

Directors' Report

It pleases us to present the financial statements (un-audited) for the period ended March 31, 2013.

The Company's turnover for the nine month period ended March 31, 2013 was Rs. 71,281 Million (Rs. 68,782 Million in July '11 - March '12); and profit after tax was Rs. 5,654 Million. The resultant earnings per share were Rs. 6.42 per share (Rs. 10 each) (Rs. 4.95 per share in the corresponding period of the previous year).

The Company's sole customer (WAPDA) remains in payment default to the Company. On March 31, 2013, the overdue amount from WAPDA was Rs. 50,320 Million. For details you may review Note 8 to the Financial Statements. The Company continues to pursue WAPDA and concerned Ministries in the Government of Pakistan for resolution of the matter.

During the Third Quarter, despite financial challenges the Company was able to meet its obligations in a timely manner. The Power Plant generated 1,221 GWh of electricity (year to date generation level 4,093 GWh) at a load factor of 42.2% (year to date load factor 46.4%) with an overall availability of 91.5% (year to date overall availability 92%). The fuel mix during the Third Quarter was 92.8% on Low Sulphur Furnace Oil (year to date LSFO fuel mix 93.05%); 7.2% on High Speed Diesel (year to date HSD fuel mix 2.74%); and no generation on Gas (year to date Gas fuel mix 4.21%).

Combustion Inspections of three (3) Gas Turbines were successfully carried out during the Third Quarter.

Dispatches of the interim cash dividend of Rs. 3.00 per share (Rs. 10 each) were completed on April 13, 2013 to shareholders whose names appeared on the Company's Register of Members on March 14, 2013.

On behalf of the Board



Aftab Mahmood Butt
Chief Executive

Lahore: April 23, 2013

Condensed Interim Balance Sheet

as at March 31, 2013 (Un-audited)

	March 31, 2013	June 30, 2012
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorised capital 3,600,000,000 (June 30, 2012: 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, 2012: 880,253,228) ordinary shares of Rs 10 each	8,802,532	8,802,532
Capital reserve	444,451	444,451
Unappropriated profit	14,643,630	14,402,413
	<u>23,890,613</u>	<u>23,649,396</u>
NON-CURRENT LIABILITIES		
Long term finances	4 2,986,596	4,270,905
Liabilities against assets subject to finance lease	83,997	61,454
Deferred liabilities	<u>3,799,484</u>	<u>3,918,411</u>
	6,870,077	8,250,770
CURRENT LIABILITIES		
Current portion of long term liabilities	1,985,930	1,677,142
Finances under mark-up arrangements - secured	25,975,097	20,049,549
Trade and other payables	5 30,694,907	45,718,500
	58,655,934	67,445,191
CONTINGENCIES AND COMMITMENTS		
	6	
	<u>89,416,624</u>	<u>99,345,357</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
Chief Executive

		March 31, 2013	June 30, 2012
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	17,126,765	18,264,486
Intangible assets		10,002	7,388
Assets subject to finance lease		111,911	40,914
Capital work-in-progress		31,859	130,768
Long term loans and deposits		56,821	53,198
		<u>17,337,358</u>	<u>18,496,754</u>
CURRENT ASSETS			
Stores and spares		3,973,419	3,726,404
Stock-in-trade		4,842,687	4,239,457
Trade debts	8	61,416,695	69,332,911
Loans, advances, deposits, prepayments and other receivables		1,514,086	3,243,061
Cash and bank balances		332,379	306,770
		<u>72,079,266</u>	<u>80,848,603</u>
		<u>89,416,624</u>	<u>99,345,357</u>



Syed Nizam Ahmad Shah
Director

Condensed Interim Profit and Loss Account

for the quarter and nine months ended March 31, 2013 (Un-audited)

	Note	Quarter ended		Nine months ended	
		March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
		(Rupees in thousand)		(Rupees in thousand)	
Sales		22,615,574	22,361,437	71,281,490	68,781,505
Cost of sales	9	(19,418,901)	(19,431,488)	(61,828,900)	(60,639,697)
Gross profit		3,196,673	2,929,949	9,452,590	8,141,808
Administrative expenses		(125,137)	(97,622)	(385,406)	(299,821)
Other operating expenses		-	(600)	(24,762)	(600)
Other operating income		1,329,526	1,759,737	4,382,702	6,155,129
Profit from operations		4,401,062	4,591,464	13,425,124	13,996,516
Finance cost		(1,372,960)	(2,213,327)	(4,927,971)	(7,821,928)
Profit before tax		3,028,102	2,378,137	8,497,153	6,174,588
Taxation		(1,056,647)	(724,945)	(2,842,378)	(1,818,091)
Profit for the period		1,971,455	1,653,192	5,654,775	4,356,497
Earnings per share - basic and diluted	Rupees	2.24	1.88	6.42	4.95

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

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.


Aftab Mahmood Butt
Chief Executive



Syed Nizam Ahmad Shah
Director


Condensed Interim Statement of Comprehensive Income

for the quarter and nine months ended March 31, 2013 (Un-audited)

	Quarter ended		Nine months ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
	(Rupees in thousand)		(Rupees in thousand)	
Profit for the period	1,971,455	1,653,192	5,654,775	4,356,497
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>1,971,455</u>	<u>1,653,192</u>	<u>5,654,775</u>	<u>4,356,497</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.


Aftab Mahmood Butt
Chief Executive


Syed Nizam Ahmad Shah
Director

Condensed Interim Cash Flow Statement

for the nine months ended March 31, 2013 (Un-audited)

	Note	Nine months ended	
		March 31, 2013	March 31, 2012
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	11	2,020,778	19,784,166
Finance cost paid		(2,877,264)	(3,618,222)
Taxes paid		(853,268)	(1,636,392)
Staff retirement benefits paid		(102,038)	(25,732)
Net cash (used) in/from operating activities		(1,811,792)	14,503,820
Cash flows from investing activities			
Fixed capital expenditure		(409,672)	(2,469,230)
Income on bank deposits		4,370	1,001
Net (increase)/decrease in long term loans and deposits		(3,623)	3,096
Proceeds from sale of property, plant and equipment		83,268	808
Net cash used in investing activities		(325,657)	(2,464,325)
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(22,411)	(13,772)
Repayment of long term finances		(979,779)	(419,066)
Proceeds from long term finances		-	1,716,305
Dividend paid		(2,760,300)	(3,064,664)
Net cash used in financing activities		(3,762,490)	(1,781,197)
Net (decrease)/increase in cash and cash equivalents		(5,899,939)	10,258,298
Cash and cash equivalents at beginning of the period		(19,742,779)	(23,236,055)
Cash and cash equivalents at the end of the period	12	(25,642,718)	(12,977,757)

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
Chief Executive



Syed Nizam Ahmad Shah
Director

Condensed Interim Statement of Changes in Equity

for the nine months ended March 31, 2013 (Un-audited)

	Share Capital	Capital reserve	Un-appro- priated profit	Total
	(Rupees in thousand)			
Balance as on June 30, 2011	8,802,532	444,451	14,712,962	23,959,945
Total comprehensive income for the period	-	-	4,356,497	4,356,497
Final dividend for the year ended June 30, 2011 - Rs 3.50 per share	-	-	(3,080,886)	(3,080,886)
Interim dividend - Rs 3.75 per share	-	-	(3,300,950)	(3,300,950)
Balance as on March 31, 2012	8,802,532	444,451	12,687,623	21,934,606
Total comprehensive income for the period	-	-	1,714,790	1,714,790
Balance as on June 30, 2012	8,802,532	444,451	14,402,413	23,649,396
Total comprehensive income for the period	-	-	5,654,775	5,654,775
Final dividend for the year ended June 30, 2012 - Rs 3.15 per share	-	-	(2,772,798)	(2,772,798)
Interim dividend - Rs 3.00 per share	-	-	(2,640,760)	(2,640,760)
Balance as on March 31, 2013	8,802,532	444,451	14,643,630	23,890,613

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt
Chief Executive



Syed Nizam Ahmad Shah
Director

Notes to and forming part of the Condensed Interim Financial Information

for the quarter and nine months ended March 31, 2013 (Un-audited)

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. The principal activities of the Company are to own, operate and maintain a multi-fuel fired power station with fifteen generating units with a nameplate capacity of 1,600 MW in Kot Addu, District Muzaffargarh, Punjab, Pakistan and to sell the electricity produced therefrom to a single customer, the Pakistan Water and Power Development Authority (WAPDA) under a Power Purchase Agreement (PPA). This agreement is for a term of 25 years which commenced from June 1996.

2. Basis of preparation

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 -'Interim Financial Reporting' and provisions of and directives issued under The Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued under The Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2012.

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, 2012.

3. 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.

4. Long term finances

Long term finances include un-secured loan payable to WAPDA (related party) amounting to Rs 3,059 million (June 30, 2012: Rs 3,410 million) out of which Rs 701 million (June 30, 2012: Rs 701 million) is included in current portion of long term liabilities. It carries a mark-up of 14% payable semi-annually.

5. Trade and other payables

Trade creditors include payable to oil supplier in respect of oil purchased amounting to Rs 11,013 million (June 30, 2012: Rs 30,776 million).

Notes to and forming part of the Condensed Interim Financial Information

for the quarter and nine months ended March 31, 2013 (Un-audited)

6. Contingencies and commitments

6.1 Contingencies

There has been no change in the status of the contingent liabilities disclosed as at June 30, 2012 except for the following:

- a) For the tax years 2009, 2010 and 2011, certain issues were remanded back by Commissioner Inland Revenue -Appeals (CIRA) to the Deputy Commissioner Inland Revenue (DCIR) for reconsideration. During the period, DCIR issued demand notices against tax years 2009 to 2011 amounting to Rs 293 million. In addition he has also issued assessment order and demand notice for 2012 amounting to Rs 458 million.

For the tax years 2009, 2010 & 2011, the Company has preferred appeal against these demand notices before Appellate Tribunal Inland Revenue (ATIR) which is pending hearing. For the tax year 2012, Company is going into appeal with CIRA.

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

- b) WAPDA has raised invoices for liquidated damages to the company for the years ended June 30, 2009, 2010, 2011 and 2012 (after taking into account forced outage allowance stipulated under the terms of Power Purchase Agreement) on account of short supply of electricity by the Company, which was due to cash flow constraints of the Company as a result of default by WAPDA in making timely payments. Liquidated damages invoiced to the Company amount to Rs 12.645 billion. Estimated amount of liquidated damages are not expected to exceed Rs 17.768 billion as at March 31, 2013 based on the best estimate of the management of the Company.

The Company disputes and rejects the claim on account of liquidated damages 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 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.

Notes to and forming part of the Condensed Interim Financial Information

for the quarter and nine months ended March 31, 2013 (Un-audited)

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

- c) During the period, oil supplier of the Company has claimed additional late payment charges amounting to Rs 1.072 billion on account of delayed payments by the company. This claim pertains to revision of the basis of calculation which the oil supplier had been following since September 2008. Based on the company's best estimate the total amount of such claims is not expected to exceed Rs 1.378 billion as at March 31, 2013. The company disputes the claim lodged by the oil supplier since the management is of the view that there are adequate grounds to defend the revised claim. The ultimate outcome of the matter cannot presently be determined, and consequently, no provision for such late payment charges has been made in this condensed interim financial information.
- d) The Company has provided bank guarantee in favour of Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 536.276 million (June 30, 2012: Rs 71.449 million).

6.2 Commitments

- (i) Contracts for capital expenditure Rs 618.383 million (June 30, 2012: Rs 333.318 million).
- (ii) Letters of credit other than for capital expenditure Rs 436.972 million (June 30, 2012: Rs 347.294 million).

	Note	March 31, 2013	June 30, 2012
(Rupees in thousand)			
7. Property, plant and equipment			
Opening book value		18,264,486	16,958,177
Add: Additions/transfers during the period	7.1	392,081	3,171,673
		<u>18,656,567</u>	<u>20,129,850</u>
Less: Disposals/write-downs during the period (at book value)		33,263	1,175
Depreciation charged during the period		1,496,539	1,864,189
		<u>1,529,802</u>	<u>1,865,364</u>
		<u>17,126,765</u>	<u>18,264,486</u>

Notes to and forming part of the Condensed Interim Financial Information

for the quarter and nine months ended March 31, 2013 (Un-audited)

	March 31, 2013	June 30, 2012
Note	(Rupees in thousand)	
7.1	Following is the detail of additions/transfers during the period	
	Additions :	
	Buildings on freehold land	4,678
	Plant and machinery	270,124
	Gas turbine blading	2,850,928
	Auxiliary plant and machinery	31,382
	Office equipment	9,880
	Fixtures and fittings	66
	Vehicles	98
	<u>386,764</u>	<u>3,167,156</u>
	Transfers:	
	Vehicles	4,517
	<u>392,081</u>	<u>3,171,673</u>
8.	Trade debts	
	Trade debts	69,401,209
	Less: Provision for doubtful debts	68,298
	<u>61,416,695</u>	<u>69,332,911</u>
8.1	These are considered good and include an overdue amount of Rs 50,320 million (June 30, 2012: Rs 58,109 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.	

Notes to and forming part of the Condensed Interim Financial Information

for the quarter and nine months ended March 31, 2013 (Un-audited)

	Quarter ended		Nine months ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
	(Rupees in thousand)		(Rupees in thousand)	
9. Cost of sales				
Fuel cost	18,566,485	18,607,463	59,199,054	58,021,882
Salaries, wages and benefits	213,911	215,630	747,444	740,449
Plant maintenance	46,491	41,409	162,831	142,981
Gas turbines overhauls	64,243	68,964	153,329	191,187
Repair and renewals	21,824	14,577	47,776	157,337
Depreciation on property, plant and equipment	490,240	473,220	1,471,343	1,355,053
Amortisation on intangible assets	690	417	2,072	1,384
Provision for store obsolescence	15,017	9,808	45,051	29,424
	<u>19,418,901</u>	<u>19,431,488</u>	<u>61,828,900</u>	<u>60,639,697</u>

	Relationship with the Company	Nature of transaction	Nine months ended	
			March 31, 2013	March 31, 2012
			(Rupees in thousand)	
10. Transactions with related parties				
i. Associated undertakings		Purchase of services	1,359	810
		Sale of electricity	71,281,490	68,781,505
		Interest expense	346,371	431,347
		Interest income on late payments	4,355,016	6,105,380
ii. Post retirement benefit plans		Expense charged	110,233	143,036
iii. Key management personnel		Compensation	124,410	108,982

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

Notes to and forming part of the Condensed Interim Financial Information

for the quarter and nine months ended March 31, 2013 (Un-audited)

	March 31, 2013	June 30, 2012
	(Rupees in thousand)	
Period end balances		
Receivable from related parties	62,081,940	69,960,844
Payable to related parties	138,222	286,861

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

	March 31, 2013	March 31, 2012
	(Rupees in thousand)	
11. Cash generated from operations		
Profit before tax	8,497,153	6,174,588
Adjustments for :		
- Depreciation on property, plant and equipment	1,496,539	1,378,846
- Amortisation on intangible assets	2,072	1,384
- Depreciation on assets subject to finance lease	18,676	10,724
- Write-down of property, plant and equipment	24,762	-
- Profit on disposal of property, plant and equipment	(3,414)	-
- Income on bank deposits	(4,370)	(1,001)
- Provision for store obsolescence	45,051	29,424
- Advances written off	56	9,742
- Bad debts written off	663	-
- Provision for doubtful debts	813	-
- Staff retirement benefits accrued	90,401	124,838
- Finance cost	4,927,971	7,821,928
Profit before working capital changes	15,096,373	15,550,473
Effect on cash flow due to working capital changes		
(Increase)/decrease in current assets		
- Stores and spares	(292,066)	(481,029)
- Stock in trade	(603,230)	(1,849,902)
- Trade debts	7,914,739	17,541,752
- Loans, advances, deposits, prepayments and other receivables	(116,951)	727,186
Decrease in trade and other payables	(19,978,087)	(11,704,314)
	(13,075,595)	4,233,693
	2,020,778	19,784,166

Notes to and forming part of the Condensed Interim Financial Information

for the quarter and nine months ended March 31, 2013 (Un-audited)

	Nine months ended	
	March 31, 2013	March 31, 2012
	(Rupees in thousand)	
12. Cash and cash equivalents		
Cash and bank balances	332,379	711,526
Finances under mark-up arrangements - secured	(25,975,097)	(13,689,283)
	<u>(25,642,718)</u>	<u>(12,977,757)</u>

13. Date of authorisation for issue

This condensed interim financial information was authorised for issue on April 23, 2013 by the Board of Directors of the Company.

14. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.



Aftab Mahmood Butt
Chief Executive



Syed Nizam Ahmad Shah
Director