Schedule-Ill

Statement of Corporate Intent
(see Section 8(4))

1. Name of State-Owned Enterprise:

National Power Parks Management Company (Private) Limited (NPPMCL)

2. Incorporated/established on:

March 02, 2015

3. Subsidiaries included in this statement of corporate intent:

There is no subsidiary of NPPMCL hence Nil

4. Description of the main business of the state-owned enterprise:

The principal activity of the Company is to generate electricity through two combined cycle power plants operating on Re gasified Liquefied Natural Gas ('RLNG') as primary fuel and High-Speed Diesel ('HSD') as back-up fuel, of 1,230 MW located in Haveli Bahadur Shah ('HBS'), District Jhang and 1,223 MW located in Balloki, District Kasur. The Company has entered into separate Power Purchase Agreements ('PPAs') for each plant with Central Power Purchasing Agency (Guarantee) Limited ('CPPAG') for the sale of its entire power generation.

5. Summary of the business goals of the state-owned enterprise:

- Maximize return for the shareholders.
- Help the country achieve self-sufficiency in power generation to support economic growth and reduce poverty.
- Adopt best Management practices to ensure optimum operational efficiency.
- Strive for Excellence, which ensures long-term growth through sustainable operation.
- Hard-core professional, social, and ethical commitments towards its stakeholders including shareholders, vendors, client, and community.
- Provide reliable and sustainable electricity to National Grid.

6. Summary of the performance measures and benchmarks against the state- owned enterprises business goals and its primary objective:

- Availability of Plants as assured under PPAs
- Meeting Net Electric Output Targets during the reporting period
- Maintenance of Efficiency of Plants as provided under PPAs
- Earning of RoE provided under approved Tariff
- Low Employees Turnover ratio
- Employee Diversity ratio
- Training hours per Employee
- Lower Emergency response time
- Reduction in health safety and environment incidents
- Achievement of Targeted Profitability
- No/Less number of forced outages
- Remaining within Budgeted expenses

7. Summary of the strategies of the state-owned enterprise for achieving its business goals and primary objective:

- Efficient management of resources, finance, and income to avoid unnecessary expenditure or waste, or duplication.
- Risk management is specially focused and based on sensitivity, bottlenecks, and critical path analysis (where applicable). Safe operations, health & safety of employees, risk minimization and conducive environments are essential for the success of the Company and to meet CSR.
- The principle of unity of command is the essence of Power production as well as in regulated commercial operations and management. The Company believes in keeping the singleness of the command functions tightly knitted with aptness to meet the desired results.
- Teamwork to create a synergetic effect for efficient output in a sustained manner.
- Timeliness to meet the dictates of Key Performance Indicators.
- Keep pace with technology to enhance efficiency and explore new innovations for cutting-edge results in our operations.

- Overall control, discretion, administration, and supervision of all the activities and the day-to-day affairs of the Company, including the conduct of business, and the custody and maintenance of its properties, assets, records, and accounts.
- Appropriate Maintenance of Plants.
- Ensuring Availability of Plants under Dispatch instructions.
- Maintenance of critical stocks.
- Continuous development and extensive training of Human Resource.
- Installation/Institution of Controls and Adherence thereof
- Extending Monitoring.
- Always have a backup plan prepared in case the main one looks less probable to succeed during the implementation phase.

8. The current or anticipated borrowing of the state-owned enterprise, including borrowing by a subsidiary:

For working capital requirements, Company has projected utilizing the bank's existing working capital finance facility of Rs 42 billion in full, with financing cost @ 3-M Kibor + 1.5% of the outstanding amount. However, for long term financing, it is assumed that adequate capacity payments will be received from CPPAG and repayments of PDFL and Musharkah facility loans (which are due during the period) will be settled.

Further, as per historic trend it is also anticipated that share deposit money received from PDFL will remain intact without change in status. **The accounting policies that the state-owned enterprise will apply for financial records and reporting:**

Financial records and reporting will be prepared in accordance with accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed. Detailed accounting policies of the NPPMCL are provided at **Annex-A**.

9. Summary indicative balance sheet and profit and loss statement for the state-owned enterprise:

Provided at **Annex-B.**

10. Consolidated summary indicative balance sheet and profit and loss statement for the state-owned enterprise and its subsidiaries as a group:

There is no subsidiary company of NPPMCL right now. Therefore 9 above also covers this requirement.

11. The proposed dividend declaration and distribution policy of the state-owned enterprise:

Keeping in view the low recoveries from CPPAG due to Circular debt phenomenon prevalent in the power sector, no dividend has been provided in the projected accounts, however it will be disbursed as per the directions of the Board and availability of cash.

12. Description of any public service obligations and their impact on the forecasted financial outcomes of the state-owned enterprise:

Not Applicable

13. Any other matter directed to be included in this statement by the Federal Government:

Not Applicable

NPPMCL's Significant Accounting Policies for Financial Records and Reporting

National power parks management company (private) limited (the Company) prepares financial records and financial reporting in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and provisions of and directives issued under the Companies Act, 2017 (the Act). Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The Company maintains financial records under the historical cost convention except for recognition of certain staff retirement benefits at present value.

Significant accounting policies adopted in the preparation of its financial records and reporting are set out below. These policies are consistently applied to all the periods.

1. Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment loss, if any, except for freehold land which is stated at cost less impairment, if any. Cost comprises of acquisition and other directly attributable cost(s).

Depreciation is charged to the statement of profit or loss on the straight-line method so as to write off the historical cost of an asset over its estimated useful life at the rates specified in fixed assets policy. Depreciation on additions commences when the asset is available for use till its disposal.

The Company assesses at each statement of financial position date whether there is any indication that operating fixed assets may be impaired as per IFRS.

Assets residual values and useful lives are reviewed, and adjusted, if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to the statement of profit or loss.

An item of operating fixed assets is derecognized upon disposal or when no future economic benefits are expected to arise from continuing use of assets. Any gain or loss arising on

derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the statement of profit or loss in the period the asset is derecognized.

The net exchange differences capitalized under waiver from the requirements of IAS-21 ('The effects of changes in foreign exchange rates') vide SECP S.R.O. 986(I)/2019 are depreciated in equal instalments over the remaining useful life of the plants.

Capital spares qualify as operating fixed assets when the Company expects to use them for more than one year. Available for use capital spares are depreciated over their useful lives.

2. Capital work in progress

Capital work-in-progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these are available for use.

3. Intangible assets

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is computed using the straight-line method over the estimated useful lives of the assets.

Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed-off.

4. Stock-in-trade

Stock-in-trade is valued at lower of cost based on First-In-First-Out (FIFO) and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. However, items in transit are stated at invoice value plus other charges paid thereon till the statement of financial position date.

5. Stores, spares and loose tools

Stores, spares and loose tools are valued at invoice value plus other charges paid thereon till the statement of financial position date. The Company reviews the stores, spares and loose tools for possible impairment on an annual basis. Any change in estimates in future years might affect the carrying amounts of the respective items of stores, spares and loose tools with a corresponding effect on the provision.

6. Trade debts

Trade debts initially recognized when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Furthermore, the Company holds the trade debts with the objective of collecting the contractual cashflows and therefore measures the trade debts subsequently at amortized cost.

7. Advances, prepayments and other receivables

These are initially recognized at cost, which is the fair value of the consideration given. Subsequent to initial recognition assessment is made at each statement of financial position date to determine whether there is any indication that a financial asset or group of financial assets may be impaired. If such indication exists, the estimated recoverable amount of that asset or group of assets is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying value.

8. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents comprise cash in hand, cash at banks in current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

9. 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. The borrowing cost on qualifying asset is included in the cost of related asset. Finance costs are accounted for on an accrual basis and are reported under accrued finance costs to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

10. Staff retirement benefits

Defined benefit plan – Gratuity

The Company operates a funded defined benefit gratuity scheme for all employees with a qualifying service period of one year. Contribution is made to the fund on the basis of actuarial recommendations. Gratuity is based on employee’s last drawn salary. The liability relating to defined benefit plan is determined through actuarial valuation using the projected unit credit method and is charged to statement of profit or loss.

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if, any excluding interest), are recognized immediately in Other Comprehensive Income (OCI). The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan is recognized in statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in statement of profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

11. Leave fare assistance

Employees' entitlement to leave fare assistance is recognized in profit or loss account when they accrue to the employees. The Company provides for leave fare assistance on annual basis subject to availing of at-least five continuous annual leaves. A provision is made for the estimated liability for leave fare assistance as a result of services rendered by employees up to the reporting date.

12. Trade and other payables

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and / or services received, whether

or not billed to the Company. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liability.

13. Borrowing costs

Borrowing and other related costs (net of interest income on specific borrowings) directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use are added to the cost of those assets to the extent the carrying amount of the assets does not exceed its recoverable value, until the assets are substantially ready for their intended use. All other borrowing costs are recognized as an expense in the year in which they are incurred.

14. Taxation

Current

The profits and gains of the Company derived from sale of electricity are exempt from tax in terms of clause 132AA of Part I of the Second Schedule to the Income Tax Ordinance, 2001. However, full provision is made in the statement of profit or loss on income from other sources not covered under the above clause at current rates of taxation after taking into account, tax credits and rebates available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred

Deferred tax is not provided in financial statements as the Company's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the profits and gains of the Company derived from sale of electricity are exempt from tax in terms of clause 132AA of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

15. Provisions

Provisions are recognized in the statement of financial position when the Company has a present, legal or constructive obligation because of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

16. Foreign currency transactions and translation

Transactions in foreign currencies are translated into functional currency (Pakistani Rupee) using exchange rates approximating those ruling on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pakistani Rupee at the rates of exchange ruling at the statement of financial position date. Exchange gains and losses resulting from settlement of foreign currency transactions and translation of monetary assets and liabilities at the rates prevailing at the reporting date are included in the statement of profit or loss except the waiver granted by SECP from the requirements of IAS-21, to the extent of capitalization of exchange differences to the power sector companies. Non-monetary items that are measured in terms of a historical cost in a foreign currency are not re-translated.

17. Financial instruments

17.1 Recognition and initial measurement

All financial assets or financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

17.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in statement of profit or loss.

Financial assets measured at amortized cost comprise of cash and bank balances, deposits, loan to employees, accrued profit, term deposit receipts, trade debts and other receivables.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of profit or loss.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to statement of profit or loss.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss account.

Financial assets – Business model assessment:

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash
- terms that may adjust the contractual coupon rate, including variable
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the

effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on derecognition is also recognized in statement of profit or loss.

Financial liabilities comprise trade and other payables, long term loans, current maturity of long term loans, markup accrued on borrowings and short term borrowings.

17.3 Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes financial liability when its contractual obligations are discharged, cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in statement of profit or loss.

18. Write-off policy

The Company writes off a financial asset when there is information indicating that the amount is not recoverable due to the conflict in invoices with customer. 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.

19. Impairment

<u>Financial assets - other than financial assets due from the Government of Pakistan</u>

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost other than due from government;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

20. Financial assets due from the Government of Pakistan in respect of circular debt

Financial assets due from the Government of Pakistan comprise of trade debts and other receivables under PPA which also include accrued amounts. SECP through SRO 985(I)/2019 dated September 2, 2019 has notified that, in respect of companies holding financial assets due from the Government of Pakistan, the requirements contained in IFRS 9 with respect to application of Expected Credit Losses method shall not be applicable till June 30, 2021 and

that such companies shall follow relevant requirements of IAS 39 in respect of above referred financial assets during the exemption period. SECP through SRO 67 (I) / 2023 dated 20 January 2023 has extended this exemption to financial assets due from Government of Pakistan in respect of circular debt till 30 June 2024. Accordingly, the same continue to be reported as per the following accounting policy:

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable.

The Company assesses at the end of each reporting period whether there is objective evidence that the financial asset is impaired. The financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of profit or loss.

When the financial asset is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of profit or loss.

21. Off-setting of financial instruments

Financial assets and liabilities are off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts

and there is an intention and ability to settle on a net basis, or realize the asset and settle the liability simultaneously.

22. Revenue recognition

Sale of electricity and related products under IFRS 15

Under IFRS 15, revenue is recognized over time. The Company's PPA contains a distinct performance obligation for the delivery of electricity, availability of capacity (i.e. plant availability for generation), or a combination of the two. Determining what goods or services promised to the customer constitute 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, they are not distinct in the context of the contract.

The Company views each kilowatt hour (KWh) of electricity generation and/or available capacity 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 recognize revenue.

Other revenue recognition policies are as follows:

- Markup on delayed payments from CPPA is recognized on accrual basis after taking into account agreed markup rates, due dates and outstanding amounts of underlying invoices.
- Profit on bank deposits is recognized on a time proportion basis by reference to the amount outstanding and the applicable rates of return.

23. Segment reporting

Operating segments are reported in a manner consistent with the internal reports issued to the chief operating decision-maker. The Chief Executive Officer has been identified as the ‘chief operating decision-maker’, who is responsible for allocating resources and assessing performance of the operating segments. The Company has two reportable segments namely Haveli Bahadur Shah power plant (HBS) and Balloki power plant (Balloki) based on generation licenses.

24. Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is present obligation that arises from past events but 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.

25. Leases

The Company applies the following accounting policies with respect to lease contracts.

The Company is the lessee

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

At initial recognition, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the 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 incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the 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, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the statement of profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured based on 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 incentive received. The right-of use asset is depreciated on a straight-line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

26. Use of estimates and judgments

The preparation of financial records and reporting in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, 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 circumstances, and the results of which form the basis for making judgment about carrying value 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 estimates are 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 period.

Summary Indicative Balance Sheet and Profit and Loss Statement of NPPMCL

Indicative Balance Sheet

"Rupees in million"	FY22	FY23	FY24	FY25	FY26	FY27
		Actual			Projected	
Non-Current Assets						
Operating fixed assets	136,693	139,563	133,064	127,040	130,940	126,424
Capital work-in-progress	22	24	23	3,888	-	-
Intangible assets	-	0	0	35	21	7
Long term deposits and prepayments	17,552	17,494	17,451	17,393	17,336	17,278
	154,267	**157,081**	**150,538**	**148,357**	**148,296**	**143,709**
Current Assets						
Stock in trade	5,589	9,287	9,404	13,521	12,492	12,492
Stores, spares and loose tools	1,697	1,798	1,798	1,970	1,970	1,970
Trade debts - secured	234,560	263,729	339,967	413,288	470,393	531,591
Advances, prepayments and other receivables	7,327	11,063	17,825	18,973	23,282	27,526
Tax recoverable from Government	9,366	8,490	9,010	9,296	10,571	10,803
Cash and bank balances	2,550	2,461	2,565	1,170	2,122	1,776
	261,090	**296,828**	**380,569**	**458,218**	**520,829**	**586,159**
Equity & Reserves						
Issued, subscribed and paid up share capital	55,500	55,500	55,500	55,500	55,500	55,500
Share deposit money	61,000	61,000	61,000	61,000	61,000	61,000
Accumulated profit	107,781	152,708	224,001	288,777	350,525	411,055
	224,281	**269,208**	**340,501**	**405,277**	**467,025**	**527,555**
Non-current liabilities						
Loan from PDFL	19,420	16,073	12,970	9,879	5,788	3,346
Loan from BoP Musharkah	12,811	11,408	9,257	8,873	6,338	3,803
Lease liability against right of use asset	169	146	118	93	52	2
Staff retirement benefits	41	29	31	57	62	68
	32,440	**27,656**	**22,376**	**18,902**	**12,240**	**7,219**
Current Liabilities						
Trade and other payables	91,055	92,087	109,632	123,947	131,937	136,748
Accrued markup	12,338	11,423	7,687	8,187	6,798	5,389
Short term borrowings	41,382	42,787	42,786	42,790	42,790	42,790
Current maturity of long term loan	13,800	10,385	7,850	7,387	8,236	10,054
Current maturity of lease liability against right (	9	26	32	33	41	50
Provision for taxation	51	337	243	52	57	63
	158,636	**157,045**	**168,230**	**182,396**	**189,859**	**195,094**

Notes:

1. *Past trend of increase in trade debts is assumed in the projections.*
2. *As the matter of EPC LDs is under arbitration, therefore, no change in EPC payables worth Rs. 30.0 billion retained against EPC LDs is assumed in projections.*
3. *FY 2024 figures are unaudited and are expected closing figures after external audit.*

Indicative Profit and Loss Statement

"Rupees in million"	*FY22*	*FY23*	*FY24*	*FY25*	*FY26*	*FY27*
	Actual			*Projected*		
Sale of energy						
Energy purchase price	259,391	302,609	331,143	445,256	513,538	520,761
Capacity purchase price	37,785	52,025	65,533	70,159	66,440	65,346
	297,177	**354,634**	**396,675**	**515,415**	**579,977**	**586,107**
Cost of Sales						
Fuel Cost	251,156	290,321	314,383	433,222	500,150	509,122
Operation and maintenance costs	8,673	11,989	13,803	15,936	18,333	19,197
Depreciation	5,222	5,530	5,516	5,517	5,837	5,893
Insurance	3,386	3,794	4,635	3,927	4,162	4,255
Salaries, wages and benefits	290	383	347	487	718	769
Security services	136	139	148	197	197	197
Misc plant expenses	99	123	83	444	202	216
	268,961	312,279	338,916	459,730	529,599	539,649
Gross Profit	**28,216**	**42,355**	**57,760**	**55,684**	**50,378**	**46,458**
Other Income	17,268	29,436	40,519	35,098	30,935	31,424
Admin Expenses	506	489	396	702	733	769
Financial charges	11,629	26,063	26,311	25,251	18,775	16,521
Taxation	23	308	280	52	57	63
Net Profit	**33,327**	**44,931**	**71,293**	**64,777**	**61,748**	**60,530**
EBIT	*44,978*	*71,302*	*97,883*	*90,080*	*80,580*	*77,114*
EBITDA	*50,200*	*76,832*	*103,399*	*95,597*	*86,417*	*83,006*

Note: *FY 2024 figures are unaudited and are expected closing figures after external audit.*