

Annual Report

FY 2021-22

National Power Parks Management Company (Private) Limited
Ministry of Energy (Power Division), Government of Pakistan

COMPANY PROFILE

(A) INTRODUCTION

- (i) In line with its policy, the Government of Pakistan took an initiative to inject 2400 MW into the national system through its own resources. National Power Parks Management Company (Private) Limited was established and entrusted with the task to give shape to this resolve of the Government under the auspices of the then Ministry of Water & Power.
- (ii) The company, thereafter, took up the task and established two state of the art Re-gasified Liquid Natural Gas (RLNG) based Combined Cycle Power Plants; 1223 MW CCPP at Balloki, District Kasur (Balloki CCPP) and 1230 MW CCPP at Haveli Bahadur Shah, Jhang (HBS CCPP). These state-of-the-art plants are providing cheap electricity to the national grid owing to their unparalleled latest technology and high efficiency.
- (iii) The Company is managed under the supervision of highly professional and competent Board of Directors, nominated by the Government of Pakistan, its Committees and a management team comprising highly qualified and competent professionals.
- (iv) During the year, the Board of Directors was convened for twelve (12) times and transacted the business in efficient and effective manner.
- (v) During Financial Year 2021-22, Haveli Bahadur Shah Power Plant has produced 7,488.57 GWh while the Balloki Power Plant has produced 7,186.75 GWh, cumulating a total of 14,675.32 GWh which is 17.80% of the Total Thermal Electricity Generation in CPPA(G) System and 10.25% of the Total of the Total Electricity Generation in CPPA(G) System.

(B) VISION OF THE COMPANY

To be a leading company in power generation through the use of modern technology and dynamic human resource, in order to contribute to the economy of Pakistan on sustainable basis.

(C) MISSION OF THE COMPANY

To generate economical electricity by applying best plant management practices in order to meet stakeholders' expectations in a timely manner.

(D) CORE VALUES

INTEGRITY

Integrity, honesty, and accountability are at the core of our business. We adhere absolutely to the independence and objectivity requirements.

EXCELLENCE

We set and achieve ambitious goals. For us, excellence is not only a value; it's a discipline and a means for making Pakistan a better place.

EFFICIENCY

We keep things simple, do the work that adds value and ensure optimum use of money, materials, energy, and time.

TEAMWORK

The best solutions come from collective wisdom. We believe in working together and building productive and long-term relationships with our partners and each other.

(E) CORPORATE POLICES AND CODE OF CONDUCT

The Company has approved a code of conduct of its employees and following corporate policies:

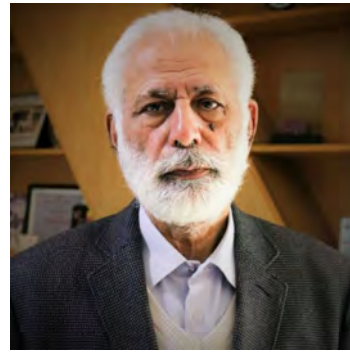
- (a) Annual Report Approval and Adoption Policy
- (b) Anti-Corruption & Conflict of Interest Policy
- (c) Whistle Blowing Policy
- (d) Communication Policy
- (e) Capital Expenditure Planning and Control Policy
- (f) Investment Policy

- (g) Fixed Assets Policy
- (h) Transactions with Associated Concerns Policy
- (i) Information Technology Policy
- (j) Promotion Policy
- (k) Bonus Policy

(F) BOARD OF DIRECTORS



Mr. Muhammad Irfan Akram
Chairman of the Board of Directors



Dr. Tabrez Aslam Shami
Independent Director



Mr. Mahfuz-Ur-Rehman Pasha
Independent Director



Mr. Nasir Gulzar
Independent Director



Mr. Asim Iqbal
Non-Executive Director



Mr. Shah Jahan Mirza
Non-Executive Director



Mr. Muhammad Asif
Non-Executive Director

(G) MANAGEMENT TEAM



Mr. Dhanpat Kotak
Chief Executive Officer



Mr. Muhammad Akram Kamal
Chief Engineer



Mr. Sajjad Ahmed
Chief Financial Officer



Sayyed Mubashar Masood
Chief Legal Officer



Mr. Shahzad Iqbal
Company Secretary



Mr. Muhammad Awais Chaudhry
Chief Internal Auditor

(H) CORPORATE INFORMATION

Board of Directors	Mr. Muhammad Irfan Akram	Independent Director & Chairman
	Mr. Tabrez Aslam Shami	Independent Director
	Mr. Mahfuz-Ur-Rehman Pasha	Independent Director
	Mr. Nasir Gulzar	Independent Director
	Mr. Shah Jahan Mirza	Non-Executive Director
	Mr. Asim Iqbal	Non-Executive Director
	Mr. Muhammad Asif	Non-Executive Director
	Mr. Dhanpat Kotak	Chief Executive Officer
Audit Committee	Mr. Nasir Gulzar	Member & Convener
	Mr. Mahfuz-Ur-Rehman Pasha	Member
	Mr. Asim Iqbal	Member
	Mr. Muhammad Asif	Member
Human Resource Committee	Mr. Shaheryar Arshad Chishty	Member & Convener
	Mr. Tabrez Aslam Shami	Member
	Mr. Muhammad Asif	Member
	Mr. Shah Jahan Mirza	Member
Procurement Committee	Mr. Tabrez Aslam Shami	Member & Convener
	Mr. Asim Iqbal	Member
	Mr. Muhammad Irfan Akram	Member
	Mr. Muhammad Asif	Member
Nomination Committee	Mr. Muhammad Irfan Akram	Member & Convener
	Mr. Shaheryar Arshad Chishty	Member
	Mr. Shah Jahan Mirza	Member

	Mr. Asim Iqbal	Member
Risk Management Committee	Mr. Mahfuz-Ur-Rehman Pasha	Member & Convener
	Mr. Nasir Gulzar	Member
	Mr. Shah Jahan Mirza	Member
	Mr. Muhammad Irfan Akram	Member
Chief Financial Officer	Mr. Sajjad Ahmed	
Company Secretary	Mr. Shahzad Iqbal	
Auditors	KPMG Taseer Hadi & Co., Chartered Accountants	
Bankers to the Company	National Bank of Pakistan, United Bank Limited and the Bank of Punjab	
Registered Office	Room No 5, 6 th Floor, Shaheed-e-Millat Secretariat, Blue Area, Islamabad	

DIRECTORS REPORT 2022 (ENGLISH)

DEAR MEMBERS

The Directors of National Power Parks Management Company (Private) Limited (the Company), are pleased to furnish this report along with the Financial Statements for the Financial Year ended on 30th of June 2022 and Auditors Report thereon, as per the provisions of the Companies Act 2017.

(A) COMPANY'S OVERVIEW

- (i) The principal activity of the Company is to carry on business of generation of electricity through two thermal power plants operating on Re-Gasified Liquefied Natural Gas as primary fuel and High-Speed Diesel as back-up fuel.
- (ii) During Financial Year 2021-22, Haveli Bahadur Shah Power Plant has produced 7,488.57 GWh while the Balloki Power Plant has produced 7,186.75 GWh, cumulating a total of 14,675.32 GWh which is 17.80% of the Total Thermal Electricity Generation in CPPA(G) System and 10.25% of the Total of the Total Electricity Generation in CPPA(G) System.
- (iii) Company has achieved all the performance milestones including plants' efficiency, effectiveness, IRR, compliance/adherence of all corporate and legal stipulations etc.
- (iv) There are no significant doubts upon the Company's ability to continue as a going concern. The summary of company's financial affairs for latest six years is given hereunder:

Rs. in "000"

Detail	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Financial Position						
Non-Current Assets	154,266,558	155,593,308	162,179,954	161,653,459	152,274,061	111,641,306
Current Assets	261,089,921	163,976,061	125,661,496	90,204,737	59,672,829	24,359,237
Total	415,356,479	319,569,369	287,841,450	251,858,196	211,946,890	136,000,543
Equity & Reserves	224,280,720	190,971,265	166,694,621	138,766,189	119,775,524	116,343,170
Non-Current Liabilities	32,440,239	35,240,259	39,842,251	51,927	32,774,293	5,042,625
Current Liabilities	158,635,520	93,357,845	81,304,578	113,040,080	59,397,073	14,614,748
Total	415,356,479	319,569,369	287,841,450	251,858,196	211,946,890	136,000,543
Statement of Income						
Sales	297,176,588	148,249,166	162,672,728	145,611,544	30,320,511	-
Cost of sales	(268,960,904)	(124,399,008)	(131,819,886)	(122,997,455)	(27,217,452)	-
Gross Profit	28,215,684	23,850,158	30,852,842	22,614,089	3,103,059	-
Other Income	17,551,162	7,102,978	9,618,507	3,493,517	1,322,494	51,094
Admin Expenses	(505,807)	(302,235)	(207,823)	(562,904)	(238,996)	(162,422)
Other charges	(282,871)	-	-	-	-	-
Financial charges	(11,628,929)	(6,454,536)	(12,205,440)	(6,553,705)	(755,529)	(250)
Taxation	(22,591)	86,117	(126,501)	-	-	(56,048)
Net Profit / (Loss)	33,326,648	24,282,482	27,931,585	18,990,997	3,431,028	(167,626)

- (v) Net profit has been increased from the last year mainly due to increase of capacity indexation (CPI, US-CPI & KIBOR), interest charged to SNGPL against LCIA award, increase in delay payment charges due to increased payment days by CPPA(G) and increased KIBOR etc.
- (vi) The Company has posted good profits, 37.25% more than preceding year's profits, which resulted into value addition in government assets. The Company is proving as an instrument which is providing approximately 2400MW power in the national grid and playing an important role to cater electricity needs of the country.
- (vii) In this manner, the Board of Directors has ensured to maintain the Company as a sustainable initiative of the Government.

(B) CORPORATE & FINANCIAL REPORTING

- (i) The Board has complied with the relevant principles of corporate governance.
- (ii) The financial statements, prepared by the management of the Company present fairly its state of affairs, result of operations, cash flows and changes in equity.
- (iii) Proper books of accounts of the Company have been maintained.
- (iv) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- (v) Board recognizes its responsibility to establish and maintain sound system of internal control, which is regularly reviewed and monitored.
- (vi) The appointment of chairman and other members of Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the Company as well as in line with the best practices.

(C) VALUE OF INVESTMENT IN EMPLOYEES' GRATUITY FUND

Value of investment in employees' gratuity fund based on audited accounts of the fund for the year ended June 30, 2022 is Rs. 105.739 million (FY 2020-21, Rs. 76.382 million).

(D) THE EARNING PER SHARE

Rs. 6.00 per share (FY 2020- 2021, Rs. 4.38 per share)

(E) REMUNERATION OF THE EXECUTIVES AND THE BOARD OF DIRECTORS

The executives' remuneration is based on the scales/rates approved by the Board, whereas the meetings' fee for the members of the board and its committees is based on an approval granted by the shareholders/members during 6th Annual General Meeting, held on 9th of December 2020 i.e. fee of Rs. 62,500/meeting and TA/DA Entitlement. The disclosure about remuneration of the executives and the board of directors is provided at note 31 of the Financial Statements.

(F) DESCRIPTION OF THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

Board views the risk management as integral to the creation, protection, and enhancement of shareholders' value by managing the significant uncertainties and risks that could influence the achievement of corporate goals and objectives. The Company is exposed to multiple risks laid as below:

Financial Risk

- (a) The description of the Financial Risks is given in note number 31 of the Financial Statements of the Company. The Company is exposed to the financial risks such as:
 - (i) Credit risk
 - (ii) Liquidity risk
 - (iii) Market risk (including currency risk, interest rate risk and other price risk)
 - (iv) Capital risk
 - (v) Property damage and consequent business interruption risk
- (b) These risks have been managed carefully through various measures including high credit rating of banks, sovereign guarantee, interest rate indexation and foreign currency indexation mechanism allowed by NEPRA in the Company's tariff.

Operational / Technical Risk:

- (a) In order to manage Operational/Technical Risks, necessary strategies have been developed and continuously pursued to ensure the reliability of operation of both plants.
- (b) The Company has arranged appropriate insurances to cover any major incidents including unforeseen losses on account of machinery breakdown, stocks and revenue.
- (c) The Technical Risks are being entered by the Company in a Risk Register and are being managed under the directions/guidance by the Risk Management Committee of the Board.
- (d) The Board of Directors ensures that sufficient and adequate internal controls are in place. The Internal Audit Function periodically reports to the Audit Committee regarding the compliance positions of the controls in place.

(G) QUALIFICATION, SIGNIFICANT MATTER, AND POST BALANCE SHEET EVENT

(i) Loan from Pakistan Development Fund Limited (PDFL) – Auditor's Qualification

Company had obtained an unsecured long-term loan from its sponsor, Loan from Pakistan Development Fund Limited (PDFL), amounting to Rs 32,738 million, for a period of 10 years.

As per agreed repayment schedule, the Company was required to pay principal and related interest in quarterly instalments over a period of 10 years. As explained in note 16.1.1 to the financial statements, as at June 30, 2022, principal amount of Rs. 7,812.74 million along with mark-up of Rs 10,453.35 million was due for payment however, due to circular debt issue, the Company has not received sufficient funds from the power purchaser and therefore these due amounts could not be paid. This non-payment constituted an event of default pursuant to clause 16.1.1 of the loan agreements with PDFL and the Company no longer has unconditional right to defer the payment of loan from more than twelve months. Accordingly, as per requirements of IAS 1, the non-current portion of long-term loan from PDFL, amounting to Rs. 19,419.68 million should have been classified as current liability at the year-end which is classified as non-current in the financial statements.

Owing to disagreement with the management over classification of long-term loan from PDFL, Auditors have qualified audit report with respect to this matter.

Management's View:

The Company had received an unsecured long-term loan from its sponsor, PDFL, a related party, amounting to Rs 32,738 million, for a period of 10 years. The outstanding amount of loan is repayable in 36 quarterly installments started from 30 September 2019. The loan carries markup at the rate of 3 months KIBOR plus 1 % (FY 2020-2021, 3 months KIBOR plus 1 %) per annum, payable quarterly in arrears.

As at June 30, 2022, principal amount of Rs. 7,812.74 million (FY 2020-2021, Rs. 4,985.82 million) along with markup of Rs 10,453.35 million (FY 2020-2021, Rs 7,296.12 million) are due for payment however, due to circular debt issue, the Company has not received sufficient funds from the power purchaser and therefore these due amounts could not be paid. During the year, the Company received various requests from PDFL for payment of the overdue amounts however, all these payment requests were withdrawn vide letter # PDFL/CFO/2022-18 dated March 06, 2022.

Considering the correspondence with sponsor, PDFL, and terms of the loan agreements, the legal advisor of the Company vide opinion dated 21 March 2022 has opined that an Event of Default has not yet occurred under the loan agreements hence, the Company's obligation to discharge its liability to repay the loans in terms of the illustrative Payment Schedule continues. Accordingly, the Company has recorded overdue amount of Rs. 7,812.74 million along with Rs. 3,075.94 million due in next financial year under current liabilities and Rs. 19,419.68 million which was not yet due at the year-end is reflected as non-current liabilities in the financial statements.

(ii) **Tax treatment of interest charged to SNGPL under LCIA award – Significant Matter**

As explained in note 11.3.1 to the financial statements, pursuant to London Court of International Arbitration Award (LCIA) dated 12 December 2021, the Company has charged interest amounting to Rs 5,056.91 million to Sui Northern Gas Pipelines Limited (SNGPL) and recorded the same in other income. The management of the Company based on the opinion of tax and legal advisors of the Company asserts that the said interest income relates to profits and gain from sale of electricity and hence exempt from tax under Clause 132AA of Second Schedule of Income Tax Ordinance 2001. Accordingly, no tax

provision with respect to the said interest income has been recorded in the financial statements.

(iii) **Adjustment of LCIA award amount with undisputed amount of gas payable to SNGPL – Significant Matter and Emphasis of Matter by Auditors**

As fully explained in note 11.3.1 to the financial statements, pursuant to London Court of International Arbitration (LCIA) Award dated 12 December 2021, the Company has set off the amount of award of aggregate amount of Rs. 15,507.56 million comprising improper drawdown amount of Rs. 10,384.14 million, interest of Rs. 5,056.91 million and cost of arbitration proceedings of Rs. 66.51 million with the undisputed amount of gas payables to SNGPL and communicated the same to SNGPL vide its letter dated 15 December 2021. Despite disagreement of SNGPL on the said adjustment and challenge of LCIA award in High Court of Justice, Queen's Bench Division Commercial Court, the management based on opinion of legal advisors of the Company and based on various legal grounds believes that SNGPL's challenge of LCIA award in High Court of Justice, Queen's Bench Division Commercial Court is hopeless. Accordingly, the management asserts that adjustment of award amount against undisputed gas payable and recognition of interest of Rs. 5,056.91 million and cost of arbitration of Rs. 66.51 million as other income are appropriate.

Further, as fully explained in note 22.1 (a) to the financial statements, SNGPL raised further ToP invoices, for the months of November 2020, April 2021 and November 2021 with respect to Balloki Pant and for the month of October 2021 with respect to HBS plant of an aggregate amount of Rs. 11,213 million, which were also disputed by the Company on various legal grounds. As per the management, the main grounds of dispute are not raising the ToP invoices during the month to which they relate and non-availability of gas during the said months. Management on the basis of legal advisor's view asserts that these grounds of dispute were the main precursors of LCIA award based on which LCIA arbitrator decided the award in favor of the Company. Accordingly, the management believes that the Company does not have any legal obligation to pay these invoices and related default surcharge and therefore no liability has been recognized in the financial statements. Auditors of the Company has given emphasis of matter para in this regard in its audit report however, auditors' opinion is not modified in this respect.

(iv) **Event after the balance sheet date**

Subsequent to the year end, Unit Auxiliary Transformer # 1 and 2 were damaged as a result of an unscheduled maintenance event occurred on 02 August 2022 at HBS plant.

Operations and Maintenance (O&M) contractor of HBS (SEPCO III) has been engaged to restore the damaged equipment. Complete replacement of damaged equipment is expected to be completed by April 30, 2023 however, pursuant to a temporary restoration plan duly approved by National Engineering Services Pakistan (NESPAK), half complex of HBS has been made available on 16 August 2022 and full complex is expected to be restored on 10 October 2022. As a result of aforementioned event, loss of revenue in terms of capacity billing is estimated to be Rs. 1,937 million. Further, estimated cost to replace the damaged equipment is USD 4.6 million and estimated cost for temporary restoration is Rs. 42 million.

(H) IMPACT OF COVID-19 (CORONA VIRUS)

The World Health Organization declared COVID-19 (the virus) a global pandemic. The Management has evaluated that the Company's operations were not affected as it fell under the exemption provided by the Government of Pakistan to providers of essential services. In order to meet the obligations under PPA, the Company's plants remained available and operational as per power purchaser requirements. The Company responded to the situation by implementing a combination of protective and preventive measures at head office and plant sites to contribute to the containment of the virus while supplying uninterrupted power supply to the power purchaser.

While the virus has impacted the global economy, however, according to the management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

(I) ENVIRONMENTAL CONTRIBUTION

With a view to contribute to environment, approximately 2,000 plants have been planted at Haveli Bahadur Shah Site, whereas, 1250 plants have been planted at Balloki Site.

(J) BOARD MEMBERS RETIRED/DE-NOTIFIED DURING THE YEAR

Name of Director	Remained	
	From	To
Mr. Waseem Mukhtar Chaudhry Non-Executive Director	October 13, 2020	August 26, 2021

Mr. Shaheryar Arshad Chishty Independent Director	January 03, 2020	June 06, 2022
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(K) **ATTENDANCE OF BOARD MEETINGS FOR FINANCIAL YEAR 2021-22**

- (a) The attendance status of Board Meetings and its Standing Committees' Meetings during Financial Year 2021-2022 is given hereunder:

Sr. No	Name	Attendance
Board of Directors		
1	Mr. Shaheryar Arshad Chishty – Independent - Chairman	10/11
2	Mr. Tabrez Aslam Shami – Independent	12/12
3	Mr. Muhammad Irfan Akram – Independent	12/12
4	Mr. Mahfuz-Ur-Rehman Pasha – Independent	12/12
5	Mr. Nasir Gulzar – Independent	12/12
6	Mr. Shah Jahan Mirza – Non-Executive	8/12
7	Mr. Waseem Mukhtar Chaudhry – Non-Executive	2/2
	Mr. Asim Iqbal – Non-Executive	8/10
8	Mr. Muhammad Asif – Non-Executive	12/12
9	Mr. Dhanpat Kotak – Chief Executive Officer	11/12
Audit Committee		
1	Mr. Nasir Gulzar - Convener	7/7
2	Mr. Mahfuz-Ur-Rehman Pasha	7/7
3	Mr. Muhammad Asif	7/7
4	Mr. Waseem Mukhtar Chaudhry	1/1
	Mr. Asim Iqbal	4/6
HR Committee		
1	Mr. Shaheryar Arshad Chishty - Convener	5/6
2	Mr. Tabrez Aslam Shami	6/6
3	Mr. Shah Jahan Mirza	5/6
4	Mr. Muhammad Asif	6/6
Procurement Committee		
1	Mr. Tabrez Aslam Shami - Convener	6/6
2	Mr. Muhammad Irfan Akram	6/6
3	Mr. Muhammad Asif	6/6
4	Mr. Waseem Mukhtar Chaudhry	2/2
	Mr. Asim Iqbal	4/4

Sr. No	Name	Attendance
Risk Management Committee		
1	Mr. Mahfuz-Ur-Rehman Pasha – Convener	1/1
2	Mr. Muhammad Irfan Akram	1/1
3	Mr. Nasir Gulzar	1/1
4	Mr. Shah Jahan Mirza	1/1

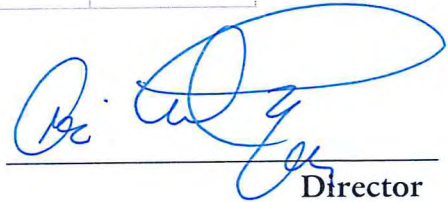
- (b) On request of directors/committee members, leave of absence was granted to the members who did not attend the meeting(s).

(L) **PATTERN OF SHAREHOLDING**

Name of Shareholder	Holding
Government of Pakistan, through President of Pakistan	4.50 %
Pakistan Development Fund Limited	95.50 %



Chief Executive Officer



Director

October 5, 2022