

# ANNUAL REPORT 2022



**Punjab Thermal Power (Private) Limited**  
**7-C1, Gulberg-III, Lahore**

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## Corporate Information

**About the Report:** The Integrated Annual Report 2022 provides a comprehensive overview of financial performance and sustainability of the Company, while highlighting links between the external & internal environment, company strategy, business model, integrated risk management and corporate governance system at Punjab Thermal Power (Private) Limited (PTPL).

The report explains about the Company and its development. The financial statements comply with the International Financial Reporting Standards (IFRS) as notified under the Companies Act, 2017 and provisions of directives issued under this Act.

This Annual Report also provides a thorough understanding about the Company, its business, the value created, strategies, opportunities & risks, business model, governance & performance against the strategic objectives in a clear, concise and integrated manner that also gives the stakeholders a holistic view of the Company and its prospects.

**Company Profile:** PTPL is a private company limited by shares incorporated under the provisions of Companies Act, 2017. PTPL is owned by the Government of Punjab. The objective of the Company is to establish and maintain a 1263 MW Re-Gasified Liquefied Natural Gas (RLNG) based thermal power plant near Trimmu Barrage / Haveli Bahadur Shah, District Jhang.

The Project financing structure is based on 70% Debt arranged from local Banks and 30% Equity contributed by the Government of the Punjab.

PTPL has obtained all regulatory approvals/consents/licenses etc. that were required for the project, such as, Letter of Intent, Letter of Support, NEPRA Generation License etc. The Company is in full compliance with all Government Policies and Procedures including PPRA Rules, Companies Act, 2017, Securities & Exchange Commission of Pakistan (SECP) Rules and Regulations and other applicable laws.

**History:** The Country was gripped by severe energy shortages for a decade and the gap between production and consumption was widening every year. The energy crisis had caused irreparable loss to the national economy and left a negative impact on the trade and economic activities. In order to bring an end to the energy crisis in the Province, the Government of the Punjab decided to set up a RLNG based Power Plant in Punjab on fast-track basis.

For the purpose of execution of above Project, PTPL was incorporated under Section 16 of the Companies Act, 2017 vide SECP's Incorporation Certificate No. ARL/31459 dated 08.06.2017 as a Private Company Limited by Shares. PTPL is 100% owned by the Government of the Punjab through

Energy Department and all Directors are nominated by the Government of the Punjab. The objective of the Company is to establish & maintain 1263 MW RLNG based Thermal Power Plant near Trimmu Barrage / Haveli Bahadur Shah, District Jhang. The Project is moving ahead and is likely to be commercially operated by the start of next year.

**Vision:** To transform PTPL into a valuable and dynamic power Generation Company for establishment of highly efficient power plants involving latest technology and skilled resources to produce safe, sustainable and economical electricity.

**Mission:** To provide secured, cost-effective, affordable and reliable power supply to meet energy demand in the Country and counter tomorrow challenges hence energizing and revitalizing national economic growth and quality of life.

**Core Values:**

- a) **Innovation & Excellence:** We strive for excellence driven by innovation and agility. Top quality and progressive mode in a limited time is our recognition.
- b) **Integrity & Accountability:** Truth, trust, sincerity and highest standards of transparency, integrity and honesty are essence of our Company. We take responsibility for our actions and behavior, recognizing that we should be held accountable for everything we say and everything we do professionally.
- c) **Safety:** PTPL is committed to a healthy and injury-free workplace and to the safety of our employees, contractors, visitors and the communities in which we operate. Safety is our most important performance metric and is fundamental to our overall operational and managerial excellence.
- d) **Teamwork:** PTPL is a team of talented people deriving expertise from all levels of the company; our people are united, motivated and pleased in contributing as a team.

**Corporate Strategy:** PTPL aims to bridge the steadily rising gap between electricity demand & supply through establishing and maintaining RLNG based Thermal Power Plants possessing high efficiency. The ambition of the Company is to strengthen its position as a leading power producer and to contribute with long-term, cost effective and environment compatible electricity to enhance the national economic activities.

PTPL has a strong vision to promote capacity in the energy sector of the Country through development of highly efficient and state-of-the-art technology power plants at the most economical cost for delivering socio-economic benefits to the Country. The Company shall pursue sustainable growth with fair earnings by undertaking balanced management initiatives and leveraging its project management & engineering competences. PTPL is committed to build strong relationship with all stakeholders and to work diligently to increase corporate value while complying with applicable laws and ethical standards. PTPL is confident to play a critical role in eliminating the menace of power outages from the energy starved Country.

### **Code of Conduct:**

- (i) **Objectives:** The objective is to make and project PTPL as a professionally run successful company with high standards, morals and ethics and recognized by others in the country.

To achieve the above objective, all the employees and managers of the company must fully comprehend and follow the standards of ethics and best business practices.

- (ii) **Standards:** Each member of the PTPL family understands what is expected from him / her in carrying out daily business activities. These standards must always be upheld in day-to-day activities of individual employee in conducting Company's business.

The standard of business conduct and ethics, which PTPL expects from all of its employees, is a condition of employment with the company to be reviewed annually at the time of performance appraisal of an employee.

- (iii) **Responsibilities of Individual Managers:** A manager shall not be associated with illegal activities and would always adhere to highest moral conduct & best business practices and:

- i. Must devote necessary time and attention for fulfillment of responsibilities.
- ii. Be aware of company's business, financial conditions and contribute meaningfully to company's objective.
- iii. Attend Meetings.
- iv. Request for additional material and explanation when needed (do not hesitate to ask questions).
- v. Understand audit and supervisory communications.
- vi. Exercise independent judgment.
- vii. Remain focused on the company's objectives.

- (iv) **Overall responsibility of employees:** PTPL employees have responsibility to:

- i. Conduct company's business with honesty, integrity and in a professional manner.
- ii. Avoid violation of the Protection Against Harassment of Women at the Workplace Act, 2010.
- iii. Avoid smoking with in the office premises except at designated places.
- iv. Avoid any action that may be viewed or be repugnant, unethical or unlawful on his / her part by the customer / public at large or the company itself.
- v. Know and follow all applicable environmental, health and safety (EHS) laws and regulations and PTPL HSE policies and standards.
- vi. Understand and comply with the legal/regulatory requirements and internal policies and procedures of the company that applies to duties assigned to the employee.
- vii. Avoid any activity that could involve or lead to involvement in any unlawful or unethical governance practice.
- viii. Avoid participation in political or subversive activities and abstain from gambling, betting and wagering contracts.
- ix. Personal conduct towards the company, the other employees and customers of the company should be exemplary, and he/she is expected to behave with decorum both during office hours and at other times.
- x. Safeguard the confidential information of the company.
- xi. Avoid actual or potential conflicts of interests in transactions on behalf of the company.
- xii. Provide accurate and reliable information in records submitted.
- xiii. Promptly report to the company any violation of law or ethical principles of company and its policies that come to the employee's attention.

(v) **General Guidelines:**

- i. **Confidential Information:** During the course of employment and after its termination for whatever reason, employee must not disclose to anyone (nor use for any purpose other than the business of company) any information relating to company or its employees which is not already available to the public, unless authorized to do so. Such information includes technical secrets, confidential research work, technical processes, operating manuals, and other confidential financial or business information of company.

The confidentiality of non-company information must also be respected regardless of how employee comes across it. If employee receives or holds information which he knows or believes is confidential to another organization, e.g. a competitor or former employer, he should not use that information or disclose it to anyone else in company. The distinction between confidential information which should be treated in this way and other non-protected information is not always clear. If in doubt, consult Admin & HR Department.

Confidential information concerning PTPL i.e. confidential information about Company's business or business plans, technology or systems, must never be disclosed to a third party except pursuant to a statute or regulation, or a valid, court order.

- ii. **Recording of information**: No unrecorded fund or assets of PTPL shall be established or maintained for any reason. No false, artificial or misleading entries in the files and records of company shall be made for any reason. All reporting of information should be accurate, honest and timely and should be a fair representation of the facts.
- iii. **Conflict of Interest**: A conflict of interest arises when any employee permits the prospect of direct or indirect (e.g. through a family connection) personal gain to influence his/her judgment or actions or more generally, when he/she favors someone else's interest over that of the company's in the conduct of company business.

The employee must not hold a position of director, consultant, employee, representative or agent with any supplier, competitor or organization either doing or seeking to do business with company without prior written consent of the PTPL Executive Committee or CEO. If any immediate family member holds a position with any organization doing or seeking to do business with company, a written disclosure must be made promptly to his / her Manager / Admin & Human Resource Department.

If any employee wishes to undertake a non-executive director, trustee or supervisory position with external organizations, the employee must obtain the consent of the Executive Committee or CEO.

- iv. **Organizational Discipline**: It is mandatory for each employee of the PTPL to maintain the highest level of discipline in the organization. Organizational Discipline mainly focuses on individual's attitude towards his / her supervisors. In case of any conflicts between employees, a written complaint by the employee should be given to GM Admin & HR clearly mentioning the charges against the accused person. GM Admin & HR is authorized to seek clarifications and take punitive actions against accused employee.

**Regulatory Framework**: PTPL is regulated by the SECP and also has to fulfil requirements of National Electric Power Regulatory Authority (NEPRA).

**Business Line & Value Chain**: The business line of PTPL is power generation and it holds a signification position in power sector value chain. PTPL will play a pivotal role in meeting energy needs and economic development of the Country. The Company will produce and supply 1263

megawatts (MW) power to the national grid. PTPL will supplementing the power needs of the Country and add value to the economy through affordable and sustainable power to business and industry.

**Company's Legal Advisors:**

M/s. Rasikh Consilium Advocates & Consultants.

**Company's Statutory Auditors:**

M/s. Yousuf Adil, Chartered Accountants.

**Bankers of the Company:**

- National Bank of Pakistan.
- Habib Bank Limited.
- United Bank Limited.
- The Bank of Punjab.
- Meezan Bank Limited.
- Askari Bank Limited.

**Registered Office:**

Head Office: Ground Floor, 7/C1, Gulberg III, Lahore.

**Plant Site:**

Project Site: Near Trimmu Barrage / Haveli Bahadur Shah, District Jhang.

**Website:**

[www.punjabthermal.com](http://www.punjabthermal.com)



## Corporate Governance

### **Board of Directors:**

i. Mr. Muhammad Ali	Chairman / Independent Director
ii. Secretary Energy, GoPb (ex-officio)	Non-Executive Director
iii. Secretary Finance, GoPb (ex-officio)	Non-Executive Director
iv. Mr. Abdul Basit	Independent Director
v. Ms. Ermeena Asad Malik	Independent Director
vi. Mr. Khuram Saleem	Independent Director
vii. Mr. Muhammad Faisal Afzal	Independent Director
viii. Mr. Mujahid Pervaiz Chattha	Independent Director
ix. Mr. Nauman Ansari	Independent Director
x. Mr. Salman Zakaria	Chief Executive Officer/Executive Director

### **Finance & Audit Committee**

i. Mr. Nauman Ansari	Chairman
ii. Mr. Khuram Saleem	Member
iii. Secretary Energy	Member

### **Procurement Committee**

i. Mr. Mohammad Ali	Chairman
ii. Mr. Mujahid Pervaiz Chattha	Member
iii. Secretary Energy	Member

### **Human Resource Committee**

i. Ms. Ermeena Asad mailk	Chairperson
ii. Mr. Muhammad Ali	Member
iii. Secretary Energy	Member

### **Risk Management Committee**

i. Mr. Khuram Saleem	Chairman
ii. Mr. Nauman Ansari	Member
iii. Secretary Energy	Member

### **Nomination Committee**

- |      |                           |          |
|------|---------------------------|----------|
| i.   | Mr. Abdul Basit           | Chairman |
| ii.  | Mr. Muhammad Faisal Afzal | Member   |
| iii. | Secretary Energy          | Member   |

### **CSR Committee**

- |      |                           |          |
|------|---------------------------|----------|
| i.   | Mr. Muhammad Faisal Afzal | Chairman |
| ii.  | Ms. Ermeena Asad Mailk    | Member   |
| iii. | Secretary Energy          | Member   |

### **Mr. Salman Zakaria**

Chief Executive Officer

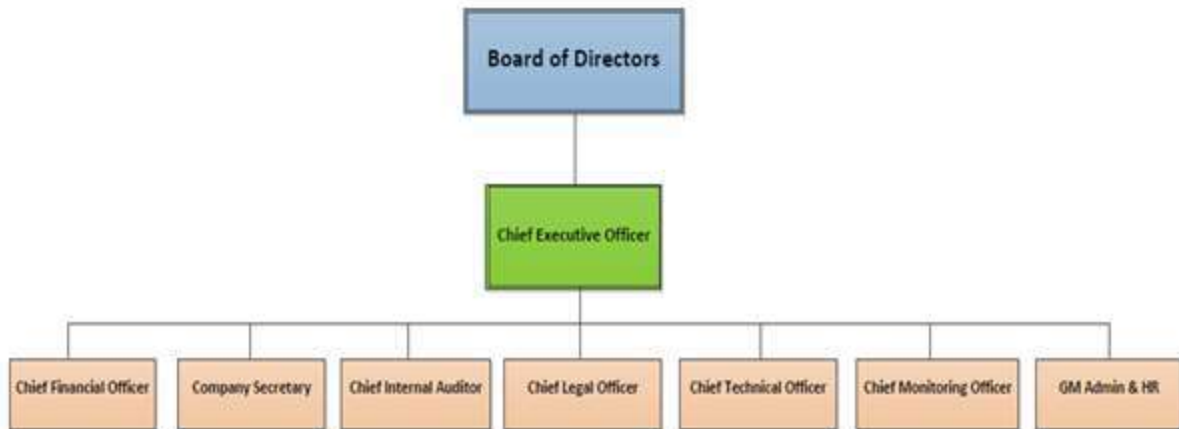
### **Malik Mohsin Ali**

Chief Financial Officer

### **Zohaib Ahmad Khan**

Company Secretary

## Organizational Structure



## NOTICE OF 5<sup>th</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS

- |  |  |
|--|--|
| i. Mr. Muhammad Ajmal Bhatti<br>Secretary Energy, GoPb<br>Shareholder/Director | iv. Mr. Abdul Basit, Director            |
| ii. Mr. Wasif Khurshid<br>Secretary Finance, GoPb<br>Shareholder/Director      | v. Ms. Ermeena Asad Malik, Director      |
| iii. Syed Muhammad Ali<br>Chairman/Director                                    | vi. Mr. Khuram Saleem, Director          |
|  | vii. Mr. Muhammad Faisal Afzal, Director |
|  | viii. Mr. Mujahid Pervaiz, Director      |
|  | ix. Mr. Nauman Ansari, Director          |
|  | x. Mr. Salman Zakaria, CEO               |
|  | xi. M/s Yousuf Adil, External Auditors   |

**Subject: Notice of the 5<sup>th</sup> Annual General Meeting of the Shareholders of Punjab Thermal Power (Private) Limited**

Notice is hereby given to all shareholders and directors of Punjab Thermal Power (Private) Limited (the "Company") that the 5<sup>th</sup> Annual General Meeting of the Company will be held on **Thursday, November 17, 2022** at **06:00 pm** at the registered office of the Company i.e. **7-C1, Gulberg-III, Lahore** to transact the following business:

- (i) To confirm Minutes of the 4<sup>th</sup> Annual General Meeting of the Company held on 28.10.2021.
- (ii) To ratify 3<sup>rd</sup> resolution passed by the Shareholders of the Company through Circulation on 26.04.2022.
- (iii) To receive, consider and adopt Annual Audited Accounts of the Company for the Financial Year ended June 30, 2022 together with Auditor's, Director's and Annual Reports thereon.
- (iv) To appoint Statutory Auditors of the Company for the Year 2022-2023 and to fix their remuneration. The present Auditors namely M/s Yousuf Adil, Chartered Accountants will stand retired at the conclusion of the 5<sup>th</sup> AGM of the Company and are eligible to offer themselves for re-appointment as recommended by the Board of Directors.
- (v) To transact any other business with the permission of the Chair.

**By Order of the Board**  
Punjab Thermal Power  
(Private) Limited



**Zohaib Ahmad Khan**  
Company Secretary

**Lahore:** October 27, 2022



# Punjab Thermal Power (Pvt.) Limited



## Notes:

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- (i) The share transfer books of the company shall remain close from November 10, 2022 to November 17, 2022 (both days inclusive).
- (ii) A member entitled to attend and vote at this meeting of the Company is entitled to appoint any other member as his/her proxy to attend and vote instead of him/her, and a proxy so appointed shall have the rights to speak and vote at the meeting as are available to the member.
- (iii) The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney in order to be valid must be deposited at the registered office of the Company not less than forty-eight (48) hours before the meeting.
- (iv) In case of corporate entity, the Board of Director's resolution/ power of attorney with specimen signatures of the nominee shall be produced at the time of the meeting. A proxy representing a corporation or company must himself be a member of the Company.
- (v) The proxy form shall be witnessed by two (2) persons whose names, addresses and C.N.I.C numbers shall be mentioned on the proxy form.
- (vi) Members are requested to notify the Company of any changes in their addresses immediately.
- (vii) The proxy form shall be witnessed by two (2) persons whose names, addresses and C.N.I.C numbers shall be mentioned on the proxy form.

## Directors' Report to the Shareholders For the Period ended June 30, 2022

The Directors of the Punjab Thermal Power (Private) Limited ("**PTPL**") have the pleasure in submitting their report together with Audited Financial Statements of the Company for the Financial Year ended June 30, 2022 prepared under Section 226 of the Companies Act, 2017.

### Company's Overview

In view of acute shortage of electricity, the GoPb has established PTPL as a private company limited by shares incorporated under the aegis of Companies Act, 2017. PTPL is 100% owned by GoPb through Energy Department. The objective of the Company is to establish, operate and maintain 1263 MW Re-Gasified Liquefied Natural Gas ("**RLNG**") based thermal power plant near Trimmu Barrage / Haveli Bahadur Shah, District Jhang (the "**Project**") to eradicate the power shortage in the Country. The Project is being developed by the PTPL in an Independent Power Producer (IPP) mode under the Power Generation Policy, 2015.

### Progress on the Project

After execution of the concession agreements in 2020 and achievement of financial close in April 2021, the works resumed at site. NTDC required retesting of 220 kV switchyard, in addition to certain other additional tests. The 220 kV switchyard was successfully energized by November 17, 2021 after overcoming the spread of Covid-19 at site. Similarly, the fuel gas receiving and metering station was also commissioned by November 27, 2021.

The technical experts from EPC Contractor and OEM (CMEC and Siemens, respectively) started mobilizing from around the world for commissioning of the gas turbines. However, due to COVID19 restrictions and delays in visa issuance, full mobilization could not be completed until January / February 2022. In addition, certain retesting activities were required & performed on gas turbines due to long preservation at site to ensure integrity of the equipment. There were also certain delays on account of arranging resources, parts and materials which were otherwise required to complete the works by the EPC Contractor. The GT1 achieved first fire on March 13, 2022. However, due to non-availability of gas in later half of March 2022, testing and commissioning could not proceed further. After intervention of the provincial and federal governments, gas was made available again at the end of May 2022. Subsequent to the year end, the Gas Turbine 1 (GT1) was successfully commissioned on July 26, 2022 while the Gas Turbine 2 (GT2) was achieved commissioning on August 03, 2022 in terms of the PPA. The established Capacity and Efficiency for both

gas turbines for simple cycle are better than the performance guarantees under the EPC Agreement and PPA. The company has achieved combined Capacity of both gas turbines of 810 MW against guarantee of 800 MW and the efficiency of around 40% against a guaranteed figure of 39.2%.

At the end of June 2022, the overall construction progress at site stood at **88.78%**. On the combined cycle portion of works, certain bottlenecks were faced in availability of materials for completion of the HRSGs and main steam piping.

During the period USD 66.7 million was paid under Offshore EPC Price and PKR 3,293 million was paid under Onshore EPC Price. A cumulative payment of **77.42%** of EPC Price of USD 520 Million has been made thus far.

The accumulated safe man hours, without loss time injury, stands at **13,306,029**. During the testing and commissioning phase of the gas turbines, a total of **78,427,000** units of electricity were generated and supplied to the national grid.

The EPC contractor, CMEC, submitted its consolidated claims for an additional cost of **USD 76 Million** and extension in time of **1,242 days** (Combined Cycle COD in April 2023) on January 27, 2022. However, the submitted documents are not enough to substantiate CMEC claims and a rounds of clarificatory meetings were held with their consultants. However, in end May 2022 CMEC indicated inability to proceed further with the project completion due to their contended cashflow issues.

Subsequently, in order to mitigate Contractor's claimed cash flow issues and to expedite the works, the parties entered into a Supplemental Agreement (SA) on August 11, 2022 after obtaining requisite approvals from respective board of directors and financiers. Under the said arrangement, the Claims from the Contractor to be referred to a Dispute Adjudication Board (DAB) and contingent payment of PKR 3 billion to be made to the Contractor in tranches upon completion of certain milestones. The targeted COD under SA is November 30, 2022.

Post signing of SA, as per the EPC Contractor, there has been certain delays due to spread of COVID-19 in the team working at site, delay in arrival of material for chemical cleaning of HRSGs due to flood situation in southern Pakistan etc. In addition, Siemens started to undertake unavoidable modification/enhancement works on Steam Turbine Generator to augment integrity of the windings. Originally the work was planned for two weeks only and was not affecting the timelines for COD. However, upon investigation, CMEC / Siemens informed that the quantum of works for the said enhancement / TIL of the Generator is much more than expected. Complete checks are being performed by Siemens and the enhancement works are anticipated to be completed around mid of December 2022. Due to detailed enhancement works, COD

of the project is pushed by 06 weeks and is anticipated to be achieved in last half of January 2023.

## Management & Administration

The Company is governed by its Board of Directors comprising of professionals from both Public and Private Sector with requisite range of skills, knowledge, experiences to make it properly composed & structured and to enhance the core competence of the Board. The management team is entrusted with a responsibility to conduct operations of the Company adhering to the vision, core values, corporate strategy, and policies as approved by the Board of Directors.

## Financing Structure

### (a) Project Finance Facility:

The Company had arranged funding requirement equivalent to then estimated project cost of Rs. 112 billion through combination of debt and equity in proportion of 70:30 whereby 30% equity of Rs. 33.6 billion injected by the Sponsor and 70% debt through Project Finance Facilities of Rs. 78.4 billion arranged from a consortium of local commercial banks.

However, the funding so arranged to complete the project has increased due to unprecedented and sharp devaluation of Pak rupees against USD, increase in RLNG & HSD prices due to domestic and international factors, increase in interest rates and delay in achievement of COD. Under the Sponsor Support Agreement ("SSA") dated 17<sup>th</sup> December 2020, GoPb is obligated to fund all cost overruns incurred or to be incurred by the Company.

Currently, the additional funding requirement is being finalized by the financiers and the current estimated funding requirement is approximately Rs. 10 billion.

As the process of arranging additional project finance is time-consuming and cumbersome process therefore in parallel discussion was initiated with project financiers / banks individually. Consequently, Meezan Bank Limited, showed its willingness to arrange the requisite financing as a Mandated Lead Arranger ("**MLA**") from the market/existing consortium while contributing significant portion itself. Subsequent to the year end, PTPL executed Mandate Letter with Meezan Bank Limited for the arrangement of 70% of additional funding/cost overruns for an approx. amount of up to Rs. 7 billion. PTPL is also continuously following-up with other financiers for their consent and finalization of additional funding requirement.



The Company to date has made drawdown of Rs. 52.6 billion from the total Project Finance Facility of Rs. 78.4 billion.

The availability period under the Project Finance Facility has expired on September 30, 2022. However, keeping in view the revised COD timelines the Company has already applied for an extension of said availability period till earlier of January 31, 2023 or COD and is in discussions with the financiers for the extension of the same. Under the PPA the Required Commercial Operation Date (RCOD) is June 23, 2023.

## **(b) Working Capital Facility:**

During the year, the Company has achieved facility effective date under its working capital facilities of Rs. 15,213 million, after utilizing its working capital equity of Rs. 6.520 billion the Company to date has made drawdown of Rs. 1.05 billion from its working capital facilities.

However, the working capital facility so arranged also become insufficient due to unprecedented and sharp devaluation of Pak rupees against USD, increase in RLNG and HSD prices due to domestic and international factors. Hence, the Company initiated process for negotiating and arranging additional working capital facilities with various banks. Accordingly, subsequent to the year end, the Company has executed / finalized mandate letter(s) and term sheet(s) for an amount of over PKR 13 billion with the Bank of Punjab, Meezan Bank Limited and Dubai Islamic Bank Pakistan.

## **(c) Gas Supply Deposit (GSD):**

Under the terms of Gas Supply Agreement (GSA), PTPL is required to provide Gas Supply Deposit (GSD) equivalent to 30 days gas price. The Company initially arranged and provided GSD equivalent to Rs. 6.6 billion at the then prevailing gas price in the form of Stand by Letter of Credit from NBP and BOP.

During the year, Company had arranged additional SBLC facility for an amount of Rs. 3.8 billion to fulfill GSD shortfall arose due to increase in gas price and exchange rate. Till date, total SBLCs of Rs. 10.4 billion have been arranged and provided to SNGPL in terms of the GSA.

Further, during the year due to abrupt devaluation of PKR against USD and increase in RLNG Price because of national and international factors, the GSD requirement increased and SBLC so arranged become insufficient. The current estimated GSD amount is approximately Rs. 22.5 billion thus differential SBLC of

Rs. 12 billion is required to be arranged. Arranging SBLC of such a huge amount is challenging due to low market appetite, banks per party restrictions, over-all sectoral limits (due to persistent circular debt) imposed by SBP and reluctance by the banks due to ongoing disputes between SNGPL and GPPs. Further, SBLCs so provided to SNGPL sufficiently covers the billing cycle under the GSA which should be a matter of comfort for SNGPL.

Moreover, support from Ministry of Petroleum has been sought for continuous supply of gas.

## Financial Results

Currently the Company is in construction phase and it will start earning profit / return on equity from its operations after its Commercial Operations Date (COD). The Company earned profit after tax of Rs. 147.104 million which was mainly attributed to the interest income of Rs. 658.8 million on bank deposits (which is net of interest income of Rs. 268.9 million capitalized under capital working progress.) and scrap sale of Rs. 3.2 million partly offset by administrative expenses of Rs. (280.7) million, finance cost of Rs. (5.4) million and tax expense of Rs. (228.9) million.

## Health, Safety & Environment (HSE)

The Company has devised Health Safety and Environment Policy in line with the requirements mentioned in the Environment Impact Assessment (“EIA”) Study, Punjab Environment Protection Agency’s NOC and Generation License to provide a safe and healthful workplace for all of its employees and to minimize the impact of our activities on the environment. Compliance with Environmental, Health and Safety (“EHS”) laws and EIA Study is a basic tenet of the PTPL Code of Business Ethics and is to be integrated into all of our operating practices. In this regard, HSE specialist has been hired by the company to ensure the compliance with prudent HSE laws, standards and EIA study requirement. Furthermore, the EIA Study has also been made part of the EPC Agreement and accordingly, EPC Contractor has a dedicated HSE Section at Project Site, which is responsible for implementing the Company’s HSE Policy as well as compliance with EIA Study and international standards for HSE. The same is overseen by experts from NESPAK and PTPL’s own HSE Department at Project Site. HSE Reports are generated on daily, weekly, monthly basis and quarterly basis.

Furthermore, environment friendly technology used in the project with lowest emissions will help government fulfill its international commitments of reducing the carbon footprints.

## Corporate Social Responsibility

The Company has formulated a policy for its Corporate Social Responsibility (“**CSR**”), which will take effect when the Project starts its commercial operations. Currently, under terms of the EIA Approval, the EPC Contractor, on the Company’s behalf, is planting 10,000 trees in vicinity of the Project. Further, the free of cost COVID-19 vaccination facility has also been provided to the population in vicinity of the plant. During operational stage of the Project, the CSR initiatives of the Company will include, *inter alia*, donations, charities, contributions and other local community development schemes pertaining to health, education, women development and Sports etc.

## Internal Control Framework and Internal Audit

The Directors acknowledge their overall responsibility for the Company’s system of internal control and in reviewing its effectiveness, whilst the role of Executive Management is to implement the policies approved by the Board. It implements an internal control system designed to facilitate effective and efficient operations of the Company. It aims at enabling the Management to respond appropriately to significant risks in achieving the Company’s business objectives. It should be noted that the system is designed to manage rather than to eliminate the risk of failure to achieve the Company’s objectives and can only provide reasonable and not absolute assurance against material misappropriation or loss.

The Company’s internal audit functions operate on a centralized basis. Detailed reports on quarterly basis are submitted directly to the Head of Internal Audit who, in turn, reports functionally to the Finance & Audit Committee and administratively to the Chief Executive Officer of the Company. The Internal Audit Department carries out regular reviews and reports on these to the Finance & Audit Committee. Internal audit charter, manual and annual audit plans are duly approved by the Finance & Audit Committee on behalf of the Board of Directors, in line with the guidelines laid down by the Securities and Exchange Commission of Pakistan (“**SECP**”).

## Share Capital

As of date the Authorized Share Capital of the Company is Rs. 40,120,000,000 divided into 401,200,000 Ordinary Shares of Rs. 100 each, whereas the Paid-up Share Capital of the Company is also Rs. 40,120,000,000 divided into 401,200,000 Ordinary Shares of Rs. 100 each.

## Corporate and Financial Reporting Framework

- (a) The Board has complied with the relevant principles of corporate governance and has identified the rules that have not been complied with, the period in which such non-compliance continued, and reasons for such non-compliance.
- (b) The financial statements together with notes thereon have been drawn up and prepared by the management of the Company in conformity with the Companies Act, 2017. These statements present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- (c) Proper books of account of the Company have been maintained.
- (d) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- (e) The Board recognizes their responsibility to establish and maintain sound system of internal control, which is regularly reviewed and monitored.
- (f) The appointment of Chairman and other members of Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the Company as well as in line with the best practices. According to the Remuneration Policy approved by the Shareholders of the Company, meeting fee of Rs. 75,000/- (Rupees Seventy-Five Thousand Only) including taxes is paid for attending meeting of the Board and Committees.
- (g) International Financial Reporting Standards ("**IFRS**"), as applicable in Pakistan, have been followed in preparation of financial statements except for the implementation of IAS-21 and IFRS-16 for which the Company sought exemption in line with the exemption available to all other IPPs whose PPAs were signed prior to January 01, 2019. However, SECP had rejected Company's application for exemption of the SRO in connection with application of IFRS 16, against which the Company filed review appeal before SECP which was returned on the grounds that it did not fall within the scope of section 480 of the Companies Act, 2017. The Company after consultation with its legal advisor filed an appeal before the appellate bench of SECP. However, the appellate bench of SECP also rejected Company's request for exemption without giving any chance of being heard. During the year, the Company has sought relief through an appeal filed before the Honorable Lahore High Court (the "**LHC**") against the order of SECP and have also filed a writ petition challenging the impugned conditions contained in notification SRO 986(I)/2019 dated September 2, 2019 (limiting SRO to only those companies

that had executed PPAs before January 01, 2019). The LHC on January 04, 2022 has granted an interim relief by suspending the impugned condition contained in the SRO No. 986 (1) / 2019 dated September 02, 2019, till further order. The matter is pending before the court, the Company and its legal advisor are of the view that the outcome ought to be in favor of the Company on various legal and technical grounds.

- (h) All statutory and corporate information of the Company is conveyed to the SECP as required under Companies Act, 2017.

## **Future Outlook**

The demand for electricity has been steadily rising for the past decade and is forecast to continue with economic growth of the country. PTPL has a strong vision and commitment to add economical energy to the national grid and promote capacity building in the Country's energy sector through the development of world's most efficient and state-of-the-art technology at the most economical cost. PTPL is confident to play a critical role in eliminating the menace of power outages from the energy starved Country in the coming times. Moreover, the Company's operational tariff is more competitive as compared to other gas based thermal power plants.

## **Earnings per Share**

As the Company is currently under construction phase and has not yet begin its commercial operations, therefore, profit earned which mainly due to interest income only, are not truly reflective of Company's earnings per share at the reporting date.

Earnings per share shall be calculated once the Company achieves its COD and start earning profit / return on equity from its operations.

## **Meetings of the Board of Directors and Committees along with Attendance and Remuneration Paid to the Directors**

During the Financial Year ended June 30, 2022 following meetings of the Board of Directors and Committees were held. The attendance and meeting fee paid to the directors are as under:

Sr. No.	Names of Directors	Meetings of the Board of Directors & Committee's Attended by the Members					Meeting Fee Paid Inclusive of Tax Rs.	Reimbursement of Travel & Accomodation Expenses
		Board of Directors	Human Resource Committee	Finance & Audit Committee	Procurement Committee	Risk Mangement Committee		
1	Mr. Muhammad Ali	10 of 10	05 of 05	-	02 of 02	-	850,000	345,670
2	Secretary Finance, GoPb (ex-officio Director)	06 of 10	-	-	-	-	300,000	-
3	Secretary Energy, GoPb (ex-officio Director)	10 of 10	05 of 05	04 of 04	02 of 02	01 of 01	1,100,000	-
4	Mr. Abdul Basit	10 of 10	-	-	02 of 02	-	600,000	-
5	Ms. Ermeena Asad Malik	10 of 10	04 of 05	-	-	-	700,000	43,194
6	Mr. Khuram Saleem	10 of 10	-	03 of 04	02 of 02	01 of 01	800,000	-
7	Mr. Muhammad Faisal Afzal	10 of 10	-	02 of 02	-	-	600,000	-
8	Mr. Mujahid Perviaz Chattha	04 of 04	-	-	-	-	200,000	-
9	Mr. Nauman Ansari	04 of 04	-	02 of 02	-	01 of 01	350,000	-
10	Mt. Hasaan Khawar (Resigned on 02.10.2021)	01 of 03	-	-	-	-	50,000	-

Leave of absence was granted to the Directors who could not attend the Board meetings due to their pre-occupation.

## Statutory Auditors

The present Statutory Auditors of the Company, M/s. Yousuf Adil, Chartered Accountants shall stand retired at the conclusion of the 5<sup>th</sup> Annual General Meeting of the Company and are eligible to offer themselves for re-appointment as per section 246 of Companies Act, 2017 for financial year 2022-23. The Finance & Audit Committee in its 22<sup>nd</sup> meeting dated 25.10.2022 had recommended to the Board of Directors and Shareholders the appointment of M/s. Yousuf Adil, Chartered Accountants as external auditors of the Company for the year 2022-23.

## Auditor's Report

The Auditors of the Company, M/s. Yousuf Adil, Chartered Accountants have completed their assignment up to the Financial Year ended June 30, 2022. The Auditors have not made any reservations or adverse remarks in their Audit Report for the Financial Year under review. The Auditors' Report does not contain any qualification, notes to the Accounts and Auditors' remarks in their report are self-explanatory and do not call for any further comments.

## Pattern of Shareholding

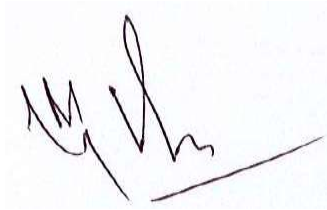
As required under Section 227 of the Companies Act, 2017 and Rule-17(4)(i) of Public Sector Companies Rules, 2013, statement of the Pattern of Shareholding of the Company reflecting the aggregate number of shares held as at June 30, 2022 is attached hereto as "**Annex-A**".



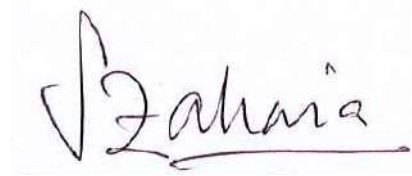
## Acknowledgement

The Board of Directors would like to take this opportunity to express its appreciation and gratitude to all its shareholders and stakeholders for their continued valuable support in managing the business. The Board also acknowledges and thanks the management team and employees of the Company for their hard work and dedication shown throughout the Financial Year under review.

For and on behalf of  
**Board of Directors**



**Chairman/Director**



**Chief Executive Officer**

City: **Lahore**

Date: October 25, 2022

## **ANNEX-A**

### **Pattern of Shareholding**

As of June 30, 2022

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
3	1	401200000	401,200,000

### **Categories of Shareholding**

As of June 30, 2022

Category of Shareholders	No of Shareholders	No of Shares Held	Shareholding Percentage
Government of the Punjab & its Nominees	3	401,200,000	100%





**Review Report to the Members  
On Statement of Compliance with the Public Sector Companies (Corporate  
Governance) Rules, 2013**

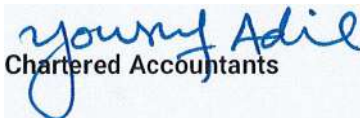
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 ('the Rules') prepared by the Board of Directors of **Punjab Thermal Power (Private) Limited** ('the Company') for the year ended June 30, 2022.

The responsibility for compliance with the Rules is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Rules.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Rules requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended June 30, 2022.

  
Chartered Accountants

**Engagement Partner:**  
Rana M. Usman Khan

Lahore

**Date:** November 11, 2022  
**UDIN:** CR202210088tnb85EvJd

**SCHEDULE-I**  
**[See paragraph 2(1)]**  
**Statement of Compliance with the**  
**Public Sector Companies (Corporate Governance) Rules, 2013**

Name of Company: Punjab Thermal Power (Private) Limited  
Name of Line Ministry: Ministry of Energy, Government of the Punjab  
For the Year Ended: June 30, 2022

I. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called “the Rules”) issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.

II. The company has complied with the provisions of the Rules in the following manner:

S. No	Provisions of the Rules	Rule No.	Y	N																										
			Tick the Relevant Box																											
1.	The Independent Directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																											
2.	The Board has the requisite percentage of Independent Directors. At present the Board includes:	3(2)	✓																											
	<table><tr><th>Category</th><th>Names</th><th>Date of Appointment</th></tr><tr><td rowspan="7">Independent Directors</td><td>1. Syed Muhammad Ali</td><td>08.07.2019</td></tr><tr><td>2. Mr. Abdul Basit</td><td>08.07.2019</td></tr><tr><td>3. Ms. Ermeena Asad Malik</td><td>08.07.2019</td></tr><tr><td>4. Mr. Khuram Saleem</td><td>08.07.2019</td></tr><tr><td>5. Mr. Muhammad Faisal Afzal</td><td>08.07.2019</td></tr><tr><td>6. Mr. Mujahid Pervaiz Chattha</td><td>26.11.2021</td></tr><tr><td>7. Mr. Nauman Ansari</td><td>26.11.2021</td></tr><tr><td>Executive Directors</td><td>1. Mr. Salman Zakaria</td><td>05.11.2021</td></tr><tr><td rowspan="2">Non-Executive Directors</td><td>1. Secretary Finance, GoPb.</td><td>08.07.2019</td></tr><tr><td>2. Secretary Energy, GoPb.</td><td>08.07.2019</td></tr></table>				Category	Names	Date of Appointment	Independent Directors	1. Syed Muhammad Ali	08.07.2019	2. Mr. Abdul Basit	08.07.2019	3. Ms. Ermeena Asad Malik	08.07.2019	4. Mr. Khuram Saleem	08.07.2019	5. Mr. Muhammad Faisal Afzal	08.07.2019	6. Mr. Mujahid Pervaiz Chattha	26.11.2021	7. Mr. Nauman Ansari	26.11.2021	Executive Directors	1. Mr. Salman Zakaria	05.11.2021	Non-Executive Directors	1. Secretary Finance, GoPb.	08.07.2019	2. Secretary Energy, GoPb.	08.07.2019
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7. Mr. Nauman Ansari		26.11.2021																												
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Non-Executive Directors	1. Secretary Finance, GoPb.	08.07.2019																												
	2. Secretary Energy, GoPb.	08.07.2019																												
3.	The Directors have confirmed that none of them is serving as a Director on more than five Public Sector Companies and Listed Companies simultaneously, except their Subsidiaries.	3(5)	✓																											
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as Board members under the Provisions of the Act.	3(7)	✓																											

5.	The Chairman of the Board is working separately from the Chief Executive of the Company.	<b>4(1)</b>	✓	
6.	The chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government	<b>4(4)</b>	✓	
7.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.  (Not applicable where the chief executive has been nominated by the Government)	<b>5(2)</b>	✓	
8.	(a) The company has prepared a “Code of Conduct” to ensure that professional standards and corporate values are in place.  (b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company’s website. ( <a href="http://www.punjabthermal.com">www.punjabthermal.com</a> )  (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	<b>5(4)</b>	✓  ✓  ✓	
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	<b>5(5)</b>	✓	
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	<b>5(5)(b) (ii)</b>	✓	
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Company.	<b>5(5)(b) (vi)</b>	✓	
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	<b>5(5)(c) (ii)</b>	✓	
13.	The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	<b>5(5)(c) (iii)</b>	✓	
14.	The Board has developed a vision or mission statement and corporate strategy of the company.	<b>5(6)</b>	✓	

15	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	✓	
16.	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	N/A	
17	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	✓	
18.	(a) The Board has met at least four times during the year.	6(1)	✓	
	(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	✓	
	(c) The Minutes of the meetings were appropriately recorded and circulated.	6(3)	✓	
19.	The Board has monitored and assessed the performance of senior management on annual and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	✓	
20.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the Audit Committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓	
21.	(a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.	10	✓	N/A
	(b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.			
	(c) The Board has placed the annual financial statements on the company's website.		✓	
22.	All the Board members underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in the Rules	11	✓	

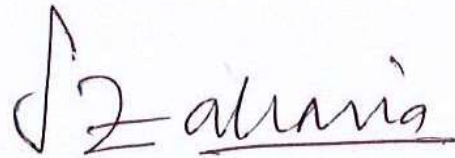
23.	(a) The Board has formed the requisite Committees, as specified in the Rules.	12	✓																			
	(b) The Committees were provided with written Terms of Reference defining their duties, authority and composition.		✓																			
	(c) The Minutes of the meetings of the Committees were circulated to all the Board members.		✓																			
	(d) The Committees were Chaired by the following non-executive directors:		✓																			
	<table><tr><th>Committee</th><th>Number of Members</th><th>Name of Chair</th></tr><tr><td>Finance &amp; Audit Committee</td><td>3</td><td>Mr. Nauman Ansari</td></tr><tr><td>Risk Management Committee</td><td>3</td><td>Mr. Khuram Saleem</td></tr><tr><td>Human Resource Committee</td><td>3</td><td>Ms. Ermeena Asad Malik</td></tr><tr><td>Procurement Committee</td><td>3</td><td>Syed Muhammad Ali</td></tr><tr><td>Nomination Committee</td><td>3</td><td>Mr. Abdul Basit</td></tr></table>		Committee		Number of Members	Name of Chair	Finance & Audit Committee	3	Mr. Nauman Ansari	Risk Management Committee	3	Mr. Khuram Saleem	Human Resource Committee	3	Ms. Ermeena Asad Malik	Procurement Committee	3	Syed Muhammad Ali	Nomination Committee	3	Mr. Abdul Basit	✓
	Committee		Number of Members		Name of Chair																	
	Finance & Audit Committee		3		Mr. Nauman Ansari																	
	Risk Management Committee		3		Mr. Khuram Saleem																	
	Human Resource Committee		3		Ms. Ermeena Asad Malik																	
	Procurement Committee		3		Syed Muhammad Ali																	
Nomination Committee	3	Mr. Abdul Basit																				
✓																						
✓																						
✓																						
✓																						
✓																						
24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13	✓																			
25	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓																			
26.	The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓																			
27.	The directors’ report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓																			
28.	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.	18	✓																			

29.	(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.  (b) The annual report of the company contains criteria and details of remuneration of each director.	19	✓  ✓													
30.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the Board.	20	✓													
31.	The Board has formed an Audit Committee, with defined and written Terms of Reference, and having the following members: <table border="1"><thead><tr><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr></thead><tbody><tr><td>Mr. Nauman Ansari</td><td>Independent Director</td><td>Banker / Consultant</td></tr><tr><td>Mr. Khuram Saleem</td><td>Independent Director</td><td>CEO, Imperial Footwear (Pvt.) Ltd.</td></tr><tr><td>Secretary Energy, GoPb</td><td>Non-Executive Director</td><td>Career Bureaucrat</td></tr></tbody></table> The Chief Executive and Chairman of the Board are not members of the Audit Committee.	Name of Member	Category	Professional Background	Mr. Nauman Ansari	Independent Director	Banker / Consultant	Mr. Khuram Saleem	Independent Director	CEO, Imperial Footwear (Pvt.) Ltd.	Secretary Energy, GoPb	Non-Executive Director	Career Bureaucrat	21 (1) and 21 (2)	✓  ✓	
Name of Member	Category	Professional Background														
Mr. Nauman Ansari	Independent Director	Banker / Consultant														
Mr. Khuram Saleem	Independent Director	CEO, Imperial Footwear (Pvt.) Ltd.														
Secretary Energy, GoPb	Non-Executive Director	Career Bureaucrat														
32.	(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.  (b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.  (c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.	21(3)	✓  ✓  ✓													

33	<p>(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.</p> <p>(b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.</p> <p>(c) The internal audit reports have been provided to the external auditors for their review.</p>	22	✓	
34.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓	
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓	



**CHAIRMAN, BOARD OF DIRECTORS**



**CHIEF EXECUTIVE OFFICER**

**SCHEDULE-II**

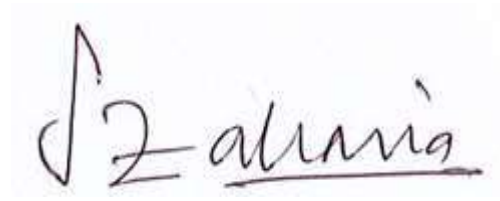
**See Paragraph 2(3)**

**Explanation for Non-Compliance with the  
Public Sector Companies (Corporate Governance) Rules, 2013**

<b>Sr. No.</b>	<b>Rule/ sub- rule no.</b>	<b>Reason for non-compliance</b>	<b>Future course of action</b>
		N/A	N/A



**CHAIRMAN, BOARD OF DIRECTORS**



**CHIEF EXECUTIVE OFFICER**





## INDEPENDENT AUDITOR'S REPORT

### To the members of Punjab Thermal Power (Private) Limited Report on the Audit of Financial Statements

#### Opinion

We have audited the annexed financial statements of **Punjab Thermal Power (Private) Limited** (the Company), which comprise the statement of financial position as at June 30, 2022, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and of the profit, comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

We draw attention to note 5.15 of these financial statements which explains that the Company has continued to capitalize exchange (gain) / loss on foreign currency balances in view of interim relief granted by the Honorable Lahore High Court on January 04, 2022 by suspending the restrictive condition contained in the SRO No. 986 (1)/2019 dated September 02, 2019, till further orders. Our opinion is not modified in this respect.

#### Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Director's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.

  
Chartered Accountants

Lahore

Date: November 11, 2022  
UDIN: AR202210088PK52hEzbt

**PUNJAB THERMAL POWER (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2022**

	Note	2022 (Rupees in thousand)	2021		Note	2022 (Rupees in thousand)	2021
<b>EQUITY AND LIABILITIES</b>				<b>ASSETS</b>			
<b>CAPITAL AND RESERVES</b>				<b>NON-CURRENT ASSETS</b>			
Authorized capital				Property, plant and equipment	15	97,414,687	84,009,852
Ordinary shares of Rs. 100 each		40,120,000	<u>40,120,000</u>	Right-of-use asset	16	38,253	58,211
Issued, subscribed and paid up capital				Intangibles	17	54	104
Ordinary shares of Rs. 100 each	6	40,120,000	33,600,000	Long term deposits		<u>11,092</u>	<u>10,275</u>
Advance against issue of shares	7		6,520,000			<u>97,464,086</u>	<u>84,078,442</u>
Unappropriated profit		<u>904,257</u>	762,851				
		<u>41,024,257</u>	40,882,851				
<b>NON-CURRENT LIABILITIES</b>							
Long term financing - secured	8	36,541,045	21,098,369				
Subordinated loan from sponsor - unsecured	9	8,710,000	8,710,000				
Staff retirement benefits	10	58,280	39,672				
Lease liability		<u>21,911</u>	<u>36,406</u>				
		45,331,236	29,884,447				
<b>CURRENT LIABILITIES</b>				<b>CURRENT ASSETS</b>			
Trade and other payables	11	22,341,118	27,502,980	Advances, prepayments, deposits and other receivables	18	5,779,450	1,457,679
Accrued Markup / Profit	12	2,441,101		Cash and bank balances	19	<u>9,550,643</u>	<u>13,459,995</u>
Short term borrowings	13					<u>15,330,093</u>	<u>14,917,674</u>
Lease liability		22,045	22,172				
Provision for taxation less payments		925	7,377				
Current maturity of long term financing - secured	8	<u>1,633,497</u>	<u>696,289</u>				
		26,438,686	28,228,818				
<b>CONTINGENCIES AND COMMITMENTS</b>	14						
		<u>112,794,179</u>	<u>98,996,116</u>			<u>112,794,179</u>	<u>98,996,116</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

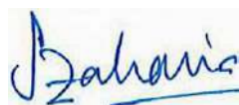
  
**DIRECTOR**

**PUNJAB THERMAL POWER (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 (Rupees in thousand)	2021
Administrative expenses	20	(280,692)	(267,780)
Other income	21	662,079	701,568
<b>Profit from operations</b>		<b>381,387</b>	<b>433,788</b>
Finance cost	22	(5,388)	(1,515)
<b>Profit before taxation</b>		<b>375,999</b>	<b>432,273</b>
Taxation	23	(228,895)	(227,898)
<b>Profit for the year</b>		<b>147,104</b>	<b>204,375</b>

The annexed notes 1 to 29 form an integral part of these financial statements.

Y/A



CHIEF EXECUTIVE




DIRECTOR

**PUNJAB THERMAL POWER (PRIVATE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 (Rupees in thousand)	2021
Profit for the year		147,104	204,375
<b>Other comprehensive income</b>			
Actuarial loss on remeasurements of staff retirement benefits	10.3	(5,698)	(800)
<b>Total comprehensive income for the year</b>		<u>141,406</u>	<u>203,575</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

**PUNJAB THERMAL POWER (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2022**

		Share capital	Advance against issue of shares	Unappropriated (Loss) / profit	
	Note	(Rupees in thousand)			
Balance as at June 30, 2020		10,000	38,820,000	559,276	39,389,276
Profit for the year				204,375	204,375
Other comprehensive income				(800)	800
Total comprehensive income				203,575	203,575
<b>Transactions with shareholders in their capacity as owners:</b>					
Advance against issue of shares			1,290,000		1,290,000
Shares issued during the year		33,590,000	(33,590,000)		
Balance as at June 30, 2021		33,600,000	6,520,000	762,851	40,882,851
Profit for the year				147,104	147,104
Other comprehensive loss				(5,698)	(5,698)
Total comprehensive income				141,406	141,406
<b>Transactions with shareholders in their capacity as owners:</b>					
Advance against issue of shares	7				
Shares issued during the year		6,520,000	(6,520,000)		
Balance as at June 30, 2022		40,120,000		904,257	41,024,257

The annexed notes 1 to 29 form an integral part of these financial statements.

Y/A

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

**PUNJAB THERMAL POWER (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 (Rupees in thousand)	2021
<b>(a) Cashflows from operating activities</b>			
Profit before taxation		375,999	432,273
Adjustments:			
Depreciation on operating fixed asset	15.1	6,292	3,880
Depreciation on right-of-use-asset	16	19,958	18,785
Amortization on intangibles	17	50	83
Provision for staff retirement benefits	10.2.1	7,115	6,312
Interest income	21	(658,836)	(691,379)
Finance cost	22	5,388	1,515
		<u>(620,033)</u>	<u>(660,804)</u>
		(244,034)	(228,531)
<b>Working capital changes</b>			
Increase in current assets:			
Advances, prepayments, deposits and other receivables		(4,084,402)	(451,166)
Decrease in current liabilities:			
Trade and other payables		(2,724,493)	(28,025,679)
		<u>(6,808,895)</u>	<u>(28,476,845)</u>
<b>Cash used in operating activities</b>		<u>(7,052,929)</u>	<u>(28,705,376)</u>
Finance cost paid		(274)	(97)
Income tax paid		(235,347)	(228,343)
		<u>(235,621)</u>	<u>(228,440)</u>
<b>Net cash used in operating activities</b>		<u>(7,288,550)</u>	<u>(28,933,816)</u>
<b>(b) Cash flows from investing activities</b>			
Capital expenditure incurred		(13,399,806)	(2,404,464)
Profit received on saving accounts		421,467	708,458
Payment for intangible assets			(150)
Payment for long term deposits		(817)	
<b>Net cash used in investing activities</b>		<u>(12,979,156)</u>	<u>(1,696,156)</u>
<b>(c) Cash flows from financing activities</b>			
Advance against issuance of shares		-	1,290,000
Proceeds from long term financing - net of transaction cost		16,379,884	21,794,658
Reclassification of subordinated loan from sponsor		-	3,710,000
Short term borrowings received		-	9,698,928
Short term borrowings repaid		-	(9,698,928)
Repayment of lease liability - principal		(16,281)	(20,236)
Finance cost paid		(5,249)	(1,295)
<b>Net cash from financing activities</b>		<u>16,358,354</u>	<u>26,773,127</u>
<b>Net decrease in cash and cash equivalents (a+b+c)</b>		<u>(3,909,352)</u>	<u>(3,856,845)</u>
<b>Cash and cash equivalents at beginning of the year</b>		<u>13,459,995</u>	<u>17,316,840</u>
<b>Cash and cash equivalents at end of the year</b>	19	<u>9,550,643</u>	<u>13,459,995</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**



**PUNJAB THERMAL POWER (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**Legal status and nature of business**

Punjab Thermal Power (Private) Limited (the Company) was incorporated as a private limited company under the Companies Act, 2017 on June 08, 2017 by the Government of Punjab (GoPb) through Energy Department. The Company is wholly owned by GoPb and was established to set up, operate and manage 1,263.2 megawatt (MW) Re-gasified Liquefied Natural Gas (RLNG) combined cycle thermal power plant at Haveli Bahadur Shah, near Trimmu barrage, Jhang, Punjab in Independent Power Producer (IPP) mode. The registered office of the Company is situated at 7- C1, Gulberg III, Lahore, Pakistan. The principal activities of the Company are to construct, own, operate and maintain the 1,263.2 MW RLNG based power plant and in connection therewith to engage in the business of generation, sale and supply of electricity.

**2 Basis of preparation**

**2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan which are effective in current period**

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

<b>2.2.1 Standards or Interpretations with no significant impact</b>	<b>Effective from annual period beginning on or after:</b>
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021

**2.3 New accounting standards, interpretations and amendments that are not yet effective and / or have not been early adopted by the company**

The following new accounting standards, interpretations and amendments to accounting and reporting standards are effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are, either not relevant to the Company's operations, or are not expected to have a significant impact on the Company's financial statements other than certain additional disclosures.

<b>Standards or Interpretations that are not yet effective</b>	<b>Effective from annual period beginning on or after:</b>
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates

January 01, 2023

Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.

January 01, 2023

Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Deferred indefinitely

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 – First Time Adoption of International Financial Reporting Standards

IFRS 17 Insurance Contracts

### 3 Basis of measurement

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policy notes.

#### 3.1 Use of estimates and judgments

The preparation of these financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards that have significant effect on these financial statements and the estimates with a significant risk of material adjustment are:

	Note
- Significant events and transactions	4
- Estimated useful lives and residual values of property, plant and equipment & intangibles	5.2 and 5.3
- Staff retirement benefits	5.8
- Provision for taxation	5.9
- Provisions and contingencies	5.11
- Leases	
- Capitalization of exchange gain / loss	
- Right-of-use asset	16
- Financial risk management	24

#### 3.2 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). These financial statements are presented in Pakistani Rupee which is the Company's functional and presentation currency. All financial information presented in Pakistani Rupee has been rounded off to the nearest of thousand Rupees, unless otherwise stated.

#### 4 Significant transactions and events

- 4.1 The Company had arranged funding requirement equivalent to then estimated project cost through combination of debt and equity in proportion of 70:30 whereby 30% equity of Rs. 33.6 billion injected by the Sponsor and 70% debt from Project Finance Facilities of Rs. 78.4 billion arranged through consortium of banks referred at note no. 8 to these financial statements. The funding requirement of the Company to complete the project has increased due to unprecedented and sharp devaluation of Pak rupees against USD, increase in RLNG and HSD prices due to domestic and international factors, increase in interest rates and delay in achievement of COD.

As per the financing documents, the project financier's consent is required for finalizing additional funding requirements (expected cost overruns) to complete the project. The finalization of additional funding requirement is difficult and time-consuming process owing to various reasons including volatile market conditions, pending receipt of financiers' consent to fund the cost overruns in 70:30 debt equity ratio instead of being 100% funded by the Sponsor, finalization of debt-equity ratio, consent by the financiers to participate in the transaction and determination of expected COD by financiers' technical advisor. Currently, the additional funding requirement is being finalized by the financiers. The current estimated funding requirement is approximately Rs. 10 billion.

Under the Sponsor Support Agreement ("SSA") dated 17th December 2020, GoPb is obligated to fund all cost overruns incurred or to be incurred by the Company. To secure these obligations, the sponsor issued Provincial Guarantee and Debit Authority in favor of the project financiers. However, as a result of strenuous efforts, project financiers agreed in principle and will take up the matter with their credit committees for consideration and approval to fund these cost overruns / additional funding requirements as the same relates to factors that may be allowed by the NEPRA post COD.

However, as the process of arranging additional project finance is time-consuming and cumbersome process therefore in parallel discussion was initiated with project financiers / banks individually. Consequently, Meezan Bank Limited ("MBL"), showed its willingness to arrange the requisite financing as a Mandated Lead Arranger ("MLA") from the market/existing consortium while contributing significant portion itself.

Accordingly, subsequent to the year end, the Company executed Mandate Letter with MBL for the arrangement of 70% of additional funding/cost overruns for an amount of up to Rs. 7,000 million. the Company is also continuously following-up with other financiers for their consent and finalization of additional funding requirement.

- 4.2 The Availability period under the project finance facilities was initially envisioned up till March 31, 2022 at the time of signing of financing documents in December 20, 2020 keeping in view the then anticipated COD timelines indicated by EPC Contractor with certain conditions. However, the EPC contractor communicated that anticipated COD has delayed due to numerous reasons such as spread of COVID-19 at the site, retesting of 220kv Switchyard required by system operator (NTDC) to ensure safety & protection of infrastructure, international travel restrictions and delay in visa processing of OEM (Siemens) specialist and reperformance of various system integrity test. Accordingly, the availability period of project finance facility was extended till earlier of COD or September 30, 2022.

Subsequent to the year end, the Company has successfully achieved Simple Cycle Operation Start Date GT1 on July 27, 2022 and Simple Cycle Operation Start Date GT2 on August 04, 2022 respectively after completion of commissioning tests at first attempt. Since then, the plant is available for generation in simple cycle mode on as-available basis at a generation tariff determined by the NEPRA on unit delivered basis. All major equipment had remained in preservation mode for long time nevertheless smooth commissioning and results of capacity & efficiency tests were better than the contractual benchmark.

However, the contractor could not achieve the anticipated COD timelines and indicated the following factors to be the reasons of delay such as cash flow constraints, non-availability of gas/RLNG due to domestic and international factors, quarantining of technical specialists of OEM as they contracted COVID-19, mandatory product change management (upgradation / rectification) by OEM, planned additional validation tests by OEM on combined cycle activities due to long preservation and delay in arrival of certain testing equipment / material due to recent floods.

In view of the foregoing, COD is now expected to be achieved by end of December 2022, whereas payment milestone related to TOC and retention money are to be made after COD therefore in order to avoid additional Interest During Construction (IDC) and keep project cost minimize and request has been made to financier to extend the expiry of loan availability period till earlier of COD and January 31, 2023. Under the PPA the Required Commercial Operation Date (RCOD) is June 23, 2023.

The Company is in discussion with financiers, they have shown willingness to support the project by extending loan availability period and currently, are in process of obtaining internal approvals.

- 4.3 During the year, the Company has achieved facility effective date under working capital facilities of Rs. 15,213 million, however no amount has been drawn till the year ended June 30, 2022. These facilities are in addition to the working capital equity of Rs. 6,520 million injected by the Government of Punjab (the sponsor or GoPb).

The working capital requirement of the Company increased significantly due to unprecedented and sharp devaluation of Pak rupees against USD, increase in RLNG and HSD prices due to domestic and international factors. Hence the Company initiated process for negotiating and arranging additional working capital facilities with various banks. Accordingly, subsequent to the year end, the Company has executed / finalized mandate letter(s) and term sheet(s) for an amount of over Rs. 13,000 million with various banks.

- 4.4 The EPC Contractor has indicated that project is expected to achieve Combined Cycle Commercial Operations Date ("COD") in December 2022, provided that Covid-19, security situation and other unforeseen technical matters do not adversely effect.
- 4.5 Under the Gas Supply Agreement (GSA) entered between the Company and Sui Northern Gas Pipeline Limited (SNGPL), the Company is required to provide Gas Supply Deposit (GSD) equivalent to price of 30 days of RLNG. Accordingly, the Company at the time of financial close had arranged Standby Letter of Credit (SBLC) for an amount of Rs. 6,600 million equivalent to the GSD value at then prevailing RLNG prices and exchange rate. However, due to adverse exchange rate movement and increase in RLNG prices, the SBLC so arranged becomes insufficient and GAS supplier has required differential SBLC inline with requirements of GSA. As the RLNG price and exchange rates are continuously fluctuating hence the arrangement of differential amount of GSD has become difficult and a moving target. During, the year, the Company has provided an additional SBLC of Rs. 3,876 million from the National Bank of Pakistan and The Bank of Punjab to partially fulfill differential requirement of GSD. The SBLC facilities are primarily secured against provincial government and debit authority.

The current estimated GSD amount is approximately Rs. 22,500 million thus differential SBLC of Rs. 12,000 million is required. Arranging SBLC of such a huge amount is challenging due to low market appetite, banks' per party restrictions, over-all sectoral limits (due to persistent circular debt) imposed by SBP and reluctance by the banks due to ongoing disputes between SNGPL and GPPs. Further, SBLCs so provided to SNGPL sufficiently covers the billing cycle under the GSA which should be a matter of comfort for SNGPL.

- 4.6 After successful synchronization with National Grid, the Company during the testing phase (till August 03, 2022) has generated and delivered 179 million units of electricity to the National Grid and consequently generated test energy invoices for an amount of Rs. 7,980 million.
- 4.7 The VIS Credit Rating Company Limited (VIS) has reaffirmed the ratings assigned to the Company at AA-/A-1. The medium to long-term rating of AA- denotes high credit quality coupled with strong protection factors. The short-term rating of A-1 denotes high certainty of timely payments, liquidity factors are excellent and supported by good fundamental protection factors. Outlook on the assigned rating is "Stable".
- 4.8 The Possession of land measuring 82 Kanals and 1 Marla comprising of 70 Kanals and 10 Marla is owned by irrigation department, GoPb and 11 Kanals 11 Marla of kacha rasta land was transferred to the company in 2017. However the legal title is being transferred in Company's name. The Board of Revenue ("BOR") has made assessment of price in pursuance of Statement of Condition for Disposal of State Land 2019 issued under section 10 of colonization of government land (Punjab Act, 1912). Accordingly, the Company has paid an amount of Rs. 29.081 million at the rate of Rs. 3 million per acre for the purchase of Land measuring 70 Kanal 10 Marla. The sale agreement between BOR and the Company is being finalized and will be executed accordingly. Furthermore, gardawri of 11 Kanal 11 Marla has been completed in favour of the Company and currently under its possession.
- 4.9 During the year the Company has capitalized property, plant and equipment amounting to Rs. 45.79 million as operating assets and Rs. 13,365.34 million as capital work in progress.
- 4.10 Subsequent to the year end, the Company also entered into a car lease finance facility with Meezan Bank Limited for an amount of Rs. 100 million to provide compensation cars to entitled employees in accordance with Company approved policy after obtaining project lenders approval.

## 5 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 5.1 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

### 5.2 Property, plant and equipment

#### Owned

Property, plant and equipment owned by the Company are stated at cost less accumulated depreciation and impairment, if any, except for freehold land which is stated at cost. Capital work in progress and stores held for capitalization, which are stated at cost less accumulated impairment, if any. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs. Capital work in progress consists of capital expenditure, advances made in the course of their construction and directly attributable costs, net of income from test runs. Transfers are made to the relevant asset category as and when assets are available for intended use.



Depreciation charge is based on the straight-line method at rates given in note 15.1, whereby the cost of an asset is written off to statement of profit or loss over its estimated useful life after taking into account the residual value, if any. The residual value, depreciation method and the useful lives of each part of property and equipment are reviewed at each reporting date and adjusted, if required.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is derecognized or retired from active use.

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an asset is represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense.

### 5.3 Intangibles

Intangible assets with a finite useful life are capitalized initially at cost and subsequently stated at cost less accumulated amortization and impairment, if any. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, in line with the Company's policy. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if required.

### 5.4 Trade debts, advances, deposits and other receivables

Trade debts, advances, deposits and other receivables are recognized initially at original invoice amount which is the fair value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Bad debts are written off when identified.

The Company reviews the recoverability of its trade debts, advances, deposits and other receivables to assess amount of bad debts provision required there against on an annual basis.

### 5.5 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and bank balances, short term investment with less than three month maturity and short term running finance which are stated in the statement of financial position at cost.

### 5.6 Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in statement of profit or loss.

#### 5.6.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis, being the date on which the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

##### 5.6.1.1 Classification of financial assets:

The classification depends on the purpose for which the financial assets were acquired. Company determines the classification of its financial assets at the time of initial recognition. The Company classifies its financial assets in the following categories:

**a) Debt instruments that meet the following conditions are measured subsequently at amortized cost:**

The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Amortized cost and effective interest method:**

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

As at reporting date, the Company carries bank balances, long term deposits and other receivables at amortized cost.

**b) Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):**

The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As at reporting date, the Company do not possess any debt instrument classified as at FVTOCI.

**c) Equity instruments designated as at FVTOCI:**

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

As at reporting date, the Company do not possess any equity instruments designated as at FVTOCI.

**d) Financial assets at fair value through profit or loss**

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). As at reporting date, the Company do not possess any financial assets classified as at FVTPL.

**5.6.1.2 Impairment of financial assets**

The Company recognizes a loss allowance for expected credit losses on financial assets, except for financial asset due from Government. SECP through SRO 1177(I)/2021 dated September 13, 2021 has notified that, in respect of companies holding financial assets due from the Government of Pakistan in respect of circular debt, the requirements contained in IFRS 9 with respect to application of Expected Credit Losses (ECL) method shall not be applicable till June 30, 2022 and that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period.

**5.6.1.3 Derecognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. Any gain or loss on derecognition of financial assets is included in the statement of profit or loss.

**5.6.1.4 Write-off policy**

The Company writes off a financial asset when there is information indicating that the amount is not recoverable. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice, where appropriate. Any recoveries made are recognized in statement of profit or loss.

### 5.6.2 Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method.

#### 5.6.2.1 Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not :

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or
- designated as at FVTPL,

are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

#### 5.6.2.2 Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in statement of profit or loss.

### 5.6.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off in the statement of financial position, only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

### 5.6.4 Impairment of non-financial assets

The carrying amount of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the absence of any information about the fair value of a cash-generating unit, the recoverable amount is deemed to be the value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in statement of profit or loss and where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of asset.

### 5.7 Borrowing costs

Borrowing cost and other related costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

#### 5.7.1 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost representing the fair value of consideration received less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the statement of profit or loss over the period of borrowings on an effective rate basis.

### 5.8 Staff retirement benefits

The main features of the schemes operated by the Company for its employees are :

#### 5.8.1 Defined benefit plan - gratuity

The Company currently operates gratuity plan for its employees who have completed the qualifying period under the scheme. The most recent actuarial valuation in this regard was carried out as at June 30, 2022 by using Projected Unit Credit Method for valuation of the scheme. Remeasurements which comprises actuarial gains and losses and experience adjustments are recognized immediately in the statement of comprehensive income. Net interest expense and current service cost are recognized in statement of profit or loss and capital work in progress. Details of the scheme are given in note 10 to these financial statements.

#### 5.9 Taxation

As per power policy 2015, the Company being an IPP is exempt from taxation in Pakistan. However in order to avail this exemption, the Company has requested Private Power and Infrastructure Board (PPIB) and Ministry of Finance, GoP to make appropriate amendment in income tax laws. Furthermore, under the tariff determination, in case the company is obligated to pay any tax on its income from generation of electricity or any duties and / or taxes not being of refundable nature are imposed on the company, the exact amount paid by the Company is also recoverable from National Electric Power Regulatory Authority (NEPRA) / Central Power Purchasing Agency Guarantee Limited (CPPA-G).

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in other comprehensive income or below equity, in which case it is recognized in other comprehensive income or below equity respectively.

##### (a) Current

Provision for current taxation is based on taxable income at the current tax rates after taking into account tax rebates and tax credits available, if any, or minimum tax under section 113 of Income Tax Ordinance 2001, whichever is higher.

##### (b) Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary differences arising from the carrying amount of asset and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the date of statement of financial position. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to equity in which case it is included in equity.

#### 5.10 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers whether or not billed to the company. Accounts payables are classified as current liabilities if payments is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Liabilities for trade and other payables are carried at amortized cost which approximates the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

#### 5.11 Provisions and contingencies

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle such obligations and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost, if any. Where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, it is disclosed as contingent liability.

#### 5.12 Interest income and finance cost

Finance income comprises interest income on bank deposits and term deposit receipts. Income on bank deposits and term deposit's receipts are accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.



Finance cost comprises markup on lease liability and bank charges. Mark-up, interest and other charges are charged to the statement of profit or loss in the period in which they are incurred except for the borrowing cost on qualifying asset which is eligible for capitalization.

#### **5.13 Foreign currency transactions and balances**

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are generally recognized in CWIP during the construction period.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

#### **5.14 Leases**

##### **5.14.1 Right-of-use asset**

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

##### **5.14.2 Lease liability**

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index, or a rate, initially measured using the index or rate as at
- amount expected to be payable under a residual guarantee; and
- the exercise under purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in statement of profit or loss if the carrying amount of the right of use asset has been reduced to zero.

##### **5.15 Additional disclosure as per IAS 1 for departure from requirements of IAS 21**

On January 16, 2012, SECP vide SRO 24 (I) 2012 had granted waivers to all Independent Power Producers (IPPs) from the requirement of IFRIC 4 "Determining whether an arrangement contains a lease" and IFRIC 12, "Service Concession Agreements". Further, SECP through the aforementioned SRO has also allowed the IPI's to continue capitalizing the exchange differences, and not to recognize embedded derivatives where these are not closely related to the host contract. On September 2, 2019 SECP vide SRO 986(I) / 2019 by making partial modification in the said SRO has granted exemptions from the requirements of IFRS 16 & IAS 21 to the companies which have executed power purchase agreements (PPA) before January 1, 2019. Since the concession agreements of the Company were approved by ECC in 2018, only signing were pending which was made on June 22, 2020 owing to various reasons on part of Federal Government entities which were beyond the control of the Company, therefore Company believes that said notification does not apply to it like other RLNG projects. However, the Company had applied to SECP for similar exemption / clarification as was granted to IPPs whose PPAs have been executed before January 01, 2019.

SECP had rejected Company's application for exemption as per said SRO to the extent of application of IFRS 16, against which the Company filed review appeal before SECP which was returned during the period on the grounds that it did not fall within the scope of section 480 of the Companies Act, 2017. The Company after consultation with its legal advisor filed an appeal before the appellate bench of SECP. However, the appellate bench of SECP also rejected Company's request for exemption without giving any chance of being heard.

Now, the Company is seeking relief through an appeal filed before the Honorable Lahore High Court ("the LHC") against the order of SECP and have also filed a writ petition challenging the impugned conditions contained in notification SRO 986(1)/2019 dated September 2, 2019 (limiting SRO to only those companies that had executed PPAs before January 01, 2019). The LHC on January 04, 2022 has granted an interim relief by suspending the impugned condition contained in the SRO No. 986 (1) / 2019 dated September 02, 2019, till further order. The matter is pending before the court, the Company and its legal advisor are of the view that the outcome ought to be in favor of the Company on various legal and technical grounds.

Had there been no capitalization of exchange gain/(loss), the impact on financial statements will be as follows;

	2022	2021
	(Rupees in thousand)	
Unappropriated loss - brought forward	(186,677)	(16,742)
Decrease in profit for the year	(1,549,965)	(169,935)
Increase in unappropriated loss	<u>(1,736,642)</u>	<u>(186,677)</u>
Decrease in capital work in progress	<u>(1,736,642)</u>	<u>(186,677)</u>
Decrease in equity	<u>(1,736,642)</u>	<u>(186,677)</u>

**6 Issued, subscribed and paid up capital**

2022 (Number of shares)	2021		2022 (Rupees in thousand)	2021
Authorized share capital				
<u>401,200,000</u>	<u>401,200,000</u>	Ordinary shares of Rs. 100 each	40,120,000	40,120,000
<b>Issued, subscribed and paid-up capital</b>				
<u>401,200,000</u>	<u>336,000,000</u>	Ordinary shares of Rs. 100 each, fully paid in cash	40,120,000	<u>33,600,000</u>
<b>Reconciliation of ordinary shares</b>				
336,000,000	100,000	Balance at July 01	33,600,000	10,000
<u>65,200,000</u>	<u>335,900,000</u>	Shares issued during the year	<u>6,520,000</u>	<u>33,590,000</u>
<u>401,200,000</u>	<u>336,000,000</u>	Balance at June 30	<u>40,120,000</u>	<u>33,600,000</u>

6.1 401,199,998 ordinary shares of Rs. 100 each held by the Government of Punjab ("GoPb") through Energy Department and 1 ordinary share of Rs. 100 held by each of two nominee personnel of the GoPb.

	Note	2022 (Rupees in thousand)	2021
<b>7 Advance against issue of shares</b>			
Opening balance		6,520,000	38,820,000
Conversion / addition			1,290,000
Issue of ordinary shares		<u>(6,520,000)</u>	<u>(33,590,000)</u>
Closing balance	7.1		6,520,000

7.1 This represents amount received from the GoPb through Energy Department in respect of contribution towards equity of the Company for working capital requirement.

		2022 (Rupees in thousand)	2021
<b>8 Long term financing - secured</b>			
<b>Syndicated term finance facility :</b>			
National Bank of Pakistan		10,516,798	6,150,727
Habib Bank Limited		8,388,398	4,905,937
United Bank Limited		7,982,751	4,668,694
The Bank of Punjab	8.4	3,685,887	2,155,683
Askari Bank Limited		3,155,039	1,845,218
<b>Musharaka facility :</b>			
Meezan Bank Limited		3,029,839	1,771,995
United Bank Limited		<u>2,504,000</u>	<u>1,464,459</u>
		39,262,712	22,962,713
Transaction cost		<u>(1,088,170)</u>	<u>(1,168,055)</u>
		38,174,542	21,794,658
Current maturity of long term financing - secured		<u>(1,633,497)</u>	<u>(696,289)</u>
		<u>36,541,045</u>	<u>21,098,369</u>

8.1 The Company has entered into the long term financing facilities of Rs. 78,400 million which comprises of Syndicated Term Finance Facility and Musharaka Facility amounting of Rs. 67,350 million and Rs. 11,050 million respectively at a rate of three months KIBOR plus 2.5% per annum. The Company has fulfilled all conditions precedent and disbursements under the facility were made available. During the year, the drawdown of Rs. 16,300 million was made (June 30, 2021: Rs 22,962 million). The principal amount of facilities is repayable in 20 half yearly instalments and first such payment shall due on June 30 or December 31 following after the end of the availability period and then on each purchase price payment date / buy out payment date (each June 30 and December 31) until and including the final maturity date at June 30, 2032. The availability period of Syndicated Term Finance Facility and the Musharaka Facility has been extended till September 30, 2022 or COD whichever is earlier. The Company shall be liable to pay by way of liquidated damages (and not by way of interest, profit or mark-up) an additional amount calculated at the rate of three percent per annum above the Mark-up Rate from the due date for such payment to the date of actual payment or recovery thereof, together with the costs and expenses incurred by the financiers (other than the Musharaka Participants) or any of them or (as the case may be) in effecting recovery thereof.

8.2 The facilities mentioned are secured with 25% margin over the facility amount by way of, inter alia:

(a) a first ranking equitable mortgage, by deposit of title deeds, on the Mortgaged Immovable Property in favor of the Finance Parties, ranking pari passu inter se the Finance Parties;

(b) first ranking mortgage to each of the Finance Parties over all of the Assigned Project Receivables;

(c) first ranking hypothecation and charge and continue to hypothecate and charge to all present and future, fixed and current, tangible and intangible assets and Properties of the Company (i) other than the Permitted Accounts and the properties comprising the same together with the funds standing to the credit of each of the Permitted Accounts; (ii) the Assigned Energy Payment Receivables; (iii) the Assigned GSA Receivables; (iv) the Fuel Insurance Proceeds; (v) the Fuel stock; (vi) Encashment Receivables; and (vi) Mortgaged Immovable Property; whether owned or leased, both held now and hereinafter acquired of whatever kind and nature);

(d) first ranking lien and charge on: (i) the Project Accounts; and (ii) the Deposits;

(e) subordinated ranking mortgage to each of the Finance Parties over the Assigned Energy Payment Receivables & Assigned GSA Receivables;

(f) subordinated ranking mortgage to each of the Finance Parties over the Fuel Insurance Proceeds;

(g) subordinated ranking mortgage to each of the Finance Parties over the Encashment Receivables;

(h) 51% of shares subject to the share pledge agreement together with verified blank share transfer deeds for such shares.

8.3 As per the requirement of financiers and in pursuance of provincial Cabinet approval the GoPb, the Company and financiers entered into a Sponsor Support Agreement ("SSA") wherein commitments provided by the sponsor in terms of SSA, inter alia, are as follows; (a) Provision of Rs. 8,710 million as loan to the Company which is subordinated and repayable upon fulfilment of certain conditions as mentioned in note 9.1 to these financial statements. (b) The cost overruns, if any, incurred by the Company subject to the cap of up to a maximum amount of Rs. 5,600 million other than with respect to the obligation to fund foreign exchange cost overruns and claims amounts which obligation shall not be subject to any cap. (c) the sponsor shall provide Debt Service Reserve Account ("DSRA"), SBLC or a cash deposit equivalent to Rs. 7,513.86 million by the earlier of: (i) thirty (30) days before the first Payment Date; and (ii) five (5) months from the expiry date of the Availability Period. (d) The sponsor has also provided the IBCP support amount of Rs. 7,811.37 million which is aggregate of the Mark-Up, profit, Variable Rental Payments incurred or to be incurred by the Company from the period commencing on the last day of the construction period i.e November 29, 2019 (as approved by NEPRA subject to one-time adjustments at COD) up to the last day of the Availability Period and as determined by the financiers. (e) The Sponsor agreed that if the Company is unable to pay in full excess debt component i.e. over and above NEPRA approved debt in the Final Tariff (other than the IBCP) within two years from the end of the Availability Period ("Long Stop Date"), it will pay the outstanding excess debt in the form of a lump sum bullet payment within thirty days from the Long Stop Date. The Sponsor shall also pay the IBCP amount within fifteen days from the date that NEPRA determines the COD stage tariff in which certain one-time adjustments are made. Provided always, the Financiers acting in their sole discretion may extend the time period for payment of IBCP. (f) The sponsor has also provided Government Guarantee and Debit Authority for an amount of Rs. 20,925 million to cover the commitments mentioned in (b), (c) and (d) above in favor of financiers.

8.4 This represents loan availed from the related party, The Bank of Punjab in accordance with the terms of Syndicated Term Finance Facility Agreement out of the total limit of Rs. 7,360 million.

8.5 Please refer to note 4.1 for further developments.

		2022	2021
		(Rupees in thousand)	
9	Subordinated loan from sponsor - unsecured	Note	
	Subordinated loan from sponsor	9.1	8,710,000
9.1	This is interest free loan which was provided as a sponsor support in accordance with the requirement of SSA and the loan agreement dated August 28, 2020 was amended and restated on February 15, 2021 to incorporate certain terms and conditions of financing agreements. This loan shall be subordinated and repaid in accordance with the terms and conditions of the financing agreements.		
10	Staff retirement benefits	Note	
	Amount recognized in the statement of financial position		
	Present value of defined benefit obligation	10.1	58,280
			39,672

	2022	2021
	(Rupees in thousand)	
<b>10.1 Changes in present value of defined benefit obligation</b>		
Present value of defined benefit obligation at beginning of the year	39,672	25,283
Current service cost	14,744	11,440
Interest cost on defined benefit obligation	3,691	2,149
Benefits paid	(5,526)	
Remeasurements:		
- Actuarial loss from changes in financial assumptions	4,930	193
- Experience adjustments	768	607
Present value of defined benefit obligation at end of the year	58,279	39,672
<b>10.2 Charge for the year</b>		
Current service cost	14,744	11,440
Interest cost on defined benefit obligation	3,691	2,149
	18,435	13,589
<b>10.2.1 Charge for the year has been allocated as follows:</b>		
Capital work in progress	9,872	7,277
Administrative expenses	8,563	6,312
	18,435	13,589
<b>10.3 Total remeasurements chargeable in other comprehensive income</b>		
Remeasurements of plan obligation:		
- Actuarial loss from changes in financial assumptions	4,930	193
- Experience adjustments	768	607
Total remeasurements chargeable in other comprehensive income	5,698	800
<b>10.4 Changes in net liability</b>		
At beginning of the year	39,672	25,283
Charge for the year	18,435	13,589
Benefits paid	(5,526)	
Actuarial loss on remeasurements of staff retirement benefits	5,698	800
	58,279	39,672

**10.5 Estimated expenses to be charged in statement of profit or loss in next year**

The estimated expense to be charged in the statement of profit or loss for the year ending June 30, 2023 will be Rs. 19.063 million.

**10.6 Significant Actuarial Assumptions**

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in the relevant note. The principal assumptions used for valuation of the defined benefit scheme are as under:

	2022	2021
Discount rate used for interest cost	10.00%	8.50%
Discount rate used for year-end obligation	13.25%	10.00%
Salary increase used for year-end obligation	9.00%	9.00%
Salary Increase FY 2022 onwards	21.32%	9.00%
Retirement assumption	60 years	60 years
Weighted average duration of defined benefit obligation	9 years	8 years
Method of actuarial valuation used	Project unit credit actuarial cost method	

**10.7 Sensitivity analysis**

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 100 basis points higher / (lower), the defined benefit obligation would decrease to Rs. 53.616 million (2021: Rs. 36.64 million) / increase to Rs. 63.798 million (2021: Rs. 43.255 million).

- If the expected rate of salary increases / (decreases) by 100 basis points, the defined benefit obligation would increase to Rs. 63.907 million (2021: Rs. 43.357 million) / decrease to Rs. 54.438 million (2021: Rs. 36.5 million).



		2022	2021
		(Rupees in thousand)	
<b>11 Trade and other payables</b>	<b>Note</b>		
Payable to contractors	11.1		1,929,884
Payable to suppliers		2,369,005	
Payable to consultants		42,101	209,464
Retention money payable		4,836,158	3,045,217
Provision for EPC related works / equipment	11.2	14,661,193	21,913,581
Workers' profit participation fund	11.3	25,361	68,818
Workers' welfare fund	11.4	13,872	8,524
Financing fee payable	11.5	5,964	31,101
Accrued and other liabilities	11.6	387,464	296,391
		<u>22,241,118</u>	<u>27,502,980</u>

11.1 This represents payable to EPC Contractor for the invoices raised upon milestone completion amounting to Rs. nil (2021: Rs. 1,786.40 million) and payable to O&M Contractor Rs. nil (2021: Rs. 143.48 million).

11.2 This represents liability accrued for items of plant and equipment received along with the completion for related works after adjusting for advance given and invoices raised by EPC Contractor.

		2022	2021
		(Rupees in thousand)	
<b>11.3 Workers' profit participation fund</b>			
Opening balance		68,818	44,537
Provision during the year		25,543	24,281
Payment made during the year		(69,000)	
Closing balance		<u>25,361</u>	<u>68,818</u>

<b>11.4 Workers' welfare fund</b>			
Opening balance		8,524	19,581
Provision during the year		21,065	8,524
Payment made during the year		(15,717)	(19,581)
Closing balance		<u>13,872</u>	<u>8,524</u>

11.5 This includes Rs. Nil (2021: Rs. 3.16 million) payable to related party, The Bank of Punjab on account of commitment fee in accordance with the long term financing agreements.

11.6 This includes Rs. Nil (2020: Rs. 42.73 million) payable to related party, Quaid-e-Azam Thermal Power (Private) Limited (QATPL) under the management contract for shared services and Rs. 0.25 million (2021: Rs. 2.87 million) payable to related party, Director General Public Relation (DGPR) on account of advertisement expenses and Rs. Nil (2021: 23.20 million) payable to Government of Punjab on account of Katcha Rasta land.

		2022	2021
		(Rupees in thousand)	
<b>12 Accrued Markup / Profit</b>	<b>Note</b>		
Markup	12.1	2,097,050	
Variable rental payments		<u>344,051</u>	
		<u>2,441,101</u>	

12.1 This includes Rs. 229.21 million (2021: Nil) markup payable to related party, The Bank of Punjab under syndicated term finance facility agreement.

### 13 Short term borrowings

#### 13.1 Working capital finance facility - secured

The Company has also entered in to short term Working Capital Finance (WCF) facilities for an amount of up to Rs. 15,213 million under first working capital and running musharaka agreement to meet its working capital requirements with the lenders as disclosed under note 8 to the financial statements. The Facility Effective Date under WCF facilities has been achieved on December 31, 2021. The availability period of facilities is 12 months period commencing from the facility effective date unless extended with the prior written consent of the financiers. WCF facilities carries mark-up / musharaka profit at the rate three month KIBOR plus 2% per annum. No amount has been drawn as on June 30, 2022. Please refer note 4.3 for further developments relating to arrangement of additional working capital finance facilities.

This facilities are secured with 25% margin over the facility amount by way of, inter alia:

(a) first ranking mortgage to each of the Working Capital Finance Parties all and each of the Assigned Receivables.

(b) first ranking lien and charge on the Working Capital Accounts, by way of a continuing security in favor of the Working Capital Finance Parties. The Working Capital Finance Parties shall have a right of set-off, right of transfer, and right of appropriation on the amounts standing to the credit of the Working Capital Accounts.

(c) first ranking hypothecation and charge ranking pari passu inter se the Working Capital Finance Parties and superior to (i) the security created over the Assigned Energy Payment Receivables and Assigned GSA Receivables in favor of SBLC Finance Parties in terms of the SBLC Documents; and (ii) the security created over the Hypothecated Property in favor of the Senior Financiers.

Moreover, the facilities are secured up to the facility amount by way of, inter alia:

(d) The Company hypothecates and charges all of the Hypothecated Property (Subordinated Charge) to each of the Working Capital Finance Parties which shall rank subordinated to the security created over the Hypothecated Property (Subordinated Charge) in favor of the Senior Financiers.

(e) Company creates an equitable mortgage on the Mortgaged Immovable Property by deposit of title deeds, on a ranking basis, ranking pari passu inter se the Working Capital Financiers (which mortgage shall rank subordinated and subservient to the mortgage in favor of the Senior Financiers).

#### 14 Contingencies and commitments

##### 14.1 Contingencies

14.1.1 Constitutional petition filed against all public sector companies of Government of Punjab ("GoPb"), whereby the functions and role thereof have been challenged. The petition has been taken with another writ petition i.e. W.P. No. 112301/ 2017 (Shan Saeed Chuman Vs. Federation of Pakistan etc.). The Report & Para wise Comments have been submitted by the company on January 26, 2018. The legal counsel is of the opinion that this case will likely to be decided in favor of the Company.

14.1.2 A Writ Petition No. 704/2018 was filed before honorable Islamabad High Court, Islamabad (IHC) by some of the independent power producers / companies, being established or under process of regulatory work under Renewable Energy Policy and Framework (RE Policy) primarily against Government of Pakistan (GoP), Regulator (NEPRA) and Power Producer (CPPA-G), demanding to issue un-conditional Letter of Intents (LOIs) by CPPA and execution of EPAs on "Take or Pay Basis". Moreover, have prayed to restrain PTPL & Zorlo Solar Project to proceed. PTPL had filed parawise comments / response through its Counsel and arguments have also been made before Court, and the matter is pending adjudication before IHC. The legal counsel is of the view that it is unlikely that any claim/losses will arise thereof. Moreover, it may be noted that during the pendency of this writ petition, the concession agreements have been executed in light of the Cabinet Committee on Energy (CCoE) and Economic Coordination Committee (ECC) of the Cabinet decisions.

14.1.3 Punjab Revenue Authority (PRA) vide show cause notice no. PRA/S.C52/11230 dated December 10, 2018 requires the Company to inform the reasons why it has not withheld Punjab Sales Tax of Rs. 1,329 million. The Company through tax consultant submitted detailed reply with reasons to the satisfaction of PRA. During the hearing, PRA also opined that Punjab Sales Tax is applicable on entirety of the project payments and the Company has not withheld sales tax on offshore payments it made to EPC Contractor. PRA was of the view that Punjab sales tax is applicable on power plant purchases. However, tax consultant is of the view that it is Federal Government subject and Federal Board of Revenue (FBR) is already applying sales tax at the time of import of equipment on various shipments, which is duly paid by EPC Contractor at import stage and the Company is making reimbursement of these amounts to EPC Contractor. As a precautionary measure, the Company took stay order on the matter from Honorable Lahore High Court (LHC) on May 23, 2019 vide case W.P. no. 31704 of 2019, so that PRA may not take any adverse action. While deciding said writ petition, LHC disposed off the matter vide order dated October 14, 2019. The Court has directed the respondents (PRA) to "deal with the objections already submitted in response to the impugned show cause notice, before proceeding further". However, no further proceeding has been initiated by the PRA till date.

14.1.4 The Deputy Commissioner of Inland Revenue ("DCIR") issued show cause notice dated February 18, 2021 under section 122(5)/(9) of the Ordinance claimed that Company has paid lesser amount of income tax of Rs. 12.05 million and has not deposited WWF of Rs. 3.80 million in tax year 2019. The Company's tax consultant is of the view that as per section 39 of the Ordinance, tax on income on other sources will be taken on receipt basis for the purposes of return which has already complied by the Company while filing the return. Furthermore, WWF was not applicable on Government owned entities during tax year 2019. Punjab WWF act came into force on December 13, 2019 which is being complied by the Company from the same tax year. The Company has duly made compliance of the aforesaid notice; however, the DCIR issued order on March 19, 2021 under section 122(5)/(9) of the Ordinance and created impugned demand amounting to Rs. 16.34 million. The Company has filed an appeal before the learned CIR(Appeals), however same was again rejected vide order dated June 30, 2022. Being aggrieved, the Company preferred an appeal no. 6552A before Appellate Tribunal.

- 14.1.5 The DCIR issued notice dated June 23, 2021 under section 147 of Income Tax Ordinance, 2001 (the "Ordinance") requiring the Company to provide the evidence of tax deducted / paid under various sections of the Ordinance as claimed by the Company at the time of filing advance tax intimation. The Company made compliance of the tax notice; however, FBR issued another notice dated June 30, 2021 assuming the tax liability of Rs. 164.18 million for December 20, March 21 and June 21 quarters; which requires the amounts to be paid while ignoring the fact that the Company has paid the advance tax of Rs. 131.28 million based on the actual interest earned during the respective three quarters and thereby creating an impugned demand of Rs. 32.90 million. Being aggrieved, the Company preferred an appeal before the learned CIR (Appeals) and the same has been remanded back by CIR (Appeals) to assessing officer for de-novo consideration.
- 14.1.6 The DCIR has issued notice dated February 04, 2021 under section 161(1A) of the Ordinance, requiring the Company to substantiate that proper income tax withholding has been made under the provisions of the Ordinance while making payment during the period 2019-2020 to various vendors in respect of heads confronted in the show cause notice. Moreover, DCIR issued another notice dated April 16, 2021 under section 177(1) of the Ordinance, intimating the Company for its selection for audit and thereby required the Company to provide the information/ documentation as mentioned in the said notice for the purpose of audit. The Company has made due compliance of the said notice; however, no final order has been issued till date. Furthermore, DCIR issued notice dated May 10, 2022 under rule 44(4) of Income Tax Rules, 2002 requiring the Company to provide the reconciliation of payments made under rule 44(4) of the rules for tax year 2021.
- 14.1.7 EPC Contractor has submitted various claims for extension of time (EOT) for the completion of the project and additional cost and submitted consolidated claims and demanded EOT for 1242 days and additional cost of USD 76 million (instead of previously claimed USD 80.62 million and Rs. 3,078.80 million) for a period till December 31, 2021.

The company also made payments to CMEC in terms of the EPC contract to address CMEC's cashflow constraints and shown its full support. However, no liquidity support during this period was provided by CMEC's head office. Even certain payments to critical suppliers i.e. Siemens for work performed by their TFAs (Technical Field Advisors) was delayed or unpaid and procurement of critical materials could not be made. CMEC informed that due to insufficiency of onshore funds, the construction activities i.e. civil, mechanical and other works have remained at low pace. CMEC has been continuously demanding additional funds over and above the EPC price to complete and expedite the onsite construction activities.

The Simple Cycle COD and Combined Cycle COD could also not be achieved as initially planned in January 2022 and May 2022 respectively due to number of reasons as explained in note 4 to these financial statements. Moreover, delay in Re-mobilization of TFAs, missing material and non-arrangement of certain critical material also affected the progress of the project.

In June 2022, EPC contractor demanded upfront waiver of LDs, confirmation of EOT and additional cost claims. Otherwise, project will not be completed in timely manner. Without determination or evaluation of CMEC's consolidated claims by the consultants, the demand was neither contractual nor in terms of law, hence was not accepted. EPC contractor has also been highlighting cash flow constraints / liquidity difficulties due to prolong delay in the project and stuck of significant amount of capital, they remained unable to borrow or get allocation of additional funds from their head office.

The work progress remained slow despite the fact that almost 100% equipment worth of over USD 415 million had arrived & installed, achievement of simple cycle COD and physical completion of more than 87% works. However, the payment progress was only approx. 73% which gave ample cushion to Company for any financial consideration for advance potential payment against work performed. In addition, the several guarantees, securities and retention were also available with the Company as security.

Therefore, in order to expedite the project completion and address these concerns, various options were evaluated and deliberated. After colossal efforts and tireless negotiations with EPC contractor, the parties mutually agreed to an option of referring claims to Dispute Adjudication Board (DAB) in terms of EPC Agreement with contingent payment of PKR 3 billion in tranches. The same was considered as most plausible in given circumstances and applicable framework. Moreover, rights and remedies of both parties shall remain secured, under the existing EPC contract and this arrangement will not be construed as extension of time and acceptance of claim etc. Thus, the deadlock should also come to an end and Project will move towards its completion.

Accordingly, subsequent to the year end, the parties entered into Supplemental Agreement (SA) on August 11, 2022 after obtaining requisite approvals from respective board of directors and financiers. GoPb had already provided Sponsor Support under the SSA for various sponsor support commitments which is currently lien marked with financiers. These funds are being utilized for contingent payment which can be adjusted at the time of DAB determination or arbitration as the case may be. Out of Rs. 3 billion contingent payments in tranches as per the terms of SA, the Company has made payment of Rs. 2.3 billion to the EPC contractor.



#### 14.2 Commitments:

14.2.1 The Company's commitment in respect of consultancy agreement with National Engineering Services Pakistan (NESPAK) is amounting to Rs. 228.81 million (2021: Rs. 266.17 million).

14.2.2 The following LCs were opened in favor of China Machinery and Engineering Corporation (EPC Contractor) these LCs are part of overall financing arrangement and secured by way of securities mentioned at note 8.2 to these financial statements.

- i) Offshore LC amounting to USD 92 million (2021: USD 155 million)
- ii) Onshore LC amounting to Rs. 2,510 million (2021: Rs. 4,812 million)

Subsequent to year end, the validity of LCs i.e. September 30, 2022 has expired, the Company, upon EPC contractor's request and in consideration of revised COD timelines / associated milestone payments has initiated the process for the extension of these LCs.

14.2.3 In pursuance of the terms of the Gas Supply Agreement ("GSA") the Company is obligated to provide gas security deposit equivalent to the thirty days gas requirement. Accordingly, the Company has entered into the SBLC facility agreement with NBP and BOP for the provision of SBLC up to Rs. 10,476 million ("SBLC facility amount"). The main purpose of the SBLC is to guarantee the payments up to the SBLC facility amount to the gas supplier; in the event of failure by the Company to pay the supplier in accordance with the terms of GSA. The facility is secured by way of GoPb guarantee and the debit authority of Rs. 9,476 million and a cash margin of Rs. 1,000 million. Moreover, security / charge has been created by way of assignment over energy payment receivable and GSA receivable which shall rank subordinated only to the security in favor of working capital finance parties. First ranking charge over the encashment receivable and first ranking lien and charge over the SBLC account and all amounts standing to the credit of SBLC account. Please refer note 4.5 for further developments relating to SBLC facilities.

14.2.4 The Company's commitment in respect of O&M agreement with Harbin Electric International Company Limited is approximately USD 151.473 million (without indexation) based on normal operational regime for the entire term of the agreement (i.e. twelve years). Actual payments shall be made in terms of the agreement.

14.2.5 The Company's commitment in respect of Long Term Service Agreement ("LTSA") with Siemens Pakistan Engineering Company Limited having is USD 132.278 million (without indexation) based on normal operational regime for the entire term of the agreement. (i.e. twelve years). Actual payments shall be made in terms of the agreement.

14.2.6 The Company's commitment in respect of various fees towards MLAs for PFF is Rs. 132.99 million (2021: Rs. 132.99 million).

15 Property, plant and equipment	Note	2022	2021
		(Rupees in thousand)	
Operating fixed assets - Owned		45,227	5,732
Capital work in progress		97,369,460	84,004,120
		<u>97,414,687</u>	<u>84,009,852</u>

## 15.1 Operating fixed assets - Owned

Description	2022							
	Cost			Rate	Opening accumulated	Depreciation		Net book value as at June 30
	Opening	Additions	As at June 30			For the year	Accumulated as at June 30	
	(Rupees in thousand)			%		(Rupees in thousand)		
Furniture and fixtures	4,578	350	4,928	20%	2,560	943	3,503	1,425
Vehicles	9,326	19,531	28,857	20%	6,719	2,748	9,467	19,390
IT Equipment	5,739	23,509	29,248	33%	4,632	2,212	6,844	22,404
Office Equipment		2,309	2,309	20%		379	379	1,930
Electrical Equipment		88	88	20%		10	10	78
	<u>19,643</u>	<u>45,787</u>	<u>65,430</u>		<u>13,911</u>	<u>6,292</u>	<u>20,203</u>	<u>45,227</u>

Description	2021							
	Cost			Rate	Opening accumulated	Depreciation		Net book value as at June 30
	Opening	Additions	As at June 30			For the year	Accumulated as at June 30	
	(Rupees in thousand)			%		(Rupees in thousand)		
Furniture and fixtures	4,578		4,578	33%	1,644	916	2,560	2,018
Vehicles	9,195	131	9,326	20%	4,854	1,865	6,719	2,607
IT Equipment	<u>5,141</u>	<u>598</u>	<u>5,739</u>	<u>20%</u>	<u>3,532</u>	<u>1,100</u>	<u>4,632</u>	<u>1,107</u>
	<u>18,914</u>	<u>729</u>	<u>19,643</u>		<u>10,030</u>	<u>3,881</u>	<u>13,911</u>	<u>5,732</u>

15.1.1 IT equipment includes fully depreciated assets costing Rs. 5.05 million (2021: Rs. 2.75 million).

		2022	2021
		(Rupees in thousand)	
<b>15.2 Capital work in progress</b>	<b>Note</b>		
Plant and machinery		67,906,556	62,706,107
Civil works		7,436,768	6,152,837
Construction of gas pipeline		3,981,000	3,981,000
Payment of insurance cost		1,867,844	1,231,213
Land and associated cost		449,264	443,383
Consultancy charges		1,651,327	1,339,556
Exchange loss		1,736,642	186,677
Borrowing cost - net of interest income		4,185,786	671,772
Financing fee, duties, taxes and other charges		5,157,263	4,666,666
Salaries, wages and other benefits	15.2.1	520,255	388,931
Regulatory fees and licensing		437,031	411,116
Testing and commissioning cost	15.2.2	218,063	8,052
O&M mobilization cost		144,432	143,480
LTSA initial spares		1,668,149	1,668,149
Others		9,080	5,182
		<u>97,369,460</u>	<u>84,004,171</u>
15.2.1	This include Rs. 9.87 million (2021: Rs. 7.28 million) charged in respect of provision for gratuity during the year.		
15.2.2	This represents the fuel costs incurred during testing and commissioning of the project. The fuel cost incurred during the year was offset by the test energy price amounting to Rs. 2,971.68 million (2021:Nil), as per PPA.		
<b>16 Right-of-use asset</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
		(Rupees in thousand)	
Net book value at July 01	16.1	58,211	17,122
Additions during the year			59,874
Depreciation charge for the year		<u>(19,958)</u>	<u>(18,785)</u>
Net book value at June 30		<u>38,253</u>	<u>58,211</u>
16.1	This represents head office building.		
<b>17 Intangibles</b>			
<b>Cost</b>			
Opening balance		299	149
Additions during the year			150
Balance at 30 June		<u>299</u>	<u>299</u>
<b>Amortization</b>			
Opening balance		195	112
Charge for the year		<u>50</u>	<u>83</u>
Balance at June 30		<u>245</u>	<u>195</u>
Net book value at June 30		<u>54</u>	<u>104</u>
Amortisation rate per annum (%)		<u>33.33</u>	<u>33.33</u>
Cost of fully amortised intangibles		<u>149</u>	<u>149</u>
<b>18 Advances, prepayments, deposits and other receivables</b>			
Prepayments		3,776	1,770
Advances to executives / employees	18.1	4,402	4,871
Advances to executives for expenses		150	
Advances to suppliers		11,913	
Security deposits	18.2	10	92,728
Advance income tax			
Sales tax receivable	18.3	1,971,306	1,282,360
Interest accrued on saving account	18.4	310,925	73,556
Receivable from CPPA / Contract Asset	18.5	3,476,861	
Other receivable		<u>107</u>	<u>2,394</u>
		<u>5,779,450</u>	<u>1,457,679</u>
18.1	This represent advance availed by certain executive / employees against gratuity earned as per the Company policy, which shall be adjusted against the salary.		

- 18.2 This includes advance paid to SNGPL of Rs. Nil (2021: Rs. 92.72 million) as a security deposit for the supply of pre-sync gas required during the testing of the project as a stop gap arrangement.
- 18.3 This includes Rs. 227 million (June 2021: Rs. 227 million) sales tax charged by CMEC @ 16% on onshore EPC advance payment invoice under EPC agreement. While making payment to EPC Contractor, in accordance with the PRA withholding rules, 2015 and clarification issued by PRA, the Company has paid sales tax amount @ 16% to EPC Contractor. However, instead of depositing the said sales tax into GoPb's treasury, CMEC challenged the same before Lahore High Court (LHC) on the ground that the applicable sales tax rate is 5% instead of 16% on the services rendered and accordingly only submitted sales tax equivalent to 5% into the Government treasury. LHC has made the direction to EPC Contractor to approach PRA for clarification of applicable rate of sales tax and disposed off the petition.
- 18.4 This includes Rs. 70.869 million (2021: Nil) accrued interest receivable from related party The Bank of Punjab.
- 18.5 It comprises of unbilled test energy receivable from CPPA.

		2022	2021
	Note	(Rupees in thousand)	
19	Cash and bank balances		
	Cash in hand	550	550
	Cash at bank:		
	Deposit accounts	9,550,093	13,459,445
		9,550,643	13,459,995

- 19.1 It carries mark-up at the rates ranging from 5.50% to 12.50% per annum (2021: 5.50% to 6.65% per annum). Funds are lien marked with the financiers and can only be used in accordance to the terms of the financing documents.

		2022	2021
		(Rupees in thousand)	
20	Administrative expenses		
	Salaries, wages and benefits	20.1 172,100	122,925
	Office supplies and entertainment	8,721	7,265
	Printing and stationery	2,605	1,012
	Advertisement	4,150	2,913
	Communication	5,628	3,706
	Utilities	4,564	2,876
	Vehicle running	16,800	11,119
	Local travelling and lodging cost	7,920	1,901
	Legal and professional charges	8,989	75,339
	Auditors' remuneration	20.2 1,909	2,177
	Directors' fee	5,550	6,850
	Repair and maintenance	4,614	1,113
	Security	1,975	1,138
	Depreciation and amortization	6,342	3,963
	Depreciation on right of use asset	19,958	18,785
	Others	8,867	4,697
		280,692	267,780

- 20.1 This include Rs. 8.56 million (2021: Rs. 6.31 million) charged in respect of provision for gratuity during the year.

		2022	2021
		(Rupees in thousand)	
20.2	Auditors' remuneration includes		
	External audit fee	1,100	1,075
	Review report on code of corporate governance	85	80
	Half yearly review	340	330
	Special assignments	274	592
	Out of pocket expenses	110	100
		1,909	2,177

21	Other income		
	Profit on deposit accounts	927,746	758,588
	Amount capitalised under capital work in progress	(268,910)	(67,209)
	Scrap sales and other miscellaneous income	3,243	10,189
		662,079	701,568

	2022	2021
	(Rupees in thousand)	
<b>22 Finance cost</b>		
Bank charges	274	97
Markup on lease liability	5,114	1,418
	<u>5,388</u>	<u>1,515</u>
<b>23 Taxation - Current</b>		
For the year	228,895	227,898
<b>23.1</b>	The Company has not yet recognized deferred tax asset against pre commencement expenditure on prudent basis as the Project is still under construction phase.	
<b>23.2 Tax charge reconciliation</b>	2022	2021
	(Rupees in thousand)	
Accounting Profit	375,999	432,273
Income tax charge @ 29%	109,040	125,359
Super Tax @ 4%	15,040	
	<u>124,080</u>	<u>125,359</u>
Tax effect of:		
- Amounts that are not deductible for tax purposes	94,405	78,096
- Accrued profit - net	(78,332)	4,953
- Prior year adjustment		
- Income capitalized in CWIP	88,741	19,490
	<u>104,815</u>	<u>102,539</u>
Tax expense for the year	<u>228,895</u>	<u>227,898</u>
<b>24 Financial risk management</b>		
<b>24.1 Financial risk factors</b>		

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the management as per the guidance of the Board of Directors. The Company is under development phase and its interest rate risk, foreign exchange risk, credit risk and investment of excess liquidity are mainly covered under Tariff approved by NEPRA. Any potential adverse impact of interest rate and exchange rate during the construction period beyond NEPRA's approved tariff is currently back stopped by the sponsor and covered under the already arranged project financing. The Company is planning to take up any additional cost with NEPRA for tariff true up after COD.

**(a) Market risk**

**(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk arising from the variation in US Dollar and the Euro. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency. The project is under construction phase, any exchange gain/loss arising thereof, will be capitalized with no impact on the statement of profit or loss.

(ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments are as follows:

	2022	2021	
Financial assets	(Rupees in thousand)		
Fixed rate instruments			
Deposit accounts	9,550,093	13,459,445	
Financial liabilities			
Floating rate instruments			
Long term financing - secured	39,262,712	22,962,713	
Effective interest rate			
Long term financing - secured	17.66%	9.95%	
Interest ratesensitivity analysis	Increase / decrease in rate	Effect on (Deficit)/ Surplus	
	(Rupees)		
Long term financing - secured			
	2022	1%	392,627
		-1%	(392,627)
	2021	1%	229,627
		-1%	(229,627)

**Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

(iii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since there are no investments in equity securities.

(b) Credit risk and concentration of credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. There is no geographical concentration of credit risk. Company's credit risk is primarily attributable to its long term deposits and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2022	2021
	(Rupees in thousand)	
<b>Financial assets</b>		
Long term deposits		10,276
Security deposit		92,728
Interest accrued on saving account	310,925	73,557
Balances with banks	#####	13,459,445
	9,872,120	13,636,006

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating Agency	Rating		2022	2021
		Short term	Long term	(Rupees in thousand)	
- National Bank of Pakistan	PACRA	A1+	AAA	2,943,668	6,752,034
- Bank of Punjab	PACRA	A1+	AA+	6,606,425	6,707,411
				<u>9,550,093</u>	<u>13,459,445</u>

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal. The funds are lying in bank accounts opened with financiers in terms of the facility documents.

### (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company follows an effective cash management to ensure availability of funds and to take appropriate measures for new requirements. The Company manages liquidity risk by obtaining additional equity from the sponsor, arrangement of new short term and long term finance facility from the banks along with the short term loan from the Sponsor. Additionally sponsor has agreed to provide various sponsor supports under the SSA.

The following are the contractual maturities of financial liabilities as at June 30, 2022:

	Carrying Amount	Less than 1 year	Between 2 to 5 years	Over 5 years
		(Rupees in thousand)		
Long term financing - secured	40,615,644	4,074,598	10,154,631	26,386,415
Subordinated loan from sponsor - unsecured	8,710,000		8,710,000	
Lease liability	43,956	22,045	21,911	
Trade and other payables	22,301,885	22,301,885		
	<u>71,671,485</u>	<u>26,398,528</u>	<u>18,886,542</u>	<u>26,386,415</u>

The following are the contractual maturities of financial liabilities as at June 30, 2021:

	Carrying Amount	Less than 1 year	Between 2 to 5 years	Over 5 years
		(Rupees in thousand)		
Long term financing - secured	22,962,713	696,289	3,149,225	19,117,199
Subordinated loan from sponsor - unsecured	8,710,000		8,710,000	
Lease liability	58,578	22,172	36,406	
Trade and other payables	27,425,638	27,425,638		
	<u>59,156,929</u>	<u>28,144,099</u>	<u>11,895,631</u>	<u>19,117,199</u>

### 24.2 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).

As of reporting date, there were no assets or liabilities that requires classification Level 1, 2 or 3.



	2022	2021
	(Rupees in thousand)	
<b>24.3 Financial instruments by categories</b>		
<b>Financial asset at amortized cost</b>		
Long term deposits	11,092	10,276
Security deposits	10	92,728
Interest accrued on saving account	310,925	73,557
Cash and bank balances	9,550,093	13,459,445
	9,872,120	13,636,006
<b>Financial liabilities at amortized cost</b>		
Long term financing - secured	40,615,644	22,962,713
Subordinated loan from sponsor - unsecured	8,710,000	8,710,000
Lease liability	43,956	58,578
Trade and other payables	22,301,885	27,502,980
	71,671,485	59,234,271

#### 24.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is obligated to satisfy the requirements of various concession and financing documents of the project. The project is being executed with a 70:30 debt to equity ratio. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions.

Following is the gearing ratio of the Company which is calculated by dividing the long term debt to total equity as shown financial statements.

	2022	2021
	(Rupees in thousand)	
Long term financing - secured	36,541,045	21,098,369
Current maturity of long term financing	1,633,497	696,289
<b>Total borrowings</b>	<b>38,174,542</b>	<b>21,794,658</b>
Issued, subscribed and paid up capital		
Ordinary shares of Rs. 100 each	40,120,000	33,600,000
Advance against issue of shares		6,520,000
Unappropriated profit	904,257	762,851
<b>Total equity</b>	<b>41,024,257</b>	<b>40,882,851</b>
<b>Total capital employed</b>	<b>79,198,799</b>	<b>62,677,509</b>
<b>Gearing Ratio</b>	<b>48%</b>	<b>35%</b>



25 **Remuneration to Chief Executive, Directors and Executives**

The aggregate amount charged / capitalized in the accounts for remuneration including all benefits to Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2022	2021	2022	2021	2022	2021
			(Rupees in thousand)			
Remuneration / Honorarium	24,667				199,107	176,265
Meeting Fee				6,850		
Reimbursement of expenses	455			669	5,559	6,375
Others	1,630				21,558	24,520
	26,752		5,939	7,519	226,224	207,160
Number			11	11	41	38

25.1 During the year Rs. Nil (2021: Rs. 2.993 million) remuneration was paid to executives of QATPL.

26 **Number of employees**

	2022	2021
Total number of employees as at June 30	80	69
Average number of employees during the year	70	60

27 **Related party transactions and balances**

The related parties comprise of the GoPb being sponsor, principal shareholder, its associated undertakings, other related undertakings, Board of Directors and key management personnel.

Name of Parties	Relationship with the company	Nature of transactions/ balances	2022 (Rupees in thousand)	2021
Government of Punjab	Shareholders	Equity injected through conversion of loan		1,290,000
		Loan received and converted to Subordinated debt		8,710,000
		Shares issued	6,520,000	
Government of Punjab	Shareholders	Land purchased / fee paid	5,881	12,648
Directorate General Public Relations	Common control	Advertisement expenses	3,031	2,899
Key Management Personnel	Key Management Personnel	Remuneration paid	118,716	37,342
		Retirement benefit paid	5,526	
The Bank of Punjab	Common shareholding	Bank charges paid	49	55
		Interest income	554,132	481,191
		Financing fee and charges	182,016	261,413
		Interest income	483,263	626,080
		Interest expense	341,883	75,586

27.1 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers all members of their senior management team, including chief executive officer and directors to be its key management personnel. Payment of Rs. Nil is made as honorarium to key management personnel of QATPL who provided their services to the Company (2021: Rs. 1.15 million). Certain key management personnel are also provided with the use of Company maintained cars to perform their official duties.

27.2 Transaction with related parties are being conducted at mutually agreed terms and disclosed under respective notes.

28 Date of authorization

These financial statements were approved and authorized for issue on 25 OCT 2022 by the Board of Directors of the Company.

29 General

- 29.1 Figures in these financial statements have been rounded off to nearest thousands of rupees.
- 29.2 Corresponding figures have been re-arranged and / or reclassified, where ever considered necessary, for the purpose of better presentation of the financial statements. However, no significant reclassification has been made in these financial statements.



CHIEF EXECUTIVE



DIRECTOR



## PROXY FORM

### PUNJAB THERMAL POWER (PRIVATE) LIMITED

I/We \_\_\_\_\_ S/o \_\_\_\_\_ R/o \_\_\_\_\_  
being the member(s) of **PUNJAB THERMAL POWER (PRIVATE) LIMITED** hereby appoint Mr./Mrs./Miss \_\_\_\_\_ of (who is also member of the Company vide Registered Folio No. \_\_\_\_\_ (being member of Company) as my/ our Proxy to attend at and vote for my/ us and on my/ our behalf at the \_\_\_\_\_ Annual/ Extra Ordinary General Meeting of the Company to \_\_\_\_\_ be \_\_\_\_\_ held \_\_\_\_\_ at \_\_\_\_\_ on \_\_\_\_\_ at \_\_\_\_\_ and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2022

#### WITNESSES:

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
CNIC No. \_\_\_\_\_

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
CNIC No. \_\_\_\_\_

Please affix  
Rupees five  
revenue stamp

Signature

Signature should  
agree with the  
specimen signature  
registered with the  
Company

#### Note:

The Form of Proxy should be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the meeting. A proxy must himself be a member of the Company.