

Statement of Corporate Intent - FY 2024-25 to 2026-27

GENCO HOLDING COMPANY LIMITED

1ST FLOOR, OPF BUILDING, SHAHRAH E JAMHURIYAT, G-5/2, ISLAMABAD

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1- Name of State-Owned Enterprise:

GENCO Holding Company Limited (the **GHCL**)

2- Incorporated / established on:

The GHCL was incorporated on 09th February 2012.

3- Subsidiaries included in this Statement of Corporate Intent:

Presently, there is no legal subsidiary company of the GHCL. Hence, this Statement of Corporate Intent doesn't include any subsidiary.

4- Description of the main business:

The GHCL is operating as not for profit entity because presently it is functioning as Managing Agent of the following Ex-Wapda GENCOs with the aim to improve the performances of the GENCOs, by consolidating the control of the GENCOs in a single entity so that better corporate management, improved financial control, and forward-thinking business planning could be brought into the GENCOs.

- Jamshoro Power Company Ltd. (GENCO-I),
- Central Power Generation Company Ltd. (GENCO-II),
- Northern Power Generation Company Ltd. (GENCO-III),
- Lakhra Power Generation Company Ltd. (GENCO-IV)

5- Summary of the business goals of the state-owned enterprise (as per the approved business plan):

The business objectives are described in detail at Section-4 of the Business Plan of GHCL and briefly listed hereunder:

- a) On the direction of the Power Division, to streamline the operations and cut down on expenditures, the GHCL has initiated the process for merger of GENCOs with GHCL. The merger will result in cut down of major administrative cost, clear chain of command, focused vision, quick implementation, improved controls & quality of work, better decision making, optimum utilization of resources and single focal point to coordinate with ministries & divisions.
- b) Presently, each GENCO is managing the commercial functions at their own but there a number of issues which are neglected in the past which resulted in dispute of huge financial claims with the Power Purchaser which are otherwise legitimate right of the GENCO. In order to avoid such issues and to run the business of GENCOs on professional lines, a Centralized Commercial Department (CCD) at GHCL level is envisioned with composition of techno-financial professionals. This department will closely liaison with the regulator, power purchaser and other policy making institutions for taking effective actions to improve the economic and financial health of the GHCL.
- c) The vision for efficient running of GENCOs is that all the old & inefficient power plants should be closed and disposed, except 747-MW Guddu, 525-MW Nandipur and upcoming 660 MW Coal fired power project. In this regard the old plants at various locations i.e. Kotri, Lakhra, Guddu, Sukkur, Quetta, Multan, Faisalabad and Shahdara; having a total installed capacity of 1843 MW are planned to be disposed-off through competitive process.
- d) As the GENCOs' old power plants are closed and their employees are surplus. These surplus employees are being planned to be adjusted in Ex-Wapda DISCOs. For this purpose, the Power Division has directed the stakeholders i.e. GHCL / GENCOs and DISCOs to chalk out employees' adjustment plan, under PPMC umbrella against vacant positions in DISCOs. For remaining, GHCL would engage a firm for actuarial study to workout exact payments to be made to employees who will opt for Voluntary Separation Scheme (VSS) or Golden Handshake Scheme may be offered.

- e) Presently, the two relatively new and efficient power plants i.e. 525-MW, Nandipur & 747-MW, Guddu are on active list of privatization. The Financial Advisor (FA) for Nandipur power plant has already been engaged by Privatization Commission. Certain key issues, which are highlighted by the FA are being addressed. These key issues mainly consist of separate power purchase agreements, separate gas/ fuel supply agreements, separate generation license, transfer of land, separate gas allocation in the name of the project.

6- Summary of the performance measures and benchmarks against the state-owned enterprise business goals and its primary objective (targets of the state-owned enterprise):

Key performance indicators (KPIs) are the measures used to reflect organizational success or progress in relation to a specified goal. The purpose of KPIs is to monitor progress towards accomplishing the strategic objectives that are typically communicated in a strategy map.

For GHCL, KPIs are divided into two broad categories of Financial & Non-Financial in order to better report and track the performance with regard to the managing agent agreement between GHCL and GENCOs.

6.1 Financial KPIs:

- a. Revenue Generation:**
 - Total revenue from electricity sales while matching the efficiency and availability bench marks.
- b. Cost Management:**
 - Total operational costs (fuel, maintenance, labor, etc.) with reference to applicable tariff.
 - Fuel cost per unit of electricity generated and tariff gap.
 - Maintenance cost per unit of electricity generated allowed vs actual.
 - Total overhead expenses (administrative, establishment, etc.) allowed vs actual.
- c. Profitability:**
 - Gross profit margin (Increase /decrease w.r.t last FY)
 - Net profit margin (Increase /decrease w.r.t last FY)
 - Earnings before interest, taxes +/- w.r.t last FY
- d. Financial Health:**
 - Debt-to-equity ratio (Increase/decrease w.r.t last FY)
 - Debt service coverage ratio (DSCR) (Increase/decrease w.r.t last FY)
 - Interest coverage ratio (Increase/decrease w.r.t last FY)
 - Liquidity ratios (current ratio, quick ratio) (Increase/decrease w.r.t last FY)
 - Cash flow from operations (+/- w.r.t last FY)
- e. Investment Performance:**
 - Payback period for major investments (Increase/decrease w.r.t last FY)
 - Net present value & IRR

6.2 Non-Financial KPIs:

- a. Effective liaising with GoP and Ministry of Energy (Power Division) regarding:**
 - Implementation of policies i.e. Merger of GENCOs with GHCL
 - Disposal of old & defunct GENCOs' plants.
 - Privatization of operational plants.
- b. Coordination with CPPA-G & System Operator (NPCC)**
 - For the settlement of GENCOs' claims about receivables

- Signing of PPA between Jamshoro CFPP with K-Electric, separate PPAs for 747- MW Guddu and CCPP Nandipur as required by the Privatization Commission.
 - Settlement of LDs and disputes.
 - Placement of GENCOs' efficient power plants in IGCEP.
 - Import energy issues
 - Ensuring compliance to Grid codes
 - Heat rates and dependable capacity tests
 - Economic Merit order and dispatch
- c. Engagement with NEPRA on behalf of GENCOs**
- New tariffs for upcoming projects
 - Revisions of tariff for GENCOs
 - Periodic indexation etc.
 - Periodic adjustment in tariffs for pass-through tariff components
 - Licensee Proposed Modifications (LPM)
 - Authority Proposed Modifications (APM)
- d. Arrangement of financing through MDBs & Financial Institutions**
- Liaison with Asian Development Bank on behalf of JPCL to deal with various matters concerning re-allocation of funds, extension of loan closing date etc.
 - Financing arrangements with Islamic Development Bank (IsDB) for rehabilitation of damaged ST-16 installed at 747 MW Guddu plant
 - Arrangement of foreign exchange allocations in coordination with state bank of Pakistan.
 - Economic Affairs Division to seek international financing arrangements for upcoming projects.
- e. HR Functions**
- Adjustment of surplus staff in DISCOs through PPMC.
 - Managing effective HR policies in GENCOs through need-based transfer, posting, training and promotions of the employees.
 -
- f. Contract Administration and management**
- Facilitating the GENCOs in carrying out contract administration and management especially at 660 MW CFPP Jamshoro and matters regarding outsourcing of 747 MW CCPP Guddu besides engaging with O&M operator of CCPP Nandipur.
- g. Monitor performance of GENCOs** by carrying out operational audit and assessment in the domains of Operational Efficiency, Reliability & Availability, Environmental Performance, Safety & Health, Community Engagement, Regulatory Compliance, Innovation & Technology Adoption.

7- Summary of the strategies of the state-owned enterprise for achieving its business goals & primary objective and a summary of key risks identified in the achievement of the business goals:

Business Goals & Objectives	Proposed Strategy	Key Risks
Merger of GENCOs with GHCL	<ul style="list-style-type: none"> • Development of merger scheme • Scheme of arrangement • Establishment of legal holding company • Transfer of GENCOs shares to GHCL • Regulatory approvals from SECP, CCP, NEPRA, Court of Law etc. • Lenders' consent/ NOC 	<ul style="list-style-type: none"> • Stakeholder's consent • Regulatory approvals • Legal approvals especially from Hight Court
Disposal of Old GENCOs Plants	<ul style="list-style-type: none"> • Consent of Power Division as shareholder • Approvals from respective BODs • Hiring of engineering consultant(s) • Valuation of plant & equipment • International competitive bidding • Dismantling & disposal • Compliance to human & environmental safety & security standards 	<ul style="list-style-type: none"> • No past history/ experience • Uncertain buyer's market • Lengthy dismantling process
Adjustment of Surplus Staff	<ul style="list-style-type: none"> • Consent of employees for preferred DISCO • Chalking out adjustment strategy between DISCOs & GENCOs under the umbrella of PPMC • Protection of employees' seniority/ scales • Pay protection • Approval of adjustment plan from the ECC of the Cabinet for implementation 	<ul style="list-style-type: none"> • Litigation • Stay Order • Strikes by Labor Unions
Privatization of Efficient Plants	<ul style="list-style-type: none"> • The process will be conducted by the Privatization Commission under the PC Ordinance 2000. • GHCL to extend all out support in removing in obstacles or resolving key issues for smooth privatization process 	<ul style="list-style-type: none"> • Transfer of Land Ownership • Removal of Sukuk • Stakeholders issues • Creditor's risk (PSO, PPL MPCL, etc.) • Legal • Lender's Consent
Outsourcing of 747 MW CCGP Guddu	<ul style="list-style-type: none"> • Development of RFP • Pre-Qualification of prospective bidders • International competitive bidding & award process • Handing-over of the plant to the O&M operator • Contract management 	<ul style="list-style-type: none"> • Legal issues • Strike by labor union • Gap in Tariff and O & M Operator bid price • ST-16 rehabilitation • Security of foreigners
Efficient Operation of GENCOs Operational Plants	<ul style="list-style-type: none"> • Seeking rational tariff from NEPRA • Implementation of maintenance schedules • Hiring of professional O&M team or outsourcing • Development & active engagement of central commercial department 	<ul style="list-style-type: none"> • Rationality in tariff • System operator's instructions for partial loading etc. • Accuracy in performance curves • Delay in scheduled maintenance • Delay in release of funds by power purchaser • Fuel availability

8- The current or anticipated borrowing of the state-owned enterprise, including borrowing by the subsidiary:

The GHCL has no borrowings from any financial institutions. However, the borrowings of the GENCOs are being reported hereunder in anticipation of their merger with GHCL in near future:

(In Million)

Name of the GENCO	Project Name	Total Loan Drawn	Lender	Loan Tenor (Grace/ Repayment)	Current Outstanding (As on 31.05.2024)	Remaining Number of Installments	Loan Maturity Date
CPGCL (GENCO-II)	747-MW, CCPP Guddu	USD 463.83	HSBC + CEXIM	3 + 9 years	USD 25.77	01	July 2024
NPGL (GENCO-III)	525-MW, CCPP Nandipur	PKR 32.11	Local Banks lead by HBL	3 + 12 years	PKR 9,946	08	January 2028
JPCL (GENCO-I)	660-MW, CFPP Jamshoro	USD 450	ADB	5 + 25 years	USD 450	50	2043
		PKR 16,625	GOP	5 + 20 years	PKR 16,625	20	2047

9- The accounting policies that the state-owned enterprise will apply for financial records and reporting:

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

9.1 Basis of preparation

9.1.1 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; and
- Provisions of and directives issued under the Companies Act, 2017.

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

9.1.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for certain financial instruments which are carried at their fair values.

9.1.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in the application of accounting policies are as follows:

a) Useful lives, patterns of economic benefits and impairments

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

b) Income tax

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

c) Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgment. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

d) Provisions

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

9.2 Taxation

a) Current

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

b) 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.

9.3 Functional and presentation currency

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

9.4 Provisions

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

9.5 Operating fixed assets and depreciation

a) Owned

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost of operating fixed assets consists of historical cost and other directly attributable cost of bringing the asset to working condition.

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

b) Depreciation

Depreciation on operating fixed assets is charged to the statement of profit or loss applying the straight-line method so as to write off the cost / depreciable amount of the asset over their estimated useful lives at the rates given in Note 3. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are derecognized. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

c) De-recognition

An item of operating fixed assets is derecognized 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 derecognized.

9.6 Investments and other financial assets

9.6.1 Classification

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

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

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

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

9.6.2 Measurement

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

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

a) Debt instruments

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

i. Amortized cost

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

ii. Fair value through other comprehensive income (FVTOCI)

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

iii. Fair value through profit or loss

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

b) Equity instruments

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

i. Fair value through other comprehensive income (FVTOCI)

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

ii. Fair value through profit or loss

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

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

9.7 Financial liabilities

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

9.8 Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

9.9 De-recognition

a) Financial assets

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

b) Financial liabilities

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

9.10 Offsetting of financial instruments

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

9.11 Due from related parties

Due from related parties are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, less any allowance for expected credit losses. These generally do not include amounts over due by 365 days except for receivables from Government. Securities and Exchange Commission of Pakistan (SECP) through S.R.O. 985(I)/2019 dated 02 September 2019, deferred the applicability of the requirements contained in IFRS 9 with respect to application of expected credit losses method in respect of companies holding financial assets due from the Government of Pakistan. The aforementioned exemption is provided on the condition that such companies shall follow relevant requirements of IAS 39, in respect of above referred financial assets during the exemption period.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, these due from related parties have been grouped based on days overdue.

9.12 Due to related parties

Liability for due to related parties are initially recognized at fair value, which is normally the transaction cost.

9.13 Cash and cash equivalents

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

9.14 Staff benefit policies

a) Gratuity

The Company operates an unfunded gratuity scheme covering all contractual employees who meet the criteria. The liability is calculated on the basis of one basic pay for each year of service completed. Charge for the year is recognized in profit or loss.

b) Pension

Pension contribution of the employees working in the Company will be paid by the respective company from where the concerned employees was transferred before a proceeding on retirement as approved by the Board of Directors in 35th meeting held on 16 August 2018.

c) Provident fund

Employees of the Company receive their benefit from provident fund maintained by the WAPDA.

9.15 Share capital

Ordinary shares are classified as share capital.

9.16 IFRS 16 “Leases”

9.16.1 Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use asset is depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liability.

The Company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are charged to income as incurred.

9.16.2 Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortized cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of use asset, or to the statement of profit or loss if the carrying amount of the right-of-use asset is fully written down.

9.17 Revenue from contracts with customers

The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in Company's statement of financial position as a contract liability, a

contract asset, or a receivable, depending on the relationship between the Company's performance and the customer's payment. Customer acquisition costs and costs to fulfill a contract can, subject to certain criteria, be capitalized as an asset and amortized over the contract period.

9.17.1 Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognized as deferred revenue in the form of a separate refund liability.

Revenue from different sources is recognized as under:

- Management fee is recognized as income under the terms of agreements with GENCOs.
- Tendering and bidding fee are recognized on receipt basis.
- Profit on saving accounts is recognized on time basis taking into account the amounts outstanding and rates applicable thereon.

9.18 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in statement of profit or loss except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

9.19 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.

9.20 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events

not wholly within the control of the Company. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the financial statements.

10- Summary of indicative balance sheet and profit & loss statement of the state-owned enterprise:

Presently, the GHCL operating as a single entity, without any subsidiaries. The balance sheet and profit & loss in its present status is presented below:

GENCO HOLDING COMPANY LIMITED STATEMENT OF FINANCIAL POSITION

	2023	2024	2025	2026	2027
	Audited	Estimated	Projected		
<----- PKR in Million ----->					
ASSETS					
NON-CURRENT ASSETS					
Operating fixed assets	7.04	5.79	4.64	3.50	2.35
Right-of-use asset	25.27	26.64	11.49	31.42	34.78
Long term advances	2.19	1.28	0.59	0.11	0.03
Long term security deposit	0.83	0.83	0.83	0.83	0.83
Deferred income tax asset	2.67	0.67	1.30	4.10	6.09
	38.00	35.21	18.85	39.96	44.08
CURRENT ASSETS					
Due from related parties	31.58	7.63	7.63	7.63	7.63
Advances and other receivable	3.36	3.36	3.10	2.70	2.00
Advance income tax – net	78.41	81.64	84.81	88.41	92.40
Cash and bank balances	7.64	10.15	11.03	23.78	33.00
	120.99	102.78	106.57	122.52	135.03
TOTAL ASSETS	158.99	137.99	125.42	162.48	179.11
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Authorized share capital 10,000 (2023: 10,000)	0.10	0.10	0.10	0.10	0.10
Ordinary shares of Rs. 10 each					
Surplus of assets over liabilities	10.57	10.57	10.57	10.57	10.57
Revenue Reserve - Unappropriated Profit	24.35	24.20	24.94	27.83	29.79
Total equity	34.92	34.77	35.51	38.40	40.36
LIABILITIES					
NON-CURRENT LIABILITIES					
Lease liability	21.76	8.17	-	18.01	20.81
Staff Retirement Benefits-Gratuity	3.16	4.95	7.45	10.45	14.45
	24.92	13.12	7.45	28.46	35.26
CURRENT LIABILITIES					
Due to related parties	90.23	74.85	74.85	79.85	84.85
Current portion of lease liability	8.81	15.16	7.53	15.66	18.54
	99.04	90.01	82.38	95.51	103.39
Total liabilities	123.97	103.13	89.83	123.97	138.65
TOTAL EQUITY AND LIABILITIES	158.99	137.99	125.42	162.48	179.11

**GENCO HOLDING COMPANY LIMITED
PROFIT OR LOSS STATEMENT**

	2023	2024	2025	2026	2027
	Audited	Estimated	Projected		
<----- PKR in Million ----->					
REVENUE	223.26	225.05	234.68	266.98	295.79
ADMINISTRATIVE AND GENERAL EXP.	(203.20)	(202.20)	(211.33)	(239.92)	(263.24)
	20.06	22.85	23.35	27.06	32.55
OTHER INCOME	5.11	1.70	0.08	0.07	0.01
PROFIT FROM OPERATIONS	25.17	24.55	23.43	27.13	32.56
FINANCE COST	(1.80)	(2.40)	(2.21)	(3.01)	(5.94)
PROFIT BEFORE TAXATION	23.37	22.15	21.22	24.12	26.62
TAXATION					
Current	(17.90)	(20.20)	(21.12)	(24.03)	(26.62)
Deferred	(0.40)	(2.00)	0.63	2.80	1.99
	(18.30)	(22.20)	(20.49)	(21.23)	(24.63)
PROFIT / (LOSS) AFTER TAXATION	5.07	(0.05)	0.73	2.89	1.99

In view of future merger plan, the following financial statements are prepared by consolidating the figures of GENCOs, with the assumption that during the FY 2024-25, the merger process of GENCOs in GHCL will be completed.

**GENCO HOLDING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION (CONSOLIDATED)
FINANCIAL YEAR ENDED ON 30TH JUNE**

	2023	2024	2025	2026	2027
	Audited	Estimated	Projected		
<----- PKR in Million ----->					
ASSETS					
Non-Current Assets					
Property & Equipment	427,606	425,051	412,233	397,879	376,953
Right of use of Assets	25	27	11	31	35
Long term loan	84	60	48	44	43
Deferred income tax assets	3	1	1	4	6
Long term Security deposit	947	947	947	947	947
	428,666	426,086	413,241	398,906	377,984
Current Assets					
Store & spare parts	8,195	7,695	7,545	7,120	6,695
Fuel stock	3,907	4,041	4,182	4,331	4,486
Trade debts	100,678	61,694	70,194	64,745	79,360
Loans Advances & Repayments	21,415	21,436	21,469	21,502	21,533
Advance Income Tax	2,880	2,911	4,157	5,429	6,873
Sales Tax receivable	24,848	25,302	23,827	25,450	25,439
Accrued interest	19	20	20	20	21
Other receivable	12,764	13,095	21,819	30,614	42,877
Bank balances- deposit accounts	25,320	24,963	22,580	25,956	29,403
	200,027	161,157	175,794	185,167	216,687
Total Assets	628,692	587,242	589,035	584,073	594,671

GENCO HOLDING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION (CONSOLIDATED)
FINANCIAL YEAR ENDED ON 30TH JUNE

	2023	2024	2025	2026	2027
	Audited	Estimated	Projected		
< ----- PKR in Million ----- >					
EQUITY AND LIABILITIES					
Share Capital	150,200	150,200	150,200	150,200	150,200
Deposit for Shares	33,406	33,406	33,406	33,406	33,406
Surplus on revaluation of land	96,960	96,960	100,804	100,804	100,804
Surplus of assets over liabilities	11	11	11	11	11
Accumulated loss	(138,027)	(158,238)	(161,955)	(159,730)	(142,339)
Loan from Sponsors	1,970	1,970	1,970	1,970	1,970
Total Equity	(5,680)	(25,891)	(25,764)	(23,538)	(6,148)
LIABILITIES					
Non-current liabilities					
Long term financing	143,094	145,476	128,834	113,589	101,740
Staff retirement benefits	37,561	42,328	43,041	45,653	47,771
Lease liability	22	8	-	18	21
Deferred liabilities	58,400	61,897	63,693	65,206	66,360
	239,076	249,709	235,569	224,466	215,892
Current liabilities					
Trade & other payables	301,691	296,076	320,377	323,932	326,407
Accrued markup	51,351	41,679	39,706	38,792	38,823
Provision for taxation	2,082	2,568	3,785	5,053	6,495
Current portion of non-current liabilities	40,171	23,101	15,362	15,369	13,203
	395,295	363,424	379,229	383,145	384,927
Total liabilities	634,372	613,133	614,798	607,611	600,819
Total fund and liabilities	628,692	587,242	589,035	584,073	594,671

GENCO HOLDING COMPANY LIMITED
PROFIT & LOSS STATEMENT (CONSOLIDATED)
FINANCIAL YEAR ENDED ON 30TH JUNE

	2023	2024	2025	2026	2027
	Audited	Estimated	Projected		
< ----- PKR in Million ----- >					
Revenue	109,475	72,156	246,906	270,097	299,029
Cost of Sales	(121,325)	(90,402)	(215,267)	(223,077)	(236,613)
Gross Profit	(11,850)	(18,246)	31,639	47,020	62,415
Administrative expenses	(3,696)	(3,424)	(17,308)	(17,794)	(17,710)
Other expenses	(145)	(146)	-	-	-
Other Income`	3,474	4,488	3,329	3,420	3,506
Finance cost	(5,258)	(4,653)	(21,614)	(30,614)	(29,834)
Profit/(Loss) before taxation	(17,476)	(21,981)	(3,954)	2,031	18,376

11- Consolidated summary of indicative balance sheet and profit & loss statement for the state-owned enterprise and its subsidiaries as a group:

Presently, the GHCL operates without any subsidiaries, therefore, in current scenario the need for a consolidated summary indicative balance sheet and profit & loss statement for the enterprise and its subsidiaries as a group does not apply.

However, during the FY 2024-25 the plan for merger of GENCOs with GHCL is expected to mature. Therefore, the consolidated statements of financial position and operational performance are outlined at point # 10 for the next three financial years i.e. 2025, 2026 and 2027, which cover all the GENCOs in totality.

12- The proposed dividend declaration and distribution policy of the state-owned enterprise:

Presently, the GHCL is operating as a not-for-profit organization, and collects the funds from GENCOs purely on need basis, any excess/ leftover funds are credited back to the GENCOs. Hence, there it has no plan to declare and distribute the dividend.

However, in post-merger phase, when the dividend from the saved portion of ROE will be distributed as dividend, subject to the decision of shareholders, keeping in view the financial health & need of the organization.

13- Description of any public service obligations and their impact on the forecasted financial outcomes of the state-owned enterprise:

The GHCL is not under any Public Service Obligation as defined in Section 2(1) of the State-Owned Enterprise Act 2023 read with Section 7(4) and Schedule-II of the Act.

14- Any other matter directed to be included in this statement by the Federal Government:

No such direction has been issued by the Federal Government which could be included in this Statement of Corporate Intent.