

Directors' Report

We present the financial statements (un-audited) for the period ended September 30, 2011.

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 net output from the plant was 1,340 GWh of electricity, resulting in a load factor of 45.1% and an overall commercial availability of 96%. The generation level was impacted by non-availability of the efficient Gas Turbines which are on scheduled outage undergoing Major Overhaul/upgradation and low fuel oil stocks (caused due to payment default from the Company's sole customer, WAPDA).

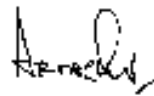
Turnover for the review period was Rs. 22,096 Million and cost of sales were Rs. 19,633 Million. Profit after tax for the period was Rs. 1,198 Million (compared to Rs. 2,037 Million in the corresponding period in 2010), delivering an earnings per share (EPS) of Rs. 1.36 per share (EPS Rs. 2.31 in corresponding period in 2010).

On September 30, 2011 the overdue receivables from the Company's sole customer, the Pakistan Water and Power Development Authority (WAPDA) were Rs. 65,505 Million. The Company continues to actively pursue WAPDA and concerned Ministries in the Government of Pakistan for settlement of the outstandings.

During the review period, the Power Plant was operated and maintained in accordance with international standards. Major Overhaul/upgradation of 3 Gas Turbines are in progress; and 2 Gas Turbines are undergoing Combustion Inspections. A Minor Inspection of one Steam Turbine is also being conducted.

The fuel mix for the dispatched output was 98.6% on Low Sulphur Furnace Oil; and 1.4% on High Speed Diesel. There was no generation on Gas during the review period.

On behalf of the Board



Aftab Mahmood Butt
Chief Executive

Islamabad: October 24, 2011



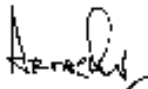
KOT ADDU POWER COMPANY LIMITED

Condensed Interim Balance Sheet

as at September 30, 2011 (Un-audited)

	Note	September 30, 2011	June 30, 2011
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 3,600,000,000 (June 30, 2011: 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, 2011: 880,253,228) ordinary shares of Rs 10 each		8,802,532	8,802,532
Capital reserve		444,451	444,451
Unappropriated profit		<u>15,910,521</u>	<u>14,712,962</u>
		<u>25,157,504</u>	<u>23,959,945</u>
NON-CURRENT LIABILITIES			
Long term finances		5,492,599	4,209,628
Liabilities against assets subject to finance lease		36,778	45,648
Deferred liabilities		<u>3,561,563</u>	<u>3,362,859</u>
		9,090,940	7,618,135
CURRENT LIABILITIES			
Current portion of long term liabilities		861,443	857,502
Finances under mark-up arrangements - secured		25,128,154	23,512,168
Trade and other payables	5	<u>45,397,299</u>	<u>39,389,473</u>
		71,386,896	63,759,143
CONTINGENCIES AND COMMITMENTS	6		
		<u>105,635,340</u>	<u>95,337,223</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
(Chief Executive)



KOT ADDU POWER COMPANY LIMITED

	Note	September 30, 2011	June 30, 2011
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	17,654,669	16,958,177
Intangible assets		5,288	5,791
Assets subject to finance lease		49,615	52,908
Capital work-in-progress		277,682	362,005
Long term loans and deposits		42,751	42,496
		<u>18,030,005</u>	<u>17,421,377</u>
CURRENT ASSETS			
Stores and spares		4,564,013	3,400,571
Stock-in-trade		3,876,316	3,341,020
Trade debts	8	74,947,073	67,120,940
Loans, advances, deposits, prepayments and other receivables		3,955,925	3,777,202
Cash and bank balances		262,008	276,113
		<u>87,605,335</u>	<u>77,915,846</u>
		<u>105,635,340</u>	<u>95,337,223</u>


 Malcolm P. Clampin
 (Director)



KOT ADDU POWER COMPANY LIMITED

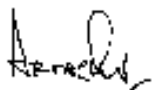
Condensed Interim Profit and Loss Account

For the quarter ended September 30, 2011 (Un-audited)

	Note	Quarter ended	
		September 30, 2011	September 30, 2010
		(Rupees in thousand)	
Sales		22,096,313	16,200,603
Cost of sales	9	(19,633,364)	(12,893,702)
Gross profit		2,462,949	3,306,901
Administrative expenses		(89,873)	(139,947)
Other operating income		2,239,348	1,938,823
Profit from operations		4,612,424	5,105,777
Finance cost		(2,788,113)	(2,014,736)
Profit before tax		1,824,311	3,091,041
Taxation		(626,752)	(1,053,649)
Profit for the period		<u>1,197,559</u>	<u>2,037,392</u>
Earnings per share - basic and diluted	Rupees	<u>1.36</u>	<u>2.31</u>

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

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
(Chief Executive)



Malcolm P. Clampin
(Director)

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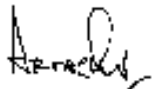
KOT ADDU POWER COMPANY LIMITED

Condensed Interim Statement of Comprehensive Income

For the quarter ended September 30, 2011 (Un-audited)

	Quarter ended	
	September 30, 2011	September 30, 2010
	(Rupees in thousand)	
Profit for the period	1,197,559	2,037,392
Other comprehensive income	-	-
Total comprehensive income for the period	<u>1,197,559</u>	<u>2,037,392</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
(Chief Executive)



Malcolm P. Clampin
(Director)



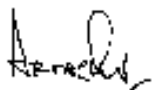
KOT ADDU POWER COMPANY LIMITED

Condensed Interim Cash Flow Statement

For the quarter ended September 30, 2011 (Un-audited)

	Note	Quarter ended	
		September 30, 2011	September 30, 2010
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	11	371,913	1,156,836
Finance cost paid		(1,618,036)	(813,460)
Taxes paid		(608,478)	(656,049)
Staff retirement benefits paid		(9,444)	(7,134)
Net cash used in operating activities		(1,864,045)	(319,807)
Cash flows from investing activities			
Fixed capital expenditure		(1,039,381)	(1,925)
Income on bank deposits received		526	224
Net increase in long term loans and deposits		(255)	(8,456)
Proceeds from sale of property, plant and equipment		-	532
Net cash used in investing activities		(1,039,110)	(9,625)
Cash flows from financing activities			
Proceeds from long term loan - secured		1,282,972	-
Repayment of liabilities against assets subject to finance lease		(4,929)	(2,954)
Dividend paid		(4,979)	(4,533)
Net cash used in financing activities		1,273,064	(7,487)
Net decrease in cash and cash equivalents		(1,630,091)	(336,919)
Cash and cash equivalents at beginning of the period		(23,236,055)	(16,986,714)
Cash and cash equivalents at the end of the period	12	(24,866,146)	(17,323,633)

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
(Chief Executive)



Malcolm P. Clampin
(Director)



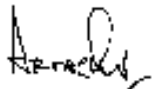
KOT ADDU POWER COMPANY LIMITED

Condensed Interim Statement of Changes in Equity

For the quarter ended September 30, 2011 (Un-audited)

	Share capital	Capital reserve	Un-appropriated profit	Total
	(Rupees in thousand)			
Balance as on June 30, 2010	8,802,532	444,451	13,247,745	22,494,728
Total comprehensive income for the period	-	-	2,037,392	2,037,392
Balance as on September 30, 2010	8,802,532	444,451	15,285,137	24,532,120
Final dividend for the year ended June 30, 2010 - Rs 2.75 per share	-	-	(2,420,696)	(2,420,696)
Total comprehensive income for the period	-	-	4,489,281	4,489,281
Interim dividend - Rs 3.00 per share	-	-	(2,640,760)	(2,640,760)
Balance as on June 30, 2011	8,802,532	444,451	14,712,962	23,959,945
Total comprehensive income for the period	-	-	1,197,559	1,197,559
Balance as on September 30, 2011	<u>8,802,532</u>	<u>444,451</u>	<u>15,910,521</u>	<u>25,157,504</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
(Chief Executive)



Malcolm P. Clampin
(Director)



KOT ADDU POWER COMPANY LIMITED

Notes to and forming part of the Condensed Interim Financial Information

For the quarter ended September 30, 2011 (Un-audited)

1. This condensed interim financial information is un-audited and is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges.
2. 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, 2011.
3. This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting'. This condensed interim financial information should be read in conjunction with annual published financial statements of the Company for the year ended June 30, 2011.
4. 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.
5. Trade and other payables

Trade creditors include payable to Pakistan State Oil amounting to Rs 34,320 million (June 30, 2011: Rs 29,551 million)

6. Contingencies and commitments

6.1 Contingencies

- (i) The management, on the strength of a favourable judgment by Sindh High Court, revised the income tax returns of the Company for tax years 2003 through 2007 to the effect that:
 - (a) depreciation and initial allowance earlier claimed in respect of assets in the original income tax returns for tax periods upto June 27, 2006 were not claimed being the date upto which Company was exempt from levy of income tax; and
 - (b) the respective taxable incomes of the tax periods subsequent to June 27, 2006 were reduced by significant amounts given to the position that in such tax periods, Company became entitled to an enhanced claim of depreciation and initial allowance attributable to an increased written down value of assets at commencement of such periods.

The overall impact of such revisions in income tax returns was a reversal of current and deferred tax provisions by Rs 1,621.164 million and Rs 1,105.092 million respectively. The relevant income tax authorities disputing Company's contentions mitigated the effect of revisions of returns by amending such revised returns and restoring the earlier position.

The Company filed an appeal before the Commissioner of Income Tax (Appeals) ['CIT(A)'] against the foregoing amended assessments, which was rejected by maintaining the tax department's position. Aggrieved with the decision, Company has filed appeal before Income Tax Appellate Tribunal ('ITAT') contesting such amendments which is pending adjudication.

The return for tax year 2008 was also filed on the basis of written down values of assets brought forward from tax year 2007, as computed in the revised



KOT ADDU POWER COMPANY LIMITED

Notes to and forming part of the Condensed Interim Financial Information

For the quarter ended September 30, 2011 (Un-audited)

return of income in accordance with position explained above. Such return has also been amended by tax authorities in line with the action taken in respect of revised returns for tax year 2003 through 2007 and has also been endorsed by CIT(A). The Company has preferred appeal before ITAT against the decision of CIT(A) in this respect also which is yet to be taken up for hearing.

In view of the fact that management considers that position adopted by Company is in accordance with relevant provisions of law, as interpreted by Sindh High Court, and that litigation would eventually be settled in Company's favour, the income tax liabilities determined by tax authorities have not been accounted for in these financial statements. Had such liabilities been recognized, the profit for the period would have been lower by Rs 2,704.224 million (June 30, 2011: Rs 2,705.081 million).

- (ii) The Company had obtained legal advice in connection with the establishment of Workers' Profit Participation Fund under the Companies Profit (Workers' Participation) Act, 1968 (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 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 Supreme Court of Pakistan on a constitutional petition filed by another company in February 2011.

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.

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 (WPPF) 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.

Furthermore, the Company has obtained opinion from its legal advisors who have confirmed that in case WPPF becomes payable as a consequence of the decision by the Sindh High Court, the Company will not be required to pay any interest, as interest is payable to workers only. It is an established fact that the Company did not have any worker as per the applicable definition upto June 30, 2006.

In case this liability materializes, the cumulative amount of contributions to WPPF would be Rs 3.463 billion (June 30, 2011: Rs 3.463 billion). However, it is not certain at the moment that any penalties will be levied on non-payment of WPPF as the relaxation provided under the Finance Act 2006 is still applicable.

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



KOT ADDU POWER COMPANY LIMITED

Notes to and forming part of the Condensed Interim Financial Information

For the quarter ended September 30, 2011 (Un-audited)

- (iii) 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 1,215.908 million upto September 30, 2011 (June 30, 2011: Rs 954.442 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 182.386 million (June 30, 2011: Rs 143.166 million) to the OEM out of the discount recognised upto September 30, 2011. 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 these financial statements.
- (iv) WAPDA may impose liquidated damages (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. Currently, liquidated damages cannot be estimated reliably, however, these are not expected to increase upto September 30, 2011 beyond Rs 4.032 billion (June 30, 2011: Rs 4.032 billion) approximately based on the best available estimate to the management.

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 despatch 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.

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 these financial statements.

- (v) Claims against the Company not acknowledged as debts Rs 88.111 million (June 30, 2011: Rs 88.111 million).
- (vi) 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 576.197 million (June 30, 2011: Rs 576.197 million).

Custom Authorities for import of professional equipment, tools etc., amounting to Rs 0.115 million (June 30, 2011: Rs 0.115 million)

6.2 Commitments

- (i) Contracts for capital expenditure Rs 335.148 million (June 30, 2011: Rs 1,125.377 million).
- (ii) Letters of credit other than for capital expenditure Rs 772.504 million (June 30, 2011: Rs 516.583 million).



KOT ADDU POWER COMPANY LIMITED

Notes to and forming part of the Condensed Interim Financial Information

For the quarter ended September 30, 2011 (Un-audited)

	Note	September 30, 2011	June 30, 2011
(Rupees in thousand)			
7. Property, plant and equipment			
Opening book value		16,958,177	17,800,135
Add: Additions/transfers during the period	7.1	1,122,923	778,472
		<u>18,081,100</u>	<u>18,578,607</u>
Less: Disposals during the period (at book value)		-	610
Depreciation charged during the period		426,431	1,619,820
		<u>426,431</u>	<u>1,620,430</u>
		<u>17,654,669</u>	<u>16,958,177</u>
7.1 Following is the detail of additions during the period			
Buildings on freehold land		-	11,749
Gas turbine blading		1,119,316	719,937
Auxiliary plant and machinery		1,686	35,165
Office equipment		1,921	11,117
Fixtures and fittings		-	219
Vehicles		-	285
		<u>1,122,923</u>	<u>778,472</u>
8. Trade debts			
Trade debts	8.1	75,056,824	67,230,691
Less: Provision for doubtful debts		109,751	109,751
		<u>74,947,073</u>	<u>67,120,940</u>
8.1 These are considered good and include an overdue amount of Rs 65,505 million (June 30, 2011: Rs 54,362 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, 2011	September 30, 2010
(Rupees in thousand)		
9. Cost of sales		
Fuel cost	18,768,678	12,244,789
Salaries, wages and benefits	312,194	208,388
Plant maintenance	40,005	31,128
Gas turbines overhauls	29,774	9,396
Repair and renewals	53,933	2,105
Depreciation on property, plant and equipment	418,469	388,255
Amortisation on intangible assets	503	341
Provision for store obsolescence	9,808	9,300
	<u>19,633,364</u>	<u>12,893,702</u>

Notes to and forming part of the Condensed Interim Financial Information

For the quarter ended September 30, 2011 (Un-audited)

		Quarter ended	
		September 30, 2011	September 30, 2010
		(Rupees in thousand)	
10. Transactions with related parties			
Relationship with the Company	Nature of transaction		
i. Associated undertakings	Purchase of services	728	-
	Sale of goods and electricity	22,096,313	16,200,603
	Interest expense	148,672	180,162
	Interest income on late payments	2,221,414	1,928,475
ii. Post retirement benefit plans	Expense charged	47,301	28,540
iii. Key management personnel	Compensation	53,739	26,281

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

	September 30, 2011	June 30, 2011
	(Rupees in thousand)	
Period end balances		
Receivable from related parties	76,302,529	68,416,229
Payable to related parties	348,470	327,732

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

		Quarter ended	
		September 30, 2011	September 30, 2010
		(Rupees in thousand)	
11. Cash generated from operations			
Profit before tax		1,824,311	3,091,041
Adjustments for:			
- Depreciation on property, plant and equipment		426,431	396,482
- Amortisation on intangible assets		503	341
- Depreciation on assets subject to finance lease		4,075	4,055
- Profit on disposal of property, plant and equipment		-	(532)
- Income on bank deposits		(526)	(224)
- Provision for store obsolescence		9,808	9,300
- Staff retirement benefits accrued		41,613	23,848
- Finance cost		2,788,113	2,014,736
Profit before working capital changes		5,094,328	5,539,047
Effect on cash flow due to working capital changes			
- Increase in stores and spares		(1,173,250)	(373,534)
- (Increase)/decrease in stock-in-trade		(535,296)	392,711
- Increase in trade debts		(7,826,133)	(7,158,910)
- Increase in loans, advances, deposits, prepayments and other receivables		(30,463)	(214,384)
- Increase in trade and other payables		4,842,727	2,971,906
		<u>(4,722,415)</u>	<u>(4,382,211)</u>
		<u>371,913</u>	<u>1,156,836</u>



KOT ADDU POWER COMPANY LIMITED

Notes to and forming part of the Condensed Interim Financial Information

For the quarter ended September 30, 2011 (Un-audited)

	September 30, 2011	September 30, 2010
	(Rupees in thousand)	
12. Cash and cash equivalents		
Cash and bank balances	262,008	274,445
Finances under mark up arrangements - secured	(25,128,154)	(17,598,078)
	<u>(24,866,146)</u>	<u>(17,323,633)</u>

13. Proposed dividend

The Board of Directors of the Company have proposed a final dividend for the year ended June 30, 2011 of Rs 3.50 per share amounting to Rs 3,080.886 million at their meeting held on September 05, 2011 for approval of the members at the Annual General Meeting to be held on October 24, 2011. This condensed interim financial information does not reflect this dividend payable, which will be accounted for in the period in which it is approved by the members.

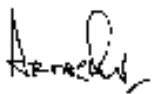
14. Date of authorisation for issue

This condensed interim financial information was authorised for issue on October 24, 2011 by the Board of Directors of the Company.

15. 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)



Malcolm P. Clampin
(Director)