NAROWAL ENERGY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the members of Narowal Energy Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Narowal Energy Limited (the Company), which comprise the statement of financial position as at June 30, 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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 Director's 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.

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

Report on Other Legal and Regulatory Requirements

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

(a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

(d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Waqas Aftab Sheikh.

A. F. Ferguson & Co.,
Chartered Accountants

Karachi

Date: August 26, 2021

NAROWAL ENERGY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
Turnover	4	15,335,138	13,838,056
Operating costs	5	(8,444,097)	(6,942,524)
GROSS PROFIT		6,891,041	6,895,532
General and administration expenses	6	(95,793)	(94,686)
Other income	7	10,205	4,941
Other operating expenses	8	(6)	(21,969)
PROFIT FROM OPERATIONS		6,805,447	6,783,818
Finance costs	9	(935,230)	(2,002,187)
PROFIT BEFORE TAXATION		5,870,217	4,781,631
Taxation	10	(886)	(1,431)
PROFIT FOR THE YEAR		5,869,331	4,780,200
Basic and diluted earnings per share (Rupees)		14.97	12.19

The annexed notes from 1 to 39 form an integral part of these financial statements.

Kamran Kamal
Chief Executive

Javed Akbar
Director

NAROWAL ENERGY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	2021 (Rs. '000s)	2020 (Rs. '000s)
Profit for the year	5,869,331	4,780,200
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	5,869,331	4,780,200

The annexed notes from 1 to 39 form an integral part of these financial statements.

Kamran Kamal
Chief Executive

J. Akbar

Javed Akbar
Director

NAROWAL ENERGY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	11	13,408,377	14,358,953
Intangibles	12	537	1,577
Long term deposits		559	559
		13,409,473	14,361,089
CURRENT ASSETS			
Stores, spares and consumables	13	1,081,247	1,098,275
Stock-in-trade	14	1,191,930	380,144
Trade debts	15	22,645,401	19,458,703
Loans and advances	16	58,746	22,491
Prepayments and other receivables	17	1,637,498	1,346,650
Cash and bank balances	18	504,637	106,048
		27,119,459	22,412,311
TOTAL ASSETS		40,528,932	36,773,400
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised	19	6,000,000	6,000,000
Issued, subscribed and paid-up	19	3,921,883	3,921,883
Revenue Reserve			
Unappropriated profit		24,907,611	19,038,280
		28,829,494	22,960,163
NON-CURRENT LIABILITIES			
Long term loans	20	1,684,374	2,526,325
CURRENT LIABILITIES			
Trade and other payables	21	1,657,251	774,618
Interest / mark-up accrued	22	172,563	335,846
Short term borrowings	23	7,316,504	8,717,253
Current maturity of long term loans	20	868,746	1,459,195
		10,015,064	11,286,912
TOTAL EQUITY AND LIABILITIES		40,528,932	36,773,400
COMMITMENTS AND CONTINGENCIES	24		

The annexed notes from 1 to 39 form an integral part of these financial statements.

Kamran Kamal
Chief Executive

Javed Akbar
Director

NAROWAL ENERGY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		5,870,217	4,781,631
Adjustments for:			
Depreciation		1,011,242	1,001,791
Amortisation		1,040	3,971
Gain on disposal of fixed assets		(7,150)	(6)
Provision against stores, spares and consumables		22,599	22,558
Write-off of capital work in progress		-	21,969
Interest income		(3,055)	(4,933)
Interest / mark-up		925,766	1,979,722
Amortisation of transaction costs		1,460	17,843
Operating profit before working capital changes		7,822,119	7,824,546
Working capital changes	29	(3,444,885)	(3,754,702)
Cash generated from operations		4,377,234	4,069,844
Interest income received		3,055	4,933
Interest / mark-up paid		(1,089,049)	(2,049,116)
Long term deposits		-	(436)
Taxes paid		(4,526)	(1,431)
Net cash generated from operating activities		3,286,714	2,023,794
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(60,687)	(36,536)
Proceeds from disposal of fixed assets		7,171	6
Net cash used in investing activities		(53,516)	(36,530)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term loans		35,726	35,100
Repayment of long term loans		(1,469,586)	(2,576,041)
Net cash used in financing activities		(1,433,860)	(2,540,941)
Net decrease in cash and cash equivalents		1,799,338	(553,677)
Cash and cash equivalents at the beginning of the year		(8,611,205)	(8,057,528)
Cash and cash equivalents at the end of the year	30	(6,811,867)	(8,611,205)

The annexed notes from 1 to 39 form an integral part of these financial statements.

Kamran Kamal
Chief Executive

Javed Akbar
Director

NAROWAL ENERGY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
ISSUED CAPITAL			
Balance at the beginning and end of the year	19	3,921,883	3,921,883
UNAPPROPRIATED PROFIT			
Balance at the beginning of the year		19,038,280	14,258,080
Profit for the year		5,869,331	4,780,200
Other comprehensive income for the year		-	-
Total comprehensive income for the year		5,869,331	4,780,200
Balance at the end of the year		24,907,611	19,038,280
TOTAL EQUITY		28,829,494	22,960,163

The annexed notes from 1 to 39 form an integral part of these financial statements.

Kamran Kamal
Chief Executive

Javed Akbar
Director

NAROWAL ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. THE COMPANY AND ITS OPERATIONS

Narowal Energy Limited (the Company) was incorporated in Pakistan on November 03, 2015 as a public limited company. The Company is a wholly owned subsidiary of The Hub Power Company Limited (the "holding company"). The principal business activities of the Company are to own, operate and maintain a 214 MW (net) oil-fired power station in Punjab (Narowal Plant).

Head Office:
The Company's registered office is situated at 11th Floor, Ocean Tower, G-3, Block-9, Main Clifton Road, Karachi.

Narowal Plant:
Narowal Plant is situated at Mouza Aroud Afghana, Muridkey Narowal Road, Narowal.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) 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, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

(a) Operating property, plant, equipment and depreciation

These are stated at cost less accumulated depreciation and impairment losses, if any, except for freehold land which is stated at cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets at the rates shown in note 11.1 to these financial statements. Depreciation on additions is charged for the full month in which an asset is available for use and on disposals up to the month immediately preceding the disposals. Gains and losses on disposals are taken to the statement of profit or loss.

Maintenance and repairs are charged to statement of profit or loss as and when incurred. Major renewals and improvements are capitalised.

Spare parts and servicing equipment are classified as property, plant and equipment under plant and machinery rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Available for use capital spares and servicing equipment are depreciated over their useful lives, or the remaining life of principal asset, whichever is lower.

The residual value, depreciation method and the useful lives of the significant items of property, plant and equipment are reviewed and adjusted if required, at each reporting date.

(b) Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any. Items are transferred to operating property, plant and equipment as and when they are available for use.

3.2 Intangible assets and amortisation

These are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is computed using the straight-line method over the estimated useful lives of the assets at the rate shown in note 12 to these financial statements.

3.3 Impairment of non-current assets

The carrying amounts of non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to assess whether the asset's carrying value exceeds its recoverable amount. Where carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount. Impairment losses are recognised as expense in the statement of profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.4 Impairment of financial assets

Trade debts are assessed at each reporting date to determine whether there is any objective evidence that these are impaired. These are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

For financial assets other than trade debts, lifetime expected credit losses (ECL) is used when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

3.5 Stores, spares and consumables

These are valued at the lower of moving average cost and net realisable value except for the items in transit which are stated at cost. Cost of stock-in-transit represents the invoice value plus other charges incurred thereon till the reporting date. Provision is made for slow moving and obsolete items, if any.

3.6 Stock-in-trade

These are valued at the lower of cost determined on first-in-first-out basis and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

3.7 Share capital

Ordinary shares are classified as equity and recognised at their face value. Discount on issue of shares is separately reported in statement of changes in equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.8 Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

3.9 Revenue recognition

Revenue from the sale of electricity to the Central Power Purchasing Agency (Guarantee) Limited [CPPA(G)], the sole customer of the Company, is recorded based upon the output delivered and capacity available at rates as specified under the Power Purchase Agreement (PPA) with CPPA(G). PPA with CPPA(G) is a contract over a period of 25 years starting from 2011. Late payment interest is recorded on accrual basis.

3.10 Interest income

Interest income is recorded on accrual basis.

3.11 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees which is the Company's functional currency.

3.12 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees equivalents using reporting date exchange rates. Non-monetary assets and liabilities are stated using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions and translation are included in statement of profit or loss.

3.13 Taxation

Income of the Company is not liable to taxation in Pakistan to the extent provided in the Implementation Agreement (IA) signed with the Government of Pakistan (GOP) and the Income Tax Ordinance, 2001 (ITO 2001). Accordingly, provision for taxation, if any, is made only on the income liable to tax at the applicable rates of tax after taking into account tax credits, rebates etc., allowable under the ITO 2001.

3.14 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which it is approved.

3.15 Financial instruments

(a) Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value plus directly attributable transaction cost, if any, and subsequently measured at amortised cost using the effective interest rate method less provision for impairment, if any.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, payorders in hand, cash with banks on savings, call and term deposit accounts and short term borrowings. Short term borrowings are shown in current liabilities.

(c) Borrowings

Borrowings are recognised initially at fair value, net of attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest rate method.

(d) Trade and other payables

Liabilities for trade and other amounts payable are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method.

3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised. All other borrowing costs are recognised as an expense in the period in which they are incurred. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use.

3.17 Off-setting

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

3.18 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the periods in which the estimates are revised and in any future periods affected. Significant estimates, assumptions and judgements are disclosed in the relevant accounting policies and notes to these financial statements.

Following are some significant areas where management used estimates and judgements other than those which have been disclosed elsewhere in these financial statements:

a) Determining the residual values and useful lives of property, plant and equipment and intangibles;
b) Distinguish between capital spares, servicing equipment and stores and spares;
c) Provisions;
d) Impairment of financial assets; and
e) Commitments and contingencies.

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
4. TURNOVER			
Capacity purchase price (CPP)		6,627,605	6,804,842
Energy purchase price (EPP)		8,082,330	5,975,620
Late payment interest (LPI)		1,806,763	1,925,962
		16,516,698	14,706,424
Less: Sales tax on EPP		(1,181,560)	(868,368)
		15,335,138	13,838,056
5. OPERATING COSTS			
Fuel cost		6,311,062	4,676,443
Late payment interest to fuel supplier		359	89,032
Stores, spares and consumables		309,776	239,103
Operations and maintenance	5.1	67,143	245,459
Salaries, benefits and other allowances	5.2 & 5.3	153,290	79,651
Insurance		333,633	273,387
Depreciation	11.4	1,009,108	997,748
Amortisation	12.1	1,010	3,613
Repairs, maintenance and other costs		258,716	338,088
		8,444,097	6,942,524

5.1 This represents services rendered by Hub Power Services Limited (HPSL), a group company under Operations and Maintenance (O&M) Agreement.

5.2 Effective January 01, 2020, the Company entered into a Secondment Agreement with HPSL, whereby certain employees of HPSL were seconded to the Company. This amount represents salaries, wages and benefits of employees seconded from HPSL to the Company. As at June 30, 2021 number of seconded staff were 99 (2020: 99).

5.3 This includes a sum of Rs. 11 million (2020: 6 million) in respect of staff retirement benefits. The retirement benefit plans of the employees are maintained by HPSL.

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
6. GENERAL AND ADMINISTRATION EXPENSES			
Salaries, benefits and other allowances	6.1 & 6.2	68,681	61,224
Travel and transportation		1,290	1,193
Office running cost		6,910	5,080
Legal and professional charges		3,238	8,475
Insurance		2,085	1,979
Auditors' remuneration	6.3	1,192	1,183
Corporate social responsibility		9,121	9,703
Printing and stationery		11	13
Depreciation	11.4	2,134	4,043
Amortisation	12.1	30	358
Miscellaneous		1,101	1,435
		95,793	94,686

6.1 This includes staff cost of Rs. 39 million (2020: Rs. 30 million) allocated by the holding company.

6.2 This includes a sum of Rs. 3 million (2020: Rs. 2 million) in respect of staff retirement benefits. The retirement benefit plans of employees are maintained by the holding company.

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	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
6.3 Auditors' remuneration			
Statutory audit		998	998
Other services		124	113
Out-of-pocket expenses		70	72
		1,192	1,183

7. OTHER INCOME

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
Financial assets			
Interest income		3,055	4,933
Non-financial assets			
Gain on disposal of fixed assets		7,150	6
Exchange gain		-	2
		7,150	8
		10,205	4,941

8. OTHER OPERATING EXPENSES

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
Write-off of CWIP	11.5	-	21,969
Exchange loss		6	-
Workers' profit participation fund	8.1	-	-
		6	21,969

8.1 Workers' profit participation fund

	2021 (Rs. '000s)	2020 (Rs. '000s)
Provision for Workers' profit participation fund	293,511	239,081
Workers' profit participation fund recoverable from CPPA(G)	(293,511)	(239,081)
	-	-

The Company is required to allocate and pay 5% of its profit to the Workers' profit participation fund (the "Fund"). The Company is entitled to claim this expense from Central Power Purchasing Agency (Guarantee) Limited [CPPA(G)] as a pass-through item.

The Supreme Court of Pakistan (SCP) vide its judgement dated November 10, 2016 set aside the amendments made to the Companies Profits (Workers' Participation) Act, 1968 (the Act) by Finance Acts of 2006, 2007 and 2008 as ultra vires to the provisions of the Constitution of Pakistan (the Constitution). Accordingly, the provisions of the Act are to be read as if the amendments brought about by the said Finance Acts were never made and the defined term "Worker" reverted to its original definition of prior to Finance Act 2006. However, the Federal Board of Revenue (FBR) has filed a review petition with the SCP in respect of the said decision.

Pursuant to the 18th Amendment to the Constitution, the Sindh Provincial Assembly passed the Sindh Companies Profits (Workers' Participation) Act, 2015 (the Sindh Act). On February 12, 2018, Sindh High Court (SHC) passed an Order (SHC Order) in respect of the Sindh Act, holding that for trans-provincial companies like NEL, the location of the workers should be considered and an allocation should be made accordingly. The SHC Order further devised a mechanism to compute contributions for trans-provincial companies. In July 2018, the SCP suspended the SHC Order, however, SCP is yet to issue a detailed order on this matter. The interim order passed by SCP only applies inter parties and since NEL was not a party to the case filed in the SCP, it is the SHC Order which is binding on the Company.

On December 02, 2020, the Government of Punjab has promulgated the Companies Profits (Worker's Participation) Act, 1968 (Act) through Amendment Ordinance 2020 (Ordinance) (Punjab WPPF Laws), requiring that a workers participation fund be established in accordance with the Scheme under the Act as amended through Ordinance. Furthermore, the Company received the letter dated March 20, 2021, with respect to the same. In addition, the work related to formation of Trust to discharge obligations under the Punjab WPPF Laws cannot be initiated by the Company as the newly promulgated Punjab Trust Act 2020 forbids legal persons from forming a trust. The Company is in the process of evaluating its legal position in the matter.

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
9. FINANCE COSTS			
Interest / mark-up on long term loans		219,601	740,679
Mark-up on short term borrowings		706,165	1,239,043
Amortisation of transaction costs		1,460	17,843
Other finance costs		8,004	4,622
		935,230	2,002,187
10. TAXATION			
Current			
- for the year	10.1	886	1,431

10.1 Relationship between tax expense and accounting profit

		2021	2020
Profit before taxation		5,870,217	4,781,631
Tax calculated at the rate of 29% (2020: 29%)		1,702,363	1,386,673
Effect of exempt income		(1,701,477)	(1,385,242)
		886	1,431

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
11. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	11.1	13,405,972	14,358,353
Capital work-in-progress	11.5	2,405	600
		13,408,377	14,358,953

11.1 Operating property, plant and equipment

	Freehold land	Building on freehold land	Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Total
	Rs. '000s						
Cost:							
As at July 01, 2019	58,120	703,429	22,477,066	22,006	32,582	6,204	23,299,407
Additions / transfers	-	-	21,604	-	14,573	-	36,177
Disposals	-	-	(1,738)	-	-	-	(1,738)
As at June 30, 2020	58,120	703,429	22,496,932	22,006	47,155	6,204	23,333,846
Additions / transfers	-	-	58,882	-	-	-	58,882
Disposals	-	-	(2,385)	-	(4,261)	-	(6,646)
As at June 30, 2021	58,120	703,429	22,553,429	22,006	42,894	6,204	23,386,082
Depreciation:							
Depreciation rate % per annum	-	4 to 25	4 to 50	20	25	20 to 33.33	
As at July 01, 2019	-	211,857	7,715,284	17,624	26,405	4,270	7,975,440
Charge for the year	-	32,286	963,035	1,706	3,867	897	1,001,791
Disposals	-	-	(1,738)	-	-	-	(1,738)
As at June 30, 2020	-	244,143	8,676,581	19,330	30,272	5,167	8,975,493
Charge for the year	-	32,739	971,124	1,706	5,424	249	1,011,242
Disposals	-	-	(2,364)	-	(4,261)	-	(6,625)
As at June 30, 2021	-	276,882	9,645,341	21,036	31,435	5,416	9,980,110
Net book value As at June 30, 2021	58,120	426,547	12,908,088	970	11,459	788	13,405,972
Net book value As at June 30, 2020	58,120	459,286	13,820,351	2,676	16,883	1,037	14,358,353
Cost of fully depreciated assets as at June 30, 2021	-	992	288,899	13,474	23,623	3,899	330,887
Cost of fully depreciated assets as at June 30, 2020	-	992	94,198	13,474	19,243	3,421	131,328

11.2 Disposal of operating property, plant and equipment

Assets	Cost	Accumulated depreciation	Net book value	Sale price	Gain on disposal	Mode of disposal	Particulars of buyer
	Rs. '000s						
Items having a net book value not exceeding Rs. 500,000 each							
Plant & machinery	2,385	2,364	21	576	555	Various	Various
Vehicles	4,261	4,261	-	6,595	6,595	Various	Various
Total - June 30, 2021	6,646	6,625	21	7,171	7,150		
Total - June 30, 2020	1,738	1,738	-	6	6		

11.3 Details of Company's immovable fixed assets

Particulars	Area	Location
Freehold land and building	10 Kanal 09 Marla	Tehsil and District Narowal
Freehold land and building	4 Kanal 01 Marla	Tehsil and District Narowal
Freehold land and building	67 Acres	Tehsil and District Narowal

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
11.4 Depreciation charge for the year has been allocated as follows:			
Operating costs	5	1,009,108	997,748
General and administration expenses	6	2,134	4,043
		1,011,242	1,001,791

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)

11.5 Capital work-in-progress

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
Opening balance		600	22,301
Additions during the year		3,772	6,001
Transfers during the year		(1,967)	(5,733)
Write-offs	8	-	(21,969)
		2,405	600

12. INTANGIBLES - Computer software

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
Cost			
Opening balance		35,695	35,604
Additions at cost		-	91
		35,695	35,695
Amortisation			
Opening balance		(34,118)	(30,147)
Charge for the year	12.1	(1,040)	(3,971)
		(35,158)	(34,118)
Net book value		537	1,577
Cost of fully amortised intangibles		32,575	32,575
Amortisation rate % per annum		33.33	33.33

12.1 Amortisation charge for the year has been allocated as follows:

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
Operating costs	5	1,010	3,613
General and administration expenses	6	30	358
		1,040	3,971

13. STORES, SPARES AND CONSUMABLES

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
In hand		1,182,518	1,176,947
Provision against stores, spares and consumables	13.1	(101,271)	(78,672)
		1,081,247	1,098,275

13.1 Provision against stores, spares and consumables

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
Opening balance		78,672	56,114
Provision for the year		22,599	22,558
Closing balance		101,271	78,672

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)

14. STOCK-IN-TRADE

Furnace oil		1,164,532	357,547
Lubricating oil		19,340	11,648
Light diesel oil		8,058	10,949
		1,191,930	380,144

15. TRADE DEBTS

Considered good - Secured

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
Capacity Purchase Price (CPP)		10,291,972	6,494,360
Energy Purchase Price (EPP)		8,356,278	7,143,948
Late Payment Interest (LPI)	15.1	3,842,511	5,698,046
Pass through items		154,640	122,349
	15.2 & 15.3	22,645,401	19,458,703

15.1 This also includes Rs. 1,375 million (June 2020: Rs. 1,640 million) related to LPI which is not yet billed by the Company.

15.2 This includes an amount of Rs. 17,815 million (June 2020: Rs. 16,085 million) receivable from CPPA(G) which are overdue but not impaired because the trade debts are secured by a guarantee from the GOP under the Implementation Agreement.

The delay in payments from CPPA(G) carries mark-up at a rate of 3 month KIBOR plus 4.5% per annum for all the overdue amounts except Late Payment Interest invoices.

The aging of these receivables is as follows:

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
Not yet due		4,830,880	3,373,841
Upto 6 months		5,176,096	5,075,530
6 months to 1 year		9,512,458	8,064,945
1 year to 2 years		3,125,967	840,587
Over 2 years		-	2,103,800
		22,645,401	19,458,703

15.3 This also includes an amount of Rs. 122 million (June 2020: Rs. 122 million) for which the Company's tariff application has been approved by NEPRA, however, due to pending notification of NEPRA's determination in the Official Gazette, as of reporting date the amount has not been billed to CPPA(G).

	2021 (Rs. '000s)	2020 (Rs. '000s)

16. LOANS AND ADVANCES

Considered good - non interest bearing

Loans - unsecured		
Employees	75	1,007
Advances - unsecured		
Executives	3	1,105
Suppliers	58,668	20,379
	58,671	21,484
	58,746	22,491

	Note	2021 (Rs.'000s)	2020 (Rs.'000s)

17. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2021 (Rs.'000s)	2020 (Rs.'000s)
Prepayments		2,636	1,895
Other receivables			
Sales tax		542,857	472,891
Advance tax		3,640	-
Workers' profit participation fund recoverable from CPPA(G)		1,088,365	794,854
Insurance receivable		-	76,680
Miscellaneous		-	330
		1,634,862	1,344,755
		1,637,498	1,346,650

18. CASH AND BANK BALANCES

	Note	2021 (Rs.'000s)	2020 (Rs.'000s)
Savings accounts	18.1	504,437	105,848
Cash in hand		200	200
		504,637	106,048

18.1 Savings and deposits accounts carry mark-up rates up to 5.5% (June 2020: 5.5%) per annum.

19. AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2021 (No. of shares)	2020 (No. of shares)		2021 (Rs. '000s)	2020 (Rs. '000s)
		Authorised:		
600,000,000	600,000,000	Ordinary shares of Rs.10/- each	6,000,000	6,000,000
		Issued, subscribed and paid-up Ordinary shares of Rs.10/- each:		
10,000	10,000	For cash	100	100
392,178,346	392,178,346	Against transfer of net assets pursuant to the Scheme of Demerger	3,921,783	3,921,783
392,188,346	392,188,346		3,921,883	3,921,883

20. LONG TERM LOANS - Secured

From Banks / Financial Institutions	Note	As at July 01, 2020	Drawn	Repaid	Current portion	Amortisation of transaction costs	As at June 30, 2021
		....	....	(Rs. '000s)	....	....	....
Expansion facility	20.1	1,451,880	-	(1,451,880)	-	-	-
Syndicated term finance facility - II	20.2	2,500,000	-	-	(833,333)	-	1,666,667
Salary Refinance Scheme - SBP	20.3	35,100	35,726	(17,706)	(35,413)	-	17,707
Transaction costs		(1,460)	-	-	-	1,460	-
Total		3,985,520	35,726	(1,469,586)	(868,746)	1,460	1,684,374

From Banks / Financial Institutions	Note	As at July 01, 2019	Drawn	Repaid	Current portion	Amortisation of transaction costs	As at June 30, 2020
		....	....	(Rs. '000s)	....	....	....
Expansion facility	20.1	4,027,921	-	(2,576,041)	(1,451,880)	-	-
Syndicated term finance facility - II	20.2	2,500,000	-	-	-	-	2,500,000
Salary Refinance Scheme - SBP	20.3	-	35,100	-	(8,775)	-	26,325
Transaction costs		(19,303)	-	-	1,460	17,843	-
Total		6,508,618	35,100	(2,576,041)	(1,459,195)	17,843	2,526,325

20.1 This loan was fully repaid on October 1, 2020.

20.2 The loan carries mark-up at the rate of three months KIBOR plus 0.75% per annum starting from the date of disbursement i.e. April 23, 2019. The loan is repayable in 12 equal installments on quarterly basis commencing from July 23, 2021. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate. The loan is secured by way of second ranking / subordinated charge over fixed assets (excluding land & building) of the holding company.

20.3 During the year, the Company obtained additional long term loan of Rs. 36 million under the Salary Refinancing Scheme introduced by State Bank of Pakistan (SBP). The loan carries a mark-up of 1.50% per annum which is payable on quarterly basis in arrears. The loan is repayable in eight equal quarterly installments starting from January 2021. Any late payment by the Company is subject to the markup to be calculated at the prevailing rate of three month KIBOR plus 1.50%. The loan is secured against subordinate hypothecation charge over all present and future movable fixed assets of the Company (excluding land and building).

21. TRADE AND OTHER PAYABLES	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
Creditors			
Trade		562,005	-
Other		-	7,295
		562,005	7,295
Accrued liabilities		174,646	130,097
Other payables			
Provision for Workers' profit participation fund		898,608	605,097
Payable to the holding company		2,525	5,785
Payable to HPSL, a group company		13,521	17,515
Payable to Holding company's employee's provident fund		-	137
Payable to HPSL employee's provident fund		-	902
Retention money		4,053	4,502
Withholding tax		1,893	3,288
		920,600	637,226
		1,657,251	774,618

22. INTEREST / MARK-UP ACCRUED

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
Interest / mark-up accrued on long term loans		37,412	97,283
Mark-up accrued on short term borrowings	22.1	135,151	238,563
		172,563	335,846

22.1 This includes markup amounting to Rs. Nil (June 2020: Rs. 23 million) payable to the holding company.

23. SHORT TERM BORROWINGS - Secured	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
Finances from banks / financial institutions	23.1 & 23.2	6,646,359	8,576,533
Short term loan from holding company	23.3	670,145	140,720
		7,316,504	8,717,253

23.1 The facilities for running finances available from various banks / financial institutions amounted to Rs. 3,575 million (June 2020: Rs. 5,425 million) at mark-up ranging between 0.6% to 2.0% (June 2020: 0.6% to 2.25%) per annum above one / three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrears. The facilities will expire during the period commencing from August 31, 2021 to March 19, 2022. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate.

23.1.1 The facilities are secured by way of:

(a) a first ranking charge on all present and future (i) amounts standing to the credit of the Energy Payment Collection Account and the Master Facility Account, (ii) Fuel, lube, fuel stocks at the plant; and (iii) the Energy Payment Receivables of the Company; and

(b) a subordinated charge on all present and future plant, machinery and equipment and other moveable assets of the Company excluding; (i) the immoveable properties; (ii) Hypothecated Assets under first ranking charge; (iii) the Energy Payment Collection Account, Working Capital Facility Accounts and the Master Facility Account; (iv) the Energy Payment Receivables; (v) all of the Company's right, title and interest in the Project Documents (including any receivables thereunder); and (vi) all current assets.

23.2 The Company also has Musharaka agreements with banks amounting to Rs. 4,125 million (June 2020: Rs. 3,125 million), at a mark-up ranging from 0.40% to 1.50% (June 2020: 0.70% to 1.50%) per annum above one month / three month KIBOR. The mark-up on the facilities are payable on quarterly basis in arrears. These facilities will expire during the period from August 31, 2021 to April 12, 2022. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. These facilities are secured by way of securities mentioned in note 23.1.1.

23.3 The Company entered into an agreement of unsecured short term loan with holding company for an amount of up to Rs. 3 billion, to meet its working capital requirements, which carries markup at the rate of 0.4% per annum above one month KIBOR. Any late payment is subject to an additional payment of 1.00% per annum above the normal mark-up rate. The maximum aggregate amount outstanding at any time during the year was Rs. 2.2 billion.

	2021 (Rs. '000s)	2020 (Rs. '000s)
24. COMMITMENTS AND CONTINGENCIES		
24.1 Commitments in respect of capital and revenue expenditures	115,171	150,515

24.2 Due to continuous payment defaults by CPPA(G), the Company called on the Sovereign Guarantee for recovery of overdue receivables. Subsequently, in light of the issue of circular debt and sovereign default, the Company filed a constitutional petition in the Honorable Supreme Court of Pakistan ("SCP") seeking an immediate recovery of these overdue receivables and to protect itself against reduction in capacity purchase price in the form of Liquidated Damages (LDs) due to non-availability of power plant for electricity generation because of lack of fuel caused by delay in payments by CPPA(G).

On January 15, 2013, the SCP passed an interim order that there shall be no reduction in capacity payment. On June 28, 2013, the Company and other Independent Power Producers ("IPPs") agreed with GOP that on settlement of all overdue amounts, the Company and other IPPs would withdraw the SCP case and pursue expert adjudication and arbitration in accordance with the Power Purchase Agreement ("PPA"). In January 2018, petitions of the IPPs before the SCP to withdraw petition have been disposed off with the direction to the Lahore High Court ("LHC") to decide IPPs Application 2 (as explained below).

The IPPs and CPPA(G) jointly filed the case with the Expert in Pakistan. The Expert through his determination of August 15, 2015 issued the determination which was generally in favor of IPPs. The Expert determined inter alia that the power purchaser is liable to forthwith make payments for the claimed deemed capacity to the Company. The Expert also determined that IPPs are not entitled to payment of interest on the deemed capacity. IPPs were willing to implement the Expert determination, however, due to CPPA(G)'s unwillingness to implement the expert's determination, the IPPs on November 02, 2015 filed for arbitration in the London Court of International Arbitration ("LCIA"). The LCIA has issued following awards:

(i) Partial Final Award on Preliminary Issues ["PFA"] dated June 08, 2017 whereby the Arbitrator beside other matters declared that the (a) current Arbitration before the LCIA has been validly commenced in accordance with the PPA, (b) Expert's Determination dated August 15, 2015 is final and binding on both CPPA(G) & IPPs etc. On July 06, 2017, CPPG(G) challenged the PFA before the High Court of Justice, Queen's Bench Division, Commercial Court, London ("HQJ") [NTDC HQJ-1]. CPPA(G) also filed application ("NTDC Application 1") before the Senior Civil Judge ("SCJ") in Lahore seeking an order that the PFA be declared null and void. The SCJ suspended the PFA against which IPPs filed revision petitions in the District Court Lahore which has adjourned the hearing indefinitely while suspending the SCJ order.

The IPPs initiated anti-suit injunction ("ASI") application before the HQJ to restrain CPPA(G) from challenging awards outside England. The IPPs also filed application ("IPPs Application 1") with the LHC for the recognition and enforcement of the PFA. Under the ASI Order, the HQJ (a) restrained CPPA(G) from pursuing NTDC Application 1 before the Senior Civil Judge in Lahore and (b) restrained CPPA(G) from taking any steps or proceedings in any court or tribunal outside England which sought to set aside or annul the PFA. HQJ also took an undertaking from IPPs (a) to compensate CPPA(G) if the HQJ later finds that due to any misrepresentation etc. by IPPs, ASI Order has caused loss to CPPA(G), (b) not take any steps in the proceedings in IPPs Application 1 & NTDC Application 1 and (c) not to commence or continue any proceedings or applications in any court or tribunal outside England in relation to the PFA and any other awards that may be rendered by the LCIA. On May 04, 2018 the Commercial Court, London has confirmed the ASI that the IPPs are entitled to a final anti-suit injunction, continuing the interim injunction granted earlier, on the entirely straightforward basis that the seat of the Arbitration is London. CPPA(G) is to be restrained on a permanent basis from challenging the Partial Final Award in proceedings in Lahore, Pakistan, or anywhere other than England and Wales.

(ii) Final Award (FA) dated October 29, 2017 in favor of IPPs by quantifying the LDs amounts along with interest, legal and other related costs (in case of the Company, the amount quantified by LCIA is Rs. 1,067 million up to October 29, 2017) payable by CPPA(G) to the IPPs. On November 24, 2017, CPPA(G) has challenged the FA before the HQJ, London ("NTDC HQJ-2"). Meanwhile the IPPs have also filed application ("IPPs Application 2") with the LHC for the recognition and enforcement of the FA. On November 29, 2017, CPPA(G) also initiated challenge proceedings against the FA in the Lahore Civil Court, so as to stop the clock of limitation (purported limitation period).

Based on the Final Award dated October 29, 2017, the IPPs including the Company asked CPPA(G) to pay the amounts quantified by the LCIA, however, CPPA(G) denied the same on the ground that the amounts are not payable till finalization of the cases by the courts of England and Pakistan. During March 2018, CPPA(G) applied to the High Court of Justice, Queen's Bench Division, Commercial Court, London, for the withdrawal of its applications NTDC HQJ-1 & NTDC HQJ-2. The IPPs including the Company informed CPPA(G) that after withdrawal of its applications from the High Court of Justice, Queen's Bench Division, Commercial Court, London, there are no challenges from CPPA(G) pending in the courts in the United Kingdom and the LCIA awards i.e. Partial Final Award on Preliminary Issues of June 08, 2017 and Final Award of October 29, 2017 attained finality. Accordingly, the IPPs including the Company demanded CPPA(G) to pay the amounts quantified by the LCIA without any further delay.

Pursuant to the Agreement signed on February 11, 2021 (see note 24.8), the IPPs and CPPA(G) have agreed an amicable settlement of the matters above. This agreement entitles the IPPs to partially recover the LDs amounts and also extends the PPA life by the number of days pertaining to LDs period.

24.3 Following notices / demand orders have been issued by tax authorities to the holding company in respect of combined operations of Hub and Narowal Plants. Pursuant to the demerger, the exposure related to Narowal Undertaking has been transferred to the Company.

Further, an agreement dated May 11, 2017 has been entered into between the Company and the holding company whereby the Company has undertaken to reimburse any cost which may directly be incurred by the holding company in respect of exposures transferred pursuant to the Scheme of Demerger.

24.3.1 Federal Board of Revenue (FBR) imposed 2% Workers Welfare Fund (WWF) for the tax year 2013 and issued a demand for Rs. 25 million. The holding company filed appeal before the Commissioner of Inland Revenue Appeals (CIR-A) who remanded back the case to FBR for a fresh assessment. Against the order of CIR-A, the FBR filed appeal before the Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication. The Company's maximum exposure as at June 30, 2021 including the principal amount, penalty and default surcharge is approximately Rs. 54 million.

WWF is a pass through under the PPA and is recoverable from CPPA(G). No provision has been made in these financial statements as any payment made by the Company is a pass-through item under the PPA.

24.3.2 (i) Under the IA with the GOP and under the tax law, the holding company is exempt from the levy of minimum tax. However, the FBR issued demand notices amounting to Rs. 8 million relating to the tax years 2006 to 2008, 2010 and 2011. After the holding company's appeals were rejected by the CIR-A, Islamabad, further appeals were filed with the ATIR, Islamabad which decided the appeals in favour of the holding company. Against ATIR orders, FBR filed appeals in the Honorable High Court of Islamabad (IHC) which are pending adjudication. The Company's maximum exposure as at June 30, 2021 including the principal amount, penalty and default surcharge is approximately Rs. 16 million.

(ii) The FBR passed an order for the recovery of sales tax amounting to Rs. 172 million relating to fiscal years ended June 2008 to 2011. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. After dismissal of the holding company's appeal at the CIR-A level, the holding company filed appeal with the ATIR which decided the case in favour of the holding company. Against the judgment of the ATIR, the FBR filed a case with the IHC which is pending adjudication. The Company's maximum exposure as at June 30, 2021 including the principal amount, penalty and default surcharge is approximately Rs. 500 million.

(iii) The FBR passed an order for the recovery of sales tax amounting to Rs. 559 million relating to fiscal year ended June 2012. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. After dismissal of the holding company's appeal at the CIR-A level, the holding company filed appeal with the ATIR which also decided the case against the holding company. Against the decision of the ATIR, the holding company filed appeal with IHC which is pending adjudication. The Company's maximum exposure as at June 30, 2021 including the principal amount, penalty and default surcharge is approximately Rs. 1,410 million.

(iv) The FBR issued a Show Cause Notice to recover sales tax amounting to Rs. 353 million relating to fiscal year ended June 2013. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / Honorable High Court of Lahore (LHC) in other cases. Against this decision, the FBR filed appeal with IHC which is pending adjudication. The Company's maximum exposure as at June 30, 2021 is Rs. 353 million.

(v) The FBR issued a show cause notice to recover sales tax amounting to Rs. 878 million relating to fiscal year ended June 2014. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / LHC in other cases. Against this decision, the FBR filed appeal with IHC which is pending adjudication. The Company's maximum exposure as at June 30, 2021 is approximately Rs. 878 million.

(vi) The FBR issued a show cause notice to recover sales tax amounting to Rs. 511 million relating to fiscal year ended June 2016. This is based on FBR's view that the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC (Islamabad High Court) which asked the FBR not to pass a final order till next hearing. The Company's maximum exposure as at June 30, 2021 is approximately Rs. 511 million.

(vii) The FBR issued a show cause notice to recover sales tax amounting to Rs. 570 million relating to fiscal year ended June 2017. This is based on FBR's view that the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC which asked the FBR not to pass a final order till next hearing. The Company's maximum exposure as at June 30, 2021 is approximately Rs. 570 million.

(viii) In October 2019, the FBR issued an income tax demand of Rs 75 million relating to fiscal year ended June 2016. This is based on FBR's views that holding company's receipt on account of CPP is liable for minimum tax. The FBR also issued a demand for WWF. The holding company has filed appeal with the Commissioner Inland Revenue Appeal which is pending adjudication. The Company's maximum exposure as at June 30, 2021 including the principal amount, penalty and default surcharge is approximately Rs. 92 million.

(ix) In December 2019, the FBR issued a demand of Rs. 26 million relating to fiscal year ended June 2016. This is based on FBR's views that during the year the holding company had not deducted tax on payments to supplier. The holding company has filed appeal with the Commissioner Inland Revenue Appeal which is pending adjudication. The Company's maximum exposure as at June 30, The matter, stated in (ii) to (vii), of claiming excess input tax by IPPs based in Lahore has already been decided by the Honorable Lahore High Court, Lahore in favor of IPPs.

24.4 In January 2020, the FBR issued a demand of Rs. 342 million relating to fiscal year ended June 2018. This is based on FBR's views that (a) the Company wrongly claimed the sales tax credit amounting to Rs. 299 million which was the amount transferred from Hubco to NEL under the demerger scheme duly approved by the Honorable High Court of Sindh (SHC) and FBR and (b) the Company wrongly claimed Rs. 43 million input sales tax paid on goods used for production of electrical energy. The Company had filed appeal with the Commissioner Inland Revenue Appeal who, vide his order of May 2020, remanded back the case to FBR with the direction for reassessment of the case based on the instructions of the FBR and the principles laid down by the Supreme Court of Pakistan. The Company's maximum exposure as at June 30, 2021 including the principal amount, penalty and default surcharge is approximately Rs. 362 million.

24.5 In February 2021, the FBR issued a demand of Rs. 409 million relating to the periods July 2017 to June 2019. This is based on FBR's views that the Company has claimed input tax on goods and services including O&M services provided by HPSL used for maintaining the capacity of the plant and not for production of electricity. The Company filed appeal with the Commissioner of Inland Revenue Appeals (CIR-A) which has been dismissed. The Company is in process of filing appeal with the appellate fora. The Company's maximum exposure as at June 30, 2021 including the principal amount, penalty and default surcharge is approximately Rs. 416 million.

The management and their tax and legal advisors are of the opinion that the position of the Company is sound on technical basis and eventual outcome ought to be in favour of the Company. Pending the resolution of the matters stated above, no provision has been made in these financial statements.

24.6 The Company received a letter from the Power Purchaser stating that the Company did not maintain the requisite fuel stock at Narowal plant as required under the PPA and has therefore incurred lower interest on working capital and therefore Power Purchaser is earmarking an estimated amount of Rs. 857 million out of the Late Payment Interest invoices owed by the Power Purchaser. The Company has contested the claim.

24.7 In 2019, an investigation was initiated under the Punjab Environmental Protection Act-1997 against the Company on complaint for violation of environmental law. The Company had denied the allegations and had filed an application under Section 205 of the Code of Criminal Procedure, 1898, for dismissal of the Complaint, which was rejected by the Punjab Environmental Tribunal. However, a Writ Petition was filed in the Lahore High Court (LHC) as the management and the legal advisors believed the Order was illegal and had no substantial grounds. The proceedings at the Punjab Environmental Tribunal are automatically adjourned till the case is decided by the LHC. The management and the legal advisors are of the opinion the eventual outcome will be in favour of the Company and therefore no provision is required to be made in these financial statements.

24.8 During the previous year, the Federal Government constituted a committee for the purpose of negotiating the Power Purchase Agreement (PPA) for IPPs falling under the 2002 Power Policy, including the Company. The Company held extensive rounds of discussions with the Committee and other members of the Federal Government. On August 12, 2020, following detailed negotiations and in the larger national interest, the Parties agreed to alter their existing contractual arrangements and signed a Memorandum of Understanding (MoU) pursuant to which certain tariff components under the PPA were to be revised and some other changes were to be made in the PPA.

In furtherance of the MOU, Central Power Purchasing Agency (Guarantee) Limited (Power Purchaser) and the Company executed an agreement ("Agreement") on February 11, 2021. Under the Agreement, it was agreed that future O&M savings and heat rate efficiency shall be shared by the Parties. The payment of overdue receivables formed an integral part of the Agreement. On payment of the said receivables, Late Payment Interest (LPI) on future invoices will be lowered to KIBOR + 2.0% for the first sixty (60) days and then shall revert to KIBOR + 4.5% as per the PPA, while ensuring that payments follow the PPA mandated FIFO payment principles for this rate to be effective.

The ROE/ROEDC rate shall be changed from the current rate of 15% in USD to 17% in PKR, with no future USD indexation and the USD equity shall be converted to PKR using exchange rate PKR/USD of 148. However, the current indexation shall continue to be applied until the date the applicable exchange rate under the present Tariff reaches PKR/USD of 168. Further, on full implementation of the Competitive Trading Arrangement, subject to mutual agreement between the Parties, the plant will move to Take & Pay basis. Reconciliation and terms of assessment of alleged savings made by the Company are also part of this Agreement. Settlement of withheld Capacity Payments dispute settled by LCIA pending enforcement before the Lahore High Court is also part of the Agreement (see note 24.2).

The terms of the Agreement have been approved by the Board of Directors of the Company, HUBCO, NEPRA and the Federal Cabinet. However, in July 2021, the Company has learned that the Government / CPPA(G) intends to renegotiate the February 11, 2021 Agreement.

25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts incurred during the year for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Company are as follows:

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
Chief Executive	25.1	-	-
Directors' fee	25.2	500	450
Executives			
Managerial remuneration		13,280	11,768
Bonus		2,436	1,519
House rent		5,976	5,296
Utilities		1,328	1,177
Retirement benefits		2,435	2,452
Other benefits		8,998	7,341
	25.1	34,453	29,553
		34,953	30,003
Number of persons			
Chief Executive		-	-
Directors		2	2
Executives		6	8
	25.3	8	10

25.1 During the year, no remuneration has been paid to the Chief Executive of the Company. However, the holding company has allocated Rs. 6 million and Rs. 29 million (2020: Rs. 5 million and Rs. 21 million) in relation to the remuneration of Chief Executive and Executives, respectively.

25.2 This represents fee paid to members of the Board of Directors for attending meetings.

25.3 The number of persons does not include those who resigned during the year but remuneration paid to them is included in the above amounts.

26. RELATED PARTY TRANSACTIONS

Related party comprises of holding company, group companies, retirement benefit fund of holding company and group company and key management personnel. Significant transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
Holding company - The Hub Power Company Limited			
Reimbursable expenses incurred by the holding company		52,938	381,327
Payment against reimbursement of expenses to the holding company		56,198	377,401
Interest payment against loan from the holding company	23.3	85,695	74,981
Interest expense	23.3	62,257	98,165
Group company - HPSL			
O&M services rendered		85,784	315,458
Reimbursable expenses incurred by HPSL		5,462	12,204
Payment against reimbursement of expenses to HPSL		9,455	11,665
Transfer of assets and liabilities - net		-	5,149
Receipts against transfer of assets and liabilities		-	2,420
Other related parties			
Directors' fee	25.2	500	450
Contribution to staff retirement benefit plan of the holding company		822	820
Contribution to staff retirement benefit plan of HPSL		5,040	2,772

26.1 The transactions with related parties are made under mutually agreed terms and conditions.

26.2 There are no key management personnel in the Company. The management of the Company is managed by holding company's employees and remuneration allocated to the Company includes the remuneration allocated for key management personnel, as disclosed in note 6.1 and 25.1.

26.3 The holding company entered into an agreement of unsecured short term loan with the Company to borrow an amount of up to Rs. 5 billion to meet its working capital requirements. This facility carries mark-up at the rate of 0.4% per annum above one month KIBOR payable on quarterly basis.

26.4 On August 22, 2019, the holding company issued privately placed secured Sukuk Certificates amounting to Rs. 7,000 million. For this purpose, following securities have been provided by the Company:

a) Revolving corporate guarantee in favor of the holding company;

b) Subordinate hypothecation charge over receivables of the Company including but not limited to amounts receivable under the GoP Guarantee;

c) Subordinate charge over all present and future movable fixed assets of the Company; and

d) Pledge of 100% shares of the Company with a book value of Rs. 3,900 million.

26.5 On March 19, 2020, the holding company issued privately placed secured Sukuk Certificates amounting to Rs. 5,000 million. For this purpose, following securities have been provided by the Company:

a) Revolving corporate guarantee in favor of the holding company; and

27. RELATED PARTIES AND ASSOCIATED COMPANIES / UNDERTAKINGS

Following are the details of related parties and associated companies / undertakings with whom the Company had entered into transactions or had arrangements in place during the year:

Particulars	Relationship	% Equity interest
The Hub Power Company Limited	Holding company	100%
Hub Power Services Limited	Group company	-
Mr. Muhammad Ali	Director	-
Mr. Javed Akbar	Director	-
The Hub Power Company Limited - Employees' Provident Fund	Retirement benefit fund	-
Hub Power Services Limited - Employees' Provident Fund	Retirement benefit fund	-

28. PLANT CAPACITY AND PRODUCTION

	2021	2020
Theoretical Maximum Output	1,873 GWh	1,878 GWh
Total Output	496 GWh	338 GWh
Load Factor	26%	18%

Practical maximum output for the power plant, taking into account all the scheduled outages is 1,829 GWh (June 2020: 1,860 GWh). Output produced by the plant is dependent on the load demanded by CPPA(G) and the plant availability.

29. WORKING CAPITAL CHANGES

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
(Increase) / decrease in current assets			
Stores, spares and consumables		(5,571)	75,991
Stock-in-trade		(811,786)	888,702
Trade debts		(3,186,698)	(3,979,676)
Loans and advances		(36,255)	(13,500)
Prepayments and other receivables		(287,208)	(115,708)
		(4,327,518)	(3,144,191)
Increase / (decrease) in current liabilities			
Trade and other payables		882,633	(610,511)
		(3,444,885)	(3,754,702)

30. CASH AND CASH EQUIVALENTS

	Note	2021 (Rs. '000s)	2020 (Rs. '000s)
Cash and bank balances	18	504,637	106,048
Finances under mark-up arrangements	23	(7,316,504)	(8,717,253)
		(6,811,867)	(8,611,205)

31. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The overall risk management of the Company is carried out under policies approved by the Board of Directors. Such policies entail identifying, evaluating and addressing financial risks of the Company.

The Company's overall risk management procedures to minimize the potential adverse effects of financial market on the Company's performance are as follows:

(a) Market risk

Market risk is a 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 holdings of financial instruments. The Company is not exposed to equity price risk. The exposure to other two risks and their management is explained below:

(i) Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Financial assets of the Company include Rs. 3 million (June 2020: Rs. 77 million) in foreign currencies which are subject to currency risk exposure and financial liabilities of the Company include Rs. 63 million (June 2020: Rs. Nil) in foreign currencies which are subject to currency risk exposure.

The Company believes that the foreign exchange risk exposure on financial assets and liabilities is immaterial.

(ii) Interest rate risk

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

Cash flow and fair value interest rate risks
The Company's exposure to the risk of changes in interest rates relates primarily to the following:

	2021 (Rs. '000s)	2020 (Rs. '000s)
Fixed rate instruments at carrying amount:		
Financial assets		
Bank balances	504,437	105,848
Financial liabilities		
Long term loan	53,120	35,100
Variable rate instruments at carrying amount:		
Financial assets		
Trade debts	15,346,635	12,026,816
Financial liabilities		
Long term loans	2,500,000	3,950,420
Short term borrowings	7,316,504	8,717,253
Total	9,816,504	12,667,673

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

Owing to cash flow difficulties and delays in payment by CPPA(G), the Company has obtained short term running finances to meet its short term funding requirements. The Company receives interest on delayed payments from CPPA(G) at variable rate and pays interest on short term running finances. The rates on all these financial instruments are almost similar and move in the same direction, therefore, any change in the variable rate does not significantly affect the statement of profit or loss.

The Company has entered into syndicated term finance facility (Refer note 20.2). The Company has to manage the related finance cost from its own sources which expose the Company to the risk of change in 3 month KIBOR. As at June 30, 2021, if interest rate on the Company's borrowings was 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 25 million (2020: Rs. 25 million).

Since the impact of interest rate exposure is not significant to the Company, the management believes that consideration of alternative arrangement to hedge interest rate exposure is not cost effective.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's exposure to credit risk is not significant for reasons provided below.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2021 (Rs. '000s)	2020 (Rs. '000s)
Long term deposits	559	559
Trade debts	22,645,401	19,458,703
Loans	75	1,007
Other receivables	1,088,365	871,864
Bank balances	504,437	105,848
Total	24,238,837	20,437,981

Trade debts are recoverable from CPPA(G) under the PPA and are secured by a sovereign guarantee from GOP under the Implementation Agreement.

Credit risk on bank balances is limited as they are maintained with banks having good credit ratings assigned by local and international credit rating agencies. The Company is also required under the concession documents to keep project accounts with certain banks.

Bank	Rating agency	Rating	
		Short-term	Long-term
Conventional			
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Citibank N.A.	Moody's	P-1	Aa3
Faysal Bank Limited	JCR-VIS	A-1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
MCB Bank Limited	PACRA	A1+	AAA
Samba Bank Limited	JCR-VIS	A-1	AA
The Bank of Punjab Limited	PACRA	A1+	AA+
United Bank Limited	JCR-VIS	A-1+	AAA
Shariah Compliant			
Al Baraka Bank (Pakistan) Limited	JCR-VIS	A-1	A+
Bank Islami Pakistan Limited	PACRA	A1	A+
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1+	AA
Meezan Bank Limited	JCR-VIS	A-1+	AAA

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient funds to meet its liabilities when due without incurring unacceptable losses.

The Company maintains running finance facilities (Refer note 23) to meet the short term funding requirements due to delay in payments by CPPA(G). The delay in payments by CPPA(G) is managed through bank borrowings and short term loan from the holding company.

The Company is exposed to liquidity risk due to delay in payments from power purchaser and to the extent that the receipts are not sufficient to meet the funding requirement for the long term loans mentioned note 20.2 and note 20.3. The Company will manage this liquidity risk from its own sources and future earnings.

Following are the contractual maturities of financial liabilities, including estimated interest payments:

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Total
	(Rs. '000s)			
2020-21				
Long term loans	533,216	515,574	1,838,410	2,887,200
Trade and other payables	756,750	-	-	756,750
Short term borrowings	7,451,655	-	-	7,451,655
Total	8,741,621	515,574	1,838,410	11,095,605

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Total
	(Rs. '000s)			
2019-20				
Long term loans	1,683,104	122,008	2,895,026	4,700,138
Trade and other payables	166,233	-	-	166,233
Short term borrowings	8,955,816	-	-	8,955,816
Total	10,805,153	122,008	2,895,026	13,822,187

It is not expected that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

Fair value estimation

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 without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying amounts of all the financial instruments reflected in these financial statements approximate their fair value.

Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, as required under various project agreements, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure by monitoring return on net assets and makes 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 dividends paid to shareholders. The Company also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, less cash and bank balances.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	2021 (Rs. '000s)	2020 (Rs. '000s)
Financial Assets - at amortised cost		
Deposits	559	559
Trade debts	22,645,401	19,458,703
Loans	75	1,007
Other receivables	1,088,365	871,864
Cash and bank balances	504,637	106,048
Total	24,239,037	20,438,181
Financial Liabilities - at amortised cost		
Long term loans	2,590,532	4,082,803
Trade and other payables	756,750	166,233
Short term borrowings	7,451,655	8,955,816
Total	10,798,937	13,204,852

33. INITIAL APPLICATION / WAIVER FROM APPLICATION OF STANDARDS AND INTERPRETATIONS

Amendments to published accounting and reporting standards that became effective during the year:

There are amendments to published approved accounting and reporting standards that are applicable for the financial year beginning on July 01, 2020 but are either considered not to be relevant or do not have any significant effect on the Company's financial reporting and operation and, therefore, have not been presented in these financial statements

Standards, amendments to published accounting and reporting standards that are not yet effective and have not been early adopted by the Company:

- IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - The amendment explains that the direct cost of fulfilling a contract comprises: i) the incremental costs of fulfilling that contract (for example, direct labour and materials); ii) an allocation of other costs that relate directly to fulfilling contract (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others). Before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

- IAS 16 'Property, Plant and Equipment' - The amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

- IAS 1 'Presentation of financial statements' - The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the settlement of a liability.

There is a new standard and certain other amendments to published accounting and reporting standards that are not yet effective. These standard and amendments are either considered not to be relevant or do not have any significant effect on the Company's financial reporting and operations and, therefore, have not been presented in these financial statements.

Waiver from application of standards and interpretations

IFRS - 16 "Leases"

The SECP through S.R.O. 986(I)/2019 dated September 2, 2019 has granted exemption from the requirements of IFRS 16 to all companies that have executed their Power Purchase Agreement (PPA) before January 1, 2019. The Company's lease arrangement with CPPA(G) for the project site i.e. Complex is also covered under the PPA and consequently is exempt under the aforesaid S.R.O. Under IFRS-16 'Leases', the consideration required to be made by lessees [CPPA(G)] for the right to use the asset would have been accounted for as finance lease.

Embedded derivatives

SECP, through its S.R.O. 986(I)/2019 dated September 2, 2019, exempted the power companies from application of IFRS-9 'Financial Instruments' to the extent of recognition of embedded derivatives and IAS-21 'The Effects of Changes in Foreign Exchange Rates' to the extent of charging exchange losses.

IFRS - 9 "Financial instruments"

On September 02, 2019, SECP exempted the application of Expected Credit Loss model under IFRS – 9 in respect of financial assets due from Government of Pakistan, through S.R.O. 985 (I)/2019 for a limited period of three years upto June 30, 2021. Accordingly, the Company has applied the requirements of IAS – 39 in these financial statements with respect to calculation of impairment loss in respect of such financial assets.

During the year, the Holding company has requested SECP to further extend the application of Expected Credit model under IFRS-9 for IPPs. However, in case this exemption is not extended by the SECP, the requirements of IFRS 9 with respect to the ECL shall be applicable from July 1, 2021, however, will have no material impact on the financial statements of the Company.

34. SHARIAH COMPLIANCE DISCLOSURE

	2021		2020	
	Conventional	Shariah Compliant	Conventional	Shariah Compliant
	--------(Rs. '000s)--------		--------(Rs. '000s)--------	
Revenue				
Turnover	1,806,763	14,709,935	1,925,962	12,780,462
Other income				
Interest income	3,055	-	4,933	-
Finance Cost				
Long term loans	219,601	-	740,679	-
Short term borrowings	457,357	248,808	817,911	421,132
Other finance cost	9,464	-	22,465	-
Assets				
Bank Balances	504,437	-	105,848	-
Liabilities				
Long term loans	2,553,120	-	3,985,520	-
Short term borrowings	3,575,320	3,741,184	5,594,590	3,122,663
Accrued markup	112,051	60,512	252,937	82,909

Exchange loss incurred during the year amounts to Rs. 0.006 million (2020: Exchange gain of Rs. 0.02 million).

35. NUMBER OF EMPLOYEES

Total number of employees as at June 30, 2021 was 110 (2020: 111) and average number of employees during the year was 109 (2020: 114). These include seconded and permanent employees.

36. REPRESENTATION / RECLASSIFICATION

Certain prior year figures have been represented / reclassified to reflect a more appropriate presentation of events and transactions for the purpose of consistency, the effects of which are immaterial.

37. ADDITIONAL DISCLOSURE

The World Health Organization has declared COVID-19 (the virus) a global pandemic. With the growing number of cases in Pakistan, the Government of Pakistan has provided directions to take measures to respond to the virus.

While the virus has impacted the global economy, the Company's operations and financial results have not been materially impacted, since all the revenue is receivable from CPPA(G) (see note 15.2). In future also, the Company does not foresee any adverse impact on its operations and financial results.

38. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 12, 2021 in accordance with the resolution of the Board of Directors.

39. GENERAL

Figures have been rounded off to the nearest thousand Pakistani Rupees, unless otherwise stated.

Kamran Kamal

Javed Akbar