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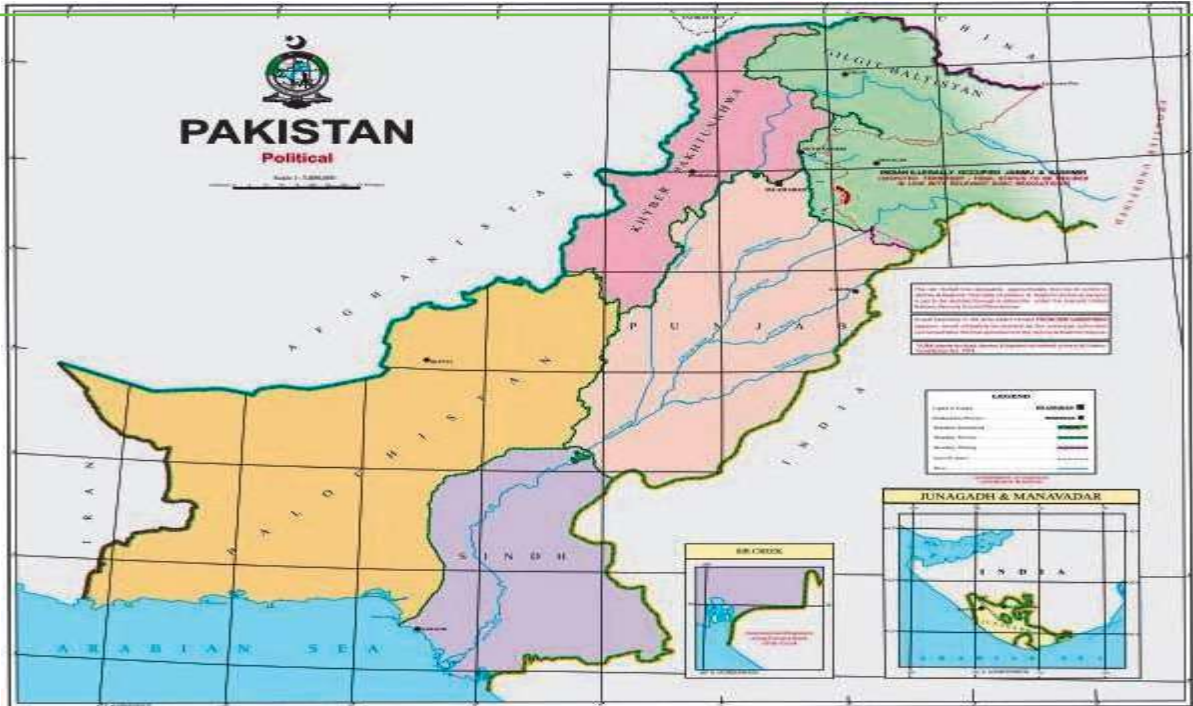
COMPANY PROFILE

COMPANY PROFILE

Multan Electric Power Company Limited (MEPCO) is a public limited company incorporated on **May 14, 1998** in line with Government of Pakistan policy of unbundling and corporatization of the Power Sector. The company was established to acquire all properties, rights, assets, obligations and liabilities of the defunct Multan Area Electricity Board as well as the Grid Stations and Transmission Lines which were directly and exclusively supplying electricity in the jurisdiction of the defunct Multan Area Electricity Board.

MEPCO is the largest power distribution company in the country with customer base of **7,614,955** as on 30.06.2022, operating in **13 administrative districts of Southern Punjab** namely Multan, Muzaffargarh, Layyah, D.G.Khan, Rajanpur, Lodhran, Bahawalpur, R.Y.Khan, Khanewal, Sahiwal, Pakpattan, Vehari and Bahawalnagar. **(No. of Constituencies of National Assembly=50 and constituencies of Punjab Assembly = 104.**

The service territory of the company is predominantly rural and its customer mix is heavily dominated by domestic category i.e. 89% of the total consumers. MEPCO is a licensee of NEPRA for distribution of electricity in the service territory of **13 Administrative Districts of Southern Punjab.**



GEOGRAPHICAL MAP OF CIRCLES UNDER MEPCO MULATN (Existing)



COMPANY INFORMATION

Board of Directors

Sardar Muhammad Jamal Khan Leghari
Engr. Mahar Allahyar Khan (CEO)
Muhammad Nawazish Ali Pirzada
Rana Yasir Rauf
Mr. Khurram Mushtaq
Mian Shahid Iqbal
Engr. Fazalullah Durrani
Mr. Asghar Leghari
Jam Muhammad Jabir Lar
Mr. Amad-ud-Din
Mr. Javed Iqbal Khan
Mr. Zafar Abbas

Audit & Finance Committee

Mian Shahid Iqbal
Mr. Amad-ud-Din
Mr. Khurram Mushtaq
Engr. Fazalullah Durrani
Mr. Asghar Leghari
Mr. Javed Iqbal Khan
Mr. Zafar Abbas

Procurement & Disposal Committee

Muhammad Nawazish Ali Pirzada
Sardar Muhammad Jamal Khan Leghari
Engr. Fazalullah Durrani
Jam Muhammad Jabir Lar
Rana Yasir Rauf
Mr. Zafar Abbas
Engr. Mahar Allahyar Khan (CEO)

Legal Committee

Mr. Asghar Leghari
Mian Shahid Iqbal
Muhammad Nawazish Ali Pirzada
Jam Muhammad Jabir Lar
Rana Yasir Rauf
Mr. Javed Iqbal Khan
Engr. Mahar Allahyar Khan (CEO)

Customer Services, HSE & Quality Assurance Committee

Engr. Fazalullah Durrani
Sardar Muhammad Jamal Khan Leghari
Mian Shahid Iqbal
Mr. Asghar Leghari
Mr. Amad-ud-Din
Jam Muhammad Jabir Lar
Muhammad Nawazish Ali Pirzada
Mr. Zafar Abbas
Engr. Mahar Allahyar Khan (CEO)

HR & Nomination Committee

Sardar Muhammad Jamal Khan Leghari
Engr. Fazalullah Durrani
Mr. Khurram Mushtaq
Rana Yasir Rauf
Jam Muhammad Jabir Lar
Mr. Zafar Abbas
Engr. Mahar Allahyar Khan (CEO)

Policy, Strategy, Market Reforms & Risk Management Committee

Mr. Khurram Mushtaq
Mian Shahid Iqbal
Engr. Fazalullah Durrani
Mr. Amad-ud-Din
Rana Yasir Rauf
Mr. Javed Iqbal Khan
Mr. Zafar Abbas
Engr. Mahar Allahyar Khan (CEO)

Finance Director

Mr. Mian Ansar Mahmood

Company Secretary

Mr. Sajid Yaqoob

Principal Bankers

National Bank of Pakistan
Habib Bank Limited
United Bank Limited
MCB Bank Limited
Allied Bank Limited
Bank of Punjab
Al Falah Bank
Faysal Bank
Soneri Bank
Meezan Bank
Bank Al Habib

Auditors

M/s Yousuf Adil & Company Chartered Accountants, Lahore

Chief Executive Officer

Engr. Mahar Allahyar Khan

Registered Office Address

Multan Electric Power Company Limited, Office of Company Secretary, MEPCO Chief Executive Office, Khanewal Road Multan

Head Office Address

Multan Electric Power Company Limited, Office of Company Secretary, MEPCO Chief Executive Office, Khanewal Road Multan

Ph: 061-9210380-84

Website: www.mepco.com.pk

BOARD DIRECTOR'S PROFILES



**Sardar Muhammad
Jamal Khan Leghari
(Chairman)**

Sardar Muhammad Jamal Khan Leghari is a known Pakistani politician and is son of Former President of Pakistan Farooq Ahmad Khan Leghari. Jammal Leghari's native Village is Chotti Zareen in Dera Ghazi Khan District of Punjab. He has also been a Former Member of the Provincial Assembly of Punjab, Ex. Senator and Ex. Chairman District Council D.G.Khan. Mr Leghari recently represented Pakistan in F-Class World Championship as a member of Pakistan National FTR Rifle Team in Bloemfontein, South Africa.



Zafar Abbas

Mr. Zafar Abbas is working as Joint secretary (Transmission). He has an extensive experience in Energy Sector. He is a qualified Engineer from UET, Lahore and also Master of Business Administration (MBA) in Oil & Gas Management, from University of Dundee, Scotland. He has also vast experience of working in various fields including Administration, Financial Management, Development in NTDC and Public Sector Power Generation Companies (GENCOs).



Javed Iqbal Khan

Mr Javed Iqbal Khan has Masters degree in Information System. He is also PIPFA Associate Member. His professional experience includes Joint Secretary (Budget), Director General (Accountant General Pakistan Revenues), Treasurer (Zulfiqar Ali Bhutto Medical University).



**Engr.
Fazalullah Durrani**

Engr. Fazalullah Durrani is B.Sc (Electrical) Degree holder. He performed his services as Chief Executive Officer in Multan Electric Power Company Ltd. (MEPCO) from 09-2015 to 09-2016.



**Muhammad Nawazish
Ali Pirzada**

Muhammad Nawazish Ali Pirzada is LLM from United States of America. He is leading the firm Pirzada Parterner. He is Founding Director of SALEC (South Asia Legal Education Consortium and he is also a member of Editorial Advisory Board.



Khurram Mushtaq

Khurram Mushtaq is B.A (Hons.) and LLB degree holder. He is presently serving as COO at China Comservice International and also performed as COO at 3G Comtech (Pvt) Ltd. till 2011. He has also served as Regional Project Manager at LeBlanc International till 2007. He also got various Trainings on ISO 9001, 18001, 14001 Certification and Training of Health Safety & Occupational Hazards.



Mian Shahid Iqbal

Mian Shahid Iqbal is Graduate and remained Member of Board of Director MEPCO from 2016-18 and also served as Executive Member BCCI till 2016. He is shareholder at Universal Gas Distribution Company



Mr. Asghar Leghari

Mr. Asghar Leghari completed his LLM degree from USA. He is advocate High Court and Partner at Prime Legal Co., Advocates & Corporate Counsel.



**Jam Muhammad
Jabir Lar**

Jam Muhammad Jabir Lar is M.Sc. (Economics & Finance). He has served as Manager at Zarai Taraqati Bank Limited from 2015 to 2020. He got certificate in Office Automation.



Rana Yasir Rauf

Mr. Rana Yasir Rauf is Graduate. He is a businessman and working as contractor with Provincial Highway Department Punjab.



Mr. Amad-ud-Din

Mr. Amad ud Din did his Master in Business Administration from NUST. He is Former President, Chamber of Commerce & Industry, R.Y. Khan and Vice Chairman of Fayyaz Group of Industries

CRITERIA & REMUNERATION PACKAGE FOR BOARD OF DIRECTORS

The standardized remuneration package has been approved by MEPCO Board of Directors during its 176th meeting held on 15-10-2021, vide agenda item No. 7-a Resolution (176-BOD-R), has granted approval for the following revised remuneration package for the Board of Directors MEPCO regarding Board & its Committee's meeting w.e.f 05-10-2021.

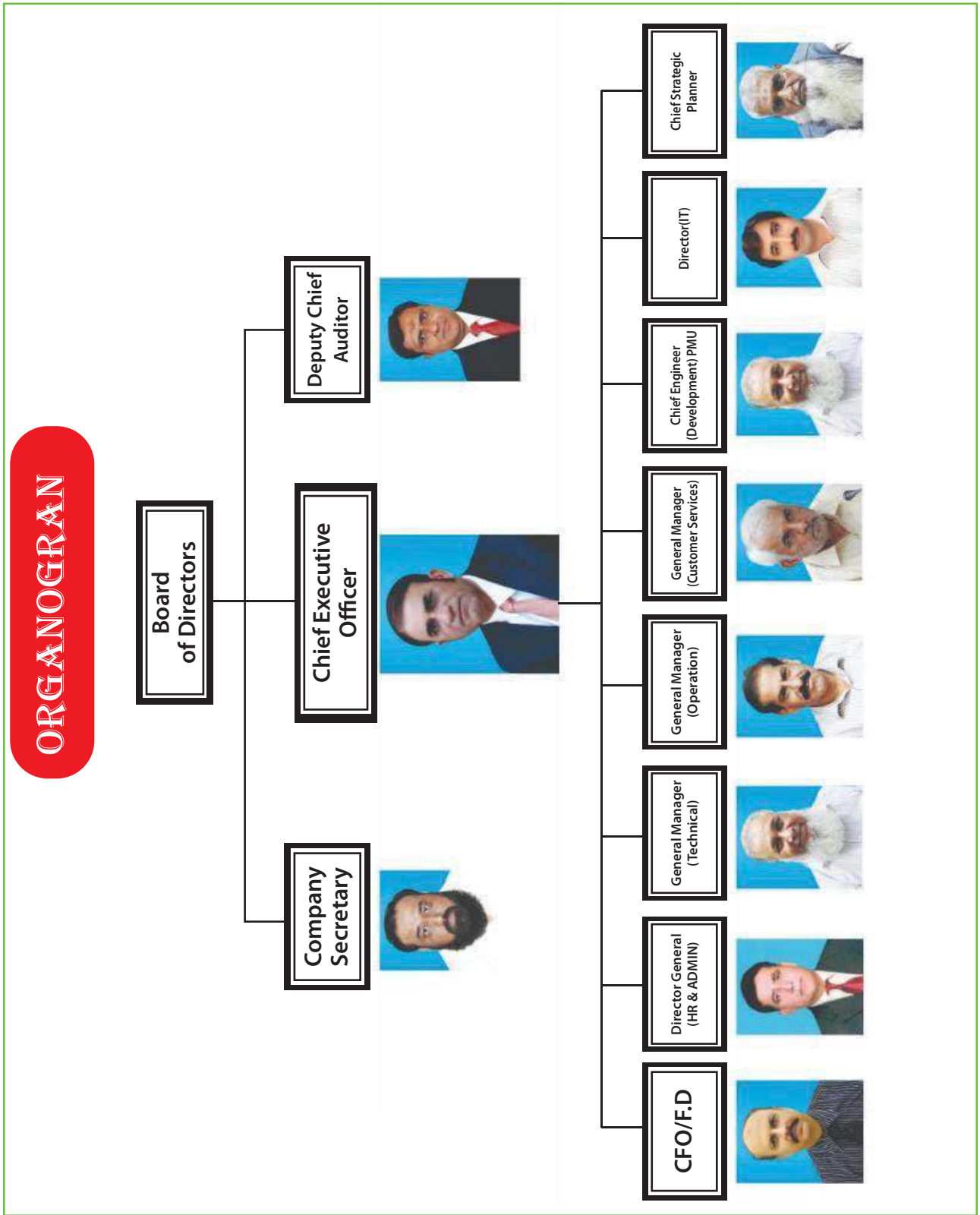
FOR BOARD AND BOARD COMMITTEE MEETINGS

- ▶ Payment of Rs. 60,000/-(including taxes) for BOD meetings and Rs. 60,000/-(including taxes) for committee meetings.
- ▶ Hotel claim with receipt amounting to Rs. 25,000/-night and hotel claim without receipt amounting to Rs. 15,000/-night, for maximum of 02 nights for one meeting, will be allowed. (This will include meal charges but exclude taxes. Stay above 2 nights will be approved by Chairman of BOD. In case of stay in Capital city where hotels are more expensive, Chairman of BOD is authorized to approve hotel expenses on actual on production of bills.)
- ▶ Air Travel by economy class and in case of use of own road transport, payment is admissible at the rate of Rs.20/km inclusive of toll tax (both ways). Taxi fare will be paid as per actual, if a company vehicle is not provided by MEPCO.

FOR ATTENDING OTHER MEETINGS, WORKSHOPS, SEMINARS AND VISITS ETC.

1. Payment of fee for attending workshop (if applicable).
2. Hotel claim with receipt amounting to Rs. 25,000/-night and hotel claim without receipt amounting to Rs.15,000/-night, for a maximum of 02 nights for one meeting , will be allowed. (This will include meal charges but exclude taxes. Stay above 2 nights will be approved by Chairman of BOD. In case of stay in Capital city where hotels are more expensive, Chairman of BOD is authorized to approve hotel expenses on actual on production of bills.)
3. Air travel by economy class and in case of use of own road transport, payment is admissible at the rate of Rs.20/km inclusive of toll tax (both ways). Taxi fare will be paid as per actual, if a company vehicle is not provided by MEPCO.

ORGANOGRAM



**CHAIRMAN
MESSAGE**

It is a privilege and pleasure to serve as Chairman of Multan Electric Power Company (MEPCO) Board. I am humbled to share MEPCO Annual Report for the year ended June 30, 2022.

MEPCO provides power distribution services to Multan, Khanewal, Sahiwal, Pakpattan, Vehari, Bahawal Nagar, Bahawal Pur, Rahim Yar Khan, Lodhran, Muzaffargarh, D.G Khan, Rajan Pur and Layyah districts of Pakistan.



In FY 2022, customer's satisfaction remained the top priority goal of the company. MEPCO met its customers coincident peak demand of 5,022 MW that was 8.34% higher as compared to 2021 mainly due to increase in the customer base by 5.50%. Company invested around Rs.12 Billion and enhanced its transmission & distribution system capacity, reliability & efficiency through expansion, augmentation and rehabilitation.

Company's 2022 sales volume mix comprised of Residential (54%), Commercial (6%), Agricultural (18%), Industrial (18%) and Other Customers (4%).

Revenue from sale of electricity amounting to Rs. 416 Billion recorded positive growth of 1.44% over 2021 & earned Rs. 9.193 Billion gross profit in 2022.

Average cost of power purchased from CPPA increased by 49.41% (2022: Rs. 18.08/kWh, 2021: Rs. 12.10/kWh) mainly due to increase in power generation fixed capacity charges and fuel cost charges.

System rehabilitation and theft control initiatives of the company yielded reduction in Transmission and Distribution (T&D) energy loss by 0.26% (2022: 14.70%, 2021: 14.97%). Total annual recurring financial benefits of this achievement are estimated at Rs. 1.58 Billion at current power purchase price.

Keeping electricity tariff rates within affordable range of our customers is a big challenge that unfortunately is not within the control of the company since we buy power from a single source pool of supply (Central Power Purchase Agency) that has major power purchase agreements with generators who generate power with imported fuels and payments are indexed with US dollar. Power Purchase Cost comprised of 85% of the total revenue billed to customers for FY 2022.

Company launched training programs for occupational health and safety of our employees and personnel working within the company operating territory. Safety of the communities is also ensured by rerouting of the network lines away from the populous areas. MEPCO sponsors national games and its players are selected in the national teams.

Timely resolution of customer complaints has always been a key focus area. Company has set up complaint centers within its own territory and call centers managed by third party for facilitation of registering complaints and tracking progress. MEPCO also hold Open Kacheharies at circle level for settlements of complaints at the spot.

MEPCO Employees remain company's most valuable assets. For continuous motivation, compensation package of fatal and non-fatal accidents have been enhanced to support the families of the victims. Employment is provided to the children/ widows of the deceased employees who die on the job.

Employees are equipped with standard tool kits for their safety. Safety seminars are conducted to promote safety culture for safety of employees and communities. A comprehensive health care policy has been implemented to cater healthcare needs of the employees and their families.

We are fully committed to pursue initiatives that will enable MEPCO to meet our customer's expectation of uninterrupted power supply at affordable rates. Financial turnaround of the company is very much on the cards in FY 2022.

C.E.O MESSAGE



On behalf of Multan Electric Power Company (MEPCO), I am pleased to publish the Annual Report and Statement of Accounts for the financial year ended 30th June, 2022. MEPCO is committed to provide safe, reliable and uninterrupted electric power supply to its consumers.

MEPCO is fully cognizant of the fact that future growing demand must be accomplished through improvement, enhancement & expansion of existing Transmission & Distribution System. It would also require preventative maintenance campaigns, reduce T&D losses & achieving 100% revenue recovery Targets. MEPCO also emphasis is to use more advanced technological tools e.g. Aerial Bundled Conductor (ABC), AMR/AMI & Smart Grid etc. for reduction in theft of energy, reduce T & D losses & improved customer services.

Simultaneously, it is a known fact that effective and motivated human resources play key role for future achievements and also strategies. That's why the management and field force of MEPCO is focused on improvement & enhancement of customer service with innovation for better level of customer satisfaction. MEPCO has set up complaint centers within its territory and call centers for facilitation of registering complaints and tracking progress.

Being Public Utility Company, MEPCO always endeavor to make a positive social and environmental contribution to the value chains in which we operate and we can only achieve our sustainability objectives by balancing the needs of all our customers. This report covers our activities and progress over the past year and to set our targets for the future.

It is also worth mentioning to reiterate that MEPCO has adopted and implemented the zero tolerance policy against corruption & corrupt practices and during the year, a large no. of FIRs lodged against the consumers who were involved in theft of electricity.

MEPCO, during 2021-22, recorded purchase of 22.512 (B) units and Sold 19.202 (B) units which resulted in T&D losses 14.70% against 14.97% in 2021 and the line losses were dragged down to below NEPRA Target of 14.90%.

VISION

To ensure convenient availability of high quality power in area of responsibility, in order to alleviate the poverty, improve quality of life and make the industrial and agricultural sector competitive in the world market

MISSION

Ensure convenient availability of high quality electric power to the people at affordable price, retaining financial viability of the company.

OBJECTIVES

- ★ **To play an active role to make "Sar Sabaz and Roshan Pakistan.**
- ★ **To facilitate industrial sector.**
- ★ **To ensure un-interrupted & stable power supply to all our customers.**
- ★ **State-of-art customer care for entire satisfaction of customers.**
- ★ **To establish, construct and operate reliable electricity distribution network.**
- ★ **To provide electricity to every village in jurisdiction of company.**

MEPCO'S POWER TRANSMISSION AND DISTRIBUTION NETWORK

MEPCO is the one of largest distribution company having more than 7.6 million consumers and 105,505 square kilo meters area covering 14 districts of whole South Punjab. Our consumer density per Square kilometer is 72 Persons/KM.

Some other Technical Highlights of distribution network are as follows:

<u>GRID SYSTEM</u>		
	June 2022	June 2021
Grid Stations	139	139
Maximum Load	5,022	4,635 MW
Maximum Energy Drawl	4,426	4,136
Power Transformers	08 No.	324 Nos.
Installed Capacity	348 MVA	8,720 MVA
Transformation Capacity	313 MW	7,849 MW
Transmission Line 132KV	41.09 KM	4,072 KM
<u>DISTRIBUTION SYSTEM</u>		
No. of Distribution transformers	223,922 Nos.	187,791 Nos.
Installed Capacity	11,481 MVA	9,102 MVA
No. Of 11 KV Feeders	1,724 Nos.	1652 Nos.
H.T Line Length	80,962 KM	79,837 KM
L.T Line Length	50,451 KM	50,332 KM

MEPCO is making efforts through implementation of approved improvements plans to reduce T&D loss and save energy.

By completion of various addition augmentation of power Transformers at various existing STG system of MEPCO. The total estimated cost incurred on these projects is Rs. 2217.393 million.

The main benefits achieved by MEPCO from the completion of STG projects are;-

- Overloading of power Transformers at 132KV Grid station Pakpattan, Khanewal, Sanjar Pur, Sadiqabad, Hasilpur, Mian Channu, Jail road Multan, Arifwala and Layyah have been resolves by addition of power Transformers bays.

- 08 x 40MVA new power Transformers have been augmented with existing 26MVA Power Transformers at 132KV Grid Station Garaha Mor, Hota, Kehror Pacca, Kacha Khu, Khan Bela, Kot Addu, Bonga Hayat, and Chowk Munda and overloading of these grid station have been rectified.
- Conversion of ISO bay into Line Bay at 11 x grid stations have been done to remove the network system flexibility constraints pointed out by NPCC Islamabad.
- 12 x Bus bar work from single to twin bundled have been done to strengthen the capacity of grid stations.
- Re-conductoring work from ACSR Rail conductor to HTLS drake conductor of 132KV KEPCO-Kot Addu Transmission line was carried out to cope with the overloading of transmission line.
- MEPCO constructed 132KV transmission lines on war footing basis having length of 5.79 KM to evacuated 100MW solar power from Zehnfa Power house Chobara.



Newly Constructed 132KV Transmission Line for Zehnfa Powerhouse Chobara



Work at 132KV Transmission Line in progress.



**Newly Constructed 132KV Transmission
Line 500KV RYK Sardar Garh to 132KV Feroza.**



132Kv Grid Station Hasilpur



132 KV Grid Station Kacha Khu



132 KV Grid Station Kehror Pakka

CODE OF CONDUCT

Historic Perspective

1. The Company has adopted the “Pakistan WAPDA Employees (Conduct) Rules-1978 issued by Pakistan Water & Power Development Authority vide its No. SO(R& CM)-35(WECR) 489-1049 dated: 10-05-1978 along with all amendments made from time to time.
2. This policy/code of conduct is communicated to all the employees at lower level of formation as well as place on Company’s website for ready reference and common understanding of standards.
3. All the MEPCO employees are bound to establish a common understanding of the standards of behavior mentioned in the said code of conduct. This policy provides a detailed and exhaustive list of what to do in every aspect of work and all the MEPCO employees are bound to follow this framework of professional ethics.
4. This code places an obligation on all employees to take responsibility for their own conduct and work with colleagues cooperatively to establish consultative and collaborative workplace environment where the people are happy and proud to work.

Scope

This policy is applicable to all directly recruited MEPCO employees, including those engaged on contract.

Objective

This code is intended to be a central guide and reference for users in support of day-to-day decision making. It is meant to clarify MEPCO’s mission, values and principles, linking them with standard of professional conduct. As a reference it can be used to locate relevant documents, services and other resources relevant to ethics within the organization. It will ensure that professional standards and corporate values are in place to promote integrity of the Board, Senior Management and other employees in the form of a code of conduct. This code of conduct shall articulate acceptable and un-acceptable behavior. This code will be an open disclosure of the way MEPCO operates. It provides visible guidelines for acceptable and unacceptable behaviors. It shall serve as an important communication vehicle that will “reflect the covenant that MEPCO has made to uphold its important values, dealing with such matters as its commitment to employees, its

standards for doing business and its relationship with community”. This code is a tool to encourage discussions of ethics and to improve how employees/members should deal with the ethical dilemmas, prejudices and gray areas that are encountered in everyday work. It is meant to complement relevant standards, policies and rules, not to substitute for them.

Procedure for Redressal of Grievances Arising from Unethical Practices

1. MEPCO has adopted Pakistan WAPDA Employees (Efficiency and Discipline) Rules, 1978 issued by Pakistan Water & Power Development Authority vide its No. SO (R &CM)-24 (E&D)/22731-23331 dated: 11-02-1978 and Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance-1968 along with all the amendments made from time to time.
2. In case of any deviation of behavior from the standards, the delinquents will be dealt by their respective competent authorities (specified) under Pakistan WAPDA Employees (Efficiency and Discipline) Rules, 1978 and Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance-1968 after fulfilling all the code formalities under the law.

CUSTOMER CARE POLICY

MEPCO always keeps its customers at top priority and continuously making efforts to enhance satisfaction by various customer service improvement plans. Some of the initiatives taken by MEPCO in customer service improvement plan are as follows:

1. Revamping of Customer Service Centers. Upgraded Regional Complaint Center (RCC) MEPCO Head Office Multan and Circle Complaint Centers. All Complaint Centers of MEPCO will be integrated with RCC.
2. Establishment of Ministry of Energy (Power Wing) Complaint Centre at Head Office and disposal of complaints within the given time frame.
3. Accurate billing is ensured by using advance technology of Meter Reading through Mobile Meter Reading (MMR) and installations of AMR Meters.
4. Timely and accurate billing is being ensured through implementation of Modern ORACLE based Billing System (CIS). Billing of all Circles is successfully being carried out on CIS since 2017-18.
5. Online payment and duplicate billing facility is made available to customers.
6. Complaint registration on 061-9220169 against theft of electricity is available.
7. Load shedding schedule is being displayed on MEPCO Website for customer's information.
8. MEPCO will establish online complaint registration and establish Call Centre's.
9. Set of policies and procedure including Customer Service Manual are uploaded on MEPCO Website for customers information.
10. Cost of service study is conducted to ensure that customers are billed on the basis of cost reflective tariff.
11. 12 months consumption and payment history is being provided on Electricity Bill for customer's information.
12. Detail of facilities availed by the consumers over the last 12 months is being provided on E bills.
13. ENC (Electricity New Connection) website has been launched to facilitate the consumers for online apply of New connection, Change of Name, Change of Tariff, Extension/Reduction of Load.
14. Facility of Date Extension, Installments & Bill Correction has been automated instead of being manually treated.

HEALTH, SAFETY, ENVIRONMENT, SOCIAL SAFEGUARDS & GOVERNANCE POLICIES

MEPCO ensures that all risks concerning health, safety and environment are mitigated properly to provide consumer friendly environment in its service area.

Following are the Environmental, Social and Governance Policies including Corporate Social Responsibility & Environment Protection Measures

To Follow NEPRA License Section/Article-12 and Pakistan Environment Protection Action, 1997, Punjab Environment Protection Act, 2012. IEE/EIA is/are prepared for the purpose to assess the impacts which can arise during execution of projects.

- IEE/EIA is/are prepared to obtain Environmental Approval/NOC from EPA, Punjab.
- Rapid Environment & Social appraisal to be carried by the Environment and Social staff at the time of site/route selection.
- Selection of environmentally sound and socially acceptable land site for grid station and line route for T/line.
- The Environment Management Plan (EMP) will be a part of contract and the contractor will be responsible for the implementation of Environmental Management Plan.
- Contractor have to comply with all applicable laws (Pakistan Environment Protection Act (PEPA – 1997), Labor Laws) of the country and pertinent occupational health & safety regulations.
- Contractor will be responsible for the implementation of Environmental Management and Monitoring Plan (EMMP) and Resettlement Plan (RP) as mentioned in Environment and Social Reports of the project.
- Contractor engage/hires an Environmental Inspector who will liaise and coordinate with MEPCO Environment and Social Cell in order to ensure compliance with the proposed mitigation and monitoring measures required under EMMP and RP. MEPCO Environmental and Social safeguards section will provide necessary guidance in this respect to Environmental Inspector.
- Contractor will conduct Analysis of Environmental Indicators (Air, Noise Soil and Water tests)

- Contractor will carry out the physical work required for the restoration of any public utility (sewerage line, water transporting system/pipes, rainwater drainage system etc.) Damaged due to construction activities at project site.
- Contractor will try to provide optimum employment opportunity to women living in the vicinity of the project area and refrain from child labor.
- Contractor will disseminate information at work sites regarding risks of transmissible diseases (HIV/AIDS & Hepatitis) for the workers employed during construction work and take adequate proper measures to protect workers from potential exposure to these diseases.
- Contractor will avoid discrimination between the wages and benefits of male and female workers for works of equal value
- The BOQs shall include cost quotation for carrying out measures related to environment and social safeguards and payment will be made to contractor after obtaining E&S clearance.
- Environment and social studies shall be part of PC-I and be conducted along with feasibility study of the projects. Environmental mitigation and compensation payments be made part of PC-1 (No PC-1 is acknowledged in ECNEC without Environmental & social Impact studies).
- The land falling under transmission line is always devalued therefore proper trees/crops compensation will be paid to the affected person(s).
- The new transmission line routs shall avoid settlements, public places and environmentally sensitive areas (notified by the govt., national parks, game reserves etc).
- Preferably the transmission line construction shall be made in off season, or time will be allowed for the harvesting of ripe crop. It is not practicable all the time as some Transmission Lines might be lengthy enough and would require more time.
- The entitlement matrix shall be prepared during the detailed profiling/ designing of the Transmission Line route stage.
- In all cases tower/pole erection, sites shall be restored as per landscape and the debris / waste shall be removed from the site.
- The damaged and disturbed water channels shall be restored / relocated to avoid water accumulation in & around the Towers/Poles.

- Damages to public utilities shall be restored to original/ relocated if necessary and all such affected persons shall be informed prior to damage/ relocation.
- No tree shall be chopped. In case of fruit trees, affected persons will be given compensation as per type, yield and age of fruit trees. The remains of fruit trees be handed over to affected person as free of cost. The trees shall only be cut / uprooted in extreme cases and in such cases Environment and Social Safeguard Section in coordination of relevant entities/ affected persons shall carry out 3 times plantation of indigenous trees. The remains of trees be handed over to affected person as free of cost.
- There shall be no discrimination between the resourceful and non-resourceful affected persons and all APs shall be treated in the same manner. There shall be uniformity in payments and compensation.
- Inclusion of standard clauses of environment and social safeguards on the bidding documents/contract agreements (work orders).
- Internal Monitoring, External Monitoring, Public Consultation, be carried out and Grievance Redress Mechanism will be provided for timely completion of the projects.

Land under Towers/Poles

- ❖ **Urban Areas:** In urban areas, tubular poles will be erected instead of Transmission Line Towers. Preferably, erect tubular Poles on the road corridor for which no compensation is required. In case of Govt. land, the land could be used with proper permission of concerned department. In case of private premises, the requisite land for poles will be purchased on negotiation basis.
- ❖ **Rural Areas:** In rural areas T/line Towers will be routed at least 100 meters away from settlements, schools, hospitals where space is available. If there is shortage of space / congested space, the tubular poles are preferred options.
- ❖ The temporary damages of crops under the transmission line will be compensated at 3 tiers at the current market rate assessed in the year of damage. First compensation for Foundation of Towers, 2nd compensation for erection of towers and 3rd at the time of stringing of lines. The landowner (where tower/pole is to be erected) has to produce the National Identity Card and proof of ownership. In case of Tenant, the sharecropper has to

provide, copy of NIC and proof of entitlement/agreement between the parties on Judicial Paper.

Land under T/Line

- ❖ The land falling under transmission line conductor shall not be purchased. However, as the land is disturbed for the construction work and that the land is devalued, compensation shall be paid to the affected persons as detailed below:
- ❖ The affected landowners shall be paid crop compensation of 02 seasons for area under T/ line (15ft space on each side of conductor) in two phases (half of the amount before conductor stringing and the remaining amount after completion of stringing with proper documentation on judicial paper.
- ❖ Environment and Social safeguards and resettlement activities shall be part of mainstream business operations and all projects shall include cost of environmental mitigation measure, OHS and social safeguard (compensation) activities.



Site/land identification for acquisition of land for proposed 132kv Grid Station Kot Samaba District Rahim Yar Khan under financed by World Bank



Demarcation and Possession of state land purchased for 132KV New Grid Station Lodhran-II



Site Possession Committee taking over the possession of Musa Virk Grid Station land.



**Demarcation and Possession of state land procured for
132KV New Grid Station Shah Jamal**



**Crops Compensation Cheques are being disbursed among the
Affected Persons of 500 KV RYK to Rahim Yar Khan 132 KV T/Line.**



Crops Compensation Cheques are being disbursed among the Affected Persons of Arifwala- Hota- Bahawalnagar 132 KV T/Line



Crops Compensation Cheques are being disbursed among the Affected Persons of Rahim Yar Khan 500 KV GS to Ferezoza 132 KV T/Line.

MEPCO SPORTS ASSOCIATION

MEPCO is managing its sports activities through following body called as MEPCO Sports Association:

1.	Mahr Allahyar Khan	Patron in Chief
2.	Ch. Khalid Mehmood	President
3.	Waqas Masood Amjad Chughtai	Vice President
4.	Haider Usman Athangal	Secretary

OBJECTIVE

MEPCO being aware of its Corporate Social Responsibility (CSR) is promoting healthy sports culture in the society and providing fair & equal opportunity to the talented sports men and women to flourish at National and International Level. The promotion of sports not only bring positive changes in the society but also helpful in building as well as improving image of the company, as the players act as ambassadors of MEPCO.

MEPCO has continuously been striving to enhance its reputation as a leading sports friendly organization of Pakistan. The sports persons are being continuously groomed and given various incentives to enhance their performance and skills. The induction of new sports talent in the organization is also being made on regular basis. The ultimate goal is to make MEPCO, the highest ranked organization in sports through such policies which facilitate the sports persons.

PERFORMANCE

Table Tennis

MEPCO Table Tennis players won Three Bronze Medal & One Silver Medal in National Championship Table Tennis, Quetta 2022.



Hockey

Hockey Azlan Shah Cup, MEPCO hockey player Rana Abdul Waheed participated, Pakistan won the bronze medal and also MEPCO 3 players won gold medal in National Championship Hockey.



Athletics

1. Muhammad Irfan won 01 Silver Medal & 01 Bronze Medal in 5000m race & Abdul Jabbar won 01 Bronze Medal in 100m relay race on 50th National Athletic Competition at Lahore 2022.
2. Ghazala won gold medal 100m (Hurdle) on 50th National Athletic Competition at Lahore 2022.



Lawn Tennis

1. MEPCO secured overall first position in Lawn Tennis Inter Unit 2022.
2. Lawn Tennis Officers players got first position in Lawn Tennis Competition at Multan (hosted by MEPCO Multan).



ACHIEVEMENTS BY ERP (SAP) FINANCIAL YEAR 2021-22

The modern corporate culture is deemed to be incomplete without automation of Business processes i.e. ERP. In order to meet with the requirements of modern corporate culture, Implementation of ERP (SAP based FI/CO, MM and HCM Modules) was initiated in MEPCO during 2014. It tantamount that requisite parameters of integration of three modules i.e. Material Management (MM), Human Capital Management (HCM) and Finance & Controlling (FICO) are duly complied with. At present ERP has been successfully implemented in MEPCO and all formations are GO-LIVE since July 2018.

In March 2021 MEPCO discontinued legacy system of inventory and effective from July 2021, Manual/legacy Accounting System was discontinued and Books of Accounts completely shifted on ERP (SAP).

As a Land Mark achievement, annual audit of MEPCO Accounts has been carried out and successfully completed based on ERP (SAP) maintained Accounts.

During current F.Y. 2021-22, CAPEX workflows starting from Annual Procurement Plan, Tendering Process, Procurement Budget Allocation, Issuance of Purchase Orders/Work Orders, Receipt of Material and Execution of Works/Cost Sheet till final payment to the vendors have been executed in ERP (SAP) under MM Module.

Likewise MEPCO HQ, Integrated Procure to pay process has also been implemented in all field formations.

Recently Fund demands workflows have been started on ERP/SAP with the target to complete the same throughout MEPCO formations within current calendar year.

MEPCO Management has endeavor to hire the services of ABAP Resources thereby seeking implementation of Pension Process through ERP (SAP) as well as various Workflows/Reports (more than 50 in number) relating to HCM, for improved Management Reporting and timely disposal of Pension cases.



NOTICE OF AGM



MULTAN ELECTRIC POWER COMPANY

Tel: 061-9210380 Ext: 2084
061/9330244
Fax: 061-9220204

Office of
The Company Secretary

No. 14548-62 Company Secy

Dated: 6-10-22

NOTICE OF 25th ANNUAL GENERAL MEETING .

Notice is hereby given that 25th Annual General Meeting of Multan Electric Power Company will be held on **27-10-2022 (Thursday) at 11:00 AM** in Board's Committee Room MEPCO Sports Complex, MEPCO H/Q Khanewal Road Multan to transact the following business:-

1. To consider and confirm the Minutes of 24th AGM.
2. To receive, approve and adopt the Audited Financial Statements of the Company for the year ended 30-06-2022, together with Auditors and Directors report thereon.
3. To appoint the Company Auditors for Financial Year ending 30-06-2023 and fix their remuneration.
4. Any other point with the permission of the Chair.

DA/as above

By order of the Board


(Engr: Sajid Yaqoob)
Company Secretary, MEPCO

Notes:-

- A member entitled to attend, speak and vote at the Meeting shall be entitled to appoint another person as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights with respect to attending, speaking and voting at the Meeting as are available to Member.
 - The instrument to appointing a proxy together with the power of attorney (if any) or other authority, under which it is signed or a naturally certified copy thereof should be deposited at MEPCO not less than 48 hours before the time of holding the meeting.
1. PSO to Secretary, Ministry of Energy (Power Division) Govt. of Pakistan, Islamabad.
 2. Sardar Muhammad Jamal Khan Leghari, Ex President House Choti Zerin District D.G Khan.
 3. Mr. Ahmed Taimoor Nasir, Joint Secretary (E&D), Ministry of Energy (Power Division), Islamabad.
 4. Mr. Allahyar Khan, Chief Executive Officer, MEPCO Multan.
 5. Mr. Javed Iqbal Khan, Joint Secretary (Budget), Govt of Pakistan Finance Division Islamabad.
 6. Mr. Asghar Leghari, 12-B-2, Off Zafar Ali Road, Gulberg V, Lahore.
 7. Muhammad Nawazish Ali Pirzada, Pirzada House, Airport Road, Bahawalpur.
 8. Mr. Khurram Mushtaq, House No. 373, overseas B extension, Bahria Town, Lahore.
 9. Mr. Fazalullah Durrani, House No. 16, Faisal Bagh, Stadium Road, Bahawalpur.
 10. Mian Shahid Iqbal, Rehman Villas, Bohar Gate, Model Town B, Multan Road, Camp Office, Governor House, Bahawalpur.
 11. Rana Yasir Rauf, House No. 315, F1 Block, Johar Town, Lahore.
 12. Muhammad Jabir, Darbar Mahal Road, New Muslim Town, Bahawalpur.
 13. Mr. Amad ud Din, 129 Model Town A, Khanpur, District Rahimyar Khan.
 14. The Finance Director MEPCO Ltd Multan.
 15. M/s Yousaf Adil, Chartered Accountants, 4th Floor Mehr Fatima Town, Multan Cantt.

DIRECTOR'S REPORT

INTRODUCTION TO THE COMPANY

GEOGRAPHIC SERVICE TERRITORY

MULTAN ELECTRIC POWER COMPANY (MEPCO) is the largest Distribution Network Company serving 7.6 million consumers of the former Area Electricity Board, Multan and spread over 13 districts of the Southern Punjab (Multan, Khanewal, Sahiwal, Pakpattan, Vehari, Bahawal Nagar, Bahawal Pur, Rahim Yar Khan, Lodhran, Muzaffar Garh, D.G Khan, Rajan Pur and Layyah).



INTRODUCTION

MEPCO inherited Assets and Liabilities of Area Electricity Board Multan, Under Business Transfer Agreement (BTA) signed between WAPDA and MEPCO for transfer of business which was subsequently made more elaborative by way of a Supplementary Business Transfer Agreement (SBTA). MEPCO has the License to receive Electricity at 132 Kv system & to distribute electricity from 132 Kv to 11 Kv system. This arrangement has given rights and means to MEPCO for catering electricity needs of the consumers of the 13 districts of the Southern Punjab.

MEPCO being a public limited company's governed through Government nominated Directors (BoD) and the management performs executive functions under the Board as per following Organization Structure.

Formations	Numbers
Operation Circles	09
Operation Divisions	38
Revenue Offices	38
Sub Divisional Offices	181
Construction Circle	01
Construction Divisions	09
Construction Sub Divisions	18
Project Management Unit (PMU)	01
Grid Station Construction (GSC) Circle	01
GSC Divisions	04
GSC Warehouse	01
M&T Circles	02
GSO Circles	02
SS&T Divisions	06
Regional Stores	04
Field Stores	07
Computer Centers	05
Transformer Reclamation Workshops	04

The service territory of MEPCO covering 48% area of Punjab province is served by 15,005 employees.

REGULATORY STATUS

MEPCO is working under regulatory regime under NEPRA as regulator through “Regulation of Generation, Transmission and Distribution of Electric Power Act 1997” (NEPRA Act). NEPRA is responsible to regulate Generation, Transmission and Distribution of Electric Power in Pakistan under this act. Govt. of Pakistan amended NEPRA Act 1997 in May, 2018. Now this act is called the “Regulation of Generation, Transmission and Transmission of Electric Power” (Amendment) Act, 2018. Under Amended NEPRA Act 2018, MEPCO is responsible for Distribution of Power and Supply of Power in its area.

The Regulator i.e. NEPRA granted Distribution license No. 06/DL/2002 on 25th April, 2002 for a period of 20 year. Under clause 23E (1) of NEPRA Act, 1997 (Amended Act of 2018), MEPCO is deemed to hold a license for supply of electric power for a period of 5 years. MEPCO distribution license expired on 24th April, 2022, However, on provisional basis, NEPRA has renewed MEPCO License for a period of 06 month starting from the date of expiry of the already granted license. MEPCO’s request for renewal of its license is still pending with NEPRA.

ADDITION, UPGRADATION & REHABILITATION OF SYSTEM.

1. 132 KV SYSTEM

During F.Y 2021-22, MEPCO added the following in its system to reduce system constraints:

- Extension of 26 MVA Power Transformer 05 No.
- Extension of 40 MVA Power Transformers 02 No.
- Extension of 13 MVA Power Transformers 01 No.
- Augmentation from 26 MVA to 40 MVA Power Transformers 08 No.
- Augmentation of 13 MVA to 26 MVA Power Transformer 01 No.
- Construction of 41.09 KM 132 KV Transmission Lines.
- Re-conductoring of 33.75 KM of 132 KV Transmission Lines.

With completion of all above mentioned works, the problem of low voltage has been addressed resulting in better quality of electric supply to the inhabitants / consumers of respective areas.

i. HT/LT LINES

For reliability of the Distribution network, following rehabilitation works were executed during the year:

- i. New/Extension of lines:
 - a) HT 3,743 KM
 - b) LT 1,386 KM
- ii. Addition of Distribution Transformers 9,626 Nos.

ii. 11 KV SYSTEM

MEPCO is the largest contributor in Village Electrification with funding from Govt. of Pakistan under MDGs/SDGs and Local bodies. Therefore, to cope with the load of additional consumers resulting from Village Electrification, MEPCO has initiated a program to upgrade its own distribution network by construction of new Grids, converting low KV grids to high voltage grids and also augmentation thereof as well as rehabilitation of the system. A brief overview of development activities carried out during 2021-22 is given as follows:

Rs in Millions

BUDGET HEAD	OPENING 01-07-2021	During F.Y 2021-2022	TOTAL	COMPLETED	ENDING BALANCE
ELR	5,999	1,403	7,402	1,214	6,188
DOP	580	92	672	63	609
Civil Works	202	273	475	215	260
GSO	2	-	2	2	-
Deposit Works	3,844	1,448	5,292	1,602	3,690
Village Electricity	3,972	1,722	5,694	1,202	4,492
STG	2,525	2,120	4,645	1,069	3,576
Sub-Total	17,124	7,058	24,182	4,165	20,017
Less: Impairment of (CWIP)	(217)	(46)	(263)	-	(263)
Total	16,907	7,012	23,919	4,165	19,754

It can be noticed from the above table that there is increase in CWIP which is mainly due to slow capitalization from PD construction and PMU (GSC) as well as works amounting to Rs.3,950 million has been capitalized against addition of Rs.6,741 million in CWIP during F.Y.2021-22.

2. VILLAGE ELECTRIFICATION (SDGs, MDGs etc)

As per directions / policy of the Government of Pakistan, village electrification in the rural areas of the Southern Punjab have been carried out at a fast track so that the population in the villages could benefit from the fruits of electricity and meet the needs of modern era. In F.Y 2021-22, 1,555 No. of villages have been electrified at a cost of Rs.1,202 million.

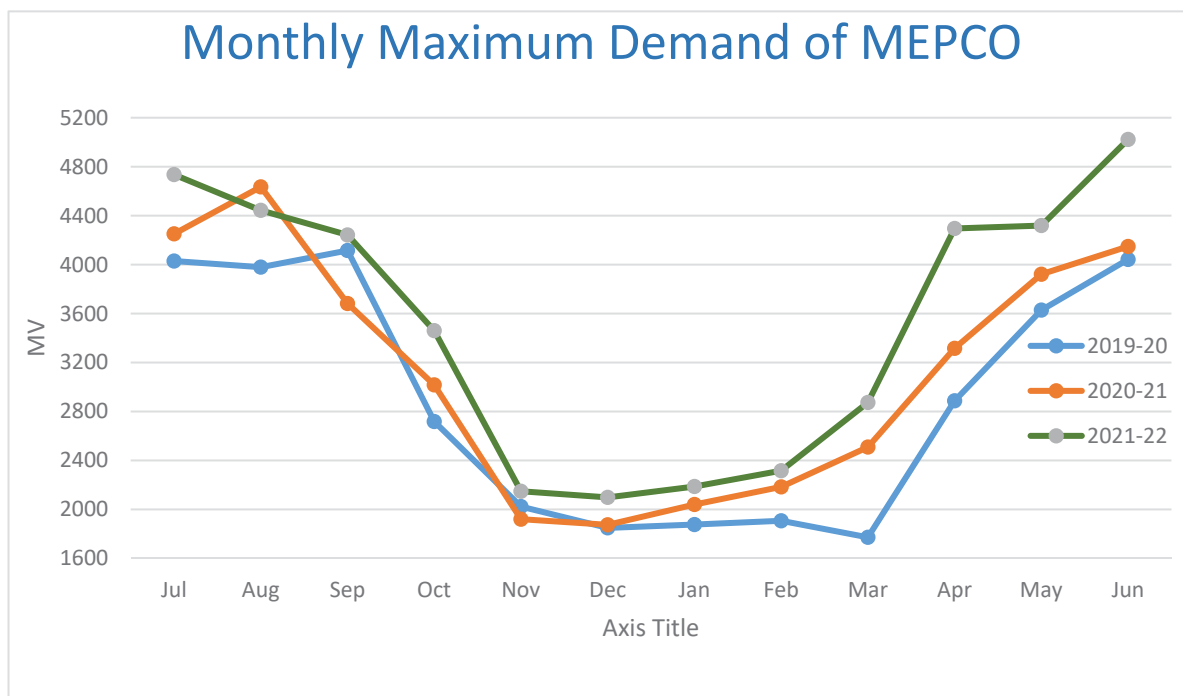
On the part of MEPCO, this is a remarkable achievement to uplift the quality of life of the masses living in the rural areas, of course with 100% funding by Govt. of Pakistan.

3. REDUCTION IN LOAD MANAGEMENT DURATION

Government of Pakistan is determined to eliminate load management of power. To achieve this objective of fundamental importance, MEPCO has been striving with two approaches:

- i. Rationalization of T&D losses and pilferage of electricity.
- ii. Increase in capacity of power evacuation.

MEPCO as well as other entities operating in the power sector under the umbrella of Federal Government are endeavoring to actualize the dream of Government regarding most efficient load management. The achievements made so far, have resulted into substantial decrease in load management duration recorded in MEPCO during FY 2019-20 to FY 2021-22(3 Years) as shown in graph.



4. TIMELY REDRESSAL OF CONSUMERS' COMPLAINTS

As per directions of Ministry of Energy (Power Division), following mechanisms have been established for prompt redressal of consumer complaints:

i. Federal Complaint Cell (FCC).

MEPCO is connected with FCC Like other DISCOs. All consumers' complaints including breakdown of power supply resulting from burning of transformers, other faults of the system, correction of electricity bills, delay in installation of new electricity connection etc. are reported/ redressed through FCC.

ii. Consumer Complaints Management Service (CCMS)

Under this system, consumer can lodge complaints through toll free number i.e. 118.

iii. Roshan Pakistan

Under this system, consumers can lodge their complaints, view Load Management Schedule etc.

iv. Pakistan Citizen Portal

Prime Minister of Pakistan has introduced an application for citizens of Pakistan to lodge all of their complaints directly which have self-monitoring system for compliance and satisfaction of consumers.

All these four systems have brought about significant increase in consumers satisfaction / service.

5. SNAPS METER READING

In past over billing remained one of the major grievances / complaints of the consumers. In order to overcome it, an innovative idea of snaps taking of the electricity meters reading and printing the same on the consumers' bills was floated by the Ministry during the year 2015-16. MEPCO has successfully implemented snap Meter Reading throughout all Sub Divisions & 97% average accuracy is verified by 3rd party (PITC) which is satisfactory with further cushion for improvement and resulted insignificant reduction in complaints of overbilling.

6. RISKS AND UNCERTAINTIES

Followings are major risks and uncertainties confronted by MEPCO:

- i. Delayed tariff determination/notification.
- ii. In-adequate Distribution Margin (DM) allowed by Regulator (NEPRA).
- iii. Company operated in service territory along with borders of Balochistan, Sindh and KPK where poor law and order situation exist.
- iv. Company has sizeable No. of tube well consumers and Pakistan Kisan Ittehad is active in mobilizing farmers for non-payment of electricity bills that has created high level of receivables.
- v. Introduction / opening of wholesale Market (CTBCM).
- vi. Net Metering, licenses are being issued allowing the consumers to use MEPCO network for import/export of energy.

7. MITIGATION AGAINST RISK & UNCERTAINTIES

- i. MEPCO filed tariff petitions (Distribution Business & Supply Business) under MYT Regime for the period of five years i.e. F.Y. 2020-21 to F.Y. 2024-25. NEPRA has issued determination of the same on 02 June 2022 which has been notified by the Federal Govt. w.e.f. 25.07.2022. By virtue of MYT, it is expected that Tariff Gap will be minimum as Annual Adjustment and Quarterly Adjustments will be submitted, determined and realized in due course of time.
- ii. The Regulator has allowed appropriate distribution margin except Re-measurement of Post-Retirement Benefits routed through Statement of Comprehensive Income and Return on Rate Base (RoRB). Both the issues have been taken up with NEPRA through Motion for Leave to Review.
- iii. In Operation Circles with poor Law & Order situation, proper staffing has been ensured. MEPCO has taken up the issue with provincial Govt. and considerable FIRs have been lodged against the defaulter consumers. MEPCO has also claimed Administrative Losses from NEPRA on account of Poor Law & Order situation in specific areas under its jurisdiction.
- iv. The company is pursuing / emphasizing the Kisan Ittehad for payment of electricity dues through involvement of Govt. which is likely to be resolved in near future and recovery of pending receivables from tube well consumers will start.

- v. In order to cope with potential interventions in the electricity market (CTBCM), Market Implementation and Regulatory Affairs Department (MIRAD) has been established. Proper staffing has been made and MIRAD is operational to respond expected changes in electricity market.
- vi. Net Metering and Wheeling of Energy is being dealt with under respective Regulations ensuring MEPCO interest.

8. ENVIRONMENT PROTECTION

To ensure protection of environment likely to be affected as a result of carrying out development works including construction/augmentation of new grid stations and transmission lines, Environment & Social Safeguard Cell has been working in PMU MEPCO and performing towards achievements of its primary objectives as per best practices and policies of World Bank, Asian Development Bank (ADB) and the Regulator/NEPRA. In addition, ESC has been striving to implement Clean Development Mechanism (CDM) under United Nations Framework Convention on Climate Change (UNFCCC).

9. WORK FORCE HARASSMENT COMMITTEE

In compliance of Workplace Harassment Act-2010, A Complaint Cell has been established comprising of following officers at MEPCO Head Quarter to create safe & facilitating environment which is free of harassment:

1. Chief Executive Officer	Head
2. Ms. Iram Saba Dy. Manager (D&I)	Member
3. Ms. Shaheen Akram Jr. Engineer	Member
4. Ms. Tasneem Kausar, Supervisor (DC) MIS	Member
5. Syed Qurat-ul-Ain, A.M(CS) Bahawal Pur	Member
6. Ms. Naila Afzal, Assistant MEPCO Circle Sahiwal	Member
7. Ms. Saima Muzaffar, Commercial Assistant MEPCO HQ	Member / Secretary

The complaint Cell has to perform the following functions: -

- Make liaison with all MEPCO female employees to familiar them about Harassment Act-2010.
- Receive complains from the aggrieved employee, which come under the definition of harassment.

- Scrutinize/examine the complaint by calling the complainant as well as accused and recommend to proceed through Harassment Committee or not.
- In case the matter is required to be probed through Harassment Committee than the employee against whom complaint lodged will be placed under suspension and also shifted from the existing post.
- Harassment Committee will investigate the matter and shall submit clear cut recommendations, whether charge/allegations provided or not within 97x days positivity.
- Harassment Committee will hear the case on day to day basis without any adjournment. In case the enquiry is not completed in stipulated period then Harassment Committee will requested for extension in time to the head of Complaint Cell.
- Chief Executive Officer MEPCO will be the competent authority to accept or rejected the recommendation of Harassment Committee and disciplinary action will be initiated by relevant competent authority.

10. ENTERPRISE RESOURCE PLANNING (ERP)

The modern corporate culture is deemed to be incomplete without automation of Business processes i.e. ERP. In order to meet with the requirements of modern corporate culture, Implementation of ERP (SAP based) was initiated in MEPCO during 2014. At present ERP has been successfully implemented in MEPCO and all formations are GO-LIVE since July 2018. In March 2021 MEPCO discontinued legacy system of inventory and effective from July 2021, Manual/legacy Accounting System was discontinued and Books of Accounts completely shifted on ERP/SAP. As a Land Mark achievement, annual audit of MEPCO Accounts has been carried out and successfully completed based on ERP/SAP maintained Accounts. It tantamount that requisite parameters of integration of three modules i.e. Material Management (MM), Human Capital Management (HCM) and Finance & Controlling (FICO) are duly complied with.

During current F.Y. 2021-22, CAPEX workflows starting from Annual Procurement Plan, Tendering Process, Budget Allocation, issuance of Purchase Orders/Work Orders, Receipt of Material, Execution of Work, Cost Sheet till final payment to the vendors have been executed in ERP/SAP under MM Module. Recently Fund demands workflows have been started on ERP/SAP with the target to complete the same throughout MEPCO formations within current calendar year. MEPCO Management has endeavor to hire the services of ABAP Resources thereby seeking implementation of Pension Process through ERP/SAP as well as various Workflows/Reports

(more than 50 in number) relating to HCM, for improved Management Reporting and timely disposal of Pension cases.

OPERATING RESULTS

MEPCO's audited operating results of the preceding six years are narrated as under:

PROFIT & LOSS ACCOUNT OF THE PRECEDING SIX YEARS

Rs in Millions

Description	2016 (Re-stated)	2017	2018	2019	2020 (Restated)	2021
Sale of Electricity	126,040	138,685	180,237	235,312	292,474	289,163
Cost of Electricity	113,690	140,019	192,694	225,725	248,407	248,523
Gross Profit / (Loss)	12,350	(1,334)	(12,457)	9,587	44,067	40,640
Amortization of Deferred Credit	2,035	2,214	2,490	2,759	2,952	3,147
	14,385	880	(9,967)	12,345	47,019	43,787
Operating Expense Excl. Dep.	18,619	17,266	21,875	31,940	29,300	28,707
Depreciation	3,414	3,735	4,276	4,710	5,131	5,457
Operating Expenses	22,033	21,001	26,151	(36,650)	(34,431)	(34,164)
Operating Profit/(Loss)	(7,648)	(20,122)	(36,118)	(24,305)	12,588	9,623
Other Income	3,705	3,121	3,426	3,813	4,142	5,282
Earnings/(Loss) Before Interest and Taxes	(3,943)	(17,001)	(32,692)	(20,492)	16,730	14,905
Financial Charges	(840)	(934)	(1,133)	(2,290)	(2,212)	(1,601)
Profit/(Loss) Before Tax	(4,783)	(17,935)	(33,825)	(22,782)	14,518	13,304
Provision for Tax					(1,276)	(3,256)
Net Profit/(Loss) after Tax	(4,783)	(17,935)	(33,825)	(22,782)	13,242	10,048

EARNING PER SHARE

The Earning per Share (EPS) of the Company for the last two financial years is as under:

	FY 2021-22	FY 2020-21
Profit / (Loss) per Share in Rs. (Basic)	(21.08)	9.28
Profit / (Loss) per Share in Rs. (Diluted)	(3.77)	2.83

OPERATING RESULTS OF FY 2021-22

The Operating results (Profit & Loss) of the company (Audited) for the year ended 30th June, 2022 are shown in the following table:

Description	Rs in Millions
	F.Y 2021-22
Sale of Electricity	416,128
Cost of Electricity	406,935
Gross Profit / (Loss)	9,193
Amortization of Deferred Credit	3,366
	12,559
Operating Expense Excluding Depreciation	30,218
Depreciation	5,702
Total Operating Expenses	35,920
Operating Profit/(Loss)	(23,361)
Other Income	6,872
Earnings/(Loss)Before Interest and Taxes	(16,489)
Financial Charges	(1,999)
Profit/(Loss) Before Tax	(18,488)
Provision for Taxes	(4,326)
Net Profit/(Loss)	(22,814)

As regards Transmission & Distribution (T&D) Losses, MEPCO has performed exceptionally well and achieved actual T&D Losses @ 14.70 % against NEPRA target of 14.90%. Thus MEPCO has been able to save 45 MKWH which translates in a saving of Rs.978 million.

PAYMENT OF DUITES & TAXES

MEPCO paid Turnover Tax for F.Y. 2021-22 Rs. 1,740 million as turnover tax U/S 147.

TARIFF IMPLICATIONS

MEPCO sustained a pretax loss of Rs. 18,487 Million during FY 2021-22. It is pertinent to mention here that Consumer End Tariff for FY 2019-20 notified on 12/02/2021 remained applicable during the whole financial year. Due to the applicability of old tariff and huge price hike in oil prices & general inflationary trend during the last two quarters of this year, the impact

of Fuel price adjustment and Power Purchase Price (PPP) quarterly adjustment remained at very high level.

In the above scenario, NEPRA, the Regulator, allowed quarterly adjustment of Rs. 3,762 Million, Rs. 7,074 Million, Rs. 2,170 Million and Rs. 19,491 Million for 1st , 2nd , 3rd & 4th quarters of FY 2021-22 respectively. In this way, the Regulator allowed Rs. 32,497 Million for all four quarters of this year. The Regulator allowed the recovery against Ist quarter PPP Adjustment during Jun. to Aug. 2022, therefore, an amount of Rs. 1,005 Million could only be recovered during this year. However, the remaining amount of Rs. 31,492 Million has been allowed to be recovered during July to Sep. 2022, Sep. to Nov. 2022 & Oct. 22 to Jan.23 for 2nd, 3rd& 4th Quarter PPP adjustment respectively.

The Federal Govt. has notified Multi-Year Tariff of MEPCO for FY 2020-21 to FY 2024-25 on 25th July, 2022 applicable from the date of notification. The applicability of new tariff has increased base tariff from Rs. 16.81/ kWh to Rs. 24.19/ kWh. By virtue of new Tariff as well as recovery of pending Quarterly Adjustments of Rs. 31,492 Million, it is expected that MEPCO will end F.Y.2022-23 with a reasonable profit.

EMPLOYEES PROVIDENT FUND & MEPCO EMPLOESS PENSION FUND TRUST

Employees Provident Fund is maintained centrally by WAPDA, contribution from employees are remitted to WAPDA where EP Fund section maintain all record and Payment made at the time of retirement of in shape of EPF advance as the case may be.

MEPCO Employees Pension Fund Trust was established on June 30, 2013. All regular employees of MEPCO are members of the Fund and eligible pensioners under the scheme are entitled to the benefits as prescribed in Pension Fund Rules. MEPCO has contributed Rs. 5,220Million towards Pension Fund as on June 30, 2022.

SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

MEPCO has presented its Final Accounts for FY 2021-22 according to provision of IAS-1 and appropriate Accounting Policies have been consistently applied in preparation of Financial Statements. There is no significant change in accounting policies during this year.

WORKER'S PROFIT PARTICIPATION FUND

Company has earned profit in FY 2012-13, 2013-14, 2014-15, 2019-20 & 2020-21 recording net profit of Rs. 11,239 million, Rs. 9,937 million, Rs.9,797 million , Rs.13,242 million & Rs. 10,048 respectively. As MEPCO is registered under Companies Act 2017, the External

Auditors considers that Workers Profit Participation Act 1968 is applicable, accordingly provision of Rs.3,156 million has been created in this regard.

MEPCO management is of the view that the matter is pending for decision before Economic Coordination Committee to exempt the corporatized entities of Power Sector from the requirement of said Act. Hence payment has been deferred till the decision of ECC.

SUPPLEMENTAL CHARGES

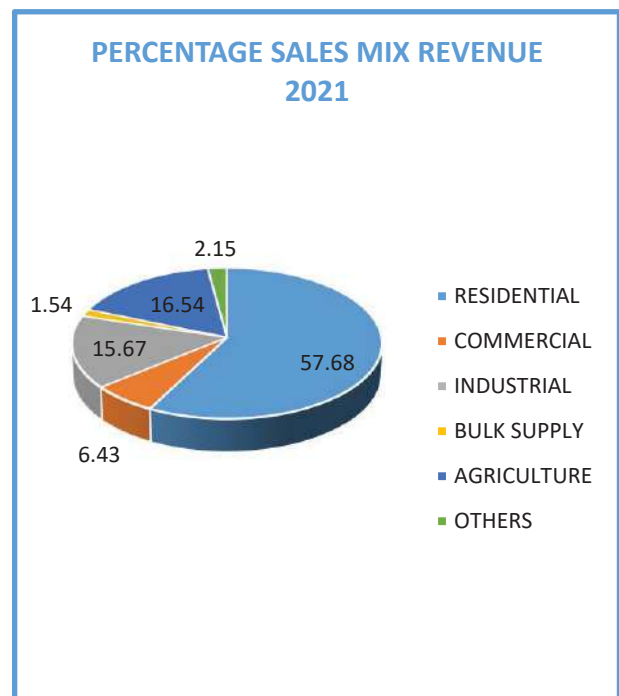
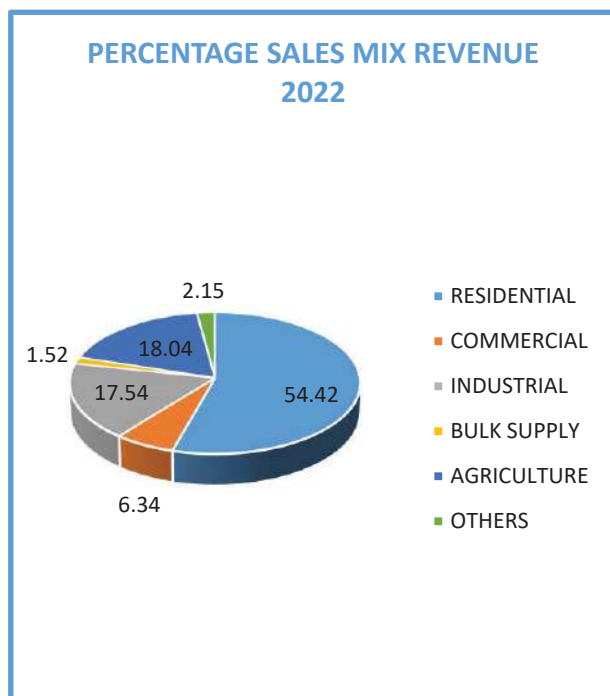
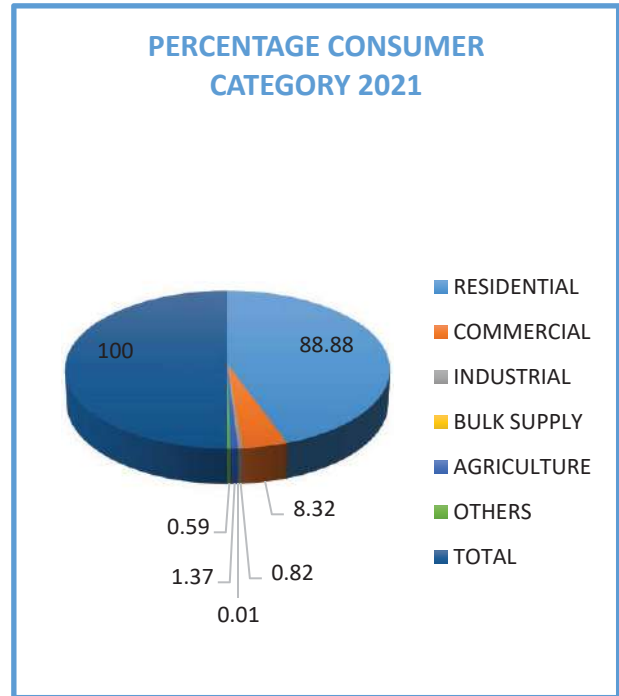
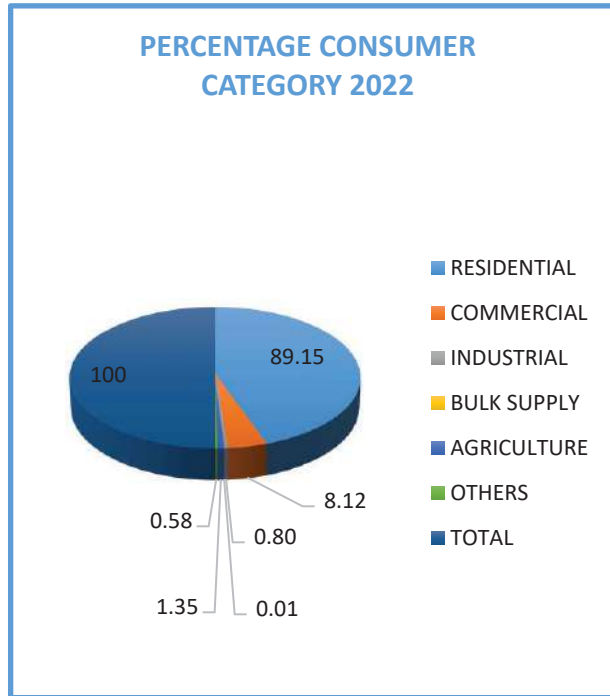
CPPA-G Ltd. started raising debits to MEPCO for Supplemental Charges (penalty paid to IPPs for late payment). The Regulator (NEPRA) had not allowed Supplemental Charges upto FY 2014-15, accordingly MEPCO did not incorporate the Supplemental Charges in its books of accounts under the regulatory framework. Thereafter, the Regulator allowed Supplemental charges equivalent to the amount of Late Payment Surcharge (LPS) charged to the consumers. In compliance, MEPCO has accounted for the Supplemental Charges to knock-off the LPS every year accordingly.

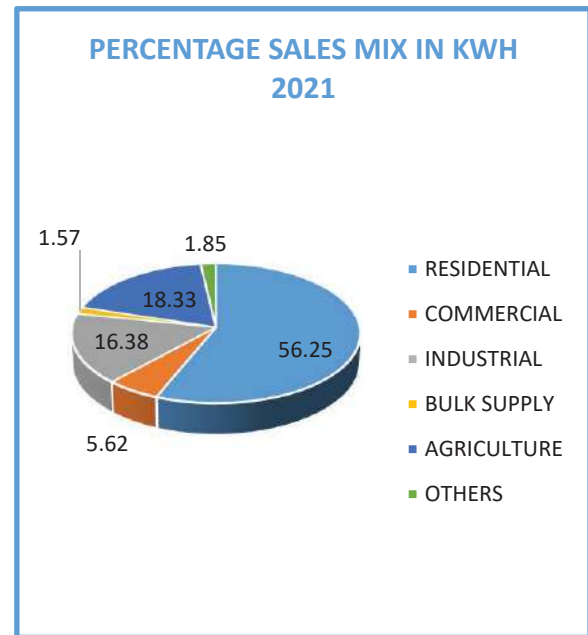
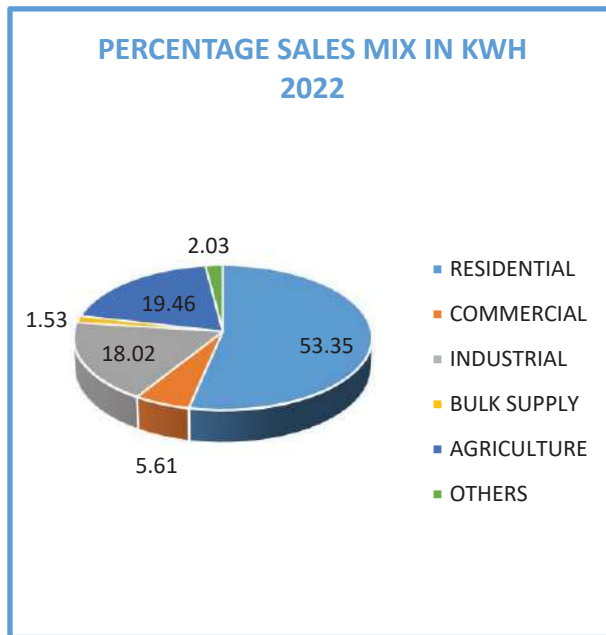
SALES PATTERN

During FY 2021-22, MEPCO sold 19,202 MkWh to its 7,614,955 consumers with the increase of 1,736 MkWh as compared to 17,466 MkWh sold in FY 2020-21 to 7,217,680 consumers. Increase in sales as well as consumers indicate near about similar use pattern during the two years: 2021-22 and 2020-21 except Residential, Agriculture and Industrial consumers. Consumer category wise Sales Profile:

CATEGORY	FY 2021-22		FY 2020-21	
	CONSUMERS	MkWh UNIT SOLD	CONSUMERS	MkWh UNIT SOLD
RESIDENTIAL	6,788,616	10,244	6,415,415	9,825
COMMERCIAL	618,271	1,077	600,662	981
INDUSTRIAL	60,717	3,460	59,514	2,861
BULK SUPPLY	464	294	459	275
AGRICULTURE	102,709	3,737	99,127	3,201
OTHERS	44,178	390	42,503	323
TOTAL	7,614,955	19,202	7,217,680	17,466

The above table shows increase in number of consumers @ 5.50% and increase in quantity of sales @ 9.94%. The numerical consumer and sales mix during 2020-21 & FY 2021-22 is graphically presented below:





Category wise analysis of consumers & Sales (Mkwh) is given hereunder:

RESIDENTIAL

Slab	FY 2021-22		FY 2020-21	
	No. of Consumers	MkWh Unit Consumed	No. of Consumers	MkWh Unit Consumed
A-1 (0-50)	295,489	57	328,425	58
A-1(51-100)	2,481,896	1,686	1,844,387	1,620
A-1(101-300)	3,359,176	5,543	3,378,546	5,231
A-1(301-700)	580,600	2,348	785,281	2,328
A-1 above 700	49,557	461	59,959	464
Temporary	1,049	1	1,023	1
A-1 TOD	20,849	148	17,794	123
TOTAL	6,788,616	10,244	6,415,415	9,825

The total number of residential consumers as on June 30, 2022 increased by 373,201 (5.81%) as compared to previous year June 2021 and increase in units consumption by 419 million units (4.26%).

Consumption trend of all slabs of Residential category remained almost the same as previous year except for class A-1 (301-700), and A-1 above 700 which are reduced in number of consumers which indicates consumers having more than one connections in same premises, installation of solar system and also reflect that MEPCO has the potential to achieve better average sale rate from domestic category of consumers.

COMMERCIAL

Slab	FY 2021-22		FY 2020-21	
	No. of Consumers	MkWh Unit Consumed	No. of Consumers	MkWh Unit Consumed
A-2	593,850	562	577,727	523
A-2 above 5kw	25	0.21	26	0.19
A-2 TOD	22,161	502	20,976	449
Temporary	2,235	13	1,933	9
TOTAL	618,271	1,077	600,662	981

During FY 2021-22, Commercial consumers increased by 2.93% and the consumption increased by 9.79 % (96 million kWh) as compared to FY 2020-21.

INDUSTRIAL

Slab	FY 2021-22		FY 2020-21	
	No. of Consumers	MkWh Unit Consumed	No. of Consumers	MkWh Unit Consumed
B-1	14,797	31	14,843	35
B-1 TOD	34,668	350	33,655	349
B-2	1,633	0.032	1,633	0.2
B-2 TOD	9,238	1,202	9,012	1,138
B-3 TOD	372	1,305	363	1,031
B-4	9	571	8	308
TOTAL	60,717	3,460	59,514	2,861

In Financial Year 2021-22 Industrial consumers consumed 599MkWh more energy as compared to Financial Year 2020-21 due to increase in industrial production specially increase in consumption of Textile sector.

AGRICULTURE (TUBEWELL)

Slab	FY 2021-22		FY 2020-21	
	No. of Consumers	MkWh Unit Consumed	No. of Consumers	MkWh Unit Consumed
D-1 SCARP	2,684	0.02	2684	0.02
D-1 b TOD	917	27	925	33
D-2 TOD	60	0.05	60	0.05
D-2	9,141	1.10	9069	.40
D-1 b TOD (50,51)	89,748	3,709	86230	3,167
D-1 b TOD (53,54)	159	0.17	159	0.22
TOTAL	102,709	3,737	99,127	3,201

The number of Tube well consumers increased by 3,582 (3.61%) during FY 2021-22 whereas the sales quantum increased by 536 MkwH (16.74%).

BULK SUPPLY

The number of bulk supply consumers increased from 459 to 464 during FY 2021-22 whereas consumption decreased from 276 MkWh to 294MkWh.

OTHERS

The other categories mainly comprise of Street Lighting, Pakistan Railways and general service connections. The number of consumers in this category increased from 42,503 to 44,178 during the year with an increase of 67 MKWh in consumption.

COST OF POWER

MEPCO purchased 22,512 MkWh during FY 2021-22 at a total cost of Rs. 406,935 million (Rs.18.08 per kwh) against 20,541 MkWh at cost of Rs.248,523 million (Rs.12.10 per Kwh) during FY 2020-21. This depicts Increase in per unit cost @ Rs.5.98 mainly due to increase per unit capacity & Energy charges during F.Y.2021-22. The cost breakup for the FY 2021-22 in comparison with FY 2020-21 is as given below:

Cost Components	FY 2021-22				FY 2020-21			
	Amount (Rs in Million)	Units (MkWh)	%age	Per unit Rate	Amount (Rs in Million)	Units (MkWh)	%age	Per unit Rate
UoS	16,865	22,512	4.14	0.75	9,366	20,541	3.77	0.46
CTC	171,621	22,512	42.18	7.63	135,845	20,541	54.66	6.61
Total Fixed Cost	188,486	22,512	46.32	8.38	127,541	20,541	58.43	7.07
Variable Component	218,449	22,512	53.68	9.70	103,312	20,541	4	5.03
Grand Total	406,935	22,512	100	18.08	248,523	20,541	100	12.10

There was increase of Rs.4.96in per unit rate of Energy Purchase Price that result increase in Rs. 105,131 Million of Energy Charges, Rs. 1.02 in Capacity Purchase Price enhanced Rs.22,962 Million in Capacity Charges and Rs. 0.29 per unit rate of Use of System Charges (UoS) billed by NTDCL through CPPA-G during the year that impact Rs. 6,528 million and increase in Quantity Purchase by 1,971 MKwh increased the power cost to the tune of Rs. 23,791 Million.

TRANSMISSION AND DISTRIBUTION (T&D) LOSSES

Description	FY 2021-22		FY 2020-21	
	Units in (Mk Wh)	%age Loss	Units in (Mk Wh)	%age Loss
Purchased	22,512		20,541	
Received at 132 KV Grid Station	22,165		20,221	
Transmission losses	347	1.53	330	1.61
Units sold	19,202		17,466	
Distribution Losses	2,962	13.37	2,745	13.58
Total T&D Losses	3,309	14.70	3,075	14.97

OPERATING AND MAINTENANCE EXPENSES

MEPCO is the largest electricity distribution company with employee base of 15,005 personnel serving 7,614,955 consumers which calculates a ratio of 507 consumers per employee reflecting higher consumer per employee ratio. It indicates dedication of employees to serve consumers in vast and developing area of Southern Punjab with least possible cost.

O&M cost for F.Y 2021-22 @ Rs1.87/kWh (sold) inclusive of depreciation on Assets, Provision for Retirement Benefits as figured out by the professional actuarial valuers and Provision for doubtful debts. However, if the provision for retirement benefits assessed by valuers and provision for doubtful debts is not considered and only actual payments made in this behalf are accounted for, per kWh O&M cost reduced to Rs.1.03/KWh.

LOANS

The overall position of foreign re-lent loans, Cash Development Loans and Other (Soft Loans) is as under:

Description	Rs. In Million		
	Opening Bal. 01-07-2021	During the year	Closing Bal. 30th June, 2022
World Bank IBRD-7565	3,849		3,849
ADB Tranche-I PAK-2438	1,355		1,355
ADB Tranche-II PAK-2727	2,169		2,169
ADB Tranche-III PAK-2972	3,119		3,119
ADB Tranche-IV PAK-3096	2,773		2,773
PM Package (CDL)	797		797
Other (Soft Loans)	189	(33)	156
Total: -	14,250	(33)	14,217

The World Bank Loan # IBRD-7565 and ADB (Tranche-I) Loan # PAK-2438 carry interest rate of 17% which comprises of relending interest @11% and exchange risk cover @ 6% per annum payable on half yearly basis. Repayment of these loans is to be made in 15 years period with grace period of 2 years. However, ADB's other loans: Tranche-II, III & IV have been relent to MEPCO at 15% per annum inclusive of interest rate @ 8.2 % and exchange risk fee @ 6.8% payable on half yearly basis. Repayment of the Tranche-II loan is to be made within 20 years

period with grace period of 3 years whereas the loans Tranche-III & IV in 25 years period with grace period of 5 years.

The Cash Development Loan under Prime Minister's South Punjab Package has been lent to MEPCO @ 12.64% per annum payable in 20 years with a grace period of 5 years, in line with previous similar experience.

Besides, MEPCO has borrowed soft loan (interest free) for providing connectivity to the Baggass based small Power Producers of sugar industry operating in private sector.

The re-payment of soft loans (interest free) is being paid by MEPCO as per schedule

As regard re-lent loans, which are overdue at this stage MEPCO has requested the GoP for non-cash adjustment of overdue amount of principal and interest against Tariff Differential Subsidy (TDS) Receivable from GoP/ Ministry of Finance.

ACTUAL VS BUDGET O&M EXPENSES 2021-22

The pace of O&M Expenses in contrast to approved budgetary provisions during FY 2021-22 has been recorded as under: -

Rs. In Million

NOMENCLATURE	Budget	Actual	Inc/(Dec)	%age
Salaries & Employees Benefits	14,207	11,870	(2,337)	(16)
Staff Post Retirement Benefit	9,765	10,106	341	3
Repair & Maintenance	2,736	1,757	(979)	(36)
Rent Rates and Taxes	29	28	(1)	(5)
Communication	138	100	(38)	(27)
Power Light and Water	162	163	1	1
Office Supplies	299	250	(49)	(16)
Travelling Expenses	1,240	834	(406)	(33)
Computer/Outside Services	807	578	(229)	(28)
Vehicle Expenses	594	498	(96)	(16)
Collection charges	567	606	39	7
Management Fee (NEPRA)	202	89	(113)	(56)
Professional Fees	63	36	(27)	(43)
Advertising Expenses	85	31	(54)	(64)
Director's Meeting Fees	41	25	(16)	(39)
Insurance	61	60	(1)	(1)
Workers Profit Participation Fund	-	-	-	-
Provision For Doubtful Debts	-	421	421	-
Provision for Obsolete Items	-	143	143	-
Misc. / Other Charges	1,158	104	(1,054)	(91)
Supplemental Charges	2,632	3,103	471	18
Charged to CWIP	28	(584)	(612)	(2,181)
GRAND TOTAL	34,813	30,218	(4,595)	(13)

SIGNIFICANT PLANS, POLICIES AND DECISIONS

In order to pursue its plans for the expansion of operational base of the business, the Management shall under-take construction of new feeders to bifurcate overloaded ones. Like-wise, new sub divisions, divisions/revenue offices will be established as per operational and technical requirements. While going for the achievement of the above milestones, it is imperative to pay special attention on removal of System constraints. At present, as stated in previous pages also, MEPCO is fully committed for this task and significant size of CAPEX budget has been earmarked for works aimed at removal of system constraints. The Management discloses and affirms that:- It has generally complied with the significant principles of corporate governance as required vide section 17(2) & stipulated hereunder except rules / principles not complied with as contained in the report (attached).

- The Financial Statements fairly present the state of affairs of the Company, the results of its operations, cash flows and changes in equity.
- Proper books of Accounts have been maintained in conformity with the requirements of International Accounting Standards (IAS).
- Appropriate Accounting policies have been consistently applied in preparation of financial Statements and Accounting estimates are based on reasonable and professional judgment.
- Effective System of internal controls has been strived to be maintained to safe guard the interest of the Company and all other stake holders.
- The appointment of Chairman BoD and its members as well as their TORs including remuneration policy are in the best interest of the public sector. During the year, Chief Executive Officer received pay and allowances amounting to Rs.7.881 million, Executives received Rs.167.952 million and Directors of BoD received Rs.12.505 million.
- Audit report without qualification.
- During the financial year 2021-22, 13meetings of the Board were held. The detail of attendance of Members of Board of Directors is given below:

ATTENDANCE IN BOARD MEETINGS

Sr.No	Name of Director	No. of Meetings Held	Meetings Attended
1	Mr. Jalil-Ur-Rehman Tarin	13	13
2	Mr. Ikram –Ul-Haq	5	5
3	Mr. Allah Yar Khan	8	6
4	Mr. Ahmed Taimoor Nasir	13	11
5	Mr. Javeed Iqbal Khan	13	12
6	Commodore Muhammad Siddiq (R)	13	12
7	Sardar Naufil Muhamood	13	13
8	Malik Ahmad Jalal	08	03
9	Mr. Nauman Siddiqui	13	13
10	Muhammad Shafiq Ur Rehman	13	12
11	Mr. Arif Mansoor	13	13
12	Muhammad Saleem Shah Bukhari	13	13
13	Mr. Akhtar Hussain Qamar	13	13

ATTENDANCE IN AUDIT & FINANCE COMMITTEE

Sr. No.	Name of Director	No. of Meeting Held	Meetings Attended
1	Muhammad Shafiq Ur Rahman	7	7
2	Commodore Muhammad Siddiq (R)	7	7
3	Muhammad Saleem Shah Bukhari	7	7
4	Malik Ahmad Jalal	3	1
5	Mr. Javed Iqbal Khan	7	6
6	Mr. Ahmed Taimoor Nasir	7	7
7	Mr. Akhtar Hussain Qamar	4	4

ATTENDANCE IN HR & NOMINATION COMMITTEE

Sr. No.	Name of Director	No. of Meeting Held	Meetings Attended
1	Mr. Jalil-Ur-Rehman Tarin	10	10
2	Mr. Ikram-Ul-Haq	6	6
3	Sardar Naufil Mahmud	10	10
4	Mr. Javed Iqbal Khan	10	8
5	Mr. Ahmed Taimoor Nasir	10	8
6	Muhammad Shafiq Ur Rahman	10	10
7	Mr. Nauman Siddiqui	10	10
8	Mr. Allahyar Khan	4	4

ATTENDANCE IN POLICY, STRATEGY & MARKET REFORMS COMMITTEE

Sr. No.	Name of Director	No. of Meeting Held	Meetings Attended
1	Mr. Nauman Siddiqui	4	4
2	Mr. Jalil-Ur-Rehman Tarin	4	4
3	Mr. Ahmed Taimoor Nasir	3	3
4	Mr. Ikram-Ul-Haq	3	3
5	Sardar Naufil Mahmud	4	4
6	Muhammad Shafiq Ur Rahman	4	4
7	Mr. Arif Mansoor	3	3
8	Muhammad Saleem Shah Bukhari	2	2
9	Mr. Arif Mansoor	2	2
10	Mr. Akhtar Hussain Qamar	2	2
11	Mr. Allahyar Khan	1	1

ATTENDANCE IN HEALTH, SAFETY, ENVIRONMENT, QUALITY ASSURANCE & CUSTOMER SERVICES COMMITTEE

Sr. No.	Name of Director	No. of Meeting Held	Meetings Attended
1	Commodore Muhammad Siddiq (R)	9	9
2	Muhammad Shafiq Ur Rahman	9	8
3	Mr. Ikram-Ul-Haq	9	4
4	Mr. Akhtar Hussain Qamar	9	9
5	Mr. Javed Iqbal Khan	9	7
6	Mr. Ahmed Taimoor Nasir	9	9
7	Mr. Jalil-Ur-Rehman Tarin	9	2
8	Mr. Allahyar Khan	9	6
9	Muhammad Saleem Shah Bukhari	9	5

ATTENDANCE IN PROCUREMENT & DISPOSAL COMMITTEE

Sr. No.	Name of Director	No. of Meeting Held	Meetings Attended
1	Mr. Nauman Siddiqui	10	10
2	Mr. Jalil-Ur-Rehman Tarin	10	10
3	Mr. Ahmed Taimoor Nasir	10	9
4	Mr. Arif Mansoor	10	9
5	Muhammad Shafiq Ur Rahman	10	9
6	Mr. Ikram-Ul-Haq	3	3
7	Mr. Allahyar Khan	6	6

ATTENDANCE IN AT&C, CUSTOMER SERVICES & MARKET OPERATIONS COMMITTEE

Sr. No.	Name of Director	No. of Meeting Held	Meetings Attended
1	Mr. Nauman Siddiqui	2	2
2	Mr. Jalil-Ur-Rehman Tarin	1	1
3	Muhammad Saleem Shah Bukhari	2	2
4	Mr. Ikram-Ul-Haq	2	2
5	Mr. Javed Iqbal Khan	2	2
6	Mr. Ahmed Taimoor Nasir	2	2
7	Muhammad Shafiq Ur Rahman	2	2
8	Malik Ahmad Jalal	2	0

ATTENDANCE IN TECHNICAL AUTOMATION & NEW INITIATIVE COMMITTEE

Sr. No.	Name of Director	No. of Meeting Held	Meetings Attended
1	Sardar Naufil Mahmud	6	6
2	Mr. Nauman Siddiqui	6	6
3	Mr. Akhtar Hussain Qamar	5	5
4	Mr. Ikram-Ul-Haq	3	2
5	Mr. Javed Iqbal Khan	6	6
6	Muhammad Shafiq Ur Rahman	5	4
7	Malik Ahmad Jalal	2	1
8	Mr. Jalil-Ur-Rehman Tarin	6	6
9	Mr. Allahyar Khan	2	2

PATTERN OF SHARE HOLDING

Name of Share Holder	No. of Share Held	%age of Shares
Ministry of Energy (Power Division)	998	0.000097144
Ministry of Energy (Power Division)	135,295,450	12.49999995
Ministry of Energy (Power Division)	947,067,154	87.49990765
Engineer Allah Yar	1	0.000000092
Mr. Ahmed Taimoor Nasir	1	0.000000092
Total	1,082,363,604	100%

REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS & EXECUTIVES

During the F.Y 2021-22, below mentioned amounts were paid to Chief Executive Officer and

Executives:

(Amount in Rupees)

Discription	2022	2021	2022	2021
	Chief Executive Officer		Executives	
Basic Pay	1,830,850	2,100,553	87,281,233	88,247,280
Allowance	3,400,172	6,218,013	80,671,526	115,972,248
Meeting Fee	2,650,000	1,575,000	--	---
Total	7,881,022	9,893,566	167,952,759	204,219,528
Number of Persons	1	1	67	59

During F.Y 2020-21, Rs. 12,505,000 was paid to Board of Directors as meeting Fee (F.Y 2019-20 Rs. 7,172,500).

No remuneration other than meeting fee, was paid to any Director of the Company.

SUBSIDIES

It is a policy of Government of Pakistan that uniform tariff regime for all the consumers be maintained across the country except K Electric. This necessitates that all consumers ought to be billed uniformly and difference arising due to different notification at each DISCO be picked up by GoP in form of tariff differential subsidy (TDS).

Tariff Differential Subsidy

MEPCO subsidies claims are verified by Cost Accounts Officer Ministry of Energy Power Division and MEPCO accordingly receives TDS through CPPA-G Ltd. credit notes. During FY 2021-22 MEPCO claimed Rs.66,371 (M) as TDS and credit notes of Rs.99,818 (M) against TDS i.e. funds released by Finance Division, have been issued by CPPA-(G).

Industrial Support Package

The Federal Government also allowed Subsidy to industrial consumers under the title of Industrial Support Package (ISP) to boost the industry. During FY 2021-22, MEPCO claimed Rs.3,029 (M), & Rs.5,543 funds released by Finance Division against ISP claims.

Applicable Quarterly Tariff Adjustments (AQTA) I, II, III, IV, V, VI, VII & VIII.

The Federal Government allowed AQTA subsidy remained applicable during FY 2021-22. MEPCO Claimed Rs. 884 Million and Rs. 11,037 Million received during the F.Y 2021-22.

Zero Rated Industrial Rebate Subsidy

Federal Government allowed Zero Rated Industrial Rebate Subsidy to export oriented industrial consumers during F.Y 2020-21 MEPCO claimed Rs. 7,322 million and Rs. 5,258 (M) received against this subsidy whereas Rs.3,650 million subsequently received after 30-06-2022.

Prime Minister Relief 2022

Federal Government during Financial Year 2021-22 allowed Subsidy to Domestic and Selective Commercial Consumers. MEPCO claimed Rs.13,561 million but no amount received against this subsidy.

FUTURE OUTLOOK

MEPCO in past remained confronted with various issues leading to operational loss attributable to multiple factors. However, it has been able to improve its position during the FY 2012-13, 2013-14 and 2014-15 recording net profit of Rs. 11,239 million, Rs. 9,937 million and Rs.9,797 million respectively. However, in the financial year 2015-16 and 2016-17& 2017-18, and 2018-19, the Company incurred net loss of Rs.4,783 million (restated), Rs.17,935 million, Rs.33,825 million and Rs. 22,782 million respectively mainly attributable to under recovery of Power Purchase Price during the respective years.

During FY 2019-20 MEPCO earned profit Rs. 14,518 million (Restated) and in FY 2020-21 Rs. 13,304 million respectively before taxation and profit of Rs. 13,242 and Rs. 10,048 million after taxation. During F.Y.2021-22 MEPCO sustained Operating Loss of Rs.18,487 Million before taxation and Loss of Rs.22,814 Million after taxation.

For future, the Management is optimistic and looking forward to achieve better results with the improvement in its strategic planning and operations ensuing regulatory alignment. The Management is therefore geared up to face the challenges of the sector having due regard to socio-political environment of the region with support from GoP and the Regulator.

ACKNOWLEDGEMENT

The Board of Directors is pleased to put on record its acknowledgement and appreciation to the workers and management of the company who have worked with dedication and commitment for the betterment of MEPCO.



Director



Chief Executive Officer

STATEMENT OF COMPLIANCE

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

Name of Company	Multan Electric Power Company Limited
Name of the line Ministry	Ministry of Energy (Power Division)
For the Year Ended	June 30, 2022

I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector Company is managed in compliance with the best practices of public sector governance.

II. The Company has complied with the provisions of the Rules in the following manner:

Sr. No.	Provision of the Rules	Rule no.	Yes	No																												
			Tick the relevant																													
1	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																													
2	<p>The Board has at least one-third of its total members as independent directors. At present the Board includes:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 20%;">Category</th> <th style="width: 40%;">Name</th> <th style="width: 40%;">Date of Appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="7" style="text-align: center; vertical-align: middle;">Independent Directors</td> <td>Mr. Jalil-Ur-Rehman Tarin</td> <td style="text-align: center;">22/04/2021</td> </tr> <tr> <td>Mr. Muhammad Siddiq Commodore (R)</td> <td style="text-align: center;">22/04/2021</td> </tr> <tr> <td>Mr. Muhammad Shafiq Ur-Rahman</td> <td style="text-align: center;">22/04/2021</td> </tr> <tr> <td>Mr. Nauman Siddiqui</td> <td style="text-align: center;">22/04/2021</td> </tr> <tr> <td>Mr. Sardar Naufil Mahmud</td> <td style="text-align: center;">22/04/2021</td> </tr> <tr> <td>Mr. Muhammad Saleem Shah Bukhari</td> <td style="text-align: center;">07/06/2021</td> </tr> <tr> <td>Mr. Akhtar Hussain Qamar</td> <td style="text-align: center;">07/06/2021</td> </tr> <tr> <td style="text-align: center;">Executive Director</td> <td>Mr. Allahyar Khan</td> <td style="text-align: center;">28/12/2021</td> </tr> <tr> <td rowspan="3" style="text-align: center; vertical-align: middle;">Non-Executive Directors</td> <td>Mr. Ahmed Taimoor Nasir</td> <td style="text-align: center;">19/08/2020</td> </tr> <tr> <td>Mr. Javed Iqbal Khan</td> <td style="text-align: center;">18/12/2020</td> </tr> <tr> <td>Mr. Arif Mansoor</td> <td style="text-align: center;">07/06/2021</td> </tr> </tbody> </table>	Category	Name	Date of Appointment	Independent Directors	Mr. Jalil-Ur-Rehman Tarin	22/04/2021	Mr. Muhammad Siddiq Commodore (R)	22/04/2021	Mr. Muhammad Shafiq Ur-Rahman	22/04/2021	Mr. Nauman Siddiqui	22/04/2021	Mr. Sardar Naufil Mahmud	22/04/2021	Mr. Muhammad Saleem Shah Bukhari	07/06/2021	Mr. Akhtar Hussain Qamar	07/06/2021	Executive Director	Mr. Allahyar Khan	28/12/2021	Non-Executive Directors	Mr. Ahmed Taimoor Nasir	19/08/2020	Mr. Javed Iqbal Khan	18/12/2020	Mr. Arif Mansoor	07/06/2021	3(2)	✓	
Category	Name	Date of Appointment																														
Independent Directors	Mr. Jalil-Ur-Rehman Tarin	22/04/2021																														
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	Mr. Arif Mansoor	07/06/2021																														
3	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✓																													
4	<p>The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.</p> <p>Note: Government of Pakistan, being sole sponsor of the Company, has nominated all members of the Board of Directors of the Company.</p>	3(7)	N/A																													

5	The Chairman of the Board is working separately from the Chief Executive of the Company.	4(1)	✓	
6	The Chairman has been elected by the Board of directors except where Chairman has been appointed by the Government.	4(4)	✓	
7	The Board has evaluated the candidates for the position of the Chief Executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission except where Chief Executive has been nominated by the Government.	5(2)	✓	
8	(a) The Company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.	5(4)	✓	
	(b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website (www.mepco.com.pk).		✓	
	(c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.		✓	
9	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓	
10	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	✓	
11	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Company.	5(5)(b)(vi)	✓	
12	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	✓	
13	The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	✓	
14	The Board has developed a vision or mission statement and corporate strategy of the Company.	5(6)		✓
15	The Board has developed significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	✓	
16	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and have submitted its request for appropriate compensation to the Government for consideration.	5(8)		N/A

17	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	✓		
18	a) The Board has met at least four times during the year.	6(1)	✓		
	b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	✓		
	c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	✓		
19	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)		✓	
20	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓		
21	(a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.	10		✓	
	(b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by auditors.			N/A	
	(c) The Board has placed the annual financial statements on the Company's website.		✓		
22	All the Board members underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in the Rules.	11		✓	
23	The Board has formed the requisite committees, as specified in the Rules. The committees were provided with written term of reference defining their duties, authority and composition.		12	✓	
	The minutes of the meetings of the committees were circulated to all the Board members. The committees were chaired by the non-executive directors and independent directors in the committee shall not be less than their proportionate strength:				
	Committee	No. of Members			Name of Chairman
	Audit & Finance Committee	06			Mr. Muhammad Shafiq-Ur-Rehman
	Human Resource and Nomination Committee	07			Mr. Jalil-Ur-RehmanTarin
Risk Management Committee	08	Mr. Nauman Siddiqui			
Procurement Committee	06	Mr. Nauman Siddiqui			

24	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13		✓														
25	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓															
26	The Company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓															
27	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓															
28	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the Company except those disclosed to the Company.	18	✓															
29	(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. (b) The annual report of the Company contains criteria and details of remuneration of each director.	19	✓															
30	The financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer before consideration and approval of the audit committee and the Board.	20	✓															
31	The Board has formed an audit committee, with defined and written terms of reference, and having the following members: <table border="1" data-bbox="337 1205 1040 1430"> <thead> <tr> <th>Name of Member</th> <th>Category</th> </tr> </thead> <tbody> <tr> <td>Mr. Muhammad Shafiq Ur Rahman</td> <td>Chairman</td> </tr> <tr> <td>Mr. Muhammad Siddiq Commodore (R)</td> <td>Member</td> </tr> <tr> <td>Mr. Javed Iqbal Khan</td> <td>Member</td> </tr> <tr> <td>Mr. Ahmed Taimoor Nasir</td> <td>Member</td> </tr> <tr> <td>Mr. Muhammad Saleem Shah Bukhari</td> <td>Member</td> </tr> <tr> <td>Mr. Akhtar Hussain Qamar</td> <td>Member</td> </tr> </tbody> </table> The Chief Executive and Chairman of the Board are not members of the Audit Committee.	Name of Member	Category	Mr. Muhammad Shafiq Ur Rahman	Chairman	Mr. Muhammad Siddiq Commodore (R)	Member	Mr. Javed Iqbal Khan	Member	Mr. Ahmed Taimoor Nasir	Member	Mr. Muhammad Saleem Shah Bukhari	Member	Mr. Akhtar Hussain Qamar	Member	21(1) and 21(2)	✓	
Name of Member	Category																	
Mr. Muhammad Shafiq Ur Rahman	Chairman																	
Mr. Muhammad Siddiq Commodore (R)	Member																	
Mr. Javed Iqbal Khan	Member																	
Mr. Ahmed Taimoor Nasir	Member																	
Mr. Muhammad Saleem Shah Bukhari	Member																	
Mr. Akhtar Hussain Qamar	Member																	
32	(a) The Chief Financial Officer, the Chief Internal Auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed. (b) The audit committee met the external auditors, at least once a year, without the presence of the Chief Financial Officer, the Chief Internal Auditor and other executives. (c) The audit committee met the Chief Internal Auditor and other members of the internal audit function, at least once a year, without the presence of Chief Financial Officer and the external auditors.	21(3)		✓ ✓ ✓														

33	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.	22	✓	✓
	(b) The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules.			
	(c) The internal audit reports have been provided to the external auditors for their review.		✓	
34	The external auditors of the Company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓	
35	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓	

(Chief Executive Officer)

(Director)

EXPLANATION ON NON COMPLIANCE

Schedule II

Explanation for Non-Compliance with The Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the Company to seek compliance by the end of June 30, 2022.

Sr. No.	Rule no.	Reasons for non-compliance	Future course of action
1	5(6)	The corporate strategy is under the drafting process by the management.	The corporate strategy will be developed, approved and implemented in the next financial year.
2	8(2)	Authority matrix for performance evaluation of senior management has been approved by the Board during 175 th BOD meeting. However, the evaluation of the same will be carried out after 30 th December, 2022	Evaluation process will be carried out by the end of 2022.
3	10	The statement of profit or loss account and statement of financial position as at the end of the first, second and third quarter of the year were prepared and approved by the Board but the same got approved later than the specified time of one month from the end of respective quarter.	The statement of profit or loss account and statement of financial position will be prepared timely and will be approved from the Board accordingly in the next financial year.
4	13	The authority to appoint Chief Internal Auditor (CIA) with their remuneration and terms and conditions of employment has been vested with the respective DISCOs with formal approval of the Board with effect from March 12, 2021. The post has been advertised twice but could not be finalized due to certain reasons. Now again advertised and will be finalized within due course of time.	The appointment process will be completed in accordance with instruction of the Board.
5	11	The Board has been given orientation on the Company profile and the developments as specified in the rules at the time of reconstitution of the Board; however no orientation program is arranged during the year.	The Board is planning to arrange orientation for all of its members in the upcoming Board meetings.
6	21(3)	The Audit Committee has not separately held meetings with the CIA as stated in the rules because the office of CIA remained vacant during the year. But the external auditor had a meeting with audit committee in the absence of CIA.	The appointment process will be conducted in accordance with instruction of the Board.
7	22(b)	Presently Deputy Manager Audit is acting as CIA of the Company. However, regular incumbent post of CIA is to advertised for recruitment from the open market as per prescribed qualification and experience in the Rules.	CIA will be appointed in the next financial year after completion of the recruitment process.


(Chief Executive Officer)


(Director)

REVIEW REPORT ON STATEMENT OF COMPLIANCE

◆ **YOUSUF ADIL**

Yousuf Adil
Chartered Accountants

4th Floor, Mehr Fatima Tower
Opposite High Court
Multan Cantt
Pakistan

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Review Report to the Members

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 ("the Rules") prepared by the Board of Directors of Multan Electric Power Company Limited ("the Company") for the year ended June 30, 2022.

The responsibility for compliance with the Rules is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Rules.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Rules require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended June 30, 2022.

Yousuf Adil
Chartered Accountants

Engagement Partner: Muhammad Sufyan

Place: Multan
Date: October 24, 2022
UDIN: CR202210180PWNIKS5n9

**MULTAN ELECTRIC POWER
COMPANY LIMITED**

Financial Statements for the year ended

June 30, 2022

AUDIT REPORT

 **YOUSUF ADIL**

Yousuf Adil
Chartered Accountants

4th Floor, Mehr Fatima Tower
Opposite High Court
Multan Cantt
Pakistan

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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 /

◆ YOUSUF ADIL

Yousuf Adil
Chartered Accountants

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.

◆ YOUSUF ADIL

Yousuf Adil
Chartered Accountants

- 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

BALANCE SHEET

	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				
	15			
TOTAL EQUITY AND LIABILITIES		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

PROFIT AND LOSS ACCOUNT

**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
		416,127,848,933	289,163,405,814
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
		12,559,743,564	43,788,262,800
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)
		(35,920,382,605)	(34,164,827,548)
(Loss) / profit from operations		(23,360,639,041)	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		(18,486,873,702)	13,304,331,172
Taxation	33	(4,327,557,090)	(3,255,921,806)
(Loss) / profit for the year		(22,814,430,792)	10,048,409,366

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

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CHIEF EXECUTIVE OFFICER


DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

**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 subsequent, ... profit or loss	-	-
	(16,770,350,723)	(5,362,916,157)
Total comprehensive income for the year	<u>(39,584,781,515)</u>	<u>4,685,493,209</u>

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

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CHIEF EXECUTIVE OFFICER


DIRECTOR

STATEMENT OF CHANGES IN EQUITY

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

	Note	SHARE CAPITAL	DEPOSIT FOR SHARES	ACCUMULATED LOSS	TOTAL EQUITY
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	7	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

STATEMENT OF CASH FLOW

**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

NOTES

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	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	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>10,823,636,048</u>	<u>10,823,636,048</u>

		2022 Rupees	2021 Rupees
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, WAPADA 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 WAPADA 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 WAPADA 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

Effect on statement of financial position:

Rupees			
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)
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As at July 01, 2020		
As previously reported	Adjustment	Restated balance

Effect on statement of financial position:

Rupees			
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)
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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 excluding 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.

STAFF RETIREMENT BENEFITS

Free medical benefits
Pension
Free electricity benefits
Compensated absences

Note	Rupees	Rupees
9.1	13,666,367,778	10,629,987,763
9.1	85,542,052,092	69,408,209,420
9.1	5,549,566,389	5,069,643,090
9.1	3,938,758,040	3,867,661,645
	108,696,744,299	88,975,501,918

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

Note	June 30, 2022				Total
	Free medical benefits	Pension	Free electricity benefits	Compensated	
	Rupees				
	10,629,987,763	69,408,209,420	5,069,643,090	3,867,661,645	88,975,501,918
9.2	1,379,194,173	7,726,982,732	674,497,015	325,273,014	10,105,946,934
9.3	1,683,462,375	15,117,530,324	(30,641,976)	-	16,770,350,723
	(26,276,533)	(5,042,741,193)	(163,931,740)	(254,176,619)	(5,487,126,085)
	-	(1,667,929,191)	-	-	(1,667,929,191)
	13,666,367,778	85,542,052,092	5,549,566,389	3,938,758,040	108,696,744,299
	Rupees				
	June 30, 2021				
	Rupees				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
	8,894,496,626	64,365,593,400	3,488,920,119	3,833,673,724	80,582,683,869
9.2	1,113,785,781	6,725,305,210	463,932,899	296,766,396	8,599,990,286
9.3	637,481,280	3,512,792,502	1,212,642,375	-	5,362,916,157
	(15,775,924)	(4,534,364,593)	(95,852,303)	(262,778,475)	(4,908,771,295)
	-	(661,117,099)	-	-	(661,117,099)
	10,629,987,763	69,408,209,420	5,069,643,090	3,867,661,645	88,975,501,918

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

Present value of defined benefit obligations
Fair value of plan assets

Note	2022	2021
	Rupees	Rupees
9.1.1.1	90,768,744,322	72,578,339,536
	(5,226,692,230)	(3,170,130,116)
	85,542,052,092	69,408,209,420

9.1.1.1 Change in fair value of plan assets

Balance as at beginning of the year
Interest income
Cash flows:
- Total employer's contributions
- (i) Employer's contributions
- (ii) Employer's direct benefit payments
- Benefit payments from Plan
Loss on plan assets
Balance as at end of the year

	3,170,130,116	2,348,778,025
	410,419,708	217,261,967
	1,667,929,191	661,117,099
	5,042,741,193	4,534,364,593
	(5,042,741,193)	(4,534,364,593)
	(21,786,785)	(57,026,975)
	5,226,692,230	3,170,130,116

9.2 Amounts recognized in the statement of profit or loss against defined benefit schemes are:

	June 30, 2022				
	Free medical benefits	Pension	Free electricity benefits	Compensated	Total
Current service cost	290,967,100	956,563,124	163,260,100	70,332,658	1,481,122,982
Interest cost	1,088,227,073	6,770,419,608	511,236,915	383,408,767	8,753,292,363
Actuarial gains	-	-	-	(128,468,411)	(128,468,411)
Net charge for the year	1,379,194,173	7,726,982,732	674,497,015	325,273,014	10,105,946,934
	June 30, 2021				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
Current service cost	291,774,480	981,202,183	145,640,957	4,958,093	1,423,575,713
Interest cost	822,011,301	5,744,103,027	318,291,942	342,461,315	7,226,867,585
Actuarial gains	-	-	-	(50,653,012)	(50,653,012)
Net charge for the year	1,113,785,781	6,725,305,210	463,932,899	296,766,396	8,599,790,286

9.3 Remeasurement recognized in other comprehensive income:

	June 30, 2022				
	Free medical benefits	Pension	Free electricity benefits	Compensated	Total
Loss on obligation	1,683,462,375	15,095,743,539	(30,641,976)	-	16,748,563,938
Loss on plan assets	-	21,786,785	-	-	21,786,785
Experience adjustments	1,683,462,375	15,117,530,324	(30,641,976)	-	16,770,350,723
	June 30, 2021				
	Free medical benefits	Pension	Free electricity benefits	Compensated absences	Total
Loss on obligation	637,481,280	3,455,765,527	1,212,642,375	-	5,305,889,182
Loss on plan assets	-	57,026,975	-	-	57,026,975
Experience adjustments	637,481,280	3,512,792,502	1,212,642,375	-	5,362,916,157

Movement in present value of defined benefit obligations:

	June 30, 2022				
	Free medical benefits	Pension	Free electricity benefits	Compensated	Total
Balance as at July 01, 2021	10,629,987,763	72,578,339,536	5,069,643,090	3,867,661,645	92,145,632,034
Current service cost	290,967,100	956,563,124	163,260,100	70,332,658	1,481,122,982
Interest cost	1,088,227,073	7,180,839,316	511,236,915	383,408,767	9,163,712,071
Benefits paid	(26,276,533)	(5,042,741,193)	(163,931,740)	(254,176,619)	(5,487,126,085)
Re measurements	1,683,462,375	15,095,743,539	(30,641,976)	-	16,748,563,938
Actuarial gains	-	-	-	(128,468,411)	(128,468,411)
Balance as at June 30, 2022	13,666,367,778	90,768,744,322	5,549,566,389	3,938,758,040	113,923,436,529

	June 30, 2021				
	Free medical benefits	Pension	Free electricity Benefits	Compensated absences	Total
Balance as at July 01, 2020	8,894,496,626	66,714,371,425	3,488,920,119	3,833,673,724	82,931,461,894
Current service cost	291,774,480	981,202,183	145,640,957	4,958,093	1,423,575,713
Interest cost	822,011,301	5,961,364,994	318,291,942	342,461,315	7,444,129,552
Benefits paid	(15,775,924)	(4,534,364,593)	(95,852,303)	(262,778,475)	(4,908,771,295)
Remeasurements	637,481,280	3,455,765,527	1,212,642,375	-	5,305,889,182
Actuarial gains	-	-	-	(50,653,012)	(50,653,012)
Balance as at June 30, 2021	10,629,987,763	72,578,339,536	5,069,643,090	3,867,661,645	92,145,632,034

9.5 All of the investment of plan assets is in deposit account of a commercial bank along with certain term deposit receipts of commercial banks.

9.6 **Principal actuarial assumptions:**

Discount rate (per annum)
Inflation rate (per annum)
Annual medical claim - Rupees
Salary increase rate used for year end obligation (per year)
Medical / Pension / electricity Indexation rate
Medical exposure rate (per annum)
Mortality rates

Withdrawal rates
Expected change to the statement of profit or loss for the next financial year (Rupees)

	June 30, 2022			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate (per annum)	13.50%	13.50%	13.50%	13.50%
Inflation rate (per annum)	-	-	13.50%	-
Annual medical claim - Rupees	26,323	-	-	-
Salary increase rate used for year end obligation (per year)	13.50%	13.00%	-	13.00%
Medical / Pension / electricity Indexation rate	10.25%	7.25%	13.50%	-
Medical exposure rate (per annum)	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year
Mortality rates	Low	Low	Low	Low
Withdrawal rates	2,207,498,457	13,418,437,513	879,975,683	610,997,690
Expected change to the statement of profit or loss for the next financial year (Rupees)				

	June 30, 2021			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate (per annum)	10.25%	10.25%	10.25%	10.25%
Inflation rate (per annum)	-	-	8.25%	-
Annual medical claim - Rupees	19,974	-	-	-
Salary increase rate used for year end obligation (per year)	10.25%	9.75%	-	9.75%
Medical / Pension / electricity Indexation rate	9.25%	4.00%	8.25%	-
Medical exposure rate (per annum)	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year	SLIC 2001-2005 setback 1 year
Mortality rates	Low	Low	Low	Low
Withdrawal rates	1,380,540,846	8,070,904,589	682,898,517	399,816,346
Expected change to the statement of profit or loss for the next financial year (Rupees)				

9.7

Sensitivity analysis for actuarial assumptions:

The sensitivity of the staff retirement benefits to changes in the weighted principal assumption is:

	June 30, 2022			
	Free medical benefits	Pension	Free electricity benefits	Compensated absences
Discount rate				
Increase in assumption (Rupees)	1.00% (2,155,231,055)	1.00% (10,785,893,960)	1.00% (892,791,499)	1.00% (486,515,725)
Decrease in assumption (Rupees)	2,824,359,426	13,378,571,354	1,171,654,005	423,424,237
Medical exposure rate				
Increase in assumption (Rupees)	1.00% (712,154,071)	-	-	-
Decrease in assumption (Rupees)	(4,948,261,257)	-	-	-
Medical inflation rate				
Increase in assumption (Rupees)	1.00% (2,271,020,896)	-	-	-
Decrease in assumption (Rupees)	(3,695,439,256)	-	-	-
Withdrawal rates				
Increase in assumption (Rupees)	10.00% (3,054,261,998)	10.00% (18,226,693,956)	10.00% (482,965,085)	10.00% (67,228,735)
Decrease in assumption (Rupees)	(3,018,309,036)	(18,154,115,616)	(476,881,513)	(74,964,059)
Future salary increase				
Increase in assumption (Rupees)	-	1.00% (14,568,745,643)	-	1.00% 423,215,865
Decrease in assumption (Rupees)	-	(21,376,593,891)	-	(493,628,138)
Indexation rate				
Increase in assumption (Rupees)	-	1.00% (11,527,713,216)	1.00% 541,817,443	-
Decrease in assumption (Rupees)	-	(23,909,577,941)	(1,334,567,433)	-
Mortality setback				
Increase in assumption (Rupees)	1 year (3,435,004,556)	1 year (18,030,732,439)	1 year -	1 year (73,416,994)
Decrease in assumption (Rupees)	(2,634,566,478)	(18,342,819,299)	-	(68,775,800)
	June 30, 2021			
Free medical benefits		Pension	Free electricity benefits	Compensated absences
1.00% (1,820,562,033)	1.00% (8,143,289,696)	1.00% (791,729,773)	1.00% (415,419,330)	
Increase in assumption (Rupees)				
2,228,063,212	10,023,068,690	946,330,259	494,520,632	
Decrease in assumption (Rupees)				
1.00% 2,324,225,944	-	-	-	-
Increase in assumption (Rupees)				
(1,911,881,242)	-	-	-	-
Decrease in assumption (Rupees)				
1.00% 765,359,119	-	-	-	-
Increase in assumption (Rupees)				
(659,059,241)	-	-	-	-
Decrease in assumption (Rupees)				

Withdrawal rates				
Increase in assumption (Rupees)	10.00%	10.00%	10.00%	10.00%
Decrease in assumption (Rupees)	(14,881,983)	3,133,840,946	(3,041,786)	3,867,660
Future salary increase				
Increase in assumption (Rupees)	18,070,979	3,206,419,286	3,041,786	(3,867,664)
Decrease in assumption (Rupees)	-	1.00%	-	1.00%
Indexation rate				
Increase in assumption (Rupees)	-	6,791,789,259	-	494,312,260
Decrease in assumption (Rupees)	-	(16,058,989)	-	(422,531,743)
Mortality setback				
Increase in assumption (Rupees)	1 year	1 year	1 year	1 year
Decrease in assumption (Rupees)	(398,624,541)	3,329,802,463	-	(2,320,599)
	401,813,537	3,017,715,603	-	2,320,595

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the staff retirement benefits to significant actuarial assumptions, the same method (present value of the staff retirement benefits calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the staff retirement benefits liabilities recognized within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis were changed as compared to the previous year due to downward trend in discount rate structure and decrease in inflationary expectations.

9.8 As at June 30, 2022 the average duration of these benefits was 13 years.

9.9 Risks associated with staff retirement benefits

Salary increase risk

The risk that the actual salary increase are higher than the expected salary increase, where benefits are linked with final salary at the time of cessation of service, is likely to have an impact on liability.

Withdrawal risk

Actual withdrawals experience may different from that assumed in the calculation.

Mortality risk

Actual mortality experience maybe different than that assumed in the calculation.

Pension increase risk

The risk that the actual pension increase is higher than the expected, where benefits are being paid in form of monthly pension, is likely to have an impact on the plan liability.

Discount rate risk

The risk of changes in discount rate may have an impact on the plans liabilities.

10 LONG TERM SECURITY DEPOSITS

These represent security deposits received from consumers on account of electricity connections. These are refundable / adjustable on disconnection of electricity supply. Out of the total amount, an amount of Rupees 362.894 million (2021: Rupees 2,338.348 million) is kept in separate bank accounts while Rupees 12,090.467 million (2021: Rupees 9,057.16 million) is kept in Term Deposit Receipts (TDRs).

	Note	2022 Rupees	2021 Rupees
11 CONTRACT LIABILITIES - RECEIPT AGAINST DEPOSIT WORKS			
Consumers demand notices awaiting connections	11.1	6,931,195,779	6,101,107,912
Funds received against deposit works	11.2	27,023,880,712	23,022,247,357
		<u>33,955,076,491</u>	<u>29,123,355,269</u>

11.1 These represent amounts received from consumers through demand notices against which the related works / jobs have not been completed. These contributions are received in accordance with GoP notified approved rates on every new connection.

	Note	2022 Rupees	2021 Rupees
11.1.1 Movement in Consumers demand notices awaiting connections			
Balance as at beginning of the year		6,101,107,912	4,759,638,093
Add: addition during the year		5,422,972,275	4,689,976,871
		<u>11,524,080,187</u>	<u>9,449,614,964</u>
Less: transferred to deferred credit against completed jobs		(4,592,884,408)	(3,348,507,052)
Balance as at end of the year		<u>6,931,195,779</u>	<u>6,101,107,912</u>

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

	Note	2022 Rupees	2021 Rupees
11.2.1 Movement in funds received against deposit works			
Balance as at beginning of the year		23,022,247,357	21,043,387,259
Add: addition during the year		5,737,103,387	4,673,981,873
		<u>28,759,350,744</u>	<u>25,717,369,132</u>
Less: transferred to deferred credit against completed jobs		(1,735,470,032)	(2,695,121,775)
Balance as at end of the year		<u>27,023,880,712</u>	<u>23,022,247,357</u>

12 DEFERRED CREDIT

Balance as at beginning of the year		93,468,165,547	87,424,536,720
Add: transferred from contract liabilities - receipt against deposit works		6,328,354,440	6,043,628,827
		<u>99,796,519,987</u>	<u>93,468,165,547</u>
Less: Accumulated amortization			
Balance as at beginning of the year		30,848,446,171	27,700,510,389
Amortization for the year		3,366,498,166	3,147,935,782
		<u>34,214,944,337</u>	<u>30,848,446,171</u>
Balance as at end of the year		<u>65,581,575,650</u>	<u>62,619,719,376</u>

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

	Note	2022 Rupees	2021 Rupees
13 TRADE AND OTHER PAYABLES			
Creditors		3,261,706,398	1,563,163,589
Equalization surcharge payable		2,239,832,663	2,238,901,137
Due to associated companies	13.1	172,940,326,164	148,569,595,849
Accrued liabilities		1,217,194,473	1,048,976,423
Contract liabilities		1,480,902,264	-
Retention money payable		422,026,395	846,230,693
Electricity duty payable		60,614,566	557,431,639
Neelum Jhelum surcharge payable		343,052,285	316,196,955
T.V license fees payable		173,151,328	168,559,021
Finance cost surcharge		1,444,957,976	1,193,399,780
Tariff rationalization surcharge		1,823,497,102	1,793,473,909
Compact Fluorescent Lamps cost payable	13.2	807,373,696	807,373,696
Workers' profit participation fund	13.3	3,156,432,725	3,156,432,725
Liquidity damages		570,140,831	500,260,861
Other liabilities		2,371,444,146	1,346,954,252
		<u>192,312,653,012</u>	<u>164,106,950,529</u>

	Note	2022 Rupees	2021 Rupees
13.1 Due to associated companies			
Central Power Purchasing Agency (Guarantee) Limited (CPPA)	13.1.1	163,248,997,237	146,283,120,230
Hyderabad Electric Supply Company Limited (HESCO)		752,725	7,643,837
Gujranwala Electric Power Company Limited (GEPCO)		21,569,967	10,007,376
Faisalabad Electric Supply Company Limited (FESCO)		284,823,038	220,317,981
National Transmission and Despatch Company Limited (NTDC)		9,335,005,030	1,965,305,400
Power Information Technology Company (Private) Limited (PITC)		49,178,167	83,201,025
		<u>172,940,326,164</u>	<u>148,569,595,849</u>

13.1.1 The Company has received various invoices from CPPA representing late payment charges (supplementary charges) being the share of the Company in the mark-up charged to CPPA by Independent Power Producers (IPPs) on account of delayed payments aggregating to Rupees 38,509.10 million (2021: Rupees 29,127.07 million).

As mentioned in Para 18 of tariff determination by NEPRA communicated through letter no. NEPRA/TRF-283/MEPCO-2014/4264-4266 dated 27 March 2015 and Para 8.10 and 20 of tariff determination by NEPRA communicated through letter no. NEPRA/TRF-332/MEPCO-2015/2697-2699 dated 29 February 2016, it was mutually agreed by the representatives of CPPA and distribution companies that, as per clause 9.3(d) of electricity supply agreement dated 29 June 1998 between DISCOs and NTDC, the DISCOs are obliged to pay late payment charges (supplementary charges) to CPPA on account of delay payments of invoices.

NEPRA has decided that the late payment charges (supplementary charges) recovered from consumers on utility bills shall be offset against the late payment charges (supplementary charges) invoices raised by CPPA and CPPA cannot account for late payment charges (supplementary charges) over and above what is calculated as per agreement. Therefore, no provision for late payment charges (supplementary charges) of Rupees 25,770.386 million have been recognized in these financial statements as the management is of the view that supplementary charges have not been allowed as expense by NEPRA in tariff determination.

13.2 During financial year 2013-14, the Company had received Compact Fluorescent Lamps (CFLs) from Pakistan Electric Power Company (PEPCO) under the Clean Development Mechanism (CDM) Program of activities - "National CFL Project - Pakistan". CFLs cost will have to be borne by the Company from its distribution margin.

13.3 The Company has not made payment of its contribution towards Workers' Profit Participation Fund (WPPF), being the Company's liability on account of provision of Companies Profit (Workers' Participation) Act, 1968 up till 30 June 2022. This matter is pending for decision with Economic Coordination Committee (ECC) upon recommendation submitted by WAPDA to exempt the undertakings established under the umbrella of WAPDA from compliance with the requirements of Companies Profit (Workers' Participation) Act, 1968. Due to pending decision with the ECC, no provision for mark-up is made as required under Companies Profit (Workers' Participation) Act, 1968. However, the Company has shown the mark-up as contingent liability under Note 14.1.2 to the financial statements.

	Note	2022 Rupees	2021 Rupees
13.3.1 Workers' profit participation fund			
Balance as at beginning of the year		3,156,432,725	2,456,204,769
Add: Provision for the year	30	-	700,227,956
Balance as at end of the year		<u>3,156,432,725</u>	<u>3,156,432,725</u>

14 ACCRUED MARK-UP

Foreign re-lent loans	1,111,311,372	1,253,604,184
Cash development loan	95,278,000	97,329,000
Overdue mark-up on foreign re-lent and cash development loans	<u>8,018,529,347</u>	<u>6,667,596,163</u>
	<u>9,225,118,719</u>	<u>8,018,529,347</u>

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

15.1.1 The Companies Profit (Workers' Participation) Act, 1968 requires payment of the allocated amount to the workers' profit participation fund within nine months of the close of relevant financial year. However, due to pending decision of the Economic Coordination Committee to exempt the corporatized entities under the umbrella of WAPDA from requirements of the said Act, no provision of interest aggregating to Rupees 3,123.47 million (2021: Rupees 2,245.63 million) on unpaid amount has been recognized by the Company in these financial statements.

15.1.2 In addition to above-mentioned matter, and the matter mentioned at note 13.1.1, large number of small cases have been filed against the Company, primarily by the Company's employees, customers and vendors, the quantum of which cannot be estimated reliably. However, the management is of the view that in the overall context of these financial statements, there would be no significant liability of the Company against such cases.

15.1.3 Income Tax

(i) 1. Minimum Tax – Tax year 2007 and 2008

Additional Commissioner Inland Revenue (ACIR), RTO, Multan initiated proceedings u/s 122 on January 29, 2009 for tax year 2007 and 2008. Subsequently the learned ACIR issued an order against MEPCO vide order no 92/10/ dated February 26, 2009 and has charged income tax u/s 113 of the Income Tax Ordinance, 2001 (the "Ordinance") on turnover for tax year 2007 amounting to Rs. 153 million and for tax year 2008 amounting to Rs. 72 million along with default surcharge amounting to Rs. 9.9 million and Rs. 2 million for tax year 2007 and 2008 respectively.

Being aggrieved by the order of ACIR, an appeal was filed before CIR (A) on March 21, 2009. The learned CIR (A) issued an order against MEPCO vide order dated April 30, 2009 and upheld the order of learned ACIR.

Second appeal was filed before Appellate Tribunal Inland Revenue on May 14, 2009. ATIR upheld the order of learned CIR (A) order dated July 27, 2009.

Being aggrieved by the above mentioned orders, a writ petition was filed before Hon'ble High court vide petition no PTR 44/2011 and PTR 43/2011. The Hon'ble High Court remanded back the case to the full bench of ATIR to decide the case which is still pending for adjudication.

(ii) Minimum Tax – Tax year 2010 and 2013

Additional Commissioner Inland Revenue (ACIR), RTO, Multan amended deemed assessment u/s 120 of the Income Tax Ordinance, 2001 (the "Ordinance") for tax year 2010 and 2013 by passing an order no. 10/07 u/s 122 (5) (A) of the Ordinance dated February 02, 2015 and no. 19/18 dated April 14, 2015 respectively on the grounds that MEPCO had not discharged its liability of minimum tax u/s 113 and 113 C of the Ordinance and created a demand of Rs. 5.63 million for Tax year 2010 and Rs. 109.82 million for Tax year 2013.

Being aggrieved from the impugned orders, MEPCO filed appeals before Commissioner Inland Revenue (Appeals) (CIR (A)) on May 05, 2015. The learned CIR (A) issued an order dated September 23, 2015 and upheld the order of learned ACIR.

MEPCO, being aggrieved, filed second appeal against the order of CIR (A) before honorable Appellate Tribunal Inland Revenue (ATIR) on October 19, 2015, which is still pending for adjudication.

(iii) Minimum Tax-Tax Year 2014

Additional Commissioner Inland Revenue (ACIR), RTO, Multan amended the deemed assessment for the tax year 2014 vide order bearing bar code no. 10000008089093 dated November 12, 2015 u/s 122 (5A) of the Ordinance on the ground that the minimum tax liability under section 113 of the Ordinance has not been discharged and thereby created a demand of Rs. 1,736 million.

Being aggrieved by the order of ACIR, an appeal was filed with learned CIR (A) dated December 03, 2015 decided the case vide appellate order dated March 29, 2016 and upheld the order of ACIR.

A second appeal filed before ATIR on April 05, 2016 on the basis of the same grounds as used in the case mentioned in sr. 1 for tax year 2010 and tax year 2013 which is pending for adjudication.

(iv) Proceedings u/s 122 read with section 113- Tax Year 2016

The learned ACIR, RTO Multan started proceedings for amendment of assessment u/s 122 of the Ordinance for Tax Year 2016 vide Show cause notice bearing bar code no. 100000029073948 dated January 17, 2018. By ignoring all the submissions, the learned ACIR issued an order u/s 122 (5A) of the Ordinance vide bar code no. 100000032291023 dated April 13, 2018 against MEPCO by raising the demand amounting to Rs. 1,294 million.

Being aggrieved by the order of learned ACIR, MEPCO has filed appeal before CIR (A) on May 11, 2018, which has been decided by CIR (A) in favor of MEPCO on February 10, 2021. Being aggrieved from the order, department filed an appeal before ATIR which is still pending for adjudication.

(v) Minimum Tax-Tax Year 2017

Additional Commissioner Inland Revenue (ACIR), RTO Multan passed the order for tax year 2017 that the Company was liable to pay Rs. 1,303 million being higher of minimum tax under section 113 and 113 (C) of the Ordinance. The assessment already finalized under section 120(1) of the Ordinance, therefore, being erroneous in so far as prejudicial to the interest of revenue, is amended under section 122 of the Ordinance.

Being aggrieved by the impugned order, MEPCO filed appeal before the CIR (A) and the same was upheld by the learned CIR (A).

Second appeal against the order of CIR (A) have been filed before ATIR on May 25, 2021 which is pending for adjudication.

(vi) Minimum Tax-Tax Year 2018

Additional Commissioner Inland Revenue (ACIR), RTO Multan passed the order for tax year 2018 that the Company was liable to pay Rs. 2,269 million being higher of minimum tax under section 113 and 113 (C) of the Ordinance. The assessment already finalized under section 120(1) of the Ordinance, therefore, being erroneous in so far as prejudicial to the interest of revenue, is amended under section 122 of the Ordinance.

Being aggrieved by the impugned order, MEPCO filed appeal before the CIR (A) and the same was upheld by the learned CIR (A).
Second appeal against the order of CIR (A) have been filed before ATIR on March 10, 2022 which is pending for adjudication.

(vii) Minimum Tax-Tax Year 2019

Additional Commissioner Inland Revenue (ACIR), RTO Multan passed the order for tax year 2019 that the Company was liable to pay Rs. 2,915 million being higher of minimum tax under section 113 and 113 (C) of the Ordinance. The assessment already finalized under section 120(1) of the Ordinance, therefore, being erroneous in so far as prejudicial to the interest of revenue, is amended under section 122 of the Ordinance.

Being aggrieved by the impugned order, MEPCO filed appeal before the CIR (A) on April 25, 2022 which is pending for adjudication.

(viii) Income Tax Audit - Tax Year 2011

Assistant Commissioner Inland Revenue (ACIR), RTO, Multan started proceedings by issuing show cause notice u/s 122 of the Ordinance for tax year 2011 vide 1688 dated April 19, 2017. By ignoring all submissions made by MEPCO, the learned ACIR issued an order vide 14/39 dated June 22, 2017 that the taxpayer company was liable to pay Rs. 226 million due to violation of certain provisions of Ordinance.

Being aggrieved from the impugned order, MEPCO filed an appeal before the CIR (A) on July 7, 2017 and CIR(A) annulled the order on February 10, 2021. Against the order of CIR (A), the department filed a second appeal before ATIR on May 06, 2021. Now the case is pending before ATIR.

(ix) Income Tax Audit - Tax Year 2016

Assistant Commissioner Inland Revenue (ACIR), RTO, Multan started proceedings by issuing show cause notice u/s 122 of the Ordinance for tax year 2016 vide 100000116798605 dated January 21, 2022. By ignoring all submissions made by MEPCO, the learned ACIR issued an order vide 100000126337617 dated June 25, 2022 that the taxpayer company was liable to pay Rs. 1,294 million due to violation of certain provisions of Ordinance.

Being aggrieved by the impugned order, MEPCO filed appeal before the CIR (A) on August 12, 2022 which is pending for adjudication.

(x) Withholding income tax on Service Charges on PTV Fee - Tax Years 2010, 2011 & 2012

The IRAO, RTO, Multan initiated proceedings through show cause notice on April 20, 2012 vide E&C unit-02/MN/799, 797, and 798 for tax year 2010, 2011 and 2012 respectively. Subsequently, the learned ACIR issued an order u/s 124/162/205 vide 10/62 dated June 24, 2015 and raised a demand of income tax amounting to Rs. 52.906 million treating service fee for the collection of PTV license fees as commission rather than as service fee.

Against the above said order, an appeal was filed before the Learned CIR (A) on August 11, 2015 which is decided in favor of MEPCO vide appellate order dated March 29, 2016 and the case was remanded back to the learned ACIR with direction to recalculate the service charges/service fee according to the agreement of WAPDA with PTV.

Against the order of CIR (A), RTO, Multan has filed 2nd appeal before ATIR and now the case is pending adjudication.

(xi) Withholding income tax u/s 161/205-Tax Year 2017

After initiating proceedings u/s 161/205 vide show cause notice no. 625 dated June 02, 2017, the learned ACIR, RTO, Multan issued an order bearing bar code no. 100000026203200 dated November 09, 2017 u/s 161 of the Ordinance and raised the demand of tax amounting to Rs. 191 million along with default surcharge amounting to Rs. 13 million on the ground that income tax was not deducted by MEPCO while making payments to certain parties.

Being aggrieved by the order of ACIR, MEPCO filed an appeal before CIR (A) on December 13, 2017 and CIR(A) annulled the order on February 10, 2021. Against the order of CIR (A), the department filed a second appeal before ATIR on May 06, 2021. Now the case is pending before ATIR.

(xii) Withholding income tax u/s 161/205-Tax Year 2012

The IRAO, RTO, Multan initiated proceedings u/s 161/205 of the Ordinance vide notice no. 291 dated May 09, 2013 regarding discharging of liability to deduct income tax on different heads of account. By ignoring submissions made by MEPCO, the learned IRAO issued an order vide 10/47 dated October 21, 2013 and raised the demand of income tax amounting to Rs. 718 million along with default surcharge amounting to Rs. 161 million.

Being aggrieved by the above said order, MEPCO filed an appeal before CIR (A) on November 19, 2013. The Learned CIR (A) issued an order dated February 24, 2014 and confirmed/upheld the demand of Rs. 379 million.

Being aggrieved by the order issued by CIR (A), a second appeal was filed before ATIR which is decided against MEPCO vide order no. ITA no. 565/LB.2014 dated June 11, 2014 and the order of CIR (A) was maintained by ATIR.

Against the orders of the above mentioned all learned officers, a writ petition vide tax reference no. 27 of 2014 was filed before honorable High court to address the main issue in the above orders of chargeability of income tax u/s 235 on the differential amount of sales tax. The honorable court decided the case on July 02, 2016 in favor of MEPCO, as a result of which the demand of Rs. 301 million is deleted. To give the effect of High Court judgement, the learned ACIR, RTO, Multan issued appeal effect order vide DCR no. 03/51 dated September 20, 2017. To give the effect of High Court judgement, the department through appeal effect order, has raised a demand of income tax amounting to Rs. 77 million along with default surcharge amounting to Rs. 66 million.

Being aggrieved, further appeal was filed before CIR (A) on December 15, 2017, CIR (A) remanded the case back to the department for rehearing on February 22, 2021. Being aggrieved the department has filed a second appeal before ATIR on May 06, 2021. Now the case is pending before ATIR.

(xiii) Proceedings u/s 161 for advance tax u/s 235-Tax Year 2011

The ACIR, RTO, Multan initiated proceedings through show cause notice no. 826798-1 dated May 17, 2018 u/s 161 regarding advance tax collection of the differential amount of sales tax for tax year 2011. Subsequently, the ACIR issued an order no 02/30 dated August 28, 2018 and raised the demand of income tax amounting to Rs. 307 million and default surcharge amounting to Rs. 364 million.

Against the above said order, an appeal was filed before the Learned CIR (A) on August 26, 2018 which CIR(A) set aside the order on January 29, 2021. Against the order of CIR (A), the department filed a second appeal before ATIR on April 07, 2021. Now the case is pending before ATIR.

(xiv) Withholding tax u/s 161/205 - Tax Year 2018

Deputy Commissioner Inland Revenue (DCIR), initiated proceedings u/s 161/205 through show cause notice no. 100000053757151 dated July 07, 2019. The learned DCIR issued an order on March 21, 2021 raising demand of income tax amounting to Rs. 21,334 million on the grounds that MEPCO has not made tax deduction u/s 161/205 of the Ordinance on various payments.

Being aggrieved by the above order, an appeal was filed before CIR (A) against which the learned CIR (A) issued an order favoring MEPCO on June 10, 2021 on withholding of tax u/s 235 and partially confirmed stance of DCIR for non-withholding of tax on various payments on u/s 161 of the ordinance.

Being aggrieved by the order of learned CIR (A), an appeal was filed before ATIR which is still pending for adjudication.

(xv) Withholding tax u/s 161/205 - Tax Year 2014

Deputy Commissioner Inland Revenue DCIR, initiated proceedings u/s 161/205 through show cause notice no. 22 dated November 11, 2020. The learned DCIR issued an order on November 17, 2020 raising demand of income tax amounting to Rs. 2,801.9 million on the grounds that MEPCO has made not made tax deduction u/s 161 of the Ordinance on various payments.

Being aggrieved by the above order, an appeal was filed before CIR (A) on the grounds that MEPCO is not liable to withheld income tax u/s 161/235 of the Ordinance from the parties having valid exemptions and the case is also time barred. The learned CIR (A) rejected the contentions of MEPCO and issued an order dated March 24, 2021.

Being aggrieved by the order of learned CIR (A), an appeal was filed before ATIR which is still pending for adjudication.

(xvi) Withholding tax u/s 161/205 -Tax Year 2019

Deputy Commissioner Inland Revenue (DCIR), initiated proceedings u/s 161/205 through show cause notice no. 100000105146811 dated September 24, 2021. The learned DCIR issued an order on December 31, 2021 raising demand of income tax amounting to Rs. 16,985 million on the grounds that MEPCO has not made tax deduction u/s 161/205 of the Ordinance on various payments.

Against the above said order, an appeal was filed before the Learned CIR (A) on February 11, 2022 which is still pending for adjudication.

15.1.4 Sales Tax:

(i) Sales tax audit proceedings- Tax period July 2010 to June 2011

The Deputy Commissioner Inland Revenue (DCIR), RTO, Multan initiated proceeding through notice no. 532 dated April 28, 2016 and then passed an order vide Audit unit-01/Corporate Zone/TAMS-0763/2010-11/529 dated December 14, 2016 through which demand of sales tax was raised for amounting Rs. 10,054 million.

Being aggrieved by the decision, MEPCO filed appeal before the CIR (A) on January 16, 2017. The learned CIR (A) issued an order u/s 45B of the Sales Tax Act, 1990 (the "Act") against MEPCO and upheld the order of DCIR on August 04, 2017.

Being aggrieved by the order of the learned CIR (A), a second appeal was filed before ATIR on September 18, 2017 who decided the case in favor of MEPCO and remanded the case to the ACIR.

ACIR has once again made demand of sales tax amounting to Rs. 6,095 million and penalty of amounting to Rs. 304.780 million vide order no. 38/2019-ST dated June 23, 2020. Being aggrieved with the decision, an appeal was filed in CIR(A) dated July 29, 2020 which CIR(A) set aside the order on January 06, 2021. Against the order of CIR (A), the department filed a second appeal before ATIR on April 07, 2021. Now the case is pending before ATIR.

(ii) Sales tax Audit-Tax period July 2012 to June 2013

The Deputy Commissioner Inland Revenue (DCIR), RTO, Multan started proceedings against MEPCO by issuing show cause notice vide Audit unit-01/Corp. Zone/TAMS-0389/2012-2013/139 dated December 14, 2016. By ignoring submissions of MEPCO, the learned officer issued an order against MEPCO vide 95/2017 dated April 27, 2017 on the grounds that MEPCO is required to pay Sales Tax on various heads and raised a demand of sales tax amounting to Rs. 17,185.81 million.

Being aggrieved by the decision, MEPCO filed an appeal before the CIR (A) on May 25, 2017. CIR (A) has decided the case by issuing order on July 23, 2018 in favor of MEPCO by annulling the DCIR order. Against the order of CIR (A), the department filed a second appeal before ATIR on April 07, 2021. Now the case is pending before ATIR.

(iii) Sales tax Audit-Tax period July 2016 to June 2017

The Deputy Commissioner Inland Revenue (DCIR), RTO, Multan started proceedings against MEPCO by issuing show cause notice vide 45 dated December 07, 2020. By ignoring submissions of MEPCO, the learned officer issued an order against MEPCO vide 11/2021-22 dated March 03, 2022 on the grounds that MEPCO is required to pay Sales Tax on various heads and raised a demand of sales tax amounting to Rs. 2,439.5.

Being aggrieved by the above order, an appeal was filed before CIR (A) on April 29, 2022 which is still pending for adjudication.

(iv) Sales tax on supplies to unregistered persons-Tax period July 2014 to June 2015

The Deputy Commissioner Inland Revenue (DCIR), RTO, Multan initiated proceedings through notice no. 742 dated January 05, 2016 and afterward issued an order vide 19/2016 dated February 05, 2016 alleging that MEPCO has failed to charge sales tax on supplies of electricity made to unregistered persons and raised a demand of sales tax amounting to Rs. 476 million.

Against the above order, the appeal was filed before CIR (A) on November 11, 2016 which is decided against MEPCO and the learned CIR (A) confirmed the order of DCIR. Subsequently, in appeal before ATIR, Hon'ble ATIR decided the case in favor of MEPCO vide order dated April 18, 2018 and remanded back the proceeding to the learned DCIR/ACIR.

In 2nd round of proceedings, ACIR once again issued an order on April 30, 2019 by ignoring the contentions and submissions of MEPCO. Being aggrieved by the order, appeal has been filed before CIR (A), who decided the case in favor of MEPCO and set aside the order of ACIR dated February 22, 2021. Against the order of CIR (A) the department has filed an appeal before ATIR which is still pending.

(v) Extra Tax & Further tax on supplies to unregistered persons-Tax period July 2013 to October 2013

The Deputy Commissioner Inland Revenue (DCIR), RTO, Multan passed an order against MEPCO on March 31, 2014 on the grounds that MEPCO has short paid further tax amounting Rs. 36.8 million and Extra Tax amounting Rs. 23.5 million aggregating to Rs. 60.3 million for the tax period from July 2013 to October 2013.

Being aggrieved by the decision, MEPCO filed appeal before the CIR (A) who upheld the order of DCIR vide order dated May 02, 2015.

Afterwards, a second appeal was filed before ATIR on June 06, 2015 which is pending for adjudication.

(vi) Sales tax on steel melters/re-rollers-Tax period July 2011 to June 2015

The DCIR, RTO, Multan issued notice no. 741 dated January 05, 2016. Subsequently, the DCIR passed an order vide 18/2016 dated February 19, 2016 and raised a demand of sales tax amounting to Rs. 199 million on the grounds that MEPCO has made taxable supplies to three steel melters / re-rollers but declared lesser quantity of electricity sold to its buyers during the period under consideration.

Being aggrieved by the decision, MEPCO filed appeal before the CIR (A) who upheld the order of DCIR on March 27, 2017. Being aggrieved by the order of CIR (A), second appeal was filed before ATIR. ATIR decided the case in favor of MEPCO vide order dated April 18, 2018 and remanded back the case to DCIR, RTO, Multan.

In 2nd round of proceedings, ACIR once again issued an order on April 02, 2019 by ignoring the contentions and submissions of MEPCO. Being aggrieved by the order, appeal has been filed before CIR (A), who decided the case in favor of MEPCO and set aside the order of ACIR dated February 22, 2021.

(vii) Short payment of sales tax-Tax period July to August 2014, January 2015 & April 2015

The DCIR, RTO, Multan issued notice no. 745 dated January 06, 2016. Subsequently, the DCIR passed an order vide 21/2016 dated May 02, 2016 and raised a demand of sales tax amounting to Rs. 691.82 million on the grounds that MEPCO has short paid the amount of tax for tax periods (July-14, Aug-14, Jan-15, Apr-15) in violation of sections 3(1) (A) of the Sales Tax Act, 1990 (the Act).

Against the order of learned DCIR, MEPCO filed appeal before the CIR (A) who upheld the order of DCIR vide order dated March 27, 2017. Afterwards, second appeal was filed before ATIR. ATIR decided the case in favor of MEPCO vide order dated April 18, 2018 and remanded back the case to DCIR, RTO, Multan.

In 2nd round of proceedings, ACIR once again issued an order on May 05, 2019 by ignoring the contentions and submissions of MEPCO. Being aggrieved by the order, appeal has been filed before CIR (A), who decided the case in favor of MEPCO and set aside the order of ACIR dated February 22, 2021.

(viii) Sales tax on retailers-Tax period July to August 2014

The DCIR, RTO, Multan issued notice no. 740 dated January 05, 2016 and subsequently passed the order vide 20/2016 dated May 02, 2016 and raised a demand of sales tax amounting to Rs. 22.27 million on the grounds that MEPCO has not charged and paid sales tax on supplies to retailers during the tax periods of July & August 2014 along with default surcharge and penalty of Rs. 1.11 million.

Being aggrieved by the order of DCIR, MEPCO filed appeal before the CIR (A) who upheld the order of DCIR vide order dated March 27, 2016.

Afterwards, a second appeal was filed before ATIR. ATIR decided the case in favor of MEPCO vide order 85 dated April 18, 2018 and remanded back the case to learned DCIR/ACIR.

In 2nd round of proceedings, ACIR once again issued an order and made demand of sales tax amounting to Rs. 22.27 million along with default surcharge and penalty of Rs. 1.11 million on April 30, 2019 by ignoring the contentions and submissions of MEPCO. Being aggrieved by the order, appeal has been filed before CIR (A) and who decided the case vide appellate order dated June 25, 2021 and upheld the order of ACIR.

Being aggrieved by the impugned order, MEPCO file an appeal before ATIR on August 27, 2021 which is still pending for adjudication.

(ix) Extra tax and Further tax-Tax Period July 2016 to September 2016

The ACIR, RTO Multan issued notice no. 421 dated November 17, 2016. Subsequently, the ACIR passed order vide 84 dated April 07, 2017 and raised a demand of sales tax amounting to Rs. 51.9 million on the ground that MEPCO has failed to charge/pay extra tax and further tax on supply of electricity to unregistered persons during the period from July 2016 to September 2016.

Being aggrieved by the order, MEPCO filed an appeal before CIR (A) on May 05, 2017. The learned CIR (A) issued an order on April 11, 2018 in favor of MEPCO by annulling the case. The case is now pending before learned ACIR.

(x) GST Withheld-Tax Period July 2014 to June 2016

The ACIR, RTO Multan passed an order against MEPCO on August 28, 2017 in which he raised a demand of sales tax amounting to Rs. 565 million on the ground that MEPCO has failed to deduct the sales tax during the tax period from July 2014 to June 2016.

Being aggrieved by the said order, MEPCO filed appeal before CIR (A) on October 06, 2017. CIR (A) annulled the case on April 11, 2018. Being aggrieved the department has filed a second appeal before ATIR. Now the case is pending before ATIR.

(xi) Sales tax refund-Tax period July 2009 to October 2009

MEPCO filed claim before DCIR, RTO Multan for sales tax refund amounting Rs. 274 million for the period from July to October 2009. The DCIR issued order vide 122/2016 dated May 18, 2016 rejecting the sales tax refund.

Being aggrieved by the order of DCIR, MEPCO filed an appeal before the CIR (A) on June 22, 2016. The learned CIR (A) issued his judgement in favor of MEPCO and annulled the order of DCIR on February 08, 2018. Being aggrieved the department has filed a second appeal before ATIR. Now the case is pending before ATIR.

(xii) Sales tax refund-Tax period November to December 2009

MEPCO submitted claim before DCIR, RTO Multan for sales tax refund amounting Rs. 419 million for the period November 2009 to December 2009. The DCIR issued order vide 123/2016 dated May 18, 2016 rejecting the application of sales tax refund.

Being aggrieved, MEPCO filed appeal before the CIR (A) on June 22, 2016. The CIR (A) issued judgement in favor of MEPCO and annulled the order of DCIR on February 08, 2018. Being aggrieved the department has filed a second appeal before ATIR. Now the case is pending before ATIR.

(xiii) Short payment of sales tax on supply to retailers-Tax period October 2015

The DCIR, RTO, Multan initiated proceeding through notice no. 651 dated December 18, 2015 and subsequently issued an order vide 09/2016 dated April 15, 2016 on the assumption that MEPCO has failed to charge sales tax on supply of electricity to retailers during the month of October 2015 raising demand of sales tax amounting to Rs. 23 million along with default surcharge amounting to Rs. 1.16 million.

Being aggrieved by the order of DCIR, MEPCO filed appeal before the CIR (A) on the ground that sales tax was not subject to charge on certain retailers under the provision of STGO 66/2014 dated July 21, 2015.

The CIR (A) issued judgement on February 08, 2018 in favor of MEPCO and annulled the order of DCIR. Against the order of CIR (A), the department filed a second appeal before ATIR on June 02, 2018. Now the case is pending before ATIR.

(xiv) GST Withheld-Tax period July 2016 to June 2017

The ACIR, RTO Multan initiated proceedings vide show cause notice no. 684 dated December 04, 2017 and raised question of withholding of GST withheld (1/5) amounting to Rs. 84 million. After submission made by MEPCO, the learned ACIR accepted the contentions of MEPCO to the extent of GST withheld amounting to Rs. 65 million. However, the learned officer rejected the submission on account of GST withheld amounting to Rs. 19 million and issued an order vide 174/2018 dated February 28, 2018 and raised a demand for sales tax amounting to Rs. 19 million along with default surcharge amounting to Rs. 1.9 million.

Being aggrieved by the order of ACIR, MEPCO filed appeal before the CIR (A) on March 30, 2018. The learned CIR (A) issued an order on July 10, 2018 in favor of MEPCO and annulled the order of ACIR. Being aggrieved, the department has filed an appeal before ATIR which is still pending for adjudication.

(xv) Sales tax withholding PRA-Tax period July 2014 to June 2015

The Additional Commissioner PRA (ACPRA), Multan issued an order no. ENF-I, Unit-01, WH/112/2016-17 dated November 28, 2016 by alleging that MEPCO has failed to withhold Punjab sales tax amounting Rs. 1,645 million on payments made on account of services acquired by MEPCO.

Being aggrieved by the order, MEPCO filed an appeal before Commissioner Appeal PRA. The learned Commissioner Appeal PRA issued an order no. 27/2017 dated November 14, 2017 and reduced the tax liability to Rs. 71 million along with penalty of Rs. 3.5 million.

Being aggrieved by the decision of Commissioner Appeal PRA, MEPCO has filed second appeal before Appellate Tribunal PRA on December 22, 2017, who decided the case against MEPCO but deleted the penalty of Rs. 3.5 million. Against the order of Appellate Tribunal PRA, MEPCO has filed a writ petition in High Court which is still pending for adjudication.

(xvi) Sales tax withholding PRA-Tax period July 2015 to June 2020

The Additional Commissioner PRA (ACPRA), Multan issued an order no. PRA/MTN/SC/Adc/1798 dated November 03, 2021 by alleging that MEPCO has failed to withhold Punjab sales tax amounting Rs. 10,453 million on payments made on account of services acquired by MEPCO. By ignoring the fact of the case, ACPRA issued an order on April 05, 2022 against MEPCO.

Being aggrieved by the order, MEPCO filed an appeal before Commissioner Appeal PRA on May 12, 2022 which is still pending for adjudication.

(xvii) Proceedings for wrong claim of input tax on cement-February 2017 to December 2017

The ACIR, RTO Multan initiated proceedings through notice no. 151 dated June 04, 2018 alleging that MEPCO claimed inadmissible input tax amounting to Rs. 33 million on purchase of cement. By ignoring the fact of the case, ACIR issued an order on August 17, 2018 against MEPCO.

Appeal against the ACIR order was filed before CIR (A), which CIR(A) set aside the order on January 29, 2021. Against the order of CIR (A), the department filed a second appeal before ATIR on April 07, 2021. Now the case is pending before ATIR.

(xviii) Default surcharge for late filing of sales tax returns for the period from July 2015 to June 2017

The ACIR, RTO Multan initiated proceedings through notice on April 02, 2019 alleging that MEPCO filed sales tax returns after the due date as prescribed in the Act. ACIR subsequently issued an order against MEPCO vide OIO no 47/2019 dated July 23, 2019 and raised a demand of penalty and default surcharge amounting to Rs. 19,800/- and 5,103,383/- respectively.

Appeal against the ACIR order was filed before CIR (A) on August 23, 2019 which is decided in favor of MEPCO on August 06, 2020 by annulling the order of learned ACIR and remanded the case back for review of the facts.

In 2nd round of proceedings, ACIR once again ordered against MEPCO. Being aggrieved by the order, appeal has been filed before CIR (A), who also decided the case against MEPCO dated June 26, 2021. Against the order of CIR (A), MEPCO has filed a second appeal before ATIR on August 27, 2021. Now the case is pending before ATIR.

(xviii) Sales tax on free electricity supplies to employees- Tax Year 2016 and 2017

The ACIR, RTO Multan issued notice on November 22, 2018 and alleged that MEPCO has not charged sales tax on electricity supplied to employees free of cost. Subsequently, ACIR issued an order on March 22, 2019 and raised demand of sales tax amounting to Rs. 1056.59 million.

Being aggrieved, an appeal was filed before CIR (A), who decided the case in favor of MEPCO and set aside the order on February 10, 2021. Against the order of CIR (A), the department has filed an appeal before ATIR dated May 06, 2021. Now the case is pending before ATIR.

(xx) Sales tax on reconnection fee - Tax Year 2016 and 2017

The ACIR, RTO Multan issued notice on November 22, 2018 and alleged that MEPCO has not charged sales tax on reconnection fees recovered from consumers. By ignoring the facts of the case, ACIR subsequently issued an order on March 20, 2019 and raise demand of sales tax amounting to Rs. 9.35 million.

Being aggrieved, an appeal was filed before CIR (A), who decided the case against MEPCO on June 25, 2021. Against the order of CIR (A), MEPCO has filed an appeal before ATIR on August 27, 2021. Now the case is pending before ATIR.

(xxi) Sales tax on Government Subsidy-Tax period July 2010 to June 2011

The Deputy Commissioner Inland Revenue (DCIR), RTO, Multan passed an order against MEPCO on November 19, 2012 by incorrectly treating the "Subsidy" aggregating to Rs. 24,739.75 million as taxable supplies under the Act and also taxed another item namely unexplained difference amounting to Rs.925.29 million and has created a demand of Rs. 4,363 million on these accounts.

Being aggrieved by the order, MEPCO filed appeal before the CIR (A) on December 26, 2012 who upheld the order of DCIR on February 12, 2013.

Afterwards, second appeal was filed before ATIR and vide its order no. STA 247/LB/2013 dated December 19, 2014 the point of unexplained income was remanded back to DCIR and point of the subsidy was upheld against which MEPCO.

Being aggrieved by the decision of ATIR, an appeal was filed before Honorable Lahore High Court who remanded back the case to the full bench of ATIR to decide the case. The full bench of ATIR vide its order dated March 04, 2021 has now decided in favor of MEPCO that sales tax is not applicable on amount of subsidy received from the Government. Against the order of ATIR, the department has filed an appeal before Honorable High court which is still pending.

(xxii) Sales tax on Tariff Differential Subsidy - Tax Year 2017

The ACIR, RTO Multan issued notice on November 22, 2018 and alleged that MEPCO has not charged sales tax on Tariff Differential Subsidy (TDS). By ignoring the facts of the case, ACIR subsequently issued an order on March 18, 2019 and raised demand of sales tax amounting to Rs. 4,516.7 million.

Being aggrieved, an appeal was filed before CIR (A), who decided the case in favor of MEPCO and set aside the order on February 22, 2021. Against the order of CIR (A), the department has filed an appeal before ATIR dated May 06, 2021. Now the case is pending before ATIR.

(xxiii) Sales tax on Tariff Differential Subsidy - Tax Year 2019

The ACIR, RTO Multan issued notice no. 188 on April 05, 2021 and alleged that MEPCO has not charged sales tax on Tariff Differential Subsidy (TDS) and MEPCO has no specific exemption regarding withholding of tax on advertisement expense as per Sales Tax Special Procedure (Withholding) Rules, 2007. By ignoring the facts of the case, ACIR subsequently issued an order on June 15, 2021 and raised demand of sales tax amounting to Rs. 10,683 million.

Being aggrieved by the above order, an appeal was filed before CIR (A) against which the learned CIR (A) issued an order in favor of MEPCO on TDS on and confirmed action of DCIR on advertisement expense.

Being aggrieved by the order of learned CIR (A), an appeal was filed before ATIR which is still pending for adjudication.

(xxiv) Sales tax on Tariff Differential Subsidy - Tax Year 2018 & 2020

The ACIR, RTO Multan issued notice no. 289 on June 14, 2021 and alleged that MEPCO has not charged sales tax on Tariff Differential Subsidy (TDS) and MEPCO has no specific exemption regarding withholding of tax on advertisement expense as per Sales Tax Special Procedure (Withholding) Rules, 2007. By ignoring the facts of the case, ACIR subsequently issued an order on August 23, 2021 and raised demand of sales tax amounting to Rs. 18,300 million.

Being aggrieved by the above order, an appeal was filed before CIR (A) against which the learned CIR (A) issued an order in favor of MEPCO on TDS on and confirmed action of DCIR on advertisement expense.

Being aggrieved by the order of learned CIR (A), an appeal was filed before ATIR which is still pending for adjudication.

(xxv) Inadmissible input tax-March 2016 to August 2020

The ACIR, RTO Multan initiated proceedings alleging that MEPCO claimed inadmissible input tax amounting to R.s 7.7 million. By ignoring the reply and supporting documents, ACIR issued an order against MEPCO and raised a demand of sales tax amounting to Rs. 7.7 million.

Being aggrieved by the above order, an appeal was filed before CIR (A) who decided the case against MEPCO on August 05, 2021. Against the order of CIR (A), MEPCO has filed an appeal before ATIR on October 08, 2021. ATIR decided the case in favor of MEPCO vide order 191 dated June 15, 2022 and remanded back the case to learned DCIR/ACIR.

(xxvi) Inadmissible input tax-February 2018 to May 2021

The ACIR, RTO Multan initiated proceedings alleging that MEPCO claimed inadmissible input tax amounting to R.s 0.747 million. By ignoring the reply and supporting documents, ACIR issued an order against MEPCO and raised a demand of sales tax amounting to Rs. 7.7 million.

Being aggrieved by the above order, an appeal was filed before CIR (A) on April 29, 2022 which is still pending for adjudication.

(xxvii) Inadmissible input tax on steel melters -July 2017 to June 2019

The ACIR, RTO Multan initiated proceedings alleging that MEPCO claimed inadmissible input tax on supply to steel melters of amounting to R.s 464 million. By ignoring the reply and supporting documents, ACIR issued an order against MEPCO and raised a demand of sales tax amounting to Rs. 126 million.

Being aggrieved by the above order, an appeal was filed before CIR (A) on October 08, 2021 which is still pending for adjudication.

(xxviii) Inadmissible input tax on steel melters -July 2015 to June 2019

The ACIR, RTO Multan initiated proceedings alleging that MEPCO claimed inadmissible input tax on supply to steel melters of amounting to R.s 420 million. By ignoring the reply and supporting documents, ACIR issued an order against MEPCO and raised a demand of sales tax amounting to Rs. 223.60 million.

Being aggrieved by the above order, an appeal was filed before CIR (A) who decided case in favor of MEPCO on January 21, 2022 and remanded back the case to ACIR. Against the order of learned CIR (A), the department has filed an appeal before ATIR which is still pending for adjudication.

15.2 Commitments

Letters of credit for capital expenditure and other than capital expenditure are of Rupees 6,355.213 million (2021: Rupees 162.240 million). Keeping in view the nature of Company's business, segregation of capital expenditure and other than capital expenditure is not possible at this stage.

	Note	2022 Rupees	2021 Rupees
16.3 DEPRECIATION ALLOCATION			
Depreciation charge for the year has been allocated as follows:			
Operating cost		5,702,236,440	5,457,344,407
Capital work-in-progress	16.1.2	34,009,019	8,089,616
		5,736,245,459	5,465,434,023
17 INTANGIBLE ASSETS			
Computer Softwares			
Opening book value		-	-
Amortization charged during the year		-	-
Closing book value		-	-
Cost		86,476,981	86,476,981
Accumulated amortization		(86,476,981)	(86,476,981)
Net book value		-	-
Amortization rate (per annum)		20%	20%
17.1	These include SAP software, Dongle Software and Global Positioning System (GPS).		
	Note	2022 Rupees	2021 Rupees
18 LONG TERM LOANS TO EMPLOYEES			
House building / purchase of plots		137,753,336	128,278,612
Vehicles		17,721,363	26,748,832
		155,474,699	155,027,444
Less: Current portion	22	35,044,166	42,084,463
		120,430,533	112,942,981
18.1	Advances for house building and purchase of plot are repayable in ten years, car and motor cycle advances in five years and bicycle advances in four years. As per the Company's policy, interest is charged equal to the profit rate applied on 'General Provident Fund' which is 7.9% (2021: 12%) per annum. The principal and interest amount is recoverable in equal monthly installments.		
19 LONG TERM DEPOSITS			
These represent security deposits with utility companies against connections.			
	Note	2022 Rupees	2021 Rupees
20 STORES AND SPARE PARTS			
Stores		8,776,811,014	5,503,328,470
Spare parts		356,523,742	446,736,657
		9,133,334,756	5,950,065,127
Less: Provision for stores and spare parts	20.1	355,031,463	211,293,595
		8,778,303,293	5,738,771,532
20.1 Provision for slow moving and obsolete items of stores and spare parts			
Balance as at beginning of the year		211,293,595	70,822,917
Add: Provision for the year	30	143,737,868	140,470,678
Balance as at end of the year		355,031,463	211,293,595
21 TRADE DEBTS			
Considered good - unsecured		107,031,234,506	52,863,001,973
Considered doubtful		12,613,695,778	12,505,349,978
		119,644,930,284	65,368,351,951
Less: Allowance for expected credit losses	21.1	(12,613,695,778)	(12,505,349,978)
		94,417,538,728	40,357,651,995
21.1 Allowance for expected credit losses			
Balance as at beginning of the year		12,505,349,978	11,467,624,501
Add: Expected credit loss allowance for the year	30	420,545,586	1,038,747,048
		12,925,895,564	12,506,371,549
Less: Trade debts written off during the year		312,199,786	1,021,571
Balance as at end of the year		12,613,695,778	12,505,349,978

21.2 Trade debts are partially secured to the extent of corresponding consumers' security deposits. Trade debts as at the reporting date are classified into domestic, commercial, industrial, agriculture, public lights, residential colonies and others.

	Note	2022 Rupees	2021 Rupees
21.3 Aging analysis of these trade debts is as follows:			
Not past due yet		45,724,171,653	17,680,593,383
Due up to 1 months		3,135,194,936	2,875,777,299
Due up to 2 months		521,789,191	533,852,853
2 to 3 months		372,834,918	284,635,426
3 to 6 months		554,722,663	588,208,195
6 months to 1 year		742,072,809	805,926,810
1 year to 3 years		4,349,091,751	3,659,027,867
3 years and above		5,175,984,293	4,094,713,762
Deferred arrears (1 year to 3 years)		7,760,904,488	7,057,020,795
Balances due from Government		51,308,163,582	27,788,595,561
		<u>119,644,930,284</u>	<u>65,368,351,951</u>

21.4 Trade debts include fuel price adjustment for the period from November 2019 to June 2020 amounting to Rupees 3,261.50 million which was to be charged to the consumers in the month of August and September 2020 as per the S.R.O. 700(I)/2020 dated August 07, 2020. However the above balances remained unbilled to the consumers during the year. Power Information Technology Company (Private) Limited (PITC) through its letter dated October 27, 2021 confirmed that the non-chargeability of this adjustment from the consumers was stopped on the instructions of Ministry of Energy (MOE) till further order. No further order was issued by MOE up till June 30, 2022.

21.5 As per the notification S.R.O. 1441(1)/2022 dated August 12, 2022, 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 vide letter no. Tariff/XWDISCOs-2018/19 dated August 24, 2022 and letter no. Tariff/XWDISCOs-2018/19(FCA) dated September 03, 2022 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.

	Note	2022 Rupees	2021 Rupees
22 LOANS AND ADVANCES			
Employees against expenses		26,251,274	36,335,006
Advances to suppliers		229,265,728	235,156,444
Current portion of long term loans and advances	18	35,044,166	42,084,463
		<u>290,561,168</u>	<u>313,575,913</u>

		2022 Rupees	Restated 2021 Rupees
23 OTHER RECEIVABLES			
Due from associated companies / undertakings	23.1	6,294,503,036	6,083,802,295
Sales tax receivable from consumers		33,968,217,723	24,457,448,315
Agriculture subsidy receivable from Government of Punjab		150,006,763	150,006,763
Tariff differential subsidy receivable from Government of Pakistan	23.14	35,041,721,633	82,063,355,854
Industrial Support Package		1,236,121,882	-
Duties, charges and taxes	23.15	-	-
Receivable against damaged items during warranty period		27,065,336	27,196,255
Others		49,673,272	176,712,034
		<u>76,767,309,645</u>	<u>112,958,521,516</u>

		2022 Rupees	2021 Rupees
23.1 Due from associated companies / undertakings			
Jamshoro Power Company Limited (GENCO-I)		3,905,958	2,755,380
Guddu Power Generation Company Limited (GENCO-II)		379,265,827	215,762,012
Northern Power Generation Company Limited (GENCO-III)		1,132,839,982	1,139,802,010
Lakhra Power Generation Company Limited (GENCO-IV)		1,556,669	800,192
Lahore Electric Supply Company Limited (LESCO)		361,785,050	387,645,938
Quetta Electric Supply Company Limited (QESCO)		53,456,835	68,720,918
Islamabad Electric Supply Company Limited (IESCO)		79,897,570	72,999,859
Peshawar Electric Supply Company Limited (PESCO)		429,599,513	419,091,967
Sukkur Electric Power Company Limited (SEPCO)		6,664,971	38,566
WAPDA Current Account		3,507,099,032	3,434,542,314
WAPDA Welfare Fund		338,431,629	341,643,139
		<u>6,294,503,036</u>	<u>6,083,802,295</u>

23.2 The aging analysis of amount due from associated companies / undertakings is as follows:

Upton 6 months	674,002,557	463,641,805
6 months to 1 year	252,749,155	213,783,601
1 year to 3 years	527,113,081	262,700,559
3 years and above	4,840,638,243	2,753,369,031
	6,294,503,036	3,693,494,996

23.3 The maximum aggregate amount due from Jamshoro Power Company Limited (GENCO-I) at the end of any month during the year was Rupees 3.905 million (2021: Rupees 23.36 million).

23.4 The maximum aggregate amount due from Central Power Generation Company Limited (GENCO-II) at the end of any month during the year was Rupees 379.265 million (2021: Rupees 324.32 million).

23.5 The maximum aggregate amount due from Northern Power Generation Company Limited (GENCO-III) at the end of any month during the year was Rupees 1,132.839 million (2021: Rupees 1,155.11 million).

23.6 The maximum aggregate amount due from Lakhra Power Generation Company Limited (GENCO-IV) at the end of any month during the year was Rupees 1.65 million (2021: Rupees 15.10 million).

23.7 The maximum aggregate amount due from Lahore Electric Supply Company Limited (LESCO) at the end of any month during the year was Rupees 384.974 million (2021: Rupees 439.24 million).

23.8 The maximum aggregate amount due from Quetta Electric Supply Company Limited (QESCO) at the end of any month during the year was Rupees 73.141 million (2021: Rupees 95.92 million).

23.9 The maximum aggregate amount due from Islamabad Electric Supply Company Limited (IESCO) at the end of any month during the year was Rupees 80.043 million (2021: Rupee 81.14 million).

23.10 The maximum aggregate amount due from Peshawar Electric Supply Company Limited (PESCO) at the end of any month during the year was Rupees 429.62 million (2021: Rupee 448.67 million).

23.11 The maximum aggregate amount due from Sukkur Electric Power Company Limited (SEPCO) at the end of any month during the year was Rupees 6.66 million (2021: Rupee 0.04 million).

23.12 The maximum aggregate amount due from Water and Power Development Authority (WAPDA) current account at the end of any month during the year was Rupees 10,522 million (2021: Rupees 10,824 million).

23.13 The maximum aggregate amount due from Water and Power Development Authority (WAPDA) welfare fund at the end of any month during the year was Rupees 347.301 million (2021: Rupees 341.64 million).

23.14 National Electric Power Regulatory Authority (NEPRA) determines the tariff for the Company to be charged to consumers. However, the Government of Pakistan (GoP) sometime notifies lesser rate to be charged to the consumers. The difference of determined rate by NEPRA and notified rate by GoP is given to the Company in the shape of subsidies. GoP is paying different type of subsidies to the Company. One of these subsidies is Applicable Quarterly Tariff Adjustments (AQTA).

	Note	2022 Rupees	2021 Rupees
23.15 Duties, charges and taxes			
Receivables not yet realized:			
Electricity duty		463,223,998	368,854,412
Income tax		685,562,044	520,905,963
Other taxes		391,100,999	106,150,550
Neelum Jhelum surcharge		166,278,366	196,170,059
Debt service surcharge		1,824,459,941	1,501,182,804
Universal obligation surcharge		101,874,346	132,745,622
T.V license fee		157,934,860	159,645,677
Equalization surcharge		4,202,443	6,224,300
		3,794,636,997	2,991,879,387
Payables not yet realized:			
Electricity duty		(463,223,998)	(368,854,412)
Income tax		(685,562,044)	(520,905,963)
Other taxes		(391,100,999)	(106,150,550)
Neelum Jhelum surcharge		(166,278,366)	(196,170,059)
Debt service surcharge		(1,824,459,941)	(1,501,182,804)
Universal obligation surcharge		(101,874,346)	(132,745,622)
T.V license fee		(157,934,860)	(159,645,677)
Equalization surcharge		(4,202,443)	(6,224,300)
		(3,794,636,997)	(2,991,879,387)
		-	-

23.13.1 These represent the amounts billed to the customers on behalf of the respective authorities and are receivable at year end which have been netted off against their respective payables.

24 SALES TAX RECEIVABLE

This include Rs. 4,139.03 million against sales tax refunds due from the Government relating to financial years from 2009-10 to 2011-12. An Application for request to allow input tax carry forward by cancelling the applications for refund claims was filed by the Company dated April 26, 2018. The Company also filed a Writ Petition No. 589/2019 before High Court Multan Bench which is pending adjudication.

25 SHORT TERM INVESTMENTS - AMORTIZED COST

These represent term deposit receipts placed with different banks having maturity period of one to three months (2021: one to three months) at profit rates ranging from 15.06% to 15.26% (2021: 5.10% to 7.76%) per annum.

	Note	2022 Rupees	2021 Rupees
26 BANK BALANCES			
Current accounts		7,556,408,440	1,388,420,689
Deposit accounts	26.1	3,163,274,687	4,085,706,890
		<u>10,719,683,127</u>	<u>5,474,127,579</u>

26.1 This includes deposit with various banks and the rate of profit on these deposit accounts ranges between 5.3% to 10.75% (2021: 2.85% to 5.50%) per annum.

		2022 Rupees	2021 Rupees
27 SALE OF ELECTRICITY			
Gross sales		401,051,643,105	256,391,898,991
Less: Sales tax		55,207,731,691	39,611,004,914
		<u>345,843,911,414</u>	<u>216,780,894,077</u>

28 TARIFF DIFFERENTIAL SUBSIDIES

These represent the tariff subsidies claimed from the Government of Pakistan as the difference between rates determined by NEPRA and rates charged to the consumers as notified by the Government of Pakistan from time to time.

29 COST OF ELECTRICITY

The Company purchased electricity from CPPA and other private power producers. The electricity purchased during the year has been accounted for according to invoices issued by CPPA and adjusted in accordance with monthly fuel price adjustment determined and notified by NEPRA.

	Note	2022 Rupees	2021 Rupees
30 OPERATING EXPENSES EXCLUDING DEPRECIATION			
Salaries, wages and other benefits		11,894,968,680	10,180,376,415
Staff retirement benefits	9.2	10,105,946,934	8,599,790,286
Repair and maintenance		1,756,533,000	1,992,034,369
Travelling and conveyance		833,930,649	899,287,419
Electricity bills collection charges		606,194,525	464,745,380
Transportation		498,290,639	412,645,179
Advertising and publicity		30,507,831	34,083,193
Office supplies and other expenses		250,074,075	284,338,405
Legal and professional		35,628,113	44,819,300
Auditors' remuneration	30.1	2,250,000	2,515,500
Power, light and water		162,953,606	124,639,547
fees and subscriptions		577,880,936	785,741,065
Telephone and postage		99,512,510	91,016,784
Management fees		89,032,605	140,129,123
Rent, rates and taxes		28,432,578	24,409,217
Insurance		60,399,356	57,462,417
Impairment of capital work in progress	16.1.1	45,649,454	21,775,328
Provision stores and spare parts	20.1	143,737,868	140,470,678
Workers' profit participation fund	13.3.1	-	700,227,956
Late payment charges (supplementary charges)	30.2	3,103,827,729	3,148,333,485
Other charges		55,871,091	48,626,109
		<u>30,381,622,179</u>	<u>28,197,467,155</u>
Less: Charged to capital work-in-progress	16.1.2	584,021,600	528,731,062
		<u>29,797,600,579</u>	<u>27,668,736,093</u>

	Note	2022 Rupees	2021 Rupees
30.1 Auditor's remuneration			
Audit fee		2,000,000	1,215,500
Other certifications fee		-	1,125,000
Reimbursable expenses		250,000	175,000
		<u>2,250,000</u>	<u>2,515,500</u>
30.2	These include supplemental charges of Rupees 3,103.8 million (2021: Rupees 3,148.33 million) passed on the Company, which comprise re-allocation of mark-up on late payments imposed by Independent Power Producers (IPPs) to CPPA on the basis of average outstanding balance.		
	Note	2022 Rupees	2021 Rupees
31 OTHER INCOME			
Income from financial assets:			
Profit on bank deposits and term deposit receipts		2,326,335,082	1,214,965,656
Late payment surcharge		3,103,827,729	3,148,333,485
		<u>5,430,162,811</u>	<u>4,363,299,141</u>
Income from non-financial assets:			
Commission on T.V license fee services		56,352,459	52,604,934
Meter / service rent		69,028,044	71,513,915
Service charges		667,681,559	82,182,386
Reconnection fees		52,872,147	52,012,927
Sale of scrap		7,908,400	128,330,003
Miscellaneous		588,298,165	531,561,355
		<u>1,442,140,774</u>	<u>918,205,520</u>
		<u>6,872,303,585</u>	<u>5,281,504,661</u>
32 FINANCE COST			
Mark-up on long term financing		1,206,589,372	1,310,081,833
Mark-up transferred from GoP		788,499,051	286,217,772
Bank charges and commission		3,449,823	4,309,136
		<u>1,998,538,246</u>	<u>1,600,608,741</u>
33 TAXATION			
33.1 Current tax			
For the year		4,327,557,090	3,255,921,806
		<u>4,327,557,090</u>	<u>3,255,921,806</u>
33.2 Relationship between tax expense and accounting profit			
Profit before taxation		(18,486,873,702)	13,304,331,172
Tax calculated at applicable rate of 29% (2021: 29%)		(5,361,193,373)	3,858,256,039.88
Difference of NTR and turnover tax		4,327,557,090	3,255,921,806
Utilization of deferred tax asset not recognized earlier		-	(3,858,256,040)
Deferred tax not recognized as asset		5,361,193,373	-
		<u>4,327,557,090</u>	<u>3,255,921,806</u>
33.3	Deferred income tax asset has not been recognized in these financial statements due to uncertainty in availability of sufficient future taxable profits as these temporary differences are not likely to reverse in the foreseeable future.		
		2022 Rupees	2021 Rupees
Deferred tax asset			
Deferred income tax effect due to:			
Accelerated tax depreciation		(20,251,223,274)	(19,607,254,542)
Allowance for expected credit losses		3,657,971,776	3,626,551,494
Provision for slow moving and obsolete items of stores and spare parts		102,959,124	61,275,143
Staff retirement benefits		31,522,055,847	25,802,895,556
Unused tax losses and credit		158,313,671,008	152,368,315,024
Deferred tax asset		<u>173,345,434,480</u>	<u>162,251,782,674</u>

33.4 The unused tax losses would expire as follows:

Accounting year to which the unused tax losses relates	Amount of unused tax losses	Accounting year in which unused tax losses will expire
Rupees		
2017	57,462,062,771	2023
2018	80,639,803,988	2024
2019	86,563,621,515	2025
2020	66,877,530,644	2026
2021	50,658,533,373	2027
2022	82,623,183,128	2028
	424,824,735,419	

33.5 The minimum tax would expire as follows:

Accounting year to which the minimum tax relates	Amount of minimum tax	Accounting year in which minimum tax will expire
Rupees		
2018	1,749,653,738	2023
2019	2,066,845,317	2024
2020	2,990,147,480	2025
2021	3,251,711,413	2026
2022	4,323,048,893	2027
	14,381,406,841	

34 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other shareholders and to maintain an optimal capital structure to reduce the cost of capital. As public interest entity, financial support is available to the Company from Federal Government and WAPDA in the form of delayed settlement of CPPA against electricity purchase, tariff revision and subsidy on purchases.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, less cash and cash equivalents.

	2022 Rupees	2021 Rupees
The gearing ratios is as follows:		
Long term financing	14,217,397,831	15,547,707,551
Accrued mark up	9,225,118,719	8,018,529,347
Total debt	23,442,516,550	23,566,236,898
Total equity	(86,716,839,122)	(72,087,368,512)
Total capital	(63,274,322,572)	(48,521,131,614)
Gearing ratio	-37%	-49%

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

	2022			
	Long term financing	Long term security deposits	Receipt against deposit works and deferred credit	Total
	Rupees			
Balance as at July 01, 2021	14,250,175,730	11,395,508,533	91,743,074,645	117,388,758,908
Financing obtained	-	-	-	-
Repayment of financing	(32,777,899)	-	-	(32,777,899)
Security deposits received	-	1,057,853,706	-	1,057,853,706
Receipts against deposit works	-	-	11,160,075,662	11,160,075,662
Amortization of deferred credit-non cash	-	-	(3,366,498,166)	(3,366,498,166)
Balance as at June 30, 2022	14,217,397,831	12,453,362,239	99,536,652,141	126,207,412,211
	2021			
	Long term financing	Long term security deposits	Receipt against deposit works and deferred credit	Total
	Rupees			
Balance as at July 01, 2020	14,149,488,141	10,179,383,631	85,527,051,683	109,855,923,455
Financing obtained	133,357,295	-	-	133,357,295
Repayment of financing	(32,669,706)	-	-	(32,669,706)
Security deposits received	-	1,216,124,902	-	1,216,124,902
Receipts against deposit works	-	-	9,363,958,744	9,363,958,744
Amortization of deferred credit-non cash	-	-	(3,147,935,782)	(3,147,935,782)
Balance as at June 30, 2021	14,250,175,730	11,395,508,533	91,743,074,645	117,388,758,908

36 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

Aggregate amount charged in these financial statements in respect of remuneration including all benefits to the Chief Executive Officer, directors and executives of the Company are as follows:

	2022	2021	2022	2021
	Chief Executive Officer		Executives	
	Rupees	Rupees	Rupees	Rupees
Basic pay	1,830,850	2,100,553	87,281,233	88,247,280
Allowances	3,400,172	6,218,013	80,671,526	115,972,248
Meeting fee	2,650,000	1,575,000	-	-
	7,881,022	9,893,566	167,952,759	204,219,528
Number of persons	1	1	67	59

36.1 The Chief Executive Officer is provided unfurnished accommodation, free electricity, free use of the Company's maintained vehicle and telephone facility as per the Company's rules. Moreover, all executives are provided free electricity and some of the executives are also provided unfurnished accommodation, free use of the Company's maintained vehicle and telephone facility as per the Company's rules.

36.2 Aggregate amount charged in the financial statements for meeting fee to 10 directors (2021: 10) was Rupees 25.196 million (2021: Rupees 12.505 million).

36.3 No remuneration was paid to any Director of the Company and Rupees 60,000 (2021: Rupees 35,000) was paid to each Director for meeting.

37 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies / undertakings and key management personnel. Detail of transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	Note	2022 Rupees	2021 Rupees
Associated companies / undertakings:			
Purchase of electricity		406,934,603,535	248,523,078,796
Free supply of electricity provided to employees of associated companies		248,174,985	239,491,748
Free supply of electricity received by employees of the Company		99,438,805	91,371,868
Electricity bills of the Company received by associated companies		1,341,904	3,078,144
Electricity bills of associated companies received by the Company		4,237,515	1,934,798
Pension paid to employees of associated companies		1,309,427,588	1,115,283,507
Pension received by employees of the Company from associated companies		302,115,356	308,542,112
Finance cost		1,995,088,423	1,596,299,605

37.1 Detail of compensation to key management personnel comprising of Chief Executive Officer, directors and executives is disclosed in Note 36.

37.2 **Associated companies / undertakings with whom the Company have transactions during the year:**

Name of the related party	Basis of relationship	% of shareholding
Jamshoro Power Company Limited (GENCO-I)	GoP holding	Not applicable
Central Power Generation Company Limited (GENCO-II)	GoP holding	Not applicable
Northern Power Generation Company Limited (GENCO-III)	GoP holding	Not applicable
Lakhra Power Generation Company Limited (GENCO-IV)	GoP holding	Not applicable
National Transmission and Despatch Company Limited (NTDC)	GoP holding	Not applicable
Central Power Purchasing Agency (Guarantee) Limited (CPPA)	GoP holding	Not applicable
Lahore Electric Supply Company Limited (LESCO)	GoP holding	Not applicable
Quetta Electric Supply Company Limited (QESCO)	GoP holding	Not applicable
Islamabad Electric Supply Company Limited (IESCO)	GoP holding	Not applicable
Peshawar Electric Supply Company Limited (PESCO)	GoP holding	Not applicable
Hyderabad Electric Supply Company Limited (HESCO)	GoP holding	Not applicable
Sukkur Electric Power Company Limited (SEPCO)	GoP holding	Not applicable
Faisalabad Electric Supply Company Limited (FESCO)	GoP holding	Not applicable
Gujranwala Electric Power Company Limited (GEPCO)	GoP holding	Not applicable
Water and Power Development Authority (WAPDA)	GoP holding	Not applicable
Power Information Technology Company (Private) Limited (PITC)	GoP holding	Not applicable

37.2.1 The Company and all of the above mentioned companies / undertakings are under common control of the Government of Pakistan with the Ministry of Water and Power.

	2022	2021
38 NUMBER OF EMPLOYEES		
Number of employees at the year end	15,005	15,657
Average number of employees during the year	15,287	15,908

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors of the Company oversees how management monitors compliance 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.

39.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. Keeping in view short term and long-term outlook of each sector, management has taken into consideration the factors while calculating expected credit losses against trade debts and other receivables. The maximum exposure to credit risk at the reporting date was as follows:

The Company monitors the credit quality of its financial assets with reference to the historical performance of such assets and available external credit ratings. The carrying values of the financial assets exposed to credit risk are as follows:

	2022 Rupees	2021 Rupees
Trade debts	94,417,538,728	40,357,651,995
Loans and advances	155,474,699	155,027,444
Accrued interest	107,552,341	265,611,799
Deposits	49,185	49,185
Other receivables	40,339,459,367	30,745,158,899
Bank balances	10,719,683,127	5,474,127,579
	145,739,757,447	76,997,626,901

To manage exposure to credit risk in respect of trade debts, management takes into account the long standing business relationships with these counterparties, and after giving due consideration to their strong financial standing, including obtaining security deposits from them, the management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, credit risk is minimal.

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

Based on the past experience and deliberations management has recognized expected credit losses in respect of trade debts as given in Note 21 to the financial statements.

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

	Rating			2022	2021
	Short term	Long term	Agency	(Rupees)	
Allied Bank Limited	A1+	AAA	PACRA	1,166,388,784	3,200,811,393
United Bank Limited	A-1+	AAA	VIS	178,268,718	4,213,066,746
MCB Bank Limited	A1+	AAA	PACRA	352,289,820	239,159,829
Habib Bank Limited	A-1+	AAA	VIS	4,469,558,588	1,768,581,110
National Bank of Pakistan	A1+	AAA	PACRA	4,595,071,677	4,585,839,093
The Bank of Punjab	A1+	AA+	PACRA	349,336,150	1,774,547,580
Bank Alfalah Limited	A1+	AA+	PACRA	8,384,105,336	850,224,379
Bank Al-Habib Limited	A1+	AAA	PACRA	172,142,927	1,407,945,061
Meezan Bank Limited	A-1+	AAA	VIS	5,477,162	4,008,808
Soneri Bank Limited	A1+	AA-	PACRA	4,224,975,863	2,107,586,092
Askari Bank Limited	A1+	AA+	PACRA	28,362,850	1,741,231,924
Faysal Bank Limited	A1+	AA	PACRA	16,819,214	1,037,170,200
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	6,875,005,456	-
Standard Chartered Bank Limited	A1+	AAA	PACRA	1,536	1,352
Zarai Taraqati Bank Limited	A-1+	AAA	VIS	26,589,366	25,296,749
JS Bank Limited	A1+	AA-	PACRA	8,490,201	3,535,325
Silkbank Limited	A-2	A-	VIS	-	127,153
AlBaraka Bank (Pakistan) Limited	A-1	A+	PACRA	38,374	173,015
Dubai Islamic Bank Pakistan Limited	A-1+	AA	VIS	812,559	134,825
Bank Islami Pakistan Limited	A1	A+	PACRA	167,012	708,276
Trust Investment Bank Limited	N/A	N/A	N/A	214,383,418	214,373,418
Punjab Provincial Bank Limited	N/A	N/A	N/A	39,373,617	3,718,126
Pakistan Post Office	N/A	N/A	N/A	7,110,853,499	371,031,688
				38,218,512,127	23,549,272,142

39.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with the financial instruments. The management is closely monitoring the Company's liquidity and cash flow position through its treasury function and ensures availability of funds by maintaining credit facilities available from financial institutions. The liquidity management also involves monitoring of liquidity ratios and maintaining debt financing plans.

Table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted cash flows:

June 30, 2022					
Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 3 years	
(Rupees)					
Non-derivative financial liabilities:					
Long term financing	14,217,397,831	20,552,221,902	1,002,616,696	969,607,061	18,579,998,145
Long term security deposits	12,453,362,239	12,453,362,239	-	-	12,453,362,239
Trade and other payables	187,675,318,023	187,675,318,023	187,675,318,023	-	-
Accrued mark-up	9,225,118,719	9,225,118,719	9,225,118,719	-	-
	223,571,196,812	229,906,020,883	197,903,053,438	969,607,061	31,033,360,384

June 30, 2021					
Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 3 years	
(Rupees)					
Non-derivative financial liabilities:					
Long term financing	14,250,175,730	31,117,235,432	14,844,911,319	1,102,821,212	15,169,502,901
Long term security deposits	11,395,508,533	11,395,508,533	-	-	11,395,508,533
Trade and other payables	160,950,517,804	160,950,517,804	160,950,517,804	-	-
Accrued mark-up	8,018,529,347	8,018,529,347	8,018,529,347	-	-
	194,614,731,414	211,481,791,116	183,813,958,470	1,102,821,212	26,565,011,434

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June. The rates of mark-up have been disclosed in Note 7 to these financial statements.

39.3 Market Risk

Market risk is the risk that the value of the financial instruments may fluctuate as a result of change in foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

a) Foreign currency risk

Foreign currency risk is the risk that the future cash flows of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is not exposed to any foreign currency risk as there was no foreign party transaction during the year and no receivable and payable balance in foreign currency at the year end.

b) Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company mitigates its risk against exposure by maintaining adequate bank balances. Majority of the interest rate exposure arises from long term financing, long term advances, bank balances in saving accounts and term deposit receipts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk. Interest rates are mostly dependent upon Karachi Inter Bank Offered Rate ("KIBOR") as indicated in respective notes.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Note	2022 Rupees	2021 Rupees
Fixed rate instruments			
Financial assets			
Long term advances		155,474,699	155,027,444
Term deposit receipts		27,500,000,000	18,075,614,275
		27,655,474,699	18,230,641,719
Financial liabilities			
Long term financing		14,061,123,790	14,061,123,790

Floating rate instruments

Financial assets

Bank balances - deposit accounts	3,163,274,687	4,085,706,890
Short term investments - amortized cost	27,500,000,000	18,075,614,275

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 306.63 million (2021: Rupees 221.61 million) higher / lower, mainly as a result of higher / lower interest income on bank balances in deposit accounts. This analysis is prepared assuming amounts of financial instruments outstanding at reporting date were outstanding for the whole year.

c) 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 there are no investments in equity securities. The Company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity price.

39.4 Financial instruments by categories

Financial assets as per statement of financial position:

	2022 Rupees	2021 Rupees
At amortized cost		
Trade debts	94,417,538,728	40,357,651,995
Loans and advances	155,474,699	155,027,444
Accrued interest	107,552,341	265,611,799
Deposits	49,185	49,185
Other receivables	76,767,309,645	112,958,521,516
Short term investments - amortized cost	27,500,000,000	18,075,614,275
Bank balances	10,719,683,127	5,474,127,579
	209,667,607,725	177,286,603,793

Financial liabilities as per statement of financial position:

Long term financing	14,217,397,831	14,250,175,730
Long term security deposits	12,453,362,239	11,395,508,533
Trade and other payables	192,312,653,012	164,106,950,529
Accrued mark-up	9,225,118,719	8,018,529,347
	228,208,531,801	197,771,164,139

40 RECOGNIZED FAIR VALUE MEASUREMENTS

Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading and equity 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.

41 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, for the purpose of better comparison. Following are the major reclassifications that have been made during the period:

Description	Reclassified		Reason	Rupees
	From	To		
Advance income tax	Withholding tax payable	Advance income tax	Better presentation	48,239,832
Sales tax receivable	Creditors	Sales tax receivable	Better presentation	76,195,849
Trade and other payables	Accrued liabilities	Creditors	Better presentation	64,885,510
Trade and other payables	Other receivable	Other deposits	Better presentation	56,908,306
Operating expenses	Other charges - Incentives and awards	Salaries and wages	Better presentation	399,011,607
Trade debts	Contract liabilities	Trade debts	Better presentation	793,319,983
		Due to associated companies		
Trade and other payables	Accrued liabilities	Short term investments	Better presentation	83,201,025
Short term investments	Bank balances			
				18,075,614,275

42 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on _____.

43 GENERAL

Figures have been rounded off to the nearest Rupee unless otherwise stated.

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CHIEF EXECUTIVE OFFICER



DIRECTOR