Annual Report 2023

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

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Corporate Information

<u>About the Report</u>: The Integrated Annual Report 2023 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 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.

<u>Company Profile</u>: 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.

<u>History</u>: 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 the 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 has achieved its commercial operations on June 23, 2023 on gas fuel whereas certain tests on HSD (back-up fuel) are yet to be completed.

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) **Objective:** The objective of this Code of Conduct is to enhance integrity, ethics & transparency in governance of the Company, and thereby reinforce the trust and confidence reposed in the Management of the Company by the shareholders and other stakeholders and to create an environment where all the Board Members, Senior Management and employees of the Company maintain an ethical standard and compliance to the ethical standards that are laid down. The Board Members, Senior Management Personnel and employees of the Company are expected to familiarize themselves with this Code of Conduct and to understand, adhere to, comply with and uphold the provisions of this Code of Conduct and the standards laid down hereunder in their day-to-day functioning.

(ii) **Scope:** This Code of Conduct is applicable to all directors, senior management personnel and employees of the Company.

(iii) **Code of Conduct:**

i. Encourage Environmental, Social and Corporate Governance (ESG) Practices:

ESG encompasses the following:

- To encourage the management to adopt digitalization to enhance efficiency and to protect the environment;

- To promote and ensure compliance with ESG policy of the Company, if any;

- To encourage philanthropic activities, donations, contributions to charities and other matters of social welfare, in terms of sustainable practices;

- To encourage the management to publish or disclose regular reports on their ESG targets, environmental and social impact activities;

- To ensure that the Company operates in an environmentally and socially responsible manner, while having strong governance practices in place;

- To ensure that the Company adopts most efficient energy management system, prevention of energy waste and utilization of natural resources in responsible manner;

- To ensure commitment to prevent the wasteful use of natural resources and minimize any hazardous impact of the development, production, use and disposal of any of its products and services on the ecological environment in accordance with the applicable laws.

ii. <u>Understanding of the Legal Duties:</u>

- Acquire appropriate knowledge of the legal requirements relating to their duties to perform their obligations diligently and in compliance with the applicable laws, relevant guidelines and policies of the Company and to ensure compliance of applicable regulatory frameworks;

- Make dedicated efforts to improve competence and skills in their respective roles through continuing professional education;

- Bring to the notice of the Board, any non-compliance or violation of law or policy by the Company, other Board members or employees.

iii. <u>Personal Conduct:</u>

- Avoid following actions:

  Misconduct, intimidating & insulting behavior, verbal onslaught, accusations, misogynist behavior, sexual harassment, ignorance of regulatory framework, spate communication (letters, emails, etc.) without highlighting specific discrepancies, humiliation, pressurizing tactics, coerciveness, disruptive and distractive measures, bullying, disruption of conduct of business, unnecessary interference in management issues, unethically tarnishing image of any person.

- Exhibit high standards of personal conduct, both inside and outside the company.

iv. <u>Conduct in Business Dealings:</u>

- Treat everyone, inside and outside the Company, professionally with respect and equality without taking improper advantage of their position;

- To not involve in such practices like manipulation, misuse of privileged information and concealment of facts.

v. <u>Integrity and Honesty:</u>

- Act, at all times, with honesty, integrity and independence to protect Company's properties, reputation and image, and not get into dishonest practices such as bribery or corruption, etc.;

- Exercise due diligence, objectivity, sound and independent judgement while performing the duties;

- To not involve in practices with the intention to get any undue advantage either for himself or his family members.

vi. <u>Avoid Conflict of Interest:</u>

- To not get into any such business or practice that would tend to influence him/her in a way other than in the best interests of the Company;

- To not get into any business transaction or agreement that would result in the conflict of interest in any manner, other than those in the best interests of the Company;

- To not receive gifts and other benefits from the outsiders having pecuniary and other interest.

vii. <u>Ensure Confidentiality:</u>

- Protect confidential, proprietary and any such information received by virtue of their position in the Company and not disclose such information to anyone, unless the disclosure is required under any law or authorized by the Board of the Company;

- To not use or intend to use confidential and proprietary information for gaining unfair advantage and personal benefits, unless it becomes public.

viii. Diversity and Inclusion:

- To promote diverse and inclusive Board and management composition;
- Provide equal opportunities to all employees for employment in the Company irrespective of their culture, race, gender, caste, and religion;
- Promote a work environment free from discrimination, harassment and intimidations of any nature.

ix. Role Towards Shareholders/Members and other Stakeholders:

- Treat all shareholders/members and stakeholders of the Company in a fair and respectable way;
- Act in the best interests of the Company and fulfill their fiduciary responsibilities qua the Company;
- Understand and consider the interests of all stakeholders in the success of the organization.

x. Safeguarding Company's Assets:

- Use Company's assets, property, proprietary information and intellectual rights for business purposes of the Company and not for personal benefits or gains and to make utmost efforts for the protection and efficient use of the Company's assets.

xi. Promoting Safe and Healthy Environment:

- Give due consideration to the safety and health of all employees and to provide safe, competitive and healthy working environment.

xii. External Activities and Public Comments:

- To not undertake any external activities during the working hours or, at the expense of Company's duties and commitments.

xiii. Avoid Insider Trading:

- To not indulge in insider trading on the basis of unpublished price sensitive information, subject to exceptions given in section 128 of the Securities Act, 2015, and ensure compliance with all relevant laws and company's policies, if any, on prohibition of insider trading.

(iv) **Compliance with Laws Rules & Regulations:** Additionally, the directors, senior management and other employees of the companies shall understand and comply with all applicable laws, rules, regulations of any government, regulatory organization(s), licensing agency(ies), or professional association(s)/body(ies) governing their professional activities.

(v) **Non-Compliance:** Any violation of this Code of Conduct may be reported to the Chairman of the Board in case of Board member or Chief Executive Officer while the other will report to the Chief Executive Officer through Human Resource department of the Company. All reported violations shall be appropriately investigated. Any waiver of this Code must be approved by the Board of Directors and reported / disclosed if required by any applicable law.

(vi) **Disclosure Requirements**: All Directors, Senior Management Personnel and employees of the Company shall affirm their compliance with the Code of Conduct on an annual basis.

Regulatory Framework: PTPL is regulated by the SECP and also has to fulfil the 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 the power sector value chain. PTPL is playing a pivotal role in meeting energy needs and economic development of the Country. PTPL is supplementing the power needs of the Country and adds 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.
- Dubai Islamic Bank.

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

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.	Chairman P&D Board, GoPb (ex-officio)	Non-Executive Director
v.	Mr. Abdul Basit	Independent Director
vi.	Ms. Ermeena Asad Malik	Independent Director
vii.	Mr. Khuram Saleem	Independent Director
viii.	Mr. Muhammad Faisal Afzal	Independent Director
ix.	Mr. Mujahid Pervaiz	Independent Director
x.	Mr. Salman Zakaria	Chief Executive Officer/Executive Director

Finance & Audit Committee

i.	Mr. Khuram Saleem	Chairman
ii.	Mr. Abdul Basit	Member
iii.	Secretary Energy	Member

Procurement Committee

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

<u>Nomination Committee</u>

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

<u>CSR Committee</u>

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

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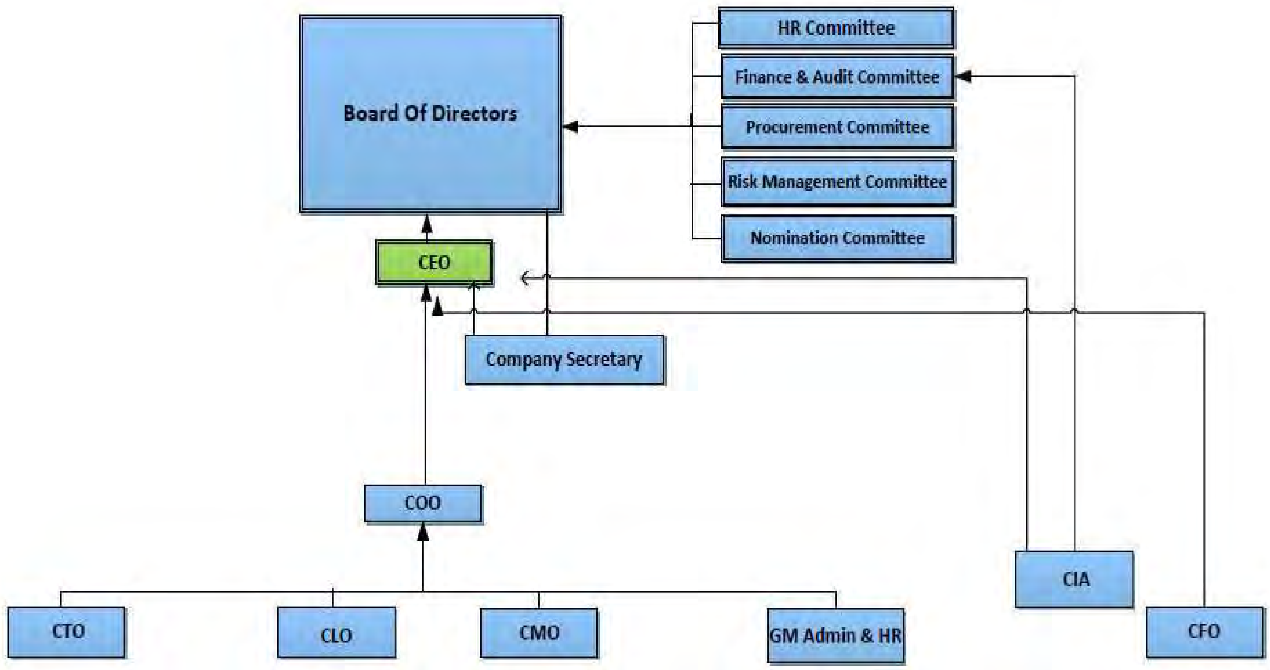
<u>**Organizational Structure**</u>



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NOTICE OF 6th ANNUAL GENERAL MEETING OF SHAREHOLDERS

i. Mr. Naeem Rauf
Secretary Energy, GoPb
Shareholder/Director

ii. Mr. Mujahid Sherdil
Secretary Finance, GoPb
Shareholder/Director

iii. Syed Muhammad Ali
Chairman/Director

iv. Chairman P&D Board, GoPb / Director

v. Mr. Abdul Basit, Director

vi. Ms. Ermeena Asad Malik, Director

vii. Mr. Khuram Saleem, Director

viii. Mr. Muhammad Faisal Afzal, Director

ix. Mr. Mujahid Pervaiz, Director

x. Mr. Salman Zakaria, CEO

xi. M/s Yousuf Adil, External Auditors

Subject: **Notice of the 6th 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 6th Annual General Meeting of the Company will be held on **Monday, November 27, 2023** at **03:00 pm** at the registered office of the Company i.e. **7-C1, Gulberg-III, Lahore** to transact the following business:

(i) Confirmation of Minutes of the 5th Annual General Meeting of the Company held on 17.11.2022.

(ii) Ratification of 4th resolution passed by the Shareholders of the Company through Circulation on 21.12.2022.

(iii) Adoption of Annual Audited Accounts of the Company for the Financial Year ended June 30, 2023 together with Auditor's, Director's and Annual Reports thereon.

(iv) Appointment of Statutory Auditors of the Company for the Year 2023-2024 and to fix their remuneration.

(v) 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: November 06, 2023

Notes:

(i) The share transfer books of the company shall remain close from November 20, 2023 to November 27, 2023 (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, 2023

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, 2023 prepared under Section 226 of the Companies Act, 2017.

Company's Overview

In view of acute shortage of electricity, the GoPb established PTPL as a private company limited by shares incorporated under the aegis of Companies Act, 2017. PTPL is 100% owned by GoPb through the 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***"). The Project is developed by the PTPL in an Independent Power Producer ("***IPP***") mode under the Power Generation Policy, 2015. The Company has successfully completed its testing and commissioning activities and has achieved Combined Cycle Commercial Operation on RLNG (gas fuel) on June 23, 2023. Since then, the plant has been operating in commercial operation mode on RLNG (gas fuel). Whereas certain performance tests on back up fuel ("***HSD***") are yet to be completed as per the terms of the Power Purchase Agreement ("***PPA***"). However, internal testing on back up fuel by the EPC and OEM is completed and requisite performance parameters are met.

Progress on the Project

The Project achieved Simple Cycle COD on July 27, 2022. Combined Cycle COD was achieved on June 23, 2023 on gas. The project achieved better output and efficiency against guarantees under PPA. The Power Plant is handed over to Harbin Electric International (O&M Contractor) for operation & maintenance. The project has added 1,244.210 MW to the National Grid, displacing lower efficiency thermal power plants on the Economic Merit Order. Until June 30, 2023 the project has generated 0.96 billion units (including 0.81 billion units during testing & commissioning and 0.15 billion units during operational phase). From July 01, 2023 till September 30, 2023, the project has generated 1.77 billion units of electricity on gas and 0.013 billion units on HSD.

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 and experiences. The composition is properly structured to enhance the competences of the Board. The management team is entrusted with the 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 an estimated funding requirement equivalent to the estimated project cost of Rs. 112 billion, at Financial Close through combination of debt and equity in proportion of 70:30, whereby, 30% equity of Rs. 33.6 billion is 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 estimated funding arranged in December 2020 to complete the project became insufficient due to unprecedented and sharp devaluation of PKR against USD, increase in RLNG & HSD prices, increase in interest rates and delay in achievement of COD. Under the Sponsor Support Agreement ("SSA") dated 17th December 2020, GoPb being the Project Sponsor is obligated to fund the cost overruns incurred or to be incurred by the Company.

Accordingly, in order to complete the Project, the GoPb was requested to fund the estimated cost overruns for an amount of PKR 25 billion in tranches which was approved by the Provincial Cabinet on June 02, 2023. Out of PKR 25 billion, the GoPb has injected PKR 3.5 billion in June and PKR 10 billion in August 2023.

(b) Working Capital Facility:

Due to the reasons mentioned above, the working capital requirement has also been increased. During the year, the Company has obtained working capital facilities of PKR 5 billion and PKR 2 billion from Meezan Bank Limited and Dubai Islamic Bank Pakistan respectively. These facilities are in addition to the syndicated working capital facility of PKR 15,213 million and equity of PKR. 6,520 million injected by the Sponsor. Further, the Company also executed a mandate letter with the Bank of Punjab for an arrangement of additional working capital lines of up to PKR. 6,000 million.

(c) Gas Supply Deposit (GSD):

Under the Gas Supply Agreement ("***GSA***") entered into 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 a Standby Letter of Credit ("***SBLC***") for an amount of PKR. 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 arranged became insufficient and GAS supplier require differential SBLC in line with requirements of GSA.

As the RLNG price and exchange rates are continuously fluctuating, the arrangement of differential amounts of GSD has become difficult and a moving target. The Company, with the help of GoPb arranged and provided an additional SBLC of PKR. 3,875 million from National Bank of Pakistan and The Bank of Punjab to partially fulfil differential requirement of GSD.

The current estimated GSD amount is approximately PKR 22,500 million thus a differential SBLC of PKR 12,000 million remains. 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) and reluctance by the banks due to ongoing disputes between SNGPL and GPPs. Further, SBLCs provided to SNGPL sufficiently cover the billing cycle under the GSA. The Company has also not made any default in payment and no overdue payables are outstanding towards SNGPL. Moreover, support from the Ministry of Petroleum has been sought for continuous supply of gas.

Financial Results

The Company achieved Commercial Operations Date ("***COD***") on June 23, 2023, just before the end of its fiscal year hence the majority of figures relate to construction activities. The Company has started earning profit / return on equity from its operations after the COD.

The Company incurred net loss of PKR (1,890) million which is mainly attributed to the implementation of certain changes / amendments introduced by the International Accounting Standards Board (IASB) as adopted by the Institute of Chartered Accountants of Pakistan (ICAP) and Securities & Exchange Commission of Pakistan (SECP) related to capitalization criteria of testing revenue generated and cost incurred during construction period under IAS-16 (revised). It has become effective for the financial period beginning on and after January 01, 2022. Accordingly, the Company has recognized the testing revenue and relevant costs including finance costs incurred on working capital borrowings in the P&L.

Additionally, as per the requirement of IAS-23, the Company has capitalized all net interest expenses incurred on the funds drawn from the long-term loans instead of recording the same as income in the P&L. Whereas, the related tax expense on interest income earned is recorded in P&L, thus resulting in increase in loss.

Moreover, the Company has also paid LTSA and simple cycle O&M fees which were incurred to make the plant available for generation in simple cycle mode as per the requirement of PPA after achieving simple cycle COD and issuance of taking over certificate for GT1 and GT2 per EPC Agreement. The recovery of the said cost was allowed on a unit delivered basis under the NEPRA approved tariff in line with the other three RLNG projects. However, the plant did not get any dispatch despite it being available for generation and notifying its Declared Available Capacity in terms of the PPA. These costs were necessary to be incurred not only to make Power Plant available for generation but also for certain necessary maintenance in line with the phase wise commissioning methodology agreed and approved by the relevant stakeholders. As per the requirement of revised IAS-16, the said costs were also charged to P&L instead of being capitalized thus resulting in further increase of the net loss during the testing period. The Company has claimed the said cost through tariff modification petition.

During the year, the Company earned revenue of PKR 21,347 million (including test energy revenue) and interest income of PKR 1,510 million (including delayed payment interest, income from scrap sale and interest on bank deposits which is net of interest income of PKR 581 million capitalized under capital working progress) offset by operating expenditures of (PKR 22,774 million), administrative expenses of (PKR 469 million), finance cost of (PKR 1,283 million) and tax expense of (PKR 221 million).

The Company filed an interim relief application before NEPRA on July 26, 2023 to allow applicable post COD indexation as approved in NEPRA tariff determination dated December 26, 2017. The reference tariff currently being used for billing is based on economic parameters which were applicable in 2017. These economic parameters such as KIBOR, USD/PKR exchange rate, RLNG & HSD prices and CPIs are significantly changed from 2017 reference figures. Hence, the reference tariff has become impractical and has been adversely affecting the project cashflows. The current period revenue does not include the impact of indexation viz-a-viz interest rate, KIBOR, and inflation etc.

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 healthy workplace for all of its employees and to minimize the impact of Site 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 our operating practices. In this regard, an HSE specialist has been hired by the Company to ensure compliance with prudent HSE regulations, standards and EIA study requirement. Furthermore, the EIA Study has also been made part of the EPC Agreement and accordingly, EPC and O&M Contractors have dedicated HSE personal at Site, which are responsible for implementing the Company's HSE Policy, EIA Study recommendations and international standards for HSE. The same is overseen by experts from NESPAK and PTPL's own HSE Department at the Project Site. HSE Reports are being shared with NEPRA on a monthly basis.

Furthermore, environmental friendly technology used in the project with lowest emissions will help the 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. Since the plant has achieved its commercial operation with effect from 23.06.2023, the Company intends to carry out the CSR activities in FY 2023-24 subject to earning profits by the Company. 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. Currently, under terms of the EIA Approval, the EPC Contractor is planting 10,000 trees in vicinity of the Project.

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 to enable 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 a 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 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. 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 and the period in which such non-compliance continued. The reasons for such non-compliances are also given.

(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 fairly present the state of affairs, the results of its operations, cash flows and changes in equity.

(c) Proper books of accounts of the Company have been maintained.

(d) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

(e) The Board recognizes their responsibility to establish and maintain a 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 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 the Company's application for exemption of the SRO for application of IFRS 16. The Company has filed a 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 the Company's request for exemption without giving any chance of being heard. The Company sought relief through an appeal filed before the Honorable Lahore High Court (the "***LHC***") against the order of SECP and 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 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 decades 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. The development of one of the most efficient and state-of-the-art technology power plant at the most economical cost is part of the same. 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

The Company has achieved its Commercial Operations Date on June 23, 2023 so the operational period was only for one week of the year under review. Therefore, the current year's results are not truly reflective of the Company's earnings per share at the reporting date. The earnings per share shall be exactly calculated in the next financial year.

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

During the Financial Year ended June 30, 2023 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		
1	Mr. Muhammad Ali	11 of 11	03 of 03	-	03 of 03	1,275,000	25,400
2	Secretary Finance, GoPb (ex-officio Director)	04 of 11	-	-	-	300,000	-
3	Secretary Energy, GoPb (ex-officio Director)	11 of 11	03 of 03	04 of 04	03 of 03	1,575,000	42,880
4	Chairman P&D Board, GoPb (ex-officio Director) (Nominated on 13.12.2022)	05 of 06	-	-	-	375,000	-
5	Mr. Abdul Basit	10 of 11	-	-	-	750,000	-
6	Ms. Ermeena Asad Malik	10 of 11	02 of 03	-	-	900,000	176,704
7	Mr. Khuram Saleem	11 of 11	01 of 01 (Co-opted member)	04 of 04	-	1,200,000	22,000
8	Mr. Muhammad Faisal Afzal	11 of 11	-	-	-	825,000	-
9	Mr. Mujahid Perviaz Chattha	11 of 11	-	-	03 of 03	1,050,000	37,000
10	Mr. Nauman Ansari (Resigned on 12.06.2023)	09 of 10	-	03 of 04	-	900,000	-

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 6th 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 2023-24. The Finance & Audit Committee in its 26th meeting dated 06.11.2023 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 2023-24.

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, 2023. 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.

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 of June 30, 2023 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: November 06, 2023

ANNEX-A

Pattern of Shareholding
As of June 30, 2023

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

Categories of Shareholding
As of June 30, 2023

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

YOUSUF ADIL

Yousuf Adil
Chartered Accountants

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Lahore
Pakistan
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Fax: +92 (0) 42 3544 0521
www.yousufadil.com

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, 2023.

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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2023.

Yousuf Adil
Chartered Accountants

Engagement Partner:
Rana M. Usman Khan

Lahore

Date: November 22, 2023
UDIN: CR2023100881U2KwAc4X

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 (the "Company")**
Name of Line Ministry:	**Ministry of Energy, Government of the Punjab**
For the Year Ended:	**June 30, 2023**

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:

<table>
<tr><th rowspan="2">S. No</th><th rowspan="2">Provisions of the Rules</th><th rowspan="2">Rule No.</th><th>Y</th><th>N</th></tr>
<tr><th colspan="2">Tick the Relevant Box</th></tr>
<tr><td>1.</td><td>The Independent Directors meet the criteria of independence, as defined under the Rules.</td><td>2(d)</td><td>✓</td><td></td></tr>
<tr><td>2.</td><td>The Board has at least one-third of its total members as Independent Directors. At present the Board includes:
<table>
<tr><th>Category</th><th>Names</th><th>Date of Appointment</th></tr>
<tr><td>Independent Directors</td><td>1. Syed Muhammad Ali
2. Mr. Abdul Basit
3. Ms. Ermeena Asad Malik
4. Mr. Khuram Saleem
5. Mr. Muhammad Faisal Afzal
6. Mr. Mujahid Pervaiz Chattha</td><td>08.07.2019
08.07.2019
08.07.2019
08.07.2019
08.07.2019
26.11.2021</td></tr>
<tr><td>Executive Directors</td><td>1. Mr. Salman Zakaria</td><td>05.11.2021</td></tr>
<tr><td>Non-Executive Directors</td><td>1. Secretary Finance, GoPb.
2. Secretary Energy, GoPb.
3. Chairman P&D Board</td><td>08.07.2019
08.07.2019
13.12.2022</td></tr>
</table></td><td>3(2)</td><td>✓</td><td></td></tr>
<tr><td>3.</td><td>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.

Note: Two ex-officio Directors are serving on more than five public sector companies.</td><td>3(5)</td><td></td><td>✓</td></tr>
</table>

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.	**4(1)**	✓	
6.	The Chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government	**4(4)**	✓	
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)	**5(2)**	✓	
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. (www.punjabthermal.com) (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	**5(4)**	✓ ✓ ✓	
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.	**5(5)**	✓	
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.	**5(5)(b) (ii)**	✓	
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Company.	**5(5)(b) (vi)**	✓	
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.	**5(5)(c) (ii)**	✓	
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.	**5(5)(c) (iii)**	✓	

14.	The Board has developed a vision or mission statement and corporate strategy of the Company.	5(6)	✓	
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. (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The Minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓ ✓ ✓	
19.	The Board has monitored and assessed the performance of senior management on annual basis 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. (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.	10	✓ ✓	 N/A
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	✓	

<table>
<tr><td>23.</td><td>(a) The Board has formed the requisite Committees, as specified in the Rules.

(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 & Audit Committee</td><td>3</td><td>Mr. Khuram Saleem</td></tr>
<tr><td>Risk Management Committee</td><td>3</td><td>Mr. Mujahid Pervaiz</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></td><td>12</td><td>✓

✓

✓

✓

✓
✓
✓
✓
✓</td><td></td></tr>
<tr><td>24.</td><td>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.</td><td>13</td><td>✓</td><td></td></tr>
<tr><td>25</td><td>The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.</td><td>14</td><td>✓</td><td></td></tr>
<tr><td>26.</td><td>The Company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.</td><td>16</td><td>✓</td><td></td></tr>
<tr><td>27.</td><td>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.</td><td>17</td><td>✓</td><td></td></tr>
<tr><td>28.</td><td>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.</td><td>18</td><td>✓</td><td></td></tr>
</table>

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: Name of Member / Category / Professional Background Mr. Khuram Saleem / Independent Director / CEO, Imperial Footwear (Pvt.) Ltd. Mr. Abdul Basit / Independent Director / Chairman Big Bird Group Secretary Energy, GoPb / Non-Executive Director / Career Bureaucrat The Chief Executive and Chairman of the Board are not members of the Audit Committee.	**21 (1) and 21 (2)**	✓ ✓	
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)**	✓ ✓ ✓	

Name of Member	Category	Professional Background
Mr. Khuram Saleem	Independent Director	CEO, Imperial Footwear (Pvt.) Ltd.
Mr. Abdul Basit	Independent Director	Chairman Big Bird Group
Secretary Energy, GoPb	Non-Executive Director	Career Bureaucrat

33	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the Audit Committee. (b) The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules. (c) The internal audit reports have been provided to the external auditors for their review.	**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

Sr. No.	Rule/ sub-rule no.	Reason for non-compliance	Future course of action
3	3(5)	Majority of the Board members had confirmed that they are not serving as directors in more than five Public Sector Companies and Listed Companies simultaneously, except their Subsidiaries, however, two of the worthy Board members *(Secretary Energy & Chairman P&D Board, ex-officio directors)* are serving on more than five (05) companies as member of the Board.	Government of Punjab (GoPb) own various Companies in different sectors. For the purpose of monitoring and safeguarding its interest in these companies, GoPb has nominated its directors including independent and ex-officio directors. It is imperative to note that Government has made considerable investments in the form of equity or loan in PTPL and presence of Secretary Energy and Chairman P&D on the Board of Directors of PTPL is very vital to keep them abreast about utilization of Company's financial resources and progress on the development of the project being undertaken by the Company. Therefore, it is not practicable for the above ex-officio directors to comply with this particular provision of PSC (CG) Rules, 2013 and they will continue to perform their functions in the Company.

CHAIRMAN, BOARD OF DIRECTORS

Zakaria

CHIEF EXECUTIVE OFFICER

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Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the members of Punjab Thermal Power (Private) Limited

Report on the Audit of the 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, 2023, 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, 2023 and of the loss and other 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 Auditors' 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 3.18 of these financial statements which explains that the Company has continued to capitalize exchange (gain) / loss on foreign currency balances and also not followed IFRS 16, 'Leases' 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)/20J 9 dated September 02, 2019, till further orders. Our opinion is not modified in this respect.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' 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.

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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.

Auditors' 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 auditors' 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:

a) 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;

b) 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;

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

e) 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.

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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, 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 and expenditure incurred during the year were for the purpose of the Company's business; and

d) No Zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980); and

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

Yousuf Adil
Chartered Accountants

Lahore

Date: November 22, 2023
UDIN: AR202310088IAZw5nFjL

PUNJAB THERMAL POWER (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023	2022
ASSETS		(Rupees in thousand)	
NON-CURRENT ASSETS			
Property, plant and equipment	5	121,729,642	97,414,687
Right-of-use asset	6	18,295	38,253
Intangibles	7	4	54
Long term deposits		31,170	11,092
		121,779,111	97,464,086
CURRENT ASSETS			
Trade debts - secured	8	19,308,357	-
Inventories	9	3,840,570	-
Advances, prepayments, deposits and other receivables	10	6,694,513	5,779,450
Cash and bank balances	11	13,893,018	9,550,643
		43,736,458	15,330,093
TOTAL ASSETS		165,515,569	112,794,179
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized capital			
Ordinary shares of Rs. 100 each		40,120,000	40,120,000
Issued, subscribed and paid up capital			
Ordinary shares of Rs. 100 each	12	40,120,000	40,120,000
(Accumulated loss) / unappropriated profit		(997,824)	904,257
		39,122,176	41,024,257
NON-CURRENT LIABILITIES			
Long term financing - secured	13	74,588,042	36,541,045
Loan from sponsor - unsecured	14	12,210,000	8,710,000
Staff retirement benefits	15	94,530	58,280
Lease liability		-	21,911
		86,892,572	45,331,236
CURRENT LIABILITIES			
Trade and other payables	16	27,263,984	22,341,118
Accrued Markup / Profit	17	360,173	2,441,101
Short term borrowings - secured	18	9,296,286	-
Lease liability		25,941	22,045
Provision for taxation less payments - net		4,828	925
Current maturity of long term financing - secured	13	2,549,609	1,633,497
		39,500,821	26,438,686
CONTINGENCIES AND COMMITMENTS	19		
		165,515,569	112,794,179

The annexed notes 1 to 33 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, 2023

	Note	2023	2022
		(Rupees in thousand)	
Revenue from contract with customer	20	21,346,763	-
Cost of sales	21	(22,773,635)	-
Gross Profit		(1,426,872)	-
Administrative expenses	22	(469,064)	(280,692)
Other income	23	1,509,715	662,079
(Loss) / profit from operations		(386,221)	381,387
Finance costs	24	(1,283,000)	(5,388)
(Loss) / profit before taxation		(1,669,221)	375,999
Taxation	25	(220,940)	(228,895)
(Loss) / profit for the year		(1,890,161)	147,104

The annexed notes 1 to 33 form an integral part of these financial statements.

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CHIEF EXECUTIVE

DIRECTOR

PUNJAB THERMAL POWER (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023	2022
		(Rupees in thousand)	
(Loss) / profit for the year		(1,890,161)	147,104
Other comprehensive income			
Actuarial loss on remeasurements of staff retirement benefits	15.3	(11,920)	(5,698)
Total comprehensive income for the year		(1,902,081)	141,406

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The annexed notes 1 to 33 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, 2023

	Share capital	Advance against issue of shares	Unappropriated profit / (Accumulated loss)	Total
		(Rupees in thousand)		
Balance as at July 01, 2021	**33,600,000**	**6,520,000**	**762,851**	**40,882,851**
Profit for the year	-	-	147,104	147,104
Other comprehensive income				
Actuarial loss on remeasurements of staff retirement benefits	-	-	(5,698)	(5,698)
Total comprehensive income	-	-	141,406	141,406
Transactions with shareholders in their capacity as owners:				
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**
Balance as at July 01, 2022	**40,120,000**	**-**	**904,257**	**41,024,257**
Loss for the year	-	-	(1,890,161)	(1,890,161)
Other comprehensive income				
Actuarial loss on remeasurements of staff retirement benefits	-	-	(11,920)	(11,920)
Total comprehensive income	-	-	(1,902,081)	(1,902,081)
Balance as at June 30, 2023	**40,120,000**	**-**	**(997,824)**	**39,122,176**

The annexed notes 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PUNJAB THERMAL POWER (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023	2022
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(1,669,221)	375,999
Adjustments:			
Depreciation on operating fixed asset	5.1	355,857	6,292
Depreciation on right-of-use-asset	6	19,958	19,958
Amortization on intangibles	7	50	50
Provision for staff retirement benefits	15.2.1	15,105	7,115
Interest income	23	(1,484,013)	(658,836)
Finance cost	24	1,283,000	5,388
		189,957	(620,033)
Operating loss before working capital changes		(1,479,264)	(244,034)
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets:			
Inventories		(3,840,570)	-
Trade Debts		(19,308,357)	-
Advances, prepayments, deposits and other receivables		298,235	(4,084,402)
Increase / (decrease) in current liabilities:			
Trade and other payables		4,922,866	(2,724,493)
		(17,927,826)	(6,808,895)
Cash used in operations		(19,407,090)	(7,052,929)
Finance cost paid		(847)	(274)
Staff retirement benefit paid		(308)	-
Taxes paid		(262,931)	(235,347)
		(264,086)	(235,621)
Net cash used in operating activities		(19,671,176)	(7,288,550)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure incurred - net		(24,661,279)	(13,399,806)
Profit received on saving accounts		316,609	421,467
Payment for long term deposits		(20,078)	(817)
Net cash used in investing activities		(24,364,748)	(12,979,156)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long term financing - net		39,139,479	16,379,884
Repayment of long term loan		(176,370)	-
Loan from sponsor - unsecured		3,500,000	-
Finance cost paid		(3,359,781)	-
Repayment of lease liability		(18,062)	(16,281)
Financial charges paid		(3,253)	(5,249)
Net cash generated from financing activities		39,082,013	16,358,354
Net decrease in cash and cash equivalents (a+b+c)		(4,953,911)	(3,909,352)
Cash and cash equivalents at beginning of the period		9,550,643	13,459,995
Cash and cash equivalents at end of the period		4,596,732	9,550,643
Cash and cash equivalent comprised of:			
Cash and bank balances	11	13,893,018	9,550,643
Short term borrowings - secured	18	(9,296,286)	-
		4,596,732	9,550,643

The annexed notes 1 to 33 form an integral part of these financial statements.

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CHIEF EXECUTIVE

DIRECTOR

1 Legal status and nature of business

Punjab Thermal Power (Private) Limited (the "Company" or "PTPL") was incorporated as a private limited company under the Companies Act, 2017 on June 08, 2017, by the Government of Punjab ("GoPb") through the 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") based combined cycle thermal power plant (with HSD as backup fuel) 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.

The Company entered into the PPA on June 22, 2020 with Central Power Purchasing Agency Guarantee Limited ("CPPA-G") to sell Contract Capacity and Dispatched & delivered net electrical output in accordance with the terms and conditions of the PPA. The PPA is for a period of 30 years.

The Company has successfully completed its testing and commissioning activities and has achieved Combined Cycle Commercial Operation on RLNG (gas fuel) on June 23, 2023 on RLNG fuel only. Since then, the plant has been operating in commercial operation mode on RLNG (gas fuel). Whereas certain performance tests on back up fuel (HSD) are yet to be completed as per the terms of the Power Purchase Agreement (PPA). However, internal testing on back up fuel by the EPC and OEM are completed and requisite performance parameters are met. (refer note 19.1.10)

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);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) 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

Certain standards and amendments and interpretations to approved accounting standards are effective for the accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or to have any significant effect on the Company operations and are, therefore, not detailed in these financial statements.

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 the year ended June 30, 2024. 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.

Standards or Interpretations that are not yet effective	Effective from annual period beginning on or after:
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 IAS 12 ' Income taxes' - International Tax Reform — Pillar Two Model Rules	January 01, 2023

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IFRS 16 ' Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 9 'Financial instruments' - Supplier Finance Arrangements	January 01, 2024
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 yet been adopted by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 Insurance Contracts

2.4 Basis of measurement

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

2.5 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.

2.6 Critical accounting estimates and judgements

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	3.2 and 3.3
- Staff retirement benefits	3.9
- Provision for taxation	3.10
- Provisions and contingencies	3.12
- Leases	3.17
- Capitalization of exchange gain / loss	3.18
- Right-of-use asset	6
- Financial risk management	26

3 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.

Moreover, the car lease facility has been accounted for in accordance with Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) under which car lease rentals will be charged off instead of lease accounting under IFRS-16.

3.1 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.

3.2 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. Transfers are made to the relevant asset category as and when assets are available for intended use. The Company has achieved COD just before the period end therefore based on the information available the Company has transferred the assets from CWIP on provisional basis.

Depreciation charge is based on the straight-line method at rates given in note 5.1, 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.

3.3 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.

3.4 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.

3.5 Inventories

These are valued at cost.

The Company entered in to the Operation and Maintenance Agreement and Long Term Service Agreement ("LTSA") with Harbin Electric International and Siemens AG respectively, for a period of approximate 12 years for the operations and maintenance of the plant. Under the terms of these agreement the Company is required to provide certain spares to the LTSA and O&M contractors. The Contractors will be responsible for replenishing these stores and spares as they are used, and shall return these parts to the Company upon completion of the terms of the agreement. Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

3.6 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.

3.7 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.

3.7.1 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.

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 does 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 selection (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 does 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 does not possess any financial assets classified as at FVTPL.

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.

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.

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.

3.7.2 Financial liabilities

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

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.

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.

3.7.3 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.

3.7.4 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.

3.8 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.

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.

3.9 Staff retirement benefits

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

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, 2023 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 15 to these financial statements.

3.10 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 form 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.

3.11 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.

3.12 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.

3.13 Revenue recognition

Sale of electricity

Under IFRS 15 revenue is recognized over time as electricity and related products are delivered. The Company's PPA contains a distinct performance obligation for the delivery of electricity, delivery of capacity, (i.e. Availability of generation), or the combination of the two. Determining what goods or services promised to the customer constitutes a distinct performance obligation requires significant judgment. The Company considered all goods and services promised in its PPA contract and determined that while certain promises do have stand alone value to the customer that are not distinct in the context of the contract.

The Company views each megawatt (MWh) of electricity and / or capacity delivered to be a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer as measured using an output method. The amount that the Company has a right to bill the customer reflects the pattern of transfer and value of the completed performance to the customer. As a result, the Company applies the "Right to Invoice" practical expedient under IFRS 15 to measure and recognized revenue.

The Company has achieved its COD as on June 23, 2023, however, significant judgment is required in determination of the amount to be recognized as revenue in terms of IFRS 15, as the Company is presently recognizing revenue on reference tariff basis which is subject to significant changes in future at the finalization of tariff actualization viz-a-viz factors including (ROE, Debt service, USD indexation, CPI, KIBOR rate and others). Currently, the Company's revenue recognition policy reflects the consideration to which it expects to be entitled in exchange of performance obligations.

3.14 Interest on bank deposits and delayed payment income

Interest income on bank deposits and delayed payment income on overdue trade receivables is recognized at effective interest rate on accrual basis.

3.15 Finance cost

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.

3.16 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 items related to the construction are recognized in CWIP, however all other difference are recognized in statement of profit or loss.

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.

3.17 Leases

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.

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 commencement
- 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.

3.18 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 IPPs 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. However, the SECP made it mandatory to disclose the impact of the application of IFRS 16 relating to power purchase agreement on the results of the companies. 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 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.

The Company had filed an appeal before the Honorable Lahore High Court ("the LHC") against the order of SECP and had 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 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 LHC, 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:

	Note	2023	2022
		(Rupees in thousand)	
Unappropriated loss - brought forward		(1,736,642)	(186,677)
Decrease in profit for the year		(1,976,243)	(1,549,965)
Increase in unappropriated loss		(3,712,885)	(1,736,642)
Decrease in value of property, plant & equipment / Capital work in progress		(3,712,885)	(1,736,642)
(Decrease)/Increase in accounting profit for the year		(3,712,885)	(1,736,642)

Under IFRS 16, the consideration required to be made by the lessee for the right to use the asset is to be accounted for as a lease under IFRS 16, 'Leases'. The Company's power plant's control due to purchase of total output by CPPA-G appears to fall under the scope of IFRS 16. Consequently, if the Company were to follow IFRS 16, the effect on the financial statements would be as follows:

	2023	2022
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(121,230,397)	-
Recognition of lease debtor	121,458,399	-
Impact in unappropriated profit at beginning of the year	-	-
Increase in profit for the year	228,002	-
Increase in un-appropriated profit at end of the year	228,002	-

4 Significant transactions and events

4.1 In pursuance of Cabinet approval, funding of PKR 112 billion ("Estimated Project Cost") was arranged in combination of 70:30 debt and equity ratio, PKR 78.4 billion being 70% debt was provided by consortium of local banks including NBP, HBL, UBL, BOP, AKBL and MBL (the "Lenders") whereas PKR 33.6 billion being 30% equity was injected by GoPb. Accordingly, Financing Documents including Sponsor Support Agreement ("SSA"), Share Pledge Agreement ("SPA"), Common Term & Account Agreement ("CTAA") and various Financing and Security Agreements were signed in December 2020. The Project achieved its financial closure in April 2021 after completion of various conditions precedent.

The funding of Estimated Project Cost arranged in December 2020, became insufficient owing to numerous factors such as currency devaluation, increase in interest rate, increase in RLNG price and certain delay in Commercial Operations Date ("COD").

The Government of Punjab ("GoPb") / Sponsor was requested to provide cost overrun support in pursuance of SSA executed amongst the financiers, the Company and the Sponsor. Accordingly, the Provincial Cabinet on June 02, 2023 approved the funding of cost overrun amounting to PKR 25 billion to be paid in four tranches.

Under the Power Generation Policy 2015, NEPRA allows maximum debt equity ratio of 70:30. All cost overrun approved by NEPRA shall be bifurcated into debt equity ratio of 70:30. However, if certain costs are not allowed by NEPRA, the same shall be treated as subordinated debt / equity. The treatment of said cost overrun funding shall be made in pursuance of NEPRA's decisions accordingly.

Out of PKR 25 billion, the GoPB has injected PKR 3.5 billion in June and PKR 10 billion in August 2023.

4.2 The Company filed a tariff modification petition on June 15, 2023 before the NEPRA and the same was returned while requiring certain additional information which is being arranged / compiled and shall be submitted in due course.

4.3 Due to unprecedented and sharp devaluation of Pak rupees against USD, increase in RLNG and HSD prices, the working capital requirement has also been increased. During the year, the Company has obtained working capital facility of PKR 2,000 million from Dubai Islamic Bank Pakistan. Moreover, the Company also obtained working capital facility of PKR 5,000 million from Meezan Bank Limited. These facilities are in addition to the syndicated working capital facility of PKR 15,213 million and equity of Rs. 6,520 million injected by the Sponsor. The new facilities are based on similar security structure as already provided to existing working capital financiers. (refer note 18.5)

4.4 In addition to meet any further working capital requirement, the Company also executed mandate letter with The Bank of Punjab for an arrangement of working capital lines up to Rs. 6,000 million.

4.5 Due to the increase in interest rate, the Debt Service Reserve Account ("DSRA") Support Amount has been increased to Rs. 11.7 billion from previously estimated Rs. 7.5 billion. The Sponsor was requested to enhance the security in the form of Provincial Guarantee (PG) & Debit Authority (DA) to be provided to the SBLC bank(s) for the issuance of DSRA SBLC which was approved by the Provincial Cabinet on June 02, 2023. The Company has already engaged The Bank of Punjab for the arrangement of said DSRA SBLC. Subsequent to the year end, term sheet of PKR 11.7 billion has been executed between the BOP and the Sponsor. The facility shall be secured against the PG & DA of Rs. 11.7 billion to be provided to DSRA SBLC Banks. Upon issuance of DSRA SBLC, the existing PG & DA of PKR 20.9 billion shall be reduced by PKR 7.5 billion.

4.6 Under the Gas Supply Agreement (GSA) entered into 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 a 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 became insufficient and GAS supplier required differential SBLC in line with requirements of GSA. As the RLNG price and exchange rates are continuously fluctuating, the arrangement of differential amounts of GSD has become difficult and a moving target. The Company, with the help of GoPb arranged and provided an additional SBLC of Rs. 3,875 million from the National Bank of Pakistan and The Bank of Punjab to partially fulfil differential requirement of GSD. The SBLC facilities are primarily secured against provincial government guarantee 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) and reluctance by the banks due to ongoing disputes between SNGPL and GPPs. Further, SBLCs provided to SNGPL sufficiently covers the billing cycle under the GSA and the Company has not made any default in payment and no any overdue payables are outstanding towards SNGPL.

4.7 The VIS Credit Rating Company Limited (VIS) has upgraded / 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 Out of total land of approx. 1263 kanals, the possession of land measuring 70 kanals and 10 marla was owned by irrigation department, GoPb. The Company has paid an amount of Rs. 29.081 million at the rate of 3 million per acre for the purchase of the said land. After execution of the sale agreement between BOR and the Company and fulfilment of legal formalities ownership title of the land has been transferred and mutated in favor of the Company.

5 Property, plant and equipment

Operating fixed assets - Owned	5.1	**121,729,642**	45,227
Capital work in progress	5.3	**-**	97,369,460
		121,729,642	97,414,687

5.1 Operating fixed assets - Owned

2023										
Description	Cost				Rate	Depreciation				Net book value as at June 30
	Opening	Additions	Disposal / Write off	As at June 30		Opening accumulated	For the year	Disposal / Write off	Accumulated as at June 30	
	(Rupees in thousand)				%	(Rupees in thousand)				
Land	-	450,618	-	450,618		-	-	-	-	450,618
Building and civil works	-	13,565,683	-	13,565,683	3.33%	-	37,682	-	37,682	13,528,001
Plant and machinery	-	108,002,403	-	108,002,403	3.33%	-	300,007	-	300,007	107,702,396
Furniture and fixtures	4,928	4,467	-	9,395	20%	3,503	1,725	-	5,228	4,167
Vehicles	28,857	12,340	-	41,197	20%	9,467	6,972	-	16,439	24,758
IT Equipment	29,248	3,353	(295)	32,306	33%	6,844	8,729	(16)	15,557	16,749
Office & other equipment	2,397	1,687	-	4,084	20%	389	742	-	1,131	2,953
	65,430	122,040,551	(295)	122,105,686		20,203	355,857	(16)	376,044	121,729,642

2022										
Description	Cost				Rate	Depreciation				Net book value as at June 30
	Opening	Additions	Disposals	As at June 30		Opening accumulated	For the year	Disposals	Accumulated as at June 30	
	(Rupees in thousand)				%	(Rupees in thousand)				
Land	-	-	-	-		-	-	-	-	-
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 & other equipment	-	2,397	-	2,397	20%	-	389	-	389	2,008
Electrical Equipment	-	-	-	-	20%	-		-	-	-
	19,643	45,787	-	65,430		13,911	6,292	-	20,203	45,227

5.1.1 Furniture and fixtures includes fully depreciated assets costing Rs. 3.51 million (2022: Nil).

5.1.2 Vehicles includes fully depreciated assets costing Rs. 9.05 million (2022: Nil).

5.1.3 IT equipment includes fully depreciated assets costing Rs. 5.14 million (2022: Rs. 5.05 million).

5.1.4 A stolen laptop having net book value of Rs. 0.28 million has been derecognized during the year. The amount of Rs. 0.27 million has been received from the insurance company.

5.1.5 The Company has transferred the assets from CWIP on provisional basis along with its depreciation subject to finalization with EPC Contractor as explained in note 19.1.9.

		Note	2023	2022
5.2	**Depreciation charged to:**		(Rupees in thousand)	
	Cost of sales	21	337,689	-
	Administrative expenses	22	18,168	6,292
			355,857	6,292
5.3	**Movement of capital work in progress**			
	Opening balance		97,369,460	84,004,120
	Additions during the year		26,317,393	13,365,340
	Transfers during the year	5.4	(123,686,853)	-
	Closing balance		-	97,369,460
5.4	**Capital work in progress**			
	Plant and machinery		72,666,387	67,906,556
	Civil works		8,857,825	7,436,768
	Construction of gas pipeline		3,981,000	3,981,000
	Payment of insurance cost		2,840,524	1,867,844
	Land and associated cost		450,618	449,264
	Consultancy charges		2,142,099	1,651,327
	Exchange loss		3,712,885	1,736,642
	Borrowing cost - net		14,345,795	4,185,786
	Financing fee, duties, taxes and other charges		5,294,527	5,157,263
	Salaries, wages and other benefits	5.4.1	672,086	520,255
	Regulatory fees and licensing		560,524	437,031
	Testing and commissioning cost		4,820,838	218,063
	O&M Mobilization costs		1,648,460	144,432
	LTSA Initial spares		1,668,149	1,668,149
	Others		25,136	9,080
			123,686,853	97,369,460
	Less:			
	Transfers			
	Land	5.1	(450,618)	-
	Building and civil works	5.1	(13,565,683)	-
	Plant and machinery	5.1	(108,002,403)	-
	Stores and spares	9	(1,668,149)	-
			(123,686,853)	-
	Balance as at June 30		-	97,369,460

5.4.1 This includes Rs. 11.25 million (June 2022: Rs. 9.87 million) capitalized in respect of provision for gratuity during the year.

		Note	2023	2022
6	**Right-of-use asset**		(Rupees in thousand)	
	Net book value at July 01	6.1	38,253	58,211
	Depreciation charge for the year		(19,958)	(19,958)
	Net book value at June 30		18,295	38,253

6.1 This represents head office building (rent).

		Note	2023	2022
7	**Intangibles**		(Rupees in thousand)	
	Cost			
	Opening balance		299	299
	Additions during the year		-	-
	Balance as at June 30		299	299
	Amortization			
	Opening balance		245	195
	Charge for the year		50	50
	Balance as at June 30		295	245
	Net book value at June 30		4	54
	Amortization rate per annum (%)		33.33	33.33
	Cost of fully amortized intangibles		149	149

		Note	2023	2022
8	**Trade debts - secured**			
	Considered good, billed	8.3	11,913,946	-
	Considered good, unbilled		7,394,411	-
		8.1 & 8.2	19,308,357	-

8.1 Trade debts are secured by a sovereign guarantee from the Government of Pakistan under the Implementation Agreement ("IA") and are considered good.

8.2 Any late payments made by CPPA-G under the PPA shall bear interest at a rate of three months KIBOR plus two percent per annum, calculated for the actual number of days for which the relevant amount(s) remain unpaid on the basis of three hundred & sixty-five (365) days in year.

8.3 The ageing of billed receivables is as follows:	2023	2022
	(Rupees in thousand)	
Neither past due nor impaired	11,829,608	-
Past due 1 - 30 days	84,338	-
	11,745,270	-

This is the maximum balance outstanding for the year ended June 30,2023.

9 Inventories	Note	2023	2022
		(Rupees in thousand)	
High Speed Diesel (HSD)		2,154,642	-
Stores and spares	9.1	1,685,928	
		3,840,570	-

9.1 This comprises an amount of Rs. 1,668 million transferred from CWIP against initial spares provided to Siemens as per the LTSA agreement and any utilization from such initial spares will be replenished by the Siemens in accordance with the contract.

10 Advances, prepayments, deposits and other receivables	Note	2023	2022
		(Rupees in thousand)	
Prepayments		7,241	3,776
Advances to executives / employees	10.1	14,411	4,402
Advances to suppliers		-	11,913
Security deposits		10	10
Sales tax receivable	10.2	2,712,727	1,971,306
Interest accrued on saving accounts	10.3	499,399	310,925
Receivable from EPC contractor	10.4	3,410,430	-
Receivable from CPPA-G against corporate taxes		45,894	-
Receivable from CPPA-G / Contract Asset		-	3,476,861
Other receivables		4,401	257
		6,694,513	5,779,450

10.1 This represent advance availed by certain executives / employees against gratuity earned as per the Company policy, which shall be adjusted against the salary.

10.2 This includes Rs. 227 Million (June 2022: Rs. 227 Million) sales tax charged by China Machinery and Engineering Corporation (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 Punjab Revenue Authority (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.

10.3 This includes Rs. Nil (June 22: Rs. 70.869 million) accrued interest receivable from an associated undertaking - The Bank of Punjab.

10.4 This includes contingent advance amounting to Rs. 3,000 (June 22: Rs. Nil) million given to Engineering, Procurement and Construction (EPC) contractor in accordance with Supplemental Agreement (SA) entered into on August 11, 2022 after obtaining requisite approvals. GoPb had already provided Sponsor Support under the SSA for various sponsor support commitments which is currently lien marked with financers. These funds are being utilized for contingent payment which can be adjusted against future payments / available securities or shall be repaid at the time of Dispute Adjudication Board (DAB) determination or arbitration as the case may be.

Moreover, this also includes an amount of Rs. 373.21 million(June 22: Rs. Nil) is also recoverable from EPC contractor on account of import of energy bills paid by the Company in-terms of the EPC agreement and same has been received subsequent to the year end.

This also includes Rs. 37.22 million(June 22: Rs.Nil) related to cost of repeat test claimable from CMEC as per the terms of the EPC Agreement.

11 Cash and bank balances	Note	2023	2022
		(Rupees in thousand)	
Cash in hand		550	550
Cash at bank:			
Deposit accounts	11.1	13,892,468	9,550,093
		13,893,018	9,550,643

11.1 It carries mark-up at the rates ranging from 12.25% to 19.50% per annum (2022: 5.50% to 12.5% per annum). Funds are lien marked with the financiers and can only be used in accordance with the terms of the financing documents. In addition, Rs. 1,000 million are also lien marked as security in favor of NBP and BOP for gas SBLC provided to SNGPL.

			Note	2023	2022
				(Rupees in thousand)	
12 Issued, subscribed and paid up capital					
2023	2022				
(Number of shares)					
Authorized share capital					
401,200,000	401,200,000	Ordinary shares of Rs. 100 each		40,120,000	40,120,000
Issued, subscribed and paid-up capital					
401,200,000	401,200,000	Ordinary shares of Rs. 100 each, fully paid in cash		40,120,000	40,120,000
Reconciliation of ordinary shares					
401,200,000	336,000,000	Balance at the start of year		40,120,000	33,600,000
-	65,200,000	Shares issued during the year		-	6,520,000
401,200,000	401,200,000	Balance at the end of year		40,120,000	40,120,000

12.1 401,199,998 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.

13 Long term financing - secured	Note	2023	2022
		(Rupees in thousand)	
Syndicated term finance facility			
Conventional Facility :			
National Bank of Pakistan		20,952,758	10,516,798
Habib Bank Limited		15,904,141	8,388,398
United Bank Limited		16,712,319	7,982,751
The Bank of Punjab	13.4	7,343,443	3,685,887
Askari Bank Limited		6,285,827	3,155,039
Musharaka facility :			
Meezan Bank Limited		4,988,752	3,029,839
United Bank Limited		6,036,390	2,504,000
		78,223,630	39,262,712
Transaction cost		(1,085,979)	(1,088,170)
		77,137,651	38,174,542
Current portion of long term financing		(2,549,609)	(1,633,497)
		74,588,042	36,541,045

13.1 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. During the year the entire loan amount has been availed. The principal amount of facilities is repayable in 20 half yearly instalments (each June 30th and December 31st) commencing from June 2023 and first such payment of Rs. 176 million has already been made. The final maturity date is December 31, 2032. In case of any delayed payment, 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.

13.2 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; and

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

13.3 In pursuance of provincial Cabinet approval, the GoPb, the Company and the 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 14.1 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.

13.4 This represents outstanding loan amount availed from an associated undertaking, The Bank of Punjab, in accordance with the terms of Syndicated Term Finance Facility Agreement.

		Note	2023	2022
			(Rupees in thousand)	
14	**Loan from sponsor - unsecured**			
	Subordinated loan from sponsor - unsecured	14.1	8,710,000	8,710,000
	Cost over run support from sponsor	14.2	3,500,000	-
			12,210,000	8,710,000

14.1 This is interest free loan which was provided as a sponsor support in accordance with the requirement of Sponsor Support Agreement (SSA) and the loan agreement dated August 28, 2020 which 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.

14.2 Please refer note 4.1 to these financial statements.

		Note	2023	2022
			(Rupees in thousand)	
15	**Staff retirement benefits**			
	Amount recognized in the statement of financial position			
	Present value of defined benefit obligation	15.1	94,530	58,280
15.1	**Changes in present value of defined benefit obligation**			
	Present value of defined benefit obligation at beginning of the year		58,280	39,672
	Current service cost		18,772	14,744
	Interest cost on defined benefit obligation		7,588	3,691
	Benefits paid		(2,030)	(5,525)
	Remeasurements:			
	- Actuarial (gains)/losses from changes in demographic assumptions		(5,175)	-
	- Actuarial (gains)/losses from changes in financial assumptions		11,336	4,930
	- Experience adjustments		5,759	768
	Present value of defined benefit obligation at end of the year		94,530	58,280
15.2	**Charge for the year**			
	Current service cost		18,772	14,744
	Interest cost on defined benefit obligation		7,588	3,691
			26,360	18,435
15.2.1	**Charge for the year has been allocated as follows:**			
	Capital work in progress		11,255	9,872
	Administrative expenses		15,105	8,563
			26,360	18,435

		2023	2022
15.3	**Total remeasurements chargeable in other comprehensive income**	(Rupees in thousand)	
	Remeasurements of plan obligation:		
	- Actuarial gain from changes in demographic assumptions	(5,175)	-
	- Actuarial loss from changes in financial assumptions	11,336	4,930
	- Experience adjustments	5,759	768
	Total remeasurements chargeable in other comprehensive income	11,920	5,698

15.4	**Changes in net liability**		
	At beginning of the year	58,280	39,672
	Charge for the year	26,360	18,435
	Benefits paid	(2,030)	(5,525)
	Actuarial loss on remeasurements of staff retirement benefits	11,920	5,698
		94,530	58,280

15.5 **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, 2024 will be Rs. 42.665 million.

15.6 **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:

	2023	2022
Discount rate used for interest cost	13.25%	10%
Discount rate used for year-end obligation	15.75%	13%
Salary increase used for year-end obligation	-	9%
Salary Increase FY 2023 onwards	29.40%	21%
Retirement assumption	65 years	60 years
Weighted average duration of defined benefit obligation	13 years	9 years
Method of actuarial valuation used	Project unit credit actuarial cost method	

15.7 **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. 83.36 million (2022: Rs. 53.62 million) / increase to Rs. 108.28 million (2022: Rs. 63.79 million).

- If the expected rate of salary increases / (decreases) by 100 basis points, the defined benefit obligation would increase to Rs. 108.36 million (2022: Rs. 63.91 million) / decrease to Rs. 83.10 million (2022: Rs. 54.44 million).

		Note	2023	2022
			(Rupees in thousand)	
16	**Trade and other payables**			
	Payable to contractors		905,244	-
	Payable to suppliers		3,162,368	2,369,005
	Payable to consultants		280,467	42,101
	Retention money payable		6,524,051	4,836,158
	Provision for EPC related works / equipment	16.1	15,149,092	14,661,193
	Workers' Profit Participation fund		6,561	18,800
	Workers' Welfare Fund		-	13,872
	Finance cost payable	16.4	15,531	5,964
	Accrued and other liabilities	16.5	1,220,670	394,025
			27,263,984	22,341,118

16.1 This represents liability accrued for items of plant and equipment received along with the completion for related works (based upon overall percentage of completion of works) after adjusting for advance given and invoices raised by EPC Contractor. However, actual payments to the EPC Contractor are to be made after completion of milestones as per the terms of the EPC Agreement.

		2023	2022
16.2	**Workers' Profit Participation fund**	(Rupees in thousand)	
	Opening balance	25,361	68,818
	Provision for the period / year	-	25,543
	Payment made during the year	(18,800)	(69,000)
	Closing balance	6,561	25,361

16.3 Workers' Welfare Fund	2023	2022
	(Rupees in thousand)	
Opening balance	13,872	8,524
Provision for the period / year	-	21,065
Payment made during the period / year	(13,872)	(15,717)
Closing balance	-	13,872

16.4 This includes Rs. 0.96 million (June 2022 : Rs. Nil) payable to associated undertaking - The Bank of Punjab on account of commitment fee in accordance with long term financing agreements.

16.5 This includes Rs. 0.30 million (June 2022 : Rs. 0.25 million) payable to associated undertaking - Director General Public Relation (DGPR) on account of advertisement expenses. This includes Rs. 0.05 million (June 2022 : Nil) payable to associated undertaking - Lahore Parking Company on account of parking fee.

17 Accrued Markup / Profit	Note	2023	2022
		(Rupees in thousand)	
Long term financing - secured	17.1	-	2,441,101
Short term borrowings - secured	17.2	360,173	-
		360,173	2,441,101

17.1 This includes Rs. Nil (2022: Rs. 229.21) markup payable to related party, The Bank of Punjab under syndicated term finance facility agreement.

17.2 This includes Rs. 29.88 million (2022: Rs. Nil) markup payable to related party, The Bank of Punjab under syndicated working capital finance facilities.

18 Short term borrowings - secured	Note	2023	2022
		(Rupees in thousand)	
From banking companies - Conventional financing facilities		6,735,251	-
From banking companies - Islamic financing facilities		2,561,035	-
	18.1	9,296,286	-
18.1 Breakup of short term borrowings			
Working Capital facilities:			
United Bank Limited		1,947,196	-
National Bank of Pakistan		1,920,018	-
Habib Bank Limited		1,558,716	-
The Bank of Punjab	18.3	685,835	-
Askari Bank Limited		623,486	-
	18.2	6,735,251	
Running Musharka facilities			
Meezan Bank Limited	18.2	561,138	-
Dubai Islamic Bank Pakistan Limited	18.4	1,999,897	-
		2,561,035	-
Total short term borrowings	18.5	9,296,286	-

18.2 The Company entered in to short term syndicated Working Capital Finance (WCF) facilities for an amount of Rs. 15,213 million under first working capital and running Musharaka agreement to meet its working capital requirements. The tenure of facilities will expire on December 31, 2023 and are extendable. These facilities carries mark-up/musharaka profit at the rate three month KIBOR plus 2% per annum.

18.3 This represents loan availed from an associated undertaking - The Bank of Punjab in accordance with the terms of First Working Capital Agreement out of the total limit of Rs. 1,430 million (June 2022: Rs. 1,430 million).

18.4 The Company also availed short term Running Musharaka facility from Dubai Islamic Bank Pakistan Limited ("DIBPL") for an amount of up to Rs. 2,000 million to meet its working capital requirements. The tenor of said facility shall expire on May 17, 2024. The facility carries musharaka profit at the rate three month KIBOR plus 1.2% per annum.

18.5 These 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).

19 **Contingencies and commitments**

19.1 **Contingencies**

19.1.1 Constitutional petition was filed against all public sector companies of Government of Punjab ("GoPb"), whereby the functions and role thereof have been challenged in LHC. The petition has been taken with another writ petition i.e. W.P. No. 94609/2017 dated October 25, 2017 (Munir Ahmad 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.

19.1.2 A Writ Petition No. 704/2018 was filed on March 03, 2018 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, petitioners 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.

19.1.3 Punjab Revenue Authority (PRA) vide show cause notice no. PRA/S.C52/11230 dated December 10, 2018 required 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 for 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 purchases of power plant. 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.

19.1.4 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 dated August 24, 2022 before Appellate Tribunal which is pending adjudication.

19.1.5 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 required 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 accessing officer for de-novo consideration.

19.1.6 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 which was also duly complied.

19.1.7 PTPL after achieving the Simple Cycle Operation Start Date under PPA on July 27, 2022 conducted the internal commissioning tests for the combined cycle COD on RLNG fuel. After requisite testing and commissioning activities the Steam Turbine ("ST") was successfully synchronized with the national grid on April 19, 2023 in terms of the PPA. Accordingly, the test energy invoices for the pre synchronization of ST were raised in terms of the PPA while applying simple cycle Fuel Cost Component ("FCC") and the same were processed and paid by the Power Purchaser.

However, CPPA-G subsequently arbitrary adjusted these invoices against other unpaid invoices for an amount of PKR 1.187 billion while applying combined cycle reference FCC tariff and advised PTPL to seek clarification from the NEPRA regarding correct applicability of FCC. Accordingly, the Company sought clarification from NEPRA, as the adjusted amount may either be recovered through test energy or as a part of testing and commissioning under project cost. Hence, the Company believes that the out come may not adversely affect the Company.

19.1.8 The Company filed an interim relief application before NEPRA on July 26, 2023 to allow applicable post COD indexation as approved in NEPRA tariff determination dated December 26, 2017. The reference tariff currently being used for billing is based on economic parameters which were applicable in 2017. These economic parameters such as KIBOR, USD/PKR exchange rate, RLNG & HSD prices and CPIs are significantly changed from 2017 reference figures. Hence, the reference tariff became impractical and has been adversely affecting the project cashflows.

The Application is yet to be decided by the NEPRA, hence the impact of indexation on capacity purchase price and variable O&M component of energy purchase price has not yet been recognized.

19.1.9 EPC Contractor submitted various claims for extension of time (EOT) for the completion of the project and additional cost and submitted its consolidated claims and demanded EOT for 1242 days and additional cost of USD 76 million for a period till December 31, 2021.

Certain payments to critical suppliers i.e. Siemens AG for work performed by their TFAs (Technical Field Advisors) were delayed or remained 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 remained at low pace. Thus, Simple Cycle COD and Combined Cycle COD could not be achieved as per previously estimated timelines. 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, the project will not be completed in a 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. The EPC contractor also highlighted its 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 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, the 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 the Project will move towards its completion.

Accordingly, the parties entered into Supplemental Agreement (SA) on August 11, 2022 after obtaining requisite approvals from respective board of directors and financers. GoPb had already provided Sponsor Support under the SSA for various sponsor support commitments which is currently lien marked with financers. 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. Subsequent to the year end, the DAB has been constituted in terms of the EPC agreement and formal proceedings are expected to begin soon.

19.1.10 After receipt of contingent payment of PKR 3 billion in tranches, the EPC contractor enhanced its resource mobilization at site and achieved numerous milestones / activities such as successful achievement of Simple Cycle Operation Start Date Gas Turbine (GT) 1 on July 27, 2022, and Simple Cycle Operation Start Date GT2 on August 04, 2022 respectively followed by completion of various combined cycle activities such as hydro testing of both Heat Recovery Steam Generators (HRSGs), chemical cleaning and steam blowing etc.

EPC contractor once again informed that due to long idling of the equipment caused certain hindrances in completion of combined cycle commissioning works which includes prolonged flushing works of lube oil and seal oil systems. Further, a mandatory technical advisory on steam turbine generator from OEM took around 14 weeks' time as compared to the initially anticipated time of 2 weeks and got completed in December 2022. It also caused hold up of certain cold commissioning works in steam turbine area. After generator works, the steam turbine lube oil flushing works was completed along with commissioning on both gas turbines on HSD.

Post HSD commissioning of GTs certain parts related to fuel oil distribution (flow dividers) malfunctioned and were shipped to the factory in Germany for Root Cause Analysis (RCA) and possible repairs. Further, during the cold commissioning works on steam turbine generator, certain leakage was also observed in steam turbine generator which was rectified after several attempts thus affected the project completion activities.

In anticipation of the time required for the replacement of flow dividers, CPPA-G was requested to allow the COD on gas be declared after completion of PPA tests whereas GTs which were already commissioned on HSD and performance test on HSD to be conducted after COD on gas. EPC contractor payments / guarantees / obligations will remain intact until completion of such works as per the term of the EPC Agreement.

The Power purchaser after internal deliberation placed the matter before ECC which allowed the deferral of remaining tests to be completed within four months' time and COD on gas fuel was accepted.

The flow dividers were delivered at site by end of June 30, 2023 and it was anticipated that the performance test will be completed by July 2023. Accordingly, extension in insurance cover for the construction period was obtained till July 2023. However, while carrying out pre checks for HSD performance test, one of the flow dividers amongst 6 malfunctioned as intimated by the EPC contractor even though FAT was performed by the OEM and results were found to be satisfactory before dispatch of these Flow dividers. Replacement of a flow divider, its RCA and pre-testing were completed by August 2023 and extension in construction phase insurance cover was also obtained till September 30, 2023.

After successful completion of certain pre-checks as required before the final HSD performance tests, Siemens AG also successfully completed its internal testing and commissioning activities and met requisite performance parameters / guarantees under the relevant agreements. However, the same tests have to be demonstrated before the power purchaser for its witnessing as per the terms of the PPA.

Both GTs have successfully operated on HSD in combined cycle and flow dividers were working fine. However, there was a certain base load stabilization issue at GT1, hence, OEM (Siemens AG) didn't allow to proceed further with performance testing and the plant was shut down for inspection despite all resources being mobilized. Upon investigation, debris was found in the filter which was affecting base load stabilization. Post rectification of the issue, the plant was again made ready for the performance tests in first week of October 2023.

19.1.11 The Plant has been in operation on fuel gas as per dispatch instructions of power purchaser, however on October 09, 2023, high blade path temperature was observed at Gas Turbine ("GT") no. 01 and the machine was shut down as per the advice of OEM (Siemens AG) to check the cause. Siemens AG mobilized its inspection crew immediately and based upon inspection, Siemens AG Engineering has recommended to replace 4 ring segments of stage 1 out of total 24, without removing turbine top casing. GT no. 2 was also shutdown precautionary for inspection. However, based upon the inspection results, Siemens engineering has recommended similar treatment for GT no. 02 as well.

The Replacement of Ring Segment No. 1 of both GTs are located by Siemens AG and transportation to Site is being arranged. Siemens AG's higher management is engaged for the earliest possible arrangement of spares and rectification works. The repair works and equipment are expected to be covered by EPC / OEM.

Due to the above-mentioned event and non-availability of complex, tests on HSD ("back up fuel") cannot be performed within the stipulated timeline. The insurance cover will also required to be extended till December 31, 2023 (while keeping certain cushion). As per the rectification plan provided by EPC and OEM, the machines are expected to be available by November-23 for remaining tests on HSD.

The Company has requested CPPA-G to take up the matter with the Federal Government to further extend the time allowed for the completion of HSD performance test.

19.1.12 CMEC challenged the Assessment Order dated 24.11.2022 for recovery of PKR 6,881,058,090/- for Tax Year 2021 by FBR against Recovery Notice under Section 140 of Income Tax Ordinance to CMEC. It was also informed that FBR recovered PKR 735,059,945 from the bank accounts of CMEC. FBR also served notice to PTPL demanding the above said amount under section 140 of the ITO while making payments against the outstanding liability of the taxpayer i.e CMEC. PTPL through its tax and legal advisors responded the said notice while clarifying the factual and legal position to the FBR. Subsequently, CMEC challenged the said recovered amount before Lahore High Court against FBR, PTPL was also arrayed as one of the respondents. The court granted stay against any coercive measures under impugned notice.

19.1.13 The Offshore and Onshore LCs were opened in favor of China Machinery and Engineering Corporation (EPC Contractor). These LCs were part of overall financing arrangement and secured by way of securities mentioned at note 13.2 to these financial statements. The LCs were expired on January 31, 2023 after being extended from time to time during past several years in pursuance of SBP and Financiers approval. During the year, the Company faced several challenges for the extensions of LCs namely delay in SBP approval owing to Country's depleting forex reserve, project unprecedented delays and financiers per party exposure due to currency devaluation. However, despite the expiry of the LCs none of the EPC contractor's payment has been delayed.

19.2 Commitments:

19.2.1 The Company's commitment in respect of EPC contract with CMEC is Rs. 696.99 million (2022: Rs. 2,349.66 million) and consultancy agreement with National Engineering Services Pakistan (NESPAK) is amounting to Rs. 418.01 million (2022: Rs. 228.81 million).

19.2.2 The Company's commitment in respect of O&M agreement with Harbin Electric International Company Limited is approximately USD 145.72 million (2022: USD 151.47 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.

19.2.3 The Company's commitment in respect of Long Term Service Agreement ("LTSA") with Siemens Pakistan Engineering Company Limited having is USD 121.25 million (2022: USD 132.28 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.

19.2.4 The Company's commitment in respect of various fees towards Mandatory Lead Arrangers (MLAs) for Project Finance Facility is Rs. 120.90 million (2022: Rs. 132.99 million).

20 Revenue from contract with customer	Note	2023	2022
		(Rupees in thousand)	
Capacity Purchase Price (CPP)	20.1	303,237	-
Energy Purchase Price (EPP)	20.1	3,974,658	-
Revenue from test energy	20.2	20,814,615	-
		25,092,510	-
Sales tax		(3,745,747)	-
		21,346,763	-

20.1 The Company started its commercial operations from June 23, 2023. Accordingly, this amount represents the revenue generated during Post-COD period till June 30, 2023.

20.2 This represents the revenue generated from test energy produced during Pre-COD plant testing phase.

21 Cost of sales	Note	2023	2022
		(Rupees in thousand)	
Fuel cost - RLNG		3,395,419	-
Fuel cost - Testing and commissioning	21.1	17,675,223	-
O&M contractor fee	21.2	517,513	-
LTSA contractor fee	21.2	816,934	-
Operational phase plant insurance		30,857	-
Depreciation	5.2	337,689	-
	21.2	22,773,635	-

21.1 This represents net cost of RLNG and HSD consumed during testing and commissioning activities.

21.2 This includes LTSA fee and simple cycle O&M fee which were incurred to make plant available for generation in simple cycle mode as per the requirement of PPA after achieving simple cycle CODs and issuance of taking over certificate for GT1 and GT2 in terms of EPC Agreement. Whereas the recovery of the said cost was allowed on unit delivered basis under the NEPRA approved tariff in line with other three RLNG projects on the assumptions that the project will be operated maximum up to 349 days in Simple Cycle Operations. However, the plant didn't get any dispatch despite it was available of generation and notifying its Declared Available Capacity in terms of the PPA. These costs were necessary to be incurred not only to make plant available for generation but also for certain necessary maintenance in line with the phase wise commissioning methodology agreed and approved by the relevant stakeholders. The Company has claimed the said cost through tariff modification petition.

22 Administrative expenses	Note	2023	2022
		(Rupees in thousand)	
Salaries, wages and benefits	22.1	245,280	172,100
Rent, rate and taxes		10,540	-
Office supplies and entertainment expense		14,580	8,721
Printing and stationery		945	2,605
Advertisement expenses		905	4,150
Communication charges		5,510	5,628
Utilities		6,279	4,564
Vehicle running expenses		26,778	16,800
Travelling and lodging cost		34,155	7,920
Auditors remuneration	22.2	1,685	1,909
Directors' fee		9,150	5,550
Legal and professional charges		59,892	14,019
Depreciation and amortization	5.2 & 7	18,218	6,342
Depreciation on right of use asset	6	19,958	19,958
Security expenses		1,392	1,975
Repair and maintenance		8,963	7,487
Others		4,834	964
		469,064	280,692

22.1 This include Rs. 15.11 million (June 2022: Rs. 8.56 million) charged in respect of provision for gratuity during the year.

		Note	2023	2022
22.2	**Auditors' remuneration includes**		(Rupees in thousand)	
	External audit fee		1,125	1,100
	Review report on code of corporate		90	85
	Half yearly review		350	340
	Special assignments		-	274
	Out of pocket expenses		120	110
			1,685	1,909
23	**Other income**			
	Interest income on bank deposits		1,085,814	927,747
	Less: amount transferred in capital work in progress		(580,731)	(268,910)
	Delayed payment interest - overdue trade debts		978,930	-
	Scrap sales and other miscellaneous income		16,887	3,242
	Exchange gain		8,815	-
			1,509,715	662,079
24	**Finance cost**			
	Markup / profit on long term financing		420,654	-
	Markup / profit on short term borrowings		609,726	-
	Other finance Cost		246,284	-
	Bank charges		847	274
	Markup on lease liability		3,300	5,114
	Amortization of transaction cost		2,189	-
			1,283,000	5,388
25	**Taxation**			
	For the period - Current	25.1	266,834	228,895
	Receivable from CPPA-G	25.2	(45,894)	-
		25.3	220,940	228,895

25.1 As the Company has incurred loss during the year, the current tax has been computed @ 1.25% of the revenue, which is minimum tax under section 113 of Income Tax Ordinance, 2001.

25.2 This represents an amount recoverable, as per PPA, from CPPA-G (a pass through item) against the minimum tax computed on the post COD revenue.

25.3 No deferred tax liability has been recognized as future tax payments in respect of generation, sale, exportation or supply of electricity are pass-through items as per PPA and shall be claimable from CPPA, resulting into no taxable temporary differences.

		2023	2022
25.4	**Tax charge reconciliation**	(Rupees in thousand)	
	Accounting (Loss)/Profit	(1,669,221)	375,999
	Income tax charge @ 29%	(484,074)	109,040
	Super Tax @ 4%	-	15,040
		(484,074)	124,080
	Tax effect of:		
	- Amounts that are not deductible for tax purposes	-	94,406
	- Accrued profit - net	-	(78,332)
	- Minimum tax	266,834	-
	- Non-recognition of deferred tax due to the reason explained in note 25.1	484,074	
	- Recognized as pass through from CPPA	(45,894)	-
	- Income capitalized in CWIP	-	88,741
		705,014	104,815
	Tax expense for the year	220,940	228,895

26 Financial risk management

26.1 Financial risk factors

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. During development phase, 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.

(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 recognized assets or liabilities are denominated in a currency that is not the Company's functional currency.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk at reporting date based on notional amounts is as follows:

	2023		2022	
	USD	Euro	USD	Euro
Trade and other payables	72,163,304	725,706	93,954,599	164,917

Sensitivity analysis:	Change in assumption	Increase in assumption	Decrease in assumption
	%	(Rupees in thousand)	
Trade and other payables (USD) - June 30, 2023	1	207,181	(207,181)
Trade and other payables (Euro) - June 30, 2023	1	2,281	(2,281)
Trade and other payables (USD) - June 30, 2022	1	193,546	(193,546)
Trade and other payables (Euro) - June 30, 2022	1	356	(356)

(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:

	2023	2022
Financial assets	(Rupees in thousand)	
Floating rate instruments		
Trade Debts	19,308,357	-
Deposit accounts	13,892,468	9,550,093
	33,200,825	9,550,093
Financial liabilities		
Floating rate instruments		
Long term financing - secured	78,223,630	39,262,712
Short term borrowings - secured	9,296,286	-
	87,519,916	39,262,712
Effective interest rate		
Long term financing - secured	20.65%	17.66%
Short term borrowings - secured	21.67%	-

Interest rate sensitivity analysis

		Increase / decrease in rate	Effect on (Deficit)/ Surplus
		(Rupees in thousand)	
Long term financing - secured			
	2023	1%	782,236
		-1%	(782,236)
	2022	1%	392,627
		-1%	(392,627)
Short term borrowings - secured			
	2023	1%	92,963
		-1%	(92,963)
	2022	1%	-
		-1%	-

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, trade debts and its bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2023	2022
Financial assets	(Rupees in thousand)	
Long term deposits	**31,170**	11,092
Trade debts - secured	**19,308,357**	-
Security deposit	**10**	10
Interest accrued on saving accounts	**499,399**	310,925
Balances with banks	**13,892,468**	9,550,093
	33,731,404	9,872,120

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 Short term	Rating Long term	2023	2022
				(Rupees in thousand)	
- National Bank of Pakistan	PACRA	A1+	AAA	13,558,550	2,943,668
- The Bank of Punjab	PACRA	A1+	AA+	333,087	6,606,425
- Meezan Bank Limited	VIS	A1+	AAA	830	-
- Askari Bank Limited	PACRA	A1+	AA+	1	-
				13,892,468	9,550,093

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, Company 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, 2023:

	Carrying Amount	Contractual Cashflows	Less than 1 year	Between 2 to 5 years	Over 5 years
			(Rupees in thousand)		
Long term financing - secured	77,137,651	209,547,737	22,273,610	110,831,645	76,442,482
Loan from sponsor - unsecured	12,210,000	12,210,000	-	12,210,000	-
Lease liability	25,941	27,051	27,051	-	-
Short term financing - secured	9,656,459	9,656,459	9,656,459	-	-
Trade and other payables	27,257,423	27,257,423	27,257,423	-	-
	126,287,474	258,698,670	59,214,543	123,041,645	76,442,482

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

	Carrying Amount	Contractual Cashflows	Less than 1 year	Between 2 to 5 years	Over 5 years
			(Rupees in thousand)		
Long term financing - secured	38,174,542	84,982,251	8,498,225	46,740,238	29,743,788
Loan from sponsor - unsecured	8,710,000	8,710,000	-	8,710,000	-
Lease liability	43,956	48,366	25,346	23,020	-
Trade and other payables	44,616,892	22,308,446	22,308,446	-	-
	91,545,390	116,049,063	30,832,017	55,473,258	29,743,788

26.2 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.

26.3 Financial instruments by categories

	2023	2022
	(Rupees in thousand)	
Financial asset at amortized cost		
Long term deposits	31,170	11,092
Security deposits	10	10
Trade debts - secured	19,308,357	-
Interest accrued on saving account	499,399	310,925
Cash and bank balances	13,892,468	9,550,093
	33,731,404	9,872,120

	2023	2022
Financial liabilities at amortized cost		
Long term financing - secured	77,137,651	84,982,251
Subordinated loan from sponsor - unsecured	12,210,000	8,710,000
Lease liability	25,941	48,366
Trade and other payables	27,257,423	22,308,446
	116,631,015	116,049,063

26.4 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 total borrowings to total equity as shown in financial statements.

	2023	2022
	(Rupees in thousand)	
Long term financing - secured	77,137,651	38,174,542
Loan from sponsor - unsecured	12,210,000	8,710,000
Short term borrowings - secured	9,296,286	-
Total borrowings	98,643,937	46,884,542
Issued, subscribed and paid up capital		
Ordinary shares of Rs. 100 each	40,120,000	40,120,000
(Accumulated loss) / unappropriated profit	(997,824)	904,257
Total equity	39,122,176	41,024,257
Total capital employed	137,766,113	87,908,799
Gearing Ratio	72%	53%

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

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

	Chief Executive		Directors		Executives	
	2023	2022	2023	2022	2023	2022
	(Rupees in thousand)					
Remuneration	43,123	24,667	-	-	249,754	199,107
Meeting Fee	-	-	9,150	5,550	-	-
Reimbursement of expenses	1,592	455	293	389	10,305	5,559
Others including retirement benefit	3,773	1,630	-	-	25,862	21,558
	48,488	26,752	9,443	5,939	285,921	226,224
Number	1	1	11	11	42	41

28 **Number of employees**

	2023	2022
Total number of employees as at June 30	81	80
Average number of employees during the year	81	70

29 **Related party transactions and balances**

The related parties comprise of the GoPb, 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	2023 (Rupees in thousand)	2022
Government of Punjab	Shareholders	Shares issued	-	6,520,000
Government of Punjab	Shareholders	Land related fee paid	1,354	29,081
Directorate General Public Relations	Common control	Advertisement expenses	885	3,031
Key Management Personnel	Key Management Personnel	Remuneration and other benefits paid	167,914	118,716
		Retirement benefit paid	1,722	5,526
The Bank of Punjab	Common control	Bank charges paid	98	49
		Interest income	140,406	554,132
		Interest expense	1,095,174	-
		Financing fee and charges	72,457	182,017

29.1 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.

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

29.3 Transaction with directors are also disclosed under note 27.

29.4 Certain key management personnel are also provided with the use of Company maintained cars.

30 **Capacity and production**

	2023 MWH	2022 MWH
Maximum energy generation capability (per annum)	10,899,280	-
Maximum energy generation capability (June 23, 2023 to Jun 30, 2023)	238,888	-
Total Output (June 23, 2023 to Jun 30, 2023)	152,622	-
Load Factor (June 23, 2023 to Jun 30, 2023)	64%	-

30.1 Plant has achieved COD on June 23, 2023 and above data is related to Operational Phase only without taking into the account the units generated during testing phase.

31 Subsequent Events

31.1 PRA issued show cause notice dated September 20, 2023 to PTPL inquiring why it has not deposited Punjab Sales Tax of PKR 1,349 million on taxable services received during the period from July 2022 to June 2023. PTPL vide letter dated September 28, 2023 informed PRA that we are unable to find / match the amounts of taxable services from our records, which is confronted in the show cause notice and requested to share invoice wise breakup of withholding sales tax mentioned in the show cause notice enabling to reconcile and respond accordingly. However, no further proceedings have been initiated by PRA till date.

32 Date of authorization

These financial statements were approved and authorized for issue on 06 NOV 2023 by the Board of Directors of the Company.

33 General

33.1 Figures in these financial statements have been rounded off to nearest thousands of rupees.

33.2 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___________________ 2023

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.