



FINANCIAL STATEMENTS
OF
QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED
FOR THE YEAR ENDED
JUNE 30, 2021

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity 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 June 30, 2021 and of the profit and other comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

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

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

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

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

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

BDO

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.

BDO

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) in our opinion, 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 Muhammad Imran.

LAHORE

DATED: 04 OCT 2021

BDO Ebrahim
BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

BDO

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

| | Note | 2021 ------(Rupees in 000')----- | 2020 |
|--|------|-------------------------------------|--------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | | |
| Operating fixed assets | 5 | 10,508,183 | 11,029,745 |
| Capital work in progress | 7 | 1,810 | 27,559 |
| Right-of-use assets | 8 | 846 | 896 |
| Intangible assets | 9 | 237 | 374 |
| Long term deposits and prepayments | 10 | 401 | 401 |
| | | <u>10,511,477</u> | <u>11,058,975</u> |
| CURRENT ASSETS | | | |
| Trade debts | 11 | 5,173,075 | 3,501,383 |
| Short term loans and advances | 12 | 14,421 | 9,292 |
| Short term deposits and prepayments | 13 | 6,324 | 6,249 |
| Other receivables | 14 | 1,034,567 | 1,459,323 |
| Cash and bank balances | 15 | 1,390,108 | 1,516,369 |
| | | <u>7,618,495</u> | <u>6,492,616</u> |
| TOTAL ASSETS | | <u><u>18,129,972</u></u> | <u><u>17,551,591</u></u> |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital | 16.1 | 6,000,000 | 6,000,000 |
| Issued, subscribed and paid up share capital | 16.2 | 3,809,780 | 3,809,780 |
| Share deposit money | | 5 | 5 |
| Revenue reserve - Unappropriated profit | | 7,291,812 | 5,488,330 |
| Corporate social responsibility reserves | 17 | 199,800 | - |
| TOTAL EQUITY | | <u>11,301,397</u> | <u>9,298,115</u> |
| NON-CURRENT LIABILITIES | | | |
| Long term financing | 18 | 4,949,715 | 6,223,456 |
| Deferred liabilities | 19 | 25,299 | 19,254 |
| Long term retentions | 20 | 137,883 | 104,960 |
| | | <u>5,112,897</u> | <u>6,347,670</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 21 | 305,057 | 621,342 |
| Accrued finance cost | 22 | 135,669 | 207,256 |
| Provision for taxation | 23 | 46,401 | 49,643 |
| Current portion of long term financing | 24 | 1,228,551 | 1,027,565 |
| | | <u>1,715,678</u> | <u>1,905,806</u> |
| TOTAL LIABILITIES | | <u>6,828,575</u> | <u>8,253,476</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>18,129,972</u></u> | <u><u>17,551,591</u></u> |
| CONTINGENCIES AND COMMITMENTS | 25 | | |

The annexed notes from 1 to 50 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021

| | Note | 2021 ------(Rupees in 000')----- | 2020 |
|---|------|-------------------------------------|-------------------------|
| Sales | 27 | 3,570,841 | 4,335,207 |
| Cost of sales | 28 | (893,556) | (901,418) |
| Gross profit | | <u>2,677,285</u> | <u>3,433,789</u> |
| Administrative expenses | 29 | (88,273) | (80,593) |
| Other charges | 30 | (88,492) | (1,575) |
| | | (176,765) | (82,168) |
| Other income | 31 | 354,313 | 367,972 |
| Operating profit | | <u>2,854,833</u> | <u>3,719,593</u> |
| Finance cost | 32 | (713,049) | (1,235,819) |
| Profit before taxation | | <u>2,141,784</u> | <u>2,483,774</u> |
| Taxation | 33 | (137,989) | (16,299) |
| Profit for the year | | <u><u>2,003,795</u></u> | <u><u>2,467,475</u></u> |
| Earnings per share - Basic and diluted (Rupees) | 48 | <u><u>5.26</u></u> | <u><u>6.48</u></u> |

The annexed notes from 1 to 50 form an integral part of these financial statements.



CHIEF EXECUTIVE

BDO



DIRECTOR

**QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021**

| | 2021 | 2020 |
|--|-----------------------------|------------------|
| | ------(Rupees in 000')----- | |
| Profit for the year | 2,003,795 | 2,467,475 |
| Other comprehensive income | | |
| Items that will not be reclassified subsequently to profit or loss | | |
| Remeasurement of net defined benefit liability - net of tax | (513) | 1,873 |
| Items that may be reclassified subsequently to profit or loss | - | - |
| Other comprehensive (loss) /income for the year | (513) | 1,873 |
| Total comprehensive income for the year | <u>2,003,282</u> | <u>2,469,348</u> |

The annexed notes from 1 to 50 form an integral part of these financial statements.

1300


CHIEF EXECUTIVE


DIRECTOR

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021

| | Capital reserves | | | Revenue reserves | | | Total |
|--|--|---------------------|---------------------------------------|--|------------|--|-------|
| | Issued, subscribed and paid-up share capital | Share deposit money | Revenue reserve Unappropriated profit | Corporate social responsibility reserves | Total | | |
| Balance as at July 01, 2019 | 3,809,780 | 5 | 3,018,982 | - | 6,828,767 | | |
| Total comprehensive income for the year | - | - | 2,467,475 | - | 2,467,475 | | |
| Profit for the year | - | - | 1,873 | - | 1,873 | | |
| Other comprehensive loss for the year | - | - | 2,469,348 | - | 2,469,348 | | |
| Total comprehensive income for the year | 3,809,780 | 5 | 5,488,330 | - | 9,298,115 | | |
| Balance as at June 30, 2020 | - | - | 2,003,795 | - | 2,003,795 | | |
| Total comprehensive income for the year | - | - | (199,800) | 199,800 | - | | |
| Profit for the year | - | - | (513) | - | (513) | | |
| Corporate social responsibility reserves | - | - | 1,803,482 | 199,800 | 2,003,282 | | |
| Other comprehensive loss for the year | - | - | 7,291,812 | 199,800 | 11,301,397 | | |
| Total comprehensive income for the year | 3,809,780 | 5 | 7,291,812 | 199,800 | 11,301,397 | | |
| Balance as at June 30, 2021 | | | | | | | |

The annexed notes from 1 to 50 form an integral part of these financial statements.

۱۳۰۰


CHIEF EXECUTIVE


DIRECTOR

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

| | Note | 2021 ------(Rupees in 000')----- | 2020 |
|--|-----------|-------------------------------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 2,141,784 | 2,483,774 |
| Adjustments for items not involving movement of funds: | | | |
| Depreciation on property, plant and equipment | 5.1 & 8.1 | 566,328 | 566,111 |
| Amortization of intangible assets | 29 | 183 | 480 |
| Exchange (gain)/loss | 30 | (4,593) | 1,575 |
| Finance cost | 32 | 713,049 | 1,235,819 |
| Employee benefits | 19 | 5,532 | 7,244 |
| Provision / write off - WPPF and WWF | 30 | 93,085 | - |
| Net cash flow before working capital changes | | 3,515,368 | 4,295,003 |
| (Increase) / decrease in current assets | | | |
| Trade debts | | (1,764,777) | (1,347,425) |
| Short term loans and advances | | (5,129) | 21,496 |
| Short term deposits and prepayments | | (75) | 98 |
| Other receivables | | 733,231 | 165,824 |
| | | (1,036,750) | (1,160,007) |
| Increase / (decrease) in current liabilities | | | |
| Trade and other payables | | (311,692) | 189,050 |
| | | (311,692) | 189,050 |
| Cash generated from operations | | 2,166,926 | 3,324,046 |
| Taxes paid | | (449,706) | (448,766) |
| Employee benefits paid | | - | (4,487) |
| Financial charges paid | | (763,131) | (1,243,399) |
| Net cash generated from operating activities | | 954,089 | 1,627,394 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to capital work in progress | 7 | (1,810) | (27,559) |
| Addition to operating fixed assets | 5 | (17,157) | (296) |
| Addition to intangible assets | 9 | (46) | (67) |
| Net cash used in investing activities | | (19,013) | (27,922) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Long term financing - repayment | | (1,094,260) | (835,916) |
| Long term retentions | | 32,923 | 35,346 |
| Net cash used in financing activities | | (1,061,337) | (800,570) |
| Net (decrease) / increase in cash and cash equivalents | | (126,261) | 798,902 |
| Cash and cash equivalents at the beginning of the year | | 1,516,369 | 717,467 |
| Cash and cash equivalents at the end of the year | | 1,390,108 | 1,516,369 |

The annexed notes from 1 to 50 form an integral part of these financial statements.


CHIEF EXECUTIVE

BDO


DIRECTOR

**QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 Status of the Company

Quaid-e-Azam Solar Power (Private) Limited ('The Company') was incorporated as a private limited Company under the repealed Companies Ordinance, 1984 (Now the Companies Act, 2017) on September 16, 2013. The principal activity of the Company is to build, own, operate and maintain a solar power plant having a total capacity of 100 MW in Lal Sohanra, Cholistan, Bahawalpur (the main business unit of the Company).

1.2 Commercial Operations Date (COD)

In accordance with Central Power Purchasing Agency (Guarantee) Limited (CPPA) letter No. CPPA/(G)L/GM/CE-II/MT-IV/QASPPL/17-38 dated August 7, 2015, the Company achieved Commercial Operations Date (COD) on July 15, 2015. National Electric Power Regulatory Authority (NEPRA) has granted generation license to the Company which is valid until December 30, 2039.

1.3 Sale of entire power generation

As explained in note 26.1, the Company has entered into Energy Purchase Agreement (EPA) with National Transmission and Dispatch Company Limited (NTDC) through Central Power Purchasing Agency (Guarantee) Limited (CPPA) for the sale of its entire power generation for a period of 25 years valid till December 30, 2039.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at 3rd Floor, 83A-E1, Gulberg III, Main Boulevard, Lahore, Pakistan. The power plant of the Company is located at following location:

| Plant | Plant address |
|-------------------|---|
| Solar Power Plant | Quaid -e-Azam solar Park Bahawalpur, Cholistan Development Authority. |

2.1 Basis of preparation

2.2 Statement of compliance

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

BDO

- International Financial Reporting Standards (IFRS) 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 IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.3 Accounting convention

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

The financial statements have been prepared following accrual basis of accounting except for cash flow information.

The preparation of these financial statements in conformity with approved accounting standards requires the management to exercise its judgment in the process of applying the Company's accounting policies and use of certain critical accounting estimates. The areas involving a higher degree of judgment, critical accounting estimates and significant assumptions are disclosed in note 4.29.

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.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

The Company has adopted all the new standards and amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year:

3.1 Effective in current year and not relevant to the Company

| | | Effective date (annual periods beginning on or after) |
|--------|---|--|
| IFRS 3 | Business Combinations - The amendments narrowed and clarified the definition of a business, the amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. | January 01, 2020 |

1300

| | | Effective date (annual periods beginning on or after) |
|---------|---|--|
| IFRS 16 | Leases - The objective of the amendment is to give timely relief to lessees to covid-19-related rent concessions while still enabling them to provide useful information about their leases to investors. | January 01, 2020 |
| IFRS 7 | Financial Instruments "disclosures" | January 01, 2020 |
| IFRS 9 | Financial Instruments | January 01, 2020 |
| IAS 1 | Presentation of Financial Statements - amendments to its definition of material to make it easier for companies to make materiality judgements. | January 01, 2020 |
| IAS 39 | Financial Instruments: Recognition and Measurement | January 01, 2020 |
| IAS 41 | Agriculture. | January 01, 2020 |

3.2 The following International Financial Reporting Standards (IFRS Standards) and amendments not yet effective

| | | |
|---------|-------------------------------------|------------------|
| IFRS 16 | COVID-19 - Related Rent Concessions | January 01, 2021 |
|---------|-------------------------------------|------------------|

The International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate

Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

Boo

| | | Effective date (annual periods beginning on or after) |
|--------|---|--|
| c) | there is no substantive change to the other terms and conditions of the lease. The standard is not likely to have any effect on Company's financial statements. | |
| IFRS 3 | Business Combinations - amendments updating a reference to the Conceptual Framework. | January 01, 2022 |
| IFRS 4 | Insurance Contracts - Amendments regarding the expiry date of the deferral approach. | January 01, 2023 |
| IFRS 9 | Financial Instruments - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability. | January 01, 2022 |
| IAS 1 | Presentation of Financial Statements - Amendments regarding the classification of current and non-current liabilities. | January 01, 2023 |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors - Amendment regarding the definition of accounting estimates, the standard defines the concept of a "change in accounting estimates. | January 01, 2023 |
| IAS 12 | Income taxes - Amendment regarding to clarify how companies account for deferred tax on leases and decommissioning obligations. | January 01, 2023 |
| IAS 16 | Property, Plant and equipment - The amendments clarify the prohibition on an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. | January 01, 2022 |
| IAS 37 | Provisions, Contingent Liabilities and Contingent Assets - The amendments specify the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. | January 01, 2022 |

Boo

The IASB issued 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021. The standard is not likely to have any effect on Company's financial statements.

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

IFRS 1 First time adoption of International Financial Reporting Standard
IFRS 17 Insurance Contracts

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss.

Depreciation on property, plant and equipment is charged to the statement of profit or loss on the straight line method so as to write off the cost of an asset over its estimated useful life at the annual rates mentioned in note 5 after taking into account their residual values. The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its property, plant and equipment as at June 30, 2021 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off. The Company assesses at each statement of financial position date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount.

Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized to the statement of profit or loss for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

BDO

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.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.2 Intangible assets

Expenditure incurred to acquire computer software, is capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss.

Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization is charged using straight line method at the rate mentioned in note 9.

The Company assesses at each balance sheet date whether there is any indication that intangible may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the statement of profit or loss for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.3 Capital work-in-progress

Capital work-in-progress are stated at cost less impairment losses, if any, and consists of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

4.4 Leases

Right-of-use assets

The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

BDO

The right-of-use asset is subsequently depreciated using straight line method from the date of recognition to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

Lease liabilities

The lease liability was measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

The Company recognizes leases as a right-of-use asset and corresponding liability at the date at which the leased asset is available for use by the Company, except for the assets under the Power Purchase Agreement (PPA) which are exempted from the applicability of this standard. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

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

4.5 Taxation

Current

Provision of current tax is based on the taxable income for the period 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.

The charge for current tax included in statement of profit or loss is net off amount recoverable from Central Power Purchasing Agency (Guarantee) Limited (CPPA) as a pass through item under the terms of Energy Purchase Agreement between the Company and CPPA.

BDO

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the date of statement of financial position. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

The deferred tax liability in respect of temporary differences is not recognized as the future tax payments on the generation, sale, exportation or supply of electricity are pass-through items and claimable from CPPA in full and the settlement of these temporary differences in future will have no tax consequences on the Company.

4.6 Trade debts

Trade debts are recognized and carried at original invoiced amount which is the fair value of the consideration to be received in future for units sold less provision for impairment. The Company holds trade debts with the objectives to collect contractual cash flows and, therefore, measure them subsequently at amortized cost using the effective interest method. 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 a financial asset in its entirety or a portion thereof.

4.7 Loans, advances and other receivables

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

Bo

4.8 Operating leases

Short term leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of profit or loss on a straight-line basis over the lease term.

4.9 Impairment

Financial assets

As explained in note 4.10.4, amounts due from the Government of Pakistan are assessed in accordance with the provisions of IAS 39 at each reporting date to determine whether there is any objective evidence that one or more events have had a negative effect on the estimated future cash flows of these receivables.

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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

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 a financial asset in its entirety or a portion thereof.

Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

BDO

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

4.10 Financial instruments

4.10.1 Financial assets other than those due from the Government of Pakistan

The Company classifies its financial assets in the following categories: at fair value through profit or loss and at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. These comprise of loans, advances, deposits and other receivables and cash and cash equivalents in the statement of financial position.

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of profit or loss. Financial assets are de-recognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Financial assets at amortized cost are measured using the effective interest rate method.

1300

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of profit or loss as part of other income when the Company's right to receive payments is established. The Company applies simplified approach, as allowed under IFRS 9, for measuring expected credit losses which uses a lifetime expected loss allowance for all the financial assets. It assess on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

4.10.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

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

4.10.3 Offsetting of financial assets and financial liabilities

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

4.10.4 Financial assets due from the Government of Pakistan

Financial assets due from the Government of Pakistan include trade debts and other receivables due from CPPA under PPA that also includes accrued amounts. The SECP through SRO 985(I)/2019 dated September 2, 2019 has notified that, in respect of companies holding financial assets due from the Government of Pakistan, the requirements contained in IFRS 9 with respect to application of expected credit losses method shall not be applicable till June 30, 2021 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. Accordingly, the same continue to be reported as per the following accounting policy:

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

1300

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognized in the statement of profit or loss. When a trade debt is uncollectible, it is written-off against the provision. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of profit or loss.

4.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cheques in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements.

4.12 Borrowings

Borrowings are recognized initially at fair value (proceeds received), net of transaction costs incurred and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Finance costs are accounted for on an accrual basis and are shown as accrued finance cost to the extent of the amount remaining unpaid.

4.13 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

BDO

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing / finance costs are recognized in statement of profit or loss in the period in which they are incurred.

4.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Liabilities for creditors and other costs payable are initially recognized at the fair value of the consideration to be paid in future for goods and / or services, whether or not billed to the Company and subsequently measured at amortized cost using the effective interest rate method.

4.15 Revenue recognition

Revenue shall be recognized when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset and thus has the ability to direct the use and obtain the benefits from the good or service.

- Revenue on account of energy is recognized on transmission of electricity to CPPA through the grid system on monthly basis.
- Non-Project Missed Volume is recognized when these are invoiced when underlying data is available on monthly basis and the same has been acknowledged by CPPA.
- Income on bank deposits and delayed payment mark-up on amounts due under the Energy Purchase Agreement is accrued on a time proportion basis by reference to the principal / amount outstanding and the applicable rate of return.
- Other income are recorded on accrual basis.

4.16 Related party transactions

Transactions with related parties are based on the policy that all transactions between the Company and the related parties are carried out at arm's length. The prices are determined in accordance with the methods prescribed in the Companies Act, 2017.

BDO

4.17 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company has only one reportable segment.

4.18 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.19 Ijarah

Ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor / Muj'ir (lessor) are classified as Ijarah. Payments made during the period are charged to the statement of profit or loss on a straight-line basis over the period of the Ijarah. The SECP has issued directive (vide SRO 431(I)/2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statements by companies while accounting for Ijarah (Lease) transactions as defined by said Standard. The Company has adopted the above said standard.

4.20 Derivative financial instruments

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

When the Company becomes a party to a hybrid contract with a host that is not an asset within the scope of IFRS 9, the Company is required to identify any embedded derivative, assess whether it is required to be separated from the host contract and, for those that are required to be separated, measure the derivatives at fair value at initial recognition and subsequently at fair value through profit or loss.

Embedded derivatives are separated and accounted for as stand-alone derivatives if these are not 'closely related' to the host contract, that is, if their economic characteristics and risks are different from those of the rest of the contract. If the embedded derivative cannot be measured separately either at acquisition or subsequently, the Company designates the entire hybrid contract as at fair value through profit or loss.

BSO

The Company's tariff, like other power companies, comprises of various price components with indexations falling within the ambit of embedded derivatives. Such embedded derivatives, as per IFRS 9 "Financial Instruments", need to be separated from the host contract and accounted for as derivatives if economic characteristics and risks of the embedded derivatives are not closely related to the host contract.

The SECP, through its S.R.O. 986(1)2019 dated September 2, 2019 (in partial modification of its previously issued S.R.O. 24/(1)2012 dated January 16, 2012) has allowed companies not to recognize embedded derivative under IFRS 9 if they have chosen to capitalize exchange differences as permitted under the notification. Accordingly, the Company has not recognized embedded derivatives in these financial statements.

However, for the reasons explained in note 6, derivatives embedded in the Power Purchase Agreement (PPA), have not been separated from the host contract and accordingly have not been recognized in these financial statements.

4.21 Contract liabilities

Contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfer goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (Whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. It also include liabilities arising out of customers' right to claim amounts from the Company on account of contractual delays in delivery of performance obligations and incentive on target achievements.

4.22 Contract assets

A contract assets represents the Company's right to consideration in exchange for goods that the Company has transferred to customer that is not yet unconditional. In contrast, a receivable represents the Company's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

There is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

4.23 Deferred liabilities

The Company operates an unfunded gratuity scheme covering all permanent employees who complete prescribed qualifying period of service. The obligation under gratuity scheme is calculated on the basis of last drawn basic salary and length of service of the employee.

1800

The latest actuarial valuation for the gratuity scheme was carried out as at June 30, 2021. Projected unit credit method, using the following significant assumptions is used for the valuation of this scheme:

- Discount rate 10 percent per annum (2020: 8.50 percent per annum);
- Expected rate of increase in salary level 9.00 percent per annum (2020: 7.50 percent per annum); and
- Expected mortality rate as per SLIC (2001-2005) Mortality Table, with one year setback.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in income.

4.24 Foreign currencies

Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

4.25 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, if any.

4.26 Dividend

Dividend distribution to the Company's members is recognized as a liability in the period in which the dividends are approved.

4.27 Provisions

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

Boo

4.28 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.29 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimate and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. A change in accounting estimate may effect only the current period of the statement of profit or loss or the statement of profit or loss of both current and future years.

Judgments and estimates made by management in the application of approved accounting standards that may have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next years are discussed in the following paragraphs:

a) Property, plant and equipment

The Company reviews the useful lives and residual values of property, plant and equipment on a regular basis. Any change in estimate in future years might affect the carrying amounts of the respective items of property, plant and equipment's with corresponding effect on depreciation charge and impairment.

b) Impairment of assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated using criteria given in respective accounting standards to determine the extent of impairment loss, if any.

1300

c) **Taxation**

The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from that taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

d) **Provision for doubtful receivables**

The Company uses a provision matrix to calculate ECLs for trade receivables (other than receivable from Government) and other receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

e) **Provision and contingencies**

The Company reviews the status of all pending litigations and claims against the Company. Based on its 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 balance sheet date.

f) **Financial instrument**

The fair value of the financial instrument that are not traded in an active market is determined by using valuation techniques based on assumption that are dependent on conditions existing at the balance sheet.

g) **Defined benefit plan**

Certain actuarial assumptions have been adopted by external professional valuer (as disclosed in note 19.10) for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

300

5 OPERATING FIXED ASSETS

The following is the statement of property, plant and equipment:

| Description | Building on | Plant and | IT equipment | Furniture | Electric | Vehicles | Grand total |
|-------------------------------|--------------------|-------------|--------------|-------------|-----------|----------|-------------|
| | lease hold land | machinery | | and fixture | equipment | | |
| | (Rupees in '000') | | | | | | |
| Net carrying value basis | | | | | | | |
| Year ended June 30, 2021 | | | | | | | |
| Opening net book value (NBV) | 79,247 | 10,943,315 | 59 | 3,548 | 2,137 | 1,439 | 11,029,745 |
| Additions (at cost) | - | 43,741 | 54 | 592 | 329 | - | 44,716 |
| Disposal (NBV) | - | - | - | - | - | - | - |
| Depreciation charge | (3,877) | (556,793) | (15) | (3,577) | (1,257) | (759) | (566,278) |
| Closing net book value | 75,370 | 10,430,263 | 98 | 563 | 1,209 | 680 | 10,508,183 |
| Gross carrying value basis | | | | | | | |
| Year ended June 30, 2021 | | | | | | | |
| Cost | 96,933 | 13,764,745 | 5,051 | 21,592 | 6,957 | 19,284 | 13,914,562 |
| Accumulated depreciation | (21,563) | (3,334,482) | (4,953) | (21,029) | (5,748) | (18,604) | (3,406,379) |
| Net book value | 75,370 | 10,430,263 | 98 | 563 | 1,209 | 680 | 10,508,183 |
| Net carrying value basis | | | | | | | |
| Year ended June 30, 2020 | | | | | | | |
| Opening net book value (NBV) | 83,124 | 11,499,109 | 1 | 7,531 | 3,297 | 2,448 | 11,595,510 |
| Additions (at cost) | - | - | 272 | - | 24 | - | 296 |
| Disposal (NBV) | - | - | - | - | - | - | - |
| Depreciation charge | (3,877) | (555,794) | (214) | (3,983) | (1,184) | (1,009) | (566,061) |
| Closing net book value | 79,247 | 10,943,315 | 59 | 3,548 | 2,137 | 1,439 | 11,029,745 |
| Gross carrying value basis | | | | | | | |
| Year ended June 30, 2020 | | | | | | | |
| Cost | 96,933 | 13,721,004 | 4,997 | 21,000 | 6,628 | 19,284 | 13,869,846 |
| Accumulated depreciation | (17,686) | (2,777,689) | (4,938) | (17,452) | (4,491) | (17,845) | (2,840,101) |
| Net book value | 79,247 | 10,943,315 | 59 | 3,548 | 2,137 | 1,439 | 11,029,745 |
| Depreciation rate % per annum | 4% | 4-8% | 33% | 25% | 20% | 20% | |

1300

5.1 The depreciation charge for the year has been allocated as follows:

| | 2021 | 2020 |
|-------------------------|------------------------------|-----------------------|
| Note | ----- (Rupees in 000') ----- | |
| Cost of sales | 28 | 561,321 |
| Administrative expenses | 29 | 4,957 |
| | | <u>566,278</u> |
| | | <u><u>566,061</u></u> |

5.2 Building on lease hold land of the Company is located at Quaid -e-Azam Solar Park Bahawalpur with an area of 500 acres of land situated in Cholistan Development Authority, Government of the Punjab, District Bahawalpur. The Company has established Solar Power Project of 100 MW at said land.

5.3 One vehicle having cost amounting to Rs. 3.825 million is not in the Company possession as this has been taken by the S&GA Department of the Government under notification of Supreme court of Pakistan under Suo moto case No. 11 of 2018 dated May 2, 2018.

1300

6 EMBEDDED DERIVATIVES

The Company's tariff, like other power companies, comprises of various price components with indexations falling within the ambit of embedded derivatives. Such embedded derivatives, as per IFRS 9 "Financial Instruments", need to be separated from the host contract and accounted for as derivatives if economic characteristics and risks of the embedded derivatives are not closely related to the host contract.

The SECP, through its S.R.O. 986(1)2019 dated September 2, 2019 (in partial modification of its previously issued S.R.O. 24/(1)2012 dated January 16, 2012) has allowed companies not to recognize embedded derivative under IFRS 9 if they have chosen to capitalize exchange differences as permitted under the notification. Accordingly, the Company has not recognized embedded derivatives in these financial statements.

The SECP, through its S.R.O. 986(1)2019 dated September 2, 2019 partially modified its previously issued S.R.O. 24/(1)2012 dated January 16, 2012 and granted exemption to all companies that have executed their power purchase agreements before January 01, 2019 from the application of IAS 21 'The Effects of Changes in Foreign Exchange Rates' to the extent of capitalization of exchange differences. However, the Company believes that there is no impact on the Company's Financial Statement as the Company do not have any foreign currency loan.

| | | 2021 | 2020 |
|-----|---|-----------------------------|-----------------------------------|
| | | ------(Rupees in 000')----- | |
| 7 | CAPITAL WORK IN PROGRESS | Note | |
| | This comprises of: | | |
| | Plant and machinery | | |
| | Purchase of SCADA system | 7.2 | - 27,559 |
| | Vehicle | | |
| | Advance for purchase of tractor and bouser | 7.3 | 1,810 - |
| | | | <u>1,810</u> <u>27,559</u> |
| 7.1 | Opening balance | | 27,559 - |
| | Add: Addition during the year | | 1,810 27,559 |
| | Less: Transferred to operating fixed assets | | <u>(27,559)</u> - |
| | Closing balance | | <u>1,810</u> <u>27,559</u> |
| 7.2 | This represents 100% advance paid to NR Electric Company Limited for the purchase of SCADA system. This has been received and transferred to operating fixed assets during the year. | | |
| 7.3 | This represents 100% advance paid to Millat Tractors Limited for the purchase of Tractor while 50% advance paid to Ravi Tractors Limited for the purchase of water bouser etc. This has been subsequently received and transferred to operating fixed assets. | | |

1300

| | Note | 2021 ------(Rupees in 000')----- | 2020 |
|------------------------------|------|-------------------------------------|------------|
| 8 RIGHT OF USE ASSETS | | | |
| Land | 8.1 | <u>846</u> | <u>896</u> |

The following is the statement of right of use assets:

8.1 Land

Year ended June 30, 2021

Net carrying value basis

| | | | |
|---|--|------------|------------|
| Opening net book value | | 896 | - |
| Reclassified from long term prepayments | | - | 946 |
| Addition (at cost) | | - | - |
| Depreciation charge | | (50) | (50) |
| Closing net book value | | <u>846</u> | <u>896</u> |

Gross carrying value basis

| | | | |
|--------------------------|--|------------|------------|
| Cost | | 1,250 | 1,250 |
| Accumulated depreciation | | (404) | (354) |
| Net book value | | <u>846</u> | <u>896</u> |

Depreciation rate % per annum 4% 4%

8.2 The land has been obtained on lease from the Government of the Punjab for 25 years. Lease hold land of the Company is located at Quaid-e-Azam Solar Park Bahawalpur with an area of 500 acres of land situated in Cholistan Development Authority, Government of the Punjab, District Bahawalpur. The Company has established Solar Power Project of 100 MW at said land.

9 INTANGIBLE ASSETS

Cost

| | | | |
|------------------------|--|--------------|--------------|
| Balance as at July 01, | | 2,553 | 2,486 |
| Additions for the year | | 46 | 67 |
| Balance as at June 30, | | <u>2,599</u> | <u>2,553</u> |

Amortization

| | | | |
|------------------------|-----|--------------|--------------|
| Balance as at July 01, | | 2,179 | 1,699 |
| Charge for the year | 9.2 | 183 | 480 |
| Balance as at June 30, | | <u>2,362</u> | <u>2,179</u> |
| Carrying value | | <u>237</u> | <u>374</u> |

Amortization rate per annum (%) 20% 20%

BDO

9.1 This represents computer software and licenses capitalized based on the accounting policy of the Company.

9.2 Entire amortization charge on intangible assets is allocated to administrative expenses.

| | Note | 2021 ------(Rupees in 000')----- | 2020 |
|--|------|-------------------------------------|------------|
| 10 LONG TERM DEPOSITS AND PREPAYMENTS | | | |
| Long term prepayments | 10.1 | - | - |
| Long term deposits | 10.2 | 401 | 401 |
| | | <u>401</u> | <u>401</u> |

10.1 Long term prepayments

Movement in this head is as follows:

| | | |
|------------------------------------|----------|----------|
| Opening balance | - | 946 |
| Addition (at cost) | - | - |
| Transferred to right of use assets | - | (946) |
| Amortization | - | - |
| Closing balance | <u>-</u> | <u>-</u> |

10.2 This represents amount paid to Cholistan Development Authority against the lease of land for the period of 25 years. During the year it has been transferred to right of use assets.

11 TRADE DEBTS

Secured

Considered good

Central Power Purchasing Agency
(Guarantee) Limited (CPPA)

| | | | |
|-------------------|------|------------------|------------------|
| Gross trade debts | 11.1 | 5,118,551 | 3,446,859 |
| Accrued income | 11.2 | 54,524 | 54,524 |
| Net trade debts | | <u>5,173,075</u> | <u>3,501,383</u> |

11.1 These represent trade receivables against sales relating to post-commercial operations date from CPPA and are considered good. These are secured by a guarantee from the Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a delayed payment mark-up at the rate of three months KIBOR plus 2% is charged in case the amounts are not paid within due dates. The rate of delayed payment mark-up charged during the period on outstanding amounts ranges from 6.92% to 13.35% (8.09% to 13.35% in 2020) per annum.

BDO

11.2 The Company had invoiced 48.301 million Kwh during trial production for the cumulative period from March 28, 2015 till July 15, 2015 recorded through back up metering system installed by the company, However, Central Power Purchasing Agency (Guarantee) Limited (CPPA) initially confirmed only 31.296 million Kwh units based on main metering system for the period from May 08, 2015 to July 15, 2015. There was a dispute between the company and CPPA relating to the remaining 17 million Kwh energy exported by the company prior to May 08, 2015 as the main metering system was not tested by a meter reading committee constituted by National Transmission and Dispatch Company Limited ('NTDC') comprising one member each of NTDC, Multan Electric Power Company Limited ('MEPCO') and the company before that date.

Based on a subsequent report issued by meter reading committee, CPPA further approved 10.284 million Kwh units and the same were reinvoiced by the company on December 07, 2015. In accordance with the suggestion of meter reading committee, the Company and MEPCO requested CPPA to form a high level enquiry committee comprising of Superintending Engineers (GSO), Regional Manager M&T, 2nd, MEPCO Multan and XEN M&T, MEPCO, Bahawalpur Division to finalize the Net delivered energy in respect of the remaining disputed 6.721 million Kwh exported by the company prior to May 08, 2015.

The dispute resolution committee under chairmanship of Chief Engineer Technical Services Group (TSG) NTDC was formed by CPPA on February 14, 2017 . The committee has obtained the net amount of energy delivered to the remote end substations to verify the energy delivered against the dispute claimed by the Company. NTDC vide its letter No. CE/TSG/1499-1504 dated February 21, 2019 has shared the meter readings of remote end substations during the disputed period. The Company vide its letter No. QAS-19/02/22-01 dated February 22, 2019 has accepted the meter readings shared by MEPCO as the difference of units is only 1.38% of 6.721 million Kwh. A meeting of Dispute Resolution Committee ("the Committee") was held on February 08, 2021 and the Committee has concluded that 6.653 million Kwh units amounting to Rs. 54.524 million (excluding sales tax) shall be invoiced by the Company to CPPA, accordingly this amount has been recorded as receivable and corresponding revenue in the books of accounts in the previous period. The invoice has been raised during the period which is not accepted by CPPA yet as there are some information required by CPPA from MEPCO, accordingly the invoice will be submitted again once information will be provided.

2021 2020
-----'(Rupees in 000)'-----

11.3 Age analysis of gross trade debts is as follows:

| | | |
|-------------------------------|------------------|------------------|
| Neither past due nor impaired | 468,802 | 529,957 |
| Past due but not impaired: | | |
| 1 to 30 days | 655,879 | 636,164 |
| 31 to 90 days | 896,922 | 526,657 |
| 91 to 180 days | 1,172,298 | 1,658,621 |
| 181 to 365 days | 1,668,583 | - |
| Above 365 Days | 310,591 | 149,984 |
| | <u>4,704,273</u> | <u>2,971,426</u> |
| | <u>5,173,075</u> | <u>3,501,383</u> |

1300

- 11.4 The maximum amount due from Central Power Purchasing Agency (Guarantee) Limited (CPPA) at the end of any month during the year was Rs. 5,088.72 million (2020: Rs. 3,663.31 million).
- 11.5 This includes an amount of Rs. 156.457 million (2020: Rs. 84.952 million) against interest on late payments.
- 11.6 This includes an amount of Rs. 760.472 million (2020: Rs. 326.716 million) against Workers Profit Participation Fund, Workers Welfare Fund and Income Tax.

| | Note | 2021 ------(Rupees in 000')----- | 2020 |
|-----------|--|-------------------------------------|--------------|
| 12 | SHORT TERM LOANS AND ADVANCES | | |
| | Unsecured | | |
| | Considered good | | |
| | Advances to employees | 12.1 | 10,711 |
| | Suppliers | 12.2 | 3,710 |
| | | | 47 |
| | | <u>14,421</u> | <u>9,292</u> |
| 12.1 | This represents advances to employees against gratuity. This also includes advance to Acting Chief Executive Officer amounting to Rs. 6.379 million (2020: Rs. 2.873) and various other executives amounting to Rs. 2.046 million (2020: Rs. 1.837 million). This is not past due. | | |
| 12.2 | This represents advance to various suppliers against services. This also includes advance to consultant for rehabilitation work in the village wadgal under CSR activities and is recoverable from Government of the Punjab. This is not past due. | | |
| 13 | SHORT TERM DEPOSITS AND PREPAYMENTS | | |
| | Security deposits | 13.1 | 1,926 |
| | Prepaid insurance | | 2,801 |
| | Other prepayments | | 1,597 |
| | | | <u>6,324</u> |
| | | | <u>6,249</u> |
| 13.1 | This includes an amount of Rs. 1.917 million (2020: Rs. 1.917 million) security deposit against rented premises. The said deposit is refundable at the expiry of the respective rent agreement or on vacation of the rented premises. | | |
| 14 | OTHER RECEIVABLES | | |
| | Unsecured | | |
| | Considered good | | |
| | Due from contractors (TBEA) | | 5,352 |
| | Due from PRA | 14.1 | 230,104 |
| | Sales tax under protest | 14.2 | 25,186 |
| | Income tax under protest | | 1,981 |
| | Due from related parties | 14.3 | 447 |

| | Note | 2021 ------(Rupees in 000')----- | 2020 |
|---|------|-------------------------------------|------------------|
| Recoverable from CPPA as pass through items (accrued) | | | |
| Workers' Profit Participation Fund | 14.4 | 90,732 | 393,636 |
| Income tax | 33.3 | 645,016 | 778,592 |
| Worker's Welfare Fund | 14.5 | 35,749 | 49,675 |
| | | <u>1,034,567</u> | <u>1,459,323</u> |

14.1 Due from Punjab Revenue Authority (PRA)

This represents Rs. 230.104 million (2020: Rs. 230.104 million) paid by Company under protest to PRA as disclosed in note 25.1 (a).

14.2 Sales tax under protest

This includes Rs. 2.021 million (2020: 2.021 million) input sales tax which was paid by the Company on hoteling and consultancy expenses which has not been allowed by PRA. The Company has filed an appeal in Appellate Tribunal. A favourable outcome is expected.

In addition to this, CPPA have issued a debit note to the Company relates to sale invoice of July, 2019 in the month of October, 2019. However, the Company has already paid Rs. 23.165 million against its output tax liability to FBR in the month of August, 2019. The Company has written a condonation letter to the Commissioner Inland Revenue for the adjustment of this amount.

14.3 Due from related parties

| | | |
|--|------------|------------|
| Khadim-e-Punjab Ujala Program (KPUP) | 18 | 18 |
| Quaid-e-Azam Wind Power (Private) Limited (QWPL) | 429 | 429 |
| | <u>447</u> | <u>447</u> |

These represents expenses incurred on behalf of these related parties. The maximum amount of advance outstanding at the end of any month in respect of KPUP and QWPL was Rs. 0.018 million (2020: Rs. 0.018 million) and Rs. 0.429 million (2020: Rs. 0.429 million) respectively. This is past due but not impaired.

14.4 Workers' Profit Participation Fund

Under section 6.3 (a) of Part IV of schedule 1 of the Energy Purchase Agreement, payments made to Workers' Profit Participation Fund are recoverable from CPPA as a pass through item.

14.5 Worker's Welfare Fund

Under section 6.3 (a) of Part IV of schedule 1 of the Energy Purchase Agreement, payments made to Worker's Welfare Fund are recoverable from CPPA as a pass through item.

1300

| | Note | 2021 ------(Rupees in 000')----- | 2020 |
|----------------------------------|------|-------------------------------------|------------------|
| 15 CASH AND BANK BALANCES | | | |
| Cheques in hand | | 25,000 | 50,000 |
| Cash at bank | | | |
| Local currency | | | |
| Current accounts: | | 162 | 349 |
| Saving accounts: | 15.1 | 1,364,946 | 1,466,020 |
| | | 1,365,108 | 1,466,369 |
| | | <u>1,390,108</u> | <u>1,516,369</u> |

15.1 This represents balance in saving accounts in The Bank of Punjab, a related party, which bear annual markup at 5.5% (2020: 6.5% to 11.25%) per annum compounded monthly.

16 SHARE CAPITAL

16.1 Authorized share capital

| | 2021 | 2020 | | |
|--|----------------|----------------|------------------|------------------|
| Number of ordinary shares of Rs. 10,000/- each | | | | |
| | <u>600,000</u> | <u>600,000</u> | | |
| | | | <u>6,000,000</u> | <u>6,000,000</u> |

16.2 Issued, subscribed and paid up share capital

| | 2021 | 2020 | | |
|--|----------------|----------------|------|------------------|
| Number of ordinary shares of Rs. 10,000/- each | | | | |
| | <u>380,978</u> | <u>380,978</u> | | |
| | | | 16.3 | <u>3,809,780</u> |
| | | | | <u>3,809,780</u> |

16.3 Movement of share capital is as follows:

| | | | |
|-------------------------------|--|------------------|------------------|
| Opening balance | | 3,809,780 | 3,809,780 |
| Shares issued during the year | | - | - |
| Closing balance | | <u>3,809,780</u> | <u>3,809,780</u> |

16.4 380,978 (2020: 380,978) ordinary shares of Rs. 10,000 each held by the Energy Department, Government of the Punjab and four other persons as nominee of Government of the Punjab.

16.5 There is no shareholder agreement for voting rights, board selection, rights of first refusal and block voting.

1300

| | Note | 2021 ------(Rupees in 000')----- | 2020 |
|---|------|-------------------------------------|----------|
| 17 CORPORATE SOCIAL RESPONSIBILITY RESERVES | | | |
| Reserves for Corporate Social Responsibility activities | 17.1 | <u>199,800</u> | <u>-</u> |

17.1 This represents reserve created at the rate of 2% of net profits for the year from July 1, 2016 to June 30, 2021 as approved by the Board of Directors in their meeting held on May 6, 2021, which is allocated for Corporate Social Responsibilities (CSR) activities under general order (Ref.no.S.R.O.983(I)/2009) issued by SECP in 2009 "the Companies (Corporate Social Responsibility) General Order, 2009" and requires a disclosure in their annual financial report.

18 LONG TERM FINANCING

The reconciliation of the carrying amount of loan is as follows:

Secured

| | | | |
|---|------|--------------------|--------------------|
| Opening balance | | 7,317,461 | 8,153,377 |
| Less: Repayments during the year | | <u>(1,094,259)</u> | <u>(835,916)</u> |
| Closing balance | 18.1 | 6,223,202 | 7,317,461 |
| Less: Transaction cost | | (44,936) | (66,440) |
| Less: Current portion shown under current liabilities | | <u>(1,228,551)</u> | <u>(1,027,565)</u> |
| | | <u>4,949,715</u> | <u>6,223,456</u> |

18.1 This represents the loan availed against aggregate facility of Rs. 11,137 million obtained from The Bank of Punjab. The key terms are as follows:

| | |
|---------------------------------|----------------------------------|
| Rate of interest per annum | 3 months KIBOR +3% per annum |
| Instalments ending on | July 16, 2025 |
| Number of instalments remaining | 17 unequal quarterly instalments |

18.2 The loan is secured by first charge over fixed assets of the Company of Rs. 30,883 million along with hypothecation of all present and future fixed assets of the Company and assignment of project contracts and receivables. The mark up charged during the year ranged from 6.63% to 10.64% (2020: 10.64% to 13.55%) per annum. The transaction cost amortized during the year is Rs. 21.505 million (2020: Rs. 26.70 million) as referred to in note 32.

19 DEFERRED LIABILITIES

19.1 Provision for gratuity

19.2 General description

The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme. The defined benefit payable to each employee at the end of his service comprises of total number of years of his service multiplied by last drawn basic salary.

1300

Annual charge is based on actuarial valuation carried out by an independent approved valuer M/S Nauman Associates as at June 30, 2021 using the Projected Unit Credit method.

The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macro-economic factors), the benefit amount would also increase proportionately.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Demographic Risks: Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal Risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

| | 2021 | 2020 |
|---|-----------------------------|---------|
| Note | ------(Rupees in 000')----- | |
| 19.3 The amounts recognized in the statement of financial position are as follows: | | |
| Present value of defined benefit obligation | 25,055 | 19,010 |
| Payable to ex-employee | 244 | 244 |
| Closing net liability | 25,299 | 19,254 |
| 19.4 The expected charge in respect of defined benefit plan for the year ending June 30, 2022 will be 2.696 million. | | |
| 19.5 Changes in the present value of the defined benefit obligation are as follows: | | |
| Opening balance | 19,010 | 18,370 |
| Current service cost | 3,916 | 4,965 |
| Interest cost | 1,616 | 2,279 |
| Benefits paid | - | (4,487) |
| Benefits due but not paid | - | (244) |
| Actuarial gain from changes in financial assumption | 120 | (361) |
| Experience adjustments | 393 | (1,512) |
| Closing balance | 25,055 | 19,010 |

1300

| | Note | 2021 | 2020 |
|-------------|---|------------------------------|--------------|
| | | ----- (Rupees in 000') ----- | |
| 19.6 | The amounts recognized in the statement of profit or loss: | | |
| | Current service cost | 3,916 | 4,965 |
| | Net interest cost for the year | 1,616 | 2,279 |
| | Total included in salaries, wages and amenities | <u>5,532</u> | <u>7,244</u> |
| | Experience adjustment arising on obligation | 1.55% | -7.85% |

| | | | |
|-------------|---|------------|----------------|
| 19.7 | The amounts recognized in the other comprehensive income are as follows: | | |
| | Actuarial gain from changes in financial assumptions | 120 | (361) |
| | Experience adjustments | 393 | (1,512) |
| | Total remeasurements chargeable to OCI | <u>513</u> | <u>(1,873)</u> |

19.8 Sensitivity Analysis

Significant assumptions for the determination of the defined benefits obligation are discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

19.9 Year end sensitivity analysis (± 100 bps) on defined benefit obligation

| Impact on defined benefit obligation | | | |
|--------------------------------------|------------------------------|------------------------|--------|
| Change in assumption | Increase in assumption | Decrease in assumption | |
| | ----- (Rupees in 000') ----- | | |
| Discount rate | 1% | 23,035 | 27,430 |
| Salary increase | 1% | 27,494 | 22,945 |

19.10 Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages) are as follows:

| | 2021 | 2020 |
|--------------------------|----------------|----------------|
| Discount Rates | 10.00% | 8.50% |
| Future salary increases | 9.00% | 7.50% |
| Expected Mortality Rate | SLIC (2001-05) | SLIC (2001-05) |
| Average duration of plan | 9 Years | 9 Years |

1300

| | Note | 2021 ------(Rupees in 000')----- | 2020 | |
|-----------|-----------------------------|-------------------------------------|----------------|----------------|
| 20 | LONG TERM RETENTIONS | | | |
| | Maintenance retention fund | 20.1 | 52,516 | 43,307 |
| | Asset replacement fund | 20.2 | 85,367 | 61,653 |
| | | | <u>137,883</u> | <u>104,960</u> |

20.1 It represents 5% deduction from the total quarterly payments to the O&M contractor, M/s Tbea Xinjiang Sunoasis Company Limited, against operations and maintenance (O&M) works for the plant maintenance required under the agreement with the contractor.

20.2 It represents 5% deduction from the revised O&M Cost (excluding insurance and security cost), as approved by the Board and agreed with the contractor, from the quarterly payments to the contractor against O&M works for replacement of items of property, plant and equipment, in addition to those included in the engineering, procurement and construction contract ('EPC Contract').

In addition to the above, based on the report of internal technical committee of the Company, the Company has achieved 75.64% APR against the benchmark APR of 74.94% as per note 20.2 and produced excessive energy of 1504.32 MWh units. As a result of which, the Company has recorded an expense, of equivalent units of 1504.32 MWh units, on pro rata basis in cost of sales out of which 50% has been transferred to Asset Replacement Fund, 25% towards the Company and remaining 25% to the O&M contractor as per clause 1.4.5 of Schedule -1 for Engineering, Procurement, Construction and Operation & Maintenance Contract (EPC and O&M Contract).

21 TRADE AND OTHER PAYABLES

| | | | |
|--|-------------|----------------|----------------|
| Payable to contractor | 21.1 | 55,524 | 72,259 |
| Payable to consultants | | 1,232 | 3,452 |
| Accrued liabilities | | 13,456 | 16,675 |
| Withholding tax payable | | 6,405 | 4,554 |
| Other liabilities | 21.2 & 21.3 | 29,149 | 26,528 |
| Sales tax liability | | 47,869 | 54,432 |
| Payable to Director General Public Relations | | 139 | 131 |
| Worker's Profit Participation Fund payable | 21.4 | 108,448 | 393,636 |
| Worker's Welfare Fund | 21.5 | 42,835 | 49,675 |
| | | <u>305,057</u> | <u>621,342</u> |

21.1 This represents payable to O&M contractor, M/s Tbea Xinjiang Sunoasis Company Limited, against operations and maintenance (O&M) works.

21.2 This includes an amount of Rs. 16.00 million (2020: Rs. 16.00 million) payable to District Council Bahawalpur as explained in note 25.1 (b) to these financial statements.

1300

21.3 Other liabilities include Rs 0.21 million (2020: Rs. 0.696 million) due to executives.

| | Note | 2021 ------(Rupees in 000')----- | 2020 |
|--|------|-------------------------------------|----------------|
| 21.4 Workers' Profit Participation Fund | | | |
| Opening balance | | 393,636 | 269,447 |
| Provision for the year | 21.6 | 108,448 | 124,189 |
| Payment during the year | | (393,636) | - |
| Closing balance | | <u>108,448</u> | <u>393,636</u> |

21.5 Workers' Welfare Fund

| | | | |
|-------------------------|------|---------------|---------------|
| Opening balance | | 49,675 | - |
| Provision for the year | 21.6 | 42,835 | 49,675 |
| Payment during the year | | (49,675) | - |
| Closing balance | | <u>42,835</u> | <u>49,675</u> |

21.6 The Company is required to pay 5% of its profit to the Workers profits participation fund and 2% of its profit to the Workers' Welfare Fund. However, such payments will not effect the Company's overall profitability as these are recoverable from CPPA as a pass through item under the terms of the Energy Purchase Agreement (EPA).

22 ACCRUED FINANCE COST

| | | | |
|-----------------------------------|--|----------------|----------------|
| Accrued mark-up on long term loan | | <u>135,669</u> | <u>207,256</u> |
|-----------------------------------|--|----------------|----------------|

23 PROVISION OF TAXATION

| | | | |
|------------------------------|--|-----------------|-----------------|
| Advance income tax | | 754,515 | 809,413 |
| Less: Provision for taxation | | (800,916) | (859,056) |
| | | <u>(46,401)</u> | <u>(49,643)</u> |

24 CURRENT PORTION OF LONG TERM FINANCING

| | | | |
|---------------------|----|------------------|------------------|
| Long term financing | | | |
| The Bank of Punjab | 18 | <u>1,228,551</u> | <u>1,027,565</u> |

1300

25 CONTINGENCIES AND COMMITMENTS

25.1 Contingent liabilities

- a) During the year 2017, the Company was served with a notice by Punjab Revenue Authority (PRA) wherein it required the Company to explain the circumstances for not withholding Punjab Sales Tax on services at 16% under Punjab Sales Tax on Services (Withholding) Rules 2015, on the contractual execution of EPC works on the aggregate contract value. The Company through its response to PRA dated May 23, 2017, challenged this notice as being without jurisdiction and also on the grounds that it is tax exempt under the "Policy for development of renewable energy for power generation 2006 of the Government of Pakistan". However, PRA issued an Assessment Order dated November 30, 2017 and determined sales tax liability of Rs. 230.104 million and penalty amounting to Rs. 11.505 million along with default surcharge on payments against local execution of EPC works. The management of the Company filed an appeal before the Commissioner (Appeals) against the impugned order, who through order dated April 25, 2018 decided the case in favor of (PRA).

The Company being aggrieved, filed an appeal on May 23, 2018 before the Appellate Tribunal Punjab Revenue Authority, Lahore (PRA) to vacate the impugned Order. The appeal has not yet been fixed for hearing and is pending adjudication. The Company also paid Rs. 230.104 million during the year ended June 30, 2018 under protest to PRA without prejudice to any right of appeal or other remedy available to the Company as shown 'Due from PRA' in note 14.1 of these financial statements. During the prior financial year, the writ petition was filed on March 22, 2019, impugning the legality of Rule-6 of Services withholding Rule, 2015 of Punjab Sales Tax on Services Act, 2012 and the definition of un-registered person as used in these rules. The writ petition came up for hearing before the Honorable Lahore High Court on March 25, 2019. The Honorable Lahore High Court issued notices to the respondents and also stayed appeal proceedings before the (PRA). The writ is pending adjudication. Based on legal advisor's opinion, the management of the Company expects favorable outcome due to which no provision has been recorded in these financial statements.

- b) The Company received a letter from District Council Bahawalpur dated October 28, 2017, demanding fee of Rs. 218.77 million for map approval of plant site. The Company filed an appeal before the Divisional Commissioner Bahawalpur dated December 21, 2017 on the grounds that the rate of fee for approval of erection of plant may be levied on the building only and not on the open area and that the calculation of the assessed fee may be made on the applicable rates in 2014, when the installation of plant commenced.

The Local Government & Community Development (LG&CD) Department of Government of Punjab via its letter dated February 12, 2018 directed the Chief Officer, District Council, Bahawalpur to charge the rate of conversion fee as well building plan fee prevalent in the year 2013-2014 and impose a fine on late approval at the rate prevalent in year 2018. The Chairman of District council Bahawalpur has requested the secretary LG&CD department to reconsider the matter through letter dated February 16, 2018. The Company recognized a provision of Rs. 16 million in prior year financial statements as per the directions of LG&CD Department letter dated February 12, 2018.

1300

In the prior financial year, the Company has approached Law and Parliamentary Department through letter dated April 23, 2019 to tender an advice on the applicable rates. The advice is still pending. Based on legal advisor's opinion, the Company's management expects favorable outcome due to which no additional provision has been recorded in these financial statements.

- c) An individual, Mr. Munir Ahmed has filed a writ petition No. 94609/2017 against Federation of Pakistan and various other respondents including the Company under Article 199 of the Constitution of Islamic Republic of Pakistan, 1973 (the Constitution) in the Honorable Lahore High Court ('the Court') as a public interest litigation against the incorporation of various public sector companies by the Government of Punjab. The petitioner has prayed that the formation of these companies be declared illegal and ultra vires the Constitution on various constitutional grounds and non-compliances with laws, inter alia including not getting proper audits or submission of audited financial statements to the appropriate forum.

The legal counsel of the Company has submitted before the Court that the petition should be dismissed as it is based on frivolous allegations that have not been substantiated by any provision of law, fact or cogent evidence, the petitioner has come to the Court without exhausting alternate remedies available to him under the law and that the Company has conducted regular annual audits and is in fully compliance with all applicable laws, rules and regulations and subsequently has duly submitted its all relevant reports to the SECP.

An individual, Mr. Shan Saeed Ghumman filed a case against Federation of Pakistan and various other respondents including the Company through a writ petition No. 112301/2017 in the Honorable Lahore High Court ('the Court') as a public interest litigation against the incorporation of various public sector companies by the Government of Punjab. The petitioner has prayed that operation of these companies should be put under the control and management of the respective local governments and should be reconstituted in accordance with mandatory provisions of Punjab Local Government Act 2013, Companies Act 2017, Public Sector Companies (Corporate Governance) Rules, 2013 and other applicable provisions of law including the issuance of their audit reports where applicable.

These cases are pending adjudication. Based on legal advisor's opinion, the management is confident that no adverse inference will be drawn against the Company in these matters.

- d) The Company is facing claims launched in the labor courts, pertaining to payroll, staff retirement benefits and other related matters. In the event of an adverse decision, the Company would be required to pay an amount of Rs. 0.2442 million against these claims. Based on legal advisor's opinion, the management is confident that no adverse inference will be drawn against the Company in these matters.

1300

- e) Proceedings u/s 161 were initiated by DCIR for the tax year 2014. The DCIR passed order u/s 161/205 and demand amounting to Rs. 2.139 million for tax year 2014 was created vide said order. The Company being aggrieved filed appeal before CIR (A) which is pending for hearing. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 2.139 million. (June 30, 2020: Rs. 2.139 million). Based on legal advisor's opinion, the management is confident that no adverse inference will be drawn against the Company in these matters.
- f) Proceedings u/s 161 were initiated by DCIR for the tax year 2014. The DCIR passed order u/s 161/205 and demand amounting to Rs. 0.946 million for tax year 2015 was created vide said order. The Company being aggrieved filed appeal before CIR (A) which is pending for hearing. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 0.946 million. (June 30, 2020: Rs. 0.946 million). Based on legal advisor's opinion, the management is confident that no adverse inference will be drawn against the Company in these matters.
- g) Demand amounting to Rs. 1.962 million has been created by DCIR vide order u/s 11 of Sales Tax Act, 2001 dated August 30, 2018 against Company. The Company being aggrieved filed appeal before CIR (A). CIR (A) remanded back the case. The Company being aggrieved with order passed by CIR (A) filed appeal before ATIR which is still pending for adjudication. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 1.962 million (June 30, 2020: Rs. 1.962 million). Based on legal advisor's opinion, the management is confident that no adverse inference will be drawn against the Company in these matters.
- h) The contingencies relating to tax matters have been disclosed under the taxation note 33 to these financial statements.

| | 2021 | 2020 |
|---|------------------------------|-----------|
| | ----- (Rupees in 000') ----- | |
| 25.2 Commitments | | |
| Contracts for capital expenditure | 293 | 2,666 |
| Contracts for other than capital expenditure | 4,992,928 | 5,289,263 |
| Commitment for trustee fee, and arrangement and advisory fee to The Bank of Punjab, a related party | 4,000 | 5,000 |

26 SIGNIFICANT CONTRACTS

26.1 Energy purchase agreement (EPA)

The Company has entered into Energy Purchase Agreement (EPA) on July 08, 2015 with National Transmission & Dispatch Company Limited through Central Power Purchasing Agency (Guarantee) Limited for the sale of its entire power generation. The term of EPA is for 25 years.

1300

26.2 Implementation agreement (IA)

The Company has entered into an Implementation Agreement (IA) with the President of Islamic Republic of Pakistan for and on behalf of the Islamic Republic of Pakistan (The "GoP") on July 08, 2015 to design, construct, commission, operate and maintain approximately 100 MW (net) power generation complex at Quaid-e-Azam Solar Park, Bahawalpur, Pakistan. The term of IA is for 25 years.

26.3 Operation and maintenance (O&M)

The Company has entered into an agreement with Tebian Electric Apparatus Stock Company Limited (Parent Company) and Tbea Xinjiang Sunoasis Company Limited (Contractor) for the operation and maintenance of the plant for Rs. 55.276 million after adjustment of insurance & security cost.

| | Note | 2021 ------(Rupees in 000')----- | 2020 |
|---|------|-------------------------------------|-------------------------|
| 27 SALES | | | |
| Sales | | | |
| Central Power Purchasing Agency (Guarantee) Limited | | | |
| Gross Energy Purchase Price (EPP) | 27.1 | 4,177,142 | 5,007,750 |
| Less: Sales tax | | (606,301) | (727,067) |
| | | <u>3,570,841</u> | <u>4,280,683</u> |
| Accrued income | 11.2 | - | 54,524 |
| | | <u><u>3,570,841</u></u> | <u><u>4,335,207</u></u> |

- 27.1 Based on mutual understanding with O&M contractor, the Company has assumed responsibility of insuring its plant from second year of operations (since July 15, 2016) and has reduced the O&M agreement by the insurance component. The Company has paid a total premium of Rs. 318.296 million (Second Year of operation: Rs. 77.068 million, Third Year of operations: Rs. 77.068 million, Fourth Year of operation: Rs. 54.72 million, Fifth Year Rs. 54.72 million and Sixth Year Rs. 54.72 million) NEPRA vide its order dated June 02, 2016 has allowed the adjustment of insurance cost at actual, subject to a ceiling, and allowed to adjust reference tariff annually as per actual upon production of authentic documentary evidence. The Company, after payment of insurance premium for second, third, fourth and fifth year of operations, submitted documentary evidence to NEPRA for tariff adjustment.

The claim of insurance for second year of operations along with another claim of Rs. 48.964 million in respect of certain withholding taxes borne by the Company has been rejected by the NEPRA through order dated November 29, 2016. The Company has filed a writ petition on June 03, 2017 before the Lahore High Court against the order of NEPRA and next hearing is in the month of October 2021. The decision of NEPRA for sixth year of operations is still pending. The recognition of these contingent revenues and related trade debts have been deferred till the final decision of the Court.

BDO

- 27.2 As per section 9.5 (d) of Energy Purchase Agreement (EPA) late payments by either party of amounts due and payable under EPA shall bear interest at a rate per annum equal to the Delayed Payment Rate (i.e. three months KIBOR plus 2%, calculated for the actual number of days that the relevant amounts remains unpaid on the basis of a three hundred and sixty-five day year), prorated daily.
- 27.3 The Company has signed an EPA with CPPA (G) dated July 08, 2015. As per the signed EPA, CPPA (G) is obligated to make payment in accordance with the given formulae. Under the clause of "Terms and Conditions of Tariff" the tariff for QASPL is subject to 0.7% degradation in the power, however, the actual production of the plant has exceeded the generation as per the formulae given. The degradation clause shall not be applicable when the plant factor remains over 17.50%, however, inadvertently the Company applied degradation to its invoices and as a result the invoices were generated of a lesser amount. Keeping in view of the above the management had sent a differential invoice for the years 2017 to 2019 for an amount of Rs. 38.570 million. CPPA has refused payment and has asked for specific references to the clauses of EPA which are being relied upon by the Company for the entitlement for their claims. Accordingly, these invoices have not been recorded in the books of accounts.
- 27.4 The Governing council of Pakistan Bureau of Statistics (PBS) in its 5th meeting in 2014 issued a policy directives to rebase the National Accounts and Price Statistics after every ten years. Accordingly, the Governing Council of PBS in its 18th meeting held on August 30, 2019 approved the change of base of Price Statistics from 2007-2008 to 2015-2016. Resultantly, publication of CPI, Base Year 2007-08, has been discontinued from July, 2020 onwards and publication of National Consumer Price Index (N-CPI) Base Year 2015-16 has been commenced from August 2019 whereas, PBS also published N-CPI data from July 2017 to July 2019. It is pertinent to mention that the order is not applicable yet on the Company. However, once the order is applicable, the modified index shall be applicable for future indexations with effect from October 01, 2020. The adjustment amounting to Rs. 13.196 million has been made in these financial statements for change of indexation.

| | Note | 2021 ------(Rupees in 000')----- | 2020 |
|---|------|-------------------------------------|---------|
| 28 COST OF SALES | | | |
| Operation and maintenance charges | 28.1 | 232,952 | 230,857 |
| Salaries, wages & other benefits | 28.2 | 29,548 | 31,482 |
| Rent, rates and taxes | | 89 | - |
| Utilities | | 1,058 | 1,132 |
| Consultancy charges | | 1,061 | 8,080 |
| Insurance | | 47,236 | 47,236 |
| Travelling and conveyance | | 1,211 | 1,787 |
| Depreciation on property, plant and equipment | 5.1 | 561,321 | 560,441 |
| Security expense | | 15,405 | 16,182 |
| Repairs and maintenance | | 187 | 264 |
| Printing and stationery | | 39 | 32 |
| Communication charges | | 2,635 | 2,908 |

BDO

| | Note | 2021 | 2020 |
|--------------------------|------|-----------------------------|----------------|
| | | ------(Rupees in 000')----- | |
| Meeting fee charges | | 107 | 337 |
| Others | | 707 | 147 |
| Training and development | | - | 533 |
| | | <u>893,556</u> | <u>901,418</u> |

28.1 This represents operation and maintenance cost for the year. The Company has entered into an agreement with Tebian Electric Apparatus Stock Company Limited (Parent Company) and Tbea Xinjiang Sunoasis Company Limited (Contractor) for the operation and maintenance of the plant.

28.2 Salaries, wages and other benefits includes provision for gratuity of Rs. 2.257 million (2020: Rs 2.980 million)

29 ADMINISTRATIVE EXPENSES

| | | | |
|---|------|---------------|---------------|
| Salaries, wages and other benefits | 29.1 | 50,441 | 37,431 |
| Rent, rates and taxes | | 12,401 | 12,862 |
| Utilities | | 3,515 | 3,124 |
| Advertisement and promotion | | 620 | 231 |
| Legal and professional charges | | 3,143 | 3,705 |
| Auditors' remuneration | 29.2 | 1,475 | 1,475 |
| Consultancy charges | | 2,043 | 6,292 |
| Travelling and conveyance | | 1,746 | 1,916 |
| Repairs and maintenance | | 940 | 1,206 |
| Printing and stationery | | 711 | 626 |
| Insurance expense | | 1,848 | 1,930 |
| Depreciation on property, plant and equipment | | 4,957 | 5,620 |
| Depreciation on right of use of assets | 8.1 | 50 | 50 |
| Amortization of intangible assets | 9 | 183 | 480 |
| Communication charges | | 1,530 | 1,305 |
| Meeting fee charges | | 383 | 298 |
| Security expense | | 832 | 828 |
| License fee | | 510 | 439 |
| Training and development | | 160 | - |
| Corporate social responsibility activities | | 172 | - |
| Others | | 613 | 775 |
| | | <u>88,273</u> | <u>80,593</u> |

29.1 Salaries, wages and other benefits includes provision for gratuity of Rs. 3.275 million (2020: Rs 4.264 million).

1300

| | Note | 2021 ------(Rupees in 000')----- | 2020 |
|--|------|-------------------------------------|--------------|
| 29.2 Auditors' remuneration | | | |
| Statutory audit | | 1,400 | 1,400 |
| Other certifications/CCG review report | | 75 | 75 |
| | | <u>1,475</u> | <u>1,475</u> |

30 OTHER CHARGES

| | | | |
|---|------|---------------|--------------|
| (Gain)/loss on foreign exchange-net | 30.1 | (4,593) | 1,575 |
| Company portion/allocation on other income: | | | |
| Worker's Profit Participation Fund | 30.2 | 17,716 | - |
| Worker's Welfare Fund | 30.2 | 7,086 | - |
| Trade debts written off | | | |
| Worker's Profit Participation Fund | 30.3 | 60,924 | - |
| Worker's Welfare Fund | 30.3 | 7,359 | - |
| | | <u>88,492</u> | <u>1,575</u> |

30.1 This represents the net exchange (gain) / loss on the liabilities and payments made towards foreign contractor and consultants.

30.2 This represent the current allocation of WPPF and WWF on the Company's portion of other income as pass through items are restricted to income from generation only.

30.3 Central Power Purchasing Agency (Guarantee) Limited (CPPA) through its letter NO. CFO/DGMF-I/MF-II/16921 dated June 15, 2021, and has disallowed some amount of Worker's Profit Participation Fund for the financial year from July 1, 2016 to June 30, 2020, and Worker's Welfare Fund for the financial year from July 1, 2019 to June 30, 2020, stating that pass through items are restricted to income from generation only. The disallowed amount has been written off from the books of accounts during the current year.

31 OTHER INCOME

| | | | |
|--------------------------------------|----------|----------------|----------------|
| Income from financial assets | | | |
| Return on saving accounts | | 69,450 | 80,769 |
| Mark-up on delayed payment from CPPA | 27.2 | 284,826 | 263,635 |
| | | <u>354,276</u> | <u>344,404</u> |
| Income from non-financial assets | | | |
| Liquidated damages from the O&M | 31.1 & 2 | - | 23,198 |
| Others | | 37 | 370 |
| | | <u>37</u> | <u>23,568</u> |
| | | <u>354,313</u> | <u>367,972</u> |

1300

- 31.1 Annual Performance Ratio ('APR') test for the 3rd O&M year was revised on the basis of high voltage meter generation that was previously conducted on low voltage meter's data. The revised calculation was conducted by ILF Pakistan (Private) Limited that recommends additional recovery of USD 0.0977 million in terms of APR liquidated damages for year 3 O&M by interpolating the low voltage billing meter reading to high voltage billing meter reading. The conversion rate used for this was Rs. 154.65/USD.
- 31.2 Annual Performance Ratio ('APR') test for the 5th O&M year was revised on the basis of High voltage meter generation that was previously conducted on low voltage meter's data. The revised calculation was conducted by internal technical committee and the result was 1504.32 MWh excess energy instead of previously calculated excess energy of 559.69 MWh. The bifurcation was incorporated on the basis of note 20.2.

| | Note | 2021 ------(Rupees in 000')----- | 2020 |
|---------------------------|------|-------------------------------------|------------------|
| 32 FINANCE COST | | | |
| Mark-up on long term loan | | 689,072 | 1,208,763 |
| Transaction cost | | 23,667 | 26,794 |
| Bank charges | | 310 | 262 |
| | | <u>713,049</u> | <u>1,235,819</u> |
| 33 TAXATION | | | |
| Current | 33.3 | (60,233) | (16,299) |
| Prior adjustment | 33.1 | (77,756) | - |
| | | <u>(137,989)</u> | <u>(16,299)</u> |

- 33.1 Central Power Purchasing Agency (Guarantee) Limited (CPPA) has disallowed the amount of Income tax for the year from July 1, 2018 to June 30, 2020 by stating that pass through items are restricted to income from generation only. Accordingly, the disallowed amount has been provided for in the books of accounts during current year.

33.2 Tax charge reconciliation

Numerical reconciliation between average effective tax rate and applicable tax rate:

| | 2021 % | 2020 % |
|--|-------------|-------------|
| Applicable tax rate | 29 | 29 |
| Tax losses and credits not recognized | 17 | 17 |
| Taxes claimable as pass through items | (41.09) | (45.35) |
| Prior year tax | 1.53 | - |
| Average effective tax rate charged to profit or loss | <u>6.44</u> | <u>0.65</u> |

1350

33.3 As per clause 6.3 (a) of Part IV of the first schedule to the Energy Purchase Agreement, all taxes payable on the generation, sale, exportation or supply of electricity are pass-through items and shall be claimable from CPPA in full. Based on Alternate Corporate Tax (ACT), the total provision for taxation is Rs. 364.102 million (2020: Rs. 422.42 million) of which Rs. 303.875 million (2020: Rs. 405.943 million), included as receivable from CPPA in note 14 as a pass through item, represents ACT on profit before tax excluding income on bank deposits and liquidated damages from contractor.

The remaining provision of Rs. 60.227 million (2020: Rs. 16.299 million) representing ACT on income from bank deposits and liquidated damages from contractor, may not be claimable from CPPA as a pass-through item, not being construed as directly related to the generation, sale, exportation or supply of electricity.

33.4 Additional Commissioner Inland Revenue ('the ACIR') through order dated May 29, 2018 in proceedings under section 122(5A) of Income Tax Ordinance, 2001 ('ITO') relating to non-payment of taxes on income on bank deposits for the tax year 2015 imposed a tax liability of Rs 78.160 million on the Company including net principal liability of Rs 64.379 million along with default surcharge of Rs 13.781 million and created a net demand of Rs 47.126 million after adjustment of taxes already paid. Subsequently, the Company filed an appeal before Appellate Tribunal Inland Revenue on November 01, 2018. Appellate tribunal through order dated August 30, 2019 decided the case in favour of the Company. Therefore, provision for taxation was reversed in the last year financial statements.

Later on November 29, 2019 Commissioner Inland revenue filed a reference in Lahore High Court. The reference came up for hearing before the Honorable Court on December 3, 2019 and the Court issued a notice to the tax payer and power of attorney has been filed on January 27, 2020. The reference is pending adjudication.

33.5 With respect to proceedings under section 122(5A) of ITO relating to Tax years 2016 and 2017, The ACIR through orders dated May 29, 2018 imposed tax liability of Rs. 160.873 million and Rs. 234.435 million respectively by disallowing tax credit under section 65B of ITO as claimed by the Company in its tax return. The Company paid 25% of these tax liabilities during the year ended June 30, 2018 under protest and preferred appeals before the Commissioner Inland Revenue (Appeals), on the grounds that the tax credit under section 65B of ITO should be allowed. The Commissioner Inland Revenue (Appeals) through order dated October 17, 2018 decided the cases against the Company and maintained the impugned order. Subsequently, the Company filed an appeal before Appellate Tribunal Inland Revenue on November 01, 2018. The liability was already provided by the Company in the financial statements of relevant financial years on prudence basis. During the prior year, the Company has discharged liability of Rs. 277.80 million (Tax year 2016: Rs. 112.10 million and 2017: Rs. 165.70 million). The Appellate tribunal through order dated August 30, 2019 decided the case against the Company. The Company has filed a references before the Honorable Lahore High Court, Lahore on November 22, 2019. The references came up for hearing before the Honorable Lahore High Court on December 09, 2019. The Hon'ble Court issued notices to the respondent department. The references are pending adjudication.

1300

In addition to above, through a separate order dated May 30, 2018, the ACIR has imposed super tax of Rs. 45.533 million relating to Tax year 2017 for which a provision was recognized by the Company in the financial statements for the year ended June 30, 2018 and payment was also made to FBR. The Company had preferred an appeal before the Commissioner Inland Revenue (Appeals) and has also filed a writ petition before Honorable Lahore High Court on July 23, 2018 against legality of super tax. The CIR (Appeals-IV), Lahore has dismissed the appeal vide her order No. 100/A-IV dated December 24, 2019.

Further, the Honorable High Court announced the order in open court on February 24, 2020 and dismissed the writ petition relying on its own judgement date February 28, 2020 in ICA # 134758 of 2018. Later on, the Company has filed writ petition before the Supreme Court of Pakistan against this order which is pending adjudication. However, the Supreme Court has granted leave on November 26, 2020.

33.6 Comparison of tax provision against tax assessments

| Years | Excess/ (Short) | Tax provision | Tax assessment/ tax return |
|---------|------------------------------|---------------|-------------------------------|
| | ----- (Rupees in 000') ----- | | |
| 2019-20 | - | 422,242 | 422,242 |
| 2018-19 | - | 293,773 | 293,773 |
| 2017-18 | - | 199,600 | 199,600 |
| 2016-17 | - | 245,521 | 245,521 |

33.7 As at June 30, 2020, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in the financial statements for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities.

33.8 The deferred tax liability of Rs. 1,120.767 million (2020: Rs. 810.256 million) in respect of temporary differences has not been recognized as the future tax payments on the generation, sale, exportation or supply of electricity are pass-through items and shall be claimable from CPPA in full and the settlement of these temporary differences in future will have no tax consequences on the Company.

1300

34 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of the Government of Punjab, principal shareholder, its associated undertakings, other related undertakings, and key management personnel. The Company in normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables, contingencies and commitments are disclosed in note 25 and remuneration of key management personnel is disclosed in note 42. Other significant transactions with related parties are as follows:

| Name of related party | Relationship with the Company | Nature of transactions | 2021 | | | 2020 | | |
|---|------------------------------------|--|------------------------------|-----------------|------------------------------|-----------------|--|--|
| | | | Transactions during the year | Closing balance | Transactions during the year | Closing balance | | |
| Directorate General Public Relation | Department of Government of Punjab | Advertisement expenses charged | 446 | 139 | 231 | 131 | | |
| The Bank of Punjab | Associated Company | Loan repaid by the Company | 1,094,259 | 1,228,551 | 835,916 | 1,027,565 | | |
| | | Financing fees and charges | 310 | - | 262 | - | | |
| | | Mark-up on long term loan | 689,072 | 135,669 | 1,208,763 | 207,252 | | |
| | | Interest income | 69,450 | - | 80,769 | - | | |
| Quaid-e-Azam Wind Power (Private) Limited | Associated Company | Expenses incurred on behalf of related party | - | 429 | - | 429 | | |
| Khadim-e-Punjab Ujala Programme | Department of Government of Punjab | Expenses incurred on behalf of related party | - | 18 | - | 18 | | |
| Chief Executive Officer | Employee | Advance against gratuity | 8,245 | 6,379 | - | 2,873 | | |
| Executives | Employees | Advance against gratuity | 3,084 | 2,046 | - | 1,837 | | |
| Government of Punjab | Parent entity | Recoverable against rehabilitation of work | 2,960 | 2,960 | - | - | | |

(Rs.000)

- 34.1 The details of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (note 42)". There are no transactions with key management personnel other than under their terms of employment.
- 34.2 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of its management team, including the Chief Executive Officer and the Directors to be key management personnel.
- 34.3 All transactions with GoP and its owned entities (the Bank of Punjab) are not disclosed as the management is of the view that it is impracticable to disclose such transactions due to the nature of the transactions. The Company is exempt from the disclosure requirements of the related party transactions and outstanding balances with the government and another entity that is a related party because the same government.

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 and liquidity risk. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument shall fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk amounting to Rs. 50.348 million (2020: Rs. 75.711 million) (Payable to contractor and consultant) arising of only from the US Dollar and the Euro. Currency risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Company's functional currency.

At June 30, 2021 if the Rupee had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit for the year would have been Rs. 2.456 million (2020: Rs. 3.613 million) lower / higher mainly as a result of foreign exchange losses / gains on translation of USD-denominated financial assets and liabilities.

1300

At June 30, 2021 if the Rupee had weakened / strengthened by 5% against the Euro with all other variables held constant, the impact on profit for the year would have been Rs. 0.06 million (2020: Rs. 0.084 million) lower / higher mainly as a result of foreign exchange losses / gains on translation of USD-denominated financial assets and liabilities.

The following significant exchange rates applied during the year:

| | Average rate | | Reporting date rate | |
|------------|--------------|--------|---------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| USD to PKR | 160.25 | 161.84 | 156.00 | 167.75 |
| EUR to PKR | 191.08 | 187.48 | 188.00 | 188.69 |

(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 equity price risk since the Company has not invested in equity securities. The Company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

(iii) Interest rate risk

This represents 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 has significant long-term interest-bearing liability. The Company's interest rate risk arises from long term borrowing. Borrowing obtained at variable rates expose the Company to cash flow interest rate risk.

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, finance cost for the period would have been increased / decreased by Rs. 48.581 million (2020: Rs. 58.511 million) respectively.

| Financial liabilities/(Assets) | Effective rates | 2021 | 2020 |
|--------------------------------|-----------------|------------------------------|------------------|
| | | Carrying amount | |
| | | ----- (Rupees in 000') ----- | |
| Variable rate instruments: | | | |
| Long term financing | 10.64% | 6,223,202 | 7,317,461 |
| Bank balances | 5.50% | (1,365,108) | (1,466,369) |
| Net exposure | | <u>4,858,094</u> | <u>5,851,092</u> |

1300

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2021.

| | Profit or loss | |
|---|--------------------|--------------------|
| | 100 bp increase | 100 bp decrease |
| As at June 30, 2021 | | |
| Cash flow sensitivity - Variable rate financial liabilities | 48,581 | (48,581) |
| As at June 30, 2020 | | |
| Cash flow sensitivity - Variable rate financial liabilities | 58,511 | (58,511) |

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

35.2 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 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

| | 2021 | 2020 |
|---------------------|------------------------------|------------------|
| | ----- (Rupees in 000') ----- | |
| Long term deposits | 401 | 401 |
| Trade debts | 5,173,075 | 3,501,383 |
| Short term deposits | 1,926 | 1,926 |
| Other receivables | 771,944 | 1,222,350 |
| Bank balances | 1,390,108 | 1,516,369 |
| | <u>7,337,454</u> | <u>6,242,429</u> |

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty.

Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factor similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets is limited and is exposed to concentrations of credit risk as the financial asset are held with a limited number of institutions.

1300

Trade debts - considered good

Trade debts mainly represents receivable from Central Power Purchasing Agency (CPPA), a Government owned entity. Hence the management believes that no impairment allowance is necessary in respect of these trade debts.

| | 2021 | 2020 |
|---|------------------------------|------------------|
| | ----- (Rupees in 000') ----- | |
| The aging of trade receivable at the reporting date is: | | |
| Neither past due nor impaired | 468,802 | 529,957 |
| Past due but not impaired: | | |
| 1 to 30 days | 655,879 | 636,164 |
| 31 to 90 days | 896,922 | 526,657 |
| 91 to 180 days | 1,172,298 | 1,658,621 |
| 181 to 365 days | 1,668,583 | - |
| Above 365 Days | 310,591 | 149,984 |
| | <u>4,704,273</u> | <u>2,971,426</u> |
| | <u>5,173,075</u> | <u>3,501,383</u> |

Based on the guarantee secured by the Government of Pakistan under the Implementation Agreement, the Company believes that no impairment allowance is necessary in respect of trade debtors past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable ground to believe that the amounts will be recovered in short course of time.

Bank balances

The credit quality of Company's bank balances can be assessed with reference to external credit rating agencies as follows:

| | Rating 2021 | | | 2021 |
|----------------------|-------------|-----------|--------|------------------|
| | Short term | Long term | Agency | (Rupees in 000') |
| Bank of Punjab (BOP) | A1+ | AA+ | PACRA | 1,364,946 |
| | Rating 2020 | | | 2020 |
| | Short term | Long term | Agency | (Rupees in 000') |
| Bank of Punjab (BOP) | A1+ | AA | PACRA | 1,466,020 |

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

1300

35.3 Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company's approach to managing liquidity is to ensure that, as far as possible, it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable loss or risking damage to the Company's reputation.

Management monitors the forecasts of the Company's cash and cash equivalents on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. The Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans. Following are the contractual maturities of financial liabilities, including interest payments:

| | Carrying Amount | Contractual cash flow | Less than 1 year | Between 1 and 5 years | Over 5 years |
|------------------------------|--------------------|--------------------------|---------------------|--------------------------|----------------|
| ----- (Rupees in 000') ----- | | | | | |
| 2021 | | | | | |
| Long term loan | 6,223,202 | 7,789,920 | 1,832,922 | 5,956,998 | - |
| Trade and other payables | 250,783 | 250,783 | 250,783 | - | - |
| Mark-up accrued | 135,669 | 135,669 | 135,669 | - | - |
| Long term retentions | 137,883 | 137,883 | - | - | 137,883 |
| | <u>6,747,537</u> | <u>8,314,255</u> | <u>2,219,374</u> | <u>5,956,998</u> | <u>137,883</u> |
| 2020 | | | | | |
| Long term loan | 7,317,461 | 11,092,527 | 2,112,862 | 8,979,665 | - |
| Trade and other payables | 562,356 | 562,356 | 562,356 | - | - |
| Mark-up accrued | 207,256 | 207,256 | 207,256 | - | - |
| Long term retentions | 104,960 | 104,960 | - | - | 104,960 |
| | <u>8,192,033</u> | <u>11,967,099</u> | <u>2,882,474</u> | <u>8,979,665</u> | <u>104,960</u> |

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (ie an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

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

- 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.

There were no financial instruments held by the Company which are measured at fair value as of June 30, 2020 and June 30, 2021.

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred. However, there were no transfers between levels of fair value hierarchy during the year.

1300

37 FINANCIAL INSTRUMENTS BY CATEGORY

| | Original carrying amount | | Fair value | | | | |
|---|------------------------------------|---|------------------|----------|----------|----------|----------|
| | Financial assets at amortized cost | Financial liabilities at amortized cost | Total | Level 1 | Level 2 | Level 3 | Total |
| (Rupees in 000') | | | | | | | |
| On-Statement of financial position - financial instruments | | | | | | | |
| As at June 30, 2021 | | | | | | | |
| Financial assets | | | | | | | |
| Financial assets at amortized cost | | | | | | | |
| 10 | 401 | - | 401 | - | - | - | - |
| 11 | 5,173,075 | - | 5,173,075 | - | - | - | - |
| 13 | 1,926 | - | 1,926 | - | - | - | - |
| 14 | 771,944 | - | 771,944 | - | - | - | - |
| 15 | 1,390,108 | - | 1,390,108 | - | - | - | - |
| | <u>7,337,454</u> | <u>-</u> | <u>7,337,454</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities at amortized cost | | | | | | | |
| 18 | - | 6,223,202 | 6,223,202 | - | - | - | - |
| 21 | - | 250,783 | 250,783 | - | - | - | - |
| 20 | - | 137,883 | 137,883 | - | - | - | - |
| 22 | - | 135,669 | 135,669 | - | - | - | - |
| | <u>-</u> | <u>6,747,537</u> | <u>6,747,537</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

On-Statement of financial position - financial instruments

As at June 30, 2020

| | Original carrying amount | | Fair value | | | | |
|--|------------------------------------|---|------------------|----------|----------|----------|----------|
| | Financial assets at amortized cost | Financial liabilities at amortized cost | Total | Level 1 | Level 2 | Level 3 | Total |
| (Rupees in 000') | | | | | | | |
| Financial assets | | | | | | | |
| Financial assets at amortized cost | | | | | | | |
| 10 | 401 | - | 401 | - | - | - | - |
| 11 | 3,501,383 | - | 3,501,383 | - | - | - | - |
| 13 | 1,926 | - | 1,926 | - | - | - | - |
| 14 | 1,222,350 | - | 1,222,350 | - | - | - | - |
| 15 | 1,516,369 | - | 1,516,369 | - | - | - | - |
| | <u>6,242,429</u> | <u>-</u> | <u>6,242,429</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities at amortized cost | | | | | | | |
| 18 | - | 7,317,461 | 7,317,461 | - | - | - | - |
| 21 | - | 562,356 | 562,356 | - | - | - | - |
| 20 | - | 104,960 | 104,960 | - | - | - | - |
| 22 | - | 207,256 | 207,256 | - | - | - | - |
| | <u>-</u> | <u>8,192,033</u> | <u>8,192,033</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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

₹

38 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital employed. Net debt is calculated as long term financing. Total capital employed signifies equity as shown in statement of financial position plus net debt.

| | 2021 | 2020 |
|---|------------------------------|------------|
| | ----- (Rupees in 000') ----- | |
| The proportion of debt to equity at the year end was: | | |
| Long term finances | 6,223,202 | 7,317,461 |
| Net debt | 6,223,202 | 7,317,461 |
| Share Capital | 3,809,780 | 3,809,780 |
| Reserves | 7,291,812 | 5,488,330 |
| Total Equity | 11,101,592 | 9,298,110 |
| Total Capital employed | 17,324,794 | 16,615,571 |
| Gearing Ratio | 36% | 44% |

39 RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for establishment and over sight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee. The audit committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

40 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, whenever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. However, no significant reclassification has been made.

BDO

| | 2021 Numbers | 2020 Numbers |
|---|-----------------|-----------------|
| 41 NUMBER OF EMPLOYEES | | |
| Number of employees at June 30 | | |
| Permanent | | |
| Head office | 19 | 19 |
| Plant | 12 | 12 |
| Average number of employees during the year | | |
| Permanent | | |
| Head office | 19 | 19 |
| Plant | 11 | 11 |

41.1 The number of employees as at year end was 31 (2020: 31) and average number of employees during the year was 30 (2020: 30).

42 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

| | CHIEF EXECUTIVE | | DIRECTORS | | EXECUTIVES | |
|---|----------------------------------|------|-----------|-------|------------|--------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | ----- (Rupees in thousand) ----- | | | | | |
| Short term employee benefits | | | | | | |
| Managerial remuneration | - | - | - | - | 33,382 | 46,165 |
| Utilities | - | - | - | - | - | - |
| Bonus | - | - | - | - | 3,360 | - |
| Medical expenses | - | - | - | - | - | - |
| Meeting fee | - | - | 9,410 | 2,835 | - | - |
| Others | - | - | - | - | - | - |
| | - | - | 9,410 | 2,835 | 36,742 | 46,165 |
| | | | | | | |
| | CHIEF EXECUTIVE | | DIRECTORS | | EXECUTIVES | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | ----- (Rupees in thousand) ----- | | | | | |
| Post employment benefits | | | | | | |
| Expense incurred in respect of gratuity | - | - | - | - | - | 4,301 |
| | - | - | 9,410 | 2,835 | 36,742 | 50,466 |
| Number of person(s) | - | - | 13 | 13 | 8 | 8 |

42.1 The Company has 13 (2020: 13) directors who have not received any remuneration and other benefits, except aggregating fee for attending meetings Rs. 9.410 million (2020: Rs. 2.835 million).

42.2 Certain executives of the Company are provided with Company maintained vehicles.

BDO

| | 2021 MWH | 2020 MWH |
|--|-------------|-------------|
| 43 CAPACITY AND PRODUCTION | | |
| Actual capacity per Hr | 100 | 100 |
| Benchmark energy for the year | 153,300 | 153,300 |
| Actual energy delivered for the year, as acknowledged by CPPA | 158,958 | 158,344 |

43.1 Output produced by the Complex is dependent on the load demanded by CPPA-G and Complex availability.

44 RECONCILIATION OF MOVEMENT OF LIABILITIES AND EQUITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

| | Liabilities | | |
|------------------------------|----------------------|-------------|-------------|
| | Equity reserves | Financing | Total |
| | (Rupees in thousand) | | |
| Balance as at July 01, 2020 | - | 7,317,461 | 7,317,461 |
| Borrowings during the period | - | - | - |
| Repayment | - | (1,094,259) | (1,094,259) |
| Balance as at June 30, 2021 | - | 6,223,202 | 6,223,202 |

44.1 There is no non cash transaction during the year.

45 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

All significant transactions and events that have affected the Company's financial position and performance during the year have been adequately disclosed in the notes to these financial statements.

46 IMPACT OF COVID -19 ON THE FINANCIAL STATEMENTS

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. In the first few months of 2020 the virus had spread globally, and its negative impact had gained momentum.

The management considers presently this outbreak does not have any impact on the amounts being reported in the Company's statement of financial position as at June 30, 2021. While this is still an evolving situation as at the time of issuing these financial statements yet, to date the operations of the Company have continued uninterrupted during this pandemic, future effects cannot be predicted. The management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

47 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

No significant events have occurred subsequent to June 30, 2021 other than those mentioned elsewhere in the financial statements.

48 EARNINGS PER SHARE

| | | 2021 | 2020 |
|--|--------------------|------------------|------------------|
| Profit for the year | Rupees in thousand | <u>2,003,795</u> | <u>2,467,475</u> |
| Weighted average number of ordinary shares | Number | <u>380,978</u> | <u>380,978</u> |
| Earnings per share | Rupees | <u>5.26</u> | <u>6.48</u> |

48.1 Diluted earnings per share

Diluted earnings per share has not been presented as the Company does not have any convertible instrument in issue as at June 30, 2021 and June 30, 2020 which would have any effect on the earnings per share if the option to convert is exercised.

49 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on 04 OCT 2021 by the Board of Directors of the Company.

50 GENERAL

50.1 Figures have been rounded off to the nearest rupee in thousand unless otherwise stated.

50.2 A notification No. IPP-01(12)/2017 dated August 07, 2019 issued by Ministry of Energy (Power Division), under directions of the Prime Minister of Pakistan to identify and examine the causes of high cost of electricity in the country, including review of private power producers, ways to resolve circular debt and inefficiencies in the transmission and distribution sector and suggest a future roadmap for the power sector structure. The Report has been issued on the subject dated March 16, 2020.

Based on the Report, the Government of Pakistan-Ministry of Energy (Power Division) constituted a committee based on CCoE's decisions vide case No.CCE-29/7/2020 dated May 20, 2020 for negotiations with Independent Private Power Producers (IPPs) to discuss various aspects of the Report. Based on this Ministry of Energy (Power Division) vide its letter No. IPPs -10(18)/2020 dated October 06, 2020 has conveyed that decision of the Cabinet Committee on Energy (CCoE) to the Company which was ratified by the Cabinet in case No. 468/35/2020 dated September 08, 2020 regarding reduction in Return on Equity (ROE) of the Government Owned power project including the Company from 17% IRR with Dollar Indexation to 12% along with direction to approach NEPRA for revision of ROE component by submission of tariff revision petition with NEPRA.

1300

The Company has submitted the revised tariff petition to NEPRA as mentioned and requested to revised the tariff dated January 12, 2021. NEPRA has communicated its decision on petition for revision of upfront tariff determination through letter dated February 18, 2021 and reduced ROE component on the basis of 12% IRR (Rs. 3.2473 KWh) which is effective from October 06, 2020. This has impacted the Company's revenue stream during the year and it would impact in future as well.



CHIEF EXECUTIVE



DIRECTOR