



# 3<sup>rd</sup> QUARTER R E P O R T

March 31, 2021 (un-audited)

KOT ADDU POWER COMPANY LIMITED

## Contents

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Company Information .....	1
Directors' Report (English) .....	2
Directors' Report (Urdu) .....	3
Condensed Interim Statement of Financial Position .....	4
Condensed Interim Statement of Profit and Loss .....	6
Condensed Interim Statement of Comprehensive Income .....	7
Condensed Interim Statement of Cash Flow .....	8
Condensed Interim Statement of Changes in Equity .....	9
Notes to the Condensed Interim Financial Statements .....	10

## Company Information

Board of Directors	Lt. General (Retd) Muzammil Hussain (Chairman) Mr. Aftab Mahmood Butt (Chief Executive) Mr. Aqeel Ahmed Nasir Mr. Hafiz Muhammad Yousaf Mr. Naveed Asghar Chaudhry Mr. Saad Iqbal Mr. Jamil Akhtar <sup>1</sup> Ms. Zunaira Azhar
Audit Committee	Mr. Hafiz Muhammad Yousaf (Chairman) Mr. Naveed Asghar Chaudhry Mr. Saad Iqbal Mr. Jamil Akhtar
HR Committee	Mr. Aqeel Ahmed Nasir (Chairman) Mr. Aftab Mahmood Butt Mr. Naveed Asghar Chaudhry
LDs Committee	Mr. Aqeel Ahmed Nasir (Chairman) Mr. Aftab Mahmood Butt Mr. Saad Iqbal
Special Committee	Mr. Naveed Asghar Chaudhry (Chairman) Mr. Aftab Mahmood Butt Mr. Aqeel Ahmed Nasir
Chief Financial Officer	Mr. Muhammad Rabnawaz Ajnum
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	<u>Conventional</u> 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  <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 2912-6, 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 present the financial statements (un-audited) for the period ended March 31, 2021.

For the nine month period, the turnover was Rs. 45,640 Million; cost of sales were Rs. 29,267 Million; and profit after tax stood at Rs. 15,927 Million (compared to Rs. 17,774 Million in the corresponding period last year) giving an EPS of Rs. 18.09 (Rs. 20.19 in the corresponding period last year).

During the third quarter, the Power Plant generated 350 GWh of electricity (year to date generation level 2,341 GWh) at a load factor of 12.1 % (year to date load factor 26.5 %) with an overall commercial availability of 95.4% (year to date overall commercial availability 96.7%).

During the review period, combustion inspection of four Gas Turbines were carried out as per plan. Replacement of GT Control System were carried out as per plan. Major Overhauling of 3 Units were carried out.

On March 31, 2021, the receivables of the Company amounted to Rs. 126,742 Million. The Company continues to pursue the off-taker and concerned Ministries in the Government of Pakistan for resolution of the matter.

As at March 31, 2021 the accumulated amount of Liquidated Damages (LDs) invoiced to the Company amount to Rs. 27,898 Million for the period 2008-09 to June 30, 2016. Arbitration proceedings for the settlement of the LDs dispute are pending before the International Chamber of Commerce (ICC) in Singapore. The arbitration proceedings have for the time being been suspended for giving the parties an opportunity to settle the LDs dispute. The Company has obtained shareholder approval in general meeting for the settlement of the LDs dispute. On the other hand, ECC has principally approved the amendments in the Facilitation Agreement and the Guarantee, which will be followed by the formal signing of these agreements by the parties to make the arrangement effective. You may refer to Note 2.3 of the Financial Statements for details on the LDs and the expiry of the Power Purchase Agreement (PPA). Once the suite of agreements become effective, appropriate accounting adjustments of the LDs settlement amount will be made in the financial statements.

The Company continues to closely monitor the implementation of appropriate safety protocols at the Power Plant and its adjoining Housing Colony against the spread of Covid 19.

The Company has complied with the requirements of the Regulations 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)

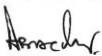
2. The composition of the Board is as follows:

Category	Names
Independent Directors	<ul style="list-style-type: none"><li>• Mr. Aqeel Ahmed Nasir</li><li>• Mr. Hafiz Muhammad Yousaf</li><li>• Mr. Saad Iqbal</li><li>• Ms. Zunaira Azhar</li></ul>
Executive Director	<ul style="list-style-type: none"><li>• Mr. Aftab Mahmood Butt (Chief Executive)</li></ul>
Non-Executive Directors	<ul style="list-style-type: none"><li>• Lt. General Muzammil Hussain (Retd)</li><li>• Mr. Naveed Asghar Chaudhry</li><li>• Mr. Jamil Akhtar<sup>1</sup></li></ul>

#### Committees of the Board:

Audit Committee	<ul style="list-style-type: none"><li>• Mr. Hafiz Muhammad Yousaf (Chairman)</li><li>• Mr. Naveed Asghar Chaudhry</li></ul>	<ul style="list-style-type: none"><li>• Mr. Saad Iqbal</li><li>• Mr. Jamil Akhtar</li></ul>
HR Committee	<ul style="list-style-type: none"><li>• Mr. Aqeel Ahmed Nasir (Chairman)</li><li>• Mr. Naveed Asghar Chaudhry</li></ul>	<ul style="list-style-type: none"><li>• Mr. Aftab Mahmood Butt</li></ul>
LDs Committee	<ul style="list-style-type: none"><li>• Mr. Aqeel Ahmed Nasir (Chairman)</li><li>• Mr. Saad Iqbal</li></ul>	<ul style="list-style-type: none"><li>• Mr. Aftab Mahmood Butt</li></ul>
Special Committee	<ul style="list-style-type: none"><li>• Mr. Naveed Asghar Chaudhry (Chairman)</li><li>• Mr. Aqeel Ahmed Nasir</li></ul>	<ul style="list-style-type: none"><li>• Mr. Aftab Mahmood Butt</li></ul>

On behalf of the Board

  
Aftab Mahmood Butt  
Chief Executive  
Lahore: April 23, 2021

  
Hafiz Muhammad Yousaf  
Director

<sup>1</sup> Appointed Director in place of Mr. Javed Akhtar on April 15, 2021.

## ڈائریکٹرز رپورٹ

ہم 31 مارچ 2021 کو ختم ہونے والی مدت کے لیے مالیاتی گوشوارے (خیر آڈٹ شدہ) پیش کر رہے ہیں۔

اس نوامی کے لیے مجموعی آمدنی 45,640.4 ملین روپے پوری فروخت کے اخراجات 29,267 ملین روپے بجلی کی فراہمی کے بعد ہونے والے منافع 15,927 ملین روپے ہمارے (گزشتہ سال اسی مدت کے لیے) منافع 17,774 ملین (قر) جس کی بدولت فی شیئر آمدن 18.09 روپے پوری (گزشتہ سال اسی مدت کے لیے فی شیئر آمدن 20.19 روپے تھی)۔

تیسری سہ ماہی کے دوران پاور پلانٹ 350 میگا واٹ ڈرنکل پیدا کی (سال کے دوران پیداوار 2,341 میگا واٹ اور) بجلی کوڈ فیکٹر 12.1 فیصد (سال کے لیے اوسط فیکٹر 26.5 فیصد) اور کاروباری طور پر دستیابی کی شرح 95.4 فیصد رہی (سال کے لیے دستیابی کی شرح 97.7 فیصد)۔

زیر کار مدت کے دوران منصوبے کے مطابق 4 گیس رپائننگ کا combustion معائنہ کیا گیا۔ منصوبے کے مطابق جی ٹی کنٹرول سسٹم کو تھریل کیا گیا۔ تین ٹرنس کی بڑی اور ہائلگ کی گئی۔

31 مارچ 2021 تک کئی کے مختلف فراہم کنندہ اور اس کے ذمہ دار 126,742 ملین روپے تھے۔ کئی کئی حاصل کرنے والے صارف اور حکومت پاکستان کی مختلف وزارتوں کے ساتھ مسلسل رابطے میں ہے تاکہ اس مسئلے کو حل کیا جاسکے۔

31 مارچ 2021 تک 2008-09 سے 30 جون 2016 تک کی مدت کے لیے نقصانات کے ازالے کی مدد میں کئی پر دعویٰ کی گئی رقم 27,898 ملین روپے ہے۔ نقصانات کے ازالے کے حوالے سے ثالثی منسلک چورس میں انٹر نیٹس جی آر آف کمرس کے رپورڈ پر مبنی ہے۔ اس وقت ثالثی کی کارروائی قیود پر معلق کر کے فریقین کو تازہ عمل کرنے کا موقع فراہم کیا گیا ہے۔ کئی نے اس ثالثی کے لیے عمومی اجلاس میں شیئر ہولڈرز سے منظوری حاصل کر لی ہے۔ دوسری طرف کابینہ کی اقتصادی راہداری نے سہولت کاری کے معاہدے اور گارنٹی میں ترامیم کی اصولی طور پر منظوری دے دی ہے، جس کے بعد ان نقصانات کو مشورہ دے کے لیے فریقین کے مابین معاہدوں پر دستخط کیے جائیں گے۔ آپ نقصانات کے ازالے اور کئی کی فراہمی کے معاہدے کی معائنہ ہونے کے بعد ختم ہونے کے بعد سے مزید تصدیقات چاہنے کے لیے مالیاتی گوشوارہ کا نوٹ 2.3 دیکھ سکتے ہیں۔ معاہدوں کے نافذ العمل ہونے کے بعد نقصانات کے ازالے کے حوالے سے مالیاتی گوشواروں میں اینڈ جرنلنگ کی جائے گی۔

کئی نے کوڈ 19 کے تاثرات میں پاور پلانٹ اور اس سے ملحق ڈاکٹنگ کالونی میں مناسب حفاظتی انتظامات پر مؤثر طریقے سے عملدرآمد کر دیا ہے۔

کئی نے ضوابط کار پر مندرجہ ذیل طریقے سے عملدرآمد کیا ہے:

1۔ ڈائریکٹرز کی مجموعی تعداد 8 اور ترجیح حسب ذیل ہے:

(a) مرد سات (7)

(b) خواتین ایک (1)

2۔ بورڈ کا مجموعہ حسب ذیل ہے:

کمیٹی	نام
غیر جانبدار ڈائریکٹرز	<ul style="list-style-type: none"> <li>جناب عقیل احمد ناصر</li> <li>جناب سعد اقبال</li> <li>جناب حافظ محمد یوسف</li> <li>محترمہ مدوہ خیرہ الطیر</li> </ul>
ایگزیکٹو ڈائریکٹر	<ul style="list-style-type: none"> <li>جناب آفتاب محمود بیٹ (چیف ایگزیکٹو)</li> </ul>
ٹان ایگزیکٹو ڈائریکٹرز	<ul style="list-style-type: none"> <li>لیفٹیننٹ جنرل مول حسین (ریٹائرڈ)</li> <li>جناب نوید اصغر چوہدری</li> <li>جناب جمیل اختر 1</li> </ul>

بورڈ کی کمیٹی:

آڈٹ کمیٹی	<ul style="list-style-type: none"> <li>جناب حافظ محمد یوسف (چیرمین)</li> <li>جناب نوید اصغر چوہدری</li> <li>جناب سعد اقبال</li> <li>جناب جمیل اختر</li> </ul>
ایچ آر کمیٹی	<ul style="list-style-type: none"> <li>جناب عقیل احمد ناصر (چیرمین)</li> <li>جناب نوید اصغر چوہدری</li> <li>جناب آفتاب محمود بیٹ</li> </ul>
LDs کمیٹی	<ul style="list-style-type: none"> <li>جناب عقیل احمد ناصر (چیرمین)</li> <li>جناب آفتاب محمود بیٹ</li> <li>جناب سعد اقبال</li> </ul>
سوشل کمیٹی	<ul style="list-style-type: none"> <li>جناب نوید اصغر چوہدری (چیرمین)</li> <li>جناب آفتاب محمود بیٹ</li> <li>جناب عقیل احمد ناصر</li> </ul>

مخائب بورڈ

حافظ محمد یوسف  
ڈائریکٹر

آفتاب محمود بیٹ  
چیف ایگزیکٹو آفیسر

لاہور: 23 اپریل 2021ء

1۔ جناب جمیل اختر کو 15 اپریل 2021 کو جناب جمیل اختر کی جگہ ڈائریکٹر تعینات کیا گیا۔

**Condensed Interim Statement of Financial Position**  
as at March 31, 2021 (Un-audited)

	Un-audited March 31, 2021	Audited June 30, 2020
Note	(Rupees in thousand)	
<b>EQUITY AND LIABILITIES</b>		
<b>CAPITAL AND RESERVES</b>		
Authorised capital		
3,600,000,000 (June 30, 2020: 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, 2020: 880,253,228)		
ordinary shares of Rs 10 each	8,802,532	8,802,532
Capital reserve	444,451	444,451
Unappropriated profit	65,710,426	51,103,528
	74,957,409	60,350,511
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	4,424	11,065
Deferred liabilities	11,393,877	8,505,835
	11,398,301	8,516,900
<b>CURRENT LIABILITIES</b>		
Current portion of long term liabilities	15,134	14,288
Finances under mark-up arrangements	5 38,024,941	44,062,195
Trade and other payables	6 20,277,550	20,784,614
Unclaimed dividend	812,887	794,671
	59,130,512	65,655,768
<b>CONTINGENCIES AND COMMITMENTS</b>	7	
	145,486,222	134,523,179

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt  
Chief Executive Officer



M. Rabnawaz Anjum  
Chief Financial Officer

		Un-audited March 31, 2021	Audited June 30, 2020
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	2,463,172	4,106,460
Intangible assets		1,790	7,235
Right of use assets		10,849	19,064
Long term loans and deposits		9,907	12,508
		2,485,718	4,145,267
CURRENT ASSETS			
Stores and spares		3,172,508	3,855,364
Stock-in-trade		8,846,825	2,700,672
Trade debts	9	126,742,296	119,903,511
Income tax due from government		959,896	1,540,711
Loans, advances, deposits, prepayments and other receivables		2,463,859	1,542,408
Cash and bank balances		815,120	835,246
		143,000,504	130,377,912
		145,486,222	134,523,179



Hafiz Muhammad Yousaf  
Director

## Condensed Interim Statement of Profit or Loss

for the three-month and nine-month period ended March 31, 2021 (Un-audited)

		Three month ended		Nine month ended	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	Note	(Rupees in thousand)			
Sales	10	11,564,144	11,927,297	45,640,283	56,396,719
Cost of sales	11	(6,581,400)	(6,356,828)	(29,267,078)	(40,720,742)
Gross profit		4,982,744	5,570,469	16,373,205	15,675,977
Administrative expenses		(208,852)	(197,496)	(872,639)	(670,340)
Other income	12	2,235,631	5,322,961	9,335,102	16,658,928
Finance cost		(770,675)	(2,179,418)	(2,399,343)	(6,937,448)
Profit before tax		6,238,848	8,516,516	22,436,325	24,727,117
Taxation		(1,809,562)	(2,469,665)	(6,509,047)	(6,953,259)
Profit for the period		4,429,286	6,046,851	15,927,278	17,773,858
Earnings per share					
- basic and diluted Rupees		5.03	6.87	18.09	20.19

The annexed notes 1 to 17 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 three-month and nine-month period ended March 31, 2021 (Un-audited)

	Three month ended		Nine month ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Rupees in thousand)			
Profit for the period	4,429,286	6,046,851	15,927,278	17,773,858
- Items that will not be reclassified to profit or loss	-	-	-	-
- Items that may be reclassified subsequently to profit or loss	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	4,429,286	6,046,851	15,927,278	17,773,858

The annexed notes 1 to 17 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 nine-month period ended March 31, 2021 (Un-audited)

		Nine month ended	
		March 31, 2021	March 31, 2020
	Note	(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	14	14,371,444	19,062,906
Finance cost paid		(3,852,185)	(8,638,163)
Taxes paid		(3,122,691)	(3,771,085)
Staff retirement benefits paid		(62,493)	(21,775)
Net cash generated from operating activities		7,334,075	6,631,883
Cash flows from investing activities			
Fixed capital expenditure		(25,434)	(20,262)
Income on bank deposits received		16,956	48,717
Net decrease in long term loans and deposits		2,601	9,156
Proceeds from sale of property, plant and equipment		1,299	6,059
Net cash (used in) / generated from investing activities		(4,578)	43,670
Cash flows from financing activities			
Repayment of lease liabilities		(10,205)	(8,422)
Dividend paid		(1,302,164)	(3,202,115)
Net cash used in financing activities		(1,312,369)	(3,210,537)
Net increase in cash and cash equivalents during the period		6,017,128	3,465,016
Cash and cash equivalents at beginning of the period		(43,226,949)	(52,830,372)
Cash and cash equivalents at end of the period	15	(37,209,821)	(49,365,356)

The annexed notes 1 to 17 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 nine-month period ended March 31, 2021 (Un-audited)

	Share capital	Capital reserve	Un-appro- priated profit	Total
		(Rupees in thousand)		
Balance as at June 30, 2019				
Audited	8,802,532	444,451	31,914,164	41,161,147
Total comprehensive income for the period	-	-	17,773,858	17,773,858
Transactions with owners:				
Final dividend for the year ended June 30, 2019 - Rs 3.00 per share	-	-	(2,640,760)	(2,640,760)
Balance as at March 31, 2020				
Un-audited	8,802,532	444,451	47,047,262	56,294,245
Balance as at June 30, 2020				
Audited	8,802,532	444,451	51,103,528	60,350,511
Total comprehensive income for the period	-	-	15,927,278	15,927,278
Transactions with owners:				
Interim dividend for the year ending June 30, 2021 - Rs 1.50 per share	-	-	(1,320,380)	(1,320,380)
Balance as at March 31, 2021				
Un-audited	8,802,532	444,451	65,710,426	74,957,409

The annexed notes 1 to 17 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

**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).

**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, 2020.

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, 2020. Furthermore, the basis of significant estimates are same as those that were applied to the preceding financial statements for the year ended June 30, 2020.

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 Expiry of PPA and going concern assumption

The existing PPA which is for the term of 25 years is due to expire on June 26, 2021. In line with terms and conditions of the PPA, the Company had taken-up the matter for renewal / extension or revision of PPA with Water and Power Development Authority (WAPDA) and other relevant quarters of the Government of Pakistan (GoP).

Due to the expiry of the current PPA, a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern beyond June 26, 2021.

On June 03, 2020, the Government formed a negotiation committee (the Committee) to initiate discussion with Independent Power Producers (IPPs) on various matters, which inter alia, included tariff concessions and other terms and conditions of respective PPAs and also to coordinate with other GoP institutions, including Ministry of Energy, Central Power Purchasing Agency Guarantee Limited (CPPA-G), WAPDA, National Electric Power Regulatory Authority (NEPRA), National Transmission and Dispatch Company (NTDC) etc. for this purpose. After several discussions with the Committee, a Memorandum of Understanding (MoU) was signed between the Committee and the Company on August 19, 2020.

Subsequent to the MoU, the Government of Pakistan through notification dated October 7, 2020 constituted the Implementation Committee to finalize the binding agreement based on the MoU referred above. After several discussions with the Implementation Committee, WAPDA ("Power Purchaser") signed the Third Amendment to the PPA and Master Agreement (the Agreements) on February 11, 2021. Pursuant to the terms of these Agreements, the outages due to fuel shortage during the period 2008-2016 will be treated as Other Force Majeure Event under the PPA and consequently, existing Term of PPA will be extended by 16 (sixteen) months. During this extended period of 16 (sixteen) months, the Company agrees to waive off any right to receive Capacity Payments in lieu of the Capacity Payments already received during the outage period. However, during this extended period, the Company will receive Energy Payments and other pass-through items. Furthermore, as per terms of the Master Agreement, WAPDA shall consent to

the extension of the PPA for an additional term following the expiry of the extended term as mentioned above. The Company will also have the option to sell electricity to other Bulk Power Consumers through wheeling arrangement.

The above Agreements have been approved by the Federal Cabinet, the Company's Board of Directors and its shareholders, however, these Agreements will become effective only after amendments to the Facilitation Agreement and the GoP Guarantee have been approved by GoP and amendment to the Facilitation agreement and the GoP Guarantee have been signed by the respective parties. The management is confident that these Agreements will be duly approved and executed in due course.

Furthermore, keeping in view the Plant's operations and maintenance as per best utility practices and its significance to WAPDA due to its certain distinct capabilities and strategic location in mid of the country, the management is optimistic about the potential of the Plant to be operational at varying levels of generation vis-à-vis the anticipated technical and commercial regime beyond the extended term. Accordingly, the Company has prepared these condensed interim financial statements 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 approved accounting standards are effective for the annual periods beginning on or after January 1, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial statements.

**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 except for the following:

The Securities and Exchange Commission of Pakistan ('SECP') through SRO 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 SRO 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

**Notes to the Condensed Interim Financial Statements**  
for the nine-month period ended March 31, 2021 (Un-audited)

30, 2021. The management of the Company believes that the application of this standard subsequent to June 30, 2021 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.
5. Finances under mark-up arrangements

		Un-audited March 31, 2021	Audited June 30, 2020
	Note	(Rupees in thousand)	
- Under conventional finances- secured	5.1	18,861,580	20,545,528
- Under Islamic finances- secured	5.1	14,163,361	23,516,667
- Under Islamic finances- unsecured	5.2	5,000,000	-
		<u>38,024,941</u>	<u>44,062,195</u>

- 5.1 Finances under mark-up arrangements available from various commercial banks amount to Rs 29,977 million (June 30, 2020: Rs 30,572 million) and finances available under musharakah and murabaha arrangements amount to Rs 24,900 million (June 30, 2020: Rs 24,587 million). The rate of mark-up ranges from 6.98 percent to 10.50 percent (June 30, 2020: 8.8 percent to 15.1 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, 2020: 20 percent to 24 percent) per annum on the balances unpaid.
- 5.2 On December 8, 2020, the Company issued privately placed unsecured Sukuk certificates based on musharakah amounting to Rs 5,000 million at a mark-up of 0.70% per annum above three-month KIBOR. The mark-up on the Sukuk is payable on quarterly basis in arrear and the principal is payable on June 8, 2021.
- 5.3 Of the aggregate facility of Rs 226 million (June 30, 2020: Rs 227 million) for opening letters of credit and Rs 4 million (June 30, 2020: Rs 4 million) for guarantees, the amounts utilised as at March 31, 2021 were Rs 158 million (June 30, 2020: Rs 83 million) and Rs 4 million (June 30, 2020: Rs 4 million) respectively.
- 5.4 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, 2020: Rs 90,792 million) and ranking charge over current assets up to a limit of Rs 1,334 million (June 30, 2020: Rs 1,334 million).
- 5.5 The finances under mark-up arrangements include Nil (June 30, 2020: Rs 527 million) payable to Samba Bank Limited, a related party.

**6. Trade and other payables**

Trade and other payables include an amount of Rs 13,702 million (June 30, 2020: Rs 15,184 million) payable to the fuel suppliers and late payment surcharge on credit supplies of fuel.

**7. Contingencies and commitments**

**7.1 Contingencies**

There has been no significant change in the status of the contingent liabilities disclosed as at June 30, 2020 except the following:

- (i) Additional Commissioner Inland Revenue amended the assessment of tax year 2016 and issued order by disallowing certain expenses, on October 13, 2017 creating a demand of Rs 1,162 million which was later reduced to Rs 1,077 million through rectification order. The Company filed an appeal before Commissioner Inland Revenue Appeals (CIR-Appeals) who vide order dated January 11, 2018 reduced the demand to Rs 779 million.

Being aggrieved with the order of the (CIR-Appeals), both the Department and the Company filed appeals before the ATIR. After hearing the stance of both the parties in appeal, ATIR proceeded to uphold the order passed by the learned (CIR-Appeals). Being aggrieved both the Department and the Company filed appeals before the Honorable Lahore High Court who vide their order dated February 22, 2019 remanded the case back to ATIR for fresh proceedings. ATIR passed an order dated December 16, 2020 wherein issue of tax differential was decided in favour of Company and issue of disallowance of repair and maintenance was remanded back to Department for fresh proceedings. Company has decided to file a reference in Honorable High Court against the said order of ATIR.

The management and the taxation expert of the Company believe that there are meritorious grounds available to defend the foregoing demand. Consequently no provision has been recorded in these condensed interim financial statements.

- (ii) Additional Commissioner Inland Revenue amended the assessment of tax year 2017 and issued an order by disallowing certain expenses, on April 23, 2018 creating a demand of Rs 741 million. The Company filed an appeal before Commissioner Inland Revenue Appeals (CIR-Appeals). CIR-Appeals issued an order dated November 05, 2018 wherein all the issues, except disallowance of project development cost amounting to Rs 221 million, were decided in the Company's favor. The Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR), which was decided in favor of the Company during the period vide order dated January 06, 2021.



- (iii) Additional Commissioner Inland Revenue amended the assessment of tax year 2020 and issued order on February 01, 2021 creating a demand of Rs 6,121 million on account of chargeability of tax on true-up income, late payment (LP) income from WAPDA and inadmissibility of few deductions by disallowing certain expenses. The Company is of the view that true-up income being unrealized exchange gain and LP income still being receivable from WAPDA will be taxed on realization basis in the year of actual receipt. Similarly, other issues confronted on account of inadmissibility of deductions have already been decided in favor of the Company at higher appellate forums in previous years. Therefore, the Company has filed an appeal in CIR-Appeals against the said order.

The management and the taxation expert of the Company believe that there are meritorious grounds available to defend the foregoing demand. Consequently no provision has been recorded in these condensed interim financial statements.

- (iv) Deputy Commissioner Inland Revenue issued sales tax assessment order on August 5, 2020 creating demand of Rs 1,111 million by rejecting credit notes issued during the tax period October 2014 to November 2016. Being aggrieved, the Company filed an appeal before CIR-Appeals. CIR-Appeals remanded back the case to Tax department vide order dated September 24, 2020. The Tax department has filed an appeal with the ATIR against the decision of CIR-Appeals, which is pending adjudication.

The management and the taxation expert of the Company believe that there are meritorious grounds available to defend the foregoing demand. Consequently, no provision has been recorded in these condensed interim financial statements.

- (v) Commissioner Inland Revenue (CIR) issued the assessment order on August 31, 2020 creating a demand of Rs 2,600 million on account of disallowance of input on capacity invoices and inadmissibility of input on various invoices under section 8 of the Sales Tax Act, 1990 during the tax period July 2016 to June 2017. Being aggrieved, the Company filed an appeal before CIR-Appeals who vide order dated November 23, 2020 deleted all the issues except inadmissibility of input to the tune of Rs 4 million. Tax department has filed an appeal in ATIR against the said order.

The management and the taxation expert of the Company believe that there are meritorious grounds available to defend the foregoing demand. Consequently, no provision has been recorded in these condensed interim financial statements.

- (vi) Water and Power Development Authority (WAPDA) had raised invoices for liquidated damages to the Company for the years ended June 30, 2009 through 2016 (after taking into account forced outage allowance stipulated

under the terms of PPA) on account of short supply of electricity by the Company, which was due to cash flow constraints of the Company as a result of default by WAPDA in making timely payments. Liquidated damages invoiced to the Company amount to Rs 27,898 million (June 30, 2020: Rs 27,898 million). Estimated amount of liquidated damages are not expected to exceed Rs 27,681 million as at March 31, 2021 (June 30, 2020: Rs 27,681 million) based on the best estimate of the management.

The Company disputed and rejected the claim on account of liquidated damages that was raised by WAPDA on the premise that its failure to dispatch electricity was due to WAPDA's non-payment of dues on timely basis to the Company and consequential inability of the Company to make timely payments to its fuel supplier (PSO) that resulted in inadequate level of electricity production owing to shortage of fuel. In this regard, the Company has initiated the dispute resolution procedures specified in the PPA and commenced proceedings for Arbitration in Singapore under the rules of International Chamber of Commerce (ICC).

Pursuant to the Master agreement and Third amendment to the Power Purchase Agreements signed between the Company and WAPDA ("Parties") dated February 11, 2021, the Parties have agreed to settle the dispute outstanding in Arbitration and withdraw the above case from ICC tribunal. The above agreements shall be binding on the Parties after obtaining the requisite approvals from the relevant authorities as mentioned in note 2.3.

- (vii) Sui Northern Gas Pipelines Limited (SNGPL) has raised claims of late payment surcharge amounting to Rs 766 million (June 30, 2020: Rs 775 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 condensed interim financial statements.

- (viii) 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 4 million (June 30, 2020: Rs 4 million).

## 7.2 Commitments

- (i) Contracts for capital expenditure Nil (June 30, 2020: Rs 21 million)
- (ii) Letters of credit other than for capital expenditure Rs 158 million (June 30, 2020: Rs 88 million).
- (iii) Contracts for car ijarah are Rs 44 million (June 30, 2020: Rs 54 million).

**Notes to the Condensed Interim Financial Statements**  
for the nine-month period ended March 31, 2021 (Un-audited)

		Un-audited March 31, 2021	Audited June 30, 2020
	Note	(Rupees in thousand)	
<b>8. Property, plant and equipment</b>			
Opening Net Book Value (NBV)		4,106,460	6,337,095
Add: Additions / transfers during the period	8.1	27,719	30,971
		<u>4,134,179</u>	<u>6,368,066</u>
Less: Disposals / adjustment during the period (at NBV)		783	6,530
Depreciation charged during the period		1,670,224	2,255,076
		<u>1,671,007</u>	<u>2,261,606</u>
		<u>2,463,172</u>	<u>4,106,460</u>
<b>8.1 Following is the detail of additions / transfers during the period</b>			
<b>Additions:</b>			
Gas turbine blading		23,023	2,184
Auxiliary plant and machinery		346	22,716
Office equipment		2,064	2,897
		<u>25,433</u>	<u>27,797</u>
<b>Transfers (at NBV):</b>			
Vehicles		2,286	3,174
		<u>27,719</u>	<u>30,971</u>
<b>9. Trade debts</b>			
Trade debts	9.1	126,934,482	120,096,066
Less: Provision for doubtful debts		192,186	192,555
		<u>126,742,296</u>	<u>119,903,511</u>
<b>9.1 These are considered good except Rs 192 million (June 30, 2020: Rs 193 million) which are considered doubtful. Trade debts include an overdue amount of Rs 114,927 million (June 30, 2020: Rs 99,362 million) receivable from WAPDA, which is a related party of the Company. The maximum aggregate amount outstanding (gross) during the period was Rs 127,576 million (June 30, 2020: Rs 129,750 million). The trade debts are 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 penal mark-up of SBP discount rate plus 4 percent per annum is charged in case the amounts are not paid within due dates.</b>			

**Notes to the Condensed Interim Financial Statements**  
for the nine-month period ended March 31, 2021 (Un-audited)

	Three month ended		Nine month ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	(Rupees in thousand)		(Rupees in thousand)	
10. Sales				
Energy purchase price	5,358,184	6,175,115	29,561,033	43,771,344
Sales tax	(776,538)	(895,036)	(4,277,127)	(6,340,794)
Net energy purchase price	4,581,646	5,280,079	25,283,906	37,430,550
Capacity purchase price	6,982,497	6,647,218	20,356,377	18,966,169
	<u>11,564,143</u>	<u>11,927,297</u>	<u>45,640,283</u>	<u>56,396,719</u>
11. Cost of sales				
Fuel cost	4,579,546	5,228,055	24,766,223	36,486,736
Salaries, wages and benefits	418,731	390,723	1,444,233	1,420,743
Plant maintenance	41,092	45,134	149,636	158,821
Gas turbines overhauls	378,345	94,100	434,698	778,145
Repair and renewals	629,983	58,952	860,845	240,521
Depreciation on property, plant and equipment	531,913	539,216	1,605,997	1,633,836
Amortisation on intangible assets	1,790	648	5,446	1,940
	<u>6,581,400</u>	<u>6,356,828</u>	<u>29,267,078</u>	<u>40,720,742</u>
12. Other Income				
True-up income	67,180	1,916,143	2,918,944	6,440,692
Interest on late payment from WAPDA	2,151,869	3,369,515	6,339,891	10,086,424
Others	16,582	37,303	76,267	131,812
	<u>2,235,631</u>	<u>5,322,961</u>	<u>9,335,102</u>	<u>16,658,928</u>

**Notes to the Condensed Interim Financial Statements**  
for the nine-month period ended March 31, 2021 (Un-audited)

			Nine month ended	
			March 31, 2021	March 31, 2020
			(Rupees in thousand)	
13. Transactions with related parties				
Relationship with the Company	Percentage of shareholding	Nature of transaction		
i. Associated undertakings				
- WAPDA	40%	Sale of electricity	45,640,283	56,396,719
- WAPDA	40%	Purchase of electricity	191,638	181,588
- WAPDA	40%	Purchase of services	1,852	22
- WAPDA	40%	Interest income on late payments	6,339,891	10,086,424
- WAPDA	40%	True-up income	2,918,944	6,440,692
- WAPDA	40%	Dividend paid	531,467	1,062,933
- KAPCO Employees Empowerment Trust	5%	Dividend paid	72,379	144,757
- Samba Bank Limited	0%	Financial charges	23,667	90,074
- Pakistan Institute of Corporate Governance	0%	Purchase of services	431	100
ii. Post retirement benefit plans				
- KAPCO employees pension fund trust	0%	Contributions paid	31,634	3,839
- KAPCO employees provident fund trust	0%	Contributions paid	37,080	36,460
iii. Key management personnel (including directors)				
	0%	Compensation	281,278	291,481

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

	Un-audited March 31, 2021	Audited June 30, 2020
	(Rupees in thousand)	
Period end balances		
Associated Undertakings		
Receivable from related parties	127,190,653	120,562,233
Payable to related parties	4,490,508	3,380,563

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

**Notes to the Condensed Interim Financial Statements**  
for the nine-month period ended March 31, 2021 (Un-audited)

		Nine month ended	
		March 31, 2021	March 31, 2020
		(Rupees in thousand)	
14. Cash generated from operations			
Profit before tax		22,436,325	24,727,117
Adjustments for:			
- Depreciation on property, plant and equipment		1,670,224	1,698,179
- Amortisation on intangible assets		5,446	1,940
- Depreciation on right of use assets		5,929	9,722
- Gain on sale of fixed assets		(516)	(465)
- Income on bank deposits		(16,956)	(48,717)
- Staff retirement benefits accrued		149,405	107,767
- Finance cost		2,399,342	6,937,448
Profit before working capital changes		26,649,199	33,432,991
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets			
- Stores and spares		682,856	(220,259)
- Stock-in-trade		(6,146,153)	4,563,634
- Trade debts		(6,838,785)	(9,598,039)
- Loans, advances, deposits, prepayments and other receivables		(921,451)	673,303
Increase / (decrease) in trade and other payables		945,778	(9,788,724)
		(12,277,755)	(14,370,085)
Cash generated from operations		14,371,444	19,062,906

		March 31, 2021	March 31, 2020
		(Rupees in thousand)	
15. Cash and cash equivalents			
Cash and bank balances		815,120	787,689
Finances under mark-up arrangements	5	(38,042,941)	(50,153,045)
		(37,209,821)	(49,365,356)

**Notes to the Condensed Interim Financial Statements**  
for the nine-month period ended March 31, 2021 (Un-audited)

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16. Date of authorisation for issue

These condensed interim financial statements were authorised for issue on April 23, 2021 by the Board of Directors of the Company.

17. Corresponding figures

In order to comply with the requirements of International Accounting Standard 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