Riaz Ahmad & Company
Chartered Accountants

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

30 JUNE 2021

A member of Nexia International

Riaz Ahmad & Company
Chartered Accountants

2-A, ATS Centre, 30-West
Fazal-ul-Haq Road, Blue Area
Islamabad, Pakistan
T: +92 (51) 227 41 21 - 2
F: +92 (51) 227 88 59
racoisd@racopk.com
www.racopk.com

INDEPENDENT AUDITOR'S REPORT

To the members of Islamabad Electric Supply Company Limited

Report on the Audit of the Financial Statements

Qualified 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 2021, 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, except as described in the *Basis for Qualified Opinion* section below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes 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 2021 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

The Company carried out revaluation of land, buildings and distribution equipment on 01 July 2020, resulting in revaluation surplus amounting to Rupees 48,965.99 million (note 17). However, we noted that the Company did not comply with the requirements of International Accounting Standard 16 "Property, Plant and Equipment" ("IAS 16") with respect to recording the increase / decrease in carrying amount of the assets resulting from revaluation in statement of comprehensive income or the statement of profit or loss as the case may be. The effect of this departure from International Financial Reporting Standard on the financial statements, including but not limited to the effect on revaluation surplus, related deferred income tax and disclosures, profit for the year and accumulated loss, could not be determined. The management of the Company has initiated an extensive exercise to comply with the requirements of IAS-16 with respect to treatment of surplus on revaluation of fixed assets. We further noted that old / damaged distribution equipment has been replaced without recording disposal in fixed assets. In the absence of such details, we remained unable to determine the amount of adjustments that may be required in the financial statements; if any.

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 qualified opinion.

Emphasis of Matters

We draw attention to the following matters:

a) As explained in note 10.1 of the accompanying financial statements, management has taken up the matter of subsidy receivable from the Government of Pakistan (GoP), amounting to Rupees 2,814.65 million recognized in 2014 on account of fuel price adjustment to domestic consumers, for the period from August 2011 to March 2013. The recovery of said amount is dependent on the notification by the GoP; and

b) Note 24.1 and 24.2 of the accompanying financial statements, which describes various matters regarding tax and other contingencies, the ultimate outcome of which cannot be presently determined; hence pending the resolution thereof, no provision for the same has been made in accompanying financial statements.

Our opinion is not modified in respect of these matters.

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

Management is responsible for the other information. The other information comprises the information included in the 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 draw attention to the matter described in the *Basis for Qualified Opinion* section above. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

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

RIAZ AHMAD & COMPANY
Chartered Accountants

ISLAMABAD

Date: 17 DEC 2021

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	NOTE	2021 Rupees	2020 Restated Rupees	2019 Restated Rupees
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	3	153,935,387,179	101,717,246,250	99,792,713,363
Intangible asset under development	4	114,032,619	114,032,619	43,678,792
Long term loans	5	189,843,098	191,505,142	122,060,871
Deferred income tax asset	6	-	-	-
		154,239,262,896	102,022,784,011	99,958,453,026
CURRENT ASSETS				
Stores, spares and loose tools	7	1,253,709,134	1,409,307,717	1,156,738,534
Trade debts	8	69,805,869,893	128,158,439,953	96,970,187,670
Advances	9	275,214,823	436,662,038	317,317,918
Receivable from Government of Pakistan	10	5,290,252,962	7,458,533,039	4,848,749,415
Security deposits	11	73,736,230	73,736,230	73,736,230
Other receivables	12	3,948,287,261	3,781,451,987	3,489,964,018
Sales tax receivable	13	21,672,240,530	21,672,240,530	21,864,384,915
Advance income tax		1,320,081,028	1,508,226,947	871,668,339
Cash and bank balances	14	8,791,340,061	5,204,373,983	3,332,892,482
		112,430,731,922	169,702,972,424	132,925,639,521
Non-current assets held for sale	12.2	65,890,500	65,890,500	65,890,500
		112,496,622,422	169,768,862,924	132,991,530,021
TOTAL ASSETS		266,735,885,318	271,791,646,935	232,949,983,047
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital				
5,000,000,000 (2020: 5,000,000,000) Ordinary shares of Rupees 10 each		50,000,000,000	50,000,000,000	50,000,000,000
Issued, subscribed and paid up share capital	15	5,798,253,340	5,798,253,340	5,798,253,340
Accumulated loss		(62,592,114,469)	(65,593,086,855)	(53,403,434,482)
Capital reserves				
Deposit for shares	16	15,977,870,269	20,250,770,096	20,250,770,096
Surplus on revaluation of operating fixed assets - net of deferred income tax	17	69,039,263,742	29,335,045,587	30,534,963,137
		85,017,134,011	49,585,815,683	50,785,733,233
Total reserves		22,425,019,542	(16,007,271,172)	(2,617,701,249)
Total equity		28,223,272,882	(10,209,017,832)	3,180,552,091
LIABILITIES				
NON-CURRENT LIABILITIES				
Long term loans	18	5,449,707,205	6,265,591,770	7,053,024,516
Long term security deposits	19	7,304,779,929	6,533,606,741	6,045,080,129
Staff retirement benefits	20	45,646,048,211	42,832,870,892	41,187,410,111
Deferred credit	21	29,768,760,406	28,300,117,642	26,997,537,666
		88,169,295,751	83,932,187,045	81,283,052,422
CURRENT LIABILITIES				
Trade and other payables	22	140,142,540,303	190,022,959,527	142,595,904,196
Accrued mark-up	23	7,045,372,188	5,689,221,268	4,332,903,161
Current portion of long term loans	18	3,155,404,194	2,356,296,927	1,557,571,177
		150,343,316,685	198,068,477,722	148,486,378,534
TOTAL LIABILITIES		238,512,612,436	282,000,664,767	229,769,430,956
CONTINGENCIES AND COMMITMENTS	24			
TOTAL EQUITY AND LIABILITIES		266,735,885,318	271,791,646,935	232,949,983,047

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 2021

	NOTE	2021 Rupees	2020 Restated Rupees
SALE OF ELECTRICITY - NET	25	138,780,783,389	132,878,344,178
TARIFF DIFFERENTIAL SUBSIDY	10	22,410,587,232	24,257,340,965
		161,191,370,621	157,135,685,143
COST OF ELECTRICITY	26	(143,196,575,725)	(146,881,526,700)
GROSS PROFIT		17,994,794,896	10,254,158,443
AMORTIZATION OF DEFERRED CREDIT	21	1,640,058,947	1,531,254,386
		19,634,853,843	11,785,412,829
OPERATING EXPENSES			
ADMINISTRATIVE EXPENSES	27	(5,816,290,535)	(6,979,845,398)
DISTRIBUTION COSTS	28	(15,066,036,170)	(14,716,403,526)
CUSTOMER SERVICES COSTS	29	(1,101,483,110)	(936,833,849)
		(21,983,809,815)	(22,633,082,773)
LOSS FROM OPERATIONS		(2,348,955,972)	(10,847,669,944)
OTHER INCOME	30	2,373,150,262	1,968,694,951
FINANCE COST	31	(1,611,518,243)	(1,818,116,778)
LOSS BEFORE TAXATION		(1,587,323,953)	(10,697,091,771)
TAXATION	32	5,026,982,819	(2,031,277,444)
PROFIT / (LOSS) AFTER TAXATION		3,439,658,866	(12,728,369,215)

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 2021

	2021 Rupees	2020 Restated Rupees
PROFIT / (LOSS) AFTER TAXATION	3,439,658,866	(12,728,369,215)
OTHER COMPREHENSIVE INCOME / (LOSS)		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	(2,560,297,431)	(661,200,708)
Related deferred income tax	742,486,255	-
	(1,817,811,176)	(661,200,708)
Surplus on revaluation of operating fixed assets	48,965,986,097	-
Related deferred income tax	(7,882,643,246)	-
	41,083,342,851	-
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income / (loss) for the year - net of tax	39,265,531,675	(661,200,708)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	42,705,190,541	(13,389,569,923)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	SHARE CAPITAL	CAPITAL RESERVES		ACCUMULATED LOSS	TOTAL RESERVES	TOTAL EQUITY
		DEPOSIT FOR SHARES	SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF DEFERRED INCOME TAX			
	Rupees					
Balance as at 30 June 2019 - as previously reported	5,798,253,340	20,250,770,096	30,534,963,137	(50,562,747,413)	222,985,820	6,021,239,160
Impact of restatement (Note 2.28)	-	-	-	(2,840,687,069)	(2,840,687,069)	(2,840,687,069)
Balance as at 30 June 2019 - restated	5,798,253,340	20,250,770,096	30,534,963,137	(53,403,434,482)	(2,617,701,249)	3,180,552,091
Loss for the year	-	-	-	(12,728,369,215)	(12,728,369,215)	(12,728,369,215)
Other comprehensive loss for the year	-	-	-	(661,200,708)	(661,200,708)	(661,200,708)
Total comprehensive loss for the year	-	-	-	(13,389,569,923)	(13,389,569,923)	(13,389,569,923)
Transfer from surplus on revaluation of operating fixed assets to accumulated loss on disposal of assets - net of deferred income tax	-	-	(153,839)	153,839	-	-
Incremental depreciation transferred from surplus on revaluation of operating fixed assets to accumulated loss - net of deferred income tax	-	-	(1,199,763,711)	1,199,763,711	-	-
Balance as at 30 June 2020	5,798,253,340	20,250,770,096	29,335,045,587	(65,593,086,855)	(16,007,271,172)	(10,209,017,832)
Non-cash settlement against deposit for shares	-	(4,272,899,827)	-	-	(4,272,899,827)	(4,272,899,827)
Profit for the year	-	-	-	3,439,658,866	3,439,658,866	3,439,658,866
Other comprehensive income for the year	-	-	41,083,342,851	(1,817,811,176)	39,265,531,675	39,265,531,675
Total comprehensive income for the year	-	-	41,083,342,851	1,621,847,690	42,705,190,541	42,705,190,541
Incremental depreciation transferred from surplus on revaluation of operating fixed assets to accumulated loss - net of deferred income tax	-	-	(1,379,124,696)	1,379,124,696	-	-
Balance as at 30 June 2021	5,798,253,340	15,977,870,269	69,039,263,742	(62,592,114,469)	22,425,019,542	28,223,272,882

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	2021 Rupees	2020 Restated Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,587,323,953)	(10,697,091,771)
Adjustment for non-cash charges and other items:		
Depreciation	5,371,431,399	5,484,375,282
Loss of operating fixed assets due to theft	623,997	1,510,118
Gain on disposal of operating fixed assets	(22,924,017)	(780,609)
Amortization of deferred credit	(1,640,058,947)	(1,531,254,386)
Provision against staff retirement benefits	4,560,236,313	5,673,117,721
Provision / (reversal) against slow moving / obsolete items of stores, spares and loose tools	44,079,787	(13,866,843)
Profit on bank deposits	(235,954,206)	(270,965,736)
Exchange (gain) / loss	(16,777,298)	11,293,004
Finance cost	1,611,518,243	1,806,823,774
	8,084,851,318	463,160,554
Working capital changes:		
Decrease / (increase) in current assets:		
Store, spares and loose tools	111,518,796	(238,702,340)
Trade debts	58,352,570,060	(31,188,252,283)
Advances	175,602,879	(110,023,779)
Sales tax receivable	-	192,144,385
Receivable from Government of Pakistan	2,168,280,077	(2,609,783,624)
Other receivables	(178,251,387)	(259,706,701)
(Decrease) / increase in trade and other payables	(51,044,617,340)	50,260,889,693
	9,585,103,085	16,046,565,351
Cash generated from operations	17,669,954,403	16,509,725,905
Staff retirement benefits paid	(3,732,356,425)	(2,962,857,648)
Payment for fund contribution regarding pension obligation	(575,000,000)	(1,726,000,000)
Net increase in long term loans	(12,493,620)	(78,764,612)
Finance cost paid	(255,367,323)	(450,505,667)
Income tax paid	(1,925,028,253)	(2,667,836,052)
Net cash generated from operating activities	11,169,708,782	8,623,761,926
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(8,624,555,311)	(7,412,997,678)
Capital expenditure on intangible asset under development	-	(70,353,827)
Proceeds from sale of property, plant and equipment	23,269,100	3,360,000
Profit on bank deposits received	247,370,319	239,184,468
Net cash used in investing activities	(8,353,915,892)	(7,240,807,037)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term security deposits - net	771,173,188	488,526,612
Net cash from financing activities	771,173,188	488,526,612
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,586,966,078	1,871,481,501
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5,204,373,983	3,332,892,482
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8,791,340,061	5,204,373,983

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

CHIEF EXECUTIVE OFFICER | **DIRECTOR**

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. THE COMPANY AND ITS OPERATIONS

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

1.2 The Company is principally engaged in distribution and supply of electricity within defined geographical boundaries. The Company was granted a license on 02 November 2001 by the National Electric Power Regulatory Authority (NEPRA) for electricity distribution. The license is expiring on 01 November 2021 and the Company has filed renewal / extension application with NEPRA. The registered office of the Company is situated at IESCO Headquarters, Street No. 40, G-7/4, Islamabad while, the Company has various 132-KV grid stations along with other offices located at Islamabad, Rawalpindi, Jhelum, Attock and Chakwal.

1.3 Ministry of Energy, Government of Pakistan vide S.R.O. 1063(1)/2020 dated 19 October 2020 has allowed an amount of Rupees 16,653 million as periodic adjustments for the second and third quarters of financial year 2019-20, which has to be recovered in twelve months effective from October 2020. However, an amount of Rupees 14,239 million has been recovered during the year ended 30 June 2021 and remaining amount of Rupees 2,414 million has to be recovered in next 3 months after year end. If this adjustment had been allowed in the respective year, the revenue for year 30 June 2020 would have been increased by Rupees 16,653 million. Consequently, accumulated loss would have been reduced by Rupees 2,414 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:

Useful lives, patterns of economic benefits and impairments

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

Provision for obsolescence of stores, spares and loose tools

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

Income tax

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

Allowance for expected credit losses

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

Revenue from contracts with customers involving sale of goods

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

Staff retirement benefits

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

Provisions

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

Contingencies

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

Revaluation of operating fixed assets (Note 37)

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 2020:

- IAS 1 (Amendments) 'Presentation of Financial Statements' and IAS 8 (Amendments) 'Accounting Policies, Changes in Accounting Estimates and Errors';
- International Accounting Standards Board's revised Conceptual Framework - March 2018
- Interest Rate Benchmark Reform which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures'.

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 2020 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

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 2021 or later periods:

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

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

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

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

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

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

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

Covid-19-Related Rent Concessions (Amendment to IFRS 16 'Leases') effective for annual reporting periods beginning on or after 01 April 2021. These amendments permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

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.

Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 4 'Insurance Contracts' and IFRS 7 'Financial Instruments: Disclosures' is applicable for annual financial periods beginning on or after 01 January 2021. The changes made relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

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

2.2 Staff retirement benefits

Defined benefit plans

The Company operates funded pension, unfunded post retirement free electricity, unfunded medical benefits and unfunded compensated absences schemes for all its permanent employees. The Company's obligations under these schemes are determined annually by a qualified actuary using Projected Unit Credit Actuarial Cost Method. Latest actuarial valuations have been carried on 30 June 2021. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Past service cost is recognized immediately in the statement of profit or loss.

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

General / Employees' Provident Fund

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

2.3 Taxation

Current

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

Deferred

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

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

2.4 Functional and presentation currency

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

2.5 Foreign currency transactions and translation

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

2.6 Provisions

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

2.7 Property, plant, equipment and depreciation

Operating fixed assets

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

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

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

Depreciation

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

De-recognition

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

Capital work in progress

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

2.8 Intangible asset

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

2.9 **Investments and other financial assets**

a) Classification

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

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

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

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

b) Measurement

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

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

Debt instruments

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

Amortized cost

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

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss (FVTPL)

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

Equity instruments

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

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss

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

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

2.10 **Financial liabilities - classification and measurement**

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

2.11 **Impairment of financial assets**

The Company recognizes loss allowances for ECLs on:

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

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

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

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

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

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

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

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

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

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

2.12 De-recognition of financial assets and financial liabilities

a) Financial assets

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

b) Financial liabilities

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

2.13 Offsetting of financial instruments

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

2.14 Stores, spare parts and loose tools

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

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

2.15 Trade and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Securities and Exchange Commission of Pakistan (SECP) through S.R.O. 985 (I)/2019 dated 02 September 2019, deferred the applicability of the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method till 30 June 2021 in respect of companies holding financial assets due from the Government of Pakistan. The aforementioned exemption is provided on the condition that such companies shall follow relevant requirements of IAS 39, in respect of above referred financial assets during the exemption period.

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

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

2.16 Deferred credit

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

2.17 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.

2.18 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.

2.19 Trade and other payables

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

2.20 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.

2.21 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.

2.22 Revenue from contracts with customers

i) Revenue recognition

Sale of electricity

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

Tariff differential subsidy

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

Rental and service income

Meter rentals are recognized on time proportion basis.

Rendering of services

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

Interest

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

Late payment surcharge

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

Fuel price adjustment

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

Other revenue

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

ii) Contract assets

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

iii) Contract liabilities

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

2.23 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.

2.24 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.

2.25 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.

2.26 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.

2.27 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.

2.28 Prior period errors

i) The Company did not record power purchase charges pertaining to financial years 2011-12 to 2017-18 amounting to Rupees 1,606.29 million resulting in understatement of cost of electricity and payable to CPPA(G);

ii) The Company did not record advertisement charges pertaining to period from June 2009 to June 2013 amounting to Rupees 465.72 million resulting in understatement of administrative expenses and payable to CPPA(G);

iii) The Company did not record PEPCO management fee pertaining to financial year 2014 amounting to Rupees 413.32 million resulting in understatement of administrative expenses and payable to CPPA(G);

iv) The Company did not record mark-up expense pertaining to financial year 2018-19 and 2019-20 amounting to Rupees 355.34 million and Rupees 445.93 million 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;

v) The Company did not record credit notes received from CPPA(G) on account of Industrial Support Package pertaining to financial year 2019-20 amounting to Rupees 501.92 million resulting in overstatement of trade debts and payable to CPPA(G).

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

	2020			2019		
	As previously reported	Adjustment	Restated	As previously reported	Adjustment	Restated
	-------------------	-------------------	Rupees	-------------------	-------------------	-------------------
i **Effect on statement of financial position**						
Accumulated loss	62,306,471,763	3,286,615,092	65,593,086,855	50,562,747,413	2,840,687,069	53,403,434,482
Trade and other payables	(186,726,208,274)	(3,286,615,092)	(190,012,823,366)	(139,651,790,351)	(2,840,687,069)	(142,492,477,420)
ii **Effect on statement of profit or loss**						
Finance cost	1,372,188,755	445,928,023	1,818,116,778	-	-	-
Trade and other payables	(186,726,208,274)	501,918,615	(186,224,289,659)	-	-	-
Trade debts	128,660,358,568	(501,918,615)	128,158,439,953	-	-	-

3 PROPERTY, PLANT AND EQUIPMENT

	NOTE	2021 Rupees	2020 Rupees
Operating fixed assets	3.1	142,192,412,167	91,126,443,523
Capital work-in-progress	3.2	11,742,975,012	10,590,802,727
		153,935,387,179	101,717,246,250

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 2019										
Cost / revalued amount	13,119,841,459	4,824,460,000	3,670,223,425	391,963,344	74,940,434,406	704,067,606	433,901,999	82,979,052	411,972,275	98,579,843,566
Accumulated depreciation	-	-	(251,822,671)	(27,388,970)	(10,755,249,191)	(584,600,090)	(151,227,692)	(54,865,673)	(199,452,897)	(12,024,607,184)
Net book value	13,119,841,459	4,824,460,000	3,418,400,754	364,574,374	64,185,185,215	119,467,516	282,674,307	28,113,379	212,519,378	86,555,236,382
Year ended 30 June 2020										
Opening net book value	13,119,841,459	4,824,460,000	3,418,400,754	364,574,374	64,185,185,215	119,467,516	282,674,307	28,113,379	212,519,378	86,555,236,382
Additions	-	-	-	-	-	4,340,000	21,181,382	2,623,274	83,585,224	111,729,880
Transferred from capital work in progress (Note 3.2.2)	-	-	457,716,751	8,577,000	9,485,622,050	-	-	-	-	9,951,915,801
Loss due to theft (Note 28)										
Cost / revalued amount	-	-	-	-	(1,792,000)	-	-	-	-	(1,792,000)
Accumulated depreciation	-	-	-	-	281,882	-	-	-	-	281,882
	-	-	-	-	(1,510,118)	-	-	-	-	(1,510,118)
Disposals:										
Cost / revalued amount	-	-	-	-	(3,603,348)	-	-	-	-	(3,603,348)
Accumulated depreciation	-	-	-	-	1,023,957	-	-	-	-	1,023,957
	-	-	-	-	(2,579,391)	-	-	-	-	(2,579,391)
Depreciation charge	-	-	(98,071,870)	(10,202,814)	(5,208,961,607)	(27,107,175)	(103,639,337)	(5,825,786)	(34,540,442)	(5,488,349,031)
Closing net book value	13,119,841,459	4,824,460,000	3,778,045,635	362,948,560	68,457,756,149	96,700,341	200,216,352	24,910,867	261,564,160	91,126,443,523
As at 30 June 2020										
Cost / revalued amount	13,119,841,459	4,824,460,000	4,127,940,176	400,540,344	84,420,661,108	708,407,606	455,083,381	85,602,326	495,557,499	108,638,093,899
Accumulated depreciation	-	-	(349,894,541)	(37,591,784)	(15,962,904,959)	(611,707,265)	(254,867,029)	(60,691,459)	(233,993,339)	(17,511,650,376)
Net book value	13,119,841,459	4,824,460,000	3,778,045,635	362,948,560	68,457,756,149	96,700,341	200,216,352	24,910,867	261,564,160	91,126,443,523
Year ended 30 June 2021										
Opening net book value	13,119,841,459	4,824,460,000	3,778,045,635	362,948,560	68,457,756,149	96,700,341	200,216,352	24,910,867	261,564,160	91,126,443,523
Additions	-	-	-	-	-	167,821,316	5,207,850	14,731,278	60,514,552	248,274,996
Revaluation adjustment (note 3.1.1)										
Cost	-	-	(349,894,541)	(37,591,784)	(15,962,904,959)	-	-	-	-	(16,350,391,284)
Accumulated depreciation	-	-	349,894,541	37,591,784	15,962,904,959	-	-	-	-	16,350,391,284
	-	-	-	-	-	-	-	-	-	-
Revaluation surplus (Note 17)	16,153,767,664	5,630,690,000	687,401,588	1,081,308,048	25,412,818,797	-	-	-	-	48,965,986,097
Transferred from capital work in progress (Note 3.2.2)	-	-	478,024,874	-	6,749,808,872	-	-	-	-	7,227,833,746
Loss due to theft (Note 28)										
Cost / revalued amount	-	-	-	-	(843,200)	-	(114,031)	-	-	(957,231)
Accumulated depreciation	-	-	-	-	270,517	-	62,717	-	-	333,234
	-	-	-	-	(572,683)	-	(51,314)	-	-	(623,997)
Disposals:										
Cost	-	-	-	-	-	(19,320,622)	-	-	-	(19,320,622)
Accumulated depreciation	-	-	-	-	-	18,975,539	-	-	-	18,975,539
	-	-	-	-	-	(345,083)	-	-	-	(345,083)
Depreciation charge	-	-	(123,363,652)	(44,730,549)	(5,018,761,815)	(34,241,861)	(109,041,511)	(6,159,222)	(38,858,505)	(5,375,157,115)
Closing net book value	29,273,609,123	10,455,150,000	4,820,108,445	1,399,526,059	95,601,049,320	229,934,713	96,331,377	33,482,923	283,220,207	142,192,412,167
As at 30 June 2021										
Cost / revalued amount	29,273,609,123	10,455,150,000	4,943,472,097	1,444,256,608	100,619,540,618	856,908,300	460,177,200	100,333,604	556,072,051	148,709,519,601
Accumulated depreciation	-	-	(123,363,652)	(44,730,549)	(5,018,491,298)	(626,973,587)	(363,845,823)	(66,850,681)	(272,851,844)	(6,517,107,434)
Net book value	29,273,609,123	10,455,150,000	4,820,108,445	1,399,526,059	95,601,049,320	229,934,713	96,331,377	33,482,923	283,220,207	142,192,412,167
Depreciation rate (%) per annum	-	-	2% - 3.71%	2% - 3.71%	3.5% - 18.%	10%	33%	10%	10%	

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

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

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

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

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

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

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

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

	NOTE	2021 Rupees	2020 Rupees
Freehold land		106,989,320	106,989,320
Leasehold land		56,887,269	56,887,269
Buildings on freehold and leasehold land		4,682,291,148	3,489,081,370
Distribution equipment		59,936,186,128	52,740,307,711
		64,782,353,865	56,393,265,670

3.1.3 Depreciation charge for the year has been allocated as follows:

	NOTE	2021 Rupees	2020 Rupees
Administrative expenses	27	174,471,934	130,618,556
Distribution costs	28	5,018,761,815	5,219,164,421
Customer service costs	29	178,197,650	134,592,305
Capital work-in-progress	3.2.4	3,725,716	3,973,749
		5,375,157,115	5,488,349,031

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

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

3.1.5 Lands amounting to Rupees 39,728.75 million (2020: Rupees 17,944.30 million) are under the possession of the Company but the Company does not have the title of the lands amounting to Rupees 28,289.24 million (2020: Rupees 11,971 million), out of which, lands amounting to Rupees 21,132.27 million (2020: Rupees 8,995 million) are under the title of WAPDA.

3.1.6 The Company owns vehicles amounting to Rupees 4.34 million currently having carrying amount of Rupees 3.65 million which are not in the name of the Company.

	NOTE	2021 Rupees	2020 Rupees
3.2 Capital work-in-progress			
Civil works		87,188,292	192,254,990
Distribution equipment		4,283,623,571	3,214,950,870
Distribution equipment - deposit		4,159,142,526	3,709,940,970
	3.2.1	8,442,766,097	6,924,891,840
	3.2.2	8,529,954,389	7,117,146,830
Capital stores	3.2.3	3,185,618,597	3,446,408,462
Advances to suppliers		27,402,026	27,247,435
		11,742,975,012	10,590,802,727

3.2.1 Breakup of distribution equipment is as follows:

	2021 Rupees	2020 Rupees
Material	5,373,839,983	4,531,599,987
Labour	472,358,658	532,055,828
Overheads	1,208,077,048	884,102,732
Contract work	1,388,490,408	977,133,293
	8,442,766,097	6,924,891,840

3.2.2 Movement in civil works and distribution equipment

	Civil works	Distribution equipment	Distribution equipment - deposit	Total
		----------Rupees----------		
Opening balance as at 01 July 2020	192,254,990	3,214,950,870	3,709,940,970	7,117,146,830
Add: Additions during the year	372,958,176	4,709,779,862	3,557,903,267	8,640,641,305
Less: Transferred to operating fixed assets during the year:				
- Buildings on freehold land	(478,024,874)	-	-	(478,024,874)
- Distribution equipment	-	(3,641,107,161)	(3,108,701,711)	(6,749,808,872)
	(478,024,874)	(3,641,107,161)	(3,108,701,711)	(7,227,833,746)
Closing balance as at 30 June 2021	87,188,292	4,283,623,571	4,159,142,526	8,529,954,389
Opening balance as at 01 July 2019	272,816,499	6,074,448,663	3,951,895,918	10,299,161,080
Add: Additions during the year	385,732,242	3,934,352,339	2,449,816,970	6,769,901,551
Less: Transferred to operating fixed assets during the year:				
- Buildings on freehold land	(457,716,751)	-	-	(457,716,751)
- Buildings on leasehold land	(8,577,000)	-	-	(8,577,000)
- Distribution equipment	-	(6,793,850,132)	(2,691,771,918)	(9,485,622,050)
	(466,293,751)	(6,793,850,132)	(2,691,771,918)	(9,951,915,801)
Closing balance as at 30 June 2020	192,254,990	3,214,950,870	3,709,940,970	7,117,146,830

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

3.2.4 Depreciation capitalized related to capital work-in-progress was Rupees 3.72 million (2020: Rupees 3.97 million) as given in Note 3.1.2.

4 INTANGIBLE ASSET UNDER DEVELOPMENT

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

	NOTE	2021 Rupees	2020 Rupees
5 LONG TERM LOANS			
Considered good - secured			
To employees			
- BPS 16 and above		127,632,430	116,637,247
- BPS 1-15		122,807,409	121,308,972
		250,439,839	237,946,219
Less: Current portion shown under current assets	9	(60,596,741)	(46,441,077)
		189,843,098	191,505,142

5.1 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 equally 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 7.9% (2020: 12%) per annum. Loan to employees have not been discounted as required by IFRS 9 "Financial Instruments" as its effect is immaterial.

6 DEFERRED INCOME TAX ASSET

	As at 01 July 2019	Recognized in		As at 30 June 2020	Recognized in		As at 30 June 2021
		Profit or loss	Other comprehensive income		Profit or loss	Other comprehensive income	
	Rupees						
Deferred income tax liability on:							
Accelerated tax depreciation	(8,606,275,382)	(830,980,405)	-	(9,437,255,787)	(640,289,984)	-	(10,077,545,771)
Surplus on revaluation of operating fixed assets	(5,237,277,010)	490,107,169	-	(4,747,169,841)	563,304,454	(7,882,643,246)	(12,066,508,633)
	(13,843,552,392)	(340,873,236)	-	(14,184,425,628)	(76,985,530)	(7,882,643,246)	(22,144,054,404)
Deferred income tax asset on:							
Staff retirement benefits	11,944,348,932	477,183,627	-	12,421,532,559	73,335,167	742,486,255	13,237,353,981
Provision against slow moving / obsolete items of stores, spares and loose tools	43,412,332	(4,021,384)	-	39,390,948	12,783,138	-	52,174,086
Allowance for expected credit losses	163,870,367	-	-	163,870,367	-	-	163,870,367
Unused tax losses	1,691,920,761	(132,289,007)	-	1,559,631,754	7,131,024,216	-	8,690,655,970
	13,843,552,392	340,873,236	-	14,184,425,628	7,217,142,521	742,486,255	22,144,054,404
	-	-	-	-	7,140,156,991	(7,140,156,991)	-

6.1 Deferred income tax asset has not been recognized in these financial statements due to uncertainty in availability of sufficient future taxable profits as these temporary differences are not likely to reverse in the foreseeable future.

As at 30 June 2021, the Company has aggregated deferred income tax asset amounting to Rupees 77,967.64 million (2020: Rupees 66,515.48 million) out of which deferred income tax asset amounting to Rupees 22,143.99 million (2020: 14,184.43 million) has been recognised and remaining balance of Rupees 55,823.65 million (2020: Rupees 52,331.11 million) remains unrecognised in these financial statements due to uncertainty in availability of sufficient future taxable profits.

6.2 The tax losses available for carry forward at 30 June 2021 are of Rupees 222,462.92 million (2020: Rupees 189,791.09 million). These include unabsorbed tax depreciation amounting to Rupees 64,576.19 million (2020: Rupees 54,333.56 million). Minimum tax available for carry forward under section 113 of the Income Tax Ordinance, 2001 as at 30 June 2021 is of Rupees 6,397.79 million (2020: Rupees 4,366.51 million). Minimum tax and unused tax losses excluding unabsorbed tax depreciation would expire as follows:

Accounting year to which the unused tax losses relates	Amount of unused tax losses excluding tax depreciation	Accounting year in which unused tax losses will expire
	Rupees	
2016	5,698,047,365	2022
2017	15,479,257,306	2023
2018	17,188,137,443	2024
2019	42,574,638,184	2025
2020	51,849,819,652	2026

Accounting year to which the minimum tax relates	Amount of minimum tax	Accounting year in which minimum tax will expire
	Rupees	
2016	695,335,099	2021
2017	807,028,431	2022
2018	1,225,226,640	2023
2019	1,638,924,453	2024
2020	2,031,277,444	2025

	NOTE	2021 Rupees	2020 Rupees
7 STORES, SPARES AND LOOSE TOOLS			
Stores, spares and loose tools		1,433,619,776	1,545,138,572
Provision against slow moving / obsolete items of stores, spares and loose tools	7.1	(179,910,642)	(135,830,855)
		1,253,709,134	1,409,307,717

7.1 Provision against slow moving / obsolete items of stores, spares and loose tools

Balance at the beginning of the year		135,830,855	149,697,698
Provision / (reversal) for the year	28 & 30	44,079,787	(13,866,843)
Balance at the end of the year		179,910,642	135,830,855

		Note	2021	2020
				Restated
			Rupees	Rupees
8	**TRADE DEBTS**			
	Considered good	8.1 & 8.2	69,805,869,893	128,158,439,953
	Considered doubtful		565,070,232	565,070,232
			70,370,940,125	128,723,510,185
	Less: Allowance for expected credit losses	8.3	(565,070,232)	(565,070,232)
			69,805,869,893	128,158,439,953

8.1 The Company's receivable from non-government consumers are secured to the extent of the consumers' security deposits against electricity connections, as disclosed in note 19.

8.2 These include an amount of Rupees 41,239 million (2020: Rupees 100,045 million), receivable from the Government of Azad Jammu and Kashmir (GoAJK).

During the year, Finance Division vide its letters No. F.1(5)CF-1/2020-21/1123 and F.1(5)CF-1/2020-21/1170 dated 04 December 2020 and 12 January 2021, allowed adjustment of GoAJK receivables amounting to Rupees 18,926 million against PHL's debt converted to public debt.

Ministry of Energy (Power Division) through its letter PF-No. 05(02)2019-20 dated 23 December 2020 approved the adjustment of AJK claims. Resultantly, CPPA(G) vide its credit note No. PPA-64/IESCO-04 dated 04 January 2021 allowed adjustment of Rupees 43,582 million against AJK claims. Further, Finance Divison through its letter F.I(30)CF-1/2019-20/432 and letter A-I/Auth/Energy-Power/G-46/IB-0744/2020-21/2319 dated 20 April 2021 and 27 April 2021 approved adjustment of 33,537.26 million and 3,000 million respectively against AJK claims for the period from July 2019 to January 2021. Resultantly, CPPA(G) vide its credit note No. PPA-194/IESCO-14 dated 09 September 2021 allowed adjustment of Rupees 23,035.60 million. The management is confident that the remaining amount will be recovered in near future.

8.3 Allowance for expected credit losses

	NOTE	2021 Rupees	2020 Rupees
Balance as at 01 July		565,070,232	565,070,232
Expected credit loss for the year		-	-
Balance as at 30 June		565,070,232	565,070,232

8.4 As at 30 June, ageing analysis of these trade debts is as follows:

	2021	2020
Not past due yet	11,809,022,959	9,866,377,010
Due up to 2 months	1,754,104,855	2,036,644,102
2 to 3 months	33,523,578	182,706,925
3 to 6 months	58,027,278	167,642,494
Deferred arrears (COVID-19 3 to 6 months)	-	3,587,436,225
6 months to 1 year	60,968,338	84,508,642
1 year to 3 years	152,233,423	125,190,519
3 years and above	92,362,573	75,065,626
Balances due from Government	55,951,914,523	112,147,286,259
Deferred arrears (1 year to 3 years)	458,782,598	450,652,383
	70,370,940,125	128,723,510,185
Less: Allowance for expected credit losses	(565,070,232)	(565,070,232)
	69,805,869,893	128,158,439,953

9 ADVANCES

	Note	2021	2020
Considered good			
Suppliers		128,079,871	318,872,863
Employees against operating expenses		86,538,211	71,348,098
Current portion of long term loans	5	60,596,741	46,441,077
		275,214,823	436,662,038

10 RECEIVABLE FROM GOVERNMENT OF PAKISTAN

	Note	2021	2020
Balance as at 01 July	10.1	5,651,536,853	4,848,749,415
Tariff differential subsidy recognized during the year	10.2	22,410,587,232	24,257,340,965
Adjusted against inter disco tariff realization surcharge and credit notes received from CPPA(G)		(22,771,871,123)	(23,454,553,527)
Balance as at 30 June		5,290,252,962	5,651,536,853
Prime Minister's relief package for Small and Medium Enterprises:			
Balance as at 01 July		1,806,996,186	-
Relief given during the year		1,847,165,998	1,806,996,186
Adjusted against credit note received from CPPA(G)		(3,654,162,184)	-
		-	1,806,996,186
Balance as at 30 June		5,290,252,962	7,458,533,039

10.1 This includes subsidy recognized of Rupees 2,814.65 million in previous financial years for the period from August 2011 to March 2013, in respect of non-charging of Fuel Price Adjustment to domestic consumers, having consumption of units from 51 to 350 units, pursuant to the determination of the IESCO's tariff by the NEPRA, duly notified by the GoP vide SRO No. 701 dated 05 August 2013 and SRO No. 914 dated 11 October 2013 and the NEPRA's clarification issued in the case of another distribution company.

In previous years, MoWP vide its letter No. PF-05(15-FPA)/2012, directed the Company to include these claims in future tariff petition to be filed with NEPRA.

10.2 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.

11 SECURITY DEPOSITS

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

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

	NOTE	2021 Rupees	2020 Rupees
12 OTHER RECEIVABLES			
Unsecured, considered good			
Receivable from related parties:			
- Free electricity and other transactions	12.1	1,361,425,798	1,225,755,540
- Pension	12.1	1,620,660,449	1,555,444,144
- Materials supplied	12.1	37,714,619	44,825,745
- Water and Power Development Authority:			
Against workers welfare fund		248,328,085	286,783,031
Others		542,099,296	542,099,296
		3,810,228,247	3,654,907,756
Receivable from Trust Investment Bank Limited	12.2	30,790,759	30,790,759
Interest accrued on bank deposits		28,981,001	40,397,114
Others		78,287,254	55,356,358
		3,948,287,261	3,781,451,987

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

	Free electricity		Pension		Materials supplied	
	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
Water and Power Development Authority	237,217,339	186,440,444	1,084,616,080	1,084,616,080	-	-
National Transmission and Despatch Company Limited	1,080,746,716	998,339,335	440,914,020	339,663,616	-	-
Quetta Electric Supply Company Limited	16,275,011	14,570,667	22,044,911	31,536,487	-	-
Northern Power Generation Company Limited	8,863,074	8,145,263	19,412,404	23,465,721	-	-
Central Power Generation Company Limited	6,808,875	6,085,224	14,954,185	20,678,521	-	-
Tribal Areas Electric Supply Company Limited	6,129,836	6,294,643	4,872,219	3,038,757	520,240	520,240
Jamshoro Power Company Limited	2,248,913	2,030,409	2,464,360	3,583,190	-	-
Lakhra Power Generation Company Limited	1,488,170	1,404,756	855,884	1,026,661	-	-
Pakistan Electric Power Company (Private) Limited	-	-	-	20,513,295	-	-
Multan Electric Power Company Limited	-	-	12,986,382	3,870,925	3,200,000	3,200,000
Hyderabad Electric Supply Company Limited	-	-	14,320,909	21,540,163	39,270	39,270
Lahore Electric Supply Company Limited	-	-	-	-	6,497,280	-
Sukkur Electric Power Company Limited	-	-	3,219,095	1,667,629	1,568,774	212,750
Power Information Technology Company (Private) Limited	285,945	1,388,973	-	-	-	-
GENCO Holding Company Limited	1,361,919	1,055,826	-	243,099	-	-
Faisalabad Electric Supply Company Limited	-	-	-	-	3,199,914	6,895,289
Gujranwala Electric Power Company Limited	-	-	-	-	22,689,141	33,958,196
	1,361,425,798	1,225,755,540	1,620,660,449	1,555,444,144	37,714,619	44,825,745

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

Water and Power Development Authority	237,217,339	204,527,532	1,084,616,080	1,084,616,080	-	-
National Transmission and Despatch Company Limited	1,080,746,716	998,339,335	440,914,020	383,103,948	-	-
Quetta Electric Supply Company Limited	16,275,011	14,570,667	40,481,691	34,260,987	-	-
Northern Power Generation Company Limited	8,863,074	8,145,263	22,044,828	27,388,276	-	-
Central Power Generation Company Limited	6,808,875	6,085,224	31,535,217	20,678,521	-	-
Tribal Areas Electric Supply Company Limited	7,069,001	6,294,643	4,872,219	4,519,751	520,240	520,240
Jamshoro Power Company Limited	2,248,913	2,030,409	4,126,093	3,627,150	-	-
Lakhra Power Generation Company Limited	1,488,170	1,404,756	919,085	1,058,601	-	-
Pakistan Electric Power Company (Private) Limited	-	-	-	20,513,295	-	-
Multan Electric Power Company Limited	-	-	12,986,382	30,009,598	3,200,000	3,200,000
Hyderabad Electric Supply Company Limited	-	-	25,849,549	25,647,077	39,270	39,270
Lahore Electric Supply Company Limited	-	-	-	-	6,497,280	-
Sukkur Electric Power Company Limited	-	-	3,219,095	1,697,974	1,568,774	7,788,750
Power Information Technology Company (Private) Limited	285,945	1,388,973	-	2,047,623	-	-
GENCO Holding Company Limited	1,361,919	1,055,826	-	243,099	-	-
Faisalabad Electric Supply Company Limited	-	-	-	-	3,199,914	12,740,778
Gujranwala Electric Power Company Limited	-	-	-	-	22,689,141	33,958,196

12.2 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	2021 Rupees	2020 Rupees
14 CASH AND BANK BALANCES			
Cash			
In hand:		6,900	24,791
At banks in:			
- Deposit accounts	14.1 & 14.2	4,417,850,347	3,359,277,579
- Deposit work / capital contribution accounts	14.1	2,745,563,321	323,564,957
- Current accounts		1,627,919,493	1,521,506,656
		8,791,333,161	5,204,349,192
		8,791,340,061	5,204,373,983

14.1 These carry mark-up ranging from 5.7% to 8.9% (2020: 4% to 11.25%) per annum.

14.2 These include an amount of Rupees 2,909 million (2020: Rupees 2,025 million) kept in separate bank accounts relating to customers' and employees' security deposits.

15 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2021	2020		2021	2020
----Number of shares----			Rupees	Rupees
1,000	1,000	Ordinary shares of Rupees 10 each, issued for consideration in cash	10,000	10,000
579,824,334	579,824,334	Ordinary shares of Rupees 10 each, issued for consideration other than in cash	5,798,243,340	5,798,243,340
579,825,334	579,825,334		5,798,253,340	5,798,253,340

15.1 The President of Pakistan, WAPDA and the IESCO Employees Trust Fund, respectively hold 1,000 (2020: 1,000), 510,245,414 (2020: 510,245,414) and 69,578,920 (2020: 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.

16 **DEPOSIT FOR SHARES**

This represents remaining credit of Rupees 15,977.87 (2020: Rupees 20,250.77) 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. During the year Ministry of energy (Power Division) in light of ECC's decision No. ECC 243/20/2019 dated 19 June 2019 through its letter No.05(02)2019-20 dated 23 December 2020, reallocated the equity of GoP in the Company.

	2021 Rupees	2020 Rupees
17 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF DEFERRED INCOME TAX		
Balance as at 01 July	34,082,215,428	35,772,240,147
Transferred from surplus on revaluation of operating fixed assets to accumulated loss on disposal of assets - net of deferred income tax	-	(153,839)
Related deferred tax	-	(62,836)
Incremental depreciation transferred from surplus on revaluation of operating fixed assets to accumulated loss	(1,379,124,696)	(1,199,763,711)
Related deferred income tax liability	(563,304,454)	(490,044,333)
Revaluation surplus arising during the year	48,965,986,097	-
	47,023,556,947	(1,690,024,719)
Balance as at 30 June	81,105,772,375	34,082,215,428
Less: Related deferred income tax liability on:		
Balance as at 01 July	(4,747,169,841)	(5,237,277,010)
Disposals during the year	-	62,836
Revaluation surplus arising during the year	(7,882,643,246)	-
Incremental depreciation charged during the year	563,304,454	490,044,333
	(12,066,508,633)	(4,747,169,841)
Balance as at 30 June	69,039,263,742	29,335,045,587

17.1 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.

	NOTE	2021 Rupees	2020 Rupees
18 LONG TERM LOANS			
From Government of Pakistan			
Asian Development Bank - Tranche I	18.1	920,027,451	920,027,451
Asian Development Bank - Tranche II	18.2	1,422,445,365	1,422,445,365
International Bank for Reconstruction and Development	18.3	1,813,122,986	1,813,122,986
Asian Development Bank - Tranche III	18.4	2,240,254,225	2,240,254,225
Earthquake Reconstruction and Rehabilitation Authority	18.5	275,373,965	292,151,263
Asian Development Bank - Tranche IV	18.6	1,933,887,407	1,933,887,407
		8,605,111,399	8,621,888,697
Current portion shown under current liabilities		(800,490,922)	(800,836,838)
Overdue portion shown under current liabilities		(2,354,913,272)	(1,555,460,089)
		(3,155,404,194)	(2,356,296,927)
		5,449,707,205	6,265,591,770

18.1 This represents re-lent portion of the total term finance facility obtained by the Government of Pakistan (GoP) from Asian Development Bank (ADB) for power distribution and enhancement projects. Out of total finance facility, an amount of US $ 30.06 million was allocated to the Company vide letter No. 6(9) ADB-I/86 dated 30 March 2009, of the Ministry of Economic Affairs and Statistics (MEAS), against which the Company has utilized US $ 23.31 (2020: US $ 23.31) million up to the year end. The loan carries interest at 17% per annum inclusive of exchange risk coverage fee of 6% charged both on the principal amount and the interest amount, separately. The initial agreed amount was later revised to a total allocation of US $ 23.31 million via letter No. 5654 from ADB dated 17 July 2013.

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

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

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2021, aggregating to Rupees 501.83 million and Rupees 1,568.26 million respectively. However, the principal amount due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

18.2 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 (2020: US $ 18.33) million up to the year end. The loan carries interest at 15% per annum inclusive of exchange risk coverage fee of 6.8% charged on both the principal amount and the interest amount separately.

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

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

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2021, aggregating to Rupees 347.37 million and Rupees 906.25 million respectively. However, the principal amount due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

18.3 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 (2020: US $ 40.974) million up to the year end. The loan carries interest at 17% p.a. inclusive of exchange risk coverage fee of 6% charged on both the principal amount and the interest amount, separately. The total amount of loan to be utilized was revised for the Company to a figure of US $ 40.98 via the letter from World Bank dated 16 July 2015 and this closes the total loan from the World Bank.

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

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

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2021, aggregating to Rupees 906.56 million and Rupees 2,626.41 million respectively. However, the principal amount due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

18.4 This represents re-lent portion of the total term finance facility obtained by the GoP from ADB for power distribution and enhancement projects. Out of the total finance facility an amount of US $ 24.55 million was allocated to the Company vide letter No. 2(9) ADB-II/12 dated 31 December 2013 of the MEAS, against which the Company has utilized US $ 20.221 (2020: US $ 20.221) million up to the year end. The loan carries interest at 15% p.a. inclusive of exchange risk coverage fee of 6.8% charged on both the principal amount and the interest amount, separately.

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

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

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2021, aggregating to Rupees 334.70 million and Rupees 1,042.38 million respectively. However, the principal amount due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

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

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

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

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2021, aggregating to Rupees 22.71 million and Rupees 17.02 million respectively. However, the principal amount due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

18.6 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 (2020: US $ 16.06 million) up to the year end. The loan carries interest at 15% p.a. inclusive of exchange risk coverage fee of 6.8% charged on both the principal amount and the interest amount, separately.

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

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

The Company has withheld the principal repayments along with related interest accrued up to 30 June 2021, aggregating to Rupees 241.74 million and Rupees 885.05 million respectively. However, the principal amount which has fallen due for repayment within next 12 months of the reporting date, has been transferred to the current portion.

19 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.

20 STAFF RETIREMENT BENEFITS

	Pension obligations 2021	Pension obligations 2020	Medical benefits 2021	Medical benefits 2020	Free electricity 2021	Free electricity 2020	Compensated absences 2021	Compensated absences 2020	Total 2021	Total 2020
	Rupees									
20.1 The amounts recognized in the statement of financial position										
Present value of defined benefit obligations	40,990,228,581	38,308,604,130	3,720,346,286	3,413,771,340	2,147,575,185	1,727,324,129	1,881,438,598	1,789,317,041	48,739,588,650	45,239,016,640
Fair value of plan assets	(3,093,540,439)	(2,406,145,748)	-	-	-	-	-	-	(3,093,540,439)	(2,406,145,748)
	37,896,688,142	35,902,458,382	3,720,346,286	3,413,771,340	2,147,575,185	1,727,324,129	1,881,438,598	1,789,317,041	45,646,048,211	42,832,870,892
20.2 Changes in the present value of defined benefit obligations:										
Balance at the beginning of the year	35,902,458,382	35,249,098,283	3,413,771,340	2,700,639,062	1,727,324,129	1,540,786,534	1,789,317,041	1,696,886,232	42,832,870,892	41,187,410,111
Current service cost	752,145,333	705,570,159	49,589,220	48,787,309	41,189,174	40,908,406	286,832,735	273,319,169	1,129,756,462	1,068,585,043
Interest cost	3,109,743,169	4,250,185,370	289,354,329	332,446,504	143,777,044	181,275,722	-	-	3,542,874,542	4,763,907,596
Interest income on plan assets	(112,394,691)	(159,374,918)	-	-	-	-	-	-	(112,394,691)	(159,374,918)
Benefits paid during the year	(3,446,780,747)	(2,710,824,831)	(19,205,525)	(17,529,069)	(71,658,975)	(53,615,388)	(194,711,178)	(180,888,360)	(3,732,356,425)	(2,962,857,648)
Actuarial losses / (gain) on obligation	2,266,516,696	293,804,319	(13,163,078)	349,427,534	306,943,813	17,968,855	-	-	2,560,297,431	661,200,708
Contributions made	(575,000,000)	(1,726,000,000)	-	-	-	-	-	-	(575,000,000)	(1,726,000,000)
Balance at the end of the year	37,896,688,142	35,902,458,382	3,720,346,286	3,413,771,340	2,147,575,185	1,727,324,129	1,881,438,598	1,789,317,041	45,646,048,211	42,832,870,892
20.3 Changes in the fair value of plan assets:										
Balance at the beginning of the year	2,406,145,748	520,770,567	-	-	-	-	-	-	2,406,145,748	520,770,567
Return on plan assets	112,394,691	159,374,918	-	-	-	-	-	-	112,394,691	159,374,918
Contributions	575,000,000	1,726,000,000	-	-	-	-	-	-	575,000,000	1,726,000,000
Actuarial gain on obligation plan assets	-	263	-	-	-	-	-	-	-	263
	3,093,540,439	2,406,145,748	-	-	-	-	-	-	3,093,540,439	2,406,145,748

Plan assets comprise of cash at bank.

	Pension obligations 2021	Pension obligations 2020	Medical benefits 2021	Medical benefits 2020	Free electricity 2021	Free electricity 2020	Compensated absences 2021	Compensated absences 2020	Total 2021	Total 2020
20.4 Amounts recognized in the statement of profit or loss against defined benefit obligations are:										
Current service cost	752,145,333	705,570,159	49,589,220	48,787,309	41,189,174	40,908,406	286,832,735	273,319,169	1,129,756,462	1,068,585,043
Interest cost	3,109,743,169	4,250,185,370	289,354,329	332,446,504	143,777,044	181,275,722	-	-	3,542,874,542	4,763,907,596
Interest income on plan assets	(112,394,691)	(159,374,918)	-	-	-	-	-	-	(112,394,691)	(159,374,918)
	3,749,493,811	4,796,380,611	338,943,549	381,233,813	184,966,218	222,184,128	286,832,735	273,319,169	4,560,236,313	5,673,117,721
Remeasurements recognized in statement of comprehensive income:										
Actuarial gain / (loss) on obligations	(2,266,516,696)	(293,804,582)	13,163,078	(349,427,534)	(306,943,813)	(17,968,855)	-	-	(2,560,297,431)	(661,200,971)
Actuarial gain / (loss) on assets	-	263	-	-	-	-	-	-	-	263
Actuarial gain / (loss) recognized	(2,266,516,696)	(293,804,319)	13,163,078	(349,427,534)	(306,943,813)	(17,968,855)	-	-	(2,560,297,431)	(661,200,708)
20.5 The principal actuarial assumptions at the reporting date were as follows:										
Discount rate	10.25%	8.50%	10.25%	8.50%	10.25%	8.50%	10.25%	8.50%		
Future salary increase	9.25%	7.50%	-	-	-	-	9.25%	7.50%		
Indexation rate	5.00%	5.00%	-	-	-	-	-	-		
Future medical cost increase	-	-	7.90%	6.15%	-	-	-	-		
Electricity inflation rate	-	-	-	-	7.90%	6.15%	-	-		
Expected charge to the statement of profit or loss for the next financial year (Rupees)	5,014,527,238	4,007,588,939	434,126,124	342,175,310	263,795,542	184,228,280	287,152,343	237,829,787		

20.6 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.

20.7 Sensitivity analysis

The calculations of the defined benefit obligations is sensitive to the significant actuarial assumptions set out in note 20.5. The table below summarizes how the defined benefit obligations at the end of the reporting period would have increased / (decreased) as a result of change in the respective assumptions.

	Present value of defined benefit obligation			
	Pension obligations	**Medical benefits**	**Free electricity**	**Compensated absences**
	---------- Rupees ----------			
Current liability	40,990,228,581	3,720,346,286	2,147,575,185	1,881,438,598
Discount rate +1%	35,845,520,820	3,310,559,131	1,872,940,267	1,704,471,348
Discount rate -1%	46,187,903,771	4,120,048,339	2,424,258,333	2,053,052,226
Salary increase +1%	45,512,095,881	-	2,415,407,832	2,064,340,858
Salary decrease -1%	36,256,234,502	-	1,876,533,715	1,699,799,670
Pension increase rate +1%	43,367,661,839	-	-	-
Pension decrease rate -1%	38,875,132,786	-	-	-
Medical inflation rate increase +1%	-	3,875,484,727	-	-
Medical inflation rate decrease -1%	-	3,586,413,820	-	-
Electricity rate +1%	-	-	2,384,232,188	-
Electricity rate -1%	-	-	1,910,488,665	-

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.

Duration of scheme (years)	13.96	13.96	13.96	13.96

			2021	2020
			Rupees	Rupees
21	**DEFERRED CREDIT**			
	Balance at the beginning of the year		43,750,125,340	40,916,290,978
	Additions during the year		3,108,701,711	2,833,834,362
			46,858,827,051	43,750,125,340
	Accumulated amortization			
	Balance at the beginning of the year		(15,450,007,698)	(13,918,753,312)
	For the year		(1,640,058,947)	(1,531,254,386)
			(17,090,066,645)	(15,450,007,698)
	Balance at the end of the year		29,768,760,406	28,300,117,642

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

		NOTE	2021 Rupees	2020 Restated Rupees
22	**TRADE AND OTHER PAYABLES**			
	Creditors:			
	Associated undertakings:			
	Central Power Purchase Agency (Guarantee) Limited	22.1	95,728,025,221	149,294,616,653
	National Transmission and Despatch Company Limited	22.2	1,333,264,225	1,436,166,821
			97,061,289,446	150,730,783,474
	Others	22.3	1,570,703,260	1,679,823,440
			98,631,992,706	152,410,606,914
	Receipts against deposit works	22.4	11,969,989,743	9,866,116,067
	Contract liabilities	22.5	1,724,817,340	1,020,424,888
	Workers' Profit Participation Fund (WPPF)	22.6	1,179,422,289	1,179,422,289
	Due to related parties	22.7	2,307,399,685	1,958,322,503
	Capital contributions awaiting connections		735,396,327	378,438,249
	Accrued liabilities		604,875,479	753,261,576
	Sales tax		1,386,986,314	718,694,148
	Retention money - contractors / suppliers		288,497,351	243,814,524
	Government surcharges payable:			
	- Realized			
	Equalization surcharge	22.8	1,668,973,026	1,639,347,665
	Inter disco tariff realization surcharge		2,823,356,024	2,024,875,771
	Electricity duty		2,571,530,134	1,406,278,835
	Neelum Jhelum surcharge	22.9	2,936,485,419	2,174,833,260
	TV License fee		79,842,314	96,471,024
	Financing cost	22.10	245,018,778	3,934,535,639
	Withholding income tax		507,585,369	373,165,898
			10,832,791,064	11,649,508,092
	- Unrealized			
	Equalization surcharge	22.8	178,618,375	208,391,580
	Electricity duty		110,805,902	42,970,293
	Neelum Jhelum surcharge		1,498,819,539	1,466,290,396
	TV license fee		54,785,898	71,064,749
	Tariff rationalization surcharge	22.11	4,421,358,408	4,421,551,906
	Financing cost	22.10	3,987,610,588	3,472,409,896
	Income tax		137,673,443	67,388,624
	Advance income tax		13,372,290	10,093,202
	Steel melters income tax		86,752	459,213
			10,403,131,195	9,760,619,859
	Others		77,240,810	83,730,418
			140,142,540,303	190,022,959,527

22.1 During the year, CPPA(G) issued certain debit notes 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 adjustment to TRS payable and FC surcharge payable to CPPA(G) account.

22.2 This represents amounts payable to NTDC on account of use of system charges.

22.3 This represents payable to various suppliers on account of materials purchased.

22.4 These represent amounts received directly by the Company for electrification of villages, colonies and other deposit works, mainly provided through Government funding against which the related works / jobs have not been completed.

22.5 The amount of Rupees 972.09 million included in contract liabilities at 30 June 2020 has been recognised as revenue in 2021 (2020: Rupees 689.75 million).

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

22.7 Due to related parties

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

	Free electricity		Pension		Materials purchased		Total	
	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
Water and Power Development Authority	-	-	-	-	5,827,952	-	5,827,952	-
Lahore Electric Supply Company Limited	894,808,873	897,554,190	18,646,770	8,852,042	21,574,759	35,827,662	935,030,402	942,233,894
Peshawar Electric Supply Company Limited	330,426,518	303,026,055	354,626,456	152,357,023	19,846,530	17,798,642	704,899,504	473,181,720
Multan Electric Power Company Limited	80,389,065	79,114,334	-	-	-	-	80,389,065	79,114,334
Faisalabad Electric Supply Company Limited	143,786,117	128,214,913	159,931,010	104,289,850	108,749	5,727,472	303,825,876	238,232,235
Gujranwala Electric Power Company Limited	24,503,775	22,340,946	232,516,049	159,190,215	11,458,736	36,103,886	268,478,560	217,635,047
Hyderabad Electric Supply Company Limited	4,531,115	3,421,234	-	-	-	-	4,531,115	3,421,234
Sukkur Electric Power Company Limited	3,649,154	3,049,743	-	-	187,293	-	3,836,447	3,049,743
National Transmission and Despatch Company Limited	-	-	-	-	247,993	-	247,993	-
Pakistan Electric Power Company (Private) Limited	332,771	1,454,296	-	-	-	-	332,771	1,454,296
	1,482,427,388	1,438,175,711	765,720,285	424,689,130	59,252,012	95,457,662	2,307,399,685	1,958,322,503

22.8 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.

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

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

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

23 ACCRUED MARK-UP

It represents accrued markup on long term foreign re-lent loans and includes Rupees 6,818.38 (2020: Rupees 5,462.19) million overdue portion. Further, it also includes markup amounting to Rupees 3,584.14 million calculated on overdue portion of principal outstanding.

24 CONTINGENCIES AND COMMITMENTS

24.1 Tax and other contingencies

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

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

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

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

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

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

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

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

24.1.8 Officer Inland Revenue passed an Order-in-Original No.02/2013 dated 14 October 2013 raising sales tax demand of Rupees 7,784 million plus default surcharge and penalty chargeable thereon for the tax period from July 2009 to June 2012 on account of free supply of electricity to employees and distribution companies, sale of scrap, demand notice for reimbursement of capital and other costs by electricity consumers, input tax apportionment on account of Government subsidy, and non-payment of unrealized sales tax. The Company preferred an appeal before CIR 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.

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

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

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

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

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

24.1.14 DCIR passed an Order-in-Original No. 11/2016 dated 11 February 2016 raising sales tax demand of Rupees 1,948 million plus default surcharge and penalty chargeable thereon for the tax periods from July 2015 to February 2016 on account of inadmissible adjustment of input tax over output tax. The Company has filed an appeal before the CIR 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.

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

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

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

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

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

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

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

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

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

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

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

24.1.26 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.

24.1.27 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.

24.2 Books of account of the Company are not in agreement with the records of CPPA(G) in respect of amount payable to CPPA(G). There is a net difference of Rupees 4,210.19 million between the amount confirmed by CPPA(G) and the amount recorded in the books of the Company as at 30 June 2021. 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	2021 Rupees	2020 Rupees
Interest on syndicated loans	24.2.1	(3,865,019,302)	(3,063,750,488)
Supplemental charges of CPPA(G)	24.2.2	6,864,324,906	6,864,324,906
Advertisement charges - net		-	465,724,753
O&M Cost of PEPCO		-	413,326,849
Excess cash remittance as per CPPA(G)		(399,420,697)	(277,296,969)
Use of system charges		(5,000,000)	(19,256,835)
Power purchase	24.2.3	1,605,275,694	1,606,294,694
Others	24.2.4	10,033,596	(536,295,552)
		4,210,194,197	5,453,071,358

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

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

24.2.2 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 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.

24.2.3 This represents dispute with CPPA(G) regarding difference in meter readings recorded at various combined delivery points during the year. 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. Further, the Company did not record adjusted capacity purchase price for the period June 2018 to May 2021 in the matter of dispute raised by K-Electric regarding Maximum Demand Index (MDI) meter reading.

Previous year difference was related to debit / credit notes issued to the Company by CPPA(G) on account of adjustments against the monthly power purchase provisional billings. However, during the year Company recorded these prior year differences.

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

24.3 Commitments

24.3.1 Inland letters of credit as at 30 June 2021 amounted to Rupees 253.64 million (2020: Rupees 787 million).

		NOTE	2021 Rupees	2020 Rupees
25	**SALE OF ELECTRICITY - NET**			
	Gross sales		164,652,586,222	156,459,324,176
	Sales tax		(25,871,802,833)	(23,580,979,998)
			138,780,783,389	132,878,344,178

25.1 Disaggregation of revenue

Residential	63,667,789,839	56,634,014,107
Commercial	25,454,913,050	22,965,494,388
Industrial	28,751,803,986	26,708,178,693
Bulk	19,354,089,265	18,559,160,006
Agriculture	404,091,626	283,273,524
Public lighting	1,841,837,194	1,685,189,505
Residential colonies attached to industries	94,729,443	89,693,446
Special contracts:		
Azad and Jammu Kashmir	29,835,089,639	27,168,032,861
Rawat lab	7,667,129	5,592,765
General services	10,297,824,368	9,435,819,134
	179,709,835,539	163,534,448,429
Inter disco's tariff rationalization surcharge	(33,727,353,520)	(25,921,826,984)
Applicable quarterly tariff adjustments	(7,762,098,508)	(4,843,428,285)
Fuel price adjustment	(287,279,262)	225,789,483
Unbilled revenue adjustment	847,679,140	(116,638,465)
	138,780,783,389	132,878,344,178

25.2 This includes unbilled revenue of Rupees 8,080 million (2020: Rupees 7,232 million).

		NOTE	2021 Rupees	2020 Rupees
26	**COST OF ELECTRICITY**			
	Cost of electricity	26.1	137,893,492,217	142,693,167,133
	Supplementary charges	26.2	5,302,138,757	4,188,359,567
	Net metering cost	26.3	944,751	-
			143,196,575,725	146,881,526,700

26.1 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.

26.2 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.

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

		NOTE	2021 Rupees	2020 Rupees
27	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits	27.1	4,885,725,201	5,960,995,876
	Transportation		89,220,368	105,687,306
	Depreciation	3.1.3	174,471,934	130,618,556
	Electricity bill collection charges		143,177,367	124,134,406
	Office supplies and other expenses		129,376,778	108,170,577
	Legal and professional charges		152,455,068	300,079,139
	Repairs and maintenance		6,262,272	4,918,789
	Power, light and water charges		48,696,789	16,299,950
	Postage and telephone		15,657,966	78,395,495
	Insurance expense		39,828,821	49,495,388
	NEPRA fee and charges		39,414,072	36,563,211
	Advertising and publicity		7,366,476	11,846,976
	Auditor's remuneration		2,200,000	2,000,000
	Compensation		-	14,842,333
	Write-off advance to suppliers		17,756,378	-
	Miscellaneous		64,681,045	35,797,396
			5,816,290,535	6,979,845,398

27.1 This includes a sum of Rupees 3,703 million (2020: Rupees 4,879 million) in respect of staff retirement benefits.

	NOTE	2021 Rupees	2020 Rupees

28 DISTRIBUTION COSTS

	NOTE	2021 Rupees	2020 Rupees
Salaries, wages and other benefits	28.1	7,583,523,386	7,412,750,029
Depreciation	3.1.3	5,018,761,815	5,219,164,421
Loss of operating fixed assets due to theft	3.1	623,997	1,510,118
Repairs and maintenance		1,584,625,579	1,373,378,633
Transportation		543,967,393	525,373,760
Office supplies and other expenses		20,387,938	18,160,286
Rent, rates and taxes		41,678,736	36,567,351
Legal and professional charges		43,691	15,436
Provision against slow moving / obsolete items of stores, spares and loose tools	7.1	44,079,787	-
Power, light and water charges		37,829,310	41,201,493
Postage and telephone		24,571,126	22,944,343
Advertising and publicity		13,800	193,330
Miscellaneous		165,929,612	65,144,326
		15,066,036,170	14,716,403,526

28.1 This includes a sum of Rupees 591 million (2020: Rupees 734 million) in respect of staff retirement benefits.

29 CUSTOMER SERVICES COSTS

	NOTE	2021 Rupees	2020 Rupees
Salaries, wages and other benefits	29.1	769,369,158	540,592,148
Transportation		31,739,464	29,386,454
Electricity bill collection charges		96,283,820	213,774,367
Depreciation	3.1.3	178,197,650	134,592,305
Office supplies and other expenses		4,652,308	4,038,665
Rent, rates and taxes		2,618,255	1,819,216
Power, light and water charges		4,005,116	4,169,942
Postage and telephone		2,343,020	2,307,468
Repairs and maintenance		2,185,510	1,518,608
Miscellaneous		10,088,809	4,634,676
		1,101,483,110	936,833,849

29.1 This includes a sum of Rupees 266 million (2020: Rupees 59.84 million) in respect of staff retirement benefits.

30 OTHER INCOME

	NOTE	2021 Rupees	2020 Rupees
Income from financial assets			
Profit on bank deposits		235,954,206	270,965,736
Late payment surcharge		1,285,385,458	1,036,411,989
		1,521,339,664	1,307,377,725
Income from financial liability			
Exchange gain		16,777,298	-
Income from non-financial assets			
Sale of scrap		152,720,867	76,376,137
Gain on disposal of operating fixed assets		22,924,017	780,609
Vetting and processing fee		97,734,514	91,474,259
Income from rest houses		308,860	1,240,899
Reversal of provision against slow moving / obsolete items	7.1	-	13,866,843
Operating revenue		214,194,404	222,245,260
		487,882,662	405,984,007
Others			
Public lighting		18,691,865	16,034,491
Commission on collection of electricity duty and PTV license fee		62,358,396	51,934,148
Liquidated damages		62,900,156	77,845,894
Meter / service rent		30,362,817	30,380,793
Reconnection fees		5,637,096	4,445,853
Miscellaneous		167,200,308	74,692,040
		347,150,638	255,333,219
		2,373,150,262	1,968,694,951

		NOTE	2021 Rupees	2020 Restated Rupees
31	**FINANCE COST**			
	Mark-up on long term loans		1,356,150,920	1,356,318,107
	Mark-up transferred from GoP	31.1	213,928,382	445,928,023
	Bank charges		41,438,941	4,577,644
	Exchange loss		-	11,293,004
			1,611,518,243	1,818,116,778

31.1 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.

		2021 Rupees	2020 Rupees
32	**TAXATION**		
	Current		
	- Current year	(2,113,174,172)	(2,031,277,444)
	Deferred	7,140,156,991	-
		5,026,982,819	(2,031,277,444)

32.1 The provision for minimum taxation is calculated @ 1.5 % (2020: 1.5%) of the Company's gross revenue and other income under the provisions of the Income Tax Ordinance, 2001.

32.2 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.

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

	Long term security deposits		Long term loans	
	2021 Rupees	2020 Rupees	2021 Rupees	2020 Rupees
Balance as at 01 July	6,533,606,741	6,045,080,129	8,621,888,697	8,610,595,693
Security deposits received	795,734,655	545,151,206	-	-
Security deposits refunded / adjusted	(24,561,467)	(56,624,594)	-	-
Net movement during the year	771,173,188	488,526,612	-	-
Exchange (gain) / loss	-	-	(16,777,298)	11,293,004
Balance as at 30 June	7,304,779,929	6,533,606,741	8,605,111,399	8,621,888,697

34 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	
	2021	2020	2021	2020
	.... Rupees	....		
Managerial remuneration and allowances	6,709,599	6,831,166	88,798,722	53,538,385
Bonus	171,720	-	1,311,370	-
	6,881,319	6,831,166	90,110,092	53,538,385
Number of persons	1	1	17	16

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 directors is Rupees 10,960,000 (2020: Rupees 8,309,000) for attending Board of Directors and sub-committee meetings.

35 FINANCIAL RISK MANAGEMENT

35.1 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:

	2021	2020
Long term loans - USD	1,738,472	1,738,472
Accrued mark-up	107,443	84,556
Net exposure	1,845,915	1,823,028

The following significant exchange rates were applied during the year:

Rupees per USD		
Average rate	160.02	158.26
Reporting date rate	158.40	168.05

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on loss before taxation for the year would have been Rupees 14.62 million (2020: Rupees 15.32 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:

	2021 Rupees	2020 Rupees
Fixed rate instruments		
Financial liabilities		
Long term loans	8,605,111,399	8,621,888,697
Variable rate instruments		
Financial assets		
Deposit accounts	7,163,413,668	3,682,842,536

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rate at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss before taxation for the year would have been Rupees 71.63 million (2020: Rupees 36.83 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:

	2021 Rupees	2020 Rupees
Long term loans	250,439,839	237,946,219
Trade debts	69,805,869,893	128,158,439,953
Security deposits	73,736,230	73,736,230
Other receivables	3,948,287,261	3,781,451,987
Bank balances	8,791,333,161	5,204,349,192
	82,869,666,384	137,455,923,581

The Company's electricity is sold to industrial, commercial and residential consumers and government organisations. Due to large number and diversity of its consumer base, concentration of credit risk with respect to trade debts is limited. Further, the Company manages its credit risk by obtaining security deposits from the consumers. Further, the Company considers the credit risk arising from receivables from public sector consumers to be minimal.

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

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

	Rating			2021	2020
Public Sector Banks	Short term	Long term	Agency	Rupees	Rupees
National Bank of Pakistan	A-1+	AAA	PACRA	1,698,583,250	1,308,203,063
Sindh Bank Limited	A-1	A+	VIS	1,017,257	779,163
The Bank of Khyber	A-1	A	PACRA	(621,208)	(296,524)
The Bank of Punjab	A-1+	AA+	PACRA	115,906,192	42,924,124
Specialized Banks					
SME Bank Limited	B	CCC	PACRA	10,874	501,083
Zarai Taraqiati Bank Limited	A-1+	AAA	VIS	3,600,668	1,574,652
Private Sector Banks					
Allied Bank Limited	A-1+	AAA	PACRA	2,934,909,625	1,046,627,624
Askari Bank Limited	A-1+	AA+	PACRA	448,093,330	600,580,692
Bank Alfalah Limited	A-1+	AA+	PACRA	16,515,485	49,739,606
Faysal Bank Limited	A-1+	AA	PACRA	19,489,658	(6,090,049)
Habib Bank Limited	A-1+	AAA	VIS	645,111,284	98,765,808
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	(20,071,099)	(5,104,393)
JS Bank Limited	A-1+	AA-	PACRA	8,744,595	(4,775,797)
MCB Bank Limited	A-1+	AAA	PACRA	2,281,571,230	1,579,912,094
Silkbank Limited	A-2	A-	VIS	(4,228,371)	(388,623)
Soneri Bank Limited	A-1+	AA-	PACRA	6,245,945	4,646,901
Standard Chartered Bank (Pakistan) Limited	A-1+	AAA	PACRA	3,032,153	-
United Bank Limited	A-1+	AAA	VIS	329,295,133	205,357,131
Other institutions	N/A	N/A	N/A	304,127,160	281,392,637
				8,791,333,161	5,204,349,192

c) **Liquidity risk**

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

The following are the contractual maturities of financial liabilities:

	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five years
	----------Rupees----------				
Non-derivative financial liabilities: 2021					
Long term loans	8,605,111,399	8,605,111,399	3,155,404,194	2,518,937,942	2,930,769,263
Long term security deposits	7,304,779,929	7,304,779,929	-	-	7,304,779,929
Trade and other payables	101,910,006,031	101,910,006,031	101,910,006,031	-	-
Accrued mark-up	7,045,372,188	7,045,372,188	7,045,372,188	-	-
	124,865,269,547	124,865,269,547	112,110,782,413	2,518,937,942	10,235,549,192
Non-derivative financial liabilities:					
2020					
Long term loans	8,621,888,697	8,621,888,697	2,356,296,927	3,451,080,288	2,814,511,482
Long term security deposits	6,533,606,741	6,533,606,741	-	-	6,533,606,741
Trade and other payables	155,449,735,935	155,449,735,935	155,449,735,935	-	-
Accrued mark-up	5,689,221,268	5,689,221,268	5,689,221,268	-	-
	176,294,452,641	176,294,452,641	163,495,254,130	3,451,080,288	9,348,118,223

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 18 to these financial statements.

35.2 **Financial instruments by categories**

	2021 Rupees	2020 Rupees
	At amortized cost	
As at 30 June		
Assets as per statement of financial position		
Long term loans	250,439,839	237,946,219
Trade debts	69,805,869,893	128,158,439,953
Long term deposits	73,736,230	73,736,230
Other receivables	3,948,287,261	3,781,451,987
Cash and bank balances	8,791,340,061	5,204,373,983
	82,869,673,284	137,455,948,372

	At amortized cost	
	Rupees	Rupees
Liabilities as per statement of financial position		
Long term loans	8,605,111,399	8,621,888,697
Long term security deposits	7,304,779,929	6,533,606,741
Trade and other payables	101,910,006,031	155,449,735,935
Accrued mark-up	7,045,372,188	5,689,221,268
	124,865,269,547	176,294,452,641

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

	2021			2020		
	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						
Long term loans	250,439,839	-	250,439,839	237,946,219	-	237,946,219
Trade debts	69,805,869,893	-	69,805,869,893	128,158,439,953	-	128,158,439,953
Security deposits	73,736,230	-	73,736,230	73,736,230	-	73,736,230
Other receivables	3,948,287,261	-	3,948,287,261	3,781,451,987	-	3,781,451,987
Bank balances	8,791,340,061	-	8,791,340,061	5,204,373,983	-	5,204,373,983
	82,869,673,284	-	82,869,673,284	137,455,948,372	-	137,455,948,372

	2021			2020		
	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--------------------		
Long term loans	8,605,111,399	-	8,605,111,399	8,621,888,697	-	8,621,888,697
Long term security deposits	7,304,779,929	-	7,304,779,929	6,533,606,741	-	6,533,606,741
Trade and other payables	101,910,006,031	38,232,534,272	140,142,540,303	155,449,735,935	34,573,223,592	190,022,959,527
Accrued mark-up	7,045,372,188	-	7,045,372,188	5,689,221,268	-	5,689,221,268
	124,865,269,547	38,232,534,272	163,097,803,819	176,294,452,641	34,573,223,592	210,867,676,233

35.4 **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.

35.5 **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.

36 RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into 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.

37 RECOGNIZED FAIR VALUE MEASUREMENTS - NON FINANCIAL ASSETS

(i) **Fair value hierarchy**

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

At 30 June 2021	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
Freehold land	-	29,273,609,123	-	29,273,609,123
Leasehold land	-	10,455,150,000	-	10,455,150,000
Buildings on freehold land	-	4,820,108,445	-	4,820,108,445
Buildings on leasehold land	-	1,399,526,059	-	1,399,526,059
Distribution equipment	-	95,601,049,320	-	95,601,049,320
	-	141,549,442,947	-	141,549,442,947

At 30 June 2020	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
Freehold land	-	13,119,841,459	-	13,119,841,459
Leasehold land	-	4,824,460,000	-	4,824,460,000
Buildings on freehold land	-	3,778,045,635	-	3,778,045,635
Buildings on leasehold land	-	362,948,560	-	362,948,560
Distribution equipment	-	68,457,756,149	-	68,457,756,149
	-	90,543,051,803	-	90,543,051,803

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.

38 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	2021 Rupees	2020 Rupees
Associated companies / undertakings			
National Electric Power Regulatory Authority	Fee	39,414,072	36,563,211
National Transmission and Despatch Company Limited	Use of system charges	(4,684,634,866)	(3,981,819,905)
	Settlement against use of system charges	4,828,668,110	3,368,453,069
	Debit note received from CPPA	785,018,796	-
	Credit note received from CPPA	(831,149,442)	-
	Adjustment	5,000,000	-
	Free supply of electricity provided to employees of associated company	82,407,381	74,730,294
	Free supply of electricity received by employees of the Company from associated company	-	-
	Pension paid to employees of associated company	262,543,690	205,075,907
	Payment made by associated company	(161,293,286)	(174,166,342)
	Purchase of material	247,993	-
Central Power Purchasing Agency (Guarantee) Limited	Purchase of electricity	(138,510,996,108)	(142,862,801,741)
	GST	(12,081,996,003)	(11,869,672,792)
	Management fee	(64,350,000)	(90,233,888)
	Payment	140,746,296,725	122,569,790,773
	Cash adjustment	-	(35,265,605)
	Debit note received from CPPA	(23,672,913,594)	(5,449,532,541)
	Credit note received from CPPA	91,979,218,522	310,649,505
	Remittance to NTDC	(4,828,668,110)	(3,368,453,069)
	Adjustment		55,990,592
Northern Power Generation Company Limited	Free supply of electricity provided to employees of associated company	732,802	740,803
	Free supply of electricity received by employees of the Company from associated company	(14,991)	(75,661)
	Pension paid to employees of associated company	4,053,317	(1,339,246)
	Pension received by employees of the Company from associated company	-	-
Water and Power Development Authority	Free supply of electricity provided to employees of associated company	50,776,895	37,765,874
	Pension paid to employees of associated company	-	22,127,921
	Purchase of material	5,827,952	-
Faisalabad Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	3,809,052	3,787,697
	Free supply of electricity received by employees of the Company from associated company	(19,380,256)	(9,723,698)
	Pension paid to employees of associated company	57,979,891	29,475,741
	Pension received by employees of the Company from associated company	(113,621,051)	(34,209,733)
	Sale of material	(105,375)	5,872,527
	Purchase of material	5,832,847	(5,845,489)
	Adjustments against material supplied	(3,695,384)	-
Peshawar Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	24,993,002	11,726,678
	Free supply of electricity received by employees of the Company from associated company	(52,393,465)	(43,042,898)
	Pension paid to employees of associated company	221,997,510	240,627,602
	Pension received by employees of the Company from associated company	(424,266,943)	(155,297,166)
	Purchase of material	2,047,888	-
	Adjustments against material purchased	5,618,723	-
Gujranwala Electric Power Company Limited	Free supply of electricity provided to employees of associated company	5,967,980	5,819,187
	Free supply of electricity received by employees of the Company from associated company	(8,130,809)	(6,655,293)
	Pension paid to employees of associated company	32,152,386	28,273,116
	Pension received by employees of the Company from associated company	(105,478,220)	(48,762,849)
	Sale of material	-	33,958,196
	Adjustments against material purchased	24,645,150	(36,103,886)
	Adjustments against material supplied	(11,269,055)	-
Quetta Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	2,275,576	2,039,064
	Free supply of electricity received by employees of the Company from associated company	(571,232)	(132,083)
	Pension paid to employees of associated company	18,665,029	16,660,922
	Pension received by employees of the Company from associated company	(28,156,605)	(12,375,527)
Central Power Generation Company Limited	Free supply of electricity provided to employees of associated company	860,761	790,179
	Free supply of electricity received by employees of the Company from associated company	(137,110)	(115,190)
	Pension paid to employees of associated company	22,260,806	21,348,832
	Pension received by employees of the Company from associated company	(27,985,142)	(13,314,783)
Hyderabad Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	672,262	721,292
	Free supply of electricity received by employees of the Company from associated company	(1,782,143)	(1,246,692)
	Pension paid to employees of associated company	12,253,182	12,281,776
	Pension received by employees of the Company from associated company	(19,472,436)	(1,087,132)
Lakhra Power Generation Company Limited	Free supply of electricity provided to employees of associated company	83,414	80,024
	Free supply of electricity received by employees of the Company from associated company	-	(1,261)
	Pension paid to employees of associated company	1,169,026	1,161,729
	Pension received by employees of the Company from associated company	(1,339,803)	(736,844)
Tribal Areas Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	1,235,193	944,207
	Free supply of electricity received by employees of the Company from associated company	(1,400,000)	-
	Pension paid to employees of associated company	3,031,085	3,394,810
	Pension received by employees of the Company from associated company	(1,197,623)	(2,583,951)

Name of related party	Nature of transactions	2021 Rupees	2020 Rupees
Jamshoro Power Company Limited	Free supply of electricity provided to employees of associated company	218,504	217,019
	Free supply of electricity received by employees of the Company from associated company	-	(11,063)
	Pension paid to employees of associated company	4,130,643	3,651,018
	Pension received by employees of the Company from associated company	(5,249,473)	(1,612,821)
Sukkur Electric Power Company Limited	Free supply of electricity provided to employees of associated company	213,441	255,321
	Free supply of electricity received by employees of the Company from associated company	(812,851)	(782,420)
	Pension paid to employees of associated company	1,551,466	1,106,549
	Pension received by employees of the Company from associated company	-	(267,853)
	Sale of material	1,356,024	-
	Purchase of material	187,293	-
Lahore Electric Supply Company Limited	Free supply of electricity provided to employees of associated company	10,709,155	6,516,028
	Free supply of electricity received by employees of the Company from associated company	(7,963,838)	(6,762,294)
	Pension paid to employees of associated company	33,675,360	32,086,537
	Pension received by employees of the Company from associated companies	(43,470,088)	(40,657,663)
	Payment against purchases	(34,220,374)	(33,393,862)
	Purchase of material	48,473,277	-
	Sale of material	6,497,280	-
Multan Electric Power Company Limited	Free supply of electricity provided to employees of associated company	4,023,962	2,834,604
	Free supply of electricity received by employees of the Company from associated company	(5,298,693)	(3,745,295)
	Pension paid to employees of associated company	20,007,258	23,776,458
	Pension received by employees of the Company from associated company	(10,891,801)	(22,573,622)
Pakistan Electric Power Company (Private) Limited	Free supply of electricity provided to employees of associated company	1,121,525	-
	Free supply of electricity received by employees of the Company from associated company	-	1,065,935
	Pension paid to employees of associated company	(20,513,296)	
Power Information Technology Company (Private) Limited	Free supply of electricity provided to employees of associated company	459,939	-
	Free supply of electricity received by employees of the Company from associated company	(1,562,967)	(2,047,623)
Genco Holding Company Limited	Free supply of electricity provided to employees of associated company	335,977	-
	Services received by the Company	(29,884)	-
	Pension paid to employees of associated company	(243,099)	-

38.1 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.

38.2 Detail of compensation to key management personnel comprising of Chief Executive Officer, Directors and Executives is disclosed in Note 34.

39 NUMBER OF EMPLOYEES

The number of total employees at the year end were 12,389 (2020: 12,918), whereas the average number of employees during the year were 12,503 (2020: 13,058).

40 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 10,942,880,125 (2020: 10,442,003,661) units of electricity to its consumers during the year.

41 BENAZIR EMPLOYEE STOCK OPTION SCHEME

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

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

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

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

42 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison and better presentation. Restatement due to rectification of prior period errors described in the note 2.28. No other significant reclassification / rearrangements of corresponding figures have been made except following:

Particulars	Reclassification From	Reclassification TO	Rupees
Market operation fee	Administrative expenses	Cost of electricity	36,905,054
Other receivables - free electricity	Other receivables: Pakistan Electric Power Company (Private) Limited	Other receivables - Power Information Technology Company (Private) Limited	1,388,973
		Other receivables - GENCO Holding Company Limited	1,055,826
		Trade and other payables - Pakistan Electric Power Company (Private) Limited	(1,454,296)
Sales tax	Recoverable from tax authorities	Trade and other payables - sales tax	(149,197,907)
Sales tax	Recoverable from tax authorities	Trade and other payables - others	(361,402,573)
Sales tax receivable	Recoverable from tax authorities	Face of statement of financial position	21,672,240,530
Advance income tax	Recoverable from tax authorities	Face of statement of financial position	1,508,226,947
Tariff differential subsidy	Sale of electricity	Tariff differential subsidy	857,070,313

43 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 17 DEC 2021 by the Board of Directors of the Company.

44 GENERAL

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

CHIEF EXECUTIVE OFFICER

DIRECTOR