

# ANNUAL REPORT

**FY 2022-23**

**GENCO Holding Company Limited**

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First Floor, OPF Building, G-5/2  
Shahrah-e-Jamhuriyat, Islamabad.

[info@ghcl.gov.pk](mailto:info@ghcl.gov.pk)

[www.ghcl.gov.pk](http://www.ghcl.gov.pk)

## ***Vision***

To grow as dynamic Management Company focused on realizing the full potential of National Electricity Power Generation in Pakistan.

## ***Mission***

To exploit & optimize the value of National Electricity Power Generation through managing the thermal power generation in Public Sector.

To bring efficiency in the thermal power generation in Public Sector.

To care for the sustainable environment by adopting Health Safety & Environmental Standards.

## ***Corporate Strategy***

The ambition of the Company is to strengthen its Management role to exploit & optimize the performance of thermal power generation in Public Sector.

## **DIRECTORS' REPORT**

### **INTRODUCTION**

GENCO Holding Company Limited (the Company) was incorporated on February 09, 2012 as a public limited (unlisted) company under the Companies Act, 2017. The main objective of the Company is to improve the performance of public sector Ex-WAPDA Thermal Power Generation Companies (GENCOs) by consolidating control in a single entity so that better corporate management, improved financial control and forward-thinking business planning could be brought into the GENCOs.

The Company signed Managing Agent Agreements separately with Jamshoro Power Company Ltd. (GENCO-I), Central Power Generation Company Ltd. (GENCO-II) & Northern Power Generation Company Ltd. (GENCO-III) in April 2017. Before signing of Managing Agent Agreement, funds were being received from Manager Finance (Treasury) WAPDA/PEPCO against the approved budget to meet the expenses as per practice in vogue for General Manager Thermal office during WAPDA/PEPCO regime.

Before the incorporation of GHCL, GENCOs were paying Authority Overheads to WAPDA and then Management fee to PEPCO. The administrative & general expenses mainly comprise of salaries & employees' benefits, rent of the office premises and vehicles running & maintenance.

### **OPERATING RESULT**

The profit / (loss) of the company for the financial year is given hereunder:

	(Rs. in Million)					
Description	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Revenue	223.26	222.88	188.76	177.29	160.47	194.63
Operating Profit	25.12	20.13	17.75	16.80	3.59	3.85
Profit before Tax	23.29	18.69	16.94	16.78	3.34	2.12
Profit after Tax	4.99	1.55	4.81	2.50	(9.06)	(14.86)

### **OPERATING COST**

Comparative operating expenses of the Company for last six years are following:

	(Rs. in Million)					
Description	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Employees Benefits	150.04	150.07	129.79	125.63	121.05	153.54
Travelling & Conv.	5.36	5.00	2.87	4.00	3.30	4.04
Repair & Maint.	2.11	4.28	2.71	1.21	2.50	2.32
Vehicle Running	6.72	3.62	2.38	2.05	2.11	2.90
Office Expenses	3.90	3.61	2.31	2.56	2.36	2.53
*Rent Rates & Taxes	1.43	4.69	19.92	16.28	12.82	12.82
*Depreciation	17.72	22.14	6.08	5.11	7.99	7.54
Legal & Professional	13.03	8.18	4.59	3.29	4.35	3.56
Advertisement	1.41	0.26	0.47	1.10	0.49	2.70
Other Expenses	1.52	1.61	1.26	1.53	2.29	0.73
Total	203.24	203.55	172.35	162.77	159.17	192.75

\*Note: Amount paid to ETC and OPF recorded in rent transferred in Lease

### **PRINCIPAL ACTIVITY**

Your Company's principal activity is to liaise with the Federal Government, especially Ministry of Energy (Power Division) on behalf of the GENCOs and to take necessary steps for implementation of the Government policies with regards to the GENCOs. The Company also liaises with multinational development banks, national or international aid agencies, financiers, banking, or development agencies, or any other international organizations, as may be required. The Company also provides expert advice to GENCOs on technical matters of the power plants. It also extends services for negotiation with the equipment suppliers and services providers. GHCL also works to formulate and implement human resource management policies, systems, schemes, and procedures in order to optimize human resource utilization and manpower productivity and to direct the process of search and recruitment of personnel by the Company. The Company also assists the respective Board of Directors of GENCOs in monitoring and reporting on the GENCOs' overall performance, to formulate strategies and policies for productivity enhancement and performance improvement, and carry out the operational audit and assessment of the Company on an annual basis.

### **TAXATION**

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The deferred tax is accounted for using the liability method in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of the taxable profit.

### **EMPLOYMENT**

Total 65 employees are working in the Company as on June 30, 2023.

### **STAFF RETIREMENT BENEFITS**

The Company has the following plans for its employees:

#### **Defined Benefit Plans**

The Company has following unfunded defined benefit plans for its employees:

- i) Electricity Scheme.
- ii) Free Medical Scheme.
- iii) Leave Encashment Scheme.
- iv) Gratuity Scheme (for contract employees only)

The permanent employees of the Company are allocated to GENCOs for the purpose of pensionary benefits. So their pension liability is booked in respective GENCOs. Hence, the Company does not account for pension liability of the employees in its books of accounts.

Apart from above, Company is offering following employees gratuity scheme for executives working on lump sum contract package:

- The normal retirement age is 60 years.
- No benefit will be paid if service is less than one year.
- All employees should be paid gratuity as per their legal entitlement in the event of their separation on account of retirement, resignation or termination other than misconduct of service.
- Gratuity benefit is calculated according to the Last drawn eligible salary x Number of completed years of service.
- If in the year of employee job resignation or termination, (what so ever the case may be) if his/her period of service is more than six months in excess of completed years of service it will be considered as one complete year. However, less than 6 months of service will be ignored.

#### **CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

Following Code of Corporate Governance is being followed in the Company:

- a) The Financial Statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment.
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there-from has been adequately disclosed and explained.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.

- g) Information about outstanding taxes and levies is given in the Notes to the Financial Statements.

#### **AUDITORS**

During the year under review, Riaz Ahmad & Company, Chartered Accountants were Statutory Auditors of the Company.

The Auditor General of Pakistan, through its Director General Audit (Power) also audits the books of accounts of the Company on regular basis. The report of the Audit is then submitted to the Departmental Accounts Committee and accordingly to the Public Accounts Committee. Presently, said audit of the Company upto financial year 2022-23 is complete.

#### **MANAGEMENT'S COMMENTS ON QUALIFIED OPINION OF AUDITORS**

After incorporation of the Company in 2012, the offices of GM Thermal Operations and GM Design & Development Thermal were transferred to the Company along with budget, on the direction of our line Ministry; without business transfer agreement. These offices were previously functioning under Water & Power Development Authority (WAPDA) and subsequently under Pakistan Electric Power Company Private Ltd. (PEPCO).

The residual and/or unadjusted balances of certain projects; few of them were initiated but not matured, hence declared as de-functional; have been appearing in the books of accounts of GM Thermal before unbundling of WAPDA. These balances mainly include; stores & spares of defunct projects, freehold land of Kot Addu, capital work in progress, advance to contractors of defunct projects, retention money on contractual payment of defunct projects etc. The assets against these balances are not physically verifiable. Therefore, the Company has not booked these balances in its books of accounts and took up the matter with WAPDA for repatriation in its books.

The Director General Audit (Power) has also framed an audit observation on this matter. The Public Accounts Committee has constituted a committee at Departmental Accounts Committee level, including nominee from concerned DG Audit for resolution of unreconciled & disputed balances of power sector entities, including the aforesaid balances.

Unless verification of the assets & liabilities, the Company can't adjust these balances in its books.

#### APPRECIATION

The Board of Directors is pleased to put on record its appreciation to the staff and management of the company who have worked with dedication and determination for the betterment of the Company and sister GENCOs.

#### LEGAL PROCEEDINGS ON BEHALF OF THE COMPANY

During the year the legal services for your Company have been mainly provided by M/s. Rizwan Faiz Associates, Islamabad. However, valuable services of other lawyers / law firms are also utilized depending on the nature of the cases.

#### CHANGES IN THE BOARD OF DIRECTORS

During the year following changes were made in the Board of Directors:

- i. Mr. Muhammad Imran resigned from the position of CEO GHCL w.e.f. 17.10.2022. IN his place, the Ministry of Energy (Power Division) assigned additional charge of CEO GHCL to Mr. Pervaiz Iqbal, General Manager (Technical) GEPCO w.e.f. 18.10.2022
- ii. Mr. Pervaiz Iqbal retired from Govt. Service after attaining age of superannuation on 21.03.2023
- iii. Mr. Ahmad Taimoor Nasir, Joint Secretary (Transmission) joined as Ex-Officio Director GHCL BOD on 07.11.2022 in place of Mr. Zafar Abbas who transferred from his position on 28.10.202 by Govt. of Pakistan due to promotion.
- iv. Mr. Hidayat Ullah, Joint Secretary (Transmission) joined as Ex-Officio Director GHCL BOD on 23.12.2022 in place of Mr. Ahmad Taimoor Nasir who transferred from his position on 23.12.2023.
- v. The GHCL BOD assigned Additional Charge for the position of CEO GHCL to Mr. Shahid Mahmood, Independent Director GHCL BOD w.e.f. 22.03.2023.
- vi. Mr. Naeem Iqbal and Mr. Mushtaq Malik appointed as Director on GHCL BOD by the Federal Govt. through Ministry of Energy (Power Division).

#### MEETINGS OF THE BOARD OF DIRECTORS

During the year, Ten (10) meetings of the Board of Directors were held, attendance of these meeting is as follows:

Name of Director	No. of meetings attended
Syed Akhlaq Ahmad	10
Mr. Shahid Mahmood	10
Mr. Irshad Ali	10
Mr. M. Shafiq Ur Rahman	10
Syed Tahir Nawazish	10
Dr. Tabrez Aslam Shami	10
Mr. Shakeel Qadir Khan	10
Mr. Zafar Abbas	04
Mr. Ahmad Taimoor Nasir	01
Mr. Hidayat Ullah	04
Ms. Shazia Toor	10
Mr. Muhammad Imran	03
Mr. Pervaiz Iqbal	04

#### DIRECTORS RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirm that:

- The Board has complied with the relevant principles of Public Sector (Corporate Governance) Rules, 2013 (as amended up to 2017) and has identified the rules that have not been complied with during the year in which such non-compliance continued, and reasons for such non-compliances are annexed herewith in statement of compliance and its second schedule;
- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of accounts of the company have been maintained;
- Appropriate accounting policies have been applied consistently in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- Sound system of internal control is established and maintained in the Company which is regularly reviewed and monitored;
- The appointment of Chairman and other members of Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the Company as well as in line with the best

practices. Non-Executive Directors as well as the Independent Directors are entitled to a Directors' fee for meeting attended;

- The annual accounts have been prepared on going concern basis;
- Pattern of shareholding is also annexed in Annual Report.

Signed by and on behalf of Board of Directors:

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

Islamabad: 05<sup>th</sup> October 2023

**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 Genco Holding Company Limited (the Company) for the year ended 30 June 2023.

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 requires 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 30 June 2023.



**RIAZ AHMAD & COMPANY**  
Chartered Accountants

**ISLAMABAD**

**DATE: 16 OCTOBER 2023**  
**UDIN: CR202310045EdzfA6bFI**

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

**Name of company:** GENCO HOLDING COMPANY LIMITED

**Name of the line ministry:** MINISTRY OF ENERGY (POWER DIVISION)

**For the year ended:** 30 JUNE 2023

- I. This statement presents the overview of the compliance 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.	Y	N	Remarks																													
			Tick the relevant box	the																														
01	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓		All the members of the Board have been nominated by the Federal Government.																													
02	The Board has at least one-third of its total members as independent directors. At present the Board includes:	3(2)	✓																															
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="8">Independent Directors</td> <td>1. Mr. Shahid Mehmood</td> <td>04-08-2021</td> </tr> <tr> <td>2. Mr. Irshad Ali</td> <td>04-08-2021</td> </tr> <tr> <td>3. Syed Tahir Nawazish</td> <td>04-08-2021</td> </tr> <tr> <td>4. Dr. Tabrez Aslam Shami</td> <td>04-08-2021</td> </tr> <tr> <td>5. Mr. Muhammad Shafiq ur Rahman</td> <td>27-12-2021</td> </tr> <tr> <td>6. Syed Akhlaq Ahmad</td> <td>27-12-2021</td> </tr> <tr> <td>7. Mr. Naeem Iqbal</td> <td>27-06-2023</td> </tr> <tr> <td>8. Mr. Mushtaq Malik</td> <td>27-06-2023</td> </tr> <tr> <td>Executive Director</td> <td>1. Mr. Shahid Mahmood</td> <td>22-03-2023</td> </tr> <tr> <td rowspan="3">Non-Executive Directors</td> <td>1. Mr. Shakeel Qadir Khan Additional Secretary-(I), Ministry of Energy (Power Division)</td> <td>18-05-2022</td> </tr> <tr> <td>2. Mr. Hidayat Ullah Joint Secretary (Transmission), Ministry of Energy (Power Division)</td> <td>23-12-2022</td> </tr> <tr> <td>3. Ms. Shazia Toor Joint Secretary (Expenditure), Ministry of Finance</td> <td>03-11-2021</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	1. Mr. Shahid Mehmood	04-08-2021	2. Mr. Irshad Ali	04-08-2021	3. Syed Tahir Nawazish	04-08-2021	4. Dr. Tabrez Aslam Shami	04-08-2021	5. Mr. Muhammad Shafiq ur Rahman	27-12-2021	6. Syed Akhlaq Ahmad	27-12-2021	7. Mr. Naeem Iqbal	27-06-2023	8. Mr. Mushtaq Malik	27-06-2023	Executive Director	1. Mr. Shahid Mahmood	22-03-2023	Non-Executive Directors	1. Mr. Shakeel Qadir Khan Additional Secretary-(I), Ministry of Energy (Power Division)	18-05-2022	2. Mr. Hidayat Ullah Joint Secretary (Transmission), Ministry of Energy (Power Division)	23-12-2022	3. Ms. Shazia Toor Joint Secretary (Expenditure), Ministry of Finance	03-11-2021			
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Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks
			Tick the relevant box	the box	
03	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)	✓		
04	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.	3(7)		N/A	All the members of the Board have been nominated by the Federal Government. The election of Directors is not required in this case.
05	The Chairman of the Board is working separately from the chief executive of the Company.	4(1)	✓		
06	The Chairman has been elected by the Board of directors except where Chairman of the Board is appointed by the Government.	4(4)	✓		
07	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. (Not applicable where the chief executive has been nominated by the Government)	5(2)			The Board has given temporary charge for the position to Mr. Shahid Mehmood and the process for appointment of chief executive has been initiated.
08	(a) The Company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.  (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.ghcl.gov.pk)  (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓  ✓  ✓		

Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks
			Tick the relevant box	the	
09	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 has 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)	✓		

Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks
			Tick the relevant box	the relevant box	
18	(a) The Board has met at least four times during the year. In case of non-compliance, the same shall be reported to the Commission with reasons of non-compliance, within fourteen days of the end of the quarter in which the meeting should have been held.	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 the 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	✓		

Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks												
			Tick the relevant box	the													
23	<p>(a) The Board has formed the requisite committees, as specified in the Rules.</p> <p>(b) The committees were provided with written term of reference defining their duties, authority and composition.</p> <p>(c) The minutes of the meetings of the committees were circulated to all the Board members.</p> <p>(d) The committees were chaired by the following non-executive directors:</p> <table border="1" data-bbox="172 685 1029 945"> <thead> <tr> <th>Committee</th> <th>Number of members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>05</td> <td>Mr. Tahir Nawazish</td> </tr> <tr> <td>Human Resources Committee</td> <td>06</td> <td>Dr. Tabrez Aslam Shami</td> </tr> <tr> <td>Technical, Risk &amp; Procurement Committee</td> <td>05</td> <td>Mr. Muhammad Shafiq ur Rahman</td> </tr> </tbody> </table>	Committee	Number of members	Name of Chair	Audit Committee	05	Mr. Tahir Nawazish	Human Resources Committee	06	Dr. Tabrez Aslam Shami	Technical, Risk & Procurement Committee	05	Mr. Muhammad Shafiq ur Rahman	12	✓		
Committee	Number of members	Name of Chair															
Audit Committee	05	Mr. Tahir Nawazish															
Human Resources Committee	06	Dr. Tabrez Aslam Shami															
Technical, Risk & Procurement Committee	05	Mr. Muhammad Shafiq ur Rahman															
24	<p>The Board has approved appointment of:</p> <p>Chief Financial Officer, Company Secretary and Chief Internal Auditor,</p> <p>by whatever name called, with their remuneration and terms and conditions of employment.</p>	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	<p>(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.</p> <p>(b) The annual report of the Company contains criteria and details of remuneration of each director.</p>	19	✓														
30	The financial statements of the Company were duly endorsed by the chief executive and chief financial officer before consideration and approval of audit committee and the Board.	20	✓														

Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks																		
			Tick the relevant box	the																			
31	<p>The Board has formed an audit committee, with defined and written terms of reference, and having the following members:</p> <table border="1"> <thead> <tr> <th>Name of member</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Syed Tahir Nawazish</td> <td>Independent</td> <td>Retired from bank</td> </tr> <tr> <td>Mr. Irshad Ali</td> <td>Independent</td> <td>Retired from K-Electric</td> </tr> <tr> <td>Mr. M. Shafiq Ur Rahman</td> <td>Independent</td> <td>Power Sector Consultant</td> </tr> <tr> <td>Mr. Hidayat Ullah</td> <td>Non-Executive</td> <td>Government servant</td> </tr> <tr> <td>Ms. Shazia Toor</td> <td>Non-Executive</td> <td>Government servant</td> </tr> </tbody> </table> <p>The chief executive and chairman of the Board are not members of the audit committee.</p>	Name of member	Category	Professional background	Syed Tahir Nawazish	Independent	Retired from bank	Mr. Irshad Ali	Independent	Retired from K-Electric	Mr. M. Shafiq Ur Rahman	Independent	Power Sector Consultant	Mr. Hidayat Ullah	Non-Executive	Government servant	Ms. Shazia Toor	Non-Executive	Government servant	21 (1) and 21 (2)	✓		
Name of member	Category	Professional background																					
Syed Tahir Nawazish	Independent	Retired from bank																					
Mr. Irshad Ali	Independent	Retired from K-Electric																					
Mr. M. Shafiq Ur Rahman	Independent	Power Sector Consultant																					
Mr. Hidayat Ullah	Non-Executive	Government servant																					
Ms. Shazia Toor	Non-Executive	Government servant																					
32	<p>(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.</p> <p>(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.</p> <p>(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.</p>	21 (3)	✓																				
33	<p>(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.</p> <p>(b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.</p> <p>(c) The internal audit reports have been provided to the external auditors for their review.</p>	22	✓																				

Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks
			Tick the relevant box		
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)	✓		

*Dan*

  
**Chief Executive Officer**

  
**Company Secretary**

  
**Chairman**

**PATTERN & CATEGORIES OF  
SHAREHOLDING**

**Pattern of Shareholding  
As at June 30, 2023**

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
03	01	10	03
01	11	10,000	9,997

**Categories of Shareholding  
As at June 30, 2023**

Category of Shareholding	No. of Shareholders	No. of Shares held	Shareholding %age
Government of Pakistan through its Nominees	04	10,000	100%

## **INDEPENDENT AUDITOR'S REPORT**

**To the members of GENCO Holding Company Limited**

**Report on the Audit of the Financial Statements**

### **Qualified Opinion**

We have audited the annexed financial statements of GENCO Holding Company Limited (the Company), which comprise the statement of financial position as at 30 June 2023, 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, except as described in the *Basis for Qualified Opinion* section below, 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, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, 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 30 June 2023 and of the profit, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

### **Basis for Qualified Opinion**

As explained in note 1.2 to the accompanying financial statements, all the assets and liabilities of GM Thermal Office, Power Planning and Monitoring Company (PPMC), previously known as Pakistan Electric Power Company (Private) Limited (PEPCO), were transferred to the Company as at 10 April 2012. However, in the absence of audited financial statements of GM Thermal Office, PPMC and without any business transfer agreement between the entities, we could not satisfy ourselves as to the completeness and accuracy of the account balances transferred to the Company.

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



accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Emphasis of Matters**

We draw attention to the matters discussed in note 17.2 to the accompanying financial statements, the ultimate outcome of which cannot presently be determined, and hence, pending the resolution thereof, no adjustment in these financial statements has been made. Our opinion is not modified in respect of this matter.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we are unable to conclude whether or not the other information is materially misstated with respect to matter stated therein.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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

Except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, 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 was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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



**RIAZ AHMAD & COMPANY**  
Chartered Accountants

**ISLAMABAD**

**DATE: 16 OCTOBER 2023**  
**UDIN: AR202310045wsK8Y5WQE**

**GENCO HOLDING COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2023**

ASSETS	NOTE	2023 Rupees	2022 Rupees
<b>NON-CURRENT ASSETS</b>			
Operating fixed assets	3	7,039,609	7,536,376
Right-of-use assets	4	25,271,762	12,689,577
Long term advances	5	2,186,878	3,718,144
Long term security deposit	6	831,690	831,690
Deferred income tax asset	7	<u>2,669,336</u>	<u>2,874,475</u>
		37,999,275	27,650,262
<b>CURRENT ASSETS</b>			
Due from related parties	8	<u>31,577,783</u>	<u>47,066,065</u>
Advances	9	3,357,771	1,637,554
Taxation - net	10	78,413,438	76,017,002
Bank balances	11	<u>7,640,383</u>	<u>42,842,535</u>
		120,989,375	167,563,156
<b>TOTAL ASSETS</b>		<u>158,988,650</u>	<u>195,213,418</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital</b>			
10,000 (2022: 10,000) ordinary shares of Rupees 10 each		<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid-up share capital	12	100,000	100,000
Surplus of assets over liabilities	13	10,571,102	10,571,102
Revenue reserve - unappropriated profit		<u>24,350,922</u>	<u>19,912,570</u>
<b>Total equity</b>		35,022,024	30,583,672
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	14	<u>21,763,890</u>	-
Staff retirement benefit - gratuity	15	<u>3,161,083</u>	4,753,974
		24,924,973	4,753,974
<b>CURRENT LIABILITIES</b>			
Accrued and other payables	16	<u>43,874,905</u>	<u>46,564,210</u>
Due to related parties	17	46,360,014	96,729,281
Current portion of lease liability	14	<u>8,806,734</u>	<u>16,582,281</u>
		99,041,653	159,875,772
<b>Total liabilities</b>		123,966,626	164,629,746
<b>CONTINGENCIES AND COMMITMENTS</b>			
		-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>158,988,650</u>	<u>195,213,418</u>

The annexed notes form an integral part of these financial statements.

  
**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**

  
**CHIEF FINANCIAL OFFICER**

**GENCO HOLDING COMPANY LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2023 Rupees	2022 Rupees
REVENUE	18	223,255,613	222,981,345
ADMINISTRATIVE AND GENERAL EXPENSES	19	(203,244,542)	(203,553,559)
		20,011,071	19,427,786
OTHER INCOME	20	5,109,949	704,566
PROFIT FROM OPERATIONS		25,121,020	20,132,352
FINANCE COST	21	(1,835,178)	(1,443,657)
PROFIT BEFORE TAXATION		23,285,842	18,688,695
TAXATION	22	(18,294,193)	(17,142,494)
PROFIT AFTER TAXATION		4,991,649	1,546,201

The annexed notes form an integral part of these financial statements. *Par.*

  
**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**

  
**CHIEF FINANCIAL OFFICER**

**GENCO HOLDING COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b> Rupees	<b>2022</b> Rupees
<b>PROFIT AFTER TAXATION</b>	4,991,649	1,546,201
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurement of defined benefit plan	(779,291)	(225,578)
Related deferred income tax	225,994	65,418
	(553,297)	(160,160)
<b>Items that may be reclassified subsequently to profit or loss</b>		
Other comprehensive loss for the year - net of tax	(553,297)	(160,160)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	4,438,352	1,386,041

The annexed notes form an integral part of these financial statements. *See*

  
**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**

  
**CHIEF FINANCIAL OFFICER**

**GENCO HOLDING COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	Share capital	Surplus of assets over liabilities	Revenue reserve - unappropriated profit	Total
	..... Rupees .....			
<b>Balance as at 30 June 2021</b>	100,000	10,571,102	18,526,529	29,197,631
Profit for the year	-	-	1,546,201	1,546,201
Other comprehensive loss for the year	-	-	(160,160)	(160,160)
Total comprehensive income for the year	-	-	1,386,041	1,386,041
<b>Balance as at 30 June 2022</b>	100,000	10,571,102	19,912,570	30,583,672
Profit for the year	-	-	4,991,649	4,991,649
Other comprehensive loss for the year	-	-	(553,297)	(553,297)
Total comprehensive income for the year	-	-	4,438,352	4,438,352
<b>Balance as at 30 June 2023</b>	100,000	10,571,102	24,350,922	35,022,024

The annexed notes form an integral part of these financial statements.

  
**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**

  
**CHIEF FINANCIAL OFFICER**

**GENCO HOLDING COMPANY LIMITED**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023 Rupees</b>	<b>2022 Rupees</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	23,285,842	18,688,695
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation on operating fixed assets	1,287,161	3,844,378
Depreciation on right-of-use asset	16,434,118	18,294,781
Finance cost	1,835,178	1,443,657
Provision for gratuity	1,784,068	1,551,199
Adjustment of lease liability	(4,536,000)	-
Due from related party (NPPMCL) written off	-	263,340
Advances against vehicles written off	-	38,518
Liabilities written off during the year	-	(67,000)
Cash flows from operating activities before working capital changes	<u>40,090,367</u>	<u>44,057,568</u>
<b>Working capital changes:</b>		
<b>(Increase) / decrease in current assets:</b>		
Due from related parties	15,488,282	(20,928,385)
Advances	(1,720,217)	280,677
<b>Increase / (decrease) in current liabilities:</b>		
Accrued and other payables	(2,689,305)	5,446,460
Due to related parties	(50,369,267)	(6,986,175)
	<u>(39,290,507)</u>	<u>(22,187,423)</u>
<b>Cash generated from operations</b>	<u>799,860</u>	<u>21,870,145</u>
Decrease in long term advances	1,531,266	1,368,139
Long term security deposit	-	(831,690)
Benefits paid	(4,156,250)	-
Income tax paid	(20,259,496)	(18,255,313)
Finance cost paid	(6,519)	(4,048)
<b>Net cash (used in) / generated from operating activities</b>	<u>(22,091,139)</u>	<u>4,147,233</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on operating fixed assets	(790,394)	(4,170,422)
<b>Net cash used in investing activities</b>	<u>(790,394)</u>	<u>(4,170,422)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of lease liability	(12,320,619)	(20,526,345)
<b>Net cash used in financing activities</b>	<u>(12,320,619)</u>	<u>(20,526,345)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(35,202,152)</u>	<u>(20,549,534)</u>
<b>Cash and cash equivalents at the beginning of the year</b>	42,842,535	63,392,069
<b>Cash and cash equivalents at the end of the year</b>	<u>7,640,383</u>	<u>42,842,535</u>

The annexed notes form an integral part of these financial statements. *Bar.*

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



# GENCO HOLDING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

### 1. THE COMPANY AND ITS OPERATIONS

1.1 GENCO Holding Company Limited (the Company) is a public limited company incorporated in Pakistan on 09 February 2012 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The main objective of the Company is to improve performance of public sector Thermal Generation Companies, which were created and incorporated through unbundling of Pakistan Water and Power Development Authority (WAPDA) pursuant to Power Sector Reforms of Government of Pakistan (Gop) in 1999, hereinafter referred as GENCOs, by consolidating control of GENCOs in a single entity so that better corporate management, improved financial control and forward thinking business planning could be brought into the GENCOs. The registered office of the Company is situated at first floor, Overseas Pakistanis Foundation Building, G-5/2, Islamabad.

1.2 The offices of General Manager Thermal Operations and General Manager Design & Development Thermal, which were initially established by WAPDA for operational management and development of new thermal power plants and after the unbundling of WAPDA by performing under the administrative control of the Power Planning and Monitoring Company (PPMC), previously known as Pakistan Electric Power Company (Private) Limited (PEPCO), have been transferred to the Company vide Ministry of Water and Power letter No. F.No.-A-III-1(253)/2012-CEO-GENCO dated 10 April 2012 along with the budget. Resultantly, the Company, without entering into any business transfer agreement, inherited unaudited balances of assets and liabilities of GM Thermal Office, PPMC (detailed below) as on 10 April 2012.

#### ASSETS

	Rupees
Operating fixed assets – written down value	4,331,688
Receivable from GENCOs	127,404,018
Receivable from WAPDA welfare fund	1,672,144
Advances	5,971,044
Cash and bank balances	9,516,453
	<u>148,895,347</u>

#### LIABILITIES

Retention Money	124,192
Payable to distribution companies (DISCOs)	2,570,435
Payable to Central Power Purchasing Agency of National Transmission & Despatch Company Limited (Treasury Office, CPPA of NTDCL)	123,878,556
Payable to WAPDA (note 17.2)	9,077,390
Payable to Director General Medical Services, WAPDA	2,673,672
	<u>138,324,245</u>

#### SURPLUS OF ASSETS OVER LIABILITIES

10,571,102

- 1.3** In 2017, the Board of Directors of the Company permitted the Company to act as Managing Agent of all GENCOs except GENCO IV through a resolution dated 12 April 2017 and authorized Chief Executive Officer to execute and deliver these agreements on the Company's behalf.

These agreements were effective from 13 April 2017 for the period of ten years, unless the Managing Agent resigns, after which it shall be removed therefrom by special resolution of the GENCOs.

The Company will be responsible to perform the following as a managing agent:

- To liaise with GoP, particularly MoWP on behalf of GENCOs and to take necessary steps for implementation of the GoP policies with regards to GENCOs;
- To act on behalf of GENCOs in all matters concerning the GENCOs relationship under any agreement or law with WAPDA, NTDCL, CPPA-G, DISCOs, IPPs and NEPRA on behalf of GENCOs;
- To manage the transfers and posting of GENCOs personnel including the transfers, secondment, or posting on deputation of personnel to or from the one GENCO to another or any other organization or department.

#### **1.4 Merger of all generation companies (GENCOs) with GHCL**

In a letter dated 18 August 2022, referenced GPI-6(04)/2021, from the Ministry of Energy's Power Division, a directive has been issued to consolidate all subsidiary GENCOs with their holding company, GHCL. This directive aims to optimize operational and management costs, ultimately relieving the burden on electricity consumers. The goal is to establish a unified operating entity, with the intention of transferring the responsibilities of the subsidiary GENCOs' Boards of Directors to the GHCL Board. Phase 1 of this initiative has been successfully completed, securing the approval of the deliverables.

## **2. SUMMARY OF 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:

### **2.1 Basis of preparation**

#### **a) 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.

#### **b) 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.

**c) 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:

**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.

**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.

**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.

**Staff retirement benefit – gratuity**

The Company operates unfunded gratuity scheme, for its contractual employees. The calculation of the benefit 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. Calculations are sensitive to changes in the underlying assumptions. The figure of staff retirement benefit liability 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.

**Contingencies**

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

**d) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company**

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2022:

- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts – Cost of Fulfilling a Contract amends IAS 1 'Presentation of Financial Statements'.
- Annual improvements to IFRS standards 2018-2020 which amended IFRS 9 'Financial Instruments' and IFRS 16 'Leases'.
- 'Reference to the Conceptual Framework (Amendments to IFRS 3)' published by the International Accounting Standards Board (IASB) with amendments to IFRS 3 'Business Combinations'.

The above-mentioned amendments to approved accounting standards did not have any impact on the amounts recognized in prior period and are not expected to significantly affect the current or future periods.

**e) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company**

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2022 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

**f) Amendments to published approved accounting standards that are not yet effective but relevant to the Company**

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2023 or later periods:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual periods beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual periods beginning on or after 01 January 2023. These amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors') effective for annual periods beginning on or after 1 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

On 31 October 2022, the IASB issued 'Non-current Liabilities with Covenants (Amendments to IAS 1)' to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after 1 January 2024.

On 22 September 2022, the IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective for annual periods beginning on or after 1 January 2024.

On 25 May 2023, the IASB issued 'Suppliers Finance Arrangements (Amendments to IAS 7 and IFRS 7)' to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangement. The amendments are effective for reporting period beginning on or after 1 January 2024.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The above amendments and improvements are likely to have no significant impact on the financial statements.

**g) Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company**

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2023 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

**2.2 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, 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.

### **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.

### **2.3 Functional and presentation currency**

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

### **2.4 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.

### **2.5 Operating fixed assets and depreciation**

#### **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.

#### **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.

### **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.

## **2.6 Investments and other financial assets**

### **a) 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.

### **b) 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.

#### **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:

##### **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.

#### **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.

#### **Fair value through profit or loss (FVTPL)**

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.

#### **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).

#### **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.

#### **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.



## **2.7 Financial liabilities – Classification and measurement**

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.

## **2.8 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.

## **2.9 De-recognition of financial assets and financial liabilities**

### **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.

## **2.10 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.

## **2.11 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 SRO 67(I)/2023 dated 20 January 2023 has notified that, in respect of companies holding financial assets due from the Government of Pakistan, the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method shall not be applicable till financial year ending on or before 31 December 2024 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. Accordingly, the same continue to be reported as per the following accounting policy:

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable.

The Company assesses at the end of each reporting period whether there is objective evidence that the financial asset is impaired. The financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit or loss. When the financial asset is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the profit or loss.

## **2.12 Trade and other payables**

Liabilities for trade and other amounts payables are initially recognized at fair value, which is normally the transaction cost.

## **2.13 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.

## **2.14 Staff benefits**

### **Gratuity**

The Company operates an unfunded gratuity scheme covering all contractual employees who meet the criteria as per their terms of appointment. The liability of staff gratuity is based on actuarial valuation carried out as at 30 June 2022, using "Projected Unit Credit Method", related details of which are given in note 15 to the financial statements.

### **Pension and other post-retirement benefits**

As per the decision of the Board of Directors in its 35<sup>th</sup> meeting dated 16 August 2018, all the permanent serving employees of the Company on their retirement will receive post-retirement benefits from the concerned GENCOs, as per their option. So, all the pension cases are to be processed, paid and incurred by the concerned GENCO.

### **General provident fund**

For employees' provident fund, the Company makes deduction from salaries of the employees and remits these amounts to the fund established by WAPDA. The provident fund related disclosure required by the Companies Act, 2017 is not shown in these financial statements as

employees' provident fund established by WAPDA includes the employees of other power distribution and generation companies and the figures related to the Company cannot be segregated from the whole employees' provident fund.

## **2.15 Share capital**

Ordinary shares are classified as share capital.

## **2.16 IFRS 16 "Leases"**

### **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.

### **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.

## **2.17 Revenue from contracts with customers**

### **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.

## **2.18 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.

## **2.19 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.

## **2.20 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.

### 3 OPERATING FIXED ASSETS

	Vehicles (note 3.1)	Furniture and fixtures	Office equipment	Computers	Total
	Rupees				
<b>At 30 June 2021</b>					
Cost	16,955,199	3,655,782	3,563,425	21,876,682	46,051,088
Accumulated depreciation	(14,360,401)	(2,406,442)	(3,450,333)	(18,623,580)	(38,840,756)
Net book value	2,594,798	1,249,340	113,092	3,253,102	7,210,332
<b>Year ended 30 June 2022</b>					
Opening net book value	2,594,798	1,249,340	113,092	3,253,102	7,210,332
Additions	-	99,400	3,406,460	664,562	4,170,422
Depreciation charge for the year	(1,632,766)	(376,167)	(438,613)	(1,396,832)	(3,844,378)
Closing net book value	962,032	972,573	3,080,939	2,520,832	7,536,376
<b>At 30 June 2022</b>					
Cost	16,955,199	3,755,182	6,969,885	22,541,244	50,221,510
Accumulated depreciation	(15,993,167)	(2,782,609)	(3,888,946)	(20,020,412)	(42,685,134)
Net book value	962,032	972,573	3,080,939	2,520,832	7,536,376
<b>Year ended 30 June 2023</b>					
Opening net book value	962,032	972,573	3,080,939	2,520,832	7,536,376
Additions	-	178,894	21,500	590,000	790,394
Depreciation charge for the year	(97,109)	(212,556)	(478,774)	(498,722)	(1,287,161)
Closing net book value	864,923	938,911	2,623,665	2,612,110	7,039,609
<b>At 30 June 2023</b>					
Cost	16,955,199	3,934,076	6,991,385	23,131,244	51,011,904
Accumulated depreciation	(16,090,276)	(2,995,165)	(4,367,720)	(20,519,134)	(43,972,295)
Net book value	864,923	938,911	2,623,665	2,612,110	7,039,609
Depreciation rate per annum (%)	20	10	10	25	

3.1 The company possesses vehicles amounting to Rupees 16,834,754 (2022: Rupees 16,834,754) currently having carrying amount of Rupees 841,738 (2022: Rupees 915,962) which are in the name of GM Thermal - PPMC and GENCO III.

3.2 Operating fixed assets having cost of Rupees 41,471,658 (2022: Rupees 35,372,351) which are fully depreciated but still in the use of the Company.

	NOTE	2023 Rupees	2022 Rupees
<b>4 RIGHT-OF-USE ASSETS</b>			
Net carrying amount as at 01 July		12,689,577	10,873,164
Addition during the year	14.1	29,016,303	20,111,194
Depreciation	19	(16,434,118)	(18,294,781)
Net carrying amount as at 30 June		<u>25,271,762</u>	<u>12,689,577</u>
As at 30 June			
Cost		63,899,351	34,883,048
Accumulated depreciation		<u>(38,627,589)</u>	<u>(22,193,471)</u>
		<u>25,271,762</u>	<u>12,689,577</u>

- 4.1 The Company obtained buildings on lease for office use. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are for 3 years.
- 4.2 The Company also has a lease for office use with lease term of 12 months or less. The Company applies the 'short term leases' recognition exemption for these leases as disclosed in note 19.2 to the financial statements.

**5 LONG TERM ADVANCES**  
**Secured - considered good**

	NOTE	2023			2022
		Advances to employees			
		BPS-1 to BPS-15	BPS-16 and above	Total	Rupees
House building / purchase of plot		2,800,555	406,426	3,206,981	4,559,926
Unwinding of discount	20	434,842	-	434,842	637,216
		3,235,397	406,426	3,641,823	5,197,142
Less: current portion of long term advances	9	(1,348,913)	(106,032)	(1,454,945)	(1,478,998)
		<u>1,886,484</u>	<u>300,394</u>	<u>2,186,878</u>	<u>3,718,144</u>

- 5.1 These represent advances given to employees for house building, purchase of plots and vehicles. The amount of advance being granted to employees from BPS-1 to BPS-15 is interest free but from BPS-16 and above, interest is charged equal to the profit rate applied on 'General Provident Fund', which is 14.22% (2022: 12.4%) per annum, except those who do not receive interest on General Provident Fund. The principal amount is recoverable in 120 equal monthly instalments and interest is recoverable at the time of final settlement of advances in one or more instalments, each such instalment being not appreciably greater than the instalments, by which the principal was recovered. These are secured against post retirement benefits. Accrued interest on advances from BPS -16 and above employees are not incorporated in these financial statements and these are not carried at amortized cost as required by IFRS 9 as the impact was considered immaterial and thus being carried at historical cost.

- 5.2 Fair values of long term advances to employees are estimated at the present value of all future cash flows discounted using General Provident Fund rate i.e 14.22% (2022: 12.4%) per annum.

**6 LONG TERM SECURITY DEPOSIT**

This represents interest free deposit against lease agreement for office use. It is not being carried at amortized cost as required by IFRS 9 as the impact was considered immaterial.

	NOTE	2023 Rupees	2022 Rupees
<b>7 DEFERRED INCOME TAX ASSET</b>			
This comprises of following:			
<b>Deferred income tax liability on taxable temporary differences in respect of:</b>			
Right-of-use asset		(7,328,811)	(3,679,977)
<b>Deferred income tax asset on deductible temporary differences in respect of:</b>			
Accelerated accounting depreciation		215,952	366,938
Lease liability		8,865,481	4,808,861
Staff retirement benefit - gratuity		916,714	1,378,653
		<u>9,998,147</u>	<u>6,554,452</u>
		<u>2,669,336</u>	<u>2,874,475</u>
<b>7.1 Movement in deferred income tax balance is as follows:</b>			
At beginning of the year		2,874,475	2,073,793
Recognized in statement of profit or loss:			
- Right-of-use asset		(3,648,834)	(526,759)
- Accelerated tax depreciation		(150,986)	285,123
- Lease liability		4,056,620	297,092
- Staff retirement benefit - gratuity		(687,933)	679,808
	22	<u>(431,133)</u>	<u>735,264</u>
Recognized in other comprehensive income - staff retirement benefit - gratuity		225,994	65,418
At the end of the year		<u>2,669,336</u>	<u>2,874,475</u>
<b>8 DUE FROM RELATED PARTIES</b>			
GENCOs	8.1	28,535,423	43,954,145
WAPDA Welfare Fund	8.2	2,106,360	2,175,920
National Transmission and Despatch Company Limited (NTDCL)	8.3	936,000	936,000
		<u>31,577,783</u>	<u>47,066,065</u>

8.1 It represents as under:

Description	2023				Total	2022
	Jamshoro Power Generation Company Limited (GENCO I)	Central Power Generation Company Limited (GENCO II)	Northern Power Generation Company Limited (GENCO III)	Lakhra Power Generation Company Limited (GENCO IV)		
<b>Balances as at 01 July</b>	28,498,715	(25,428,412)	(32,110,113)	15,455,430	(13,584,380)	(44,789,813)
Funds received during the year	(31,968,013)	(127,936,062)	(93,339,618)	-	(253,243,693)	(213,546,784)
Management fee charged during the year	56,401,805	94,857,581	105,112,455	-	256,371,841	241,484,589
<b>Payments and expenses incurred / adjusted by the GENCO's on behalf of the Company:</b>						
- Inter GENCO's balance transfer	(28,498,715)	27,535,253	16,426,994	(15,463,532)	-	(66,707)
- Salaries and other benefits	-	-	(2,558,954)	721,193	(1,837,761)	-
- Travelling	-	-	412,279	-	412,279	-
- Sales tax	1,252,742	-	-	-	1,252,742	-
- Recovery of long term advance	-	-	138,345	-	138,345	-
- Medical and hospitalization	-	-	-	8,102	8,102	-
- Earned leaves paid	-	1,926,480	2,048,760	-	3,975,240	3,334,335
- Transfer between GENCOs due to debit / credit note of earned leaves paid	2,106,840	(2,106,840)	-	-	-	-
- Miscellaneous expenses	20,856	42,524	40,141	-	103,521	-
	<u>27,814,230</u>	<u>(31,109,476)</u>	<u>(3,829,711)</u>	<u>721,193</u>	<u>(6,403,764)</u>	<u>(13,584,380)</u>
<b>As at 30 June:</b>						
Due from	27,814,230	-	-	721,193	28,535,423	43,954,145
Due to	-	(31,109,476)	(3,829,711)	-	(34,939,187)	(57,538,525)
	<u>27,814,230</u>	<u>(31,109,476)</u>	<u>(3,829,711)</u>	<u>721,193</u>	<u>(6,403,764)</u>	<u>(13,584,380)</u>
The maximum aggregate amount outstanding at any time during the year calculated with reference to month end balances	45,485,005	-	-	15,463,532	-	-
	<u>42,274,478</u>	-	-	<u>13,751,430</u>	-	-

As at 30 June:

Due from  
Due to

The maximum aggregate amount outstanding at any time during the year calculated with reference to month end balances

As at 30 June 2023, due from GENCOs of Rupees 28,535,423 (2022: Rupees 43,954,145) were past due but not impaired. The ageing analysis of these balances is as follows:

	2023	2022
	Rupees	Rupees
Up to 12 months	28,535,423	19,228,385
More than 3 years	-	24,725,760
	<u>28,535,423</u>	<u>43,954,145</u>

8.2 This represents amount paid to employees of the Company against welfare fund maintained by WAPDA. During the year, the Company paid Rupees 192,106 (2022: Rupees 8,700) and received Rupees 261,666 (2022: Rupees 12,700). The maximum aggregate amount outstanding at any time during the year calculated with reference to month end balances was amounting to Rupees 2,195,920 (2022: Rupees 2,175,920). Due from WAPDA welfare fund were past due but not impaired and the age analysis of this balance is as follows:

	2023	2022
	Rupees	Rupees
Up to 12 months	192,106	8,700
More than 1 year	8,700	19,140
More than 2 years	19,140	200,027
More than 3 years	1,885,414	1,948,053
	<u>2,106,360</u>	<u>2,175,920</u>

8.3 It represent receivables against balances of advances upon transfer of employees from the Company. The maximum aggregate amount outstanding at any time during the year calculated with reference to month end balances is amounting to Rupees 936,000 (2022: Rupees 936,000). These balances were past due but not impaired and the age analysis is more than 6 years.

	NOTE	2023 Rupees	2022 Rupees
<b>9 ADVANCES</b>			
<b>Unsecured - considered good</b>			
Advances to employees against expenses		250,000	158,556
Advance to consultant against merger contract		1,652,826	-
Current portion of long term advances	5	1,454,945	1,478,998
		<u>3,357,771</u>	<u>1,637,554</u>
<b>10 TAXATION - NET</b>			
Balance as at 01 July		76,017,002	75,639,447
Provision for the year	22	(17,863,060)	(17,877,758)
Tax deducted at source during the year		20,259,495	18,255,313
Balance as at 30 June		<u>78,413,438</u>	<u>76,017,002</u>
<b>11 BANK BALANCES</b>			
Cash at bank:			
- current accounts	11.1	7,633,950	42,836,845
- saving accounts	11.1 & 11.2	6,433	5,690
		<u>7,640,383</u>	<u>42,842,535</u>
11.1	Titles of these accounts are in the name of Manager Finance Thermal WAPDA, General Manager Thermal and Senior Budget and Accounts Officer Thermal.		
11.2	The balances in saving accounts carry rate of profit 16% (2022: 5.4% to 9.5%) per annum.		
<b>12 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL</b>	NOTE	2023 Rupees	2022 Rupees
10,000 (2022: 10,000) ordinary shares of Rupees 10 each issued as fully paid in cash	12.1	<u>100,000</u>	<u>100,000</u>
12.1	These shares are held by the persons nominated by the Government of Pakistan.		
<b>13 SURPLUS OF ASSETS OVER LIABILITIES</b>			
This represents surplus of assets over liabilities transferred from GM Thermal Office, PPMC as on 10 April 2012 as detailed in note 1.2.			
<b>14 LEASE LIABILITIES</b>	NOTE	2023 Rupees	2022 Rupees
Total lease liability		30,570,624	16,582,281
Current portion shown under current liabilities		(8,806,734)	(16,582,281)
		<u>21,763,890</u>	<u>-</u>
<b>14.1 Reconciliation of lease liability</b>			
Opening balance		16,582,281	15,557,823
Addition during the year	4	29,016,303	20,111,194
Adjustment of lease liability	20	(4,536,000)	-
Interest accrued on lease liability	21	1,828,659	1,439,609
Payments made during the year		(12,320,619)	(20,526,345)
Closing balance		30,570,624	16,582,281
Current portion shown under current liabilities		(8,806,734)	(16,582,281)
Non-current portion		<u>21,763,890</u>	<u>-</u>
<b>14.2 Maturity analysis of lease liability is as follows:</b>			
Overdue		11,340,241	1,746,549
6-12 months		11,340,241	15,110,070
1-2 years		11,340,241	-
		<u>34,020,723</u>	<u>16,856,619</u>
Less: future finance cost		(3,450,099)	(274,338)
Present value of lease liability		<u>30,570,624</u>	<u>16,582,281</u>
14.3	Total cash outflow for leases is Rupees 12,320,619 (2022: Rupees 20,526,345).		
14.4	Lease liabilities are effectively secured, as the right to the leased assets recognized in the financial statements revert to the lessor in the event of default.		



**15 STAFF RETIREMENT BENEFIT - GRATUITY**

15.1 The latest actuarial valuation was carried out as at 30 June 2023 using the projected unit credit method. Details of obligations for defined benefit plan is as follows:

	NOTE	2023 Rupees	2022 Rupees
15.2 <b>Statement of financial position</b>			
Present value of defined benefit obligation	15.3	<u>3,161,083</u>	<u>4,753,974</u>
15.3 <b>Movement in the present value of defined benefit obligation is as follows:</b>			
Defined benefit obligation at beginning of the year		4,753,974	2,977,197
Current service cost		1,429,518	1,246,036
Interest cost		354,550	305,163
Experience adjustment		779,291	225,578
Benefits paid		<u>(4,156,250)</u>	<u>-</u>
Defined benefit obligation at the end of the year		<u>3,161,083</u>	<u>4,753,974</u>
15.4 <b>Charge for the year recognized in the statement of profit or loss:</b>			
Current service cost		1,429,518	1,246,036
Interest cost		354,550	305,163
	19.1	<u>1,784,068</u>	<u>1,551,199</u>
15.5 <b>Charge for the year recognized in the statement of comprehensive income:</b>			
Experience adjustment		<u>779,291</u>	<u>225,578</u>
15.6 <b>Estimated expenses to be charged in the statement of profit or loss for the financial year 2024</b>			<b>Rupees</b>
Current service cost			929,184
Interest cost			<u>412,809</u>
			<u>1,341,993</u>
15.7 <b>Actuarial assumptions</b>			
The following were the principal actuarial assumptions as at 30 June:			
<b>Assumptions to determine defined benefit obligation:</b>		<b>2023</b>	<b>2022</b>
Discount rate		16.25%	13.25%
Rate of salary increase		15.25%	12.25%
<b>Assumptions to determine defined benefit cost:</b>			
Discount rate		13.25%	10.25%
Rate of salary increase		12.25%	9.25%
Withdrawal rates		Age-Based	Age-Based
Expected mortality rate		SLIC 2001-2005	SLIC 2001-2005
Effective duration		8 years	8 years
Duration of obligation		Setback 1 year	Setback 1 year
Retirement assumptions		60 years	60 years
Withdrawal rates		Moderate	Moderate

15.7 **Actuarial assumptions**

The following were the principal actuarial assumptions as at 30 June:

**Assumptions to determine defined benefit obligation:**

	2023	2022
Discount rate	16.25%	13.25%
Rate of salary increase	15.25%	12.25%

**Assumptions to determine defined benefit cost:**

	2023	2022
Discount rate	13.25%	10.25%
Rate of salary increase	12.25%	9.25%
Withdrawal rates	Age-Based	Age-Based
Expected mortality rate	SLIC 2001-2005	SLIC 2001-2005
Effective duration	8 years	8 years
Duration of obligation	Setback 1 year	Setback 1 year
Retirement assumptions	60 years	60 years
Withdrawal rates	Moderate	Moderate

15.8 **Sensitivity analysis**

The sensitivity analysis is prepared using same computation model and assumptions as used to determine defined benefit obligation based on projected credit unit method. The calculation of the defined benefit obligation is sensitive to assumption set out above. If the significant actuarial assumptions used to estimate the defined benefit obligations at the reporting date, had fluctuated by +1 bps with all other variables held constant, the present value of the defined benefit obligations as at 30 June 2023 would have been as follows:

	Impact on present value of defined benefit obligation	
	Increase	Decrease
	..... Rupees .....	
Discount rate + 1 %	2,933,414	3,438,821
Salary growth rate + 1 %	3,441,322	2,926,548

15.9 **Expected maturity profile**

Following are the expected distribution and timing of benefit payments at year end.

	2023 Rupees
Year 1	1,241,443
Year 2	120,858
Year 3	131,578
Year 4	160,429
Year 5	159,212
Year 6-10	<u>1,168,888</u>

15.10 Risk associated with defined benefit plan

**Discount rate risk**

The risk of changes in discount rate will have an impact on the actuarial liability. Any increase in discount rate will reduce the liability and vice versa.

**Mortality risk**

Any reduction in the mortality rates being assumed will increase the liability.

**Salary increase risk:**

The increase in salary in the future years being higher than assumed will increase the liability.

**Withdrawal risk:**

Any differences in the assumed withdrawal rates will have a corresponding impact on the liability depending on the benefits payable on withdrawal.

	NOTE	2023 Rupees	2022 Rupees
<b>16 ACCRUED AND OTHER PAYABLES</b>			
Accrued expenses			
Payable to Director General Medical Services, WAPDA	16.1	3,790,278	5,124,326
Auditor's remuneration		38,654,948	34,804,708
Payable to employees	16.2	1,075,000	1,075,000
Sales tax payable		193,664	439,430
		161,015	5,120,746
		<u>43,874,905</u>	<u>46,564,210</u>

16.1 It represents amount payable to Director General Medical Services (DG-MS), WAPDA in respect of medical facility availed by the employees of the Company. Movement in this balance is as under:

	NOTE	2023 Rupees	2022 Rupees
Balance as at 01 July		34,804,708	31,491,624
Additions during the year	19.1	3,850,240	3,313,084
Balance as at 30 June		<u>38,654,948</u>	<u>34,804,708</u>

16.2 It represents amount payable to employees against advance obtained from general provident fund maintained by WAPDA.

	NOTE	2023 Rupees	2022 Rupees
<b>17 DUE TO RELATED PARTIES</b>			
GENCOs	8.1	34,939,187	57,538,525
DISCOs	17.1	2,073,247	29,843,176
WAPDA	17.2	9,077,390	9,077,390
PPMC	17.3	270,190	270,190
		<u>46,360,014</u>	<u>96,729,281</u>

17.1 This represents amount payable to following DISCOs in respect of free electricity units provided to the Company's employees:

	2023				Total	2022
	Lahore Electric Supply Company Limited (LESCO)	Faisalabad Electric Supply Company Limited (FESCO)	Islamabad Electric Supply Company Limited (IESCO)	Gujranwala Electric Power Company Limited (GEPCO)		
	Rupees					Rupees
Balance as at 01 July	27,351,266	633,495	1,852,739	5,676	29,843,176	26,623,303
Amount charged during the year	6,091,657	140,029	734,853	-	6,966,539	3,357,094
Adjustments made during the year	(31,607,115)	(761,082)	(2,368,271)	-	(34,736,468)	(137,221)
Balance as at 30 June	<u>1,835,808</u>	<u>12,442</u>	<u>219,321</u>	<u>5,676</u>	<u>2,073,247</u>	<u>29,843,176</u>

17.2 PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY (WAPDA)

It represents amount payable to WAPDA as net worth against excess of assets over liabilities transferred to GM Thermal Office, PPMC. Books of account of the Company are not in agreement with the records of WAPDA in respect of amount payable to WAPDA. There is a net difference of Rupees 501,665,480 between the amount claimed by WAPDA as per letter No. GMF (P)/MF (HQ)/BNKS/GIII/307-08 dated 15 August 2009 and the amount recorded in the books of the Company as at 30 June 2023. The difference detailed below constituted / include assets which are neither available nor verifiable. This matter has been discussed in the Public Accounts Committee (PAC) along with receivables of WAPDA from other formations. The PAC has issued directives to reconcile the matter with Power Division in a meeting at Departmental Accounts Committee (DAC) level including nominee from the concerned DG Audit under intimation to the PAC. The meeting at DAC level is still pending. Unless both the parties do not resolve these differences, the amount of liability recognized in the books cannot be adjusted.

**Reconciliation:**

Net worth claimed by WAPDA (Payable to WAPDA)

2023 Rupees	2022 Rupees
510,742,870	510,742,870

**Less: Claims against assets / (liabilities) not acknowledged by the Company**

- Stores and spares of defunct projects
- Freehold land of Kot Addu
- Capital work in progress
- Advance to contractors of defunct projects
- Retention money on contractual payment of defunct projects
- Other liabilities of defunct projects

26,488,719	26,488,719
12,023,185	12,023,185
318,860,818	318,860,818
169,940,650	169,940,650
(21,491,211)	(21,491,211)
(4,156,681)	(4,156,681)
501,665,480	501,665,480
9,077,390	9,077,390

Net amount payable as per the Company as at 30 June (note 1.2)

- 17.3 It represents payable against balances transferred / recovery of advances from salaries of employees transferred from Power Planning and Monitoring Company (PPMC), previously known as Pakistan Electric Power Company (Private) Limited (PEPCO).

18 REVENUE	NOTE	2023 Rupees	2022 Rupees
Revenue from contracts with customers			
- Management fee - gross	8.1	256,371,841	241,484,589
- Sales tax		(33,439,805)	(18,608,845)
- Management fee - net		222,932,036	222,875,744
Tendering and bidding fee		323,577	105,601
		223,255,613	222,981,345

- 18.1 Revenue is recognized at a point in time as per the terms and conditions of underlying contracts with customers.

- 18.2 The amount of Rupees 21,305,644 (2022: Rupees 8,927,540) included in due to related parties (note 8.1) as at 30 June 2022 has been recognized as revenue during the year.

19 ADMINISTRATIVE AND GENERAL EXPENSES	NOTE	2023 Rupees	2022 Rupees
Salaries, allowances and other benefits	19.1	150,036,744	150,073,993
Travelling and conveyance		5,365,133	5,000,283
Repair and maintenance		2,106,276	4,280,792
Vehicle running expenses		6,724,552	3,620,278
Printing and stationery		1,657,261	1,103,972
Newspapers and periodicals		20,130	19,601
Rent expense	19.2	1,429,651	4,694,179
Utilities		1,037,616	1,226,127
Depreciation	3	1,287,161	3,844,378
Depreciation on right-of-use asset	4	16,434,118	18,294,781
Postage, telephone and telegram		1,186,826	1,277,824
Entertainment		281,911	183,181
Insurance		160,340	76,980
Legal and professional		10,933,886	8,184,249
Consultancy fee for merger		1,652,826	-
Advertisement		1,412,611	264,745
Auditor's remuneration	19.3	1,517,500	1,075,000
Due from related party (NPPMCL) written off		-	263,340
Advances against vehicles written off		-	38,518
Miscellaneous		-	31,338
		203,244,542	203,553,559

- 19.1 It includes medical facility amounting to Rupees 3,850,240 (2022: Rupees 3,313,084) (note 16.1), provision for gratuity amounting to Rupees 1,784,068 (2022: Rupees 1,551,199) (note 15.4) and free electricity amounting to Rupees 5,712,770 (2022: Rupees 3,219,873).

- 19.2 It represents short term leases with WAPDA.

	NOTE	2023 Rupees	2022 Rupees
<b>19.3 Auditor's remuneration</b>			
Audit fee		1,075,000	1,075,000
Taxation services		427,500	-
Reimbursable expenses		15,000	-
		<u>1,517,500</u>	<u>1,075,000</u>
<b>20 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Profit on saving accounts		762	350
Unwinding of advances	5	434,842	637,216
Recovery of long term advance	8.1	138,345	-
Adjustment of lease liability	14.1	4,536,000	-
		<u>5,109,949</u>	<u>637,566</u>
<b>Income from non-financial assets</b>			
Liabilities written off during the year		-	67,000
		<u>5,109,949</u>	<u>704,566</u>
<b>21 FINANCE COST</b>			
Interest on lease liability	14.1	1,828,659	1,439,609
Bank charges		6,519	4,048
		<u>1,835,178</u>	<u>1,443,657</u>
<b>22 TAXATION</b>			
Current tax:			
- Current year		17,843,763	17,832,880
- Prior year		19,297	44,878
Deferred income tax	10	17,863,060	17,877,758
	7.1	431,133	(735,264)
		<u>18,294,193</u>	<u>17,142,494</u>
<b>22.1 Reconciliation of tax charge for the year</b>			
Profit before tax		23,285,842	18,688,695
Tax on profit @ 29% (2022: 29%)		6,752,894	5,419,722
Tax effect of permanent differences		(126,104)	(414,754)
Tax effect of minimum tax		11,648,106	12,092,648
Tax effect of prior year		19,297	44,878
		<u>18,294,193</u>	<u>17,142,494</u>

**23 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES**

The aggregate amounts charged in these financial statements in respect of remuneration to the Chief Executive Officer, directors and executives of the Company are given below:

	Chief Executive Officer		Directors		Executives	
	2023	2022	2023	2022	2023	2022
	..... Rupees .....		..... Rupees .....		..... Rupees .....	
Remuneration	5,682,080	7,814,400	-	-	21,874,815	20,075,236
Allowances	930,423	3,146,520	-	-	13,864,735	14,125,307
Meeting fee	-	-	9,687,500	7,146,645	-	-
	<u>6,612,503</u>	<u>10,960,920</u>	<u>9,687,500</u>	<u>7,146,645</u>	<u>35,739,550</u>	<u>34,200,543</u>
Number of persons	1	1	11	12	9	9

**24 TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise of Government of Pakistan and related entities under control of Government of Pakistan, including WAPDA, PPMC, GENCOs, DISCOs, directors of the Company and key management personnel. Detail of transactions with related parties have been disclosed in the relevant notes to these financial statements.

**25 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES**

	Lease liability	
	2023 Rupees	2022 Rupees
Balance as at 01 July	16,582,281	15,557,823
Addition during the year	29,016,303	20,111,194
Interest accrued during the year	1,828,659	1,439,609
Adjustment of lease liability	(4,536,000)	-
Repayment of lease liability	(12,320,619)	(20,526,345)
Balance as at 30 June	<u>30,570,624</u>	<u>16,582,281</u>

## 26 FINANCIAL RISK MANAGEMENT

### 26.1 Financial risk factors

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

Risk management is carried out by the Company's finance department under policies approved by the Board of directors. The Company's finance department evaluates and hedges financial risks. Board of directors provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

#### (a) Market risk

##### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is not exposed to currency risk.

##### (ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk.

##### (iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest bearing instruments.

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.

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

	2023 Rupees	2022 Rupees
<b>Financial assets</b>		
<b>Fixed rate instruments</b>		
Long term advances	3,641,823	5,197,142
<b>Floating rate instruments</b>		
Bank balances - saving accounts	6,433	5,690

##### 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 reporting date would not affect profit or loss of the Company.

##### Cash flow sensitivity analysis for variable rate instruments

If interest rate at the year end date fluctuates by 1% higher / lower with all other variables held constant, profit before taxation for the period would have been Rupees 64 (2022: Rupees 57) lower / higher, mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at reporting date were outstanding for the whole year.

#### (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2023 Rupees	2022 Rupees
Long term advances	3,641,823	5,197,142
Long term security deposit	831,690	831,690
Due from related parties	31,577,783	47,066,065
Bank balances	7,640,383	42,842,535
	<u>43,691,679</u>	<u>95,937,432</u>

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty's default rate:

	Rating			2023	2022
	Short term	Long term	Agency	Rupees	Rupees
<b>Banks</b>					
United Bank Limited	A1+	AAA	VIS	7,713	6,951
National Bank of Pakistan	A1+	AAA	VIS	7,632,670	42,835,565
Habib Bank Limited	A1+	AAA	VIS	-	19
				<u>7,640,383</u>	<u>42,842,535</u>

After giving due consideration to the strong financial standing of the counter parties, management does not expect non-performance by these counter parties on their obligation to the Company. Accordingly the credit risk is minimal.

The Company has made advances to employees which are secured against employees' benefits and security deposit against lease agreement for office use. The management does not expect to incur material losses on such deposit and consider such amount is receivable upon termination of contract.

In addition to above, financial assets include due from related parties, these Companies are government owned and given a good credit rating and the balances are past due but not impaired. Management has assessed that there is no impairment loss in respect of these financial assets of the Company and these are recoverable in full.

(c) **Liquidity risk**

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

The Company manages liquidity risk by maintaining sufficient bank balances. At 30 June 2023, the Company had Rupees 7,640,383 (2022: Rupees 42,842,535) bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2023:

	Carrying amount	Contractual cash flow	Overdue	6 months or less	6-12 months	1-2 years
.....Rupees.....						
<b>Non-derivative financial liabilities</b>						
Lease liabilities	30,570,624	34,020,723	11,340,241	-	11,340,241	11,340,241
Accrued and other payables	43,713,890	43,713,890	-	43,713,890	-	-
Due to related parties	11,420,827	11,420,827	-	11,420,827	-	-
	<u>85,705,341</u>	<u>89,155,440</u>	<u>11,340,241</u>	<u>55,134,717</u>	<u>11,340,241</u>	<u>11,340,241</u>

Contractual maturities of financial liabilities as at 30 June 2022:

	Carrying amount	Contractual cash flow	Overdue	6 months or less	6-12 months	1-2 years
.....Rupees.....						
<b>Non-derivative financial liabilities</b>						
Lease liability	16,582,281	16,856,619	1,746,549	-	15,110,070	-
Accrued and other payables	41,443,464	41,443,464	-	41,443,464	-	-
Due to related parties	39,190,756	39,190,756	-	39,190,756	-	-
	<u>97,216,501</u>	<u>97,490,839</u>	<u>1,746,549</u>	<u>80,634,220</u>	<u>15,110,070</u>	<u>-</u>

26.2 **Financial Instruments by categories**

	At amortized cost	
	2023 Rupees	2022 Rupees
<b>Financial Assets</b>		
Long term advances	3,641,823	5,197,142
Long term security deposit	831,690	831,690
Due from related parties	31,577,783	47,066,055
Bank balances	<u>7,640,383</u>	<u>42,842,535</u>
	<u>43,691,679</u>	<u>95,937,432</u>
<b>Financial Liabilities</b>		
Lease liabilities	30,570,624	16,582,281
Accrued and other payables	43,713,890	41,443,464
Due to related parties	11,420,827	39,190,756
	<u>85,705,341</u>	<u>97,216,501</u>

26.3 **Reconciliation to the line items presented in the statement of financial position is as follows:**

	2023			2022		
	Financial assets	Non-financial assets	Total as per statement of financial position	Financial assets	Non-financial assets	Total as per statement of financial position
.....Rupees.....						
<b>Assets as per statement of financial position</b>						
Long term advances	3,641,823	-	3,641,823	5,197,142	-	5,197,142
Long term security deposit	831,690	-	831,690	831,690	-	831,690
Due from related parties	31,577,783	-	31,577,783	47,066,065	-	47,066,065
Advances against expenses and merger	-	1,902,826	1,902,826	-	158,556	158,556
Bank balances	<u>7,640,383</u>	-	<u>7,640,383</u>	<u>42,842,535</u>	-	<u>42,842,535</u>
	<u>43,691,679</u>	<u>1,902,826</u>	<u>45,594,505</u>	<u>95,937,432</u>	<u>158,556</u>	<u>96,095,988</u>

2023			2022		
Financial liabilities	Non-financial liabilities	Total as per statement of financial position	Financial liabilities	Non-financial liabilities	Total as per statement of financial position
.....Rupees.....			.....Rupees.....		

**Liabilities as per statement of financial position**

Lease liability	30,570,624	-	30,570,624	16,582,281	-	16,582,281
Accrued and other payables	43,713,890	161,015	43,874,905	41,443,464	5,120,746	46,564,210
Due to related parties	11,420,827	34,939,187	46,360,014	39,190,756	57,538,525	96,729,281
	<u>85,705,341</u>	<u>35,100,202</u>	<u>120,805,543</u>	<u>97,216,501</u>	<u>62,659,271</u>	<u>159,875,772</u>

**26.4 Offsetting financial assets and liabilities**

As on reporting date, recognized financial instruments are not subject to offsetting as there are no enforceable matter netting arrangements and similar agreements.

**26.5 Capital risk 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 benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to externally imposed capital requirement.

**27 RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS**

**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. 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 the 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, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

	2023	2022
<b>28 NUMBER OF EMPLOYEES</b>		
Number of employees as on 30 June	65	76
Average number of employees during the year	65	76

**29 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were approved and authorized for issue on 05.10.2023 by the Board of Directors of the Company.

**30 CORRESPONDING FIGURES**

No significant reclassification / re-arrangement of corresponding figures has been made in these financial statements.

**31 GENERAL**

Figures have been rounded off to nearest Rupee. *Na*

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCE OFFICER