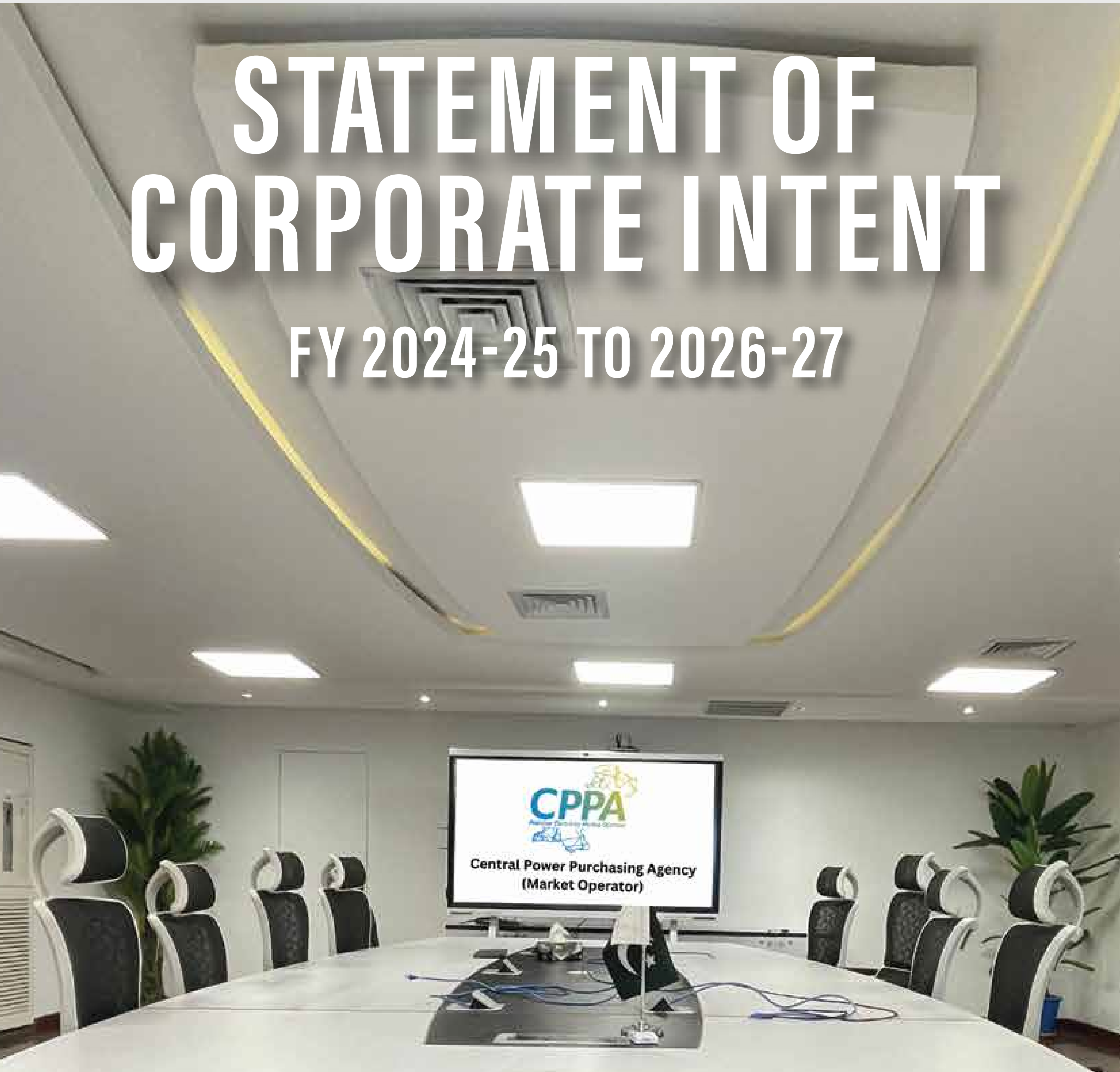
Central Power Purchasing Agency
(Market Operator)

PAKISTAN ELECTRICITY MARKET OPERATOR

STATEMENT OF CORPORATE INTENT

FY 2024-25 TO 2026-27



on the path of excellence towards sustainable electricity

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CONTENTS

LIST OF ACRONYMS

COBIT	CONTROL OBJECTIVES FOR INFORMATION AND RELATED TECHNOLOGIES
CPPA	CENTRAL POWER PROCUREMENT AGENCY
CPPA-G	CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
CTBCM	COMPETITIVE TRADING BILATERAL CONTRACT MARKET
DDI	DNS, DHCP, AND IP ADDRESS MANAGEMENT
DHCP	DYNAMIC HOST CONFIGURATION PROTOCOL
DISCO	DISTRIBUTION COMPANY
DNS	DOMAIN NAME SYSTEM
EPA	ENERGY PURCHASE AGREEMENT
FCA	FUEL CHARGES ADJUSTMENT
IFRS	INTERNATIONAL FINANCIAL REPORTING STANDARDS
IP	INTERNET PROTOCOL
IPPS	INDEPENDENT POWER PRODUCERS
ITL	INFORMATION TECHNOLOGY LABORATORY
KE	K-ELECTRIC LIMITED
KPIS	KEY PERFORMANCE INDICATORS
LD	LIQUIDATED DAMAGES
NE PLAN	NATIONAL ELECTRICITY PLAN
NEPRA	NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
NEO	NET ELECTRICAL OUTPUT
NPMV	NON PROJECT MISSED VOLUME
NTDC	NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED
POP	PURCHASE OF POWER
PPA	POWER PURCHASE AGREEMENT
PPAA	POWER PROCUREMENT AGENCY AGREEMENT
R&D	RESEARCH AND DEVELOPMENT
SPA	SPECIAL PURPOSE AGENT
WAPDA	WATER AND POWER DEVELOPMENT AUTHORITY

01 Name of State-Owned Enterprise:

Central Power Purchasing Agency (Guarantee) Limited

02 Incorporated / Established on:

January 28, 2009.

03 Subsidiaries included in this Statement of Corporate Intent:

Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) has no subsidiary.

04 Description of the main business of the State-Owned Enterprise (as per the statute):

4.1 The Company shall function as a not-for-profit organization, and the objects for which the Company is established are to implement and administer market mechanisms for electric power procurement and sale, by undertaking and performing functions and discharging responsibilities as are or may be laid down from time to time for the Company to undertake or perform in or pursuant to and in the manner prescribed under or pursuant to the provisions of the Regulation of Generation, Transmission and Distribution of Electric Power Act, (Act No. XL of 1997), and in the secondary legislation pursuant thereto, as amended form time to time, and to do all such other things as are incidental or conducive to the attainment of or in furtherance of the aforesaid objects and in furtherance of the policies, objectives and provisions of or contemplated under the aforesaid Act and secondary legislation made thereunder.

4.2 To acquire, take over and / or assume the functions and business of settlement and development of competitive power market from National Transmission and Dispatch Company (NTDC) Limited, CPPA of NTDC and Pakistan Water and Power Development Authority (WAPDA) and to carry on these functions and business.

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

CPPA-G has set strategic, financial and operational objectives to ensure efficient and sustainable operations within the country's power sector.

5.1 Strategic Objectives

1. Efficient management of legacy Power Purchase Agreements on behalf of Distribution Companies as per applicable Policy and Regulatory Framework.
2. Design, development, operationalization and efficient administration of Competitive Trading Bilateral Contract Market of Pakistan.

3. Play a pivotal role as a Supporting and Designated entity in the implementation of NE Plan.

5.2 Financial Objectives

1. Take necessary steps to ensure arrangement of the annual revenue requirements for achieving the strategic as well as operational objectives of the Organization.
2. Ensure the prevalence of financial discipline in the Organization.

5.3 Operational Objectives

1. Ensure compliance of the contractual framework.
2. Develop and administer a robust and efficient wholesale electricity market while ensuring smooth operations across trading, settlement, compliance, and seamless services through the use of state-of-the-art IT software systems to enhance market functionality & transparency and facilitate its evolution.
3. Compliance with the Principles of Environment, Social and Governance.
4. Sectoral Regulatory Compliance.
5. To drive the organization through a comprehensive digital transformation while ensuring robust information security, continuous operational resilience, enhanced enterprise mobility, data-driven analytics, and optimized IT service delivery.
6. Human Capital Management to attract, develop, nurture and retain highly skilled professionals from the market.
7. Ensure compliances of the Tax Laws and follow-up of tax litigations.
8. Ensure follow-up of litigations and arbitrations.
9. Carry out independent examination and evaluation of adequacy and effectiveness of CPPA-G's governance, risk management and control processes to ensure achievement of organizational objectives.
10. Provide assurance on the fairness, accuracy, and reliability of the financial statements of the company by the statutory auditors.
11. Identification and management of all strategic, operational, financial and compliance risks of CPPA-G.
12. Stakeholder engagement and communication.

These objectives reflect CPPA-G's commitment to transforming Pakistan's power sector into a more efficient, financially stable, and environmentally sustainable system. The achievement of these objectives requires continuous adaptation to changing market dynamics, technological advancements, and evolving regulatory environments.

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

Key Performance Indicators (KPIs) serve as vital instruments for evaluating an organization's performance in alignment with its strategic objectives, facilitating informed decision-making based on data and fostering a culture of ongoing enhancement. Within the framework of the CPPA-G Business Plan, KPIs hold significant importance in overseeing operational efficiency, securing financial robustness, and navigating the organization towards the realization of its objectives within the dynamic power market landscape. These metrics establish a structured approach to monitoring progress and pinpointing avenues for improvement.

KPIs for CPPA-G's departments are knottily designed to monitor and ensure progress toward these main goals:

6.1 Financial KPIs

1. Operational and capital expenditures remain within the budgetary limits approved by the Board.
2. Submission of Market Operations / SPA Fee applications with NEPRA annually

6.2 Non-Financial KPIs

1. Timely processing of POP & LD Invoices in respect of Power Projects as per PPA/EPA.
2. Issuing Back-feed Energy Billing as per NEPRAs Consumer Service Manual.
3. Witnessing of Annual Capacity Test of Power Plants as per PPA.
4. Timely issuance of the Settlement Advices / Invoices to DISCOs with highest level of accuracy as per the underlying data.
5. Disbursement of overnight available funds on the next working day as per approved funds allocation policy of the Company.
6. Issuance of 12 monthly Preliminary and Final Settlement Statements and Annual settlement statement for each market participant.
7. Development of two new Commercial Code Operating Procedures.
8. Complete development of phase 2 of Market Management System.
9. Completion of ancillary services market design documentation.
10. Publication of Market Outlook Report each year.

11 Integration of Merit Order portal in the FCA determination process of NEPRA.

12 Organizing 5 workshops per year for training & capacity building of the allied power sector entities pertaining to electricity market.

13 Generating invoices on ERP module for billing and settlement of market transactions and business processes improvement and reengineering for billing and settlement module.

14 Business Process Management (Phase-I).

15 Dark Trace (Enterprise Immune System & Antigena Network) (Phase-II).

16 Business Continuity & Disaster Recovery.

17 Data Center – Facility.

18 Data Center – Computing.

19 Retail Electricity Price Forecast Model.

20 Performance Management and Succession Planning System.

21 Big Data / Data Lake Solution (Phase-I).

22 ITL Framework for Service Management.

23 Robotic Process Automation (Phase-I).

24 Infoblox BloxOne DDI Threat Defence (Phase-II).

25 Data Domain's Cyber Resilience.

26 Upgradation IT Infrastructure, Dual Powered Data Center.

27 Transformation of Business Applications on Mobile Applications.

28 Case Management.

29 Knowledge Management.

30 Implementation of COBIT Framework (Phase I).

31 Robotic Process Automation (Phase-II).

32 Business Process Management (Phase-II).

33 Big Data / Data Lake Solution (Phase-II).

34 Implementation of COBIT Framework (Phase II).

35 Compliance of the Companies Act, 2017, Public Sector Companies (Corporate Governance) Rules, 2013 and applicable rules and regulations.

36 Compliance of State-Owned Enterprises (Governance and Operations) Act, 2023 and relevant Policies issued from time to time.

37 Compliance of Government Policy decisions and directions.

38 Compliance of NEPRA Act, Rules, Regulations and directions issued from time to time.

39 Submission of monthly Fuel Cost Adjustments for previous month to NEPRA on or before 15th day of current month.

40 Timely submission of power purchase price outlook to NEPRA in consultation with System Operator and other stakeholders.

41 Measure the carbon emissions due to Fuel consumption in Company operated vehicles, Electricity Generator and Electricity consumed from the National Grid, and take necessary initiatives to make the Organization Net Zero.

42 Increase women empowerment by increasing the women employment in the Organization, up to 20%.

43 Develop and implement HR Manual and HR Policies.

44 Fill the vacant post within 120 days (from the date of advertisement to employment offer) in consultation with the relevant departmental head.

45 Plan and execute minimum 10 hours training for all employees in each cadre on annual basis for the capacity building and advancement of the employees.

46 Make best efforts to keep employees' turnover below 5% of the existing strength.

47 Execution of Succession Plan for Key Management Positions.

48 Timely filing of monthly sales tax returns, quarterly withholding income tax statements and annual income tax returns along with timely payment of taxes (if any).

49 Compliance of the applicable tax laws.

50 Follow-up of pending tax appeals and litigations at various courts / forums.

51 Follow-up of pending litigations and arbitrations at national and international courts / forums.

52 Carry out internal audit as per plan approved by the Audit Committee.

53 Timely completion of the audit of annual financial statements of the Company by the external auditors of the Company and present annual financial statements (initialed) to the Board of Directors of the Company for approval through Audit Committee within stipulated time.

54 Formulation of Risk Management Strategy.

55 Maintaining the Risk Register of CPPA-G.

56 Regular meetings with stakeholders.

Continuous monitoring and adjustment of these performance measures is essential for aligning CPPA-G's operations with changing market dynamics, technological advancements, and evolving regulatory environments, ultimately ensuring the organization's contribution to national and global energy sustainability goals.

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

CPPA-G's strategies for achieving business goals and addressing primary objectives are intricately designed across multiple facets to ensure operational efficiency, financial stability, regulatory compliance, and sustainable practices. Here is a summary of these strategies along with the key risks identified in the achievement of CPPA-G's business goals.

7.1 Strategies for Achieving Business Goals:

1 Procurement and Settlement Improvements:

CPPA-G focuses on enhancing procurement processes and settlement mechanisms through advanced technologies to ensure transparency, efficiency, and accuracy in power transactions.

2 Stakeholder Engagement and Market Development:

By fostering strong relationships with key market participants, CPPA-G aims to drive competitiveness, and transition towards a more consumer-centric power market.

3 Support to the Power Division:

Assist in the implementation of strategic directives of the NE Plan under the ambit of Designated & supporting entity, including strategic risk management framework, R&D framework, Integrated Energy planning, System value framework, Tariff design & adjustments etc.

4 Strengthening of Contractual and Legal Framework:

Efficient application of the contractual and legal frameworks to handle the complexities involved in power procurement. It covers strict adherence to the Commercial Code and the agility to adapt to evolving market regulations and

5 Financial Management:

Enhancing the financial discipline in the Organization is critical for ensuring efficient management of the Power Sector cash flow which are vital for discharging the financial responsibilities of CPPA-G. Prudent financial management in CPPA-G is critical for efficient utilization of funds and reducing its impact on the end consumers.

6 Technological Advancement:

Aggressive pursuit of technology modernization to streamline operations and ensure the organization stays ahead of market demands.

7 Regulatory Compliance and Governance:

Engaging with regulatory bodies to ensure compliance and advocating for policy reforms to accommodate the evolving electricity market and supporting initiatives for market liberalization and the integration of renewable energy sources.

8 **Organizational Culture and Talent Management:**

Focusing on building a collaborative, innovative culture and developing a skilled workforce ready to meet the sector's challenges.

9 **Performance Management and KPIs:**

mplementing a rigorous performance management framework aligned with strategic goals to ensure continuous improvement and accountability.

10 **Agility and Adaptability:**

Maintaining flexibility to quickly adapt to market changes, technological advancements, and unforeseen challenges to sustain a competitive edge.

11 **Effective Communication:**

Implementing comprehensive communication strategies to ensure alignment and commitment towards the organizational vision and goals across all levels.

12 **Continuous Improvement:**

Regularly reviewing strategy effectiveness, integrating stakeholder feedback, and adapting approaches to ensure strategies remain relevant and effective.

7.2 Key Risks in Achieving Business Goals:

Technical and Finance

a. Noncompliance with the provisions of PPA for Processing of IPPs claim.

b. Inaccurate technical verification of NEO, available capacity, NPMV, liquidated damages, scheduled outages and forced/partial forced outages, Bonus/ Shortfall energy etc.

Billing

a. Noncompliance with the provisions of Transfer Pricing mechanism as contained in Commercial code, PPAA with Distribution Companies including KE.

Banking

a. Wrong application of subsidies, Government loans etc. against DISCOs invoices resulting in reconciliation differences.

b. Noncompliance with funds allocation model as approved by CPPA-G Board.

Market Operations

a. Non availability of experts with specific expertise in market design and operations.

b. Inadequate budget availability for capacity building for market operations.

Information Technology

a. Non availability of Information Technology services due to disaster.

b. Security of Information Systems.

c. Timely completion of the software development initiatives / plans.

d. Timely procurement / acquisition of requisite hardware and software due to budgetary constraints and hike in forex rates.

e. Non-availability of data centre operations.

Corporate Accounts

a. Noncompliance with IFRS and industry practices.
b. Accuracy and validity of source data.
c. Errors or omissions in review and approval mechanism.

Human Resource

a. Delay in recruitments against vacant positions.
b. Insufficient training and capacity building of employees.
c. Lack of succession planning.
d. High employee turnover.

Corporate Governance

a. Noncompliance with Companies Act 2017 and Public Sector Companies (Corporate Governance) Rules, 2013.
b. Noncompliance of the State-Owned Enterprises (Governance & Operations) Act, 2023.

Taxation

a. Noncompliance with provisions of:
    - Income Tax Ordinance 2001
    - Sales Tax Act 1990
    - Provincial Sales Tax Laws

Plan Implementation Unit

a. Unexpected expenses, such as equipment failures, regulatory changes, or emergency situations, can arise during the budget period, leading to budget overruns.

Internal Audit

a. Ineffective Risk Assessment and mitigation.
b. Non execution or delay in the execution of Approved Audit plan.

Legal

a. Employment law Risk Exposure.
b. Regulatory Risk Exposure.
c. Contract Risk Exposure.
d. Legal Structure Risk Exposure.

CPPA-G's strategic planning and risk management frameworks are designed to navigate these complexities effectively. By focusing on continuous improvement, stakeholder engagement, and adaptability, CPPA-G aims to secure its position as a leader in transforming Pakistan's power sector into a more efficient, financially stable, and environmentally sustainable system. However, achieving these objectives will require vigilance in monitoring risks, flexibility in strategy implementation, and a commitment to innovation and excellence.

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

CPPA-G has no borrowing from any financial institutions.

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

Please see Annexure A.

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

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

PROJECTED STATEMENT OF FINANCIAL POSITION

FOR THE FINANCIAL YEARS 2024, 2025 AND 2026

	2025	2026	2027
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property and equipment	177,878	172,313	144,128
Intangible assets	31,205	20,803	10,402
Right-of-use asset	219,929	151,702	83,475
Long term loans	150,592	147,226	123,860
Long term security deposit	21,864	21,864	21,864
	601,468	513,908	383,729
Current assets			
Taxation recoverable - net	256,138	406,657	470,283
Advances, prepayments and other receivables	6,063,554	6,394,888	6,711,320
Current portion of long term loans	63,366	83,366	103,366
Bank balances - deposit accounts	66,121,634	65,819,728	65,534,021
	72,504,692	72,704,639	72,818,990
Total assets	73,106,160	73,218,547	73,202,719
FUND AND LIABILITIES			
FUND			
General fund	263,846	105,069	(147,026)
LIABILITIES			
Non current liabilities			
Lease liability	215,475	135,310	105,062
Current liabilities			
Accrued and other liabilities	72,566,669	72,898,003	73,214,435
Current portion of lease liability	60,170	80,165	30,248
	72,626,839	72,978,168	73,244,683
Total liabilities	72,842,314	73,113,478	73,349,745
Contingencies and commitments	-	-	-
Total fund and liabilities	73,106,160	73,218,547	73,202,719

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

PROJECTED INCOME AND EXPENDITURE STATEMENT

FOR THE FINANCIAL YEARS 2024, 2025 AND 2026

	2025	2026	2027
		(Rupees in thousand)	
INCOME			
Market operation fee	1,242,165	1,887,749	2,675,207
Profit on bank accounts	2,248,533	2,136,107	2,029,301
	3,490,698	4,023,856	4,704,508
EXPENDITURE			
Operating expenses	(3,366,908)	(3,964,468)	(4,682,140)
Finance costs	(59,125)	(48,268)	(33,694)
	(3,426,033)	(4,012,736)	(4,715,834)
SURPLUS BEFORE TAXATION	64,665	11,120	(11,326)
TAXATION CHARGE	(111,795)	(169,897)	(240,769)
DEFICIT AFTER TAXATION	(47,130)	(158,777)	(252,095)

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

As CPPA-G operates without any subsidiaries, the need for a consolidated summary indicative balance sheet and profit and loss statement for the enterprise and its subsidiaries as a group does not apply. Therefore, the financial reporting and performance metrics outlined previously at point # 10 cover the totality of CPPA-G's operations.

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

CPPA-G operates as a not-for-profit organization, and as such, it does not engage in the practice of declaring or distributing dividends to shareholders/stakeholders. The part of organization's financial surplus is adjusted against Market Operations Fee of the next financial year to meet its operations and initiatives aimed at achieving its strategic objectives, including enhancing the efficiency, sustainability, and reliability of Pakistan's power sector. This policy aligns with CPPA-G's mission to contribute to the development of a financially stable and environmentally sustainable energy system, rather than generating profit for distribution.

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

CPPA-G is not under any Public Service Obligation as defined in section 2(l) of the SOE Act, 2023 read with Section 7(4) and Schedule II of the Act.

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

The Statement of Corporate Intent currently does not include any additional matters as nothing has been directed by the Federal Government for inclusion.

Annexure A
ACCOUNTING POLICIES

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

Summary of Significant Accounting Policies are as under;

1. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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

Depreciation is charged to the income and expenditure statement on straight line method at the rates specified in Note 5 to the financial statements. Depreciation on additions to the fixed assets is charged from the month in which the asset is available for use and no depreciation is charged for the month in which the property and equipment is disposed off.

An item of operating fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of the asset which is determined by comparing the proceeds from disposal with the carrying amount of property and equipment is included in the income and expenditure statement.

2. Intangible assets

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

Intangible assets are stated at cost less accumulated amortization and any identified impairment loss.

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

Amortization is charged to income and expenditure statement on straight line method at the rates specified in Note 6 to the financial statements from the month in which the asset is available for use and no amortization is charged for the month in which intangible asset is disposed off.

An item of intangible assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of the asset which is determined by comparing the proceeds from disposal with the carrying amount of intangible asset is included in the income and expenditure statement.

3. Leases

The Company assesses whether a contract is or contains a lease at the inception of a contract and whether the contract conveys the right to control the use of underlying asset for a period of time in exchange of consideration.

3.1. Right of use assets

A right-of-use asset is recognized at the commencement date of a lease. Right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated on a straight line basis from the current date over the earlier of the end of lease term or the useful life of the right-of-use asset. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of-use assets are subsequently stated at cost less any accumulated depreciation and impairment loss (if any) and are adjusted for any remeasurement of lease liabilities.

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

3.2. Lease liabilities

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

The lease liability is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the income and expenditure statement if the carrying amount of the right-of-use asset has been reduced to zero.

Lease payments are allocated between a reduction of the liability and a finance cost. The finance cost is charged to the income and expenditure statement as finance cost over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Further, requirements of IFRS 16 "Leases" have been waived off by SECP in respect of power purchase agreements entered by companies up to 01 January 2019. As explained in note 2 to the financial statements, the Company has assessed that it acts as an agent on behalf of DISCOs and accordingly, there is no impact of the same on these financial statements.

4. Impairment of Non-Financial Assets

The Company assesses at each statement of financial position date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the income and expenditure statement. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income and expenditure statement.

5. Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in statement of income and expenditure, as incurred.

5.1. Current Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The charge for current tax also includes adjustment, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

5.2. Deferred Tax

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each statement of financial position date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the income and expenditure statement, except to the extent that it relates to items recognized in other comprehensive income or directly in the fund. In this case the tax is also recognized in other comprehensive income or directly in the fund, respectively.

6. Advances, Prepayments and Other Receivables

These are recognized at cost, which is the fair value of the consideration given.

7. Provisions and Contingencies

Provisions are recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of past event and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

A contingent liability is disclosed when the Company has a possible litigation as a result of past events, whose existence 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.

8. Foreign Currencies

Transactions in foreign currencies are translated into Pak Rupees using exchange rate at the date of transaction. All monetary assets and liabilities denominated in foreign currencies are translated into Rupees at exchange rates ruling on the statement of financial position date. Exchange gains and losses, where applicable, is credited / charged in income and expenditure statement.

9. Cash and Cash Equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an significant risk of changes in value.

10. Income Recognition

10.1. Revenue from Contracts with Customers

The Company's net income mainly arises on account of market operation fee received from DISCOs and K-Electric. The Company is acting as an agent and the title to the energy procured always vest with distribution companies (DISCOs) and K- Electric as per Power Purchase Agency Agreements. Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to a customer. The Company recognises income in respect of market operation fee when services are rendered as the performance obligation are generally met over time. The Company uses output method and recognise income at the amount invoiced if the Company's right to invoice is based on value of services transferred and the amount invoiced represent the value transferred to DISCOs and K-Electric. It is measured at transaction price and the method for charging of market operation fee to DISCOs and K-Electric is approved by NEPRA in the commercial code. The rate of market operation fee is determined by NEPRA and payable by DISCOs and K-Electric on receipt of invoice.

10.2. Interest Income on Bank Deposits

Profit on bank deposits is calculated using effective interest rate method and recognized in the income and expenditure statement.

11. Accrued and Other Payables and Liabilities

Liabilities for accrued and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

Where the Company is acting as an agent of the Principals, the liabilities are recognized to the extent of remittances received by the Company from the Principals but not yet paid to the power generation companies.

12. Employee Benefits

Salaries, wages and benefits are accrued in the period in which associated services are rendered by employees of the Company. The accounting policy for provident and gratuity benefits are described below:

12.1. Provident Fund

The Company operates a contributory provident fund scheme for all its regular employees. Monthly contributions are made both the Company and employee @ 8% of the basic salary.

12.2. Gratuity Fund

The Company operates an approved funded gratuity scheme under an independent trust for its regular employees who have completed the minimum qualifying period of service as a defined benefit plan. The gratuity scheme is managed by trustees. The Company's obligation in respect of the defined benefit plan is calculated by estimating the present value of future benefit that employees have earned in return of this service in the current and prior periods; that benefit is discounted to determine its present value. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The latest valuation was carried out as at 30 June 2023 details of which are disclosed in note 16.2.1 to the financial statements.

The interest is calculated by applying discount rate to the net balance of the defined benefit obligation and fair value of plan assets. The cost is included in employee benefit expense in the income and expenditure statement.

Past service costs are recognized immediately in income and expenditure statement.

Remeasurement gain/losses are recognized in other comprehensive income.

13. Financial Instruments

Financial assets and liabilities are recognized in the statement of financial position when the Company become a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise of financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or losses on derecognition of the financial assets and financial liabilities are taken to the income and expenditure statement.

Classification of financial assets

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

- fair value through profit or loss (FVTPL);
- fair value through other comprehensive income (FVTOCI); and
- at amortized cost.

The Company determines the classification of financial assets at initial recognition and the classification depends on the Company's business model for managing the financial assets and the contractual cashflow characteristics. The Company reclassifies its debt investment when and only when its business model for managing those instruments changes.

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- 'the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Classification of financial liabilities

The Company classifies its financial liabilities in the following categories:

- at fair value through profit and loss ("FVTPL"), or
- financial liabilities at amortized cost.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Initial recognition

Financial assets and liabilities

The financial assets are initially recognized at fair value, plus, in case of a financial asset not at FVTPL, transaction costs. Transaction cost of financial assets carried at FVTPL are expensed in the income and expenditure statement. All financial liabilities are initially measured at fair value and in the case of loans and borrowings (if any) and payables, net of directly attributable transaction costs.

Subsequent measurement

at amortized cost

Subsequent to the initial recognition, these are measured at effective interest rate method and subject to impairment. Gains and losses are recognized in income and expenditure statement when the asset/ liability is derecognized/ or modified or the assets is impaired.

at FVTPL

Subsequent to the initial recognition, these are carried in the statement of financial position at fair value with net changes in fair value recognized in income and expenditure statement.

Financial assets (other than equity instruments) at FVTOCI

Subsequent changes in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in income and expenditure statement.

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.
Life time ECLs are the ECLs that results from all possible default events over the expected life of a financial instrument. 12 month's ECLs are portion of ECL that result from default events that are possible within 12 months after the reporting date.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive).

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Derecognition

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Financial Assets

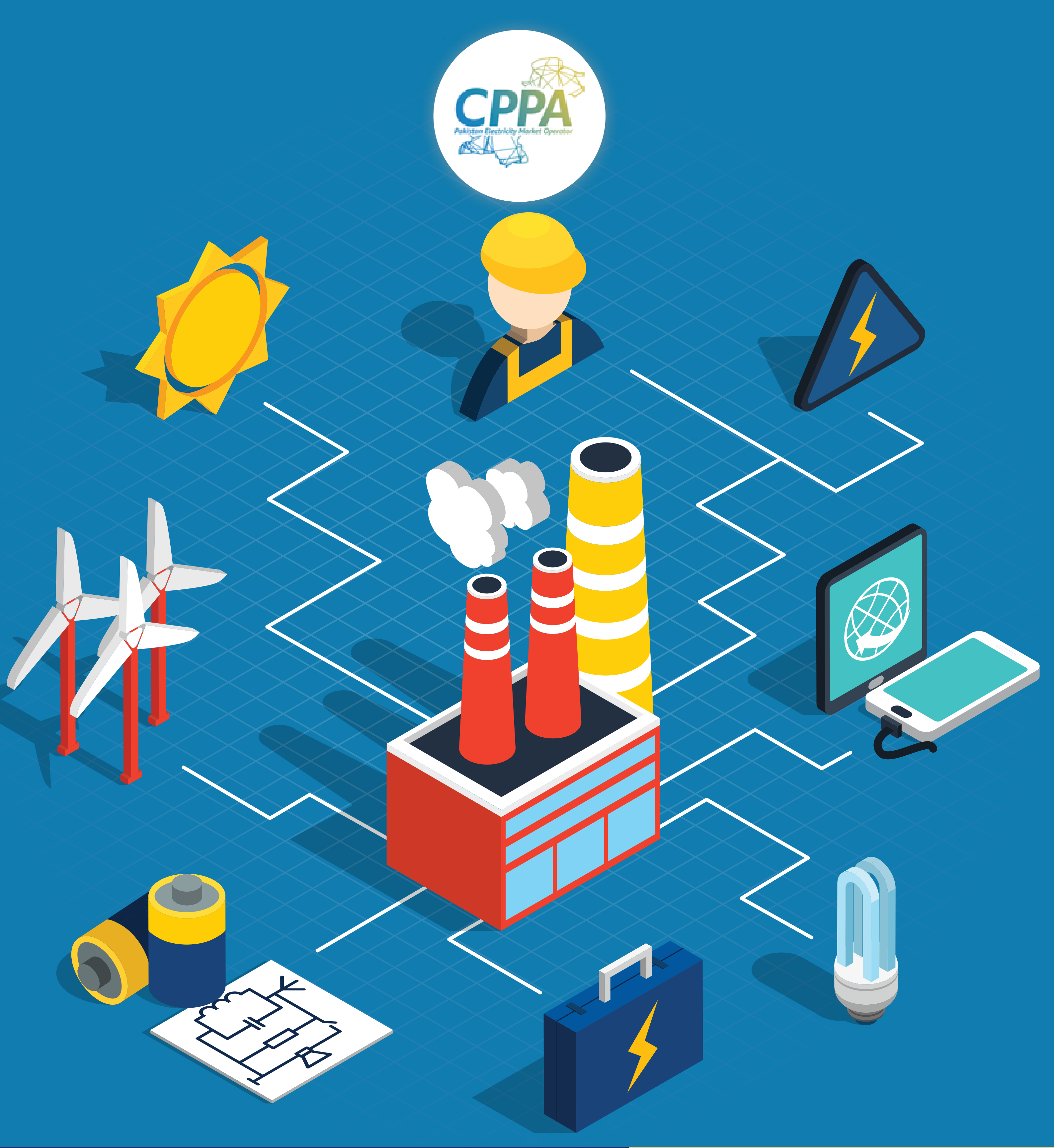
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognized in the income and expenditure statement. In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to income and expenditure statement. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified, but is transferred to statement of changes in equity.

Financial liabilities

The Company derecognizes a financial liability (or a part of financial liability) from its statement of financial position only when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the income and expenditure statement.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial position if the Company has legally enforceable right to set off the recognized amounts and the Company intends either to settle on a net basis or realize the assets and to settle the liabilities simultaneously.



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