

ISLAMABAD ELECTRIC SUPPLY COMPANY



IESCO ANNUAL REPORT -2023

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

Mr. Faisal Bin Khurshid
Advocate Supreme Court of Pakistan
M/s Anwer & Anwer Advocates & Corporate Consultants

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, we are pleased to present the 25th Directors' Report together with the audited financial statements for the year ended June 30, 2023, and the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

A. OPERATIONAL REVIEW

- 1 In pursuit of our objectives related to loss reduction, safety enhancement, and the overall improvement of network health, the Company has persistently engaged in diverse distribution projects. It is gratifying to highlight that significant advancements have been achieved, surpassing both the benchmarks set in the previous year and those established in the budget for Commercial and Technical targets by NEPRA. This progress encompasses areas such as distribution loss, recovery, and outage management.
- 2 Throughout the financial year 2022-23, the system successfully eliminated over 482 instances of illegal or direct connections bypassing meters. Simultaneously, a total of 207,714 new meters were installed during this period. Additionally, a detailed breakdown of the development activities undertaken during FY 2022-23 is provided below.

Sr. No.	Description	Amount in Million Rupees
1	ELR	3,569 00
2	DOP	594 00
Total		4,163 00

- 3 The Company's flagship project, AMI, funded through ADB and initially launched in the financial year 2022-23, has advanced into its implementation phase. This initiative aims to significantly curb losses while providing substantial benefits to communities. Furthermore, the project promises effective data insights for informed decision-making, offering detailed analyses of Technical & Commercial Losses, Billing & Revenue, Network health, and reliability. The AMI project is poised to augment our governance capabilities through enhanced data availability, network hierarchy, and consumer mapping.
- 4 In a concerted effort to prioritize customer satisfaction and elevate customer facilitation, the Company has extended its Customer Facilitation Centre (CFC) to encompass 12 locations citywide, spanning across the 06 Operational Circles, 20 Operational Divisions, and 112 Operational Sub Divisions.
- 5 The network underwent substantial technical enhancements throughout the financial year 2022-23, marked by a 925-reduction in feeder outages and a noteworthy decrease in consumer complaints. This enhanced performance is primarily attributed to proactive maintenance and governance initiatives, including preventive maintenance on over 266 feeders, the relief of 1193 overloaded distribution transformers, the incorporation of protection and isolation devices, and the implementation of an efficient network design.
- 6 The management conducted safety audits to ensure adherence to safety policies and procedures, underscoring their unwavering commitment to safety.




- 7 In the past year, the recorded sale of electricity amounted to 10,779 GWh, reflecting a decrease of 1,183 GWh (9.89%) compared to the previous year's 11,962 GWh. This decline can be attributed to the increase in tariffs and nationwide energy-saving campaigns implemented by the Government across Pakistan.
- 8 During the year the distribution license issued to IESCO has been extended by NEPRA up to April 2043.
- 9 In 2018, amendments were made to the NEPRA Act 1997, withdrawing the exclusivity granted to IESCO. IESCO challenged this amendment in the Islamabad High Court, and the outcome is currently pending before the court of law.
10. To enhance efficiency in regulatory affairs and other matters related to the opening of the electricity market under the Competitive Trading Bilateral Contract Market (CTBCM) model, a Directorate General named Market Implementation & Regulatory Affairs Department (MIRAD) has been established to steer transition from the traditional single-buyer model to the CTBCM model.

B. FINANCIAL REVIEW

- 1 During the financial year 2022-23, the IESCO had earned a net profit before taxation of Rs 6,523 million against loss of Rs 13,799 million in FY 2021-22.
- 2 A brief of the profit and loss statement for the year ended 30.06.2023 is as under:

	30-Jun-23	30-Jun-22
Sale Income	275,324	239,952
Cost of Sales	(241,264)	(226,704)
Gross Profit	34,060	13,248
Administrative expenses	(7,085)	(7,803)
Distribution costs	(24,644)	(20,303)
Customer services costs	(1,540)	(1,255)
Operating Profit/(Loss)	791	(16,114)
Other income	8,091	4,888
Finance costs	(2,359)	(2,573)
Profit/(Loss) before taxation	6,523	(13,799)

3. Amidst economic pandemic involving global increases in fuel prices, economic instability, and weak macroeconomic indicators such as downgraded country ratings and extreme currency devaluation, the energy sector in Pakistan, particularly in FY 2022-23, faced significant challenges. Similar to the rest of the world, our Company is navigating a new landscape post-pandemic. Despite longstanding circular debt issues in the power sector in Pakistan, it is encouraging to witness concerted efforts by the Government and Regulatory bodies to address these concerns. The exponential rise in fuel and borrowing costs has imposed a substantial nationwide cost-push impact across all industries, notably affecting the power sector. This confluence of unfavorable macroeconomic factors, compounded by a diminishing consumer propensity to pay, has notably impacted the Company's financial performance during FY 2022-23.
4. On the microeconomic front, a substantial depreciation in the value of the Pakistan Rupee, has led to a significant escalation in the overall cost of electricity. In addition to the rising cost of electricity, exacerbated by soaring inflation and a diminishing consumer propensity to pay,




the adverse macroeconomic factors explained earlier have also weighed on the Company's financials

- 5 The increase in revenue had been recorded as 14.74% higher than previous year whereas cost of sale had increased by 6.42% for similar period
- 6 During the year, despite various challenges including macro-economic environment, the Company invested around PKR 21.624 billion across the power value chain and continued to show positive growth in key operational indicators with reduction of T&D losses from 8.17% to 8.06%.
- 7 We are hopeful that Government will take right measures to stabilize the economy and will have improved economic indicators in future

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, 2023
 - x. A net amount Rs. 24,238.53 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-I**
- 4 Attendance of Board and Committee Meetings and Board Remuneration is attached as **ANNEX-II**
- 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 30.06.2023. The value of pension fund trust is as under
 - Plan Assets of Pension Fund Trust Rs. 6,014 million

- Plan Liabilities of Pension Fund Trust Rs 54,934 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 as per market requirements.

D. AUDIT COMMITTEE

The Board had setup an Audit & Risk Committee Chaired by Independent Member Major (R) Tahir Iqbal. Other Mr. Arshad Majeed Mohmand (Member Representative of Power Division), Dr. Imtiaz Ahmad (Member Representative of Finance Division), Mr. Muhammad Tayyab Zia (Member Representative of Government of Punjab), Chaudhary Khalid Munir (Independent Member), Malik Ghulam Mustafa Kandwal (Independent Member), Mr. Naeem Iqbal (Independent Member) & Mr. Fahad Ali Malik (Independent Member).

E. PATTERN OF SHAREHOLDING

Islamabad Electric Supply Company Limited is a public sector company established under the Companies Ordinance, 1984 (now Companies Act, 2017) controlled 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-III.

F. FUTURE OUTLOOK

The management under the supervision of Board of Directors is working on corporate restructuring and has taken the following initiatives:

- 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,
- Hiring against critical vacancies Chief HR & Admin Officer, DG (IS), PD (ERP) and Chief Internal Auditor,

G. APPOINTMENT OF AUDITORS

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 2023-24.

H. ACKNOWLEDGEMENT

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 levels.



Chief Executive Officer



Chairman

Date _____

Place Islamabad

KEY OPERATIONAL AND FINANCIAL DATA

Description	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Units Purchased Gwh	11,672	11,838	11,435	11,965	13,027	11,962
Units Sold Gwh	10,606	10,789	10,442	10,943	11,962	10,779
Losses %	9.1%	8.9%	8.7%	8.5%	8.2%	9.89%

Description	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2022
Revenue						
Revenue from Consumers	96,197	128,927	133,735	138,781	215,201	251,085
Govt. Subsidies	11,181	16,965	23,400	22,411	24,751	24,239
Total Revenue	107,378	145,892	157,136	161,191	239,952	275,324
Cost of Electricity						
EPP	72,834	79,506	73,975	71,033	150,335	139,646
CPP	39,179	49,690	68,888	67,479	73,749	94,931
UOSC	3,291	3,720	3,982	4,685	2,620	6,687
Total	115,304	132,916	146,845	143,197	226,704	241,264
Amortization of Deferred Credits	1,318	1,432	1,531	1,640	1,813	1,988
Gross Profit/(Loss)	(6,609)	14,407	11,822	19,635	15,061	36,048
Operating Expenses						
O&M Expenses	15,254	16,249	17,186	22,855	24,003	27,529
Depreciation	4,250	4,699	5,484	5,077	5,359	5,740
Total	19,503	20,949	22,670	27,932	29,362	33,269
Operating Profit	(26,112)	(6,541)	(10,848)	(8,297)	(14,300)	2,778
Add Other Income	1,868	2,243	1,969	2,379	3,075	6,104
PBIT	(24,244)	(4,298)	(8,879)	(5,918)	(11,226)	8,882
Financial cost	1,868	1,657	1,372	1,873	2,573	2,359
Profit/ (loss) before taxation	(26,112)	(5,954)	(10,251)	(7,791)	(13,799)	6,523
Taxation	1,225	1,639	2,031	6,382	(2,594)	(7,190)
Profit/ (loss) after tax	(27,337)	(7,593)	(12,282)	(1,409)	(16,393)	(667)

Earnings / (Loss) per Share (Rs.)

Description	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
EPS	(47.15)	(13.10)	(21.18)	(2.43)	(28.27)	(1.15)

ANNEX-II

Attendance of Board and Committee Meetings and Board Remuneration FY 2022-23

S. No	Name of Director	Board Meeting		Audit & Risk Committee		Human Resource & Nomination Committee		Procurement & Finance Committee		Technical & Customer Service Committee		Sub-Committee BoD for Taxation Matter		Legal, Health & Safety Environment Committee		Fee Paid to the Directors (Rs.) ****
		Total	Attended	Total	Attended	Total	Attended	Total	Attended	Total	Attended	Total	Attended	Total	Attended	
1	Engr. Qamarul Islam Raja, Chairman	7	7			2	2									-
2	Dr Muhammad Amjad Khan, CEO*	8	8			5	5	10	9					1	1	-
3	Mr Arshad Majeed	7	6			2	1	8	7							960,000
4	Dr Imtiaz Ahmed*	8	8	4	4			10	10							1,320,000
5	Mr Muhammad Tayyab Zia**	7	4	2	2	2	2	8	-							480,000
6	Chaudhary Khalid Munir	7	7	2	2	2	2	8	-			3	3			840,000
7	Mr Mujahid Pervaz Chattha	7	7			2	-	8	8	2	2					1,020,000
8	Mr Nasir Mahmood Sheikh	7	7			2	2	8	8							1,020,000
9	Raja Talib Mehdi Khan	7	7			2	-	8	8	2	2					1,020,000
10	Mr Fahad Ali Malik	7	7	2	2	2	-			2	2					660,000
11	Major (R) Tahir Iqbal	7	6	2	2	2	-			2	2					600,000
12	Malik Ghulam Mustafa Kandwal	7	7	2	2	2	-			2	2	3	3			840,000
13	Mr Naeem Iqbal	7	7	2	2	2	2									660,000
14	Mr Adnan Enver Baig	7	6			2	2	8	8							960,000
Previous Board Upto October 31, 2022																
15	Engr Salahuddin Rifai, Ex-Chairman	1	1	2	2	3	3	2	2					1	1	540,000
16	Mr Ahmed Taimoor Nasir	1	1	2	2	3	3									360,000
17	Mr Tayyab Fand	1	1					2	1							120,000
18	Mr Amir Zafar	1	1			3	3							1	1	300,000
19	Ms Aameena Sohail	1	1	2	2	3	3	2	2					1	1	540,000
20	Mr Ahsan Ali Chughtai	1	1	2	2									1	1	240,000
21	Ms Sadia Khuram ***															-
22	Syed Hasnain Haider	1	1	2	2	3	2	2	2							420,000
23	Syed Aly Murtaza	1	1	2	-											60,000
24	Chaudhry Muhammad Ibrahim	1	1	2	2									1	1	240,000

* Dr. Muhammad Amjad Khan, CEO & Dr Imtiaz Ahmed remained Member in previous Board

** Mr. Muhammad Tayyab Zia replaced Mr. Tayyab Farid on December 29, 2022.

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

**** Fee paid to directors for Interviews for Senior Position Meetings included.

PATTERN OF SHAREHOLDING AS AT 30.06.2023**ANNEX-III**

Name of Shareholder	No. of shares	Percentage
The President, Islamic Republic of Pakistan	993	0.0002%
Shares held in Trust		
I Dr. Muhammad Amjad Khan, Chief Executive	01	
II Raja Talib Mehdi Khan, Director	01	
III Malik Ghulam Mustafa Kandwal, Director	01	
IV Mr. Nasir Mahmood Sheikh, Director	01	
V Mr. Fahad Ali Malik, Director	01	
VI Mr. Naeem Iqbal, Director	01	
VII Chaudhary Khalid Munir, Director	01	
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%

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

30 JUNE 2023

Riaz Ahmad & Company

Chartered Accountants

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.

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

In our opinion and to the best of our information and according to the explanations given to us, 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 2023 and of the loss, other comprehensive loss, 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.

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.

Riaz Ahmad & Company

Chartered Accountants

- 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.

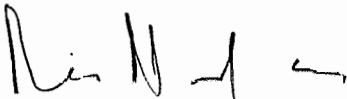
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 & COMPANY
Chartered Accountants

ISLAMABAD

Date: 20 December 2023

UDIN: AR202310187RP16vjZkW

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	NOTE	2023 Rupees	2022 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	177,635,155,137	161,423,881,204
Intangible asset under development	4	133,274,981	114,032,619
Long term loans	5	340,298,528	332,707,015
Deferred income tax asset	6	-	-
		<u>178,108,728,646</u>	<u>161,870,620,838</u>
CURRENT ASSETS			
Stores, spares and loose tools	7	1,462,728,075	1,846,542,415
Trade debts	8	90,035,836,867	127,215,233,057
Loans and advances	9	411,212,689	517,403,237
Receivable from Government of Pakistan	10	5,479,502,996	5,734,484,094
Security deposits	11	95,402,897	73,736,230
Other receivables	12	9,264,983,230	11,584,202,580
Sales tax receivable	13	30,729,194,945	23,407,056,774
Advance income tax	14	1,377,015,405	1,312,658,799
Short term investments	15	3,355,700,644	-
Cash and bank balances	16	17,830,006,577	12,577,067,294
		<u>160,041,584,325</u>	<u>184,266,534,480</u>
Non-current assets held for sale	12.7	65,890,500	65,390,500
		<u>160,107,474,825</u>	<u>184,334,474,980</u>
TOTAL ASSETS		<u><u>338,216,203,471</u></u>	<u><u>346,205,095,818</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
5,000,000,000 (2022: 5,000,000,000) Ordinary shares of Rupees 10 each		<u>50,000,000,000</u>	<u>50,000,000,000</u>
Issued, subscribed and paid up share capital			
	17	5,798,253,340	5,798,253,340
Accumulated loss		(92,301,799,356)	(93,718,990,977)
Capital reserves			
Deposit for shares	18	44,386,762,271	33,707,229,112
Surplus on revaluation of operating fixed assets - net of deferred income tax	19	71,299,003,618	73,174,670,251
		<u>115,685,755,889</u>	<u>106,961,899,363</u>
Total reserves		<u>23,383,956,533</u>	<u>23,242,908,366</u>
Total equity		<u>29,182,209,873</u>	<u>29,041,161,726</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term loans	20	8,463,423,309	4,767,257,072
Long term security deposits	21	9,288,135,898	8,336,047,257
Staff retirement benefits	22	61,346,505,350	46,573,104,473
Deferred credit	23	35,900,412,637	32,910,817,864
		<u>114,998,477,194</u>	<u>91,587,226,646</u>
CURRENT LIABILITIES			
Trade and other payables	24	178,964,910,403	212,930,079,093
Accrued mark-up	25	10,368,754,001	8,623,270,244
Current portion of long term loans	20	4,701,852,000	3,963,358,109
		<u>194,035,516,404</u>	<u>225,576,707,446</u>
TOTAL LIABILITIES		<u>309,033,993,598</u>	<u>317,163,934,092</u>
CONTINGENCIES AND COMMITMENTS			
	26		
TOTAL EQUITY AND LIABILITIES		<u><u>338,216,203,471</u></u>	<u><u>346,205,095,818</u></u>

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 2023**

	NOTE	2023 Rupees	2022 Rupees
SALE OF ELECTRICITY - NET	27	251,085,098,816	212,051,663,432
SUBSIDIES FROM THE GOVERNMENT OF PAKISTAN	28	24,238,529,846	27,900,052,821
		<u>275,323,628,662</u>	<u>239,951,716,319</u>
COST OF ELECTRICITY	29	(241,263,825,274)	(226,703,925,952)
GROSS PROFIT		<u>34,059,803,388</u>	<u>13,247,790,367</u>
AMORTIZATION OF DEFERRED CREDIT	23	1,987,709,091	1,813,499,956
		<u>36,047,512,479</u>	<u>15,061,290,323</u>
OPERATING EXPENSES:			
ADMINISTRATIVE EXPENSES	30	(7,084,971,182)	(7,918,261,274)
DISTRIBUTION COST	31	(24,644,184,729)	(20,197,667,417)
CUSTOMER SERVICES COST	32	(1,540,030,194)	(1,245,847,611)
		<u>(33,269,186,105)</u>	<u>(29,361,776,302)</u>
PROFIT / (LOSS) FROM OPERATIONS		<u>2,778,326,374</u>	<u>(14,300,485,979)</u>
OTHER INCOME	33	6,103,660,106	3,074,858,457
FINANCE COST	34	(2,359,190,836)	(2,573,214,332)
PROFIT / (LOSS) BEFORE TAXATION		<u>6,522,795,644</u>	<u>(13,798,841,854)</u>
TAXATION	35	(7,189,502,241)	(2,594,061,871)
LOSS AFTER TAXATION		<u>(666,706,597)</u>	<u>(16,392,903,725)</u>

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 2023

	2023 Rupees	2022 Rupees
LOSS AFTER TAXATION	(666,706,597)	(16,392,903,725)
OTHER COMPREHENSIVE (LOSS) / INCOME		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	(13,791,223,120)	635,105,590
Related deferred income tax	3,999,454,705	(184,180,621)
	(9,791,768,415)	450,924,969
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive (loss) / income for the year - net of tax	(9,791,768,415)	450,924,969
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(10,458,475,012)	(15,941,978,756)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

FOR THE YEAR ENDED 30 JUNE 2023

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

DIRECTOR

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	NOTE	2023 Rupees	2022 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		6,522,795,644	(13,798,841,854)
Adjustment for non-cash charges and other items:			
Depreciation		5,739,990,760	5,358,872,334
Balances written off	30	-	4,655,663,378
Gain on disposal of operating fixed assets	33	(25,170,000)	-
Amortization of deferred credit	23	(1,987,709,091)	(1,813,499,956)
Allowance for expected credit losses	30	569,973,164	-
Provision against staff retirement benefits	22.5	7,963,527,828	5,425,899,072
Provision against tax litigation	30	1,450,916,698	-
Provision / (reversal) against slow moving / obsolete items of stores, spares and loose tools	30 & 33	83,504,210	(45,595,279)
Provision against workers' profit participation fund	30	381,571,987	-
Profit on bank deposits	33	(1,533,491,078)	(710,055,002)
Profit on short term investments	33	(256,419,918)	-
Finance cost	34	2,359,190,836	2,573,214,332
		<u>21,268,681,040</u>	<u>1,645,657,025</u>
Working capital changes:			
(Increase) / decrease in current assets:			
Store, spares and loose tools		300,310,130	(547,238,002)
Trade debts		36,609,423,026	(60,630,754,116)
Short term advances		104,502,395	(213,236,726)
Sales tax receivable		(7,322,138,171)	(1,734,816,244)
Receivable from Government of Pakistan		254,981,098	(1,878,503,556)
Security deposits		(21,666,667)	-
Other receivables		2,301,423,924	(7,289,473,353)
		<u>52,226,835,735</u>	<u>(72,294,021,999)</u>
(Decrease) / increase in trade and other payables			
		<u>(25,985,206,321)</u>	<u>89,026,497,790</u>
		<u>6,241,629,414</u>	<u>16,732,475,791</u>
Cash generated from operations		<u>27,510,310,454</u>	<u>18,378,132,816</u>
Staff retirement benefits paid	22.4	(4,455,818,508)	(4,212,994,673)
Payment for fund contribution regarding pension obligation	22.3	(1,525,531,563)	(650,742,547)
Increase in deferred credit		4,977,303,864	4,955,557,414
Net increase in long term loans		(5,903,360)	(171,815,605)
Finance cost paid		(72,396,725)	(616,302,313)
Income tax paid	14	(3,254,204,142)	(2,771,020,263)
Net cash generated from operating activities		<u>23,173,760,020</u>	<u>14,910,814,829</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(21,624,436,718)	(12,553,157,950)
Proceeds from sale of property, plant and equipment		25,170,000	-
Capital expenditure on intangible asset under development	4	(19,242,362)	-
Short term investments made		(4,220,000,000)	-
Short term investments encashed		1,055,000,000	-
Profit on bank deposits and short term investments received		1,617,005,778	566,742,491
Net cash used in investing activities		<u>(23,166,503,302)</u>	<u>(11,986,415,459)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term security deposits - net	36	952,088,661	1,331,267,308
Proceeds from long term loans	36	4,293,593,904	44,757,495
Net cash from financing activities		<u>5,245,682,565</u>	<u>1,076,024,803</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>6,262,939,283</u>	<u>4,000,424,173</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>12,577,067,294</u>	<u>8,576,643,121</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16	<u>17,830,006,577</u>	<u>12,577,067,294</u>

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

CHIEF EXECUTIVE OFFICER

Daniel
DIRECTOR

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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. The registered office of the Company is situated at IESCO Headquarters, Street No. 40, G-7/4, Islamabad.
- 1.2 The Company is principally engaged in distribution and supply of electricity within defined geographical boundaries of Federal Capital and districts of Rawalpindi, Jhelum, Attock, Chakwal and Azad Jammu and Kashmir (AJK). 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 and subsequently renewed on 06 April 2023 and is valid up till 05 April 2043.

Head Office

The Head 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, Chakwal and AJK.

- 1.3 The Company took over certain properties, assets, rights, obligations, and liabilities relating to the distribution of electricity from Pakistan Water and Power Development Authority (WAPDA) under the Business Transfer Agreement (BTA) dated 29 June 1998. The details of assets, liabilities, and related matters as provided under clause 1:1 of the BTA were finalized with WAPDA through a Supplementary Business Transfer Agreement (SBTA).
- 1.4 The Council of Common Interest (CCI) in its meeting held on 12 September 1993 approved the privatization of thermal power generation units (GENCOs) and power distribution companies (DISCOs) in a phased program. The Cabinet Committee on Privatization (CCOP) in its meeting held on 17 February 2009 approved the privatization of certain GENCOs and DISCOs, and this decision was ratified by the Federal Cabinet in its meeting, held on 06 January 2010. The President and Prime Minister of Pakistan also approved the privatization of GENCOs and DISCOs including the Company during a presentation given to them by the Ministry of Privatization on 22 November 2010. Decision of the President and Prime Minister has also been subsequently ratified by the CCI during its meeting held on 28 April 2011. Based on the approval of CCI and CCOP, the privatization of the Company is in process.

- 1.5 Ministry of Energy, Government of Pakistan has allowed the following periodic adjustments to be billed / recovered / adjusted to the consumers:

2023								
SRO No.	Date	Description	Financial year allowed	Effective date	Recoverability period	Amount	Amount recovered / (adjusted) during the year	Amount to be recovered / (adjusted)
----- Rupees in millions -----								
S.R.O. 993	07 July 2022	Applicable Quarterly Tariff Adjustment	2 nd Quarter of 2021-2022	01 July 2022	3 Months	4,234	5,571	(1,337)
S.R.O. 1587	23 August 2022	Applicable Quarterly Tariff Adjustment	3 rd Quarter of 2021-2022	01 September 2022	3 Months	1,164	1,196	(32)
S.R.O. 1932	20 October 2022	Applicable Quarterly Tariff Adjustment	4 th Quarter of 2021-2022	01 October 2022	4 Months	8,445	8,606	(161)
S.R.O. 136	07 February 2023	Applicable Quarterly Tariff Adjustment	1 st Quarter of 2022-2023	01 February 2023	2 Months	2,657	2,652	5
S.R.O. 488	13 April 2023	Applicable Quarterly Tariff Adjustment	2 nd Quarter of 2022-2023	01 April 2023	3 Months	1,201	964	237
						17,701	18,989	(1,288)

2022								
SRO No.	Date	Description	Financial year allowed	Effective date	Recoverability period	Amount	Amount recovered / (adjusted) during the year	Amount to be recovered / (adjusted)
----- Rupees in millions -----								
S.R.O. 1010	06 August 2021	Applicable Quarterly Tariff Adjustment	4 th Quarter of 2019-2020 & 1 st & 2 nd Quarter of 2020-2021	01 October 2021	12 months	15,073	10,654	4,419
S.R.O. 1067	25 August 2021	Applicable Quarterly Tariff Adjustment	3 rd Quarter of 2020-2021	01 October 2021	12 months	2,959	2,150	809
S.R.O. 117	20 January 2022	Applicable Quarterly Tariff Adjustment	4 th Quarter of 2020-2021	01 February 2022	3 Months	(361)	(349)	(12)
S.R.O. 728	31 May 2022	Applicable Quarterly Tariff Adjustment	1 st Quarter of 2021-2022	01 June 2022	3 Months	859	371	488
						18,530	12,826	5,704

All the adjustments allowed by NEPRA aggregate to Rupees 17,701 million (2022: Rupees 18,530 million). An amount of Rupees 18,989 million (2022: Rupees 12,826 million) has been recovered during the year and the remaining amount of Rupees (1,288) million (2022: Rupees 5,704 million) is to be (adjusted) / recovered after the year end. If this adjustment had been allowed in the respective year, the revenue of the Company for the year ended 30 June 2022 would have increased by Rupees 15,373 million (2022: Rupees 12,826 million).

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:

Financial instruments – fair value

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on conditions existing at the reporting date.

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

The estimates for revalued amounts of different classes of property, plant and equipment are based on revaluation performed by external professional valuer and recommendations of technical teams of the Company. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of assets including intangible assets for possible impairment on an annual basis if such indication exists, assets recoverable amount is estimated in order to determine the extent of impairment loss, if any. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant, and equipment along with intangible assets with a corresponding effect on the depreciation / amortization 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. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that future taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Allowance for expected credit losses

Financial assets due from public sector consumers and tariff differential claims

The Company assesses the recoverability of these financial assets if there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms. Judgment by the management is required in estimation of the amount and timing of future cash flows when determining the level of provision required and in determining the debts that are not recoverable and are to be written off.

Other financial assets

The Company uses default rates based on provision matrix for large portfolio of customers who have similar characteristics to calculate Expected Credit Loss (ECL) for trade debts.

The rates in provision matrix are based on days past due for various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historically observed default rates which is then adjusted for forward looking information.

The assessment of the correlation between historically observed default rates, the forecast economic conditions and ECL are significant estimates. The amount of ECL is sensitive to changes in circumstances and forecasts of economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

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 good 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.

Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated and impairment losses are recognized in the statement of profit or loss. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Deferred credit

Amounts received from consumers and the Government as contributions towards the cost of extension of the distribution network and of providing service connections are deferred for amortization 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.

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.

Leases

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has the option, under its lease arrangements to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., a change in business strategy). Any change is accounted for as a change in estimate and applied prospectively with corresponding change in the right-of-use assets and lease liabilities.

Revaluation of operating fixed assets (Note 40)

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 2022:

- Amendments to IAS 16 'Property, Plant and Equipment - Proceeds before Intended Use'.
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of Fulfilling a Contract amends IAS 1 'Presentation of Financial Statements'.
- Annual improvements to IFRS standards 2018-2020 which amended IFRS 9 'Financial Instruments' 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 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.

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 2023 or later periods:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual periods beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual periods beginning on or after 01 January 2023. These amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors') effective for annual periods beginning on or after 1 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

On 31 October 2022, the IASB issued 'Non-current Liabilities with Covenants (Amendments to IAS 1)' to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after 1 January 2024.

On 22 September 2022, the IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective for annual periods beginning on or after 1 January 2024.

On 25 May 2023, the IASB issued 'Suppliers Finance Arrangements (Amendments to IAS 7 and IFRS 7)' to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative

information about supplier finance arrangement. The amendments are effective for reporting period beginning on or after 1 January 2024.

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 2023 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 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 its 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 2023. 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.

The Company operates an unfunded gratuity scheme covering employees eligible as per their term of appointment. Previously, the Company was not providing for its liability for staff gratuity. From the current year, the liability for staff gratuity is based on actuarial valuation carried out as at 30 June 2023 using Project Unit Credit method, related details of which are given in Note 22 to the financial statements. Actuarial valuation determined a liability of Rupees 134,987,034 as at 30 June 2023 which is recognized during the year and comparative figures have not been restated due to immaterial impact.

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 and WAPDA Welfare Fund

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

IESCO Welfare Fund

As per the resolution passed by the Board in its meeting dated 09 August 2019, the Company operates the "IESCO Welfare Fund" for the welfare of employees from BPS 1-16 including marriage grant as per applicable limits. The Company makes deduction from salaries of the employees as per applicable limits and remits these amounts to the fund. The Board has also directed to make balance payments from the Company resources till the creation of the fund and disconnection from "WAPDA Welfare Fund" and afterwards recoup the said amount from IESCO Welfare 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 IFRS 16 "Leases"

Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses (if any). Cost comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are charged to the statement of profit or loss as incurred.

Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of right of use asset has been reduced to zero.

Further, the SECP through its SRO. 986 (I)/2019 dated September 2, 2019 granted exemption from the application of IFRS 16 to the extent of the power purchase agreements executed prior to the effective date of IFRS 16 i.e. January 1, 2019. Accordingly, the Company's power purchase agreements executed prior to January 1, 2019 have not been accounted for under IFRS 16.

2.9 Intangible assets

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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 **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.

2.15 **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.

2.16 **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 67(I)/2023 dated 20 January 2023 has notified that, in respect of companies holding financial assets due or ultimately due from the Government of Pakistan in respect of circular debt, the requirements contained in IFRS 9 "Financial Instruments" with respect to application of Expected Credit Losses (ECL) method shall not be applicable for the financial years ending or before 31 December 2024, provided that such companies shall follow relevant requirements of IAS 39 "Financial Instruments: Recognition and Measurement" in respect of above referred financial assets during the exemption period. 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.

2.17 Non-current assets held for sale

Assets are classified as held for sale if the carrying amount of the asset is to be recovered principally through a sale transaction rather than through continuing use, the sale is considered highly probable within one year from the reporting date and the asset is available for immediate sale in the present condition. These are measured at the lower of carrying amount and fair value less costs to sell. Assets classified as held for sale are presented separately from other assets in the statement of financial position.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised.

Assets are not depreciated or amortised while these are classified as held for sale.

2.18 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 commences upon completion of related work which is taken to the statement of profit or loss each year corresponding to the depreciation charge of relevant asset for the year.

2.19 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.

2.20 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.

2.21 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost and subsequently measured at amortized cost using the effective interest method.

2.22 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.

2.23 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.

2.24 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.

Gain on installation of new connections

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

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

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

Dividend

Dividend on equity investments is recognized when right to receive the dividend is established.

Other revenue

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

2.25 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.

2.26 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.

2.27 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.

2.28 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.

2.29 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.

2.30 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.

2.31 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.

2.32 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3 PROPERTY, PLANT AND EQUIPMENT

	NOTE	2023 Rupees	2022 Rupees
Operating fixed assets	3.1	151,287,556,132	147,974,913,126
Capital work-in-progress	3.2	14,152,358,185	9,065,462,503
Advances to suppliers / contractors	3.3	4,848,633,772	55,866,114
Stores held for capital expenditure	3.4	7,346,607,048	4,327,639,461
		<u>177,635,155,137</u>	<u>161,423,881,204</u>

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 2021										
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	<u>29,504,609,125</u>	<u>10,224,149,999</u>	<u>4,841,872,899</u>	<u>1,382,394,447</u>	<u>95,890,624,886</u>	<u>229,934,713</u>	<u>96,331,377</u>	<u>33,482,923</u>	<u>283,220,207</u>	<u>142,486,620,576</u>
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)	-	-	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	<u>29,559,087,125</u>	<u>10,224,149,999</u>	<u>4,873,897,681</u>	<u>1,339,068,463</u>	<u>100,793,713,620</u>	<u>785,756,528</u>	<u>99,433,240</u>	<u>33,229,474</u>	<u>266,576,996</u>	<u>147,974,913,126</u>
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	<u>29,559,087,125</u>	<u>10,224,149,999</u>	<u>4,873,897,681</u>	<u>1,339,068,463</u>	<u>100,793,713,620</u>	<u>785,756,528</u>	<u>99,433,240</u>	<u>33,229,474</u>	<u>266,576,996</u>	<u>147,974,913,126</u>
Year ended 30 June 2023										
Opening 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
Additions	-	-	-	-	-	587,278,697	30,846,163	25,610,450	98,981,652	742,716,962
Transferred from capital work in progress (Note 3.2)	-	-	194,580,887	7,289,329	8,116,155,071	-	-	-	-	8,318,025,287
Disposals:										
Cost	-	-	-	-	-	(24,947,625)	-	-	-	(24,947,625)
Accumulated depreciation	-	-	-	-	-	24,947,625	-	-	-	24,947,625
Depreciation charge	-	-	(132,204,056)	(43,454,226)	(5,351,018,964)	(116,473,154)	(42,843,917)	(6,362,330)	(55,742,596)	(5,748,099,243)
Closing net book value	<u>29,559,087,125</u>	<u>10,224,149,999</u>	<u>4,936,274,512</u>	<u>1,302,903,566</u>	<u>103,558,849,727</u>	<u>1,256,562,071</u>	<u>87,435,486</u>	<u>52,477,594</u>	<u>309,816,052</u>	<u>151,287,556,132</u>
As at 30 June 2023										
Cost / revalued amount	29,559,087,125	10,224,149,999	5,317,681,272	1,433,009,760	118,617,292,286	2,042,027,211	591,331,483	132,349,389	681,914,028	168,598,842,553
Accumulated depreciation	-	-	(381,406,760)	(130,106,194)	(15,058,442,559)	(785,465,140)	(503,895,997)	(79,871,795)	(372,097,976)	(17,311,286,421)
Net book value	<u>29,559,087,125</u>	<u>10,224,149,999</u>	<u>4,936,274,512</u>	<u>1,302,903,566</u>	<u>103,558,849,727</u>	<u>1,256,562,071</u>	<u>87,435,486</u>	<u>52,477,594</u>	<u>309,816,052</u>	<u>151,287,556,132</u>
Depreciation rate per annum (Note 3.1.2)	-	-	2% - 3.57%	2% - 3.57%	3.5% - 15.46%	10%	33%	10%	10%	

3.1.1 Operating fixed assets having cost of Rupees 887.858 million (2022: Rupees 816.897 million) are fully depreciated but still in the use of the Company.

3.1.2 During the year, the management has reassessed useful lives of certain items of plant and machinery therefore, depreciation for the year of those assets has been calculated using the revised useful lives. Had there been no change in the estimated useful lives, the written down value of plant and equipment would have been higher by Rupees 22.495 million and depreciation expense would have been lower by Rupees 22.495 million.

3.1.3 As at 30 June 2023, impairment charged due to revaluation losses amounting to Rupees 14,804.076 million (2022: Rupees 15,614.867 million)

- 3.1.4 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 equipment 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 was as follows:

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

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

	Cost	Accumulated depreciation	Written down value
	Rupees		
2023			
Freehold land	161,467,321	-	161,467,321
Leasehold land	56,887,270	-	56,887,270
Buildings on freehold land	5,923,415,133	(1,239,664,625)	4,683,750,508
Buildings on leasehold land	488,344,100	(150,045,527)	338,298,573
Distribution equipment	111,733,930,940	(36,848,246,859)	74,885,684,081
	<u>118,364,044,764</u>	<u>(38,237,957,011)</u>	<u>80,126,087,753</u>
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
	<u>110,046,019,477</u>	<u>(34,542,272,950)</u>	<u>75,503,746,527</u>

	NOTE	2023 Rupees	2022 Rupees
3.1.5 Depreciation charge for the year has been allocated as follows:			
Administrative expenses	30	168,704,543	165,248,743
Distribution cost	31	5,394,473,190	5,022,011,406
Customer service cost	32	176,813,027	171,612,165
Capital work-in-progress	3.2.3	8,108,483	6,363,441
		<u>5,748,099,243</u>	<u>5,365,235,755</u>

- 3.1.6 On 01 March 2019 and 20 May 2020, the Company entered into an Authorization and Interest agreements 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 16,517.200 million and 2,666 kanal and 15 marla amounting to Rupees 8,572.687 million respectively. 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 400,000 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.

- 3.1.7 Lands amounting to Rupees 39,783.237 million (2022: Rupees 39,783.237 million) are under the possession of the Company but the Company does not have the title of the lands amounting to Rupees 23,713.541 million (2022: Rupees 23,713.541 million), out of which, lands amounting to Rupees 21,132.275 million (2022: Rupees 21,132.275 million) are under the title of WAPDA and the remaining lands amounting to Rupees 2,581.266 million (2022: Rupees 2,581.266 million) relates to others.

3.1.8 The Company possesses vehicles amounting to Rupees 3.930 million (2022: Rupees 3.930 million) currently having carrying amount of Rupees 2.495 million (2022: Rupees 3.220 million) which are in the name of the PEPSCO (now known as PPMC).

3.1.9 Due to the nature of the Company's operations, certain assets included in the distribution equipment are not in possession of the Company. In view of the large number of consumers, the management considered it impracticable to disclose particulars of assets not in the possession or control of the Company as required under the Fifth Schedule to the Companies Act, 2017.

3.2 Capital work-in-progress

	Civil works	Distribution equipment	Distribution equipment - deposit	Total distribution equipment (Note 3.2.1)	Grand total
NOTE					
	Rupees				
Balance as at 01 July 2022	94,808,061	4,061,655,178	4,908,999,264	8,970,654,442	9,065,462,503
Add: Additions during the year	287,958,239	5,611,328,373	7,505,634,357	13,116,962,730	13,404,920,969
Less: Transferred to operating fixed assets during the year:					
- Buildings on freehold land	3.1 (194,580,887)	-	-	-	(194,580,887)
- Buildings on leasehold land	3.1 (7,289,329)	-	-	-	(7,289,329)
- Distribution equipment	3.1 -	(3,224,601,746)	(4,891,553,325)	(8,116,155,071)	(8,116,155,071)
	(201,870,216)	(3,224,601,746)	(4,891,553,325)	(8,116,155,071)	(8,318,025,287)
Balance as at 30 June 2023	180,896,084	6,448,381,805	7,523,080,296	13,971,462,101	14,152,358,185
Balance as at 01 July 2021	87,188,292	4,283,623,571	4,159,142,528	8,442,768,097	8,529,954,389
Add: Additions during the year	168,711,871	4,704,070,797	5,705,414,152	10,409,484,949	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)	(9,881,596,604)
	(161,092,102)	(4,926,039,190)	(4,955,557,414)	(9,881,596,604)	(10,042,688,706)
Balance as at 30 June 2022	94,808,061	4,061,655,178	4,908,999,264	8,970,654,442	9,065,462,503

3.2.1 Breakup of distribution equipment is as follows:

	NOTE	2023 Rupees	2022 Rupees
Material		9,564,937,755	6,007,908,907
Labour		725,134,506	456,487,881
Overheads	3.2.3	2,181,247,173	1,058,841,164
Contract work		1,173,314,692	1,447,416,490
Finance cost capitalized	34	326,827,975	-
		13,971,462,101	8,970,654,442

3.2.3 It includes depreciation capitalized related to capital work-in-progress which was Rupees 8.108 million (2022: Rupees 6.363 million) as given in Note 3.1.5.

3.3 Advances to suppliers / contractors

	Advances to suppliers / contractors against		
	Advance Metering Infrastructure	Other works	Total
	Rupees		
Balance as at 01 July 2022	-	55,866,114	55,866,114
Additions during the year	4,822,765,384	-	4,822,765,384
Adjusted against contract work	-	(29,997,726)	(29,997,726)
Balance as at 30 June 2023	4,822,765,384	25,868,388	4,848,633,772
Balance as at 01 July 2021	-	27,402,026	27,402,026
Additions during the year	-	44,757,495	44,757,495
Adjusted against contract work	-	(16,293,407)	(16,293,407)
Balance as at 30 June 2022	-	55,866,114	55,866,114

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

	NOTE	2023 Rupees	2022 Rupees
4 INTANGIBLE ASSET UNDER DEVELOPMENT			
Balance as at 01 July		114,032,619	114,032,619
Additions during the year		19,242,362	-
Balance as at 30 June	4.1	133,274,981	114,032,619

4.1 This represents expenditure incurred for Enterprise Resource Planning (ERP) system - SAP, which is in the implementation phase.

	NOTE	2023 Rupees	2022 Rupees
5 LONG TERM LOANS			
Considered good - secured			
To employees			
- Executives	5.1	76,084,137	36,694,277
- BPS 16 and above		133,086,060	170,994,569
- BPS 8-15		197,513,374	184,989,632
- BPS 1-7		21,475,233	29,576,966
	5.2	428,158,804	422,255,444
Less: Current portion shown under current assets	9	(87,860,276)	(80,548,429)
		340,298,528	332,707,015

5.1 Reconciliation of advances to executives is as follows

Balance as at 01 July	36,694,277	8,527,302
Amount disbursed during the year / adjusted for new promotions	69,098,281	33,218,767
Amount adjusted during the year	(29,708,421)	(5,051,792)
Balance as at 30 June	76,084,137	36,694,277

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 14.22% (2022: 12.4%) per annum. The Board of Directors of the Company in its meeting dated 28 July 2022, approved that interest be charged at the rate of KIBOR minus 5% for loans disbursed after 28 July 2022 to employees of BPS-8 and above. Loans to employees have not been discounted to their present values as required by IFRS 9 "Financial Instruments" as its financial impact was considered immaterial.

6 DEFERRED INCOME TAX ASSET

	As at 01 July 2021	Recognized In		As at 30 June 2022	Recognized in		As at 30 June 2023
		Profit or loss (Note 35)	Other comprehensive Income		Profit or loss (Note 35)	Other comprehensive Income	
-----Rupees-----							
Deferred income tax liability on:							
Accelerated tax depreciation	(7,711,764,056)	(1,252,888,302)	-	(8,964,652,358)	(1,388,643,332)	-	(10,353,495,690)
Surplus on revaluation of operating fixed assets (Note 19)	(14,489,125,049)	762,757,679	-	(13,726,367,370)	766,117,357	-	(12,960,250,013)
	(22,200,889,105)	(490,130,623)	-	(22,691,019,728)	(622,725,975)	-	(23,313,745,703)
Deferred income tax asset on:							
Staff retirement benefits	13,237,353,981	163,026,937	(184,180,621)	13,216,200,297	574,831,550	3,999,454,705	17,790,486,552
Provision against slow moving / obsolete items of stores, spares and loose tools	52,174,086	(13,222,631)	-	38,951,455	24,216,221	-	63,167,676
Allowance for expected credit losses	163,870,367	-	-	163,870,367	165,292,218	-	329,162,585
Unused tax losses	8,747,490,671	524,506,938	-	9,271,997,609	(4,141,068,719)	-	5,130,928,890
	22,200,889,105	674,311,244	(184,180,621)	22,691,019,728	(3,376,728,730)	3,999,454,705	23,313,745,703
	-	184,180,621	(184,180,621)	-	(3,999,454,705)	3,999,454,705	-

6.1 As at 30 June 2023, the Company has aggregated deferred Income tax asset amounting to Rupees 172,126.343 million (2022: Rupees 84,308.436 million) out of which deferred Income tax asset amounting to Rupees 23,313.746 million (2022: Rupees 22,691.020 million) has been recognised and remaining balance of Rupees 148,812.597 million (2022: Rupees 61,617.416 million) remained unrecognised in these financial statements due to uncertainty in availability of sufficient future taxable profits.

- 6.2 Tax losses available for carry forward at 30 June 2023 are of Rupees 490,521.896 million (2022: Rupees 249,101.918 million). These include unabsorbed tax depreciation amounting to Rupees 316,169.044 million (2022: Rupees 66,937.949 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 2023 is of Rupees 11,692.176 million (2022: Rupees 9,786.85 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	
2018	-		42,574,638,184	2024
2019	1,638,924,453	2024	16,887,453,287	2025
2020	2,031,277,444	2025	51,849,819,652	2026
2021	2,113,174,172	2026	19,394,888,133	2027
2022	2,718,752,830	2027	31,672,886,261	2028
2023	3,190,047,536	2026	11,973,166,293	2029
	<u>11,692,176,435</u>		<u>174,352,851,810</u>	

	NOTE	2023 Rupees	2022 Rupees
7 STORES, SPARES AND LOOSE TOOLS			
Stores, spares and loose tools		1,680,547,648	1,980,857,778
Provision against slow moving / obsolete items of stores, spares and loose tools	7.1	<u>(217,819,573)</u>	<u>(134,315,363)</u>
		<u>1,462,728,075</u>	<u>1,846,542,415</u>
7.1 Provision against slow moving / obsolete items of stores, spares and loose tools			
Balance at the beginning of the year		134,315,363	179,910,642
Provision / (reversal) for the year	30 & 33	<u>83,504,210</u>	<u>(45,595,279)</u>
Balance at the end of the year		<u>217,819,573</u>	<u>134,315,363</u>
8 TRADE DEBTS			
Non-government and other consumers:			
- Considered good		28,037,933,598	30,974,775,924
- Considered doubtful		1,135,043,396	565,070,232
- Deferred arrears	26.1.31	<u>2,518,769,464</u>	<u>475,012,701</u>
	8.1 & 8.4	<u>31,691,746,458</u>	<u>32,014,858,857</u>
Government consumers:			
- Considered good		<u>59,472,698,744</u>	<u>95,756,477,684</u>
- Deferred arrears	26.1.31	<u>6,435,061</u>	<u>8,966,748</u>
	8.2 & 8.5	<u>59,479,133,805</u>	<u>95,765,444,432</u>
		<u>91,170,880,263</u>	<u>127,780,303,289</u>
Less: Allowance for expected credit losses	8.3	<u>(1,135,043,396)</u>	<u>(565,070,232)</u>
		<u>90,035,836,867</u>	<u>127,215,233,057</u>

- 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 21.

- 8.2 Due to the nature of the Company's operations and large number of related parties, the management considered it impracticable to disclose the particulars of trade receivable due from government and autonomous bodies as required under the Fifth Schedule of the Companies Act, 2017. These include an amount of Rupees 48,207.750 million (2022: Rupees 76,371.814 million), receivable from the Government of Azad Jammu and Kashmir (AJK). Reconciliation of receivable from Government of AJK is as follows:

	NOTE	2023 Rupees	2022 Rupees
Opening balance		76,371,814,099	41,239,418,165
Amount billed during the year	27.2	<u>48,720,677,786</u>	<u>38,335,477,685</u>
Finance cost surcharge		<u>2,184,000,000</u>	<u>648,236,414</u>
Amount collected during the year		<u>(3,801,466,201)</u>	<u>(3,851,318,165)</u>
Adjusted against credit notes received during the year	8.2.1	<u>(75,267,276,088)</u>	<u>-</u>
Closing balance		<u>48,207,749,596</u>	<u>76,371,814,099</u>

- 8.2.1 This represents credit notes received from CPPA(G) against AJK 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).

	NOTE	2023 Rupees	2022 Rupees
8.3 Allowance for expected credit losses			
Opening balance		565,070,232	565,070,232
Charge for the year	30	<u>569,973,164</u>	<u>-</u>
Closing balance		<u>1,135,043,396</u>	<u>565,070,232</u>

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

	NOTE	2023 Rupees	2022 Rupees
Not yet past due		24,389,699,318	28,642,772,697
Past due but not impaired:			
Up to 2 months		3,740,407,228	2,389,784,181
2 to 3 months		74,994,626	62,062,667
3 to 6 months		296,393,249	117,225,822
6 months to 1 year		312,311,268	115,370,588
1 year to 3 years		229,884,180	109,692,500
3 years and above		129,287,125	102,937,701
Deferred arrears		2,518,769,464	475,012,701
		7,302,047,140	3,372,086,160
		31,691,746,458	32,014,858,857
Allowance for expected credit losses		(1,135,043,396)	(565,070,232)
		<u>30,556,703,062</u>	<u>31,449,788,625</u>

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

Not yet past due		3,844,933,881	7,310,374,192
Past due but not impaired:			
Up to 2 months		1,433,529,035	606,842,816
2 to 3 months		958,855,394	1,466,650,603
3 to 6 months		656,494,709	835,665,260
6 months to 1 year		1,836,031,341	1,553,195,958
1 year to 3 years		5,541,759,285	5,307,931,063
3 years and above		45,201,095,099	78,675,817,792
Deferred arrears		6,435,061	8,966,748
		<u>59,479,133,805</u>	<u>95,765,444,432</u>

9 LOANS AND ADVANCES

Short term advances - Considered good

Unsecured

- Suppliers		173,466,898	328,262,285
- Employees against operating expenses		149,685,515	99,592,523
		<u>323,352,413</u>	<u>427,854,808</u>

Current portion of long term loans - secured

5

	87,860,276	89,548,429
	<u>411,212,689</u>	<u>517,403,237</u>

10 RECEIVABLE FROM GOVERNMENT OF PAKISTAN

Tariff Differential Subsidy	10.1	1,751,185,383	1,509,217,902
Prime Minister's Industrial Support Package	10.2	1,602,315,456	1,602,315,456
Prime Minister's Industrial Support Package II	10.3	641,417,547	777,891,206
Zero rated industrial rebate	10.4	920,642,197	1,281,117,117
Winter package	10.5	218,674,663	218,674,663
Kissan package	10.6	-	-
Federal share of subsidy for Azad Jammu and Kashmir		289,430,000	289,430,000
Others		55,837,750	55,837,750
		<u>5,479,502,996</u>	<u>5,734,484,094</u>

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.

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 debit / credit notes against the payable to CPPA (G).

	NOTE	2023 Rupees	2022 Rupees
Reconciliation of these balances is as follows:			
Balance as at 01 July		1,509,217,902	5,290,252,962
Tariff differential subsidy recognized during the year	28	22,969,075,140	24,750,630,749
Adjusted against:			
- subsidy receivable written off	30.5	-	(2,814,616,230)
- Inter disco tariff realization surcharge	24.9	(22,727,107,659)	(26,009,869,850)
- credit / debt notes		-	292,850,271
		<u>(22,727,107,659)</u>	<u>(28,531,665,809)</u>
Balance as at 30 June		<u>1,751,185,383</u>	<u>1,509,217,902</u>

		2023 Rupees	2022 Rupees
10.2 Reconciliation of these balances is as follows:			
Balance as at 01 July		1,602,315,456	2,148,380,736
Adjusted against credit note received from CPPA (G)		-	(546,065,280)
		<u>1,602,315,456</u>	<u>1,602,315,456</u>

- 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).

	NOTE	2023 Rupees	2022 Rupees
Reconciliation of these balances is as follows:			
Balance as at 01 July		777,891,206	1,380,373,804
Relief given during the year	28	-	1,471,775,280
Adjusted against credit note received from CPPA (G)		(136,473,659)	(2,074,257,878)
		<u>641,417,547</u>	<u>777,891,206</u>

- 10.4 The represents the dollar based tariff, introduced by the GoP vide its SRO 12 (1)/2019 for zero rated industrial consumers at the rate of 7.5 cent per unit, translated into Pak Rupee at rates prevailing at last working day of preceding month. During the previous year, GoP increased the rate to US\$ 9 cent per unit vide letter No.PF-5(02-ZRI)2020-21 dated, 10 September 2021.

	NOTE	2023 Rupees	2022 Rupees
Reconciliation of these balances is as follows:			
Balance as at 01 July		1,281,117,117	2,032,365,684
Relief given during the year	28	1,240,014,616	1,458,972,129
Adjusted against credit note received from CPPA (G)		(1,600,489,536)	(2,210,220,696)
		<u>920,642,197</u>	<u>1,281,117,117</u>

- 10.5 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	2023 Rupees	2022 Rupees
Reconciliation of these balances is as follows:			
Balance as at 01 July		218,674,663	-
Relief given during the year	28	-	218,674,663
		<u>218,674,663</u>	<u>218,674,663</u>

- 10.6 This represents a subsidy announced vide Federal Cabinet decision reference 257/33/2022 dated 30 November 2022 that a relief of Rupees 3.60/kwh to the private agriculture consumers of all Ex-WAPDA DISCOs and K-Electric from 01 November 2022. The Ministry of Energy vide letter dated 07 March 2023 discontinued this relief with effect from 01 March 2023.

	NOTE	2023 Rupees	2022 Rupees
Reconciliation of these balances is as follows:			
Balance as at 01 July		-	-
Relief given during the year	28	29,440,090	-
Adjusted against credit note received from CPPA (G)		(29,440,090)	-
		<u>-</u>	<u>-</u>

11 SECURITY DEPOSITS

		2023 Rupees	2022 Rupees
Utility companies	11.1	76,230	76,230
NEPRA	11.2	21,666,667	-
Others	11.3	73,660,000	73,660,000
		<u>95,402,897</u>	<u>73,736,230</u>

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

- 11.2 This represents security deposited by the Company against fine imposed by the NEPRA as disclosed in Note 26.1.32

- 11.3 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 33.650 million.

The Company filed a civil revision before Lahore High Court, Rawalpindi Bench, Rawalpindi, who granted stay order and directed to submit Rupees 16.825 million with registrar Lahore High Court and to furnish bank guarantee of the remaining amount of Rupees 16.825 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	2023 Rupees	2022 Rupees
12 OTHER RECEIVABLES			
Unsecured, considered good			
Receivable from related parties:			
- National Transmission and Despatch Company Limited	12.1	4,036,628,129	1,715,112,628
- Pak Matyari Lahore Transmission Company - PMLTC	12.2	665,139,095	-
- Free electricity and other transactions	12.3	1,706,574,130	1,564,315,180
- Pension	12.3	1,609,157,726	1,694,084,785
- Materials supplied	12.3	23,147,058	6,209,864
- Water and Power Development Authority against:			
Workers welfare fund	12.5	236,314,807	243,684,597
Others	12.4	542,099,297	542,099,296
- General Post Office (GPO)	12.6	3,085,069	5,409,062,992
		<u>8,822,145,311</u>	<u>11,174,569,342</u>
Receivable from Trust Investment Bank Limited	12.7	30,790,759	30,790,759
Interest accrued on bank deposits		154,498,086	172,293,512
Others		257,549,074	206,548,967
		<u>9,264,983,230</u>	<u>11,584,202,580</u>

- 12.1 This represents amounts receivable / advance to NTDC on account of use of system charges. The maximum aggregate amount due from NTDC at the end of any month during the year was Rupees 4,036.628 million (2022: Rupees 1,715.113 million) and the ageing of this balance is less than one month. Reconciliation of balance is as follows:

	NOTE	2023 Rupees	2022 Rupees
Balance as at 01 July		1,715,112,628	(1,333,264,225)
Add: cash remittances during the year		10,001,023,504	5,668,355,966
Less: adjustments during the year:			
- Use of system charges charged during the year	29	(6,686,876,076)	(2,619,979,113)
- General Sales Tax (GST)		(992,631,927)	-
		<u>(7,679,508,003)</u>	<u>(2,619,979,113)</u>
Balance as at 30 June		<u>4,036,628,129</u>	<u>1,715,112,628</u>

- 12.2 This represents amounts receivable / advance to PMLTC on account of usage of transmission line. The maximum aggregate amount due from PMLTC at the end of any month during the year was Rupees 1,229.687 million (2022: Rupees Nil) and the ageing of this balance is less than one year. Reconciliation of balance is as follows:

	NOTE	2023 Rupees	2022 Rupees
Balance as at 01 July		(695,107,139)	-
Add: cash remittances during the year		7,833,811,245	2,728,015,695
Less: adjustments during the year:			
- Use of system charges charged during the year	29	(5,459,892,255)	(3,423,122,834)
- General Sales Tax (GST)		(1,013,672,756)	-
		<u>(6,473,565,011)</u>	<u>(3,423,122,834)</u>
Balance as at 30 June	24	<u>665,139,055</u>	<u>(695,107,139)</u>

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

	Free electricity		Pension		Materials supplied	
	2023 Rupees	2022 Rupees	2023 Rupees	2022 Rupees	2023 Rupees	2022 Rupees
Water and Power Development Authority	528,688,756	328,926,240	1,084,616,080	1,084,616,080	-	-
National Transmission and Despatch Company Limited	1,114,551,655	1,181,478,364	441,651,587	506,485,626	7,781,806	4,712,723
Quetta Electric Supply Company Limited	22,533,939	18,778,984	5,576,704	8,592,274	-	-
Northern Power Generation Company Limited	12,618,626	10,548,201	14,365,217	16,580,784	-	-
Central Power Generation Company Limited	10,162,166	7,937,276	10,864,692	29,511,779	-	-
Tribal Areas Electric Supply Company Limited	11,271,818	8,747,243	4,454,177	2,592,943	-	-
Jamshoro Power Company Limited	3,390,403	2,775,882	1,752,326	5,770,173	-	-
Lakhra Power Generation Company Limited	1,772,941	1,601,999	145,142	1,786,055	-	-
Power Planning and Monitoring Company	1,004,300	1,213,557	-	-	-	-
Multan Electric Power Company Limited	-	-	5,642,116	6,942,748	-	1,497,141
Hyderabad Electric Supply Company Limited	-	-	23,819,780	19,387,337	39,270	-
Sukkur Electric Power Company Limited	-	-	16,269,905	11,818,986	13,215,970	-
Power Information Technology Company (Private) Limited	281,057	437,984	-	-	-	-
GENCO Holding Company Limited	298,469	1,869,450	-	-	-	-
Faisalabad Electric Supply Company Limited	-	-	-	-	2,110,012	-
	<u>1,706,574,130</u>	<u>1,564,315,180</u>	<u>1,609,157,726</u>	<u>1,694,084,785</u>	<u>23,147,058</u>	<u>6,209,864</u>

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

	Free electricity		Pension		Materials supplied	
	2023 Rupees	2022 Rupees	2023 Rupees	2022 Rupees	2023 Rupees	2022 Rupees
Water and Power Development Authority	528,688,756	328,926,240	1,084,616,080	1,084,616,080	-	-
National Transmission and Despatch Company Limited	1,114,551,655	1,181,478,364	523,997,268	512,581,747	7,781,806	4,712,723
Quetta Electric Supply Company Limited	22,533,939	18,778,984	22,186,431	27,596,826	-	-
Northern Power Generation Company Limited	12,618,626	10,548,201	39,992,792	24,920,217	-	-
Central Power Generation Company Limited	10,162,166	7,937,277	34,024,924	29,511,779	-	-
Tribal Areas Electric Supply Company Limited	11,271,818	8,747,243	4,454,177	6,189,816	-	-
Jamshoro Power Company Limited	3,390,403	2,775,882	6,747,000	5,770,173	-	-
Lakhra Power Generation Company Limited	1,772,941	1,601,999	2,926,484	1,948,445	-	-
Power Planning and Monitoring Company	1,004,300	1,213,557	-	-	-	-
Multan Electric Power Company Limited	-	-	12,820,761	15,485,601	-	1,497,141
Hyderabad Electric Supply Company Limited	-	-	30,831,998	25,257,550	39,270	-
Sukkur Electric Power Company Limited	-	-	16,300,250	11,818,986	13,215,970	-
Power Information Technology Company (Private) Limited	281,057	729,920	-	-	-	-
GENCO Holding Company Limited	298,469	1,869,450	-	-	-	-
Faisalabad Electric Supply Company Limited	-	-	-	-	2,110,012	-

- 12.4 The Company was detached from WAPDA in terms of accounting entries i.e. Debit and Credit notes from 01 July 2009 and onwards. On the cutoff date, the Company had a receivable balance of Rupees 542 million (2020: Rupees 542 million) from all three wings of WAPDA. Against the House of Power (HOP), there was a debit note and credit issued by the Company amounting to Rupees 329 million and 125 million, with respect to cost and accumulated depreciation respectively, against assets which were not under the territorial jurisdiction of the Company. However, the aforementioned debit and credit notes amounting to Rupees 204 million, in net, have not been accounted for by WAPDA till 30 June 2023. This matter has been elevated to the Departmental Accounts Committee and the management of the Company is hopeful for a favorable outcome.

- 12.5 This represents receivable from WAPDA against Workers' Welfare Fund maintained with WAPDA. The maximum aggregate amount due at the end of any month during the year is Rupees 243.685 million (2022: Rupees 248.328 million). Reconciliation of balance is as follows:

	2023 Rupees	2022 Rupees
Balance as on 01 July	243,684,597	248,328,085
Receipts during the year	(7,369,790)	(4,643,488)
Balance as at 30 June	<u>236,314,807</u>	<u>243,684,597</u>

- 12.6 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 8,440.804 million (2022: Rupees 5,409.063 million). Reconciliation of balance is as follows:

	2023 Rupees	2022 Rupees
Balance as at 01 July	5,409,062,992	214,696,940
Collection from consumers	22,370,249,295	17,255,987,664
Cash remittances during the year	(27,776,227,218)	(12,061,621,612)
Balance as at 30 June	<u>3,085,069</u>	<u>5,409,062,992</u>

- 12.7 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.

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	2023 Rupees	2022 Rupees
14 ADVANCE INCOME TAX			
Balance as at 01 July		1,312,858,799	1,320,081,028
Tax deducted at source / paid during the year		3,254,204,142	2,771,020,263
Provision for the year	35	(3,190,047,536)	(2,778,242,492)
Balance as at 30 June		<u>1,377,015,405</u>	<u>1,312,858,799</u>
15 SHORT TERM INVESTMENTS			
At amortized cost:			
Term deposit receipts	15.1	3,165,000,000	
Add: Accrued markup		190,700,644	
		<u>3,355,700,644</u>	

- 15.1 These term deposit receipts have maturity period of one year. The effective rate of profit ranges from 17% to 20.54% (2022: Nil). These investments are made out of funds separately maintained for long term security deposits.

	NOTE	2023 Rupees	2022 Rupees
16 CASH AND BANK BALANCES			
Cash in hand		17,190	6,102
Cash at banks in:			
- Current accounts		2,240,341,459	1,567,765,719
- Deposit accounts	16.1 & 16.2	5,661,152,723	4,687,658,522
- Deposit work / capital contribution accounts	16.2	9,928,495,205	6,321,636,951
		15,589,647,928	11,009,295,473
		17,829,989,387	12,577,061,192
		17,830,006,577	12,577,067,294

16.1 These include an amount of Rupees 4,515.723 million and Rupees 10.740 million (2022: Rupees 4,913.712 and Rupees 9.257 million) kept in separate bank accounts relating to customers' and employees' security deposits respectively and amount of Rupees 116.172 million (2022: Rupees 95.834 million) is earmarked against IESCO Welfare Fund.

16.2 These carry mark-up ranging from 12.25% to 19.5% (2022: 8.26% to 13.5%) per annum.

17 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2023	2022		2023 Rupees	2022 Rupees
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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

17.1 The President of Pakistan, WAPDA and the IESCO Employees Trust Fund, respectively hold 1,000 (2022: 1,000), 510,245,414 (2022: 510,245,414) and 69,578,920 (2022: 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.

18 DEPOSIT FOR SHARES

This includes remaining credit of Rupees 15,977.870 million (2022: Rupees 15,977.870 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, 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 17,809.358 million in the Company. During the year, Ministry of Energy (Power Division), in light of ECC's decision No. ECC-167/19/2020 dated 06 May 2020, ECC-243/20/2019 dated 19 June 2019, ECC - 299/38/2022 dated 31 October 2022, ECC - 329/43/2022 dated 29 November 2022, ECC - 299/38/2022 dated 05 December 2022, ECC - 329/43/2022 dated 29 November 2022 and ECC - 299/38/2011 dated 31 October 2022, through its various letters, reallocated the equity of GoP amounting to Rupees 10,599.523 million in the Company.

19 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 operating fixed assets is a capital reserve and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017. Reconciliation of balance is as follows:

	NOTE	2023 Rupees	2022 Rupees
Surplus on revaluation of operating fixed assets as at 01 July.		86,901,037,621	86,531,236,513
Transferred to accumulated loss in respect of incremental depreciation charged during the year - net of deferred income tax		(1,875,666,633)	(1,667,441,213)
Related deferred income tax		(766,117,357)	(762,757,679)
		(2,641,783,990)	(2,630,198,892)
Surplus on revaluation of operating fixed assets as at 30 June		84,259,253,631	86,901,037,621
Less: Related deferred income tax liability:			
- As at 01 July		13,726,367,370	14,409,125,049
- Transferred to the statement of profit or loss	6	(766,117,357)	(762,757,679)
- As at 30 June		12,960,250,013	13,726,367,370
		71,299,003,618	73,174,670,251

20	LONG TERM LOANS	NOTE	2023 Rupees	2022 Rupees
	From Government of Pakistan			
	Asian Development Bank - Tranche I	20.1	920,027,451	920,027,451
	Asian Development Bank - Tranche II	20.2	1,422,445,365	1,422,445,365
	International Bank for Reconstruction and Development	20.3	1,813,122,986	1,813,122,986
	Asian Development Bank - Tranche III	20.4	2,240,254,225	2,240,254,225
	Earthquake Reconstruction and Rehabilitation Authority	20.5	497,186,476	356,120,252
	Asian Development Bank - Tranche IV	20.6	1,933,887,407	1,933,887,407
	Asian Development Bank - Advance metering infrastructure consultancy	20.7	137,132,287	44,757,495
	Asian Development Bank - Advance metering infrastructure	20.8	4,201,219,112	-
			<u>13,165,275,309</u>	<u>8,730,615,181</u>
	Current portion shown under current liabilities		(721,425,417)	(802,155,753)
	Overdue portion shown under current liabilities		(3,980,426,583)	(3,161,202,356)
			<u>(4,701,852,000)</u>	<u>(3,963,358,109)</u>
			<u>8,463,423,309</u>	<u>4,767,257,072</u>

- 20.1** 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 \$ 30.060 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 million (2022: 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 1,136.775 million and Rupees 1,728.876 million respectively against receivable from GoAJK.

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2023, aggregating to Rupees 836.388 million (2022: Rupees 669.110 million) and Rupees 1,893.218 million (2022: Rupees 1,730.741 million) respectively. However, the principal amount due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

- 20.2** 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 million (2022: 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 118.669 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 2023, aggregating to Rupees 573.700 million (2022: Rupees 1,348.842) million and Rupees 1,348.84 million (2022: Rupees 1,127.522 million) respectively. However, the principal amount due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

- 20.3** 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 million (2022: US \$ 40.974 million) up to the year end. The loan carries interest at 17% per annum 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 2023, aggregating to Rupees 1,510.936 million (2022: Rupees 1,208.748 million) and Rupees 3,266.806 million (2022: Rupees 2,946.608 million) respectively. However, the principal amount due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

- 20.4 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 \$ 24.550 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 (2022: US \$ 20.221 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 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 2023, aggregating to Rupees 563.153 million (2022: Rupees 447.665 million) and Rupees 1,739.44 million (2022: Rupees 1,390,913 million) respectively. However, the principal amount due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

- 20.5 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 or MEAS, against which the Company has fully utilized US \$ 1.79 million in year 2011. The loan carries interest at 1% per annum 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 2023, aggregating to Rupees 58.597 million (2022: Rupees 36.712 million) and Rupees 25.552 million (2022: Rupees 20.580 million) respectively. However, the principal amount due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

- 20.6 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 (2022: US \$ 16.06 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 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 2023, aggregating to Rupees 435.124 million (2022: Rupees 338.430 million) and Rupees 1,486.78 million (2022: Rupees 1,185.913 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.

- 20.7 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 \$ 0.618 million (2022: \$0.243 million) up to the year end. The loan carries interest at 12% per annum (2022: 12% per annum) inclusive of exchange risk coverage fee of 6.8% (2022: 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 2023, amounting to Rupees 11.414 million (2022: Rupees 1.205 million) respectively.

- 20.8 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. Out of the total finance facility, an amount of US \$ 139.60 million was allocated to the Company vide ADB letter dated 16 April 2018, against which the Company has utilized US \$ 18.951 million up to the year end. The loan carries interest at 12% 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 15 April 2036. The Company has withheld related interest accrued up to 30 June 2023, amounting to Rupees 322.147 million.

21 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 4,515.72 million (2022 Rupees 4,913.712 million) has been kept in separate bank accounts and Rupees 3,165 million (2022: Rupees Nil) in short term investments, which are made without written agreements and the remaining amount has not been kept in a separate bank accounts as per requirements of section 217 of the Companies Act, 2017.

The amounts received against the 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.

22 STAFF RETIREMENT BENEFITS

NOTE	Pension obligations		Gratuity		Medical benefits		Free electricity		Compensated absences (Note 22.11)		Total		
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	
Rupees													
22.1 The amounts recognized in the statement of financial position													
Present value of defined benefit obligations	22.2	54,933,788,737	40,664,413,225	134,987,034	-	6,214,205,157	4,742,658,054	3,454,539,574	2,269,492,317	2,623,113,480	1,857,157,563	67,360,633,982	49,533,721,159
Fair value of plan assets	22.3	(6,014,128,632)	(3,960,616,686)	-	-	-	-	-	-	-	-	(6,014,128,632)	(3,960,616,686)
	22.4	48,919,660,105	36,703,796,539	134,987,034	-	6,214,205,157	4,742,658,054	3,454,539,574	2,269,492,317	2,623,113,480	1,857,157,563	61,346,505,350	45,573,104,473
22.2 Changes in present value of defined benefit obligations													
Balance at the beginning of the year		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
Current service cost		789,728,930	754,965,386	131,784,600	-	141,814,105	91,574,817	53,271,200	45,215,375	1,062,001,630	154,987,810	2,178,600,465	1,046,743,388
Interest cost		5,235,530,621	4,019,937,843	13,619,808	-	618,400,802	360,119,141	301,619,998	216,174,947	-	-	6,169,171,229	4,596,231,931
Benefits paid during the year		(3,765,409,841)	(3,542,645,585)	-	-	(323,822,741)	(413,977,631)	(70,540,213)	(77,102,612)	(296,045,713)	(179,268,845)	(4,455,818,508)	(4,212,994,673)
Actuarial losses / (gain) on obligation		12,009,525,802	(1,558,073,000)	(10,417,374)	-	1,035,154,937	984,595,441	900,696,272	(62,370,578)	-	-	13,934,959,637	(635,848,137)
		54,933,788,737	40,664,413,225	134,987,034	-	6,214,205,157	4,742,658,054	3,454,539,574	2,269,492,317	2,623,113,480	1,857,157,563	67,360,633,982	49,533,721,159
22.3 Changes in the fair value of plan assets:													
Balance at the beginning of the year		3,960,616,686	3,093,540,439	-	-	-	-	-	-	-	-	3,960,616,686	3,093,540,439
Return on plan assets		384,243,866	217,076,247	-	-	-	-	-	-	-	-	384,243,866	217,076,247
Contributions - net		1,525,531,563	650,742,547	-	-	-	-	-	-	-	-	1,525,531,563	650,742,547
Actuarial gain / (loss) on obligation plan assets		143,736,517	(742,547)	-	-	-	-	-	-	-	-	143,736,517	(742,547)
	22.3.1	6,014,128,632	3,960,616,686	-	-	-	-	-	-	-	-	6,014,128,632	3,960,616,686
22.3.1 Plan assets comprise of:													
Bank deposits		3,470,560,027	3,960,616,686										
Investment in TDRs		2,543,568,605	-										
		6,014,128,632	3,960,616,686										
22.4 Changes in the net liability at the end of the year:													
Balance at the beginning of the year		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
Current service cost		789,728,930	754,965,386	131,784,600	-	141,814,105	91,574,817	53,271,200	45,215,375	1,062,001,630	154,987,810	2,178,600,465	1,046,743,388
Interest cost		5,235,530,621	4,019,937,843	13,619,808	-	618,400,802	360,119,141	301,619,998	216,174,947	-	-	6,169,171,229	4,596,231,931
Interest income on plan assets		(384,243,866)	(217,076,247)	-	-	-	-	-	-	-	-	(384,243,866)	(217,076,247)
Benefits paid during the year		(3,765,409,841)	(3,542,645,585)	-	-	(323,822,741)	(413,977,631)	(70,540,213)	(77,102,612)	(296,045,713)	(179,268,845)	(4,455,818,508)	(4,212,994,673)
Actuarial losses / (gain) on obligation	22.5	11,865,789,285	(1,557,330,453)	(10,417,374)	-	1,035,154,937	984,595,441	900,696,272	(62,370,578)	-	-	13,791,223,120	(635,105,590)
Fund transfer to pension imprest account		3,522,727,949	1,448,469,507	-	-	-	-	-	-	-	-	3,522,727,949	1,448,469,507
Contributions made		(5,048,259,512)	(2,099,212,054)	-	-	-	-	-	-	-	-	(5,048,259,512)	(2,099,212,054)
Balance at the end of the year		48,919,660,105	36,703,796,539	134,987,034	-	6,214,205,157	4,742,658,054	3,454,539,574	2,269,492,317	2,623,113,480	1,857,157,563	61,346,505,350	45,573,104,473
22.5 Amounts recognized in the statement of profit or loss against defined benefit obligations are:													
Current service cost		789,728,930	754,965,386	131,784,600	-	141,814,105	91,574,817	53,271,200	45,215,375	1,062,001,630	154,987,810	2,178,600,465	1,046,743,388
Interest cost		5,235,530,621	4,019,937,843	13,619,808	-	618,400,802	360,119,141	301,619,998	216,174,947	-	-	6,169,171,229	4,596,231,931
Interest income on plan assets		(384,243,866)	(217,076,247)	-	-	-	-	-	-	-	-	(384,243,866)	(217,076,247)
		5,841,015,685	4,557,826,982	145,404,408	-	760,214,907	451,693,958	354,891,198	261,390,322	1,062,001,630	154,987,810	7,963,527,828	5,425,899,072
22.6 Remeasurements recognized in statement of comprehensive income:													
Actuarial (loss) / gain on obligations		(12,009,525,802)	1,558,073,000	10,417,374	-	(1,035,154,937)	(984,595,441)	(900,696,272)	62,370,578	-	-	(13,934,959,637)	635,848,137
Actuarial gain / (loss) on assets		143,736,517	(742,547)	-	-	-	-	-	-	-	-	143,736,517	(742,547)
Actuarial (loss) / gain recognized	22.4	(11,865,789,285)	1,557,330,453	10,417,374	-	(1,035,154,937)	(984,595,441)	(900,696,272)	62,370,578	-	-	(13,791,223,120)	635,105,590
22.7 The principal actuarial assumptions at the reporting date were as follows:													
Discount rate		15.75%	13.50%	15.75%	-	15.75%	13.50%	15.75%	13.50%	13.50%	13.50%	-	-
Future salary increase		12.50%	12.50%	12.50%	-	-	-	-	-	12.50%	12.50%	-	-
Indexation rate		7.50%	7.50%	7.50%	-	-	-	-	-	-	-	-	-
Future medical cost increase		-	-	-	-	11.15%	11.15%	-	-	-	-	-	-
Electricity inflation rate		-	-	-	-	-	-	11.15%	11.15%	-	-	-	-
Expected charge to the statement of profit or loss for the next financial year (Rupees)		8,601,570,014	5,737,604,219	53,363,443	-	1,136,524,871	742,193,718	602,731,257	356,379,617	542,370,547	346,133,944	-	-

	2023	2022
22.8 Demographic assumptions		
Mortality Rate	SLIC 2001-05	SLIC 2001-05
Withdrawal Rate	Age dependent	Age dependent

22.9 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.

22.10 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 2023 actuarial valuation:

	Present value of defined benefit obligation				
	Pension obligations	Gratuity	Medical benefits	Free electricity	Compensated absences
	Rupees				
Current liability	54,933,788,737	134,987,034	6,214,205,157	3,454,539,574	2,623,113,480
Discount rate +1%	47,908,779,038	122,582,936	5,434,256,605	3,074,030,386	2,376,384,632
Discount rate -1%	62,011,191,090	150,259,102	7,002,183,687	3,825,684,208	2,862,378,277
Salary increase +1%	61,936,200,049	151,399,886	6,899,729,784	-	2,878,116,957
Salary decrease -1%	48,122,135,602	121,438,152	5,496,521,666	-	2,369,871,349
Pension increase rate +1%	60,987,344,372	-	-	-	-
Pension decrease rate -1%	48,869,246,348	-	-	-	-
Medical inflation rate increase +1%	-	-	6,574,629,058	-	-
Medical inflation rate decrease -1%	-	-	5,893,552,172	-	-
Electricity rate +1%	-	-	-	3,598,593,876	-
Electricity rate -1%	-	-	-	3,330,176,150	-
	Remeasurement loss / (gain) recognized in other comprehensive income				
	Pension scheme	Gratuity	Medical benefits	Free electricity	Total
	Rupees				
Remeasurement loss / (gain) on Obligation					
- Financial assumptions	12,727,201,002	(10,886,320)	1,588,781,333	(1,186,595,693)	13,118,500,322
- Experience adjustments	(717,675,200)	468,946	(553,626,396)	2,087,291,965	816,459,315
Remeasurement loss / (gain) on obligation	12,009,525,802	(10,417,374)	1,035,154,937	900,696,272	13,934,959,637
Actuarial gain on plan assets	(143,736,517)	-	-	-	(143,736,517)
Total Remeasurement loss / (gain) recognized in OCI	11,865,789,285	(10,417,374)	1,035,154,937	900,696,272	13,791,223,120
Duration of scheme (years) - 2023	13.88	10.47	13.88	13.88	13.88
Duration of scheme (years) - 2022	13.73	-	13.73	13.73	13.73

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.

22.11 Compensated absences

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

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

	NOTE	2023 Rupees	2022 Rupees
Administrative expenses	30.1	1,106,440,796	698,294,153
Distribution cost	31.1	6,322,518,836	4,380,957,214
Customer services cost	32.1	474,188,913	308,340,132
Bank charges	34.2	60,378,283	38,307,573
		<u>7,963,527,828</u>	<u>5,425,899,072</u>

			2023 Rupees	2022 Rupees
23	DEFERRED CREDIT	NOTE		
	Balance at the beginning of the year		51,814,384,465	46,858,827,051
	Additions during the year	23.1	4,977,303,864	4,955,557,414
			<u>56,791,688,329</u>	<u>51,814,384,465</u>
	Accumulated amortization			
	Balance at the beginning of the year		(18,903,566,501)	(17,090,066,645)
	For the year		(1,987,709,091)	(1,813,499,956)
			<u>(20,891,275,692)</u>	<u>(18,903,566,601)</u>
	Balance at the end of the year		<u>35,900,412,637</u>	<u>32,910,817,864</u>
23.1	This represents capital contributions received from consumers and the Government against which assets are constructed by the Company.			
24	TRADE AND OTHER PAYABLES	NOTE	2023 Rupees	2022 Rupees
	Creditors:			
	Associated undertakings:			
	Central Power Purchasing Agency (Guarantee) Limited - CPPA (G)	24.1 & 26.2	107,331,583,764	157,930,258,723
	Pak Matyari Lahore Transmission Company - PMLTC	12.2	-	695,107,139
			<u>107,331,583,764</u>	<u>158,625,365,862</u>
	Others	24.2	3,887,256,382	3,116,919,262
			<u>111,218,840,646</u>	<u>161,742,285,124</u>
	Contract liabilities, unsecured	24.3	26,078,612,362	17,382,208,269
	Due to related parties	24.4	2,712,562,784	2,554,130,743
	Workers' Profit Participation Fund	24.5	3,930,033,709	2,821,389,617
	IESCO Welfare Fund	24.6	56,056,247	39,303,659
	Provision against tax litigation	24.7	1,450,916,698	-
	Accrued liabilities		632,407,698	772,519,749
	Sales tax withheld		371,790,507	464,009,239
	Retention money - contractors / suppliers		307,954,434	267,677,022
	Government surcharges payable:			
	- Realized			
	Equalization surcharge	24.8	1,669,648,544	1,669,101,218
	Inter disco tariff realization surcharge	24.9	6,254,819,176	7,229,942,004
	Electricity duty		3,485,388,055	2,767,707,941
	Neelum Jhelum surcharge	24.10	2,952,907,642	2,950,316,027
	TV License fee		84,739,559	81,812,500
	Financing cost	24.11	2,253,965,423	277,040,428
	Withholding income tax		851,101,501	747,515,469
			<u>17,552,569,900</u>	<u>15,723,435,587</u>
	- Unrealized			
	Equalization surcharge	24.8	177,985,103	178,548,532
	Electricity duty		217,312,900	128,532,959
	Neelum Jhelum surcharge		1,481,868,396	1,484,680,059
	TV license fee		57,041,558	58,080,859
	Financing cost	24.11	7,882,233,597	4,705,241,465
	Tariff rationalization surcharge	24.12	4,413,986,336	4,420,905,407
	Income tax		345,329,933	195,328,721
	Advance income tax		3,113,274	3,405,282
			<u>14,588,851,097</u>	<u>11,175,223,348</u>
	Others		64,314,321	47,898,736
			<u>178,964,910,403</u>	<u>212,990,079,093</u>
24.1	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.			
24.2	This represents payable to various suppliers on account of materials purchased. It also includes sales tax withheld by the Company on behalf of suppliers, which is payable to them after suppliers claimed them.			
24.3	Contract liabilities, unsecured	NOTE	2023 Rupees	2022 Rupees
	Advances from customers	24.3.1	4,025,912,385	1,691,240,859
	Receipts against deposit works	24.3.2	20,759,147,933	14,660,917,834
	Capital contributions awaiting connections	24.3.3	1,293,552,044	1,030,047,576
			<u>26,078,612,362</u>	<u>17,382,206,269</u>
24.3.1	These represent amounts received from customers in advance against billing. The amount of Rupees 854.69 million included in contract liabilities at 30 June 2022 has been recognized as revenue in 2023 (2022: Rupees 1,024.85 million).			
24.3.2	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 2,032.449 million has been transferred to deferred credit from receipts against deposit works during the year 2023 (2022: Rupees 2,800.848 million).			
24.3.3	These represent amounts received from consumers against the installation of new domestic, commercial and industrial connections. The amount of Rupees 2,944.855 million has been transferred to deferred credit from capital contributions awaiting connections during the year 2023 (2022: Rupees 2,154.709 million).			

24.4 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, material purchased and other transactions:

	Free electricity		Pension		Materials purchased		Others (Note 24.4.1)		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Rupees									
Lahore Electric Supply Company Limited	893,733,552	898,956,464	3,824,268	37,818,299	7,917,821	32,685,451	-	-	905,475,641	969,460,214
Peshawar Electric Supply Company Limited	454,921,986	396,098,780	42,051,691	329,652,350	16,727,156	71,594,247	-	-	513,700,833	797,345,377
Multan Electric Power Company Limited	82,649,516	81,193,051	-	-	58,986,592	-	-	-	141,636,108	81,193,051
Faisalabad Electric Supply Company Limited	193,847,063	177,368,379	166,498,128	179,695,564	-	1,121,923	-	-	360,345,191	358,185,866
Gujranwala Electric Power Company Limited	27,105,294	27,846,062	353,841,574	297,072,755	2,319,824	11,458,736	-	-	383,266,692	336,377,553
Hyderabad Electric Supply Company Limited	5,982,542	5,317,439	-	-	-	-	-	-	5,982,542	5,317,439
Quetta Electric Supply Company Limited	-	-	-	-	16,211,000	-	373,394,019	-	389,605,019	-
Tribal Areas Electric Supply Company Limited	-	-	-	-	1,239,567	1,759,807	-	-	1,239,567	1,759,807
Sukkur Electric Power Company Limited	5,214,017	4,304,142	-	-	-	187,294	-	-	5,214,017	4,491,436
Power Information Technology Company (Private) Limited	-	-	-	-	6,097,174	-	-	-	6,097,174	-
	<u>1,663,453,970</u>	<u>1,591,084,317</u>	<u>566,215,661</u>	<u>844,238,968</u>	<u>109,499,134</u>	<u>118,807,458</u>	<u>373,394,019</u>	<u>-</u>	<u>2,712,562,784</u>	<u>2,554,130,743</u>

24.4.1 This represents collection of bills of QESCO's consumers amounting to Rupees 373.394 million (2022: Rupees Nil) that was wrongly credited to the Company's collection bank account. The matter was communicated by QESCO vide letter dated 10 August 2023 and the Company agreed to the amount vide letter dated 19 September 2023 and the same was communicated to CPPA(G) for adjustment which is still awaited.

24.5 Workers' Profit Participation Fund

Balance as on 01 July
Interest charged during the year
Provision for the year

NOTE	2023 Rupees	2022 Rupees
	2,821,389,617	2,386,356,777
34	727,072,105	435,032,840
30	381,571,987	-
	<u>3,930,033,709</u>	<u>2,821,389,617</u>

24.5.1 The Company has withheld payment of its contribution towards Workers' Profit Participation Fund (WPPF) amounting to Rupees 1,179 million, being the 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.

24.6 IESCO Welfare Fund

Balance as on 01 July
Add: Additions during the year
- Employees' contribution
- Company's contribution
- Interest on bank deposit

NOTE	2023 Rupees	2022 Rupees
	39,303,659	18,966,480
30.1	10,099,786	9,343,133
	111,563,113	123,374,509
	6,652,802	10,994,046
	128,315,701	143,711,688
	(111,563,113)	(123,374,509)
	<u>56,056,247</u>	<u>39,303,659</u>

Less: Payments to employees during the year
Balance as on 30 June

	NOTE	2023 Rupees	2022 Rupees
24.7 Provision against tax litigation			
Balance at the beginning of the year		-	-
Provision for the year	30	1,450,916,698	-
Balance at the end of the year	24.7.1	1,450,916,698	-
24.7.1 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 and recovered Rupees 1,268,246 million by attaching the bank account. CIR (A) upheld the order in original after which the Company preferred an appeal to the ATIR which deleted / rectified the original demand by Rupees 671.338 million. The Company filed a reference before Islamabad High Court (IHC) which decided the case against the Company vide order dated 08 March 2022. The Company then filed a reference before Supreme Court of Pakistan vide CPLA No. 1920 to 1924 of 2022 against the decision of IHC which was dismissed vide judgment dated 10 August 2022. The Company filed a review petition before Supreme Court dated 19 October 2023 which is pending for admission. However, based on prudence, provision is being maintained by the Company.			
24.8 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.			
	NOTE	2023 Rupees	2022 Rupees
24.9 Inter disco tariff realization surcharge			
Balance as on 01 July		7,229,942,004	2,823,356,024
Changes during the year against:			
- Inter disco's tariff rationalization surcharge	27.2	31,864,778,154	41,382,878,174
- Applicable quarterly tariff adjustments	27.2	8,661,066,005	8,274,273,381
		40,525,844,159	49,657,151,555
Adjusted during the year against:			
- Tariff differential subsidy	10.1	(22,727,107,659)	(26,009,869,850)
- Debit / credit notes	24.9.1	(18,773,859,328)	(19,240,695,725)
		(41,500,966,987)	(45,250,565,575)
		6,254,819,176	7,229,942,004
24.9.1 This includes debit / 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 debit / credit notes against the payable to CPPA (G).			
24.10 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.			
24.11 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. On 10 February 2023, ECC of the cabinet through its decision No. ECC-44/06/2023 approved revision in rates of financing cost surcharge			
24.12 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.			
25 ACCRUED MARK-UP			
It represents accrued markup on long term foreign re-lent loans and includes Rupees 9,757.611 million (2022: Rupees 8,176.143 million) overdue portion. Further, it also includes markup amounting to Rupees 6,381 million (2022: Rupees 4,075.541 million) calculated on overdue portion of principal outstanding.			
26 CONTINGENCIES AND COMMITMENTS			
26.1 Tax and other contingencies			
26.1.1 The Additional Commissioner Inland Revenue (ACIR) amended the assessments of the Company for the tax years 2010, 2011, 2013 and 2015 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) where tax year 2015 is pending whereas ATIR decided the cases related to other years against the Company. The Company filed reference before Islamabad High Court (IHC) against decision of ATIR which is pending adjudication.			
26.1.2 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.			
26.1.3 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.			

- 26.1.4 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 dated 09 June 2016. 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.
- 26.1.5 Officer Inland Revenue (OIR) passed the Order-in-Original No of 04/2011 dated 30 October 2011 raising sales tax demand of Rupees 1,709 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.
- 26.1.6 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 had preferred an appeal before IHC who remanded the case back to ATIR for reconsideration and granted stay till the decision.
- 26.1.7 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. IHC vide order dated 05 December 2022 decided the case against the Company. The Company is in process of filing an appeal in condonation before the Supreme Court of Pakistan and the legal counsel is confident that the case will be decided in the favour of the Company.
- 26.1.8 Officer Inland Revenue issued an Order-in-Original No. 21/2012 dated 24 April 2012 raising sales tax demand of Rupees 1,528 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 No. 1196/2012 dated 28 April 2012 before the IHC to declare such sales as an export. The IHC decided the case against the Company, vide STR No. 11/2013, declaring the supplies as taxable. The Company has filed the reference before the Supreme Court of Pakistan, which is still pending adjudication.
- 26.1.9 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 still pending adjudication.
- 26.1.10 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.
- 26.1.11 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.
- 26.1.12 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 and as a result The ATIR remanded the case back to DCIR.
- 26.1.13 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.
- 26.1.14 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 the ATIR which is pending adjudication.

- 26.1.15 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(B) 2017 dated 8 July 2019 has decided the case in favor of the Company. FBR filed an appeal No. 66/2019 dated 28 December 2019 before IHC which vide order No. 53/2020 19 January 2021 remanded the case alongside others back to ATIR for reconsideration.
- 26.1.16 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 filed an appeal with ATIR which was dismissed. The Company filed an appeal before the IHC which vide order No. STR 13/2017 dated 12 May 2022 was decided against the Company. The Company filed an appeal Ref. CPLA 2944/2023 with the Supreme Court which is pending adjudication.
- 26.1.17 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.
- 26.1.18 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 filed with ATIR. ATIR vide its order No. STA No. 353(B)/2017 dated 10 July 2019 has deleted that demand. FBR filed an appeal No. 19/2020 dated 07 February 2020 before IHC which vide order No. 53/2020 dated 19 January 2021 remanded the case alongside others back to ATIR for reconsideration.
- 26.1.19 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 for the tax year 2014. 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.
- 26.1.20 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.
- 26.1.21 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.
- 26.1.22 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.
- 26.1.23 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.
- 26.1.24 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 upheld the amount as per the corrigendum. The Company preferred an appeal before the ATIR which set aside the demand.
- 26.1.25 Officer Inland Revenue (OIR) issued the Order-in-Original No. 02/2021-2022 dated 26 May 2022 raising sales tax demand of Rupees 21,658 million including default surcharge and penalty thereon for the tax period from July 2019 to June 2020 on account of unlawful adjustment of input tax, input tax apportionment on account of Government subsidy and non-payment of unrealized sales tax, extra tax and further tax, electricity supplies to AJK and supplies of free electricity to employees, other distribution companies and unregistered consumers etc. The Company filed an appeal before the CIR (A) which was decided against the Company. The Company has preferred an appeal before the Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication.
- 26.1.26 OIR issued the Order-in-Original No. 01/21-2022 dated 12 October 2021 raising sales tax demand of Rupees 1,777 million including default surcharge and penalty thereon for the tax period from July 2016 to June 2017 on account of electricity supplies to AJK, unlawful adjustment of input tax and non-payment of extra tax and further tax. The Company filed an appeal before the CIR (A) which was decided against the Company. The Company has preferred an appeal before the Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication.
- 26.1.27 OIR - Punjab Revenue Authority (PRA) issued the Order-in-Original No. 302/2021 dated 01 March 2022 raising demand of Rupees 6,470 million including default surcharge and penalty thereon for the tax period from July 2016 to June 2020 on account of nonwithholding of sales tax. The Company filed an appeal before the CIR (A) PRA, which is pending adjudication.
- 26.1.28 OIR issued the Order-in-Original No. 06/30/2023 dated 31 May 2023 raising sales tax demand of Rupees 19,689 million including default surcharge and penalty thereon for the tax period from July 2020 to June 2021 on account of electricity supplies to AJK, supplies of free electricity to employees, other distribution companies and unregistered consumers, sales of scrap, unlawful adjustment and apportionment of input tax on account of Government subsidy and non-payment of unrealized sales tax, extra tax and further tax. The Company filed an appeal before the CIR (A) which is pending adjudication.
- 26.1.29 OIR passed the Order-in-Original No. 01/30/2023 dated 03 April 2023 raising sales tax demand of Rupees 10,871 million including default surcharge and penalty thereon for the tax period from July 2017 to June 2020 on account of electricity supplies to AJK, supplies of free electricity to employees and other distribution companies, government hospitals and sale of scrap. The Company filed an appeal before the CIR (A), which is pending adjudication.
- 26.1.30 DCIR has issued order u/s 161(1)/205 of the Income Tax Ordinance, 2001 raising tax demand of Rupees 4,666.55 million by treating tax payer in default in certain revenue and capital expenditure for the tax year 2016 vide order No. 100000074036170 dated 19 May 2022. Being aggrieved, the Company filed an appeal before CIR(A) against the order. CIR(A) upheld the DCIR's order. The Company filed an appeal before ATIR which is pending adjudication.

26.1.31 The Honorable Lahore High Court (LHC) issued stay orders dated 23 August 2022 against the billing of fuel price adjustment, applicable quarterly tariff adjustment and finance cost for certain industrial and bulk supply consumers. However, the amount was billed in the relevant months but cannot be recovered from consumers until the period of the stay. The Company filed an appeal before the Supreme Court against the stay order issued by the LHC and the Supreme Court remanded back the case to Appellate Tribunal of NEPRA which is pending adjudication.

26.1.32 NEPRA has imposed a fine of Rupees 65 million on the Company vide order dated 11 November 2022 for violation of applicable performance standards and lack of safety measures required under the NEPRA Laws. The Company filed and appeal against the above before NEPRA Appellate Tribunal Islamabad (the Tribunal) which is pending adjudication. Further, the tribunal has suspended the impugned order and directed the Company to furnish a bank guarantee equal to 1/3rd of the amount imposed by NEPRA with in forty days of the order with the registrar of NEPRA. Hearing of appeal was fixed for 20 September 2023, and was later adjourned to 01 November 2023.

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.

26.1.33 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.

26.2 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 3,418,384 million between the amount confirmed by CPPA (G) and the amount recorded in the books of the Company as at 30 June 2023. 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	2023 Rupees	2022 Rupees
Interest on syndicated loans	26.2.1	(3,865,019,289)	(3,865,019,302)
Supplemental charges of CPPA (G)	26.2.2	6,864,324,906	6,864,324,906
Less / (excess) cash remittance as per CPPA (G)		56,216,850	(293,798,486)
Use of system charges		(5,000,000)	(5,000,000)
Power purchase	26.2.3	-	2,150,535,981
Others	26.2.4	8,638,927	10,619,506
Net metering	26.2.5	359,222,421	-
		<u>3,418,383,815</u>	<u>4,861,662,605</u>

26.2.1 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 severally 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 IESCO 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.

26.2.2 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.

26.2.3 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. During the year, the said adjustment has been acknowledged and given by CPPA (G).

26.2.4 These represent 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.

26.2.5 These represent credit notes withdrawn by CPPA (G) on 05 September 2023 against not metering. Management incorporated these adjustments which have not been recorded by CPPA (G) as at 30 June 2023.

26.3 Commitments

26.3.1 Inland letters of credit as at 30 June 2023 amounted to Rupees 1,814.74 million (2022: Rupees 1,814.74 million).

26.3.2 Commitments against intangible asset under development are amounting to Rupees 44.46 million (2022: Rupees 64.08 million).

26.3.3 Commitments against capital work-in-progress (Advance Metering Infrastructure) are amounting to Rupees 22,127.152 million (2022: Rupees Nil).

		NOTE	2023 Rupees	2022 Rupees
27	SALE OF ELECTRICITY - NET			
	Gross sales	27.1	297,060,777,806	247,358,502,543
	Sales tax		(45,975,678,990)	(35,306,839,045)
		27.2	<u>251,085,098,816</u>	<u>212,051,663,498</u>
27.1	Gross revenue is netted off an amount of Rupees 2,834.767 million (2022: Rupees 1,739.452 million) representing subsidized invoices raised during the year for energy consumed that were not subsequently claimed from the subsidy cell. This is due to Relief 1 of Prime Minister's Industrial Support Package II, as defined in Note 10.3 of these financial statements.			
27.2	Disaggregation of revenue			
	In the following, revenue is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.			
		NOTE	2023 Rupees	2022 Rupees
	Primary geographical markets:			
	Pakistan		202,364,421,030	173,716,185,813
	Azad Jammu and Kashmir		<u>48,720,677,786</u>	<u>38,335,477,685</u>
			<u>251,085,098,816</u>	<u>212,051,663,498</u>
	Major product lines / services:			
	Residential		117,095,258,784	89,670,460,585
	Commercial		43,867,520,221	33,432,675,916
	Industrial		41,252,487,215	35,507,109,275
	Bulk		32,000,517,508	26,074,296,214
	Agriculture		705,739,545	591,611,821
	Public lighting		2,729,877,715	2,284,441,720
	Residential colonies attached to industries		103,435,388	107,304,047
	Special contracts:			
	- Azad and Jammu Kashmir		48,720,677,786	38,335,477,685
	- Rawat lab		11,523,163	10,242,030
	Supply at 66 KV and above		-	31,920,740
	General services		<u>17,694,886,733</u>	<u>14,022,414,712</u>
			304,181,924,058	240,067,954,745
	Inter disco's tariff rationalization surcharge	24.9	(31,864,778,154)	(41,382,878,174)
	Applicable quarterly tariff adjustments	24.9	(8,661,066,005)	(8,274,273,381)
	Fuel price adjustment		(16,999,712,762)	20,920,402,276
	Unbilled revenue adjustment:			
	- unbilled revenue recognized		13,229,233,334	8,800,501,655
	- unbilled revenue for previous period billed during the year		(8,800,501,655)	(8,080,043,623)
			<u>4,428,731,679</u>	<u>720,458,032</u>
			<u>251,085,098,816</u>	<u>212,051,663,498</u>
	Timing of revenue recognition:			
	- Products transferred at a point in time		251,085,098,816	212,051,663,498
	- Products and services transferred over time		-	-
			<u>251,085,098,816</u>	<u>212,051,663,498</u>
27.3	Revenue is recognized at point in time when the electricity units are consumed by the customers.			
20	SUBSIDIES FROM THE GOVERNMENT OF PAKISTAN	NOTE	2023 Rupees	2022 Rupees
	Tariff Differential Subsidy	10.1	22,969,075,140	24,750,630,749
	Prime Minister's Industrial Support Package II	10.3	-	1,471,775,280
	Zero rated industrial rebate	10.4	1,240,014,616	1,458,972,129
	Winter package	10.5	-	218,674,663
	Kissan package	10.6	29,440,090	-
			<u>24,238,529,846</u>	<u>27,900,052,821</u>
29	COST OF ELECTRICITY			
	Cost of electricity:			
	- Power purchase	29.1	224,148,635,436	214,898,692,139
	- Use of system charges	12.1	6,686,876,076	2,619,979,113
	- Market operation fee		86,554,180	63,617,707
	- Pak Matyari Lahore Transmission Company - PMLTC charges	12.2 & 29.2	<u>5,459,892,255</u>	<u>3,423,122,834</u>
			236,381,957,947	220,995,411,793
	Supplementary charges	29.3	4,880,575,620	5,707,131,351
	Net metering cost paid	29.4	1,291,707	1,382,808
			<u>241,263,025,274</u>	<u>228,703,925,952</u>
29.1	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.			
29.2	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 NTDC shall be allocated to DISCOs based on their actual monthly KW consumption for the month.			
29.3	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.			

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

	NOTE	2023 Rupees	2022 Rupees
30 ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	30.1	3,365,336,365	2,233,442,621
Transportation		208,925,471	129,952,862
Depreciation	3.1.5	168,704,543	165,248,743
Electricity bill collection charges		135,001,028	176,576,153
Office supplies and other expenses		161,375,965	128,723,721
Rent, rates and taxes	30.2	1,650,000	3,045,000
Legal and professional charges		94,064,709	113,032,480
Repairs and maintenance		12,059,472	6,061,544
Power, light and water charges		30,617,782	31,909,794
Postage and telephone		25,671,914	20,678,662
Fee and subscription		127,278,712	4,893,936
Insurance expense		72,480,631	66,729,210
NEPRA fee and charges		94,964,164	69,879,705
Advertising and publicity		8,750,922	11,222,003
Management fee of Power Planning and Monitoring Company	30.3	15,400,000	42,350,000
Auditor's remuneration	30.4	2,772,000	2,940,000
Balances written off	30.5	-	4,655,663,378
Allowance for expected credit losses	8.3	569,973,164	-
Provision against slow moving / obsolete items of stores, spares and loose tools	7.1	83,504,210	-
Workers' profit participation fund	24.5	381,571,987	-
Provision against tax litigation	24.7	1,450,916,698	-
Miscellaneous		73,951,445	55,911,462
		<u>7,084,971,182</u>	<u>7,918,261,274</u>

30.1 This includes an amount of Rupees 1,106.441 million (2022: Rupees 698.294 million) in respect of staff retirement benefits (Note 22.12) and Rupees 111.563 million (2022: Rupees 123.375 million) in respect of IESCO Welfare Fund (Note 24.6).

30.2 This includes an amount of Rupees 0.05 million (2022: Rupees 3.045 million) in respect of short term leases.

30.3 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	2023 Rupees	2022 Rupees
30.4 Auditor's remuneration			
Audit fee		2,772,000	2,640,000
Certifications		-	300,000
		<u>2,772,000</u>	<u>2,940,000</u>
30.5 Balances written off			
Trade debt written off		-	1,841,017,148
Subsidy receivable written off	10.1	-	2,814,646,230
		<u>-</u>	<u>4,655,663,378</u>

31 DISTRIBUTION COST			
Salaries, wages and other benefits	31.1	15,908,969,372	12,828,932,109
Depreciation	3.1.5	5,394,473,190	5,022,011,406
Repairs and maintenance		2,123,388,989	1,494,274,880
Transportation		832,790,177	584,288,670
Office supplies and other expenses		36,539,798	26,380,219
Rent, rates and taxes	31.2	150,349,438	48,439,539
Power, light and water charges		71,450,312	45,075,427
Postage and telephone		24,285,556	29,378,904
Security services		23,996,038	15,229,500
Miscellaneous		77,941,861	103,656,733
		<u>24,644,164,729</u>	<u>20,197,667,417</u>

31.1 This includes an amount of Rupees 6,322.519 million (2022: Rupees 4,380.957 million) in respect of staff retirement benefits (Note 22.12).

31.2 This includes an amount of Rupees 51.160 million (2022: Rupees 44.753 million) in respect of short term leases.

32 CUSTOMER SERVICES COST			
Salaries, wages and other benefits	32.1	1,152,310,443	906,696,353
Transportation		31,205,483	29,665,153
Electricity bill collection charges		113,724,291	112,564,483
Depreciation	3.1.5	176,013,027	171,012,185
Office supplies and other expenses		6,233,520	4,868,764
Rent, rates and taxes	32.2	42,165,102	1,167,647
Power, light and water charges		6,411,012	5,605,999
Postage and telephone		2,068,371	2,221,532
Repairs and maintenance		2,561,265	2,188,862
Miscellaneous		8,537,680	9,256,633
		<u>1,540,030,194</u>	<u>1,245,947,611</u>

32.1 This includes an amount of Rupees 474.189 million (2022: Rupees 308.340 million) in respect of staff retirement benefits (Note 22.12).

32.2 This includes an amount of Rupees 2.706 million (2022: Rupees 1.168 million) in respect of short term leases.

	NOTE	2023 Rupees	2022 Rupees
33 OTHER INCOME			
Income from financial assets			
Profit on bank deposits		1,533,491,078	710,055,002
Profit on short term investments		256,419,918	-
Late payment surcharge		2,983,621,783	1,601,852,104
		<u>4,773,532,779</u>	<u>2,311,907,106</u>
Income from non-financial assets			
Sale of scrap		195,045,064	23,067,342
Gain on disposal of operating fixed assets		25,170,000	-
Vetting and processing fee		253,446,081	207,076,997
Income from rest houses		1,956,010	1,445,350
Reversal of provision against slow moving / obsolete items of stores, spares and loose tools	7.1	-	45,595,279
Operating revenue	33.1	373,577,262	147,513,171
		<u>849,194,397</u>	<u>421,698,139</u>
Others			
Public lighting		24,308,633	20,239,286
Commission on collection of electricity duty and PTV license fee		92,849,243	79,064,496
Liquidated damages		116,286,422	56,191,377
Meter / service rent		39,014,296	39,114,596
Reconnection fees		10,295,400	5,726,132
Wheeling charges		9,080,533	6,646,722
Miscellaneous		189,098,403	133,270,603
		<u>480,932,930</u>	<u>341,253,212</u>
		<u>6,103,660,106</u>	<u>3,074,958,457</u>

33.1 This represents gain on installation of new connection / deposit works

34 FINANCE COST

Mark-up on long term loans		1,745,483,757	1,401,030,137
Mark-up transferred from GoP	34.1	-	573,316,321
Exchange loss		141,066,224	120,849,041
Interest on Worker's Profit Participation Fund	24.5	727,072,105	435,032,840
Bank charges	34.2	72,396,725	42,985,993
		<u>2,686,018,811</u>	<u>2,573,214,332</u>
Finance cost capitalized	34.3	<u>(326,827,975)</u>	<u>-</u>
		<u>2,359,190,836</u>	<u>2,573,214,332</u>

34.1 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.

34.2 This includes a sum of Rupees 60.379 million (2022: Rupees 38.308 million) in respect of tax deducted on bank profit on plan assets.

34.3 The capitalization rate used to determine the amount of finance cost be capitalized is 12% per annum applicable to the entity's specific borrowings from Asian Development Bank against Advance Metering Infrastructure and consultancy during the year.

	NOTE	2023 Rupees	2022 Rupees
35 TAXATION			
Current year	35.1 & 14	3,190,047,536	2,778,242,492
Deferred tax	6	3,999,454,705	(184,180,621)
	35.2	<u>7,189,502,241</u>	<u>2,594,061,871</u>

35.1 The provision for minimum taxation is calculated at 1.25% (2022: 1.5%) of the Company's gross revenue and other income under the provisions of the Income Tax Ordinance, 2001.

35.2 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.

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

	Long term security deposits		Long term loans	
	2023	2022	2023	2022
	Rupees	Rupees	Rupees	Rupees
Balance as at 01 July	8,336,047,237	7,304,779,929	8,730,615,181	8,605,111,399
Proceeds from long term loans	-	-	4,293,593,904	44,757,495
Security deposits - net	952,088,661	1,031,267,308	-	-
Exchange loss	-	-	141,066,224	80,746,287
Balance as at 30 June	9,288,135,898	8,336,047,237	13,165,275,309	8,730,615,181

37 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	
	2023	2022	2023	2022
	Rupees			
Managerial remuneration and allowances	7,623,034	5,727,099	565,790,406	199,813,788
Bonus	542,134	332,760	27,140,190	13,383,060
	8,165,168	6,059,859	592,930,596	213,696,848
Number of persons	1	1	205	94

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 (2022: 13 directors) is Rupees 14.08 million (2022: Rupees 18.11 million) for attending Board of Directors and sub-committee meetings.

38 FINANCIAL RISK MANAGEMENT

38.1 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:

	2023	2022
Long term loans - USD	1,738,472	1,738,472
Accrued mark-up - USD	89,345	100,466
Net exposure - USD	1,827,317	1,838,938

The following significant exchange rates were applied during the year:

Rupees per USD			
Average rate	252.58	177.45	
Reporting date rate	286.60	204.85	

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 profit / (loss) before taxation for the year would have been Rupees 26.193 million (2022: Rupees 18.835 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:

	2023 Rupees	2022 Rupees
Fixed rate instruments		
Financial assets		
Short term investments	3,355,700,644	-
Financial liabilities		
Long term loans	13,165,275,309	8,730,615,181
Variable rate instruments		
Financial assets		
Bank balances - deposit accounts	15,589,647,928	11,009,295,473

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, profit / (loss) before taxation for the year would have been Rupees 155,896 million (2022: Rupees 110,093 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:

	2023 Rupees	2022 Rupees
Loans and advances	428,153,804	422,255,444
Trade debts	90,035,836,867	127,215,233,057
Security deposits	95,402,897	73,736,230
Other receivables	4,563,216,006	9,869,089,952
Short term investments	3,355,700,644	-
Bank balances	17,829,989,387	12,577,061,192
	<u>116,308,304,605</u>	<u>150,157,375,875</u>

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

	Rating			2023	2022
	Short term	Long term	Agency	Rupees	Rupees
Banks					
Public Sector Banks					
National Bank of Pakistan	A-1+	AAA	PACRA	5,272,364,351	2,187,029,506
Sindh Bank Limited	A-1	A+	VIS	148,154	1,262,621
The Bank of Khyber	A-1	A+	PACRA	(728,108)	(584,176)
The Bank of Punjab	A-1+	AA+	PACRA	11,788,463	135,164,257
First Women Bank Limited	A-2	A-	PACRA	251,950	85,592,340
Specialized Banks					
SME Bank Limited	B	CCC	PACRA	1,544	(4,522)
Zarai Taraqiat Bank Limited	A-1+	AAA	VIS	1,640,894	2,591,044
The Punjab Provincial Cooperative Bank Limited	N/A	N/A	N/A	(248,478)	1,724,697
Private Sector Banks					
Allied Bank Limited	A-1+	AAA	PACRA	4,983,779,617	4,532,920,706
Askari Bank Limited	A-1+	AA+	PACRA	386,736,267	(703,322,470)
Bank Alfalah Limited	A-1+	AA+	PACRA	(2,370,064)	1,669,007
Faysal Bank Limited	A-1+	AA	PACRA	(57,723,851)	(8,796,653)
Habib Bank Limited	A-1+	AAA	VIS	3,391,374,688	1,831,599,496
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	162,762	(15,401,068)
JS Bank Limited	A-1+	AA-	PACRA	367,848,058	1,136,099
MCB Bank Limited	A-1+	AAA	PACRA	3,485,308,684	4,294,838,426
Silkbank Limited	A-2	A-	VIS	1,085,117	2,239,984
Soneri Bank Limited	A-1+	AA-	PACRA	17,126,096	893,886
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA	(559,189)	209,750
United Bank Limited	A-1+	AAA	VIS	215,835,607	305,145,587
Bank Al-Habib Limited	A-1+	AAA	PACRA	(141,623,915)	(81,022,256)
Al-Baraka Bank (Pakistan) Limited	A-1	A+	VIS	(101,913,822)	(9,763,623)
Bank Islami Pakistan Limited	A-1	AA-	PACRA	(2,226,698)	(856,389)
Meezan Bank Limited	A-1+	AAA	VIS	123,929,509	5,488,183
Dubai Islamic Bank Pakistan Limited	A-1+	AA	VIS	2,441,863	3,372,855
Samba Bank Limited	A-1	AA	PACRA	608	(864,778)
Bank Makramah Limited / Summit Bank Limited	N/A	N/A	N/A	4,198,744	4,821,202
Citibank N.A., Pakistan Branches	P-1	Aa3	Moody's	(128,639,464)	(191,344)
NIB Bank Limited	N/A	N/A	N/A	-	168,325
				<u>17,829,989,387</u>	<u>12,577,061,192</u>
Investments - Term Deposit Receipts					
Allied Bank Limited	A-1+	AAA	PACRA	1,115,291,083	-
Habib Bank Limited	A-1+	AAA	VIS	1,125,265,890	-
National Bank of Pakistan	A-1+	AAA	PACRA	1,115,143,671	-
				<u>3,355,700,644</u>	<u>-</u>

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

Trade debts

The Company's exposure to credit risk and allowance for expected credit losses related to trade debts is disclosed in Note 8.

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade debts.

To measure the expected credit losses, trade debts have been grouped based on shared credit risk characteristics and the days past due. These trade debts are netted off with the collateral obtained, if any, from these customers to calculate the net exposure towards these customers. The Company's electricity is sold to industrial, commercial and residential consumers and government organizations. 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.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the Gross Domestic Product, Unemployment, Interest, and the inflation Index of the country in which it majorly sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 30 June was determined as follows:

	2023			2022		
	Expected loss rate	Trade debts	Loss allowance	Expected loss rate	Trade debts	Loss allowance
	%	Rupees		%	Rupees	
Not yet past due	0.00%	24,389,699,318	-	0.00%	28,642,772,697	-
Up to 2 months	4.27%	3,740,407,228	159,814,233	2.42%	2,389,784,181	57,780,954
2 to 3 months	23.76%	74,994,626	17,818,726	100.00%	62,062,667	62,062,667
3 to 6 months	100.00%	296,393,249	296,393,249	100.00%	117,225,822	117,225,822
6 months to 1 year	96.65%	312,311,268	301,845,883	100.00%	115,370,588	115,370,588
1 year to 3 years	100.00%	229,884,180	229,884,180	100.00%	109,692,500	109,692,500
3 years and above	100.00%	129,287,125	129,287,125	100.00%	102,937,701	102,937,701
		<u>29,172,976,994</u>	<u>1,135,043,396</u>		<u>31,539,848,156</u>	<u>565,070,232</u>
Trade debts which are not subject to the risk of default:						
- Deferred arrears subject to litigation		2,525,204,525	-		483,979,449	-
- Government consumers		59,472,698,744	-		95,756,477,684	-
		61,997,903,269	-		96,240,457,133	-
		<u>91,170,880,263</u>	<u>1,135,043,396</u>		<u>127,780,303,289</u>	<u>565,070,232</u>

Security deposits, loans and advances and other receivables

The Company has made security deposits to utility companies for provision of utility connections and long term loans to employees which are secured against employees' benefits. The management does not expect to incur material losses on such deposits and consider such amount is receivable upon termination of service contract from respective utility companies.

In addition to above, financial assets include other receivables which mainly includes receivables from related parties (Government entities) and interest accrued on bank deposits. Management has assessed that there is no impairment loss in respect of these financial assets of the Company 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-----					
As at 30 June 2023					
Non-derivative financial liabilities:					
Loans	13,165,275,309	34,386,118,142	9,109,486,974	11,700,199,040	13,576,432,128
Long term security deposits	9,288,135,898	9,288,135,898	-	-	9,288,135,898
Trade and other payables	114,936,079,883	114,936,079,883	114,936,079,883	-	-
Accrued mark-up	10,368,754,001	10,368,754,001	10,368,754,001	-	-
	<u>147,758,245,091</u>	<u>168,979,087,924</u>	<u>134,414,320,858</u>	<u>11,700,199,040</u>	<u>22,864,568,023</u>
As at 30 June 2022					
Non-derivative financial liabilities:					
Loans	8,730,615,181	28,204,975,192	5,708,841,931	7,523,899,689	14,972,233,592
Long term security deposits	8,336,047,237	8,336,047,237	-	-	8,336,047,237
Trade and other payables	165,384,511,374	165,384,511,374	165,384,511,374	-	-
Accrued mark-up	8,623,270,244	8,623,270,244	8,623,270,244	-	-
	<u>191,074,444,036</u>	<u>210,548,804,047</u>	<u>179,716,623,549</u>	<u>7,523,899,689</u>	<u>23,308,280,829</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June. The rates of mark-up have been disclosed in Note 20 to these financial statements.

38.2 Financial Instruments by categories

As at 30 June

Financial assets

	2023 Rupees	2022 Rupees
Loans and advances	428,158,804	422,255,444
Trade debts	90,035,836,867	127,215,233,057
Security deposits	95,402,897	73,736,230
Other receivables	4,563,216,006	9,869,089,952
Short term investments	3,355,700,644	-
Cash and bank balances	17,830,003,577	12,577,067,294
	<u>116,308,321,795</u>	<u>150,157,381,977</u>

Financial liabilities

Loans	13,165,275,309	8,730,615,181
Long term security deposits	9,288,135,898	8,336,047,237
Trade and other payables	114,936,079,883	165,384,511,374
Accrued mark-up	10,368,754,001	8,623,270,244
	<u>147,758,245,091</u>	<u>191,074,444,036</u>

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

2023			2022			
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	428,158,804	323,352,413	751,511,217	422,255,444	427,854,808	850,110,252
Trade debts	90,035,836,867	-	90,035,836,867	127,215,233,057	-	127,215,233,057
Security deposits	95,402,897	-	95,402,897	73,736,230	-	73,736,230
Other receivables	4,563,216,006	4,701,767,224	9,264,983,230	9,869,089,952	1,715,112,628	11,584,202,580
Short term investments	3,355,700,644	-	3,355,700,644	-	-	-
Cash and bank balances	17,830,006,577	-	17,830,006,577	12,577,067,294	-	12,577,067,294
	116,308,321,795	5,025,119,637	121,333,441,432	150,157,381,977	2,142,967,436	152,300,349,413

2023			2022		
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	13,165,275,309	-	13,165,275,309	-	8,730,615,181
Long term security deposits	9,288,135,898	-	9,288,135,898	-	8,336,047,237
Trade and other payables	114,936,079,883	64,028,830,520	165,384,511,374	47,605,567,719	212,990,079,093
Accrued mark-up	10,368,754,001	-	8,623,270,244	-	8,623,270,244
	147,758,245,091	64,028,830,520	191,074,444,036	47,605,567,719	238,680,011,755

38.4 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.

38.5 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.

39 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.

(I) Fair value hierarchy

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

At 30 June 2023	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	-	4,936,274,512	-	4,936,274,512
Buildings on leasehold land	-	1,302,903,566	-	1,302,903,566
Distribution equipment	-	103,558,849,727	-	103,558,849,727
	-	149,581,264,929	-	149,581,264,929

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

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.

41 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	2023	2022
		Rupees	Rupees
Associated companies / undertakings			
National Electric Power Regulatory Authority	Fee	94,964,164	69,879,705
National Transmission and Despatch Company Limited	Free supply of electricity provided to employees of associated company	146,956,439	100,731,648
	Pension paid to employees of associated company	357,069,846	65,571,606
	Payment made by associated company	(421,903,885)	-
Central Power Purchasing Agency (Guarantee) Limited	Purchase of electricity	(225,184,358,565)	(220,659,441,199)
	GST	(22,452,016,756)	(23,940,708,517)
	Management fee	(15,400,000)	(42,350,000)
	Payment	243,901,761,977	189,072,607,341
	Debit note received from CPPA	(19,057,246,908)	(20,502,934,139)
	Credit note received from CPPA	95,091,770,582	22,337,691,893
	Remittance to NTDC	(9,793,837,280)	(5,668,355,964)
	Adjustment	(7,833,811,236)	(2,798,742,917)
Northern Power Generation Company Limited	Free supply of electricity provided to employees of associated company	2,104,743	1,700,639
	Free supply of electricity received by employees of the Company from associated company	(34,318)	(15,512)
	Pension paid to employees of associated company	37,777,225	40,885,527
	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	199,762,516	-
Faisalabad Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	7,300,040	4,166,098
	Free supply of electricity received by employees of the Company from associated company	(23,778,729)	(37,748,361)
	Pension paid to employees of associated company	43,901,589	41,028,793
	Pension received by employees of the Company from associated company	(110,704,153)	(60,793,347)
	Purchase of material	(1,779,412)	-
Peshawar Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	48,853,423	17,333,152
	Free supply of electricity received by employees of the Company from associated company	(107,676,628)	(83,005,415)
	Pension paid to employees of associated company	35,102,285	31,586,556
	Pension received by employees of the Company from associated company	(447,501,626)	(6,612,450)
Gujranwala Electric Power Company Limited	Free supply of electricity provided to employees of associated company	12,824,781	8,603,039
	Free supply of electricity received by employees of the Company from associated company	(12,064,014)	(11,951,326)
	Pension paid to employees of associated company	39,821,983	36,063,491
	Pension received by employees of the Company from associated company	(116,590,802)	(100,625,197)
Quetta Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	3,780,656	2,685,031
	Free supply of electricity received by employees of the Company from associated company	(25,702)	(182,057)
	Pension paid to employees of associated company	26,445,034	(13,350,056)
	Pension received by employees of the Company from associated company	-	(102,581)
		(16,044,000)	
Central Power Generation Company Limited	Free supply of electricity provided to employees of associated company	2,269,973	1,156,565
	Free supply of electricity received by employees of the Company from associated company	(45,084)	(28,164)
	Pension paid to employees of associated company	28,083,784	32,349,000
	Pension received by employees of the Company from associated company	(17,845,541)	(17,791,306)
Hyderabad Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	1,420,106	918,882
	Free supply of electricity received by employees of the Company from associated company	2,085,301	(1,705,206)
	Pension paid to employees of associated company	15,687,306	6,573,649
	Pension received by employees of the Company from associated company	(1,277,862)	(1,507,221)

Name of related party	Nature of transactions	2023	2022
		Rupees	Rupees
Lakhra Power Generation Company Limited	Free supply of electricity provided to employees of associated company	170,943	113,828
	Pension paid to employees of associated company	1,237,636	1,583,825
	Pension received by employees of the Company from associated company	-	(633,654)
Tribal Areas Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	2,524,575	2,617,407
	Pension paid to employees of associated company	4,418,011	3,578,981
	Pension received by employees of the Company from associated company	-	(5,858,257)
Jamshoro Power Company Limited	Free supply of electricity provided to employees of associated company	617,457	526,969
	Free supply of electricity received by employees of the Company from associated company	(2,937)	-
	Pension paid to employees of associated company	5,393,740	7,020,359
	Pension received by employees of the Company from associated company	-	(3,714,546)
Sukkur Electric Power Company Limited	Free supply of electricity provided to employees of associated company	837,283	325,475
	Free supply of electricity received by employees of the Company from associated company	(1,747,158)	(980,464)
	Pension paid to employees of associated company	4,450,919	3,599,891
	Sale of material	34,499,997	-
Lahore Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	12,564,093	9,453,502
	Free supply of electricity received by employees of the Company from associated company	(7,341,181)	(13,601,092)
	Pension paid to employees of associated company	48,122,284	41,912,024
	Pension received by employees of the Company from associated companies	(49,236,074)	(61,083,553)
	Sale of material	18,270,350	-
Multan Electric Power Company Limited	Free supply of electricity provided to employees of associated company	5,407,894	5,701,400
	Free supply of electricity received by employees of the Company from associated company	(6,864,350)	(6,505,387)
	Pension paid to employees of associated company	29,275,998	9,860,347
	Pension received by employees of the Company from associated company	(16,301,727)	(15,503,981)
Pakistan Electric Power Company (Private) Limited	Free supply of electricity provided to employees of associated company	730,262	1,546,328
	Pension paid to employees of associated company	(942,871)	-
Power Information Technology Company (Private) Limited	Free supply of electricity provided to employees of associated company	635,412	444,606
	Free supply of electricity received by employees of the Company from associated company	(792,338)	(292,567)
	Fee and subscription	127,278,712	4,893,936
GENCO Holding Company Limited	Free supply of electricity provided to employees of associated company	635,412	507,531
	Services received by the Company	(10,178)	-

41.1 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.

41.2 Detail of compensation to key management personnel comprising of Chief Executive Officer, Directors and Executives is disclosed in Note 37.

42 NUMBER OF EMPLOYEES

The number of total employees at the year end were 11,259 (2022: 11,962), whereas the average number of employees during the year were 11,701 (2022: 12,137).

43 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 10,778,519,654 (2022: 11,961,960,502) units of electricity to its consumers during the year without adjusting the year end accruals.

44 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, CoP 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 507(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.

During the year ended 30 June 2022, the Honorable Supreme Court of Pakistan issued the order and declared the BESOS scheme to be ultra vires and that any benefits arising out of this scheme are illegal and unprotected.

45 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison and better presentation. No other significant reclassification / rearrangements of corresponding figures have been made except the following:

Reclassification		Particulars	Rupees
From	To		
Trade debts	Receivable from Government of Pakistan	Government subsidies.	3,228,700,323
Sale of electricity - net	Subsidies from the Government of Pakistan	Government subsidies.	3,149,422,072
Distribution cost	Administrative expenses	IESCO welfare fund contributions	105,810,805
Customer service cost	Administrative expenses	IESCO welfare fund contributions	9,652,155


46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 07 DEC 2023 by the Board of Directors of the Company.

47 GENERAL

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


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 2023

Riaz Ahmad & Company

Chartered Accountants

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Board of Directors
Islamabad Electric Supply Company Limited
IESCO Head Office, Street 40
Sector G-7/4
ISLAMABAD

20 November 2023

Our ref: I-7-66

Gentlemen

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

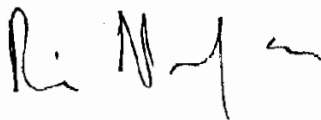
We are pleased to enclose draft review report to the Members on Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 as applicable to Islamabad Electric Supply Company Limited for the year ended 30 June 2023.

We shall be glad to sign our report in present or amended form after we have received:

- the enclosed Statement of Compliance approved by you and signed by the chief executive officer and chairman on your behalf;
- copy of policy book / extract of relevant policies;
- internal audit reports for the year ended 30 June 2023
- directors' report duly prepared in compliance with Rule 17 of Public Sector Companies (Corporate Governance) Rules, 2013; and
- your specific approval for the related party transactions incorporated in the books of account.

Finally, we wish to express our appreciation for the co-operation and courtesy extended to us by the management and other staff members in accomplishing our task.

Very truly yours



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

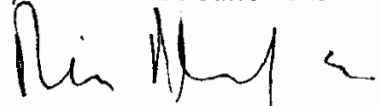
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Islamabad Electric Supply Company Limited (the Company) for the year ended 30 June 2023.

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 2023.



RIAZ AHMAD & COMPANY
Chartered Accountants

ISLAMABAD

Date: 20 December 2023

UDIN: CR202310187rOVWsTFeK

**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 2023

- 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:

Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks																																		
			Tick the relevant box																																				
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓		All the members of the Board have been nominated by the GOP.																																		
2.	The Board has at least one-third of its total members as independent directors. At present the Board includes: <table><thead><tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr></thead><tbody><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 Mehmood Sheikh</td><td>01-11-2022</td></tr><tr><td>Raja Talib Mehdi Khan</td><td>01-11-2022</td></tr><tr><td>Mr. Fahad Ali 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>25-03-2022</td></tr><tr><td>Muhammad Tayyab Zia</td><td>29-12-2022</td></tr></tbody></table>	Category	Names	Date of appointment	Independent Directors	Engr. Qamarul Islam Raja	01-11-2022	Chaudhary Khalid Munir	01-11-2022	Mr. Mujahid Pervaz Chattha	01-11-2022	Mr. Nasir Mehmood Sheikh	01-11-2022	Raja Talib Mehdi Khan	01-11-2022	Mr. Fahad Ali Malik	01-11-2022	Major (R) Tahir Iqbal	01-11-2022	Malik Ghulam Mustafa Kandwal	01-11-2022	Mr. Naeem Iqbal	01-11-2022	Mr. Adnan Enver Baig	01-11-2022	Executive Director	Dr. Muhammad Amjad Khan	16-07-2021	Non-Executive Directors	Mr. Arshad Majeed	07-10-2022	Dr. Imtiaz Ahmad	25-03-2022	Muhammad Tayyab Zia	29-12-2022	3(2)	✓		
Category	Names	Date of appointment																																					
Independent Directors	Engr. Qamarul Islam Raja	01-11-2022																																					
	Chaudhary Khalid Munir	01-11-2022																																					
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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. <u>www.iesco.com.pk</u> 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) (i) (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.	6(1)	✓		
	b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	✓		
	c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	✓		
19.	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	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	✓		

Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks															
			Tick the relevant box																	
21.	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.	10	N/A	✓																
22.	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.	11	✓																	
23.	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 border="1"><thead><tr><th>Committee</th><th>Number of members</th><th>Name of Chair</th></tr></thead><tbody><tr><td>Audit and Risk Committee</td><td>10</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></tbody></table>	Committee	Number of members	Name of Chair	Audit and Risk Committee	10	Major (R) Tahir Iqbal	Human Resource and Nomination Committee	10	Engr. Qamarul Islam Raja	Procurement and Finance Committee	10	Raja Talib Mehdi Khan	Technical and Customer Service Committee	10	Mr. Mujahid Pervaz Chattha	12	✓ ✓ ✓ ✓		
Committee	Number of members	Name of Chair																		
Audit and Risk Committee	10	Major (R) Tahir Iqbal																		
Human Resource and Nomination Committee	10	Engr. Qamarul Islam Raja																		
Procurement and Finance Committee	10	Raja Talib Mehdi Khan																		
Technical and Customer Service Committee	10	Mr. Mujahid Pervaz Chattha																		
24.	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.	13	✓		Position of Chief Internal Auditor is vacant.															
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓																	
26.	The Company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓																	

Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks																																	
			Tick the relevant box																																			
27.	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.	17	✓																																			
28.	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.	18	✓																																			
29.	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.	19	✓																																			
	b) The annual report of the company contains criteria and details of remuneration of each director.		✓																																			
30.	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.	20	✓																																			
31.	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 Ali 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. Arshad Majeed</td><td>Non-Independent</td><td>Government servant</td></tr><tr><td>Muhammad Tayyab Zia</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></td></tr></table>	Name of member	Category	Professional background	Major (R) Tahir Iqbal	Independent	Ex-parliamentarian with 50 years of professional experience in various capacities	Mr. Fahad Ali Malik	Independent	Self-employed	Chaudhary Khalid Munir	Independent	Banker with 35 years of professional experience in various capacities	Malik Ghulam Mustafa Kandwal	Independent	Advocate with 25 years of professional experience in various capacities	Mr. Naeem Iqbal	Independent	Banker with 35 years of professional experience in various capacities	Dr. Imtiaz Ahmad	Non-Independent	Government servant	Mr. Arshad Majeed	Non-Independent	Government servant	Muhammad Tayyab Zia	Non-Independent	Government servant	Chief Financial Officer	Ex-Officio	Government servant	Chief Internal Auditor	Ex-Officio		21 (1)	✓		
Name of member	Category	Professional background																																				
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Chief Financial Officer	Ex-Officio	Government servant																																				
Chief Internal Auditor	Ex-Officio																																					
The chief executive and chairman of the Board are not members of the audit committee.			✓																																			

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. 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.	21 (3)	✓ ✓ ✓		Position of Chief Internal Auditor is vacant.
33.	a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee. 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.	22	✓ N/A ✓		Position of Chief Internal Auditor is vacant.
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)	✓		

Qamar

(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.	10	The Board had not approved the quarterly financial statements in appropriate time i.e. within one month of the close of quarter due to late finalization of financial statements.	The Company would take necessary steps for timely approval of quarterly financial Statements in next financial year.
2.	13 & 22	The appointment of chief internal auditor is not made yet.	Appointment of Chief Internal Auditor is under process


(ENGR. QAMARUL ISLAM RAJA)
Chairman


(DR. MUHAMMAD AMJAD KHAN)
Chief Executive Officer