



# 3rd Quarter Report

March 31, 2019 (un-audited)

**KOT ADDU POWER COMPANY LIMITED**

## Company Information

Board of Directors	Lt. General (Retd) Muzammil Hussain (Chairman) Mr. Aftab Mahmood Butt (Chief Executive) Mr. Owais Shahid <sup>*</sup> Mr. Aqeel Ahmed Nasir Mr. Saad Iqbal Mr. Muhammad Arshad Ch. Mr. Muhammad Ikram Khan Ms. Zunaira Azhar
Audit Committee	Mr. Owais Shahid (Chairman) Mr. Saad Iqbal Mr. Muhammad Arshad Ch. Mr. Muhammad Ikram Khan
HR Committee	Mr. Aqeel Ahmed Nasir (Chairman) Mr. Aftab Mahmood Butt Mr. Muhammad Ikram Khan
LDS Committee	Mr. Aqeel Ahmed Nasir (Chairman) Mr. Aftab Mahmood Butt Mr. Saad Iqbal
General Manager Finance / CFO	Mr. M. Mohtashim Aftab
Company Secretary	Mr. A. Anthony Rath
Head of Internal Audit	Mr. Sikandar Usmani
Auditors	Deloitte Yousuf Adil Chartered Accountants
Internal Auditors	EY Ford Rhodes Chartered Accountants
Legal Advisor	Cornelius, Lane & Multi
Bankers	<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 United Bank Limited  <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
Share Registrar	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
Registered Office	Office No. 309, 3rd Floor, Evacuee Trust Complex Agha Khan Road, F-5/1, Islamabad, Pakistan
Corporate Office	5 B/3, Gulberg III, Lahore 54660, Pakistan Tel: +92 (0)42 3577 2912-6 Fax: +92 (0)42 3577 2922
Power Project	Kot Addu Power Complex, Kot Addu District Muzaffargarh, Punjab, Pakistan Tel: +92 (0)66 230 1047-9 Fax: +92 (0)66 230 1025
Email	Info@kapco.com.pk
Website	www.kapco.com.pk

<sup>\*</sup> Mr. Owais Shahid resigned from the Board of Directors of the Company with effect from March 25, 2019. The casual vacancy will be filled in due course in accordance with the Listing Regulations of the Pakistan Stock Exchange (Code of Corporate Governance).

## Directors' Report

Half Year ended December 31, 2019

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

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

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

2. The composition of board is as follows:

Category	Names
Independent Directors	● Mr. Owais Shahid <sup>*</sup> ● Mr. Aqeel Ahmed Nasir ● Mr. Saad Iqbal
Executive Directors	● Mr. Aftab Mahmood Butt ● (Chief Executive)
Non-Executive Directors	● Lt. General Muzammil Hussain (Retd) ● Mr. Muhammad Arshad Chaudhry ● Mr. Muhammad Ikram Khan
Female Director	● Ms. Zunaira Azhar

### Committees of the Board:

Audit Committee	● Mr. Owais Shahid (Chairman) ● Mr. Muhammad Arshad Ch.	● Mr. Saad Iqbal ● Mr. Muhammad Ikram Khan
HR Committee	● Mr. Aqeel Ahmed Nasir (Chairman) ● Mr. Muhammad Ikram Khan	● Mr. Aftab Mahmood Butt
LDs Committee	● Mr. Aqeel Ahmed Nasir (Chairman) ● Mr. Saad Iqbal	● Mr. Aftab Mahmood Butt

\* Mr. Owais Shahid resigned from the Board of Directors of the Company with effect from March 25, 2019. The casual vacancy will be filled in due course in accordance with the Listing Regulations of the Pakistan Stock Exchange (Code of Corporate Governance).

It pleases us to present the financial statements (un-audited) for the period ended March 31, 2019.

For the nine month period, the Company's turnover was Rs. 54,978 Million, the cost of sales stood at Rs. 44,120 Million, and profit after tax was Rs. 12,464 Million (compared to Rs. 6,603 Million in the corresponding period last year), which resulted in an earnings per share (EPS) of Rs. 14.16 (EPS of Rs. 7.50 in the corresponding period of the previous year).

During the third quarter, the Power Plant generated 385 GWh of electricity (year to date generation level 3,002 GWh) at a load factor of 13.3% (year to date load factor 34.0%) and with an overall commercial availability of 94.8% (year to date overall availability 96.1%).

The off-taker continues to remain in default of its payment obligations. On March 31, 2019, the overdue receivables from the off-taker were Rs. 88,366 Million. The Company continues to pursue the off-taker and concerned Ministries in the Government of Pakistan for resolution of the matter.

As at March 31, 2019 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 commenced arbitration proceedings in Singapore under the International Chamber of Commerce (ICC) Rules for the settlement of this issue in accordance with the provisions of the Power Purchase Agreement. In March 2019 an oral hearing was held by the Tribunal in London, UK.

During the third quarter, period combustion inspection of 10 GTs (GT-1, 2, 3, 4, 5, 6, 7, 8, 13 & 14) were carried out as per plan.

We are pleased to announce an interim cash dividend of Rs. 1.50 per share, which will be paid to the shareholders whose names appear on the Company's Register of Members on June 10, 2019.

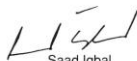


Aftab Mahmood Butt

Chief Executive

Lahore: April 26, 2019

On behalf of the Board



Saad Iqbal  
Director

## ڈائریکٹر رپورٹ

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

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

(a) مرد سات (7)

(b) خواتین ایک (1)

2- بورڈ کی ترتیب کی درج ذیل ہے:

کمیٹری	نام
خود ریڈائریکٹر	• جناب اویس شاہد • جناب سعد اقبال
ایگزیکٹو ڈائریکٹر	• جناب آفتاب محمود بٹ (چیف ایگزیکٹو)
ٹان ایگزیکٹو ڈائریکٹر	• لیفٹنٹ جنرل مزمل حسین (ریٹائرڈ) • جناب محمد ارشد چوہدری • جناب محمد اکرام خان
خاتون ڈائریکٹر	• محترمہ مدوہ نیر واظہر

بورڈ کی کمیٹیاں:

آڈٹ کمیٹی	• جناب اویس شاہد (چیرمین) • جناب محمد ارشد چوہدری • جناب سعد اقبال
ایچ آر کمیٹی	• جناب عقیل احمد ناصر (چیرمین) • جناب محمد اکرام خان • جناب آفتاب محمود بٹ
LDs کمیٹی	• جناب عقیل احمد ناصر (چیرمین) • جناب آفتاب محمود بٹ • جناب سعد اقبال

\* جناب اویس شاہد نے کئی سے بورڈ آف ڈائریکٹرز سے 25، 2019 کو تعلق رکھتے ہیں۔ اس کے علاوہ، چیرمین کوئی ایس کے مطابق مناسب ملے ہوئے ہیں۔

بیس 31 مارچ 2019 کو ٹائم ہونے والی مدت کے مالیاتی گوشوارے (غیر تصحیح شدہ) پیش کرنے پر غور ہو رہی ہے۔

مذکورہ مدت کے دوران کمپنی کا کاروبار جاری رہا۔ 54,978 ملین روپے تھا جس میں فروخت کی لاگت 44,120 ملین روپے تھی۔ لیس کی ادائیگی کے بعد منافع 12,464 ملین روپے رہا ہے (بیک گزشتہ سال اسی مدت کے دوران یہ منافع 6,603 ملین روپے تھا)۔ اس طرح اس سال آمدنی فی حصص (EPS) 14.16 روپے رہی ہے (بیک گزشتہ سال اسی مدت کے دوران یہ آمدنی 7.50 روپے فی حصص تھی)۔

تیسری سہ ماہی کے دوران اس کمپنی گہری مجموعی پیداوار 385 GWh تھی (بیک سال گہری مجموعی پیداوار 3,002 GWh تھی) جس کے نتیجے میں 13.3 فیصد لوڈ فیکٹر رہا ہے (اس طرح سال گہری کا لوڈ فیکٹر 34.0 فیصد رہا ہے) اور مجموعی تجارتی دستیابی 94.8 فیصد رہی ہے (بیک سال گہری مجموعی تجارتی دستیابی 96.1 فیصد تھی)۔

کمپنی کا خریدار اور ادائیگی کی ذمہ داری دار رقم کی ادائیگی کے ضمن میں مسلسل تاخیر ہو رہا ہے۔ 31 دسمبر 2019 تک کمپنی کے مختلف خریداروں کے ذمہ واجب الادا رقم 88,366 ملین روپے تھی۔ کمپنی مذکورہ ادائیجات کی رقم وصول کرنے کے لیے حکومت پاکستان کی مختلف وزارتوں سے اس معاملے پر بات کر رہی ہے۔

31 دسمبر 2019 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 نے کمپنی کی خریداری کے معاہدے کی دفعات کے مطابق اس مسئلے کے حل کے لیے بین الاقوامی ایوان تجارت (ICC) کے قواعد کے تحت سنگا پور میں ثالثی کارروائیوں کا آغاز کر دیا ہے۔ مارچ 2019 میں لندن برطانوی عدالت میں ایک زبانی سماعت ہو چکی ہے۔

تیسری سہ ماہی کے دوران منصوبے کے مطابق 10 گیس ٹرانپائپس (14 & 13، 7، 8، 5، 6، 4، 3، 2، 1-GT) کی حرارت پذیری کا مائیکرو کیا گیا۔

بیس 1.50 روپے فی حصص منافع کا اعلان کرتے ہوئے ٹوشیٹو موس بورسی ہے جو ان حصص مالکان کو ادائیگا جائے گا جن کے نام 10 جون 2019 تک کمپنی کے رجسٹر چارج ہو چکے۔

منجانب بورڈ

سعد اقبال  
ڈائریکٹر

آفتاب محمود بٹ  
چیف ایگزیکٹو

لاہور: 26 اپریل 2019ء

Condensed Interim Balance Sheet  
as at March 31, 2019 (Un-audited)

	March 31, 2019	June 30, 2018
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorised capital		
3,600,000,000 (June 30, 2018: 3,600,000,000)		
ordinary shares of Rs 10 each	36,000,000	36,000,000
Issued, subscribed and paid up capital		
880,253,228 (June 30, 2018: 880,253,228)		
ordinary shares of Rs 10 each	8,802,532	8,802,532
Capital reserve	444,451	444,451
Unappropriated profit	34,084,290	25,845,905
	43,331,273	35,092,888
NON-CURRENT LIABILITIES		
Liabilities against assets subject to finance lease	28,079	38,487
Deferred liabilities	4,058,702	2,710,085
	4,086,781	2,748,572
CURRENT LIABILITIES		
Current portion of long term liabilities	14,135	15,960
Finances under mark-up arrangements - secured	53,721,670	49,874,599
Provision for taxation - net	633,290	296,738
Trade and other payables	24,392,973	49,754,942
Unclaimed dividend	728,695	662,289
	79,490,763	100,604,528
CONTINGENCIES AND COMMITMENTS		
	126,908,817	138,445,988

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



Aftab Mahmood Butt  
Chief Executive Officer  
KOT ADDU POWER COMPANY LIMITED



M. Mohtashim Aftab  
Chief Financial Officer

		March 31, 2019	June 30, 2018
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	6,893,435	8,564,577
Intangible assets		4,908	7,462
Assets subject to finance lease		40,358	51,747
Capital work-in-progress		12,249	7,327
Long term loans and deposits		27,167	31,821
		6,978,117	8,662,934
CURRENT ASSETS			
Stores and spares		4,547,183	4,248,855
Stock-in-trade		5,630,783	6,717,597
Trade debts	8	106,285,930	115,472,114
Loans, advances, deposits, prepayments and other receivables		2,733,104	2,659,533
Cash and bank balances		733,700	684,955
		119,930,700	129,783,054
		126,908,817	138,445,988


  
 Saad Iqbal  
 Director

Condensed Interim Profit and Loss Account  
for the quarter and nine months ended March 31, 2019 (Un-audited)

	Note	Quarter ended		Nine months ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
		(Rupees in thousand)			
Sales		10,757,404	21,590,430	54,978,275	61,606,053
Cost of sales	9	(7,053,406)	(18,417,308)	(44,119,547)	(51,782,408)
Gross profit		3,703,998	3,173,122	10,858,728	9,823,645
Administrative expenses		(214,816)	(87,770)	(533,038)	(316,361)
Other operating expenses		(2,611)	(1,067)	(8,922)	(64,698)
Other income	10	3,676,320	1,735,642	14,059,507	4,718,509
Profit from operations		7,162,891	4,819,927	24,376,275	14,161,095
Finance cost		(2,125,531)	(1,608,933)	(6,525,932)	(4,693,489)
Profit before tax		5,037,360	3,210,994	17,850,343	9,467,606
Taxation		(1,570,821)	(1,003,464)	(5,386,743)	(2,864,745)
Profit for the period		3,466,539	2,207,530	12,463,600	6,602,861
Earnings per share					
- basic and diluted	Rupees	3.94	2.51	14.16	7.50

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.

  
Aftab Mahmood Butt  
Chief Executive Officer

  
M. Mohtashim Aftab  
Chief Financial Officer

  
Saad Iqbal  
Director

Condensed Interim Statement of Comprehensive Income  
for the quarter and nine months ended March 31, 2019 (Un-audited)

	Quarter ended		Nine months ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	(Rupees in thousand)			
Profit for the period	3,466,539	2,207,530	12,463,600	6,602,861
- 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	3,466,539	2,207,530	12,463,600	6,602,861

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



Aftab Mahmood Butt  
Chief Executive Officer



M. Mohtashim Aftab  
Chief Financial Officer



Saad Iqbal  
Director



**Condensed Interim Cash Flow Statement**  
for the nine months ended March 31, 2019 (Un-audited)

		Nine months ended	
		March 31, 2019	March 31, 2018
	Note	(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	12	8,057,491	9,182,515
Finance cost paid		(3,813,031)	(2,785,398)
Taxes paid		(3,783,376)	(3,547,300)
Staff retirement benefits paid		(33,877)	(13,024)
Net cash generated from operating activities		427,207	2,836,793
Cash flows from investing activities			
Fixed capital expenditure		(76,797)	(48,379)
Income on bank deposits received		14,581	22,403
Net decrease / (increase) in long term loans and deposits		4,654	(3,831)
Proceeds from sale of property, plant and equipment		3,071	11,708
Net cash used in investing activities		(54,491)	(18,099)
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(12,233)	(19,381)
Repayment of long term loans - unsecured		-	(193,097)
Dividend paid		(4,158,809)	(4,159,015)
Net cash used in financing activities		(4,171,042)	(4,371,493)
Net decrease in cash and cash equivalents		(3,798,326)	(1,552,799)
Cash and cash equivalents at beginning of the period		(49,189,644)	(45,503,456)
Cash and cash equivalents at the end of the period	13	(52,987,970)	(47,056,255)

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



Aftab Mahmood Butt  
Chief Executive Officer



M. Mohtashim Aftab  
Chief Financial Officer



Saad Iqbal  
Director

Condensed Interim Statement of Changes in Equity  
for the nine months ended March 31, 2019 (Un-audited)

	Share Capital	Capital reserve	Un-ap- propriated profit	Total
	(Rupees in thousand)			
Balance as at June 30, 2017	8,802,532	444,451	23,256,226	32,503,209
Total comprehensive income for the period	-	-	6,602,861	6,602,861
Transaction with owners:				
Final dividend for the year ended June 30, 2017 - Rs 4.75 per share	-	-	(4,181,203)	(4,181,203)
Interim dividend for the year ended June 30, 2018 - Rs 4.35 per share	-	-	(3,829,102)	(3,829,102)
Balance as at March 31, 2018	8,802,532	444,451	21,848,782	31,095,765
Profit for the period	-	-	4,014,224	4,014,224
Other comprehensive gain for the period:				
- Re-measurement of net defined benefit obligation - net of tax	-	-	(17,101)	(17,101)
Total comprehensive income for the period	-	-	3,997,123	3,997,123
Balance as at June 30, 2018	8,802,532	444,451	25,845,905	35,092,888
Total comprehensive income for the period	-	-	12,463,600	12,463,600
Final dividend for the year ended June 30, 2018 - Rs 4.80 per share	-	-	(4,225,215)	(4,225,215)
Balance as at March 31, 2019	8,802,532	444,451	34,084,290	43,331,273

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



Aftab Mahmood Butt  
Chief Executive Officer



M. Mohtashim Aftab  
Chief Financial Officer



Saad Iqbal  
Director

1. Legal status and nature of business

Kot Addu Power Company Limited ('the Company'), was incorporated in Pakistan on April 25, 1996 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The Company was listed on April 18, 2005 on Pakistan Stock Exchange Limited. The principal activities of the Company are to own, operate and maintain a multi-fuel fired power station with fifteen generating units with a nameplate capacity of 1,600 MW in Kot Addu, District Muzaffargarh, Punjab, Pakistan and to sell the electricity produced therefrom to a single customer, the Pakistan Water and Power Development Authority (WAPDA) under a Power Purchase Agreement (PPA). The PPA is for a term of 25 years which commenced from June 1996 and formal negotiations for its renewal can commence after the expiry of 23rd contract year.

2. Basis of preparation

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 Act, 2017. In case where the requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.

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

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

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

3.1 Changes in accounting standards

(a) IFRS 15 - Revenue from contracts with customers

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

The Company has determined that the adoption of IFRS 15 does not have any impact on the reported revenue of the Company for the period ended March 31, 2019.

(b) IFRS 9 - Financial Instruments

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

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

5. Trade and other payables

Trade and other payables include payable to Pakistan State Oil amounting to Rs 2,077 million (June 30, 2018: Rs 27,067 million) and Sui Northern Gas Pipelines Limited (SNGPL) amounting to Nil (June 30, 2018: Rs 4,227 million) against fuel supplies.

6. Contingencies and commitments

6.1 Contingencies

There has been no significant change in the status of the contingent liabilities disclosed as at June 30, 2018 except for the following:

- (i) Income tax returns of the Company for tax years 2003 to 2007 were filed, wherein, only normal tax depreciation was claimed. However, the aforesaid returns were revised thereby depreciation and initial allowance earlier claimed in respect of assets in the original income tax returns for tax periods upto June 27, 2006 were not claimed being the date upto which the Company was exempt from levy of income tax.

Tax depreciation in income tax return for tax year 2008 was also claimed with resultant written down value carried forward from tax year 2007, as computed in the revised return of income in accordance with position explained above. Such return and revised returns for tax year 2003 to 2007 were amended by Tax Authorities by restoring the earlier position and were also endorsed by Commissioner Inland Revenue (Appeals) [CIR(A)]. The Company preferred appeal before Income Tax Appellate Tribunal (ITAT) [now Appellate Tribunal Inland Revenue (ATIR)] against the decision of CIR(A) which was decided in Company's favor in April 2012. No appeal was filed by the Tax Department before High Court within the time stipulated under law.

Later on the Tax Department filed miscellaneous application for rectification before ATIR which was decided against the Company. Being aggrieved, the Company filed reference with the Honorable Lahore High Court (LHC) against this order.

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

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

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

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

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

- (iii) Additional Commissioner Inland Revenue amended the assessment of tax year 2016 and issued an order on October 13, 2017 creating a demand of Rs 1,162 million which was later reduced to Rs 1,077 million through rectification order. The Company filed an appeal before CIR(A) who vide order dated January 11, 2018 reduced the demand to Rs 779 million. The Company has also deposited Rs 300 million on account of WWF under protest. Being aggrieved with the order of the CIR(A), both the Tax Department and the Company filed appeals before the ATIR. ATIR passed an order wherein some of the issues were decided against the Company. The Company filed a reference in LHC against the order of ATIR. The LHC has set aside the order of ATIR and remanded the case back to ATIR for fresh adjudication.

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

- (iv) WAPDA had raised invoices for liquidated damages to the Company for the years ended June 30, 2009 through 2016 (after taking into account forced

outage allowance stipulated under the terms of PPA) on account of short supply of electricity by the Company, which was due to cash flow constraints of the Company as a result of default by WAPDA in making timely payments. Liquidated damages invoiced to the Company amount to Rs 27,898 million (June 30, 2018: Rs 27,898 million). Estimated amount of liquidated damages (including un-invoiced liquidated damages till March 31, 2019) are not expected to exceed Rs 27,681 million as at March 31, 2019 (June 30, 2018: Rs 27,681 million) based on the best estimate of the management of the Company.

The Company disputes and rejects any claim on account of liquidated damages that may be raised by WAPDA on the premise that its failure to dispatch electricity was due to WAPDA's non-payment of dues on timely basis to the Company and consequential inability of the Company to make timely payments to its fuel supplier (PSO) that resulted in inadequate level of electricity production owing to shortage of fuel. In this regard, the Company has initiated the dispute resolution procedures specified in the PPA and has commenced proceedings for Arbitration in Singapore under the rules of International Chamber of Commerce.

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

- (v) The Company has provided bank guarantee in favor of Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 4 million (June 30, 2018: Rs 12,304 million).

## 6.2 Commitments

- (i) Contracts for capital expenditure Rs 29 million (June 30, 2018: Rs 107 million).  
(ii) Letters of credit other than for capital expenditure Rs 400 million (June 30, 2018: Rs 178 million).

	Note	March 31, 2019	June 30, 2018
		(Rupees in thousand)	
7. Property, plant and equipment			
Opening Net Book Value (NBV)		8,564,577	10,813,412
Add: Additions / transfers during the period	7.1	71,730	133,150
		8,636,307	10,946,562
Less: Disposals during the period (at NBV)		11,993	94,905
Depreciation charged during the period		1,730,879	2,287,080
		1,742,872	2,381,985
		6,893,435	8,564,577

Notes to and forming part of the Condensed Interim Financial Statements  
for the quarter and nine months ended March 31, 2019 (Un-audited)

	Note	March 31, 2019 (Rupees in thousand)	June 30, 2018
7.1 Following is the detail of additions / transfers during the period			
Additions:			
Buildings on freehold land		-	98,947
Gas turbine blading		63,117	2,632
Auxiliary plant and machinery		3,248	3,415
Office equipment		3,234	6,678
Fixtures and fittings		311	-
		69,910	111,672
Transfers / adjustments:			
Vehicles		1,820	21,478
		71,730	133,150
8. Trade debts			
Trade debts	8.1	106,525,320	115,711,504
Less: Provision for doubtful debts		239,390	239,390
		106,285,930	115,472,114

8.1 These are considered good except Rs 239 million (June 30, 2018: Rs 239 million) which are considered doubtful. Trade debts include an overdue amount of Rs 88,366 million (June 30, 2018: Rs 95,976 million) receivable from WAPDA, which is a related party of the Company. The maximum aggregate amount outstanding during the period was Rs 130,346 million (June 30, 2018: Rs 116,360 million). The trade debts are secured by a guarantee from the Government of Pakistan under the Facilitation Agreement. These receivables 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.

	Quarter ended		Nine months ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	(Rupees in thousand)			
9. Cost of sales				
Fuel cost	5,494,753	16,897,542	40,060,594	47,564,826
Salaries, wages and benefits	386,549	335,639	1,446,024	1,207,040
Plant maintenance	54,007	81,461	217,324	213,797
Gas turbines overhauls	475,885	494,849	529,890	656,027
Repair and renewals	40,858	37,328	85,512	430,845
Depreciation on property, plant and equipment	556,987	557,471	1,671,016	1,679,620
Amortisation on intangible assets	851	1,078	2,554	3,249
Provision for store obsolescence	43,516	11,940	106,633	27,004
	7,053,406	18,417,308	44,119,547	51,782,408

Notes to and forming part of the Condensed Interim Financial Statements  
for the quarter and nine months ended March 31, 2019 (Un-audited)

10. Other operating income includes true-up income recognized during the period amounting to Rs 5,881 million (March 31, 2018: Nil), resulting from change in US Dollar-Pak Rupee exchange rate exceeding the threshold defined in PPA, as compared to rates used for indexation calculation of relevant CPP invoices, under section 13.4 (iv) of Part II of Schedule 6 to PPA.

		Nine months ended	
		March 31, 2019	March 31, 2018
		(Rupees in thousand)	
11. Transactions with related parties			
Relationship with the Company	Nature of transaction		
i. Associated undertakings			
- WAPDA	Purchase of services	78	1,940
- WAPDA	Sale of electricity	54,978,275	61,606,053
- WAPDA	Purchase of electricity	136,430	-
- WAPDA	Interest expense	-	33,570
- WAPDA	Interest income on late payments	8,080,615	4,630,889
- WAPDA	True-up income	5,880,763	-
ii. Post retirement benefit plans			
- KAPCO employees pension fund trust	Expense charged	63,707	16,534
- KAPCO employees provident fund trust	Expense charged	34,638	31,211
- KAPCO employees post retirement medical plan	Expense charged	14,774	12,688
- KAPCO employees post retirement electricity plan	Expense charged	47,464	48,181
iii. Key management personnel	Compensation	266,743	239,507

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

	March 31, 2019	June 30, 2018
	(Rupees in thousand)	
Period end balances		
Associated Undertakings		
Receivable from related parties	107,444,346	116,547,649
Payable to related parties	1,019,818	694,747

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



Notes to and forming part of the Condensed Interim Financial Statements  
for the quarter and nine months ended March 31, 2019 (Un-audited)

	Nine months ended	
	March 31, 2019	March 31, 2018
	(Rupees in thousand)	
12. Cash generated from operations		
Profit before tax	17,850,343	9,467,606
Adjustments for:		
- Depreciation on property, plant and equipment	1,730,879	1,715,545
- Depreciation on assets subject to finance lease	11,539	13,589
- Amortisation on intangible assets	2,554	3,249
- Loss on disposal of fixed assets	8,922	64,838
- Income on bank deposits	(14,581)	(22,403)
- Liabilities written back	(58,889)	-
- Provision for store obsolescence	106,633	27,004
- Staff retirement benefits accrued	125,944	77,403
- Finance cost	6,525,932	4,693,489
Profit before working capital changes	26,289,276	16,040,320
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stores and spares	(404,961)	(47,793)
- Stock-in-trade	1,086,814	(971,087)
- Trade debts	9,186,184	(14,678,392)
- Loans, advances, deposits, prepayments and other receivables	(73,577)	533,860
(Decrease) / increase in trade and other payables	(28,026,245)	8,305,607
	(18,231,785)	(6,857,805)
Cash generated from operations	8,057,491	9,182,515
13. Cash and cash equivalents		
Cash and bank balances	733,700	604,104
Finances under mark-up arrangements - secured	(53,721,670)	(47,660,359)
	(52,987,970)	(47,056,255)
14. Date of authorisation for issue		

This condensed interim financial information was authorised for issue on April 26, 2019 by the Board of Directors of the Company.

15. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim 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 have declared an interim cash dividend of Rs 1.50 per share (March 31, 2018: Nil), amounting to Rs 1,320 million (March 31, 2018: Nil) at their meeting held on April 26, 2019. 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.



Aftab Mahmood Butt  
Chief Executive Officer



M. Mohtashim Aftab  
Chief Financial Officer



Saad Iqbal  
Director