



1st Quarter Report

September 30, 2014 (un-audited)

KOT ADDU POWER COMPANY LIMITED

Directors' Report

We are pleased to present the financial statements (un-audited) for the period ended September 30, 2014.

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. 35,215 Million; and the cost of sales stood at Rs. 31,300 Million. Profit after tax for the period was Rs. 2,410 Million (compared to Rs. 1,726 Million in the corresponding period in 2013) delivering an earnings per share (EPS) of Rs. 2.74 per share of Rs. 10 each (EPS Rs. 1.96 in corresponding period in 2013).

The net output from the plant was 2,177 GWh of electricity, resulting in a load factor of 73.3% and an overall commercial availability of 96.8%. The fuel mix for the dispatched output was 88.8% on Low Sulphur Furnace Oil; 9.2% on Gas; and 2.0% on High Speed Diesel.

Payment default from the Company's sole offtaker continues. On September 30, 2014, the overdue receivables were Rs. 70,052 Million. The Company continues to pursue WAPDA and concerned Ministries in the Government of Pakistan for resolution of the matter.

As with other IPPs, WAPDA has continued to raise liquidated damages invoices for the Company's failure to dispatch due fuel oil shortage caused by WAPDA's payment defaults. The actual cumulated amount (2008-09 to 2013-14) of liquidated damages invoiced to the Company amount to Rs. 22,939 Million. The Company has disputed the claims for imposition of liquidated damages in accordance with the provisions of the Power Purchase Agreement. For details you may refer to Note 6.1(d) of the Financial Statements.

Combustion inspection of two Gas Turbines was carried out during the review period.

Mr. Zia Ijaz resigned from the Board of Directors and Mr. Owais Shahid was appointed as Director for the remaining term of office of the Directors.

In keeping with its corporate social responsibility, the Company made a donation of Rupees Ten Million to the Punjab Chief Minister's Relief Fund set-up for Relief Operation for IDPs of North Waziristan Agency.

On behalf of the Board



Aftab Mahmood Butt
Chief Executive

Lahore: October 25, 2014

KOT ADDU POWER COMPANY LIMITED

Condensed Interim Balance Sheet

as at September 30, 2014 (Un-audited)

	Note	September 30, 2014 (Rupees in thousand)	June 30, 2014
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 3,600,000,000 (June 30, 2014: 3,600,000,000) ordinary shares of Rs 10 each		<u>36,000,000</u>	<u>36,000,000</u>
Issued, subscribed and paid up capital 880,253,228 (June 30, 2014: 880,253,228) ordinary shares of Rs 10 each		8,802,532	8,802,532
Capital reserve		444,451	444,451
Unappropriated profit		<u>19,950,420</u>	<u>17,540,864</u>
		29,197,403	26,787,847
NON-CURRENT LIABILITIES			
Long term finances	4	1,466,609	1,466,609
Liabilities against assets subject to finance lease		71,311	68,332
Deferred liabilities		<u>3,562,161</u>	<u>3,602,025</u>
		5,100,081	5,136,966
CURRENT LIABILITIES			
Current portion of long term liabilities		565,884	869,245
Finances under mark-up arrangements - secured		37,108,220	37,054,118
Trade and other payables	5	<u>38,673,076</u>	<u>25,503,830</u>
		76,347,180	63,427,193
CONTINGENCIES AND COMMITMENTS			
	6	<u>110,644,664</u>	<u>95,352,006</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
Chief Executive

		September 30, 2014	June 30, 2014
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	15,395,904	15,755,465
Intangible assets		13,499	14,648
Assets subject to finance lease		83,116	90,934
Capital work-in-progress		116,354	80,060
Long term loans and deposits		38,753	53,120
		15,647,626	15,994,227
CURRENT ASSETS			
Stores and spares		4,243,031	3,912,837
Stock-in-trade		2,767,668	4,128,021
Trade debts	8	86,114,447	66,087,635
Loans, advances, deposits, prepayments and other receivables		1,462,651	1,898,851
Cash and bank balances		409,241	3,330,435
		94,997,038	79,357,779
		110,644,664	95,352,006



Syed Nizam Ahmad Shah
Director

Condensed Interim Profit and Loss Account
for the quarter ended September 30, 2014 (Un-audited)

		Quarter ended	
		September 30, 2014	September 30, 2013
	Note	(Rupees in thousand)	
Sales		35,215,272	29,734,747
Cost of sales	9	(31,300,045)	(27,147,066)
Gross profit		3,915,227	2,587,681
Administrative expenses		(108,875)	(92,053)
Other income		1,629,976	650,111
Profit from operations		5,436,328	3,145,739
Finance cost		(1,874,530)	(805,731)
Profit before tax		3,561,798	2,340,008
Taxation		(1,152,242)	(614,178)
Profit for the period		<u>2,409,556</u>	<u>1,725,830</u>
Earnings per share - basic and diluted	Rupees	<u>2.74</u>	<u>1.96</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
Chief Executive



Syed Nizam Ahmad Shah
Director

Condensed Interim Statement of Comprehensive Income

for the quarter ended September 30, 2014 (Un-audited)

	Quarter ended	
	September 30, 2014	September 30, 2013
(Rupees in thousand)		
Profit for the period	2,409,556	1,725,830
- Items that will not be reclassified to profit or loss	-	-
- Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>2,409,556</u>	<u>1,725,830</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
Chief Executive



Syed Nizam Ahmad Shah
Director

Condensed Interim Cash Flow Statement
for the quarter ended September 30, 2014 (Un-audited)

Note	Quarter ended	
	September 30, 2014	September 30, 2013
	(Rupees in thousand)	
Cash flows from operating activities		
Cash generated from/(used in) operations	11 713,107	(17,600,840)
Finance cost paid	(2,041,104)	(1,114,480)
Taxes paid	(1,140,510)	(165,188)
Staff retirement benefits paid	(9,582)	(7,325)
Net cash used in operating activities	(2,478,089)	(18,887,833)
Cash flows from investing activities		
Fixed capital expenditure	(198,772)	(747,239)
Income on bank deposits received	3,048	1,455
Net decrease in long term loans and deposits	14,367	1,448
Proceeds from sale of property, plant and equipment	342	-
Net cash used in investing activities	(181,015)	(744,336)
Cash flows from financing activities		
Repayment of liabilities against assets subject to finance lease	(6,596)	(7,041)
Repayment of long term loans - secured	(304,530)	(304,530)
Dividend paid	(5,066)	(5,333)
Net cash used in financing activities	(316,192)	(316,904)
Net decrease in cash and cash equivalents	(2,975,296)	(19,949,073)
Cash and cash equivalents at beginning of the period	(33,723,683)	(5,190,032)
Cash and cash equivalents at the end of the period	12 (36,698,979)	(25,139,105)

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
Chief Executive



Syed Nizam Ahmad Shah
Director

Condensed Interim Statement of Changes in Equity
for the quarter ended September 30, 2014 (Un-audited)

	Share Capital	Capital reserve	Un-appro- priated profit (Rupees in thousand)	Total
Balance as at June 30, 2013	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 at September 30, 2013	8,802,532	444,451	17,953,885	27,200,868
Final dividend for the year ended June 30, 2013 - Rs 4.50 per share	-	-	(3,961,140)	(3,961,140)
Profit for the period	-	-	6,004,014	6,004,014
Other comprehensive loss: - Re-measurement of net defined benefit obligation - net of tax	-	-	(35,199)	(35,199)
Total comprehensive income for the period	-	-	5,968,815	5,968,815
Interim dividend - Rs 2.75 per share	-	-	(2,420,696)	(2,420,696)
Balance as at June 30, 2014	8,802,532	444,451	17,540,864	26,787,847
Total comprehensive income for the period	-	-	2,409,556	2,409,556
Balance as at September 30, 2014	8,802,532	444,451	19,950,420	29,197,403

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
Chief Executive



Syed Nizam Ahmad Shah
Director

Notes to and forming part of the Condensed Interim Financial Information for the quarter ended September 30, 2014 (Un-audited)

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, 2014.

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, 2014.

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

4. Long term finances

Long term finances represent unsecured loan payable to associated undertaking amounting to Rs 2,006.816 million (June 30, 2014: Rs 2,006.816 million) out of which Rs 540.207 million (June 30, 2014: Rs 540.207 million) is included in current portion of long term liabilities. It carries a mark-up of 14% payable semi-annually.

5. Trade and other payables

Trade creditors include payable to Pakistan State Oil amounting to Rs 20,048 million (June 30, 2014: Rs 7,049 million).

Notes to and forming part of the Condensed Interim Financial Information
for the quarter ended September 30, 2014 (Un-audited)

6. Contingencies and commitments

6.1 Contingencies

There has been no change in the status of the contingent liabilities disclosed as at June 30, 2014 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 favor 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 appeals with the Appellate Tribunal Inland Revenue (ATIR) against the CIR(A) orders. The Company received favorable 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. Tax Department has a right to file an appeal before the High Court against the ATIR decision.

For the Tax Year 2011, Income Tax Department has also selected Company in total audit under section 214(c) and carried out the assessment on which they created a demand of Rs 159 million. Subsequently, CIR(A) decided certain issues in favor of the Company and thereby reducing the demand to Rs 71 million. Being aggrieved, the Company has filed an appeal before ATIR which is pending for hearing.

For the Tax Year 2012, DCIR issued assessment order under section 122(5A) along with demand notice amounting to Rs 458 million which was later rectified to Rs 411 million. Subsequently, CIR(A) decided certain issues in favor of the Company and thereby reducing the demand to Rs 30 million. Both the Company and the Tax Department have filed appeals with ATIR against the CIR(A) order which is pending for hearing.

For the Tax Year 2013, DCIR issued assessment order under section 122(5A) along with demand notice amounting to Rs 203 million which was later rectified to Rs 199 million. Subsequently, CIR(A) decided certain issues in favor of the Company, some issues were upheld and some were remanded back to the DCIR. Appeal effect order was received from Additional Commissioner Inland Revenue (ACIR) reducing the demand to Rs 20 million. Being aggrieved, the Company has filed an appeal before 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.

Notes to and forming part of the Condensed Interim Financial Information
for the quarter ended September 30, 2014 (Un-audited)

- (b) On the strength of an unfavorable decision by ATIR in the case of other Independent Power Producers, the Tax Department has issued a sales tax order against the Company for the financial period from June 2008 to June 2013 and created a demand of Rs 10,102 million by apportioning input sales tax between Capacity invoices and Energy invoices and allowed input sales tax allocated to Energy invoices only. The refund claims of the Company during the period falling between the aforementioned period were also rejected by the tax authorities. Against the foregoing order, the Company filed an appeal before CIR(A) which was decided against the Company. However, CIR(A) reduced the demand by Rs 1,481 million relating to the tax periods beyond 5 years. Being aggrieved, the Company filed an appeal before ATIR against the foregoing order of CIR(A) which is pending for fixation.

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.

- (c) The Company has '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 1,763.566 million up to September 30, 2014 (June 30, 2014: Rs 1,747.308 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 264.535 million (June 30, 2014: Rs 262.096 million) to the OEM out of the discount recognised up to September 30, 2014. 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.
- (d) WAPDA has raised invoices for liquidated damages to the Company for the years ended June 30, 2009 through 2014 (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 22,939 million (June 30, 2014: Rs 20,571 million). Estimated amount of liquidated damages (including un-invoiced liquidated damages till September 30, 2014) are not expected to exceed Rs 22,767 million as at September 30, 2014 (June 30, 2014: 22,773 million) based on the best estimate of the management of the Company.

The Company disputes and rejects any claim on account of liquidated damages that may be raised by WAPDA on the premise that its failure to dispatch electricity was due to WAPDA's non-payment of dues on timely basis

Notes to and forming part of the Condensed Interim Financial Information
for the quarter ended September 30, 2014 (Un-audited)

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.

(e) The Company has provided bank guarantees in favor of following:

- Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 46.454 million (June 30, 2014: Rs 46.454 million); and
- Punjab Power Development Board on account of Bhikki Coal Project amounting to Rs 65.340 million (June 30, 2014: Rs 65.340 million).

6.2 Commitments

- (i) Contracts for capital expenditure Rs 907.371 million (June 30, 2014: Rs 1,130.841 million).
- (ii) Letters of credit other than for capital expenditure Rs 327.146 million (June 30, 2014: Rs 317.384 million).

		September 30 2014	June 30, 2014
	Note	(Rupees in thousand)	
7. Property, plant and equipment			
Opening Net Book Value (NBV)		15,755,465	17,090,199
Add: Additions/transfers during the period	7.1	173,963	774,557
		15,929,428	17,864,756
Less: Disposals during the period (at NBV)		342	2,774
Depreciation charged during the period		533,182	2,106,517
		533,524	2,109,291
		<u>15,395,904</u>	<u>15,755,465</u>

Notes to and forming part of the Condensed Interim Financial Information
for the quarter ended September 30, 2014 (Un-audited)

		September 30 2014	June 30, 2014
Note		(Rupees in thousand)	
7.1	Following is the detail of additions/transfers during the period		
	Additions:		
	Land	-	54,488
	Buildings on freehold land	448	10,945
	Gas turbine blading	169,033	670,143
	Auxiliary plant and machinery	3,916	8,008
	Office equipment	-	25,743
		173,397	769,327
	Transfers:		
	Vehicles	566	5,230
		173,963	774,557
8.	Trade debts		
	Trade debts	8.1 86,261,220	66,234,408
	Less: Provision for doubtful debts	146,773	146,773
		86,114,447	66,087,635

8.1 These are considered good except Rs 146.773 million (June 30, 2014: Rs 146.773 million) which are considered doubtful. Trade debts include an overdue amount of Rs 70,052 million (June 30, 2014: Rs 50,779 million) 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.

	Quarter ended	
	September 30 2014	September 30 2013
	(Rupees in thousand)	
9. Cost of sales		
Fuel cost	30,223,700	25,701,140
Salaries, wages and benefits	491,945	372,002
Plant maintenance	56,484	34,904
Gas turbines overhauls	13,436	200,021
Repair and renewals	3,212	328,963
Depreciation on property, plant and equipment	524,890	509,028
Amortisation on intangible assets	1,150	1,008
Reversal of provision for store obsolescence	(14,772)	-
	31,300,045	27,147,066

Notes to and forming part of the Condensed Interim Financial Information
for the quarter ended September 30, 2014 (Un-audited)

		Quarter ended	
		September 30 2014	September 30 2013
		(Rupees in thousand)	
10. Transactions with related parties			
Relationship with the Company	Nature of transaction		
i. Associated undertakings	Sale of electricity	35,215,272	29,734,747
	Interest expense	70,239	94,788
	Interest income on late payments	1,614,168	622,729
	Purchase of services	-	300
ii. Post retirement benefit plans	Expense charged	62,408	44,738
iii. Key management personnel	Compensation	183,800	158,456

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

	September 30 2014	June 30, 2014
	(Rupees in thousand)	
Period end balances		
Associated undertakings:		
Receivable from related parties	86,622,497	66,909,225
Payable to related parties	2,721,185	2,553,566

They are in the normal course of business and interest free except for long term finances referred to in note 4.

		Quarter ended	
		September 30, 2014	September 30, 2013
		(Rupees in thousand)	
11. Cash generated from operations			
Profit before tax		3,561,798	2,340,008
Adjustments for:			
- Depreciation on property, plant and equipment		533,182	517,415
- Amortisation on intangible assets		1,150	1,008
- Depreciation on assets subject to finance lease		7,070	7,152
- Income on bank deposits		(3,048)	(1,455)
- Reversal of provision for store obsolescence		(14,772)	-
- Advances written off		-	78
- Staff retirement benefits accrued		50,000	37,706
- Finance cost		1,874,530	805,731
Profit before working capital changes (carried forward)		6,009,910	3,707,643

Notes to and forming part of the Condensed Interim Financial Information
for the quarter ended September 30, 2014 (Un-audited)

	Quarter ended	
	September 30, 2014	September 30, 2013
	(Rupees in thousand)	
Profit before working capital changes (brought forward)	6,009,910	3,707,643
Effect on cash flow due to working capital changes:		
(Increase)/decrease in current assets		
- Stores and spares	(315,422)	(271,973)
- Stock-in-trade	1,360,353	(2,496,394)
- Trade debts	(20,026,812)	(11,974,347)
- Loans, advances, deposits, prepayments and other receivables	436,200	(3,173,562)
Increase/(decrease) in trade and other payables	13,248,878	(3,392,207)
	(5,296,803)	(21,308,483)
	713,107	(17,600,840)
	September 30, 2014	September 30, 2013
	(Rupees in thousand)	
12. Cash and cash equivalents		
Cash and bank balances	409,241	1,327,780
Finances under mark-up arrangements - secured	(37,108,220)	(26,466,885)
	(36,698,979)	(25,139,105)

13. Date of authorisation for issue

This condensed interim financial information was authorised for issue on October 25, 2014 by the Board of Directors of the Company.

14. Corresponding figures

In order to comply with the requirements of IAS 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 except for reclassification as under:

Description	Quarter ended September 30, 2013 (Rupees in thousand)	Reclassified	
		From	To
Differential payable to WAPDA	66,630	Administrative expenses	Sales



Aftab Mahmood Butt
Chief Executive



Syed Nizam Ahmad Shah
Director