

REPORT OF THE DIRECTORS FOR THE NINE MONTHS ENDED MARCH 31, 2007

The Directors have pleasure in presenting the financial statements (un-audited) for the nine months ended March 31 2007 (the "Period").

The principle activities of the Company are to own, operate and maintain a multi-fuel combined cycle gas turbine power station of fifteen generating units with a nameplate capacity of 1,600 MW.

Over the Period, the power plant generated 5542 GWh of electricity, resulting in a load factor of 62.8% with an overall availability of 82.3%, (94.2% excluding planned overhauls). The fuel mix for the dispatched output to our customer WAPDA was 65.8% gas, 33.3% fuel oil and 0.9 % HSD. The level of output had no material impact on the Company's nine month's profit as electrical sales have no influence on the Capacity Purchase Payments made by WAPDA to the Company.

Turnover for the Period was Rs. 25,900 million and operating costs were Rs. 19,625 million. Profit after tax was Rs. 3,628 million compared to Rs. 6,227 million in the corresponding Period last year delivering an EPS of Rs 4.12 (Rs. 7.07 Jul 05 - Mar 06). The Company's profits are now subject to tax at the corporate rate of 35%. The impact of tax has contributed to a reduction of the Company's profit after tax and EPS in comparison to the previous corresponding period.

During the Period, the Company carried out a number of planned overhauls to its plant, and combustion inspections. This is in line with the Company's strategic engineering objective to operate and maintain the plant at the highest international standards in order to ensure maximum availability for our customer WAPDA and in turn underpin our capacity income and therefore the return to our shareholders.

The Company's position with respect to Workers Profit Participation Fund (WPPF) has been that since it did not employ any person who fell under the definition of Worker as defined in the Companies Profit (Workers' Participation) Act, 1968 (the "Act") the Company was not required to establish a Fund under the Act and consequently not required to make contributions to the Fund established pursuant to the Workers' Welfare Fund Ordinance, 1971. The Company, therefore, did not make any provision for Worker's Profit Participation Fund in its financial statements until June 30, 2006. However, after the amendments introduced in the Finance Act, 2006 relating to the Act, the Company sought legal advice on its applicability to the Company. The legal counsel has advised that with the change introduced by the Finance Act, 2006, the establishment of the Fund has become mandatory to be set-up within nine (9) months of the close of the current financial year (June 30, 2007), to which contributions based on future profits of the Company are to be made. Based on the legal advice received, the Company has accounted for the effect of the contribution payable in its accounts for the Period. In this respect, your attention is drawn to note 6.1(i) to the financial statements for details. Since the contributions to the Fund are a pass through to the off-taker under the Power Purchase Agreement, there will be no financial impact on the profits of the Company.

The accounts have been prepared under International Accounting Standard 34 - Interim Financial Reporting, Interpretation 4 "Determining whether an Arrangement Contains a Lease" released by The International Financial Reporting Interpretation Committee has been deferred by the Securities and Exchange Commission of Pakistan for another year and will become applicable on the Company from July 1, 2007.

The Private Power and Infrastructure Board, Ministry of Water and Power, Government of Pakistan (PPIB) conveyed approval of the Feasibility Study submitted by the Company for expanding its generation capacity by approximately 450 MWs. Following the approval of the Feasibility Study, the Company is in the process of approaching the National Electric Power Regulatory Authority ("NEPRA") for tariff determination. Approval of the Feasibility Study and approaching NEPRA for tariff determination is no assurance/guarantee at this stage that the Company will increase its generation capacity.

The Directors wish to place on record their thanks to the staff, officers and executives of the Company for their dedicated efforts resulting in the good performance over the Period and look forward to receiving the same level of devotion and dedication in the future.

On behalf of the Board



Syed Rizwan Ali Shah
Chief Executive

Lahore: April 18, 2007

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BALANCE SHEET AS AT MARCH 31, 2007 (UN-AUDITED)

	Note	Mar-07 (Rupees in thousand)	Jun-06 (Rupees in thousand)
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital		36,000,000	36,000,000
3,600,000,000 (June 2006: 3,600,000,000) ordinary shares of Rs 10 each			
Issued, subscribed and paid up capital		8,802,532	8,802,532
880,253,228 (June 2006: 880,253,228) ordinary shares of Rs 10 each		444,451	444,451
Capital reserve		8,253,813	10,874,854
Unappropriated profit		17,500,796	20,121,837
NON-CURRENT LIABILITIES			
Long term loan-unsecured		7,396,762	7,846,620
Deferred liabilities		3,533,347	3,418,353
		10,930,109	11,264,973
CURRENT LIABILITIES			
Current maturity of long term loan-unsecured		953,466	1,007,216
Finances under mark-up arrangements - secured		1,646,266	-
Creditors, accrued and other liabilities		1,612,830	1,801,611
Dividend Payable		2,640,760	-
Provision for taxation		368,747	82,145
		7,222,069	2,890,972
CONTINGENCIES AND COMMITMENTS 6			
		35,652,974	34,277,782
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	7	21,563,589	22,695,516
Intangible assets		2,840	245
Capital work-in-progress		66,894	60,420
Long term loans and deposits		16,389	17,834
		21,649,712	22,774,015
CURRENT ASSETS			
Stores and spares		2,561,683	2,472,538
Stock in trade		1,171,425	1,129,664
Trade debts		8,112,160	3,115,000
Loans, advances, deposits, prepayments and other receivables		1,961,763	420,511
Cash and bank balances		196,231	4,366,054
		14,003,262	11,503,767
		35,652,974	34,277,782

The annexed notes 1 to 13 form an integral part of these financial statements.



Syed Rizwan Ali Shah
Chief Executive



Vince Richard Harris
Director

**PROFIT AND LOSS ACCOUNT FOR THE
NINE MONTHS ENDED MARCH 31, 2007 (UN-AUDITED)**

	Note	For the Quarter		Cumulative	
		Jan 07-Mar 07	Jan 06-Mar 06	Jul 06-Mar 07	Jul 05-Mar 06
(Rupees in thousand)					
Sales		8,490,813	8,907,457	25,900,516	23,522,830
Cost of sales	8	(6,232,297)	(6,362,893)	(19,625,196)	(16,286,500)
Gross profit		2,258,516	2,544,564	6,275,320	7,236,330
Administration and general expenses		(30,979)	(40,863)	(137,312)	(181,258)
Other operating income		96,444	81,905	288,973	366,343
Profit from operations		2,323,981	2,585,606	6,426,981	7,421,415
Finance costs		(312,235)	(347,526)	(940,988)	(1,118,282)
Profit before tax		2,011,746	2,238,080	5,485,993	6,303,133
Taxation		(703,900)	(28,069)	(1,857,236)	(76,069)
Profit for the period		1,307,846	2,210,011	3,628,757	6,227,064
Earnings per share basic and diluted	Rupees	1.49	2.51	4.12	7.07

The annexed notes 1 to 13 form an integral part of these financial statements.



Syed Rizwan Ali Shah
Chief Executive



Vince Richard Harris
Director

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**CASH FLOW STATEMENT FOR THE NINE MONTHS
ENDED MARCH 31, 2007 (UN-AUDITED)**

	Note	Jul 06-Mar 07 (Rupees in thousand)	Jul 05-Mar 06 (Rupees in thousand)
Cash flows from operating activities			
Cash generated from operations	10	599,544	8,269,362
Finance cost paid		(919,744)	(1,119,917)
Taxes (paid) / recovered		(1,477,434)	21,970
Staff retirement benefits paid		(173)	(412)
Net cash (used in) from operating activities		<u>(1,797,807)</u>	<u>7,171,003</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(73,063)	(348,126)
Income on bank deposits received		143,501	218,750
Net decrease in long-term loans and deposits		1,445	666,536
Sale proceeds of property, plant and equipment		4,219	67,674
Net cash from investing activities		76,102	604,834
Cash flows from financing activities			
Repayment of long term loan		(503,608)	(1,051,135)
Dividend paid		(3,590,776)	(4,271,468)
Net cash used in financing activities		(4,094,384)	(5,322,603)
Net (decrease) / increase in cash and cash equivalents		<u>(5,816,089)</u>	<u>2,453,234</u>
Cash and cash equivalents at beginning of the period		4,366,054	3,762,465
Cash and cash equivalents at the end of the period	11	<u><u>(1,450,035)</u></u>	<u><u>6,215,699</u></u>

The annexed notes 1 to 13 form an integral part of these financial statements.



Syed Rizwan Ali Shah
Chief Executive



Vince Richard Harris
Director

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**STATEMENT OF CHANGES IN EQUITY FOR THE
NINE MONTHS ENDED MARCH 31, 2007 (UN-AUDITED)**

(Rupees in thousand)

	Share capital	Capital reserve	Un-appro- priated profit	Total
Balance as on June 30, 2005	8,802,532	444,451	13,039,645	22,286,628
Final Dividend for the year ended June 30, 2005, - Rs. 4.5 per share	-	-	(3,961,140)	(3,961,140)
Profit for the period	-	-	6,227,064	6,227,064
Interim dividend - Rs. 4.0 per share	-	-	(3,521,013)	(3,521,013)
Balance as on March 31, 2006	8,802,532	444,451	11,784,556	21,031,539
Profit for the period	-	-	(909,702)	(909,702)
Balance as on June 30, 2006	8,802,532	444,451	10,874,854	20,121,837
Final Dividend for the year ended June 30, 2006 - Rs. 4.1 per share	-	-	(3,609,038)	(3,609,038)
Profit for the period	-	-	3,628,757	3,628,757
Interim Dividend - Rs. 3.0 per share	-	-	(2,640,760)	(2,640,760)
Balance as on March 31, 2007	8,802,532	444,451	8,253,813	17,500,796

The annexed notes 1 to 13 form an integral part of these financial statements.



Syed Rizwan Ali Shah
Chief Executive



Vince Richard Harris
Director

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SELECTED NOTES TO THE FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2007 (UN-AUDITED)

1. These financial statements are un-audited and are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.
2. The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of preceding published financial statements of the company for the year ended June 30, 2006.
3. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting".
4. The provision for taxation for the nine months ended March 31, 2007 has been made on estimated basis.
5. The company has accounted for an amount of Rs 274.30 million as contribution payable to Workers' Profit Participation Fund under the Companies Profit (Workers' Participation) Act, 1968 (the Act), for the period ended March 31, 2007, in accordance with the amendments introduced in the Finance Act, 2006 relating to the Act. The company has also sought legal advice on its applicability. According to the legal counsel, with the change introduced by the Finance Act, 2006, the establishment of the fund has become mandatory and is to be set-up within nine (9) months of the close of the current financial year, to which contribution based on future profits of the company are to be made. As this is a pass through item under section 14.2(a) of Part III of Schedule 6 to the Power Purchase Agreement, the company has accounted for the above amount as receivable from WAPDA. Consequently, this contribution does not have any financial impact on the profit of the company.

As fully explained in note 6.1(i), the company has not made any provision for Workers' Profit Participation Fund for the years upto June 30, 2006, based on a legal advice and in view of a constitutional petition pending adjudication in Sindh High Court.

6. Contingencies and commitments

6.1 Contingencies

- (i) The company has obtained legal advice in connection with the establishment of Workers' Profit Participation Fund under the Act. The legal advisor advised the company that since it did not employ any person who fell under the definition of Worker as defined in the Act of 1968, the company was not required to establish the Fund under the Act. As a consequence the company was not required to make contributions to the Fund established pursuant to Workers' Welfare Fund Ordinance, 1971.

Furthermore, the question whether a company to which the Act of 1968 and its scheme applies but which does not employ any Worker is nevertheless obliged to establish and pay contributions into the Fund under the Act and thereafter transfer the same to the Fund established under the WWF Ordinance, 1971 is pending adjudication in Sindh High Court at Karachi on a constitutional petition filed by another company in December 2003.

The issue of WPPF has also taken up by the Government and a meeting took place involving Ministry of Water & Power, Private Power Infrastructure Board (PPIB), WAPDA Power Privatization Organization (WPPO), Ministry of Labour, HUBCO and the company to formally discuss the issue. A strong case was put up by PPIB, supported by WPPO, HUBCO and the company. The Ministry of Water & Power supported the case and stated that they would request the Ministry of Finance to exempt Independent Power Producers (IPPs), who had no workers under the Act, from the payment of WPPF.

The matter was then referred to Economic Coordination Committee (ECC), ECC formed a sub committee to look into the matter and to give recommendations.

In view of the foregoing, the company has not made any provision for Workers' Profit Participation Fund and interest thereon in the financial statements upto June 30, 2006.

If it is established that the scheme is applicable to the company and the company is liable to pay contribution to the Workers' Welfare Fund then these amounts would be recoverable from WAPDA as a pass through item under the provisions of Power Purchase Agreement. However it is not certain presently whether or not any penalties payable in connection with this contribution would also be recoverable from WAPDA under the Power Purchase Agreement.

Certain amendments have been introduced in Finance Act 2006, to relax the conditions of payment of interest and penalty for companies defaulting in creating Fund under the Act. If it is established that Workers' Profit Participation Fund is applicable to the company and company makes the principal payment on or before the date which is to be decided by the Federal Government, no such penalty may be imposed and the company may not be liable to pay interest.

In case this liability materializes, the cumulative amount of contributions to WPPF would be Rs 3.737 billion (June 2006: Rs 3.463 billion). Further, if it is established that interest is also applicable, in case of non compliance with the above said amendments in the Act, the liability for interest would amount to Rs 9.485 billion (June 2006: Rs 7.738 billion) as on the date of these financial statements.

- (ii) Claims against the company not acknowledged as debts Rs 58.576 million (June 2006: Rs 58.576 million).
- (iii) The Company has provided following guarantees in favour of: Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs. 1,248,618 million (June 2006: Rs. 983.169 million). Private Power Infrastructure Board as performance guarantee for the company's proposed expansion amounting to Rs 24.332 million (June 2006: Rs 24.140 million). Custom Authorities for import of professional equipment, tools etc, amounting to Rs 0.639 million (June 2006: Nil).

6.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs. 9.454 million (June 2006: Rs. 37.161 million).
- (ii) Letter of credit other than capital expenditure Rs. 155.894 million (June 2006: Rs. 259.485 million).

	Mar - 07 (Rupees in thousand)	Jun-06
7. Property, plant & equipment		
Opening book value	22,695,516	23,679,537
Add: Additions during the period -note 7.1	63,697	659,154
	<u>22,759,213</u>	<u>24,338,691</u>
Less: Disposals during the period (at book value)	1,029	53,242
Depreciation charged during the period	1,194,595	1,589,933
	<u>1,195,624</u>	<u>1,643,175</u>
	<u>21,563,589</u>	<u>22,695,516</u>

7.1 Following is the detail of additions during the period

Buildings on freehold land	5,864	3,470
Plant and machinery	1,037	346,656
Gas turbine blading	40,899	269,816
Auxiliary plant and machinery	6,427	10,833
Office equipment	2,942	6,037
Fixtures and fittings	2,986	2,745
Vehicles	3,542	19,597
	<u>63,697</u>	<u>659,154</u>

	For the 3rd Quarter		Cumulative	
	Jan 07-Mar 07	Jan 06-Mar 06	Jul 06-Mar 07	Jul 05-Mar 06
8. Cost of sales				
Fuel cost	5,674,234	5,781,949	17,473,850	14,233,021
Salaries, wages and benefits	78,174	82,800	286,514	291,689
Plant maintenance	34,000	36,303	106,814	110,821
Gas turbines overhauls	24,430	11,095	385,092	258,749
Repair and renewals	36,530	34,565	206,159	148,381
Depreciation on property, plant and equipment	384,764	416,166	1,166,470	1,243,782
Amortisation of intangible assets	165	15	297	57
	<u>6,232,297</u>	<u>6,362,893</u>	<u>19,625,196</u>	<u>16,286,500</u>

9 . Related party transactions

	Jul 06-Mar 07	Jul 05 Mar-06
Purchase of services	898	1,085
Sale of goods and services	25,900,521	23,522,830
Sale of property, plant and equipment	767	-
Interest expense	914,457	1,111,966
Interest income on late payments	131,144	-
Key management personnel compensation and consultancy charges	39,702	40,963
Expense charged in respect of staff retirement benefit plans	29,797	32,139

	Mar-07	Jun-06
	(Rupees in thousand)	
Period end balances		
Receivable from related parties	8,493,599	3,123,505
Payable to related parties	605	1,103
	Jul 06-Mar 07	Jul 05-Mar 06
	(Rupees in thousand)	
10. Cash generated from operations		
Profit before tax	5,485,993	6,303,133
Adjustments for:		
- Depreciation on property, plant & equipment	1,194,595	1,274,351
- Amortisation of intangible assets	297	57
- Profit on disposal of property, plant & equipment	(3,191)	(13,661)
- Income on bank deposits	(139,529)	(210,523)
- Staff retirement benefits accrued	21,968	24,132
- Finance costs	940,988	1,118,282
Profit before working capital changes	7,501,121	8,495,771
Effect on cash flows due to working capital changes		
(Increase)/decrease in current assets		
- Stores and spares	(89,145)	40,076
- Stock in trade	(41,761)	1,747,898
- Trade debts	(4,997,160)	(1,284,667)
- Loans, advances, prepayments and other receivables	(1,545,224)	857,021
(Decrease) in current liabilities		
- Creditors, accrued and other liabilities	(228,287)	(1,586,737)
	(6,901,577)	(226,409)
	599,544	8,269,362
11. Cash and cash equivalents		
Cash and bank balances	196,231	6,215,699
Finances under markup arrangements	(1,646,266)	-
	(1,450,035)	6,215,699

12. Date of authorisation

These financial statements were authorised for issue on April 18, 2007 by the Board of Directors of the company.

13. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.



Syed Rizwan Ali Shah
Chief Executive



Vince Richard Harris
Director

BOOK POST

Under Postal Certificate



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