



FINANCIAL STATEMENTS
OF
QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED
FOR THE YEAR ENDED
JUNE 30, 2022

BDO Ebrahim & Co. Chartered Accountants

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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, 2022, 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, 2022 and of the profit and other comprehensive loss, 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.

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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.

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- 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: 14 MAR 2023

UDIN: AR202210131TudaVO4Bt


BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS


QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	2022 ------(Rupees in 000')-----	2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	9,958,044	10,508,183
Capital work in progress	7	243,280	1,810
Right-of-use assets	8	796	846
Intangible assets	9	98	237
Long term deposits	10	401	401
		<u>10,202,619</u>	<u>10,511,477</u>
CURRENT ASSETS			
Trade debts	11	3,884,386	5,173,075
Short term loans and advances	12	11,221	14,421
Short term deposits and prepayments	13	6,560	6,324
Other receivables	14	1,172,842	1,034,567
Receivable from Energy Department of Government of Punjab against Annual Development Plan (ADP) projects	15	69,112	-
Cash and bank balances	16	3,522,443	1,390,108
		<u>8,666,564</u>	<u>7,618,495</u>
		<u>18,869,183</u>	<u>18,129,972</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	17.1	6,000,000	6,000,000
Issued, subscribed and paid up share capital	17.2	3,809,780	3,809,780
Share deposit money		5	5
Revenue reserve - Unappropriated profit		8,994,787	7,291,812
Corporate social responsibility reserves	18	195,462	199,800
TOTAL EQUITY		<u>13,000,034</u>	<u>11,301,397</u>
NON-CURRENT LIABILITIES			
Long term financing	19	3,701,800	4,949,715
Deferred liabilities	20	23,855	25,299
		<u>3,725,655</u>	<u>4,975,014</u>
CURRENT LIABILITIES			
Retentions	21	206,650	137,883
Trade and other payables	22	407,840	305,057
Accrued finance cost	23	164,286	135,669
Provision for taxation	24	80,467	46,401
Current portion of long term financing	25	1,284,251	1,228,551
		<u>2,143,494</u>	<u>1,853,561</u>
TOTAL LIABILITIES		<u>5,869,149</u>	<u>6,828,575</u>
TOTAL EQUITY AND LIABILITIES		<u>18,869,183</u>	<u>18,129,972</u>
CONTINGENCIES AND COMMITMENTS	26		

The annexed notes from 1 to 53 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 ------(Rupees in 000')-----	2021
Sales	28	3,676,145	3,570,841
Cost of sales	29	(938,838)	(893,556)
Gross profit		<u>2,737,307</u>	<u>2,677,285</u>
Administrative expenses	30	(131,830)	(88,273)
Corporate social responsibility expenses	32	(4,338)	-
Other charges	33	(50,486)	(88,492)
		(186,654)	(176,765)
Other income	34	493,042	354,313
Operating profit		<u>3,043,695</u>	<u>2,854,833</u>
Annual development plan (ADP) project funds			
- Amortization of ADP project funds	15	663,961	-
- Expenses incurred during the year	31	(663,961)	-
		-	-
Finance cost	35	(698,548)	(713,049)
Profit before taxation		<u>2,345,147</u>	<u>2,141,784</u>
Taxation	36	(142,810)	(137,989)
Profit for the year		<u><u>2,202,337</u></u>	<u><u>2,003,795</u></u>
Earnings per share - Basic and diluted (Rupees)	51	<u>5.78</u>	<u>5.26</u>

The annexed notes from 1 to 53 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021
	----- (Rupees in 000') -----	
Profit for the year	2,202,337	2,003,795
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of net defined benefit liability - net of tax	(3,700)	(513)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive loss for the year	(3,700)	(513)
Total comprehensive income for the year	<u>2,198,637</u>	<u>2,003,282</u>

The annexed notes from 1 to 53 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

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DIRECTOR

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2022

	Capital reserves			Revenue reserves		Total
	Issued, subscribed and paid-up share capital	Share deposit money	Unappropriated profit	Corporate social responsibility reserves		
Balance as at July 01, 2020	3,809,780	5	5,488,330	-		9,298,115
Total comprehensive income for the year	-	-	2,003,795	-		2,003,795
Profit for the year	-	-	(513)	-		(513)
Other comprehensive loss for the year	-	-	2,003,282	-		2,003,282
Total comprehensive income for the year	-	-	(199,800)	199,800		-
Transferred to corporate social responsibility reserves (Note 18)	-	-	7,291,812	199,800		11,301,397
Balance as at June 30, 2021	3,809,780	5	7,291,812	199,800		11,301,397
Total comprehensive income for the year	-	-	2,202,337	-		2,202,337
Profit for the year	-	-	(3,700)	-		(3,700)
Other comprehensive loss for the year	-	-	2,198,637	-		2,198,637
Total comprehensive income for the year	-	-	(500,000)	-		(500,000)
Transaction with owners						
Final cash dividend for the year ended June 30, 2021 on ordinary shares @ Rs. 1,312.41 per share	-	-	(500,000)	-		(500,000)
Transferred to accumulated profit on utilization of corporate social responsibility reserves (Note 18)	-	-	4,338	(4,338)		-
Balance as at June 30, 2022	3,809,780	5	8,994,787	195,462		13,000,034

Balance as at July 01, 2020
Total comprehensive income for the year
Profit for the year
Other comprehensive loss for the year
Total comprehensive income for the year
Transferred to corporate social responsibility reserves (Note 18)
Balance as at June 30, 2021
Total comprehensive income for the year
Profit for the year
Other comprehensive loss for the year
Total comprehensive income for the year
Transaction with owners
Final cash dividend for the year ended June 30, 2021 on ordinary shares @ Rs. 1,312.41 per share
Transferred to accumulated profit on utilization of corporate social responsibility reserves (Note 18)
Balance as at June 30, 2022

The annexed notes from 1 to 53 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR

QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 ------(Rupees in 000')-----	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,345,147	2,141,784
Adjustments for items not involving movement of funds:			
Depreciation on property, plant and equipment	5.1	563,872	566,278
Depreciation on right-of-use assets	8.1	50	50
Amortization of intangible assets	30	139	183
Exchange loss / (gain)	33	15,955	(4,593)
Finance cost	35	698,548	713,049
Employee benefits	20	7,614	5,532
Amortization of ADP project funds	15	(663,961)	-
Provision / write off - WPPF and WWF	33	34,531	93,085
Net cash flow before working capital changes		<u>3,001,895</u>	<u>3,515,368</u>
Decrease / (increase) in current assets			
Trade debts		1,288,689	(1,764,777)
Short term loans and advances		3,200	(5,129)
Short term deposits and prepayments		(236)	(75)
Other receivables		(17,164)	733,231
		<u>1,274,489</u>	<u>(1,036,750)</u>
Increase / (decrease) in current liabilities			
Retentions		68,767	32,923
Trade and other payables		52,297	(311,692)
		<u>121,064</u>	<u>(278,769)</u>
Cash generated from operations		4,397,448	2,199,849
Taxes paid		(229,855)	(449,706)
Employee benefits paid		(12,758)	-
Financial charges paid		(651,697)	(763,131)
Net cash generated from operating activities		<u>3,503,138</u>	<u>987,012</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to capital work in progress	7	(243,280)	(1,810)
Additions to operating fixed assets	5	(11,923)	(17,157)
Additions to intangible assets	9	-	(46)
Net cash used in investing activities		<u>(255,203)</u>	<u>(19,013)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repayment		(1,210,449)	(1,094,260)
Funds received against ADP projects - net		594,849	-
Dividend paid		(500,000)	-
Net cash used in financing activities		<u>(1,115,600)</u>	<u>(1,094,260)</u>
Net increase / (decrease) in cash and cash equivalents		2,132,335	(126,261)
Cash and cash equivalents at the beginning of the year		1,390,108	1,516,369
Cash and cash equivalents at the end of the year		<u>3,522,443</u>	<u>1,390,108</u>

The annexed notes from 1 to 53 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

**QUAID-E-AZAM SOLAR POWER (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

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.

1.4 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, Lal Sohanra, Cholistan, Bahawalpur.

2 BASIS OF PREPARATION

2.1 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:

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- 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, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 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 accounting and reporting 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.

2.3 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 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED AND APPROVED ACCOUNTING AND REPORTING STANDARDS

3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2022

The following standards, amendments and interpretations are effective for the year ended June 30, 2022. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Interest Rate Bench march Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	April 01, 2021

3.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

Certain annual improvements have also been made to a number of IFRSs.

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards
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.

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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 the end of each financial year, 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, 2022 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 available for use, 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.

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 assets 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 consist 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 their intended use by the management.

4.4 Leases

Right-of-use assets

The right-of-use asset is initially measured at cost, which comprises of 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.

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 Energy Purchase Agreement (EPA) 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 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.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of its assets (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

4.5 Taxation

Current

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

The charge for current tax included in statement of profit or loss is net of 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.

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.

BDD

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 to the profit and loss, 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 for 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.

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.

BDD

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowances 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.

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.

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 EPA that also includes accrued amounts. The SECP through SRO 1177(I)/2021 dated September 13, 2021 has notified that, in respect of companies holding financial assets due from the Government of Pakistan in respect to circular debt, the requirements contained in IFRS 9 with respect to application of expected credit losses method shall not be applicable till June 30, 2022 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. Accordingly, the same continue to be reported as per the following accounting policy:

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.

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 of 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.

1300

Fee 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 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 that the assets are substantially ready for their intended use or sale.

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

All other borrowing / 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 against 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, and underlying data is available, on monthly basis and the same has been acknowledged by CPPA.

BDD

- 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 is recorded on accrual basis.

ADP Project Funds

ADP project funds are recognized where there is reasonable assurance that the funds will be received and all attached conditions will be complied with.

Deferred capital funds

ADP project funds received for purchase of fixed (If operated and maintained by the Company) assets with limited life are initially recorded as deferred income upon receipt. When the assets are actually purchased they are capitalized and when expended they are amortized into income on a systematic basis over the periods necessary to match them with carrying value of the related assets.

Amortization of ADP Project Funds

ADP project funds of non-capital nature are recognized as deferred income at the time of their receipt. Subsequently, these are recognized in the statement of profit or loss to the extent of the actual expenditure incurred. Expenditure incurred for ADP projects but not received, is recognized directly in statement of profit or loss and reflected as receivable from the Energy Department of Government of Punjab.

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.

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 S.R.O. 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 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.

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 reasons explained in note 6, derivatives embedded in the Energy Purchase Agreement (EPA), 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 asset 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.

4.23 Deferred liabilities

The Company operates an unfunded gratuity scheme covering all permanent employees who complete prescribed qualifying period of service.

The latest actuarial valuation for the gratuity scheme was carried out as at June 30, 2022. Projected unit credit method, using the following significant assumptions, is used for the valuation of this scheme:

- Discount rate 13.25 percent per annum (2021: 10 percent per annum);
- Expected rate of increase in salary level 12.25 percent per annum (2021: 9.00 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.

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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.

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 the 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 estimates 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 as follows:

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 the criteria given in respective accounting standards to determine the extent of impairment loss, if any.

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.

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f) **Financial instrument**

The fair value of financial instruments that are not traded in the 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 20.10) for the 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.

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5 OPERATING FIXED ASSETS

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

Description	Building on leasehold land	Plant and machinery	IT equipment	Furniture and fixture	Electric equipment	Vehicles	Grand total
	(Rupees in 000')						
Net carrying value basis							
Year ended June 30, 2022							
Opening net book value (NBV)	75,370	10,430,263	98	563	1,209	680	10,508,183
Additions (at cost)	-	-	5,627	544	991	6,571	13,733
Disposal (NBV)	-	-	-	-	-	-	-
Depreciation charge	(3,877)	(557,544)	(307)	(239)	(680)	(1,225)	(563,872)
Closing net book value	71,493	9,872,719	5,418	868	1,520	6,026	9,958,044
Gross carrying value basis							
Year ended June 30, 2022							
Cost	96,933	13,764,745	10,678	22,136	7,948	25,855	13,928,295
Accumulated depreciation	(25,440)	(3,892,026)	(5,260)	(21,268)	(6,428)	(19,829)	(3,970,251)
Net book value	71,493	9,872,719	5,418	868	1,520	6,026	9,958,044
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
Depreciation rate % per annum	4%	4.8%	33%	2.5%	20%	20%	1500

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

	2022	2021
Note	----- (Rupees in 000') -----	
Cost of sales	561,663	561,321
Administrative expenses	2,209	4,957
	<u>563,872</u>	<u>566,278</u>

5.2 Building on leasehold land of the Company is located at Quaid-e-Azam Solar Park Bahawalpur with an area of 500 acres of land situated in Lal Sohanra, Cholistan, 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's possession and has been handed over to the S&GA Department, Government of the Punjab under notification of Supreme court of Pakistan under Suo moto case No. 11 of 2018 dated May 2, 2018.

5.4 Furniture and fixture and electric equipment include assets having cost amounting to Rs. 0.788 million which are placed at Government owned guest house located in Lahore.

5.5 The operating fixed assets include assets having cost amounting to Rs. 43.630 million which are fully depreciated, however, still retained or under use. Further, IT equipment include laptops having cost amounting to Rs. 2.074 million which are not currently in use.

300

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 statements as the Company does not have any foreign currency loan.

	Note	2022 ------(Rupees in 000')-----	2021
7 CAPITAL WORK IN PROGRESS			
This comprises of:			
Vehicle			
Advance for purchase of tractor and bowser	7.1	-	1,810
Building			
Guest house at plant	7.2	40,850	-
Plant and machinery			
Solarization - 100kW	7.3	9,924	-
Solarization under corporate social responsibility	7.4	192,506	-
		<u>243,280</u>	<u>1,810</u>
7.1 Vehicle			
Opening balance		1,810	27,559
Add: Additions during the year		-	1,810
Less: Transferred to operating fixed assets		(1,810)	(27,559)
Closing balance		<u>-</u>	<u>1,810</u>

- 7.1.1 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 bowser. This has been received and transferred to operating fixed assets during the year. 1300

	Note	2022 ------(Rupees in 000')-----	2021
7.2 Building			
Opening balance		-	-
Add: Additions during the year		40,850	-
Less: Transferred to operating fixed assets		-	-
Closing balance		<u>40,850</u>	<u>-</u>
7.2.1	This represent various payments and advances to contractor and consultants for construction and supervision of guest house located at Quaid-e-Azam Solar Park Bahawalpur. The total estimated cost of the project is Rs. 192.166 million.		
7.3 Solarization - 100kW			
Opening balance		-	-
Add: Additions during the year		9,924	-
Less: Transferred to operating fixed assets		-	-
Closing balance		<u>9,924</u>	<u>-</u>
7.3.1	This represent various payments and advances to contractor and consultants for construction and supervision of Bahawalpur Complex Building. The total estimated cost of the project is Rs. 11.380 million.		
7.4 Solarization under corporate social responsibility			
Opening balance		-	-
Add: Additions during the year	7.4.1	192,506	-
Less: Transferred to operating fixed assets		-	-
Closing balance		<u>192,506</u>	<u>-</u>
7.4.1 Design, supply, installation and testing			
DCH Solargiga (Private) Limited	7.4.2	103,925	-
Solar Tech (Private) Limited	7.4.3	88,581	-
		<u>192,506</u>	<u>-</u>
7.4.2	This represents payment made to DCH Solargiga (Private) Limited against design, supply and installation of electrification under renewable & other initiatives in energy sector - Pilot Project of Off-Grid /Poor Grid Village electrification in Punjab through solar power. The solarization is being done at Village Bharti Shumali, Bharti Janubi and Dilo Dingo at District Dera Ghazi Khan. The Company has undertaken this activity as part of its corporate social responsibility initiatives, as approved by the Board of Directors of the Company.		
7.4.3	This represents payment made to Solar Tech (Private) Limited against design, supply and installation of electrification under renewable & other initiatives in energy sector - Pilot Project of Off-Grid /Poor Grid Village electrification in Punjab through solar power. The solarization is being done at Village Basti Mud Saindad Mouza Saindad, Basti Kheersar, Cholistan, Pughlla Shumali, Janubi and Bhanwar. The Company has undertaken this activity as part of its corporate social responsibility initiatives, as approved by the Board of Directors of the Company.		

	Note	2022 ------(Rupees in 000')-----	2021
8. RIGHT-OF-USE ASSETS			
Land	8.1	<u>796</u>	<u>846</u>

The following is the statement of right-of-use assets:

8.1 Land

Year ended June 30, 2022

Net carrying value basis

Opening net book value

846

896

Addition (at cost)

-

-

Depreciation charge

(50)

(50)

Closing net book value

796

846

Gross carrying value basis

Cost

1,250

1,250

Accumulated depreciation

(454)

(404)

Net book value

796

846

Depreciation rate % per annum

4%

4%

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

9 INTANGIBLE ASSETS

Cost

Balance as at July 01,

2,599

2,553

Additions for the year

-

46

Balance as at June 30,

2,599

2,599

Amortization

Balance as at July 01,

2,362

2,179

Charge for the year

139

183

Balance as at June 30,

2,501

2,362

Carrying value

98

237

Amortization rate per annum (%)

20%

20%

BDD

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	2022 ------(Rupees in 000')-----	2021
10 LONG TERM DEPOSITS			
Long term deposits	10.1	<u>401</u>	<u>401</u>

10.1 This represents security deposit to Pakistan State Oil Limited against monthly purchase of fuel on credit. The said deposit is refundable at the expiry of the respective agreement. This deposit does not carry any interest or mark-up and is not recoverable within one year. IFRS 9 requires long-term non-interest bearing financial assets to be discounted at the average borrowing rate of the Company. Long-term deposit relates to deposit given to government company with undetermined life period for the impact of discounting hence these are not remeasured or do not have any material impact.

11 TRADE DEBTS

Secured

 Considered good

 Central Power Purchasing Agency
 (Guarantee) Limited (CPPA)

Gross trade debts	11.1	3,829,862	5,118,551
Accrued income	11.2	<u>54,524</u>	<u>54,524</u>
Net trade debts		<u>3,884,386</u>	<u>5,173,075</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 arise in the normal course of business and are 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 7.29% to 14.99% (6.92% to 13.35% in 2021) per annum.

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.

BDO

Based on a subsequent report issued by the 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 inquiry 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 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 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 accepted the meter readings shared by MEPCO as the difference of units was 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 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 has been booked in the books of accounts in the previous period. The invoice raised in the prior year has not been accepted by CPPA yet as there is some information required by CPPA from MEPCO, accordingly the invoice will be submitted again once the pending information is provided.

	2022	2021
	------(Rupees in 000')-----	
11.3 Ageing analysis of gross trade debts is as follows:		
Neither past due nor impaired	375,942	468,802
Past due but not impaired:		
1 to 30 days	479,268	655,879
31 to 90 days	529,079	896,922
91 to 180 days	1,695,264	1,172,298
181 to 365 days	109,905	1,668,583
Above 365 days	694,928	310,591
	<u>3,508,444</u>	<u>4,704,273</u>
	<u>3,884,386</u>	<u>5,173,075</u>

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. 4,707.94 million (2021: Rs. 5,088.72 million).

11.5 Trade debts include an amount of Rs. 149.154 million (2021: Rs. 156.457 million) against interest on late payments which is still not invoiced.

11.6 Trade debts include an amount of Rs. 402.989 million (2021: Rs. 760.472 million) against Workers Profit Participation Fund, Workers Welfare Fund and Income Tax.

SDO

	Note	2022 ------(Rupees in 000')-----	2021
12 SHORT TERM LOANS AND ADVANCES			
Unsecured			
Considered good			
Advances to employees	12.1	10,886	10,711
Advance to suppliers	12.2	335	3,710
		<u>11,221</u>	<u>14,421</u>
12.1	This represents advances to employees against gratuity. This also includes advance to Chief Executive Officer amounting to Nil (2021: Rs. 6.379 million) and various other executives amounting to Rs. 10.251 million (2021: Rs. 2.046 million).		
12.2	This represents advance to various suppliers against services.		
13 SHORT TERM DEPOSITS AND PREPAYMENTS			
Security deposits	13.1	1,926	1,926
Prepaid insurance		2,622	2,801
Other prepayments		2,012	1,597
		<u>6,560</u>	<u>6,324</u>
13.1	This includes an amount of Rs. 1.917 million (2021: 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)		6,179	5,352
Due from PRA under protest	14.1	230,104	230,104
Sales tax deposited under protest	14.2	25,186	25,186
Income tax deposited under protest		1,981	1,981
Due from related parties	14.3	447	447
Mark up receivable - saving accounts		27,037	-
Others		460	-
Recoverable from CPPA as pass-through items (accrued)			
Workers' Profit Participation Fund	14.4	92,605	90,732
Income tax	36.1	751,801	645,016
Worker's Welfare Fund	14.5	37,042	35,749
		<u>1,172,842</u>	<u>1,034,567</u>

14.1 Due from Punjab Revenue Authority (PRA)

This represents Rs. 230.104 million (2021: Rs. 230.104 million) paid by Company under protest to PRA as disclosed in note 26.1 (a).

14.2 Sales tax under protest

This includes Rs. 2.021 million (2021: 2.021 million) input sales tax which was paid by the Company on hoteling and consultancy expenses which have not been allowed by PRA. The Company has filed an appeal in Appellate Tribunal. A favourable outcome is expected.

In addition to this, CPPA has issued a debit note to the Company relating 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.

	2022	2021
Note	-----'(Rupees in 000)'-----	
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>

This 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 (2021: Rs. 0.018 million) and Rs. 0.429 million (2021: 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.

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15 ANNUAL DEVELOPMENT PLAN (ADP) PROJECT FUNDS

Projects	Note	Opening balance	Movement during year				Closing balance (Receivable from Energy Department of Government of Punjab against ADP Projects)	
			Funds received during the year from Energy Department of Government of Punjab	Surrendered Funds	Lapsed Funds	Expenses incurred during the year		Amortization of ADP Project Funds
-----Rupees in 000-----								
15.1	Converting three cities of Punjab into solar smart cities	-	238,000	-	-	(245,778)	245,778	(7,778)
15.2	Distribution of 1-KW solar systems to poor population of Punjab based on BISP data	-	50,000	(316)	(1,847)	(49,994)	49,994	(2,157)
15.3	Provision of electricity to communities using indigenous resources	-	91,358	(4,266)	(1,100)	(130,781)	130,781	(44,789)
15.4	Solarization of Punjab Institute of Mental Health	-	110,000	(5,380)	-	(104,742)	104,742	(122)
15.5	Solarization of tube wells in Punjab BOP-QASL Off-grid/poor-grid village solarization-ADP	-	30,000	(1,598)	(2)	(29,889)	29,889	(1,489)
15.6		-	90,000	-	-	(102,777)	102,777	(12,777)
	Total rupees '000'- 2022	-	609,358	(11,560)	(2,949)	(663,961)	663,961	(69,112)
	Total rupees '000'- 2021	-	-	-	-	-	-	-

15.1 The main objective of the scheme is to solarize Government buildings in the cities of Multan, Mianwali and Gujranwala under the Annual Development Plan during the financial year 2021-22. Two separate contracts were signed with the contractors on October 20, 2021 and October 26, 2021 respectively. The scope of work was survey, design, supply, installation, testing and commissioning including two year O&M under Package 1 and 2 respectively. Estimated total cost of project is Rs. 300 million out of which Rs. 238 million were allocated for financial year 2021-22.

15.2 This represents the ADP scheme with the initiative of the Government of Punjab to facilitate the poor people by making them self sufficient in their energy needs by providing them solar systems of 1-kw each, which would be installed at their homes in 5 districts of the Punjab i-e Rajanpur, Dera Ghazi Khan, Muzaffargarh, Bahawalpur and Multan. Total number of systems to be installed will be 404. In this respect a contract was signed on January 07, 2022. Estimated total cost of project is Rs. 100 million out of which Rs. 50 million was allocated for financial year 2021-22.

300

- 15.3 This represents the ADP scheme with the objective to provide energy solution using indigenous resources of off grid villages of far flung areas in the districts of Rajanpur, Muzaffargarh, Rahim Yar Khan, Bahawalnagar and Multan. The project is divided into 6 packages and for every package separate contract is awarded. Estimated total cost of project is Rs. 250 million out of which Rs. 91.358 million were allocated for financial year 2021-22.
- 15.4 This represents the project for solarization of Punjab Institute of Mental Health at Lahore. It is an on-Grid project and its purpose is to ensure uninterrupted supply of electricity to run the general electrical/bio medical appliances on reduced cost, stable electric supply, pollution and maintenance free energy power. A contract in this regard was signed on October 26, 2021. Estimated total cost of project is Rs. 150 million out of which Rs.110 million are allocated for financial year 2021-22.
- 15.5 This represents the project to help farmers with the provision of low cost electricity and reduce their diesel expenses. The project will minimize the adverse effects of drought, enabling the farmers to produce low price crops in districts which fall under low poverty index. In this regard, 27 tube wells will be solarized through balloting in 5 districts i.e Bhakkar, Multan, Dera Ghazi Khan, Rajanpur and Mianwali. Estimated total cost of the project is Rs. 50 million out of which Rs. 30 million are allocated for financial year 2021-22.
- 15.6 This represents the ADP scheme to provide solar solutions to off-grid villages / poor-grid villages of Punjab to enable occupants of the said villages to access clean and reliable sources of electricity. Pv solar power plants will be installed in two villages, Basti Chhapu and Gatta Raikh. Estimated total cost of project is Rs. 130 million out of which Rs. 90 million were allocated for financial year 2021-22.

300

	Note	2022 ------(Rupees in 000')-----	2021
16 CASH AND BANK BALANCES			
Cheques in hand		90,000	25,000
Cash at bank			
Local currency			
Current accounts:		286	162
Saving accounts:	16.1 & 2	3,432,157	1,364,946
		3,432,443	1,365,108
		<u>3,522,443</u>	<u>1,390,108</u>

16.1 This represents balance in saving accounts in The Bank of Punjab, a related party, which bear annual markup ranging from 5.5% to 12.25% (2021: 5.5%) per annum compounded monthly.

16.2 Saving accounts include amount against reserve created in accordance with clause 12.1 of Collection Arrangement Agreement which states that "the customer hereby irrevocably and unconditionally undertakes to transfer an amount equivalent to USD 1 million per year after 6th anniversary of the Commercial Operations Date, in the Asset Replacement Account for the purposes of maintaining the machinery and Project".

17 SHARE CAPITAL

17.1 Authorized share capital

2022	2021		
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>

17.2 Issued, subscribed and paid up share capital

2022	2021		
Number of ordinary shares of Rs. 10,000/- each			
<u>380,978</u>	<u>380,978</u>	Fully paid in cash	17.3
		<u>3,809,780</u>	<u>3,809,780</u>

17.3 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>

17.4 This represents 380,978 (2021: 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.

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

	Note	2022 ------(Rupees in 000')-----	2021
18 CORPORATE SOCIAL RESPONSIBILITY RESERVES			
Reserves for Corporate Social Responsibility initiatives	18.2	<u>195,462</u>	<u>199,800</u>
18.1 Movement in this head is as follows:			
Opening balance		199,800	-
Add: Addition during the year		-	199,800
Add: Interest income net of tax	18.3	3,712	-
Less: Transferred to accumulated profit based on expenditure incurred		(8,050)	-
	18.4	<u>(4,338)</u>	<u>199,800</u>
Closing balance		<u>195,462</u>	<u>199,800</u>

18.2 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.

18.3 This represents net of tax profit on saving account in the same bank account in which CSR reserve is being maintained.

18.4 During the year, the CSR reserve amount has been utilized as stated under note 32 to these financial statements and presented net of after tax interest earned on same bank account.

19 LONG TERM FINANCING

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

Secured			
Opening balance		6,223,202	7,317,461
Less: Repayments during the year		(1,210,449)	(1,094,259)
Closing balance	19.1	<u>5,012,753</u>	<u>6,223,202</u>
Less: Transaction cost		(26,702)	(44,936)
Less: Current portion shown under current liabilities		(1,284,251)	(1,228,551)
		<u>3,701,800</u>	<u>4,949,715</u>

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19.1 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
Installments ending on	July 16, 2025
Number of installments remaining	13 unequal quarterly installments

19.2 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 7.40% to 12.74% (2021: 6.63% to 10.64%) per annum. The transaction cost amortized during the year is Rs. 18.068 million (2021: Rs. 21.505 million) as referred to in note 35.

20 DEFERRED LIABILITIES

20.1 Provision for gratuity

20.2 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 or her service comprises of total number of years of service multiplied by last drawn basic salary.

Annual charge is based on actuarial valuation carried out by an independent approved valuer M/S Nauman Associates as at June 30, 2022 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.

	Note	2022 ------(Rupees in 000')-----	2021
20.3	The amounts recognized in the statement of financial position are as follows:		
	Present value of defined benefit obligation	23,855	25,055
	Payable to ex-employee	-	244
	Closing net liability	<u>23,855</u>	<u>25,299</u>
20.4	The expected charge in respect of defined benefit plan for the year ending June 30, 2023 will be 10.859 million.		
20.5	Changes in the present value of the defined benefit obligation are as follows:		
	Opening balance	25,055	19,010
	Current service cost	5,734	3,916
	Interest cost	1,880	1,616
	Benefits paid	(12,514)	-
	Benefits due but not paid	-	-
	Actuarial loss from changes in financial assumption	249	120
	Experience adjustments	3,451	393
	Closing balance	<u>23,855</u>	<u>25,055</u>
20.6	The amounts recognized in the statement of profit or loss:		
	Current service cost	5,734	3,916
	Net interest cost for the year	1,880	1,616
	Total included in salaries, wages and other benefits	<u>7,614</u>	<u>5,532</u>
	Experience adjustment arising on obligation	14.47%	1.55%
20.7	The amounts recognized in the other comprehensive income are as follows:		
	Actuarial loss from changes in financial assumptions	249	120
	Experience adjustments	3,451	393
	Total remeasurements chargeable to OCI	<u>3,700</u>	<u>513</u>

20.8 Sensitivity Analysis

Significant assumptions for the determination of the defined benefits obligation are discount rate and expected salary increase. The sensitivity analysis below has 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.

BDO

20.9 Year end sensitivity analysis (\pm 100 bps) on defined benefit obligation

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
----- (Rupees in 000') -----			
Discount rate	1%	21,950	26,082
Salary increase	1%	26,143	21,864

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

	2022	2021
Discount rates	13.25%	10.00%
Future salary increases	12.25%	9.00%
Expected mortality rate	SLIC (2001-05)	SLIC (2001-05)
Average duration of plan	9 Years	9 Years
	2022	2021
Note	----- (Rupees in 000') -----	

21 RETENTIONS

Maintenance retention fund	21.1	67,458	52,516
Asset replacement fund	21.2	139,193	85,367
		206,650	137,883

21.1 This 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.

21.2 This 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').

21.3 In addition to the above, based on the report of internal technical committee of the Company, the Company has achieved 75.95% APR against the benchmark APR of 74.29% and produced excessive energy of 3,444.95 MWh units. As a result of which, the Company has recorded an expense, of equivalent units of 3,208.99 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).

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	Note	2022 ------(Rupees in 000')-----	2021
22 TRADE AND OTHER PAYABLES			
Payable to contractor	22.1	145,736	55,524
Payable to consultants		1,626	1,232
Accrued liabilities		19,505	13,456
Withholding tax payable		7,817	6,405
Other liabilities	22.2 & 22.3	31,012	29,149
Retention money		1,922	-
Sales tax liability		35,791	47,869
Payable to Director General Public Relations		253	139
Worker's Profit Participation Fund payable	22.4	117,257	108,448
Worker's Welfare Fund	22.5	46,921	42,835
		<u>407,840</u>	<u>305,057</u>

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

22.2 This includes an amount of Rs. 16.00 million (2021: Rs. 16.00 million) payable to District Council Bahawalpur as explained in note 26.1 (b) to these financial statements.

22.3 Other liabilities include Rs 0.844 million (2021: Rs. 0.21 million) due to executives.

22.4 Workers' Profit Participation Fund

Opening balance		108,448	393,636
Provision for the year	22.6	115,898	108,448
Payment during the year		(107,089)	(393,636)
Closing balance		<u>117,257</u>	<u>108,448</u>

22.5 Workers' Welfare Fund

Opening balance		42,835	49,675
Provision for the year	22.6	46,921	42,835
Payment during the year		(42,835)	(49,675)
Closing balance		<u>46,921</u>	<u>42,835</u>

22.6 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).

23 ACCRUED FINANCE COST

Accrued mark-up on long term loan		<u>164,286</u>	<u>135,669</u>
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	Note	2022 ------(Rupees in 000)-----	2021
24 PROVISION OF TAXATION			
Advance income tax	24.1	867,293	754,515
Less: Provision for taxation		<u>(947,760)</u>	<u>(800,916)</u>
		<u><u>(80,467)</u></u>	<u><u>(46,401)</u></u>

24.1 This includes Rs. 68.800 million (2021: Rs. 68.569 million) paid by Company under protest to FBR as disclosed in note 36.5.

25 CURRENT PORTION OF LONG TERM FINANCING

Long term financing			
The Bank of Punjab	19	<u>1,284,251</u>	<u>1,228,551</u>

26 CONTINGENCIES AND COMMITMENTS

26.1 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, which, 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 third proceeding financial year, a 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 vide its letter dated February 12, 2018 directed the Chief Officer, District Council, Bahawalpur to charge the rate of conversion fee as well as 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 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.

In the second proceeding financial year, the Company 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 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 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 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 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) Proceedings u/s 161 of the Income Tax Ordinance, 2001 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) and the case has been remanded back to the department. 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, 2021: Rs. 2.139 million). Based on tax advisor's opinion, the management is confident that no adverse inference will be drawn against the Company in these matters.
- e) Proceedings u/s 161 of the Income Tax Ordinance, 2001 were initiated by DCIR for the tax year 2015. 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) and the case has been remanded back to department. 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, 2021: 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.
- f) 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 the case back to the department. 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, 2021: Rs. 1.962 million). Based on tax advisor's opinion, the management is confident that no adverse inference will be drawn against the Company in these matters.
- g) Proceedings u/s 161 of the Income Tax Ordinance, 2001 were initiated by DCIR for the tax year 2016. The DCIR passed order u/s 161/205 and demand amounting to Rs. 905.431 million for tax year 2016 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. 905.431 million (June 30, 2021: Nil). Based on tax advisor's opinion, the management is confident that no adverse inference will be drawn against the Company in this matter.
- h) The contingencies relating to other tax matters have been disclosed under the taxation note 36 to these financial statements.

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	2022	2021
	------(Rupees in 000')-----	
26.2 Commitments		
Contracts for capital expenditure	156,634	293
Contracts for other than capital expenditure	5,227,301	4,992,928
Commitment for trustee fee, and arrangement and advisory fee to The Bank of Punjab, a related party	3,000	4,000

27 SIGNIFICANT CONTRACTS

27.1 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 25 years.

27.2 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 the IA is for 25 years.

27.3 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 and security cost.

	Note	2022	2021
		------(Rupees in 000')-----	
28 SALES			
Sales			
Central Power Purchasing Agency (Guarantee) Limited			
Gross Energy Purchase Price (EPP)		4,306,200	4,177,142
Less: Sales tax		(630,055)	(606,301)
		3,676,145	3,570,841
		3,676,145	3,570,841

BDO

28.1 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. 363.294 million (Second Year of operations: Rs. 77.068 million, Third Year of operations: Rs. 77.068 million, Fourth Year of operations: Rs. 54.72 million, Fifth Year of operations: Rs. 54.72 million, Sixth Year of operations: Rs. 54.72 million and Seventh Year of operations: Rs. 45.00 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 filed a writ petition on June 03, 2017 before the Lahore High Court against the order of NEPRA which is decided on December 10, 2021 and writ petition is allowed to the extent that order dated November 29, 2016 is partially set aside in regard to the claim of duties and taxes, with the result that the motion for leave to review filed by petitioner shall be deemed to be pending before it. NEPRA is directed to decide the same afresh expeditiously only to the extent of claim for duties and taxes, if verifiable evidences is provided by the petitioner. The Company has filed the motion for leave to review which is pending hearing.

28.2 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.

28.3 The Company has signed an EPA with CPPA (G) dated July 08, 2015. As per the signed EPA, CPPA (G) is obligated to make payments 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 generated were of a lesser amount. In view of the above, the management sent a differential invoice for the years 2017 to 2019 for an amount of Rs. 38.570 million. CPPA refused payment and asked for specific references to the clauses of EPA which were being relied upon by the Company for the entitlement for their claims. Accordingly, these invoices have not been recorded in the books of accounts.

28.4 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. An adjustment of Rs. 13.196 million was made in the previous financial statements and Rs. 32.447 million in the current financial statements for change of indexation.

	Note	2022 ------(Rupees in 000')-----	2021
29 COST OF SALES			
Operation and maintenance charges	29.1	277,245	232,952
Salaries, wages & other benefits	29.2	35,689	29,548
Rent, rates and taxes		-	89
Utilities		1,132	1,058
Consultancy charges		2,811	1,061
Insurance		39,140	47,236
Travelling and conveyance		1,650	1,211
Depreciation on property, plant and equipment	5.1	561,663	561,321
Security expense		15,451	15,405
Repairs and maintenance		375	187
Vehicle running and maintenance		516	-
Printing and stationery		70	39
Communication charges		2,684	2,635
Meeting fee charges		58	107
Others		354	707
		<u>938,838</u>	<u>893,556</u>

29.1 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.

29.2 Salaries, wages and other benefits include provision for gratuity of Rs. 2.749 million (2021: Rs 2.257 million).

30 ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	30.1	83,708	50,441
Rent, rates and taxes		13,362	12,401
Utilities		3,784	3,515
Advertisement and promotion		1,804	620
Legal and professional charges		729	3,143
Auditors' remuneration	30.2	1,286	1,475
Consultancy charges		7,711	2,043
Travelling and conveyance		5,357	1,746
Repairs and maintenance		1,542	940
Printing and stationery		881	711

	Note	2022 ------(Rupees in 000')-----	2021
Insurance expense		2,175	1,848
Depreciation on property, plant and equipment	5.1	2,209	4,957
Depreciation on right of use of assets	8.1	50	50
Amortization of intangible assets	9	139	183
Communication charges		1,555	1,530
Meeting fee charges		624	383
Security expense		727	832
License fee		412	510
Training and development		-	160
Corporate social responsibility activities		2,010	172
Others		1,765	613
		<u>131,830</u>	<u>88,273</u>
30.1	Salaries, wages and other benefits includes provision for gratuity of Rs. 4.865 million (2021: Rs 3.275 million).		
30.2	Auditors' remuneration		
	Statutory audit	1,286	1,400
	Other certifications/CCG review report	-	75
		<u>1,286</u>	<u>1,475</u>
31	EXPENSES INCURRED DURING THE YEAR UNDER ANNUAL DEVELOPMENT PLAN (ADP)		
	Survey and design	31.1	148,381
	Solar modules and inverters	31.2	330,991
	Installation and testing charges	31.3	158,341
	Consultants		17,649
	Others		8,599
			<u>663,961</u>
31.1	Survey and design		
	Sky Blue Builders		41,660
	Solar Tech (Private) Limited		48,034
	Zonergy (Tianjin) Company Limited		40,207
	Energy Conscious Energy (Private) Limited		18,480
			<u>148,381</u>
31.2	Solar modules and inverters		
	Sky Blue Builders		152,599
	Solar Tech (Private) Limited		98,274
	Zonergy (Tianjin) Company Limited		52,397
	Energy Conscious Energy (Private) Limited		27,721
			<u>330,991</u>

	Note	2022 ------(Rupees in 000')-----	2021
31.3 Installation and testing charges			
Sky Blue Builders		71,782	-
Solar Tech (Private) Limited		81,537	-
Zonergy (Tianjin) Company Limited		2,865	-
Energy Conscious Energy (Private) Limited		2,157	-
		<u>158,341</u>	<u>-</u>

31.4 This represents payments made to various contractors and consultants against site supervision, design, supply and installation of electrification equipment under various ADP projects during the year. The Company has taken these initiatives from ADP project funds provided by the Government of Punjab as disclosed in note 15 of these financial statements.

32 CORPORATE SOCIAL RESPONSIBILITY EXPENSES

Consultancy services		3,146	-
Travelling and conveyance		1,192	-
		<u>4,338</u>	<u>-</u>

33 OTHER CHARGES

Loss / (gain) on foreign exchange-net	33.1	15,955	(4,593)
Company portion/allocation on other income:			
Worker's Profit Participation Fund	33.2	24,652	17,716
Worker's Welfare Fund	33.2	9,879	7,086
Trade debts written off			
Worker's Profit Participation Fund	33.3	-	60,924
Worker's Welfare Fund	33.3	-	7,359
		<u>50,486</u>	<u>88,492</u>

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

33.2 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.

33.3 Central Power Purchasing Agency (Guarantee) Limited (CPPA) through its letter NO. CFO/DGMF-I/MF-II/16921 dated June 15, 2021, 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 prior year.

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	Note	2022 ------(Rupees in 000')-----	2021
34 OTHER INCOME			
Income from financial assets			
Return on saving accounts		161,295	69,450
Mark-up on delayed payment from CPPA	28.2	316,119	284,826
		<u>477,414</u>	<u>354,276</u>
Income from non-financial assets			
Income from carbon credits	34.1	15,456	-
Others		172	37
		<u>15,628</u>	<u>37</u>
		<u>493,042</u>	<u>354,313</u>

34.1 The Company is registered with CDM-UNFCCC since February 22, 2018 under Project Code 10365. During the 1st crediting year i.e from February 22, 2018 to February 21, 2019, the Company managed to earn 95.237 carbon credits (CERs), which have been issued in January 2021. The Company approached different parties for the sale of CERs in international market and made agreement with Emergent Venture International PTE Limited for the sale of current volume of CERs only. The Company has sold current volume of CERs for Rs. 15.456 million during the year.

35 FINANCE COST

Mark-up on long term loan		678,146	689,072
Transaction cost		20,088	23,667
Bank charges		314	310
		<u>698,548</u>	<u>713,049</u>

36 TAXATION

Current	36.1	(81,189)	(60,233)
Super tax	36.2	(19,103)	-
Prior adjustment	36.3	(42,518)	(77,756)
		<u>(142,810)</u>	<u>(137,989)</u>

36.1 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 normal and super tax (2021: Alternate Corporate Tax) (ACT), the total provision for taxation is Rs. 510.947 million (2021: Rs. 364.102 million) of which Rs. 410.654 million (2021: Rs. 303.875 million), included as receivable from CPPA in note 14 as a pass-through item, represents normal tax / ACT on profit before tax excluding income on bank deposits and liquidated damages from contractor.

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The remaining provision of Rs. 100.292 million (2021: Rs. 60.227 million) representing normal tax / ACT on income from bank deposits and liquidated damages from contract, which 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.

36.2 This shows super tax @ 4% on the taxable income for the tax year 2022 imposed through Finance Act 2022.

36.3 Prior year adjustment for 2022 represents difference of provision recorded and tax return filed during the year for tax year 2021. In 2021 the Central Power Purchasing Agency (Guarantee) Limited (CPPA) 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 prior year.

36.4 Tax charge reconciliation

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

	2022	2021
	%	%
Applicable tax rate	29	29
Tax losses and credits not recognized/other adjustments	(5.07)	17
Taxes claimable as pass through items	(17.87)	(41.09)
Prior year tax	0.02	1.53
Average effective tax rate charged to profit or loss	6.08	6.44

36.5 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 prior years.

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.

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36.6 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 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 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.

In addition to above, through a separate order dated May 30, 2018, the ACIR 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 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.

36.7 Comparison of tax provision against tax assessments

Years	Excess/ (Short)	Tax provision	Tax assessment/ tax return
	----- (Rupees in 000') -----		
2020-21	(16,514)	364,103	380,617
2019-20	-	422,242	422,242
2018-19	-	293,773	293,773
2017-18	-	199,600	199,600
2016-17	-	245,521	245,521

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- 36.8 As at June 30, 2022, 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.
- 36.9 The deferred tax liability of Rs. 2,238.472 million (2021: Rs. 1,120.767 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.

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37 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 26 and remuneration of key management personnel is disclosed in note 45. Other significant transactions with related parties are as follows:

Name of related party	Relationship with the Company	Nature of transactions	2022		2021	
			Transactions during the year	Closing balance	Transactions during the year	Closing balance
Directorate General Public Relation	Department of Government of Punjab	Advertisement expenses charged	1,803	253	446	139
The Bank of Punjab	Associated Company	Loan repaid by the Company	1,210,449	1,284,251	1,094,259	1,228,551
		Financing fees and charges	314	-	310	-
		Mark-up on long term loan	678,146	164,286	689,072	135,669
		Interest income	161,295	-	69,450	-
		Bank balance	-	3,432,443	-	1,365,108
Government of the Punjab (Finance Department)	Department of Government of Punjab	Funds received	594,849	-	-	-
		Expenses incurred	(663,961)	-	-	-
		Funds receivable	-	69,112	-	-
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	Employee	Advance against gratuity	5,847	-	8,245	6,379
Executives	Employees	Advance against gratuity	19,391	10,251	3,084	2,046
Government of Punjab	Parent entity	Recoverable against rehabilitation of work	-	-	2,960	2,960

- 37.1 The details of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (note 45)". There are no transactions with key management personnel other than under their terms of employment.
- 37.2 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.
- 37.3 All transactions with Govt. of Punjab 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 other entities which are related party being owned by the same government.

38 FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

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

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk 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. 32.201 million (2021: Rs. 50.348 million) (payable to contractor and consultant) arising due to transactions in 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, 2022 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. 2.395 million (2021: Rs. 2.456 million) lower / higher mainly as a result of foreign exchange losses / gains on translation of USD-denominated financial assets and liabilities.

At June 30, 2022 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. 0.03 million (2021: Rs. 0.06 million) lower / higher mainly as a result of foreign exchange losses / gains on translation of Euro-denominated financial assets and liabilities.

The following significant exchange rates have been applied during the year:

	Average rate		Reporting date rate	
	2022	2021	2022	2021
USD to PKR	181.00	160.25	206.00	156.00
EUR to PKR	201.88	191.08	215.75	188.00

(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 year would have increased / decreased by Rs. 15.803 million (2021: Rs. 48.581 million) respectively.

Financial liabilities/(Assets)	Effective rates	2022	2021
		Carrying amount ----- (Rupees in 000') -----	
Variable rate instruments:			
Long term financing	12.74%	5,012,753	6,223,202
Bank balances	5.5% to 12.25%	(3,432,443)	(1,365,108)
Net exposure		<u>1,580,310</u>	<u>4,858,094</u>

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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 2022.

	Profit or loss	
	100 bp increase	100 bp decrease
As at June 30, 2022		
Cash flow sensitivity - Variable rate financial liabilities	15,803	(15,803)
As at June 30, 2021		
Cash flow sensitivity - Variable rate financial liabilities	48,581	(48,581)

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

38.2 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:

	2022	2021
	----- (Rupees in 000') -----	
Long term deposits	401	401
Trade debts	3,884,386	5,173,075
Short term deposits	1,926	1,926
Other receivables	915,568	771,944
Bank balances	3,522,443	1,390,108
	<u>8,324,724</u>	<u>7,337,454</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.

Trade debts - considered good

Trade debts mainly represents receivable from Central Power Purchasing Agency (CPPA), a Government owned entity.

	2022	2021
	----- (Rupees in 000') -----	
The aging of trade receivable at the reporting date is:		
Neither past due nor impaired	375,942	468,802
Past due but not impaired:		
1 to 30 days	479,268	655,879
31 to 90 days	529,079	896,922
91 to 180 days	1,695,264	1,172,298
181 to 365 days	109,905	1,668,583
Above 365 days	694,928	310,591
	3,508,444	4,704,273
	<u>3,884,386</u>	<u>5,173,075</u>

Based on the guarantee secured from 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 2022			2022
	Short term	Long term	Agency	(Rupees in 000')
Bank of Punjab (BOP)	A1+	AA	PACRA	3,432,157
	Rating 2021			2021
	Short term	Long term	Agency	(Rupees in 000')
Bank of Punjab (BOP)	A1+	AA+	PACRA	1,364,946

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.

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38.3 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')-----					
2022					
Long term loan	5,012,753	6,526,385	2,012,760	4,513,625	-
Trade and other payables	364,232	364,232	364,232	-	-
Accrued finance cost	164,286	164,286	164,286	-	-
Long term retentions	206,650	206,650	-	-	206,650
	<u>5,747,921</u>	<u>7,261,553</u>	<u>2,541,278</u>	<u>4,513,625</u>	<u>206,650</u>
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	-	-
Accrued finance cost	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>

39 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, 2022 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.

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40 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, 2022							
Financial assets							
Financial assets at amortized cost							
10	401	-	401	-	-	-	-
11	3,884,386	-	3,884,386	-	-	-	-
13	1,926	-	1,926	-	-	-	-
14	915,568	-	915,568	-	-	-	-
16	3,522,443	-	3,522,443	-	-	-	-
	<u>8,324,724</u>	<u>-</u>	<u>8,324,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost							
19	-	5,012,753	5,012,753	-	-	-	-
22	-	364,232	364,232	-	-	-	-
21	-	206,650	206,650	-	-	-	-
23	-	164,286	164,286	-	-	-	-
	<u>-</u>	<u>5,747,921</u>	<u>5,747,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	-	-	-	-
16	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							
19	-	6,223,202	6,223,202	-	-	-	-
22	-	250,783	250,783	-	-	-	-
21	-	137,883	137,883	-	-	-	-
23	-	135,669	135,669	-	-	-	-
	<u>-</u>	<u>6,747,537</u>	<u>6,747,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note

40.1 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.

41 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.

	2022	2021
	----- (Rupees in 000') -----	
The proportion of debt to equity at the year end was:		
Long term finances	5,012,753	6,223,202
Net debt	5,012,753	6,223,202
Share capital	3,809,780	3,809,780
Reserves	8,994,787	7,291,812
Total equity	12,804,567	11,101,592
Total capital employed	17,817,320	17,324,794
Gearing Ratio	28%	36%

42 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.

43 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 except retentions amounting to Rs. 137.883 million has been reclassified under short-term liabilities due to nature of the transaction for a better

	2022 MWH	2021 MWH
46 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	164,787	158,958

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

47 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, 2021	-	6,223,202	6,223,202
Borrowings during the year	-	-	-
Repayment	-	(1,210,449)	(1,210,449)
Balance as at June 30, 2022	-	5,012,753	5,012,753

47.1 There is no non-cash transaction during the year.

48 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.

49 IMPACT OF COVID -19 ON THE FINANCIAL STATEMENTS

The COVID-19 pandemic has generally been in control during the year, with variations in its spread and intensity across the country. However, the Company has reviewed its exposure to business risks and has not identified any significant impact on the Company's operations or decline in revenue during the year ended June 30, 2022.

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50 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

The Board of Directors of the Company has proposed (meeting held on July 15, 2022) an interim cash dividend for the year ended June 30, 2022 of Rs. 3,937.24 per share amounting to Rs. 1,500.00 million subject to NOC from the Bank of Punjab (June 30, 2021: Rs 1,312.41 per share amounting to Rs. 500.00 million). These financial statements do not include the effect of the above appropriations which will be accounted for in the period in which they are approved. (June 30, 2021: The respective effect of the transaction is incorporated in the Statement of Changes in equity).

51 EARNINGS PER SHARE

		2022	2021
Profit for the year	Rupees in thousand	<u>2,202,337</u>	<u>2,003,795</u>
Weighted average number of ordinary shares	Number	<u>380,978</u>	<u>380,978</u>
Earnings per share	Rupees	<u>5.78</u>	<u>5.26</u>

51.1 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, 2022 and June 30, 2021 which would have any effect on the earnings per share if the option to convert is exercised.

52 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on 13 MAR 2023 by the Board of Directors of the Company.

53 GENERAL

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


CHIEF EXECUTIVE OFFICER


DIRECTOR