



1ST QUARTER REPORT

September 30, 2022 (un-audited)

KOT ADDU POWER COMPANY LIMITED

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Company Information

Board of Directors	Lt. General (Retd) Sajad 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. 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. Jamil Akhtar
GM Finance / CFO	Mr. Muhammad Rabnawaz Ajnum
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 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 Attalah 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, Jam 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 are pleased to present the financial statements (un-audited) for the first quarter ended September 30, 2022.

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 549 GWh of electricity, resulting in a load factor of 18.5% and an overall commercial availability of 95.8%. The lesser generation is due to the lesser dispatch requirement from the Power Purchaser mainly due to weather conditions.

Turnover for the review period was Rs. 22,890 Million and cost of sales were Rs. 21,314 Million. Profit after tax for the period stood at Rs. 2,110 Million (compared to Rs. 2,260 Million in the corresponding period in 2021), delivering an earnings per share (EPS) of Rs. 2.40.

On September 30, 2022, Company's receivables (including overdue receivables) from the Power Purchaser were Rs. 44,351 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's existing Power Purchase Agreement (Original PPA) expired on October 24, 2022. Given the positive progress made, which includes the issuance by the National Electric Power Regulatory Authority (NEPRA) of a generation license to the Company for a period of three years (expiring on September 21, 2024), inclusion of the Company in the Indicative Generation Capacity Expansion Plan (IGCEP) 2022-31, system constraints and energy security requirements of the Country, there is a basis for the belief that a new power purchase agreement will be entered into with the Power Purchaser. On October 24, 2022, the Company submitted an application for Reference Generation Tariff (Tariff Petition), under the law, rules and regulations made thereunder before NEPRA for sale of electric power for a further period of five (5) years. As NEPRA has to arrive at a determination in respect of the Tariff Petition and the Original PPA expired on October 24, 2022, the Company has simultaneously requested NEPRA vide application also dated October 24, 2022 for grant of Provisional Tariff Approval for the interim period for, *inter alia*, meeting technical, operational and dispatch requirements of the Power Purchaser and the system. For details you may refer to Note 2.3 of the Financial Statements.

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:

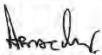
- The total number of Directors are eight (8) as per the following detail:
 - Male: Seven (7)
 - Female: One (1)
- The composition of the Board of Directors is as follows:

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. 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. Jamil Akhtar

On behalf of the Board


Aftab Mahmood Butt
Chief Executive
Islamabad: October 25, 2022

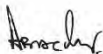

Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Financial Position

as at September 30, 2022 (Un-audited)

	Un-audited September 30, 2022	Audited June 30, 2022
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorised capital 3,600,000,000 (June 30, 2022: 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, 2022: 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	61,458,507	59,348,925
	70,705,490	68,595,908
NON-CURRENT LIABILITIES		
Deferred taxation	1,344,788	677,510
Staff retirement benefits	1,229,870	1,204,680
	2,574,658	1,882,190
CURRENT LIABILITIES		
Lease liabilities	2,969	3,434
Contract liability	3 954,426	4,613,061
Finances under mark-up arrangements - secured	4 32,734,372	37,370,346
Trade and other payables	5 12,297,885	21,470,058
Provision for taxation - net	1,509,262	1,855,133
Unclaimed dividend	970,734	971,233
	48,469,648	66,283,265
CONTINGENCIES AND COMMITMENTS		
6		
	121,749,796	136,761,363

The annexed notes from 1 to 20 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, 2022	Audited June 30, 2022
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	2,007,331	2,237,359
Intangible assets		430	1,720
Right of use assets		2,198	2,220
Long term deposits		21,388	21,128
Staff retirement benefits - Pension		732,889	721,960
		2,764,236	2,984,387
CURRENT ASSETS			
Stores and spares		3,784,590	3,698,057
Stock-in-trade		11,531,907	6,235,956
Trade debts	8	44,351,102	62,154,482
Investments at fair value	9	50,939,164	54,067,311
Loans, advances, deposits, prepayments and other receivables	10	7,398,849	6,602,988
Cash and bank balances		979,948	1,018,182
		118,985,560	133,776,976
		121,749,796	136,761,363



Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Profit or Loss
for the quarter ended September 30, 2022 (Un-audited)

		Quarter ended	
		September 30, 2022	September 30, 2021
	Note	(Rupees in thousand)	
Sales	11	22,890,358	34,237,889
Cost of sales	12	(21,314,052)	(32,937,049)
Gross profit		1,576,306	1,300,840
Administrative expenses		(175,785)	(119,228)
Other expenses		(199,183)	-
Other income	13	3,825,704	2,756,369
Operating profit		5,027,042	3,937,981
Finance cost		(1,878,413)	(730,468)
Profit before tax		3,148,629	3,207,513
Taxation		(1,039,047)	(927,638)
Profit for the period		2,109,582	2,279,875
Earnings per share			
- basic and diluted	Rupees	2.40	2.59

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.



Attab 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, 2022 (Un-audited)

	Quarter ended	
	September 30, 2022	September 30, 2021
	(Rupees in thousand)	
Profit for the period	2,109,582	2,279,875
- 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	2,109,582	2,279,875

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.



Attab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer

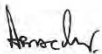


Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Changes in Equity
for the quarter ended September 30, 2022 (Un-audited)

	Revenue Reserve:			
	Share capital	Capital reserve	Un-appropriated profit	Total
	(Rupees in thousand)			
Balance as at June 30, 2021				
Audited	8,802,532	444,451	55,976,628	65,223,611
Profit for the period			2,279,875	2,279,875
Other comprehensive income for the period				
Total 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
Balance as at June 30, 2022				
Audited	8,802,532	444,451	59,348,925	68,595,908
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

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.


Attab Mahmood Butt
Chief Executive Officer

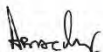

M. Rabnawaz Anjum
Chief Financial Officer


Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Cash Flows
for the quarter ended September 30, 2022 (Un-audited)

		Quarter ended	
		September 30, 2022	September 30, 2021
	Note	(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from / (used in) operations	15	3,633,873	(3,213,335)
Finance cost paid		(1,451,289)	(716,248)
Taxes paid		(717,644)	(1,630,703)
Staff retirement benefits paid		(12,475)	(13,314)
Net cash generated from / (used in) operating activities		1,452,465	(5,573,600)
Cash flows from investing activities			
Fixed capital expenditure including acquisition of intangible assets		(3,333)	(4,787)
Income on bank deposits received		20,525	63,083
Net increase in long term loans and deposits		(260)	(15,085)
Investments disposed-off during the period		3,128,147	10,090,780
Proceeds from sale of property, plant and equipment		1,160	691
Net cash generated from investing activities		3,146,239	10,134,682
Cash flows from financing activities			
Repayment of lease liabilities		(465)	(1,961)
Dividend paid		(499)	(4,328,753)
Net cash used in financing activities		(964)	(4,330,714)
Net increase in cash and cash equivalents during the period		4,597,740	230,368
Cash and cash equivalents at the beginning of the period		(36,352,164)	(34,973,811)
Cash and cash equivalents at the end of the period	16	(31,754,424)	(34,743,443)

The annexed notes from 1 to 20 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, 2022 (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 was extended by 16 months during the year ending June 30, 2021 and is due to expire on October 24, 2022. WAPDA has 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 Company has a plant site at Kot Addu, a corporate office located in Lahore and registered office located in Islamabad.

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.

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.

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, 2022.

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2022 (Un-audited)

preceding annual published financial statements of the Company for the year ended June 30, 2022. Furthermore, the basis of significant estimates are same as those that were applied to the preceding financial statements for the year ended June 30, 2022.

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 Impact on Going Concern Assumption due to expiry of PPA and Generation License

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 pending dispute of liquidated damages imposed by the Power Purchaser relating to the outages due to fuel shortage during the period 2008-2016 were treated as Other Force Majeure Event (OFME) under the PPA; and consequently, the term of the PPA was agreed to be extended by 485 days (approximately 16 months). Accordingly, the pending dispute of liquidated damages was settled and the term of the PPA was extended till October 24, 2022.

The Management has taken up the matter of renewal / extension of PPA beyond the extended term with the relevant Authorities and initiated the formalities in this respect in order to supply electricity to CPPA-G beyond the extended term.

The following developments and facts, as explained below, support the continuity of the Company as a going concern.

The Company's generation license issued by the National Electric Power Regulatory Authority (NEPRA) was set to expire on September 21, 2021. During the period, NEPRA has extended the generation license of the Company for a period of three years from the date of expiry i.e. September 21, 2021, keeping in view the remaining useful life and critical importance of the Power Plant in the System.

The National Transmission and Dispatch Company Limited (NTDC) has submitted the revised Indicative Generation Capacity Expansion Plan (IGCEP) for 2022-31 to NEPRA, after approval from its Board. NEPRA will approve the same after public hearing. Keeping in view the strengths of the Power Plant, the revised IGCEP 2022-31 has included the Company's Power Plant in the System till financial year 2026.

It is pertinent to note that the actual generated electricity for 2021-22 (42.4% load factor) is more than 6 times higher as compared to the projected generation in approved IGCEP 2021-2030 (6.9% load factor). Recent operating profile of the Power Plant has revalidated the critical importance of the Power Plant in the region for the System stability and electricity demand.

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2022 (Un-audited)

Based on the positive progress, including the issuance of generation license by NEPRA and inclusion of the Power Plant in IGCEP 2022-31, and keeping in view the system constraints and energy security requirements, Management of the Company believes that the PPA will be extended for an additional term following the expiry in October 2022. Additionally, the Power Purchaser has committed in the Master Agreement to consent for the extension of the PPA for an additional term subject to agreement on the terms and conditions and completion of legal and corporate formalities. Furthermore, subsequent to the period end, the Company has submitted an application for Reference Generation Tariff (Tariff Petition), under the law, rules and regulations made thereunder before NEPRA for sale of electric power for a further period of five (5) years. As NEPRA has to arrive at a determination in respect of the Tariff Petition, the Company has simultaneously requested NEPRA for grant of Provisional Tariff Approval for the interim period for, inter alia, meeting technical, operational and dispatch requirements of the Power Purchaser and the system.

Some other factors which support Management's stance for extension of the PPA 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, optimum size machines and lesser ramp-up/ramp down time, providing an extensive fuel storage facility at its Power Complex and the Company's contribution to the National Power;
- 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. In addition, it is also a major Reactive Power source helping in maintaining the voltage profile of the area;
- 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;
- recent generation trend in summer as well as winter evidencing need of KAPCO to the national power system; and
- Government of Pakistan (GoP) is the major shareholder of the Company (through WAPDA) so ultimate beneficial ownership lies with GoP.

Furthermore, the Competitive Trading Bilateral Contracts Market (CTBCM) has been formally introduced by NEPRA, initially for a trial period of six months, by issuance of Market Operator license to CPPA-G on May 31, 2022. Under this arrangement, the Company has the option to participate in the Market by selling electricity to Bulk Power Consumers (BPC) through wheeling arrangements and / or participate as Merchant Plant. The Company intends to take full advantage of CTBCM once it is fully implemented, after the trial period, in the interest of its shareholders and is currently in discussion with certain Bulk Power Consumers for the supply of electricity.

Notwithstanding, as elaborated above, the Company has sound financial position and as per the Management's forecasts, the Company has sufficient

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2022 (Un-audited)

liquidity and reserves to meet the operational expenditures and discharge its liabilities for the foreseeable future even at zero load factor. Further, the Company draws strength from the following:

- receivables from the Power Purchaser of Rs 44,351 million as at September 30, 2022 backed by GoP Guarantee which will be realised in normal course of business; and
- investments of PIBs and Sukuks of Rs 50,939 million as at September 30, 2022.

The Company can also utilize its strong financial position for diversification of its operations. The Company is currently evaluating different investment options. WAPDA, being a major shareholder, strongly supports plans for diversification and is rigorously following it up with the relevant authorities of GoP for approval of such investments. Thereafter, the Company will be in a position to initiate legal and corporate formalities including but not limited to carrying out due diligence exercise for any shortlisted companies and obtaining approvals, consents and permissions in accordance with contractual, legal and regulatory requirements.

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 realisation 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 International Financial Reporting Standards (IFRS) interpretations that are effective for the period ended September 30, 2022

Certain standards, amendments and Interpretations to the approved accounting standards are effective for the accounting periods beginning on or after July 01, 2022 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 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 (ECL) based impairment model to financial assets due from the Government till June 30, 2021 which was further extended till June 30, 2022 vide S.R.O. 1177 (I) / 2021 dated September 13, 2021. The matter of further exemption is currently pending with SECP, however, the Management of the Company believes that the application of this ECL model does not have any material impact on the Company.

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2022 (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, 2022, 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, 2022	Audited June 30, 2022
	Note	(Rupees in thousand)	
3. Contract liability			
Opening balance	3.1	4,613,061	19,128,298
Less: Amount recognised as revenue in CPP during the period / year		(3,658,635)	(14,515,237)
		954,426	4,613,061
Less: Current portion of contract liability		(954,426)	(4,613,061)
		-	-

3.1 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 on March 30, 2021, 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 OFME extension period, no CPP invoice will be 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, 2022	Audited June 30, 2022
	Note	(Rupees in thousand)	
4. Finances under mark-up arrangements secured			
- Under conventional finances		14,073,440	16,507,171
- Under islamic finances		18,660,932	20,863,175
	4.1	32,734,372	37,370,346

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2022 (Un-audited)

4.1 Finances under mark-up arrangements available from various commercial banks amount to Rs 20,487 million (June 30, 2022: Rs 20,440 million) and finances available under musharika and murabaha arrangements amount to Rs 20,075 million (June 30, 2022: Rs 24,575 million). The rate of mark-up ranges from 14.3 percent to 18.3 percent (June 30, 2022: 7.7 percent to 14.9 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, 2022: 20 percent to 24 percent) per annum on the balances unpaid.

4.2 Letter of credit and bank guarantees

Of the aggregate facility of Rs 413 million (June 30, 2022: Rs 392 million) for opening letters of credit and Rs 2,504 million (June 30, 2022: Rs 2,504 million) for guarantees, the amounts utilised as at September 30, 2022 were Rs 66 million (June 30, 2022: Rs 233 million) and Rs 2,504 million (June 30, 2022: Rs 2,504 million) respectively.

4.3 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, 2022: Rs 90,792 million) and ranking charge over current assets up to a limit of Rs 4,001 million (June 30, 2022: Rs 4,001 million).

5. Trade and other payables

5.1 Trade and other payables include an amount of Rs 7,432 million (June 30, 2022: Rs 16,912 million) payable to the fuel suppliers on account of fuel supplies and late payment surcharge on credit supplies of fuel and Rs 68 million (June 30 2022: Rs 7 million) payable to CPPA-G, an associated undertaking, against import of electricity.

6. Contingencies and commitments

6.1 Contingencies

(a) There has been no significant change in the status of the contingent liabilities disclosed as at June 30, 2022 except the following:

(i) The Deputy Commissioner Inland Revenue (DCIR) issued an assessment order dated August 05, 2020 by rejecting the credit notes and created a demand of Rs 1,100 million. KAPCO filed an appeal before Commissioner Inland Revenue (Appeals) [CIR-A] who remanded the case back to DCIR for fresh adjudication. After undergoing multiple rounds of assessment at DCIR and CIR-A level, the DCIR finally accepted the stance of the Company and passed order dated September 26, 2022 whereby the demand was reduced to Rs 30 million. Being aggrieved, the Company is in the process of filing appeal before CIR-A.

(ii) The Deputy Commissioner Inland Revenue (DCIR) issued an assessment order dated September 30, 2021 in sales tax audit proceedings of tax year 2019 and created a demand of Rs 15,110 million mainly on account of alleged non compliance of section 73 of Sales Tax Act, 1990. The Company filed

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2022 (Un-audited)

appeal before CIR-A who vide order dated January 28, 2022 annulled the demand and remanded the case back to DCIR. The DCIR issued order dated March 29, 2022 in remand back proceedings and created demand of Rs 155 million on inadmissibility of input tax on certain issues. Being aggrieved, the Company filed appeal before CIR-A which was decided vide order dated September 29, 2022 whereby majority of the issues have been deleted / remanded back. Being aggrieved, the Company is in the process of filing appeal before ATIR.

- (iii) The DCIR amended the assessment for tax year 2020 and issued order dated February 01, 2021 creating a demand of Rs 6,121 million on account of chargeability of tax on true-up income, late payment income from CPPA-G and inadmissibility of few expenses. The Company filed appeal before CIR-A who partially decided the case in favour of the Company and remanded back on some points. Being aggrieved, the Company filed appeal before ATIR that was decided entirely in its favour vide order dated April 28, 2022. Meanwhile, the Additional Commissioner Inland Revenue (ACIR) initiated remand back proceedings and repeated the assessment by passing order dated April 14, 2022. Being aggrieved, the Company filed appeal before CIR-A who confirmed the disallowance of gas turbine overhauls expense of Rs 515 million vide order dated October 10, 2022 despite the fact that the issue has already been decided in favour of the Company by ATIR. Being aggrieved, the Company is in the process of filing appeal before ATIR.

The Management and taxation expert of the Company believe that there are meritorious grounds to defend the above mentioned demands relating to the respective cases, 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 809 million (June 30, 2022: Rs 768 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.

- (c) The Company has provided bank guarantees in favour of Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 2,504 million (June 30, 2022: Rs 2,504 million).

6.2 Commitments

- (i) Contracts for capital expenditure are Rs 8 million (June 30, 2022: Rs 11 million).
- (ii) Letters of credit other than for capital expenditure are Rs 66 million (June 30, 2022: Rs 233 million).
- (iii) Contracts for car jara are Rs 124 million (June 30, 2022: Rs 133 million).

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2022 (Un-audited)

		Un-audited September 30, 2022	Audited June 30, 2022
	Note	(Rupees in thousand)	
7. Property, plant and equipment			
Opening Net Book Value (NBV)		2,237,359	3,068,225
Add: Additions / transfers during the period / year	7.1	3,329	95,469
		2,240,688	3,163,694
Less: Disposals during the period (at NBV)		1,160	2,109
Depreciation charged during the period / year		232,197	924,226
		233,357	926,335
		2,007,331	2,237,359
7.1 Following is the detail of additions / transfers during the period / year			
Additions:			
Buildings on freehold land		-	665
Auxiliary plant and machinery		3,047	1,699
Vehicles		-	57,999
Office equipment		282	31,345
		3,329	91,708
Transfers:			
Vehicles		-	3,761
		3,329	95,469
8. Trade debts			
Trade debts	8.1	44,700,858	62,504,238
Less: Provision for doubtful debts		349,756	349,756
		44,351,102	62,154,482

8.1 Trade debts include an overdue amount of Rs 38,217 million (June 30, 2022: Rs 47,465 million) receivable from CPPA-G, which is a related party of the Company. The maximum aggregate amount outstanding during the period was Rs 61,562 million (June 30, 2022: Rs 116,885 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.

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for the quarter ended September 30, 2022 (Un-audited)

	Un-audited September 30, 2022		Audited June 30, 2022	
	Cost	Carrying Value (Rupees in thousand)	Cost	Carrying Value
9. Investments at fair value				
Fair value through profit or loss – Government Securities				
Pakistan Investment Bond	23,831,000	23,556,944	26,831,000	26,680,747
GoP Ijarah Sukuk	27,417,400	27,382,220	27,417,400	27,386,564
	<u>51,248,400</u>	<u>50,939,164</u>	<u>54,248,400</u>	<u>54,067,311</u>

Particulars of debt securities are as follows:

	Maturity	Effective Yield	Un-audited September 30, 2022 (Rupees in thousand)	Audited June 30, 2022
Pakistan Investment Bond	18-Jun-30	15.650%	23,513,154	26,680,747
GoP Ijarah Sukuk	09-Dec-25	14.854%	7,742,994	7,745,323
GoP Ijarah Sukuk	29-Oct-26	14.611%	19,633,380	19,641,241
			<u>50,889,528</u>	<u>54,067,311</u>

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

These include an advance of Rs 20 million (June 30, 2022: Rs 2,382 million) paid to Pakistan State Oil Company Limited (PSO) against supplies of fuel. Further, advances to suppliers include amount due for more than a year from WAPDA, an associated undertaking, amounting to Rs 1 million (June 30, 2022: Rs 1 million). These are in the normal course of business and are interest free.

	Quarter ended	
	September 30, 2022	September 30, 2021
	(Rupees in thousand)	
11. Sales		
Energy Purchase Price under the PPA	22,520,215	37,075,699
Sales tax	(3,238,048)	(5,222,991)
Net Energy Purchase Price	19,282,167	31,852,708
Capacity Purchase Price under the PPA - net	3,608,191	2,385,181
	<u>22,890,358</u>	<u>34,237,889</u>

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2022 (Un-audited)

			Quarter ended	
			September 30, 2022	September 30, 2021
			(Rupees in thousand)	
12.	Cost of sales			
	Fuel cost		20,537,298	31,916,524
	Salaries, wages and benefits		484,827	698,375
	Plant maintenance		49,302	55,543
	Gas turbines overhauls		6,836	6,612
	Repair and renewals		22,327	19,676
	Depreciation on property, plant and equipment		212,172	239,572
	Amortisation on intangible assets		1,290	747
			<u>21,314,052</u>	<u>32,937,049</u>
13.	Other Income			
	True-up income		-	45,927
	Interest on late payment - CPPA-G		1,857,061	2,313,745
	Interest on PIBs and Sukuks		1,957,946	333,039
	Fair value gain on investments at fair value		-	55,248
	Others		10,697	8,410
			<u>3,825,704</u>	<u>2,756,369</u>
14.	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	130,878
	- CPPA-G	0%	Interest income on late payments	1,857,061
	- CPPA-G	0%	True-up income	-
	- WAPDA	40%	Dividend paid	-
	- KAPCO Employees Empowerment Trust	5%	Dividend paid	-
	- Pakistan Institute of Corporate Governance*	0%	Purchase of services	-
ii.	Post retirement benefit plans			
	- KAPCO employees provident fund trust	0%	Contributions paid	13,249
iii.	Key management personnel			
	(including directors)	0%	Compensation	117,454

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

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2022 (Un-audited)

*Pakistan Institute of Corporate Governance is no longer a related party, hence the value of transaction during the period is not disclosed.

A company maintained vehicle is provided to the Chairman of the Board of Directors and directors are entitled for corporate club memberships.

	Un-audited September 30, 2022	Audited June 30, 2022
	(Rupees in thousand)	
Period end balances		
Associated Undertakings		
Receivable from related parties	46,120,267	63,703,243
Payable to related parties	1,904,419	1,785,508

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

	Quarter ended September 30, 2022	September 30, 2021
	(Rupees in thousand)	
15. Cash generated from operations		
Profit before tax	3,148,629	3,207,513
Adjustments for:		
- Depreciation on property, plant and equipment	232,197	248,792
- Amortisation on intangible assets	1,290	747
- Depreciation on right of use assets	26	490
- Loss on disposal of property, plant and equipment	-	3
- Interest income on investment at fair value	(1,957,946)	(333,039)
- Fair value loss / (gain) on investment at fair value	-	(55,248)
- Staff retirement benefits accrued	26,739	29,605
- Finance cost	1,878,413	730,468
- Amortisation of contract liability	(3,658,635)	(3,658,635)
(Loss) / Profit before working capital changes	(329,287)	170,696
Effect on cash flow due to working capital changes:		
- (Increase) / decrease in store and spares	(86,533)	33,504
- Increase in stock-in-trade	(5,295,951)	(44,581)
- Decrease / (increase) in trade debts	17,803,380	(9,144,261)
- Decrease in loans, advances, deposits, prepayments and other receivables	1,141,561	3,089,394
- (Decrease) / increase in trade and other payables	(9,599,297)	2,681,913
	3,963,160	(3,384,031)
Cash generated from / (used in) operations	3,633,873	(3,213,335)

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2022 (Un-audited)

	September 30, 2022	September 30, 2021
	(Rupees in thousand)	
16. Cash and cash equivalents		
Cash and bank balances	979,948	886,539
Finances under mark-up arrangements - secured	(32,734,372)	(35,629,982)
	<u>(31,754,424)</u>	<u>(34,743,443)</u>

17. 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, 2022:

	Level 1	Level 2	Level 3	Total
	Un-audited			
	(Rupees in thousand)			
Assets:				
Investments at fair value	50,939,164	-	-	50,939,164

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	54,067,311	-	-	54,067,311

Notes to the Condensed Interim Financial Statements

for the quarter ended September 30, 2022 (Un-audited)

18. Date of authorisation for issue

These condensed interim financial statements were authorised for issue on October 25, 2022 by the Board of Directors of the Company.

19. Subsequent events after the reporting date

No significant events have occurred subsequent to September 30, 2022, other than those mentioned elsewhere in these condensed interim financial statements.

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.



Attab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer



Hafiz Muhammad Yousaf
Director