



2nd QUARTER REPORT

December 31, 2017 (un-audited)



**KOT ADDU
POWER COMPANY LIMITED**

Company Information

Board of Directors	<p>Lt. General (Retd) Muzammil Hussain (Chairman) Mr. Aftab Mahmood Butt (Chief Executive) Mr. Anwar-ul-Haq Mr. Owais Shahid Mr. Aqeel Ahmed Nasir Mr. Saad Iqbal Mr. Muhammad Arshad Ch.</p>
Audit Committee	<p>Mr. Anwar-ul-Haq (Chairman) Mr. Owais Shahid Mr. Saad Iqbal Mr. Muhammad Arshad Ch.</p>
HR Committee	<p>Mr. Aqeel Ahmed Nasir (Chairman) Mr. Aftab Mahmood Butt Mr. Anwar-ul-Haq</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 Chartered Accountants</p>
Internal Auditors	<p>EY Ford Rhodes Chartered Accountants</p>
Legal Advisor	Cornelius, Lane & Mufti
Bankers	<p><u>Conventional</u> Allied Bank Limited Askari Bank Limited Bank Al-Habib Limited Citibank, N.A. Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited National Bank of Pakistan Samba Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab United Bank Limited</p> <p><u>Islamic</u> AlBaraka Bank (Pakistan) Limited Askari Bank Limited-IBD Bank Alfalah Limited BankIslami Pakistan Limited Dubai Islamic Bank Pakistan Limited Meezan Bank Limited National Bank of Pakistan-IBD Standard Chartered Bank (Pakistan) Limited-IBD The Bank of Punjab-IBD</p>
Share Registrar	<p>THK Associates (Private) Limited First Floor, 40-C, Block-6 P.E.C.H.S. Karachi 75400, Pakistan Tel: +92 (0)21 111 000 322 Fax: +92 (0)21 34168271</p>
Registered Office	<p>House No. 4, Street No. 54-A F-7/4, Islamabad 44210, Pakistan</p>
Corporate Office	<p>5 B/3, Gulberg III, Lahore 54660, Pakistan Tel: +92 (0)42 3577 2912-6 Fax: +92 (0)42 3577 2922</p>
Power Project	<p>Kot Addu Power Complex, Kot Addu District Muzaffargarh, Punjab, Pakistan Tel: +92 (0)66 230 1047-9 Fax: +92 (0)66 230 1025</p>
Email	Info@kapco.com.pk
Website	www.kapco.com.pk

Directors' Report

We are pleased to present the financial statements (un-audited) for the half year ended December 31, 2017.

For the half year, the turnover was Rs. 40,016 Million; cost of sales were Rs. 33,365 Million; and profit after tax stood at Rs. 4,395 Million (compared to Rs. 4,172 Million in the corresponding period last year). EPS stood at Rs. 4.99 (Rs. 4.74 in the corresponding period last year).

During the second quarter, the Power Plant generated 1,594 GWh of electricity (year to date generation level 3,488 GWh) at a load factor of 53.9% (year to date load factor 58.8%) 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, 2017, the overdue receivables from the off-taker amounted to Rs. 86,107 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, 2017 the accumulated amount of liquidated damages invoiced to the Company amount to Rs. 27,898 Million for the period 2008-09 to June 30, 2016. The Company has disputed the claims for imposition of liquidated damages in accordance with the provisions of the Power Purchase Agreement.

During the second quarter, combustion inspection of four gas turbines; hot gas path inspections of three gas turbines; and major overhauling of one steam turbine were completed as per plan.

The Share Purchase Agreements (SPAs) executed between the Company and Dawood Hercules Corporation Limited and other shareholders for the acquisition of 201,084,105 shares in Hub Power Company Limited were terminated by mutual agreement as the time allowed for completion of conditions precedent stipulated in the SPAs could not be initiated/completed/fulfilled.

Following shareholder approval at the Annual General Meeting in October 2017, the final cash dividend of Rs. 4.75 per share (at par value of Rs. 10.00) was paid in November 2017; culminating in a full year 2016/17 cash dividend of Rs. 9.05 per share.

Keeping in view the Company's performance, we are pleased to announce an interim cash dividend of Rs. 4.35 per share, which will be paid to the shareholders whose names appear on the Company's Register of Members on April 10, 2018.

On behalf of the Board



Aftab Mahmood Butt

Chief Executive

Lahore: February 22, 2018

KOT ADDU POWER COMPANY LIMITED



Anwar-ul-Haq
Director

ہمیں 31 دسمبر، 2017 کو ختم ہونے والی مالی مدت کے مالیاتی گوشوارے (غیر متفیع شدہ) پیش کرنے پر خوشی محسوس ہو رہی ہے۔

ان چھ ماہ کے دوران کمپنی کا کاروباری حجم 40,016 ملین روپے تھا جس میں فروخت کی لاگت 33,365 ملین روپے تھی۔ ٹیکس کی ادائیگی کے بعد منافع 4,395 ملین روپے رہا ہے (جبکہ گزشتہ سال اسی مدت کے دوران یہ منافع 4,172 ملین روپے تھا)۔ اس طرح اس سال آمدن فی حصص (EPS) 4.99 روپے رہی ہے (جبکہ گزشتہ سال اسی مدت کے دوران یہ آمدن 4.74 روپے فی حصص تھی)۔

دوسری سہ ماہی کے دوران اس بجلی گھر کی مجموعی پیداوار 1,594 GWh تھی (جبکہ سال بھر کی مجموعی پیداواری سطح 3,488 GWh تھی) جس کے نتیجے میں 53.9 فیصد لوڈ فیکٹر رہا ہے (اس طرح سال بھر کا لوڈ فیکٹر 58.8 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 خریدار ادارہ کمپنی کی واجب الادا رقم کی ادائیگی کے ضمن میں مسلسل تاخیر رہا ہے۔ 31 دسمبر، 2017 تک کمپنی کے متعلقہ خریدار کے ذمہ واجب الادا رقم 86,107 ملین روپے تھی۔ کمپنی مذکورہ بتایا جاتی رقم وصول کرنے کے لیے حکومت پاکستان کی متعلقہ وزارتوں سے اس معاملے پر بات کر رہی ہے۔

31 دسمبر 2017 تک کمپنی کے ذمے 2008-09 سے 30 جون 2016 تک کے سالوں کے لیے نقصانات کے ازالے کی مجموعی رقم 27,898 ملین روپے بنتی ہے۔ کمپنی بجلی کی خریداری کے معاہدے کی دفعات کے مطابق ان انوائسوں پر پہلے ہی اپنے تحفظات کا اظہار کر چکی ہے۔

دوسری سہ ماہی کے دوران منصوبے کے مطابق چار گیس ٹرہائٹوں کے پلے کی حالت کا معائنہ کیا گیا، تین گیس ٹرہائٹوں کے ہاٹ گیس کے راستے کا معائنہ کیا گیا اور ایک انٹیم گیس ٹرہائٹ کی اور ہائٹنگ کا کام مکمل کیا گیا۔

کمپنی اور اوو ہر کوئس کارپوریشن لینڈز اور دیگر حصص مالکان کے درمیان حب پاور کمپنی لیٹنڈ کے 201,084,105 حصص خریدنے کے لیے حصص کی خریداری کے معاہدہ جات (SPAs) عمل میں لائے گئے جنہیں بعد ازاں باہمی رضامندی کے ساتھ SPAs کی مذکورہ شرائط کی تکمیل کے تحت منسوخ کر دیا گیا اور ان کا آغاز/تکمیل/پورا نہیں کیا جا سکا۔

اکتوبر 2017 کے سالانہ اجلاس عام میں حصص مالکان کی منظوری کے ساتھ حتمی منافع 4.75 فی حصص (10 روپے مالیت کے مساوی) نومبر 2017ء میں ادا کیا گیا تھا جو سال 2016/17 کے لیے 9.05 روپے فی حصص (10 روپے مالیت کے مساوی) ہے۔

کمپنی کی کارکردگی کو مد نظر رکھتے ہوئے 4.35 روپے فی حصص عبوری منافع کا اعلان کرتے ہیں جو ان حصص مالکان کو ادا کیا جائے گا جن کے نام 10 اپریل 2018 تک کمپنی کے رجسٹرڈ پرموٹو ہوں گے۔

مفتاح بورڈ

انوار الحق
ڈائریکٹر

آفتاب محمودیٹ
چیف ایگزیکٹو

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, 2017, 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 and notes to the accounts 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 interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2017 and December 31, 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

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 interim financial information as of and for the half year ended December 31, 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

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

Other Matter

The condensed interim financial information of the Company for the half year ended December 31, 2016 and the annual financial statements of the Company for the year ended June 30, 2017 were reviewed and audited by another firm of Chartered Accountants who vide their reports dated February 21, 2017 and August 22, 2017 expressed an unmodified conclusion and unmodified opinion thereon respectively.


Deloitte Yousuf Adil
Chartered Accountants

Lahore: February 22, 2018

Name of engagement partner: Rana M. Usman Khan

Condensed Interim Balance Sheet

as at December 31, 2017 (Un-audited)

	December 31, 2017	June 30, 2017
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorised capital		
3,600,000,000 (June 30, 2017: 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, 2017: 880,253,228)		
ordinary shares of Rs 10 each	8,802,532	8,802,532
Capital reserve	444,451	444,451
Unappropriated profit	23,470,354	23,256,226
	32,717,337	32,503,209
NON-CURRENT LIABILITIES		
Liabilities against assets subject to finance lease	37,123	64,161
Deferred liabilities	1,988,583	2,138,546
	2,025,706	2,202,707
CURRENT LIABILITIES		
Current portion of long term liabilities	208,850	411,635
Finances under mark-up arrangements - secured	43,489,134	46,133,174
Trade and other payables	44,806,389	34,749,856
	88,504,373	81,294,665
CONTINGENCIES AND COMMITMENTS		
	123,247,416	116,000,581

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



M. Mohtashim Aftab

Chief Financial Officer

KOT ADDU POWER COMPANY LIMITED



Aftab Mahmood Butt

Chief Executive

		December 31, 2017	June 30, 2017
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	9,613,285	10,813,412
Intangible assets		7,406	9,577
Assets subject to finance lease		48,181	63,615
Capital work-in-progress		59,175	71,383
Long term loans and deposits		34,485	30,622
Post retirement benefits		51,468	58,876
		9,814,000	11,047,485
CURRENT ASSETS			
Stores and spares		4,311,310	4,264,752
Stock-in-trade		5,637,786	5,914,402
Trade debts	8	98,507,342	89,987,164
Loans, advances, deposits, prepayments and other receivables		4,266,547	4,157,060
Cash and bank balances		710,431	629,718
		113,433,416	104,953,096
		123,247,416	116,000,581



Anwar-ul-Haq
Director


Condensed Interim Profit and Loss Account
for the quarter and half year ended December 31, 2017 (Un-audited)

	Note	Quarter ended		Half year ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		(Rupees in thousand)		(Rupees in thousand)	
Sales		18,445,071	15,191,186	40,015,623	32,916,374
Cost of sales	10	(15,237,790)	(12,571,013)	(33,365,100)	(26,957,536)
Gross profit		3,207,281	2,620,173	6,650,523	5,958,838
Administrative expenses		(101,003)	(114,899)	(228,591)	(217,386)
Other operating expenses		(63,631)	-	(63,631)	-
Other income		1,584,225	1,225,080	2,982,867	2,302,664
Profit from operations		4,626,872	3,730,354	9,341,168	8,044,116
Finance cost		(1,486,303)	(1,008,245)	(3,084,556)	(1,963,515)
Profit before tax		3,140,569	2,722,109	6,256,612	6,080,601
Taxation		(926,199)	(868,718)	(1,861,281)	(1,908,886)
Profit for the period		2,214,370	1,853,391	4,395,331	4,171,715
Earnings per share					
- basic and diluted	Rupees	2.52	2.11	4.99	4.74

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

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


M. Mohtashim Aftab
Chief Financial Officer



Aftab Mahmood Butt
Chief Executive


Anwar-ul-Haq
Director

Condensed Interim Statement of Comprehensive Income
for the quarter and half year ended December 31, 2017 (Un-audited)

	Quarter ended		Half year ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Rupees in thousand)		(Rupees in thousand)	
Profit for the period	2,214,370	1,853,391	4,395,331	4,171,715
- 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	2,214,370	1,853,391	4,395,331	4,171,715

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


M. Mohtashim Aftab
Chief Financial Officer



Aftab Mahmood Butt
Chief Executive



Anwar-ul-Haq
Director

Condensed Interim Cash Flow Statement
for the half year ended December 31, 2017 (Un-audited)

		Half year ended	
		December 31, 2017	December 31, 2016
	Note	(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	12	11,324,773	5,314,983
Finance cost paid		(1,618,342)	(2,110,229)
Taxes paid		(2,723,068)	(2,985,970)
Staff retirement benefits paid		(9,078)	(20,514)
Net cash generated from operating activities		6,974,285	198,270
Cash flows from investing activities			
Fixed capital expenditure		(22,104)	(410,373)
Income on bank deposits received		22,399	2,699
Net increase in long term loans and deposits		(3,863)	(760)
Proceeds from sale of property, plant and equipment		8,263	1,545
Net cash generated from / (used in) investing activities		4,695	(406,889)
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(15,102)	(15,907)
Repayment of long term loans - unsecured		(193,097)	(270,104)
Dividend paid		(4,046,028)	(4,133,493)
Net cash used in financing activities		(4,254,227)	(4,419,504)
Net increase / (decrease) in cash and cash equivalents		2,724,753	(4,628,123)
Cash and cash equivalents at beginning of the period		(45,503,456)	(40,748,495)
Cash and cash equivalents at the end of the period	13	(42,778,703)	(45,376,618)

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


M. Mohtashim Aftab
Chief Financial Officer



Aftab Mahmood Butt
Chief Executive



Anwar-ul-Haq
Director

Condensed Interim Statement of Changes in Equity
for the half year ended December 31, 2017 (Un-audited)

	Share Capital	Capital reserve (Rupees in thousand)	Un-appro- priated profit	Total
Balance as at June 30, 2016	8,802,532	444,451	21,708,105	30,955,088
Total comprehensive income for the period	-	-	4,171,715	4,171,715
Transaction with owners Final dividend for the year ended June 30, 2016 - Rs 4.75 per share	-	-	(4,181,203)	(4,181,203)
Balance as at December 31, 2016	8,802,532	444,451	21,698,617	30,945,600
Profit for the period	-	-	5,275,334	5,275,334
Other comprehensive gain for the period: - Re-measurement of net defined benefit obligation - net of tax	-	-	67,364	67,364
Total comprehensive income for the period	-	-	5,342,698	5,342,698
Transaction with owners Interim dividend for the year ended June 30, 2017 - Rs 4.30 per share	-	-	(3,785,089)	(3,785,089)
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

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


M. Mohtashim Aftab
Chief Financial Officer


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 1600 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. The Companies Act, 2017 was enacted on May 30, 2017 and came into force at once. Subsequently, the Securities and Exchange Commission of Pakistan (SECP) has notified through Circular No. 23 of October 04, 2017 that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Therefore, these financial statements have been prepared 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, 2017.

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, 2017. Further, the basis of significant estimates are same as those that were applied to the financial statements for the year ended June 30, 2017, except for estimation of provision for taxation as referred to in note 4.

3. Standards, amendments and interpretations to published approved accounting standards

3.1 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,

2017 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.

3.2 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, 2018 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.

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 (PSO) amounting to Rs 25,007 million (June 30, 2017: Rs 16,899 million) and Sui Northern Gas Pipelines Limited (SNGPL) amounting to Rs 1,314 million (June 30, 2017: Rs 1,266 million) against fuel supplies.

6. Contingencies and commitments

6.1 Contingencies

There has been no change in the status of the contingent liabilities disclosed as at June 30, 2017 except for the following:

- (a) During the period, Deputy Commissioner Inland Revenue (DCIR) issued notice for payment of left over balance of Workers' Profit Participation Fund (WPPF) towards Workers' Welfare Fund (WWF) for tax year 2016 and subsequently issued recovery notice amounting to Rs 707 million. The Company filed an appeal before Commissioner Inland Revenue Appeals who remanded back the case to Commissioner Inland Revenue for fresh proceeding after providing the Company an opportunity of being heard.

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

- (b) During the period Additional Commissioner Inland Revenue issued an assessment order creating a demand of Rs 1,162 million for tax year 2016. The Company filed an appeal before Commissioner Inland Revenue (Appeals), which is pending adjudication.

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) Based on advice of Company's legal counsel, the Company did not make any contribution to WPPF for the year ended June 30, 2017 and during the period ended December 31, 2017. Further, the contribution of WPPF for the year ended June 30, 2016 amounting to Rs 684 million has been refunded by the WPPF Trust to the Company during the period.

In case the liability materializes, the cumulative principal amount of WPPF for the years up to June 30, 2006, for the year ended June 30, 2016 and 2017 and period ended December 31, 2017 would amount to Rs 5,163 million (June 30, 2017: Rs 4,167 million). If it is established that the WPPF is applicable to the Company and accordingly the Company is liable to pay contribution to the WWF, then these amounts would be recoverable from WAPDA as a pass-through item under the provisions of the Power Purchase Agreement.

- (d) WAPDA had raised invoices for liquidated damages to the Company for the years ended June 30, 2009 through 2017 (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 amounted to Rs 27,898 million (June 30, 2017: Rs 27,898 million). Estimated amount of liquidated damages (including un-invoiced liquidated damages till December 31, 2017) are not expected to exceed Rs 27,681 million as at December 31, 2017 (June 30, 2017: 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 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 these financial statements.

- (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 million (June 30, 2017: Rs 1,030 million); and

Notes to and forming part of the Condensed Interim Financial Information
for the quarter and half year ended December 31, 2017 (Un-audited)

- Collector of Customs on account of temporary import of rental tools, amounting to Rs 1 million (June 30, 2017: Nil).

6.2 Commitments

- (a) Contracts for capital expenditure Rs 70 million (June 30, 2017: Rs 139 million).
- (b) Letters of credit other than for capital expenditure Rs 525 million (June 30, 2017: Rs 316 million).

	Note	December 31, 2017 (Rupees in thousand)	June 30, 2017
7. Property, plant and equipment			
Opening Net Book Value (NBV)		10,813,412	12,632,019
Add: Additions / transfers during the period	7.1	18,743	465,730
		10,832,155	13,097,749
Less: Disposals during the period (at NBV)		72,812	4,265
Depreciation charged during the period		1,146,058	2,280,072
		1,218,870	2,284,337
		9,613,285	10,813,412
7.1 Following is the detail of additions / transfers during the period			
Additions (at cost):			
Buildings on freehold land		1,040	39,948
Gas turbine blading		1,046	349,675
Plant and machinery		474	23,196
Auxiliary plant and machinery		-	38,167
Office equipment		-	10,837
		2,560	461,823
Transfers / adjustments(at NBV):			
Vehicles		16,183	3,907
		18,743	465,730
8. Trade debts			
Trade debts	8.1	98,741,405	90,221,227
Less: Provision for doubtful debts		234,063	234,063
		98,507,342	89,987,164

- 8.1 These are considered good except Rs 234 million (June 30, 2017: Rs 234 million) which are considered doubtful. Trade debts include an overdue amount of Rs 85,873 million (June 30, 2017: Rs 76,896 million) receivable from WAPDA, which is a related party of the Company. The trade debts are secured

Notes to and forming part of the Condensed Interim Financial Information
for the quarter and half year ended December 31, 2017 (Un-audited)

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

Included in loans, advances, deposits, prepayments and other receivables is sales tax recoverable amounting to Rs 2,455 million (June 30, 2017: Rs 3,085 million). This amount mainly represents the differential of 20% input sales tax and 17% output sales tax on sales of electricity produced from Furnace Oil. During the period ended December 31, 2017, Sales Tax Refund Payment Orders (RPO) of Rs 1,393 million were issued by FBR. Further refund of Rs 1,191 million was also credited in Company's bank account out of the RPOs issued during last financial year.

	Quarter ended		Half year ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Rupees in thousand)		(Rupees in thousand)	
10. Cost of sales				
Fuel cost	13,909,449	10,670,443	30,667,284	23,569,207
Salaries, wages and benefits	345,717	345,157	871,401	843,551
Plant maintenance	87,750	126,617	132,336	176,903
Gas turbines overhauls	104,081	605,273	161,178	806,022
Repair and renewals	222,003	183,531	393,517	290,136
Depreciation on property, plant and equipment	559,530	561,457	1,122,149	1,111,074
Amortisation on intangible assets	1,051	1,114	2,171	2,228
Liquidated damages	-	-	-	46
Provision for store obsolescence	8,209	77,421	15,064	158,369
	<u>15,237,790</u>	<u>12,571,013</u>	<u>33,365,100</u>	<u>26,957,536</u>

11. Transactions with related parties

Relationship with the Company	Nature of transaction		
i. Associated undertakings	Purchase of services	1,940	1,000
	Sale of electricity	40,015,623	32,916,374
	Interest expense	26,811	64,434
	Interest income on late payments	2,917,929	2,254,699
ii. Post retirement benefit plans	Expense charged	72,238	88,484
iii. Key management personnel	Compensation	173,099	154,130

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, 2017 (Un-audited)

	December 31, 2017	June 30, 2017
	(Rupees in thousand)	
Period end balances		
Associated Undertakings		
Receivable from related parties	99,253,260	90,596,622
Payable to related parties	1,303,911	1,083,806

These are in the normal course of business and interest free except for loans included in current liabilities.

	Half Year ended	
	December 31, 2017	December 31, 2016
	(Rupees in thousand)	
12. Cash generated from operations		
Profit before tax	6,256,612	6,080,601
Adjustments for:		
- Depreciation on property, plant and equipment	1,146,058	1,131,055
- Depreciation on assets subject to finance lease	10,157	9,473
- Amortisation on intangible assets	2,171	2,228
- Loss on disposal of fixed assets	63,771	-
- Income on bank deposits	(22,399)	(2,699)
- Provision for store obsolescence	15,064	158,369
- Staff retirement benefits accrued	51,602	68,564
- Finance cost	3,084,556	1,963,515
Profit before working capital changes	10,607,592	9,411,106
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stores and spares	(61,622)	(27,978)
- Stock-in-trade	276,616	(1,980,476)
- Trade debts	(8,520,178)	(9,425,758)
- Loans, advances, deposits, prepayments and other receivables	567,221	(1,498,171)
Increase in trade and other payables	8,455,144	8,836,260
	717,181	(4,096,123)
Cash generated from operations	11,324,773	5,314,983

Notes to and forming part of the Condensed Interim Financial Information
for the quarter and half year ended December 31, 2017 (Un-audited)

	December 31, 2017	December 31, 2016
	(Rupees in thousand)	
13. Cash and cash equivalents		
Cash and bank balances	710,431	635,662
Finances under mark-up arrangements - secured	(43,489,134)	(46,012,280)
	<u>(42,778,703)</u>	<u>(45,376,618)</u>

14. Date of authorisation for issue

This condensed interim financial information was authorised for issue on February 22, 2018 by the Board of Directors of the Company.

15. Corresponding figures

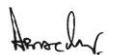
In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial 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 has declared an interim cash dividend of Rs 4.35 per share (December 31, 2016: Rs 4.30 per share), amounting to Rs 3,829 million (December 31, 2016: Rs 3,785 million) at their meeting held on February 22, 2018. 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.


M. Mohtashim Aftab
Chief Financial Officer


Aftab Mahmood Butt
Chief Executive


Anwar-ul-Haq
Director