



1ST QUARTER

REPORT

September 30, 2021 (un-audited)

KOT ADDU POWER COMPANY LIMITED

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Company Information

Board of Directors	Lt. General Muzammil Hussain (Retd.) (Chairman) Mr. Aftab Mahmood Butt (Chief Executive) Mr. Aqeel Ahmed Nasir Mr. Hafiz Muhammad Yousaf Mr. Saad Iqbal Mr. Naveed Asghar Chaudhry Mr. Jamil Akhtar Ms. Mahwish Humayun Khan
Audit Committee	Mr. Hafiz Muhammad Yousaf (Chairman) Mr. Saad Iqbal Mr. Naveed Asghar Chaudhry Mr. Jamil Akhtar
HR Committee	Mr. Aqeel Ahmed Nasir (Chairman) Mr. Aftab Mahmood Butt Mr. Naveed Asghar Chaudhry Ms. Mahwish Humayun Khan
Investment Committee	Mr. Hafiz Muhammad Yousaf (Chairman) Mr. Saad Iqbal Mr. Jamil Akhtar
GM Finance / CFO	Mr. Muhammad Rabnawaz Ajrum
GM Legal / Company Secretary	Mr. A. Anthony Rath
Head of Internal Audit	Mr. Sikandar Usmani
Auditors	A.F. Ferguson & Co. Chartered Accountants
Internal Auditors	EY Ford Rhodes Chartered Accountants
Legal Advisor	Cornelius, Lane & Mufti
Bankers	Conventional Allied Bank Limited Askari Bank Limited Bank Al-Habib Limited Citibank, N.A. Habib Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited National Bank of Pakistan Samba Bank Limited Standard Chartered Bank (Pakistan) Limited United Bank Limited Islamic AlBaraka Bank (Pakistan) Limited Askari Bank Limited-IBD Bank Allalah Limited BankIslami Pakistan Limited Dubai Islamic Bank Pakistan Limited Faysal Bank Limited Meezan Bank Limited National Bank of Pakistan-IBD Standard Chartered Bank (Pakistan) Limited-IBD The Bank of Punjab-IBD
Share Registrar	THK Associates (Private) Limited Plot No. 32-C, Jami Commercial Street 2, DHA, Phase-VII, Karachi 75500, Pakistan Tel: +92 (0)21 111 000 322, Fax: +92 (0)21 34168271
Registered Office	Office No. 309, 3rd Floor, Evacuee Trust Complex Agha Khan Road, F-5/1, Islamabad, Pakistan
Corporate Office	5B/3, Gulberg III, Lahore 54660, Pakistan Tel: +92 (0)42 3577 2912-6, Fax: +92 (0)42 3577 2922
Power Project	Kot Addu Power Complex, Kot Addu District Muzaffargarh, Punjab, Pakistan Tel: +92 (0)66 230 1047-9 Fax: +92 (0)66 230 1025
Email	Info@kapco.com.pk
Website	www.kapco.com.pk

Directors' Report

We are pleased to present the financial statements (un-audited) for the first quarter ended September 30, 2021.

The principal activity of the Company is to own, operate and maintain a 1600 MW name plate capacity multi-fuel combined cycle gas turbine power plant at Kot Addu.

The net output from the plant was 1,737 GWh of electricity, resulting in a load factor of 58.5% and an overall commercial availability of 93.7%.

Turnover for the review period was Rs. 34,238 Million and cost of sales were Rs. 32,937 Million. Profit after tax for the period stood at Rs. 2,280 Million (compared to Rs. 6,202 Million in the corresponding period in 2020), delivering an earnings per share (EPS) of Rs. 2.59. The decrease in earnings, as compared to previous period, is due to lesser Capacity Purchase Price (CPP) revenue (previously based on annual dependable capacity and indexation factors) and True-up Income. However, pursuant to the Third Amendment to the PPA, CPP revenue has been booked as amortization of CPP already received in advance from the Power Purchaser (refer to Note 5.1 of the financial statements for details).

On September 30, 2021, the Company's receivables (including overdue receivables) from the Power Purchaser were Rs. 113,767 Million. The Company continues to actively pursue the Power Purchaser and concerned Ministries in the Government of Pakistan for settlement of the outstanding receivables.

The Company filed an application before the National Electric Power Regulatory Authority (NEPRA) for renewal of its Generation License (expiry September 2021) within the statutory period and the matter is being duly progressed with NEPRA. NEPRA has provisionally allowed the Company to generate and supply power to the power purchaser/national grid under the obligations of its existing Generation License till final decision by NEPRA.

The Election of Directors was held at the Eleventh Extraordinary General Meeting on October 2, 2021 at which seven Directors were duly elected.

The Company has complied with the requirements of the Code of Corporate Governance in the following manner:

1. The total number of Directors are eight (8) as per the following detail:

- a) Male: Seven (7)
b) Female: One (1)

2. The composition of the Board of Directors is as follows:

Category	Names
Independent Directors	<ul style="list-style-type: none">Mr. Aqeel Ahmed NasirMr. Hafiz Muhammad YousafMr. Saad IqbalMs. Mahwish Humayun Khan
Executive Director	<ul style="list-style-type: none">Mr. Aftab Mahmood Butt (Chief Executive)
Non-Executive Directors	<ul style="list-style-type: none">Lt. General Muzammil Hussain (Retd)Mr. Naveed Asghar ChaudhryMr. Jamil Akhtar

Committees of the Board of Directors:

Audit Committee	<ul style="list-style-type: none">Mr. Hafiz Muhammad Yousaf (Chairman)Mr. Naveed Asghar Chaudhry	<ul style="list-style-type: none">Mr. Saad IqbalMr. Jamil Akhtar
HR Committee	<ul style="list-style-type: none">Mr. Aqeel Ahmed Nasir (Chairman)Mr. Naveed Asghar Chaudhry	<ul style="list-style-type: none">Mr. Aftab Mahmood ButtMs. Mahwish Humayun Khan
Investment Committee	<ul style="list-style-type: none">Mr. Hafiz Muhammad Yousaf (Chairman)Mr. Saad Iqbal	<ul style="list-style-type: none">Mr. Jamil Akhtar



Aftab Mahmood Butt
Chief Executive
Islamabad: October 20, 2021

On behalf of the Board



Hafiz Muhammad Yousaf
Director

ڈائریکٹرز رپورٹ

30 ستمبر 2021 کو ختم ہونے والی پہلی سہ ماہی کے لئے مالیاتی گوشوارے (خیر آڈٹ شدہ) پیش خدمت ہیں۔

کھپائی کی بنیادی سرگرمی کوٹ اور میں 1,600 میگا واٹ کھپائش کے حامل ملٹی ٹول کہا سٹنڈ سائیکلنگ ٹیس ٹر پائن پاور پلانٹ کی مکملیت، آپریشن اور اس کی دیکھ بھال ہے۔

پلانٹ سے خالص پیداوار 1,737 گریگا واٹ آور کھپائی جس کے نتیجے میں لوڈ لیگنڈر 58.5 ٹیڈ اور مجموعی طور پر تجارتی دستیابی 93.7 ٹیڈ رہی۔

زیر جائزہ مدت کے لئے مجموعی آمدن 34,238 ٹین روپے اور فروخت کی لاگت 32,937 ٹین روپے رہی۔ اس مدت کے لئے لگنڈس کی ادائیگی کے بعد متعلقہ 2,280 ٹین روپے (2020 کے اسی عرصے میں 6,202 ٹین روپے) رپا جس سے فی شخص آمدنی (ای پی ایس) 2.59 روپے رہی۔ گزشتہ سال کی مماثل مدت کے مقابلے میں آمدنی میں کمی کی وجہ سے ہم Capacity Purchase Price (CCP) آمدنی (جو کہ گزشتہ سال کا ناقابل بحروسر ملاہیت اور اثرار یہ سازی عنصر پر منحصر تھی) اور True-up آمدنی کی وجہ سے ہوئی۔ تاہم، پی پی ایس میں تیسری ترمیم کے مطابق CPP آمدنی کو پاور پلانٹ سے ایڈوائس موصول ہونے والے CPP ریموڈ میں ایڈجسٹ کیا گیا ہے (تعمیرات کے لئے مالی گوشواروں کا نوٹ 5.1 دیکھیں)۔

30 ستمبر 2021 تک کھپائی کے فریڈار کی جانب سے کھپائی کو واجب الادا رقم (بشمول ڈاڈا زائدت وصولیاں) 113,767 ٹین روپے تھی۔ کھپائی بھاجا بجات کے نتیجے کے لئے کھلی کے فریڈار اور حکومت پاکستان کی متعلقہ وزارتوں سے مسلسل رابطے میں ہے۔

کھپائی نے قانونی مدت (مدت اختتام ستمبر 2021) کے اندر اپنے پیداواری آؤٹس کی تجدید کے لیے پینٹس ایکٹریک پاور گولڈ لیڈری اتھارٹی (بھرا) کے سامنے درخواست دائر کی ہے اور اس معاملے پر پیشرفت ہو رہی ہے۔ بھرا نے اے جی ٹیٹیک کھپائی کو معاشی طور پر اپنے موجودہ ترمین آؤٹس کے تحت کھپائی کی پیداوار اور اس کی فروخت کی اجازت دے دی ہے۔

ڈائریکٹرز کا انتخاب 2 اکتوبر 2021 کو کیا رہا جو میں غیر معمولی سالانا اجلاس میں منعقد ہوا جس میں سات ڈائریکٹرز کا باضابطہ انتخاب کیا گیا۔

کھپائی نے کارپوریٹ گورننس کے باضابطہ علاقوں کے تقاضوں کی مندرجہ ذیل طریقے سے تعمیل کی ہے:

1- درج ذیل تفصیل کے مطابق ڈائریکٹرز کی کل تعداد آٹھ (8) ہے:

(a) مرد سات (7)

(b) خاتون ایک (1)

2- بورڈ آف ڈائریکٹرز کی ترتیب درج ذیل ہے:

نام	کمپنی
• جناب حفیظ محمد یوسف • محترمہ مہوش ہمایوں خان	• جناب حفیظ احمد ناصر • جناب سعد اقبال
	• جناب آفتاب محمود بیٹ (چیف ایگزیکٹو)
• جناب نوید اصغر چوہدری	• لیٹیننٹ جنرل منزل حسین (رٹائرڈ) • جناب جمیل اختر

• جناب حفیظ محمد یوسف (چیرمین) • جناب سعد اقبال • جناب نوید اصغر چوہدری • جناب جمیل اختر	آڈٹ کمیٹی
• جناب حفیظ احمد ناصر (چیرمین) • جناب آفتاب محمود بیٹ • محترمہ مہوش ہمایوں خان	ایچ آر کمیٹی
• جناب حفیظ محمد یوسف (چیرمین) • جناب سعد اقبال	سرمایہ کاری کمیٹی

منجانب بورڈ


حفیظ محمد یوسف
ڈائریکٹر



آفتاب محمود بیٹ
چیف ایگزیکٹو آفیسر

اسلام آباد: 20 اکتوبر 2021ء

Condensed Interim Statement of Financial Position

as at September 30, 2021

	Un-audited September 30, 2021	Audited June 30, 2021
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorised capital 3,600,000,000 (June 30, 2021: 3,600,000,000) ordinary shares of Rs 10 each	36,000,000	36,000,000
Issued, subscribed and paid up capital 880,253,228 (June 30, 2021: 880,253,228) ordinary shares of Rs 10 each	8,802,532	8,802,532
Capital reserve	444,451	444,451
Unappropriated profit	58,256,503	55,976,628
	67,503,486	65,223,611
NON-CURRENT LIABILITIES		
Lease liabilities	2,910	3,443
Contract liability	954,427	4,613,061
Deferred liabilities	6,410,953	9,223,790
	7,368,290	13,840,294
CURRENT LIABILITIES		
Current portion of lease liabilities	5,677	7,105
Current portion of contract liability	14,515,236	14,515,237
Finances under mark-up arrangements - secured	35,629,982	36,257,334
Provision for taxation - net	615,777	-
Trade and other payables	19,874,049	17,177,916
Unpaid dividend	-	4,401,266
Unclaimed dividend	883,346	810,833
	71,524,067	73,169,691
CONTINGENCIES AND COMMITMENTS		
	146,395,843	152,233,596

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer

		Un-audited September 30, 2021	Audited June 30, 2021
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,824,062	3,068,225
Intangible assets		2,783	3,529
Right of use assets		6,428	7,455
Long term loans and deposits		21,504	6,419
Staff retirement benefits		429,400	435,286
		3,284,177	3,520,914
CURRENT ASSETS			
Stores and spares		3,147,919	3,181,423
Stock-in-trade		5,966,468	5,921,887
Trade debts	10	113,766,692	104,622,431
Investments at fair value	11	15,634,828	25,670,360
Income tax due from government		-	1,504,400
Loans, advances, deposits, prepayments and other receivables	12	3,709,220	6,528,658
Cash and bank balances		886,539	1,283,523
		143,111,666	148,712,682
		146,395,843	152,233,596


 Hafiz Muhammad Yousaf
 Director

Condensed Interim Statement of Profit or Loss

for the quarter ended September 30, 2021 (Un-audited)

		Quarter ended	
		September 30, 2021	September 30, 2020
	Note	(Rupees in thousand)	
Sales	13	34,237,889	23,399,571
Cost of sales	14	(32,937,049)	(17,597,059)
Gross profit		1,300,840	5,802,512
Administrative expenses		(119,228)	(222,684)
Other income	15	2,756,369	4,054,530
Finance cost		(730,468)	(893,338)
Profit before tax		3,207,513	8,741,020
Taxation		(927,638)	(2,539,226)
Profit for the period		<u>2,279,875</u>	<u>6,201,794</u>
Earnings per share - basic and diluted	Rupees	<u>2.59</u>	<u>7.05</u>

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer



Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Comprehensive Income

for the quarter ended September 30, 2021 (Un-audited)

	Quarter ended	
	September 30, 2021	September 30, 2020
	(Rupees in thousand)	
Profit for the period	2,279,875	6,201,794
- Items that will not be reclassified to profit or loss	-	-
- Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the period	-	-
Total comprehensive income for the period	2,279,875	6,201,794

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer




Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Cash Flows

for the quarter ended September 30, 2021 (Un-audited)

	Quarter ended	
	September 30, 2021	September 30, 2020
Note	(Rupees in thousand)	
Cash flows from operating activities		
Cash (used in) / generated from operations	17 (3,213,335)	6,926,456
Finance cost paid	(716,248)	(1,300,449)
Taxes paid	(1,630,703)	(1,304,970)
Staff retirement benefits paid	(13,314)	(22,119)
Net cash (used in) / generated from operating activities	(5,573,600)	4,298,918
Cash flows from investing activities		
Fixed capital expenditure including acquisition of intangible assets	(4,787)	(23,602)
Income on bank deposits received	63,083	2
Net (increase) / decrease in long term loans and deposits	(15,085)	770
Proceeds from disposal of investments	10,090,780	-
Proceeds from sale of property, plant and equipment	691	1,585
Net cash generated from / (used in) investing activities	10,134,682	(21,245)
Cash flows from financing activities		
Repayment of lease liabilities	(1,961)	(2,970)
Dividend (paid) / adjustment	(4,328,753)	2,928
Net cash used in financing activities	(4,330,714)	(42)
Net increase in cash and cash equivalents during the period	230,368	4,277,631
Cash and cash equivalents at the beginning of the period	(34,973,811)	(43,226,949)
Cash and cash equivalents at the end of the period	(34,743,443)	(38,949,318)

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer



Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Changes in Equity

for the quarter ended September 30, 2021 (Un-audited)

	Share capital	Capital reserve	Un-appropriated profit	Total
		(Rupees in thousand)		
Balance as at June 30, 2020				
Audited	8,802,532	444,451	51,103,528	60,350,511
Total comprehensive income for the period				
Profit for the period	-	-	6,201,794	6,201,794
Other comprehensive income for the period	-	-	-	-
Balance as at September 30, 2020			6,201,794	6,201,794
Un-audited	8,802,532	444,451	57,305,322	66,552,305
Balance as at June 30, 2021				
Audited	8,802,532	444,451	55,976,628	65,223,611
Total comprehensive income for the period				
Profit for the period	-	-	2,279,875	2,279,875
Other comprehensive income for the period	-	-	-	-
	-	-	2,279,875	2,279,875
Balance as at September 30, 2021				
Un-audited	8,802,532	444,451	58,256,503	67,503,486

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer



Hafiz Muhammad Yousaf
Director

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2021 (Un-audited)

1. Legal status and nature of business

Kot Addu Power Company Limited (the Company or KAPCO), was incorporated in Pakistan on April 25, 1996 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The Company was listed on April 18, 2005 on Pakistan Stock Exchange Limited. The principal activities of the Company are to own, operate and maintain a multi-fuel fired power station with fifteen generating units with a nameplate capacity of 1,600 MW in Kot Addu, District Muzaffargarh, Punjab, Pakistan and to sell the electricity produced therefrom to a single customer, Pakistan Water and Power Development Authority (WAPDA) under a Power Purchase Agreement (PPA) which has been extended by 16 months during financial year 2020-21 and is due to expire on October 24, 2022. On May 21, 2021 the PPA with WAPDA was novated to Central Power Purchasing Agency Guarantee Limited (CPPA-G) (Power Purchaser).

2. Basis of preparation and measurement

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements are un-audited and are being submitted to the members of the Company as required by section 237 of the Companies Act, 2017 (the "Act").

These condensed interim financial statements do not include all the information required for annual financial statements including financial risk management information and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2021.

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2021 (Un-audited)

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2021. Furthermore, the basis of significant estimates are same as those that were applied to the preceding financial statements for the year ended June 30, 2021.

The financial statements have been prepared under the historic cost convention except certain employee benefits which are recognized on present value. The financial statements are prepared in Pak Rupees, which is the functional currency of the Company. Figures have been rounded off to the nearest thousand rupee unless otherwise specified.

2.3 PPA expiry and going concern assumption

The existing PPA which was initially for a term of 25 years was due to expire on June 26, 2021. In line with terms of the PPA, the Company has taken-up the matter for renewal / extension or revision of the PPA with the Power Purchaser and other relevant quarters of the Government of Pakistan (GoP).

On February 11, 2021, WAPDA (as Power Purchaser) and the Company signed the Third Amendment to the PPA and Master Agreement (the Agreements). This was followed by the approval and execution of amendments to the Facilitation Agreement and GoP Guarantee between the Company and the President of the Islamic Republic of Pakistan for and on behalf of the Islamic Republic of Pakistan on May 21, 2021.

In line with the Agreements (referred above), the Term of PPA was extended by 485 days (approximately 16 months) and will now expire on October 24, 2022. Furthermore, the Company's generation license issued by the National Electric Power Regulatory Authority (NEPRA) was set to expire on September 21, 2021. The Company filed an application for renewal of its generation license before NEPRA within the statutory period; and the same is being progressed. NEPRA has provisionally allowed the Company to generate and supply power to the power purchaser/national grid under the obligation of the existing generation license till its final decision.

Management is of the view that the Company's PPA in all likelihood will be extended for an additional term following the expiry of the extended term since the Power Purchaser has in the Master Agreement consented to the extension of the PPA for an additional term subject to agreement on the terms and conditions and completion of legal and corporate formalities. Accordingly, Management has taken up this matter with the relevant Authorities and initiated the legal formalities in this respect including those required for renewal of its generation license. In view of the progress made with such Authorities, Management believes that there is strong likelihood for extension

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2021 (Un-audited)

of the PPA beyond the extended term as well as renewal of its generation license.

Other factors which support Management's stance for extension of the PPA and renewal of generation license are as follows:

- the Company's Power Plant has certain distinct capabilities such as being able to run on multi fuel, having black start facility, providing an extensive fuel storage facility at its Power Complex and the Company's contribution to the National Power Grid;
- the Power Plant's strategic mid Country location; and its capability of being a major feeding source for distribution companies of Central and Lower Punjab; and
- the remaining useful life of the Power Plant of at least 10 years as per the life assessment study carried out by an independent foreign consultant in June 2021.

Furthermore, the GoP plans to create a competitive power market. Under the Master Agreement, the Company has agreed to actively support and participate in the competitive trading arrangement when it is implemented and becomes fully operational. Under this arrangement, the Company will also have the option to sell electricity to other Bulk Power Consumers through wheeling arrangements. The Company is currently in discussions with certain Bulk Power Consumer(s) for supply of electricity. The Company has also shared the technical evaluation of remaining useful life of the Power Plant, carried out by an independent foreign consultant (referred above) with one of the Bulk Power Consumers who is currently evaluating the same.

As Management believes that the Company will continue as a going concern in the foreseeable future, the Company's financial statements have been prepared on a going concern basis.

3. Standards, amendments and interpretations to published approved accounting standards

3.1 Standards, amendments and interpretations to existing standards effective in current period

Certain standards, amendments and interpretations to the approved accounting standards are effective for the annual periods beginning on or after January 01, 2021 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2021 (Un-audited)

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Certain standards, amendments to the approved accounting standards and interpretations are mandatory for future periods but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

The Securities and Exchange Commission of Pakistan (SECP) through S.R.O. 229 (I) / 2019 dated February 14, 2019 notified that the standard IFRS 9, 'Financial Instruments' would be effective for reporting period / year ending on or after June 30, 2019. However, SECP through S.R.O. 985 (I) / 2019 dated September 30, 2019 granted exemption from applying expected credit loss based impairment model to financial assets due from the Government till June 30, 2021. SECP through S.R.O. 1177 (I) / 2021 dated September 13, 2021 further extended the exemption till June 30, 2022. The management of the Company believes that the application of this standard subsequent to June 30, 2022 will not have any material impact on the Company.

4. Income tax expense is recognised based on management's best estimate of the weighted average income tax rate expected for the full financial year.

		Un-audited September 30, 2021	Audited June 30, 2021
	Note	(Rupees in thousand)	
5. Contract liability			
Opening balance	5.1	19,128,298	-
Add: Adjustment to Capacity Purchase Price (CPP)		-	19,287,369
Less: Amount recognised as revenue in CPP during the period		<u>(3,658,635)</u>	<u>(159,071)</u>
		15,469,663	19,128,298
Less: Current portion of contract liability		<u>(14,515,236)</u>	<u>(14,515,237)</u>
		<u>954,427</u>	<u>4,613,061</u>

- 5.1 The Company signed a Master Agreement and the Third Amendment to the Power Purchase Agreement on February 11, 2021 with Power Purchaser which later became binding on May 21, 2021. Pursuant to the terms and approval of these Agreements, the outages due to fuel shortage during the period 2008 to 2016 have been treated as Other Force Majeure Event (OFME) under the PPA and consequently, existing Term of PPA has been extended by 485 days (approximately 16 months). Pursuant to a letter of understanding signed by both parties, it was agreed to treat the already received amount of Rs 19,287 million representing Capacity Purchase Price (CPP) of the OFME period (485 days) as advance against future CPP. During the period, no CPP

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2021 (Un-audited)

invoices are raised. Accordingly, this advance is adjusted, and the related revenue is recorded over the period from June 27, 2021 to October 24, 2022 upon satisfaction of the underlying performance obligation i.e. ensuring the availability of the Plant.

	Un-audited September 30, 2021	Audited June 30, 2021
Note	(Rupees in thousand)	
6. Finances under mark-up arrangements		
- secured		
- Under conventional finances	17,505,746	21,705,523
- Under Islamic finances	18,124,236	14,551,811
6.1	<u>35,629,982</u>	<u>36,257,334</u>

6.1 Finances under mark-up arrangements available from various commercial banks amount to Rs 26,396 million (June 30, 2021: Rs 29,967 million) and finances available under musharikhah and murabaha arrangements amount to Rs 22,400 million (June 30, 2021: Rs 20,400 million). The rate of mark-up ranges from 7.7 percent to 9.0 percent (June 30, 2021: 7.0 percent to 10.6 percent) per annum on the balances outstanding. In the event, the Company fails to pay the balances on the expiry of the quarter, year or earlier demand, mark-up is to be computed at the rate of 20 percent to 24 percent (June 30, 2021: 20 percent to 24 percent) per annum on the balances unpaid.

6.2 Of the aggregate facility of Rs 537 million (June 30, 2021: Rs 240 million) for opening letters of credit and Rs 2,504 million (June 30, 2021: Rs 2,504 million) for guarantees, the amounts utilised as at September 30, 2021 were Rs 243 million (June 30, 2021: Rs 108 million) and Rs 2,504 million (June 30, 2021: Rs 2,504 million) respectively.

6.3 The aggregate running finances, short term finances and letters of credit and guarantees are secured by joint pari passu charge over current assets up to a limit of Rs 90,792 million (June 30, 2021: Rs 90,792 million) and ranking charge over current assets up to a limit of Rs 4,001 million (June 30, 2021: Rs 1,334 million).

7. Trade and other payables

Trade and other payables include an amount of Rs 12,726 million (June 30, 2021: Rs 11,446 million) payable to the fuel suppliers on account of fuel supplies and late payment surcharge on credit supplies of fuel.

8. Contingencies and commitments

8.1 Contingencies

(a) There has been no significant change in the status of the contingent liabilities disclosed as at June 30, 2021 except for the followings:

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2021 (Un-audited)

- (i) Additional Commissioner Inland Revenue (ACIR) amended the assessment of tax year 2020 vide order dated February 01, 2021 and created a demand of Rs 6,121 million on account of chargeability of tax on true-up income, late payment income from Power Purchaser and inadmissibility of few deductions by disallowing certain expenses. Being aggrieved, the Company filed an appeal with Commissioner Inland Revenue (Appeals) (CIR-A). CIR-A issued an order dated September 01, 2021 wherein certain issues were decided in favor of the Company, issues of true-up income, LP income and certain other expenses were decided against the Company and rest of the issues were remanded back. Being aggrieved the Company has filed an appeal in Appellate Tribunal Inland Revenue (ATIR) against order of CIR-A.
- (ii) Deputy Commissioner Inland Revenue (DCIR) issued an assessment order dated August 05, 2020 by rejecting the credit notes claimed by the Company during the tax period from October 2014 to November 2016 and created a demand of Rs 1,100 million. The Company filed an appeal before CIR-A. Consequently, the matter was remanded back to Commissioner Inland Revenue (CIR) for fresh adjudication. CIR finalized the remand back proceedings and confirmed the aforesaid demand vide order dated June 30, 2021. Being aggrieved the Company filed an appeal in CIR-A against the said order which is pending adjudication.
- (iii) The Company was selected for sales tax audit for tax year 2019 under section 25 of the Sales Tax Act, 1990. All relevant information was provided in response to the audit notice. The DCIR passed order dated September 30, 2021 raising a demand of Rs 15,568 million on account of rejection of input due to non-compliance of section 73 and non-production of records. Being aggrieved the Company is in process of filing of appeal with CIR-A.

The management and the taxation expert of the Company believe that there are meritorious grounds available to defend the above mentioned demands relating to the respective cases.

- (b) The Company has provided bank guarantee in favor of Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 2,504 million (June 30, 2021: Rs 2,504 million).

8.2 Commitments

- (i) Contracts for capital expenditure Rs 8 million (June 30, 2021: Rs 4 million).
- (ii) Letters of credit other than for capital expenditure Rs 243 million (June 30, 2021: Rs 108 million).
- (iii) Contracts for car ijarah are Rs 150 million (June 30, 2021: Rs 47 million).

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2021 (Un-audited)

		Un-audited September 30, 2021	Audited June 30, 2021
	Note	(Rupees in thousand)	
9. Property, plant and equipment			
Opening Net Book Value (NBV)		3,068,225	4,106,460
Add: Additions / transfers during the period	9.1	5,323	31,390
		<u>3,073,548</u>	<u>4,137,850</u>
Less: Disposals / adjustment during the period (at NBV)		694	2,245
Depreciation charged during the period		248,792	1,067,380
		<u>249,486</u>	<u>1,069,625</u>
		<u>2,824,062</u>	<u>3,068,225</u>
9.1 Following is the detail of additions / transfers during the period			
Additions:			
Buildings on freehold land		665	-
Gas turbine blading		-	23,024
Auxiliary plant and machinery		-	345
Office equipment		4,122	2,064
		<u>4,787</u>	<u>25,433</u>
Transfers:			
Vehicles		536	5,957
		<u>5,323</u>	<u>31,390</u>
10. Trade debts			
Trade debts	10.1	114,065,154	104,920,893
Less: Provision for doubtful debts		298,462	298,462
		<u>113,766,692</u>	<u>104,622,431</u>

10.1 These are considered good except Rs 298 million (June 30, 2021: Rs 298 million) which are considered doubtful. Trade debts include an overdue amount of Rs 97,119 million (June 30, 2021: Rs 81,260 million) receivable from CPPA-G, which is a related party of the Company. The maximum aggregate amount outstanding during the period was Rs 113,821 million (June 30, 2021: Rs 132,903 million). The trade debts are secured by a guarantee from the Government of Pakistan under the Facilitation Agreement. These trade debts are in the normal course of business and are interest free, however, a penal mark-up of SBP discount rate plus 4 percent per annum is charged in case the amounts are not paid within due dates.

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2021 (Un-audited)

	Un-audited September 30, 2021		Audited June 30, 2021	
	Cost	Carrying Value (Rupees in thousand)	Cost	Carrying Value
11. Investments at fair value				
Fair value through profit or loss - Government Securities				
Pakistan Investment Bond	7,738,300	7,790,147	12,738,300	12,780,336
GoP Ijarah Sukuk	7,762,400	7,844,681	12,762,400	12,890,024
	<u>15,500,700</u>	<u>15,634,828</u>	<u>25,500,700</u>	<u>25,670,360</u>

Particulars of debt securities are as follows:

	Maturity	Effective Yield	Un-audited	Audited
			September 30, 2021	June 30, 2021
			(Rupees in thousand)	
Pakistan Investment Bond	18-Jun-30	8.272%	7,790,147	12,780,336
GoP Ijarah Sukuk	09-Dec-25	7.479%	7,844,681	12,890,024
			<u>15,634,828</u>	<u>25,670,360</u>

12. Loans, advances, deposits, prepayments and other receivables

These include an advance of Rs 2,014 million (June 30, 2021: Rs 4,557 million) paid to Pakistan State Oil Company Limited (PSO) against supplies of fuel.

	Quarter ended	
	September 30, 2021	September 30, 2020
13. Sales	(Rupees in thousand)	
Energy Purchase Price under the PPA	37,075,699	19,579,319
Sales tax	(5,222,991)	(2,831,250)
Net Energy Purchase Price	31,852,708	16,748,069
Capacity Purchase Price under the PPA - net	2,385,181	6,651,502
	<u>34,237,889</u>	<u>23,399,571</u>
14. Cost of sales		
Fuel cost	31,916,524	16,215,889
Salaries, wages and benefits	698,375	608,165
Plant maintenance	55,543	36,849
Gas turbines overhauls	6,612	6,129
Repair and renewals	19,676	189,740
Depreciation on property, plant and equipment	239,572	538,438
Amortisation on intangible assets	747	1,849
	<u>32,937,049</u>	<u>17,597,059</u>

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2021 (Un-audited)

			Quarter ended		
			September 30, 2021	September 30, 2020	
			(Rupees in thousand)		
15. Other Income					
			45,927	1,967,639	
		True-up income			
		Interest on late payment - CPPA-G	2,313,745	2,067,799	
		Interest on PIBs and Sukuks	333,039	-	
		Fair value gain on investments at fair value	55,248	-	
		Others	8,410	19,092	
			<u>2,756,369</u>	<u>4,054,530</u>	
16. Transactions with related parties					
	Relationship with the Company	Percentage of shareholding	Nature of transaction		
i. Associated undertakings					
	- CPPA-G	0%	Sale of electricity	34,237,889	23,399,571
	- CPPA-G	0%	Purchase of electricity	2,996	19,516
	- WAPDA	40%	Purchase of services	-	840
	- CPPA-G	0%	Interest income on late payments	2,313,745	2,067,799
	- CPPA-G	0%	True-up income	45,927	1,967,639
	- WAPDA	40%	Dividend paid	1,771,555	-
	- KAPCO Employees Empowerment Trust	5%	Dividend paid	241,262	-
	- Samba Bank Limited	0%	Financial charges	-	14,203
	- Pakistan Institute of Corporate Governance	0%	Purchase of services	265	431
ii. Post retirement benefit plans					
	- KAPCO employees pension fund trust	0%	Contributions paid	-	7,908
	- KAPCO employees provident fund trust	0%	Contributions paid	12,679	12,012
iii. Key management personnel (including directors)					
		0%	Compensation	171,167	126,315

All transactions with related parties have been carried out on commercial terms and conditions.

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2021 (Un-audited)

	Un-audited September 30, 2021	Audited June 30, 2021
	(Rupees in thousand)	
Period end balances		
Associated Undertakings		
Receivable from related parties	114,402,751	105,000,161
Payable to related parties	5,266,687	3,993,233

These are in the normal course of business.

	Quarter ended September 30, 2021	September 30, 2020
	(Rupees in thousand)	
17. Cash generated from operations		
Profit before tax	3,207,513	8,741,020
Adjustments for:		
- Depreciation on property, plant and equipment	248,792	559,848
- Amortisation on intangible assets	747	1,849
- Depreciation on assets subject to finance lease	490	2,535
- Loss / (gain) on sale of fixed assets	3	(1,513)
- Income on bank deposits	-	(2)
- Interest income on investment at fair value	(333,039)	-
- Fair value gain on investment at fair value	(55,248)	-
- Staff retirement benefits accrued	29,605	49,373
- Finance cost	730,468	893,338
- Revenue recognised in CPP against contract liability	(3,658,635)	-
Profit before working capital changes	170,696	10,246,448
Effect on cash flow due to working capital changes:		
Decrease / (increase) in current assets		
- Stores and spares	33,504	133,423
- Stock-in-trade	(44,581)	969,486
- Trade debts	(9,144,261)	(5,482,516)
- Loans, advances, deposits, prepayments and other receivables	3,089,394	(30,683)
Increase in trade and other payables	2,681,913	1,090,298
	(3,384,031)	(3,319,992)
Cash (used in) / generated from operations	(3,213,335)	6,926,456

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2021 (Un-audited)

	September 30, 2021	September 30, 2020
	(Rupees in thousand)	
18. Cash and cash equivalents		
Cash and bank balances	886,539	800,893
Finances under mark-up arrangements - secured	<u>(35,629,982)</u>	<u>(39,750,211)</u>
	<u>(34,743,443)</u>	<u>(38,949,318)</u>

19. Date of authorisation for issue

These condensed interim financial statements were authorised for issue on October 20, 2021 by the Board of Directors of the Company.

20. Corresponding figures

In order to comply with the requirements of IAS 34 - 'Interim Financial Reporting', the condensed interim statement of financial position and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas the condensed interim statement of profit or loss, condensed interim statement of comprehensive income and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

21. Non-adjusting event after the statement of financial position date

The Board of Directors of the Company has declared an interim cash dividend of Nil (September 30, 2020: Rs 1.50 per share), amounting to Nil (September 30, 2020: Rs 1,320 million) at their meeting held on October 20, 2021. These condensed interim financial statements do not include the effect of above interim cash dividend which will be accounted for in the period in which it is declared.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer



Hafiz Muhammad Yousaf
Director