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QUARTER
R E P O R T

December 31, 2022
(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. 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
GM Finance / CFO	Mr. Muhammad Rabnawaz Ajrum
GM Legal / Company Secretary	Mr. A. Anthony Rath
Head of Internal Audit	Mr. Sikandar Usmani
Auditors	A.F. Ferguson & Co. Chartered Accountants
Legal Advisor	Cornelius, Lane & Mufti
Bankers	<u>Conventional</u> 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 <u>Islamic</u> Al-Baraka 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

Half Year ended December 31, 2022

We are pleased to present the condensed interim Financial Statements (un-audited) for the half year ended December 31, 2022 (Financial Statements).

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 Company's Power Purchase Agreement (PPA) expired on October 24, 2022 (PPA Expiry).

For the half year, the turnover was Rs. 25,169 Million; cost of sales were Rs. 24,020 Million; and profit after tax stood at Rs. 3,186 Million (compared to Rs. 5,608 Million in the corresponding period last year) giving an EPS of Rs. 3.62 (Rs. 6.37 in the corresponding period last year). The decrease in profit is due to expiry of Power Purchase Agreement (PPA) on October 24, 2022.

During the second quarter upto the PPA Expiry, the Power Plant generated 36 GWh of electricity (year to date generation level 585 GWh) at a load factor of 4.6% (year to date load factor 15.6%) with an overall commercial availability of 99.9% (year to date overall commercial availability 96.7%). Following the PPA Expiry, the Power Plant was put into preservation mode by following preservation protocols.

On January 23, 2023, there was Country-wide blackout. The system operator, power purchaser and GoP requested the Company to provide emergency generation for system restoration notwithstanding the PPA Expiry. In the larger interest of the Country and to support the system, the black-start facility available at the Power Plant was energized to support and stabilize the system. The Company's support has re-emphasized the importance of the Power Plant for system requirements, which in turn makes a stronger case for extension of the Company's PPA.

On December 31, 2022, Company's receivables (including overdue receivables) from the Power Purchaser were Rs. 37,780 Million. The Company continues to actively pursue the Power Purchaser and concerned Ministries in the Government of Pakistan for settlement of the outstanding receivables. It may be noted that receivables from the Power Purchaser are secured by a Sovereign Guarantee.

During the review period, combustion inspection of two (2) gas turbines were carried out as per equivalent operating hours of the respective gas turbines.

The Company's Auditors have highlighted the pending renewal/extension of PPA as material uncertainty in their Review Report, however, they have not qualified their Report. Therefore, Financial Statements have been prepared on a going concern basis. For further details, kindly refer to Note 2.3 of the Financial Statements.

The Company's Power Purchase Agreement (Original PPA) expired on October 24, 2022. The National Electric Power Regulatory Authority (NEPRA) issued a generation license to the Company for a period of three years (expiring on September 21, 2024). Subsequent to the period ended December 31, 2022, the annual revision of Indicative Generation Capacity Expansion Plan (IGCEP) for 2022-2031 was approved by NEPRA on February 1, 2023. Keeping in view the strengths of the Power Plant and the System constraints, two energy blocks of the Company's Power Plant have been retained in the System till the financial year 2026 in the approved IGCEP for 2022-2031. Further, the

Company is in process of submission of revised Tariff Petition with NEPRA in accordance with legal and regulatory requirements in line with system requirements as confirmed by System Operator and the National Transmission and Dispatch Company Limited (NTDC). Based on the positive progress, including as herein stated and keeping in view the system constraints and energy security requirements, we are of the view that the Company's power purchase agreement will be extended for an additional term. 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 from the Government of Pakistan to support the Company's plans.

We are pleased to announce an interim cash dividend of Rs. 3.50 per share, which will be paid to the shareholders whose names appear on the Company's Register of Members on March 8, 2023.

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

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

Category	Names
Independent Directors	<ul style="list-style-type: none"> • Mr. Aqeel Ahmed Nasir • Mr. Hafiz Muhammad Yousaf • Mr. Saad Iqbal • Ms. Mahwish Humayun Khan
Executive Director	<ul style="list-style-type: none"> • Mr. Aftab Mahmood Butt (Chief Executive)
Non-Executive Directors	<ul style="list-style-type: none"> • Lt. General (Retd) Sajjad Ghani • Mr. Naveed Asghar Chaudhry • Mr. Jamil Akhtar

Committees of the Board of Directors:

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

On behalf of the Board



Aftab Mahmood Butt
Chief Executive
Lahore: February 22, 2023



Hafiz Muhammad Yousaf
Director

31 دسمبر 2022ء کو ختم ہونے والی ششماہی کے (غیر آڈٹ شدہ) مالیاتی گوشواروں کے ساتھ ڈائریکٹرز کی رپورٹ پیش خدمت ہے۔

کمپنی کی بنیادی سرگرمیوں میں پنجاب کے شہر کوٹ میں اوس 1600 میگا واٹ، نیم پائپت صلاحیت کے حامل ملٹی فیول سے چلنے والے پاور پلانٹ کی ملکیت، آپریشن اور دیگر کئی بھال شامل ہیں۔

کمپنی کے بجلی خریداری معاہدے (پی پی اے) کی مدت 24 اکتوبر 2022ء کو پوری ہو چکی ہے (PPA Expiry)۔

زیر جائزہ مدت کے دوران کمپنی کا کاروبار مجموعی 25,169 ملین روپے اور فروخت کی لاگت 24,020 ملین روپے رہی۔ ٹیکس کی ادائیگی کے بعد منافع کی رقم 3,186 ملین روپے ہے (پچھلے سال کی اسی مدت کے دوران منافع 5,608 ملین روپے تھا) اس طرح ہر حصص پر آمدن 3.62 روپے رہی (پچھلے سال کی اسی مدت کے دوران فی حصص آمدن 6.37 روپے تھی)۔ منافع میں کمی کی وجہ 24 اکتوبر 2022ء کو بجلی خریداری معاہدے کی مدت کا ختم ہونا ہے۔

دوسری سہ ماہی کے دوران خریداری معاہدے کی مدت مکمل ہونے تک پلانٹ سے بجلی کی خالص پیداوار 36 گیگا واٹ آدھری (سال پر سال کی بنیاد پر بجلی کی پیداوار کی سطح 585 گیگا واٹ آور)؛ نتیجتاً لوڈ فیکٹر 4.6 فیصد جبکہ کاروباری طور پر مجموعی دستیابی 99.9 فیصد رہی (سال پر سال کی بنیاد پر مجموعی کاروباری دستیابی 96.7 فیصد)۔ بجلی خریداری معاہدے کی مدت پوری ہونے کے بعد پلانٹ کو محفوظ کر دیا گیا ہے۔

23 جنوری 2023ء کو پورے ملک میں بجلی بند ہو گئی۔ سسٹم آپریٹرز بجلی کے خریدار اور حکومت نے کمپنی سے درخواست کی کہ بجلی خریداری معاہدے سے قطع نظر ہنگامی حالات میں بجلی کے نظام کی بحالی کے لیے بجلی پیدا کر کے فراہم کی جائے۔ ملک کے ذریعہ تر مفاہم میں اور بجلی کے نظام کو سپورٹ کرنے کے لیے پاور پلانٹ پر دستیاب بلیک سٹارٹ فیسلٹی کو استعمال کر کے بجلی پیدا کی گئی اور نظام کو مستحکم کیا گیا۔ کمپنی کے اس اقدام نے سسٹم کے تقاضوں کو پورا کرنے کے لیے پاور پلانٹ کی اہمیت کو ایک بار چہرا کر دیا ہے اور کمپنی کے بجلی خریداری معاہدے میں توسیع کا کہیں مشروط بنایا ہے۔

31 دسمبر 2022ء کو پاور خریداری کی جانب سے واجب الادا رقم (بٹھول زائد امداد و اجازت) 37,780 ملین روپے تھی۔ کمپنی واجب الادا رقم کی وصولی کے لئے بجلی خریدار اور وفاقی حکومت کی متعلقہ وزارتوں سے رابطے میں ہے۔ یہاں یہ بات قابل ذکر ہے کہ بجلی خریدار کے ذمہ واجب الادا رقم گائی شدہ ہیں۔

زیر جائزہ مدت کے دوران دو (2) گیس ٹرانزاکشنز کا حرارت پزیری کا معائنہ متعلقہ ٹرانزیکشنز کے آپریشنل گفتگوں کے لحاظ سے مکمل کیا گیا۔

کمپنی کے آڈیٹرز نے اپنی جائزہ رپورٹ میں پی پی اے کی تجدید یا توسیع میں تاخیر کو ایک غیر تقابلی صورت حال کے طور پر ظاہر کیا ہے، تاہم، انہوں نے اس رپورٹ کی توثیق نہیں کی۔ لہذا مالیاتی گوشواروں کو ایک جاری کاروبار کے تناظر میں تیار کیا گیا ہے۔ مزید تفصیلات کے لیے، براہ مہربانی مالیاتی گوشواروں کا نوٹ 2.3 دیکھیں۔

کمپنی کا بجلی خریداری کا موجودہ معاہدہ (اصلی پی پی اے) 24 اکتوبر 2022ء کو ختم ہو چکا ہے۔ تاہم اس دوران بینٹل ایکٹریک پاور ریگولیشنز (تھریڈ) کی طرف سے کمپنی کو تین سال کی مدت (21 ستمبر 2024ء تک) کے لیے بجلی کی پیداوار کا لائسنس جاری کیا گیا ہے۔ 31 دسمبر 2022ء کو ختم ہونے والی مدت کے بعد نیچر نے یکم فروری 2023ء کو پیداواری صلاحیت میں اضافے کے منصوبے (IGCEP) 2022-31 پر سالانہ نظر ثانی کی منظوری دی۔ پاور پلانٹ کی ضرورت اور بجلی کے نظام کی مجبوریوں کو مد نظر رکھتے ہوئے کمپنی کے پاور پلانٹ کے دو انرجی باکس کو منظور شدہ (IGCEP) 2022-31 میں مالیاتی سال 2026ء تک سسٹم میں شامل رکھا گیا ہے۔ مزید برآں کمپنی نیچر کو نظر ثانی شدہ بیرون بیٹیشن بھی جمع کر رہی ہے جو کہ سسٹم آپریٹرز اور این ٹی ڈی سی سے منظور شدہ سسٹم کے قانونی اور ریگولیشنز تقاضوں کے مطابق ہے۔ مذکورہ بالا مثبت پیشرفت، بجلی کے نظام کی ضروریات اور ملک کو بجلی کی محفوظ فراہمی کی ضرورت کو مد نظر

رکھتے ہوئے کمپنی کو امید ہے کہ اضافی مدت کے لیے بجلی خریدار کے ساتھ خریداری کا معاہدہ طے پا جائے گا۔ مزید تفصیلات کے لیے مالیاتی گوشواروں کا نوٹ 2.3 ملاحظہ فرمائیں۔

کمپنی اپنے سرمایہ کاری کے پورٹ فولیو میں تنوع کے لیے مختلف آپشنز پر غور کر رہی ہے۔ پاکستان و انٹراینڈ پاور ڈیولپمنٹ اتھارٹی (ایڈا) ایک بڑا شیئر ہولڈر ہونے کے ناطے کمپنی کے ساتھ مشفق ہے کہ سرمایہ کاری میں تنوع لایا جائے اور وہ کمپنی کے منصوبے کو عملی جامہ پہنانے کے لیے حکومت پاکستان سے منظوری حاصل کر رہا ہے۔

ہم یہ اعلان کرنے میں خوشی محسوس کر رہے ہیں کہ 3.50 روپے فی حصص کی پیش ڈیویڈنڈ دیا جائے گا، جو کہ ایسے شیئرز ہولڈرز کو ادا کیا جائے گا جن کے نام کمپنی کے رجسٹر آف ممبرز میں 8 مارچ 2023 کو موجود ہوں گے۔

کمپنی نے کاروباری ضابطہ انتظام و انصرام پر مندرجہ ذیل کے مطابق عملدرآمد کیا ہے:

کمپنی نے کارپوریٹ گورننس کے ضابطہ اخلاق کے تقاضوں کی مندرجہ ذیل طریقے سے تعمیل کی ہے:

1 ڈائریکٹرز کی کل تعداد مندرجہ ذیل کے مطابق آٹھ (8) ہے۔

(a) مرد: سات (7)
(b) خاتون: ایک (1)


2 بورڈ کا مجموعہ اس طرح سے ہے:

نام	کنٹگری
• جناب عقیل احمد ناصر • جناب سہد اقبال • محترمہ مبہوشہ ایوں خان	خود مختار ڈائریکٹرز
• جناب آفتاب محمود بٹ (چیف ایگزیکٹو)	ایگزیکٹو ڈائریکٹر
• جناب نوبہ امفر چوہدری • جناب عقیل اختر	نان ایگزیکٹو ڈائریکٹرز

• جناب حافظ محمد یوسف (چئیرمین) • جناب سہد اقبال • جناب عقیل احمد ناصر (چئیرمین) • جناب سہد اقبال • محترمہ مبہوشہ ایوں خان	آڈٹ کمیٹی ایچ آر کمیٹی	بورڈ آف ڈائریکٹرز کی کمیٹیاں:
• جناب حافظ محمد یوسف (چئیرمین) • جناب سہد اقبال • جناب نوبہ امفر چوہدری • جناب عقیل اختر	سرمایہ کاری کمیٹی	

منجانب بورڈ


حافظ محمد یوسف
ڈائریکٹر


آفتاب محمود بٹ
چیف ایگزیکٹو آفیسر

لاہور: 22 فروری 2023ء

**Independent Auditor's Review Report
to the Members of Kot Addu Power Company Limited
Report on Review of Interim Financial Statements**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Kot Addu Power Company Limited as at December 31, 2022 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three-month periods ended December 31, 2022 and December 31, 2021 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2022.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 2.3 to the interim financial statements, which describes the pending matter of Power Purchase Agreement extension/renewal with CPPA-G. As stated in note 2.3, these events or conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

The engagement partner on the audit resulting in this independent auditor's report is Amer Raza Mir.



A.F. Ferguson & Co.

Chartered Accountants

Name of engagement partner: Amer Raza Mir

Lahore

Date: February 27, 2023

UDIN: RR202210118UmCR6atVd

A.F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Condensed Interim Statement of Financial Position

as at December 31, 2022 (Un-audited)

	Un-audited December 31, 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: unappropriated profit	59,052,390	59,348,925
	68,299,373	68,595,908
NON-CURRENT LIABILITIES		
Deferred taxation	1,052,545	677,510
Staff retirement benefits	702,621	1,204,680
	1,755,166	1,882,190
CURRENT LIABILITIES		
Lease liabilities	2,091	3,434
Contract liability	-	4,613,061
Finances under mark-up arrangements - secured	31,142,971	37,370,346
Trade and other payables	11,091,002	21,470,058
Provision for taxation - net	451,963	1,855,133
Unclaimed dividend	1,017,538	971,233
	43,705,565	66,283,265
CONTINGENCIES AND COMMITMENTS		
	113,760,104	136,761,363

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

Aftab Mahmood Butt
Chief Executive OfficerM. Rabnawaz Anjum
Chief Financial Officer

		Un-audited December 31, 2022	Audited June 30, 2022
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,929,485	2,237,359
Intangible assets		-	1,720
Right of use assets		1,759	2,220
Long term deposits		21,305	21,128
Staff retirement benefits - Pension		718,551	721,960
		2,671,100	2,984,387
CURRENT ASSETS			
Stores and spares		3,779,936	3,698,057
Stock-in-trade		11,651,575	6,235,956
Trade debts	8	37,780,387	62,154,482
Investments at fair value	9	50,951,125	54,067,311
Loans, advances, deposits, prepayments and other receivables	10	5,852,227	6,602,988
Cash and bank balances		1,073,754	1,018,182
		111,089,004	133,776,976
		113,760,104	136,761,363



Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Profit or Loss

for the three-month and six-month period ended December 31, 2022 (Un-audited)

	Note	Three-month ended		Six-month ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
		(Rupees in thousand)		(Rupees in thousand)	
Sales	11	2,279,131	19,493,542	25,169,489	53,731,431
Cost of sales	12	(2,705,565)	(17,664,111)	(24,019,617)	(50,601,160)
Gross profit / (loss)		(426,434)	1,829,431	1,149,872	3,130,271
Administrative expenses		(385,407)	(162,712)	(561,192)	(281,940)
Other expenses		(70,117)	(193,721)	(269,300)	(138,473)
Other income	13	3,876,536	3,854,738	7,702,240	6,555,859
Operating profit		2,994,578	5,327,736	8,021,620	9,265,717
Finance cost		(1,265,998)	(851,010)	(3,144,411)	(1,581,478)
Profit before tax		1,728,580	4,476,726	4,877,209	7,684,239
Taxation		(652,218)	(1,148,939)	(1,691,265)	(2,076,577)
Profit for the period		1,076,362	3,327,787	3,185,944	5,607,662
Earnings per share					
- basic and diluted Rupees		1.22	3.78	3.62	6.37

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

Aftab Mahmood Butt
Chief Executive OfficerM. Rabnawaz Anjum
Chief Financial OfficerHafiz Muhammad Yousaf
Director

Condensed Interim Statement of Comprehensive Income

for the three-month and six-month period ended December 31, 2022 (Un-audited)

	Three-month ended		Six-month ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Rupees in thousand)		(Rupees in thousand)	
Profit for the period	1,076,362	3,327,787	3,185,944	5,607,662
- Items that will not be reclassified to statement of profit or loss:				
Re-measurement of net benefit obligation - net of tax	38,534	-	38,534	-
- Items that may be reclassified subsequently to statement of profit or loss	-	-	-	-
Other comprehensive income for the period - net of tax	38,534	-	38,534	-
Total comprehensive income for the period	<u>1,114,896</u>	<u>3,327,787</u>	<u>3,224,478</u>	<u>5,607,662</u>

The annexed notes 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

Condensed Interim Statement of Changes in Equity

for the six-month period ended December 31, 2022 (Un-audited)

	Share capital	Capital reserve	Un-appro- riated 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	-	-	5,607,662	5,607,662
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	5,607,662	5,607,662
Transactions with owners:				
Final dividend for the year ended June 30, 2021 - Rs 3.50 per share	-	-	(3,080,886)	(3,080,886)
Balance as at December 31, 2021				
Un-audited	<u>8,802,532</u>	<u>444,451</u>	<u>58,503,404</u>	<u>67,750,387</u>
Balance as at June 30, 2022				
Audited	8,802,532	444,451	59,348,925	68,595,908
Profit for the period	-	-	3,185,944	3,185,944
Other comprehensive income for the period	-	-	38,534	38,534
Total comprehensive income for the period	-	-	3,224,478	3,224,478
Transactions with owners:				
Final dividend for the year ended June 30, 2022 - Rs 4.00 per share	-	-	(3,521,013)	(3,521,013)
Balance as at December 31, 2022				
Un-audited	<u>8,802,532</u>	<u>444,451</u>	<u>59,052,390</u>	<u>68,299,373</u>

The annexed notes 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

Condensed Interim Statement of Cash Flows

for the six-month period ended December 31, 2022 (Un-audited)

	Note	Six-month ended	
		December 31, 2022	December 31, 2021
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	15	9,914,764	48,932,506
Finance cost paid		(3,822,315)	(4,877,806)
Taxes paid		(2,738,379)	(4,757,373)
Staff retirement benefits paid		(481,604)	(20,804)
Net cash generated from operating activities		2,872,466	39,276,523
Cash flows from investing activities			
Fixed capital expenditure		(3,329)	(82,607)
Income on bank deposits received		50,600	7,010
Income on investments		3,903,342	610,949
Net increase in long term loans and deposits		(177)	(13,659)
Investments disposed off / (acquired) during the period		2,933,721	(28,656,920)
Proceeds from sale of property, plant and equipment		2,374	760
Net cash generated from / (used in) investing activities		6,886,531	(28,134,467)
Cash flows from financing activities			
Repayment of lease liabilities		(1,343)	(3,864)
Dividend paid		(3,474,707)	(7,369,435)
Net cash used in financing activities		(3,476,050)	(7,373,299)
Net increase in cash and cash equivalents during the period		6,282,947	3,768,757
Cash and cash equivalents at beginning of the period		(36,352,164)	(34,973,811)
Cash and cash equivalents at end of the period	16	(30,069,217)	(31,205,054)

The annexed notes 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 three-month and six-month period ended December 31, 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 has expired 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 preceding annual published financial statements of the Company for the year ended June 30, 2022. Furthermore, the basis of significant estimates are

Notes to the Condensed Interim Financial Statements

for the three-month and six-month period ended December 31, 2022 (Un-audited)

same as those that were applied to the preceding financial statements for the year ended June 30, 2022. It is to be noted that the latest actuarial valuation with respect to employee benefits was carried out as at October 24, 2022.

The 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. Further, the 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 pending dispute of liquidated damages imposed by the Power Purchaser relating to the outages due to fuel shortages 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 were 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 after expiry of the PPA.

The pending extension / renewal of the PPA indicates the existence of material uncertainty that may cast significant doubt on the entity'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.

The following developments and facts, as explained below, mitigate the above-mentioned risk:

The Company's generation license issued by the National Electric Power Regulatory Authority (NEPRA) was set to expire on September 21, 2021. On September 8, 2022, 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.

Subsequent to the period ended December 31, 2022, the annual revision of Indicative Generation Capacity Expansion Plan (IGCEP) for 2022-2031 has been approved by NEPRA on February 01, 2023. Keeping in view the strengths of the Power Plant and the System constraints, two energy blocks of the Company's Power Plant have been retained in the System till the financial year 2026 in the approved IGCEP for 2022-2023.

On January 23, 2023, there was country-wide blackout. The System Operator, CPPA-G and the Government of Pakistan (GoP) requested the Company to

Notes to the Condensed Interim Financial Statements

for the three-month and six-month period ended December 31, 2022 (Un-audited)

provide emergency generation for the system restoration from blackout. The Board of Directors of the Company approved the support of System Operator in the larger interest of the Country for the restoration of the national grid by necessary operations through its black-start facility. Subsequently, the System Operator has re-emphasized the significance of the Company's Power Plant and its black-start facility and requested the Ministry / CPPA-G to expedite the renewal of the Company's PPA prior to summer season for ensuring the system stability and reliability. The National Transmission and Dispatch Company Limited (NTDC)'s board of directors has also specifically confirmed and conveyed the generation requirements and retention of the Company's Power Plant (including its Switchyard facility) in the system to CPPA-G.

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 for 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 ensuring the system stability and electricity demand.

Based on the positive progress, including the issuance of generation license by NEPRA, inclusion of the Company's Power Plant in the approved IGCEP for 2022-2031 and keeping in view the system constraints and energy security requirements, Management of the Company believes that the PPA will be extended / renewed for an additional term, which expired on October 24, 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, the Company is in process of submission of revised Tariff Petition with NEPRA in accordance with the legal and regulatory requirements in line with system requirements as confirmed by System Operator and NTDC.

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 season evidencing need of the Company to the national power system; and

Notes to the Condensed Interim Financial Statements

for the three-month and six-month period ended December 31, 2022 (Un-audited)

- 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.

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 even at zero load factor. Further, the Company draws strength from the following:

- Receivables from the Power Purchaser of Rs 37,780 million as at December 31, 2022 backed by GoP Guarantee which will be realised in normal course of business; and

- Investments of PIBs and Sukuks of Rs 50,951 million as at December 31, 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. The Company has initiated legal and corporate formalities including but not limited to carrying out due diligence exercise for any shortlisted companies / projects 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 interim 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

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.

Notes to the Condensed Interim Financial Statements

for the three-month and six-month period ended December 31, 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 January 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 except for the following:

In respect of companies holding financial assets due from the GoP, SECP through SRO 67(l)/2023 dated January 20, 2023, partially modified its previous SRO 1177(l)/2021 dated September 13, 2021 and notified that the requirements contained in IFRS 9 with respect to application of Expected Credit Losses (ECL) method shall not be applicable till December 31, 2024 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. Accordingly, the Company has not followed the requirements of IFRS 9 with respect to application of ECL in respect of trade debts and other receivables due from CPPA-G. The Management of the Company believes that the application of this ECL model will not have any material impact on the Company.

		Un-audited December 31, 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		(4,613,061)	(14,515,237)
		-	4,613,061
Less: Current portion of contract liability		-	(4,613,061)
		-	-

3.1 The Company signed a Master Agreement and the Third Amendment to the PPA 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 were treated as Other Force Majeure Event (OFME) under the PPA and consequently, existing term of PPA was 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 CPP of the OFME period (485 days) as advance against future CPP. During the OFME extension period, no CPP invoice was to be raised. Accordingly, this advance has been adjusted, and the related revenue has been 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.

Notes to the Condensed Interim Financial Statements

for the three-month and six-month period ended December 31, 2022 (Un-audited)

		Un-audited December 31, 2022	Audited June 30, 2022
4. Finances under mark-up arrangements	Note	(Rupees in thousand)	
- secured			
- Under conventional finances	4.1	13,977,482	16,507,171
- Under Islamic finances	4.1	17,165,489	20,863,175
		<u>31,142,971</u>	<u>37,370,346</u>

4.1 Finances under mark-up arrangements available from various commercial banks amount to Rs 20,428 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 18.7 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.

Letter of credit and bank guarantees

4.2 Of the aggregate facility of Rs 472 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 December 31, 2022 were Rs 152 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 67,200 million (June 30, 2022: Rs 90,792 million) and ranking charge over current assets up to a limit of Nil (June 30, 2022: Rs 4,001 million).

5. Trade and other payables

Trade and other payables include an amount of Rs 6,454 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 35 million (June 30 2022: Rs 7 million) payable to CPPA-G, an associated undertaking, against import of electricity for self consumption.

6. Contingencies and commitments

6.1 Contingencies

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

6.1.1 Income Tax

- (i) The Deputy Commissioner Inland Revenue (DCIR) issued order dated June 10, 2021 for non-payment of third quarter advance tax under section 147 of the Income Tax Ordinance, 2001 by creating a demand of Rs 1,510 million. The Company filed appeal before Commissioner Inland Revenue Appeals (CIR-A)

Notes to the Condensed Interim Financial Statements

for the three-month and six-month period ended December 31, 2022 (Un-audited)

which was decided against the Company vide order dated April 19, 2022. Being aggrieved, the Company filed appeal before Appellate Tribunal Inland Revenue (ATIR), which was decided in favour of the Company vide order dated September 07, 2022, whereby, the entire demand has been deleted.

- (ii) The Additional Commissioner Inland Revenue (ACIR) amended the assessment of tax year 2021 vide order dated February 26, 2022 and created a demand of Rs 6,788 million on account of chargeability of tax on True up income and late payment income from CPPA-G and inadmissibility of few deductions. Being aggrieved, the Company filed appeal before CIR-A who vide order dated December 29, 2022 deleted the demand in majority of the issues while remanded back on the remaining issues.

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.

6.1.2 Sales Tax

- (i) The DCIR issued an assessment order dated September 30, 2021 raising 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 appeal before CIR-A who remanded back the case vide order dated January 28, 2022. The DCIR issued order dated March 29, 2022 and created a demand of Rs 155 million. The Company filed appeal before CIR-A, which was decided in favour of the Company except for Rs 1 million issue vide order dated September 29, 2022. Being aggrieved, the Company has filed appeal before ATIR.
- (ii) The DCIR issued an assessment order dated August 05, 2020 by rejecting the credit notes claimed by the Company in returns for the periods from October 2014 to November 2016 and created a demand of Rs 1,110 million. The case underwent multiple rounds of assessment and was finally decided vide DCIR order dated September 26, 2022 whereby demand has been reduced to Rs 30 million. Being aggrieved, the Company has filed appeal before CIR-A, which is pending adjudication.
- (iii) Additional Commissioner Punjab Revenue Authority (AC-PRA) issued a combined show cause notice for the financial years from 2016 to 2021 alleging short deduction / payment of withholding sales tax. AC-PRA issued order dated September 28, 2022 whereby demand of Rs 1,028 million was created. Being aggrieved, the Company has filed an appeal before CIR-A, Punjab Revenue Authority, which is pending adjudication.

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.

6.1.3 Others

- (i) Sui Northern Gas Pipelines Limited (SNGPL) has raised claims of late payment surcharge amounting to Rs 817 million (June 30, 2022: Rs 768 million). The Management is of the view that these claims are not as per the

Notes to the Condensed Interim Financial Statements

for the three-month and six-month period ended December 31, 2022 (Un-audited)

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 interim financial statements.

- (ii) 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 Rs 152 million (June 30, 2022: Rs 233 million).
- (iii) Contracts for car ijara are Rs 117 million (June 30, 2022: Rs 133 million).

	Un-audited December 31, 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 3,767	95,469
	2,241,126	3,163,694
Less: Disposals during the period / year (at NBV)	1,956	2,109
Depreciation charged during the period / year	309,685	924,226
	311,641	926,335
	1,929,485	2,237,359
7.1 Following is the detail of additions / transfers during the period		
Additions:		
Buildings on freehold land	-	665
Auxiliary plant and machinery	3,047	1,699
Office equipment	282	31,345
Vehicles	-	57,999
	3,329	91,708
Transfers from leased assets (at NBV):		
Vehicles	438	3,761
	3,767	95,469
8. Trade debts		
Trade debts	8.1 38,242,032	62,504,238
Less: Provision for doubtful debts	461,645	349,756
	37,780,387	62,154,482

Notes to the Condensed Interim Financial Statements

for the three-month and six-month period ended December 31, 2022 (Un-audited)

- 8.1 These are considered good except Rs 462 million (June 30, 2022: Rs 350 million) which are considered doubtful. Trade debts include an overdue amount of Rs 35,395 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 sovereign guarantee from the GoP 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.

	Un-audited December 31, 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	23,592,690	26,831,000	26,680,747
GoP Ijarah Sukuk	27,417,400	27,358,435	27,417,400	27,386,564
	<u>51,248,400</u>	<u>50,951,125</u>	<u>54,248,400</u>	<u>54,067,311</u>

Particulars of debt securities are as follows:

	Maturity	Effective Yield	Un-audited	Audited
			December 31, 2022	June 30, 2022
(Rupees in thousand)				
Pakistan Investment Bond	18-Jun-30	17.551%	23,592,690	26,680,747
GoP Ijarah Sukuk	09-Dec-25	16.423%	7,762,400	7,745,323
GoP Ijarah Sukuk	29-Oct-26	15.590%	19,596,035	19,641,241
			<u>50,951,125</u>	<u>54,067,311</u>

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

These include an advance of Rs 1 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.

Notes to the Condensed Interim Financial Statements

for the three-month and six-month period ended December 31, 2022 (Un-audited)

	Three-month ended		Six-month ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	(Rupees in thousand)		(Rupees in thousand)	
11. Sales				
Energy Purchase Price under the PPA	1,565,119	19,149,684	24,085,334	56,377,526
Sales tax	(225,095)	(2,750,586)	(3,463,143)	(8,125,720)
Net Energy Purchase Price	1,340,024	16,399,098	20,622,191	48,251,806
Capacity Purchase Price under the PPA - net	939,107	3,094,444	4,547,298	5,479,625
	<u>2,279,131</u>	<u>19,493,542</u>	<u>25,169,489</u>	<u>53,731,431</u>
12. Cost of sales				
Fuel cost	1,615,272	16,838,845	22,152,570	48,755,369
Salaries, wages and benefits	410,818	430,863	895,645	1,129,238
Plant maintenance	124,191	91,242	173,493	146,785
Gas turbines overhauls	270,493	36,490	277,329	43,102
Repair and renewals	22,160	58,655	44,487	78,331
Plant insurance	191,388	-	191,388	-
Depreciation on property, plant and equipment	70,813	207,269	282,985	446,841
Amortisation on intangible assets	430	747	1,720	1,494
	<u>2,705,565</u>	<u>17,664,111</u>	<u>24,019,617</u>	<u>50,601,160</u>
13. Other Income				
True-up income	42,207	701,442	42,207	747,369
Interest on late payment - CPPA-G	1,767,442	2,468,039	3,624,503	4,781,784
Interest on PIBs and Sukuks	1,997,599	660,319	3,955,545	993,358
Others	69,288	24,938	79,985	33,348
	<u>3,876,536</u>	<u>3,854,738</u>	<u>7,702,240</u>	<u>6,555,859</u>

Notes to the Condensed Interim Financial Statements

for the three-month and six-month period ended December 31, 2022 (Un-audited)

			Six-month ended	
			December 31, 2022	December 31, 2021
			(Rupees in thousand)	
14. Transactions with related parties				
Relationship with the Company	Percentage of shareholding	Nature of transaction		
i. Associated undertakings				
- CPPA-G	0%	Sale of electricity	25,169,489	53,731,431
- CPPA-G	0%	Purchase of electricity	261,288	87,419
- WAPDA	40%	Purchase of services	-	71
- CPPA-G	0%	Interest income on late payments	3,624,503	4,781,784
- CPPA-G	0%	True-up income	42,207	747,369
- CPPA-G	0%	Provision for doubtful debts	112,261	32,738
- CPPA-G	0%	Bad debts written off	97,398	-
- WAPDA	40%	Dividend paid	1,417,245	3,011,645
- KAPCO Employees Empowerment Trust	5%	Dividend paid	193,010	410,146
ii. Post retirement benefit plans				
- KAPCO employees provident fund trust	0%	Contributions paid	26,578	25,549
iii. Key management personnel (including directors)				
	0%	Compensation	217,552	252,974

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.

Notes to the Condensed Interim Financial Statements

for the three-month and six-month period ended December 31, 2022 (Un-audited)

	Un-audited December 31, 2022	Audited June 30, 2022
	(Rupees in thousand)	
Period end balances		
Associated Undertakings		
Receivable from related parties	39,609,221	63,703,243
Payable to related parties	1,886,588	1,785,508

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

	Six-month ended December 31, 2022	December 31, 2021
	(Rupees in thousand)	
15. Cash generated from operations		
Profit before tax	4,877,209	7,684,239
Adjustments for:		
- Depreciation on property, plant and equipment	309,685	476,094
- Amortisation on intangible assets	1,720	1,494
- Depreciation on right of use assets	22	862
- Bad debts written off	97,398	-
- Provision for doubtful debts	112,261	32,738
- Disposal of property plant and equipment	(418)	(57)
- Income on bank deposits	(50,600)	(7,010)
- Interest income on investment at fair value	(3,955,545)	(993,358)
- Fair value loss on investment at fair value	182,465	138,473
- Staff retirement benefits accrued	40,469	66,587
- Finance cost	3,144,411	1,581,478
- Amortisation of contract liability	(4,613,061)	(7,317,270)
Profit before working capital changes	146,016	1,664,270
Effect on cash flow due to working capital changes:		
- Increase in stores and spares	(81,879)	(151,914)
- Increase in stock-in-trade	(5,415,619)	(5,029,576)
- Decrease in trade debts	24,164,436	51,151,314
- Decrease in loans, advances, deposits, prepayments and other receivables	802,964	690,601
- (Decrease) / increase in trade and other payables	(9,701,154)	607,811
	9,768,748	47,268,236
Cash generated from operations	9,914,764	48,932,506

Notes to the Condensed Interim Financial Statements

for the three-month and six-month period ended December 31, 2022 (Un-audited)

Note	December 31, 2022	December 31, 2021
	(Rupees in thousand)	
16. Cash and cash equivalents		
Cash and bank balances	1,073,754	1,001,742
Finances under mark-up arrangements		
- secured	4 (31,142,971)	(32,206,796)
	<u>(30,069,217)</u>	<u>(31,205,054)</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 December 31, 2022:

	Level 1	Level 2	Level 3	Total
	Un-audited			
	(Rupees in thousand)			
Assets:				
Investments at fair value	<u>50,951,125</u>	<u>-</u>	<u>-</u>	<u>50,951,125</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>54,067,311</u>	<u>-</u>	<u>-</u>	<u>54,067,311</u>

Notes to the Condensed Interim Financial Statements

for the three-month and six-month period ended December 31, 2022 (Un-audited)

18. Date of authorisation for issue

These condensed interim financial statements were authorised for issue on February 22, 2023 by the Board of Directors of the Company.

19. Events after the reporting date

19.1 The Board of Directors of the Company have declared an interim dividend for the period ended December 31, 2022 of Rs 3.50 (December 31, 2021: Rs 4.00) per share amounting to Rs 3,081 million (December 31, 2021: Rs 3,521 million) at their meeting held on February 22, 2023. These condensed interim financial statements do not reflect this declared dividend.

19.2 No significant events have occurred subsequent to December 31, 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 has 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, condensed interim statement of changes in equity 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