Islamabad Electric Supply Company Limited

Legal Status and Nature of Business

- Islamabad Electric Supply Company Limited (IESCO) is a Public Limited Company and falls in the category of Public Interest Company under the Third Schedule of the Companies Act, 2017.
- IESCO's core function is to supply, distribute and sell power (electricity) in the area from Attock to Jhelum and from the river Indus to River Neelum in Kashmir.
- The Company is Owned by the Government of Pakistan, and the Administrative Ministry is the Ministry of Energy (Power Division).

Registered Office

IESCO Head Office; Street 40; Sector G-7/4; Islamabad.

Company Registration Number / National Tax Number

- Registration Number: L09499 of 1997-98 dated 25.04.1998
- National Tax Number: 2748840-3
- Date of Issuance NTN Certificate: 19.09.2006

Phone and Fax Numbers of Head Office

- Phone No. 051-9252923
- Fax No. 051-9252893

Email Address

- m_coord@iesco.com.pk

Auditor

Riaz Ahmad & Company
Chartered Accountants

Legal Advisor

Khaliq-uz-zaman Khan,
Barrister-at-Law
Az Zaman, Advocates & Legal Consultants

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, we are pleased to present the 24th Directors' Report together with the audited financial statements for the year ended June 30, 2022 and the Statement of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013.

A. OPERATIONAL REVIEW

1. To achieve the goal of loss reduction, safety, and improving network health, the Company has continued to make forays across various distribution projects. It's heartening to note that substantial progress has been witnessed in comparison to previous year as well as budgeted in terms of Commercial and Technical targets set by NEPRA. This included the distribution loss, recovery and outages.
2. During the financial year 2021-22, over 797 of (illegal / direct connections of passing meters) have been removed from the system, and a total of 186454 new meters have been installed during the year. Further, detail of development activities executed during the FY. 2021-23 are as under: -

Sr. No.	Description	Amount in PKR Rupees
1.	ELR	979.00
2.	DOP	284.00
Total		1,263.00

3. The Company's flagship project - AMI, being funded through ADB initially launched in the financial year 2021-22 has progressed to its implementation phase which will further the goal of curbing losses while grossly facilitating communities. Moreover, this project will enable effective data insights for better decision making and would also provide detailed analyses of Technical & Commercial Losses, Billing & Revenue, Network health and reliability. AMI project will also enhance our ability to increase governance via data availability, network hierarchy and consumer mapping.

4. Additionally, with a focus on customer satisfaction and to enhance customer facilitation, the Company has expanded its Customer Facilitation Centre (CFC) to 12 locations citywide in the 06 Operational Circles, 20 Operational Divisions and 112 Operational Sub Divisions.

5. The network has witnessed significant technical improvements during the during financial year 2021-22, with a 925 reduction in feeder outages and a significant reduction in consumer complaints observed during the period. This improved performance is mainly driven by aggressive maintenance and governance initiatives like preventive maintenance of over 266 feeders, relieving of 1193 overloaded distribution transformers, addition of protection and isolation devices, and efficient network design.

6. A mechanism for Safety audits was also conducted by the management to ascertain adherence to safety policies and procedure, displaying their commitment towards safety.

7. During the year, sale of electricity was recorded 11,962 Gwh as against 10,943 Gwh of previous year showing an increase of 1,019 Gwh (9.31%). The increase in sale is due to increase in number of consumers as well as use of more electricity due to lengthy summer season as a result of climatic changes and consequence of global warming.

8. During the year the distribution license issued to IESCO in 2001 was expired after 20 years' validity in November 2021. IESCO filed a petition before NEPRA for renewal in its distribution license for another term as deemed fit by the regulator. NEPRA allowed a provisional renewal of distribution license for a period of six months from November 2021 to April 2022. However, as per Section 23E of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 2018, the holder of the distribution license was deemed to hold a license for supply for electric power for a period of five years till 01 May, 2023. The current status is that NEPRA has renewed the IESCO's license up-to 30-04-2023 or till the time final determination of authority is made, whichever is earlier.

9. In 2018, certain changes were made in NEPRA Act 1997, wherein the exclusivity of IESCO was withdrawn. The said amendment was challenged by IESCO in Islamabad High Court. The outcome of the same is pending before court of law.

10. In order to improve the efficiency regarding regulatory affairs as well as other matters relating to opening of electricity market by the regulator under Competitive Trading Bilateral Contract Market (CTBCM) model, a Directorate General named as Market Implementation & Regulatory Affairs Department (MIRAD) has been established and various officers of different cadres are in the process of getting standard trainings from Lahore university of Management Sciences (LUMS). The creation of MIRAD is likely to have healthy impact on IESCO when market is expected to shift from traditional single buyer model to CTBCM model.

B. FINANCIAL REVIEW

1. During the financial year 2021-22, the IESCO had to sustain a net loss of Rs.16,392 million mainly attributable to existence of timing differences in extracting periodic adjustments from NEPRA exacerbated, however, in the FY 2021-22 in particular due to adverse macro and micro economic situation that prevailed in FY. 2021-22.
2. A brief of the profit and loss statement for the year ended 30.06.2022 is as under: -

	30-Jun-22	**30-Jun-21**
Sale Income	239,952	161,191
Cost of Sales	(226,704)	(143,197)
Gross Profit	13,248	17,995
Administrative expenses	(7,803)	(8,943)
Distribution costs	(20,303)	(17,888)
Customer services costs	(1,255)	(1,101)
Operating Profit/(Loss)	(14,300)	(8,297)
Other income	3,075	2,379
Finance costs	(2,573)	(1,873)
Profit/(Loss) before taxation	(13,799)	(7,791)
Taxation	(2,594)	6,382
Profit/ (Loss) after taxation	**(16,393)**	**(1,409)**

3. On the macroeconomic front; global increase in fuel prices, economic instability and weak macroeconomic indicators such as downgraded country ratings coupled with extreme currency devaluation have negatively impacted the energy sector in Pakistan especially in the last quarter of FY 2022. Similar to the rest of the world, the Company is adjusting to its new bearings too after surviving a pandemic. The power sector in Pakistan has been exposed to circular debt issues since long, however, it is encouraging to see efforts at Government and Regulatory front being taken to help alleviate the matter. The exponential increase in fuel and borrowing costs resulted in a heavy cost push impact nationwide on all industries particularly the power sector. All these un-favourable movement in macro-economic factors coupled with deteriorating consumer propensity to pay impacted Company's financial performance during the FY 2021-22.

4. On the microeconomic front, strong depreciation in the value of the Pakistan Rupee particularly in the last quarter of the financial year coupled with unprecedented increase in the price of RLNG and Furnace Oil, resulted in a significant increase in overall cost of electricity. In addition to increase in the cost of electricity amidst deteriorating consumer propensity to pay due to exorbitantly high inflation, the un-favourable movement in macro-economic factors as explained above weighed on Company's Financials also.

5. If periodic adjustments corresponding to FY 2021-22 were allowed by NEPRA and also in respect of respective years, the revenue of IESCO for the FY 2021-22, redrafted hypothetically in conformity with the accrual concept, would have been increased by PKR 7.09 billion as depicted as **ANNEX-I.**

6. The increase in revenue had been recorded as 48.86% higher than previous year whereas cost of sale had increased by 58.32% for similar period.

7. During the year, despite various challenges including macro-economic environment, the Company invested around PKR 12.553 billion across the power value chain and continued to show positive growth in key operational indicators with reduction of T&D losses from 8.5% to 8.2% and increase in unit sent out by 9.31%. This improved performance was partly set-off due to negative impact of additional PKR 10.58 billion recorded this year on account of delay in the receipt of periodic adjustments, difference in revenue requirement demanded by IESCO and revenue assessment made by NEPRA.

8. We are hopeful that Government will take right measures to stabilize the economy and will have improved economic indicators by June 2023.

C. CORPORATE GOVERNANCE

1. The Board of Directors is committed to maintaining high standards of corporate governance to ensure business integrity and transparency. The Directors are pleased to state that:

   i. The Board has complied with the relevant principles of corporate governance.

   ii. The financial statements, prepared by the Management present its state of affairs fairly, the result of its operations, cash flows and changes in equity.

   iii. Proper books of account have been maintained.

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

   v. International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.

   vi. There are no doubts upon the Company's ability to continue as a going concern.

   vii. The system of internal control is sound in design and has been effectively implemented and monitored.

   viii. The appointment of the Chairman and other members of the board and their terms of appointment along with the remuneration policy adopted are in the best interest of the Company as well as in line with the best practices.

   ix. Disclosure on remuneration of Chief Executive and Executives is given in Note 35 to the notes to the Financial Statements for the year ended June 30, 2022.

   x. A net amount Rs. 24,750.63 million has been given as subsidy to consumers during the year

   xi. Reasons for significant deviations from last year's operating results have been explained.

   xii. Information about outstanding taxes and levies is given in the notes to the financial statements.

2. In view of the prevailing regulatory environment, the overall role and responsibilities of the Board have been enhanced significantly. The directors provide considerable time to demonstrate an effective role in the overall success of the Company. The Company, therefore, ensures that the non-executive directors are fairly compensated with regard to the responsibilities undertaken.
3. Key operating and financial data of current and last 5 years has been attached as **ANNEX-II**.
4. Attendance of Board and Committee Meetings and Board Remuneration is attached as **ANNEX-III**.
5. IESCO employee's post-retirement benefits i.e. Pension is partially funded and latest actuarial valuation report has been carried out by M/S Abdul Rahim Abdul Wahab Actuary Consultant Karachi as on 30.06.2022. The value of pension fund trust is as under: -
    - Plan Assets of Pension Fund Trust: Rs. 3,961 million
    - Plan Liabilities of Pension Fund Trust: Rs. 40,664 million

To further arrest the widening gap between assets and liabilities and to mitigate the burden on the consumers through tariff methodology in vogue, the Board is committed to make all future recruitments in open ended contract mode with no pensionary benefits. However, gratuity may be allowed in rare cases where award is inevitable.

D. AUDIT COMMITTEE

1. The Board had setup an Audit Committee chaired by independent member Mr. Ahsan Ali Chugtai, other members of the committee are Dr. Imtiaz Ahmad, Mr. Ahmed Taimoor Nasir, Syed Hasnain Haider, Ms. Ameena Sohail, Mr. Tayyab Farid, Syed Aly Murtaza and Chaudhry Muhammad Ibrahim.

E. EMPHASIS PARAGRAPH IN THE AUDIT REPORT

1. The Auditor has given Emphasis of matter on the following one matter:

   "a. Note 24.1 of the accompanying financial statements, which describes various matters regarding tax and other contingencies, the ultimate outcome of which cannot be presently determined; hence pending the resolution thereof, no provision for the same has been made in accompanying financial statements."

2. The Board being cognizant of the above indicated exposure w.r.t tax implications recently took concrete steps to safeguard the interests of IESCO. The said steps included strengthening the Finance Wing by creation of an in house Tax Section to be headed by a Director level officer, taking immediate measures for filling up vacant accounts related posts, arranging capacity building workshops for the staff and improving coordination with taxation authorities.

F. PATTERN OF SHAREHOLDING

1. Islamabad Electric Supply Company Limited is a public sector company established under the Companies Ordinance, 1984 (now Companies Act, 2017) wholly owned by the Government of Pakistan and has been working under the administrative control of Ministry of Energy (Power Division). Pattern of shareholding in the company is attached as **ANNEX-IV.**

G. FUTURE OUTLOOK

1. The management under the supervision of Board of Directors is working on corporate restructuring and has taken the following initiatives: -
    a. A state of the art Enterprise Resource Planning system is being implemented which will not only improve the internal controls and management information system but will also act as a governance tool;
    b. A qualified Company Secretary has been hired to head the Secretariat portfolio so as to fulfill the requirements of Public Sector Companies (Corporate Governance) Rules, 2013;
    c. A qualified Chief Financial Officer has also been hired to head the Finance Wing thereby removing the previous year non-compliance w.r.t requirement of Public Sector Companies (Corporate Governance) Rules, 2013;
    d. The post of Chief Internal Auditor was also filled from market to head the Internal Audit Wing thereby removing the previous year non-compliance of Public Sector Companies (Corporate Governance) Rules, 2013;

e. A qualified lawyer has also been recruited to head the Legal Department of IESCO.

H. APPOINTMENT OF AUDITORS

1. On the recommendations of Audit & Risk Committee, the Board has recommended for appointment of M/s Riaz Ahmad & Company, Chartered Accountants firm through its engagement partner Mr. Raheel Arshad, FCA as External Auditors for the FY 2022-23.

I. ACKNOWLEDGEMENT

1. At the end, we would like to convey our sincere appreciation for the efforts and dedicated contributions put in by the company employees at all level.

Chief Executive Officer

Chairman/ Director

Date: 05-01-2023

Place: Islamabad

ANNEX-I

	Rs. In Billion
Revenue as per Audit Report	**241.95**
Less: Revenue of previous year booked in FY 2021-22 as per accounting policy	(12.45)
Add: Differences to be recovered in 2022-23 onwards	5.22
	234.71
Add: Quarterly Adjustments related to 2021-22 under process at NEPRA at year end	
1st Qtr 2021-22	0.49
2nd Qtr 2021-22	4.23
3rd Qtr 2021-22	1.16
4th Qtr 2021-22	8.45
Total	**14.33**
Adjusted Revenue	**249.04**
Decrease in loss	7.09

M. A. Saeed

ANNEX-II

KEY OPERATIONAL AND FINANCIAL DATA

Description	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Units Purchased Gwh	10,583	11,672	11,838	11,435	11,965	13,027
Units Sold Gwh	9,628	10,606	10,789	10,442	10,943	11,962
Losses %	9.0%	9.1%	8.9%	8.7%	8.5%	8.2%

Description	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenue						
Revenue from Consumers	79,626	96,197	128,927	133,735	138,781	215,201
Govt. Subsides	7,038	11,181	16,965	23,400	22,411	24,751
Total Revenue	**86,664**	**107,378**	**145,892**	**157,136**	**161,191**	**239,952**
Cost of Electricity						
EPP	50,609	72,834	79,506	73,975	71,033	150,335
CPP	30,822	39,179	49,690	68,888	67,479	73,749
UOSC	2,876	3,291	3,720	3,982	4,685	2,620
Total	**84,308**	**115,304**	**132,916**	**146,845**	**143,197**	**226,704**
Amortization of Deferred Credits	1,227	1,318	1,432	1,531	1,640	1,813
Gross Profit/(Loss)	**3,583**	**(6,609)**	**14,407**	**11,822**	**19,635**	**15,061**
Operating Expenses						
O&M Expenses	12,282	15,254	16,249	17,186	22,855	24,003
Depreciation	2,208	4,250	4,699	5,484	5,077	5,359
Total	**14,490**	**19,503**	**20,949**	**22,670**	**27,932**	**29,362**
Operating Profit	**(10,907)**	**(26,112)**	**(6,541)**	**(10,848)**	**(8,297)**	**(14,300)**
Add Other Income	1,115	1,868	2,243	1,969	2,379	3,075
PBIT	**(9,791)**	**(24,244)**	**(4,298)**	**(8,879)**	**(5,918)**	**(11,226)**

Financial cost	1,374	1,868	1,657	1,372	1,873	2,573
Profit/ (loss) before taxation	(11,165)	(26,112)	(5,954)	(10,251)	(7,791)	(13,799)
Taxation	695	1,225	1,639	2,031	6,382	(2,594)
Profit/ (loss) after tax	**(11,860)**	**(27,337)**	**(7,593)**	**(12,282)**	**(1,409)**	**(16,393)**

Earnings / (Loss) per Share (Rs.)

Description	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
EPS	(20.45)	(47.15)	(13.10)	(21.18)	(2.43)	(28.27)

Attendance of Board and Committee Meetings and Board Remuneration FY 2021-22

Sr. No	Name of Director	Board Meeting		Audit & Risk Committee		Human Resource & Nomination Committee		Procurement & Finance Committee		Technical and Special Initiative Committee	
		Total	Attended	Total	Attended	Total	Attended	Total	Attended	Total	Attended
1.	Engr. Salahuddin Rifai Chairman	12	12	7	4	11	10	8	8	2	2
2.	Dr. Mohammad Amjad Khan CEO	12	11	7	2	11	10	8	7	2	2
3.	Dr. Imtiaz Ahmed ***	12	2	7	2	-	-	8	2	2	1
4.	Mr. Ahmed Taimoor Nasir *	12	2	7	2	-	-	-	-	-	-
5.	Mr. Amir Zafar	12	10	-	-	11	11	-	-	-	-
6.	Ms. Ameena Sohail	12	12	7	7	11	11	8	7	2	1
7.	Mr. Ahsan Ali Chugtai	12	12	7	7	11	3	-	-	2	2
8.	Ms. Sadia Khuram ****	12	8	-	-	-	-	-	-	-	-
9.	Syed Hasnain Haider	12	9	7	6	11	10	8	8	2	1
10.	Syed Aly Murtazza	12	10	7	4	11	2	8	3	-	-
11.	Chaudhry Muhammad Ibrahim	12	12	7	7	-	-	-	-	2	1
12.	Mr. Tayyab Farid **	12	1	7	1	-	-	8	1	2	1
13.	Mr. Asim Iqbal *	12	9	7	3	11	9	-	-	2	1
14.	Mr. Muhammad Anwar Sheikh ***	12	7	7	5	-	-	8	5	2	1
15.	Mr. Gulzar Hussain Shah **	12	1	-	-	-	-	-	-	-	-

Sr. No.	Name of Director	Board's Special ERP Committee		Legal, Health and Safety Environment Committee		Customer Service Committee		Project Approval Committee / DWP		Fee Paid to the Directors (Rs.) *****
		Total	Attended	Total	Attended	Total	Attended	Total	Attended	
1.	Engr. Salahuddin Rifai Chairman	-	-	-	-	6	1	1	1	2,250,000
2.	Dr. Mohammad Amjad Khan CEO	9	8	3	3	6	5	-	-	-
3.	Dr. Imtiaz Ahmed ***	-	-	-	-	-	-	1	1	480,000
4.	Mr. Ahmed Taimoor Nasir *	-	-	-	-	-	-	-	-	140,000
5.	Mr. Amir Zafar	-	-	3	3	6	2	-	-	1,520,000
6.	Ms. Ameena Sohail	9	9	3	3	-	-	1	1	2,880,000
7.	Mr. Ahsan Ali Chugtai	-	-	3	3	-	-	1	1	1,530,000
8.	Ms. Sadia Khuram ****	-	-	-	-	6	4	-	-	595,000
9.	Syed Hasnain Haider	-	-	-	-	-	-	-	-	1,840,000
10.	Syed Aly Murtazza	9	9	3	2	6	5	-	-	1,775,000
11.	Chaudhry Muhammad Ibrahim	9	9	3	3	6	6	-	-	2,100,000
12.	Mr. Tayyab Farid **	-	-	-	-	-	-	-	-	240,000
13.	Mr. Asim Iqbal *	-	-	-	-	6	5	-	-	1,520,000
14.	Mr. Muhammad Anwar Sheikh ***	-	-	-	-	-	-	-	-	980,000
15.	Mr. Gulzar Hussain Shah **	-	-	-	-	-	-	-	-	35,000

* Mr. Ahmed Taimoor Nasir replaced Mr. Asim Iqbal on July 14, 2022

** Mr. Tayyab Farid replaced Mr. Gulzar Hussain Shah on April 08, 2022

*** Mr. Muhammad Anwar Sheikh, has resigned on February 24, 2022 and been replaced by Dr. Imtiaz Ahmed.

**** Ms. Sadia Khuram tendered her resignation on August 01, 2022

***** Fee paid to directors for attending Senior Selection Board Meetings included.

<u>PATTERN OF SHAREHOLDING AS AT 30.06.2022</u> **ANNEX-IV**

Name of Shareholder	No. of shares	Percentage
The President, Islamic Republic of Pakistan Shares held in Trust: i. Engr. Salahuddin Rifai, Chairman ii. Dr. Muhammad Amjad Khan, Chief Executive iii. Mr. Amir Zafar, Director iv. Mr. Ahsan Ali Chughtai, Director v. Syed Hasnain Haider, Director vi. Ms. Sadia Khuram, vii. Ms. Ameena Sohail, Director	993 01 01 01 01 01 01 01	0.0002%
IESCO Employees Trust (BESOS)	69,578,920	12.0000%
Water and Power Development Authority (WAPDA)	510,245,414	87.9998%
Total	**579,825,334**	100.0000%

Riaz Ahmad & Company
Chartered Accountants

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

30 JUNE 2022

A member of Nexia International

Riaz Ahmad & Company
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the members of Islamabad Electric Supply Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Islamabad Electric Supply Company Limited (the Company), which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of the loss, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 25.1 and 25.2 of the accompanying financial statements, which describes various matters regarding tax and other contingencies, the ultimate outcome of which cannot be presently determined; hence pending the resolution thereof, no provision for the same has been made in accompanying financial statements.

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 and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

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

Riaz Ahmad & Co.

RIAZ AHMAD & COMPANY
Chartered Accountants

ISLAMABAD

Date: 20 JAN 2023

UDIN: AR202210187nLNfgGYu7

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	NOTE	2022 Rupees	2021 Restated Rupees	2020 Restated Rupees
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	3	161,423,881,204	154,229,595,588	103,285,666,165
Intangible asset under development	4	114,032,619	114,032,619	114,032,619
Long term loans	5	332,707,015	189,843,098	191,505,142
Deferred income tax asset	6	-	-	-
		161,870,620,838	154,533,471,305	103,591,203,926
CURRENT ASSETS				
Stores, spares and loose tools	7	1,846,542,415	1,253,709,134	1,409,307,717
Trade debts	8	130,443,933,380	68,425,496,089	128,158,439,953
Loans and advances	9	517,403,237	275,214,823	436,662,038
Receivable from Government of Pakistan	10	2,505,783,771	6,670,626,766	7,458,533,039
Security deposits	11	73,736,230	73,736,230	73,736,230
Other receivables	12	11,584,202,580	4,151,416,716	3,781,451,987
Sales tax receivable	13	23,407,056,774	21,672,240,530	21,672,240,530
Advance income tax	14	1,312,858,799	1,320,081,028	1,508,226,947
Cash and bank balances	15	12,577,067,294	8,576,643,121	5,204,373,983
		184,268,584,480	112,419,164,437	169,702,972,424
Non-current assets held for sale	12.3	65,890,500	65,890,500	65,890,500
		184,334,474,980	112,485,054,937	169,768,862,924
TOTAL ASSETS		346,205,095,818	267,018,526,242	273,360,066,850
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital				
5,000,000,000 (2021: 5,000,000,000) Ordinary shares of Rupees 10 each		50,000,000,000	50,000,000,000	50,000,000,000
Issued, subscribed and paid up share capital	16	5,798,253,340	5,798,253,340	5,798,253,340
Accumulated loss		(83,718,990,977)	(69,644,453,434)	(68,285,370,186)
Capital reserves				
Deposit for shares	17	33,787,229,112	15,977,870,269	20,250,770,096
Surplus on revaluation of operating fixed assets - net of deferred income tax	18	73,174,670,251	75,042,111,464	32,507,220,605
		106,961,899,363	91,019,981,733	52,757,990,701
Total reserves		23,242,908,386	21,375,528,299	(15,527,379,485)
Total equity		29,041,161,726	27,173,781,639	(9,729,126,145)
LIABILITIES				
NON-CURRENT LIABILITIES				
Long term loans	19	4,767,257,072	5,449,707,205	6,265,591,770
Long term security deposits	20	8,336,047,237	7,304,779,929	6,533,606,741
Staff retirement benefits	21	45,573,104,473	45,646,048,211	42,832,870,892
Deferred credit	22	32,910,817,864	29,768,760,406	28,300,117,642
		91,587,226,646	88,169,295,751	83,932,187,045
CURRENT LIABILITIES				
Trade and other payables	23	212,990,079,093	141,337,907,306	191,001,573,752
Accrued mark-up	24	8,623,270,244	7,182,137,352	5,799,135,271
Current portion of long term loans	19	3,963,358,109	3,155,404,194	2,356,296,927
		225,576,707,446	151,675,448,852	199,157,005,950
TOTAL LIABILITIES		317,163,934,092	239,844,744,603	283,089,192,995
CONTINGENCIES AND COMMITMENTS	25			
TOTAL EQUITY AND LIABILITIES		346,205,095,818	267,018,526,242	273,360,066,850

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	2022 Rupees	2021 Restated Rupees
SALE OF ELECTRICITY - NET	26	215,201,085,570	138,780,783,389
TARIFF DIFFERENTIAL SUBSIDY	10	24,750,630,749	22,410,587,232
		239,951,716,319	161,191,370,621
COST OF ELECTRICITY	27	(226,703,925,952)	(143,196,575,725)
GROSS PROFIT		13,247,790,367	17,994,794,896
AMORTIZATION OF DEFERRED CREDIT	22	1,813,499,956	1,640,058,947
		15,061,290,323	19,634,853,843
OPERATING EXPENSES:			
ADMINISTRATIVE EXPENSES	28	(7,802,798,314)	(8,942,610,109)
DISTRIBUTION COSTS	29	(20,303,478,222)	(17,887,934,519)
CUSTOMER SERVICES COSTS	30	(1,255,499,766)	(1,101,483,110)
		(29,361,776,302)	(27,932,027,738)
LOSS FROM OPERATIONS		(14,300,485,979)	(8,297,173,895)
OTHER INCOME	31	3,074,858,457	2,379,468,061
FINANCE COST	32	(2,573,214,332)	(1,873,007,466)
LOSS BEFORE TAXATION		(13,798,841,854)	(7,790,713,300)
TAXATION	33	(2,594,061,871)	6,382,000,015
LOSS AFTER TAXATION		(16,392,903,725)	(1,408,713,285)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	2022 Rupees	2021 Restated Rupees
LOSS AFTER TAXATION	(16,392,903,725)	(1,408,713,285)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	635,105,590	(2,560,297,431)
Related deferred income tax	(184,180,621)	742,486,255
	450,924,969	(1,817,811,176)
Surplus on revaluation of operating fixed assets	-	53,639,992,514
Related deferred income tax	-	(9,237,660,442)
	-	44,402,332,072
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year - net of tax	450,924,969	42,584,520,896
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(15,941,978,756)	41,175,807,611

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	SHARE CAPITAL	CAPITAL RESERVES		ACCUMULATED LOSS	TOTAL RESERVES	TOTAL EQUITY
		DEPOSIT FOR SHARES	SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF DEFERRED INCOME TAX			
	Rupees					
Balance as at 30 June 2020 - as previously reported	5,798,253,340	20,250,770,096	29,335,045,587	(65,593,086,855)	(16,007,271,172)	(10,209,017,832)
Impact of restatement (Note 2.29)			3,172,175,018	(2,692,283,331)	479,891,687	479,891,687
Balance as at 30 June 2020 - restated	5,798,253,340	20,250,770,096	32,507,220,605	(68,285,370,186)	(15,527,379,485)	(9,729,126,145)
Non-cash settlement against deposit for shares	-	(4,272,899,827)	-	-	(4,272,899,827)	(4,272,899,827)
Loss for the year	-	-	-	(1,408,713,285)	(1,408,713,285)	(1,408,713,285)
Other comprehensive income for the year	-	-	44,402,332,072	(1,817,811,176)	42,584,520,896	42,584,520,896
Total comprehensive income for the year	-	-	44,402,332,072	(3,226,524,461)	41,175,807,611	41,175,807,611
Incremental depreciation transferred from surplus on revaluation of operating fixed assets to accumulated loss - net of deferred income tax	-	-	(1,867,441,213)	1,867,441,213	-	-
Balance as at 30 June 2021 - restated	5,798,253,340	15,977,870,269	75,042,111,464	(69,644,453,434)	21,375,528,299	27,173,781,639
Non-cash settlement against deposit for shares	-	17,809,358,843	-	-	17,809,358,843	17,809,358,843
Loss for the year	-	-	-	(16,392,903,725)	(16,392,903,725)	(16,392,903,725)
Other comprehensive income for the year	-	-	-	450,924,969	450,924,969	450,924,969
Total comprehensive loss for the year	-	-	-	(15,941,978,756)	(15,941,978,756)	(15,941,978,756)
Incremental depreciation transferred from surplus on revaluation of operating fixed assets to accumulated loss - net of deferred income tax	-	-	(1,867,441,213)	1,867,441,213	-	-
Balance as at 30 June 2022	5,798,253,340	33,787,229,112	73,174,670,251	(83,718,990,977)	23,242,908,386	29,041,161,726

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	2022 Rupees	2021 Restated Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(13,798,841,854)	(7,790,713,300)
Adjustment for non-cash charges and other items:		
Depreciation	5,358,872,334	5,077,222,993
Balances written off	4,655,663,378	17,756,378
Impairment loss	-	6,242,426,329
Loss of operating fixed assets due to theft	-	623,997
Gain on disposal of operating fixed assets	-	(22,924,017)
Amortization of deferred credit	(1,813,499,956)	(1,640,058,947)
Provision against staff retirement benefits	5,425,899,072	4,560,236,313
(Reversal) / provision against slow moving / obsolete items of stores, spares and loose tools	(45,595,279)	44,079,787
Profit on bank deposits	(710,055,002)	(235,954,206)
Exchange loss / (gain)	120,849,041	(23,095,097)
Finance cost	2,452,365,291	1,873,007,466
	1,645,657,025	8,102,607,696
Working capital changes:		
(Increase) / decrease in current assets:		
Store, spares and loose tools	(547,238,002)	111,518,796
Trade debts	(63,859,454,439)	59,732,943,864
Advances	(213,236,726)	157,846,501
Sales tax receivable	(1,734,816,244)	-
Receivable from Government of Pakistan	1,350,196,765	787,906,273
Other receivables	(7,289,473,353)	(381,380,842)
	(72,294,021,999)	60,408,834,592
Increase / (decrease) in trade and other payables	93,982,055,204	(50,827,864,562)
	21,688,033,205	9,580,970,030
Cash generated from operations	23,333,690,230	17,683,577,726
Staff retirement benefits paid	(4,212,994,673)	(3,732,356,425)
Payment for fund contribution regarding pension obligation	(650,742,547)	(575,000,000)
Net increase in long term loans	(171,815,605)	(12,493,620)
Finance cost paid	(616,302,313)	(483,687,586)
Income tax paid	(2,771,020,263)	(1,925,028,253)
Net cash generated from operating activities	14,910,814,829	10,955,011,842
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(12,553,157,950)	(8,624,555,311)
Proceeds from sale of property, plant and equipment	-	23,269,100
Profit on bank deposits received	566,742,491	247,370,319
Net cash used in investing activities	(11,986,415,459)	(8,353,915,892)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term security deposits - net	1,031,267,308	771,173,188
Proceeds from long term loans	44,757,495	-
Net cash from financing activities	1,076,024,803	771,173,188
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,000,424,173	3,372,269,138
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	8,576,643,121	5,204,373,983
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12,577,067,294	8,576,643,121

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

1. THE COMPANY AND ITS OPERATIONS

1.1 Islamabad Electric Supply Company Limited (the Company) is a public limited company incorporated in Pakistan, under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company was established to take over all the properties, rights and liabilities of Islamabad Area Electricity Board owned by Pakistan Water and Power Development Authority (WAPDA). The Company was incorporated on 25 April 1998 and commenced commercial operations on 01 June 1998.

1.2 The Company is principally engaged in distribution and supply of electricity within defined geographical boundaries. The Company was granted a license on 02 November 2001 by the National Electric Power Regulatory Authority (NEPRA) for electricity distribution which was expired on 01 November 2021, the Company was granted a temporary extension till 30 April 2022 and the renewal of its distribution license by NEPRA is still in process. However, as per the para 23E of Regulation of Generation, Transmission and Distribution of Electric Power Act, 2018, the holder of the distribution license shall be deemed to hold a license for supply of electric power under this section for a period of five years (till 01 May 2023) from date of this act (i.e. 02 May 2018).

Head Office

The registered office of the Company is situated at IESCO Headquarters, Street No. 40, G-7/4, Islamabad.

Other Offices

The Company has various 132-KV, 66-KV, 33-KV grid stations along with other offices located at Islamabad, Rawalpindi, Jhelum, Attock and Chakwal.

1.3 Ministry of Energy, Government of Pakistan vide S.R.O. 1010 dated 06 August 2021 allowed an amount of Rupees 7,750 million as periodic adjustments for the fourth quarter of fiscal year 2019-20 and Rupees 7,323 million for first and second quarter fiscal year 2020-21, which was to be recovered within 12 months effective from 01 October 2021. Rupees 5,333 million has been recovered for fourth quarter of fiscal year 2019-20 and Rupees 5,321 million for first and second quarter of fiscal year 2020-21. Ministry of Energy, Government of Pakistan vide S.R.O. 1067 dated 25 August 2021 has allowed Rupees 2,959 million for third quarter of fiscal year 2020-21, which was to be recovered within 12 months effective from 01 October 2021. Rupees 2,150 million has been recovered during the year ended 30 June 2022. Ministry of Energy, Government of Pakistan vide S.R.O. 117 dated 20 January 2022 allowed Rupees 361 million for the fourth quarter of fiscal year 2020-21, which was to be recovered in three months effective from 01 February 2022. However, an amount of Rupees 349 million has been adjusted. Ministry of Energy, Government of Pakistan vide S.R.O. 728 dated 31 May 2022 allowed Rupees 859 million as periodic adjustments for the first quarter of fiscal year 2021-22, which was to be recovered in three months effective from 01 June 2022. Rupees 371 million has been recovered as at 30 June 2022. All these adjustments allowed by NEPRA, aggregate to Rupees 18,530 million, out of which Rupees 12,825 million have been recovered during the year ended 30 June 2022 and the remaining amount of Rupees 5,705 million is to be recovered after the year end. If this adjustment had been allowed in the respective years, the revenue of the Company for year ended 30 June 2020 would have increased by Rupees 2,417 million and Rupees 2,799 million for year ended 30 June 2021 respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

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

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

b) Accounting convention

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

c) Critical accounting estimates and judgments

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

Useful lives, patterns of economic benefits and impairments

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

Provision for obsolescence of stores, spares and loose tools

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

Income tax

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgment. The Company has elected to measure loss allowance for trade debts using IFRS 9 'Financial Instruments' simplified approach based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Revenue from contracts with customers involving sale of electricity

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

Staff retirement benefits

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

Provisions

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

Contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date.

Tariff adjustment determination

As per the mechanism laid out in the Multi Year Tariff (MYT) decision, the Company seeks adjustments for fuel price, cost of power purchase, operation and maintenance cost and unrecovered cost including non-recoverable dues written-off, as per NEPRA's determination on a monthly / quarterly / annual basis. The monthly / quarterly / annual determinations of the tariff adjustment are approved by NEPRA on a time to time basis, resulting in provisional amounts being recognized by the Company based on its judgements and interpretation of MYT decision, till the determination from NEPRA is received.

Revaluation of operating fixed assets (Note 38)

d) 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 2021:

- Amendments to IFRS 16 'Leases' – Covid-19 related rent concessions extended beyond 30 June 2021;
- Interest Rate Benchmark Reform– Phase 2 which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 4 'Insurance Contracts', IFRS 7 'Financial Instruments: Disclosures' and IFRS 16 'Leases'.

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.

e) **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 2021 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

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

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2022 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'.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 01 January 2022 amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022:

IFRS 9 'Financial Instruments' – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

IFRS 16 'Leases' – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

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 01 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.

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

g) 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 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.

2.2 Staff retirement benefits

Defined benefit plans

The Company operates funded pension, unfunded post retirement free electricity, unfunded medical benefits and unfunded compensated absences schemes for all its permanent employees. The Company's obligations under these schemes are determined annually by a qualified actuary using Projected Unit Credit Actuarial Cost Method. Latest actuarial valuations have been carried on 30 June 2022. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Past service cost is recognized immediately in the statement of profit or loss.

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

General / Employees' Provident Fund

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

2.3 **Taxation**

Current

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

Deferred

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

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

2.4 **Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2.5 **Foreign currency transactions and translation**

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to statement of profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined.

2.6 **Provisions**

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

2.7 **Property, plant, equipment and depreciation**

Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for land both lease and freehold, buildings and distribution equipment, which are stated at their revalued amounts less subsequent accumulated depreciation and impairment losses, if any. Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land, buildings and distribution equipment, are recognized, net of deferred income tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of deferred income tax, is reclassified from surplus on revaluation of operating fixed assets to accumulated loss.

Depreciation

Depreciation on operating fixed assets is calculated by applying the straight-line method so as to write off the cost / depreciable amount of the asset over their estimated useful lives at the rates given in Note 3.1. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off. Depreciation on operating fixed assets is charged to the statement of profit or loss except for depreciation provided on vehicles during the period of construction of operating fixed assets that is capitalized as part of the cost of operating fixed assets. The residual values and useful lives of assets are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

De-recognition

An item of operating fixed assets 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.

Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

2.8 **Intangible asset**

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditure relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible asset under development is stated at cost less any recognized impairment loss.

2.9 **Investments and other financial assets**

a) Classification

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

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

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

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

b) Measurement

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

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

Debt instruments

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

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss (FVTPL)

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

Equity instruments

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

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss

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

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

2.10 **Financial liabilities - classification and measurement**

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

2.11 **Impairment of financial assets**

The Company recognizes loss allowances for ECLs on:

- Financial assets measured at amortized cost; and
- Contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the bank balances, which is measured at 12-month ECLs:

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

2.12 De-recognition of financial assets and financial liabilities

a) Financial assets

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

b) Financial liabilities

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

2.13 Offsetting of financial instruments

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

2.14 Stores, spare parts and loose tools

These are valued at the lower of cost or net realizable value. Cost is determined on a weighted average basis, comprising invoice values and the related charges that have been incurred in bringing the inventories to their present locations and condition. 100% provision is made for inactive stores and spares over 3 years.

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

2.15 Trade and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Securities and Exchange Commission of Pakistan (SECP) through SRO 985(I)/2019 dated 02 September 2019 and SRO 1177 (I)/2021 dated 13 September 2021 has notified that, in respect of companies holding financial assets due from the Government of Pakistan, the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method shall not be applicable till 30 June 2022 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. Accordingly, the same continue to be reported as per the following accounting policy:

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable.

The Company assesses at the end of each reporting period whether there is objective evidence that the financial asset is impaired. The financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit or loss. When the financial asset is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the profit or loss.

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

2.16 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through sale transaction rather than continuous use. These are measured at lower of carrying amount and fair value less cost to sell.

2.17 Deferred credit

Amounts received from consumers and Government as contributions towards the cost of extension of electricity distribution network and of providing service connections are deferred and amortized over the estimated useful lives of related assets except for separately identifiable services in which case revenue is recognized upfront upon establishing a connection network. Amortization of deferred credit for the year is recognized as income in the statement of profit or loss.

2.18 Borrowings

Financing and borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

2.19 Borrowing cost

Interest, mark-up and other charges on long term loans are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term loans. All other interest, mark-up and other charges are recognized in statement of profit or loss.

2.20 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.21 Cash and cash equivalents

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

2.22 Share capital

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

2.23 Revenue from contracts with customers

i) Revenue recognition

Sale of electricity

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

Tariff differential subsidy

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

Rental and service income

Meter rentals are recognized on time proportion basis.

Rendering of services

Revenue from a contract to provide services is recognized over time as the services are rendered based on either a fixed price or hourly rate.

Interest

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

Late payment surcharge

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

Fuel price adjustment

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

Other revenue

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

ii) Contract assets

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

iii) Contract liabilities

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

2.24 **Derivative financial instruments**

Derivatives are initially recognized at fair value. Any directly attributable transaction costs are recognized in the statement of profit or loss as incurred. They are subsequently remeasured at fair value on regular basis and at each reporting date as a minimum, with all their gains and losses, realized and unrealized, recognized in the statement of profit or loss.

2.25 **Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in statement of profit or loss except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

2.26 **Government grants**

Government grants are recognized when there is reasonable assurance that entity will comply with the conditions attached to it and grant will be received.

2.27 **Contingent assets**

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

2.28 **Contingent liabilities**

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

2.29 **Prior period errors**

i) The Company did not record commitment charges amounting to Rupees 219.67 million outstanding since 17 May 2017 on undisbursed amount of US $ 139.6 million against loan No. 3328.

ii) The Company did not account for the revaluation surplus / impairment, arising on the assets under revaluation model as per the requirement of IAS 16 'Property, Plant and Equipment'.

iii) The Company did not account for interest on Workers' Profit Participation Fund payable since 2014 as per the provision of Companies Profit (Workers' Participation) Act, 1968.

Now these errors have been rectified and the effects of these restatements have been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

	2021			2020		
	As previously reported	Adjustment	Restated	As previously reported	Adjustment	Restated
	---------------------- Rupees ----------------------					
i Effect on statement of financial position						
Property, plant and equipment	153,935,387,179	294,208,409	154,229,595,588	101,717,246,250	1,568,419,915	103,285,666,165
Accumulated loss	(62,592,114,469)	(7,052,338,965)	(69,644,453,434)	(65,593,086,855)	(2,692,283,331)	(68,285,370,186)
Surplus on revaluation of operating fixed assets - net of deferred income tax	69,039,263,742	6,002,847,722	75,042,111,464	29,335,045,587	3,172,175,018	32,507,220,605
Accrued mark-up	7,045,372,188	136,765,164	7,182,137,352	5,689,221,268	109,914,003	5,799,135,271
Trade and other payables	140,130,972,818	1,206,934,488	141,337,907,306	190,022,959,527	978,614,225	191,001,573,752
ii Effect on statement of profit or loss						
Administrative expenses	2,704,816,613	6,237,793,496	8,942,610,109	-	-	-
Distribution costs	18,177,510,092	(289,575,573)	17,887,934,519	-	-	-
Other Income	2,373,150,262	6,317,799	2,379,468,061	-	-	-
Finance cost	1,611,518,243	261,489,223	1,873,007,466	-	-	-
Taxation	5,026,982,819	1,355,017,196	6,382,000,015	-	-	-

3 PROPERTY, PLANT AND EQUIPMENT

	NOTE	2022	2021 Restated
		Rupees	Rupees
Operating fixed assets	3.1	147,974,913,126	142,486,620,576
Capital work-in-progress	3.2	13,448,968,078	11,742,975,012
		161,423,881,204	154,229,595,588

3.1 Operating fixed assets

	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Distribution equipment	Vehicles	Computer and ancillary equipment	Furniture and fixtures	Other plant and equipment	Total
	Rupees									
As at 30 June 2020 - restated										
Cost / revalued amount	13,119,841,459	4,824,460,000	4,146,959,260	381,521,260	84,420,661,108	708,407,606	455,083,381	85,602,326	495,557,499	108,638,093,899
Accumulated depreciation	-	-	(349,894,541)	(37,591,784)	(15,962,904,959)	(611,707,265)	(254,867,029)	(60,691,459)	(233,993,339)	(17,511,650,376)
Net book value - previously reported	13,119,841,459	4,824,460,000	3,797,064,719	343,929,476	68,457,756,149	96,700,341	200,216,352	24,910,867	261,564,160	91,126,443,523
Impact of restatement due to change in accumulated depreciation (Note 2.29)	-	-	27,874,953	1,183,085	1,539,361,877	-	-	-	-	1,568,419,915
Net book value - restated	13,119,841,459	4,824,460,000	3,824,939,672	345,112,561	69,997,118,026	96,700,341	200,216,352	24,910,867	261,564,160	92,694,863,438
Year ended 30 June 2021										
Opening net book value - restated	13,119,841,459	4,824,460,000	3,824,939,672	345,112,561	69,997,118,026	96,700,341	200,216,352	24,910,867	261,564,160	92,694,863,438
Additions	-	-	-	-	-	167,821,316	5,207,850	14,731,278	60,514,552	248,274,996
Revaluation adjustment (Note 3.1.1)										
Cost	-	-	(322,019,588)	(36,408,699)	(14,423,543,082)	-	-	-	-	(14,781,971,369)
Accumulated depreciation	-	-	322,019,588	36,408,699	14,423,543,082	-	-	-	-	14,781,971,369
	-	-	-	-	-	-	-	-	-	-
Revaluation surplus (Note 18)	16,386,300,990	5,399,690,000	1,937,745,518	1,133,249,040	28,783,006,966	-	-	-	-	53,639,992,514
Impairment (Note 28)	(1,533,324)	(1)	(1,278,701,781)	(52,641,170)	(4,909,550,053)	-	-	-	-	(6,242,426,329)
Transferred from capital work in progress (Note 3.2.1)	-	-	478,024,874	-	6,749,808,872	-	-	-	-	7,227,833,746
Loss due to theft (Note 29)										
Cost / revalued amount	-	-	-	-	(843,200)	-	(114,031)	-	-	(957,231)
Accumulated depreciation	-	-	-	-	270,517	-	62,717	-	-	333,234
	-	-	-	-	(572,683)	-	(51,314)	-	-	(623,997)
Disposals:										
Cost	-	-	-	-	-	(19,320,622)	-	-	-	(19,320,622)
Accumulated depreciation	-	-	-	-	-	18,975,539	-	-	-	18,975,539
	-	-	-	-	-	(345,083)	-	-	-	(345,083)
Depreciation charge	-	-	(120,135,384)	(43,325,984)	(4,729,186,242)	(34,241,861)	(109,041,511)	(6,159,222)	(38,858,505)	(5,080,948,709)
Closing net book value - restated	29,504,609,125	10,224,149,999	4,841,872,899	1,382,394,447	95,890,624,886	229,934,713	96,331,377	33,482,923	283,220,207	142,486,620,576
As at 30 June 2021 - restated										
Cost / revalued amount	29,504,609,125	10,224,149,999	4,962,008,283	1,425,720,431	100,619,540,611	856,908,300	460,177,200	100,333,604	556,072,051	148,709,519,604
Accumulated depreciation	-	-	(120,135,384)	(43,325,984)	(4,728,915,725)	(626,973,587)	(363,845,823)	(66,850,681)	(272,851,844)	(6,222,899,028)
Net book value	29,504,609,125	10,224,149,999	4,841,872,899	1,382,394,447	95,890,624,886	229,934,713	96,331,377	33,482,923	283,220,207	142,486,620,576
Year ended 30 June 2022										
Opening net book value	29,504,609,125	10,224,149,999	4,841,872,899	1,382,394,447	95,890,624,886	229,934,713	96,331,377	33,482,923	283,220,207	142,486,620,576
Additions	54,478,000	-	-	-	-	622,787,839	100,308,120	6,405,335	26,860,325	810,839,619
Transferred from capital work in progress (Note 3.2.1)	-	-	161,092,102	-	9,881,596,604	-	-	-	-	10,042,688,706
Depreciation charge	-	-	(129,067,320)	(43,325,984)	(4,978,507,870)	(66,966,024)	(97,206,257)	(6,658,784)	(43,503,536)	(5,365,235,775)
Closing net book value	29,559,087,125	10,224,149,999	4,873,897,681	1,339,068,463	100,793,713,620	785,756,528	99,433,240	33,229,474	266,576,996	147,974,913,126
As at 30 June 2022										
Cost / revalued amount	29,559,087,125	10,224,149,999	5,123,100,385	1,425,720,431	110,501,137,215	1,479,696,139	560,485,320	106,738,939	582,932,376	159,563,047,929
Accumulated depreciation	-	-	(249,202,704)	(86,651,968)	(9,707,423,595)	(693,939,611)	(461,052,080)	(73,509,465)	(316,355,380)	(11,588,134,803)
Net book value	29,559,087,125	10,224,149,999	4,873,897,681	1,339,068,463	100,793,713,620	785,756,528	99,433,240	33,229,474	266,576,996	147,974,913,126
Depreciation rate (%) per annum	-	-	**2% - 3.71%**	**2% - 3.71%**	**3.5% - 18%**	**10%**	**33%**	**10%**	**10%**	

3.1.1 Revaluation adjustment represents elimination of accumulated depreciation as at the revaluation date against the gross carrying amount of revalued asset.

3.1.2 The Company's freehold land, leasehold land, buildings thereon and distribution assets are carried at the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's land, buildings and distribution equipments as at 01 July 2020 were performed by K.G.Traders (Private) Limited, independent valuer not related to the Company. K.G.Traders (Private) Limited are on the list of approved valuers issued by Pakistan Banks Association. They have the appropriate qualifications and experience in fair value measurement in the relevant locations.

The fair value of the land was determined based on market rate. Market rate was assessed on the basis of recent sale / purchase transactions executed by different property dealers, location, size and measurements of land, frontage, depth, approach / passage to the land and considering market potential and possession of land.

The fair value of the buildings and civil works was determined based on replacement cost. The replacement cost of buildings and civil work structure was based upon average current per square feet construction cost rate of similar nature structures considering the factors of location and existing condition and level of maintenance of the property, size, type of material / structure, utilization, cost of new construction, state of infrastructure etc. Depending upon all the factors depreciation was applied.

The fair value of the power distribution equipment was determined based on replacement cost. The replacement cost of 11 KV feeders, grid stations and transmission lines equipment was assessed based upon current procurement contracts made by the Company and other power utilities of said items. The average per unit rate was assessed by adding associated costs to the rates being offered by different local and foreign suppliers / manufacturers.

Forced sale value of the property, plant and equipment as per valuation carried on 01 July 2020 is as follows:

	Rupees
Land	33,769,445,257
Buildings	4,432,277,882
Distribution equipment	67,045,888,385
	105,247,611,524

Had there been no revaluation, carrying values would have been as follows:

	Cost	Accumulated depreciation	Written down value
	-----	Rupees	-----
2022			
Freehold land	161,467,321	-	161,467,321
Leasehold land	56,887,270	-	56,887,270
Buildings on freehold land	5,728,834,246	(1,127,121,251)	4,601,712,995
Buildings on leasehold land	481,054,771	(141,025,528)	340,029,243
Distribution equipment	103,617,775,869	(33,274,126,171)	70,343,649,698
	110,046,019,477	(34,542,272,950)	75,503,746,527
2021 - restated			
Freehold land	106,989,321	-	106,989,321
Leasehold land	56,887,270	-	56,887,270
Buildings on freehold land	5,567,742,144	(1,017,427,955)	4,550,314,189
Buildings on leasehold land	481,054,771	(132,017,679)	349,037,092
Distribution equipment	93,736,179,265	(30,064,380,028)	63,671,799,237
	99,948,852,771	(31,213,825,662)	68,735,027,109

3.1.3 **Depreciation charge for the year has been allocated as follows:**	**NOTE**	**2022 Rupees**	**2021 Restated Rupees**
Administrative expenses	28	165,248,743	169,839,101
Distribution costs	29	5,022,011,406	4,729,186,242
Customer service costs	30	171,612,185	178,197,650
Capital work-in-progress	3.2.5	6,363,441	3,725,716
		5,365,235,775	5,080,948,709

3.1.4 (i) On 01 March 2019, the Company entered into an Authorization and Interest agreement with Power Holding Limited (PHL) and Meezan Bank Limited (MBL), in which the Company authorized PHL to carry out "Certain Actions" in relation to Relevant Transaction Assets representing freehold land at Rawalpindi, Islamabad, Jhelum and Taxila, having combined area of 853 kanal and 19 marla amounting to Rupees 16,517.20 million. Certain actions include selling the Relevant Transaction Assets to MBL and creating a security interest over the same for the purpose of enabling PHL to raise financing through the sukuk issue. In addition to this agreement, PHL entered into an Asset Purchase Agreement with MBL for selling the Relevant Transaction Assets to MBL which include the land of the Company and of other distribution and generation companies for a total purchase price of Rupees 200,000 million against which sukuk certificates have been issued by PHL for a period of ten years. However, the Company holds the title of the Relevant Transaction Assets as title agent.

(ii) On 20 May 2020, the Company entered into an Authorization and Interest agreement with Power Holding Limited (PHL) and Meezan Bank Limited (MBL), in which the Company authorized PHL to carry out "Certain Actions" in relation to Relevant Transaction Assets representing freehold land at Rawalpindi, Islamabad, Jhelum and Taxila, having combined area of 2,666 kanal and 15 marla amounting to Rupees 8,572.69 million. Certain actions include selling the Relevant Transaction Assets to MBL and creating a security interest over the same for the purpose of enabling PHL to raise financing through the sukuk issue. In addition to this agreement, PHL entered into an Asset Purchase Agreement with MBL for selling the Relevant Transaction Assets to MBL which include the land of the Company and of other distribution and generation companies for a total purchase price of Rupees 200,000 million against which sukuk certificates have been issued by PHL for a period of ten years. However, the Company holds the title of the Relevant Transaction Assets as title agent.

3.1.5 Lands amounting to Rupees 39,783.24 million (2021: Rupees 39,728.75 million) are under the possession of the Company but the Company does not have the title of the lands amounting to Rupees 23,713.54 million (2021: Rupees 23,713.54 million), out of which, lands amounting to Rupees 21,132.27 million (2021: Rupees 21,132.27 million) are under the title of WAPDA and the remaining lands amounting to Rupees 2,581.27 million (2021: Rupees 2,581.27 million) relates to others.

3.1.6 The Company owns vehicles amounting to Rupees 4.34 million (2021: 4.34 million) currently having carrying amount of Rupees 3.22 million (2021: 3.65 million) which are in the name of the PEPCO (now known as PPMC) and not in the name Company.

3.1.7 The cost of fully depreciated assets as at 30 June 2022 is Rupees 816.9 million (2021: Rupees 770.61 million).

3.2 Capital work-in-progress

	NOTE	2022 Rupees	2021 Rupees
Civil works		94,808,061	87,188,292
Distribution equipment		4,061,655,178	4,283,623,571
Distribution equipment - deposit		4,908,999,264	4,159,142,526
	3.2.4	8,970,654,442	8,442,766,097
	3.2.1	9,065,462,503	8,529,954,389
Advances to suppliers	3.2.2	55,866,114	27,402,026
Capital stores	3.2.3	4,327,639,461	3,185,618,597
		13,448,968,078	11,742,975,012

3.2.1 Movement in civil works and distribution equipment

	NOTE	Civil works	Distribution equipment	Distribution equipment - deposit	Total
		Rupees			
Balance as at 01 July 2021		87,188,292	4,283,623,571	4,159,142,526	8,529,954,389
Add: Additions during the year		168,711,871	4,704,070,797	5,705,414,152	10,578,196,820
Less: Transferred to operating fixed assets during the year:					
- Buildings on freehold land	3.1	(161,092,102)	-	-	(161,092,102)
- Distribution equipment	3.1	-	(4,926,039,190)	(4,955,557,414)	(9,881,596,604)
		(161,092,102)	(4,926,039,190)	(4,955,557,414)	(10,042,688,706)
Balance as at 30 June 2022		94,808,061	4,061,655,178	4,908,999,264	9,065,462,503
Balance as at 01 July 2020		192,254,990	3,214,950,870	3,709,940,970	7,117,146,830
Add: Additions during the year		372,958,176	4,709,779,862	3,557,903,267	8,640,641,305
Less: Transferred to operating fixed assets during the year:					
- Buildings on freehold land	3.1	(478,024,874)	-	-	(478,024,874)
- Distribution equipment	3.1	-	(3,641,107,161)	(3,108,701,711)	(6,749,808,872)
		(478,024,874)	(3,641,107,161)	(3,108,701,711)	(7,227,833,746)
Balance as at 30 June 2021		87,188,292	4,283,623,571	4,159,142,526	8,529,954,389

3.2.2 Movement in advances to suppliers

	NOTE	2022 Rupees	2021 Rupees
Opening balance		27,402,026	33,902,002
Additions during the year		44,757,495	6,900,000
Adjusted against contract work		(16,293,407)	(13,399,976)
Closing balance	3.2	55,866,114	27,402,026

3.2.3 These represent items of stores, spares and loose tools held for capitalization.

3.2.4 Breakup of distribution equipment is as follows:

	NOTE	2022 Rupees	2021 Rupees
Material		6,007,908,907	5,373,839,983
Labour		456,487,881	472,358,658
Overheads	3.2.5	1,058,841,164	1,208,077,048
Contract work	3.2.2	1,447,416,490	1,388,490,408
		8,970,654,442	8,442,766,097

3.2.5 It includes depreciation capitalized related to capital work-in-progress which was Rupees 6.36 million (2021: Rupees 3.73 million) as given in Note 3.1.3.

4 INTANGIBLE ASSET UNDER DEVELOPMENT

This represents expenditure incurred for Enterprise Resource Planning (ERP) system, which is at the implementation phase.

	NOTE	2022 Rupees	2021 Rupees
5 LONG TERM LOANS			
Considered good - secured			
To employees			
- Executives	5.1	4,581,039	1,892,590
- BPS 16 -19		202,870,565	125,739,840
- BPS 1-15		214,803,840	122,807,409
	5.2	422,255,444	250,439,839
Less: Current portion shown under current assets	9	(89,548,429)	(60,596,741)
		332,707,015	189,843,098

5.1 The maximum aggregate amount due from executives at the end of any month during the year was Rupees 6.29 million (2021: Rupees 2.56 million). Reconciliation of balances is as follows:

Employee name	As at 01 July 2021	Amount disbursed during the year	Amount adjusted during the year	As at 30 June 2022	2021
	----------	---------- Rupees	----------	----------	Rupees
Muhammad Bukhsh	240,000	-	(240,000)	-	240,000
Naeem Jan	-	2,623,222	(151,338)	2,471,884	-
Javed Iqbal	-	2,700,000	(40,000)	2,660,000	-
	240,000	5,323,222	(431,338)	5,131,884	240,000

5.2 These represent long term loans given to employees for purchase / construction of houses, plots, cars, motor-cycles and bicycles. House building and plot loans are repayable in 10 years, car and motor-cycle loans in 5 years and bicycle loans in 4 years. These loans are repayable in equal monthly installments. Loans are secured by a mortgage of immovable property and hypothecation of vehicles. As per Company's policy, for employees of BPS 16 and above interest is applicable equal to the profit rate applied on 'General Provident Fund' which is 12.4% (2021: 7.9%) per annum. Loan to employees have not been discounted as required by IFRS 9 "Financial Instruments" as its effect is immaterial.

6 DEFERRED INCOME TAX ASSET

	As at 01 July 2020	Recognized in		As at 30 June 2021	Recognized in		As at 30 June 2022
		Profit or loss (Note 33)	Other comprehensive income		Profit or loss (Note 33)	Other comprehensive income	
	----------	----------	----------	Rupees	----------	----------	----------
Deferred income tax liability on:							
Accelerated tax depreciation	(8,604,593,375)	892,829,319	-	(7,711,764,056)	(1,252,888,302)	-	(8,964,652,358)
Surplus on revaluation of operating fixed assets (Note 18)	(6,014,222,286)	762,757,679	(9,237,660,442)	(14,489,125,049)	762,757,679	-	(13,726,367,370)
	(14,618,815,661)	1,655,586,998	(9,237,660,442)	(22,200,889,105)	(490,130,623)	-	(22,691,019,728)
Deferred income tax asset on:							
Staff retirement benefits	12,421,532,559	73,335,167	742,486,255	13,237,353,981	163,026,937	(184,180,621)	13,216,200,297
Provision against slow moving / obsolete items of stores, spares and loose tools	39,390,948	12,783,138	-	52,174,086	(13,222,631)	-	38,951,455
Allowance for expected credit losses	163,870,367	-	-	163,870,367	-	-	163,870,367
Unused tax losses	1,994,021,787	6,753,468,884	-	8,747,490,671	524,506,938	-	9,271,997,609
	14,618,815,661	6,839,587,189	742,486,255	22,200,889,105	674,311,244	(184,180,621)	22,691,019,728
	-	8,495,174,187	(8,495,174,187)	-	184,180,621	(184,180,621)	-

6.1 As at 30 June 2022, the Company has aggregated deferred income tax asset amounting to Rupees 84,308.44 million (2021: Rupees 77,967.64 million) out of which deferred income tax asset amounting to Rupees 22,691.02 million (2021: Rupees 22,200.9 million) has been recognised and remaining balance of Rupees 61,617.42 million (2021: Rupees 55,738.32 million) remains unrecognised in these financial statements due to uncertainty in availability of sufficient future taxable profits.

6.2 The tax losses available for carry forward at 30 June 2022 are of Rupees 249,101.92 million (2021: Rupees 222,462.92 million). These include unabsorbed tax depreciation amounting to Rupees 66,937.95 million (2021: Rupees 64,576.19 million) which is available for indefinite period. Minimum tax available for carry forward under section 113 of the Income Tax Ordinance, 2001 as at 30 June 2022 is of Rupees 9,786.85 million (2021: Rupees 6,397.79 million). Minimum tax and unused tax losses excluding unabsorbed tax depreciation would expire as follows:

Accounting year	Amount of minimum tax	Accounting year in which minimum tax will expire	Amount of unused tax losses excluding tax depreciation	Accounting year in which unused tax losses will expire
	Rupees		Rupees	
2017	-	-	15,479,257,306	2023
2018	1,225,226,640	2023	17,188,137,443	2024
2019	1,638,924,453	2024	42,574,638,184	2025
2020	2,031,277,444	2025	51,849,819,652	2026
2021	2,113,174,172	2026	19,394,888,133	2027
2022	2,778,242,492	2027	35,677,227,893	2028
	9,786,845,201		182,163,968,611	

		NOTE	2022 Rupees	2021 Rupees
7	**STORES, SPARES AND LOOSE TOOLS**			
	Stores, spares and loose tools		1,980,857,778	1,433,619,776
	Provision against slow moving / obsolete items of stores, spares and loose tools	7.1	(134,315,363)	(179,910,642)
			1,846,542,415	1,253,709,134
7.1	**Provision against slow moving / obsolete items of stores, spares and loose tools**			
	Balance at the beginning of the year		179,910,642	135,830,855
	(Reversal) / provision for the year	31 & 29	(45,595,279)	44,079,787
	Balance at the end of the year		134,315,363	179,910,642
8	**TRADE DEBTS**			
	Non-government and other consumers			
	- Considered good		31,458,755,373	13,853,955,370
	- Considered doubtful		565,070,232	565,070,232
		8.1 & 8.3	32,023,825,605	14,419,025,602
	Government consumers - considered good	8.2 & 8.4	98,985,178,007	54,571,540,719
			131,009,003,612	68,990,566,321
	Less: Allowance for expected credit losses		(565,070,232)	(565,070,232)
			130,443,933,380	68,425,496,089

8.1 The Company's receivable from non-government and other consumers are secured to the extent of the consumers' security deposits against electricity connections, as disclosed in Note 20.

8.2 These include an amount of Rupees 76,372 million (2021: Rupees 41,239 million), receivable from the Government of Azad Jammu and Kashmir (AJK).

8.2.1 Movement in receivable from Government of Azad Jammu and Kashmir (AJK)

	NOTE	2022 Rupees	2021 Rupees
Opening balance		41,239,418,165	100,045,100,000
Amount billed	26.1	38,335,477,685	29,835,089,639
Finance Cost surcharge / Neelum Jehlum surcharge		648,236,414	719,460,361
Amount collected / adjusted		(3,851,318,165)	(89,360,231,835)
Closing balance		76,371,814,099	41,239,418,165

8.3 As at 30 June, ageing analysis of non-government and other consumers is as follows:

	NOTE	2022 Rupees	2021 Rupees
Not past due yet		28,642,772,697	11,809,022,959
Due up to 2 months		2,389,784,181	1,754,104,855
2 to 3 months		62,062,667	33,523,578
3 to 6 months		117,225,822	58,027,278
6 months to 1 year		115,370,588	60,968,338
1 year to 3 years		109,692,500	152,233,423
3 years and above		102,937,701	92,362,573
Deferred arrears (1 year to 3 years)		483,979,449	458,782,598
	8	32,023,825,605	14,419,025,602

8.4 As at 30 June, ageing analysis of Government consumers is as follows:

	NOTE	2022 Rupees	2021 Rupees
Not past due yet		7,310,374,192	3,189,299,630
Due up to 2 months		606,842,816	673,263,047
2 to 3 months		1,466,650,603	296,423,528
3 to 6 months		835,665,260	689,193,515
6 months to 1 year		1,553,195,958	1,563,068,831
1 year to 3 years		5,307,931,063	3,370,628,759
3 years and above		81,904,518,115	44,789,663,409
	8	98,985,178,007	54,571,540,719

9 LOANS AND ADVANCES

	NOTE	2022 Rupees	2021 Rupees
Short term advances - Considered good			
Unsecured			
- Suppliers		328,262,285	128,079,871
- Employees against operating expenses		99,592,523	86,538,211
		427,854,808	214,618,082
Current portion of long term loans - secured	5	89,548,429	60,596,741
		517,403,237	275,214,823

10 RECEIVABLE FROM GOVERNMENT OF PAKISTAN

	NOTE	2022 Rupees	2021 Rupees
Balance as at 01 July		5,290,252,962	5,651,536,853
Tariff differential subsidy recognized during the year	10.1	24,750,630,749	22,410,587,232
Adjusted against:			
- subsidy receivable written off	28.5	(2,814,646,230)	-
- inter disco tariff realization surcharge and credit notes	10.2	(25,717,019,579)	(22,771,871,123)
		(28,531,665,809)	(22,771,871,123)
Balance as at 30 June		1,509,217,902	5,290,252,962
Prime Minister's Industrial Support Package II:			
Balance as at 01 July		1,380,373,804	-
Relief given during the year	10.3	1,471,775,280	1,380,373,804
Adjusted against credit note received from CPPA (G)		(2,074,257,878)	-
		777,891,206	1,380,373,804
Winter package:			
Balance as at 01 July		-	-
Relief given during the year	10.4	218,674,663	-
		218,674,663	-
Prime Minister's relief package for Small and Medium Enterprises:			
Balance as at 01 July		-	1,806,996,186
Relief given during the year		-	1,847,165,998
Adjusted against credit note received from CPPA (G)		-	(3,654,162,184)
		-	-
Balance as at 30 June		2,505,783,771	6,670,626,766

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

10.2 This includes credit notes received from CPPA(G) against tariff differential subsidy and applicable quarterly adjustment claims presented by the Company in the Subsidy Claim Cell of the Ministry of Energy which once approved are adjusted vide said credit notes against the payable to CPPA (G).

10.3 This represents a subsidy announced vide cabinet decision reference CCE-61/19/2020 dated 02 November 2020 that a rate of Rupees 12.96/kwh charged from B1, B2, B3 & B4 (industrial consumers) from 01 November 2020 to 31 October 2023, for incremental consumption in off-peak hours over their consumption in the corresponding period (thereby termed as relief 1) i.e. March 2019 to February 2020 (to exclude COVID months impact). Additionally, the rate of Rupees 12.96/kwh is reduced to Rupees 8/kwh (thereby termed as relief 2) on an incremental consumption basis for off-peak hours for B1, B2 & B3 (industrial consumers) from 01 November 2020 to 30 June 2021. Finally, the abolishment of the Time of Use Tariff Scheme for industrial consumers till 30 April 2021 (thereby termed as relief 3).

10.4 This represents the winter incentive package applicable from 01 November 2021 to 29 February 2022 for residential, commercial and general services consumers of Ex-WAPDA DISCOs as proposed by the Ministry of Energy vide S.R.O 1418 dated 05 November 2021.

	NOTE	2022 Rupees	2021 Rupees
11 SECURITY DEPOSITS			
Utility companies	11.1	76,230	76,230
Others	11.2	73,660,000	73,660,000
		73,736,230	73,736,230

11.1 These represent security deposits held by utility companies against new connections.

11.2 This represents deposit related to a court case titled "Ball Bibi vs IESCO" in which a woman filed case against the Company before Civil Judge, Rawalpindi regarding compensation of sudden death of her son due to electric shock. The Company filed a civil revision before Lahore High Court, Rawalpindi Bench, Rawalpindi and the Court vide order dated 03 February 2015 remanded back the case to lower court and further instructed to submit bank guarantee. The Company submitted a bank guarantee of Rupees 40 million. The case was again decided against the Company by additional district and session judge on 31 January 2017 by reducing the claim amount to Rupees 33.65 million.

The Company filed a civil revision before Lahore High Court, Rawalpindi Bench, Rawalpindi, who granted stay order and directed to submit Rupees 16.82 million with registrar Lahore High Court and to furnish bank guarantee of the remaining amount of Rupees 16.82 million. Civil Judge, Rawalpindi through order dated 20 June 2020 directed to attach the Company's bank account to the extent of Rupees 2.12 million as claimed by Ball Bibi. An amount of Rupees 12.72 million was paid to Ball Bibi. Further, the court is yet to order for the release of the security amount involved.

	NOTE	2022 Rupees	2021 Rupees
12 OTHER RECEIVABLES			
Unsecured, considered good			
Receivable from related parties:			
- National Transmission and Despatch Company Limited	12.1	1,715,112,628	-
- Free electricity and other transactions	12.2	1,564,315,180	1,361,425,798
- Pension	12.2	1,694,084,785	1,620,660,449
- Materials supplied	12.2	6,209,864	26,147,134
- Water and Power Development Authority against:			
Workers welfare fund		243,684,597	248,328,085
Others		542,099,296	542,099,296
		5,765,506,350	3,798,660,762
Receivable from Trust Investment Bank Limited	12.3	30,790,759	30,790,759
Receivable from General Post Office (GPO)	12.4	5,409,062,992	214,696,940
Interest accrued on bank deposits		172,293,512	28,981,001
Others		206,548,967	78,287,254
		11,584,202,580	4,151,416,716

12.1 National Transmission and Despatch Company Limited (NTDCL)

	NOTE	2022	2021
Balance as at 01 July		(1,333,264,225)	(1,436,166,821)
Use of system charges charged during the year	27	(2,619,979,113)	(4,684,634,866)
Debit note		-	(831,149,442)
Cash remittance		5,668,355,966	5,618,686,904
Balance as at 30 June	12.1.1 & 23	1,715,112,628	(1,333,264,225)

12.1.1 The maximum aggregate amount due from NTDCL at the end of any month during the year was Rupees 1,715.11 million (2021: Nil) and the ageing of this balance is less than one month.

12.2 This represents the net amount receivable from following related parties on account of material supplied, free electricity provided and pension paid to the retired employees of these companies residing within the Company's territorial jurisdiction:

	Free electricity		Pension		Materials supplied	
	2022 Rupees	2021 Rupees	2022 Rupees	2021 Rupees	2022 Rupees	2021 Rupees
Water and Power Development Authority	328,926,240	237,217,339	1,084,616,080	1,084,616,080	-	-
National Transmission and Despatch Company Limited	1,181,478,364	1,080,746,716	506,485,626	440,914,020	4,712,723	-
Quetta Electric Supply Company Limited	18,778,984	16,275,011	8,592,274	22,044,911	-	-
Northern Power Generation Company Limited	10,548,201	8,863,074	16,580,784	19,412,404	-	-
Central Power Generation Company Limited	7,937,276	6,808,875	29,511,779	14,954,185	-	-
Tribal Areas Electric Supply Company Limited	8,747,243	6,129,836	2,592,943	4,872,219	-	520,240
Jamshoro Power Company Limited	2,775,882	2,248,913	5,770,173	2,464,360	-	-
Lakhra Power Generation Company Limited	1,601,999	1,488,170	1,786,055	855,884	-	-
Pakistan Electric Power Company (Private) Limited	1,213,557	-	-	-	-	-
Multan Electric Power Company Limited	-	-	6,942,748	12,986,382	1,497,141	3,200,000
Hyderabad Electric Supply Company Limited	-	-	19,387,337	14,320,909	-	39,270
Lahore Electric Supply Company Limited	-	-	-	-	-	6,497,280
Sukkur Electric Power Company Limited	-	-	11,818,986	3,219,095	-	1,568,774
Power Information Technology Company (Private) Limited	437,984	285,945	-	-	-	-
GENCO Holding Company Limited	1,869,450	1,361,919	-	-	-	-
Faisalabad Electric Supply Company Limited	-	-	-	-	-	3,091,165
Gujranwala Electric Power Company Limited	-	-	-	-	-	11,230,405
	1,564,315,180	1,361,425,798	1,694,084,785	1,620,660,449	6,209,864	26,147,134

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

Water and Power Development Authority	328,926,240	237,217,339	1,084,616,080	1,084,616,080	-	-
National Transmission and Despatch Company Limited	1,181,478,364	1,080,746,716	512,581,747	440,914,020	4,712,723	-
Quetta Electric Supply Company Limited	18,778,984	16,275,011	27,596,826	40,481,691	-	-
Northern Power Generation Company Limited	10,548,201	8,863,074	24,920,217	22,044,828	-	-
Central Power Generation Company Limited	7,937,277	6,808,875	29,511,779	31,535,217	-	-
Tribal Areas Electric Supply Company Limited	8,747,243	7,069,001	6,189,816	4,872,219	-	520,240
Jamshoro Power Company Limited	2,775,882	2,248,913	5,770,173	4,126,093	-	-
Lakhra Power Generation Company Limited	1,601,999	1,488,170	1,948,445	919,085	-	-
Pakistan Electric Power Company (Private) Limited	1,213,557	-	-	-	-	-
Multan Electric Power Company Limited	-	-	15,485,601	12,986,382	1,497,141	3,200,000
Hyderabad Electric Supply Company Limited	-	-	25,257,550	25,849,549	-	39,270
Lahore Electric Supply Company Limited	-	-	-	-	-	6,497,280
Sukkur Electric Power Company Limited	-	-	11,818,986	3,219,095	-	1,568,774
Power Information Technology Company (Private) Limited	729,920	285,945	-	-	-	-
GENCO Holding Company Limited	1,869,450	1,361,919	-	-	-	-
Faisalabad Electric Supply Company Limited	-	-	-	-	-	3,199,914
Gujranwala Electric Power Company Limited	-	-	-	-	-	22,689,141

12.3 These represent investment made in the Term deposit receipts (TDRs) of Trust Investment Bank Limited (TIBL) in accordance with the Ministry of Finance Regulations, which were matured in January 2013. However, the Bank was facing liquidity issues, due to which the full amount of investments made could not be recovered on the maturity date. During the year ended 30 June 2014, under a Settlement Agreement dated 09 April 2014 between the Company and TIBL, the Company recovered an amount of Rupees 2.15 million in cash, and for the remaining principal amount of Rupees 96.68 million and accumulated interest thereon amounting to Rupees 10.29 million, TIBL transferred the possession of certain properties in the name of the Company representing various lands and buildings.

Further, under another separate agreement dated 04 July 2014, it was agreed that if the Company would sell or transfer all of the properties to a bona fide third party / parties on an arm's length basis before 30 June 2015, and the sales considerations paid by such third party / parties would be less than the outstanding amount as per the original agreement, then TIBL would be required to compensate the Company for shortfall amount, either in the form of cash or any other means within seven days of notification by the Company.

During the year 2015, the Company was able to obtain the legal transfer of only one property in its name, having current market value of Rupees 16 million at that time, while steps were being taken to obtain the physical possession and to transfer the remaining properties in the name of the Company. The separate agreement mentioned above was also extended to 30 June 2016. However during the year ended 30 June 2016, Board of Directors, in the light of the fact that TIBL has not honored its commitments under the Separate Agreement mentioned above, resolved not to extend the above mentioned agreement between the Company and TIBL. The Company has filed a reference with National Accountability Bureau (NAB).

During the year 2017, another property having value of Rupees 49 million was transferred in the name of the Company. Matter for the remaining settlement is pending with NAB.

An amount of Rupees 30.79 million representing the principal amount of investment not recovered from TIBL so far is being carried as receivable from TIBL in these financial statements while the fair value of transferred property is still carried as non-current assets held-for-sale as the management has the positive intention to dispose of this property in near future. Provision has not been recognized based on management's view that the amount will be fully recovered.

12.4 This represents receivable from General Post Office (GPO) on account of collections from consumers not yet transferred to Company. The maximum aggregate amount due from the GPO at the end of any month during the year is Rupees 5,409.06 million.

13 SALES TAX RECEIVABLE

It represents amounts recovered by the taxation authorities, alleging that the Company, in the current or prior years, has either failed to recover sales tax from various customers or have adjusted incorrect input tax in its returns related to subsidy provided by the GoP to the Company. The Company has filed various appeals against these cases which are pending before the taxation authorities and different courts of law. The management of the Company is confident of a favorable outcome of these pending cases and accordingly, a provision has not been recorded in the financial statements against these balances.

	NOTE	2022 Rupees	2021 Rupees
14 ADVANCE INCOME TAX			
Tax deducted at source against services / bank profits		3,472,711,927	3,383,255,200
Advance tax u/s 147 of the Income Tax Ordinance 2001		618,389,364	50,000,000
		4,091,101,291	3,433,255,200
Current year taxation	33	(2,778,242,492)	(2,113,174,172)
		1,312,858,799	1,320,081,028
15 CASH AND BANK BALANCES			
Cash in hand		6,102	6,900
Cash at banks in:			
- Deposit accounts	15.1 & 15.2	4,687,658,522	4,417,850,347
- Deposit work / capital contribution accounts	15.1	6,321,636,951	2,745,563,321
- Current accounts		1,567,765,719	1,413,222,553
		12,577,061,192	8,576,636,221
		12,577,067,294	8,576,643,121

15.1 These carry mark-up ranging from 8.26% to 13.5% (2021: 5.7% to 8.9%) per annum.

15.2 These include an amount of Rupees 4,923 million (2021: Rupees 2,909 million) kept in separate bank accounts relating to customers' and employees' security deposits.

16 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2022	2021		2022	2021
----Number of shares----			Rupees	Rupees
1,000	1,000	Ordinary shares of Rupees 10 each, issued for consideration in cash	10,000	10,000
579,824,334	579,824,334	Ordinary shares of Rupees 10 each, issued for consideration other than in cash	5,798,243,340	5,798,243,340
579,825,334	579,825,334		5,798,253,340	5,798,253,340

16.1 The President of Pakistan, WAPDA and the IESCO Employees Trust Fund, respectively hold 1,000 (2021: 1,000), 510,245,414 (2021: 510,245,414) and 69,578,920 (2021: 69,578,920) ordinary shares of the Company at the year end. In 2012, 69,578,920 shares, previously owned by WAPDA, were transferred to the IESCO Employees Trust Fund under the Benazir Employees Stock Option Scheme.

17 DEPOSIT FOR SHARES

This includes credit of Rupees 15,977.87 million (2021: Rupees 15,977.87 million) received by the Company in financial year 2014 from CPPA-G in pursuance of letter No. F.1(5)-CF-1/2012-13/1017 dated 02 July 2013 from Ministry of Finance as GoP investment against circular debt of Rupees 342 billion. Further, during the year, Ministry of Energy (Power Division) in light of ECC's decision No. ECC - 110/14/2015 dated 12 August 2015, ECC - 398/38/2021 dated 15 November 2021, ECC - 434/43/2021 dated 16 December 2021, ECC - 97/12/2022 dated 30 March 2022, ECC - 192/19/2022 dated 22 June 2022, ECC - 191/19/2022 dated 22 June 2022, through its various letters, reallocated the equity of GoP amounting to Rupees 17,809.36 million in the Company.

18 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF DEFERRED INCOME TAX

This represents surplus resulting from revaluation of freehold land, leasehold land, buildings and distribution equipment carried out on 01 July 2020 by Messers K.G.Traders (Private) Limited. The revaluation surplus on property, plant and equipment is a capital reserve and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

	NOTE	2022 Rupees	2021 Restated Rupees
Surplus on revaluation of property, plant and equipment as at 01 July		89,531,236,513	38,521,442,891
Revaluation surplus during the year - net of deferred tax		-	44,402,332,072
Related deferred income tax		-	9,237,660,442
		-	53,639,992,514
Transferred to accumulated loss in respect of incremental depreciation charged during the year - net of deferred income tax		(1,867,441,213)	(1,867,441,213)
Related deferred income tax		(762,757,679)	(762,757,679)
		(2,630,198,892)	(2,630,198,892)
		(2,630,198,892)	51,009,793,622
Surplus on revaluation of property, plant and equipment as at 30 June		86,901,037,621	89,531,236,513
Less: Related deferred income tax liability on 01 July:		14,489,125,049	6,014,222,286
Revaluation surplus for the year	6	-	9,237,660,442
Incremental depreciation charged during the year transferred to the statement of profit or loss	6	(762,757,679)	(762,757,679)
		13,726,367,370	14,489,125,049
		73,174,670,251	75,042,111,464

19 LONG TERM LOANS

	NOTE	2022 Rupees	2021 Rupees
From Government of Pakistan			
Asian Development Bank - Tranche I	19.1	920,027,451	920,027,451
Asian Development Bank - Tranche II	19.2	1,422,445,365	1,422,445,365
International Bank for Reconstruction and Development	19.3	1,813,122,986	1,813,122,986
Asian Development Bank - Tranche III	19.4	2,240,254,225	2,240,254,225
Earthquake Reconstruction and Rehabilitation Authority	19.5	356,120,252	275,373,965
Asian Development Bank - Tranche IV	19.6	1,933,887,407	1,933,887,407
Asian Development Bank - Advance metering infrastructure consultancy	19.7	44,757,495	-
		8,730,615,181	8,605,111,399
Current portion shown under current liabilities		(802,155,753)	(800,490,922)
Overdue portion shown under current liabilities		(3,161,202,356)	(2,354,913,272)
		(3,963,358,109)	(3,155,404,194)
		4,767,257,072	5,449,707,205

19.1 This represents re-lent portion of the total term finance facility obtained by the Government of Pakistan (GoP) from Asian Development Bank (ADB) for power distribution and enhancement projects. Out of total finance facility, an amount of US $ 30.06 million was allocated to the Company vide letter No. 6(9) ADB-I/86 dated 30 March 2009, of the Ministry of Economic Affairs and Statistics (MEAS), against which the Company has utilized US $ 23.31 (2021: US $ 23.31) million up to the year end. The loan carries interest at 17% per annum inclusive of exchange risk coverage fee of 6% charged both on the principal amount and the interest amount, separately. The initial agreed amount was later revised to a total allocation of US $ 23.31 million via letter No. 5654 from ADB dated 17 July 2013.

The loan is repayable in 26 semi-annual installments, excluding a grace period of 2 years, ending on 15 August 2023 with first repayment due on 15 February 2011. No repayment was made till 30 June 2018. However, ECC of the Cabinet in its meeting held on 10 June 2019, decided that receivable from GoAJK will be settled in cash, non-cash adjustment against re-lent loan and injection of equity.

Further, Finance Division vide its letter No. F.1(14)CF-1/2015-16/1290 dated 26 September 2019, allowed adjustment of GoAJK receivables amounting to Rupees 10,285.945 million against foreign re-lent loans. As a result, the Company adjusted over due principal and mark-up outstanding till 30 June 2018 amounting to Rupees 1,136.77 million and Rupees 1,728.87 million respectively against receivable from GoAJK.

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2022, aggregating to Rupees 669.11 million and Rupees 1,730.74 million respectively. However, the principal amount due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

19.2 This represents re-lent portion of the total term finance facility obtained by the GoP from ADB for power distribution and enhancement projects. Out of the total finance facility of US $ 172.30 million, an amount of US $ 19.56 million was allocated to the Company vide ADB letter dated 26 March 2018, against which the Company has utilized US $ 18.33 (2021: US $ 18.33) million up to the year end. The loan carries interest at 15% per annum inclusive of exchange risk coverage fee of 6.8% charged on both the principal amount and the interest amount separately.

The loan is repayable in 34 semi-annual installments, excluding a grace period of 3 years, ending on 01 December 2030, with a first repayment due on 01 June 2014. No repayment was made till 30 June 2018. However, ECC of the Cabinet in its meeting held on 10 June 2019, decided that receivable from GoAJK will be settled in cash, non-cash adjustment against re-lent loan and injection of equity.

Further, Finance Division vide its letter No. F.1(14)CF-1/2015-16/1290 dated 26 September 2019, allowed adjustment of GoAJK receivables amounting to Rupees 10,285.945 million against foreign re-lent loans. As a result, the Company adjusted over due principal and mark-up amounting to Rupees 418.669 million and Rupees 1,064.201 million respectively against receivable from GoAJK.

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2022, aggregating to Rupees 460.53 million and Rupees 1,127.54 million respectively. However, the principal amount due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

19.3 This represents re-lent portion of the total term finance facility obtained by the GoP from the International Bank for Reconstruction and Development (IBRD) for electricity distribution and transmission projects. Out of the total finance facility an amount of US $ 58.50 million was allocated to the Company vide letter No. 1(28) IDA-I/2006 dated 16 November 2011 of the MEAS, against which the Company has utilized US $ 40.974 (2021: US $ 40.974) million up to the year end. The loan carries interest at 17% p.a. inclusive of exchange risk coverage fee of 6% charged on both the principal amount and the interest amount, separately. The total amount of loan to be utilized was revised for the Company to a figure of US $ 40.98 via the letter from World Bank dated 16 July 2015 and this closes the total loan from the World Bank.

The loan is repayable in 26 semi-annual installments, excluding a grace period of 2 years, ending on 15 March 2024 with first repayment due on 15 September 2011. No repayment was made till 30 June 2018. However, ECC of the Cabinet in its meeting held on 10 June 2019, decided that receivable from GoAJK will be settled in cash, non-cash adjustment against re-lent loan and injection of equity.

Further, Finance Division vide its letter No. F.1(14)CF-1/2015-16/1290 dated 26 September 2019, allowed adjustment of GoAJK receivables amounting to Rupees 10,285.945 million against foreign re-lent loans. As a result, the Company adjusted over due principal and mark-up outstanding amounting to Rupees 1,874.765 million and Rupees 3,445.091 million respectively against receivable from GoAJK.

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2022, aggregating to Rupees 1,208.75 million and Rupees 2,946.61 million respectively. However, the principal amount due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

19.4 This represents re-lent portion of the total term finance facility obtained by the GoP from ADB for power distribution and enhancement projects. Out of the total finance facility an amount of US $ 24.55 million was allocated to the Company vide letter No. 2(9) ADB-II/12 dated 31 December 2013 of the MEAS, against which the Company has utilized US $ 20.221 million (2021: US $ 20.221 million) up to the year end. The loan carries interest at 15% p.a. inclusive of exchange risk coverage fee of 6.8% charged on both the principal amount and the interest amount, separately.

The loan is repayable in 40 semi-annual installments, excluding a grace period of 5 years, ending 31 December 2037, with a first repayment due on 01 June 2018. No repayment was made till 30 June 2018. However, ECC of the Cabinet in its meeting held on 10 June 2019, decided that receivable from GoAJK will be settled in cash, non-cash adjustment against re-lent loan and injection of equity.

Further, Finance Division vide its letter No. F.1(14)CF-1/2015-16/1290 dated 26 September 2019, allowed adjustment of GoAJK receivables amounting to Rupees 10,285.945 million against foreign re-lent loans. As a result, the Company adjusted over due principal and mark-up amounting to Rupees 35.626 million and Rupees 474.227 million respectively against receivable from GoAJK.

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2022, aggregating to Rupees 447.67 million and Rupees 1,390.91 million respectively. However, the principal amount due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

19.5 This represents re-lent portion of the total term finance facility obtained by the GoP from ADB for Earthquake Emergency Assistance Project. Out of total finance facility an amount of US $ 1.40 million was allocated to the Company vide letter No. 6(9) ADB-II/86 dated 22 July 2008 of MEAS, against which the Company has fully utilized US $ 1.79 million in year 2011. The loan carries interest at 1% p.a. up to 15 December 2025 and thereafter 2% interest on the amount of loan withdrawn from loan account and outstanding from time to time.

The loan is repayable in US $ in 60 semi-annual installments, excluding a grace period of 10 years, ending 15 December 2045, with the first repayment due on 15 June 2016. No repayment was made till 30 June 2018. However, ECC of the Cabinet in its meeting held on 10 June 2019, decided that receivable from GoAJK will be settled in cash, non-cash adjustment against re-lent loan and injection of equity.

Further, Finance Division vide its letter No. F.1(14)CF-1/2015-16/1290 dated 26 September 2019, allowed adjustment of GoAJK receivables amounting to Rupees 10,285.945 million against foreign re-lent loans. As a result, the Company adjusted over due principal and mark-up amounting to Rupees 5.635 million and Rupees 14.857 million respectively against receivable from GoAJK.

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2022, aggregating to Rupees 36.71 million and Rupees 20.58 million respectively. However, the principal amount due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

19.6 This represents re-lent portion of the total term finance facility obtained by the GoP from ADB for power distribution and enhancement projects. Out of the total finance facility, an amount of US $ 17.810 million was allocated to the Company vide ADB letter dated 23 February 2017, against which the Company has utilized US $ 16.06 million (2021: US $ 16.06 million) up to the year end. The loan carries interest at 15% p.a. inclusive of exchange risk coverage fee of 6.8% charged on both the principal amount and the interest amount, separately.

The loan is repayable in 40 semi-annual installments, excluding a grace period of 5 years, ending 01 December 2038, with a first repayment due on 01 June 2019. No repayment was made till 30 June 2018. However, ECC of the Cabinet in its meeting held on 10 June 2019, decided that receivable from GoAJK will be settled in cash, non-cash adjustment against re-lent loan and injection of equity.

Further, Finance Division vide its letter No. F.1(14)CF-1/2015-16/1290 dated 26 September 2019, allowed adjustment of GoAJK receivables amounting to Rupees 10,285.945 million against foreign re-lent loans. As a result, the Company adjusted over due principal and mark-up amounting to Rupees Nil and Rupees 87.223 million respectively against receivable from GoAJK.

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2022, aggregating to Rupees 338.43 million and Rupees 1,185.91 million respectively. However, the principal amount which has fallen due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

19.7 This represents re-lent portion of the total term finance facility obtained by the GoP from Asian Development Bank (ADB) for power distribution and enhancement projects. ADB agrees to lend to the borrower from ADB's Special Funds resource an amount in various currencies equivalent to 14,208 million Special Drawing Rights (SDR). Out of the total finance facility the Company has utilized an amount equivalent to US $ 0.24 million up to the year end. The loan carries interest at 12% p.a. inclusive of exchange risk coverage fee of 6.8% charged on both the principal amount and the interest amount, separately. The loan is repayable in 40 semi-annual installments, including a grace period of 4 years, ending 15 April 2040. The Company has withheld related interest accrued up to 30 June 2022, amounting to Rupees 1.21 million respectively.

20 LONG TERM SECURITY DEPOSITS

These represent security deposits received from consumers at the time of installation of electricity connections and are refundable / adjustable on disconnection of electricity supply. Out of these, an amount of only Rupees 4,923 million (2021: 2,909 million) has been kept in separate bank accounts while the remaining amount has not been kept in a separate bank account as per requirements of section 217 of the Companies Act, 2017.

The amounts received against consumers' security deposit has either been transferred to CPPA (G) or recovered by Federal Board of Revenue (FBR) against various demand orders received from time to time which has resulted in shortfall of security deposits being maintained in separate bank accounts.

21 STAFF RETIREMENT BENEFITS

	NOTE	Pension obligations 2022	Pension obligations 2021	Medical benefits 2022	Medical benefits 2021	Free electricity 2022	Free electricity 2021	Compensated absences (Note 21.11) 2022	Compensated absences (Note 21.11) 2021	Total 2022	Total 2021
		Rupees									
21.1 The amounts recognized in the statement of financial position											
Present value of defined benefit obligations	21.2	40,664,413,225	40,990,228,581	4,742,658,054	3,720,346,286	2,269,492,317	2,147,575,185	1,857,157,563	1,881,438,598	49,533,721,159	48,739,588,650
Fair value of plan assets	21.3	(3,960,616,686)	(3,093,540,439)	-	-	-	-	-	-	(3,960,616,686)	(3,093,540,439)
	21.4	36,703,796,539	37,896,688,142	4,742,658,054	3,720,346,286	2,269,492,317	2,147,575,185	1,857,157,563	1,881,438,598	45,573,104,473	45,646,048,211
21.2 Changes in present value of defined benefit obligations											
Balance at the beginning of the year		40,990,228,581	38,308,604,130	3,720,346,286	3,413,771,340	2,147,575,185	1,727,324,129	1,881,438,598	1,789,317,041	48,739,588,650	45,239,016,640
Current service cost		754,965,386	752,145,333	91,574,817	49,589,220	45,215,375	41,189,174	154,987,810	286,832,735	1,046,743,388	1,129,756,462
Interest cost		4,019,937,843	3,109,743,169	360,119,141	289,354,329	216,174,947	143,777,044	-	-	4,596,231,931	3,542,874,542
Benefits paid during the year		(3,542,645,585)	(3,446,780,747)	(413,977,631)	(19,205,525)	(77,102,612)	(71,658,975)	(179,268,845)	(194,711,178)	(4,212,994,673)	(3,732,356,425)
Actuarial losses / (gain) on obligation		(1,558,073,000)	2,266,516,696	984,595,441	(13,163,078)	(62,370,578)	306,943,813	-	-	(635,848,137)	2,560,297,431
	21.1	40,664,413,225	40,990,228,581	4,742,658,054	3,720,346,286	2,269,492,317	2,147,575,185	1,857,157,563	1,881,438,598	49,533,721,159	48,739,588,650
21.3 Changes in the fair value of plan assets:											
Balance at the beginning of the year		3,093,540,439	2,406,145,748	-	-	-	-	-	-	3,093,540,439	2,406,145,748
Return on plan assets		217,076,247	112,394,691	-	-	-	-	-	-	217,076,247	112,394,691
Contributions		650,742,547	575,000,000	-	-	-	-	-	-	650,742,547	575,000,000
Actuarial gain on obligation plan assets		(742,547)	-	-	-	-	-	-	-	(742,547)	-
	21.1	3,960,616,686	3,093,540,439	-	-	-	-	-	-	3,960,616,686	3,093,540,439
21.3.1 Plan assets comprise of bank deposits		3,960,616,686	3,093,540,439								
21.4 Changes in the net liability at the end of the year:											
Balance at the beginning of the year		37,896,688,142	35,902,458,382	3,720,346,286	3,413,771,340	2,147,575,185	1,727,324,129	1,881,438,598	1,789,317,041	45,646,048,211	42,832,870,892
Current service cost		754,965,386	752,145,333	91,574,817	49,589,220	45,215,375	41,189,174	154,987,810	286,832,735	1,046,743,388	1,129,756,462
Interest cost		4,019,937,843	3,109,743,169	360,119,141	289,354,329	216,174,947	143,777,044	-	-	4,596,231,931	3,542,874,542
Interest income on plan assets		(217,076,247)	(112,394,691)	-	-	-	-	-	-	(217,076,247)	(112,394,691)
Benefits paid during the year		(3,542,645,585)	(3,446,780,747)	(413,977,631)	(19,205,525)	(77,102,612)	(71,658,975)	(179,268,845)	(194,711,178)	(4,212,994,673)	(3,732,356,425)
Actuarial losses / (gain) on obligation	21.6	(1,557,330,453)	2,266,516,696	984,595,441	(13,163,078)	(62,370,578)	306,943,813	-	-	(635,105,590)	2,560,297,431
Fund transfer to pension imprest account		1,448,469,507	-	-	-	-	-	-	-	1,448,469,507	-
Contributions made		(2,099,212,054)	(575,000,000)	-	-	-	-	-	-	(2,099,212,054)	(575,000,000)
Balance at the end of the year	21.1	36,703,796,539	37,896,688,142	4,742,658,054	3,720,346,286	2,269,492,317	2,147,575,185	1,857,157,563	1,881,438,598	45,573,104,473	45,646,048,211
21.5 Amounts recognized in the statement of profit or loss against defined benefit obligations are:											
Current service cost		754,965,386	752,145,333	91,574,817	49,589,220	45,215,375	41,189,174	154,987,810	286,832,735	1,046,743,388	1,129,756,462
Interest cost		4,019,937,843	3,109,743,169	360,119,141	289,354,329	216,174,947	143,777,044	-	-	4,596,231,931	3,542,874,542
Interest income on plan assets		(217,076,247)	(112,394,691)	-	-	-	-	-	-	(217,076,247)	(112,394,691)
		4,557,826,982	3,749,493,811	451,693,958	338,943,549	261,390,322	184,966,218	154,987,810	286,832,735	5,425,899,072	4,560,236,313
21.6 Remeasurements recognized in statement of comprehensive income:											
Actuarial gain / (loss) on obligations		1,558,073,000	(2,266,516,696)	(984,595,441)	13,163,078	62,370,578	(306,943,813)	-	-	635,848,137	(2,560,297,431)
Actuarial gain / (loss) on assets		(742,547)	-	-	-	-	-	-	-	(742,547)	-
Actuarial gain / (loss) recognized	21.4	1,557,330,453	(2,266,516,696)	(984,595,441)	13,163,078	62,370,578	(306,943,813)	-	-	635,105,590	(2,560,297,431)
21.7 The principal actuarial assumptions at the reporting date were as follows:											
Discount rate		13.50%	10.25%	13.50%	10.25%	13.50%	10.25%	13.50%	10.25%		
Future salary increase		12.50%	9.25%	-	-	-	-	12.50%	9.25%		
Indexation rate		7.50%	5.00%	-	-	-	-	-	-		
Future medical cost increase		-	-	11.15%	7.90%	-	-	-	-		
Electricity inflation rate		-	-	-	-	11.15%	7.90%	-	-		
Expected charge to the statement of profit or loss for the next financial year (Rupees)		5,737,604,219	5,014,527,238	742,193,718	434,126,124	356,379,617	263,795,542	346,133,944	287,152,343		

21.8 Demographic assumptions

	2022	2021
Mortality Rate	SLIC 2001-05	SLIC 2001-05
Withdrawal Rate	Age dependent	Age dependent

21.9 Risks associated with defined benefit plans

Discount rate risk:

The plan exposes the Company to the risk of fall in discount rate. A fall in discount rate will result in an increase in the liability of defined benefit scheme.

Investment risks:

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risks:

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

Salary increase risk:

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

Withdrawal and mortality risk:

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

21.10 Sensitivity analysis

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method i.e. present value of defined benefit obligation calculated using Projected Unit Credit Method has been applied.

The impact of one percent movement in the assumptions used in determining retirement benefit obligations would have had the following effects on the 30 June 2022 actuarial valuation:

	Present value of defined benefit obligation			
	Pension obligations	Medical benefits	Free electricity	Compensated absences
	Rupees			
Current liability	40,664,413,225	4,742,658,054	2,269,492,317	1,857,157,563
Discount rate +1%	35,464,191,214	4,147,404,246	2,019,513,221	1,682,474,176
Discount rate -1%	45,903,418,588	5,344,040,311	2,513,319,280	2,026,556,420
Salary increase +1%	45,735,834,039	5,265,847,877	-	2,037,699,366
Salary decrease -1%	35,532,233,276	4,194,924,707	-	1,677,862,789
Pension increase rate +1%	45,145,522,091	-	-	-
Pension decrease rate -1%	36,175,171,477	-	-	-
Medical inflation rate increase +1%	-	5,017,732,223	-	-
Medical inflation rate decrease -1%	-	4,497,936,900	-	-
Electricity rate +1%	-	-	2,364,130,147	-
Electricity rate -1%	-	-	2,187,790,593	-
Duration of scheme (years) - 2022	13.73	13.73	13.73	13.73
Duration of scheme (years) - 2021	13.96	13.96	13.96	13.96

The above sensitivity analysis are based on changes in assumptions while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

21.11 Compensated absences

These represent liabilities in respect of accumulating earned leaves i.e. outstanding leave encashment payments of eligible employees.

21.12 Allocation of amounts recognized in the statement of profit or loss against defined benefit obligations are:

	NOTE	2022 Rupees	2021 Rupees
Administrative expenses	28.1	698,294,153	653,896,818
Distribution costs	29.1	4,380,957,214	3,605,770,652
Customer services costs	30.1	308,340,132	264,860,411
Bank charges	32.2	38,307,573	35,708,432
		5,425,899,072	4,560,236,313

22	DEFERRED CREDIT	NOTE	2022 Rupees	2021 Rupees
	Balance at the beginning of the year		46,858,827,051	43,750,125,340
	Additions during the year	22.1	4,955,557,414	3,108,701,711
			51,814,384,465	46,858,827,051
	Accumulated amortization			
	Balance at the beginning of the year		(17,090,066,645)	(15,450,007,698)
	For the year		(1,813,499,956)	(1,640,058,947)
			(18,903,566,601)	(17,090,066,645)
	Balance at the end of the year		32,910,817,864	29,768,760,406

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

23	TRADE AND OTHER PAYABLES	NOTE	2022 Rupees	2021 Restated Rupees
	Creditors:			
	Associated undertakings:			
	Central Power Purchase Agency (Guarantee) Limited - CPPA (G)	23.1 & 25.2	157,930,258,723	95,728,025,221
	National Transmission and Despatch Company Limited - NTDCL	12.1 & 23.2	-	1,333,264,225
	Pak Matyari Lahore Transmission Company - PMLTC	23.3	695,107,139	-
			158,625,365,862	97,061,289,446
	Others	23.4	3,116,919,262	1,570,703,260
			161,742,285,124	98,631,992,706
	Contract liabilities, unsecured	23.5	17,382,206,269	14,430,203,410
	Workers' Profit Participation Fund	23.6	2,821,389,617	2,386,356,777
	Due to related parties	23.7	2,554,130,743	2,295,832,200
	Accrued liabilities		772,519,749	604,875,479
	Sales tax		464,009,239	1,386,986,314
	Retention money - contractors / suppliers		267,677,022	288,497,351
	Government surcharges payable:			
	- Realized			
	Equalization surcharge	23.8	1,669,101,218	1,668,973,026
	Inter disco tariff realization surcharge		7,229,942,004	2,823,356,024
	Electricity duty		2,767,707,941	2,571,530,134
	Neelum Jhelum surcharge	23.9	2,950,316,027	2,936,485,419
	TV License fee		81,812,500	79,842,314
	Financing cost	23.10	277,040,428	245,018,778
	Withholding income tax		747,515,469	507,585,369
			15,723,435,587	10,832,791,064
	- Unrealized			
	Equalization surcharge	23.8	178,548,536	178,618,375
	Electricity duty		128,532,999	110,805,902
	Neelum Jhelum surcharge		1,484,680,059	1,498,819,539
	TV license fee		58,080,859	54,785,898
	Financing cost	23.10	4,705,241,485	3,987,610,588
	Tariff rationalization surcharge	23.11	4,420,905,407	4,421,358,408
	Income tax		195,828,721	137,673,443
	Advance income tax		3,405,282	13,372,290
	Steel melters income tax		-	86,752
			11,175,223,348	10,403,131,195
	Others		87,202,395	77,240,810
			212,990,079,093	141,337,907,306

23.1 This represents amounts payable to CPPA (G) on account of power purchased, It also includes certain debit notes issued by CPPA (G) to all DISCOs including the Company to make alignments in certain account heads related to CPPA (G) payables, Tariff Rationalization Surcharge (TRS) and Finance Cost (FC) surcharge. Accordingly, the Company made adjustments to TRS payable and FC surcharge payable to CPPA (G) account.

23.2 This represents amounts payable to NTDCL on account of use of system charges.

23.3 This represents amounts payable to PMLTC on account of usage of transmission line.

23.4 This represents payable to various suppliers on account of materials purchased. It also Includes sales tax withheld by the Company on behalf of suppliers, payable to them after the suppliers claimed them.

23.5	Contract liabilities, unsecured	NOTE	2022 Rupees	2021 Rupees
	Advances from customers	23.5.1	1,691,240,859	1,724,817,340
	Receipts against deposit works	23.5.2	14,660,917,834	11,969,989,743
	Capital contributions awaiting connections	23.5.3	1,030,047,576	735,396,327
			17,382,206,269	14,430,203,410

23.5.1 These represent amounts received from customers in advance against billing. The amount of Rupees 1,024.85 million included in contract liabilities at 30 June 2021 has been recognised as revenue in 2022 (2021: Rupees 972.09 million).

23.5.2 These represent amounts received directly by the Company for the electrification of villages, colonies and other deposit works, mainly provided through Government funding against which the related works / jobs have not been completed. The amount of Rupees 2,800.85 million has been transferred to deferred credit from receipts against deposit works during the year 2022 (2021: Rupees 1,569.91 million).

23.5.3 These represent amounts received from consumers against the installation of new domestic, commercial and industrial connections. The amount of Rupees 2,147.62 million has been transferred to deferred credit from capital contributions awaiting connections during the year 2022 (2021: Rupees 1,538.79 million).

23.6	Workers' Profit Participation Fund	NOTE	2022 Rupees	2021 Restated Rupees
	Balance as on 01 July		2,386,356,777	2,158,036,514
	Interest charged during the year	32	435,032,840	228,320,263
			2,821,389,617	2,386,356,777

23.6.1 The Company has withheld payment of its contribution towards Workers' Profit Participation Fund (WPPF) amounting to Rupees 1,179 million, being Company's liability on account of WPPF till 30 June 2014. PEPCO has forwarded its recommendation to MoWP for exemption of DISCO's, GENCO's, and NTDC from the liability of the payment to be made under the Companies Profit (Workers' Participation) Act, 1968, which is pending for decision. Hence, no payments are being made till the outcome of the decision. Interest is charged at prescribed rate under the Companies Profits (Workers' Participation) Act, 1968 on funds retained by the Company till the date of allocation to workers.

23.7 Due to related parties

This represents the net amount payable to related parties on account of material purchased, free electricity and pension received by the retired employees of the Company residing within the territorial jurisdiction of associated companies:

	Free electricity		Pension		Materials purchased		Total	
	2022 Rupees	2021 Rupees	2022 Rupees	2021 Rupees	2022 Rupees	2021 Rupees	2022 Rupees	2021 Rupees
Water and Power Development Authority	-	-	-	-	-	5,827,952	-	5,827,952
Lahore Electric Supply Company Limited	898,956,464	894,808,873	37,818,299	18,646,770	32,685,451	21,574,759	969,460,214	935,030,402
Peshawar Electric Supply Company Limited	396,098,780	330,426,518	329,652,350	354,626,456	71,594,247	19,846,530	797,345,377	704,899,504
Multan Electric Power Company Limited	81,193,051	80,389,065	-	-	-	-	81,193,051	80,389,065
Faisalabad Electric Supply Company Limited	177,368,379	143,786,117	179,695,564	159,931,010	1,121,923	-	358,185,866	303,717,127
Gujranwala Electric Power Company Limited	27,846,062	24,503,775	297,072,755	232,516,049	11,458,736	-	336,377,553	257,019,824
Hyderabad Electric Supply Company Limited	5,317,439	4,531,115	-	-	-	-	5,317,439	4,531,115
Tribal Areas Electric Supply Company Limited	-	-	-	-	1,759,807		1,759,807	-
Sukkur Electric Power Company Limited	4,304,142	3,649,154	-	-	187,294	187,293	4,491,436	3,836,447
National Transmission and Despatch Company Limited	-	-	-	-	-	247,993	-	247,993
Pakistan Electric Power Company (Private) Limited	-	332,771	-	-	-	-	-	332,771
	1,591,084,317	1,482,427,388	844,238,968	765,720,285	118,807,458	47,684,527	2,554,130,743	2,295,832,200

23.8 This represents amounts collected from consumers, during the period from April 2011 to June 2012, pursuant to S.R.O. 236(1)2011, dated 15 March 2011, issued by the Ministry of Water and Power. However, the amount was collected from customers during the period from April 2011 to May 2012 but further collection has been discontinued on account of a subsequent S.R.O 506(1)2012, dated 16 May 2012. The payment of this amount to the Federal Government is pending as payment mechanism has not been conveyed to the Company by the GoP.

23.9 On 19 February 2021 ECC of the cabinet through its decision No. ECC-53/6/2021 approved Neelum Jhelum surcharge (NJ surcharge) revocation summary dated 12 February 2021, submitted by Ministry of Energy (Power division). Further, it was approved that NJ surcharge collected by DISCOs and transferred to WAPDA after 28 December 2018 will be audited by Auditor General of Pakistan and the amount would be returned to the eligible consumers / adjusted in their forthcoming electricity bills.

23.10 Financing cost surcharge has been notified by GoP vide S.R.O. 569 (1) / 2015 dated 10 June 2015, at the rates mentioned against categories of electricity consumers as specified in schedule of electricity tariff for the Company. The amount of surcharge is to be kept in escrow account of CPPA(G) for the payment of the financing cost of various loans obtained to discharge liabilities of power producers against the sovereign guarantees of the GoP.

23.11 Tariff rationalization surcharge has been notified by GoP vide S.R.O. 569 (1) / 2015 dated 10 June 2015, at the rates mentioned against categories of electricity consumers as specified in schedule of electricity tariff for the Company to maintain uniform rates of electricity across the country for each of the consumer category.

24 ACCRUED MARK-UP

It represents accrued markup on long term foreign re-lent loans and includes Rupees 8,176.14 (2021: Rupees 6,818.38) million overdue portion. Further, it also includes markup amounting to Rupees 4,075.54 million (2021: Rupees 3,584.14 million) calculated on overdue portion of principal outstanding.

25 CONTINGENCIES AND COMMITMENTS

25.1 Tax and other contingencies

25.1.1 The Additional Commissioner Inland Revenue (ACIR) amended the assessments of the Company for the tax years 2010, 2011 and 2013 by charging minimum tax on distribution margin, earned by the Company inclusive of subsidy; thereby raising an aggregate tax demand of Rupees 716 million. The Company filed an appeal with the Commissioner Inland Revenue which was decided against the Company. The Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) and ATIR decided the case against the Company. The Company filed reference before Islamabad High Court (IHC) against decision of ATIR which is pending adjudication.

25.1.2 The Deputy Commissioner Inland Revenue (DCIR) issued various orders u/s 124/161/205 of the Income tax Ordinance, 2001 for the tax year from 2007 to 2012, raising tax demand of Rupees 2,122 million by treating the Company as taxpayer in default on certain revenue and capital expenditure. CIR (A) and ATIR both upheld the order in original. The Company filed reference before Islamabad High Court (IHC) which decided the case against the Company. The Company filed reference before Supreme Court of Pakistan against the decision of IHC which is pending adjudication.

25.1.3 The Deputy Commissioner Inland Revenue (DCIR) issued order u/s 161/205 of the Income Tax Ordinance, 2001 for the tax year 2013 raised an income tax demand of Rupees 304.5 million by treating the Company as taxpayer in default on certain revenue and capital expenditures. The Company appealed before the Commissioner Inland Revenue CIR (A) and during the year before ATIR which were unsuccessful. The Company filed an appeal before IHC which is pending adjudication .

25.1.4 The Deputy Commissioner Inland Revenue (DCIR) issued order under section 161/205/235 of the Income Tax Ordinance, 2001 for the tax year 2014 raising an income tax demand of Rupees 1,152 million by treating the Company as tax payer in default for short collection of advance tax on electricity consumption from its consumers. CIR upheld the order, however, ATIR remanded back the case for reconsideration. FTO has reassessed the case and reduced tax demand to Rupees 998 million against which the Company has filed appeal before ATIR, which is pending adjudication. The Company has also filed reference before Islamabad High Court (IHC) against earlier decision of ATIR. The case is pending before IHC.

25.1.5 Taxation Officer Inland Revenue (TOIR) passed the order against the Company in relation to alleged non-payment of sales tax on electricity supplied to the Government of AJK (GoAJK) involving sale tax demand of Rupees 1,269 million including default surcharge and penalty. The amount was withdrawn from the Company's bank accounts or paid by the Company under protest under amnesty scheme. On the Company's appeal, Appellate tribunal Inland revenue (ATIR) Islamabad decided the case in favor of the Company, vide order No 65/IB/2011 and declared electricity supply to GoAJK as exempt supply by considering the Mangla raising agreement as bilateral treaty between the GoP and GoAJK.

Subsequently, ATIR vide order No. 207 dated 28 October 2015, granted sales tax adjustment of Rupees 1,269 million on monthly sales tax return. Federal Board of Revenue (FBR) filed petition in Islamabad High Court (IHC) against the decision of ATIR. IHC decided the case against the Company, vide order No. 265/2011 dated 21 March 2016, declaring the supplies as taxable. The Company filed review petition in Supreme Court of Pakistan. The Supreme Court of Pakistan through its order dated 27 October 2020 directed the law officers of Federal Government to apprise the matter of sales tax demand of Rupees 1,269 million with the concerned, Ministry of Water and Power and Ministry of Finance and obtain clear directives as to the fate of the sales tax demand.

25.1.6 Officer Inland Revenue (OIR) passed the Order-in-Original No of 04/2011 dated 30 October 2011 raising sales tax demand of Rupees 1,708 million plus default surcharge and penalty thereon for the tax period from July 2007 to June 2008 on account of electricity supplies to AJK, supplies of free electricity to employees and other distribution companies, sales of scrap, demand notices for reimbursement of capital and other costs by electricity consumers, input tax apportionment on account of Government subsidy and non-payment of unrealized sales tax. The Company filed an appeal before the CIR (A) which was decided against the Company. The Company has preferred an appeal before Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication.

25.1.7 Officer Inland Revenue passed Order-in-Original No.13/2012 dated 03 September 2012 raising sales tax demand of Rupees 2,454 million plus default surcharge and penalty chargeable thereon for the tax period July 2008 to June 2009 on account of supplies of free electricity to employees and other distribution companies, sales of scrap, demand notices for reimbursement of capital and other costs by electricity consumers, input tax apportionment on account of Government subsidy and non-payment of unrealized sales tax. CIR (A) and ATIR both dismissed the appeals filed by the Company and upheld the order of the Officer Inland Revenue. The Company has preferred an appeal before IHC who remanded the case back for reconsideration.

25.1.8 Officer Inland Revenue passed an Order-in-Original No.02/2013 dated 14 October 2013 raising sales tax demand of Rupees 7,784 million plus default surcharge and penalty chargeable thereon for the tax period from July 2009 to June 2012 on account of free supply of electricity to employees and distribution companies, sale of scrap, demand notice for reimbursement of capital and other costs by electricity consumers, input tax apportionment on account of Government subsidy, and non-payment of unrealized sales tax. The Company preferred an appeal before CIR (A) who dismissed the appeal filed by the Company and upheld the order of the Officer Inland Revenue. The Company preferred an appeal before the ATIR, who deleted the demand to the extent of Rupees 1,224 million on account of unrealized sales tax and Rupees 6,504 million on account of sales tax on subsidy and sales tax on demand notices. Further, the ATIR remanded back the case of sales tax on free electricity to employees and distribution companies for re-consideration. The matter of sales tax on sale of scrap of Rupees 416 million has been decided against the Company against which the Company filed reference before IHC.

25.1.9 Officer Inland Revenue issued an Order-in-Original No. 21/2012 dated 24 April 2012 raising sales tax demand of Rupees 1,527 million plus default surcharge and penalty chargeable thereon for the tax period July 2010 to June 2011 on account of non-payment of sales tax on supply of electricity to AJK. In a similar case, the ATIR had declared the supply of electricity to AJK as exempt, vide order No. 65/18/2011 dated 07 September 2011 against which FBR filed petition in IHC. The Company also preferred an appeal before the IHC to declare such sales as an export. The IHC decided the case against the Company, vide STR No. 265/2011 dated 21 March 2016, declaring the supplies as taxable. The Company has filed the reference before the Supreme Court of Pakistan, which is still pending.

25.1.10 Officer Inland Revenue passed an Order-in-Original No.55/2014 dated 14 May 2014 raising sales tax demand of Rupees 8,407 million plus default surcharge and penalty chargeable thereon for the tax year 2012 to 2013 on account of non-payment of sales tax on supply of electricity to AJK, non payment of sales tax on subsidy from GoP, demand notices for reimbursement of capital and other costs by electricity consumers and short payment of sales tax pertaining to miscellaneous receipts. The Company preferred an appeal before the CIR (A) who upheld the order of the Officer Inland Revenue. The Company preferred an appeal before ATIR who passed the Order-in-Appeal vide STA No. 326/IB/2014 dated 27 January 2016 whereby tax demand to the extent of Rupees 6,998 million on the matter of sales tax on demand notices, supply of electricity to AJK and subsidy from GoP has been deleted. The matter of sales tax amounting to Rupees 1,547 million pertaining to miscellaneous receipts has been remanded back to the original adjudicating authority for reconsideration. The demand of sales tax on scrap amounting to Rupees 56 million has not been confirmed by ATIR. The Company filed reference against demand of sales tax on scrap before IHC which is pending adjudication.

25.1.11 The ACIR passed an Order-in-Original No. 57/2014 dated 29 May 2014 raising sales tax demand of Rupees 212 million plus default surcharge and penalty chargeable thereon for the tax periods from July 2009 to June 2012 on account of inadmissible adjustment of input tax for steel sector. The Company filed an appeal before the CIR (A) which was dismissed. The Company has preferred an appeal before ATIR which is pending adjudication.

25.1.12 The ACIR passed an Order-in-Original No. 14/2015 dated 28 January 2015 raising sales tax demand of Rupees 312 million plus default surcharge and penalty chargeable thereon for the tax period from July 2013 to June 2014 on account of inadmissible adjustment of input tax for steel sector. DCIR had redetermined the original sales tax demand to Rupees 182 million vide Order in Remand No. 05/14 of 2015. The Company has preferred an appeal before ATIR which is pending adjudication.

25.1.13 The ACIR passed an Order-in-Original No. 06/2016 dated 01 January 2016 raising sales tax demand of Rupees 1,042 million plus default surcharge and penalty chargeable thereon for the tax periods from July 2011 to March 2012 on account of inadmissible adjustment of input tax over output tax. The Company filed an appeal before the CIR (A) which was dismissed. The Company preferred an appeal before ATIR who has directed the Company and department to reconcile the numbers and submit a report in the court. The reconciliation exercise has been completed and also submitted and presented at the last hearing of the case. No order is yet passed by ATIR.

25.1.14 DCIR passed an Order-in-Original No. 11/2016 dated 11 February 2016 raising sales tax demand of Rupees 1,948 million plus default surcharge and penalty chargeable thereon for the tax periods from July 2015 to February 2016 on account of inadmissible adjustment of input tax over output tax. The Company has filed an appeal before the CIR (A) which was dismissed. The Company preferred an appeal before ATIR. ATIR vide order-in-Appeal No. STA No. 442/IB/2016 dated 2 May 2017 remanded back the case to the original adjudicating authority. The matter is pending adjudication.

25.1.15 The DCIR passed an Order-in-Original No. 149/2017 dated 22 May 2017 raising tax demand of Rupees 223 million plus default surcharge and penalty chargeable thereon for the tax periods from July 2015 to January 2017 on account of sales tax withheld based on the review of the sales tax returns for the period July 2015 to January 2017. CIR (A) upheld the Order-in-Original. The Company has filed an appeal with ATIR which is pending adjudication.

25.1.16 The DCIR passed an Order-in-Original No. 09/2017 dated 12 May 2017 raising tax demand of Rupees 1,802 million plus default surcharge and penalty chargeable thereon for the tax period from July 2015 to June 2016 on account of short payment of sales tax based on difference between gross supplies and taxable supplies as appearing in the monthly sales tax returns, further alleging that the Company has wrongly treated supplies to AJK and others as zero rated. CIR (A) upheld the Order-in-Original. The Company has filed an appeal with ATIR. ATIR vide order No. STA No. 523(IB)2017 dated 8 July 2019 has decided the case in favor of the Company.

25.1.17 The DCIR passed an Order-in-Original No. 05/2017 dated 24 February 2017 raising tax demand of Rupees 1,728 million plus default surcharge and penalty chargeable thereon for the tax period from July 2014 to June 2015 on account of short payment of sales tax based on difference between gross supplies and taxable supplies as appearing in the monthly sales tax returns, further alleging that the Company has wrongly treated supplies to AJK and others as zero rated. CIR (A) upheld the Order-in-Original. The Company has filed an appeal with ATIR which is pending adjudication.

25.1.18 The DCIR passed an Order-in-Original No. 17-25/2017 dated 02 February 2018 raising tax demand of Rupees 586 million plus default surcharge and penalty chargeable thereon for the tax periods July 2016 to June 2017 on account of short payment of sales tax based on difference between gross supplies and taxable supplies as appearing in the monthly sales tax returns, further alleging that the Company has wrongly treated supplies to AJK and others as zero rated. CIR (A) upheld the Order-in-Original. The Company has filed an appeal with ATIR which is pending adjudication.

25.1.19 The DCIR passed an Order-in-Original No. 04/2017 dated 14 February 2017 raising tax demand of Rupees 4,817 million plus default surcharge and penalty chargeable thereon for the period from July 2014 to June 2015 on account of non-payment of sales tax on supply of free electricity to other distribution company's and to employees residing within the Company's territorial jurisdiction, non-payment of sales tax in taxable supplies other than electricity, short payment of sales tax, non-payment of sales tax on amount received on account of demand notices and non-payment of sales tax on subsidy from Government of Pakistan. CIR (A) upheld the Order-in-Original. An appeal against the order has been filled with ATIR. ATIR vide its order No. STA No. 353(IB)/2017 dated 10 July 2019 has deleted that demand.

25.1.20 The Company's case was selected for audit u/s 214C of the Income Tax Ordinance, 2001 and information was called u/s 177 during the course of audit. The demand in this particular case was Rupees 2,403 million. The ACIR finalized the audit proceedings by issuing order vide DCR No.04/02 dated 31 October 2016 u/s 122(1) of the Income Tax Ordinance, 2001. Being aggrieved, the Company filed an appeal before the CIR (Appeal) against the order. CIR (Appeal) passed a partial judgement on certain issues. The Company has filed an appeal against the appellate order of CIR (A) before Appellate Tribunal Inland Revenue Islamabad. Whereas, the main appeal is pending adjudication before the ATIR.

25.1.21 DCIR has issued order u/s 122(5A) of the Income Tax Ordinance, 2001 raising tax demand of Rupees 551 million vide order No. 8/75(u-1) dated 28 April 2016. The assessment of the Company was amended by disallowing subsidy amounting to Rupees 11,239 million and business losses from tax year 2010 to 2014 amounting to Rupees 72,868 million. CIR(A) upheld the Order-in-Original. The Company filed an appeal before ATIR which is pending adjudication.

25.1.22 The DCIR passed Order-in-Original No. 07/2018 dated 30 June 2018 raising demand for Rupees 534 million alleging that the Company has claimed input tax related to items which were not used for business purpose and input tax cannot be adjusted. The Company filed an appeal before CIR (A). The CIR (A) vide Order in Appeal No. 117/2019 dated 28 January 2019 decided case against the Company. The Company has filed an appeal before the ATIR which is pending adjudication.

25.1.23 The DCIR passed Order-in-Original No. 4/2018 dated 26 June 2018 raising demand of Rupees 639 million alleging that the Company has wrongly treated supplies to AJK and others as zero rated. The Company has filed an appeal before CIR (A). The CIR (A) vide order in appeal No. ST-25/2018 dated 12 September 2019 reduced the demand to Rupees 346 million. ATIR has set aside the demand.

25.1.24 DCIR issued order u/s 4B of the Income Tax Ordinance, 2001 raising demand of Rupees 35 million vide order No. 35402660 dated 7 August 2018. Being aggrieved, the Company filed an appeal before CIR(A) against the order. CIR(A) vide order in Appeal No. 137/2018 dated 13 September 2018 upheld the order of DCIR. The Company filed appeal before ATIR which is pending adjudication.

25.1.25 DCIR issued show cause notice No. 353 dated 06 January 2021 u/s 11(2) of the Sales Tax Act, 1990 raising demand of Rupees 4,448.24 million along with the default surcharge and penalty u/s 34 and u/s 33 of the Sales Tax Act, 1990 alleging that the Company has wrongly treated supplies to AJK and others as zero rated. Later during the examination of the records by DCIR a corrigendum was issued vide C.No.568 dated 12 April 2021 which substituted the amount of Rupees 4,448.24 million by Rupees 11,798.38 million. Being aggrieved the Company filed an appeal before CIR(A) on 03 June 2021 which is pending adjudication.

No provision on account of above contingencies has been made in these financial statements as the management and the tax / legal advisors of the Company are of the view, that these matters will eventually be settled in favor of the Company.

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

25.2 Books of account of the Company are not in agreement with the records of CPPA(G) in respect of amount payable to CPPA(G). There is a net difference of Rupees 4,861.67 million between the amount confirmed by CPPA(G) and the amount recorded in the books of the Company as at 30 June 2022. Reconciliation of this difference reveals that there are certain charges levied by CPPA(G) which the management does not acknowledge, unless both the parties do not resolve these differences, the amount of liability recognized in the books of the Company cannot be adjusted.

Claims not acknowledged are as follows:

	NOTE	2022 Rupees	2021 Rupees
Interest on syndicated loans	25.2.1	(3,865,019,302)	(3,865,019,302)
Supplemental charges of CPPA(G)	25.2.2	6,864,324,906	6,864,324,906
Excess cash remittance as per CPPA(G)		(293,798,486)	(399,420,697)
Use of system charges		(5,000,000)	(5,000,000)
Power purchase	25.2.3	2,150,535,981	1,605,275,694
Others	25.2.4	10,619,506	10,033,596
		4,861,662,605	4,210,194,197

25.2.1 Federal Government, through Power Holding Limited (PHL) injected money from time to time through borrowings from commercial banks. PHL planned to re-lend the loan to DISCO's through multi-party agreement between lenders, DISCOs and PHL with each DISCO jointly and severely liable in-case of default. The management of DISCOs objected to this arrangement and based on their observations the proposed mechanism of extending the loan was revised in a joint meeting held at the Ministry of Water and Power (MoWP) on 14 May 2012, whereby, a bilateral agreement was proposed to be signed between each DISCO and PHL with all DISCOs being severally liable. The Board of Directors of the Company accorded its approval in its 100th and 101st meeting subject to certain reservations. During a joint meeting held at LESCO Head Office on 27 August 2012, it was agreed among DISCOs that the relending agreement will be effective from the date it is signed by the respective DISCOs.

The World Bank, being the lender of the Company, and NEPRA being the power sector regulator also raised certain concerns on the structure of the transaction which was forwarded to MoWP vide letter No. 1970-73 dated 07 September 2012. Pending resolution of matters raised by the World Bank and NEPRA, the relending agreement between PHL and the Company was not finalized. Further during year 2016, Pakistan Electric Power Company (Private) Limited vide its letter No. 235-38, dated 21 January 2016, directed the Company to book the debit / credit notes issued by CPPA(G) in respect of its share in loans and mark-up thereon. However, the management believes that its obligation under the arrangement will arise once the bilateral relending agreement between the Company and PHL is finalized, which is still pending. Accordingly, the Company has not accounted for mark-up due to non-availability of terms and conditions of the loan and finalization of re-lending agreement between the Company and PHL. Further, as per the management, NEPRA did not allow the Company to claim the markup cost in its tariff determination in previous years, hence, the loan / mark-up cost was not recorded in its books. The management also obtained an independent legal opinion dated 17 October 2015 from a law firm which concurred with the management point of view of not recording the liability and related mark-up in its books.

25.2.2 This represents supplementary charges invoiced by CPPA(G) to the Company on account of allocation of late payment charges. During year 2016, the matter was discussed in para 18.10 of tariff determination by NEPRA communicated through letter No. NEPRA/TRF-336/IESCO-2015 dated 18 September 2017. According to which late payment charges recovered from consumers on utility bills shall be off set against the late payment invoices raised by CPPA(G) to the Company in determination of its consumer end tariff pertaining to financial years 2015-16 to 2019-20. However, matter of invoices raised prior to the year ended 30 June 2015 is still to be resolved and of which management is of the view that invoices should not be recorded until same is allowed by NEPRA in its tariff determination. Ministry of Energy (Power division) through its letter No.PF-05(04)/20-21 dated 13 September 2021 intimated that a meeting was held on 25 August 2021 for regularization of supplemental charges and it was decided that the Ministry will take up the issue with DISCOs for an early resolution. Afterwards CPPA(G) will issue necessary adjustments in this regards.

25.2.3 This represents dispute with CPPA(G) regarding difference in meter readings recorded at various combined delivery points for the period August 2020 to January 2022. In response to the Company's request for credit note, CPPA(G) is of the view that any adjustment related to meter data shall only be made after issuance of revised statement by NTDCL. A meeting was held between NTDCL and the Company on 13 October 2022, in which the Company's claim of 792,117 units in KW was acknowledged and a mechanism for the recognition of this cost is decided and the said issue will be resolved in coming years. Further, the Company did not record the invoices from CPPA (G) for adjusted capacity purchase price invoiced in year 2021 invoiced against the matter of dispute raised by K-Electric regarding Maximum Demand Index (MDI) meter reading.

25.2.4 These represents debit notes / credit notes issued to the Company by CPPA(G) on account of adjustments against the provisional monthly market operation fee billing for the year ended 30 June 2021, legal fee charged by CPPA(G) and certain other charges. Management do not agree with these adjustment, therefore, these have not been recorded in the Company's books.

25.3 **Commitments**

25.3.1 Inland letters of credit as at 30 June 2022 amounted to Rupees 1,814.74 million (2021: Rupees 253.64 million).

25.3.2 Commitments against intangible asset under development are amounting to Rupees 64.08 million (2021: Rupees 64.08 million).

26 SALE OF ELECTRICITY - NET

	NOTE	2022 Rupees	2021 Rupees
Gross sales	26.2	250,507,924,615	164,652,586,222
Sales tax		(35,306,839,045)	(25,871,802,833)
		215,201,085,570	138,780,783,389

26.1 Disaggregation of revenue

	NOTE	2022 Rupees	2021 Rupees
Residential		89,670,460,585	63,667,789,839
Commercial		33,432,675,916	25,454,913,050
Industrial		36,966,081,404	27,371,430,182
Bulk		26,074,296,214	19,354,089,265
Agriculture		591,611,821	404,091,626
Public lighting		2,284,441,720	1,841,837,194
Residential colonies attached to industries		107,304,047	94,729,443
Special contracts:			
- Azad and Jammu Kashmir	8.2.1	38,335,477,685	29,835,089,639
- Rawat lab		10,242,030	7,667,129
Supply at 66 KV and above		31,920,740	-
General services		14,022,414,712	10,297,824,368
		241,526,926,874	178,329,461,735
Inter disco's tariff rationalization surcharge		(41,382,878,174)	(33,727,353,520)
Prime Minister's Industrial Support Package II	10	1,471,775,280	1,380,373,804
Winter package	10	218,674,663	-
Applicable quarterly tariff adjustments		(8,274,273,381)	(7,762,098,508)
Fuel price adjustment		20,920,402,276	(287,279,262)
Unbilled revenue adjustment		720,458,032	847,679,140
		215,201,085,570	138,780,783,389
Primary geographical markets:			
Pakistan		176,865,607,885	108,945,693,750
Azad Jamuu and Kashmir		38,335,477,685	29,835,089,639
		215,201,085,570	138,780,783,389

26.2 This includes unbilled revenue of Rupees 8,800.5 million (2021: Rupees 8,080 million). Gross revenue is netted off an amount of Rupees 1,739 million (2021: Rupees 685 million) representing subsidised invoices raised during the year for energy consumed that were not subsequently claimed from the subsidy cell. This is due to "Relief 1" as defined in Note 10.3 of these financial statements.

26.3 Revenue is recognized at point in time when the electricity units are consumed by the customers.

27 COST OF ELECTRICITY

	NOTE	2022 Rupees	2021 Rupees
Cost of electricity			
- Power purchase	27.1	214,898,692,139	133,169,995,543
- Use of system charges	12.1	2,619,979,113	4,684,634,866
- Market operation fee		53,617,707	38,861,808
- Pak Matyari Lahore Transmission Company - PMLTC charges	27.2	3,423,122,834	-
		220,995,411,793	137,893,492,217
Supplementary charges	27.3	5,707,131,351	5,302,138,757
Net metering cost	27.4	1,382,808	944,751
		226,703,925,952	143,196,575,725

27.1 This represents tariff charged by Central Power Purchasing Agency (Guarantee) Limited as determined by National Electric Power Regulatory Authority (NEPRA) and notified by the Government of Pakistan in the Gazette of Pakistan.

27.2 This represents amount charged by Pak Matyari Lahore Transmission Company (PMLTC), which is a part of national transmission line. As per NEPRA Tariff amount billed by PMLTC to NTDCL shall be allocated to DISCOs based on their actual monthly KW consumption for the month.

27.3 As per para 43 of tariff determination by NEPRA communicated through letter No. NEPRA/TRF-336/IESCO-2015/ dated 29 February 2016, late payment charges recovered from consumers on utility bills shall be off set against the late payment invoices raised by CPPA(G) to the Company in determination of its consumer end tariff pertaining to financial years 2015-16 to 2019-2020.

27.4 Net metering is a billing mechanism whereby consumers are given credit for the electricity they add to the grid generated through Solar Power.

		NOTE	2022 Rupees	2021 Restated Rupees
28	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits	28.1	2,110,068,112	1,774,251,279
	Transportation		129,952,862	89,220,368
	Depreciation	3.1.3	165,248,743	169,839,101
	Impairment loss		-	6,242,426,329
	Electricity bill collection charges		176,576,153	143,177,367
	Office supplies and other expenses		128,723,721	129,376,778
	Rent, rates and taxes	28.2	3,045,000	-
	Legal and professional charges		113,032,480	88,105,068
	Repairs and maintenance		6,061,544	6,262,272
	Power, light and water charges		31,909,794	48,696,789
	Postage and telephone		25,572,598	15,657,966
	Insurance expense		66,729,210	39,828,821
	NEPRA fee and charges		69,879,705	39,414,072
	Advertising and publicity		11,222,003	7,366,476
	Management fee of Power Planning and Monitoring Company	28.3	42,350,000	64,350,000
	Auditor's remuneration	28.4	2,940,000	2,200,000
	Balances written off	28.5	4,655,663,378	17,756,378
	Miscellaneous		63,823,011	64,681,045
			7,802,798,314	8,942,610,109

28.1 This includes a sum of Rupees 698.29 million (2021: Rupees 653.89 million) in respect of staff retirement benefits.

28.2 This represents lease payments in respect of short term leases.

28.3 This represents reimbursement of operation and maintenance expenses of Power Planning and Monitoring Company (PPMC) as per memorandum No. 388-405/DGF/PEPCO/Mngt-F/2019 dated 14 March 2019.

		NOTE	2022 Rupees	2021 Restated Rupees
28.4	**Auditor's remuneration**			
	Audit fee		2,640,000	2,200,000
	Certifications		300,000	-
			2,940,000	2,200,000
28.5	**Balances written off**			
	Advance to suppliers written off		-	17,756,378
	Trade debt written off		1,841,017,148	-
	Subsidy receivable written off	10	2,814,646,230	-
			4,655,663,378	17,756,378
29	**DISTRIBUTION COSTS**			
	Salaries, wages and other benefits	29.1	12,828,932,109	10,694,997,308
	Depreciation	3.1.3	5,022,011,406	4,729,186,242
	Loss of operating fixed assets due to theft	3.1	-	623,997
	Repairs and maintenance		1,494,274,880	1,584,625,579
	Transportation		584,288,670	543,967,393
	Office supplies and other expenses		26,380,219	20,387,938
	Rent, rates and taxes	29.2	48,439,539	41,678,736
	Provision against slow moving / obsolete items of stores, spares and loose tools	7.1	-	44,079,787
	Power, light and water charges		45,075,427	37,829,310
	Postage and telephone		29,378,934	24,571,126
	Miscellaneous		224,697,038	165,987,103
			20,303,478,222	17,887,934,519

29.1 This includes a sum of Rupees 4,380.96 million (2021: Rupees 3,605.77 million) in respect of staff retirement benefits.

29.2 This represents lease payments in respect of short term leases.

		NOTE	2022 Rupees	2021 Restated Rupees
30	**CUSTOMER SERVICES COSTS**			
	Salaries, wages and other benefits	30.1	906,696,353	769,369,158
	Transportation		29,665,153	31,739,464
	Electricity bill collection charges		112,564,483	96,283,820
	Depreciation	3.1.3	171,612,185	178,197,650
	Office supplies and other expenses		4,868,764	4,652,308
	Rent, rates and taxes	30.2	1,167,647	2,618,255
	Power, light and water charges		5,605,999	4,005,116
	Postage and telephone		2,221,532	2,343,020
	Repairs and maintenance		2,188,862	2,185,510
	Miscellaneous		18,908,788	10,088,809
			1,255,499,766	1,101,483,110

30.1 This includes a sum of Rupees 308.34 million (2021: Rupees 264.86 million) in respect of staff retirement benefits.

30.2 This represents lease payments in respect of short term leases.

		NOTE	2022 Rupees	2021 Restated Rupees
31	**OTHER INCOME**			
	Income from financial assets			
	Profit on bank deposits		710,055,002	235,954,206
	Late payment surcharge		1,601,852,104	1,285,385,458
			2,311,907,106	1,521,339,664
	Income from financial liability			
	Exchange gain		-	23,095,097
	Income from non-financial assets			
	Sale of scrap		20,067,342	152,720,867
	Gain on disposal of operating fixed assets		-	22,924,017
	Vetting and processing fee		207,076,997	97,734,514
	Income from rest houses		1,445,350	308,860
	Reversal of provision against slow moving / obsolete items of stores, spares and loose tools	7.1	45,595,279	-
	Operating revenue		147,513,171	214,194,404
			421,698,139	487,882,662
	Others			
	Public lighting		20,239,286	18,691,865
	Commission on collection of electricity duty and PTV license fee		79,064,496	62,358,396
	Liquidated damages		56,191,377	62,900,156
	Meter / service rent		39,114,596	30,362,817
	Reconnection fees		6,726,132	5,637,096
	Wheeling charges		6,646,722	-
	Miscellaneous		133,270,603	167,200,308
			341,253,212	347,150,638
			3,074,858,457	2,379,468,061

	NOTE	2022 Rupees	2021 Restated Rupees
32 FINANCE COST			
Mark-up on long term loans		1,401,030,137	1,389,319,880
Mark-up transferred from GoP	32.1	573,316,321	213,928,382
Bank charges	32.2	42,985,993	41,438,941
Exchange loss		120,849,041	-
Interest on Worker's Profit Participation Fund	23.6	435,032,840	228,320,263
		2,573,214,332	1,873,007,466

32.1 It represents mark-up in respect of syndicated term finance facility amounting to Rupees 41 billion. The facility was obtained by PHL. As per ECC of the cabinet, servicing of mark-up, principal repayments and all other amounts becoming due and payable in respect of this facility shall be the responsibility of respective DISCO.

32.2 This includes a sum of Rupees (38.31 million (2021: Rupees 35.71 million) in respect of tax deducted on bank profit on plan assets.

	NOTE	2022 Rupees	2021 Restated Rupees
33 TAXATION			
Current year	33.1 & 14	2,778,242,492	2,113,174,172
Deferred	6	(184,180,621)	(8,495,174,187)
	33.2	2,594,061,871	(6,382,000,015)

33.1 The provision for minimum taxation is calculated @ 1.5% (2021: 1.5%) of the Company's gross revenue and other income under the provisions of the Income Tax Ordinance, 2001.

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

34 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Long term security deposits		Long term loans	
	2022 Rupees	2021 Rupees	2022 Rupees	2021 Rupees
Balance as at 01 July	7,304,779,929	6,533,606,741	8,605,111,399	8,621,888,697
Proceeds from long term loans	-	-	44,757,495	-
Security deposits received	1,064,765,436	795,734,655	-	-
Security deposits refunded / adjusted	(33,498,128)	(24,561,467)	-	-
Net movement during the year	1,031,267,308	771,173,188	-	-
Exchange loss / (gain)	-	-	80,746,287	(16,777,298)
Balance as at 30 June	8,336,047,237	7,304,779,929	8,730,615,181	8,605,111,399

35 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements in respect of remuneration including certain benefits to the Chief Executive Officer, Directors and Executives of the Company are given below:

	Chief Executive Officer		Executives	
	2022	2021	2022	2021
	.... Rupees			
Managerial remuneration and allowances	5,727,099	6,709,599	69,684,058	88,798,722
Bonus	332,760	171,720	2,586,940	1,311,370
	6,059,859	6,881,319	72,270,998	90,110,092
Number of persons	1	1	32	17

In addition, the Chief Executive Officer is also provided with free transport, residential telephone and medical facilities.

The aggregate amount charged in the financial statements for the year as fee to 13 directors (2021: 11 directors) is Rupees 18.11 million (2021: Rupees 10.96 million) for attending Board of Directors and sub-committee meetings.

36 FINANCIAL RISK MANAGEMENT

36.1 Financial risk factors

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

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

a) Market risk

i) Currency risk

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

Exposure to currency risk

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

	2022	2021
Long term loans - USD	1,738,472	1,738,472
Accrued mark-up - USD	100,466	107,443
Net exposure - USD	1,838,938	1,845,915

The following significant exchange rates were applied during the year:

Rupees per USD		
Average rate	177.45	160.02
Reporting date rate	204.85	158.40

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on loss before taxation for the year would have been Rupees 18.84 million (2021: Rupees 14.62 million) respectively lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

ii) **Other price risk**

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

iii) **Interest rate risk**

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

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

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

	2022 Rupees	2021 Rupees
Fixed rate instruments		
Financial liabilities		
Long term loans	8,730,615,181	8,605,111,399
Variable rate instruments		
Financial assets		
Bank balances - deposit accounts	11,009,295,473	7,163,413,668

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rate at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss before taxation for the year would have been Rupees 110.01 million (2021: Rupees 71.63 million) lower / higher, mainly as a result of higher / lower interest on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at reporting date were outstanding for the whole year.

b) **Credit risk**

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

	2022 Rupees	2021 Rupees
Loans and advances	422,255,444	250,439,839
Trade debts	130,443,933,380	68,425,496,089
Security deposits	73,736,230	73,736,230
Other receivables	9,869,089,952	4,151,416,716
Bank balances	12,577,061,192	8,576,636,221
	153,386,076,198	81,477,725,095

The Company's electricity is sold to industrial, commercial and residential consumers and government organisations. Due to large number and diversity of its consumer base, concentration of credit risk with respect to trade debts is limited. Further, the Company manages its credit risk by obtaining security deposits from the consumers. Further, the Company considers the credit risk arising from receivables from public sector consumers to be minimal. Additionally, other receivables mainly include receivables from related parties (Government owned entities) and interest accrued in bank deposits, management has assessed that there is no impairment loss in respect of these balances and these are recoverable in full.

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debts. Management uses actual historical credit loss experience, credit risk characteristics and past days due, adjusted for forward-looking factors specific to the debtors and the economic environment to determine expected credit loss allowance.

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

Public Sector Banks	Rating Short term	Long term	Agency	2022 Rupees	2021 Rupees
National Bank of Pakistan	A-1+	AAA	PACRA	2,114,338,789	1,698,583,250
Sindh Bank Limited	A-1	A+	VIS	1,262,621	1,017,257
The Bank of Khyber	A-1	A	PACRA	(584,176)	(621,208)
The Bank of Punjab	A-1+	AA+	PACRA	135,164,260	115,906,192
Specialized Banks					
SME Bank Limited	B	CCC	PACRA	(4,522)	10,874
Zarai Taraqiati Bank Limited	A-1+	AAA	VIS	2,591,044	3,600,668
Private Sector Banks					
Allied Bank Limited	A-1+	AAA	PACRA	4,628,283,113	2,934,909,625
Askari Bank Limited	A-1+	AA+	PACRA	(703,322,471)	448,093,330
Bank Alfalah Limited	A-1+	AA+	PACRA	1,676,259	16,515,485
Faysal Bank Limited	A-1+	AA	PACRA	(8,796,653)	19,489,658
Habib Bank Limited	A-1+	AAA	VIS	1,808,589,290	645,111,284
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	(15,401,068)	(20,071,099)
JS Bank Limited	A-1+	AA-	PACRA	1,136,099	8,744,595
MCB Bank Limited	A-1+	AAA	PACRA	4,294,838,426	2,281,571,230
Silkbank Limited	A-2	A-	VIS	2,239,984	(4,228,371)
Soneri Bank Limited	A-1+	AA-	PACRA	893,886	6,245,945
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA	209,750	3,032,153
United Bank Limited	A-1+	AAA	VIS	305,145,588	329,295,133
Other institutions	N/A	N/A	N/A	8,800,973	89,430,220
				12,577,061,192	8,576,636,221

Financial assets other than above include loans and advances and security deposits. Loans and advances to employees are secured against retirement benefits and security deposits includes deposits with court and other utility companies as explained in Note 11. Therefore, management has assessed that there is no impairment loss and these are recoverable in full.

c) **Liquidity risk**

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

The following are the contractual maturities of financial liabilities:

	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five years
			Rupees		
Non-derivative financial liabilities:					
2022					
Loans	8,730,615,181	8,730,615,181	3,963,358,109	2,112,395,007	2,654,862,065
Long term security deposits	8,336,047,237	8,336,047,237	-	-	8,336,047,237
Trade and other payables	165,423,815,033	165,423,815,033	165,423,815,033	-	-
Accrued mark-up	8,623,270,244	8,623,270,244	8,623,270,244	-	-
	191,113,747,695	191,113,747,695	178,010,443,386	2,112,395,007	10,990,909,302
Non-derivative financial liabilities:					
2021					
Loans	8,605,111,399	8,605,111,399	3,155,404,194	2,518,937,942	2,930,769,263
Long term security deposits	7,304,779,929	7,304,779,929	-	-	7,304,779,929
Trade and other payables	101,898,438,546	101,898,438,546	101,898,438,546	-	-
Accrued mark-up	7,182,137,352	7,182,137,352	7,182,137,352	-	-
	124,990,467,226	124,990,467,226	112,235,980,092	2,518,937,942	10,235,549,192

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June. The rates of mark-up have been disclosed in Note 19 to these financial statements.

36.2 **Financial instruments by categories**

	At amortized cost 2022 Rupees	2021 Rupees
As at 30 June		
Assets as per statement of financial position		
Loans and advances	422,255,444	250,439,839
Trade debts	130,443,933,380	68,425,496,089
Long term deposits	73,736,230	73,736,230
Other receivables	9,869,089,952	4,151,416,716
Cash and bank balances	12,577,067,294	8,576,643,121
	153,386,082,300	81,477,731,995
Liabilities as per statement of financial position		
Loans	8,730,615,181	8,605,111,399
Long term security deposits	8,336,047,237	7,304,779,929
Trade and other payables	165,423,815,033	101,898,438,546
Accrued mark-up	8,623,270,244	7,182,137,352
	191,113,747,695	124,990,467,226

36.3 Reconciliation of financial assets and financial liabilities to the line items presented in the statement of financial position is as follows:

	2022			2021		
	Financial assets	Non-financial assets	Total as per statement of financial position	Financial assets	Non-financial assets	Total as per statement of financial position
	-Rupees-			-Rupees-		
Assets as per statement of financial position						
Loans and advances	422,255,444	-	422,255,444	250,439,839	-	250,439,839
Trade debts	130,443,933,380	-	130,443,933,380	68,425,496,089	-	68,425,496,089
Security deposits	73,736,230	-	73,736,230	73,736,230	-	73,736,230
Other receivables	9,869,089,952	1,715,112,628	11,584,202,580	4,151,416,716	-	4,151,416,716
Cash and bank balances	12,577,067,294	-	12,577,067,294	8,576,643,121	-	8,576,643,121
	153,386,082,300	1,715,112,628	155,101,194,928	81,477,731,995	-	81,477,731,995

	2022			2021		
	Financial liabilities	Non-financial liabilities	Total as per statement of financial position	Financial liabilities	Non-financial liabilities	Total as per statement of financial position
	-Rupees-			-Rupees-		
Liabilities as per statement of financial position						
Loans	8,730,615,181	-	8,730,615,181	8,605,111,399	-	8,605,111,399
Long term security deposits	8,336,047,237	-	8,336,047,237	7,304,779,929	-	7,304,779,929
Trade and other payables	165,423,815,033	47,566,264,060	212,990,079,093	101,898,438,546	39,439,468,760	141,337,907,306
Accrued mark-up	8,623,270,244	-	8,623,270,244	7,182,137,352	-	7,182,137,352
	191,113,747,695	47,566,264,060	238,680,011,755	124,990,467,226	39,439,468,760	164,429,935,986

36.4 Offsetting financial assets and liabilities

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

36.5 Capital risk management

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

37 RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

Fair value hierarchy

Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

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

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

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

38 RECOGNIZED FAIR VALUE MEASUREMENTS - NON FINANCIAL ASSETS

(i) Fair value hierarchy

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

At 30 June 2022	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
Freehold land	-	29,559,087,125	-	29,559,087,125
Leasehold land	-	10,224,149,999	-	10,224,149,999
Buildings on freehold land	-	4,873,897,681	-	4,873,897,681
Buildings on leasehold land	-	1,339,068,463	-	1,339,068,463
Distribution equipment	-	100,793,713,620	-	100,793,713,620
	-	146,789,916,888	-	146,789,916,888

At 30 June 2021	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
Freehold land	-	29,504,609,125	-	29,504,609,125
Leasehold land	-	10,224,149,999	-	10,224,149,999
Buildings on freehold land	-	4,841,872,899	-	4,841,872,899
Buildings on leasehold land	-	1,382,394,447	-	1,382,394,447
Distribution equipment	-	95,890,624,886	-	95,890,624,886
	-	141,843,651,356	-	141,843,651,356

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

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

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

The Company obtains independent valuations for its land, buildings and distribution equipment after regular intervals. The management updates the assessment of the fair value of each property, taking into account the most recent independent valuations. The management determines a property's value within a range of reasonable fair value estimates. The best evidence of fair value of land is current prices in an active market for similar lands. The best evidence of fair value of buildings is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same building. The best evidence of fair value of distribution equipment is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the replacement value / new purchase of the distribution equipment.

39 TRANSACTIONS WITH RELATED PARTIES

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

Name of related party	Nature of transactions	2022 Rupees	2021 Rupees
Associated companies / undertakings			
National Electric Power Regulatory Authority	Fee	69,879,705	39,414,072
Pak Matyari Lahore Transmission Company	Use of system charges	(3,493,850,056)	-
	Cash settlement	2,798,742,917	-
National Transmission and Despatch Company Limited	Free supply of electricity provided to employees of associated company	100,731,648	82,407,381
	Pension paid to employees of associated company	65,571,606	262,543,690
	Payment made by associated company	-	(161,293,286)
	Purchase of material		247,993.00
Central Power Purchasing Agency (Guarantee) Limited	Purchase of electricity	(220,659,441,199)	(138,510,996,108)
	GST	(23,940,708,517)	(12,081,996,003)
	Management fee	(42,350,000)	(64,350,000)
	Payment	189,072,607,341	140,746,296,725
	Debit note received from CPPA	(20,502,934,139)	(23,672,913,594)
	Credit note received from CPPA	22,337,691,893	91,979,218,522
	Remittance to NTDC	(5,668,355,964)	(4,828,668,110)
	Adjustment	(2,798,742,917)	
Northern Power Generation Company Limited	Free supply of electricity provided to employees of associated company	1,700,639	732,802
	Free supply of electricity received by employees of the Company from associated company	(15,512)	(14,991)
	Pension paid to employees of associated company	40,885,527	4,053,317
	Pension received by employees of the Company from associated company	(43,717,147)	-
Water and Power Development Authority	Free supply of electricity provided to employees of associated company	-	50,776,895
	Pension paid to employees of associated company	-	-
	Purchase of material	-	5,827,952
Faisalabad Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	4,166,098	3,809,052
	Free supply of electricity received by employees of the Company from associated company	(37,748,361)	(19,380,256)
	Pension paid to employees of associated company	41,028,793	57,979,891
	Pension received by employees of the Company from associated company	(60,793,347)	(113,621,051)
	Sale of material	-	(105,375)
	Purchase of material	-	5,832,847
	Adjustments against material supplied	-	(3,695,384)
Peshawar Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	17,333,152	24,993,002
	Free supply of electricity received by employees of the Company from associated company	(83,005,415)	(52,393,465)
	Pension paid to employees of associated company	31,586,556	221,997,510
	Pension received by employees of the Company from associated company	(6,612,450)	(424,266,943)
	Purchase of material	-	2,047,888
	Adjustments against material purchased	-	5,618,723
Gujranwala Electric Power Company Limited	Free supply of electricity provided to employees of associated company	8,609,039	5,967,980
	Free supply of electricity received by employees of the Company from associated company	(11,951,326)	(8,130,809)
	Pension paid to employees of associated company	36,068,491	32,152,386
	Pension received by employees of the Company from associated company	(100,625,197)	(105,478,220)
	Adjustments against material purchased	-	24,645,150
	Adjustments against material supplied	-	(11,269,055)
Quetta Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	2,686,031	2,275,576
	Free supply of electricity received by employees of the Company from associated company	(182,057)	(571,232)
	Pension paid to employees of associated company	(13,350,056)	18,665,029
	Pension received by employees of the Company from associated company	(102,581)	(28,156,605)
Central Power Generation Company Limited	Free supply of electricity provided to employees of associated company	1,156,565	860,761
	Free supply of electricity received by employees of the Company from associated company	(28,164)	(137,110)
	Pension paid to employees of associated company	32,349,000	22,260,806
	Pension received by employees of the Company from associated company	(17,791,406)	(27,985,142)
Hyderabad Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	918,882	672,262
	Free supply of electricity received by employees of the Company from associated company	(1,705,206)	(1,782,143)
	Pension paid to employees of associated company	6,573,649	12,253,182
	Pension received by employees of the Company from associated company	(1,507,221)	(19,472,436)
Lakhra Power Generation Company Limited	Free supply of electricity provided to employees of associated company	113,828	83,414
	Free supply of electricity received by employees of the Company from associated company	-	-
	Pension paid to employees of associated company	1,583,825	1,169,026
	Pension received by employees of the Company from associated company	(653,654)	(1,339,803)
Tribal Areas Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	2,617,407	1,235,193
	Free supply of electricity received by employees of the Company from associated company	-	(1,400,000)
	Pension paid to employees of associated company	3,578,981	3,031,085
	Pension received by employees of the Company from associated company	(5,858,257)	(1,197,623)

Name of related party	Nature of transactions	2022 Rupees	2021 Rupees
Jamshoro Power Company Limited	Free supply of electricity provided to employees of associated company	526,969	218,504
	Free supply of electricity received by employees of the Company from associated company	-	-
	Pension paid to employees of associated company	7,020,359	4,130,643
	Pension received by employees of the Company from associated company	(3,714,546)	(5,249,473)
Sukkur Electric Power Company Limited	Free supply of electricity provided to employees of associated company	325,475	213,441
	Free supply of electricity received by employees of the Company from associated company	(980,464)	(812,851)
	Pension paid to employees of associated company	8,599,891	1,551,466
	Sale of material	-	1,356,024
	Purchase of material	-	187,293
Lahore Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	9,453,502	10,709,155
	Free supply of electricity received by employees of the Company from associated company	(13,601,092)	(7,963,838)
	Pension paid to employees of associated company	41,912,024	33,675,360
	Pension received by employees of the Company from associated companies	(61,083,553)	(43,470,088)
	Payment against purchases	-	(34,220,374)
	Purchase of material	-	48,473,277
	Sale of material	-	6,497,280
Multan Electric Power Company Limited	Free supply of electricity provided to employees of associated company	5,701,400	4,023,962
	Free supply of electricity received by employees of the Company from associated company	(6,505,387)	(5,298,693)
	Pension paid to employees of associated company	9,860,347	20,007,258
	Pension received by employees of the Company from associated company	(15,903,981)	(10,891,801)
Pakistan Electric Power Company (Private) Limited	Free supply of electricity provided to employees of associated company	1,546,328	1,121,525
	Pension paid to employees of associated company	-	(20,513,296)
Power Information Technology Company (Private) Limited	Free supply of electricity provided to employees of associated company	444,606	459,939
	Free supply of electricity received by employees of the Company from associated company	(292,567)	(1,562,967)
Genco Holding Company Limited	Free supply of electricity provided to employees of associated company	507,531	335,977
	Services received by the Company	-	(29,884)
	Pension paid to employees of associated company	-	(243,099)

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

39.2 Detail of compensation to key management personnel comprising of Chief Executive Officer, Directors and Executives is disclosed in Note 35.

40 NUMBER OF EMPLOYEES

The number of total employees at the year end were 11,962 (2021: 12,389), whereas the average number of employees during the year were 12,137 (2021: 12,503).

41 CAPACITY

The Company's capacity of the electricity distribution depends on various factors including supply and demand of electricity, and transmission and distribution losses. The Company distributed 11,961,960,502 (2021: 10,942,880,125) units of electricity to its consumers during the year.

42 BENAZIR EMPLOYEE STOCK OPTION SCHEME

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

The scheme provides for cash payments to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investments in such SOEs and Non SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees are allotted units by each Trust Fund in proportion to their respective length of service. On retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP. The Scheme, developed in compliance with the above stated GoP policy of empowerment of employees of SOEs need to be accounted for by the covered entities, including the Company, under the provisions of amended IFRS 2. However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities and Exchange Commission of Pakistan in June 2011 vide SRO 587(I)/2001; on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan, granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted, the salaries, wages & other benefits cost and accumulated profits of the Company would not have had a significant impact.

43 **CORRESPONDING FIGURES**

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison and better presentation. Restatement due to rectification of prior period errors has been described in the Note 2.29. No other significant reclassification / rearrangements of corresponding figures have been made except following:

Particulars	Reclassification		Rupees
	From	TO	
Other receivables - material supplied	Due to related parties - Faisalabad Electric Supply Company Limited	Other receivables - Faisalabad Electric Supply Company Limited	108,749
Other receivables - material supplied	Due to related parties - Gujranwala Electric Power Company Limited	Other receivables - Gujranwala Electric Power Company Limited	11,458,736
Prime Minister's Industrial Support Package II	Trade debts	Receivable from Government of Pakistan	1,380,373,804
Administrative expenses	Salaries, wages and other benefits	Distribution costs - Salaries, wages and other benefits	3,111,473,922
Receivable from General Post Office (GPO)	Cash at banks	Receivable from General Post Office (GPO)	214,696,940

44 **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 05 JAN 2023 by the Board of Directors of the Company.

45 **GENERAL**

Figures in these financial statements have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Riaz Ahmad & Company
Chartered Accountants

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

30 JUNE 2022

A member of International

Riaz Ahmad & Company
Chartered Accountants

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Review Report to the Members

On the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Islamabad Electric Supply Company Limited (the Company) for the year ended 30 June 2022.

The responsibility for compliance with the Rules is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Rules.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Rules requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended 30 June 2022.

RIAZ AHMAD & COMPANY
Chartered Accountants

ISLAMABAD

Date: 20 JAN 2023

UDIN: CR20221018716HAwP4XJ

Statement of Compliance With the Public Sector Companies (Corporate Governance) Rules, 2013

Name of company **Islamabad Electric Supply Company Limited**
Name of the line ministry **Ministry of Energy (Power Division)**
For the year ended **30 June 2022**

I. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.

II. The company has complied with the provisions of the Rules in the following manner:

<table>
<tr><th rowspan="2">Sr. No.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule No.</th><th>Y</th><th>N</th><th rowspan="2">Remarks</th></tr>
<tr><th colspan="2">Tick the relevant box</th></tr>
<tr><td>1.</td><td>The independent directors meet the criteria of independence, as defined under the Rules.</td><td>2(d)</td><td>✓</td><td></td><td>All the members of the Board have been nominated by the GOP.</td></tr>
<tr><td>2.</td><td>The Board has at least one-third of its total members as independent directors. At present the Board includes:
<table>
<tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr>
<tr><td rowspan="10">Independent Directors*</td><td>Engr. Qamarul Islam Raja</td><td>01-11-2022</td></tr>
<tr><td>Chaudhary Khalid Munir</td><td>01-11-2022</td></tr>
<tr><td>Mr. Mujahid Pervaz Chattha</td><td>01-11-2022</td></tr>
<tr><td>Mr. Nasir Mahmood Shiekh</td><td>01-11-2022</td></tr>
<tr><td>Raja Talib Mehdi Khan</td><td>01-11-2022</td></tr>
<tr><td>Mr. Fahad Malik</td><td>01-11-2022</td></tr>
<tr><td>Major (R) Tahir Iqbal</td><td>01-11-2022</td></tr>
<tr><td>Malik Ghulam Mustafa Kandwal</td><td>01-11-2022</td></tr>
<tr><td>Mr. Naeem Iqbal</td><td>01-11-2022</td></tr>
<tr><td>Mr. Adnan Enver Baig</td><td>01-11-2022</td></tr>
<tr><td>Executive Director</td><td>Dr. Muhammad Amjad Khan</td><td>16-07-2021</td></tr>
<tr><td rowspan="3">Non-Executive Directors</td><td>Mr. Arshad Majeed**</td><td>07-10-2022</td></tr>
<tr><td>Dr. Imtiaz Ahmad***</td><td>15-03-2022</td></tr>
<tr><td>Mr. Tayyab Farid</td><td>31-03-2022</td></tr>
</table>
* Independent directors have been reconstituted by the Government of Pakistan (GOP) via letter No.5 (01)/2018-DISCO-II dated 01 November 2022.
**Mr. Ahmed Taimoor Nasir was retired on 06-10-2022.
*** Mr. Muhammad Anwer Sheikh was retired on 24-02-2022.</td><td>3(2)</td><td>✓</td><td></td><td></td></tr>
</table>

Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks
			Tick the relevant box		
3.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✓		
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.	3(7)	N/A		All the nominations of the Board of Directors (BOD) are made by the GOP.
5.	The chairman of the Board is working separately from the chief executive of the Company.	4(1)	✓		
6.	The chairman has been elected by the Board of directors except where chairman of the Board has been appointed by the Government.	4(4)	✓		
7.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable where the chief executive has been nominated by the Government)	5(2)	✓		
8.	a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedure, including posting the same on the company's website. **www.iesco.com.pk** c) The Board has set in place adequate systems and controls for the identification and redressal for grievances arising from unethical practices.	5(4)	✓ ✓ ✓		
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓		
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	✓		

Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks
			Tick the relevant box		
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5) (b) (vi)	✓		
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5) (c) (ii)	✓		
13.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5) (c) (iii)	✓		
14.	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	✓		
15.	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	✓		
16.	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	✓		
17.	The Board has ensured compliance with policy directions requirements received from the Government.	5 (11)	✓		
18.	a) The Board has met at least four times during the year. b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓ ✓ ✓		
19.	The Board has monitored and assessed the performance of senior management on annual/half-yearly/quarterly basis* and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose. *Strike out whichever is not applicable	8(2)		✓	
20.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓		

<table>
<tr><th rowspan="2">Sr. No.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule No.</th><th>Y</th><th>N</th><th rowspan="2">Remarks</th></tr>
<tr><th colspan="2">Tick the relevant box</th></tr>
<tr><td>21.</td><td>a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.
b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.
c) The Board has placed the annual financial statements on the company's website.</td><td>10</td><td>a)
b) N/A
c) ✓</td><td>a) ✓</td><td></td></tr>
<tr><td>22.</td><td>All the Board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.</td><td>11</td><td>✓</td><td></td><td></td></tr>
<tr><td>23.</td><td>a) The Board has formed the requisite committees, as specified in the Rules.
b) The committees were provided with written term of reference defining their duties, authority and composition.
c) The minutes of the meetings of the committees were circulated to all the Board members.
d) The committees were chaired by the following non-executive directors:
<table>
<tr><th>Committee</th><th>Number of members</th><th>Name of Chair</th></tr>
<tr><td>Audit and Risk Committee</td><td>9</td><td>Major (R) Tahir Iqbal</td></tr>
<tr><td>Human Resource and Nomination Committee</td><td>10</td><td>Engr. Qamarul Islam Raja</td></tr>
<tr><td>Procurement and Finance Committee</td><td>10</td><td>Raja Talib Mehdi Khan</td></tr>
<tr><td>Technical and Customer Service Committee</td><td>10</td><td>Mr. Mujahid Pervaz Chattha</td></tr>
</table></td><td>12</td><td>a) ✓
b) ✓
c) ✓
d) ✓</td><td></td><td></td></tr>
<tr><td>24.</td><td>The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.</td><td>13</td><td>✓</td><td></td><td></td></tr>
<tr><td>25.</td><td>The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.</td><td>14</td><td>✓</td><td></td><td></td></tr>
<tr><td>26.</td><td>The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.</td><td>16</td><td>✓</td><td></td><td></td></tr>
</table>

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<tr><th rowspan="2">Sr. No.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule No.</th><th>Y</th><th>N</th><th rowspan="2">Remarks</th></tr>
<tr><th colspan="2">Tick the relevant box</th></tr>
<tr><td>27.</td><td>The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>✓</td><td></td><td></td></tr>
<tr><td>28.</td><td>The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.</td><td>18</td><td>✓</td><td></td><td></td></tr>
<tr><td rowspan="2">29.</td><td>a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.</td><td rowspan="2">19</td><td>✓</td><td rowspan="2"></td><td rowspan="2"></td></tr>
<tr><td>b) The annual report of the company contains criteria and details of remuneration of each director.</td><td>✓</td></tr>
<tr><td>30.</td><td>The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the Board.</td><td>20</td><td>✓</td><td></td><td></td></tr>
<tr><td rowspan="2">31.</td><td>The Board has formed an audit committee, with defined and written terms of reference, and having the following members:
<table>
<tr><th>Name of member</th><th>Category</th><th>Professional background</th></tr>
<tr><td>Major (R) Tahir Iqbal</td><td>Independent</td><td>Ex-parliamentarian with 50 years of professional experience in various capacities</td></tr>
<tr><td>Mr. Fahad Malik</td><td>Independent</td><td>Self-employed</td></tr>
<tr><td>Chaudhary Khalid Munir</td><td>Independent</td><td>Banker with 35 years of professional experience in various capacities</td></tr>
<tr><td>Malik Ghulam Mustafa Kandwal</td><td>Independent</td><td>Advocate with 25 years of professional experience in various capacities</td></tr>
<tr><td>Mr. Naeem Iqbal</td><td>Independent</td><td>Banker with 35 years of professional experience in various capacities</td></tr>
<tr><td>Dr. Imtiaz Ahmad</td><td>Non-Independent</td><td>Government servant</td></tr>
<tr><td>Mr. Tayyab Farid</td><td>Non-Independent</td><td>Government servant</td></tr>
<tr><td>Chief Financial Officer</td><td>Ex-Officio</td><td>Government servant</td></tr>
<tr><td>Chief Internal Auditor</td><td>Ex-Officio</td><td>Government servant</td></tr>
</table></td><td>21 (1)</td><td>✓</td><td rowspan="2"></td><td rowspan="2"></td></tr>
<tr><td>The chief executive and chairman of the Board are not members of the audit committee.</td><td>21 (2)</td><td>✓</td></tr>
</table>

Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks
			Tick the relevant box		
32.	a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issue relating to accounts and audit were discussed.	21 (3)	✓		
	b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.		✓		
	c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.		✓		
33.	a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.	22	✓		
	b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.		✓		
	c) The internal audit reports have been provided to the external auditors for their review.		✓		
34.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23 (4)	✓		
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23 (5)	✓		

(ENGR. QAMARUL ISLAM RAJA)
Chairman

(DR. MUHAMMAD AMJAD KHAN)
Chief Executive Officer

Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year:

Sr. No.	Rule/sub-rule No.	Reasons for non-compliance	Future course of action
1.	8(2)	The Board had not evaluated the performance of the senior management on annual / half-yearly / quarterly basis.	The process of setting of KPIs / targets of management to evaluate the performance has already been initiated and under process in committees of the Board.
2.	10	The Management had not prepared the quarterly financial statements in appropriate time i.e. within one month of the close of quarter.	The Company would take necessary steps for timely preparation of quarterly financial statements after successful implementation of Enterprise Resource Planning (ERP) as manual closing of 56 accounting units spread across Company's territory.

(ENGR. QAMARUL ISLAM RAJA)
Chairman

(DR. MUHAMMAD AMJAD KHAN)
Chief Executive Officer