

**REPORT OF THE DIRECTORS  
FOR THE QUARTER ENDED SEPTEMBER 30, 2009**

The Directors have pleasure in presenting the financial statements (un-audited) for the period ended September 30, 2009.

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 station at Kot Addu.

Turnover for the review period was Rs. 20,325 Million and cost of sales was Rs. 17,728 Million. Profit after tax for the period was Rs.1,336 Million (compared to Rs. 1,536 Million in the corresponding period in 2008), resulting in an earnings per share (EPS) of Rs.1.52₹ per share (EPS Rs. 1.75 in corresponding period in 2008).

During the review period the Power Plant generated net output of 2,028 GWh of electricity, resulting in a load factor of 68.3% with an overall commercial availability of 98.4%. The fuel mix for the dispatched output being 82.2% on Low Sulphur Furnace Oil; 10% on High Speed Diesel; and 7.2% on Gas.

The Company's customer (WAPDA) caused payment/adjustment of Rs. 35,768 Million to be made against Capacity, Energy and other invoices. Receipt includes adjustment of overdue amount from WAPDA under circular debt resolution for Rs. 23,788 Million on September 30, 2009. The Company continues to actively pursue WAPDA for settlement of remaining outstandings.

With a view to remaining available to our customer, the Power Plant is operated and maintained at the highest international standards. During the review period, a major overhaul of one Gas Turbine and one Steam Turbine were completed as per plan. One Hot Gas Path Inspection and two Combustion Inspections were also successfully completed on the Gas Turbines as per plan.

The Company continues to progress matters in respect of its proposed Expansion Project of approximately 280 MW. It may, however, be noted that at this stage there is no assurance/guarantee that the Company will increase its generation capacity.

On behalf of the Board



Aftab Mahmood Butt  
Chief Executive

Islamabad: October 26, 2009



Kot Addu Power Company Limited

**CONDENSED INTERIM BALANCE SHEET  
AS AT SEPTEMBER 30, 2009 (UN-AUDITED)**

	Note	September 30, 2009 (Rupees in thousand)	June 30, 2009
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital 3,600,000,000 (June 2009: 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 2009: 880,253,228) ordinary shares of Rs 10 each		8,802,532	8,802,532
Capital reserve		444,451	444,451
Unappropriated profit		15,172,648	13,836,253
		24,419,631	23,083,236
<b>NON-CURRENT LIABILITIES</b>			
Long term loan-unsecured		5,147,476	5,147,476
Liabilities against assets subject to finance lease		46,075	46,214
Deferred liabilities		3,001,073	2,943,032
		8,194,624	8,136,722
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities		909,281	908,568
Finances under mark-up arrangements - secured		2,375,575	8,617,641
Trade and other payables	5	12,762,431	19,213,087
		16,047,287	28,739,296
<b>CONTINGENCIES AND COMMITMENTS</b>	6		
		48,661,542	59,959,254


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



Aftab Mahmood Butt  
Chief Executive




Kot Addu Power Company Limited

	Note	September 30, 2009 (Rupees in thousand)	June 30, 2009
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	18,327,259	18,504,118
Intangible assets		3,044	3,335
Assets subject to finance lease		47,448	46,745
Capital work-in-progress		215,799	212,606
Long term loans and deposits		34,706	29,621
		<u>18,628,256</u>	<u>18,796,425</u>
<b>CURRENT ASSETS</b>			
Stores and spares		3,020,721	3,131,479
Stock-in-trade		2,584,086	1,967,212
Trade debts	8	21,064,569	32,721,969
Loans, advances, deposits, prepayments and other receivables		3,126,993	2,941,816
Cash and bank balances		236,917	400,353
		<u>30,033,286</u>	<u>41,162,829</u>
		<u><u>48,661,542</u></u>	<u><u>59,959,254</u></u>
 Vince R. Harris OBE Director			

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT  
FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UN-AUDITED)**

	Note	For the Quarter	
		Jul 09 - Sep 09	Jul 08 - Sep 08
(Rupees in thousand)			
Sales		20,325,239	22,485,771
Cost of sales	9	<u>(17,727,636)</u>	<u>(19,676,903)</u>
<b>Gross profit</b>		2,597,603	2,808,868
Administrative expenses		(119,214)	(93,563)
Other operating income		<u>806,615</u>	<u>805,844</u>
<b>Profit from operations</b>		3,285,004	3,521,149
Finance cost		<u>(1,228,033)</u>	<u>(1,140,925)</u>
<b>Profit before tax</b>		2,056,971	2,380,224
Taxation		(720,576)	(844,080)
<b>Profit for the period</b>		<u><u>1,336,395</u></u>	<u><u>1,536,144</u></u>
Earnings per share -basic and diluted	Rupees	<u><u>1.52</u></u>	<u><u>1.75</u></u>

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

  
Aftab Mahmood Butt  
Chief Executive

  
Vince R. Harris OBE  
Director



Kot Addu Power Company Limited

**CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UN-AUDITED)**

	For the Quarter	
Note	Jul 09 - Sep 09	Jul 08 - Sep 08
	(Rupees in thousand)	
<b>Cash flows from operating activities</b>		
Cash generated from/(used in) operations	11      7,581,631	(539,578)
Finance cost paid	(684,473)	(807,567)
Taxes paid	(590,061)	(799,849)
Staff retirement benefits paid	(6,735)	(5,113)
	6,300,362	(2,152,107)
<b>Cash flows from investing activities</b>		
Fixed capital expenditure	(210,035)	(28,719)
Income on bank deposits received	629	115
Net increase in long term loans and deposits	(5,085)	(7,180)
Proceeds from sale of property, plant and equipment	153	-
	(214,338)	(35,784)
<b>Cash flows from financing activities</b>		
Repayment of liabilities against assets subject to finance lease	(2,132)	(1,412)
Dividend paid	(5,262)	(7,674)
	(7,394)	(9,086)
<b>Net increase/(decrease) in cash and cash equivalents</b>	6,078,630	(2,196,977)
<b>Cash and cash equivalents at beginning of the period</b>	(8,217,288)	(23,457,589)
<b>Cash and cash equivalents at the end of the period</b>	12      (2,138,658)	(25,654,566)

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

  
Aftab Mahmood Butt  
Chief Executive

  
Vince R. Harris OBE  
Director



Kot Addu Power Company Limited

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UN-AUDITED)**

(Rupees in thousand)

	Share capital	Capital reserve	Un-appro- priated profit	Total
<b>Balance as on June 30, 2008</b>	8,802,532	444,451	12,081,025	21,328,008
Profit for the period	-	-	1,536,144	1,536,144
<b>Balance as on September 30, 2008</b>	8,802,532	444,451	13,617,169	22,864,152
Final dividend for the year ended June 30, 2008 - Rs 2.20 per share	-	-	(1,936,557)	(1,936,557)
Profit for the period	-	-	4,136,211	4,136,211
Interim dividend - Rs 2.25 per share	-	-	(1,980,570)	(1,980,570)
<b>Balance as on June 30, 2009</b>	8,802,532	444,451	13,836,253	23,083,236
Profit for the period	-	-	1,336,395	1,336,395
<b>Balance as on September 30, 2009</b>	8,802,532	444,451	15,172,648	24,419,631

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

  
Aftab Mahmood Butt  
Chief Executive

  
Vince R. Harris OBE  
Director



Kot Addu Power Company Limited

**NOTES TO AND FORMING PART OF THE FINANCIAL INFORMATION  
FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UN-AUDITED)**

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, 2009.
3. This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting'.
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 8,369 million (June 2009: Rs 15,482 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 have 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 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 year would have been lower by Rs 2,712.237 million.

- (ii) The Company had obtained legal advice in connection with the establishment of Workers' Profit Participation Fund under Companies Profits (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, 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 is applicable to the Company and Company makes the principal payment on or before the date which is yet to be announced 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 Honourable 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 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) 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 152.235 million upto September 30, 2009 (June 2009: Rs 143.463 million). This discount is contingent upon the Company procuring atleast 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 76.117 million to the OEM out of the discount recognised upto September 30, 2009. 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 cashflow 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 beyond Rs 1.5 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 2009: Rs 88.111 million).
- (vi) The Company has provided guarantee in favour of Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 977.580 million (June 2009: Rs 977.580 million).

## 6.2 Commitments

- (i) Contracts for capital expenditure Rs 365.691 million (June 2009: Rs 2.001 million).
- (ii) Letters of credit other than for capital expenditure Rs 658.404 million (June 2009: Rs 438.510 million).

September 30,      June 30,  
2009                  2009  
(Rupees in thousand)

## 7. Property, plant and equipment

Opening book value		18,504,118	19,683,665
Add: Additions during the period	-note 7.1	<u>205,545</u>	<u>318,869</u>
		18,709,663	20,002,534
Less: Disposals during the period (at book value)		<u>153</u>	<u>666</u>
Depreciation charged during the period		<u>382,251</u>	<u>1,497,750</u>
		382,404	1,498,416
		<u><u>18,327,259</u></u>	<u><u>18,504,118</u></u>

### 7.1 Following is the detail of additions during the period

Buildings on freehold land	171	314
Plant and machinery	-	16,237
Gas turbine blading	203,891	293,304
Auxiliary plant and machinery	950	6,125
Office equipment	<u>533</u>	<u>2,889</u>
	<u>205,545</u>	<u>318,869</u>

## 8. Trade debts

Trade debts	- note 8.1	21,167,249	32,824,649
Less: Provision for doubtful debts		<u>102,680</u>	<u>102,680</u>
		<u><u>21,064,569</u></u>	<u><u>32,721,969</u></u>

- 8.1 These are considered good and include an overdue amount of Rs 12,249 million (June 2009: Rs 25,619 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.



Sept. 30,            Sept. 30,  
2009                    2008  
(Rupees in thousand)

**12. Cash and cash equivalents**

Cash and bank balances	236,917	184,323
Finances under mark up arrangements - secured	(2,375,575)	(25,838,889)
	<u>(2,138,658)</u>	<u>(25,654,566)</u>

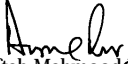
**13. Proposed dividend**

The Board of Directors of the Company have proposed a final dividend for the year ended June 30, 2009 of Rs 4.20 per share amounting to Rs 3,697.064 million at their meeting held on September 03, 2009 for approval of the members at the Annual General Meeting to be held on October 26, 2009. 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. This condensed interim financial information was authorised for issue on October 26, 2009 by the Board of Directors of the Company.

**15. Corresponding figures**

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

  
Vince R. Harris OBE  
Director



Kot Addu Power Company Limited