



CENTRAL POWER GENERATION COMPANY LIMITED

DIRECTORS REPORT TO THE MEMBERS

The Directors of the Company are pleased to present 25th Annual Report of the Company, together with the Audited Financial Statements and Auditors' Report, for the year ended on June 30, 2023.

INTRODUCTION

2. Central Power Generation Company Limited is unlisted Public Limited Company (Public Sector) with its registered office at GHCL Office, 1st Floor, OPF Building, Sector G-5/2, Islamabad. 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 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.

4. 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	07	1,655.00
747MW	03	02	776.70
Quetta	04	00	50.94
Sukkur	04	00	50.00
		Total	2,532.64



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The detail is as under:

Block	Unit	Fuel	Operation Mode	Make	Installation Year	Installed Capacity	Available Capacity	
						MW	MW	
Block-I	11	Gas	Gas Turbine	Seimens Germany	1992	136	130	
	12		Steam Turbines		1992	136	130	
	13		Steam Turbines		1994	143	-	
	Total					415	260	
Block-II	5	Gas	Steam Turbines	GE USA	1987	100	85	
	6		Gas Turbine		1988	100	-	
	7		Gas Turbine		1985	100	95	
	8		Gas Turbine		1986	100	95	
	9		Gas Turbine		1986	100	95	
	10		Gas Turbine		1986	100	95	
	Total					600	465	
Block-III	3	Gas	Steam	Russia	1980	210	Decommissioned on July 2019	
	4		Steam	China	1985	210		
	Total					420		
Block-IV	1	Gas	Steam	Czechoslovakia	1974	110		
	2		Steam	Czechoslovakia	1974	110		
	Total					220		
Block-V 747 MW	14	Gas	Gas Turbine	GE - USA & HEI - China	2014	256	243	
	15		Gas Turbine		2014	256	243	
	16		Gas Turbine		2014	266	-	
	Total					777	486	
TPS Quetta	1	Coal	Steam Turbine	Ladewal - USA	1964	8	Decommissioned During 2000	
	2		Steam Turbine	Ladewal - USA	1964	8		
	3	Gas	Gas Turbine	Fiat - Italy	1972	-		
	6		Gas Turbine	Mitsubishi - Japan	1984	35		
	Total					51	-	
TPS Sukkur	1	Gas	Steam Turbine	GE - Canada	1965	13	Decommissioned During 2000	
	2			GE - Canada	1965	13		
	3			GE - Canada	1967	13		
	4			GE - Canada	1967	13		
	Total					50		
Grand Total						2,533	951	



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5. 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. The remaining capacity of this station is only 25 MW of Unit No. 6 were in operation. The generation license for Unit No. 6, was issued by NEPRA on July 10, 2019, although the unit is non operative due to non-availability of Gas quota and tariff.

6. The operation of Thermal Power Station Sukkur was discontinued in April 2000 on account of technical reasons (inefficient units).

7. 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 achieved COD on December 17, 2014.

COMPANY LICENSE

8. On 1st July 2002, CPGCL obtained generation license No. GL/02/2002 (GL), from the NEPRA Authority to operate the power plants inherited from WAPDA. The GL was subsequently modified on CPGCL's motion on 26th April 2013 to include the 747MW Combined-Cycle Power Plant Guddu (747MW CCPP) as 'Block-V' of TPS Guddu, and again on 10th July 2019 to exclude / de-license Block III&IV (Units 1-4) of TPS Guddu, and to extend the expiry date of the GL to 30th June 2042.

TARIFF

9. The NEPRA determined tariff and notified on 26th July, 2004 for Old Guddu. The 2nd tariff petition was filed with NEPRA in May 2005 for approval of Reference Tariff for three (3) years i.e. 2005, 2006, 2007. NEPRA determined the said tariff on 24th February 2006. During year, previously notified tariff applied after adjustment for old Guddu plant for Blocks (I & II).

10. The NEPRA Authority approved initial tariff of 747MW on 26th April 2016, however, being dissatisfied with certain aspects of this tariff, Company sought its review, seeking *inter alia*, a higher value of variable O&M cost, additional sums for startup costs, and a tariff for partial loading of the Plant as per the PPA. The Authority gave its determination-in-review on 7th April 2017. NEPRA also allowed open cycle tariff for 747MW w.e.f. 28th December, 2020. The tariff adjustments are being obtained from NEPRA on quarterly basis.



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FINANCIAL RESULTS

11. The financial results with operating profit/loss of the Company covering business activities for the period ended June 30, 2023 are summarized below:

Description	FY 2022-23	FY 2021-22
Revenue	55,883,406	47,042,545
Other Income	9,613,448	8,498,903
Operations, Maintenances and Administrative Expenditures	(71,292,788)	(47,635,506)
Provision for Bad Debts	-	(10,863,474)
Other Expenses	(10,400,699)	(13,743,493)
Finance Cost	(2,551,836)	(1,835,149)
Taxation	(271,256)	(206,009)
Net Profit / (Loss) after tax	(19,019,725)	(18,742,183)
Add:		
Provision for Bad Debts	-	10,863,474
Other Expenses	10,400,699	13,743,493
Finance Cost	2,551,836	1,835,149
Taxation	271,256	206,009
Operating Profit / (Loss)	(5,795,934)	7,905,942

12. 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. Electricity tariff has been charged to CPPA-G, which is sole purchaser of the power from the Company.

13. During FY 2022-23, the company suffers loss of Rs. 19,019.725 million, due to the following reason:

- I. **Capacity Payment:** CPPA-G allowed Capacity payments of 747MW for the period from Jul-2022 to Nov-2022 amounting to Rs. 9,613.398 million and rest of months i.e. Dec-2022 to Jun-2023 disallowed due to force outage of ST-16. Since July, 2022 due to fire incident on ST-16, 747MW is operating on open cycle mode, hence as per NEPRA tariff determination dated 28th December, 2020 "*no capacity payment shall be admissible during open cycle operation of the plant beyond allowed outages*". On the other hand, CPPA-G disallowed capacity payments of Old Guddu due to tariff adjustment held by NEPRA since Jan-2021.

- II. **Impairment Cost:** During the period Company has recognized an impairment charge of PKR 4,664,935 thousand in the statement of profit or loss under cost of



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revenue on account of severe damaged to ST-16 with its carrying value due to fire incident on 10 July 2022. In accordance with IAS 36 – Impairment of Assets, the Company assessed the turbine for impairment, given that no recoverable amount could be measured, the entire carrying value of the asset is written off consequently,

III. Other Expenses:

Description	Amount (Rs. in Millions)	Remarks
Liquidated Damages against forced outages	1,534.938	CPPA-G has imposed liquidated damages on the Company, on account of higher outages availed than allowed under the Company's PPA, for FY 2022-23. Ministry of Energy (Power Division) vide letter dated 16 th November 2022, has constituted a committee for settlement of these damages after verification of quantum of outages. Management of the Company is confident to minimize the quantum of liquidate damages based on their contention that majority of outages beyond control of the Company. Owing to persistent instruction by NEPRA to CPPA-G, to ensure immediate recovery of damages, the Company has made provision for the whole amount of the demand raised by CPPA, as a matter of prudence.
Late payment interest / surcharge	8,865.761	The Company received the late payment surcharge from CPPA-G on its overdue trade debts. Ultimately, the company has accounted for late payment interest/surcharge on overdue payable balance to gas suppliers in accordance with the amounts received against invoices for the period.
Total	10,400,699	

14. The average approved tariff for the period under review is as under:-

Energy Purchase Price (“EPP”)	Rs. 9.33 per KWh
Capacity Purchase Price (“CPP”)	Rs. 2,141.60 per KW per Month

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

	FY 2022-23	FY 2021-22
Energy unit sold (GWh)	4,604.296	4,143.949



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SIX YEARS OPERATIONAL AND FINANCIAL DATA

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

Description		2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
OPERATIONAL PERFORMANCE		(UNITS MkWh)					
Units Generated (NEO)	1	4,604	4,144	4,825	5,922	9,384	8,776
Per Unit Cost (Rs./kWh)	2	9.33	7.37	7.67	7.75	6.19	5.18
PROFIT AND LOSS ACCOUNT		(RS. IN MILLION)					
Revenue	3	55,883	47,043	59,374	68,405	78,736	63,652
Cost of good sold	4	(70,196)	(46,801)	(61,912)	(61,780)	(68,562)	(55,465)
Gross profit/(Loss)	5=3-4	(14,313)	241	(2,538)	6,625	10,174	8,187
Profit/(Loss) before tax	6	(18,748)	(18,536)	(31,031)	3,142	4,994	6,431
Net Profit/(Loss) after tax	7	(19,020)	(18,742)	(29,131)	1,210	3,517	3,358
Earnings before interest, taxes, depreciation and amortisation	8	(11,598)	(12,460)	(22,983)	11,691	13,857	13,769
BALANCE SHEET		(RS. IN MILLION)					
Net Equity	9	(63,524)	(39,566)	(29,372)	(1,418)	(2,274)	(665)
Property, plant and equipment	10	96,148	98,001	89,711	101,902	105,872	96,379
Inventory	11	2,289	2,398	4,011	4,562	3,260	2,955
Current assets	12	112,407	110,323	111,111	90,319	72,009	30,911
Current liabilities	13	239,257	222,735	198,919	160,281	151,384	60,347
Non current assets	14	96,202	98,051	89,764	101,954	105,921	96,428
Non current liabilities	15	32,877	25,205	31,328	33,409	28,820	67,658
SUMMARY OF CASH FLOW STATEMENTS		(RS. IN MILLION)					
Cash flows from operating activities	16	18,848	15,602	3,424	13,021	9,816	19,741
Cash flows from investing activities	17	634	(5,304)	211	(806)	(89)	(12,168)
Cash flows from financing activities	18	(12,330)	(8,790)	(8,507)	(8,155)	(6,908)	(5,580)
Cash and cash equivalents at the beginning of the year	19	6,803	5,294	10,167	6,106	3,287	1,293
Net cash flows during the year	20=16 to 19	13,955	6,803	5,294	10,167	6,106	3,287
FINANCIAL INDICATORS		%					
Profitability Ratios							
Gross profit ratio (Gross Profit / Sales)	21=5/3	-26%	1%	-4%	10%	13%	13%
Net profit ratio (Net Profit / Sales)	22=7/3	-34%	-40%	-49%	2%	4%	5%
EBITDA margin	23=8/3	-21%	-26%	-39%	17%	18%	22%
Return on equity	24=7/Average shareholders' equity	-35%	-50%	-155%	-23%	-73%	-56%
LIQUIDITY RATIOS		RATIO					
Current ratio	25=12/13	0.47	0.50	0.56	0.56	0.48	0.51
Quick ratio	26=(12-11)/13	0.46	0.48	0.54	0.54	0.45	0.46
		%					
Cash flows from operations to sales	27=16/3	34%	33%	6%	19%	12%	31%
Cash to current liabilities	28=20/13	6%	3%	3%	6%	4%	5%
Earnings per share (Rs.)	29=7/total shares	(380,395)	(374,844)	(582,613)	24,191	70,337	67,164



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CORPORATE GOVERNANCE COMPLIANCE

17. The Company mostly complies with the principles of the 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 is in place and overall improvements in the systems and operations are appearing.

BOOK OF ACCOUNTS

18. Proper book of accounts of the company have been maintained.

STATE OF AFFAIRS, RESULT OF OPERATIONS AND CASH FLOWS

19. The financial statements prepared by the Management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in General Fund.

APPROPRIATE ACCOUNTING POLICIES

20. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

SUBSIDY OR OTHER FINANCIAL SUPPORT FROM THE GOVERNMENTS

21. Company maintains its revenue requirement through the sale of electricity to CPPA-G on approved NEPRA tariff rates. Therefore all the expenditures of the company are met from own revenue. The company is not reliant on any subsidy or other financial support from the Government for meeting its expenditures. As a Government Entity, the Federal Government consistently provides support in the form of granting Cash Development Loans and offering Government Guarantees against Foreign Loans, where required.

PATTERN OF SHARE HOLDING

Categories of Shareholders	No. of Shares	Percentage of Shareholding (% age)
Individuals	7	0.014%
President of Pakistan	49,993	99.986%
Total	50,000	100%



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BOARD OF DIRECTORS

22. The Company is fully owned by the Government of Pakistan. The Federal Government, being the competent authority, nominates all the Board members on the Company's Board. The list of Board members during the Financial Year 2022-23 is as follows:

Sr. No.	Name of Directors	Status
1.	Syed Tahir Nawazish	Independent Director / Chairman of the Board
2.	Mr. Abdul Qayum Malik	Independent Director
3.	Mr. Muhammad Aslam Shaikh	Independent Director
4.	Mr. Mahfooz Ahmed Bhatti Joint Secretary (PF) Ministry of Energy (Power Division) <u>(Replaced with Deputy Secretary (T&S) on 14.04.2023)</u>	Non-Executive Director
5.	Mr. Muhammad Ramzan Deputy Secretary (T&S) Ministry of Energy (Power Division) <u>(Joined on 18.04.2023)</u>	Non-Executive Director
6.	Dr. Imran Ullah Khan Joint Secretary (CF-1) Finance Division <u>(Joined on 06.02.2023)</u>	Non-Executive Director
7.	Mr. Muhammad Imran Chief Executive Officer GENCO Holding Company Limited <u>(Resigned from the post of CEO GHCL w.e.f. 17.10.2022)</u>	Non-Executive Director
8.	Mr. Pervaiz Iqbal Chief Executive Officer GENCO Holding Company Limited <u>(Charge of the post of CEO GHCL taken-over on 18.10.2022)</u>	Non-Executive Director
9.	Mr. Shahid Mahmood Chief Executive Officer GENCO Holding Company Limited <u>(Charge of the post of CEO GHCL taken-over on 22.03.2023)</u>	Non-Executive Director
10.	Dr. Niaz Ahmed Memon CEO CPGCL <u>(Retired on 01.10.2022)</u>	Executive Director
11.	Mr. Abdul Wajid Mughal CEO CPGCL <u>(Charge of the post of CEO CPGCL taken-over on 10.10.2022)</u>	Executive Director
12.	Mr. Sabeeh Uz Zaman Faruqui CEO CPGCL <u>(Charge of the post of CEO CPGCL taken-over on 13.10.2022 from Sr. No. 11)</u>	Executive Director



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BOARD MEETINGS AND ATTENDANCE OF THE BOARD MEMBERS

23. Total meetings of the Board of Directors and Board Committees held during the Financial Year 2022-23 are as follows:

Sr. No.	Meeting	No. of Meetings
1.	Board of Directors	16
2.	Audit Committee	3
3.	Risk Management Committee	7
4.	Procurement Committee	4
5.	HR Committee	5
6.	Technical Committee	2

24. Attendance of the Board members in these meetings is as follows:

Sr. No.	Name of Directors	No. of Meetings attended
1.	Syed Tahir Nawazish	32
2.	Mr. Abdul Qayum Malik	32
3.	Mr. Muhammad Aslam Shaikh	32
4.	Mr. Mahfooz Ahmed Bhatti	21
5.	Dr. Imran Ullah Khan	8
6.	Mr. Muhammad Ramzan	4
7.	Mr. Muhammad Imran	10
8.	Mr. Pervaiz Iqbal	12
9.	Mr. Shahid Mahmood	10
10.	Dr. Niaz Ahmed Memon	12
11.	Mr. Abdul Wajid Mughal	-
12.	Mr. SabeehUz Zaman Faurqui	25

DIRECTORS' REMUNERATION

25. Members of the Board are paid a fixed lump sum fee (including tax) for attending the meetings of the Board of Directors & Board Committees. The fee paid to various Board members is as follows:



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Sr. No.	Name of Directors	Fee Paid Rs. In Million
1.	Syed Tahir Nawazish	2.000
2.	Mr. Abdul Qayum Malik	2.000
3.	Mr. Muhammad Aslam Shaikh	2.000
4.	Mr. Mahfooz Ahmed Bhatti	1.312
5.	Dr. Imran Ullah Khan	0.500
6.	Mr. Muhammad Ramzan	0.250
7.	Mr. Muhammad Imran	0.625
8.	Mr. Pervaiz Iqbal	0.750
9.	Mr. Shahid Mahmood	0.625
10.	Dr. Niaz Ahmed Memon	Nil
11.	Mr. Abdul Wajid Mughal	Nil
12.	Mr. SabeehUz Zaman Faruqui	Nil

26. The appointment of Chairman and other members of Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the Public Sector Company as well as in line with the best practices.

REMUNERATION POLICY

27. Being a Federal Government Entity, adopted the remuneration policy as approved by the Federal Government of Pakistan from time to time for regular employees. Moreover, Chief Executive Officer, Chief Financial Officer, Chief Internal Auditor and Company Secretary of the company is appointed on contract basis with the approval of competent authority with lump sum package.

APPOINTMENT OF AUDITORS

28. M/s Riaz Ahmad & Company, Chartered Accountant has been appointment as external auditor to carry out the statutory audit of CPGCL.

CORPORATE SOCIAL RESPONSIBILITY

29. The Company is highly concerned about its corporate social responsibilities. The Company is fully poised to provide a greener environment around its power plants in order to combat the carbon emissions. In this regard several drives have been taken, to plant thousands of trees in the vicinity of power plants. Such drives shall continue in future with same zeal.

30. Besides, the Company is providing affordable education facilities to the children of employees and the people residing in the residential colony and adjoining areas of the plant vicinity. The Company is also providing medical facility (hospital having capacity of 50 beds



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available in residential colony) as well as other welfare facilities to the employees of the Company.

STAFF RETIREMENT BENEFITS

31. The Company has the following plans for its employees;

DEFINED BENEFIT PLANS

32. The Company has following unfunded defined benefit plans for its employees:

- i. Pension Scheme.
- ii. Free Electricity Supply Scheme.
- iii. Free Medical Scheme.
- iv. Leave Encashment Scheme.

EXPLANATION REGARDING EMPHASIZE OF MATTER PARAGRAPH

33. With qualifying the opinion, External Auditors have drawn attention to following matter along with management comments;

The Auditors have drawn attention to Note 20.1.3(ii) to the financial statements, which describes that the Company has not accepted certain claims by SNGPL (gas supplier) relating to LPS.

In this regard, it is stated that the Company is not recognizing of LPS due to the fact that the Company receives funds from CPPA-G for incurring various expenditures. The delay in receipt of funds from CPPA-G causing delay in payment to Gas Suppliers, consequently Gas Companies claim late payment surcharge. Since such delay is caused due to financial constraint faced by CPPA-G on account of major cause of circular debt, without any fault on part of CPGCL, said Late Payment Surcharge is neither paid nor booked. Moreover, the agreement with M/s PPL needs some changes and agreement with M/s MPCL is yet to be signed as only Term Sheet is signed by both parties. Besides, the LPS charged by the both Companies is yet to be reconciled on account of rate of interest and payment dates. The agreement with M/s SNGPL is currently under negotiation process.

The company has not recognized pending take-or-pay charges demanded by MPCL (Rs. 18,752 million) and PPL (Rs. 7,007 million) in accordance with the Ministry of Energy's directive to renew the gas agreements, there is no legal or contractual obligation to pay these take-or-pay charges.



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ACKNOWLEDGEMENT

34. 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: 12 August, 2025



(JUNAID AHMAD BAIG)
CHIEF EXECUTIVE OFFICER



(SAJJAD AHMAD)
CHAIRMAN BOD /
INDEPENDENT DIRECTOR

CENTRAL POWER GENERATION COMPANY LIMITED

**FINANCIAL STATEMENTS WITH
ACCOMPANYING INFORMATION**

**FOR THE YEAR ENDED
30 JUNE 2023**

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 2023, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and, 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 2023 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

- As disclosed in Note 20.1.3(ii) to the financial statements, the Company has not recognized a liability for Late Payment Surcharge (LPS) on overdue payments for natural gas supplied by Mari Petroleum Company Limited (MPCL) and Pakistan Petroleum Limited (PPL) amounting to Rupees 19,651,482 thousand and Rupees 30,011,182 thousand, respectively, despite existing agreements and signed gas sales term sheets.

Additionally, the Company has not recognized take-or-pay charges of Rupees 18,752,429 thousand and 7,007,119 thousand, as demanded by MPCL and PPL, respectively. As per the Gas Sales Agreement (GSA), the Company is required to purchase a minimum quantity of gas. If it fails to do so, it must compensate for any shortfall in the minimum purchase requirement.

Had the Company recognized for LPS and Take-or-Pay charges under the respective gas sales agreements / gas sale term sheets, its loss for the year would have increased by Rupees 12,498,644 thousand and total liabilities and accumulated losses as of year-end would have increased by Rupees 75,422,212 thousand.

- As a significant period has elapsed between the reporting date of the statement of financial position and the date of our audit report. Due to this extended lapse we were unable to perform a comprehensive review of events occurring subsequent to reporting period. Consequently, we were unable to determine whether any adjustments or disclosures might have been necessary in respect of subsequent events.

Riaz Ahmad & Company

Chartered Accountants

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

Emphasis of Matter

We draw attention to Note 20.1.3(ii) to the financial statements, which describes that the Company has not accepted certain claims by Sui Northern Gas Pipelines Limited (gas supplier) relating to LPS.

Our opinion is not modified in respect of this matter.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have concluded that the other information is materially misstated with respect to the amounts and matters as described in the *Basis for Qualified Opinion* section of our report.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Riaz Ahmad & Company

Chartered Accountants

- a) except for the effects of the matters 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 matters 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) except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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



RIAZ AHMAD & COMPANY
Chartered Accountants

KARACHI

DATE: 12 SEPTEMBER 2025

UDIN: AR202310045TU1G5WKHa

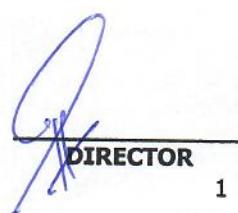
CENTRAL POWER GENERATION COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2023	2022
		-----Rupees in thousands-----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	96,147,653	98,000,612
Long term advances	4	53,949	50,669
		96,201,602	98,051,281
CURRENT ASSETS			
Stores, spare parts and loose tools	5	2,288,415	2,396,628
Fuel stock	6	757	889
Trade debt	7	84,439,218	90,507,613
Advances, loan and prepayments	8	1,501,536	1,729,555
Other receivables	9	2,729,195	2,242,575
Tax refunds due from the Government	10	7,493,779	6,642,471
Bank balances	11	13,954,504	6,802,905
		112,407,404	110,322,636
TOTAL ASSETS		208,609,006	208,373,917
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
5,000,000,000 (2022: 5,000,000,000) ordinary shares of Rs.10 each		50,000,000	50,000,000
Issued, subscribed and paid-up share capital	12	500	500
Capital reserve			
Share deposit money	13	3,343,919	3,343,919
Revenue reserve			
Accumulated losses		(66,868,889)	(42,910,678)
		(63,524,470)	(39,566,259)
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	14	-	-
Deferred taxation - net	15	-	-
Employee benefit obligations	16	32,876,961	25,205,289
		32,876,961	25,205,289
CURRENT LIABILITIES			
Trade and other payables	17	176,767,392	156,600,791
Provision for liquidated damages	18	21,220,680	21,294,116
Interest accrued on long term financing	19	10,756,670	9,299,523
Current portion of long term financing	14	30,372,508	34,719,596
Provision for taxation - net	10	139,265	820,861
		239,256,515	222,734,887
TOTAL LIABILITIES		272,133,476	247,940,176
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	20	208,609,006	208,373,917

The annexed notes from 1 to 37 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR

CENTRAL POWER GENERATION COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023	2022
		-----Rupees in thousands-----	
Revenue from contract with customer - net	21	55,883,406	47,042,545
Cost of revenue	22	(70,196,405)	(46,801,356)
Gross (loss) / profit		(14,312,999)	241,189
Administrative and general expenses	23	(1,096,383)	(834,150)
Provision for bad debt	7.3	-	(10,863,474)
Other expenses	24	(10,400,699)	(13,743,493)
Other income	25	9,613,448	8,498,903
Finance costs	26	(2,551,836)	(1,835,149)
Loss before taxation		(18,748,469)	(18,536,174)
Taxation	27	(271,256)	(206,009)
Loss after taxation		(19,019,725)	(18,742,183)

The annexed notes from 1 to 37 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

CENTRAL POWER GENERATION COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

Note	2023	2022
	-----Rupees in thousands-----	
Loss after taxation	(19,019,725)	(18,742,183)
Other comprehensive (loss) / income:		
Items that may subsequently be reclassified to profit or loss	-	-
Items that will not subsequently be reclassified to	-	-
- Remeasurement of employee benefits obligations	16.5 (4,938,486) (4,938,486)	8,547,495 8,547,495
Total comprehensive loss for the year	(23,958,211)	(10,194,688)

The annexed notes from 1 to 37 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

CENTRAL POWER GENERATION COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Issued, subscribed and paid-up share capital	Capital Reserve- Share Deposit Money	Revenue Reserve - Accumulated Losses	Total
----- Rupees in thousands -----				
Balance as at 01 July 2021	500	3,343,919	(32,715,990)	(29,371,571)
Loss for the year ended 30 June 2022				
Other comprehensive income for the year	-	-	(18,742,183)	(18,742,183)
Total comprehensive loss for the year	-	-	8,547,495	8,547,495
	-	-	(10,194,688)	(10,194,688)
Balance as at 30 June 2022	500	3,343,919	(42,910,678)	(39,566,259)
Loss for the year ended 30 June 2023				
Other comprehensive loss for the year	-	-	(19,019,725)	(19,019,725)
Total comprehensive loss for the year	-	-	(4,938,486)	(4,938,486)
	-	-	(23,958,211)	(23,958,211)
Balance as at 30 June 2023	500	3,343,919	(66,868,889)	(63,524,470)

The annexed notes from 1 to 37 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR

CENTRAL POWER GENERATION COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023	2022
		----Rupees in thousands----	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before tax		(18,748,469)	(18,536,174)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation of property, plant and equipment	3.1.5	4,598,172	4,240,531
Impairment of property, plant and equipment	3.2	5,537,164	-
Provision for staff benefits - net	16.4 & 16.6	3,872,984	3,451,519
Profit on bank deposits	25	(716,650)	(414,571)
Finance costs	26	2,551,836	1,835,149
Impairment of capital work-in-progress		-	23,786
Provision for bad debt	7.4	-	10,863,474
Long term deposits written-off		-	281
		15,843,506	20,000,169
(Loss) / Profit before working capital changes		(2,904,963)	1,463,995
Effect of cash flow due to working capital changes:			
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		108,213	1,613,696
Fuel stock	6.1	132	66
Trade debt		6,068,395	(7,509,838)
Advances, loan and prepayments		228,019	(528,836)
Other receivables		(449,736)	(412,278)
Tax refunds due from the Government		(851,308)	(1,734,249)
		5,103,715	(8,571,439)
Increase in current liabilities:			
Trade and other payables		19,909,547	20,949,337
Provision for liquidated damages		(73,436)	3,284,922
Cash generated from operations		22,034,863	17,126,814
Finance cost paid		(1,094,689)	(748,286)
Income tax paid / adjusted		(952,852)	250,308
Staff benefits paid	16.3 & 16.6	(1,139,798)	(1,026,692)
		(3,187,339)	(1,524,670)
Net cash generated from operating activities		18,847,524	15,602,144
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure - net		(42,348)	(5,725,189)
(Increase) / Decrease in long term advances		(3,280)	1,290
Profit on bank deposits received		679,766	419,770
Net cash generated from / (used in) investing activities		634,138	(5,304,129)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment long-term financing - net	14.6	(12,330,063)	(8,789,519)
Increase in cash and cash equivalents		7,151,599	1,508,496
Cash and cash equivalents at the beginning of the year		6,802,905	5,294,409
Cash and cash equivalents at the end of the year		13,954,504	6,802,905
NON-CASH INVESTING ACTIVITIES			
Capitalization of exchange loss	3.1.3	(8,240,029)	(6,828,431)

The annexed notes from 1 to 37 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

CENTRAL POWER GENERATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR 30 JUNE 2023

1. THE COMPANY AND ITS OPERATIONS

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 (subsequently shifted to GHCL Office, 1st Floor, OPF Building, Sector G-5/2, Islamabad). The Company was formed to acquire all the properties, assets and liabilities of Thermal Power Station (TPS) Guddu, TPS Sukkur and TPS Quetta from Pakistan Water and Power Development Authority (WAPDA). The Company's main objective is the generation and sale of electricity to a single customer, Central Power Purchasing Agency (Guarantee) Limited (CPPA-G).

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 (MV)	Status	Generation License Up to
TPS Guddu	Block I	415.00*	Non-Operational	-
	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

* In August 2022 and September 2023, all units of Block I and Block II, respectively, became non-operational. Further, Block V is operational to the extent of 483.4 MW.

1.4 During the year ended 30 June 2021, the Government of Pakistan (GoP) has communicated to the Company that it has decided to close all in-efficient power plants operated by the corporate entities owned / control by GoP. Accordingly, as per initial plan communicated to the Company, Block I and Block II were expected to operate till August 2022 and September 2023, respectively. As of reporting date, the related carrying values of these power plants amount to Rs. Nil. The Company's Block V was also placed on the list of power projects to be actively marketed for privatization, by Privatization Commission of

Pakistan. The Board of Directors of the Company, in their meeting held on 14 October 2020, has decided to adopt and implement the instructions of GoP in true spirit. The Board of Directors of the Company has, however, not yet formulated any detail plan to implement these instructions. Currently, the Ministry of Energy has no plan of privatization of Guddu Power Plant (as per the latest news available), however, the same is subject to final approval of Federal Cabinet. Further, the Cabinet Committee on Energy (CCoE), subsequently ratified by the Cabinet, has directed the Company to file tariff petition with NEPRA to reduce the Company's Return on Equity (RoE) to 10%. Currently, RoE allowed by NEPRA for the Blocks I and II is 13.92%, whereas RoE for Block V is 15%. Accordingly, with effect from December 2020, the Company's ROE has been reduced to 10% for Blocks I, II and V.

As of reporting date, the Board of Directors of the Company has not formulated any plan to either dispose off Blocks I and / or II or abandon the related non-current assets. The Company continue to operate Blocks I and II, upon availability of gas under quota assigned by the GoP to the Company and upon placement of order by the Company's customer. Accordingly, the related non-current assets and results of operations have not been classified as non-current assets held for sale and discontinued operations, respectively, in accordance with requirements of IFRS 5 'Non- current assets held for sale and discontinued operations'.

1.5 The Company has incurred a loss of Rupees 19,019,725 thousand (2022: a loss of Rupees 18,742,183 thousand), resulting in accumulated losses as of the reporting date amounting to Rupees 66,868,889 thousand (2022: Rupees 42,910,678 thousand) with negative equity of Rupees 63,524,470 thousand (2022: Rupees 39,566,259 thousand). As of that date, the Company's current liabilities exceeding its current assets by Rupees 126,849,111 thousand (2022: Rupees 112,412,251 thousand). Further, the Company is in default in respect of its long-term financing arrangements (refer to notes 14.7 and 14.8). The Company is, however, consistently generating cash inflows from its operations. The Company is confident that it will continue to generate positive cash flows from operation of Block V; enabling the Company to repay its obligations as and when they fall due. As of the date of approval of these financial statements, the consortium of foreign banks has not demanded immediate repayment of the Company's foreign direct loan. The Company continue to repay the loan in accordance with the original repayment schedule, with last repayment due on 22 July 2024. The Company's remaining long-term financing is due to GoP and the Company intends to settle the outstanding balance in due time, after receipt of specific instructions from Ministry of Finance and Revenue (MoFR). As of reporting date, out of total trade and other payables amounting to Rs. 176,767,392 thousand, an amount of Rupees 172,910,719 thousand is due to related parties. Accordingly, the Company believes that in case of any delay in settlement, these parties are not expected to undertake any action which may affect the Company's solvency. Further, owing to the strategic importance of the project, the GoP has provided sovereign guarantee to the Company's foreign lender and whole of the Company's trade receivable is due from CPPA-G, a fellow GoP owned company. Moreover, the management is of the view that GoP would continue to keep the power plant operational considering its relatively low electricity generation cost (currently the Company's Block V have 7th rank in the merit order list determined by the National Transmission and Despatch Company Limited (NTDC)). The strategic importance of the Company's unit is also acknowledged by the NTDC. Accordingly, the Company, on the basis of these factors, have determined that above-mentioned events and conditions does not result in any significant uncertainty affecting the Company's ability to operate for foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards 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.

b) Accounting convention

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

c) Functional and presentation currency

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

2.2 Critical accounting estimates and adjustments

The preparation of these financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to these financial statements are documented in the following accounting policies and notes, and relate primarily to:

a)	Disclosure related to impact of exemption from applicability of IFRS 9	2.7
b)	Disclosure related to impact of exemption of IFRS 16 and IAS 21	2.8
c)	Useful life and depreciation method of fixed assets	2.9 & 3
d)	Provision against obsolete / slow moving store & spares and fuel stock	2.10, 2.11 & 2.12
e)	Deferred liabilities - employee benefits	2.17
f)	Impairment of non-financial assets	2.20
g)	Impairment of financial assets	2.19
h)	Estimation of provisions	2.24
i)	Revenue from contract with customer	2.22
j)	Presentation of long-term financing as current liabilities	2.27

2.3 Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2022:

- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before Intended Use;
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts – Cost of Fulfilling a Contract which amended IAS 1 'Presentation of Financial Statements';
- Annual improvements to IFRS standards 2018-2020 which amended IFRS 9 'Financial Instruments' and IFRS 16 'Leases';
- Reference to the Conceptual Framework (Amendment to IFRS 3) published by the International Accounting Standards Board (IASB) with amendments to IFRS 3 'Business Combinations'.

The above-mentioned amendments to approved accounting standards did not have any impact on the amounts recognized in prior period and are not expected to significantly affect the current or future periods.

2.4 Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2022 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.5 Standards and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2023 or later periods:

- Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.
- Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual periods beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual periods beginning on or after 01 January 2023. These amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

- Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors) effective for annual periods beginning on or after 1 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.
- On 31 October 2022, the IASB issued 'Non-current Liabilities with Covenants (Amendments to IAS 1)' to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after 01 January 2024.
- On 22 September 2022, the IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective for annual periods beginning on or after 01 January 2024.
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The above amendments and improvements are likely to have no significant impact on the financial statements.

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

There are other standards and amendments to published approved standards that are mandatory for accounting periods beginning on or after 01 July 2023 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.7 Exemption from applicability of IFRS 9

Securities and Exchange Commission of Pakistan's (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) in respect of circular debt. Subsequent to the reporting date, SECP, through its S.R.O. no.67 (I) / 2023 dated the 20 January 2023 has extended the exemption from the requirements of "IFRS 9 (Financial Instruments) with respect to application of Expected Credit Losses method" till 31 December 2024 to all companies holding financial assets due from the Government of Pakistan in respect of circular debt, provided that such companies shall follow relevant requirements of IAS 39 – Financial Instruments: Recognition and Measurement, in respect of above referred financial assets during the exemption period. Considering that the circumstances in which the above exemption was granted by SECP are expected to exist for foreseeable future, therefore, the Company intends to approach SECP for seeking permanent exemption. The major financial assets of the Company include trade debt from GoP owned entity. Accordingly, the Company has not recorded ECL against trade debt. The impairment under IFRS 9 on financial assets other than trade debt is insignificant and accordingly has not been incorporated in the financial statements.

2.8 Exemption from applicability of IFRS 16 and IAS 21

The Securities and Exchange Commission of Pakistan (SECP) through S.R.O. 24(I) / 2012 dated 16 January 2012, as modified by S.R.O. 986(I) / 2019 dated 02 September 2019, granted exemption from the requirements of IFRS to all companies which have entered into power purchase agreements before 01 January 2019 are as follows:

- a) IFRS 16 'Leases'** under the consideration required to be made by lessees for the right to use asset is to be accounted for as finance lease. The Company's power plant's control due to purchase of total output by CPPA-G appears to fall under the scope of finance lease under IFRS 16. Consequently, if the Company were to follow IFRS 16 with respect to its PPA, the effect on the financial statements would be as disclosed in note 31.
- b) IAS 21 'The Effects of Changes in Foreign Exchange Rates'**, to the extent of capitalization of exchange differences. Accordingly, the exchange differences relating to foreign currency borrowings have been capitalized in capital work in progress. Had exchange differences, as allowed by the above mentioned S.R.O. not been capitalized, the effect on the financial statements would be as disclosed in note 32.

Related disclosures applicable due to departure of above IFRS requirements are stated in notes 31 and 32 to the financial statements.

2.9 Property, plant and equipment

a) Initial recognition

Operating fixed assets are initially recognized at cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition.

b) Measurement subsequent to initial recognition

Operating fixed assets except freehold land are subsequently stated at cost less accumulated depreciation and impairment, if any. Freehold land are stated at cost less accumulated impairment loss, if any.

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

Further, as described in note 2.26 to the financial statements, exchange gains and losses on foreign currency denominated long term financing utilized for acquisition of assets and outstanding payable for purchase of assets are added to/deducted from cost of property, plant and equipment.

c) De-recognition

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

d) Depreciation

Depreciation on property, plant and equipment is charged 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 3.1 to the financial statements. Depreciation is charged from the date asset is available for use while no depreciation is charged from the date asset is disposed.

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.

e) Estimates

Management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available. Any change in the estimates in future years might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge. The Company's estimate of the residual value of its operating fixed assets as at reporting date, has not required any adjustment.

f) Capital work-in-progress

These are stated at cost less accumulated impairment loss, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when these assets are available for use.

2.10 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.

2.11 Fuel stock

Fuel stock 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 fuel stock, if any.

2.12 Estimates

Fuel stock and stores, spare and loose tools 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.

2.13 Trade debts

Trade debts are amounts due from the sole customer i.e. CPPA-G, for electricity sold in the ordinary course of business and for ensuring availability of capacity. These are due for settlement after thirty days from the date of receipt of invoice by CPPA-G, therefore, are classified as current. Trade debts are recognized initially measured at the transaction price under IFRS 15 (refer to note 2.22) and subsequently measured at amortized cost less any provision for bad debt (refer to note 2.19).

2.14 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.

2.15 Cash and cash equivalents

These are carried at cost and comprise of balances with banks on deposit accounts.

2.16 Trade and other payables

Trade and other payables are recognised initially at fair value plus any directly attributable costs and subsequently measured at amortised cost using effective interest method. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

2.17 Employee benefit obligations

Defined benefit schemes

The Company operates an unfunded pension scheme, an unfunded free electricity scheme and unfunded free medical facility scheme for all its eligible employees. Provision is made in the financial statements based on the actuarial valuation carried out using the Projected Unit Credit Method by the professional firm of qualified actuaries at each year end. Remeasurements which comprise actuarial gains and losses are recognized immediately in other comprehensive income. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense, current service costs and any past service costs are recognized in statement of profit or loss.

Compensated absences

The Company makes annual provision for its liabilities towards compensated absences accumulated by its employees. This liability for regular employees is estimated on the basis of actuarial valuation carried out using Projected Unit Credit Method. The actuarial valuation is carried out by the professional firm of qualified actuaries at each year end. The liability for contractual employees is estimated based on the terms of their employment.

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.

2.18 Mark-up bearing borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss and other comprehensive income, unless it is included in the carrying amount of another asset, over the period of the borrowings using the effective interest method.

Fees paid on the arrangement of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down in which case the fee is deferred. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, then the fee is expensed out straightaway. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in statement of profit or loss and other comprehensive income in the period in which they are incurred.

2.19 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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 debts 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 debts that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

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 business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

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.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

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

Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not have any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32

Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any financial assets for which it has elected to classify irrevocably under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the profit or loss. However, the Company does not have any financial assets at fair value through profit or loss.

b) 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 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, Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that 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.

Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss (except for the trade debts; which are due from Government of Pakistan in respect of circular debt as explained in note 2.7). 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).

The Company considers a financial asset in default when contractual payments are significantly 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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, or as derivatives designated as hedging instruments in an effective hedge, 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

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortized cost (loans and borrowings).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings)

This is the category most relevant to the Company. 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 profit or loss.

c) Derecognition

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.

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.

2.20 Impairment of non-financial assets

At each reporting date, the Company assesses for non-current assets other than inventories, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. Impairment losses of continuing operations are recognized in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset. Impairment losses of continuing operations are recognized in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset.

For non-current assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit

or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2.21 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.

2.22 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, on 20 September 2015 for a tenure of 25 years. 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.

According to IFRS 15, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognised through monthly invoices at the point in time when the electricity is transmitted to CPPA-G-G. The normal credit term is 30 days from acknowledgement by CPPA-G-G. Mark-up at base rate plus 2% per annum is charged in case the amounts are not paid within 30 days, in accordance with the terms of the PPA. Revenue is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. If the time between the recognition of revenue and payment from the customer is expected to be more than one year and the impact is material, the amount of consideration is discounted using appropriate discount rates wherever necessary.

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.

Interest

Delayed payment markup on amounts due under the PPA is accrued on a time proportion basis by reference to the amount outstanding and the applicable rate of return under the PPA, taking into account the probability of non-reversal.

2.23 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 accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither

affects accounting nor taxable profit or loss. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date.

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.

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

Revenues, expenses, assets and liabilities 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.

2.24 Provisions

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

2.25 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

2.26 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss. The exchange gains and losses on foreign currency denominated long term financing utilized for acquisition of assets and outstanding payable for purchase of assets are added to/deducted from cost of property, plant and equipment, in accordance with the S.R.O. 986 (I) / 2019 dated 02 September 2019 issued by the SECP (refer to note 2.8).

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.

2.27 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current or non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current.

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3. PROPERTY, PLANT AND EQUIPMENT

3.1 Operating Fixed Assets

	Land - freehold	Building on freehold land	Power generation plant and equipment	General plant assets - ancillary equipment	Gas pipelines	Capital stores and spares	Furniture and fixtures	Vehicles	Total
Rupees in thousands									
Year ended 30 June 2023									
Opening net book value	14,513	5,905,213	88,235,972	1,728,851	846,393	1,261,323	1,128	7,219	98,000,612
Additions at cost	-	-	8,267,339	15,038	-	-	-	-	8,282,377
Transfer	-	-	-	-	-	-	-	-	-
Cost	-	-	7,850	(7,850)	-	-	(7,850)	-	-
Accumulated depreciation	-	-	-	-	-	7,850	-	-	-
Impairment charged (Note 3.2)	-	-	(5,501,736)	(4,155,578)	-	-	(35,428)	-	-
Depreciation charged	-	(147,721)	(172,835)	(35,263)	(83,498)	-	(244)	(3,033)	(5,537,164)
Closing net book value	14,513	5,757,492	86,845,997	1,571,054	811,130	1,142,397	884	4,186	(4,598,172)
At 30 June 2023									
Cost	14,513	8,184,678	142,987,392	2,984,869	1,196,429	4,015,972	44,606	120,003	159,548,462
Accumulated depreciation	-	(2,427,186)	(46,940,086)	(1,413,815)	(385,299)	(2,838,147)	(43,722)	(115,817)	(54,164,072)
Accumulated impairment (Note 3.2)	-	-	(9,201,309)	-	-	(35,428)	-	-	(9,236,737)
Closing net book value	14,513	5,757,492	86,845,997	1,571,054	811,130	1,142,397	884	4,186	96,147,653
Year ended 30 June 2022									
Opening net book value	14,513	6,037,914	79,119,365	1,899,950	1,254,638	1,342,741	752	17,650	89,687,523
Additions at cost	-	14,966	12,933,008	1,679	-	2,388	590	-	12,952,631
Adjustments	-	-	-	-	(399,011)	-	-	-	(399,011)
Transfer	-	-	-	-	-	-	-	-	-
Cost	-	-	27,084	(26,147)	-	(27,084)	-	-	-
Accumulated depreciation	-	-	937	-	-	26,147	-	-	-
Depreciation charged	-	(147,667)	(3,817,338)	(172,778)	(9,234)	(82,869)	(214)	(10,431)	(4,240,531)
Closing net book value	14,513	5,905,213	88,235,972	1,728,851	846,393	1,261,323	1,128	7,219	98,000,612
At 30 June 2022									
Cost	14,513	8,184,678	134,712,203	2,969,831	1,196,429	4,023,822	44,606	120,003	151,266,085
Accumulated depreciation	-	(2,279,465)	(42,776,658)	(1,240,980)	(350,036)	(2,762,499)	(43,478)	(112,784)	(49,565,900)
Accumulated impairment (Note 3.2)	-	-	(3,699,573)	-	-	-	-	-	(3,699,573)
Closing net book value	14,513	5,905,213	88,235,972	1,728,851	846,393	1,261,323	1,128	7,219	98,000,612
Annual rate of depreciation (%)	-	2	3.5-50	4 - 25	3.3 - 10	2 - 37	10	20	

3.1.1 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.

3.1.2 The cost of the assets as on 30 June 2023 includes fully depreciated assets amounting to Rupees 30,428,777 thousand (2022: Rupees 14,515,514 thousand) which are still in use of the Company. The detail of fully depreciated power generation plant and equipment is as follow:

Thermal Power Station	Block	2023	2022
		----Rupees in thousands----	
TPS Guddu	Block I	8,787,317	-
	Block II	7,389,893	7,382,043
	Block III	3,397,165	3,397,165
	Block IV	606,495	606,495
	Block V	6,404,567	-
TPS Sukkur	-	102,284	102,284
TPS Quetta	-	182,915	182,915

3.1.3 The addition / deletion to power generation plant and equipment include exchange (gain) / losses on foreign currency demoninated long term financing utilized for acquisition of assets and outstarding payable for purchase of assets, in accordance with the exemption granted by SECP as stated in Note 2.8 to the financial statements. The movement in exchange gain capitalized is as follows:

	Note	2023	2022
		----Rupees in thousands----	
Cost			
Balance at the beginning of the year		25,746,042	18,917,611
Exchange loss capitalised during the year (note 2.8)		8,240,029	6,828,431
		33,986,071	25,746,042
Less: Accumulated depreciation			
Balance at the beginning of the year		(2,856,507)	(2,073,039)
Charged during the year		(1,181,112)	(783,468)
		(4,037,619)	(2,856,507)
Balance at the end of the year		29,948,452	22,889,535

3.1.4 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 Rupees 200,000,000 thousand, 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 Rupees 1,420,000 thousand 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.

3.1.5 The depreciation charged during the year has been allocated as follows:

Cost of revenue	22	4,506,209	4,155,720
Administrative and general expenses	23	91,963	84,811
		4,598,172	4,240,531

3.2	Movement in impairment of property, plant and equipment	Note	2023	2022
			----Rupees in thousands----	
	Balance at the beginning of the year		3,723,359	3,699,573
	Impairment charged during the year	3.2.1	5,537,164	23,786
	Balance at the end of the year		9,260,523	3,723,359

3.2.1 During the year, a fire incident on 10 July 2022, caused severe damage to a steam turbine in Block V, which had a carrying value of Rupees 4,664,935 thousand. Additionally, Block I has remained inactive since August 2022 due to a lack of demand, and with its license expiring in 2024, no future economic benefits are expected. In accordance with IAS 36 – Impairment of Assets, the Company evaluated the impairment and, as no recoverable amount could be determined, consequently, impaired the entire carrying value. As a result, a total impairment charge of Rupees 5,537,164 thousand has been recognized in the statement of profit or loss under the cost of revenue (refer to Note 22).

4. LONG TERM ADVANCES - unsecured

Balance at the beginning of the year		63,163	62,987
Disbursements during the year		19,488	24,168
Repayments during the year		(16,908)	(23,992)
Balance at the end of the year	4.1	65,743	63,163
Current portion shown under current assets	8	(11,794)	(12,494)
		53,949	50,669

4.1 This includes employee advances for house construction and land purchase, which are recoverable over 10 years, while vehicle advances are recoverable over 5 years. Interest is applied at the same rate as the General Provident Fund balances maintained by WAPDA.

5. STORES, SPARE PARTS AND LOOSE TOOLS

TPS Guddu		3,970,188	4,078,401
Less: Provision for slow moving / obsolete items		(1,681,773)	(1,681,773)
TPS Quetta		2,288,415	2,396,628
Less: Provision for slow moving / obsolete items		159,062	159,062
TPS Sukkur		(159,062)	(159,062)
Less: Provision for slow moving / obsolete items		-	-
		24,607	24,607
		(24,607)	(24,607)
	5.1	2,288,415	2,396,628

5.1 Movement during the year is as follows:

Balance at the beginning of the year		4,262,070	4,289,395
Additions during the year	5.2	119,940	266,835
Less: Issuance during the year (net of transfer in from operating fixed asset)		4,382,010	4,556,230
Less: Provision for slow moving / obsolete items		(228,153)	(294,160)
Balance at the end of the year		4,153,857	4,262,070
		(1,865,442)	(1,865,442)
		2,288,415	2,396,628

5.2 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.

	5.3 Movement in provision for slow moving/obsolete items	Note	2023	2022
			----Rupees in thousands----	
	Balance at the beginning of the year		1,865,442	279,071
	Impairment charged during the year		-	1,586,371
	Balance at the end of the year		1,865,442	1,865,442
6.	FUEL STOCK			
	High speed diesel		757	889
6.1	Movement in fuel stock during the year is as follows:			
	Balance at the beginning of the year		889	955
	Consumed during the year		(132)	(66)
	Balance at the end of the year		757	889
7.	TRADE DEBT - unsecured			
	Receivable from CPPA-G - related party		103,978,116	110,046,511
	Less: Provision for bad debt	7.4	(19,538,898)	(19,538,898)
			84,439,218	90,507,613
7.1	These represent receivables from Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), the Company's sole customer. These include overdue amounts of Rupees 19,725,148 (2022: Rupees 19,906,819) thousand which attract penal mark-up at the rate of State Bank of Pakistan (SBP) discount rate plus 2% per annum. The penal mark-up rate charged during the year ranged from 16.75% to 25% (2022: 10% to 18%) per annum. The Company has accounted for the penal markup to the extent verified and acknowledged by the CPPA-G.			
7.2	Movement in receivable from CPPA-G during the year is as follows:			
	Balance at the beginning of the year		110,046,511	102,536,673
	Revenue recognized during the year and related sales tax	21	63,913,560	52,234,275
	Mark-up on delayed payments by CPPA-G		8,865,761	8,037,067
			182,825,832	162,808,015
	Less:			
	Funds received during the year		(70,375,000)	(50,340,000)
	Other adjustments		(8,472,716)	(2,421,504)
			(78,847,716)	(52,761,504)
	Balance at the end of the year		103,978,116	110,046,511
7.3	This includes following disputed receivable against supply of electricity:			
		Gross receivables	Provision for bad debt	
		2023	2022	
		----Rupees in thousands----		----Rupees in thousands----
	On open cycle generation	7.3.1	15,719,124	15,719,124
	From TPS Quetta	7.3.2	2,016,726	2,016,726
	From rental power project Naudero-I	7.3.3	722,852	722,852
	Others		373,570	373,570
			18,832,272	18,832,272
	General		-	706,626
			18,832,272	18,832,272
				19,538,898
				19,538,898

7.3.1 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 Block V 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. On 28 December 2020, NEPRA has again disallowed the additional rate for open cycle component. The Company is confident that it has acted on instructions of National Transmission and Dispatch Company Limited (NTDC) and accordingly is entitled to recover whole of the tariff at rates applicable to open cycle generation. The Company, however, has recognized provision on prudent basis.

7.3.2 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. The management of the Company based on the opinion of legal advisor is confident that is entitled to whole of the billed amount however, owing to lack of progress in recovery process and decreased capacity of end consumers to bear additional burden, management is not hopeful of early recovery. Accordingly, as a matter of prudence, the Company has recognized provision of Rupees 2,016,726 thousand.

7.3.3 This represents invoices against supply of electricity from rental power project Naudero-I for the period from May 2010 to March 2012 amounting to Rupees 1,639,293 thousand 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. The Company is confident that it is entitled to whole of the billed amount, as the related electricity was supplied upon the instructions of National Transmission and Dispatch Company Limited. Previously, being prudent, the management had only recorded receivable balance amounting to Rupees 722,852 thousands which comprises only fuel cost and fixed cost component of the invoices excluding sales tax. Owing to lack of progress in recovery process and decreased capacity of end consumers to bear additional burden, management is not hopeful of early recovery. Accordingly, as a matter of prudence, the Company has recognized provision of Rupees 722,852 thousand.

7.4 This represents the provision for bad debt against the long term receivable from CPPA-G, movement is as follows:

Note	2023	2022
	----Rupees in thousands----	
Balance at the beginning of the year	19,538,898	8,675,424
Charged during the year	-	10,863,474
Balance at the end of the year	19,538,898	19,538,898

7.5 Maximum amount outstanding at anytime during the year with reference to month end was Rupees 109,892,013 thousand (2022: Rupees 111,207,348 thousand).

7.6 As of reporting date, the outstanding amount of trade debt (excluding markup on delayed payments) includes an amount of Rs 13,820,226 thousand (2022: 10,301,739 thousand) which is not past due and not impaired.

7.7 CPPA-G is a GoP owned company and accordingly, related credit risk is minimal and as of reporting date no objective evidence of impairment exist. The management has not recognized any provision on the amount receivable from CPPA-G except for matter where the Company is in dispute with CPPA-G and it is unlikely to receive the outstanding amount as discussed in note 7.3.

7.8 Terms and conditions:

The payment term of receivables are 30 days from the receipt of invoice by CPPA-G. The aging analysis is provided in Note 29.2(a)(ii).

8. ADVANCES, LOAN AND PREPAYMENTS

Unsecured:

Advances - considered good	8.1	892,950	1,121,057
Secured:			
Loan to related party	8.2	608,297	608,297
Prepayments		289	201

1,501,536 **1,729,555**

8.1	Advances - unsecured	Note	2023	2022
			----Rupees in thousands----	
	Advances to employees against:			
	- Travelling		19	50
	- Other expenses		924	1,349
			943	1,399
	Advances to suppliers / contractors	8.1.1	921,966	1,148,917
	Current portion of long term advances	4	11,794	12,494
			934,703	1,162,810
	Less: Provision for doubtful advances	8.1.2	(41,753)	(41,753)
			892,950	1,121,057

8.1.1 This includes an advance of Rupees 527,423 thousand (2022: Rupees 522,818 thousand) and Rupees 50,001 thousand (2022: Rupees 9,315 thousand) owed to the Chief Resident Representative Karachi (CRRK) WAPDA, an associated entity, for the import of equipment, stores and spare parts and medical & pension obligations.

Maximum amount outstanding with CRRK WAPDA at anytime during the year with reference to month end amounted to Rupees 574,469 thousand (2022: Rupees 629,421 thousand).

8.1.2 These represent advances extended to following contractors against rental power projects:

<u>Contractors</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
		41,753	41,753

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.

8.2 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 and approval of the Board of Directors. As of reporting date, management was confident that the due amount will be recovered within twelve (12) months of reporting date. Management has assessed that the related credit risk is minimal, as GENCO-IV is wholly owned by a sovereign, and accordingly the impact of expected credit loss, which is insignificant and primarily relates to time value of money, has not been recognized in the financial statements. The maximum amount outstanding at any time during the year with reference to month end amounted to Rupees 608,297 thousand (2022: Rupees 608,297 thousand).

9. OTHER RECEIVABLES

Due from:

Associated undertakings	9.1	1,868,389	1,845,940
Walters Power International	9.2	194,056	194,056
Income tax receivable from CPPA-G as pass through item		809,310	382,023
		2,871,755	2,422,019
Accrued interest on bank deposits		51,496	14,612
Less: Provision for doubtful debt from Walters Power International	12.2 & 12.3	2,923,251	2,436,631
		(194,056)	(194,056)
		2,729,195	2,242,575

9.1	Due from associated undertakings	Note	2023	2022
			----Rupees in thousands----	
	WAPDA	9.1.1	155,619	147,595
	Northern Power Generation Company Limited (GENCO-III)		1,577,070	1,586,901
	Jamshoro Power Generation Company Limited (GENCO-I)		104,591	83,909
	GENCO Holding Company Limited (GHCL)		31,109	27,535
		9.1.2	<u>1,868,389</u>	<u>1,845,940</u>

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

Workers' Welfare Fund	53,065	45,041
Others	<u>102,554</u>	<u>102,554</u>
	<u>155,619</u>	<u>147,595</u>

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

WAPDA	56,218	45,041
Northern Power Generation Company Limited (GENCO-III)	1,586,246	1,586,901
Jamshoro Power Generation Company Limited (GENCO-I)	104,591	83,909
GENCO Holding Company Limited (GHCL)	31,109	27,535

9.2 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 8.1.2. Therefore, being prudent, the Company has recognized a provision against the full amount.

9.3 Movement in provision for doubtful debt

Balance at the beginning of the year	194,056	194,056
Charged during the year	-	-
Balance at the end of the year	<u>194,056</u>	<u>194,056</u>

The Company's receivable from associated undertakings is not exposed to significant credit risk as any default by an undertaking controlled by GoP would either result in payment of compensation by GoP or adjustment against balances owed by the Company to other associated undertakings controlled by GoP. Accordingly, the Company has not recognized provision against these balances.

10. TAX REFUNDS DUE FROM THE GOVERNMENT

Sales tax	10.1	7,986,586	7,135,278
Less : Provision for doubtful refunds		(492,807)	(492,807)
Sales tax - net		<u>7,493,779</u>	<u>6,642,471</u>
Provision for taxation - net		<u>(139,265)</u>	<u>(820,861)</u>
		<u>7,354,514</u>	<u>5,821,610</u>
Income tax payable - presented under current liabilities		<u>139,265</u>	<u>820,861</u>
		<u>7,493,779</u>	<u>6,642,471</u>

10.1 This includes an amount of Rupees 100,000 thousand deposited by the Company in 2011 under the protest, in the government treasury, in response to a verbal demand of the taxation authorities. The management is confident of full recovery.

11. BANK BALANCES	Note	2023	2022
		----Rupees in thousands----	
Deposit accounts - local currency	11.1	<u>13,954,504</u>	<u>6,802,905</u>

11.1 These carry interest ranging from 8.25% to 20% (2022: 6.7% to 13%) per annum.

12. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

Number of shares				
2023	2022			
50,000	50,000	Ordinary shares of Rupees 10 each fully paid in cash		500

12.1 Ordinary shares fully paid in cash are beneficially owned by President of Pakistan directly and through nominee directors.

13. SHARE DEPOSIT MONEY

Incorporation expenses incurred by WAPDA	13.1	5,020	5,020
Allocation of debt services liability	13.2	3,070,460	3,070,460
Conversion of long term loan	13.3	268,439	268,439
		3,343,919	3,343,919

13.1 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.

13.2 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.

13.3 The Company has not yet announced the offer for issue of shares. Accordingly, the limit for issuance of shares has not commenced under the relevant legal and regulatory framework. Thus, despite non issuance of shares, the share deposit money is not being treated as loan, in accordance with the provision of section 199 of the Companies Act, 2017.

14. LONG TERM FINANCING

From financial institutions - secured

Foreign direct loans	14.1	22,194,115	26,541,203
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From related party - unsecured

Foreign relent loans	14.2	133,854	133,854
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Cash development loans - GoP

- For 747MW	14.3	7,873,397	7,873,397
- For general purpose	14.4	171,142	171,142
		8,044,539	8,044,539
		10,756,670	9,299,523
		41,129,178	44,019,119

Current portion shown under current liabilities

Foreign direct loans	22,194,115	26,541,203
Foreign relent loans	133,854	133,854
Cash development loans:		
- For 747MW	7,873,397	7,873,397
- For general purpose	171,142	171,142
Accrued finance cost	(30,372,508)	(34,719,596)
	(10,756,670)	(9,299,523)
		-
		-

14.1 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 Rupees 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 instalments commencing from 21 January 2016. The loan carries mark-up at the rate of LIBOR plus 2.4% with the effective interest rate of 5.29% as of 30 June 2023 (2022: LIBOR plus 2.4% with the effective interest rate of 4.05%). 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). Refer to note 14.8 for discussion of event of default.

14.2 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% (2022: 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.

14.3 These represent three loans obtained by the Company from MoFR for financing for Block V power generation plant. The loans are repayable in 20 annual instalments, commencing from 30 June 2011. The interest rate on these loans ranges from 12.64% to 13.61% (2022: 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.

14.4 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 instalments, commencing from 30 June 2004. The interest rate on these loans ranges from 17.71% to 18.03% (2022: 17.71% to 18.03%) per annum. The Company has not made any payment to settle the instalments, 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.

14.5 As at 30 June 2023, total loan instalments and interest accrued amounting to Rupees 1,412,261 (2022: Rupees 1,166,341) thousand and Rupees 8,055,929 (2022: Rupees 7,130,994) 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 balances have been shown under current liabilities (refer to note 14.7) and no interest is charged on the outstanding balance, after their due dates.

14.6	The movement in long term financing is as follows:	Note	2023	2022
			-----Rupees in thousands-----	-----Rupees in thousands-----
	Balance at the beginning of the year		34,719,595	36,732,088
	Repayments during the year		(12,330,063)	(8,789,519)
	Exchange loss for the year - net		7,982,975	6,777,026
	Balance at the end of the year		30,372,507	34,719,595

14.7 The Company did not repay the instalment of foreign relent loans (FRL) and cash development loans (CDL) as per agreed repayment schedules. The Company does not have an unconditional right to defer the settlement of these loans for at least twelve months after the reporting date. As a result of being in default of these loans, the management has classified the FRLs and CDLs amounting to Rupees 133,854 thousand (2022: Rupees 133,854 thousand) and Rupees 8,044,539 thousand (2022: Rupees 8,044,539 thousand), respectively, as current liabilities. Additional interest has, however not been charged on the outstanding balances, after their due dates.

14.8 As disclosed in note 14.7, the Company did not repay instalments of FRL and CDL as per agreed repayment schedule, which constitute a default event under the financing document for FDL. Accordingly, the Company does not have an unconditional right to defer the settlement of this loan for at least twelve months after the reporting date. As a result, the management has classified the whole amount of loan as current.

15. DEFERRED TAXATION - NET	Note	2023	2022
		----Rupees in thousands----	

As at reporting date, the Company had following deferred tax (assets) / liabilities items:

Deferred tax liability comprises of:

Taxable temporary difference on:

Accelerated tax depreciation

16,260,083

16,724,423

Deferred tax assets comprises of:

(Deductible) temporary difference on:

Unabsorbed tax depreciation

(11,368,695)

(8,893,787)

Deferred liabilities - employee benefit obligations

(9,534,319)

(7,309,534)

Provision for doubtful debt on trade debts

(5,666,280)

(5,666,280)

Provision for stores, spare parts and loose tools

(572,360)

(540,978)

Provision for advances , loans and prepayments

(12,108)

(12,108)

Provision for doubtful debt on other receivables

(56,276)

(56,276)

Minimum tax

(1,286,574)

(588,032)

(28,496,612)

(23,066,995)

(12,236,529)

(6,342,572)

12,236,529

6,342,572

Unrecognized deferred tax asset

-

-

-

-

15.1 Deferred tax asset as at 30 June 2023 of Rupees 12,236,529 thousand has not been recognized as the Company is uncertain about the timing and extent of future taxable profits against which such benefits can be utilized.

16. EMPLOYEE BENEFIT OBLIGATIONS

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

Post retirement benefits

Pension	28,832,520	22,396,403
Free Electricity	871,517	827,067
Free Medical	2,256,688	1,346,325
	31,960,725	24,569,795
Compensated absences	916,236	635,494
	32,876,961	25,205,289

16.1 Actuarial valuations of retirement benefits

The latest actuarial valuations were carried out as at 30 June 2023, using the "Projected Unit Credit Method", details of which are presented in note 2.17.

16.2 General description of benefits

Pension

Pension is payable under the scheme to all eligible employees by the rules of the scheme. An employee is entitled to benefits under Pension scheme on ceasing to be an employee due to any of the following reasons:

- Retirement at age 60
- Death in service
- Disability during service

Pension is calculated on last pay drawn on completion of qualifying service. No benefit is payable under the scheme for less than five years of service.

No benefits under this scheme are available to any employee who either resigned from the service or who is dismissed / terminated from the service of Company due to misconduct.

Free Electricity

Electricity is payable under the scheme to all eligible employees of the Company as provided by the rules of the scheme. An employee is entitled to benefits under this scheme on ceasing to be an employee due to any of the following reasons:

- Normal retirement at age 60
- Death in service
- Disability
- Retiring after completion of 25 years of service
- Compulsory Retirement

The benefit is payable at various rates based on Units consumed according to Grades.

No benefits under this scheme are available to any employee who either resigned from the service or who is dismissed / terminated from the service of Company due to misconduct.

Free Medical

All regular employees and their family members (retiring on superannuation, voluntary retirement, early retirement, death / disability in service) are eligible for the post retirement medical benefits without any limitation subject to a minimum service requirement.

The minimum service requirement for medical benefits is:

- Superannuation retirements	10 years
- Normal retirements	25 years
- Death / Disability in service	10 years

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

	2023			
	Pension	Free electricity	Free medical	Total
-----Rupees in thousands-----				
Balance at the beginning of the year	22,396,403	827,067	1,346,325	24,569,795
Charged during the year	3,175,484	125,006	191,250	3,491,740
Actuarial gain on remeasurement	4,196,087	(77,155)	819,554	4,938,486
Payments made during the year	(935,454)	(3,401)	(100,441)	(1,039,296)
Balance at the end of the year	28,832,520	871,517	2,256,688	31,960,725

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

	2022		
	Pension	Free electricity	Free medical
-----Rupees in thousands-----			
Balance at the beginning of the year	26,350,213	2,304,331	1,988,990
Charged during the year	2,870,708	339,501	217,512
Actuarial gain on remeasurement	(5,970,960)	(1,814,881)	(761,654)
Payments made during the year	(853,558)	(1,884)	(98,523)
Balance at the end of the year	<u>22,396,403</u>	<u>827,067</u>	<u>1,346,325</u>
			24,569,795

16.4 Amounts recognized in statement of profit or loss are as follows:

	2023		
	Pension	Free electricity	Free medical
-----Rupees in thousands-----			
Current service cost	206,417	13,291	15,663
Interest cost	2,969,067	111,715	175,587
	<u>3,175,484</u>	<u>125,006</u>	<u>191,250</u>
			3,491,740

	2022		
	Pension	Free electricity	Free medical
-----Rupees in thousands-----			
Current service cost	205,335	102,586	18,032
Interest cost	2,665,373	236,915	199,480
	<u>2,870,708</u>	<u>339,501</u>	<u>217,512</u>
			3,427,721

16.5 Remeasurement recognized in statement of comprehensive income:

	2023		
	Pension	Free electricity	Free medical
-----Rupees in thousands-----			
Remeasurement chargeable to OCI	<u>4,196,087</u>	<u>(77,155)</u>	<u>819,554</u>
			4,938,486

	2022		
	Pension	Free electricity	Free medical
-----Rupees in thousands-----			
Remeasurement chargeable to OCI	<u>(5,970,960)</u>	<u>(1,814,881)</u>	<u>(761,654)</u>
			(8,547,495)

16.6	Compensated absences	Note	2023	2022
			----Rupees in thousands----	
	Balance at the beginning of the year		635,494	684,423
	Charged during the year		79,796	67,114
	Actuarial loss on remeasurement		301,448	(43,316)
	Payments made during the year		(100,502)	(72,727)
	Balance at the end of the year		<u>916,236</u>	<u>635,494</u>

16.7 Principal actuarial assumptions used in the actuarial valuation:

	2023		
	Pension	Free electricity	Free medical
	-----% per annum-----		
Financial assumptions			
Discount rate	15.75%	15.75%	15.75%
Salary increase rate	15.75%	-	-
Pension inflation rate	13.75%	-	-
Electricity inflation rate	-	15.75%	-
Medical inflation rate	-	-	15.75%
2022			
	Pension	Free electricity	Free medical
	-----% per annum-----		
	Financial assumptions		
Discount rate	13.50%	13.50%	13.50%
Salary increase rate	13.50%	-	-
Pension inflation rate	11.50%	-	-
Electricity inflation rate	-	13.50%	-
Medical inflation rate	-	-	13.50%
Demographic assumptions			
Mortality rate	SLIC (2001-05)		SLIC (2001-05)
Withdrawal rate	Low		Low
Duration	19 years		19 years

16.8 Sensitivity analysis for actuarial assumptions:

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

	2023	2022	2023	2022
	-----Rupees in thousands-----		-----Percentage-----	
Pension Scheme Rate Increase +1%	33,148,246	25,819,885	14.99%	15.31%
Pension Scheme Rate Decrease -1%	25,928,039	20,177,961	-9.94%	-10.77%
Electricity Scheme Increase +1%	962,863	797,292	10.53%	11.72%
Electricity Scheme Decrease -1%	792,701	751,834	-9.09%	-10.04%
Medical Benefit Scheme Increase +1%	2,752,151	2,549,610	21.97%	21.97%
Medical Benefit Scheme Decrease -1%	1,860,233	1,723,348	-17.62%	-17.62%
Salary Rate Increase +1%	29,498,785	22,880,391	2.12%	4.76%
Salary Rate Decrease -1%	28,230,595	21,959,928	-1.92%	-4.20%

The sensitivity analysis is based on a change in discount rate while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the employee benefit obligations to significant actuarial assumptions, the same method (present value of the employee benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied.

16.9 The employee's post retirement benefit schemes exposes the Company to the following risks:

Longevity Risks:

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

Withdrawal Risk:

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

Salary Increase Risk:

The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

16.10 Maturity profile	Rupees in thousands
Projected payments during the following years are as follows:	
For the year ended 30 June 2024	978,960
For the year ended 30 June 2025	1,296,207
For the year ended 30 June 2026	1,487,037
For the year ended 30 June 2027	1,687,669
For the year ended 30 June 2028	1,879,292
For the year ended 30 June 2029 to 30 June 2031	7,110,900
For the year ended 30 June 2032 to 30 June 2034	6,408,677

17. TRADE AND OTHER PAYABLES	Note	2023	2022
		----Rupees in thousands----	----Rupees in thousands----
Trade creditors	17.1	139,687,662	124,190,660
Payable for capital expenditure		512,174	439,359
Payable to General Electrics (GE)		1,775,236	245,020
Due to associated undertakings	17.2	2,119,099	8,925,042
Amounts withheld from gas suppliers		2,331,378	2,331,378
Late payment interest / surcharge payable		28,772,580	19,906,819
Accrued liabilities		1,477,031	491,712
Retention money payable		7,645	8,807
Withholding tax payable		22,574	9,251
Other liabilities		62,013	52,743
		176,767,392	156,600,791

17.1 This includes amount of Rupees 30,433,076 thousand payable to MPCL, Rupees 86,255,971 thousand payable to PPL and Rupees 17,186,765 thousand to SNGPL (government owned entities / related parties). Further, this includes take or pay charges, payable to PPL amounting to Rupees 6,182,000 thousand.

17.2 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:

	Note	2023	2022
		----Rupees in thousands----	
Faisalabad Electric Supply Company Limited		13,330	10,813
Gujranwala Electric Power Company Limited		5,354	4,652
Hyderabad Electric Supply Company Limited		1,524,167	1,511,717
Quetta Electric Supply Company Limited		5,471	4,830
Islamabad Electric Supply Company Limited		9,132	7,844
Lahore Electric Supply Company Limited		16,553	13,108
Multan Electric Power Company Limited		145,054	112,221
Peshawar Electric Supply Company Limited		5,402	4,531
Sukkur Electric Power Company Limited		70,787	6,925,286
WAPDA		48,015	48,015
National Transmission Dispatch Company Limited		270,530	276,721
Lakhra Power Generation Company Limited (GENCO-IV)		5,304	5,304
		2,119,099	8,925,042

17.2.1 Trade payables to related parties mainly represent payable against purchase of goods, services and expenses. These payables are non-interest bearing and are normally settled in ordinary course of business.

18. PROVISION FOR LIQUIDATED DAMAGES

Provision for liquidated damages	21,220,680	21,294,116
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18.1 CPPA-G has imposed liquidated damages amounting to Rupees 21,220,680 thousand, alleging that the Company availed higher outages than allowed under the Company's PPA, for the period from financial year 2015 to financial year 2023. Ministry of Energy, via letter dated 16 November 2022, has formed a committee to ensure settlement of these damages after verification of quantum of outages. The Company's regulator, NEPRA has instructed CPPA-G to ensure timely recovery of these damages. Management of the Company is confident that they will be able to minimize the quantum of liquidate damages based on their contention that majority of outages cost by factor beyond the Company. Owing to persistent instruction by NEPRA to CPPA-G, to ensure immediate recovery of damages, the Company has recognized provision for the whole amount of the demand raised by CPPA-G, as a matter of prudence.

19. INTEREST ACCRUED ON LONG TERM FINANCING

Foreign direct loan	733,304	330,595
Guarantee fee on foreign direct loan	1,967,437	1,837,933
Foreign relent loan	15,668	15,668
Cash development loans:		
For 747MW	7,869,988	6,952,614
For general purpose	170,273	162,713
	8,040,261	7,115,327
	10,756,670	9,299,523



20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies:

20.1.1 Sales Tax

	Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal Parties	Date instituted
i)	Commission Inland Revenue (Appeals) "CIR(A)"	The learned Deputy Commissioner Inland Revenue (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 Rupees 417 thousand along with the default surcharge of Rupees 215 thousand and penalty of Rupees 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 legal 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.	Company and Federal Board of Revenue (FBR)	25-Jan-16
ii)	Commission Inland Revenue (Appeals) "CIR(A)"	The Company filed an appeal on 16 February 2016 with the CIR(A), against the assessment order No. 93/36/2015 dated 25 January 2016, passed under section 11(2) of the Sales Tax Act, 1990, requiring the Company to pay Rupees 641,152 thousand on account of non-apportionment of input tax claimed by the Company against its output tax, for the tax period from July 2011 to June 2012. The tax department took the position that the input tax being claimed by the Company should be apportioned in the ratio of taxable and exempt component of its revenue. The Company received an order from CIR(A) dated 17 June 2016 which concluded that the matter is sub-judice before High Court and pending adjudication till final determination of the matter by the larger bench of seven members. The Company's legal 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.	Company and Federal Board of Revenue (FBR)	16-Feb-16

20.1.2 Income Tax

i)	Appellate Tribunal Inland Revenue (ATIR)	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 Rupees 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 on 03 December 2019, which is pending adjudication. The Company's legal counsel is of the view that the matter -	Company and Federal Board of Revenue (FBR)	03-Dec-19
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Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal Parties	Date instituted
	<p>- will be decided in favor of the Company, accordingly, no provision has been made in these financial statements.</p>		
ii) Appellate Tribunal Inland Revenue (ATIR)	<p>For the Tax Year 2016, the proceedings under section 161 of the Ordinance was initiated by the Deputy Commissioner Inland Revenue (DCIR). The DCIR passed order charging tax amounting to Rupees 29,462 thousand on account of alleged default under various heads of accounts, mainly under the heads of salaries, wages, repair, maintenance and other direct expenses. Being aggrieved, the Company filed an appeal before the CIR(A). The CIR(A), who vide its order No. 66 dated 11 December 2019 has set aside the order of the DCIR. Currently, no demand is outstanding against the taxpayer. Further, against the set-aside order, the Company has filed a second appeal before the ATIR which is pending for adjudication. The Company's legal 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.</p>	Company and Federal Board of Revenue (FBR)	24-Jun-19
iii) Appellate Tribunal Inland Revenue (ATIR)	<p>For the Tax Year 2013, the proceedings under section 124/161/205 of the Ordinance was Initiated by the DCIR. The DCIR passed an order creating tax demand for non-deduction of tax amounting to Rupees 1,025,937 thousand at time of making payments. Being aggrieved, the Company filed an appeal before the CIR(A). The CIR(A), who vide its order No. 24 dated 10 October 2019 decided the appeal in favour of the Company, and CIR(A) has annulled the order for re-assessment and has given certain directions to the DCIR. Therefore, currently no demand is outstanding under this order. However, a second appeal has also been filed before the ATIR for deletion of the demand. The Company's legal 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.</p>	Company and Federal Board of Revenue (FBR)	29-Jul-19
iv) Appellate Tribunal Inland Revenue (ATIR)	<p>For the Tax Year 2015, the proceeding under section 122 of the Ordinance was initiated by the DCIR. The DCIR has charged tax amounting to Rupees 554,679 thousand on account of alleged default under various heads of accounts. Being aggrieved, the Company filed an appeal before the CIR(A), who has decided the case with certain additions. The Company filed appeal on 6 July 2021 before ATIR against the order of CIR(A) which is pending for adjudication. The Company's legal 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.</p>	Company and Federal Board of Revenue (FBR)	06-Jul-21

Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal Parties	Date instituted
v) Appellate Tribunal Inland Revenue (ATIR)	For the Tax Year 2015, the proceedings under section 161/205 of the Ordinance was initiated by the ACIR/DCIR and charged tax amounting to Rupees 440,979 thousand along with default surcharge of Rupees 307,923 thousand on account of alleged default under various heads of accounts, mainly repair, maintenance, admin expenses, plant and machinery. Being aggrieved, the Company has filed appeal before the CIR(A). The CIR(A) has decided the case and confirmed certain additions. The Company has filed an appeal on 26 July 2021 before ATIR against the order of CIR(A) which is pending for adjudication. The Company's legal 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.	Company and Federal Board of Revenue (FBR)	26-Jul-21
vi) Appellate Tribunal Inland Revenue (ATIR)	For the Tax Year 2017, the proceedings under section 161/205 of the Ordinance was initiated by the ACIR/DCIR and charged tax amounting to Rupees 440,979 thousand along with default surcharge of Rupees 307,923 thousand on account of alleged default under various heads of accounts, mainly repair, maintenance, admin expenses, plant and machinery. Being aggrieved, the Company has filed appeal before the CIR(A). The CIR(A) has decided the case and confirmed certain additions. The Company has filed an appeal on 26 December 2023 before ATIR against the order of CIR(A) which is pending for adjudication. The Company's legal 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.	Company and Federal Board of Revenue (FBR)	26-Dec-23

20.1.3 Other matters:

- i) 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.
- ii) The Company has not recognized certain Late Payment Surcharge (LPS) amounts claimed by its gas suppliers, Pakistan Petroleum Limited (PPL) and Mari Petroleum Company Limited (MPCL). The unrecognized amounts claimed by PPL and MPCL totals Rupees 30,011,182 thousand (2022: Rupees 26,296,924 thousand) and Rupees 19,651,482 thousand (2022: Rupees 13,316,025 thousand) respectively. As per the Gas Supply Agreements (GSAs) signed with PPL on 23 October 2017 and MPCL on 20 June 2017, effective from 08 May 2013 and 09 February 2016, respectively, the Company is required to pay LPS at six months KIBOR + 2.5%. However, the Company is actively negotiating with PPL and MPCL for a waiver of the disputed LPS and remains confident that it will be waived. Therefore, these amounts have not been recognized in the financial statements.

Moreover, the Company is in the process of finalizing an agreement with Sui Northern Gas Pipelines Limited (SNGPL) and has stopped purchasing gas from Sui Southern Gas Company Limited (SSGCL). SNGPL has also demanded Late Payment Surcharge (LPS) amounting to Rupees 17,069,604 thousand (2022: 14,424,487 thousand). These disputed amounts remains unrecognized in the financial statements. Management believes that the Company is only responsible for paying interest once formal terms are agreed upon and remains confident that, without a finalized agreement, there is no legal or contractual obligation to pay the disputed amount.

Additionally, the Company has not recognized take-or-pay charges of Rupees 18,752,429 thousand and 7,007,119 thousand, as demanded by MPCL and PPL, respectively. As per the Gas Sales Agreement (GSA), the Company is required to purchase a minimum quantity of gas. If it fails to do so, it must compensate for any shortfall in the minimum purchase requirement. However, the Company remains confident that, in accordance with the Ministry of Energy's directive to renew the gas agreements, there is no legal or contractual obligation to pay these take-or-pay charges.

iii) 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 for the year ended 30 June 2023 (2019: Rupees 250,000 thousand, 2020: Rupees 158,000 thousand, 2021: Rupees Nil & 2022: Rupees Nil).

20.2	Commitments:	Note	2023	2022
			----Rupees in thousands----	
	Outstanding purchase orders		<u>7,509</u>	<u>41,466</u>
	Commitments for capital expenditure		<u>2,847,631</u>	<u>-</u>

20.2.1 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 Rupees 1,906 thousand (2022: Rupees 1,906 thousand) in respect of custom duty payable on account of equipment imported for the Naudero-I Rental Power Project.

21. REVENUE FROM CONTRACT WITH CUSTOMER - NET

Energy Purchase Price (EPP)	<u>54,300,162</u>	35,727,680
Less: Sales tax	<u>(8,030,154)</u>	<u>(5,191,730)</u>
Net energy charges	<u>46,270,008</u>	<u>30,535,950</u>
Capacity Purchase Price (CPP)	<u>9,613,398</u>	<u>16,506,595</u>
	<u>55,883,406</u>	<u>47,042,545</u>

Timing of revenue recognition - net

At a point in time	<u>46,270,008</u>	30,535,950
Over the time	<u>9,613,398</u>	<u>16,506,595</u>
	<u>55,883,406</u>	<u>47,042,545</u>

21.1 The Company does not have any further segments and all the revenue of the Company is generated from local sales to CPPA-G (single customer), and accordingly, further disaggregation of the Company's revenue from contract with customer has not been presented.

21.2 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.

21.3	Units sold	2023	2022
		-----KWh-----	
	Energy (KWh)	<u>4,604,296,264</u>	<u>4,143,948,983</u>
	Capacity (KW) - original	<u>720,790</u>	<u>720,790</u>

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

21.4	Average rates of energy	2023	2022
	Energy charges (Rupees per KWh)	<u>9.33</u>	<u>7.37</u>
	Capacity charges (Rupees per KWh per month)	<u>2,141.60</u>	<u>1,908.39</u>
22.	COST OF REVENUE	Note	2023
			2022
			----Rupees in thousands----
	Fuel consumed		50,987,611
	Salaries, wages and other benefits	22.1	5,834,319
	Depreciation	3.1.5	4,506,209
	Impairment	3.2	5,537,164
	Repair and maintenance		2,343,160
	Power, gas and water		579,645
	Insurance		301,995
	Travelling expenses		49,251
	Vehicle running expenses		42,455
	Stores consumed		14,596
			70,196,405
			46,801,356
22.1	These include provision for employee benefits obligations as follows:		
	Pension obligations - unfunded		2,953,200
	Medical benefits		177,863
	Free electricity		116,256
	Accumulated compensated absences		354,557
			3,601,876
			3,209,912
23.	ADMINISTRATIVE AND GENERAL EXPENSES		
	Salaries, wages and other benefits	23.1	439,142
	Management fee		94,858
	Depreciation	3.1.5	91,963
	Repair and maintenance		319,522
	NEPRA fees		50,044
	Power, gas and water		42,124
	Security expenses		3,203
	Advertisement		2,995
	Vehicle running expenses		14,152
	Legal and professional fees		9,923
	Travelling expenses		3,707
	Office supplies		4,076
	Directors' remuneration		11,093
	Communication charges		4,345
	Miscellaneous expenses		536
	Injuries and Damages		2,500
	Auditors' remuneration	23.2	2,200
			1,096,383
			834,150

			2023	2022
			----Rupees in thousands----	
23.1	These include provision for employee benefits obligations as follows:	Note		
Pension obligations - unfunded			222,284	200,950
Medical benefits			13,388	15,226
Free electricity			8,750	23,765
Accumulated compensated absences			<u>26,687</u>	1,666
			<u>271,109</u>	<u>241,607</u>
23.2	Auditors' Remuneration			
Annual statutory audit			2,000	2,000
Out of pocket expenses			<u>200</u>	<u>200</u>
			<u>2,200</u>	<u>2,200</u>
24.	OTHER EXPENSES			
Liquidated damages against forced outages			1,534,938	5,706,426
Late payment interest / surcharge			<u>8,865,761</u>	<u>8,037,067</u>
			<u>10,400,699</u>	<u>13,743,493</u>
25.	OTHER INCOME			
Income from financial assets:				
Profit on bank deposits			716,650	414,571
Mark-up on delayed payments by CPPA-G			<u>8,865,761</u>	<u>8,037,067</u>
			<u>9,582,411</u>	<u>8,451,638</u>
Income from other than financial assets:				
Rent			12,264	17,111
Training charges			966	9,650
Penalties recovered			820	4,954
Electricity charges			<u>10,118</u>	8,500
Tender fee			317	366
Miscellaneous			6,552	5,684
Reversal of liabilities which is no longer payable			-	1,000
			<u>31,037</u>	<u>47,265</u>
			<u>9,613,448</u>	<u>8,498,903</u>
26.	FINANCE COSTS			
Interest cost on Foreign direct loans			1,492,601	735,803
From related parties:				
Cash development loans			924,934	954,697
Guarantee fee on foreign direct loans (GOP)			<u>129,504</u>	136,078
Others - Bank Charges			<u>4,797</u>	8,571
			<u>2,551,836</u>	<u>1,835,149</u>
27.	TAXATION			
Current tax	27.1		<u>271,256</u>	<u>206,009</u>

27.1 The provision for current tax represents minimum turnover tax @ 1.25% of the turnover (2022: minimum turnover tax), under the provisions of the Income Tax Ordinance, 2001. less the reimbursement of Tax from CPPA-G, duly verified and acknowledge under power purchase agreement. The Company has not recognized deferred tax asset against tax credits, minimum turnover tax and deductible temporary differences, as it is not probable that sufficient taxable profits will be available to adjust these balances, before their expiry.

27.2 Reconciliation between the tax chargeable on accounting profit and taxable profit is not relevant as the Company is subject to minimum tax.

27.3 The Institute of Chartered Accountants of Pakistan (ICAP) has issued circular 7/2024 "IAS 12: Application Guidance on Accounting for Minimum Taxes" (the Guidance) dated 15 May 2024, which is applicable for accounting periods ending after the date of publication, with retrospective effect.

Under the Guidance, the Company is required to distinguish and account for amounts paid under the Income Tax Ordinance, 2001 (the Ordinance) in the following manner:

a) any final taxes (i.e., under Final Presumption Tax Regime and not based on taxable income) as levy; subject to IAS 37/ IFRIC 22. No related deferred taxes will be recognized. The charge will be presented as final tax before profit (loss) before tax.

b) any taxes payable/ paid in respect of taxable income only (i.e., under the Normal Tax Regime) as income tax, subject to IAS 12. The related deferred taxes will be recognized at effective income tax rate for all deductible (where recoverable) taxable temporary differences.

c) for any hybrid taxes (i.e., which consist of elements comprising a component within the scope of IAS 12 (Income Tax) and a component within the scope of IFRIC 21 (Levies, normally minimum taxes in reference to amount of turnover etc.)), the Company will exercise judgment and adopt a consistent approach of either considering the amount paid/ payable to be primarily an income tax (and thus only recognize any excess amount as levy) or considering the amount to be primarily a levy (and thus only recognizing any excess amount as income tax). The related deferred taxes will be recognized at effective income tax rate only for all deductible (where recoverable) taxable temporary differences. Any minimum tax expected to be adjustable against future income tax liability will be recognized directly as deferred tax asset. The charge relating to levy will be presented before profit / (loss) before tax, as either minimum tax or differential minimum tax (as applicable).

The Company expects that the above-mentioned Guidance will only require the Company to reclassify amount of any levy from "Taxation" to "Minimum tax difference/ Final taxes" (as applicable), in the statement of profit or loss, without affecting the amount of profit / (loss) after tax and categorization of "Tax payable" as "Levy payable", where applicable, in the statement of financial position. The Company intends to apply the Guidance for the year ended 30 June 2024.

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2023			2022		
	CHIEF EXECUTIVE OFFICER	DIRECTORS	EXECUTIVE S	CHIEF EXECUTIVE OFFICER	DIRECTORS	EXECUTIVES
-----Rupees in thousands-----						
Meeting fee	-	11,093	-	-	15,963	-
Managerial remuneration	2,584	-	125,862	3,465	-	68,875
Others	-	-	82,270	1,610	-	39,182
Bonus	-	-	-	-	-	2,891
	2,584	11,093	208,132	5,075	15,963	110,948
Number of person(s)	1	6	75	1	5	37

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

29.1 The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's 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 review and agree policies for managing each of these risks.

29.2 As of 30 June 2023, the Company is exposed to the following risks:

a) 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 provision for doubtful debts, if any, and through the prudent use of collateral policy.

The Company's credit risk is primarily attributable to advances, deposits, trade debt, loan to related party, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2023	2022
	---Rupees in thousands---	
Bank balances	13,954,504	6,802,905
Trade debt	84,439,218	90,507,613
Long term advances	65,743	63,163
Loan to related party	608,297	608,297
Other receivables	2,729,195	2,242,575
	101,796,957	100,224,553

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 Name	Rating Agency	Rating		2023	2022
		Short-term	Long-term	---Rupees in thousands---	
United Bank Limited	VIS	A-1+	AAA	1,030,141	1,649,036
Habib Bank Limited	VIS	A-1+	AAA	1,761,691	2,964,412
National Bank of Pakistan	VIS	A-1+	AAA	11,162,672	2,189,457
				13,954,504	6,802,905

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, based on external credit rating, the Company has assessed that the ECL on bank balances is insignificant and rounds to zero.

ii) **Trade debt**

Refer to note 2.7 regarding exemption available to the Company in respect of application of requirements relating to recognition of ECL on the Company's trade debt. The trade debts is from the Company's sole customer CPPA-G, an associated company. Refer to note 7.7 for detailed discussion of the Company's assessment that no objective evidence exists to necessitate recognition of additional provision for bad debt. The Company has, however, recognized provision against matters disclosed in notes and 7.3 amounting to Rupees 18,832,272 thousand (2022: Rupees 18,832,272 thousand), wherein CPPA-G has raised dispute regarding validity of the Company's claim.

Aging analysis of trade debts is provided below:

	2023	2022
	----Rupees in thousands----	
Neither past due nor impaired	33,545,375	30,208,559
Past due		
0 to 3 Months (0 - 90 days)	7,326,970	13,533,439
4 to 6 Months (91 - 180 days)	7,577,865	7,504,839
7-12 Months	24,638,701	18,647,421
Over 12 Months	30,889,205	40,152,253
	70,432,741	79,837,952
	103,978,116	110,046,511

b) **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulties 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. As a result of Company's defaults on its long term financing (as discussed in notes 14.7 and 14.8, whole of the carrying value of long term financing has been presented as payable on demand. Till the date of approval of these financial statements, the Company's lenders have not required the Company to settle whole of the amount. Based on matters discussed in note 1.5 the Company is confident that the Company's lenders will not undertake any action which may effect the Company's solvency. 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	6-12 months	1 - 5 years	More than 5 years	Carrying amount
-----Rupees in thousands -----					
30 June 2023					
Long term financing	30,372,508	-	-	-	30,372,508
Trade and other payables	56,710	176,688,108	-	-	176,744,818
Accrued markup	10,756,670	-	-	-	10,756,670
	41,185,888	176,688,108	-	-	217,873,996
30 June 2022					
Long term financing	34,719,596	-	-	-	34,719,596
Trade and other payables	48,157	156,543,383	-	-	156,591,540
Accrued markup	9,299,523	-	-	-	9,299,523
	44,067,276	156,543,383	-	-	200,610,659

Further, as at 30 June 2023, 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:

	2023	2022
	----Rupees in thousands----	
Due in next year	1,921,334	2,536,416
Due after 1 year with in 5 years	3,906,752	5,147,590
Due after 5 years	<u>2,572,610</u>	3,253,106
	<u>8,400,696</u>	10,937,112

c) 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 2023 and 2022.

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

The analysis 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

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

The Company'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:

	2023	2022	2023	2022
	-----USD-----		-----Euros-----	
Long-term financing	77,304,474	128,840,790	-	-
Interest accrued on long term financing	2,554,176	1,604,827	-	-
Trade and other payables	<u>6,186,551</u>	1,190,916	<u>739,093</u>	739,093
	<u>86,045,201</u>	131,636,533	<u>739,093</u>	739,093

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

	2023	2022	2023	2022
	-----USD-----		-----Euros-----	

Rupees per foreign currency

Reporting date rate	<u>287.10</u>	206.00	<u>314.75</u>	215.75
Average rate during the year	<u>246.55</u>	182.15	<u>265.25</u>	202.23

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 Long Term Financing		Effects on Loss Before Tax	Change in Euro Rate	Effects on Loss Before Tax
		-----Rupees in thousands-----				
30 June 2023	5%	(1,109,706)	(125,473)	5%	(11,631)	
	-5%	1,109,706	125,473	-5%	11,631	
30 June 2022	5%	(1,327,060)	(28,796)	5%	(7,973)	
	-5%	1,327,060	28,796	-5%	7,973	

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 liabilities / (assets) was as follow:

	2023	2022		
	---Rupees in thousands---			
Fixed rate instruments				
Financial liabilities				
Long-term financing - foreign relent loans	133,854	133,854		
Long-term financing - cash development loans	8,044,539	8,044,539		
	8,178,393	8,178,393		
Floating rate instruments				
Financial assets				
Bank balances	(13,954,504)	(6,802,905)		
Financial liabilities				
Long-term financing - foreign direct loans	22,194,115	26,541,203		
	8,239,611	19,738,298		

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 floating rate instruments

A change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit for the year by the amounts shown below. This analysis assumes that all other variables remain constant. The following information summarizes the estimated effects of hypothetical increases and decreases in interest rates on cash flows from financial assets and liabilities that are subject to interest rate risk.



2023		2022	
Increase	Decrease	Increase	Decrease
---Rupees in thousands---			
Cash flow sensitivity:			
- floating rate financial assets	(139,545)	139,545	(68,029) 68,029
- floating rate financial liabilities	(221,941)	221,941	(265,412) 265,412
Net effect	(361,486)	361,486	(333,441) 333,441

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

iii) 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.

(a) Equity price risk

The Company is not exposed to equity price risk since the Company has not invested in any listed equity securities.

(b) Commodity risk

The Company is not exposed to commodity risk as it had signed long term PPA and Gas Supply Agreements with CPPA-G and MPCL & PPL respectively, with fixed tariff, subject to indexation mechanism provided in the aforementioned agreements.

29.3 Financial instruments by categories:

2023 2022
---Rupees in thousands---

At amortized cost

Financial assets as per statement of financial position

Long term advances	65,743	63,163
Trade debts	84,439,218	90,507,613
Other receivables	2,729,195	2,242,575
Loan to related party	608,297	608,297
Bank balances	13,954,504	6,802,905
	101,796,957	100,224,553

At amortized cost

Financial liabilities as per statement of financial position

Long term financing	-	-
Trade and other payables	176,744,818	156,591,540
Interest accrued on long term financing	10,756,670	9,299,523
Current portion of long term financing	30,372,508	34,719,596
	217,873,996	200,610,659

29.4 Reconciliation to the line items presented in the statement of financial position is as follows:

Assets

	2023		
	Financial assets	Non-financial assets	Assets as per statement of financial position
Property, plant and equipment	-	96,147,653	96,147,653
Long term advances	65,743	-	65,743
Stores, spare parts and loose tools	-	2,288,415	2,288,415
Fuel stock	-	757	757
Trade debt	84,439,218	-	84,439,218
Advances, loan and prepayments	608,297	881,445	1,489,742
Other receivables	2,729,195	-	2,729,195
Tax refunds due from the Government	-	7,493,779	7,493,779
Bank balances	13,954,504	-	13,954,504
	101,796,957	106,812,049	208,609,006

Liabilities

	Financial liabilities	Non-financial liabilities	Liabilities as per statement of financial position
Long term financing	-	-	-
Employee benefit obligations	-	32,876,961	32,876,961
Trade and other payables	176,744,818	22,574	176,767,392
Provision for liquidated damages	-	21,220,680	21,220,680
Interest accrued on long term financing	10,756,670	-	10,756,670
Current portion of long term financing	30,372,508	-	30,372,508
Provision for taxation - net	-	139,265	139,265
	217,873,996	54,259,480	272,133,476

Assets

	Financial assets	Non-financial assets	Assets as per statement of financial position
Property, plant and equipment	-	98,000,612	98,000,612
Long term advances	63,163	-	63,163
Stores, spare parts and loose tools	-	2,396,628	2,396,628
Fuel stock	-	889	889
Trade debt	90,507,613	-	90,507,613
Advances, loan and prepayments	608,297	1,108,764	1,717,061
Other receivables	2,242,575	-	2,242,575
Tax refunds due from the Government	-	6,642,471	6,642,471
Bank balances	6,802,905	-	6,802,905
	100,224,553	108,149,364	208,373,917

	Financial liabilities	Non-financial liabilities	Liabilities as per statement of financial position
Liabilities			
Long term financing	-	25,205,289	25,205,289
Employee benefit obligations	-	25,205,289	25,205,289
Trade and other payables	156,591,540	9,251	156,600,791
Provision for liquidated damages	-	21,294,116	21,294,116
Interest accrued on long term financing	9,299,523	-	9,299,523
Current portion of long term financing	34,719,596	-	34,719,596
Provision for taxation - net	-	820,861	820,861
	200,610,659	47,329,517	247,940,176

29.5 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The different levels of fair valuation method has been defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data.

As of the reporting date, the carrying value of all financial assets and liabilities reflected in the financial statements approximate to their fair value.

29.6 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide benefits for stakeholders.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. The Company monitors capital using a debt equity ratio, which is net debt divided by total capital plus net debt. The gearing ratio as at the reporting date is as follows:

Long term loans	-	-	-
Accrued mark-up	10,756,670	9,299,523	
Current portion of long term loans	30,372,508	34,719,596	
Total debt	41,129,178	44,019,119	
Bank balances	(13,954,504)	(6,802,905)	
Net debt	27,174,674	37,216,214	
Share capital	500	500	
Share deposit money	3,343,919	3,343,919	
Revenue reserves	(66,868,889)	(42,910,678)	
Total equity	(63,524,470)	(39,566,259)	
Total capital	(36,349,796)	(2,350,045)	
Gearing	74.76%	1583.64%	

The Company's strategy is to ensure compliance with the Prudential Regulations issued by the State Bank of Pakistan, if applicable, 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. For discussion of breaches of financial covenants of interest bearing loans, refer to notes 14.7 and 14.8.

30. TRANSACTIONS WITH RELATED PARTIES

Following are the details of related parties and associated companies / undertakings with whom the Company had entered into transactions or had arrangements in place during the year:

30.1 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:

Name of related party	Basis of relationship	Percentage of shareholding
Government of Pakistan	Shareholding	100%
Directors / Executives	Key Management Personnel	0%
GENCO Holding Company Limited	Managing entity	N/A
Central Power Purchasing Authority (CPPA-G)	State owned / controlled entities	N/A
Faisalabad Electric Supply Company Limited	State owned / controlled entities	N/A
Gujranwala Electric Power Company Limited	State owned / controlled entities	N/A
Hyderabad Electric Supply Company Limited	State owned / controlled entities	N/A
Quetta Electric Supply Company Limited	State owned / controlled entities	N/A
Islamabad Electric Supply Company Limited	State owned / controlled entities	N/A
Lahore Electric Supply Company Limited	State owned / controlled entities	N/A
Multan Electric Power Company Limited	State owned / controlled entities	N/A
Peshawar Electric Supply Company Limited	State owned / controlled entities	N/A
Sukkur Electric Power Company Limited	State owned / controlled entities	N/A
National Transmission and Dispatch Company Limited	State owned / controlled entities	N/A
Jamshoro Power Company Limited (GENCO-I)	State owned / controlled entities	N/A
Northern Power Generation Company Limited (GENCO-III)	State owned / controlled entities	N/A
Lakhra Power Generation Company Limited (GENCO-IV)	State owned / controlled entities	N/A
Sui Southern Gas Company Limited (SSGCL)	State owned / controlled entities	N/A
Sui Northern Gas Pipelines Limited (SNGPL)	State owned / controlled entities	N/A
Mari Petroleum Company Limited (MPCL)	State owned / controlled entities	N/A
Pakistan Petroleum Limited (PPL)	State owned / controlled entities	N/A
WAPDA	State owned / controlled entities	N/A
Chief Resident Representative Karachi - WAPDA	State owned / controlled entities	N/A
National Insurance Company Limited	State owned / controlled entities	N/A

30.2 Details of transactions with related parties other than those disclosed elsewhere are as follows:

Name	Nature of transactions	2023	2022
---Rupees in thousands---			
CPPA-G	Electricity sales	55,883,406	47,042,545
	Funds received during the year	70,375,000	50,340,000
WAPDA, associated companies	Electricity and other utility purchases	6,936,246	1,739,618
	Credit movement	122,072	2,645,142
Ministry of Finance	Interest and guarantee fee on long- term financing	1,054,438	1,090,775
SNGPL	Purchase of gas	7,927,670	2,188,596
	Payments made during the year	5,319,443	3,184,958
PPL	Purchase of gas	35,168,026	22,724,877
	Payments made during the year	28,318,922	16,759,868
MPCL	Purchase of gas	7,897,384	8,879,540
	Payments made during the year	10,277,547	7,297,230
GENCO Holding Company Limited	Management fees	94,858	27,567
National Insurance Company Limited	Insurance	301,995	3,996
NEPRA	License fee	50,044	39,640

There are certain other transactions with government related entities that are not considered significant either individually or collectively for disclosure purposes.

31. APPLICABILITY OF IFRS 16 LEASES

The Securities and Exchange Commission of Pakistan (SECP) through S.R.O. 24(I) / 2012 dated 16 January 2012, as modified by S.R.O. 986(I) / 2019 dated 02 September 2019, granted exemption from the requirements of IFRS 16 (refer to note 2.8 for details).

The effect are as follows:

De-recognition of fixed assets	96,147,653	98,000,612
Recognition of lease debtor	64,714,069	101,364,235
De-recognition of trade debts	84,439,218	90,507,613
Increase in accumulated losses at the beginning of the year	36,305,083	25,830,001
Increase in loss for the year	6,240,490	10,475,082
Increase in accumulated losses at the end of the year	42,545,573	36,305,083

32. IMPACT OF NON-CAPITALIZATION OF EXCHANGE LOSS

SECP, through its S.R.O 986(1)/2019, dated 2 September 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 2.8 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---	
(18,917,611)	18,917,611
(6,828,431)	6,828,431
(25,746,042)	25,746,042
(8,240,029)	8,240,029
(33,986,071)	33,986,071

Change due to non-capitalization of exchange loss as at 01 July 2021
 Charge off of exchange loss for the year
 Change due to non-capitalization of exchange loss as at 30 June 2022
 Charge off of exchange loss for the year
 Change due to non-capitalization of exchange loss as at 30 June 2023

33. NUMBER OF EMPLOYEES

Total number of employees as at the reporting date	1,377	1,491
Average number of employees during the year	<u>1,434</u>	<u>1,512</u>
Total number of plant site employees as at the reporting date	794	885
Average number of plant site employees during the year	<u>827</u>	<u>938</u>

34. PLANT CAPACITY AND ACTUAL PRODUCTION

Based on 365 days	2023	2022
Annual installed capacity - original	<u>14,373,320</u>	<u>14,373,320</u>
Actual output	<u>4,604,296</u>	<u>4,143,949</u>

34.1 Under utilization of available capacity is due to non-operational plants of the Company. Further, during the year, owing to outages suffered at the plant sites, the Company could not make available its operational power plants for a period of 50,378 hours.

35. CORRESPONDING FIGURES

Corresponding figure have been rearranged/reclassified, wherever considered necessary for the purpose of better and fair presentation, however, no significant rearrangement/reclassification has been made.

36. GENERAL

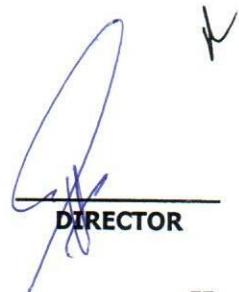
Figures have been rounded off to the nearest thousands of Pak Rupees, unless otherwise stated.

37. DATE OF AUTHORIZATION

These financial statements were approved and authorized for issue on 12 AUG 2025 by the Board of Directors of the Company.



CHIEF EXECUTIVE OFFICER



DIRECTOR