



2nd Quarter Report

December 31, 2015 (un-audited)

KOT ADDU POWER COMPANY LIMITED

Company Information

Board of Directors	<p>Mr. Zafar Mahmood (Chairman)</p> <p>Mr. Aftab Mahmood Butt (Chief Executive)</p> <p>Mr. Iqbal Alimohamed</p> <p>Mr. Anwar-ul-Haq</p> <p>Mr. Owais Shahid</p> <p>Mr. Aqeel Ahmed Nasir</p> <p>Mr. Badr ul Munir Murtiza</p>
Audit Committee	<p>Mr. Iqbal Alimohamed (Chairman)</p> <p>Mr. Anwar-ul-Haq</p> <p>Mr. Owais Shahid</p> <p>Mr. Badr ul Munir Murtiza</p>
HR Committee	<p>Mr. Anwar-ul-Haq (Chairman)</p> <p>Mr. Aftab Mahmood Butt</p> <p>Mr. Aqeel Ahmed Nasir</p>
General Manager Finance / CFO	Mr. M. Mohtashim Aftab
Company Secretary	Mr. A. Anthony Rath
Head of Internal Audit	Mr. Sikandar Usmani
Auditors	<p>A. F. Ferguson & Co.</p> <p>Chartered Accountants</p>
Internal Auditors	<p>Ernst & Young Ford Rhodes Sidat Hyder</p> <p>Chartered Accountants</p>
Legal Advisor	Cornelius, Lane & Mufti
Bankers	<p>Allied Bank Limited</p> <p>AlBaraka Bank (Pakistan) Limited</p> <p>Askari Bank Limited</p> <p>Bank Alfalah Limited</p> <p>Bank Al-Habib Limited</p> <p>BankIslami Pakistan Limited</p> <p>Citibank, N.A.</p> <p>Dubai Islamic Bank Pakistan Limited</p> <p>Faysal Bank Limited</p> <p>Habib Bank Limited</p> <p>Habib Metropolitan Bank Limited</p> <p>MCB Bank Limited</p> <p>Meezan Bank Limited</p> <p>National Bank of Pakistan-IBD</p> <p>NIB Bank Limited</p> <p>Samba Bank Limited</p> <p>Standard Chartered Bank (Pakistan) Limited</p> <p>The Bank of Punjab</p> <p>United Bank Limited</p>
Share Registrar	<p>THK Associates (Private) Limited</p> <p>Second Floor, State Life Building No. 3</p> <p>Dr. Ziauddin Ahmed Road</p> <p>Karachi 75530, Pakistan</p> <p>Tel: +92 (0)21 111 000 322</p> <p>Fax: +92 (0)21 3565 5595</p>
Registered Office	<p>House No. 4, Street No. 54-A</p> <p>F-7/4, Islamabad 44210, Pakistan</p>
Corporate Office	<p>5 B/3, Gulberg III, Lahore 54660, Pakistan</p> <p>Tel: +92 (0)42 3577 2912-16</p> <p>Fax: +92 (0)42 3577 2922</p>
Power Project	<p>Kot Addu Power Complex, Kot Addu</p> <p>District Muzaffargarh, Punjab, Pakistan</p> <p>Tel: +92 (0)66 230 1047-9</p> <p>Fax: +92 (0)66 230 1025</p>
Email	Info@kapco.com.pk
Website	www.kapco.com.pk

Directors' Report

for the half year ended December 31, 2015

We are pleased to present the financial statements (un-audited) for the half year ended December 31, 2015.

For the Half Year, the turnover was Rs. 34,434 Million; the cost of sales were Rs. 28,102 Million; and profit after tax was Rs. 4,331 Million (compared to Rs. 4,833 Million in the corresponding period last year). EPS stood at Rs. 4.92 (Rs. 5.49 in the corresponding period last year).

In the Second Quarter, the Power Plant generated 1416 GWh of electricity (year to date generation level 3,369 GWh) at a load factor of 47.8% (year to date load factor 56.8%) with an overall commercial availability of 92.1% (year to date overall commercial availability: 94.2%).

Whilst payments from the off-taker have improved when compared to the past pattern, the off-taker continues to remain in default of its payment obligations. On December 31, 2015, the overdue receivables from the off-taker were Rs. 54,015 Million (Rs. 70,225 Million in the corresponding period last year). The Company continues to pursue the off-taker and concerned Ministries in the Government of Pakistan for resolution of the matter.

As with other IPPs, the off-taker continues to raise liquidated damages invoices for the Company's failure to dispatch due to fuel oil shortage consequentially caused by off-taker's payment defaults. The accumulated amount of liquidated damages invoiced to the Company amount to Rs. 27,872 Million for the period 2008-09 to 2014-15. As with previously raised invoices, 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(c) of the Financial Statements.

Combustion Inspection of eight gas turbines and Hot Gas Path Inspection of two gas turbines were carried out as per plan.

Following shareholder approval at the Annual General Meeting in October 2015, the final cash dividend of Rs. 4.75 per share (Rs. 10 each) was paid in November 2015; culminating in a full year 2014/15 cash dividend of Rs. 8.75 per share (Rs. 10 each).

Keeping in view the good performance of the Company, we announce an interim cash dividend of Rs. 4.25 per share (Rs. 10 each), which will be paid to the shareholders whose names appear on the Company's Register of Members on March 22, 2016.

On behalf of the Board



Aftab Mahmood Butt
Chief Executive

Lahore: February 24, 2016

ہم 31 دسمبر 2015 مختصر نصف سال کے فیترقیق شدہ مالی نتائج پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

نصف سال کا کاروباری حجم 34,434 ملین روپے، فروخت کی لاگت 28,102 ملین روپے، اور بعد از ٹیکس منافع 4,331 ملین روپے (جبکہ گزشتہ سال کی اسی مدت میں 4,833 ملین روپے) تھا۔ اس طرح آمدن فی حصص 4.92 روپے پر آگئی (جو کہ گزشتہ سال کی اسی مدت میں 5.49 روپے تھی)۔

دوسری سہ ماہی میں، پاور پلانٹ نے مجموعی طور پر 92.1 فیصد تجارتی دستیابی (Commercial Availability) (نصف سال میں مجموعی طور پر 94.2 فیصد تجارتی دستیابی) کے ساتھ 47.8 فیصد کے لوڈ فیکٹر (نصف سال کے 56.8 فیصد لوڈ فیکٹر) پر 1,416 GWh (نصف سال کی 3,369 GWh) کی بجلی پیدا کی ہے۔

اگرچہ گزشتہ طریقہ کار کے مقابلے میں بجلی کے خریدار سے ادائیگیوں میں بہتری آئی ہے تاہم بجلی کے خریدار اپنی ادائیگی کی ذمہ داریوں پر مسلسل تاہ بندی پر قائم ہے۔ 31 دسمبر 2015 کو بجلی کے خریدار سے زائد المیعا واجب الادا 54,015 ملین روپے تھے (جو کہ گزشتہ سال کی اسی مدت میں 70,225 ملین روپے تھے)۔ کمپنی بجلی کے خریدار اور حکومت پاکستان میں متعلقہ وزارتوں سے معاملات کے حل کے لئے مسلسل پیروی کر رہی ہے۔


بجلی کے خریدار دیگر آئی پی بی کی طرح کمپنی پر بھی تیل کی قلت کی وجہ سے بجلی نہ پیدا کرنے پر جرمانہ عائد کر رہا ہے۔ تیل کی قلت بجلی کے خریداری محض عدم برداشت کی وجہ سے ہے۔ یہ جرمانہ بڑھ کر 27,872 ملین روپے ہو گیا ہے جو کہ 2008-09 سے 2014-15 کے دوران یہ کا ہے۔ کمپنی نے بجلی کی خریداری کے معاہدے (PPA) کے مطابق اس جرمانے سے اختلاف کیا ہے جس طرح اُس سے پچھلے جرمانوں کو کیا تھا، مزید تفصیلات کیلئے مالی نتائج کے نوٹ (c) 6.1 پر رجوع کر سکتے ہیں۔

اس عرصہ میں آٹھ (8) گیس ٹرانزاکشن کا Combustion معاہدہ اور دو (2) گیس ٹرانزاکشن کا ہاٹ گیس پاتھ معاہدہ منصوبہ کے مطابق مکمل کیا گیا ہے۔

حصص داران کے اکتوبر 2015ء میں منعقدہ سالانہ عام اجلاس میں نومبر 2015ء میں ادا شدہ حتمی نقد ڈیویڈنڈ 4.75 روپے فی حصص، جبکہ پورے سال 2014/15 میں 8.75 روپے فی حصص کے نقد ڈیویڈنڈ کی منظوری دی گئی۔

کمپنی کی اچھی کارکردگی کو مد نظر رکھتے ہوئے ہم نے 4.25 روپے فی حصص عبوری نقد ڈیویڈنڈ کا اعلان کیا ہے، اور یہ اُن حصص داران، جن کے نام 22 مارچ 2016ء کو کمپنی کے رجسٹر اراکین میں تحریر ہوں گے، کو ادا کیا جائے گا۔

منجانب پورٹ


آفتاب محمود
چیف ایگزیکٹو

لاہور : 24 فروری 2016ء

Auditors' Report to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Kot Addu Power Company Limited ("the company") as at December 31, 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with explanatory notes forming part thereof, for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2015.

Scope of review

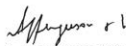
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information for the half year ended December 31, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of Matter

We draw attention to note 6.1 (c) to the condensed interim financial information which describes the uncertainty regarding the outcome of certain claims lodged by WAPDA, which have been disputed by the company. Our opinion is not qualified in respect of this matter.



A. F. Ferguson & Co.
Chartered Accountants

Lahore: February 24, 2016

Name of engagement partner: Amer Raza Mir

Condensed Interim Balance Sheet
as at December 31, 2015 (Un-audited)

	Note	December 31, 2015 (Rupees in thousand)	June 30, 2015
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
3,600,000,000 (June 30, 2015: 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, 2015: 880,253,228)			
ordinary shares of Rs 10 each		8,802,532	8,802,532
Capital reserve		444,451	444,451
Unappropriated profit		20,631,343	20,481,626
		29,878,326	29,728,609
NON-CURRENT LIABILITIES			
Long term finances	4	656,298	926,402
Liabilities against assets subject to finance lease		45,548	58,561
Deferred liabilities		3,000,433	3,075,197
		3,702,279	4,060,160
CURRENT LIABILITIES			
Current portion of long term liabilities		563,997	567,241
Finances under mark-up arrangements - secured		37,366,503	32,871,918
Trade and other payables	5	16,869,979	29,034,166
		54,800,479	62,473,325
CONTINGENCIES AND COMMITMENTS			
	6		
		88,381,084	96,262,094

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



Aftab Mahmood Butt
Chief Executive

		December 31, 2015	June 30, 2015
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	13,703,131	14,038,572
Intangible assets		12,065	13,193
Assets subject to finance lease		61,686	79,146
Capital work-in-progress		6,600	726,221
Long term loans and deposits		39,193	36,385
		13,822,675	14,893,517
CURRENT ASSETS			
Stores and spares		4,832,202	4,481,508
Stock-in-trade		3,488,315	3,539,023
Trade debts	8	61,476,406	71,069,093
Loans, advances, deposits, prepayments and other receivables	9	2,886,758	1,603,641
Cash and bank balances		1,874,728	675,312
		74,558,409	81,368,577
		88,381,084	96,262,094


 Anwar-ul-Haq
 Director

Condensed Interim Profit and Loss Account
for the quarter and half year ended December 31, 2015 (Un-audited)

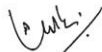
	Note	Quarter ended		Half year ended	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
		(Rupees in thousand)		(Rupees in thousand)	
Sales		12,446,164	23,184,095	34,434,459	58,399,367
Cost of sales	10	(9,174,508)	(19,649,827)	(28,101,937)	(50,950,332)
Gross profit		3,271,656	3,534,268	6,332,522	7,449,035
Administrative expenses		(118,015)	(89,828)	(271,558)	(188,243)
Other operating expenses		-	-	-	(10,000)
Other income		1,022,397	2,210,328	1,970,186	3,840,304
Profit from operations		4,176,038	5,654,768	8,031,150	11,091,096
Finance cost		(872,474)	(2,230,943)	(1,712,923)	(4,105,473)
Profit before tax		3,303,564	3,423,825	6,318,227	6,985,623
Taxation		(1,079,893)	(1,000,154)	(1,987,307)	(2,152,396)
Profit for the period		2,223,671	2,423,671	4,330,920	4,833,227
Earnings per share					
- basic and diluted Rupees		2.53	2.75	4.92	5.49

Appropriations have been reflected in the statement of changes of 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

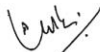
Condensed Interim Statement of Comprehensive Income
for the quarter and half year ended December 31, 2015 (Un-audited)

	Quarter ended		Half year ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	(Rupees in thousand)		(Rupees in thousand)	
Profit for the period	2,223,671	2,423,671	4,330,920	4,833,227
- 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>2,223,671</u>	<u>2,423,671</u>	<u>4,330,920</u>	<u>4,833,227</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 half year ended December 31, 2015 (Un-audited)

		Half year ended	
		December 31, 2015	December 31, 2014
	Note	(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	12	6,087,107	8,371,282
Finance cost paid		(1,606,173)	(4,027,520)
Taxes paid		(3,103,493)	(2,217,897)
Staff retirement benefits paid		(23,205)	(319,652)
Net cash generated from operating activities		1,354,236	1,806,213
Cash flows from investing activities			
Fixed capital expenditure		(50,394)	(833,145)
Income on bank deposits received		12,342	12,350
Net (increase) / decrease in long term loans and deposits		(2,808)	13,001
Proceeds from sale of property, plant and equipment		1,931	1,797
Net cash used in investing activities		(38,929)	(805,997)
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(18,228)	(13,585)
Repayment of long term loans - unsecured		(270,104)	(270,104)
Repayment of long term loans - secured		-	(304,530)
Dividend paid		(4,322,144)	(3,259,614)
Net cash used in financing activities		(4,610,476)	(3,847,833)
Net decrease in cash and cash equivalents		(3,295,169)	(2,847,617)
Cash and cash equivalents at beginning of the period		(32,196,606)	(33,723,683)
Cash and cash equivalents at the end of the period	13	(35,491,775)	(36,571,300)

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 half year ended December 31, 2015 (Un-audited)

	Share Capital	Capital reserve	Un-appro- priated profit	Total
	(Rupees in thousand)			
Balance as at June 30, 2014	8,802,532	444,451	17,540,864	26,787,847
Total comprehensive income for the period	-	-	4,833,227	4,833,227
Final dividend for the year ended June 30, 2014 - Rs 3.75 per share	-	-	(3,300,950)	(3,300,950)
Balance as at December 31, 2014	8,802,532	444,451	19,073,141	28,320,124
Profit for the period	-	-	4,965,482	4,965,482
Other comprehensive loss for the period:				
- Re-measurement of net defined benefit obligation - net of tax	-	-	(35,984)	(35,984)
Total comprehensive income for the period	-	-	4,929,498	4,929,498
Interim dividend for the year ended June 30, 2015 - Rs 4.00 per share	-	-	(3,521,013)	(3,521,013)
Balance as at June 30, 2015	8,802,532	444,451	20,481,626	29,728,609
Total comprehensive income for the period	-	-	4,330,920	4,330,920
Final dividend for the year ended June 30, 2015 - Rs 4.75 per share	-	-	(4,181,203)	(4,181,203)
Balance as at December 31, 2015	8,802,532	444,451	20,631,343	29,878,326

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 (now merged as Pakistan Stock Exchange Limited). 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 including financial risk management information and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2015.

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, 2015. Further, the basis of significant estimates are same as those that were applied to the financial statements for the year ended June 30, 2015, except for estimation of provision for taxation as referred to in note 3.

2.1 Standards, amendments and interpretations to published approved accounting standards

2.1.1 Standards, amendments and interpretations to existing standards effective in current period

Certain standards, amendments and interpretations to approved accounting standards are effective for the annual periods beginning on or after January 1, 2015 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information.

2.1.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

Certain standards, amendments to the approved accounting

standards and interpretations are mandatory for the annual periods beginning on or after January 1, 2016 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information.

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. Furthermore, no provision has been recognised in respect of tax on undistributed reserves as introduced by Finance Act, 2015 since the Company has distributed the requisite amount of dividend within the stipulated time period from preceding year end.

4. Long term finances

Long term finances represent unsecured loan payable to associated undertaking amounting to Rs 1,196 million (June 30, 2015: Rs 1,467 million) out of which Rs 540 million (June 30, 2015: Rs 540 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 and other payables include payable to Pakistan State Oil amounting to Nil (June 30, 2015: Rs 6,409 million) and Sui Northern Gas Pipelines Limited amounting to Rs 165 million (June 30, 2015: Rs 4,605 million) including disputed amounts of Nil (June 30, 2015: Rs 3,026 million) on account of provisional price of Regasified Liquefied Natural Gas (RLNG) and Rs 165 million (June 30, 2015: Rs 648 million) on account of Gas Infrastructure Development Cess (GIDC).

6. Contingencies and commitments

- 6.1 Contingencies

There has been no change in the status of the contingent liabilities disclosed as at June 30, 2015 except for the following:

- (a) Income tax returns of the Company for tax years 2003 to 2007 were filed, wherein, only normal tax depreciation was claimed. However, the aforesaid returns were revised thereby 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.

Tax depreciation in income tax return for tax year 2008 was also claimed with resultant written down value carried forward from tax year 2007, as computed in the revised return of income in accordance with position explained above. Such return and revised returns for tax year 2003 to 2007 were amended by Tax Authorities by restoring the earlier position

and were also endorsed by Commissioner Inland Revenue (Appeals) [CIR(A)]. The Company preferred appeal before Income Tax Appellate Tribunal (ITAT) [now Appellate Tribunal Inland Revenue (ATIR)] against the decision of CIR(A) which was decided in Company's favor in April 2012. No appeal was filed by the Tax Department before High Court within the time stipulated under law.

Tax Department had filed miscellaneous application for rectification before ATIR which was decided against the Company through order received in July 2015. Aggregate exposure amounts to Rs 1,611 million. The Company has filed reference with Lahore High Court against the aforementioned ATIR order.

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) Company's appeals with Appellate Tribunal Inland Revenue (ATIR) for Tax Years 2011, 2012 & 2013 against orders of Commissioner Inland Revenue Appeals [CIR(A)] are pending for hearing. Aggregate demand for these years amounts to Rs 116 million.

For the Tax Year 2014, Additional DCIR issued demand notice amounting to Rs 98 million. Being aggrieved, the Company filed an appeal before CIR(A) who stayed the impugned demand subject to 10% payment amounting to Rs 10 million. The appeal has been decided, wherein some of the issued were decided in favor of the Company whereas others were upheld. Being aggrieved, both the Company and department have filed appeal with ATIR in respect of issues decided against the Company.

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) WAPDA has raised invoices for liquidated damages to the Company for the years ended June 30, 2009 through 2015 (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 27,872 million (June 30, 2015: Rs 22,939 million). Estimated amount of liquidated damages (including un-invoiced liquidated damages till December 31, 2015) are not expected to exceed Rs 27,681 million as at December 31, 2015 (June 30, 2015: 25,958 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 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) On the strength of an unfavorable decision by ATIR in the case of other Independent Power Producers, the Tax Department 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) instructed the Tax Department to rectify the demand by deleting the sales tax liability in respect of tax periods beyond 5 years, resulting in reduction of demand to the tune of Rs 1,481 million. Being aggrieved, the Company filed an appeal before ATIR against the CIR(A) order which was also decided against the Company. The Company has filed petition with Lahore High Court (LHC) against ATIR decision. Further, in response to the writ petition filed by the Company, LHC has stayed the recovery of tax demand till adjudication of the case.

Tax department also conducted an audit for Tax Year 2014 during the period and created a demand of Rs 2,940 million through an assessment order received subsequent to the period end. Out of this total demand, Rs 2,933 million relates to apportionment of input sales tax between Capacity invoices and Energy invoices. The Company is in process of filing an appeal before CIR(A) against the order.

The management is of the view that there are meritorious grounds available to defend the foregoing demands. Consequently no provision

Notes to and forming part of the Condensed Interim Financial Information
for the quarter and half year ended December 31, 2015 (Un-audited)

for such demands has been made in this condensed interim financial information.

(e) 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 4,504 million (June 30, 2015: Rs 47 million);
- Punjab Power Development Board on account of coal project amounting to Rs 65 million (June 30, 2015: Rs 65 million); and
- Collector of Customs on account of temporary import of rental tools, amounting to Rs 2 million (June 30, 2015: Rs 1 million).

6.2 Commitments

- (i) Contracts for capital expenditure Rs 369 million (June 30, 2015: Rs 82 million).
- (ii) Letters of credit other than for capital expenditure Rs 710 million (June 30, 2015: Rs 490 million).

		December 31, 2015	June 30, 2015
	Note	(Rupees in thousand)	
7. Property, plant and equipment			
Opening Net Book Value (NBV)		14,038,572	15,755,465
Add: Additions/transfers during the period	7.1	774,125	394,258
		14,812,697	16,149,723
Less: Disposals during the period (at NBV)		1,931	6,015
Depreciation charged during the period		1,107,635	2,105,136
		1,109,566	2,111,151
		13,703,131	14,038,572
7.1 Following is the detail of additions / transfers during the period			
Additions:			
Buildings on freehold land		8,690	4,588
Gas turbine blading		-	179,089
Plant and machinery		750,986	170,909
Auxiliary plant and machinery		4,403	12,893
Office equipment		2,797	21,910
Fixtures and fittings		-	185
Vehicles		1,732	2,641
		768,608	392,215
Transfers:			
Vehicles		5,517	2,043
		774,125	394,258

Notes to and forming part of the Condensed Interim Financial Information
for the quarter and half year ended December 31, 2015 (Un-audited)

	Note	December 31, 2015 (Rupees in thousand)	June 30, 2015
8. Trade debts			
Trade debts	8.1	61,653,307	71,245,994
Less: Provision for doubtful debts		176,901	176,901
		<u>61,476,406</u>	<u>71,069,093</u>

8.1 These are considered good except Rs 177 million (June 30, 2015: Rs 177 million) which are considered doubtful. Trade debts include an overdue amount of Rs 54,015 million (June 30, 2015: Rs 59,243 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.

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

Advances include advance paid to Pakistan State Oil amounting to Rs 1,088 million (June 30, 2015: Rs Nil).

	Quarter ended		Half year ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	(Rupees in thousand)		(Rupees in thousand)	
10. Cost of sales				
Fuel cost	7,792,387	18,627,430	25,300,872	48,851,130
Salaries, wages and benefits	307,567	296,795	783,337	789,199
Plant maintenance	88,503	91,431	133,542	147,916
Gas turbines overhauls	51,919	96,176	127,276	109,613
Repair and renewals	382,717	31,408	658,496	34,620
Depreciation on property, plant and equipment	549,902	515,560	1,089,877	1,040,450
Amortisation on intangible assets	1,319	1,150	2,619	2,299
Provision/(Reversal) of provision for store obsolescence	194	(10,123)	5,918	(24,895)
	<u>9,174,508</u>	<u>19,649,827</u>	<u>28,101,937</u>	<u>50,950,332</u>

11. Transactions with related parties

Relationship with the Company Nature of transaction

i. Associated undertakings	Purchase of services	1,402	2,241
	Sale of electricity	34,434,459	58,399,367
	Interest expense	102,707	140,729
	Interest income on late payments	1,920,652	3,750,456
ii. Post retirement benefit plans	Expense charged	108,628	122,728
iii. Key management personnel	Compensation	134,232	124,115

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

Notes to and forming part of the Condensed Interim Financial Information
for the quarter and half year ended December 31, 2015 (Un-audited)

	December 31, 2015	June 30, 2015
	(Rupees in thousand)	
Period end balances		
Associated Undertakings		
Receivable from related parties	62,258,648	72,141,188
Payable to related parties	1,823,740	1,697,864

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

	Half Year ended December 31, 2015	December 31, 2014
	(Rupees in thousand)	
12. Cash generated from operations		
Profit before tax	6,318,227	6,985,623
Adjustments for:		
- Depreciation on property, plant and equipment	1,107,635	1,057,035
- Depreciation on assets subject to finance lease	13,829	14,545
- Amortisation on intangible assets	2,619	2,299
- Write-down of property, plant and equipment	-	24
- Income on bank deposits	(12,342)	(12,350)
- Provision / (reversal) of provision for store obsolescence	5,918	(24,895)
- Staff retirement benefits accrued	90,843	102,622
- Finance cost	1,712,923	4,105,473
Profit before working capital changes	9,239,652	12,230,376
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stores and spares	(356,612)	(435,418)
- Stock-in-trade	50,708	2,335,787
- Trade debts	9,592,687	(14,352,069)
- Loans, advances, deposits, prepayments and other receivables	(971,449)	328,080
(Decrease) / increase in trade and other payables	(11,467,879)	8,264,526
	(3,152,545)	(3,859,094)
Cash generated from operations	6,087,107	8,371,282

Notes to and forming part of the Condensed Interim Financial Information
for the quarter and half year ended December 31, 2015 (Un-audited)

	December 31, 2015	December 31, 2014
	(Rupees in thousand)	
13. Cash and cash equivalents		
Cash and bank balances	1,874,728	477,456
Finances under mark-up arrangements - secured	(37,366,503)	(37,048,756)
	<u>(35,491,775)</u>	<u>(36,571,300)</u>

14. Date of authorisation for issue

This condensed interim financial information was authorised for issue on February 24, 2016 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.

16. Non-adjusting event after the balance sheet date

The Board of Directors of the Company have declared an interim cash dividend of Rs 4.25 per share (December 31, 2014: Rs 4.00 per share), amounting to Rs 3,741 million (December 31, 2014: Rs 3,521 million) at their meeting held on February 24, 2016. This condensed interim financial information does not include the effect of above interim cash dividend which will be accounted for in the period in which it is declared.



Aftab Mahmood Butt
Chief Executive



Anwar-ul-Haq
Director