

Multan Electric Power Company Limited

Financial Statements for the year ended

June 30, 2022

INDEPENDENT AUDITOR'S REPORT

To the members of Multan Electric Power Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Multan Electric Power Company 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 changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

Basis for Opinion

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

Emphasis of Matters

We draw attention to the following matters:

- a) Note 13.1.1 to the financial statements, which states that the Company has not recognized the impact of debit notes issued by Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for supplementary charges, being the mark-up charged on CPPA-G by Independent Power Producers (IPPs) on account of delayed payments, aggregating to Rupees 25,770.39 million.
- b) Note 15.1 to the financial statements describes various contingencies, the ultimate outcome of which cannot be presently determined hence, no provision for the same has been made in accompanying financial statements.
- c) Note 21.4 to the financial statements describes that the fuel price adjustment (FPA) aggregating to Rupees 3,261.50 million which was to be charged to the consumers in the month of August and September 2020 remained unbilled to the consumers during the year.
- d) Note 21.5 to the financial statements describes that the Company has recognized FPA relating to the month of June 2022 aggregating to Rs. 16,847.13 million in current financial year. This FPA was to be recovered from consumers in monthly electricity bills of August 2022. Management has received directions from Ministry of Energy (MOE) in which it has been directed not to bill /

recover the FPA in monthly electricity bills of August 2022 from domestic consumers having consumption of units less than or equal to 300 in the month of June 2022. As a result, the Company has billed to consumers only Rs. 8,688.97 million in the month of August 2022 and Rs. 8,158.16 million remained unbilled to consumers.

Our opinion is not modified in respect of these matters.

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

Management is responsible for the other information. The other information comprises the Directors' report as required under Companies Act, 2017, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- a) 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.

- b) 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.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) 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.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) The statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company.

Other Matter

The financial statements of the Company for the year ended June 30, 2021 were audited by another firm of Chartered Accountants who vide their report dated October 05, 2021 expressed an unmodified opinion thereon.

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


Chartered Accountants

Place: Multan

Date: October 24, 2022

UDIN: AR202210180gcINeOE6L

MULTAN ELECTRIC POWER COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	2022 Rupees	Restated 2021 Rupees	Restated as at July 01, 2020 Rupees
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital	5	10,823,636,048	10,823,636,048	10,823,636,048
Deposit for shares	6	49,639,659,930	24,684,349,025	31,337,632,169
Accumulated loss	7	(147,180,135,100)	(107,595,353,585)	(112,280,846,794)
TOTAL EQUITY		(86,716,839,122)	(72,087,368,512)	(70,119,578,577)
LIABILITIES				
NON-CURRENT LIABILITIES				
Long term financing	8	6,633,766,788	7,529,178,204	8,117,630,545
Staff retirement benefits	9	108,696,744,299	88,975,501,918	80,582,683,869
Long term security deposits	10	12,453,362,239	11,395,508,533	10,179,383,631
Contract liabilities - Receipt against deposit works	11	33,955,076,491	29,123,355,269	25,803,025,352
Deferred credit	12	65,581,575,650	62,619,719,376	59,724,026,331
		227,320,525,468	199,643,263,300	184,406,749,728
CURRENT LIABILITIES				
Trade and other payables	13	192,312,653,012	164,106,950,529	175,529,885,039
Accrued mark-up	14	9,225,118,719	8,018,529,347	10,788,639,164
Current portion of long term financing	8	7,583,631,043	6,720,997,526	6,031,857,596
Provision for taxation		8,859,434,993	4,531,877,903	1,275,956,097
		217,980,837,766	183,378,355,305	193,626,337,896
TOTAL LIABILITIES		445,301,363,234	383,021,618,606	378,033,087,624
CONTINGENCIES AND COMMITMENTS				
TOTAL EQUITY AND LIABILITIES	15	358,584,524,113	310,934,250,094	307,913,509,047
NON-CURRENT ASSETS				
Property, plant and equipment	16	129,412,958,632	123,160,370,471	117,672,020,684
Intangible assets	17	-	-	-
Long term loans to employees	18	120,430,533	112,942,981	81,394,604
Long term deposits	19	49,185	49,185	49,185
		129,533,438,350	123,273,362,637	117,753,464,473
CURRENT ASSETS				
Stores and spare parts	20	8,778,303,293	5,738,771,532	6,328,680,702
Trade debts	21	94,417,538,728	40,357,651,995	51,201,853,926
Loans and advances	22	290,561,168	313,575,913	320,793,215
Other receivables	23	76,767,309,645	112,958,521,516	110,161,860,641
Advance income tax		3,143,055,837	521,459,359	2,551,409,801
Sales tax receivable	24	7,327,081,624	3,955,553,489	2,069,701,801
Accrued interest		107,552,341	265,611,799	157,817,812
Short term investments - amortized cost	25	27,500,000,000	18,075,614,275	12,001,000,000
Bank balances	26	10,719,683,127	5,474,127,579	5,366,926,676
		229,051,085,763	187,660,887,457	190,160,044,574
TOTAL ASSETS		358,584,524,113	310,934,250,094	307,913,509,047

The annexed notes from 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER




DIRECTOR

MULTAN ELECTRIC POWER COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
Sale of electricity - net	27	345,843,911,414	216,780,894,077
Tariff differential subsidies	28	70,283,937,519	72,382,511,737
		<u>416,127,848,933</u>	<u>289,163,405,814</u>
Cost of electricity	29	(406,934,603,535)	(248,523,078,796)
Gross profit		9,193,245,398	40,640,327,018
Amortization of deferred credit	12	3,366,498,166	3,147,935,782
		<u>12,559,743,564</u>	<u>43,788,262,800</u>
Operating expenses excluding depreciation and amortization	30	(29,797,600,579)	(27,668,736,093)
Depreciation on operating fixed assets	16	(5,702,236,440)	(5,457,344,407)
Allowance for expected credit losses	21.1	(420,545,586)	(1,038,747,048)
		<u>(35,920,382,605)</u>	<u>(34,164,827,548)</u>
(Loss) / profit from operations		<u>(23,360,639,041)</u>	9,623,435,252
Other income	31	6,872,303,585	5,281,504,661
Finance cost	32	(1,998,538,246)	(1,600,608,741)
(Loss) / profit before taxation		<u>(18,486,873,702)</u>	13,304,331,172
Taxation	33	(4,327,557,090)	(3,255,921,806)
(Loss) / profit for the year		<u>(22,814,430,792)</u>	<u>10,048,409,366</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER


DIRECTOR

**MULTAN ELECTRIC POWER COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022**

	2022 Rupees	2021 Rupees
(Loss) / profit for the year	(22,814,430,792)	10,048,409,366
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
- Remeasurement of defined benefit obligations	(16,770,350,723)	(5,362,916,157)
Items that may be reclassified subsequently to profit or loss	-	-
	(16,770,350,723)	(5,362,916,157)
Total comprehensive income for the year	(39,584,781,515)	4,685,493,209

The annexed notes from 1 to 43 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR

MULTAN ELECTRIC POWER COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2022

	SHARE CAPITAL	DEPOSIT FOR SHARES	ACCUMULATED LOSS	TOTAL EQUITY
Note	-----Rupees-----			
Balance as at July 01, 2020	10,823,636,048	31,337,632,169	(114,671,154,094)	(72,509,885,877)
Prior year error	-	-	2,390,307,300	2,390,307,300
Balance as at July 01, 2020 - Restated	10,823,636,048	31,337,632,169	(112,280,846,794)	(70,119,578,577)
Non-cash settlement against deposit for shares	-	(6,653,283,144)	-	(6,653,283,144)
Profit for the year	-	-	10,048,409,366	10,048,409,366
Other comprehensive income for the year	-	-	(5,362,916,157)	(5,362,916,157)
Total comprehensive income for the year	-	-	4,685,493,209	4,685,493,209
Balance as at June 30, 2021- Restated	10,823,636,048	24,684,349,025	(107,595,353,585)	(72,087,368,512)
Non-cash settlement against deposit for shares	-	24,955,310,905	-	24,955,310,905
Loss for the year	-	-	(22,814,430,792)	(22,814,430,792)
Other comprehensive income for the year	-	-	(16,770,350,723)	(16,770,350,723)
Total comprehensive income for the year	-	-	(39,584,781,515)	(39,584,781,515)
Balance as at June 30, 2022	10,823,636,048	49,639,659,930	(147,180,135,100)	(86,716,839,122)

The annexed notes from 1 to 43 form an integral part of these financial statements.


 CHIEF EXECUTIVE OFFICER


 DIRECTOR

MULTAN ELECTRIC POWER COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

		2022 Rupees	Restated 2021 Rupees
A. CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation	Note	(18,486,873,702)	13,304,331,172
Adjustments for:			
Depreciation	16.3	5,702,236,440	5,457,344,407
Provision for staff retirement benefits	9.1	10,105,946,934	8,599,790,286
Amortization of deferred credit	12	(3,366,498,166)	(3,147,935,782)
Allowance for expected credit losses	30	420,545,586	1,038,747,048
Provision for stores and spare parts	30	143,737,868	140,470,678
Provision for workers' profit participation fund	30	-	700,227,956
Impairment of capital work-in-progress	30	45,649,454	21,775,328
Profit on bank deposits	31	(2,326,335,082)	(1,214,965,656)
Finance cost	32	1,998,538,246	1,600,608,741
		(5,763,052,422)	26,500,394,178
Effect on cash flows due to working capital changes:			
(Increase) / decrease in current assets:			
Stores and spare parts		(3,183,269,629)	449,438,492
Trade debts		(54,480,432,319)	9,805,454,883
Loans and advances		23,014,745	7,217,302
Other receivables		33,800,904,571	(2,796,660,875)
Sales tax receivable		(3,371,528,135)	(1,885,851,688)
Increase / (decrease) in trade and other payables		55,551,320,688	(18,776,445,610)
		28,340,009,921	(13,196,847,496)
Finance cost paid		(791,948,874)	(4,370,718,558)
Taxes paid		(2,621,596,478)	2,029,950,442
Staff retirement benefits paid		(7,155,055,276)	(5,569,888,394)
		(10,568,600,628)	(7,910,656,510)
Net cash generated from operating activities		12,008,356,871	5,392,890,172
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(12,000,474,055)	(10,967,469,522)
Net increase in short term investments - amortized cost		(9,424,385,725)	(6,074,614,275)
Net increase in long term loans to employees		(7,487,552)	(31,548,377)
Profit on bank deposits received		2,484,394,540	1,107,171,670
Net cash used in investing activities		(18,947,952,792)	(15,966,460,504)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		-	133,357,295
Repayment of long term financing		(32,777,899)	(32,669,706)
Consumers' security deposits received		1,123,917,911	1,292,073,329
Consumers' security deposits repaid		(66,064,205)	(75,948,427)
Receipt against deposit works and connections		11,160,075,662	9,363,958,744
Net cash generated from financing activities		12,185,151,469	10,680,771,235
Net increase in cash and cash equivalents	(A+B+C)	5,245,555,548	107,200,903
Cash and cash equivalents at beginning of the year		5,474,127,579	5,366,926,676
Cash and cash equivalents at end of the year		10,719,683,127	5,474,127,579

The annexed notes from 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER




DIRECTOR

MULTAN ELECTRIC POWER COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1 THE COMPANY AND ITS ACTIVITIES

- 1.1** Multan Electric Power Company Limited (the Company) is a public limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company was established to takeover all the properties, rights, assets, obligations and liabilities of Multan Area Electricity Board (MAEB) owned by Pakistan Water and Power Development Authority (WAPDA) and such other assets and liabilities as agreed. The Company was incorporated on May 14, 1998 and commenced operations on June 09, 1998. Its registered office is situated at Shahrah-e-Quaid-e-Azam, WAPDA House, Lahore. The principal place of business of the Company is located at Khanewal Road, Multan. While the Company have various 132-KV and 66-KV grid stations along with other offices located in 13 districts of South Punjab including Multan, Pakpattan, Sahiwal, Khanewal, Bahawalnagar, Bahawalpur, Rahim Yar Khan, Lodhran, Dera Ghazi Khan, Layyah, Muzaffargarh, Rajanpur and Vehari. The principal activity of the Company is distribution and supply of electricity to public within defined geographical boundaries.

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:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and

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

2.2 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 Company's financial statements other than certain additional disclosures.

	Effective from Accounting period beginning on or after
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021

2.3 New accounting standards, amendments and IFRS 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, interpretations and the amendments 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 from Accounting period beginning on or after
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
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
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2022

**Effective from Accounting period
beginning on or after**

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2022
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 IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective policies and notes given herein:

3.1 Functional and presentation currency along with foreign currency transactions and translation

These financial statements have been presented in Pak Rupees, which is the Company's functional and presentation currency. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are initially recorded at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to statement of profit or loss.

3.2 Significant accounting estimates and judgments

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies which the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

(a) Useful lives, patterns of economic benefits and impairments

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

(b) Provision for obsolescence of stores and spare parts

The Company regularly reviews the provision for slow-moving store and spare parts. Provision for obsolete and slow-moving store and spare parts is based on management estimate.

(c) Taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities. In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

(d) Impairment of financial assets

The amount of expected credit losses (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of respective financial assets.

(e) Contingencies

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

(f) Staff retirement benefits

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Staff retirement benefits

4.1.1 Defined benefit plans

The Company operates funded pension scheme, an unfunded free electricity scheme and an unfunded free medical facility scheme for all its employees. Further, the Company's employees are also entitled for accumulated compensated absences which are encashed at the time of retirement up to maximum limit of 365 days. The Company's obligations under these schemes are determined annually by a qualified actuary using Projected Unit Credit Actuarial Cost Method. The Company's net obligation in respect of defined benefits plans is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Past service cost is recognized immediately in the statement of profit or loss.

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

4.1.2 General / Employees' Provident Fund

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

4.2 Taxation

Current

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

Deferred

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

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

4.3 Property, plant and equipment

a) Cost

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss, except freehold land which is stated at cost less any identified impairment loss and leasehold land which is stated at cost less accumulated depreciation and any identified impairment loss. Capital work-in-progress is stated at cost less any recognized impairment loss. This includes all costs connected with specific assets (including borrowing cost) incurred during installation and construction period. These are transferred to specific assets as and when these assets are available for intended use. Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to the erection / construction period of qualifying assets and directly attributable costs of bringing the assets to working condition for their intended use.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewals or improvements can be measured reliably. The cost of day-to-day servicing of property, plant and equipment is recognized in statement of profit or loss as incurred.

b) Depreciation

Depreciation on operating fixed assets is calculated applying the straight line method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 16.2. The Company charges the depreciation on additions from the month when the asset is available for use and on deletions up to the month when the asset is de-recognized. Depreciation on operating fixed assets is charged to the statement of profit or loss except for depreciation provided on construction equipment and vehicles during the period of construction of operating fixed assets that is capitalized as part of the cost of operating fixed assets. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

c) Derecognition

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

4.4 Intangible assets

Intangible assets represent the cost of computer softwares and is stated at cost less accumulated amortization and any identified impairment loss. Intangible asset is amortized from the month, when the assets becomes available for use, using the straight line method, and up to the last month previous the month of disposal, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed and adjusted, if appropriate, at each reporting date.

4.5 Stores and spare parts

Stores and spare parts are valued at lower of cost and net realizable value. Usable stores and spare parts are valued principally at cost using moving average cost formula less provision for slow moving, while items considered obsolete are carried at nil value. Items-in-transit are valued at cost comprising invoice value plus other charges paid thereon. Provision for obsolete items is based on their condition as at the reporting date depending upon the management's judgement.

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

4.6 Cash and cash equivalents

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

4.7 Revenue from contracts with customers

(a) Revenue recognition

Sale of electricity

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

Tariff differential subsidies

Subsidies from Government are announced by the Government of Pakistan for consumers and is recognized under revenue on accrual basis.

Rental and service income

Meter rentals are recognized on time proportion basis.

Rendering of services

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

Interest income

Interest income is recognized on a time proportion basis on the principal amount outstanding at the applicable rates.

Other revenue

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

(b) Contract assets

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

(c) 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 from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made by the customer. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

4.8 Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

4.8.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets:

a) Debt instruments that meet following conditions are measured subsequently at amortized cost:

The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As at reporting date, the Company does not possess any assets classified as at fair value through other comprehensive income (FVTOCI).

c) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

As at reporting date, the Company does not possess any equity instruments designated as at FVTOCI.

d) Financial assets at fair value through profit or loss

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

As at reporting date, the Company does not possess any financial assets classified as FVTPL.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade debts using simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the trade debts, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Write-off policy

The Company writes off a financial asset when there is information indicating that the amount is not recoverable due to the conflict in invoices with customer. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in statement of profit or loss.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received is recognized in the statement of profit or loss.

4.8.2 Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method. Financial liabilities that are not:

- Contingent consideration of an acquirer in a business combination,
- Held-for-trading, or
- Designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit or loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects the current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment had been recognized.

4.9 Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses.

The Company has applied the simplified approach to measure expected credit losses, which uses a lifetime expected credit loss allowance. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

4.10 Deferred credit

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

4.11 Borrowings

Financing and borrowings are initially recognized at fair value of the consideration received, net of transaction costs. These are subsequently measured at amortized cost using the effective interest method.

4.12 Borrowing cost

Interest, mark-up and other charges on long term finances directly attributable to the acquisition, construction and production of qualifying assets are capitalized up to the date of commissioning of respective qualifying assets. All other interest, mark-up and other charges are charged to the statement of profit or loss in the period in which these are incurred.

4.13 Share capital

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

4.14 Trade and other payables

Trade and other payables are initially recognized at fair value plus directly attributable costs. These are subsequently measured at amortized cost.

4.15 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. The carrying amount of the Company's other non-financial 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 is the greater of its value in use and fair value less cost to sell. Impairment losses recognized in prior periods are assessed at each reporting date for any indication 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 or amortization, if no impairment losses had been recognized. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount.

4.16 Provisions

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

4.17 Earnings / (loss) per share

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

4.18 Contingent assets

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

4.19 Contingent liabilities

A contingent liability is disclosed when:

- There is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or;
- There is present obligation that arises from past events but it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

		2022 Rupees	2021 Rupees
5 SHARE CAPITAL			
Authorized share capital			
5,000,000,000 (2021: 5,000,000,000) ordinary shares of Rs. 10 each		<u>50,000,000,000</u>	<u>50,000,000,000</u>
Issued, subscribed and paid up share capital			
NUMBER OF SHARES			
1,000	1,000 Ordinary shares of Rs. 10 each fully paid in cash to the Government of Pakistan (GoP) and its nominee directors	10,000	10,000
1,082,362,604	1,082,362,604 Ordinary shares of Rs. 10 each fully paid issued for consideration other than in cash to WAPDA	10,823,626,048	10,823,626,048
<u>1,082,363,604</u>	<u>1,082,363,604</u>	<u>10,823,636,048</u>	<u>10,823,636,048</u>
		Note	
6 DEPOSIT FOR SHARES			
Balance as at beginning of the year	6.1	24,684,349,025	31,337,632,169
Debit notes received against deposit for shares	6.2	-	(6,653,283,144)
Credit notes received against deposit for shares	6.3	24,955,310,905	-
Balance as at end of the year		<u>49,639,659,930</u>	<u>24,684,349,025</u>

6.1 This represents credit notes received by the Company in financial year 2014 from Central Power Purchase Agency (Guarantee) Limited (CPPA) in pursuance of letter No. F.1(5)-CF-1/2012-13/1017 dated July 02, 2013 from Ministry of Finance as GoP investment against circular debt of Rs. 341 billion. Hence this was treated as GoP equity investment in the Company.

6.2 In prior year, an amount of Rs. 6,653,283,144 was adjusted by CPPA as non-cash settlement against the amount of deposit for shares as intimated vide letter No. PPA-158/MEPCO-16 dated December 31, 2020 issued by CPPA on the direction of Ministry of Energy, Power Division, GoP.

6.3 This represents credit notes of Rs. 24,955,310,905 received by the Company in financial year 2022 from Central Power Purchase Agency (Guarantee) Limited (CPPA) in pursuance of letters: F-No. 05 (06-PHL) 2021-2022 dated September 02, 2021 against amount of Rs. 372 million, F-No. 05 (06-PHL) 2021-2022 dated February 07, 2022 against amount of Rs. 9,912 million, F-No. 05 (02) 2021-2022 dated February 18, 2022 against amount of Rs. 1,675 million, F-No. 05 (02) 2021-2022 dated August 01, 2022 against amount of Rs. 1,111 million, F-No. 05 (02) 2021-2022 dated July 07, 2022 against amount of Rs. 5,065 million, F-No. 05 (02) 2021-2022 dated July 22, 2022 against amount of Rs. 6,671 million, F-No. 05 (02) 2021-2022 dated August 01, 2022 against an amount of Rs. 146 million from Ministry of Energy as GoP investment against circular debt and to stabilize equity. Hence this was treated as GoP equity investment in the Company.

7 RESTATEMENT OF CORRESPONDING FIGURES

National Electric Power Regulatory Authority (NEPRA) in its tariff determination for financial year 2014-15 communicated through letter no. NEPRA/TRF-283/MEPCO-2014/4264 dated March 27, 2015 decided that the cost of ex-WAPDA employees upto June 30, 2014 would be borne by WAPDA, However employees' benefits cost after June 30, 2014 would be borne by the distribution companies.

It was mutually agreed in the meeting held in Ministry of Water and Power on March 13, 2017 that on receipt of the adjustment claim based upon Actuarial Valuation Reports from DISCOs, GENCOs and NTDC, WAPDA will adjust this liability by reducing the amount of "deposit for shares" of related company through issuance of debit notes or surrender the ordinary shares of equivalent amount to the Company who has already issued the same to WAPDA in settlement of net worth of the assets transferred through Business Transfer Agreement / Supplementary Business Transfer Agreement (BTA / SBTA).

An amount of 2,390.31 million was worked out by the Actuary but this receivable from WAPDA was erroneously recognized as an expense in financial year 2014-15.

The significant effects of this rectification of error has been applied retrospectively in accordance with the requirement of IAS 8 'Accounting Policy, Change in Accounting Estimates and Errors' and corresponding figures have been restated accordingly. The summary of the effects are as follows:

As at June 30, 2021			
As previously reported	Adjustment	Restated balance	
Rupees			
Effect on statement of financial position:			
Assets:			
Other receivables	110,511,305,910	2,447,215,606	112,958,521,516
Effect on statement of changes in equity:			
Accumulated loss	(109,985,660,885)	2,390,307,300	(107,595,353,585)

As at July 01, 2020			
As previously reported	Adjustment	Restated balance	
Rupees			
Effect on statement of financial position:			
Assets:			
Other receivables	107,771,553,341	2,390,307,300	110,161,860,641
Effect on statement of changes in equity:			
Accumulated loss	(114,671,154,094)	2,390,307,300	(112,280,846,794)

8 LONG TERM FINANCING

Loans from related party - Secured

From GoP - (foreign re-lent):

	Note	2022 Rupees	2021 Rupees
International Bank for Reconstruction and Development	8.1	3,849,036,226	3,849,036,226
Asian Development Bank - Tranche I	8.2	1,354,866,393	1,354,866,393
Asian Development Bank - Tranche II	8.3	2,168,842,944	2,168,842,944
Asian Development Bank - Tranche III	8.4	3,118,563,244	3,118,563,244
Asian Development Bank - Tranche IV	8.5	2,772,764,983	2,772,764,983
		13,264,073,790	13,264,073,790
Cash Development Loan from GoP - Unsecured	8.6	797,050,000	797,050,000
		14,061,123,790	14,061,123,790
Other loans			
Hamza Sugar Mills Limited	8.7	-	6,666,680
Thal Industries Limited (Layyah Sugar Mill)	8.8	22,917,041	39,722,225
Harappa Solar (Private) Limited	8.9	-	9,306,035
Zhenfa Pakistan New Energy Company Limited	8.10	133,357,000	133,357,000
		156,274,041	189,051,940
		14,217,397,831	14,250,175,730
Less:			
Current portion shown under current liabilities		895,408,247	924,061,423
Overdue portion shown under current liabilities		6,688,222,796	5,796,936,103
		7,583,631,043	6,720,997,526
		6,633,766,788	7,529,178,204

- 8.1** This represents re-lent portion of loan obtained by GoP from International Bank for Reconstruction and Development (IBRD) for electricity distribution and transmission improvement project which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 17% per annum which comprises of relending interest of 11% per annum and exchange risk cover of 6% per annum payable on half yearly basis. Repayment of principal has to be made on half yearly basis within maximum period of 15 years including grace period of 2 years starting from September 2011. The overdue amounts of principal and mark-up aggregate to Rupees 3,207.846 million (2021: Rupees 2,887.251 million) and Rupees 2,017.101 million (2021: Rupees 1,688.623 million) respectively.
- 8.2** This represents re-lent portion of loan obtained by GoP from Asian Development Bank (ADB) for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 17% inclusive of relending interest of 11% per annum plus exchange risk cover fee of 6% per annum which shall be charged both on principal amount and interest amount separately. Repayment of principal has to be made on half yearly basis within maximum period of 15 years including grace period of 2 years starting from February 2011. The overdue amounts of principal and mark-up aggregate to Rupees 1,162.408 million (2021: Rupees 1,034.104 million) and Rupees 579.304 million (2021: Rupees 475.728 million) respectively.
- 8.3** This represents re-lent portion of loan obtained by GoP from ADB for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately. Repayment of principal has to be made on half yearly basis within maximum period of 17 years including grace period of 3 years starting from June 2014. The overdue amounts of principal and mark-up aggregate to Rupees 1,052.117 million (2021: Rupees 920.738 million) and Rupees 1,490.65 million (2021: Rupees 1,102.421 million) respectively.
- 8.4** This represents re-lent portion of loan obtained by GoP from ADB for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately. Repayment of principal has to be made on half yearly basis within maximum period of 25 years including grace period of 5 years starting from June 2018. The overdue amounts of principal and mark-up aggregate to Rupees 696.386 million (2021: Rupees 540.117 million) and Rupees 2,150.008 million (2021: Rupees 1,353.964 million) respectively.
- 8.5** This represents re-lent portion of loan obtained by GoP from ADB for Distribution Enhancement Investment Program which is secured against the guarantee by GoP, pursuant to the re-lent agreement between GoP and the Company. This facility carries interest at the rate of 15% inclusive of relending interest of 8.2% per annum plus exchange risk cover fee of 6.8% per annum which shall be charged both on principal amount and interest amount separately. Repayment of principal will be started from June 2019 and will be repaid on half yearly basis within maximum period of 25 years including grace period of 5 years. The overdue amounts of principal and mark-up aggregate to Rupees 485.233 million (2021: Rupees 346.596 million) and Rupees 1,865.814 million (2021: Rupees 1,117.219 million) respectively.
- 8.6** This represents a loan obtained from GoP under "Prime Minister's Southern Punjab Development Package" for construction of new grid stations and laying transmission lines. The limit of the loan facility is Rupees 1,228 million. As per instructions of the Finance Division of GoP for loan disbursements, the interest shall be chargeable at a prevailing rate of interest for respective year, which has been assessed as 12.59% per annum for the year 2009-10, 13.61% per annum for 2010-11 and 12.64% per annum for the year 2011-12 by the Company. Repayment of principal has to be made on yearly basis within maximum period of 25 years including grace period of 5 years starting from June 2015. The overdue amount of principal and mark-up aggregate to Rupees 79.646 million (2021: Rupees 61.741 million) and Rupees 1,122.032 million (2021: Rupees 929.640 million) respectively.
- 8.7** This represents a interest free loan from Hamza Sugar Mills Limited under an agreement to meet expenses for grid interconnection. This loan is repayable in 36 equal monthly installments commencing after 18 months of commercial operation date of the project which is March 10, 2017. This loan has been fully repaid during the year.
- 8.8** This represents a interest free loan from Thal Industries Corporation Limited under an agreement to meet expenses for grid interconnection. The loan is repayable in 36 equal monthly installments commencing after 18 months of commercial operation date of the project which is December 01, 2017. The overdue amount of principal aggregates to Rupees 4.58 million (2021: Rupees 3.05 million).
- 8.9** This represents a interest free loan from Harappa Solar (Private) Limited under an agreement to meet expenses for grid interconnection. The loan is repayable in 36 equal monthly installments commencing after 17 months of commercial operation date which is October 14, 2017. This loan has been fully repaid during the year.
- 8.10** This represents a interest free loan from Zhenfa Pakistan New Energy Company Limited under an agreement to meet expenses for grid interconnection. The loan is repayable in 36 equal monthly installments commencing after 18 months of commercial operation date which has not yet been assessed.
- 8.11** The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments' arising in respect of the loans given in Note 7.7, Note 7.8, Note 7.9 and Note 7.10 is not considered material and hence not recognized.

	Note	2022 Rupees	2021 Rupees
9 STAFF RETIREMENT BENEFITS			
Free medical benefits	9.1	13,666,367,778	10,629,987,763
Pension	9.1	85,542,052,092	69,408,209,420
Free electricity benefits	9.1	5,549,566,389	5,069,643,090
Compensated absences	9.1	3,938,758,040	3,867,661,645
		<u>108,696,744,299</u>	<u>88,975,501,918</u>

9.1 Movement in the net liabilities recognized in the statement of financial position is as follows:

Note	June 30, 2022				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees				
Balance as at July 01, 2021	10,629,987,763	69,408,209,420	5,069,643,090	3,867,661,645	88,975,501,918
Charge for the year	1,379,194,173	7,726,982,732	674,497,015	325,273,014	10,105,946,934
Remeasurement recognized in other comprehensive	1,683,462,375	15,117,530,324	(30,641,976)	-	16,770,350,723
Benefits paid	(26,276,533)	(5,042,741,193)	(163,931,740)	(254,176,619)	(5,487,126,085)
Contribution made	-	(1,667,929,191)	-	-	(1,667,929,191)
Balance as at June 30, 2022	<u>13,666,367,778</u>	<u>85,542,052,092</u>	<u>5,549,566,389</u>	<u>3,938,758,040</u>	<u>108,696,744,299</u>
	June 30, 2021				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	Rupees				
Balance as at July 01, 2020	8,894,496,626	64,365,593,400	3,488,920,119	3,833,673,724	80,582,683,869
Charge for the year	1,113,785,781	6,725,305,210	463,932,899	296,766,396	8,599,790,286
Remeasurement recognized in other comprehensive	637,481,280	3,512,792,502	1,212,642,375	-	5,362,916,157
Benefits paid	(15,775,924)	(4,534,364,593)	(95,852,303)	(262,778,475)	(4,908,771,295)
Contribution made	-	(661,117,099)	-	-	(661,117,099)
Balance as at June 30, 2021	<u>10,629,987,763</u>	<u>69,408,209,420</u>	<u>5,069,643,090</u>	<u>3,867,661,645</u>	<u>88,975,501,918</u>

9.1.1 The amount of pension obligation recognized in the statement of financial position is as follows:

	Note	2022 Rupees	2021 Rupees
Present value of defined benefit obligations		90,768,744,322	72,578,339,536
Fair value of plan assets	9.1.1.1	<u>(5,226,692,230)</u>	<u>(3,170,130,116)</u>
		<u>85,542,052,092</u>	<u>69,408,209,420</u>
9.1.1.1 Change in fair value of plan assets			
Balance as at beginning of the year		3,170,130,116	2,348,778,025
Interest income		410,419,708	217,261,967
Cash flows:			
- Total employer's contributions			
(i) Employer's contributions		1,667,929,191	661,117,099
(ii) Employer's direct benefit payments		5,042,741,193	4,534,364,593
- Benefit payments from Plan		(5,042,741,193)	(4,534,364,593)
Loss on plan assets		(21,286,285)	(57,026,975)
Balance as at end of the year		<u>3,170,130,116</u>	<u>3,170,130,116</u>