



1ST QUARTER

REPORT

September 30, 2023 (un-audited)

KOT ADDU POWER COMPANY LIMITED

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Company Information

Board of Directors	Lt. General (Retd) Sajjad Ghani (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. Jamil Akhtar Ms. Mahwish Humayun Khan
Investment Committee	Mr. Hafiz Muhammad Yousaf (Chairman) Mr. Saad Iqbal Mr. Naveed Asghar Chaudhry Mr. Jamil Akhtar
Special Committee on Fuel	Mr. Naveed Asghar Chaudhry (Chairman) Mr. Aqeel Ahmed Nasir Mr. Saad Iqbal
GM Finance / CFO	Mr. Muhammad Rabnawaz Ajrum
Company Secretary / Head Legal Counsel	Mr. A. Anthony Rath
Head of Internal Audit	Mr. Sikandar Usmani
Auditors	A.F. Ferguson & Co. Chartered Accountants
Legal Advisor	Cornelius, Lane & Multi
Bankers	<u>Conventional</u> Askari Bank Limited Bank Al-Habib Limited Habib Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited National Bank of Pakistan United Bank Limited <u>Islamic</u> AlBaraka Bank (Pakistan) Limited Askari Bank Limited-IBD Bank Alfalah 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	5 B/3, Gulberg III, Lahore 54660, Pakistan Tel: +92 (0)42 3577 2912-5, 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, 2023.

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.

As previously advised, the Company's Power Purchase Agreement (PPA) expired in October 2022. Since then, the Company has been appropriately taking actions for renewal of its PPA and to this end has also submitted applications for Tariff as well as Provisional Tariff before the National Electric Power Regulatory Authority (NEPRA). The Company's Power Plant has been included in the Indicative Generation Capacity Expansion Plan (IGCEP) (2022-2031) till 2026 by NEPRA due to system requirements of the National Transmission and Dispatch Company (NTDC). NEPRA on August 4, 2023, approved a Provisional Tariff for the Company for 500 MWs based on IGCEP requirements on 'take-and-pay' basis. As the Company has certain reservations, it filed a review petition before NEPRA. Further, NEPRA conducted a public hearing on the Company's Tariff Petition on October 3, 2023. It is expected that NEPRA will issue its determination on the Tariff Petition in due course. The Company is also in discussions with the power purchaser for negotiation of PPA which will be executed after the tariff determination by NEPRA and meeting corporate, legal and regulatory compliances.

Whilst the pending renewal of the PPA may be a material uncertainty casting doubt on the Company's ability to continue as a going concern, comfort may be drawn from the facts that the Company has a sound financial position and that the Company has sufficient liquidity and reserves to meet its operational expenditures and discharge its liabilities for the foreseeable future. As on September 30, 2023, the receivables due from the Power Purchaser stand at Rs. 22,465 Million, which are backed by GoP Guarantee; and the Company's investments in PIBs and Sukuks stand at Rs. 50,236 Million (at book value). For further details of the impact of going concern assumptions due to expiry of the PPA kindly refer to Note 2.3 of the Financial Statements.

Due to the absence of an operating regime, there was no turnover for the period (2022: Rs.22,890 Million); and the cost of sales stand at Rs. 806 Million (2022: Rs. 21,314 Million) resulting in a gross loss of Rs. 806 million. The primary reason for the gross loss is the continued classification of fixed expenses including insurance premium and salaries in cost of sales. Further, the statement of profit or loss was charged with items such as (i) power plant insurance cost (ii) contributions under the law to the Workers' Profit Participation Fund (WPPF) and Workers' Welfare Fund (WWF) (iii) income tax and (iv) regulatory fees, which were previously pass through items under the PPA. Additionally, human resource of the Company has been retained to enable the Company to become available following tariff approval by NEPRA and execution of a power purchase agreement. However, the operating profit for the year is Rs. 3,256 Million (2022: Rs. 5,027 Million); and profit before tax is Rs. 1,937 Million (2022: Rs. 3,149 Million). Profit after tax for the year is Rs. 1,182 Million (2022: Rs.2,110 Million), which gives earnings per share (EPS) of Rs. 1.34 per share of Rs. 10 each (2022: Rs. 2.40 per share).

The Company is viewing different investment options for diversification of its portfolio. The Pakistan Water and Power Development Authority (WAPDA) being a major shareholder strongly supports the diversification plans of the Company and is in the process of seeking approval for the Government of Pakistan to support the Company's plans.

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


- The total number of Directors are eight (8) as per the following detail:
 - Male: Seven (7)
 - Female: One (1)
- The composition of the Board of Directors is as follows:

Category	Names
Independent Directors	● Mr. Aqeel Ahmed Nasir ● Mr. Hafiz Muhammad Yousaf ● Mr. Saad Iqbal ● Ms. Mahwish Humayun Khan
Executive Director	● Mr. Aftab Mahmood Butt (Chief Executive)
Non-Executive Directors	● Lt. General (Retd) Sajjad Ghani ● Mr. Naveed Asghar Chaudhry ● Mr. Jamil Akhtar

Committees of the Board of Directors:

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. Jamil Akhtar ● Ms. Mahwish Humayun Khan
Investment Committee	● Mr. Hafiz Muhammad Yousaf (Chairman) ● Mr. Saad Iqbal ● Mr. Naveed Asghar Chaudhry ● Mr. Jamil Akhtar
Special Committee on Fuel	● Mr. Naveed Asghar Chaudhry (Chairman) ● Mr. Aqeel Ahmed Nasir ● Mr. Saad Iqbal

On behalf of the Board


Aftab Mahmood Butt
Chief Executive
Islamabad: October 26, 2023


Hafiz Muhammad Yousaf
Director

31 ستمبر 2023 کو ختم ہونے والی سہ ماہی کے مالیاتی گوشواروں (خیر آڈٹ شدہ) کے ساتھ ڈائریکٹرز کی رپورٹ پیش خدمت ہے۔

کھنی کی بنیادی سرگرمیوں میں وہاب کے شہر کوٹ اڈو میں 1600 میگا واٹ، نیم پلٹ صلاحیت کے حامل ملٹی فیلو سے چلنے والے پاور پلانٹ کی تکمیت، آپریشن اور دیکھ بھال شامل ہیں۔

جیسا کہ پہلے بھی بتایا جا چکا ہے، کھنی کے پاور پراجیکٹس (پنی اے) کی میعاد اکتوبر 2022 میں ختم ہو چکی ہے۔ اس کے بعد سے کھنی اپنے پنی اے کی تجدید کے لئے مناسب اقدامات کر رہی ہے اور اس مقصد کے لئے نیشنل الیکٹریک پاور ریگولیٹری اتھارٹی (نیرا) کو نیرف اور عبوری نیرف کے لئے درخواستیں بھی جمع کروائی جا چکی ہیں۔ نیشنل ٹرانسمیشن اینڈ ڈسٹریбуٹن کھنی (این ٹی ڈی سی) کے نظام کی ضروریات کی وجہ سے نیرا کی جانب سے کھنی کے پاور پلانٹ کو 2026 تک بجلی کی پیداوار کے توسیعی منصوبے (آئی ٹی سی ای ٹی) (2022-2031) میں شامل کیا گیا ہے۔ 4 اگست 2023 کو نیرا نے آئی ٹی سی ای ٹی کی شرائط پر پنی 500 میگا واٹ کے لیے کھنی کے لیے ایک اینڈ پے کی بنیاد پر عبوری نیرف کی منظوری دی تھی۔ چونکہ کھنی کو کچھ تخطات ہیں اس لئے اس نے نیرا کے رو برو نظر ثانی کی درخواست دائر کی۔ مزید برآں نیرا نے 3 اکتوبر 2023 کو کھنی کی نیرف پٹیشن پر عوامی سماعت کی۔ توقع ہے کہ نیرا متروکہ وقت میں نیرف پٹیشن پر اپنا فیصلہ جاری کرے گی۔ کھنی پنی اے سے پر بھی بجلی خریدار کے ساتھ بات چیت کر رہی ہے جس پر بھی راجی کی جانب سے نیرف کے تعین اور کاروباری، قانونی اور ریگولیٹری تقاضوں کی تکمیل کے بعد عملدرآمد کیا جائے گا۔

اگرچہ پنی اے کی زیر التوا تجدید میں بظاہر غیر یقینی کا عنصر ہو سکتا ہے جس سے کھنی کی کاروبار کو جاری رکھنے کی صلاحیت پر شکوک و شبہات پیدا ہوتے ہیں، لیکن یہ حقیقت باعث اطمینان ہے کہ کھنی کی مالی حالت اچھی ہے اور کھنی کے پاس اپنے آپریشنل اخراجات کو پورا کرنے اور مستقبل قریب میں اپنی ذمہ داریوں کو ادا کرنے کے لئے کافی رقم تازہ اور ذخیرہ موجود ہیں۔ 30 ستمبر 2023 تک بجلی کے خریداری کی جانب سے واجب الادا رقم 22,465 ملین روپے ہے، جس پر حکومت پاکستان کی ضمانت موجود ہے، جبکہ پنی اے کی بیزار اور سکوس میں کھنی کی سرمایہ کاری کی مالیت 50,236 ملین روپے (جب ویلیو پر) ہے۔ پنی اے کی میعاد ختم ہونے کی وجہ سے پیدا ہونے والے فرضی خدشات کے اثرات کے بارے میں مزید تفصیلات کے لئے براہ مہربانی مالیاتی گوشواروں کا نوٹ 2.3 ملاحظہ کریں۔

کاروبار چالوت ہونے کی وجہ سے زچہ جائزہ مدت کے دوران کوئی آمد نہیں ہوئی (2022 کی ای مدت کے دوران 22,890 ملین روپے کا کاروبار ہوا) جبکہ کھنی کے اخراجات 806 ملین روپے (2022: 21,314 ملین روپے) کر رہے ہیں جس کے نتیجے میں مجموعی طور پر 806 ملین روپے کا نقصان ہوا۔ اس مجموعی نقصان کی بنیادی وجوہات میں پنی اے کی شرائط کے تحت (1) پاور پلانٹ کی انشورنس لاگت، (2) قانون کے تحت دیگر اخراجات پائے پٹیشن فنڈ (ڈبلیو ٹی ٹی ایف) اور دیگر ڈسٹریبیوٹن فنڈ (ڈبلیو ڈی ایف) کے لیے رقمات کی ادائیگی شامل ہیں۔ اس کے علاوہ پنی اے کی میعاد ختم ہونے کے بعد کھنی کے انسانی وسائل کو برقرار رکھا گیا تاکہ کھنی کو نیرا سے نیرف کی منظوری اور بجلی کے خریدار کے ساتھ توانائی کی خریداری کے معاہدے (پی ٹی اے) پر عمل درآمد کے بعد انسانی وسائل دستیاب ہوں۔ تاہم، سال کے لئے آپریشنل منافع 3,256 ملین روپے (2022: 5,027 ملین روپے) ہے۔ اور ٹیکس ازگیس منافع 1,937 ملین روپے (2022: 3,149 ملین روپے) ہے۔ سال کے لئے بعد از ٹیکس منافع 1,182 ملین روپے (2022: 2,110 ملین روپے) ہے، جس سے 10 روپے کے شیئرز کے لیے فی حصص آمدنی (ای ٹی ایس) 1.34 روپے ہوئی (2022 کے دوران 2.40 روپے تھی)۔

کھنی اپنے پورٹ فولیو کے تنوع کے لئے سرمایہ کاری کے مختلف آپشنز کا جائزہ لے رہی ہے۔ پاکستان وائٹ اینڈ پاور ڈیولپمنٹ اتھارٹی (واپڈا) ایک بڑا شیئرز ہولڈر ہونے کے باوجود کھنی کے تنوع کے منصوبوں کا حامی ہے اور ان منصوبوں کی حکومت پاکستان سے منظوری حاصل کرنے کے لیے کوشش کر رہا ہے۔

کھنی نے مندرجہ ذیل طریقے سے کوڈ آف کارپوریشن گورننس کے تقاضوں کی 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 تشکیل درج ذیل ہے:

نام	کمپنی
<ul style="list-style-type: none"> • جناب حافظ محمد یوسف • محترمہ مبہوش ہمایوں خان 	<ul style="list-style-type: none"> • جناب عقیل احمد ناصر • جناب سعد اقبال
<ul style="list-style-type: none"> • جناب آفتاب محمود بٹ (چیف ایگزیکٹو) 	<ul style="list-style-type: none"> • جناب آفتاب محمود بٹ
<ul style="list-style-type: none"> • جناب نوید اصغر چوہدری 	<ul style="list-style-type: none"> • لیفٹیننٹ جنرل (ر) سجاد فنی • جناب جمیل اختر

بورڈ آف ڈائریکٹرز کی کمپنیاں:

<ul style="list-style-type: none"> • جناب سعد اقبال • جناب جمیل اختر 	<ul style="list-style-type: none"> • جناب حافظ محمد یوسف (جنیئر مین) • جناب نوید اصغر چوہدری 	آڈٹ کمپنی
<ul style="list-style-type: none"> • جناب آفتاب محمود بٹ • محترمہ مبہوش ہمایوں خان 	<ul style="list-style-type: none"> • جناب عقیل احمد ناصر (جنیئر مین) • جناب جمیل اختر 	ایچ آر کمپنی
<ul style="list-style-type: none"> • جناب جمیل اختر • جناب نوید اصغر چوہدری 	<ul style="list-style-type: none"> • جناب حافظ محمد یوسف (جنیئر مین) • جناب سعد اقبال 	سرہانہ کاری کمپنی
<ul style="list-style-type: none"> • جناب عقیل احمد ناصر 	<ul style="list-style-type: none"> • جناب نوید اصغر چوہدری (جنیئر مین) • جناب سعد اقبال 	ایندھن سے متعلق خصوصی کمپنی

منجانب بورڈ

حافظ محمد یوسف
ڈائریکٹر

KOT ADDU POWER COMPANY LIMITED

Handwritten signature

آفتاب محمود بٹ
چیف ایگزیکٹو آفیسر

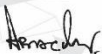
اسلام آباد، 26 اکتوبر 2023ء

Condensed Interim Statement of Financial Position

as at September 30, 2023 (Un-audited)

	Un-audited September 30, 2023	Audited June 30, 2023
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorised capital 3,600,000,000 (June 30, 2023: 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, 2023: 880,253,228) ordinary shares of Rs 10 each	8,802,532	8,802,532
Capital reserve	444,451	444,451
Revenue reserve: un-appropriated profits	58,018,428	56,836,744
	67,265,411	66,083,727
NON-CURRENT LIABILITIES		
Deferred liabilities		
Deferred taxation	2,526,290	2,100,017
Staff retirement benefits	852,782	839,622
	3,379,072	2,939,639
CURRENT LIABILITIES		
Finances under mark-up arrangements - secured	3 19,403,268	22,153,719
Trade and other payables	4 8,652,910	9,614,950
Provision for taxation - net	308,873	-
Unclaimed dividend	1,053,144	1,056,126
	29,418,195	32,824,795
CONTINGENCIES AND COMMITMENTS		
	5	
	100,062,678	101,848,161

The annexed notes 1 to 19 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, 2023	Audited June 30, 2023
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	1,929,046	1,931,244
Long term deposits		8,607	9,351
Staff retirement benefits - Pension		1,040,955	1,011,912
		<u>2,978,608</u>	<u>2,952,507</u>
CURRENT ASSETS			
Stores and spares		3,947,443	3,927,475
Stock-in-trade		11,565,471	11,565,471
Trade debts	7	22,464,590	26,611,385
Investments at fair value	8	50,235,581	50,101,538
Advance income tax		-	18,021
Loans, advances, deposits, prepayments and other receivables	9	7,807,362	4,751,983
Cash and bank balances		1,063,623	1,919,781
		<u>97,084,070</u>	<u>98,895,654</u>
		<u>100,062,678</u>	<u>101,848,161</u>



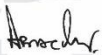
Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Profit or Loss

for the quarter ended September 30, 2023 (Un-audited)

		Quarter ended	
		September 30, 2023	September 30, 2022
	Note	(Rupees in thousand)	
Sales	10	-	22,890,358
Cost of sales	11	(805,662)	(21,314,052)
Gross (loss) / profit		(805,662)	1,576,306
Administrative expenses		(184,425)	(175,785)
Other operating expenses		(136,430)	(199,183)
Other income	12	4,382,896	3,825,704
Operating profit		3,256,379	5,027,042
Finance cost		(1,319,081)	(1,878,413)
Profit before tax		1,937,298	3,148,629
Taxation		(755,614)	(1,039,047)
Profit for the period		1,181,684	2,109,582
Earnings per share - basic and diluted	Rupees	1.34	2.40

The annexed notes 1 to 19 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, 2023 (Un-audited)

	Quarter ended	
	September 30, 2023	September 30, 2022
	(Rupees in thousand)	
Profit for the period	1,181,684	2,109,582
- Items that will not be reclassified subsequently to profit or loss	-	-
- Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the period - net of tax	-	-
Total comprehensive income for the period	1,181,684	2,109,582

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer



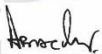
Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Changes in Equity

for the quarter ended September 30, 2023 (Un-audited)

	Share capital	Revenue Reserve:		
		Capital reserve	Un-appropriated profits	Total
	(Rupees in thousand)			
Balance as at June 30, 2022				
Audited	8,802,532	444,451	59,348,925	68,595,908
Total comprehensive income for the period				
Profit for the period	-	-	2,109,582	2,109,582
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	2,109,582	2,109,582
Balance as at September 30, 2022				
Un-audited	8,802,532	444,451	61,458,507	70,705,490
Balance as at June 30, 2023				
Audited	8,802,532	444,451	56,836,744	66,083,727
Total comprehensive income for the period				
Profit for the period	-	-	1,181,684	1,181,684
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	1,181,684	1,181,684
Balance as at September 30, 2023				
Un-audited	8,802,532	444,451	58,018,428	67,265,411

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.


Aftab Mahmood Butt
Chief Executive Officer


M. Rabnawaz Anjum
Chief Financial Officer

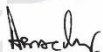

Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Cash Flows

for the quarter ended September 30, 2023 (Un-audited)

	Note	Quarter ended	
		September 30, 2023	September 30, 2022
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	14	3,767,444	3,633,873
Finance cost paid		(1,848,671)	(1,451,289)
Taxes paid		(2,446)	(717,644)
Staff retirement benefits paid		(18,961)	(12,475)
Net cash generated from operating activities		1,897,366	1,452,465
Cash flows from investing activities			
Fixed capital expenditure		(3,033)	(3,333)
Income on bank deposits received		-	20,525
Net decrease / (increase) in long term loans and deposits		744	(260)
Investments disposed-off during the period		-	3,128,147
Proceeds from sale of property, plant and equipment		2,198	1,160
Net cash (used in) / generated from investing activities		(91)	3,146,239
Cash flows from financing activities			
Repayment of lease liabilities		-	(465)
Dividend paid		(2,982)	(499)
Net cash used in financing activities		(2,982)	(964)
Net increase in cash and cash equivalents during the period		1,894,293	4,597,740
Cash and cash equivalents at the beginning of the period		(20,233,938)	(36,352,164)
Cash and cash equivalents at the end of the period	15	(18,339,645)	(31,754,424)

The annexed notes from 1 to 19 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, 2023 (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 and aggregate nameplate capacity of 1,600 MW in Kot Addu, District Muzaffargarh, Punjab, Pakistan and to sell the electricity produced there from to a single customer, Pakistan Water and Power Development Authority (WAPDA) under a Power Purchase Agreement (PPA), which was initially for a period of 25 years. WAPDA irrevocably transferred all of its rights, obligations and liabilities under the PPA to Central Power Purchasing Agency Guarantee Limited (CPPA-G) (Power Purchaser) thereunder via Novation Agreement which became effective on May 21, 2021 after approval from the relevant authorities. The PPA was extended by 16 months from June 26, 2021, pursuant to the terms of Master Agreement and the Third Amendment to the PPA, which expired on October 24, 2022.

The Company has a plant site at Kot Addu (Muzaffargarh), a corporate office located in Lahore and registered office located in Islamabad.

A Special Purpose Vehicle was incorporated in 2014 under the name of KAPCO Energy (Private) Limited (KEPL) for establishment of a coal power project. However, the project was called off and KEPL was put into liquidation under the Easy Exit Scheme of SECP. Subsequently, the liquidation application of KEPL was withdrawn for exploring investments opportunities. However, the share capital of KEPL has not yet been subscribed by the Company, therefore, the Company has not prepared consolidated financial statements.

2. Basis of preparation and measurement

2.1 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.

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2023 (Un-audited)

- 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, 2023.

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, 2023. Furthermore, the basis of significant estimates are same as those that were applied to the preceding financial statements for the year ended June 30, 2023.

These condensed interim financial statements have been prepared under the historic cost convention except certain employee benefits which are recognized on present value and investments which are measured at fair 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 Impact on Going Concern Assumption due to expiry of PPA

The PPA of the Company was initially for a term of 25 years and was due to expire on June 26, 2021. Pursuant to the terms of the Third Amendment to the PPA and Master Agreement (together, the 'Agreements'), the term of the PPA was extended and plant remained operational till October 24, 2022.

The generation license of the Company expired on September 21, 2021, which has been extended by National Electric Power Regulatory Authority (NEPRA) for a period of three years from the date of its expiry.

The Company also took up the matter of renewal / extension of PPA beyond its expiry with the relevant Authorities and submitted application for Reference Tariff as well as Provisional Tariff before NEPRA.

Based on the critical strengths of the Power Plant and System requirements of National Transmission and Dispatch Company (NTDC), the Power Plant was included in the approved Indicative Generation Capacity Expansion Plan (IGCEP) (2022-2031) till 2026. In line with the approved IGCEP (2022-2031), NEPRA approved the Provisional Tariff of the Company on August 4, 2023 for 500MW capacity on Take-and-Pay basis. During the period, the Company filed Review Petition before NEPRA recording its reservations on certain portion of the Provisional Tariff. NEPRA conducted the public hearing on October 03, 2023 on Tariff petition including review petition. The Final Tariff Determination is expected to be issued in due course. Meanwhile, discussion on PPA is in progress which will be executed with the Power Purchaser, after Final Tariff Determination, subject to corporate and legal formalities.

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2023 (Un-audited)

The pending renewal / extension of the PPA indicates the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

In addition, the Management of the Company has also decided to take the following steps:

- Cost optimization / rationalization for managing the total cost of the Plant;
- Investment of surplus funds for generating sufficient income;
- Participation in the Competitive Trading Bilateral Contracts Market (CTBCM) once it is implemented by the Government of Pakistan (GoP), which will allow the Company to sell electricity as Merchant Plant and to Bulk Consumers / Distribution Companies (DISCOs) through wheeling arrangements; and
- exploring opportunities for diversification of its operations.

Notwithstanding, as elaborated above, the Company has sound financial position and as per the Management's forecasts, the Company has sufficient liquidity and reserves to meet the operational expenditures and discharge its liabilities for the foreseeable future. Further, the Company draws strength from the following:

- Receivables from the Power Purchaser of Rs 22,465 million as at September 30, 2023 backed by GoP Guarantee which will be realized in normal course of business; and
- Investments of PIBs and Sukuks of Rs 50,236 million (at book value) as at September 30, 2023.

Based on foregoing, Management is confident that the Company will continue as a going concern in the foreseeable future. Thus, these financial statements have been prepared on a going concern basis and consequently, do not require adjustment relating to the realization of its assets and liquidation of liabilities.

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

2.5 **New accounting standards / amendments and IFRS interpretations that are effective for the period ended September 30, 2023**

Certain standards, amendments and interpretations to the approved accounting standards are effective for the accounting periods beginning on or after July 01, 2023 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, 2023 (Un-audited)

2.6 New accounting standards / amendments and IFRS interpretations that are not yet effective

There are certain standards, amendments to accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 01, 2023, but are considered not to be relevant to the Company's operations and are, therefore, not detailed in these condensed interim financial statements. Further, these standards, interpretations and the amendments are not expected to have significant impact on the Company's condensed interim financial statements other than certain disclosures.

	Un-audited September 30, 2023	Audited June 30, 2023
Note	(Rupees in thousand)	
3. Finances under mark-up arrangements secured		
- Under conventional finances	13,433,616	8,586,689
- Under islamic finances	5,969,652	13,567,030
3.1	<u>19,403,268</u>	<u>22,153,719</u>

3.1 Finances under mark-up arrangements available from various commercial banks amount to Rs 16,675 million (June 30, 2023: Rs 19,995 million) and finances available under musharika and murabaha arrangements amount to Rs 7,000 million (June 30, 2023: Rs 18,675 million). The rate of mark-up ranges from 21.78 percent to 25.90 percent (June 30, 2023: 14.26 percent to 25.08 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 30 percent (June 30, 2023: 20 percent to 30 percent) per annum on the balances unpaid.

3.2 Letter of credit and bank guarantees

Of the aggregate facility of Rs 400 million (June 30, 2023: Rs 405 million) for opening letters of credit and Rs 2,507 million (June 30, 2023: Rs 2,504 million) for guarantees, the amounts utilised as at September 30, 2023 were Nil (June 30, 2023: Rs 29 million) and Rs 2,507 million (June 30, 2023: Rs 2,504 million) respectively.

3.3 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 67,200 million (June 30, 2023: Rs 67,200 million).

4. Trade and other payables

Trade and other payables include an amount of Rs 6,454 million (June 30, 2023: Rs 6,454 million) payable to the fuel suppliers on account of fuel supplies and late payment surcharge on credit supplies of fuel. Further, included in it is an amount of Rs 45 million (June 30, 2023: Rs 35 million) payable to CPPA-G, an associated undertaking, against import of electricity.

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2023 (Un-audited)

5. Contingencies and commitments

5.1 Contingencies

- (a) There has been no significant change in the status of the contingent liabilities disclosed as at June 30, 2023 except the following:
- (i) The Deputy Commissioner Inland Revenue (DCIR) initiated proceedings under sections 147/205 alleging that the Company had not paid advance tax liability to the tune of 90% of the tax liability for tax year 2015 and raised a tax demand amounting to Rs 69 million. Being aggrieved, the Company filed an appeal before Commissioner Inland Revenue (Appeals) [CIR(A)], who vide order dated May 26, 2023, remanded back the issue to the DCIR on the grounds that there are computational errors in the above order that need to be corrected. Being further aggrieved, the Company filed an appeal before the Appellate Tribunal Inland Revenue which was decided against the Company vide order dated September 21, 2023. Being aggrieved, Company is in the process of filing reference in Lahore High Court.

The Management and taxation expert of the Company believe that there are meritorious grounds to defend the above mentioned demand, consequently, no provision has been recorded in these interim financial statements with respect to the above matters.

- (b) Sui Northern Gas Pipelines Limited (SNGPL) has raised claims of late payment surcharge amounting to Rs 777 million (June 30, 2023: Rs 823 million). The Management is of the view that these claims are not as per the underlying agreements, therefore such claims have been disputed.

The Management and the legal advisor of the Company believe that there are meritorious grounds available to defend the foregoing claims. Consequently, no provision has been recorded in these financial statements.

5.2 Commitments

- (i) Contracts for capital expenditure are Nil (June 30, 2023: Rs 4 million).
- (ii) Letters of credit other than for capital expenditure are Nil (June 30, 2023: Rs 29 million).
- (iii) Contracts for car ijara are Rs 63 million (June 30, 2023: Rs 69 million).

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2023 (Un-audited)

		Un-audited September 30, 2023	Audited June 30, 2022
	Note	(Rupees in thousand)	
6. Property, plant and equipment			
Opening Net Book Value (NBV)		1,931,244	2,237,359
Add: Additions / transfers during the period	6.1	3,033	15,074
		<u>1,934,277</u>	<u>2,252,433</u>
Less: Disposals during the period (at NBV)		2,198	1,956
Depreciation charged during the period		3,033	319,233
		5,231	321,189
		<u>1,929,046</u>	<u>1,931,244</u>
6.1 Following is the detail of additions / transfers during the period			
Additions:			
Gas turbine blading		2,574	9,548
Auxiliary plant and machinery		-	3,046
Office equipment		459	282
		3,033	12,876
Transfers:			
Vehicles		-	2,198
		3,033	15,074
7. Trade debts			
Trade debts	7.1	22,924,332	27,071,127
Less: Provision for doubtful debts		459,742	459,742
		<u>22,464,590</u>	<u>26,611,385</u>

7.1 These are considered good except Rs 460 million (June 30, 2023: Rs 460 million) which are considered doubtful. Trade debts include an overdue amount of Rs 17,854 million (June 30, 2023: Rs 22,418 million) receivable from CPPA-G, which is a related party of the Company. The maximum aggregate amount outstanding during the period was Rs 27,071 million (June 30, 2023: Rs 62,504 million). The trade debts are Pakistani rupee denominated and secured by a guarantee from the Government of Pakistan under the Facilitation Agreement. These are in the normal course of business and are interest free, however, a late payment surcharge of SBP discount rate plus 4 percent per annum is charged in case the amounts are not paid within due dates (25~30 days from invoice date) as prescribed in the PPA i.e. default by CPPA-G in timely payment, except for weekly RLNG fuel invoices, due in 03 days, which are subject to markup of 1 month Kibor plus 2 percent per annum for first 30 days, after which markup will be SBP discount rate plus 4 percent per annum.

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2023 (Un-audited)

	Un-audited September 30, 2023		Audited June 30, 2023	
	Cost	Carrying Value (Rupees in thousand)	Cost	Carrying Value
8. Investments at fair value				
Fair value through profit or loss - Government Securities				
Pakistan Investment Bond	23,831,000	22,985,000	23,831,000	22,837,248
GoP Ijarah Sukuk	27,417,400	27,250,581	27,417,400	27,264,290
	<u>51,248,400</u>	<u>50,235,581</u>	<u>51,248,400</u>	<u>50,101,538</u>

Particulars of debt securities are as follows:

	Maturity	Effective Yield	Un-audited September 30, 2023	Audited June 30, 2023
			(Rupees in thousand)	
Pakistan Investment Bond	18-Jun-30	22.667%	22,985,000	22,837,248
GoP Ijarah Sukuk	09-Dec-25	21.843%	7,742,993	7,746,875
GoP Ijarah Sukuk	29-Oct-26	21.845%	19,507,588	19,517,415
			<u>50,235,581</u>	<u>50,101,538</u>

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

Advances to suppliers include amount due for more than a year from WAPDA, an associated undertaking, amounting to Rs 1 million (June 30, 2023: Rs 1 million). These are in the normal course of business and are interest free.

	Quarter ended	
	September 30, 2023	September 30, 2022
	(Rupees in thousand)	
10. Sales		
Energy Purchase Price under the PPA	-	22,520,215
Sales tax	-	(3,238,048)
Net Energy Purchase Price	-	19,282,167
Capacity Purchase Price under the PPA - net	-	3,608,191
	<u>-</u>	<u>22,890,358</u>

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2023 (Un-audited)

	Note	Quarter ended	
		September 30, 2023	September 30, 2022
(Rupees in thousand)			
11. Cost of sales			
Fuel cost		-	20,397,214
Electricity import for self consumption		147,345	130,878
Salaries, wages and benefits		410,375	494,033
Plant maintenance		12,998	49,302
Gas turbines overhauls		-	6,836
Repair and renewals		11,397	22,327
Plant insurance	11.1	220,515	-
Depreciation on property, plant and equipment		3,032	212,172
Amortisation on intangible assets		-	1,290
		<u>805,662</u>	<u>21,314,052</u>

11.1 The Plant insurance was a pass-through item till expiry of the PPA. Thereafter, the Company has recorded an expense in respect of the same.

	Quarter ended	
	September 30, 2023	September 30, 2022
(Rupees in thousand)		
12. Other Income		
Interest on late payment - CPPA-G	1,253,205	1,857,061
Interest on PIBs and Sukuks	2,867,390	1,957,946
Fair value gain on investments at fair value	134,044	-
Scrap sales	102,100	-
Exchange gain	13,524	-
Others	12,633	10,697
	<u>4,382,896</u>	<u>3,825,704</u>

13. Transactions with related parties

Relationship with the Company	Percentage of shareholding	Nature of transaction		
i. Associated undertakings				
- CPPA-G	0%	Sale of electricity	-	22,890,358
- CPPA-G	0%	Purchase of electricity	147,345	130,878
- WAPDA	40%	Purchase of services	259	-
- CPPA-G	0%	Interest income on late payments	1,253,205	1,857,061
ii. Post retirement benefit plans				
- KAPCO employees provident fund trust	0%	Contributions paid	7,533	13,249
iii. Key management personnel (including directors)				
	0%	Compensation	104,605	117,454

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2023 (Un-audited)

Sale and purchase transactions with related parties are carried out on mutually agreed terms.

As per Company policy, Company transport, education of children, club charges, medical facility, house loan subsidy, security and utilities are provided to the employees. Further, a company maintained vehicle is provided to the Chairman of the Board of Directors, and the directors are entitled for corporate club memberships.

	Un-audited September 30, 2023	Audited June 30, 2023
	(Rupees in thousand)	
Period end balances		
Associated Undertakings		
Receivable from related parties	22,737,823	26,884,618
Payable to related parties	46,681	36,824

They are in the normal course of business and interest free.

	Quarter ended September 30, 2023	September 30, 2022
	(Rupees in thousand)	
14. Cash generated from operations		
Profit before tax	1,937,298	3,148,629
Adjustments for:		
- Depreciation on property, plant and equipment	3,033	232,197
- Amortization on intangible assets	-	1,290
- Depreciation on right of use assets	-	26
- Interest income on investment at fair value	(2,867,390)	(1,957,946)
- Fair value gain on investment at fair value	(134,044)	-
- Staff retirement benefits accrued	3,078	26,739
- Finance cost	1,319,081	1,878,413
- Amortisation of contract liability	-	(3,658,635)
Profit / (loss) before working capital changes	261,056	(329,287)
Effect on cash flow due to working capital changes:		
- Increase in store and spares	(19,968)	(86,533)
- Increase in stock-in-trade	-	(5,295,951)
- Decrease in trade debts	4,146,795	17,803,380
- (Increase) / decrease in loans, advances, deposits, prepayments and other receivables	(187,989)	1,141,561
- Decrease in trade and other payables	(432,450)	(9,599,297)
	3,506,388	3,963,160
Cash generated from operations	3,767,444	3,633,873

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2023 (Un-audited)

	September 30, 2023	September 30, 2022
	(Rupees in thousand)	
15. Cash and cash equivalents		
Cash and bank balances	1,063,623	979,948
Finances under mark-up arrangements - secured	(19,403,268)	(32,734,372)
	<u>(18,339,645)</u>	<u>(31,754,424)</u>

16. Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at 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 values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Specific valuation techniques used to value financial instruments include:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following is categorization of assets which are disclosed at fair value as at September 30, 2023:

	Level 1	Level 2	Level 3	Total
	Un-audited			
	(Rupees in thousand)			
Assets:				
Investments at fair value	<u>50,235,581</u>	<u>-</u>	<u>-</u>	<u>50,235,581</u>

The following is categorization of assets which are disclosed at fair value as at June 30, 2022:

	Level 1	Level 2	Level 3	Total
	Audited			
	(Rupees in thousand)			
Assets:				
Investments at fair value	<u>50,101,538</u>	<u>-</u>	<u>-</u>	<u>50,101,538</u>

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2023 (Un-audited)

17. Date of authorisation for issue

These condensed interim financial statements were authorised for issue on October 26, 2023 by the Board of Directors of the Company.

18. Subsequent events after the reporting date

No significant events have occurred subsequent to September 30, 2023, other than those mentioned elsewhere in these condensed interim financial statements.

19. 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.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer



Hafiz Muhammad Yousaf
Director