

Directors' Report

It pleases us to present the financial statements (un-audited) for the period ended September 30, 2013.

The principle activity of the Company is to own, operate and maintain a 1600 MW name plate capacity multi-fuel combined cycle gas turbine power plant at Kot Addu.

The turnover for the review period was Rs. 29,801 Million; and the cost of sales were Rs. 27,147 Million. Profit after tax for the period was Rs. 1,726 Million (compared to Rs. 1,754 Million in the corresponding period in 2012) delivering an earnings per share (EPS) of Rs. 1.96 per share of Rs. 10 each (EPS Rs. 1.99 in corresponding period in 2012).

Payment default from the Company's sole customer, the Pakistan Water and Power Development Authority (WAPDA) continues. On September 30, 2013, the overdue receivables from WAPDA were Rs. 35,117 Million. The Company continues to pursue WAPDA and concerned Ministries in the Government of Pakistan for resolution of the matter.

The net output from the plant was 1,684 GWh of electricity, resulting in a load factor of 56.7% and an overall commercial availability of 89.1%. The fuel mix for the dispatched output was 96.2% on Low Sulphur Furnace Oil; 1.1% on Gas; and 2.7% on High Speed Diesel.

As with other IPPs, WAPDA has raised an invoice for liquidated damages to the Company for the year ended June 30, 2013 of the amount of Rs. 7,926 Million. In keeping with its position on the liquidated damages invoices raised previously by WAPDA (years ended June 30, 2009 to June 30, 2012), the Company has disputed the claims for imposition of liquidated damages for the year ended June 30, 2013 in accordance with the provisions of the Power Purchase Agreement. For details you may refer to Note 7.1(c) of the Financial Statements.

Hot gas path inspection of one gas turbine and combustion inspection of another gas turbine was completed within the review period. Major overhaul of two gas turbines and one steam turbine are in progress.

National Power (Kot Addu) Limited divested its 36% shareholding in the Company; and its nominee Directors resigned from the Board of Directors. The casual vacancies were duly filled in by the Board of Directors by the appointment of Mr. Ali Sameer Farooqui and Mr. Zia Ijaz as Directors for the remaining term of office of the Directors.

On behalf of the Board



Aftab Mahmood Butt
Chief Executive

Islamabad: October 23, 2013

Condensed Interim Balance Sheet

as at September 30, 2013 (Un-audited)

		September 30, 2013	Re-stated June 30, 2013
	Note	(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
3,600,000,000 (June 30, 2013: 3,600,000,000)			
ordinary shares of Rs 10 each		36,000,000	36,000,000
Issued, subscribed and paid up capital			
880,253,228 (June 30, 2013: 880,253,228)			
ordinary shares of Rs 10 each		8,802,532	8,802,532
Capital reserve		444,451	444,451
Unappropriated profit		17,953,885	16,228,055
		27,200,868	25,475,038
NON-CURRENT LIABILITIES			
Long term finances	4	2,006,816	2,311,346
Liabilities against assets subject to finance lease		77,310	81,445
Deferred liabilities		3,870,071	3,830,698
		5,954,197	6,223,489
CURRENT LIABILITIES			
Current portion of long term liabilities		1,986,650	1,987,055
Finances under mark-up arrangements - secured	5	26,466,885	5,544,967
Trade and other payables	6	19,362,109	22,993,279
		47,815,644	30,525,301
CONTINGENCIES AND COMMITMENTS			
	7		
		80,970,709	62,223,828

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
Chief Executive

		September 30, 2013	Re-stated June 30, 2013
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	17,328,745	17,090,199
Intangible assets		13,520	14,528
Assets subject to finance lease		101,956	109,751
Capital work-in-progress		4,969	10,547
Long term loans and deposits		55,361	56,809
		17,504,551	17,281,834
CURRENT ASSETS			
Stores and spares		4,404,449	4,132,476
Stock-in-trade		6,694,656	4,198,262
Trade debts	9	46,193,772	34,219,425
Loans, advances, deposits, prepayments and other receivables	10	4,845,501	2,036,896
Cash and bank balances		1,327,780	354,935
		63,466,158	44,941,994
		80,970,709	62,223,828


 Anwar-ul-Haq
 Director

Condensed Interim Profit and Loss Account
for the quarter ended September 30, 2013 (Un-audited)

	Note	Quarter ended	
		September 30, 2013	September 30, 2012
		(Rupees in thousand)	
Sales		29,801,377	29,430,211
Cost of sales	11	(27,147,066)	(26,255,132)
Gross profit		2,654,311	3,175,079
Administrative expenses		(158,683)	(110,020)
Other income		650,111	1,792,218
Profit from operations		3,145,739	4,857,277
Finance cost		(805,731)	(2,266,260)
Profit before tax		2,340,008	2,591,017
Taxation		(614,178)	(836,898)
Profit for the period		1,725,830	1,754,119
Earnings per share			
- basic and diluted	Rupees	1.96	1.99

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
Chief Executive



Anwar-ul-Haq
Director

Condensed Interim Statement of Comprehensive Income

for the quarter ended September 30, 2013 (Un-audited)

	Quarter ended	
	September 30, 2013	September 30, 2012
	(Rupees in thousand)	
Profit for the period	1,725,830	1,754,119
Other comprehensive income	-	-
Total comprehensive income for the period	<u>1,725,830</u>	<u>1,754,119</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
Chief Executive



Anwar-ul-Haq
Director

Condensed Interim Cash Flow Statement
for the quarter ended September 30, 2013 (Un-audited)

		Quarter ended	
		September 30, 2013	September 30, 2012
	Note	(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	13	(17,600,840)	(560,825)
Finance cost paid		(1,114,480)	(804,058)
Taxes paid		(165,188)	(34,550)
Staff retirement benefits paid		(7,325)	(83,439)
Net cash used in operating activities		(18,887,833)	(1,482,872)
Cash flows from investing activities			
Fixed capital expenditure		(747,239)	(329,984)
Income on bank deposits received		1,455	361
Net decrease/(increase) in long term loans and deposits		1,448	(3,061)
Proceeds from sale of property, plant and equipment		-	2,145
Net cash used in investing activities		(744,336)	(330,539)
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(7,041)	(7,718)
Repayment of long term loans - secured		(304,530)	-
Dividend paid		(5,333)	(5,426)
Net cash used in financing activities		(316,904)	(13,144)
Net decrease in cash and cash equivalents		(19,949,073)	(1,826,555)
Cash and cash equivalents at beginning of the period		(5,190,032)	(19,742,779)
Cash and cash equivalents at the end of the period	14	(25,139,105)	(21,569,334)

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
Chief Executive



Anwar-ul-Haq
Director

Condensed Interim Statement of Changes in Equity

for the quarter ended September 30, 2013 (Un-audited)

	Share Capital	Capital reserve	Un-appro- priated profit	Total
	(Rupees in thousand)			
Balance as on June 30, 2012	8,802,532	444,451	14,402,413	23,649,396
-As previously reported - audited				
Effect of retrospective change in accounting policy (note - 2)	-	-	34,392	34,392
Balance as on June 30, 2012 (re-stated)	8,802,532	444,451	14,436,805	23,683,788
Total comprehensive income for the period	-	-	1,754,119	1,754,119
Balance as on September 30, 2012 (re-stated)	8,802,532	444,451	16,190,924	25,437,907
Final dividend for the year ended June 30, 2012 - Rs 3.15 per share	-	-	(2,772,798)	(2,772,798)
Profit for the period	-	-	5,599,862	5,599,862
Other comprehensive income for the period:				
Re-measurement of actuarial losses on retirement benefit plans (note-2)	-	-	(149,173)	(149,173)
Total comprehensive income for the period	-	-	5,450,689	5,450,689
Interim dividend - Rs 3.00 per share	-	-	(2,640,760)	(2,640,760)
Balance as on June 30, 2013 (re-stated)	8,802,532	444,451	16,228,055	25,475,038
Total comprehensive income for the period	-	-	1,725,830	1,725,830
Balance as on September 30, 2013	8,802,532	444,451	17,953,885	27,200,868

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
Chief Executive



Anwar-ul-Haq
Director

1. Legal Status and nature of business

Kot Addu Power Company Limited ('The Company'), was incorporated in Pakistan on April 25, 1996 as a public limited company under the Companies Ordinance, 1984. The Company was listed on April 18, 2005 on the Karachi, Islamabad and Lahore Stock Exchanges. The principal activities of the Company are to own, operate and maintain a multi-fuel fired power station with fifteen generating units with a nameplate capacity of 1,600 MW in Kot Addu, District Muzaffargarh, Punjab, Pakistan and to sell the electricity produced therefrom to a single customer, the Pakistan Water and Power Development Authority (WAPDA) under a Power Purchase Agreement (PPA). This agreement is for a term of 25 years which commenced from June 1996.

2. Basis of preparation

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and provisions of and directives issued under The Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued under The Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2013.

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2013 except for accounting policy adopted for retirement benefits.

In pursuance of amendments in International Accounting Standard 19 'Employee Benefits' that are effective from financial years beginning on or after January 1, 2013, the Company has changed its accounting policy in respect of recognition of actuarial losses/gains arising from retirement benefit plans during the current period. The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income with no subsequent recycling to profit and loss account; to immediately recognize all past service costs in profit and loss account; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/asset. This change has now eliminated the corridor approach and calculates finance costs on a net funding basis.

The Company has applied this change in accounting policy retrospectively in accordance with International Accounting Standard - 8 'Accounting Policies,

Notes to and forming part of the Condensed Interim Financial Information
for the quarter ended September 30, 2013 (Un-audited)

Changes in Accounting Estimates and Errors¹ and recorded un-recognised actuarial losses net of taxes associated with these retirement benefit plans by adjusting the opening balance of accumulated profit and retirement benefits including pension fund, medical and free electricity for the prior period presented. The effect on the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the quarter ended September 30, 2012 has not been disclosed separately since the actuarial valuation was carried out on annual basis. No actuarial assessment has been carried out for preparation of this condensed interim financial information.

Effects of change in accounting policy are as follows :

Effect on balance sheet

	As at June 30, 2013			As at June 30, 2012		
	As previously reported	As-restated	Re-statement	As previously reported	As-restated	Re-statement
Retirement benefits	(562,657)	(736,567)	(173,910)	(647,986)	(595,877)	52,109
Income tax receivable	305,749	364,878	59,129	1,967,923	1,950,206	(17,717)
Accumulated profit	16,342,836	16,228,055	(114,781)	14,402,413	14,436,805	34,392

Effect on other comprehensive income

	For the year ended June 30, 2013			For the year ended June 30, 2012		
	As previously reported	As-restated	Re-statement	As previously reported	As-restated	Re-statement
Actuarial losses (recognized)/reversed net of tax	-	(149,173)	(149,173)	-	141,365	141,365

- Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

4. Long term finances

Long term finances include unsecured loan payable to associated undertaking amounting to Rs 2,708.222 million (June 30, 2013: Rs 2,708.222 million) out of which Rs 701 million (June 30, 2013: Rs 701 million) is included in current portion of long term liabilities. It carries a mark-up of 14% payable semi-annually.

Long term finances also include secured loan payable to other related party amounting to Rs 400.000 million (June 30, 2013: Rs 400.000 million) out of which Rs 400 million (June 30, 2013: Rs 400 million) is included in current portion of long term liabilities. It carries a mark-up of 12.37 percent (June 30, 2013: 12.35 percent to 14.77 percent) per annum payable semi-annually.

5. Finances under mark-up arrangements - secured

Short term running finances available from other related party under mark-up arrangements amount to Rs 4,700 million (June 30, 2013: Rs 4,700 million) out of which amount utilized at period end is Rs 2,090.074 million (June 30, 2013: Rs 9.142 million). Rate of mark-up ranges from 10.49 percent to 11.00 percent (June 30, 2013: 10.97 percent to 13.44 percent) per annum on the balances outstanding.

6. Trade and other payables

Trade creditors include payable to Pakistan State Oil amounting to Rs Nil (June 30, 2013: Rs 4,391 million)

7. Contingencies and commitments

7.1 Contingencies

There has been no change in the status of the contingent liabilities disclosed as at June 30, 2013 except for the following:

- (a) Income Tax Department carried out assessment for the Tax Years 2009, 2010 and 2011 based on which they created a demand of Rs 1,027 million. Subsequently, Commissioner Inland Revenue - Appeals CIR(A) decided certain issues in favour of the Company while remaining issues were remanded back to the Deputy Commissioner Inland Revenue (DCIR) for reconsideration. Both the Company and the Tax Department filed appeal with the Appellate Tribunal Inland Revenue (ATIR) against the CIR(A) orders. The Company received favourable order from ATIR on these issues. Subsequently, the Company has received appeal effect orders amounting to Rs 676 million which were adjusted against advance tax liability for the tax year 2014. The Tax Department has a right to file an appeal before the High Court against the ATIR decision.

For the tax year 2012, the DCIR issued assessment order and demand notice amounting to Rs 458 million which was later rectified to Rs 411 million. The Company filed appeal with CIR(A). Subsequently, CIR(A) decided certain issues in favour of the Company and thereby reducing the demand to Rs 30 million. Being aggrieved, the Company has filed an appeal with ATIR which is pending for hearing.

The management is of the view that there are meritorious grounds available to defend the foregoing demands. Consequently no provision for such demands has been made in this condensed interim financial information.

- (b) The Company has a 'Long Term Supply Agreement' (LTSA) with one of the Original Equipment Manufacturers (OEM) for the supply of spares to the Company. According to the terms of LTSA, the Company has availed discount amounting to Rs 2,057.192 million up to September 30, 2013 (June 30, 2013: Rs 1,704.588 million). This discount is contingent upon the Company procuring at least a specified amount of spares from the OEM during the tenure of LTSA. Inability of the Company to achieve the desired level of purchases would result in payment of compensation fee amounting to Rs 308.579 million (June 30, 2013: Rs 255.688 million) to the OEM out of the discount recognised up to September 30, 2013. The management of the Company feels that the minimum specified level of purchases will be achieved during the contractual period and no compensation fee would be payable to the OEM, consequently no provision for compensation fee as referred above has been made in this condensed interim financial information.
- (c) WAPDA has raised invoices for liquidated damages to the company for the years ended June 30, 2009, 2010, 2011, 2012 and 2013 (after taking into account forced outage allowance stipulated under the terms of Power Purchase Agreement) on account of short supply of electricity by the Company, which was due to cash flow constraints of the Company as a result of default by WAPDA in making timely payments. Liquidated damages invoiced to the Company amount to Rs 20,571 million. Estimated amount of liquidated damages are not expected to exceed Rs 20,400 million as at September 30, 2013 (June 30, 2013: Rs 19,917 million) based on the best estimate of the management of the Company.

The Company disputes and rejects any claim on account of liquidated damages raised by WAPDA on the premise that its failure to dispatch electricity was due to WAPDA's non-payment of dues on timely basis to the Company and consequential inability of the Company to make timely payments to its fuel supplier (PSO) that resulted in inadequate level of electricity production owing to shortage of fuel. In this regard, the Company has initiated the dispute resolution procedures specified in the Power Purchase Agreement.

According to legal advice available with the Company, there are adequate grounds to defend any claim by WAPDA for such liquidated damages since these conditions were imposed on the Company due to circumstances beyond its control. The ultimate outcome of the matter cannot presently be determined, and consequently, no provision for such liquidated damages has been made in this condensed interim financial information.

- (d) The Company has provided following bank guarantees in favour of :

Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 536.476 million (June 30, 2013: Rs 536.276 million).

Custom Authorities for import of professional equipment, tools etc., amounting to Rs 72.212 million (June 30, 2013: Nil)

7.2 Commitments

- (i) Contracts for capital expenditure Rs 1,041.821 million (June 30, 2013: Rs 632.414 million).
- (ii) Letters of credit other than for capital expenditure Rs 629.193 million (June 30, 2013: Rs 428.005 million).

	September 30, 2013	June 30, 2013
Note	(Rupees in thousand)	

8. Property, plant and equipment

Opening book value	17,090,199	18,264,486
Add: Additions/transfers during the period	8.1 755,961	867,024
	17,846,160	19,131,510
Less: Disposals during the period (at book value)	-	41,496
Depreciation charged during the period	517,415	1,999,815
	517,415	2,041,311
	17,328,745	17,090,199

Notes to and forming part of the Condensed Interim Financial Information
for the quarter ended September 30, 2013 (Un-audited)

	September 30, 2013	June 30, 2013
Note	(Rupees in thousand)	
8.1 Following is the detail of additions/transfers during the period		
Additions :		
Land	64,017	-
Buildings on freehold land	11,836	17,382
Plant and machinery	-	44,021
Gas turbine blading	670,143	760,335
Auxiliary plant and machinery	1,740	34,543
Office equipment	7,582	5,427
Fixtures and fittings	-	-
Vehicles	-	-
	755,318	861,708
Transfers:		
Vehicles	643	5,316
	<u>755,961</u>	<u>867,024</u>
9. Trade debts		
Trade debts	9.1 46,265,077	34,290,730
Less: Provision for doubtful debts	71,305	71,305
	<u>46,193,772</u>	<u>34,219,425</u>

9.1 These are considered good except for Rs 71.305 million which is considered doubtful. Out of the total good trade debts, Rs 35,117 million (June 30, 2013: Rs 21,188 million) is an overdue amount receivable from WAPDA. The trade debts are secured by a guarantee from the Government of Pakistan under the Facilitation Agreement. These are in the normal course of business and are interest free, however, a penal mark-up of SBP discount rate plus 4 percent per annum is charged in case the amounts are not paid within due dates.

10. Loans, advances, deposits, prepayments and other receivables

Loans, advances, deposits include advance paid to Pakistan State Oil amounting to Rs 3,164 million (June 30, 2013: Rs Nil)

**Notes to and forming part of the Condensed Interim Financial Information
for the quarter ended September 30, 2013 (Un-audited)**

Quarter ended
September 30, September 30,
2013 2012
(Rupees in thousand)

11. Cost of sales

Fuel cost	25,701,140	25,340,749
Salaries, wages and benefits	372,002	315,639
Plant maintenance	34,904	35,810
Gas turbines overhauls	200,021	48,441
Repair and renewals	328,963	9,976
Depreciation on property, plant and equipment	509,028	488,868
Amortisation on intangible assets	1,008	632
Provision for store obsolescence	-	15,017
	<u>27,147,066</u>	<u>26,255,132</u>

12. Transactions with related parties

Relationship with the Company	Nature of transaction		
i. Associated undertakings	Purchase of services	300	1,359
	Sale of electricity	29,801,377	29,430,211
	Interest expense	94,788	119,337
	Interest income on late payments	622,729	1,783,717
ii Other related parties	Interest expense	3,459	-
	Payments against letter of credits	31,365	-
	Commitments	740,993	-
	Bank and other charges	10	-
iii. Post retirement benefit plans	Expense charged	44,738	36,365
iv. Key management personnel	Compensation	66,786	64,260

All transactions with related parties have been carried out on commercial terms and conditions.

Notes to and forming part of the Condensed Interim Financial Information
for the quarter ended September 30, 2013 (Un-audited)

	September 30, 2013	June 30, 2013
	(Rupees in thousand)	
Period end balances		
Associated Undertakings		
Receivable from related parties	46,593,259	35,003,154
Payable to related parties	418,924	352,584
Other related parties		
Receivable from related parties	797,008	-
Payable to related parties	40,051	9,882

They are in the normal course of business and are interest free.

	Quarter ended September 30, 2013	September 30, 2012
	(Rupees in thousand)	
13. Cash generated from operations		
Profit before tax	2,340,008	2,591,017
Adjustments for :		
- Depreciation on property, plant and equipment	517,415	497,252
- Amortisation on intangible assets	1,008	632
- Depreciation on assets subject to finance lease	7,152	4,202
- Income on bank deposits	(1,455)	(361)
- Provision for store obsolescence	-	15,017
- Advances written off	78	56
- Staff retirement benefits accrued	37,706	30,134
- Finance cost	805,731	2,266,260
Profit before working capital changes	3,707,643	5,404,209
Effect on cash flow due to working capital changes		
(Increase)/decrease in current assets		
- Stores and spares	(271,973)	(335,668)
- Stock in trade	(2,496,394)	803,715
- Trade debts	(11,974,347)	(14,981,551)
- Loans, advances, deposits, prepayments and other receivables	(3,173,562)	(93,328)
Decrease in trade and other payables	(3,392,207)	(21,321,304)
	(21,308,483)	(5,965,034)
	(17,600,840)	(560,825)

Notes to and forming part of the Condensed Interim Financial Information
for the quarter ended September 30, 2013 (Un-audited)

September 30, September 30,
2013 2012
(Rupees in thousand)

14. Cash and cash equivalents

Cash and bank balances	1,327,780	304,726
Finances under mark-up arrangements - secured	(26,466,885)	(21,874,060)
	<u>(25,139,105)</u>	<u>(21,569,334)</u>

15. Date of authorisation for issue

This condensed interim financial information was authorised for issue on October 23, 2013 by the Board of Directors of the Company.

16. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

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



Aftab Mahmood Butt
Chief Executive



Anwar-ul-Haq
Director

Book Post

Under Postal Certificate



KOT ADDU POWER COMPANY LIMITED

Corporate Office:
5 B/3, Gulberg III
Lahore 54660, Pakistan

Power Plant:
Kot Addu Power Complex
Kot Addu, District Muzaffargarh
Punjab, Pakistan

Registered Office:
House No. 4, Street No. 54-A
F-7/4, Islamabad, Pakistan