04%	-4.50%

LIQUIDITY RATIOS	RATIO					
Current ratio	0.73 : 1	0.68 : 1	0.51 : 1	0.32 : 1	0.32 : 1	0.22 : 1
Quick ratio	0.73 : 1	0.67 : 1	0.50 : 1	0.31 : 1	0.31 : 1	0.20 : 1
	%					
Cash flows from operations to sales	19.04%	12.47%	31.01%	16.86%	-9.01%	20.28%
Cash to current liabilities	8.36%	5.77%	5.45%	3.62%	5.72%	5.89%
Earnings per share (Rs.)	24.19	70.34	67.16	49.07	229.62	76.12



PATTERN OF SHARE HOLDING

14. The total Nine (09) number of Directors as following:

- Male: Nine (9)**
- Female: Nil**

15. During the year 2020, details of Board and Board Committee meetings and their attendance by the Directors are as under:

[Handwritten signatures]

Sr	Directors	BoD Meetings	Audit Committee	Risk Management Committee	Procurement Committee	HR Committee	Nomination Committee
		Total =9	Total = 6	Total = 2	Total = 6	Total = 5	Total = 1
1	Syed Tahir Nawazish Independent Director	9	-	2	-	5	1
2	Prof. Nisar Ahmed Siddiqui Independent Director	3	-	1	-	-	1
3	Mr. Muhammad Aslam Shaikh Independent Director	9	6	2	6	-	-
4	Mr. Abdul Qayum Malik Independent Director	9	-	-	6	5	1
5	Dr. Arshad Mahmood Non-Executive Director	3	1	-	-	-	-
6	Mr. Tariq Viqar Bakhshi Non-Executive Director	1	1	-	1	-	-
7	Mr. Sajjad Ahmed Non-Executive Director	7	3	-	3	3	1
8	Mr. Muhammad Imran Non-Executive Director	8	6	-	6	5	-
9	Engr. Nadeem Ahmed CEO – CPGCL	1	1	1	1	-	-
10	Engr. Hammad Amer Hashmi CEO – CPGCL	8	5	1	5	5	1

DIRECTORS' REMUNERATION

16. The current remuneration of Directors was approved by Ministry of Water & Power vide letter No. GPI-1(1)2012 dated 4th October 2016 and adopted in 72nd meeting of Board of Directors held on 20th October, 2016. According to the approval, an amount of remuneration of Rs.35,000/- (including taxes) is approved for attending Board and its committees' meetings.

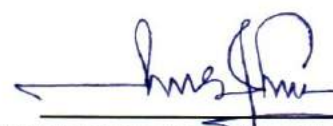
ACKNOWLEDGEMENT

17. The Board would like to place on record its appreciation to the workers, staff and management of the Company towards achieving results in general. The worker management relation remained excellent throughout the year, which resulted in the smooth operation of the Company. This is teamwork and we hope it will continue in the same atmosphere during the coming years.

Dated: 04 March, 2021



(ENGR. HAMMAD AMER HASHMI)
CHIEF EXECUTIVE OFFICER



(MUHAMMAD ASLAM SHEIKH)
DIRECTOR



CENTRAL POWER GENERATION COMPANY LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

EY Ford Rhodes
Chartered Accountants
96-B-I, 4th Floor, Pace Mall Building
M. M. Alam Road, Gulberg-II
P.O. Box 104, Lahore-54660

Tel: +9242 3577 8402-11
Fax: +9242 3577 8412-13
ey.fhr@pk.ey.com
ey.com/pk

INDEPENDENT AUDITOR'S REPORT

To the members of Central Power Generation Company Limited

Report on the audit of the financial statements

Qualified Opinion

We have audited the annexed financial statements of **Central Power Generation 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the statement of financial position, statement of profit or loss, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, respectively give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of the profit and total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

As disclosed in Note 22.1.3 to the financial statements, the Company has not recognized a liability for its obligation to pay Interest / Late Payment Surcharge (LPS) on late payments for the natural gas supplied by Mari Petroleum Company Limited (MPCL) and Pakistan Petroleum Limited (PPL) under the signed gas sales term sheet and gas sale agreements, respectively. Further, as explained in the aforementioned note, the Company has claimed LPS from Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) due to delayed payments by CPPA - G relating to supply of electricity, which has also not been recognized as receivable.

Had the Company recognized the LPS expense under the gas sales term sheet / gas sale agreements with MCL and PPL, and LPS income from the CPPA-G, the Company's trade and other payable, trade debts and tax refunds due from the Government as at 30 June 2020 would have been higher by Rs. 22,089,808 thousand, Rs. 18,062,870 thousand and Rs. 1,213,015 thousand respectively, and accumulated losses as at 30 June 2019 would be higher by Rs. 3,201,484 thousand, finance cost, finance income and taxation for the year ended 30 June 2020 would have been higher by Rs. 6,628,555 thousand, Rs. 7,174,415 thousand and Rs. 158,300 thousand respectively and accordingly, profit after tax for the year ended 30 June 2020 would have been higher by Rs. 387,560 thousand.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, the Company has not recognized a liability for its obligation to pay Interest / LPS on late payments for the natural gas supplied by MPCL and PPL under the signed gas sales term sheet and gas sale agreements, respectively. Further, the Company has claimed LPS from CPPA-G due to delayed payments by CPPA - G relating to supply of electricity, which has also not been recognized as receivable. We have concluded that the other information is materially misstated with respect to the amounts or other items as described in the Basis for Qualified Opinion section above.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional scepticism 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditors' report is Sajjad Hussain Gill.



Chartered Accountants
Place: Lahore
Date: 18 March 2021

CENTRAL POWER GENERATION COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		2020	2019
	Note	-----Rupees in thousands-----	
ASSETS			
Non-current assets			
Property, plant and equipment	5	101,901,574	105,871,790
Long term advances	6	51,655	49,159
Long term deposits		281	281
		<u>101,953,510</u>	<u>105,921,230</u>
Current assets			
Stores, spare parts and loose tools	7	3,633,585	2,331,233
Stock-in-trade	8	928,352	928,352
Trade debt	9	68,273,192	54,184,461
Advances, loan and prepayments	10	1,029,902	3,434,548
Other receivables	11	1,003,410	1,021,618
Tax refunds due from the Government	12	4,262,523	4,002,824
Bank balances	13	10,166,613	6,105,556
		<u>89,297,577</u>	<u>72,008,592</u>
TOTAL ASSETS		<u><u>191,251,087</u></u>	<u><u>177,929,822</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorized share capital			
5,000,000,000 (2019: 5,000,000,000) ordinary shares of Rs.10 each		<u>50,000,000</u>	<u>50,000,000</u>
Issued, subscribed and paid-up share capital	14	500	500
Accumulated losses		<u>(4,762,709)</u>	<u>(5,618,281)</u>
		<u>(4,762,209)</u>	<u>(5,617,781)</u>
Deposit for shares	15	<u>3,343,919</u>	<u>3,343,919</u>
		<u>(1,418,290)</u>	<u>(2,273,862)</u>
Non-current liabilities			
Long term financing	16	37,666,958	45,568,309
Deferred taxation - net	17	2,309,764	994,316
Deferred grant	18	198,591	397,181
Staff retirement benefits	19	30,901,085	27,428,124
		<u>71,076,398</u>	<u>74,387,930</u>
Current liabilities			
Trade and other payables	20	104,460,640	89,955,483
Interest accrued on long term financing	21	7,485,515	6,622,705
Current portion of long term financing	16	9,646,824	9,237,566
		<u>121,592,979</u>	<u>105,815,754</u>
		<u><u>191,251,087</u></u>	<u><u>177,929,822</u></u>

CONTINGENCIES AND COMMITMENTS

22

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

Rs



CHIEF EXECUTIVE



DIRECTOR

CENTRAL POWER GENERATION COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2020

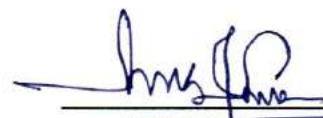
		2020	2019
	Note	-----Rupees in thousands-----	
Revenue from contract with customer - net	23	68,405,062	78,735,612
Cost of revenue	24	(61,780,426)	(68,561,713)
Gross profit		6,624,636	10,173,899
Administrative expenses	25	(979,445)	(1,493,054)
Operating profit		5,645,191	8,680,845
Other income	26	530,563	487,189
Finance costs	27	(3,033,294)	(4,173,593)
Profit before taxation		3,142,460	4,994,441
Taxation	28	(1,932,924)	(1,477,599)
Profit for the year		1,209,536	3,516,842

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

15



CHIEF EXECUTIVE



DIRECTOR

CENTRAL POWER GENERATION COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020


		2020	2019
	Note	-----Rupees in thousands-----	
Profit for the year		1,209,536	3,516,842
Other comprehensive income:			
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement loss on defined benefit plans	19.3	(498,541)	(1,909,683)
Related tax effects		144,577	324,646
Other comprehensive loss for the year - net of tax		(353,964)	(1,585,037)
Total comprehensive income for the year		855,572	1,931,805

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

15



CHIEF EXECUTIVE



DIRECTOR

CENTRAL POWER GENERATION COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
	Note	---Rupees in thousands---	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		3,142,460	4,994,441
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation	5	5,713,922	4,887,505
Amortization of deferred grant	18	(198,590)	(198,590)
Provision for staff benefits - net	19	4,111,237	2,682,282
Profit on bank deposits	26	(273,556)	(140,123)
Finance cost	27	3,033,294	3,354,619
Exchange loss		-	818,974
Reversal of NRV adjustment on stock in trade	8	-	(58,164)
		<u>12,386,307</u>	<u>11,346,503</u>
Cash flows before working capital changes		15,528,767	16,340,944
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		(1,302,352)	(246,487)
Stock-in-trade	8	-	273
Trade debt		(14,088,731)	(41,193,784)
Advances		2,404,646	(1,714,089)
Other receivables		18,208	(23,187)
Tax refunds due from the Government		(732,598)	(29,427)
		<u>(13,700,827)</u>	<u>(43,206,701)</u>
Increase in current liabilities:			
Trade and other payables		<u>14,478,737</u>	<u>39,591,511</u>
Cash generated from operations		16,306,677	12,725,754
Finance cost paid		(2,148,386)	(2,024,415)
Staff benefits paid	19	(1,136,817)	(885,208)
		<u>(3,285,203)</u>	<u>(2,909,623)</u>
Net cash generated from operating activities		13,021,474	9,816,131
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure - net	5	(1,076,885)	(229,229)
Increase in long term advances		(2,496)	(152)
Profit on bank deposits received	26	273,556	140,123
Net cash used in investing activities		(805,825)	(89,258)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment long-term financing - net	16	(8,154,592)	(6,908,184)
Net increase in cash and cash equivalents		4,061,057	2,818,689
Cash and cash equivalents at the beginning of the year		6,105,556	3,286,867
Cash and cash equivalents at the end of the year		<u>10,166,613</u>	<u>6,105,556</u>
NON-CASH INVESTING ACTIVITIES			
Capitalization of exchange loss	5	(666,821)	(14,328,740)

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

15



CHIEF EXECUTIVE



DIRECTOR

CENTRAL POWER GENERATION COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Share capital	Revenue Reserve - Accumulated losses	Total
Note	----- Rupees in thousands -----		
Balance as at 01 July 2018	500	(7,550,086)	(7,549,586)
Profit for the year	-	3,516,842	3,516,842
Other comprehensive loss for the year	-	(1,585,037)	(1,585,037)
Total comprehensive income for the year	-	1,931,805	1,931,805
Balance as at 30 June 2019	500	(5,618,281)	(5,617,781)
Profit for the year	-	1,209,536	1,209,536
Other comprehensive loss for the year	-	(353,964)	(353,964)
Total comprehensive income for the year	-	855,572	855,572
Balance as at 30 June 2020	500	(4,762,709)	(4,762,209)

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



CHIEF EXECUTIVE



DIRECTOR

CENTRAL POWER GENERATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1 THE COMPANY AND ITS ACTIVITIES

1.1 Central Power Generation Company Limited (the Company) was incorporated on 26 October 1998 as a public limited company under the Companies Act, 2017, with its registered office situated at 185, WAPDA House, Shahrah-e-Quaid-e-Azam, Lahore. The Company was formed to acquire all the properties, assets and liabilities of Thermal Power Station (TPS) Guddu, TPS Sukkur and TPS Quetta from Water And Power Development Authority (WAPDA). The Company's main objective is the generation and sale of electricity.

1.2 Business transfer agreement

The Company took over certain properties, assets, rights, obligations and liabilities relating to generation of electricity from WAPDA under a Business Transfer Agreement (BTA) dated 02 March 1999. The details of assets, liabilities and related matters as provided under clause 1.1 of the BTA have been finalized with WAPDA through a Supplementary Business Transfer Agreement (SBTA). However, according to clause 10-A(iii) of SBTA, the BTA will be effective upon execution of agreements relating to the loans / liabilities assumed by the Company as a consequence of the BTA, which is still in process.

1.3 Geographical location of head office and business units

- The head office of the Company is situated at TPS Guddu, District Kashmore, Sindh.
- The location, installed capacity, operational status and generation license granted by National Electric Power Regulatory Authority (NEPRA) under section 15 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, through license no. GL/02/2002 dated 01 July 2002 and subsequently through modification dated 10 July 2019 of the power plants of the Company are as follows:

Thermal Power Stations (TPS)	Block	Installed capacity (MW)	Status	Generation licence upto
TPS Guddu	Block I	415.00	Operational	2024
	Block II	600.00	Operational	2023
	Block III	420.00	Non-operational	-
	Block IV	220.00	Non-operational	-
	Block V	776.70	Operational	2042
TPS Sukkur	-	50.00	Non-operational	-
TPS Quetta	-	50.94	Non-operational	2029
		2,532.64		

1.4 Impact of COVID-19 on the financial statements

The World Health Organization declared COVID-19 a global pandemic on 11 March 2020. Accordingly, on 20 March 2020, the Government of Pakistan announced temporary lock down as a measure to reduce the spread of COVID-19. The outbreak of COVID-19 has had a distressing impact on overall demand in the global economy with notable downgrade in growth forecasts.

The Company's management is fully cognizant of the business challenges posed by the COVID-19 outbreak and closely monitoring the possible impacts on the Company's operations and liquidity positions and believes that its current policies for managing credit, liquidity and market risk are adequate in response to current situation.

Further, subsequent to year end, the situation is improved with the easing of lock down and re-opening of the businesses.

The management has assessed the impact of the COVID-19 on the financial statements and concluded that there is no material financial impact of COVID-19 on the carrying amounts of assets, liabilities, income or expenses which required specific disclosures.

2. STATEMENT OF COMPLIANCE

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

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

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

Securities and Exchange Commission of Pakistan's (SECP) through its S.R.O. no.24(I)/2012 dated January 16, 2012 and S.R.O 986(I)/2019, dated September 02, 2019, has granted exemption from requirements of International Financial Reporting Standards ("IFRS") to all companies that have executed their power purchase agreements before 01 January 2019, as follows:

- a) IFRS 16 (Leases) to the extent of the power purchase agreements executed before the effective date of IFRS 16 i.e. 01 January 2019;
- b) International Accounting Standard 21 (The Effects of Changes in Foreign Exchange Rates) to the extent of capitalization of exchange differences; and
- c) In case of capitalization of exchange differences under (b) above, recognition of embedded derivative under IFRS 9 (Financial Instruments) shall not be permitted.

Related disclosures applicable due to departure of above IFRS requirements are stated in Note 34 and 35 to the financial statements.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention unless other wise stated.

3.2 Functional and presentation currency

These financial statements are presented in Pak Rupee which is the Company's functional currency. Amounts presented in the financial statements have been rounded off to the nearest thousand of Rupees, unless otherwise stated.

3.2 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standard requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the application of Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are documented in the following accounting policies and notes, and relate primarily to:

	Note
a) Useful life and depreciation method of fixed assets	4.2 & 5
b) Provision against obsolete / slow moving inventories	4.3, 7 & 8
c) Obligation of defined benefit obligation	4.10 & 19
d) Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses)	4.15, 12, 17 & 28
e) Provisions	4.17
d) Revenue from contract with customer	4.11 & 23

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Standards, interpretations and amendments to published approved accounting standards those are effective in current year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

IFRS 16 – Leases

IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)

IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)

IFRIC 23 - Uncertainty over Income Tax Treatments

IFRS 3 - Business Combinations - Previously held Interests in joint operation - (Amendments)

IFRS 11 - Joint Arrangements - Previously held interests in a joint operation - (AIP)

IAS 23 - Borrowing Costs - Borrowing costs eligible for capitalization

IFRS 9 - Prepayment Features with Negative Compensation - (Amendments)

IAS 12 - Income Taxes - Income tax consequences of payments on financial instruments classified as equity

IFRS - 14 - Regulatory Deferral Accounts

The adoption of the above standards, amendments, improvements to accounting standards and interpretations did not have any material impact on the financial statements except for IFRS 16. However, the Company has availed the exemption granted by SECP as described in Note 2 to the financial statements.

4.2 Property, plant and equipment

a) Cost

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any, except for freehold land, which is stated at cost. Cost of operating fixed assets comprises historical cost and other expenditure pertaining to the acquisition, construction, erection and installation of these assets.

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. Major overhauling and improvements are capitalized, while all other repair and maintenance costs are charged to statement of profit or loss during the year in which they are incurred.

Further, as described in Note 4.19 to the financial statements, exchange gains and losses on long term foreign currency loans utilized for acquisition of assets are added to/deducted from cost of property, plant and equipment.

b) Depreciation

Depreciation on property, plant and equipment is charged to statement of profit or loss on straight line method so as to write off the carrying amount of an asset over its estimated useful life at the rates given in Note 5.1 to the financial statements. Depreciation charge commences from the month in which asset is available for use and no depreciation is charged in the month of disposal.

Spare parts and servicing equipment are classified as property, plant and equipment under plant and machinery rather than stores, spare parts and loose tools when they meet the definition of property, plant and equipment. Available for use capital spares and servicing equipment are depreciated over their useful lives, or the remaining life of principal asset, whichever is lower.

Judgment and estimates

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any changes in estimate is accounted for on a prospective basis.

c) Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the statement of profit or loss in the year during which the asset is derecognized.

d) Impairment of assets

The Company assesses at each statement of financial position date whether there is any indication that assets excluding inventory may be impaired. In making these assessment, the Company uses the technical resources available inside/outside the Company, as appropriate. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the statement of profit or loss.

e) Capital work-in-progress

Capital work-in-progress represents expenditure on property, plant and equipment which are in the course of construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

Capital work-in-progress is stated at cost less any identified impairment loss.

4.3 Inventories**a) Stores, spares parts and loose tools**

These are valued at lower of cost, determined on weighted average basis, and net realizable value. Cost represents the invoice values directly attributable thereon. Provision is made for obsolete and slow moving items, if any.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

b) Stock-in-trade

Stock-in-trade are valued at lower of cost, determined on weighted average basis, and net realizable value.

Materials-in-transit are stated at cost. Cost of items-in-transit represents the invoice value plus other charges incurred thereon till the reporting date.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to make the sale. Provision is made for obsolete stock-in-trade, if any.

Judgment and estimates

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made on each reporting date for excess inventories, obsolescence and declines in net realizable value and a provision is recorded against the inventory balances for any such declines.

4.4 Trade debts

Trade debts are initially measured at their transaction price under IFRS 15 and subsequently measured at amortized cost less any allowance for expected credit losses.

4.5 Cash and cash equivalents

Cash and cash equivalents are carried at amortized cost and comprise cash at banks in current and deposit

4.6 Loan, advances and other receivables

Advances are recognized at cost, which is the fair value of the consideration given. However, an assessment is made at each reporting date to determine whether there is an indication that an advance may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying value.

Further, as disclosed in Note 4.12 to the financial statements, loan to related party and other receivables are recognized at amortized cost and being receivable from government owned entities, no ECL is recognized on them.

4.7 Government grants

Grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognized as deferred grant and released to income in equal amounts over the expected useful life of the related asset.

4.10 Staff retirement benefit and other long-term benefits

The main features of the schemes operated by the Company for its employees are as follows:

a) Defined benefit plans

The Company operates unfunded pension, post retirement free electricity and medical benefits schemes for all its permanent employees. Provisions are made, annually, to cover obligations under these schemes, by way of a charge to statement of profit or loss, calculated in accordance with the actuarial valuation. The most recent valuation in this regard was carried out as at 30 June 2020, using the Projected Unit Credit Method. All re-measurement gains and losses are recognized in 'Other Comprehensive Income net of deferred tax' as they occur.

b) Accumulating compensated absences

The employees of the Company are entitled to accumulating compensated absences, which are encashable at the time of retirement up to a maximum limit of 365 days. Actuarial gains and losses on long-term compensated absences are recognized in statement of profit or loss.

c) Other benefits

For General 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.

As the General Provident Fund and WAPDA welfare fund are maintained by WAPDA on behalf of the Company, therefore relevant disclosures required under Section 218 and Fifth Schedule of the Companies Act 2017 are not applicable on the Company.

Judgement and estimates

The Company has made certain actuarial assumption as disclosed in Note 19.4 to the financial statements for valuation of present value of defined benefit plans and accumulating compensated absences.

4.11 Revenue from contract with customer

The Company is engaged in the business of generation of electricity. The Company signed its Power Purchase Agreement (PPA) with Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), the sole customer of Company. In accordance with the PPA, the Company has assessed the following performance obligations:

- Making capacity available; and
- Delivering Net Electrical Output (NEO).

The Company has generally concluded that it is the principal in all of its revenue arrangements.

Judgment and estimates

The Company uses significant judgement and estimates in recognition of revenue from customer as follows:

a) Estimating transaction price

Energy and capacity charges are recognized at the tariff approved by the National Electric Power Regulatory Authority (NEPRA) under the mechanism laid down in the PPA. The Company has applied the practical expedient of recognizing revenue in the amount to which the Company has a right to invoice, being a right to consideration from CPPA-G in an amount that corresponds directly with the value to the CPPA-G, of the entity's performance completed to date.

The amount of revenue recognized in respect of sale of electricity includes the estimates of variable consideration when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur in future or when the uncertainty associated with the variable consideration is subsequently resolved. There is no significant financing component attached to the receivables from the customer.

b) Determination of timing of satisfaction of performance obligation

Revenue for:

- Sale of electricity to the CPPA-G (energy charges) is recognized when the Company satisfies performance obligation by delivering NEO to CPPA-G; and
- Capacity of the plant (capacity charges) is recognized when due, using the 'performance obligation satisfied over time' approach under IFRS 15 as the customer simultaneously receives and consumes the benefits provided by the Company's performance.

The energy and capacity charges are billed on monthly basis in arrears and in advance accordingly, in accordance with terms of PPA and have a credit period of 30 days.

4.12 Financial assets**a) Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as disclosed in Note 4.11 to the financial statements.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's financial assets which includes bank balances, trade debt, long term deposits, loan to related party and other receivables, are recorded at amortized cost.

b) Subsequent measurement

The Company subsequently measures financial assets at amortized cost using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

d) Impairment

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

SECP, through its S.R.O no. 985(I)/2019, dated 02 September 2019, has exempted the requirements contained in IFRS-9 (Financial Instruments) related to application of Expected Credit Losses method till 30 June 2021, in respect of financial assets due or ultimately due from the Government of Pakistan (GOP). The major financial assets of the Company include trade debt, loan and long term deposits from GOP or GOP owned entities. Accordingly, the Company has not recorded ECL against these financial assets. The impairment under IFRS 9 on financial assets other than these assets is insignificant and accordingly has not been incorporated in the financial statements.

4.13 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, long-term financing and interest accrued on long-term financing.

b) Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Further, the Company does not have any financial liability classified at fair value through profit and loss.

c) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

4.14 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

4.15 Taxation

a) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The charge for income tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

i) Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. The Company takes benefit of any tax credit and rebate.

Under Power Purchase Agreement (PPA), dated 20 September 2015, with Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), the Company can pass on the impact of any income tax paid to CPPA-G. In 2017, the Company filed a petition with NEPRA on 21 June 2017, for revision of tariff to incorporate the effect of the income tax paid by the Company. The management of the Company intends to recognize the resultant revenue, upon notification of new tariff, as a matter of prudence.

ii) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses and credits only if it is probable that future taxable amounts will be available to utilize those temporary differences and unused tax losses and credits.

Current and deferred tax is recognized in 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.

Judgment and estimates

Significant judgment is required in determining the income tax expenses and corresponding provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain as these matters are being contested at various legal forums. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

5

Further, the carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. If required, carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits to allow the benefit of part or all of that recognized deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Off-setting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

b) Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

4.16 Trade and other payables

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether or not billed to the Company.

4.17 Provisions

Provisions are recognized in the statement of financial position when the Company has legal or constructive obligation as a result of past events, and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Judgement and estimates

As the actual outflows can differ from estimates made for provisions, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognized provision is recognized in the statement of profit or loss unless the provision was originally recognized as part of cost of an asset.

4.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.19 Foreign currency transactions and translation

Transactions in foreign currencies are initially recorded by the Company in Rupees using the exchange rates prevailing at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated into Rupees using spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are capitalized as described in Note 2 to the financial statements.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

4.19 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan, would be effective from the date mentioned below against the respective standard or interpretation and have not been adopted early by the Company:

Standard or Interpretation	Effective date (annual periods beginning on or after
IFRS 17 - Insurance Contracts and related amendments	01 January 2023
IFRS 3 - Definition of a Business (Amendments)	01 January 2020
IAS 1 & IAS 8 - Definition of Material	01 January 2020
IAS 1 & IAS 8 - Presentation of Financial Statements Classification of liabilities	01 January 2023
IAS 16 - Property, Plant and Equipment — Proceeds before Intended Use (amendments)	01 January 2022
IAS 37 - Onerous Contracts — Cost of Fulfilling a Contract	01 January 2022
Covid-19-Related Rent Concessions (Amendment to IFRS 16)	01 June 2020
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
Annual Improvements to IFRS Standards 2018–2020	01 January 2022
IFRS - 4 Extension of the Temporary Exemption from Applying IFRS 9	01 January 2023
IFRS 7 & 9 - Financial instruments - Amendments regarding pre-replacement issues in the context of the interest rate benchmark reform (IBOR)	01 January 2020
Amendments to IFRS 3 - Business Combinations - Update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	01 January 2022

The above amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

The International Accounting Standards Board (IASB) has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan:

Standard	IASB effective date (Annual periods beginning on or after)
IFRS 1 - First-time Adoption of International Financial Reporting Standards	01 July 2009
IFRS 17 – Insurance Contracts	01 January 2021

The Company expects that adoption of above standards will not have any material impact on the Company's financial statements in the period of initial application.

CENTRAL POWER GENERATION COMPANY LIMITED

- 5.1.1** As explained in Note 1.2, the property and rights on certain assets were transferred to the Company on 02 March 1999 by WAPDA, in accordance with the terms and conditions of the BTA, between WAPDA and the Company. However, titles of the freehold land and vehicles, in the land revenue records and with the registration authority, respectively, have not been transferred in the name of the Company.
- 5.1.2** The cost of the assets as on 30 June 2020 includes fully depreciated assets amounting to Rs. 4,718,655 thousand (2019: Rs. 4,718,655 thousand) which are still in use of the Company.
- 5.1.3** This adjustment to power generation plant and equipment represents reversal of excess accrual capitalized in the year ended 30 June 2015 on estimate basis. Related depreciation charged in prior years, on the excess amount has also been reversed.
- 5.1.4** The additions to power generation plant and equipment include exchange loss in accordance with the exemption granted by SECP as stated in Note 2 to the financial statements. The movement in exchange loss capitalized is as follows:

	2020	2019
	----Rupees in thousands----	
Cost:		
Opening balance	20,546,792	6,395,657
Addition during the year	666,821	14,151,135
Closing balance	<u>21,213,613</u>	<u>20,546,792</u>
Less:		
Accumulated depreciation:		
Opening balance	322,158	63,711
Charge during the year	860,623	258,447
Closing balance	<u>1,182,781</u>	<u>322,158</u>
Written down value as at 30 June	<u><u>20,030,832</u></u>	<u><u>20,224,634</u></u>

- 5.1.5** On 14 December 2018, the GOP through Power Holding (Private) Limited (a company fully owned by the GOP and established to pay the power sector circular debt), has arranged Shariah Compliant Islamic Finance Facility through issuance of Sukuk-1 to Meezan Bank Limited amounting to Rs. 200,000 million, for the period of 10 years to settle the energy sector circular debts of all distribution companies (DISCOs). The facility is secured against the land owned by power sector entities comprising DISCOs/GENCOs. Accordingly, the GOP at the time of agreement hired independent valuer who has estimated the value of land. According to the said arrangement, the land of the Company worth Rs 1,428 million is also included in the security. The legal documents executed by the Company and the relevant counter parties reveal that the said assets have been leased out under Ijarah agreement to GOP with an undertaking to resell the assets to the Company at the end of Ijarah term. The proceeds of Sukuk Bonds have been retained by the PHPL and the said Sukuk and Ijarah rentals are to be repaid by the GOP. Further, according to the directives issued by the GOP vide letter No. PF-05(06)/12 dated 14 December 2018, the said transaction neither involves any physical transfer of the underlying assets nor creates any financial implication on the Company. Accordingly, the management has exercised its judgement and concluded that the conditions of transfer of control is not satisfied as per IFRS 15 and consequently, the said transaction is in substance, a financing arrangement. Accordingly, the Company is not required to derecognize the assets.

		2020	2019
	Note	----Rupees in thousands----	
5.1.6 Depreciation charge for the year has been allocated as under:			
Cost of revenue	24	5,599,644	4,789,755
Administrative expenses	25	114,278	97,750
		<u>5,713,922</u>	<u>4,887,505</u>

5.2 Capital work-in-progress

Opening balance	-	1,728,804
Additions during the year	10,310	491,732
Less : Transferred to property, plant and equipment	-	(2,220,536)
	<u>10,310</u>	<u>-</u>

CENTRAL POWER GENERATION COMPANY LIMITED

6. LONG TERM ADVANCES - unsecured	Note	2020 ----Rupees in thousands----	2019
Advances to employees against:			
House building / purchase of plot		60,641	59,044
Vehicles		<u>2,644</u>	<u>3,005</u>
	6.1	<u>63,285</u>	62,049
Less: Current portion of long-term advances	10	<u>(11,630)</u>	<u>(12,890)</u>
		<u><u>51,655</u></u>	<u><u>49,159</u></u>

- 6.1 Advances for house building and purchase of land are recoverable over 10 years, whereas, advances for car / motorcycle are recoverable over 5 years. Interest is charged on these advances at the same interest rate as that payable on the employees' balances with the General Provident Fund, maintained by WAPDA.

7. STORES, SPARE PARTS AND LOOSE TOOLS	Note	2020 ----Rupees in thousands----	2019
TPS Guddu		<u>3,728,987</u>	2,426,635
Less: Provision for slow moving / obsolete items		<u>(95,402)</u>	<u>(95,402)</u>
		<u>3,633,585</u>	2,331,233
TPS Quetta		<u>159,062</u>	159,062
Less: Provision for slow moving / obsolete items		<u>(159,062)</u>	<u>(159,062)</u>
		-	-
TPS Sukkur		<u>24,607</u>	24,607
Less: Provision for slow moving / obsolete items		<u>(24,607)</u>	<u>(24,607)</u>
		-	-
	7.1	<u><u>3,633,585</u></u>	<u><u>2,331,233</u></u>

- 7.1 Movement during the year is as follows:

Opening balance		2,610,304	2,363,817
Additions during the year	7.2	<u>2,040,254</u>	<u>686,425</u>
		<u>4,650,558</u>	3,050,242
Less:			
Issuance during the year		<u>(721,366)</u>	<u>(439,938)</u>
Written off during the year		<u>(16,536)</u>	<u>-</u>
		<u>(737,902)</u>	<u>(439,938)</u>
		<u>3,912,656</u>	2,610,304
Less: Provision for slow moving / obsolete items		<u>(279,071)</u>	<u>(279,071)</u>
		<u><u>3,633,585</u></u>	<u><u>2,331,233</u></u>

- 7.2 This mainly represent purchase of store, spare parts and loose tools for use in Central store, Block I, Block II and Block V, situated at TPS Guddu.

8. STOCK-IN-TRADE	Note	2020 ----Rupees in thousands----	2019
	8.1	<u><u>928,352</u></u>	<u><u>928,352</u></u>

- 8.1 This represents furnace oil and high speed diesel, initially procured to be used in the generation of electricity, testing of power plants and now held for emergency operations.

15

CENTRAL POWER GENERATION COMPANY LIMITED

		2020	2019
		----Rupees in thousands----	
8.2	Movement in stock-in-trade during the year is as follows:	Note	
	Opening balance	928,352	870,461
	Net Realizable Value (NRV) adjustment	-	58,164
	Consumed during the year	-	(273)
	Balance at the end of the year	<u>928,352</u>	<u>928,352</u>

9. TRADE DEBT - unsecured

Receivable from CPPA-G	9.1	68,979,818	54,891,087
Less: Provision for doubtful debt	9.3	<u>(706,626)</u>	<u>(706,626)</u>
		<u>68,273,192</u>	<u>54,184,461</u>

9.1 Movement in receivable from CPPA-G during the year is as follows:

Opening recognized		54,891,087	17,951,359
Revenue during the year from TPS Guddu	23	<u>76,204,531</u>	<u>88,607,453</u>
		131,095,618	106,558,812
Less:			
Funds received during the year		(62,115,800)	(46,696,000)
Adjustment due to adoption of IFRS 15 as at 01 January 2019		-	(4,960,682)
Against management fee paid on behalf of the Company		-	(11,043)
		<u>(62,115,800)</u>	<u>(51,667,725)</u>
	9.2	<u>68,979,818</u>	<u>54,891,087</u>

9.2 This includes receivable against supply of electricity:

		2020	2019
		----Rupees in thousands----	
On open cycle generation	9.2.1	12,651,277	10,267,062
From TPS Quetta	9.2.2	1,683,492	1,683,492
From rental power project Naudero-I	9.2.3	<u>722,852</u>	<u>722,852</u>
		<u>15,057,621</u>	<u>12,673,406</u>

9.2.1 This represents amount receivable from CPPA-G in respect of supply of electricity on open cycle generation of the Company. The Company had invoiced CPPA-G, against the electricity supplied from 747 MW plant using rates applied for open cycle generation, which has not been acknowledged by CPPA-G on the basis of NEPRA's determination dated 27 April 2018, which stated that no such rates were allowed to the Company. The Company also intends to file a review petition with NEPRA against the said determination. Further, the Company expects to recover this amount in full and hence, no provision has been recognized against this amount.

9.2.2 This represents claims of the Company against supply of electricity from TPS Quetta. The amount is disputed between CPPA-G due to non-availability of the tariff determination from NEPRA for the same. However, the management of the Company based on the opinion of legal advisor is confident about full recovery of the balance, hence, no provision has been recorded in these financial statements.

9.2.3 This represents invoices against supply of electricity from rental power project Naudero-I for the period from May 2010 to March 2012 amounting to Rs. 1,639,293 thousands in gross. The amount is not processed by CPPA-G on the grounds that honorable Supreme Court of Pakistan (SCP) had declared all the contracts with rental power projects void ab initio. However, the management of the Company is confident of full recovery of the balance as the related electricity was supplied upon the instructions of National Transmission and Dispatch Company Limited. However, being prudent, the management has only recorded receivable balance amounting to Rs. 722,852 thousands which comprises only fuel cost and fixed cost component of the invoices excluding sales tax.

15

- 9.3 This represents the provision made against the long term receivable from CPPA-G.
- 9.4 Maximum amount outstanding at anytime during the year with reference to month end was Rs. 79,177,746 thousand (2019: Rs. 54,981,087 thousand).
- 9.5 The age analysis is provided in Note 31.2.

	Note	2020	2019
		----Rupees in thousands----	
10. ADVANCES, LOAN AND PREPAYMENTS			
Advances - unsecured	10.1	604,028	3,195,931
Loan to related party	10.2	424,770	238,617
Prepayments		1,104	-
		<u>1,029,902</u>	<u>3,434,548</u>

10.1 Advances - unsecured

Advances to employees against:

- Travelling
- Other expenses

Advances to suppliers / contractors
Current portion of long term advances

Less: Provision for doubtful advances

		180	835
		1,057	896
		1,237	1,731
10.1.1		632,914	3,181,310
6		11,630	12,890
		645,781	3,195,931
10.1.2		(41,753)	(41,753)
		<u>604,028</u>	<u>3,154,178</u>

- 10.1.1 This includes an advance of Rs. 491,022 thousand (2019: Rs. 566,296 thousand) paid to the Chief Resident Representative Karachi (CRRK) WAPDA, an associated entity, for the import of equipments, stores and spare parts.

Maximum amount outstanding with CRRK WAPDA at anytime during the year with reference to month end amounted to Rs. 639,296 thousand (2019: Rs. 1,099,744 thousand).

- 10.1.2 These represent advances extended to following parties against rental power projects:

		2020	2019
		----Rupees in thousands----	
<u>Party Name</u>	<u>Project</u>		
Pakistan Power Resource-LLC	110 MW Guddu	1,404	1,404
Walters Power International	51 MW Naudero-I	40,349	40,349
		<u>41,753</u>	<u>41,753</u>

The Company has issued demand notices for recovery of these advances. The matter is under investigation by the National Accountability Bureau (NAB), as part of the larger investigation ordered by the honorable Supreme Court of Pakistan into rental power projects. The management of the Company is confident about the recovery of advances, however, as a matter of prudence, the Company has recognized a provision against the full amount.

- 10.2 This represents loan given to Lakhra Power Generation Company Limited (GENCO-IV), an associated company. The loan is interest free and has been given under the instructions of GOP.

5

CENTRAL POWER GENERATION COMPANY LIMITED

11. OTHER RECEIVABLES	Note	2020 ----Rupees in thousands----	2019
Due from:			
Associated undertakings	11.1	994,006	1,016,158
Walters Power International	11.2	194,056	194,056
		1,188,062	1,210,214
Accrued interest on bank deposits		9,404	5,460
Less:		1,197,466	1,215,674
Provision for doubtful receivable from Walter Power International	11.2	(194,056)	(194,056)
		<u>1,003,410</u>	<u>1,021,618</u>

11.1 Due from associated undertakings

WAPDA	11.1.1	135,327	131,777
Northern Power Generation Company Limited (NPGCL)		767,701	774,816
Chief Resident Representative Karachi (CRRK)		6,532	23,669
Jamshoro Power Generation Company Limited (GENCO-I)		84,446	85,764
Lakhra Power Generation Company Limited (GENCO-IV)		-	132
	11.1.2	<u>994,006</u>	<u>1,016,158</u>

11.1.1 The net amount includes a receivable from WAPDA as follows:

Workers' Welfare Fund	32,773	29,223
Others	102,554	102,554
	<u>135,327</u>	<u>131,777</u>

11.1.2 Maximum amounts outstanding at anytime during the year calculated with reference to month end balance as follows:

	2020 ----Rupees in thousands----	2019
WAPDA	39,638	133,229
Northern Power Generation Company Limited (GENCO-III)	771,239	760,998
Jamshoro Power Generation Company Limited (GENCO-I)	85,861	85,669
Lakhra Power Generation Company Limited (GENCO-IV)	-	151

The receivable is unsecured and is neither past due nor impaired.

11.2 This amount is receivable from Walters Power International against the cost of gas used during the trial run period, paid by the Company, in the year ended 30 June 2010 and 2011. The amount is doubtful due to ongoing investigation of NAB as disclosed above in Note 10.1.2. Therefore, being prudent, the Company has recognized a provision against the full amount.

12. TAX REFUNDS DUE FROM THE GOVERNMENT	Note	2020 ----Rupees in thousands----	2019
Sales tax	12.1	4,274,507	3,581,177
Less : Provision for doubtful refunds		(492,807)	(492,807)
Sales tax - net		3,781,700	3,088,370
Income tax		480,823	914,454
		<u>4,262,523</u>	<u>4,002,824</u>

12.1 This includes an amount of Rs. 100,000 thousand deposited by the Company in 2017 under the protest, in the government treasury, in response to a verbal demand of the taxation authorities. The management is confident of full recovery.

CENTRAL POWER GENERATION COMPANY LIMITED

13.	BANK BALANCES	Note	2020	2019
			----Rupees in thousands----	
	Deposit accounts - local currency	13.1	<u>10,166,613</u>	<u>6,105,556</u>
13.1	These carry interest ranging from 7.5% to 12.7% (2019: 4.5% to 11.65%) per annum.			
14.	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL	Note	2020	2019
			----Rupees in thousands----	
	50,000 (2019: 50,000) ordinary shares of Rs. 10 each, fully paid in cash	14.1	<u>500</u>	<u>500</u>
14.1	All the shares are held by the Government of Pakistan (GOP).			
15.	DEPOSIT FOR SHARES	Note	2020	2019
			----Rupees in thousands----	
	Incorporation expenses incurred by WAPDA		5,020	5,020
	Allocation of debt services liability	15.1	3,070,460	3,070,460
	Conversion of long term loan	15.2	<u>268,439</u>	<u>268,439</u>
			<u>3,343,919</u>	<u>3,343,919</u>
15.1	This represents the debt services provided by WAPDA on foreign relent and cash development loans, against which the Company will issue shares to WAPDA, upon WAPDA's instructions.			
15.2	This represents the conversion of long-term loans obtained by WAPDA, and payable to the GOP, into equity of the GOP in WAPDA. WAPDA has passed this effect to the Company. The Company will issue shares to WAPDA, upon WAPDA's instructions.			
16.	LONG TERM FINANCING	Note	2020	2019
			----Rupees in thousands----	
	From financial institutions, secured			
	Foreign direct loans	16.1	39,135,390	46,627,483
	From related party, unsecured			
	Foreign relent loans	16.2	133,854	133,854
	Cash development loans			
	- For 747MW	16.3	<u>7,873,396</u>	<u>7,873,396</u>
	- For general purpose	16.4	<u>171,142</u>	<u>171,142</u>
			<u>8,044,538</u>	<u>8,044,538</u>
			<u>47,313,782</u>	<u>54,805,875</u>
	Less : Current portion shown under current liabilities			
	Foreign direct loans		<u>8,696,753</u>	<u>8,477,724</u>
	Foreign relent loans		<u>133,854</u>	<u>133,854</u>
	Cash development loans:			
	- For 747MW		<u>713,848</u>	<u>546,153</u>
	- For general purpose		<u>102,369</u>	<u>79,835</u>
			<u>9,646,824</u>	<u>9,237,566</u>
			<u>37,666,958</u>	<u>45,568,309</u>
16.1	This represents an export credit facility obtained from a consortium of banks for a period of 6 years, with Hong Kong Shanghai Banking Corporation and The Export-Import Bank of China as the mandated lead arrangers, having a sanctioned limit of \$ 464,084,737. The last tranche was drawn during 2016. Actual drawdown amounted to \$ 463,826,843 equivalent to Rs. 48,701,818 thousand at spot exchange rate. The loan was obtained to finance the 747 MW power generation plant, and is repayable in eighteen equal semi-annual installments commencing from 21 January 2016. The loan carries mark-up at the rate of LIBOR plus 2.4% with the effective interest rate of 4.24% as of 30 June 2020 (2019: LIBOR plus 2.4% with the effective interest rate of 5.22%). The loan is secured by way of a guarantee issued by the President of the Islamic Republic of Pakistan, through the Ministry of Finance and Revenue (MoFR).			

- 16.2** These represent various re-lent loans granted to the Company from MoFR through WAPDA, for the purpose of meeting cash requirements of the Company. These loans were payable in 12 to 13 equal annual installments, commencing from 30 June 2004. The interest rate on these loans is 11% (2019: 11%) per annum. The Company has not made any payment to settle the principal, and related interest accrued, since the year ended 30 June 2015. However, the Company intends to settle the outstanding balance in due time, after receipt of specific instructions from MoFR.
- 16.3** These represent three loans obtained by the Company from MoFR for financing 747 MW power generation plant. The loans are repayable in 20 annual installments, commencing from 30 June 2011. The interest rate on these loans ranges from 12.64% to 13.61% (2019: 12.64% to 13.61%) per annum. The interest payment commenced from 30 June 2016. The Company has not made any payment to settle the principal, and related interest accrued, since the year ended 30 June 2015. However, the Company intends to settle the outstanding balance in due time, after receipt of specific instructions from MoFR.
- 16.4** These represent two loans obtained by the Company from MoFR through WAPDA for the purpose of meeting general cash requirements of the Company. These loans are repayable in 20 equal annual installments, commencing from 30 June 2004. The interest rate on these loans ranges from 17.71% to 18.03% (2019: 17.71% to 18.03%) per annum. The Company has not made any payment to settle the installments, and related interest accrued, since the year ended 30 June 2015. However, the Company intends to settle the outstanding balance in due time, after receipt of specific instructions from MoFR.
- 16.5** As at 30 June 2020, total loan installments and interest accrued amounting to Rs. 759,843 (2019: Rs. 592,495) thousand and Rs. 5,195,460 (2019: Rs. 4,191,662) thousand, respectively, are overdue. The remaining outstanding balances and the related interest accrued will also be settled upon specific instructions from MoFR. All of the overdue balances have been shown under current liabilities and no interest is charged on the outstanding balance, after their due dates.

	2020	2019
16.6 The movement in long term financing is as follows:	---Rupees in thousands---	
Opening balance	54,805,875	48,912,696
Repayments during the year	(8,154,592)	(6,908,184)
Exchange loss for the year - net	662,499	12,801,363
	<u>47,313,782</u>	<u>54,805,875</u>

17. DEFERRED TAXATION - NET

Deferred tax liability resulting from:

Accelerated depreciation on property, plant and equipment	16,813,410	16,184,541
---	------------	------------

Deferred tax asset resulting from:

Unabsorbed depreciation	(5,218,661)	(6,359,203)
Staff retirement benefits	(8,961,315)	(7,954,156)
Provision for doubtful debts	(204,922)	(204,922)
Tax credit under section 65B	-	(553,196)
Provision for disputed gas payables	(118,748)	(118,748)
	<u>(14,503,646)</u>	<u>(15,190,225)</u>
	<u>2,309,764</u>	<u>994,316</u>

18. DEFERRED GRANT

Opening balance		397,181	595,771
Less: Amortized during the year	26	<u>(198,590)</u>	<u>(198,590)</u>
		<u>198,591</u>	<u>397,181</u>

- 18.1** This represents the grant received from United States Agency for International Development (USAID) for major overhauling of the 600 MW plant of the Company.

19. STAFF RETIREMENT BENEFITS

Four types of staff benefits are offered by the Company itself, namely pension obligations, medical benefits, free electricity and accumulated compensated absences.

R

	Defined benefit scheme				Other long-term benefit ---			
	Pension obligations - unfunded		Medical benefits		Free electricity		Accumulated compensated absences	
	2020	2019	2020	2019	2020	2019	2020	2019
	Rupees in thousands							
19.1 The amounts recognized in the statement of financial position								
Present value of defined benefit obligations	24,604,429	21,720,692	3,467,102	2,625,777	2,086,692	2,255,177	742,862	826,478
							30,901,085	27,428,124
19.2 Changes in the present value of defined benefit obligations:								
Opening balance	21,720,692	19,370,212	2,625,777	2,475,945	2,255,177	1,079,291	826,478	795,919
Current service cost	188,027	191,530	57,456	50,856	85,642	87,145	493	3,652
Interest cost	3,080,161	1,899,547	373,720	244,364	326,949	107,893	111,867	76,073
Benefits paid during the year	(956,407)	(749,476)	(96,796)	(64,619)	(716)	(725)	(82,898)	(70,388)
Actuarial loss / (gain) on obligation	571,956	1,008,879	506,945	(80,769)	(580,360)	981,573	(113,078)	21,222
Balance at the end of the year	24,604,429	21,720,692	3,467,102	2,625,777	2,086,692	2,255,177	742,862	826,478
							30,901,085	27,428,124
19.3 Charge for the year to:								
Profit or loss								
Current service cost	188,027	191,530	57,456	50,856	85,642	87,145	493	3,652
Interest cost	3,080,161	1,899,547	373,720	244,364	326,949	107,893	111,867	76,073
Actuarial (gain) / loss recognized	-	-	-	-	-	-	(113,078)	21,222
	3,268,188	2,091,077	431,176	295,220	412,591	195,038	(718)	100,947
							4,111,237	2,682,282
Other comprehensive income								
Actuarial loss / (gain)	571,956	1,008,879	506,945	(80,769)	(580,360)	981,573	-	-
							498,541	1,909,683
19.3.1 Charge to profit or loss has been allocated as follows:								
Cost of revenue	3,039,415	1,944,702	400,994	274,555	383,710	181,385	(668)	93,881
Administrative expenses	228,773	146,375	30,182	20,665	28,881	13,653	(50)	7,066
	3,268,188	2,091,077	431,176	295,220	412,591	195,038	(718)	100,947
							4,111,237	2,682,282



----- Defined benefit scheme ----- --- Other long-term benefit ---

Pension obligations - unfunded	Medical benefits		Free electricity		Accumulated compensated absences	
	2020	2019	2020	2019	2020	2019
Discount rate	10.00%	14.50%	10.00%	14.50%	10.00%	14.25%
Future salary increase	10.00%	14.50%	10.00%	14.50%	10.00%	14.25%
Long-term salary increase rate	10.00%	14.50%	10.00%	14.50%	10.00%	14.25%
Indexation rate	8.00%	8.25%	-	-	-	-
Medical indexation rate - medical allowance	-	-	2.50%	2.50%	-	-
Medical indexation rate - medical facility	-	-	10.00%	10.00%	-	-
Annual medical claim - medical facility	-	-	Rs.63,864p.a.	Rs.50,307p.a.	-	-
Electricity indexation rate (p.a.)	-	-	-	8.00%	12.50%	-

19.4 Significant actuarial assumptions at the reporting date are:

Discount rate
Future salary increase
Long-term salary increase rate
Indexation rate
Medical indexation rate - medical allowance
Medical indexation rate - medical facility
Annual medical claim - medical facility
Electricity indexation rate (p.a.)

Experience adjustments on obligations			Present value of defined benefit obligations		
Pension obligations	Medical benefits	Free electricity	Pension obligations	Medical benefits	Free electricity
Rupees in thousands			Rupees in thousands		

19.5 Historical information:

2020	571,956	506,945	(580,360)	(113,078)	24,604,429	3,467,102	2,086,692	742,862
2019	1,008,879	(80,769)	981,573	21,222	21,720,692	2,625,777	2,255,177	826,478
2018	731,079	(105,293)	(1,397,001)	26,293	19,370,212	2,475,945	1,079,291	795,919
2017	440,887	406,356	(1,293,223)	64,214	16,556,695	2,268,604	2,183,122	717,986
2016	1,601,587	(470,753)	957,121	-	14,931,811	1,677,886	3,175,018	643,778
2015	2,377,583	456,501	(66,241)	-	12,500,241	1,897,371	1,950,483	972,990

19.6 Risks associated with the above benefits:

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

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what was assumed.

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.

Withdrawal risk - The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

19.7 Sensitivity analysis

The calculations of the defined benefit obligation and other long-term benefit are sensitive to the significant actuarial assumptions, as disclosed in Note 19.4. The table below summarizes how the defined benefit obligation and long-term benefit at the end of the reporting period would have increased / decreased, as a result of change in respective significant assumptions:

	Impact on defined benefit	
	1% increase in assumption	1% decrease in assumption
	----Rupees in thousands----	
Discount rate		
Pension obligation - unfunded	21,676,134	28,802,986
Medical benefits	2,879,489	4,189,861
Free electricity	1,761,890	2,479,553
Accumulated compensated absences	684,001	800,750
Salary increase rate		
Pension obligation - unfunded	25,096,595	23,933,766
Medical benefits	807,156	677,553
Pension indexation rate		
Pension obligation - unfunded	28,307,077	21,974,660
Medical inflation rate		
Medical benefits	4,228,809	2,884,060
Electricity indexation rate		
Free electricity	2,515,349	1,732,093

19.8 As at reporting date, the weighted average life of the defined benefit and long term benefit scheme was 14 years (2019: 11.75 years).

19.9 Expected defined benefit cost to be recognized for the year ended 30 June 2021, would be as follows:

	Rupees in thousands
Pension obligations - unfunded	2,667,273
Medical benefits	409,912
Free electricity	302,876
Accumulated compensated absences	74,829
	<u>3,454,890</u>

20.	TRADE AND OTHER PAYABLES	Note	2020	2019
			----Rupees in thousands----	
	Trade creditors	20.1	91,184,218	75,240,724
	Payable for capital expenditure		420,127	398,277
	Payable to General Electrics		4,816,681	7,381,938
	Due to associated undertakings	20.2	7,161,404	6,252,106
	Amounts withheld from gas suppliers		409,477	409,477
	Accrued liabilities		409,199	196,332
	Retention money payable		4,278	7,883
	Withholding tax payable		11,073	3,379
	Other liabilities		44,183	65,367
			<u>104,460,640</u>	<u>89,955,483</u>

20.1 This includes Gas Infrastructure Development Cess (GIDC) payable to gas suppliers is amounting to Rs. 10,473,482 thousand. The GIDC payable by the Company forms part of the tariff approved by NEPRA. The movement is as follows:

	2020	2019
	----Rupees in thousands----	
Opening balance	11,096,016	7,411,870
Accrued during the year	6,130,456	9,945,343
Payment during the year	(6,752,990)	(6,261,197)
	<u>10,473,482</u>	<u>11,096,016</u>

20.2 Due to associated undertakings

This represents the net amounts payable to various related parties on account of free electricity provided to the families of the Company's employees, residing within the territorial jurisdiction of these related parties, and payments of other expenses incurred on behalf of the Company. A party wise breakup is as follows:

	2020	2019
	----Rupees in thousands----	
Faisalabad Electric Supply Company Limited	7,745	5,522
Gujranwala Electric Power Company Limited	3,533	2,669
Hyderabad Electric Supply Company Limited	1,503,880	1,499,556
Quetta Electric Supply Company Limited	4,344	3,297
Islamabad Electric Supply Company Limited	6,018	5,371
Lahore Electric Supply Company Limited	7,526	4,619
Multan Electric Power Company Limited	68,468	53,652
Peshawar Electric Supply Company Limited	3,431	3,144
Sukkur Electric Power Company Limited	5,184,040	4,323,300
WAPDA	48,015	48,795
National Transmission Dispatch Company Limited	299,180	302,181
Lakhra Power Generation Company Limited (GENCO-IV)	5,167	-
GENCO Holding Company Limited	20,057	-
	7,161,404	6,252,106

21. INTEREST ACCRUED ON LONG TERM FINANCING

Foreign direct loan	747,563	1,088,364
Guarantee fee on foreign direct loan	1,542,491	1,342,678
Foreign relent loan	15,668	15,668
Cash development loans:		
For 747MW	5,045,736	4,061,725
For general purpose	134,057	114,270
	5,179,793	4,175,995
	7,485,515	6,622,705

22. CONTINGENCIES AND COMMITMENTS**22.1 Contingencies:**

22.1.1 A large number of small cases have been filed against the Company, primarily by the Company's employees 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 on the part of the Company, in respect of such cases.

22.1.2 The Company has not accounted for interest on overdue payments of its gas suppliers i.e. Pakistan Petroleum Limited (PPL) and Mari Petroleum Company Limited (MPCL), amounting to Rs. 17,145,233 (2019: Rs. 12,881,291) thousand and Rs. 4,944,575 (2019: Rs. 2,579,962) thousand respectively, as calculated by the Company against Rs. 22,011,848 (2019: Rs. 15,067,642) thousand demanded by PPL and Rs. 13,715,439 (2019: Rs. 10,029,000) thousand demanded by MPCL. The Company has signed Gas Supply Agreement and Gas Sales Term Sheet with PPL, on 23 October 2017, and MPCL, on 20 June 2017, effective from 08 May 2013 and 09 February 2016 respectively. These arrangements replaced the previous Gas Supply Agreements (Old GSAs) signed between WAPDA and these counterparties, with effect from respective effective date. The respective Gas Supply Agreements and Gas Sales Term Sheet with PPL and MPCL require the Company to pay Late Payment Surcharge (LPS), at the rate of six months KIBOR + 2.5% and at an average rate of six months KIBOR + 2.5%, respectively. LPS was also payable under the Old GSAs. The Company, however, has not yet made a final estimate of the amount which the Company shall be liable to pay in respect of LPS; and is currently in negotiation with MPCL and PPL to waive off any LPS. As management is confident that the LPS shall be waived off by the respective parties, the related charges have not been recognized by the Company in these financial statements.

Further, the Company has claimed LPS from Central Power Purchasing Agency – (Guaranteed) Limited (CPPA – G) due to delayed payments by CPPA-G amounting to Rs. 18,062,870 (2019: Rs. 10,888,455) thousand. However, the Company has not recognized the amount receivable in these financial statements.

Moreover, finalization of agreement with SNGPL is in process, whereas, the Company has ceased to purchase gas from SSGCL. SNGPL have demanded Rs. 13,661,664 (2019: Rs. 10,954,858) thousand as interest on overdue payments. The management of the Company contends that the Company is only liable to pay the interest only after formal terms and conditions have been agreed with these gas suppliers.

- 22.1.3** The Company has withheld payment of its contribution towards the Workers' Profit Participation Fund (WPPF). The matter is pending for decision with the Economic Coordination Committee 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, and accordingly, the Company has not made a provision against WPPF, amounting to Rs. 158 million (2019: 250 million), in respect of the current year.
- 22.1.4** The Assistant Commissioner Inland Revenue (ACIR) passed an order under section 122(1)/(5) of the Ordinance for the tax year 2011 while disallowing certain expenses claimed by the Company and imposition of minimum tax, resulting in an impugned demand of Rs. 35,938 thousand. Being aggrieved, the Company filed an appeal before CIR (Appeals) against impugned order passed by the learned ACIR, which was decided against the Company. Being aggrieved by the order, the Company has filed second appeal before the ATIR, which is pending adjudication. the Company's counsel is of the view that the matter will be decided in favor of the Company, accordingly, no provision has been made in these financial statements.
- 22.1.5** The Company was selected for audit under section 214(c) of the Ordinance for the tax year 2014. On the basis of audit, the assessing officer amended the original assessment under section 122(1) on the observation that the Company has not charged minimum tax under section 113 of the Ordinance, disallowing certain expenses under different heads of account and thereby created the demand amounting to Rs. 317,213 thousand. Being aggrieved, the Company filed an appeal before the CIR (Appeals), who had granted relief to the extent of minimum tax and on certain expense under section 21(c) of the Ordinance. Accordingly, the Company has filed second appeal before the ATIR, which is pending adjudication. The Company's counsel is of the view that the matter will be decided in favor of the Company, accordingly, no provision has been made in these financial statements.
- 22.1.6** The learned DCIR passed an order under section 11(2) of the Sales Tax Act (the "ST Act") while disallowing input tax claimed by the Company on household appliances ceramic products and laboratory apparatus and thereby created impugned demand amounting to Rs. 417 thousand along with the default surcharge of Rs. 215 thousand and penalty of Rs. 13 thousand for the tax periods from July 2015 to April 2017. Being aggrieved, the Company filed an appeal before the CIR (Appeals), which is pending adjudication. the Company's counsel is of the view that the matter will be decided in favor of the Company, accordingly, no provision has been made in these financial statements.

22.2 Commitments:

- 22.2.1** Commitments in respect of contracts for capital expenditure amount to Rs. 243,131 (2019: Rs. 773,087) thousand.
- 22.2.2** Commitments in respect of contracts, other than capital expenditure, amount to Rs. 112,169 (2019: Rs. 130,618) thousand.
- 22.2.3** The Company has furnished indemnity bonds to the Collector of Customs to avail the exemption under SRO 567 (I) / 2006 dated 05 June 2006 amounting to Rs. 1,905,726 (2019: Rs. 1,905,726) thousand in respect of custom duty payable on account of equipment imported for the Naudero-I Rental Power Project.

23. REVENUE FROM CONTRACT WITH CUSTOMER - NET	Note	2020	2019
		----Rupees in thousands----	
Energy charges		53,678,698	67,941,497
Less: Sales tax	23.1	(7,799,469)	(9,871,841)
Net energy charges		45,879,229	58,069,656
Capacity charges		22,525,833	20,665,956
		<u>68,405,062</u>	<u>78,735,612</u>

CENTRAL POWER GENERATION COMPANY LIMITED

Timing of revenue recognition - net		2020	2019
		----Rupees in thousands----	
At a point in time		45,879,229	58,069,656
Over the time		22,525,833	20,665,956
		<u>68,405,062</u>	<u>78,735,612</u>

- 23.1 This represent sales tax chargeable under federal sales tax laws applicable on revenue as defined under the relevant laws.

23.2 Contract balances		2020	2019
		----Rupees in thousands----	
Trade debt		<u>68,273,192</u>	<u>54,184,461</u>

The Company trade debts increased due to less receipts from CPPA-G during the year.

23.3 Performance obligation

Performance obligations are satisfied when capacity is made available and NEO is delivered to CPPA-G over the time and at a point in time respectively.

23.4 Units sold		2020	2019
		-----KWh-----	
Energy (KWh)		<u>5,921,761,001</u>	<u>9,384,298,202</u>
Capacity (KW) - original		<u>1,640,790</u>	<u>2,120,790</u>

- 23.4.1 The capacity disclosed above reflects installed capacity of all plants, currently in operation. However, the Company intends to appoint an independent assessor for reassessment of dependable capacity of its plants.

23.5 Average rates of energy		2020	2019
Energy charges (Rs. per KWh)		<u>7.75</u>	<u>6.19</u>
Capacity charges (Rs. per KWh per month)		<u>2,533.54</u>	<u>1,888.59</u>

24. COST OF REVENUE		Note	2020	2019
			----Rupees in thousands----	
Fuel consumed	24.1		48,414,203	58,081,306
Salaries, wages and other benefits	24.2		5,779,790	4,636,664
Depreciation	5.1.6		5,599,644	4,789,755
Repair and maintenance			1,494,920	594,179
Power, gas and water			377,438	333,260
Insurance			2,182	-
Traveling expenses			58,290	67,335
Vehicle running expenses			34,928	31,327
Stores consumed			19,031	27,887
			<u>61,780,426</u>	<u>68,561,713</u>

- 24.1 This represents cost of gas consumed in the generation of electricity and includes provision for GIDC, amounting to Rs. 5,239,706 thousand (2019: 8,500,293 thousand).

5,

CENTRAL POWER GENERATION COMPANY LIMITED

		2020	2019
		----Rupees in thousands----	
24.2	These include provisions for post employment and other long term benefits as follows:	Note	
Pension obligations - unfunded	19.3.1	3,039,415	1,944,702
Medical benefits	19.3.1	400,994	274,555
Free electricity	19.3.1	383,710	181,385
Accumulated compensated absences	19.3.1	(668)	93,881
		<u>3,823,451</u>	<u>2,494,523</u>
25.	ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits	25.1	435,038	348,996
Management fee		68,908	120,738
Depreciation	5.1.6	114,278	97,750
Repairs and maintenance		203,853	81,024
NEPRA fees		29,995	36,353
Power, gas and water		38,409	37,687
Security expenses		17,724	12,093
Provision for doubtful debt	9	-	706,626
Advertisement		9,677	10,713
Vehicle expenses		11,643	10,442
Legal and professional fees		14,420	7,468
Traveling expenses		4,387	5,068
Office supplies		4,171	4,406
Directors' remuneration		4,654	4,524
Communication charges		3,525	3,606
Miscellaneous expenses		16,513	2,819
Auditors' remuneration	25.2	2,250	1,950
Advances written off		-	791
		<u>979,445</u>	<u>1,493,054</u>
25.1	These include provisions for post employment and other long term benefits as follows:		
Pension obligations - unfunded	19.3.1	228,773	146,375
Medical benefits	19.3.1	30,182	20,665
Free electricity	19.3.1	28,881	13,653
Accumulated compensated absences	19.3.1	(50)	7,066
		<u>287,786</u>	<u>187,759</u>
25.2	Auditors' Remuneration		
Annual statutory audit		1,800	1,500
Out of pocket expenses		450	450
		<u>2,250</u>	<u>1,950</u>
26.	OTHER INCOME		
Income from financial assets:			
Profit on bank deposits		273,556	140,123
Income from other than financial assets:			
Amortization of deferred grant	18	198,590	198,590
NRV adjustment		-	58,164
Rent		25,775	14,606
Training charges		2,867	9,888
Penalties recovered		2,731	9,175
Electricity charges		14,775	8,082
Sale of scrap material		1,241	2,651
Tender fee		303	229
Miscellaneous		10,725	45,681
		<u>257,007</u>	<u>347,066</u>
		<u>530,563</u>	<u>487,189</u>

CENTRAL POWER GENERATION COMPANY LIMITED

27. FINANCE COSTS	Note	2020 ----Rupees in thousands----	2019
Interest on:			
Foreign direct loans		1,818,025	2,281,619
Cash development loans		1,003,798	1,023,973
		2,821,823	3,305,592
Exchange loss on foreign direct loans - realized		-	818,974
Guarantee fee on foreign direct loans		199,812	46,941
Others		11,659	2,086
		<u>3,033,294</u>	<u>4,173,593</u>

28. TAXATION

Current taxation:

Provision for Minimum Tax / Alternate Corporate Tax

28.1

1,026,095

921,865

Tax credit

28.2

(553,196)

(921,865)

472,899

-

Deferred taxation

1,460,025

1,477,599

1,932,924

1,477,599

28.1 The provision for current tax includes Minimum Tax @ 1.5% of turnover for the current year and Alternate Corporate Tax @ 17% of the accounting profit, under the provisions of the Income Tax Ordinance, 2001, as amended by the relevant Finance Acts.

28.2 This represents tax credits awarded to the Company under section 65B of the Income Tax Ordinance, 2001.

28.3 Reconciliation between the tax chargeable on accounting profit and taxable profit is not relevant as the company is subject to minimum tax. Hence, is not presented.

29. TRANSACTIONS WITH RELATED PARTIES

29.1 Particulars of related parties and associated undertakings

The related parties comprise of the Government of Pakistan (GOP), GOP owned entities, WAPDA, associated companies, Directors of the Company and companies with common directorship and key management personnel. A list of all related parties along with percentage of shares is given below:

Associated Company, related party and Undertaking	Basis of relationship	Percentage of shareholding
Government of Pakistan	Shareholding	100%
GENCO Holding Company Limited	Managing entity	N/A
Central Power Purchasing Authority (CPPA-G)	Government related entity	N/A
Faisalabad Electric Supply Company Limited	Government related entity	N/A
Gujranwala Electric Power Company Limited	Government related entity	N/A
Hyderabad Electric Supply Company Limited	Government related entity	N/A
Quetta Electric Supply Company Limited	Government related entity	N/A
Islamabad Electric Supply Company Limited	Government related entity	N/A
Lahore Electric Supply Company Limited	Government related entity	N/A
Multan Electric Power Company Limited	Government related entity	N/A
Peshawar Electric Supply Company Limited	Government related entity	N/A
Sukkur Electric Power Company Limited	Government related entity	N/A
National Transmission and Dispatch Company Limited	Government related entity	N/A
Jamshoro Power Company Limited (GENCO-I)	Government related entity	N/A
Northern Power Generation Company Limited (GENCO-III)	Government related entity	N/A
Lakhra Power Generation Company Limited (GENCO-IV)	Government related entity	N/A
Sui Southern Gas Company Limited (SSGCL)	Government related entity	N/A
Sui Northern Gas Pipelines Limited (SNGPL)	Government related entity	N/A
Mari Petroleum Company Limited (MPCL)	Government related entity	N/A
Pakistan Petroleum Limited (PPL)	Government related entity	N/A
WAPDA	Government related entity	N/A
Chief Resident Representative Karachi - WAPDA	Government related entity	N/A

29.2 Transactions with related parties:

Transactions with related parties are entered into at mutually agreed terms. The sale / purchase prices of electricity are controlled by the NEPRA. The Company in the normal course of business carries out transactions with various related parties. Amounts due from related parties are disclosed in the relevant notes to these financial statements. Transactions not disclosed elsewhere are as follows:

		2020	2019
		----Rupees in thousands----	
Associated Undertakings			
CPPA-G	Electricity sales	76,204,531	88,607,453
	Funds received during the year	62,115,800	46,696,000
WAPDA, associated companies	Electricity and other utility purchases	71,423	52,119
	Credit Movement	848,539	885,504
Government of Pakistan	Interest and guarantee fee on long-term financing	1,203,610	1,070,914
SNGPL	Purchase of gas	7,860,805	15,210,496
	Payments made during the year	8,877,345	6,689,942
PPL	Purchase of gas	35,771,051	31,871,483
	Payments made during the year	19,779,392	12,499,462
MPCL	Purchase of gas	13,013,630	21,121,880
	Payments made during the year	12,062,063	7,642,596
GENCO Holding Company Limited	Management Fee, other utility purchases	95,972	120,738

Other transactions with the GOP, and GOP owned entities are not disclosed, as management is of the opinion that it is impracticable to disclose such transactions due to the nature of the Company's operations.

The transactions with key management personnel under the terms of employment are disclosed in Note 30.

30. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate of amounts charged in the financial statements for the remuneration including benefits paid to the Chief Executive, Directors and Executives of the Company, are given below:

	2020		
	Chief Executive	Directors	Executives
	-----Rupees in thousands-----		
Managerial remuneration	8,507	4,654	102,788
Bonus	1,020	-	740
	<u>9,527</u>	<u>4,654</u>	<u>103,528</u>
Number of person(s)	<u>1</u>	<u>8</u>	<u>37</u>

	2019		
	Chief Executive	Directors	Executives
	-----Rupees in thousands-----		
Managerial remuneration	3,454	4,524	68,628
Bonus	164	-	3,538
	<u>3,618</u>	<u>4,524</u>	<u>72,166</u>
Number of person(s)	<u>1</u>	<u>8</u>	<u>29</u>

In addition, the Chief Executive is also provided with a Company maintained vehicle for official and private purposes, unfurnished residential accommodation and free electricity as per entitlement.

5

- 30.1** The aggregate amount charged in these financial statements, for the year ended 30 June 2020, as fees to Directors is Rs. 4,445 thousand (2019: 4,524 thousand) for attending the meetings of the Board of Directors and its sub-committees.

31. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities, other than derivatives, comprise long-term borrowings, Interest accrued on long term financing and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade debts, loan to related party, other receivables, bank balances and long-term deposits that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a risk management committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The risk management committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

31.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk.

The sensitivity analyses in the following sections relate to the position as at 30 June in 2020 and 2019.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of debt and the proportion of financial instruments in foreign currencies are all constant.

The analyses exclude the impact of movements in market variables on: the carrying values of pension and other post-retirement obligations; and provisions.

i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure 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's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and the Company's payments against foreign direct loans.

Following is the gross exposure classified into separate foreign currencies:

	2020	2019	2020	2019
	-----USD-----		-----Euros-----	
Long-term financing	231,913,422	283,449,738	-	-
Interest accrued on long term financing	4,430,001	6,616,196	-	-
Trade payables	27,360,328	44,875,000	739,093	739,093.00
	<u>263,703,751</u>	<u>334,940,934</u>	<u>739,093</u>	<u>739,093</u>

Significant exchange rates applied as at year end were as follows:

	2020	2019	2020	2019
	----USD----		----Euros----	
Rupees per foreign currency				
Reporting date rate	168.75	164.50	189.73	186.99
Average rate during the year	<u>166.63</u>	<u>143.05</u>	<u>188.36</u>	<u>164.28</u>

T

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD and Euros exchange rates, with all other variables held constant.

	Change in USD Rate	Effects on Profit Before Tax Rupees in thousands	Change in Euro Rate	Effects on Profit Before Tax Rupees in thousands
2020	+5%	2,225,000	+5%	7,011
	-5%	(2,225,000)	-5%	(7,011)
2019	+5%	2,754,889	+5%	6,910,150
	-5%	(2,754,889)	-5%	(6,910,150)

The Company's exposure to foreign currency changes for all other currencies is not material.

ii) 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 manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

At the reporting date the interest rate profile of the Company's interest-bearing financial assets/(liabilities) was as follow:

	2020 ---Rupees in thousands---	2019 ---Rupees in thousands---
Fixed rate instruments		
Long-term financing - foreign relent loans	133,854	133,854
Long-term financing - cash development loans	8,044,538	8,044,538
	<u>8,178,392</u>	<u>8,178,392</u>
Floating rate instruments		
Bank balances	10,166,613	6,105,556
Long-term financing - foreign direct loans	39,135,390	46,627,483
	<u>49,302,003</u>	<u>52,733,039</u>

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 rates at the reporting date would not affect the 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 before taxation for the year would have been changed as following:

Changes in interest rate	2020 ---Rupees in thousands---	2019 ---Rupees in thousands---
+1%	<u>493,020</u>	<u>527,330</u>
-1%	<u>(493,020)</u>	<u>(527,330)</u>

This analysis is prepared, consistent from previous year, assuming the amounts of floating rate instruments outstanding at reporting date were outstanding for the whole year.

ii) Other price risk

Other price risk is 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 currency risk or interest rate 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 any other price risks i.e. equity price risk and commodity price risk.

31.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

The management monitors and limits Company's exposure to credit risk through monitoring of client's credit exposure review and conservative estimates of expected credit loss, if any, and through the prudent use of collateral policy.

	2020	2019
The maximum exposure to the credit risk at the reporting date was as follows:	---Rupees in thousands---	
Bank balances	10,166,613	6,105,556
Trade debt	68,273,192	54,184,461
Long term deposits	281	281
Loan to related party	424,770	238,617
Other receivables	1,003,410	1,021,618
	<u>79,868,266</u>	<u>61,550,533</u>

i) Bank balances

Credit ratings both short-term and long-term of the banks along with the bank balances as of year end are as follows:

Bank	Rating			2020	2019
	Short term	Long term	Agency	---Rupees in thousands---	
United Bank Limited	A-1+	AAA	JCR - VIS	2,030,486	903,250
Habib Bank Limited	A-1+	AAA	JCR - VIS	1,818,064	968,208
National Bank of Pakistan	A-1+	AAA	JCR - VIS	6,318,063	4,234,098
				<u>10,166,613</u>	<u>6,105,556</u>

Due to the Company's long-standing business relationships with these financial institutions and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counterparties on their obligations to the Company. Further, the Company has assessed that the ECL on bank balances is immaterial and hence, has not been recognized.

ii) Trade debt

The trade receivable is with the Company's sole customer i.e. CPPA-G, an associated company, age analysis of which is as follows:

	2020	2019
Neither past due nor impaired	-	-
Past due but not impaired		
0 to 3 Months (0 - 90 days)	15,055,000	30,611,556
4 to 6 Months (91 - 180 days)	13,908,805	14,850,482
7-12 Months	23,814,250	1,452,442
Over 12 Months	16,201,763	7,976,607
	<u>68,979,818</u>	<u>54,891,087</u>
	<u>68,979,818</u>	<u>54,891,087</u>

The Company has not recorded ECL against the balance receivable from CPPA-G, a government owned entity, in accordance with the exemption granted by SECP as disclosed in Note 4.12.

31.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Due to the support of the Federal Government, management believes the liquidity risk to be low.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equate to their carrying balances, as the impact of discounting is not significant.

	On demand	Less than 12 months	1 to 5 years	Over 5 years	Total
-----Rupees in thousands -----					
2020					
Long term financing	759,843	8,886,981	31,430,314	6,236,644	47,313,782
Trade and other payables	43,081	104,417,559	-	-	104,460,640
Interest accrued on long term financing	6,737,952	747,563	-	-	7,485,515
	<u>7,540,876</u>	<u>114,052,103</u>	<u>31,430,314</u>	<u>6,236,644</u>	<u>159,259,937</u>
2019					
Long-term financing	458,640	8,778,927	34,817,622	10,750,686	54,805,875
Trade and other payables	23,304	89,932,179	-	-	89,955,483
Interest accrued on long term financing	5,534,341	1,088,364	-	-	6,622,705
	<u>6,016,285</u>	<u>99,799,470</u>	<u>34,817,622</u>	<u>10,750,686</u>	<u>151,384,063</u>

Further, as at 30 June 2020, the Company is also contracted to pay interest on its long term financing. An estimate of interest in respect of the remaining terms of these loans is as follows:

	Rupees in thousands
Due in next year	2,575,432
Due after 1 year with in 5 years	6,250,295
Due after 5 years	5,586,603
	<u>14,412,330</u>

31.4 Financial instruments by categories**Assets as per statement of financial position**

	2020 Financial assets at amortized cost	2019 Financial assets at amortized cost
----Rupees in thousands----		
Bank balances	10,166,613	6,105,556
Trade debt	68,273,192	54,184,461
Long term deposits	281	281
Loan to related party	424,770	238,617
Other receivables	1,003,410	1,021,618
	<u>79,868,266</u>	<u>61,550,533</u>

Liabilities as per statement of financial position

	2020 Financial assets at amortized cost	2019 Financial assets at amortized cost
Long term financing	47,313,782	54,805,875
Trade and other payables	104,449,567	89,952,104
Interest accrued on long term financing	7,485,515	6,622,705
	<u>159,248,864</u>	<u>151,380,684</u>

32. FAIR VALUE MEASUREMENTS**32.1 Fair value hierarchy**

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable either, directly or indirectly; and

Level 3: techniques which use inputs that have a significant effect on the recorded fair value, that are not based on observable market data.

32.2 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in the financial statements are stated at cost as the carrying amounts are a reasonable approximation of fair value.

As at 30 June 2020 and 2019, the Company did not hold any financial instrument carried at fair value.

32.3 Financial instruments by categories

	2020 Financial assets at amortized cost	2019 Financial assets at amortized cost
	----Rupees in thousands----	
Assets as per statement of financial position		
Bank balances	10,166,613	6,105,556
Trade debt	68,273,192	54,184,461
Long term deposits	281	281
Loan to related party	424,770	238,617
Other receivables	1,003,410	1,021,618
	<u>79,868,266</u>	<u>61,550,533</u>
Liabilities as per statement of financial position		
Long term financing	47,313,782	54,805,875
Trade and other payables	104,449,567	89,952,104
Interest accrued on long term financing	7,485,515	6,622,705
	<u>159,248,864</u>	<u>151,380,684</u>

33. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. The Board of Directors monitors the returns on capital, which the Company defines as net operating income divided by total shareholders' equity. The Company's objectives when managing capital are:

- a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- b) to provide an adequate return to shareholders by pricing products.

Consistent with the industry norms, the Company monitors its capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and loans as shown in the balance sheet less cash and bank balances. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt (as defined above).

	2020 ----Rupees in thousands----	2019 ----Rupees in thousands----
Long term financing	47,313,782	54,805,875
Less: Bank balances	<u>(10,166,613)</u>	<u>(6,105,556)</u>
Net debt	37,147,169	48,700,319
Total equity	<u>(1,418,290)</u>	<u>(2,273,862)</u>
Total capital employed	<u>35,728,879</u>	<u>46,426,457</u>
Gearing ratio	<u>104%</u>	<u>105%</u>

The Company's strategy is to ensure compliance with the Prudential Regulations issued by the State Bank of Pakistan and is in accordance with agreements executed with financial institutions so that the total long term borrowings to equity ratio does not exceed the lender covenants. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

34. APPLICABILITY OF IFRS 16 "LEASES"

SECP, through its S.R.O. no.24(I)/2012 dated January 16, 2012 and S.R.O 986(I)/2019, dated September 02, 2019, exempted the application of IFRS - 16 (Leases) for power sector companies to the extent of the power purchase agreements (PPA) executed before the effective date of IFRS 16 i.e. 01 January 2019. The PPA for 747 MW plant is not yet executed, accordingly the Company will assess the applicability of IFRS - 16 with respect to this plant at the time of execution of PPA. However, SECP has made it mandatory to disclose the impact on the results of the application of IFRS - 16.

	2020	2019
	--- Rupees in thousands ---	
(Increase) / decrease in accumulated losses at the beginning of the year	(9,583,791)	2,665,960
Decrease in profit for the year - net	(1,079,513)	(12,249,751)
Increase in accumulated losses at the end of the year	<u>(10,663,304)</u>	<u>(9,583,791)</u>

The above disclosure is restricted to 747 MW plant, as impact for remaining rehabilitated plants is considered to be immaterial.

35. IMPACT OF NON-CAPITALIZATION OF EXCHANGE LOSS

SECP, through its S.R.O 986(I)/2019, dated September 2, 2019, exempted the power companies from application of IFRS - 9 to the extent of recognition of embedded derivative and IAS-21 to the extent of charging exchange losses (refer to Note 2 for details).

Had the IAS-21 been applied, following adjustments to the financial statement line items would have been made:

	Accumulated losses	Property, plant and equipment
	Decrease	Decrease
	---Rupees in thousands---	
Change due to non-capitalization of exchange loss as at 01 July 2018	(6,395,657)	6,395,657
Charge off of exchange loss for the year	(14,151,135)	14,151,135
Change due to non-capitalization of exchange loss as at 30 June 2019	<u>(20,546,792)</u>	<u>20,546,792</u>
Charge off of exchange loss for the year	(666,821)	666,821
Change due to non-capitalization of exchange loss as at 30 June 2020	<u>(21,213,613)</u>	<u>21,213,613</u>

36. PLANT CAPACITY AND ACTUAL PRODUCTION

Based on 365 days

Annual installed capacity - original

Actual output

2020	2019
-----MWh-----	
<u>14,373,320</u>	<u>18,807,720</u>
<u>5,921,761</u>	<u>9,384,298</u>

36.1 Under utilization of available capacity is due to non-operational plants of the Company.

15

CENTRAL POWER GENERATION COMPANY LIMITED

	2020	2019
	-----Numbers-----	
37. NUMBER OF PERSONS EMPLOYED		
At the end of the year	<u>1,702</u>	<u>1,830</u>
Average number of employees during the year	<u>1,766</u>	<u>1,891</u>

38. GENERAL

Figures have been rounded off to the nearest thousands of Pak Rupees, unless otherwise stated.

39. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors of the Company on

5 04 MAR 2021



CHIEF EXECUTIVE



DIRECTOR