DIRECTORS' REPORT

FOR THE PERIOD ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

We are pleased to present the financial statements (un-audited) for the period ended September 30, 2010.

The principle activity of the Company is to own, operate and maintain a 1600 MW name plate capacity multi-fuel combined cycle gas turbine power plant at Kot Addu.

Turnover for the review period was Rs. 16,201 Million and cost of sales were Rs. 12,894 Million. Profit after tax for the period was Rs. 2,037 Million (compared to Rs. 1,336 Million in the corresponding period in 2009), delivering an earnings per share (EPS) of Rs.2.31 per share (EPS Rs. 1.52 in corresponding period in 2009).

WAPDA continues to default on its payment obligations. As of September 30, 2010 the overdue amount from WAPDA was Rs. 50,137 Million. The Company continues to actively pursue WAPDA and concerned Ministries in the Government of Pakistan for settlement of the outstandings.

The Power Plant continues to be operated and maintained in accordance with international standards. During the review period, the net output from the plant was 1,667 GWh of electricity, resulting in a load factor of 56.1% and an overall commercial availability of 97.2 %. The generation level was impacted by, the flood situation as a result of the inability to supply fuel oil by road, in August 2010 in the Kot Addu area; and low fuel stocks (caused due to payment default from the Company's sole customer, the Pakistan Water and Power Development Authority (WAPDA)).

The fuel mix for the dispatched output was 72.3% on Low Sulphur Furnace Oil; 27.4% on Gas and 0.3% on High Speed Diesel.

The floods in August 2010 caused havoc across Pakistan. Fortunately, the Company's Power Plant and Housing Colony escaped the flooding, but other areas in and around Kot Addu were not as fortunate. As a responsible organisation, the Company as a first step provided cooked food on daily basis to the affectees, which was followed by medical and other material help. The Board of Directors approved a donation of Rs. 30 Million for flood relief. As a goodwill gesture, International Power plc provided the Company with a donation of GBP 90,000. The donations are being utilised for the welfare/rehabilitation of the communities in and around the Kot Addu area. The Company employees have also provided assistance for relief work.

On behalf of the Board

Aftab Mahmood Butt
Chief Executive

Islamabad
October 25, 2010

CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2010 (UN-AUDITED)

	Note	September 30, 2010	June 30, 2010
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital 3,600,000,000 (June 30, 2010: 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, 2010: 880,253,228) ordinary shares of Rs 10 each		8,802,532	8,802,532
Capital reserve		444,451	444,451
Unappropriated profit		15,285,137	13,247,745
		24,532,120	22,494,728
NON-CURRENT LIABILITIES			
Long term loan - unsecured		4,247,761	4,247,761
Liabilities against assets subject to finance lease		44,259	45,728
Deferred liabilities		3,178,239	3,178,013
		7,470,259	7,471,502
CURRENT LIABILITIES			
Current portion of long term liabilities		912,582	912,181
Finances under mark-up arrangements - secured		17,598,078	17,230,710
Trade and other payables	5	33,659,622	29,490,972
		52,170,282	47,633,863
CONTINGENCIES AND COMMITMENTS	6		
		84,172,661	77,600,093

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

Aftab Mahmood Butt
Chief Executive

	Note	September 30, 2010	June 30, 2010
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	17,411,253	17,800,135
Intangible assets		2,074	2,415
Assets subject to finance lease		46,420	50,476
Capital work-in-progress		77,282	81,068
Long term loans and deposits		39,971	31,515
		17,577,000	17,965,609
CURRENT ASSETS			
Stores and spares		3,547,441	3,183,207
Stock-in-trade		1,874,494	2,267,205
Trade debts	8	58,861,180	51,702,270
Loans, advances, deposits, prepayments and other receivables		2,038,101	2,237,806
Cash and bank balances		274,445	243,996
		66,595,661	59,634,484
		84,172,661	77,600,093

Malcom P. Clampin
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

	Note	Quarter ended	
		September 30, 2010	September 30, 2009
		(Rupees in thousand)	
Sales		16,200,603	20,325,239
Cost of sales	9	(12,893,702)	(17,727,636)
Gross profit		3,306,901	2,597,603
Administrative expenses		(139,947)	(111,214)
Other operating expenses		-	(8,000)
Other operating income		1,938,823	806,615
Profit from operations		5,105,777	3,285,004
Finance cost		(2,014,736)	(1,228,033)
Profit before tax		3,091,041	2,056,971
Taxation		(1,053,649)	(720,576)
Profit for the period		2,037,392	1,336,395
Earnings per share - basic and diluted	Rupees	2.31	1.52

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

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

Aftab Mahmood Butt
Chief Executive

Malcom P. Clampin
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

	Quarter ended	
	September 30, 2010	September 30, 2009
	(Rupees in thousand)	
Profit for the period	2,037,392	1,336,395
Other comprehensive income	-	-
Total comprehensive income for the period	2,037,392	1,336,395

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

Aftab Mahmood Butt
Chief Executive

Malcom P. Clampin
Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

	Note	Quarter Ended	
		September 30, 2010	September 30, 2009
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	11	1,156,836	7,581,631
Finance cost paid		(813,460)	(684,473)
Taxes paid		(656,049)	(590,061)
Staff retirement benefits paid		(7,134)	(6,735)
Net cash (used in)/from operating activities		(319,807)	6,300,362
Cash flows from investing activities			
Fixed capital expenditure		(1,925)	(210,035)
Income on bank deposits received		224	629
Net increase in long term loans and deposits		(8,456)	(5,085)
Proceeds from sale of property, plant and equipment		532	153
Net cash used in investing activities		(9,625)	(214,338)
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(2,954)	(2,132)
Dividend paid		(4,533)	(5,262)
Net cash used in financing activities		(7,487)	(7,394)
Net (decrease)/increase in cash and cash equivalents		(336,919)	6,078,630
Cash and cash equivalents at beginning of the period		(16,986,714)	(8,217,288)
Cash and cash equivalents at the end of the period	12	(17,323,633)	(2,138,658)

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

Aftab Mahmood Butt
Chief Executive

Malcom P. Clampin
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

	Share capital	Capital reserve	Un-appropriated profit	Total
	(Rupees in thousand)			
Balance as on June 30, 2009	8,802,532	444,451	13,836,253	23,083,236
Total comprehensive income for the period	-	-	1,336,395	1,336,395
Balance as on September 30, 2009	8,802,532	444,451	15,172,648	24,419,631
Final dividend for the year ended June 30, 2009 - Rs 4.20 per share	-	-	(3,697,064)	(3,697,064)
Total comprehensive income for the period	-	-	3,752,731	3,752,731
Interim dividend - Rs 2.25 per share	-	-	(1,980,570)	(1,980,570)
Balance as on June 30, 2010	8,802,532	444,451	13,247,745	22,494,728
Total comprehensive income for the period	-	-	2,037,392	2,037,392
Balance as on September 30, 2010	8,802,532	444,451	15,285,137	24,532,120

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

Aftab Mahmood Butt
Chief Executive

Malcom P. Clampin
Director

1. This condensed interim financial information is un-audited and is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges.

2. The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2010.

2.1 IFRS 2, 'Share-based Payment–Group Cash-settled Share-based Payment Transactions' was amended by the International Accounting Standards Board (IASB) whereby an entity receiving goods or services is to apply this IFRS in accounting for group cash settled share based payment transactions in its financial statements when that entity has no obligation to settle the share-based payment transaction. This amended IFRS is effective for the annual period beginning on or after January 1, 2010.

During last year, the Government of Pakistan introduced Benazir Employees' Stock Option Scheme ('BESOS') for the benefit of employees of certain government owned companies which included Kot Addu Power Company Limited . BESOS requires formation of a Trust to which 12% of the shares of the Company held by WAPDA are to be transferred. Employees of the Company eligible for the scheme are to be allotted units from the Trust which will be surrendered on the employee's retirement and payment equivalent to the market value of the surrendered units will be made to the employee by a fund to be maintained by the Privatisation Commission. In case of the Company, the Trust has not been formed to date.

Management believes that amended IFRS 2 is not applicable to the scheme. However, ICAP has been requested to provide further guidance on the accounting implications of BESOS under the requirements of the amended IFRS 2. Pending clarification on the issue by ICAP, the financial impact, if any, on the financial statements of the Company arising from implementation of BESOS has not been quantified at this stage.

3. This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting'. This condensed interim financial information should be read in conjunction with annual published financial statements of the Company for the year ended June 30, 2010.

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

5. Trade and other payables

Trade creditors include payable to Pakistan State Oil amounting to Rs 25,605 million (June 30, 2010: Rs 22,951 million).

6. Contingencies and commitments

6.1 Contingencies

(i) The management, on the strength of a favourable judgment by Sindh High Court, revised the income tax returns of the Company for tax years 2003 through 2007 to the effect that:

a) depreciation and initial allowance earlier claimed in respect of assets in the original income tax returns for tax periods upto June 27, 2006 were not claimed being the date upto which Company was exempt from levy of income tax; and

(b) the respective taxable incomes of the tax periods subsequent to June 27, 2006 were reduced by significant amounts given to the position that in such tax periods, Company became entitled to an enhanced claim of depreciation and initial allowance attributable to an increased written down value of assets at commencement of such periods.

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

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

The return for tax year 2008 was also filed on the basis of written down values of assets brought forward from tax year 2007, as computed in the revised return of income in accordance with position explained above. Such return has also been amended by tax authorities in line with the action taken in respect of revised returns for tax year 2003 through 2007 and has also been endorsed by CIT(A). The Company has preferred appeal before ITAT against the decision of CIT(A) in this respect also which is also pending adjudication.

In view of the fact that management considers that position adopted by Company is in accordance with relevant provisions of law, as interpreted by Sindh High Court, and that litigation would eventually be settled in Company's favour, the income tax liabilities determined by tax authorities have not been accounted for in these financial statements. Had such liabilities been recognized, the profit for the period would have been lower by Rs 2,707.429 million (June 30, 2010: Rs 2,708.647 million).

(ii) The Company had obtained legal advice in connection with the establishment of Workers' Profit Participation Fund under the Companies Profit (Workers' Participation) Act, 1968 (the Act). The legal advisor advised the Company that since it did not employ any person who fell under the definition of Worker as defined in the Act of 1968, the Company was not required to establish the Fund under the Act. As a consequence the Company was not required to make contributions to the Fund established pursuant to Workers' Welfare Fund Ordinance, 1971.

Furthermore, the question whether a company to which the Act and its scheme applies but which does not employ any Worker is nevertheless obliged to establish and pay contributions into the Fund under the Act and thereafter transfer the same to the Fund established under the WWF Ordinance, 1971 is pending adjudication in Sindh High Court at Karachi on a constitutional petition filed by another company in December 2003.

If it is established that the scheme is applicable to the Company and the Company is liable to pay contribution to the Workers' Welfare Fund then these amounts would be recoverable from WAPDA as a pass through item under the provisions of Power Purchase Agreement.

Certain amendments were introduced in Finance Act 2006, to relax the conditions of payment of interest and penalty for companies defaulting in creating Fund under the Act. If it is established that Workers' Profit Participation Fund (WPPF) is applicable to the Company and Company makes the principal payment on or before the date which is to be decided by the Federal Government, no such penalty may be imposed and the Company may not be liable to pay interest.

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

In case this liability materializes, the cumulative amount of contributions to WPPF would be Rs 3.463 billion (June 30, 2009: Rs 3.463 billion). However, it is not certain at the moment that any penalties will be levied on non-payment of WPPF as the relaxation provided under the Finance Act 2006 is still applicable.

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

(iii) The Company has a 'Long Term Supply Agreement' (LTSA) with one of the Original Equipment Manufacturers (OEM) for the supply of spares to the Company. According to the terms of LTSA, the Company has availed discount amounting to Rs 523.209 million upto September 30, 2010 (June 30, 2010: Rs 466.830 million). This discount is contingent upon the Company procuring at least a specified amount of spares from the OEM during the tenure of LTSA. Inability of the Company to achieve the desired level of purchases would result in payment of compensation fee amounting to Rs 130.802 million (June 30, 2010: Rs 116.708 million) to the OEM out of the discount recognised upto September

30, 2010 . The management of the Company feels that the minimum specified level of purchases will be achieved during the contractual period and no compensation fee would be payable to the OEM, consequently no provision for compensation fee as referred above has been made in these financial statements.

(iv) WAPDA may impose liquidated damages (after taking into account forced outage allowance stipulated under the terms of Power Purchase Agreement) on account of short supply of electricity by the Company, which was due to cash flow constraints of the Company as a result of default by WAPDA in making timely payments. Currently, liquidated damages cannot be estimated reliably, however, these are not expected to increase upto September 30, 2010 beyond Rs 2.274 billion (June 30, 2010: Rs 2.274 billion) approximately based on the best available estimate to the management.

The Company disputes and rejects any claim on account of liquidated damages that may be raised by WAPDA on the premise that its failure to despatch electricity was due to WAPDA's non-payment of dues on timely basis to the Company and consequential inability of the Company to make timely payments to its fuel supplier (PSO) that resulted in inadequate level of electricity production owing to shortage of fuel.

According to legal advice available with the Company, there are adequate grounds to defend any claim by WAPDA for such liquidated damages since these conditions were imposed on the Company due to circumstances beyond its control. The ultimate outcome of the matter cannot presently be determined, and consequently, no provision for such liquidated damages has been made in these financial statements.

(v) Claims against the Company not acknowledged as debts Rs 88.111 million (June 30, 2010: Rs 88.111 million).

(vi) The Company had provided guarantee in favour of Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 164.707 million (June 30, 2010: Rs 164.707 million).

6.2 Commitments

(i) Contracts for capital expenditure Rs 450.490 million (June 30, 2010: Rs 292.793 million).

(ii) Letters of credit other than for capital expenditure Rs 510.042 million (June 30, 2010: Rs 359.655 million).

	Note	September 30, 2010	June 30, 2010
		(Rupees in thousand)	
7. Property, plant and equipment			
Opening book value		17,800,135	18,504,118
Add: Additions/transfers during the period	7.1	7,600	858,539
		17,807,735	19,362,657
Less: Disposals during the period (at book value)		-	2,142
Depreciation charged during the period		396,482	1,560,380
		396,482	1,562,522
		17,411,253	17,800,135
7.1 Following is the detail of additions/transers during the period			
Buildings on freehold land		7,243	171
Gas turbine blading		-	800,646
Auxiliary plant and machinery		268	43,663
Office equipment		-	5,661
Fixtures and fittings		89	324
Vehicles		-	8,074
		7,600	858,539
8. Trade debts			
Trade debts	8.1	58,971,662	51,812,752
Less: Provision for doubtful debts		110,482	110,482
		58,861,180	51,702,270

8.1 These are considered good and include an overdue amount of Rs 50,137 million (June 30, 2010: Rs 41,645 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. Cost of sales

	Quarter Ended	
	September 30, 2010	September 30, 2009
	(Rupees in thousand)	
Fuel cost	12,244,789	16,981,903
Salaries, wages and benefits	208,388	236,688
Plant maintenance	31,128	34,326
Gas turbines overhauls	9,396	57,160
Repair and renewals	2,105	42,257
Depreciation on property, plant and equipment	388,255	373,722
Amortisation on intangible assets	341	291
Provision for store obsolescence	9,300	1,289
	12,893,702	17,727,636

10. Transactions with related parties

Relationship with the Company	Nature of transaction	September 30, 2010	September 30, 2009
i. Associated undertakings	Purchase of services	-	144
	Sale of electricity	16,200,603	20,325,239
	Interest expense	180,162	211,652
	Interest income on late payments	1,928,475	797,582
ii. Post retirement benefit plans	Expense charged	28,540	23,070
iii. Key management personnel	Compensation	26,281	43,005

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

	September 30, 2010	June 30, 2010
	(Rupees in thousand)	
Period end balances		
Receivable from related parties	59,621,912	52,245,750
Payable to related parties	577,902	502,443

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

11. Cash generated from operations

	Quarter Ended September 30, 2010	Quarter Ended September 30, 2009
	(Rupees in thousand)	
Profit before tax	3,091,041	2,056,971
Adjustments for:		
- Depreciation on property, plant and equipment	396,482	382,251
- Amortisation on intangible assets	341	291
- Depreciation on assets subject to finance lease	4,055	3,302
- Profit on disposal of property, plant and equipment	(532)	-
- Income on bank deposits	(224)	(630)
- Provision for store obsolescence	9,300	1,289
- Staff retirement benefits accrued	23,848	18,831
- Finance cost	2,014,736	1,228,033
Profit before working capital changes	5,539,047	3,690,338
Effect on cash flow due to working capital changes		
- (Increase)/decrease in stores and spares	(373,534)	109,469
- Decrease/(increase) in stock-in-trade	392,711	(616,874)
- (Increase)/decrease in trade debts	(7,158,910)	11,657,400
- Increase in loans, advances, deposits, prepayments and other receivables	(214,384)	(269,747)
- Increase/(decrease) in trade and other payables	2,971,906	(6,988,955)
	(4,382,211)	3,891,293
	1,156,836	7,581,631

12. Cash and cash equivalents

	September 30, 2010	September 30, 2009
	(Rupees in thousand)	
Cash and bank balances	274,445	236,917
Finances under mark-up arrangements - secured	(17,598,078)	(2,375,575)
	(17,323,633)	(2,138,658)

13. Proposed dividend

The Board of Directors of the Company have proposed a final dividend for the year ended June 30, 2010 of Rs 2.75 per share amounting to Rs 2,420.696 million at their meeting held on September 1, 2010 for approval of the members at the Annual General Meeting to be held on October 25, 2010. This condensed interim financial information does not reflect this dividend payable, which will be accounted for in the period in which it is approved by the members.

14. Date of authorisation for issue

This condensed interim financial information was authorised for issue on October 25, 2010 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, except for following:

		(Rupees in thousand)
Reclassification from	Reclassification to	Amount
Administrative expenses	Other operating expenses	
- Donations	- Donations	8,000

Aftab Mahmood Butt
Chief Executive

Malcom P. Clampin
Director