



# 2nd QUARTER REPORT

December 31, 2018 (un-audited)

**KOT ADDU POWER COMPANY LIMITED**

## Contents

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Company Information.....	1
Directors' Report (English) .....	2
Directors' Report (Urdu).....	3
Independent Auditor's Review to the Members of Kot Addu Power Company Limited Report on Review of Condensed Interim Financial Statement .....	4
Condensed Interim Statement of Financial Position .....	5
Condensed Interim Statement of Profit or Loss .....	7
Condensed Interim Statement of Comprehensive Income .....	8
Condensed Interim Statement of Changes in Equity .....	9
Condensed Interim Statement of Cash Flow .....	10
Notes to and forming part of the Condensed Interim Financial Statements .....	11

## Company Information

Board of Directors	<p>Lt. General (Retd) Muzammil Hussain (Chairman)</p> <p>Mr. Aftab Mahmood Butt (Chief Executive)</p> <p>Mr. Owais Shahid</p> <p>Mr. Aqeel Ahmed Nasir</p> <p>Mr. Saad Iqbal</p> <p>Mr. Muhammad Arshad Ch.</p> <p>Mr. Muhammad Ikram Khan</p> <p>Ms. Zunaira Azhar</p>
Audit Committee	<p>Mr. Owais Shahid (Chairman)</p> <p>Mr. Saad Iqbal</p> <p>Mr. Muhammad Arshad Ch.</p> <p>Mr. Muhammad Ikram Khan</p>
HR Committee	<p>Mr. Aqeel Ahmed Nasir (Chairman)</p> <p>Mr. Aftab Mahmood Butt</p> <p>Mr. Muhammad Ikram Khan</p>
LDS Committee	<p>Mr. Aqeel Ahmed Nasir (Chairman)</p> <p>Mr. Aftab Mahmood Butt</p> <p>Mr. Saad Iqbal</p>
General Manager Finance / CFO	Mr. M. Mohtashim Aftab
Company Secretary	Mr. A. Anthony Rath
Head of Internal Audit	Mr. Sikandar Usmani
Auditors	<p>Deloitte Yousuf Adil</p> <p>Chartered Accountants</p>
Internal Auditors	<p>EY Ford Rhodes</p> <p>Chartered Accountants</p>
Legal Advisor	Cornelius, Lane & Mufti
Bankers	<p><u>Conventional</u></p> <p>Allied Bank Limited</p> <p>Askari Bank Limited</p> <p>Bank Al-Habib Limited</p> <p>Citibank, N.A.</p> <p>Faysal Bank Limited</p> <p>Habib Bank Limited</p> <p>Habib Metropolitan Bank Limited</p> <p>MCB Bank Limited</p> <p>National Bank of Pakistan</p> <p>Samba Bank Limited</p> <p>Standard Chartered Bank (Pakistan) Limited</p> <p>United Bank Limited</p> <p><u>Islamic</u></p> <p>AlBaraka Bank (Pakistan) Limited</p> <p>Askari Bank Limited-IBD</p> <p>Bank Alfalah Limited</p> <p>BankIslami Pakistan Limited</p> <p>Dubai Islamic Bank Pakistan Limited</p> <p>Meezan Bank Limited</p> <p>National Bank of Pakistan-IBD</p> <p>Standard Chartered Bank (Pakistan) Limited-IBD</p> <p>The Bank of Punjab-IBD</p>
Share Registrar	<p>THK Associates (Private) Limited</p> <p>First Floor, 40-C, Block-6</p> <p>P.E.C.H.S.</p> <p>Karachi 75400, Pakistan</p> <p>Tel: +92 (0)21 111 000 322</p> <p>Fax: +92 (0)21 34168271</p>
Registered Office	<p>Office No. 309, 3rd Floor, Evacuee Trust Complex</p> <p>Agha Khan Road, F-5/1, Islamabad, Pakistan</p>
Corporate Office	<p>5 B/3, Gulberg III, Lahore 54660, Pakistan</p> <p>Tel: +92 (0)42 3577 2912-6</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

### Half Year ended December 31, 2018

The Company has complied with the requirements of the Regulations in the following manner:

- The total number of directors are eight (8) as per the following:

- Male: Seven (7)
- Female: One (1)

- The composition of board is as follows:

Category	Names
Independent Directors	<ul style="list-style-type: none"> <li>● Mr. Owais Shahid</li> <li>● Mr. Aqeel Ahmed Nasir</li> <li>● Mr. Saad Iqbal</li> </ul>
Executive Directors	<ul style="list-style-type: none"> <li>● Mr. Aftab Mahmood Butt</li> <li>● (Chief Executive)</li> </ul>
Non-Executive Directors	<ul style="list-style-type: none"> <li>● Lt. General Muzammil Hussain (Retd)</li> <li>● Mr. Muhammad Arshad Chaudhry</li> <li>● Mr. Muhammad Ikram Khan</li> </ul>
Female Director	<ul style="list-style-type: none"> <li>● Ms. Zunaira Azhar</li> </ul>

#### Committees of the Board:

Audit Committee	<ul style="list-style-type: none"> <li>● Mr. Owais Shahid (Chairman)</li> <li>● Mr. Muhammad Arshad Ch.</li> </ul>	<ul style="list-style-type: none"> <li>● Mr. Saad Iqbal</li> <li>● Mr. Muhammad Ikram Khan</li> </ul>
HR Committee	<ul style="list-style-type: none"> <li>● Mr. Aqeel Ahmed Nasir (Chairman)</li> <li>● Mr. Muhammad Ikram Khan</li> </ul>	<ul style="list-style-type: none"> <li>● Mr. Aftab Mahmood Butt</li> </ul>
Lds Committee	<ul style="list-style-type: none"> <li>● Mr. Aqeel Ahmed Nasir (Chairman)</li> <li>● Mr. Saad Iqbal</li> </ul>	<ul style="list-style-type: none"> <li>● Mr. Aftab Mahmood Butt</li> </ul>

We are pleased to present the financial statements (un-audited) for the half year ended December 31, 2018.

For the half year, the turnover was Rs. 44,221 Million; cost of sales were Rs. 37,066 Million; and profit after tax stood at Rs. 8,997 Million (compared to Rs. 4,395 Million in the corresponding period last year) giving an EPS of Rs. 10.22 (Rs. 4.99 in the corresponding period last year).

During the second quarter, the Power Plant generated 549 GWh of electricity (year to date generation level 2,614 GWh) at a load factor of 18.6% (year to date load factor 44.1%) with an overall commercial availability of 96.6% (year to date overall commercial availability: 96.7%).

The off-taker continues to default in payments to the Company. On December 31, 2018, the overdue receivables from the off-taker amounted to Rs.106,228 Million. The Company continues to pursue the off-taker and concerned Ministries in the Government of Pakistan for resolution of the matter.

As at December 31, 2018 the accumulated amount of liquidated damages invoiced to the Company amount to Rs.27,681 Million for the period 2008-09 to June 30, 2016. The Company has commenced arbitration proceedings in Singapore under the International Chamber of Commerce (ICC) Rules for the settlement of this issue in accordance with the provisions of the Power Purchase Agreement.

During the second quarter, combustion inspection of nine gas turbines were carried out as per plan.

Following shareholder approval at the Annual General Meeting in October 2018, the final cash dividend of Rs. 4.80 per share (at par value of Rs. 10.00) was paid in November 2018; culminating in a full year 2017/18 cash dividend of Rs. 9.15 per share.



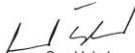
Aftab Mahmood Butt

Chief Executive

Lahore: February 20, 2019

KOT ADDU POWER COMPANY LIMITED

On behalf of the Board



Saad Iqbal  
Director

## ڈائریکٹر رپورٹ

31 دسمبر 2018 تک نصف سال

کھپنی نے مندرجہ ذیل انداز میں قوانین کے تقاضوں کی قیام کی ہے:

1- مندرجہ ذیل ترتیب سے ڈائریکٹر کی کل تعداد آٹھ (8) ہے:

(a) مرد سات (7)

(b) خواتین ایک (1)

2- بورڈ کی ترتیب کی درج ذیل ہے:

کمیٹی	نام
خود مختار ڈائریکٹر	جناب اویس شاہد • جناب سجاد اقبال • جناب سجاد اقبال
ایگزیکٹو ڈائریکٹر	جناب آفتاب محمودیٹ (چیف ایگزیکٹو)
ٹیکنالوجی ڈائریکٹر	لیفٹیننٹ جنرل مہل حسین (ریٹائرڈ) • جناب محمد ارشد چوہدری • جناب محمد اکرام خان
خاتون ڈائریکٹر	محترمہ مدوہ نیر واطہر

بورڈ کی کمیٹیاں:

آڈٹ کمیٹی	• جناب اویس شاہد (چیرمین) • جناب سجاد اقبال • جناب محمد ارشد چوہدری • جناب محمد اکرام خان
ایچ آر کمیٹی	• جناب سجاد اقبال (چیرمین) • جناب آفتاب محمودیٹ • جناب محمد اکرام خان
LDs کمیٹی	• جناب سجاد اقبال (چیرمین) • جناب آفتاب محمودیٹ • جناب سجاد اقبال

ہمیں 31 دسمبر 2018 کو ختم ہونے والی شش ماہی مدت کے مالیاتی گوشوارے (تفصیل شدہ) پیش کرنے پر خوش محسوس ہو رہی ہے۔

ان چھ ماہ کے دوران کمپنی کا کاروباری حجم 44,221 ملین روپے تھا جس میں فروخت کی لاگت 37,066 ملین روپے تھی۔ لیس کی ادائیگی کے بعد منافع 8,997 ملین روپے رہا ہے (جبکہ گزشتہ سال اسی مدت کے دوران یہ منافع 4,395 ملین روپے تھا)۔ اس طرح اس سال آمدن فی حصص (EPS) 10.22 روپے رہی ہے (جبکہ گزشتہ سال اسی مدت کے دوران یہ آمدن 4.99 روپے فی حصص تھی)۔

دوسری سہ ماہی کے دوران اس بجلی گھر کی مجموعی پیداوار 549 GWh تھی (جبکہ سال بھر کی مجموعی پیداواری سطح 2,614 GWh تھی) جس کے نتیجے میں 18.6 فیصد لوڈ فیکٹر رہا ہے (اس طرح سال بھر کا لوڈ فیکٹر 44.1 فیصد رہا ہے) اور مجموعی تجارتی دستیابی 96.6 فیصد رہی ہے (جبکہ سال بھر کی مجموعی تجارتی دستیابی 96.7 فیصد تھی)۔

بجلی کا خریدا اور کمپنی کی واجب الادا رقم کی ادائیگی کے ضمن میں مسلسل تاخیر رہا ہے۔ 31 دسمبر 2018 تک کمپنی کے متعلقہ خریدار کے ذمہ واجب الادا رقم 106,228 ملین روپے تھی۔ کمپنی مذکورہ بالا بات کی رقم وصول کرنے کے لیے حکومت پاکستان کی متعلقہ وزارتوں سے اس معاملے پر بات کر رہی ہے۔

31 دسمبر 2018 تک کمپنی کے ذمے 2008-09 سے 30 جون 2016 تک کے سالوں کے لیے نقصانات کے ازالے کی مجموعی رقم 27,681 ملین روپے تھی ہے۔ کمپنی نے بجلی کی خریداری کے معاہدے کی دفعات کے مطابق اس مسئلے کے حل کے لیے بین الاقوامی ایمان تجارت (ICC) کے قواعد کے تحت منسلک پارٹنرز میں ثالثی کا روادار بننے کا آغاز کر دیا ہے۔

دوسری سہ ماہی کے دوران منصوبے کے مطابق ٹوئیس لاکھ ٹنوں کی تجارت پر مبنی کامیابی کا محاذ کیا گیا۔

اکتوبر 2018 کے سالانہ اجلاس عام میں حصص مالکان کی منظوری کے ساتھ تھی منافع 4.80 فی حصص (10 روپے مالیت کے مساوی) نومبر 2018 میں ادا کیا گیا تھا جو سال 2017/18 کے لیے 9.15 روپے فی حصص (10 روپے مالیت کے مساوی) ہے۔

منجانب بورڈ

سجاد اقبال  
ڈائریکٹر

آفتاب محمودیٹ  
چیف ایگزیکٹو

لاہور: 20 فروری 2019ء

**Independent Auditor's Review Report  
to the Members of Kot Addu Power Company Limited  
Report on Review of Condensed Interim Financial Statements**

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**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Kot Addu Power Company Limited (the Company) as at December 31, 2018, the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cashflows and notes to the financial statements for the six month period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and the condensed interim statement of comprehensive income for the three-month period ended December 31, 2018 and related comparative information have not been reviewed, as we are required to review only the cumulative figures for the six month period ended December 31, 2018.

**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 statements 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 statements as at December 31, 2018 and for the six month period then ended, is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

**Emphasis of Matter**

We draw attention to note 6.1 (iii) to the condensed interim financial statements which describes the uncertainty regarding the outcome of certain claims lodged by Pakistan Water and Power Development Authority (WAPDA), which have been disputed by the Company. Our conclusion is not qualified in respect of this matter.

The engagement partner on the review resulting in this independent auditor's review report is Rana M. Usman Khan.

*Deloitte Young Ahmed*  
Deloitte Yousuf Adil  
Chartered Accountants

Lahore: February 20, 2018

Name of engagement partner: Rana M. Usman Khan

# Condensed Interim Statement of Financial Position

as at December 31, 2018

	Unaudited December 31, 2018	Audited June 30, 2018
Note	(Rupees in thousand)	
<b>EQUITY AND LIABILITIES</b>		
<b>CAPITAL AND RESERVES</b>		
Authorised capital		
3,600,000,000 (June 30, 2018: 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, 2018: 880,253,228)		
ordinary shares of Rs 10 each	8,802,532	8,802,532
Capital reserve	444,451	444,451
Unappropriated profit	30,617,751	25,845,905
	39,864,734	35,092,888
<b>NON-CURRENT LIABILITIES</b>		
Liabilities against assets subject to finance lease	31,248	38,487
Deferred liabilities	3,968,659	2,710,085
	3,999,907	2,748,572
<b>CURRENT LIABILITIES</b>		
Current portion of liabilities against assets		
subject to finance lease	14,369	15,960
Finances under mark-up arrangements - secured	52,969,050	49,874,599
Provision for taxation - net	573,108	296,738
Trade and other payables	45,101,169	49,754,942
Unclaimed dividend	804,139	662,289
	99,461,835	100,604,528
<b>CONTINGENCIES AND COMMITMENTS</b>		
	143,326,476	138,445,988

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt  
Chief Executive Officer  
KOT ADDU POWER COMPANY LIMITED



M. Mohtashim Aftab  
Chief Financial Officer

		Unaudited December 31, 2018	Audited June 30, 2018
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	7,472,474	8,564,577
Intangible assets		5,759	7,462
Assets subject to finance lease		43,950	51,747
Capital work-in-progress		6,932	7,327
Long term loans and deposits		24,795	31,821
		7,553,910	8,662,934
CURRENT ASSETS			
Stores and spares		4,594,423	4,248,855
Stock-in-trade		2,228,326	6,717,597
Trade debts	8	126,534,049	115,472,114
Loans, advances, deposits, prepayments and other receivables		1,608,770	2,659,533
Cash and bank balances		806,998	684,955
		135,772,566	129,783,054
		143,326,476	138,445,988

  
 Saad Iqbal  
 Director




## Condensed Interim Statement of Profit or Loss

for the three months and six months period ended December 31, 2018 (Un-audited)

	Note	Three months ended		Six months ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
		(Rupees in thousand)		(Rupees in thousand)	
Sales		12,625,582	18,445,071	44,220,871	40,015,623
Cost of sales	9	(9,088,073)	(15,237,790)	(37,066,141)	(33,365,100)
Gross profit		3,537,509	3,207,281	7,154,730	6,650,523
Administrative expenses		(141,242)	(101,003)	(318,222)	(228,591)
Other operating expenses		(6,311)	(63,631)	(6,311)	(63,631)
Other income	10	7,310,508	1,584,225	10,383,187	2,982,867
Profit from operations		10,700,464	4,626,872	17,213,384	9,341,168
Finance cost		(2,301,637)	(1,486,303)	(4,400,401)	(3,084,556)
Profit before tax		8,398,827	3,140,569	12,812,983	6,256,612
Taxation		(2,517,363)	(926,199)	(3,815,922)	(1,861,281)
Profit for the period		5,881,464	2,214,370	8,997,061	4,395,331
Earnings per share					
- basic and diluted	Rupees	6.68	2.52	10.22	4.99

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

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

  
Aftab Mahmood Butt  
Chief Executive Officer

  
M. Mohtashim Aftab  
Chief Financial Officer

  
Saad Iqbal  
Director

Condensed Interim Statement of Comprehensive Income  
for the three months and six months period ended December 31, 2018 (Un-audited)

	Three months ended		Six months ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Rupees in thousand)		(Rupees in thousand)	
Profit for the period	5,881,464	2,214,370	8,997,061	4,395,331
- 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	5,881,464	2,214,370	8,997,061	4,395,331

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt  
Chief Executive Officer



M. Mohtashim Aftab  
Chief Financial Officer



Saad Iqbal  
Director

**Condensed Interim Statement of Changes in Equity**  
for the six months period ended December 31, 2018 (Un-audited)

	Share Capital	Capital reserve	Un-appro- priated profit	Total
	(Rupees in thousand)			
Balance as at June 30, 2017	8,802,532	444,451	23,256,226	32,503,209
Total comprehensive income for the period	-	-	4,395,331	4,395,331
Transaction with owners				
Final dividend for the year ended June 30, 2017 - Rs 4.75 per share	-	-	(4,181,203)	(4,181,203)
Balance as at December 31, 2017	8,802,532	444,451	23,470,354	32,717,337
Profit for the period	-	-	6,221,754	6,221,754
Other comprehensive gain for the period:				
- Re-measurement of net defined benefit obligation - net of tax	-	-	(17,101)	(17,101)
Total comprehensive income for the period	-	-	6,204,653	6,204,653
Transaction with owners				
Interim dividend for the year ended June 30, 2018 - Rs 4.35 per share	-	-	(3,829,102)	(3,829,102)
Balance as at June 30, 2018	8,802,532	444,451	25,845,905	35,092,888
Total comprehensive income for the period	-	-	8,997,061	8,997,061
Transaction with owners				
Final dividend for the year ended June 30, 2018 - Rs 4.80 per share	-	-	(4,225,215)	(4,225,215)
Balance as at December 31, 2018	8,802,532	444,451	30,617,751	39,864,734

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt  
Chief Executive Officer



M. Mohtashim Aftab  
Chief Financial Officer



Saad Iqbal  
Director

**Condensed Interim Statement of Cash Flow**  
for the six months period ended December 31, 2018 (Un-audited)

		Six months ended	
		December 31, 2018	December 31, 2017
	Note	(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	12	5,949,034	11,324,773
Finance cost paid		(2,426,761)	(1,618,342)
Taxes paid		(2,333,847)	(2,723,068)
Staff retirement benefits paid		(22,360)	(9,078)
Net cash generated from operating activities		1,166,066	6,974,285
Cash flows from investing activities			
Fixed capital expenditure		(70,941)	(22,104)
Income on bank deposits received		14,580	22,399
Net decrease / (increase) in long term loans and deposits		7,026	(3,863)
Proceeds from sale of property, plant and equipment		3,056	8,263
Net cash (used in) / generated from investing activities		(46,279)	4,695
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(8,830)	(15,102)
Repayment of long term loans - unsecured		-	(193,097)
Dividend paid		(4,083,365)	(4,046,028)
Net cash used in financing activities		(4,092,195)	(4,254,227)
Net (decrease) / increase in cash and cash equivalents		(2,972,408)	2,724,753
Cash and cash equivalents at beginning of the period		(49,189,644)	(45,503,456)
Cash and cash equivalents at the end of the period	13	(52,162,052)	(42,778,703)

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt  
Chief Executive Officer



M. Mohtashim Aftab  
Chief Financial Officer



Saad Iqbal  
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 (now Companies Act, 2017). The Company was listed on April 18, 2005 on 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). The PPA is for a term of 25 years which commenced from June 1996 and formal negotiations for its renewal can commence after the expiry of 23rd contract year.

**2. Basis of preparation**

These condensed interim financial statements are un-audited and have 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 Act, 2017. In case where the requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.

**3. Summary of significant accounting policies, accounting estimates, judgments and risk management**

These condensed interim financial statements do not include all the statements required for annual financial statements including financial risk management statements and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2018.

The principal accounting policies applied in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2018, except for the changes in accounting policies as stated in note 3.1 below. Further, the basis of significant estimates are same as those that were applied to the financial statements for the year ended June 30, 2018, except for estimation of provision for taxation as referred to in note 4.

**3.1 Changes in accounting standards**

**(a) IFRS 15 - Revenue from contracts with customers**

IFRS 15 - Revenue from contracts with customers (IFRS 15) replaced various standards and guidance including 'IAS 18 - Revenue'. IFRS 15 provides a single, principles-based approach to the recognition of revenue from all contracts with customers and focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations in a contract are satisfied.

The Company has determined that the adoption of IFRS 15 does not have

any impact on the reported revenue of the Company for the period ended December 31, 2018.

(b) IFRS 9 - Financial Instruments

SECP through SRO 1007(I)/2017, dated October 4, 2017, had notified IFRS 9 "Financial Instruments", replacing the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" with effect from reporting periods starting July 1, 2018. Applicability of this IFRS 9 has been subsequently deferred through SRO 229 (I)/2019, dated February 15, 2019. Accordingly the requirements of IFRS 9 have not been considered in the preparation of these condensed interim financial statements.

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

5. Trade and other payables

Trade and other payables include payable to Pakistan State Oil Company Limited (PSO) amounting to Rs 23,273 million (June 30, 2018: Rs 27,067 million) and Sui Northern Gas Pipelines Limited (SNGPL) amounting to Rs 8 million (June 30, 2018: Rs 4,227 million) against fuel supplies.

6. Contingencies and commitments

6.1 Contingencies

There has been no change in the status of the contingent liabilities disclosed in the annual financial statements of the Company for the year ended June 30, 2018 except for the following:

- (i) 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 the 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 the Company's favor in April 2012. No appeal was filed by the Tax Department before Honorable Lahore High Court (LHC) within the time stipulated under law.

Later on the Tax Department filed miscellaneous application for rectification

before ATIR which was decided against the Company. Being aggrieved, the Company filed reference with the LHC against this order.

During the period, the LHC issued an order dated December 05, 2018 wherein it was held that the miscellaneous applications filed by the Tax Department at ATIR for recalling the earlier orders (which were in favor of KAPCO) are set aside and remanded back to ATIR with the direction that these miscellaneous applications will be deemed pending before ATIR and ATIR after affording proper opportunity of being heard to both the parties shall decide in detail these applications. Thus original orders passed by ATIR in favor of KAPCO are restored automatically and these orders will be considered as orders in field.

The management is of the view that instead of being remanded back to ATIR, case should have been vacated in favor of KAPCO. Being aggrieved, the Company has decided to file a reference with the Honorable Supreme Court of Pakistan.

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

- (ii) Additional Commissioner Inland Revenue amended the assessment of tax year 2017 and issued an order on April 23, 2018 creating a demand of Rs 741 million. The Company filed an appeal before CIR(A). CIR(A) issued an order dated November 05, 2018 wherein all the issues, except disallowance of project development cost amounting to Rs 221 million, were decided in the Company's favor. The Company intends to file an appeal before ATIR against disallowance of project development cost. Meanwhile department has also filed an appeal before ATIR against the decision of CIR(A).

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

- (iii) WAPDA had raised invoices for liquidated damages to the Company for the years ended June 30, 2009 through 2016 (after taking into account forced outage allowance stipulated under the terms of PPA) 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 27,898 million (June 30, 2018: Rs 27,898 million). Estimated amount of liquidated damages (including un-invoiced liquidated damages till December 31, 2018) are not expected to exceed Rs 27,681 million as at December 31, 2018 (June 30, 2018: Rs 27,681 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 Statements**  
for the three months and six months period ended December 31, 2018 (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 PPA and has commenced proceedings for Arbitration in Singapore under the rules of International Chamber of Commerce.

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 condensed interim financial statements.

- (iv) The Company has provided bank guarantee in favor of Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 12,304 million (June 30, 2018: Rs 12,304 million).

## 6.2 Commitments

- (i) Contracts for capital expenditure Rs 12 million (June 30, 2018: Rs 107 million).  
(ii) Letters of credit other than for capital expenditure Rs 227 million (June 30, 2018: Rs 178 million).

		Unaudited December 31, 2018	Audited June 30, 2018
	Note	(Rupees in thousand)	
7. Property, plant and equipment			
Opening Net Book Value (NBV)		8,564,577	10,813,412
Add: Additions / transfers during the period	7.1	71,194	133,150
		8,635,771	10,946,562
Less: Disposals during the period (at NBV)		9,367	94,905
Depreciation charged during the period		1,153,930	2,287,080
		1,163,297	2,381,985
		7,472,474	8,564,577
7.1 Following is the detail of additions / transfers during the period			
Additions (at cost):			
Buildings on freehold land		-	98,947
Gas turbine blading		63,117	2,632
Auxiliary plant and machinery		3,248	3,415
Office equipment		3,009	6,678
		69,374	111,672
Transfers / adjustments(at NBV):			
Vehicles		1,820	21,478
		71,194	133,150



**Notes to and forming part of the Condensed Interim Financial Statements**  
for the three months and six months period ended December 31, 2018 (Un-audited)

	Note	Unaudited December 31, 2018 (Rupees in thousand)	Audited June 30, 2018
8. Trade debts			
Trade debts	8.1	126,773,439	115,711,504
Less: Provision for doubtful debts		<u>239,390</u>	<u>239,390</u>
		<u>126,534,049</u>	<u>115,472,114</u>

8.1 These are considered good except Rs 239 million (June 30, 2018: Rs 239 million) which are considered doubtful. Trade debts include an overdue amount of Rs 106,228 million (June 30, 2018: Rs 95,976 million) receivable from WAPDA, which is a related party of the Company. The maximum aggregate amount outstanding during the period was Rs 130,346 million (June 30, 2018: Rs 116,360 million). 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.

	Three months ended		Six months ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Rupees in thousand)		(Rupees in thousand)	
9. Cost of sales				
Fuel cost	7,974,325	13,909,449	34,565,841	30,667,284
Salaries, wages and benefits	467,530	345,717	1,059,475	871,401
Plant maintenance	107,989	87,750	163,317	132,336
Gas turbines overhauls	23,041	104,081	54,005	161,178
Repair and renewals / (adjustments)	(103,896)	222,003	44,654	393,517
Depreciation on property, plant and equipment	557,829	559,530	1,114,029	1,122,149
Amortisation on intangible assets	852	1,051	1,703	2,171
Provision for store obsolescence	60,403	8,209	63,117	15,064
	<u>9,088,073</u>	<u>15,237,790</u>	<u>37,066,141</u>	<u>33,365,100</u>

10. Other income includes true-up income recognized during the period amounting to Rs 5,219 million (December 31, 2017: Nil), resulting from change in US Dollar-Pak Rupee exchange rate exceeding the threshold defined in PPA, as compared to rates used for indexation calculation of relevant CPP invoices, under section 13.4 (iv) of Part II of Schedule 6 to PPA.

**Notes to and forming part of the Condensed Interim Financial Statements**  
for the three months and six months period ended December 31, 2018 (Un-audited)

		Six months ended	
		December 31, 2018	December 31, 2017
		(Rupees in thousand)	
11. Transactions with related parties			
Relationship with the Company	Nature of transaction		
i. Associated undertakings			
- WAPDA	Purchase of services	78	1,940
- WAPDA	Sale of electricity	44,220,871	40,015,623
- WAPDA	Purchase of electricity	52,113	-
- WAPDA	Interest expense	-	26,811
- WAPDA	Interest income on late payments	5,072,621	2,917,929
- WAPDA	True-up income	5,219,103	-
ii. Post retirement benefit plans			
- KAPCO employees pension fund trust	Expense charged	42,471	11,022
- KAPCO employees provident fund trust	Expense charged	22,934	20,636
- KAPCO employees post retirement medical plan	Expense charged	9,849	8,459
- KAPCO employees post retirement electricity plan	Expense charged	31,643	32,121
iii. Key management personnel			
	Compensation	207,832	190,186

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

		Unaudited December 31, 2018	Audited June 30, 2018
		(Rupees in thousand)	
Period end balances			
Associated Undertakings			
Receivable from related parties		127,343,196	116,547,649
Payable to related parties	11.1	1,306,044	694,747

11.1 These are in the normal course of business and interest free.

**Notes to and forming part of the Condensed Interim Financial Statements**  
for the three months and six months period ended December 31, 2018 (Un-audited)

	Six months ended	
	December 31, 2018	December 31, 2017
	(Rupees in thousand)	
<b>12. Cash generated from operations</b>		
Profit before tax	12,812,983	6,256,612
Adjustments for:		
- Depreciation on property, plant and equipment	1,153,930	1,146,058
- Depreciation on assets subject to finance lease	7,939	10,157
- Amortisation on intangible assets	1,703	2,171
- Loss on disposal of fixed assets	6,311	63,771
- Income on bank deposits	(14,580)	(22,399)
- Liabilities written back	(58,572)	(17,059)
- Provision for store obsolescence	63,117	15,064
- Staff retirement benefits accrued	83,963	51,602
- Finance cost	4,400,401	3,084,556
Profit before working capital changes	18,457,195	10,590,533
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stores and spares	(408,685)	(61,622)
- Stock-in-trade	4,489,271	276,616
- Trade debts	(11,061,935)	(8,520,178)
- Loans, advances, deposits, prepayments and other receivables	1,050,763	567,221
(Decrease) / increase in trade and other payables	(6,577,575)	8,472,203
	(12,508,161)	734,240
Cash generated from operations	5,949,034	11,324,773
<b>13. Cash and cash equivalents</b>		
Cash and bank balances	806,998	710,431
Finances under mark-up arrangements - secured	(52,969,050)	(43,489,134)
	(52,162,052)	(42,778,703)

14. Date of authorisation for issue

These condensed interim financial statements were authorised for issue on February 20, 2019 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 statement of financial position 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 statement of profit or loss, condensed interim statement of comprehensive income and condensed interim statement of cash flows 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 has declared an interim cash dividend of Nil per share (December 31, 2017: Rs 4.35 per share), amounting to Nil (December 31, 2017: Rs 3,829 million) at their meeting held on February 20, 2019. These condensed interim financial statements do not include the effect of above interim cash dividend which is accounted for in the period in which it is declared.



Aftab Mahmood Butt  
Chief Executive Officer



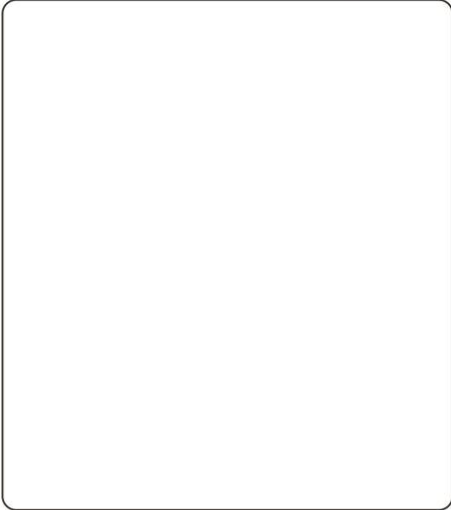
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Chief Financial Officer



Saad Iqbal  
Director



## Printed Matter



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