PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

RSM Avais Hyder Liaquat Nauman
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of Peshawar Electric Supply Company Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of Peshawar Electric Supply Company Limited (the Company), which comprise the statement of financial position as at June 30, 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 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 June 30, 2023 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

The Company has not recorded supplemental charges since 2010 being charged by Central Power Purchasing Agency (CPPA) which are delayed payment charges of Independent Power Producers (IPPs). In our view, had these charges been recorded, trade and other payables and negative equity would have been higher by Rs. 113.999 billion (2022: Rs. 99.556 billion) and loss for the year would have been higher by Rs. 14.443 billion (2022: Rs. 23.187 billion).

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.

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Material Uncertainity relating to Going Concern

Without further qualifying our opinion, we draw attention to note 1.2 to the accompanying financial statements, which shows that the Company has suffered a net loss of Rs. 80.594 billion (2022: Rs.102.128 billion) for the year ended June 30, 2023 and at that date, the accumulated losses were Rs. 548.912 billion (2022: Rs. 452.222 billion). Similarly, the current liabilities exceed the current assets by Rs. 276.772 billion (2022: Rs.231.327 billion) as at the year end. These conditions, along with other matters as set forth in note 1.2 to the financial statements indicate the existence of material uncertainty that cast significant doubt about the Company's ability to continue as a going concern. However, the financial statements have been prepared on going concern basis as the Company has managed to continue its operation due to continuous support from Government of Pakistan in the foreseeable future.

Emphasis of Matters

We draw attention to:

a) note 20.2 to the accompanying financial statements, which described various matters regarding tax contingencies, the ultimate outcome of which cannot be presently determined, hence pending the resolution thereof, no provision for the same has been made in the accompanying financial statements;

b) note 20.1 to the accompanying financial statements which shows Rs. 46.943 billion (2022: Rs. 44.916 billion) as receivable from Tribal Electric Supply Company (TESCO). The Company's management believes that since TESCO is a government owned entity, there is no likelihood of default by TESCO in paying its liabilities and PESCO is confident of recovering these debts; and

c) note 6.12 to the accompanying financial statements which explains that the Company has not yet issued shares of Rs. 18.082 billion (2022: Rs.18.082 billion) to WAPDA.

Our opinion is not modified in respect of these matters.

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

Management is responsible for the other information. The other information comprises the 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. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- 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.

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

Report on Other Legal and Regulatory Requirements

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

a) Except for the matter described in the *Basis for Qualified Opinion* section of our report, proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) Except for 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, 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) Except for the matter described in the *Basis for Qualified Opinion* section of our report, 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 Suhr Ordinance, 1980 (XVIII of 1980).

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

RSM Avais Hyder Liaquat Nauman

RSM Avais Hyder Liaquat
Peshawar
Chartered Accountants

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Peshawar

Date: October 10, 2023

UDIN: AR202310513S9wgpknjq

PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital: 5,000,000,000 (2022: 5,000,000,000) ordinary shares of Rupees 10 each		50,000,000,000	50,000,000,000
Issued, subscribed and paid up share capital	5	10,000	10,000
Deposits for issue of share capital	6	130,867,728,553	92,855,405,071
Accumulated loss		(548,912,627,559)	(452,222,342,099)
TOTAL EQUITY		(418,044,889,006)	(359,366,927,028)
Non-current liabilities			
Liabilities against government investment	7	50,187,189,539	50,187,189,539
Long term loans - secured	8	8,061,124,905	7,867,513,425
Staff retirement benefits	9	148,528,485,046	126,421,111,601
Deferred credit	10	43,715,376,868	39,221,980,766
Consumers' security deposits	11	6,793,519,936	6,260,816,713
		257,285,696,294	229,958,612,044
Current liabilities			
Trade and other payables	12	512,133,192,562	462,689,582,387
Accrued markup	13	3,791,062,735	3,178,873,917
Current maturity of long term loans	8	3,556,618,533	2,143,075,981
Provision for taxation	29	3,145,518,170	2,257,808,735
		522,626,392,000	470,269,341,020
TOTAL LIABILITIES		779,912,088,293	700,227,953,064
Contingencies and commitments	14	-	-
		361,867,199,287	340,861,026,036
ASSETS			
Non-current assets			
Property, plant and equipment	15	116,012,851,449	101,917,287,124
Long term loans - considered good	16	709,333	1,786,049
		116,013,560,782	101,919,073,173
Current assets			
Stores, spare parts and loose tools	17	11,247,241,103	9,580,113,785
Trade debts	18	97,620,337,566	78,977,481,839
Loans and advances - considered good	19	3,732,288,648	2,496,250,975
Other receivables	20	96,905,868,230	95,734,895,215
Receivable from government of Pakistan (Ministry of Finance)	21	26,091,064,330	42,901,199,260
Bank balances	22	10,256,838,629	9,252,011,789
		245,853,638,505	238,941,952,863
TOTAL ASSETS		361,867,199,287	340,861,026,036

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
Sale of electricity	23	240,223,816,812	171,781,726,839
Subsidy from Government of Pakistan on sale of electricity		39,271,580,895	51,390,432,017
		279,495,397,707	223,172,158,856
Cost of electricity	24	(322,563,824,475)	(292,802,591,808)
Gross loss		(43,068,426,768)	(69,630,432,952)
Amortization of deferred credit	10	2,308,964,609	2,070,881,984
		(40,759,462,159)	(67,559,550,968)
Operating cost			
Other operating cost excluding depreciation	25	(41,579,990,507)	(34,465,916,669)
Depreciation on property, plant and equipment	15.1	(4,210,463,102)	(3,709,338,186)
		(45,790,453,609)	(38,175,254,855)
Operating loss		(86,549,915,767)	(105,734,805,823)
Other income			
Rental and service income	26	52,485,906	48,903,377
Other income	27	10,121,705,368	7,734,853,604
		10,174,191,274	7,783,756,981
Financial cost	28	(1,065,899,814)	(1,914,485,107)
Loss before taxation		(77,441,624,308)	(99,865,533,949)
Taxation	29	(3,153,184,278)	(2,262,666,777)
Loss for the year		(80,594,808,586)	(102,128,200,726)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

	2023 Rupees	2022 Rupees
Loss for the year	(80,594,808,586)	(102,128,200,726)
Other comprehensive income / (loss):		
Actuarial loss on remeasurement of post retirement benefits	(16,155,526,751)	(18,789,656,736)
Total comprehensive loss for the year	(96,750,335,337)	(120,917,857,462)

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(77,441,624,308)	(99,865,533,949)
Adjustments for non-cash charges and other items:			
Depreciation	15.1	4,210,463,100	3,709,338,186
Provision for staff retirement benefits		15,047,065,855	11,005,794,140
Provision for doubtful debts		10,913,946,930	8,060,100,946
Profit on bank deposits		(1,503,380,463)	(971,445,234)
Amortization of deferred credit		(2,308,964,609)	(2,070,881,984)
Financial charges		1,065,899,814	1,914,485,107
		27,425,030,627	21,647,391,161
Operating loss before working capital changes		(50,016,593,681)	(78,218,142,788)
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		(1,667,127,318)	(4,686,289,345)
Trade debts		(29,556,802,657)	(16,589,781,676)
Loans and advances		(1,236,037,672)	(258,196,363)
Other receivables		(1,110,923,139)	(5,814,574,836)
Receivable from Government of Pakistan (Ministry of Finance)		16,810,134,930	20,803,045,599
		(16,760,755,856)	(6,545,796,621)
Increase in current liabilities		52,357,050,980	29,536,449,846
Cash used in operations		(14,420,298,557)	(55,227,489,563)
Staff retirement benefits paid		(9,095,219,161)	(6,778,818,161)
Tax paid		(3,153,184,278)	(2,262,666,777)
Financial charges paid		(1,065,899,814)	(1,914,485,107)
		(13,314,303,253)	(10,955,970,045)
Net cash used in operating activities		(27,734,601,810)	(66,183,459,608)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred during the year		(18,306,027,425)	(19,964,631,548)
Profit received on bank deposits		1,503,380,463	971,445,234
Proceeds from customers in deferred credit		6,802,360,711	6,240,577,779
Long term loans disbursed during the year		1,076,716	6,412,151
Net cash used in investing activities		(9,999,209,535)	(12,746,196,384)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans obtained		193,611,480	1,312,182,220
Consumers' security deposits		532,703,223	714,749,789
Proceeds from GoP investment against circular debt		38,012,323,482	72,679,139,696
Net cash generated from financing activities		38,738,638,185	74,706,071,705
Net increase/(decrease) in cash and cash equivalents		1,004,826,840	(4,223,584,287)
Cash and cash equivalents at beginning of the year		9,252,011,789	13,475,596,076
Cash and cash equivalents at end of the year	22	10,256,838,629	9,252,011,789

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023

	Issued, subscribed and paid up share capital	Deposit for issue of shares	Accumulated Loss	TOTAL
	RUPEES			
Balance as at July 01, 2021	10,000	20,176,265,375	(331,304,484,637)	(311,128,209,262)
Total comprehensive income/(loss) for the year				
Loss for the year	-	-	(102,128,200,726)	(102,128,200,726)
Actuarial loss on remeasurement of post retirement benefits	-	-	(18,789,656,736)	(18,789,656,736)
	-	-	(120,917,857,462)	(120,917,857,462)
Equity injection against supplemental charges		879,673,400		879,673,400
Equity injection against account receivables		71,799,466,296		71,799,466,296
Balance as at June 30, 2022	10,000	92,855,405,071	(452,222,342,099)	(359,366,927,028)
Total comprehensive income/(loss) for the year				
Loss for the year	-	-	(80,594,808,586)	(80,594,808,586)
Actuarial loss on remeasurement of post retirement benefits	-	-	(16,155,526,751)	(16,155,526,751)
	-	-	(96,750,335,337)	(96,750,335,337)
GoP equity injection	-	38,012,323,482	-	38,012,323,482
Prior year adjustment (subsidy)			60,049,876	60,049,876
Balance as at June 30, 2023	10,000	130,867,728,553	(548,912,627,559)	(418,044,889,006)

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

Reviewed

CHIEF EXECUTIVE OFFICER

DIRECTOR

1 STATUS AND ACTIVITIES

1.1 Peshawar Electric Supply Company Limited (PESCO) ("the Company") is a public limited company incorporated under the repealed Companies Ordinance, 1984 (now Companies Act, 2017), having its registered office situated at WAPDA House, Lahore. The company was incorporated on April 23, 1998 to acquire/takeover all the properties, rights, assets, obligations and liabilities of Peshawar Area Electricity Board owned by Pakistan Water and Power Development Authority (WAPDA) and such other assets and liabilities as agreed. The company commenced commercial operation w.e.f. July 01, 1998. The principal activity of the company is the distribution and supply of electricity within its defined geographical boundaries. National Electric Power Regulatory Authority (NEPRA) has granted Distribution License to the company for electricity distribution. Government of Pakistan has notified the tariff determined by NEPRA for Peshawar Electric Supply Company Limited (PESCO). It currently purchases electricity through Central Power Purchasing Agency (CPPA) which is an associated undertaking of the Company.

1.2 The company has suffered a net loss of PKR. 80.594 billion (2022: Rs. 102.128 billion) for the year ended June 30, 2023 during the year under reference which has increased the accumulated losses to Rs. 548.912 billion (2022: Rs. 452.222 billion). Moreover, the current liabilities exceed current assets by an amount of Rs. 276.772 billion (2022: Rs. 231.327 billion). These factors indicate the existence of a material uncertainty, which may cast significant doubts on the company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis on the rational assumption that the losses due to shortfall in tariff and distribution losses will be made through Government subsidies. Further the company has initiated the programs and actions for reduction of distribution losses and recovery of receivables from consumers and associated undertakings.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017

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

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2022 and therefore, have been applied in preparing these financial statements.

i. Annual Improvements to IFRS Standards 2018–2020 Cycle

The IASB has issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to the following Financial Reporting Standards (IFRSs).

- IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- IAS 41 Agriculture - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The ammendments are applicable for annual periods beginning on or after 1 January 2022. These amendments do not have any significant impact on the Company's financial statements.

ii. IAS 16 – Property, Plant and Equipment

The IASB has published 'Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)' from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.

The standard prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The ammendments are applicable for annual periods beginning on or after 1 January 2022. These amendments do not have any significant impact on the Company's financial statements.

iii. **IAS 37 – Provisions, Contingent Liabilities and Contingent Assets**

The IASB has published 'Onerous Contracts — Cost of Fulfilling a Contract' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

The changes in Onerous Contracts — Cost of Fulfilling a Contract specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments published are effective for annual periods beginning on or after 1 January 2022. These amendments do not have any significant impact on the Company's financial statements.

iv. **IAS 12 – Income Taxes**

The IASB has issued amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes. The amendments introduce an exception to the requirements in the standard that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes.

An entity applies the exception and the requirement to disclose that it has applied the exception immediately upon issuance of the amendments. These amendments do not have any significant impact on the Company's financial statements.

2.2.2 Standards, amendments to standards and interpretations becoming effective in current year but not relevant

There are certain new standards, amendments to standards and interpretations that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2022 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

2.2.3 Standards, amendments to standards and interpretations becoming effective in future periods

The following standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after the effective dates specified therein.

i. **IAS 1 – Presentation of Financial Statements**

(I) The IASB has issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in Classification of Liabilities as Current or Non-current affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023.

(II) The IASB has published 'Non-Current Liabilites with Covenants' to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a laibaility. The amendments in Non-current Liabilities with Covenants modify the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2024.

(III) The IASB has issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements in the following ways:

- an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023.

ii. IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The IASB has published 'Definition of Accounting Estimates' to help entities to distinguish between accounting policies and accounting estimates. The definition of 'a change in accounting estimates' is replaced with a definition of 'accounting estimates'. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The IASB clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after 1 January 2023. Application of these amendments is not expected to have any significant impact on the Company's financial statements.

iii. IAS 12 – Income Taxes

(I) The IASB has published 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)' that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. Accordingly, the initial recognition exemption, provided in IAS 12.15(b) and IAS 12.24, does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

(II) The IASB has issued amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes. The amendments introduce an exception to the requirements in the standard that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes.

An entity applies the exception and the requirement to disclose that it has applied the exception immediately upon issuance of the amendments; the remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023.

These amendments do not have any significant impact on the Company's financial statements.

iv. **IAS 7 – Statement of Cash Flows and IFRS 7 – Financial Instruments: Disclosures**

The IASB has published 'Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)' to add disclosure requirements, and 'signposts' within existing disclosure rquirements, that ask entities to provide qulaitative and quantitative information about supplier finance arrangements. The amendments in Supplier Finance Arrangements:

- Do not define supplier finance arrangements. Instead, the amendments describe the characteristics of an arrangement for which an entity is required to provide the information. The amendments note that arrangements that are solely credit enhancements for the entity or instruments used by the entity to settle directly with a supplier the amounts owed are not supplier finance arrangements.

- Add two disclosure objectives. Entities will have to disclose in the notes information that enables users of financial statements:

  - to assess how supplier finance arrangements affect an entity's liabilities and cash flows and

  - to understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

- Complement current requirements in IFRSs by adding to IAS 7 additional disclosure requirements about:

  - the terms and conditions of the supplier finance arrangements;

  - for the arrangements, as at the beginning and end of the reporting period:

    a) the carrying amounts of financial liabilities that are part of the arrangement and the associated line item presented;

    b) the carrying amount of financial liabilities disclosed under a) for which suppliers have already received payment from the finance providers;

    c) the range of payment due dates (for example, 30 to 40 days after the invoice date) of financial liabilities disclosed under a) and comparable trade payables that are not part of a supplier finance arrangement; and

  - the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of the arrangement

    The IASB decided that, in most cases, aggregated information about an entity's supplier finance arrangements will satisfy the information needs of users of financial statements.

- Add supplier finance arrangements as an example within the liquidity risk disclosure requirements in IFRS 7.

An entity applies these amendments for annual reporting periods beginning on or after 1 January 2024. The Company is in process of evaluating the mpact of application of these amendments on the Company's financial statements.

v. **IFRS 16 – Leases**

The IASB has issued amendments for 'Lease Liability in Sale and Leaseback' that clarify how a seller-lessee subsequently measure sale and leaseback transactions that satisfy the rquirements in IFRS 15 to be accounted for sale.

'Lease Liability in a Sale and Leaseback Amendments' requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments also include one amended and one new illustrative example.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Application of these amendments is not expected to have any significant impact on the Company's financial statements.

2.2.4 Standards, amendments to standards and interpretations becoming effective in future periods but not relevant

There are certain new standards, amendments to standards and interpretations that are effective from different future periods, but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

2.2.5 Standards issued by IASB but not applicable in Pakistan

Following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

IFRS 1 - First-time adoption of International Financial Reporting Standards
IFRS 17 - Insurance Contracts
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2 Climate-related Disclosures

2.3 Basis of measurement

These financial statements have been prepared under the historical convention except for the staff retirement benefits which are carried at present value in accordance with the requirement of IAS-19, "Employee Benefits" .

2.4 Functional and presentation currency

The financial statements are prepared in Pakistani Rupees which is the Company's functional and presentation currency. All functional information presented in Pakistani Rupees has been rounded to the nearest rupee unless otherwise stated.

2.5 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also require management to make judgment, estimates and assumption that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates and associated assumptions are based on historical experience and other factors that are believe to be reasonable under the circumstances, the result of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of revision and future periods if affects both current and future periods. Judgments made by the management in application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in ensuring paragraphs.

2.5.1 Property, plant and equipment

The company reviews the useful lives and residual values of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding effect on the depreciation charge and amortization of deferred credit.

2.5.2 Provision for inventory obsolescence and doubtful receivables

The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores and spares. Further the carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the reliability of these receivables, appropriate amount of provision is made.

2.5.3 Staff retirement benefits

Retirement benefits are provided to regular employees of the Company. Calculation of provision for staff retirement benefits require assumptions to be made of the future outcomes, the principle ones being in respect of increase in remuneration, discount rates and inflation rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

2.5.4 Taxation

The Company takes into account the current income tax laws and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

2.5.5 Contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcomes and lawyers' judgment, appropriate disclosure or provision is made.

2.5.6 Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists the assets recoverable amount is estimated. Impairment recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are charged to statement of comprehensive income current year.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set below have been applied consistently to all periods presented in these financial statements.

3.1 Staff retirement benefits

The Company provides pension, post retirement medical, free electricity benefits and compensated absences to all its regular employees. These are unfunded defined benefit plans, liabilities for these benefits are determined on the basis of actuarial valuation carried out by using the Projected Unit Credit Method. The amounts recognized in Statement of financial position represent the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses.

All actuarial gains and losses are recognized in 'other comprehensive income' as they occur.

For General Provident Fund and WAPDA welfare Fund, the company makes deductions from salaries of employees and remits the same to the funds established by WAPDA.

3.2 Deferred credit

Amount received from consumers and the government as contribution towards the cost of extension of distribution network and of providing service connections are deferred for amortization over the useful lives of related assets. Amortization and depreciation for the year are included in statement of profit or loss.

3.3 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company and subsequently measured at amortised cost. Exchange gains and losses arising on transaction in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

3.4 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, markup bearing borrowings are stated at original cost less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the Statement of profit or loss and other comprehensive income account over the period of borrowing on effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset.

3.5 Borrowing cost

Borrowing costs are charged to income as and when incurred except costs that are directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

3.6 Taxation

Income tax expense comprises current and deferred tax. Tax expense is recognized in profit or loss except to the extent that relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account tax credits and tax rebates, if any.

Deferred

Deferred tax is accounted for using the balance sheet method, providing for temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognized on all major temporary differences. Deferred tax assets recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference, unused tax losses and tax credits can be utilized. Deferred tax are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the relaxed tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on the net basis or their tax assets and liabilities will be realized simultaneously.

3.7 Provision

Provisions are recognized in the statement of financial position when the company has legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre tax rate that reflects current market assessment of the time value of money and the risk specific to the obligation. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

3.8 Contingencies and commitments

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.9 Property, plant and equipment

Freehold land is stated at cost amount while capital work in progress is stated at cost less impairment loss, if any. Building on freehold land and distribution equipment are stated at cost amount less accumulated depreciation. All other operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment, if any.

Cost include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the cost of materials, direct labour and any other costs directly attributable to bringing the assets into working condition for their intended use and capitalized borrowing costs.

Depreciation is charged to income on straight line method so as to write-off the depreciable amount of an asset over its estimated useful life at the rates mentioned in note 15.1 to the financial statements. Depreciation on depreciable assets is commenced from the month the asset is available for use up to the month preceding the month of disposal. Major renewals and improvements are capitalized, while minor replacements, repairs and maintenance are charged to income.

3.10 Impairment

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of that asset is estimated in order to determine the extent of the impairment loss if any. Impairment losses are recognized as expense in other comprehensive income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization. If no impairment loss had been recognized . For non-financial assets, financial assets measured at amortized cost, available for sale financial assets that are debt securities, the reversal is recognized in profit or loss.

3.11 Stores, spare parts and loose tools

These are valued at moving average cost less allowance for impairment for obsolete and slow moving stores. Items in transit which are valued at cost comprising invoice value and related expenses incurred thereon up to the reporting date less impairment, if any.

3.12 Trade debts and other receivables

Trade and other receivables are recognized and carried at original invoice amount which is the fair value of the consideration to be received in future for goods sold. When a trade debt is uncollectable, it s written and charged statement of profit or loss. Subsequent recoveries of amounts previously written off are credited to the profit or loss.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances.

3.14 Financial Instruments

3.14.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

Amortized Cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:
(i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Impairment of financial assets

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs .Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written of when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

As per notification of Securities and Exchange Commission of Pakistan Vide S.R.O. 985 (I)/2019 Dated September 2, 2019, the requirement with respect to application of expected credit loss in IFRS-9 shall not be applicable to financial assets due from Government of Pakistan. Such financial assets shall be dealt with in according with the requirement of IAS-39 (Financial Instruments).

3.14.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

3.14.3 Recognition measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.14.4 Derecognition

The financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

3.15 Offsetting of financial assets and financial liabilities

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

3.16 Derivative financial instruments

These are initially recorded at fair value on the date a derivative contract is entered into and are re-measured to fair value at reporting date. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company does not apply hedge accounting for any derivatives. Any gain or loss from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

3.17 Foreign currency transactions and translation

Transactions in foreign currencies are converted into functional currency (PKR) at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into functional currency at the rates of exchange prevailing on the reporting date. Exchange gains and losses are recognized in profit or loss.

3.18 Revenue recognition

Electricity sale

Revenue related to electricity sales is recognized once the company supplies electricity and there is no unfulfilled obligation on the part of the Company. Electricity is supplied at the rates determined by NEPRA and notified by Government of Pakistan from time to time. Late payment surcharge is recognized on accrual basis.

Tariff adjustment

Tariff adjustment for variation in fuel price is recognized in the relevant period on the basis of rates determined by NEPRA and notified by Government of Pakistan up to the date of approval of financial statements by the board of directors of the company.

Contract assets

Contract assets arise when the Company performs its performance obligations by providing services to a customer before the customer pays its consideration or before payment is due.

Contract liabilities

Contract liability is the obligation of the Company to provide services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company provides services, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

Others

- Scrap sales are recognized on delivery to customers at realized amounts.
- Return on deposit is accrued on time proportion basis by reference to the principle outstanding and the applicable rate of return.
- All other income is recognized on accrual basis.

3.19 Electricity subsidy to consumers

Subsidy on electricity announced by the Government of Pakistan for consumers is recognized under revenue on accrual basis.

4 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

The company has incurred gross loss amounting to Rs. 43.068 billion during current year due to unprecedented increase in fuel prices as well as exchange parity without corresponding increase in Consumer End Tariff. Due to the said increase, the cost of power purchase was increased by Rs. 3.49 per unit during the current year as compared to the last year with a financial impact of Rs. 53.2 billion. Similarly the tariff of financial year 2022-23 was determined on the basis of 20.16% target loss, thereby resulting in the gross loss during current year.

		2023 Rupees	2022 Rupees
5	**ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL**		

2023	2022		
Number of shares			
1,000	1,000	10,000	10,000

5.1 1000 Ordinary shares of Rs.10 each, issued as fully paid up in cash to President of Pakistan (through PEPCO) and its nominee Directors.

		Note	2023 Rupees	2022 Rupees
6	**DEPOSITS FOR ISSUE OF SHARE CAPITAL**			
	Incorporation expenses incurred by WAPDA		5,042,575	5,042,575
	Allocation of net worth transferred by WAPDA	6.1	8,885,483,927	8,885,483,927
			8,890,526,502	8,890,526,502
	Adjustment of other loans and assets	6.2	7,620,265,187	7,620,265,187
	Adjustment of net assets on transfer of FATA business to WAPDA	6.3	1,571,234,102	1,571,234,102
			18,082,025,791	18,082,025,791
	Equity injection against mark-up	6.4	2,094,239,584	2,094,239,584
	Equity injection against supplemental charges	6.5	879,673,400	879,673,400
	Equity injection against accounts receivables	6.6	27,773,678,000	27,773,678,000
	GoP equity injection	6.7	5,236,221,196	5,236,221,196
	GoP equity injection	6.8	20,142,046,300	20,142,046,300
	GoP equity injection	6.9	15,292,224,200	15,292,224,200
	GoP equity injection	6.10	3,355,296,600	3,355,296,600
	GoP equity injection	6.11	38,012,323,482	-
		6.12	130,867,728,553	92,855,405,071

6.1 This represents net worth of the Company as on 01 July 1998 and subsequent adjustments/additions.

6.2 This represents adjustments of loan repayment and assets transferred, through current account maintained with WAPDA.

6.3 It represents net worth of FATA amounting to Rs. 1,670 million which has been surrendered to WAPDA w.e.f. from July 01, 2003 But still held by PESCO on their behalf and the reversal of employees retirement benefits amounting to Rs. 99.05 million on incorporation of TESCO.

6.4 Ministry of Energy (Power) Division through its letter No.PF.5(4)/2012-Vol.X dated 22-03-2019 directed all DISCO's to Book Equity amounting to Rs. 9,347.649 million against payment of Financial charges in respect of STFFs of PKR 7.487 billion, PKR 25 billion and PKR 30 billion. The payment of these charges has been made by the Govt of Pakistan (Finance Division) and PESCO's share is Rs. 2,094 million.

6.5 Ministry of Energy (Power division) through its letter No.F-05(06-PHL) 2021-22 dated 22-09-2021 directed all DISCO's to book GoP Equity amounting to Rs.4.4 billion and CPPA has issued credit note to PESCO amounting Rs.879.673 million vide Credit Note No.PPA - 13 / PESCO-01 dated 09-09-2021.

6.6 Ministry of Energy (Power division) through its letter No. F No. 05(06-PHL) 2021-22 Dated 07.02.2022 and directed all the DISCOs to book GoP Equity amounting to Rs.134.783 billion and CPPA-G has issued a credit note to PESCO amounting to Rs.27.773 Billion vide Credit Note No, PPA-188 / PESCO-18 dated 31.01.2022.

6.7 Ministry of Energy (Power division) through its letter No.F-05(02)2021-22 dated 18, February,2022, Directed all DISCOs to book GoP Equity amounting to Rs.24.847 billion and CPPA has issued Credit Note to PESCO amounting Rs.5.236 billion vide Credit Note No.PPA - 248 / PESCO-24 dated 23-02-2022.

6.8 Ministry of Energy (Power division) through its letter No.F-05(02)2021-22 dated 22, July,2022, Directed all DISCOs to book GoP Equity amounting to Rs.96.133 billion and CPPA has issued Credit Note to PESCO amounting Rs. 20.142 billion vide Credit Note No.PPA - 449 / PESCO-45 with effective date 30-6-2022.

6.9 Ministry of Energy (Power division) through its letter No.F-05(02)2021-22 dated 07,July,2022, Directed all DISCOs to book GoP Equity amounting to Rs.72.986 billion and CPPA has issued Credit Note to PESCO amounting Rs.15.292 billion vide Credit Note No.PPA - 425 / PESCO-42 with effective date 30-6-2022.

6.10 Ministry of Energy (Power division) through its letter No.F-05(02)2021-22 dated 01,August,2022, Directed all DISCOs to book GoP Equity amounting to Rs.16.014 Billion and CPPA has issued Credit Note to PESCO amounting Rs.3.355 Billion vide Credit Note No.PPA - 458 / PESCO-46 with effective date 30-6-2022.

6.11 Ministry of Energy (Power division) through its letter No.F-05(02)2021-22 dated 18-10-2022,letter No.F-05(02)2021-22 dated 14-02-2023, letter No.F-05(02)2021-22 dated 13-03-2023, letter No.F-05(02)2021-22 dated 09-05-2023, and letter No.F-05(02)2021-23 dated 13-06-2023, directed all DISCO's to book GoP Equity amounting to Rs.152.438 billion and CPPA has issued credit note PPA - 52 / PESCO-05 dated 10-2022 for Rs.1.439 billion, credit note No.PPA - 116 / PESCO-12 dated.02-2023,for Rs. 5.831 billion, credit note No. CPPA-125/PESCO-13 dated 02-2023 for Rs.1.692 billion, credit note No. CPPA-134/PESCO-14 dated 02-2023 for Rs.6.591 billion, credit note No. CPPA-147/PESCO-15 dated 03-2023,for Rs.848 million, credit note No.CPPA-195/PESCO-20 dated 04-2023 for Rs.1.686 billion credit note No.CPPA-204/PESCO-21 dated 04-2023 for Rs.13.131 billion and credit note No. CPPA-258 / PESCO-27 dated 05-2023 for Rs.834 million and letter No. F- No. 5(02)/2021-23 dated 01-08-2023 vide credit note No.PPA-374 / PESCO-40 dated 30-06-2023 for Rs. 5.957 billion has been received on account of Equity.

6.12 WAPDA has confirmed vide letter No 36-66/GMF(P)/MFHQ/B.K-40 to the Company to issue shares of Rs.10 each equivalent to share deposit money of Rs. 18.082 billion. Rest of Rs. 112.785 billion is the equity injected by GoP.

7 LIABILITIES AGAINST GOVERNMENT INVESTMENT

	Note	2023 Rupees	2022 Rupees
Federal Government Investments (Circular Debt Settlement)	7.1	50,187,189,539	50,187,189,539

7.1 This amount shows GoP Investment in the DISCO's against Circular Debt Settlement. As per letter of Government of Pakistan Finance Division No. F-1(5) CF-I/2012-13/1017 dated July 02, 2013, Finance Division has transferred Rs. 341.958 billion in PEPCO's account through State Bank of Pakistan on June 27, 2013 for the settlement of power sector circular debt payable to IPP's and other entities. PESCO received Credit Memo No. PPA-204/PESCO-26 dated May 06, 2014 for Rs. 82.145 billion from CPPA on account of GoP Investment against Circular debt of aforesaid amount. Credit Memo No. PPA-278/PESCO-31 dated November 30, 2017 for Rs. 1.168 billion and Credit Memo No. PPA-279/PESCO-32 dated 30-11-2017 for Rs.16.766 billion and Debit Memo No. PPA-07 / PESCO-01 dated 31-01-2018 for Rs. 0.087 billion has been adjusted against this liability on account of Subsidy Receivable from Government of Pakistan.

As per letter of Ministry of Energy (Power Division) letter No. PF-05(02)2019-20 dated 23-12-2020, a Debit Note No. PPA-159/PESCO-16 dated 31-12-2020 is received from CPPA on account of adjustment of equity amounting to Rs. 13.936 billion which is recorded during the year.

8 LONG TERM LOANS - secured

	Note	2023 Rupees	2022 Rupees
Loan from Government of Pakistan	8.1	125,284,795	125,284,795
Asian Development Bank - Trench I (2438-PK)	8.2	847,267,493	847,267,493
Asian Development Bank - Trench II (2727-PK)	8.3	955,422,626	955,422,626
Asian Development Bank - Trench III (2972-PK)	8.4	1,976,630,025	1,976,630,025
Asian Development Bank - Trench IV (3096-PK)	8.5	1,668,205,374	1,668,205,374
Earthquake Reconstruction and Rehabilitation Authority	8.6	2,083,217,020	1,660,090,470
Electrification work at Chitral (Federal PSDP) CCPR-3129	8.7	594,653,000	199,203,000
132 KV Grid system Chitral (Federal PSDP) CCPR-3130	8.8	148,522,590	148,522,590
Evacuation of Power from Swabi (Federal PSDP) CCPR-3131	8.9	477,771,000	230,000,000
Supply of Power to Rashakai Economic Zone(Federal PSDP) CCPR-7018	8.10	1,798,530,515	1,457,868,927
Supply of Power to Hattar Economic Zone (Federal PSDP) CCPR-7019	8.11	942,239,000	742,094,106
		11,617,743,438	10,010,589,406
Less: Current maturity		(3,556,618,533)	(2,143,075,981)
		8,061,124,905	7,867,513,425

8.1 Loan from Government of Pakistan

This loan has been advanced by the Government of Pakistan (GoP) for the restoration of Power Distribution Infrastructure and Electricity Consumption in earthquake affected areas. The loan is free of interest charges and currency fluctuations.

8.2 Asian Development Bank - Trench I

This represents relevant portion of total term finance facility obtained by the Government of Pakistan (GoP) from Asian Development Bank (ADB) for power distribution and enhancement project. Out of total finance facility an amount of US $ 36.60 million has been allocated to the Company vide letter dated 30-03-2009 of Ministry of Economic Affairs & Statistics (Economic Affairs Division) Government of Pakistan. Out of the total allocated facility, the Company has utilized and repaid US $ 22.661 million and US $ 0.424 million respectively and left with outstanding amount up to US $ 22.237 million as at June 30, 2018.

Ministry of Economic Affairs & Statistics (Economic Affairs Division) vide letter No. 6-16(7) DMR/GF/2011 dated 25-08-2014 has revised the terms and conditions of the loan. Under the revised terms, the loan carries interest @ 17% inclusive of exchange risk 6% is repayable in 26 semi-annual instalments ending August 15, 2023 with first repayment due on February 15, 2011. Accordingly the principal amount which has fallen due and are due for repayment within 12 months of the reporting date has been transferred to current portion. Further, since the revised repayment terms require the repayment of principal in Pak Rupee, exchange difference arising on revaluation of this loan for the year has not been recognized.

8.3 Asian Development Bank - Trench II

This represents re-lent portion of total term finance facility obtained by the GoP from ADB for power distribution and enhancement project. Out of total finance facility, an amount of US $ 26.66 million has been allocated to the Company vide letter No. 1(3) ADB-II/06-A dated 31-03-2011 of Ministry of Economic Affairs & Statistics (Economic Affairs Division) Government of Pakistan. As per the letter dated 09-04-2011 of the Ministry of Economic Affairs & Statistics (Economic Affairs Division), the loan amount has been relent to the Company on the following terms:

- 15% p.a inclusive of interest rate of 8.2% plus exchange risk coverage (ERC) of 6.8% which shall be charged both on principal amount and interest amount separately.

- repayment maximum period of 17 years excluding a grace period of 3 years.

- all charges and fees including commitment charges etc if any payable by the Government of Pakistan to the above foreign lender shall also be borne by the Company.

8.4 Asian Development Bank - Trench III

This represents re-lent portion of total term finance facility obtained by the GoP from ADB for power distribution and enhancement project. Out of total finance facility an amount of US $ 21.55 million has been allocated to the Company vide letter No. 2(9) ADB-II/12 dated 31-12-2013 of Ministry of Economic Affairs & Statistics (Economic Affairs Division) Government of Pakistan. Out of the total allocated facility the company has utilized US $ 7.38 million up to June 30, 2016. As per the letter dated 31-12-2013 of the Ministry of Economic Affairs & Statistics (Economic Affairs Division) the loan amount has been relent to the Company on the following terms:

- 15% p.a inclusive of interest rate of 8.2% plus exchange risk coverage (ERC) of 6.8% which shall be charged both on principal amount and interest amount separately.

- repayment maximum period of 20 years including a grace period of 5 years.

- all charges and fees including commitment charges etc if any payable by the Government of Pakistan to the above foreign lender shall also be borne by the Company.

8.5 Asian Development Bank - Trench IV

This represents re-lent portion of total term finance facility obtained by the GoP from ADB for Earthquake Emergency Assistance Project. Out of total finance facility an amount of US $ 11.00 million has been allocated to the Company vide letter dated 22 July 2008 of Ministry of Economic Affairs & Statistics (Economic Affairs Division) Government of Pakistan. As per the above said letter, the loan amount has been relent to the Company on the terms and conditions agreed between the GoP and ADB which are as follows:

- 15% inclusive of interest rate of 8.2% plus exchange risk coverage (ERC) of 6.8% which shall be charged both on principal amount and interest amount separately.

- repayment maximum period of 25 years including a grace period of 5 years.

- all charges and fees including commitment charges etc if any payable by the Government of Pakistan to the above foreign lender shall also be borne by the Company.

8.6 Earthquake Reconstruction and Rehabilitation Authority

This represents re-lent portion of total term finance facility obtained by the GoP from ADB for Earthquake Emergency Assistance Project. Out of total finance facility an amount of US $ 11.00 million has been allocated to the Company vide letter dated 22-07-2008 of Ministry of Economic Affairs & Statistics (Economic Affairs Division) Government of Pakistan. As per the above said letter, the loan amount has been relent to the Company on the terms and conditions agreed between the GoP and ADB which are as follows:

- the facility carries interest at 1% per annum on the amount of the loan withdrawn from the loan account and outstanding from time to time.

- repayment maximum period of 40 years including a grace period of 10 years, repayment shall be made in 30 semi annual instalments.

- 15% inclusive of interest rate of 8.2% plus exchange risk coverage (ERC) of 6.8% which shall be charged both on principal amount and interest amount separately.

- all charges and fees including commitment charges etc. if any payable by the Government of Pakistan to the above foreign lender shall also be borne by the Company.

8.7 Electrification work at Chitral (CCPR-3129)

This represents long term loan facility provided by the Finance Division of Government of Pakistan under the Public Sector Development Program (PSDP) for electrification works at different valleys of Lower District Chitral. The project involves construction of 437.73 KM HT line and 597 KM LT line in District Chitral Lower area. The total estimated cost of the project is Rs. 1,558.689 million. As per schedule provided by the Finance Division, the loan has been sanctioned on the following

- The loans will be recoverable in 25 years along-with interest which includes grace period of five years for recovery of principal amount. The interest will be chargeable at the prevailing rate for the respective year.

- As at June 30, 2023, an amount of Rs. 553.311 million has been released by the Ministry, however, adjustment of Rs. 41.341 million has been recorded against the accrued markup after which accumulated loan amount is Rs. 594.652 million.

8.8 132 KV Grid system Chitral (CCPR-3130)

This represents long term loan facility provided by the Finance Division of Government of Pakistan under the Public Sector Development Program (PSDP) for establishment of 132 KV along with up-gradation of existing 33 KV Grid System in District Chitral. The total estimated cost of the project is Rs. 309.981 million. As per schedule provided by the Finance Division, the loan has been sanctioned on the following terms:

- The loans will be recoverable in 25 years along-with interest which includes grace period of five years for recovery of principal amount. The interest will be chargeable at the prevailing rate for the respective year.

- As at June 30, 2023, an amount of Rs. 138.909 million has been released by the Ministry, however adjustment of Rs. 9.613 million was recorded against the accrued markup after which accumulated loan amount is Rs. 148.522 million.

8.9 Evacuation of Power from Swabi (CCPR-3131)

This represents long term loan facility provided by the Finance Division of Government of Pakistan under the Public Sector Development Program (PSDP) for construction of 132 KV transmission lines to evacuate power from 220 KV Grid Station Swabi to meet with the additional load demand and voltage profile improvement in the area. The total estimated cost of the project is Rs. 747.29 million. As per schedule provided by the Finance Division, the loan has been sanctioned on the following terms:

- The loans will be recoverable in 25 years along-with interest which includes grace period of five years for recovery of principal amount. The interest will be chargeable at the prevailing rate for the respective year.

- As at June 30, 2023, an amount of Rs. 425.035 million has been released by the Ministry, however adjustment of Rs. 52.736 million was recorded against the accrued markup after which accumulated loan amount is Rs. 477.771 million.

8.10 Supply of Power to Rashkai Economic Zone (CCPR-7018)

This represents long term loan facility provided by the Finance Division of Government of Pakistan under the Public Sector Development Program (PSDP) for construction of 11 KV feeder and 132 KV transmission lines for supply of Power to Rashakai Special Economic Zone. The total estimated cost of the project is Rs. 182,5.796 million. As per schedule provided by the Finance Division, the loan has been lent on the following terms:

- The loans will be recoverable in 25 years along-with interest which includes grace period of five years for recovery of principal amount. The interest will be chargeable at the prevailing rate for the respective year.

- As at June 30, 2023, an amount of Rs. 1,475.770 million has been released by the Ministry, however adjustment of Rs. 322.758 million was recorded against the accrued markup after which accumulated loan amount is Rs. 1,798.527 million.

8.11 Supply of Power to Hattar Economic Zone (CCPR-7019)

This represents long term loan facility provided by the Finance Division of Government of Pakistan under the Public Sector Development Program (PSDP) for construction of 11 KV feeder and 132 KV transmission lines for supply of Power to Hattar Special Economic Zone. The total estimated cost of the project is Rs. 1036.828 million. As per schedule provided by the Finance Division, the loan has been sanctioned on the following terms:

- The loans will be recoverable in 25 years along-with interest which includes grace period of five years for recovery of principal amount. The interest will be chargeable at the prevailing rate for the respective year.

- As at June 30, 2023, an amount of Rs. 790.217 million has been released by the Ministry, however adjustment of Rs. 152.023 million was recorded against the accrued markup after which accumulated loan amount is Rs. 942.240 million.

9 STAFF RETIREMENT BENEFITS

Four types of defined benefit plans are offered by the Company namely, pension, medical, free electricity and compensated absences.

	Pension obligations 2023	Pension obligations 2022	Free electricity 2023	Free electricity 2022	Medical benefits 2023	Medical benefits 2022	Compensated absences 2023	Compensated absences 2022	Total 2023	Total 2022
	....					Rupees			....	
9.1 Present value of defined benefit obligations	128,935,840,619	109,458,241,759	6,690,179,884	4,738,365,842	9,113,901,338	8,618,513,658	3,788,563,205	3,605,990,342	148,528,485,046	126,421,111,601
9.2 Amount recognized in statement of financial position is as follow:										
Net liability at beginning of the year	**109,458,241,759**	91,482,715,367	**4,738,365,842**	7,332,610,369	**8,618,513,658**	1,370,519,960	**3,605,990,342**	3,218,633,190	**126,421,111,601**	103,404,478,886
Charge for the year	**12,712,925,750**	9,600,926,569	**697,313,665**	810,276,893	**1,237,776,531**	206,090,611	**399,049,909**	388,500,067	**15,047,065,855**	11,005,794,140
Re-measurement of liability	**15,411,390,781**	14,944,178,930	**1,477,038,053**	(3,300,533,381)	**(732,902,083)**	7,049,597,357	-	96,413,830	**16,155,526,751**	18,789,656,736
Liability transferred in	-	-	-	-	-	-	-	-	-	-
Benefits paid during the year	**(8,646,717,671)**	(6,569,579,107)	**(222,537,676)**	(103,988,039)	**(9,486,768)**	(7,694,270)	**(216,477,046)**	(97,556,745)	**(9,095,219,161)**	(6,778,818,161)
	128,935,840,619	109,458,241,759	6,690,179,884	4,738,365,842	9,113,901,338	8,618,513,658	3,788,563,205	3,605,990,342	148,528,485,046	126,421,111,601
9.3 Salaries, wages and benefits include the following in respect of defined benefits plans:										
Current service cost	**1,019,716,555**	560,639,172	**72,655,569**	64,013,717	**74,917,544**	66,006,647	**72,174,590**	63,589,948	**1,239,464,258**	754,249,484
Past service cost	-	-	-	-	-	-	-	-	-	-
Interest cost	**11,693,209,195**	9,040,287,397	**624,658,096**	746,263,176	**1,162,858,987**	140,083,964	**326,875,319**	324,910,119	**13,807,601,597**	10,251,544,656
Loss on re-measurement of liability	**15,411,390,781**	14,944,178,930	**1,477,038,053**	(3,300,533,381)	**(732,902,083)**	7,049,597,357	-	96,413,830	**16,010,205,575**	18,789,656,736
	28,124,316,531	24,545,105,499	**2,174,351,718**	(2,490,256,488)	**504,874,448**	7,255,687,968	**399,049,909**	484,913,897	**31,057,271,430**	29,795,450,876

9.4 Actuary valuation assumptions:

	Pension obligations 2023	Pension obligations 2022	Free electricity 2023	Free electricity 2022	Medical benefits 2023	Medical benefits 2022	Compensated absences 2023	Compensated absences 2022
-Valuation discount rate	**13.25%**	10.25%	**13.25%**	10.25%	**13.25%**	10.25%	**13.25%**	10.25%
-Salary increase rate	**12.50%**	9.25%	-	-	-	-	**12.50%**	9.25%
-Indexation in pension	**6.75%**	4.50%	-	-	-	-	-	-
-Medical inflation rate	-	-	-	-	-	-	-	-
-Electricity inflation rate	-	-	-	-	-	-	-	-

9.5 Sensitivity analysis

Particulars	June 30, 2023 (Rs)	June 30, 2022 (Rs)
Current Liability of Pension	128,935,840,619	109,458,241,759
1% Increase in Discount rate	123,992,117,815	86,118,037,678
1% Decrease in Discount rate	160,045,155,307	107,668,072,756
1% Salary increase rate	144,656,378,287	94,660,212,174
1% Salary Decrease rate	133,890,697,183	89,520,227,897
1% Pension Increase rate	156,586,858,754	105,451,019,528
1% Pension Decrease rate	133,978,883,210	85,820,286,695

		2023 Rupees	2022 Rupees
10	**DEFERRED CREDIT**		
	Balance brought forward	57,758,648,874	51,518,071,095
	Additions during the year	6,802,360,711	6,240,577,779
		64,561,009,585	57,758,648,874
	Amortization		
	- Balance brought forward	(18,536,668,108)	(16,465,786,124)
	- For the year	(2,308,964,609)	(2,070,881,984)
		(20,845,632,717)	(18,536,668,108)
		43,715,376,868	39,221,980,766

10.1 This represents amount received from customers for new connections/construction works. The amount is initially recorded under "*Trade Payables*" and then transferred to this head once task is completed. The amount is amortized over the life of fixed assets.

		2023 Rupees	2022 Rupees
11	**CONSUMERS' SECURITY DEPOSITS**		
	Consumers' security deposits	6,793,519,936	6,260,816,713

These represent security deposits received from consumers at the time of electricity connection and are refundable/ adjustable on disconnection of electricity supply. This amount has been kept in a separate bank account.

		Note	2023 Rupees	2022 Rupees
12	**TRADE AND OTHER PAYABLES**			
	Associated undertakings - unsecured	12.1	449,848,408,370	415,885,191,829
	Trade creditors payable		5,943,087,759	2,524,342,316
			455,791,496,129	418,409,534,145
	Receipt against deposit work		27,461,559,119	25,518,413,497
	Realized :			
	Electricity duty		116,489,005	-
	Professional tax		454,650	452,650
	Income tax withheld		691,058,323	454,968,955
	TV license fee		49,588,170	51,650,504
	Neelum Jhelum surcharge		876,600,465	865,425,953
	Equalization surcharge		779,668,867	772,909,809
	Taxes		12,119	966,959
	Finance cost surcharge		2,046,273,842	1,074,810,227
	UOS/Tariff rationalization surcharge		1,020,873,986	993,008,113
	General sales tax		468,782,630	396,141,810
			6,049,802,057	4,610,334,980
	Un -Realized :			
	Electricity duty		1,847,365,004	1,473,522,049
	Income tax on electricity bills		1,546,549,826	1,110,158,680
	TV license fee		1,340,835,194	1,189,778,464
	Neelum Jhelum surcharge		1,299,466,427	1,310,670,255
	Equalization surcharge		225,319,515	225,487,424
	Extra tax		73,930,373	-
	Further tax		40,512,811	-
	Unrealized Sales Tax 2014		23,107,277	-
	Taxes		97,440,043	102,306,627
	Finance cost surcharge		6,431,643,659	4,195,156,698
	UOS/Tariff rationalization surcharge		222,310,384	223,763,781
	General sales tax		4,424,892,705	1,357,830,815
			17,573,373,218	11,188,674,793
	Others:			
	Employees shares in fund		9,461,941	8,831,180
	Accrued liabilities		2,385,418,408	1,405,113,684
	Retention money - contractors / suppliers		651,225,334	534,463,975
	Capital contribution awaiting connections		2,083,998,614	975,981,970
	Other liabilities		126,857,742	38,234,163
			5,256,962,039	2,962,624,972
			512,133,192,562	462,689,582,387

	2023 Rupees	2022 Rupees

12.1 Creditors - associated undertakings

Central Power Purchasing Agency	449,380,274,013	411,987,894,772
Faisalabad Electric Supply Company	-	67,614,946
National Transmission and Dispatch Company	-	3,352,873,276
Multan Electric Power Company	455,930,995	458,560,666
Pakistan Electric Power Company	12,203,362	13,349,580
CE (RE) Lahore	-	4,898,589
	449,848,408,370	415,885,191,829

13 ACCRUED MARKUP

Asian Development Bank - Trench I (2438-PK)	430,469,653	407,554,919
Asian Development Bank - Trench II (2727-PK)	605,811,661	485,479,947
Asian Development Bank - Trench III (2972-PK)	1,325,130,414	1,089,708,243
Asian Development Bank - Trench IV (3096-PK)	1,161,035,369	955,005,945
Earthquake Reconstruction and Rehabilitation Authority	198,122,738	143,535,663
Electrification work at Chitral(Federal PSDP) CCPR-3129	12,930,000	7,371,000
132 KV Grid system Chitral (Federal PSDP) CCPR-3130	23,087,800	6,453,800
Evacuation of Power from Swabi(Federal PSDP) CCPR-3131	8,986,000	5,730,000
Supply of Power to Rasahkai E Zone(Federal PSDP) CCPR-7018	18,992,400	45,400,400
Supply of Power to Hattar E Zone(Federal PSDP) CCPR-7019	6,496,700	32,634,000
	3,791,062,735	3,178,873,917

13.1 During the year 2020, receivable from AJK amounting to Rs. 3,450 million has been adjusted against accrued markup amounting to Rs. 1,686.539 million against ADB Trench I, Rs. 823.603 million against ADB Trench II, Rs. 464.247 million against ADB Trench III, Rs. 411.167 million against ADB Trench IV and Rs. 64.13 million against ERRA as non cash adjustment vide GoP Finance Division letter No. F.I(14)CF-1/2015-16/1290 dated 26-09-2019.

14 CONTINGENCIES AND COMMITMENTS

There are no material contingencies as at reporting date (2022: Nil).

15 PROPERTY, PLANT AND EQUIPMENT

	Note	2023 Rupees	2022 Rupees
Operating fixed assets	15.1	78,628,588,361	68,373,127,271
Capital work in progress	15.2	37,384,263,088	33,544,159,853
		116,012,851,449	101,917,287,124

15.1 Operating fixed assets

	Freehold land	Leasehold land	Buildings	Distribution equipment	Computer and ancillary equipment	Furniture and fixtures	Vehicles	Other equipment	Total
	Rupees								
As at June 30,2021									
Cost	1,007,926,269	878,400	3,619,977,752	87,340,972,901	710,624,166	49,144,223	917,490,329	797,004,678	94,444,018,718
Accumulated depreciation	-	-	(862,865,586)	(33,026,990,304)	(379,626,070)	(38,355,095)	(679,468,426)	(444,038,924)	(35,431,344,405)
Net book value	1,007,926,269	878,400	2,757,112,166	54,313,982,597	330,998,096	10,789,128	238,021,903	352,965,754	59,012,674,313
Year ended June 30, 2022									
Opening net book value	1,007,926,269	878,400	2,757,112,166	54,313,982,597	330,998,096	10,789,128	238,021,903	352,965,754	59,012,674,313
Additions during the year	107,653,034	-	-	6,248,273,345	48,891,164	4,091,009	288,132,240	125,153,336	6,822,194,128
Transfers from CWIP	-	-	218,259,533	6,029,337,483	-	-	-	-	6,247,597,016
Disposals									
Cost	-	-	-	-	-	-	(28,961,234)	-	(28,961,234)
Accumulated depreciation	-	-	-	-	-	-	28,961,234	-	28,961,234
	-	-	-	-	-	-	-	-	-
Depreciation charge	-	-	(73,916,426)	(3,406,954,893)	(63,978,625)	(2,761,302)	(83,089,588)	(78,637,352)	(3,709,338,186)
Closing net book value	1,115,579,303	878,400	2,901,455,273	63,184,638,532	315,910,635	12,118,835	443,064,555	399,481,738	68,373,127,271
As at June 30,2022									
Cost	1,115,579,303	878,400	3,838,237,285	99,618,583,729	759,515,330	53,235,232	1,176,661,335	922,158,014	107,484,848,628
Accumulated depreciation	-	-	(936,782,012)	(36,433,945,197)	(443,604,695)	(41,116,397)	(733,596,780)	(522,676,276)	(39,111,721,357)
Net book value	1,115,579,303	878,400	2,901,455,273	63,184,638,532	315,910,635	12,118,835	443,064,555	399,481,738	68,373,127,271
Year ended June 30, 2023									
Opening net book value	1,115,579,303	878,400	2,901,455,273	63,184,638,532	315,910,635	12,118,835	443,064,555	399,481,738	68,373,127,271
Additions during the year	243,904,110	-	-	-	47,198,124	6,227,444	140,082,797	227,932,527	665,345,002
Transfers from CWIP	-	-	232,867,017	13,567,712,172	-	-	-	-	13,800,579,189
Depreciation charge	-	-	(84,323,229)	(3,866,651,999)	(64,577,588)	(7,465,070)	(72,013,462)	(115,431,752)	(4,210,463,100)
Closing net book value	1,359,483,413	878,400	3,049,999,061	72,885,698,705	298,531,171	10,881,209	511,133,890	511,982,513	78,628,588,362
As at June 30,2023									
Cost	1,359,483,413	878,400	4,071,104,302	113,186,295,901	806,713,454	59,462,676	1,316,744,132	1,150,090,541	121,950,772,819
Accumulated depreciation	-	-	(1,021,105,241)	(40,300,597,196)	(508,182,283)	(48,581,467)	(805,610,242)	(638,108,028)	(43,322,184,457)
Net book value	1,359,483,413	878,400	3,049,999,061	72,885,698,705	298,531,171	10,881,209	511,133,890	511,982,513	78,628,588,361
Annual rate of depreciation	-	-	2%	3.5%	10%	10%	10%	10%	

	2023 Rupees	2022 Rupees
15.1.1 Reconciliation of book value:		
Net book value at the beginning of the year	68,373,127,271	59,012,674,313
Additions during the year	665,345,002	6,822,194,128
Transfers from CWIP	13,800,579,189	6,247,597,016
Disposal during the year	-	(28,961,234)
Depreciation for the year	(4,210,463,100)	(3,709,338,186)
Depreciation adjustment on disposal	-	28,961,234
Net book value at the end of the year	78,628,588,362	68,373,127,271

15.1.2 Government of Pakistan (GoP) and Ministry of Energy through Power Holding (Private) Limited is in process of arranging Shariah Compliant Islamic Finance Facility through issuance of Sukuk amounting Rs. 400 billion to settle the Energy Sector Circular Debts of all DISCO's. During the year 30-06-2019 & 30-06-2020, GoP has issued Pakistan Energy Sukuks under Ijarah agreement for PKR 400 billion for the period of 10 years to the Banks, Mutual Funds, Security Broker and other Domestic Financial Institutions. For this purpose PESCO Land is treated as underlying asset. Under the arrangement, PESCO holds the title of these Assets as Trustee/Title Agent on behalf of Sukuk Certificate holders. The legal documents executed by PESCO and the relevant counter parties reveal that the said assets have been leased out under an Ijarah agreement to GOP with an undertaking to resell the Assets to the PESCO at the end of the Ijarah Term. Although the legal documents have contemplated the overall arrangement on the model of Sukuk Ijarah, the management of PESCO has exercised its judgement, as required under International Accounting Standards (IAS)-1, "Presentation of Financial Statements", that the said transaction was in substance, a financing arrangement and therefore did not give rise to revenue on account of disposal of PESCO Assets. The management also determined that PESCO could not derecognize the Assets as the conditions to recognize revenue on sale of land have not been satisfied. In view of the above, based on the substance over form and the fact that proceeds of Sukuk Bonds had been retained by the PHPL, the repayment of Ijarah Sukuk and Ijarah rentals is the responsibility of the GoP and PESCO does not have to derecognize the assets in

15.1.3 The assets addition includes boorrowing cost capitalized during the year amounting to Rs. 341.742 Million (2022: Nil)

	Note	2023 Rupees	2022 Rupees
15.2 Capital work in progress			
Civil works		452,300,119	484,033,912
Distribution equipment work in progress		36,931,962,969	33,060,125,941
	15.2.2 & 15.2.3	37,384,263,088	33,544,159,853
15.2.1 Movement of CWIP is as follows:			
Opening		33,544,159,853	26,649,319,449
Addition during the year		18,306,027,425	13,142,437,420
Transferred to operating fixed assets		(14,465,924,190)	(6,247,597,016)
		37,384,263,088	33,544,159,853

15.2.2 This includes Deposit Work in Progress amounting Rs. 16.777 Million (2022: Rs.14.643 Million).

15.2.3 Financial expenses of the following PSDP loans will be capitalized during the year as per IAS 23 "Borrowing Costs".

	2023	2022
Electrification work at Chitral (CCPR-3129)	33,447,000	16,645,000
132 KV Grid system Chitral (CCPR-3130)	16,634,000	11,305,000
Evacuation of Power from Swabi (CCPR-3131)	32,676,562	20,056,000
Supply of Power to Rashkai Economic Zone (CCPR-7018)	-	123,781,000
Supply of Power to Hattar Economic Zone (CCPR-7019)	82,933,817	57,673,000
	165,691,379	229,460,000

16 LONG TERM LOANS - considered good

	Note	2023	2022
House building advance		1,011,385	2,482,787
Car advance		-	5,000
Motor cycle advance		29,580	67,482
Purchase of plot		-	556,664
		1,040,965	3,111,933
Current maturity of long term loans		(331,632)	(1,325,884)
	16.1	709,333	1,786,049

16.1 This represents long term loans made to employees. House building and plot loans are repayable in 10 years, car and motor-cycle loans in 5 years. Markup is charged on these loans at the same rate as that payable on employees balances in General Provident Fund. Loans are secured by mortgage of immovable property and hypothecation of vehicles.

	Note	2023 Rupees	2022 Rupees
17 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		11,252,209,586	9,585,082,268
Provision for obsolete stores		(4,968,483)	(4,968,483)
		11,247,241,103	9,580,113,785
18 TRADE DEBTS			
Sale of electricity		58,604,101,410	47,981,134,388
Government levies and other charges	18.2	39,016,236,156	30,996,347,451
Secured and considered good		97,620,337,566	78,977,481,839
Considered doubtful		102,952,001,380	92,038,054,450
		200,572,338,946	171,015,536,289
Provision for doubtful debts		(102,952,001,380)	(92,038,054,450)
		97,620,337,566	78,977,481,839

18.1 Trade debts are secured to the extent of corresponding consumers' security deposits against electricity connection.

	Note	2023 Rupees	2022 Rupees
18.2 Government levies and other charges			
Electricity duty receivable-E/Bills		1,847,365,004	1,473,522,049
Income tax receivable-E/Bills		1,546,549,826	1,110,158,680
G.S.T receivable		25,337,238,893	20,761,948,544
T.V fee receivable		1,340,835,194	1,189,778,464
Neelum Jhelum surcharge receivable		1,299,466,427	1,310,670,255
Equalization surcharge receivable		225,319,515	225,487,424
Extra tax receivable		373,411,646	179,525,330
Further tax receivable		186,902,695	143,079,616
Sales tax 2014 receivable		107,568,766	80,760,620
Tax under 235-A receivable		95,849,462	99,612,733
Tax under 235-B receivable		1,590,581	2,693,894
FC surcharge receivable		6,431,643,659	4,195,156,698
U.O.S/Tariff rationalization surcharge receivable		222,310,384	223,763,781
Additional tax receivable		184,104	189,363
		39,016,236,156	30,996,347,451
19 LOANS AND ADVANCES - considered good			
Current portion of long term loans - considered good	16	331,632	1,325,884
Advances to suppliers - considered good		256,091,464	323,874,630
Advance income tax		2,714,320,774	2,118,442,254
Advance sales tax		50,000,000	-
Advance general sales tax spillover		616,458,341	-
Advance extra tax spillover		27,508,740	-
Advance further tax spillover		10,456,340	-
Advances for expenses	19.1	57,121,357	52,608,207
		3,732,288,648	2,496,250,975
19.1 Advances for expenses			
Against other expenses		47,755,535	48,242,975
For travelling expenses		9,365,822	4,365,232
		57,121,357	52,608,207
20 OTHER RECEIVABLES - considered good			
Due from WAPDA and associated undertakings-net	20.1	49,981,168,816	46,458,961,973
Sales tax receivable - net	20.2	43,182,161,128	44,858,512,634
Pension receivable from associated undertakings	20.3	3,735,248,779	4,248,320,286
Other receivables net		7,289,507	169,100,322
		96,905,868,230	95,734,895,215

	Note	2023 Rupees	2022 Rupees
20.1 Due from WAPDA and associated undertakings - net			
WAPDA Welfare Fund		695,245,070	616,886,510
WAPDA	20.1.2	944,119,146	398,226,146
GENCO-1		882,477	664,299
GENCO-2		6,538,699	5,227,776
GENCO-3		8,157,053	6,812,552
National Transmission and Dispatch Company		764,145,957	-
Lahore Electric Supply Company		10,893,487	7,644,189
Faisalabad Electric Supply Company		16,576,302	-
Quetta Electric Supply Company		84,068,245	70,774,374
Gujranwala Electric Power Company		11,319,697	8,721,093
Islamabad Electric Supply Company		486,872,291	420,006,425
Hyderabad Electric Supply Company		4,726,208	3,897,646
GENCO-4		1,678,430	1,539,342
Tribal Electric Supply Company		46,943,948,099	44,916,271,384
Sukkar Electric Power Company		1,997,655	2,290,237
		49,981,168,816	46,458,961,973

20.1.2 This includes Rs. 545.893 Million receivables on account of provision of electricity to WAPDA employees during the year.

	2023 Rupees	2022 Rupees
20.2 Receivable from Tax authorities		
Receivable from tax authorities - net	43,182,161,128	44,858,512,634
	43,182,161,128	44,858,512,634

20.2.1 This represents amounts receivable from taxation authorities in respect of carry forward of excess input tax paid over output tax. The management of the Company believes that excess amounts of input sales tax paid are refundable on a lump sum basis or through monthly claims in the Company's sales tax returns.

20.2.2 Four sales tax refund cases involving total amount of Rs.16,275 million are pending before Islamabad High Court, Islamabad. Previously the Appellate Tribunal Inland Revenue (ATIR) has decided the matter in favor of PESCO. Moreover, sales tax refund amounting to Rs.15,063 million is also pending before the Peshawar High Court and the management of the Company believes that decisions of these cases are likely to be in favor of Company.

20.2.3 Regional Tax Office (RTO), Peshawar issued four show cause notices to the Company on the issue of adjustment of sales tax collected from Steel Melter consumers against the accumulated credit sales tax balance of the Company, for the period from May 2008 to December 2010, July 2012 to December 2012, January 2013 and February 2013 in which sales tax demands of Rs. 1,630 million, Rs. 531 million, Rs. 65 million and Rs. 21 million respectively were raised. The Company contested these show cause notices, however Deputy Commissioner Peshawar, Commissioner Inland Revenue (Appeals) Peshawar and Peshawar High Court decided the matter of demands of Rs. 1,630 million, Rs. 531 million, Rs. 65 million and Rs. 21 million in favor of RTO Peshawar, hence the disputed amounts were recovered. The said decisions of lower court were challenged before the Supreme Court of Pakistan, however the Supreme Court has decided the matter in favour of FBR vide a short order issued on 15-02-2021. The management of the Company believes that since this is an industry wide issue, therefore the company has positive prospects to get

20.2.4 A show cause notice has been issued to the company by RTO for recovery of Rs. 314 million, 344 million and 464 million adjusted against the output tax collected from Steel Melter against the credit sales tax balance of the company for the period from January 2011 to June 2011, July 2011 to December 2011 and January 2012 to June 2012 respectively and the same was also recovered. The Commissioner Inland Revenue (Appeals) and Appellate Tribunal Inland Revenue (ATIR), Peshawar decided the appeals of cases amounting to Rs. 314 million and Rs. 464 million against the Company whereas ATIR has accepted the company's appeal in the case amounting to Rs. 344 million in favor of the company. The said orders of ATIR Peshawar were challenged and are pending before Peshawar High Court for adjudication.

20.2.5 Appeal against Tax liability created on account of inadmissible input tax on supplies to Tribal Areas (PATA) to the tune of Rs. 2,093 million have been decided by ATIR in favour of the PESCO, the order of ATIR has been challenged by FBR before the Peshawar High Court and the same is pending for adjudication. Another appeal against tax liability of Rs. 5,130 million created on account of inadmissible input tax on supplies to Tribal Areas (PATA) is pending for adjudication before ATIR, Lahore. Moreover, an appeal (Sales tax reference) against the tax liability of Rs. 1,650 million is also pending before the Peshawar High Court. In another instance, a tax liability of Rs. 5,050 million has been created against the Company by RTO Peshawar on similar grounds, the company has filed an appeal before the CIR (Appeals) Peshawar and the same is pending for adjudication. Since, the appellate authorities has already decided similar cases in favour of the company, the management of the company believes that there is high likelihood of winning these cases.

20.2.6 Three cases related to Sales Tax liability on 'Subsidies received from GoP involving tax liabilities to the tune of Rs. 6,412 million, Rs. 5,002 million and Rs. 4,862 million have been decided in favor of the Company by before ATIR, however the department has filed a Sales Tax reference before the Peshawar High Court against the order of the ATIR in the instant matter. The management of the company believes that since ATIR has decided the issue in favour of the Company, therefore the likelihood of winning these cases is high.

20.2.7 RTO Peshawar raised a demand against the Company amounting to Rs. 1,209.43 million for the tax years 2013 to 2015 under section 235 of Income Tax Ordinance, 2001. The Company has preferred an appeal before ATIR which was decided in favor, however being aggrieved by the decision, the RTO Peshawar preferred an appeal before Peshawar High Court, which is still pending for adjudication.

20.2.8 RTO Peshawar raised demands against the Company amounting to Rs. 2,725 million for the tax years 2010, 2011 and 2013 under section 161 of Income Tax Ordinance, 2001. The Company has preferred an appeal before ATIR which are pending for adjudication. Further, RTO Peshawar has also created tax demand against the Company amounting to Rs. 1,696 million for the tax years 2019 and 2020 under section 161 of Income Tax Ordinance, 2001. Being aggrieved by the decision, the Company preferred an appeal before CIR(A), which is still pending for adjudication. The management of the company believes that there is high likelihood of winning these cases.

20.2.9 RTO Peshawar raised demands against the Company amounting to Rs. 15,202 million for the tax years 2012 by disallowing input tax claimed on the basis of CPPA-G invoices and Vehicle purchased. The company filed appeal against the tax demands before the CIR(A) and then before ATIR, and appeal was decided in favor of the Company and demand was vacated by the ATIR, however, being aggrieved by the decision, the RTO Peshawar preferred an appeal before Peshawar High Court Peshawar and then before Supreme Court of Pakistan. The Supreme Court of Pakistan upheld the decision of ATIR and remand the case back to RTO, except the issue of input tax on Vehicles Purchase, which was remanded back to Peshawar High Court, which is still pending for adjudication. The management of the company believes that there is high likelihood of winning the case.

	2023 Rupees	2022 Rupees
20.3 Pension receivable from associated undertakings - unsecured, considered good		
WAPDA	2,596,454,084	2,771,182,021
GENCO-1	3,942,254	4,469,638
GENCO-2	11,533,773	11,961,761
GENCO-3	11,218,302	12,197,297
National Transmission and Dispatch Company Limited	575,847,839	536,941,140
Lahore Electric Supply Company Limited	57,135,767	134,221,795
Faisalabad Electric Supply Company Limited	109,401,193	144,062,091
Multan Electric Power Company Limited	46,560,370	60,542,118
Quetta Electric Supply Company Limited	30,261,725	28,563,674
Gujranwala Electric Power Company Limited	17,890,306	5,804,428
Islamabad Electric Supply Company Limited	133,836,914	409,836,017
Hyderabad Electric Supply Company Limited	66,328,619	57,935,355
GENCO-4	1,193,335	2,023,827
Trible Area Electric Supply Company Limited	57,832,316	55,249,646
Sukkar Electric Power Company	15,811,982	13,329,478
	3,735,248,779	4,248,320,286

20.3.1 The maximum amount due from related parties as on June 30, 2023 is Rs. 3.735 billion (2022 Rs.4.248 billion).

21 RECEIVABLE FROM GOVERNMENT OF PAKISTAN (Ministry of Finance)

This represents subsidy receivable from Ministry of Finance on account of tariff differential. Movement in this account during the year is as follow:

	2023 Rupees	2022 Rupees
Opening balance as at July 01,	42,901,199,260	63,704,244,859
Tariff differential subsidy recognized during the year	32,833,116,356	30,493,901,037
Industrial support package claimed	-	2,156,329,699
Zero rated subsidy claim	818,214,607	1,436,650,365
Prime minister relief package	-	5,764,118,309
Kissan package subsidy	23,008,879	-
Credit note adjusted	(50,484,474,772)	(60,654,045,009)
	26,091,064,330	42,901,199,260

21.1 Tariff differential subsidy is net off tariff rationalization surcharge of Rs. 5.675 billion (2022: Rs. 11.481 billion) adjusted against receivable from Government of Pakistan through tariff differential subsidy invoices.

22 BANK BALANCES

	Note	2023 Rupees	2022 Rupees
Cash at banks in:			
Deposit accounts	22.1	686,645,045	2,097,794,537
Current accounts	22.2	9,570,193,584	7,154,217,252
		10,256,838,629	9,252,011,789

22.1 These include interest ranging from 19.50% to 19.80% (2022: 11.15% to 14.2%) per annum.

22.2 These include balances of capital contribution accounts of Rs. 2,276 million (2022: Rs.1,401 million) and meter security accounts of Rs. 6,872 million (2022: Rs. 5,757 million).

23 SALE OF ELECTRICITY

	Note	2023 Rupees	2022 Rupees
Gross sale of electricity		272,160,112,275	206,690,790,718
Less: Sales tax		(31,936,295,463)	(34,909,063,879)
Net sale of electricity		240,223,816,812	171,781,726,839
Subsidy from the Government of Pakistan (GoP) on sale of electricity	23.1	39,271,580,895	49,234,102,318
Industrial support package from GoP on sale of electricity		-	2,156,329,699
		39,271,580,895	51,390,432,017
		279,495,397,707	223,172,158,856

23.1 This includes tariff differential subsidy of Rs. 39,215 million (2022: Rs. 28,777 million) , industrial support package subsidy of Rs. Nil (2022: Rs. 2,156), Zero rated subsidy of Rs.818 million (2022: Rs.1,437 Million), applicable quarterly tariff subsidy of Rs. (785) million (2022: Rs.13,256 million) Prime minister relief package subsidy of Rs. Nil (2022: Rs. 5,764 million) and Kissan Package subsidy of Rs.23 million (2022: Nil).

24 COST OF ELECTRICITY

	Note	2023 Rupees	2022 Rupees
Central Power Purchase Agency	24.1	317,624,007,678	288,472,469,849
Market Operations Agency Fee		121,253,663	73,305,391
Inadmissible sales tax on supplies		4,818,563,134	4,256,816,568
		322,563,824,475	292,802,591,808

24.1 This include Power purchase of Rs.317.743 billion (2022: Rs. 288.472 billion).

24.2 Electricity purchases during the year have been invoiced by CPPA, units 15,255 million at the average rate of Rs.20.82 per unit (2022: units16,562 million at the average rate of Rs.17.42 per unit).

25 OTHER OPERATING COST EXCLUDING DEPRECIATION

	Note	2023 Rupees	2022 Rupees
Salaries, wages and other benefits	25.1	27,686,971,304	23,616,859,225
Repairs and maintenance		1,018,027,862	1,038,720,195
Rent, rates and taxes		85,163,645	121,261,092
Power, light and water		87,286,082	83,438,238
Postage and telephone		43,615,571	35,352,844
Office supplies and other expenses		625,584,932	487,152,416
Travelling Allowance		324,358,902	283,026,943
Transportation Expenses		272,188,060	203,245,024
Insurance expense		27,460,000	17,990,361
Electricity bill collection charges		216,420,351	214,879,818
Legal and professional charges		58,802,222	54,379,042
NEPRA fee and charges		98,074,471	46,098,124
PITC Charges		81,281,755	145,048,544
Auditor's remuneration	25.2	950,000	950,000
Advertisement and publicity		5,640,238	18,342,325
Provision for doubtful debts		10,913,946,930	8,060,100,946
Directors fee		14,923,427	20,585,685
Miscellaneous expenses		19,294,755	18,485,847
		41,579,990,507	34,465,916,669

25.1 Salaries, wages and other benefits include retirement benefits of an amount of Rs.15.047 billion (2022: Rs.11.005 billion).

	Note	2023 Rupees	2022 Rupees
25.2 Auditor's remuneration			
Fee for statutory audit and review report on compliance		850,000	850,000
Out of pocket expenses		100,000	100,000
		950,000	950,000

26 RENTAL AND SERVICE INCOME

Meter rent		38,661,805	38,669,763
Public lighting		1,538,866	1,865,054
Service rent		1,440,513	1,650,721
Connection / reconnection fee		10,844,722	6,717,839
		52,485,906	48,903,377

27 OTHER INCOME

Profit on bank deposits		1,503,380,463	971,445,234
Sale of scrap		139,627,036	364,016,365
Late payment surcharge		5,363,891,540	2,964,934,049
Wheeling charges from TESCO	27.1	2,098,487,876	2,490,046,402
Miscellaneous		1,016,318,453	944,411,554
		10,121,705,368	7,734,853,604

27.1 This represent the amount charged to TESCO for the use of Company's transmission system/lines for electricity purchased from CPPA. This also include an amount of Rs.86.282 million received from Pakhtunkhwa Energy Development Organization (PEDO).

28 FINANCE COST	Note	2023 Rupees	2022 Rupees
Asian Development Bank - Trench I (2438-PK)		22,914,734	49,103,002
Asian Development Bank - Trench II (2727-PK)		120,331,714	82,089,882
Asian Development Bank - Trench III (2972-PK)		235,421,882	250,944,511
Asian Development Bank - Trench IV (3096-PK)		206,029,425	218,773,514
Earthquake Reconstruction and Rehabilitation Authority		18,002,472	12,852,595
Bank charges		3,488,434	6,098,624
Overheads charged by CPPA		-	879,673,400
Exchange loss		459,711,153	414,949,579
		1,065,899,814	1,914,485,107

29 TAXATION

Current tax		3,145,518,170	2,257,808,735
Prior year		7,666,108	4,858,042
		3,153,184,278	2,262,666,777

29.1 Provision for current year taxation has been made on the basis of minimum tax on turnover under section 113 of income tax ordinance 2001. Accordingly numerical reconciliation between the average tax rate and applicable tax rate has not been presented in the financial statements.

29.2 In view of uncertainty of taxable profit in the foreseeable future against which the losses could be utilized, the company has not recognized deferred tax asset. Had the company recognized deferred tax, deferred tax asset as at June 30, 2023 would be Rs. 58,336 Million (2022: Rs. 52,271 Million).

30 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	June 30, 2023			June 30, 2022		
	Chief Executive Officer	Directors	Executives	Chief Executive	Directors	Executives
	-----Rupees-----			-----Rupees-----		
Managerial remuneration	5,580,198	-	81,407,922	10,865,964	-	74,372,004
Meeting fee	-	16,126,588	-	-	20,585,685	-
Bonus-one time basic pay	249,650	-	4,419,390	168,310	-	2,903,730
Other perquisites	1,602,293	-	11,541,926	1,059,624	-	10,199,676
	7,432,141	16,126,588	97,369,238	12,093,898	20,585,685	87,475,410
Number of persons	1	14	23	1	14	22

31 FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

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

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

The Company's Board oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

31.1 Credit risk

Credit risk is the risk of financial loss to the Company if a consumer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk to the extent of loans, deposits and advances, trade debts, interest accrued, other receivables and bank balances. The Company deals with regular and permanent consumers who normally make payments on time. The Company controls its credit risk by continuous monitoring of its receivables. The management believes that there is no credit risk involved in respect of receivables from the Government of Pakistan.

31.1.1 Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures. Out of total financial assets of Rs. 187.693 billion (2022: Rs.182.010 billion), the financial assets which are subject to credit risk amounted to Rs. 187.693 billion (2022: Rs.182.010 billion). The carrying amounts of financial assets exposed to credit risk at reporting date are as

	2023 Rupees	2022 Rupees
Loans	1,040,965	3,111,933
Trade debts	97,620,337,566	78,977,481,839
Other receivables	53,723,707,102	50,876,382,581
Receivable from GoP (Ministry of Finance)	26,091,064,330	42,901,199,260
Bank balances	10,256,838,629	9,252,011,789
	187,692,988,592	182,010,187,402

Geographically there is no concentration of credit risk as the company operates in the same geographical area.

31.1.1.1 The maximum exposure to credit risk for trade receivables at the reporting date by type of sector is as follows:

	2023 Rupees	2022 Rupees
Government sector	15,450,822,351	19,579,682,966
Private sector	82,169,515,215	59,397,798,873
	97,620,337,566	78,977,481,839

31.1.2 Impairment losses

The aging of trade receivables at the reporting date was:

	2023		2022	
	Gross	Impairment	Gross	Impairment
	Rupees			
Not past due	39,838,918,054	-	24,515,134,867	13,193,686,180
Past due up to 1 year	8,154,032,533	563,317,359	2,802,567,502	1,508,300,742
Past due between:				
- 1 to 3 years	15,509,804,929	3,241,666,319	11,655,594,799	6,272,870,244
Over 3 years	137,069,583,430	99,147,017,703	132,042,239,121	71,063,197,285
	200,572,338,946	102,952,001,381	171,015,536,289	92,038,054,451

31.1.2.1 The movement in the allowance for impairment in respect of trade debts during the year was as follows:

	2023 Rupees	2022 Rupees
Balance as at July 01	92,038,054,451	83,977,953,504
Charge for the year	10,913,946,930	8,060,100,946
Balance as at June 30	102,952,001,381	92,038,054,450

31.1.3 Allowances for impairment

Based on past experience, the management believes that no impairment allowance is necessary in respect of trade debts against which impairment allowance has not been created. Trade debts are due from regular and permanent customers and mainly include government agencies and the Company does not expect these customers to fail to meet their obligations.

31.1.4 Write-off policy

The allowance account in respect of trade debts is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible. At that point the amount considered irrecoverable is written off against the financial asset directly.

31.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

31.2.1 The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

	June 30, 2023			
	Long term loans including markup		Trade and other payables	
	Carrying amount	Contractual cash flows	Carrying amount	Contractual cash flows
	Rupees			
Maturity up to one year	3,556,618,533	9,602,870,040	512,133,192,562	512,133,192,562
Maturity between 1 to 5 years	1,858,838,950	5,799,577,524	-	-
Maturity over five years	6,202,285,955	11,202,184,910	-	-
	11,617,743,438	26,604,632,474	512,133,192,562	512,133,192,562

	June 30, 2022			
	Long term loans including markup		Trade and other payables	
	Carrying amount	Contractual cash flows	Carrying amount	Contractual cash flows
	Rupees			
Maturity up to one year	2,143,075,981	5,786,305,149	462,689,582,387	462,689,582,387
Maturity between 1 to 5 years	1,601,694,247	4,997,286,052	-	-
Maturity over five years	6,265,818,818	11,339,810,592	-	-
	10,010,589,046	22,123,401,792	462,689,582,387	462,689,582,387

31.2.2 The contractual cash flows relating to the loan related financial liabilities have been determined on the basis of mark-up rates disclosed in note 8 to these financial statements.

31.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is exposed to currency risk and interest rate risk only.

31.3.1 Exposure to currency risk

Foreign currency risk is the risk that the future cash flows of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company's exposure to foreign currency risk is as follows:

	2023 Rupees	2022 Rupees
Financial liabilities		
Long term loans	2,083,217,020	1,660,090,470
Accrued mark-up	198,122,738	143,535,663
Total exposure	2,281,339,758	1,803,626,133

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2023	2022	2023	2022
US Dollars	246.00	177.45	287.50	204.85

At reporting date, if the PKR had strengthened by 10% against the US Dollar with all other variables held constant, post-tax profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on net foreign currency exposure at reporting date.

	2023 Rupees	2022 Rupees
Effect on loss	132,054,781	128,057,455

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post-tax loss.

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

31.3.2 Interest rate risk

The interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. Majority of the interest rate exposure arises from long term loans. Therefore, a change in interest rate at reporting date would affect profit and loss of the company:

	2023 Rupees	2022 Rupees
Fixed rate instruments		
Financial assets		
Long term loans	709,333	1,786,049
Bank balances	686,645,045	2,097,794,537
	687,354,378	2,099,580,586
Financial liabilities		
Long term loans	11,617,743,438	10,010,589,406

31.4 Capital management

The company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders, and to maintain a strong capital base to support the sustained development of its business. The Company manages its capital structure, which comprises capital and reserves, by monitoring it's return on net assets, and make adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to shareholders, appropriation of amounts to capital reserves and / or issue new shares.

The company manages its capital structure and makes adjustments to it in the light of changes in economic conditions.

		2023 Rupees	2022 Rupees
31.5	**Financial instruments by category**		
	Financial assets at amortized cost		
	Loans	1,040,965	3,111,933
	Trade debts	97,620,337,566	78,977,481,839
	Other receivables	53,723,707,102	50,876,382,581
	Receivable from GoP (Ministry of Finance)	26,091,064,330	42,901,199,260
	Cash and bank balances	10,256,838,629	9,252,011,789
		187,692,988,592	182,010,187,402
	Financial liability at amortized cost		
	Long term loans	11,617,743,438	10,010,589,406
	Consumers' security deposits	6,793,519,936	6,260,816,713
	Trade and other payables	465,014,261,610	425,006,512,127
	Accrued markup	3,791,062,735	3,178,873,917
		487,216,587,719	444,456,792,163

31.6 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset either directly that is, derived from prices.

- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

32 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

President of Pakistan holds 99.99% shares of the Company, therefore all electricity generation and distribution undertakings of WAPDA are related parties of the Company. Other related parties comprise of associated companies, directors, key management personnel, Government of Pakistan and Government owned entities.

Transactions with Government of Pakistan and Government owned entities are not disclosed as the management is of the opinion that it is impracticable to disclose such transactions due to the nature of the Company's operations.

Balances with related parties have been disclosed in respective notes to the financial statements. Transactions with electricity generation and distribution undertakings of WAPDA, other than remuneration and benefits to Chief Executive as disclosed in note 30 to the financial statements are as follows:

	2023 Rupees	2022 Rupees
Free electricity supplied by the Company	283,751,696	200,063,737
Free electricity supplied to the Company	60,606,668	27,181,241
Services provided by the Company (mainly include cash remitted to CPPA)	205,659,007,833	152,798,270,369
Electricity purchased by the Company	322,563,824,475	292,802,591,808
Management fee	-	24,458,370
Wheeling charges recognized as income	2,098,487,876	2,490,046,402
Relent loan received during the year	193,611,480	1,312,182,220
Mark-up expense during the year	1,065,899,814	1,914,485,107
Subsidy adjusted during the year	50,484,474,772	60,654,045,009
Subsidy claimed during the year	33,674,339,842	39,850,999,410

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

	June 30, 2023		
	Long term Borrowings including related accrued markup	Retained Earnings	Total
	----------Rupees----------		
Balance as at July 01, 2022	14,849,553,793	(452,222,342,099)	(437,372,788,306)
Proceeds from long term loans	6,770,899,499	-	6,770,899,499
Loans adjusted	(3,495,540,093)	-	(3,495,540,093)
	18,124,913,199	(452,222,342,099)	(434,097,428,900)
Total changes from financing activities			
Other changes			
Interest expense	612,188,818	-	612,188,818
Total loan related other changes	612,188,818	-	612,188,818
Total equity related other changes	-	(96,750,335,337)	(96,750,335,337)
Prior year adjustment (subsidy)		60,049,876	60,049,876
Balance as at June 30, 2023	18,737,102,017	(548,912,627,560)	(530,175,525,543)

	June 30, 2022		
	Long term Borrowings including related accrued markup	Retained Earnings	Total
	----------Rupees----------		
Balance as at July 01, 2021	10,900,124,920	(331,304,484,637)	(320,404,359,717)
Proceeds from Long term loans	4,437,779,093	-	4,437,779,093
Loans adjusted	(1,184,812,265)	-	(1,184,812,265)
	14,153,091,748	(331,304,484,637)	(317,151,392,889)
Total changes from financing activities			
Other changes			
Interest adjusted	696,462,045	-	696,462,045
Total loan related other changes	696,462,045	-	696,462,045
Total equity related other changes	-	(120,917,857,462)	(120,917,857,462)
Balance as at June 30, 2022	14,849,553,793	(452,222,342,099)	(437,372,788,306)

34 BENAZIR EMPLOYEE STOCK OPTION SCHEME

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (the Scheme) for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises ,where GoP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12 % of its investments in such SOEs and non-SOEs to a Trust Fund to be created for this purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The IFRS 2 "Share Based Payments" will be implemented once the shares are issued against "deposits for shares".

35	NUMBER OF EMPLOYEES	2023	2022
	Total number of employees as at the reporting date	13,086	12,425
	Average number of employees during the year	12,755	12,783

36 **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 05-OCT-2023 by the Board of Directors of the Company.

37 **GENERAL**

Figures have been rounded off to the nearest Rupees.

CHIEF EXECUTIVE OFFICER

DIRECTOR