



3rd QUARTER REPORT

March 31, 2020 (un-audited)

KOT ADDU POWER COMPANY LIMITED

Contents

Company Information	1
Directors' Report (English)	2
Directors' Report (Urdu)	3
Condensed Interim Statement of Financial Position	4
Condensed Interim Statement of Profit and Loss	6
Condensed Interim Statement of Comprehensive Income	7
Condensed Interim Statement of Cash Flow	8
Condensed Interim Statement of Changes in Equity	9
Notes to and forming part of the Condensed Interim Financial Statements	10

Company Information

Board of Directors	<p>Lt. General (Retd) Muzammil Hussain (Chairman)</p> <p>Mr. Altaf Mahmood Butt (Chief Executive)</p> <p>Mr. Aqeel Ahmed Nasir</p> <p>Mr. Hafiz Muhammad Yousaf</p> <p>Mr. Saad Iqbal</p> <p>Ms. Zunaira Azhar</p> <p>Mr. Javed Akhtar</p> <p>Mr. Naveed Asghar Chaudhry</p>
Audit Committee	<p>Mr. Hafiz Muhammad Yousaf</p> <p>Mr. Saad Iqbal</p> <p>Mr. Javed Akhtar</p> <p>Mr. Naveed Asghar Chaudhry</p>
HR Committee	<p>Mr. Aqeel Ahmed Nasir (Chairman)</p> <p>Mr. Altaf Mahmood Butt</p> <p>Mr. Naveed Asghar Chaudhry</p>
LDS Committee	<p>Mr. Aqeel Ahmed Nasir (Chairman)</p> <p>Mr. Altaf Mahmood Butt</p> <p>Mr. Saad Iqbal</p>
Chief Financial Officer	Mr. Muhammad Rabnawaz Anjum
Company Secretary	Mr. A. Anthony Rafi
Head of Internal Audit	Mr. Sikandar Usmani
Auditors	<p>Deloitte Yousuf Adil</p> <p>Chartered Accountants</p>
Internal Auditors	<p>EY Ford Rhodes</p> <p>Chartered Accountants</p>
Legal Advisor	Cornelius, Lane & Mufti
Bankers	<p><u>Conventional</u></p> <p>Allied Bank Limited</p> <p>Askari Bank Limited</p> <p>Bank Al-Habib Limited</p> <p>Citibank, N.A.</p> <p>Faysal Bank Limited</p> <p>Habib Bank Limited</p> <p>Habib Metropolitan Bank Limited</p> <p>MCB Bank Limited</p> <p>National Bank of Pakistan</p> <p>Samba Bank Limited</p> <p>Standard Chartered Bank (Pakistan) Limited</p> <p>United Bank Limited</p> <p><u>Islamic</u></p> <p>AlBaraka Bank (Pakistan) Limited</p> <p>Askari Bank Limited-IBD</p> <p>Bank Alfalah Limited</p> <p>Bank Islami Pakistan Limited</p> <p>Dubai Islamic Bank Pakistan Limited</p> <p>Meezan Bank Limited</p> <p>National Bank of Pakistan-IBD</p> <p>Standard Chartered Bank (Pakistan) Limited-IBD</p> <p>The Bank of Punjab-IBD</p>
Share Registrar	<p>THK Associates (Private) Limited</p> <p>First Floor, 40-C, Block-6</p> <p>P.E.C.H.S.</p> <p>Karachi 75400, Pakistan</p> <p>Tel: +92 (0)21 111 000 322</p> <p>Fax: +92 (0)21 34168271</p>
Registered Office	<p>Office No. 309, 3rd Floor, Evacuee Trust Complex</p> <p>Agha Khan Road, F-5/1, Islamabad, Pakistan</p>
Corporate Office	<p>5 B/3, Gulberg III, Lahore 54660, Pakistan</p> <p>Tel: +92 (0)42 3577 2912-6</p> <p>Fax: +92 (0)42 3577 2922</p>
Power Project	<p>Kot Addu Power Complex, Kot Addu</p> <p>District Muzaffargarh, Punjab, Pakistan</p> <p>Tel: +92 (0)66 230 1047-9</p> <p>Fax: +92 (0)66 230 1025</p>
Email	Info@kapco.com.pk
Website	www.kapco.com.pk

Directors' Report

It pleases us to present the financial statements (un-audited) for the period ended March 31, 2020.

For the nine month period, the turnover was Rs. 56,396 Million; cost of sales were Rs. 40,721 Million; and profit after tax stood at Rs. 17,774 Million (compared to Rs. 9,992 Million in the corresponding period last year) giving an EPS of Rs. 20.19 (Rs. 11.35 in the corresponding period last year).

During the third quarter, the Power Plant generated 346 GWh of electricity (year to date generation level 2,621 GWh) at a load factor of 11.8% (year to date load factor 29.6%) with an overall commercial availability of 98.2% (year to date overall commercial availability 97.5%).

On March 31, 2020, the receivables of the Company amounted to Rs. 125,396 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, 2020, the accumulated amount of liquidated damages invoiced to the Company amount to Rs. 27,681 Million for the period 2008-09 to June 30, 2016. The Company 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 (PPA). As per legal advice received, the arbitration is proceeding satisfactorily.

During the third quarter, combustion inspection of seven gas turbines were carried out as per plan. Minor outage of a steam gas turbine along with replacement of new control system was also completed as per plan.

We draw your attention to note 2.2 of the financial statements in respect of the expiry of the PPA and going concern assumption.

The Cabinet Committee on Energy in its meeting held on April 2, 2020 constituted a committee under the chairmanship of the Federal Minister for Energy to deliberate various viable and mutually acceptable options to bring about a reduction in the power tariff for the end-consumer. The first meeting between the committee and all the power producers (including KAPCO) was held on April 16, 2020. A technical committee has been constituted to consult with the power producers on the issue raised and for seeking recommendations from IPPs on proposed areas of tariff reduction.

In view of the coronavirus pandemic, appropriate safeguards have been put in place by the Company at its power plant and adjoining colony for ensuring the safety of its employees and their families. Additionally, arrangements have been made for the continuous and reliable availability of the Company's power plant for power generation.

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

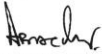
1. The total number of directors are eight (8) as per the following:
a) Male: Seven (7) b) Female: One (1)
2. The composition of the Board of Directors is as follows:

Category	Names
Independent Directors	● Mr. Aqeel Ahmed Nasir ● Mr. Saad Iqbal ● Mr. Hafiz Muhammad Yousaf ● Ms. Zunaira Azhar
Executive Directors	● Mr. Aftab Mahmood Butt (Chief Executive)
Non-Executive Directors	● Lt. General Muzammil Hussain (Retd) ● Mr. Naveed Asghar Chaudhry ● Mr. Javed Akhtar

Committees of the Board of Directors:

Audit Committee	● Mr. Hafiz Muhammad Yousaf (Chairman) ● Mr. Saad Iqbal ● Mr. Naveed Asghar Chaudhry ● Mr. Javed Akhtar
HR Committee	● Mr. Aqeel Ahmed Nasir (Chairman) ● Mr. Aftab Mahmood Butt ● Mr. Naveed Asghar Chaudhry
LDs Committee	● Mr. Aqeel Ahmed Nasir (Chairman) ● Mr. Aftab Mahmood Butt ● Mr. Saad Iqbal

On behalf of the Board


Aftab Mahmood Butt
Chief Executive
Lahore: April 22, 2020


Hafiz Muhammad Yousaf
Director

ڈائریکٹر رپورٹ

ہیں 31 مارچ 2020 کو ختم ہونے والی مدت کے مالیاتی گوشوارے (غیر منتقل شدہ) پیش کرنے پر خوش محسوس ہو رہی ہے۔
 مذکورہ مدت کے نو ماہ کے دوران کھٹی کا کاروباری حجم 56,396 ملین روپے تھا جس میں فروخت کی لاگت 40,721 ملین روپے تھی۔ ٹیکس کی ادائیگی کے بعد منافع 17,774 ملین روپے رہا ہے (جبکہ گزشتہ سال اسی مدت کے دوران یہ منافع 9,992 ملین روپے تھا)۔ اس طرح اس سال آمدنی فی شخص (EPS) 20.19 روپے رہی ہے (جبکہ گزشتہ سال اسی مدت کے دوران یہ آمدن 11.35 روپے فی شخص تھی)۔

تیسری سہ ماہی کے دوران اس کھٹی بھری پیداوار 346 GWh تھی (جبکہ سال بھری مجموعی پیداوار 2,621 GWh تھی) جس کے نتیجے میں 11.8 فیصد لوڈ فیکٹر رہا ہے (اس طرح سال بھری کا لوڈ فیکٹر 29.6 فیصد رہا ہے) اور مجموعی تجارتی دستیابی 98.2 فیصد رہی ہے (جبکہ سال بھری مجموعی تجارتی دستیابی 97.5 فیصد تھی)۔
 31 مارچ 2020 تک کھٹی کے متعلقہ خریداروں کے ذمہ واجب الادا رقم 125,396 ملین روپے تھی۔ کھٹی مذکورہ بتایا جات کی رقم وصول کرنے کے لیے حکومت پاکستان کی متعلقہ وزارتوں سے اس معاملے پر بات کر رہی ہے۔

31 مارچ 2020 تک کھٹی کے ذمہ 2008-09 سے 30 جون 2016 تک کے سالوں کے لیے نقصانات کے ازالے کی مجموعی رقم 27,681 ملین روپے بنتی ہے۔ کھٹی نے کھٹی کی خریداری کے معاملے (PPA) کی دفعات کے مطابق اس مسئلے کے حل کے لیے بین الاقوامی ایمان تجارت (ICC) کے قواعد کے تحت منگوا چکے ہیں جس کا کارروائی کا آغاز کر دیا ہے۔ موصولہ قانونی مشورہ کے مطابق چالٹی کا عمل تسلی بخش طریقے سے آگے بڑھ رہا ہے۔

تیسری سہ ماہی کے دوران منصوبے کے مطابق سات گیس ٹرانسوں کی حرارت پذیری کا معاہدہ کیا گیا۔ منصوبے کے مطابق نئے کنٹرول سسٹم کی تہہ کی کے ساتھ سٹیم گیس ٹرانس کی معمولی بندش کا کام بھی مکمل ہو گیا ہے۔

ہم آپ کی قوت PPA کی میعاد ختم ہونے اور حالیہ توثیق کے حوالے سے مالیاتی گوشواروں کے نوٹ 2.2 پر مزید دل کرتے ہیں۔

کاغذ کھٹی برائے توانائی نے 2 اپریل 2020 کو قوتی وزیر توانائی کی زیر صدارت اپنے اجلاس میں ایک کھٹی تشکیل دی تاکہ سمارٹ فین کے لئے کھٹی کے نرسوں میں کی لانے کے لیے مختلف قابل عمل اور باہمی طور پر قابل قبول طریقوں پر غور کیا جائے۔ مذکورہ کھٹی اور KAPCO سمیت تمام کھٹی پیدا کرنے والوں کے مابین پہلا اجلاس 16 اپریل 2020 کو ہوا تھا۔ اگلے سالے معاملے پر کھٹی پیدا کرنے والوں سے مشاورت کرنے اور تیرف میں کی کے گزشتہ معاملات پر آئی پی بی سے مشاورت طلب کرنے کے لیے ایک کھٹی تشکیل دی گئی ہے۔

کھٹی نے گورنر ناڈرا سے دوپائی مرض پر غور رکھتے ہوئے اپنے پاور پلانٹ اور اس سے متعلقہ کالونی میں اپنے ملازمین اور ان کے خاندانوں کی حفاظت کو یقینی بنانے کے لیے مناسب حفاظتی انتظامات کیے ہیں۔ مزید برآں کھٹی کی پیداوار کے لیے کھٹی کے پاور پلانٹ کی مستقل اور قابل اعتماد دستیابی کے لیے بھی انتظامات کیے گئے ہیں۔
 کھٹی نے مندرجہ ذیل طریقوں سے قوائدہ ضوابط کے تقاضوں کی تعمیل کی ہے۔

1۔ مندرجہ ذیل ترتیب سے ڈائریکٹر کی کھٹی تعداد آٹھ (8) ہے:

(a) مزد سات (7) (b) خواتین ایک (1)


2۔ بورڈ آف ڈائریکٹر کی ترتیب درج ذیل ہے۔

کھٹی	نام
فیہر چاہد اور ڈائریکٹر	• جناب حافظ محمد یوسف • جناب سعد اقبال • جناب آفتاب محمود بوت (چیف ایگزیکٹو)
ایگزیکٹو ڈائریکٹر	• لیاقت ہنزل محل حسین (ریٹائرڈ) • جناب جاوید اختر • جناب نوید اعمر چوہدری

آؤٹ کھٹی	• جناب حافظ محمد یوسف (چیرمین) • جناب نوید اعمر چوہدری • جناب سعد اقبال
ایچ آر کھٹی	• جناب فہیم احمد ناصر (چیرمین) • جناب نوید اعمر چوہدری • جناب آفتاب محمود بوت
LDs کھٹی	• جناب فہیم احمد ناصر (چیرمین) • جناب آفتاب محمود بوت • جناب سعد اقبال

منجانب بورڈ


 حافظ محمد یوسف
 ڈائریکٹر


 آفتاب محمود بوت
 چیف ایگزیکٹو آفیسر

لاہور: 22 اپریل 2020ء

Condensed Interim Statement of Financial Position
as at March 31, 2020

	Un-audited March 31, 2020 (Rupees in thousand)	Audited June 30, 2019
Note		
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorised capital		
3,600,000,000 (June 30, 2019: 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, 2019: 880,253,228) ordinary shares of Rs 10 each	8,802,532	8,802,532
Capital reserve	444,451	444,451
Unappropriated profit	47,047,262	31,914,164
	56,294,245	41,161,147
NON-CURRENT LIABILITIES		
Lease liabilities	15,655	25,106
Deferred liabilities	7,341,023	1,762,224
	7,356,678	1,787,330
CURRENT LIABILITIES		
Current portion of lease liabilities	14,005	12,976
Finances under mark-up arrangements - secured	50,153,045	54,180,294
Provision for taxation - net	-	641,741
Trade and other payables	28,649,219	40,138,658
Unclaimed dividend	783,545	1,344,900
	79,599,814	96,318,569
CONTINGENCIES AND COMMITMENTS		
	143,250,737	139,267,046

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer

		Un-audited	Audited
		March 31, 2020	June 30, 2019
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	4,655,606	6,337,095
Intangible assets		2,313	4,252
Right of use assets		22,976	34,721
Capital work-in-progress		4,988	4,988
Long term loans and deposits		16,239	25,395
Post retirement benefits		339,293	348,784
		5,041,415	6,755,235
CURRENT ASSETS			
Stores and spares		3,685,341	3,465,081
Stock-in-trade		4,902,822	9,466,456
Trade debts	8	125,396,426	115,798,387
Income tax due from government		1,678,382	-
Loans, advances, deposits, prepayments and other receivables		1,758,662	2,431,965
Cash and bank balances		787,689	1,349,922
		138,209,322	132,511,811
		143,250,737	139,267,046



Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Profit or Loss
for the nine months period ended March 31, 2020 (Un-audited)

		Three month ended		Nine months ended	
		March 31, 2020	March 31, 2019 (Restated)	March 31, 2020	March 31, 2019 (Restated)
	Note	(Rupees in thousand)			
Sales		11,927,297	10,757,404	56,396,719	54,978,275
Cost of sales	9	(6,356,828)	(7,053,406)	(40,720,742)	(44,119,547)
Gross profit		5,570,469	3,703,998	15,675,977	10,858,728
Administrative expenses		(197,496)	(214,816)	(670,340)	(533,038)
Other operating expenses		-	(2,611)	-	(8,922)
Other income	10	5,322,961	3,971,721	16,658,928	10,477,645
Profit from operations		10,695,934	7,458,292	31,664,565	20,794,413
Finance cost		(2,179,418)	(2,125,531)	(6,937,448)	(6,525,932)
Profit before tax		8,516,516	5,332,761	24,727,117	14,268,481
Taxation		(2,469,665)	(1,662,395)	(6,953,259)	(4,276,366)
Profit for the period		6,046,851	3,670,366	17,773,858	9,992,115
Earnings per share					
- basic and diluted	Rupees	6.87	4.17	20.19	11.35

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer



Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Comprehensive Income
for the nine months period ended March 31, 2020 (Un-audited)

	Three month ended		Nine months ended	
	March 31, 2020	March 31, 2019 (Restated)	March 31, 2020	March 31, 2019 (Restated)
	(Rupees in thousand)			
Profit for the period	6,046,851	3,670,366	17,773,858	9,992,115
- 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	6,046,851	3,670,366	17,773,858	9,992,115

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer



Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Cash Flows
for the nine months period ended March 31, 2020 (Un-audited)

		Nine months ended	
		March 31, 2020	March 31, 2019 (Restated)
	Note	(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	12	19,062,906	8,057,491
Finance cost paid		(8,638,163)	(3,813,031)
Taxes paid		(3,771,085)	(3,783,376)
Staff retirement benefits paid		(21,775)	(33,877)
Net cash from operating activities		6,631,883	427,207
Cash flows from investing activities			
Fixed capital expenditure		(20,262)	(76,797)
Income on bank deposits received		48,717	14,581
Net increase in long term loans and deposits		9,156	4,654
Proceeds from sale of property, plant and equipment		6,059	3,071
Net cash generated from / (used in) investing activities		43,670	(54,491)
Cash flows from financing activities			
Repayment of lease liabilities		(8,422)	(12,233)
Dividend paid		(3,202,115)	(4,158,809)
Net cash used in financing activities		(3,210,537)	(4,171,042)
Net increase / (decrease) in cash and cash equivalents during the period		3,465,016	(3,798,326)
Cash and cash equivalents at beginning of the period		(52,830,372)	(49,189,644)
Cash and cash equivalents at the end of the period	13	(49,365,356)	(52,987,970)

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer



Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Changes in Equity
for the nine months period ended March 31, 2020 (Un-audited)

	Share Capital	Capital reserve	Un-appro- priated profit	Total
	(Rupees in thousand)			
Balance as at June 30, 2018 (earlier reported)	8,802,532	444,451	25,845,905	35,092,888
Impact of change in accounting policy- IFRS 15 (net of tax)	-	-	(1,851,655)	(1,851,655)
Adjusted balance as at June 30, 2018	8,802,532	444,451	23,994,250	33,241,233
Total comprehensive income for the period (restated)	-	-	9,992,115	9,992,115
Transaction with owners				
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	29,761,150	39,008,133
Profit for the period	-	-	3,119,425	3,119,425
Other comprehensive gain for the period:				
- Re-measurement of post retirement benefits - net of tax	-	-	353,969	353,969
Total comprehensive income for the period	-	-	3,473,394	3,473,394
Transaction with owners				
Interim dividend for the year ended June 30, 2019 - Rs 1.50 per share	-	-	(1,320,380)	(1,320,380)
Balance as at June 30, 2019	8,802,532	444,451	31,914,164	41,161,147
Total comprehensive income for the period	-	-	17,773,858	17,773,858
Transaction with owners				
Final dividend for the year ended June 30, 2019 - Rs 3.00 per share	-	-	(2,640,760)	(2,640,760)
Balance as at March 31, 2020	8,802,532	444,451	47,047,262	56,294,245

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer



Hafiz Muhammad Yousaf
Director

1. Legal status and nature of business

Kot Addu Power Company Limited (the Company or KAPCO), 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).

2. Basis of preparation

2.1 These condensed interim financial statements are un-audited and have 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.

2.2 Expiry of PPA and going concern assumption

The existing PPA is for the term of 25 years which will expire on June 26, 2021. As per the stipulations of PPA relating to renewal, the Company has taken-up the matter for new or renewal / extension of PPA with WAPDA and other relevant quarters of the Government of Pakistan (GoP/Government).

The Government of Pakistan is in process of implementing reforms in the energy sector and is formulating a new energy policy for issuance and renewal of power purchase contracts. Under the proposed energy policy, a merchant market contract regime on competitive pricing mechanism (take & pay basis) is expected to be introduced, for both new and renewal cases. Since, the timeframe and structure of the new energy policy is being finalized, therefore, the terms and conditions of sale / purchase of electricity by the Company and the level of plant utilization beyond June 26, 2021, will be determined after the promulgation of the said policy and negotiations. It is expected that the Plant will be technically and commercially viable under the new regime.

2.3 Restatement true-up income

True-up income results from change in US Dollar - Pak Rupee exchange rate exceeding the threshold defined in PPA, compared to the rates used for indexation calculation of relevant CPP invoices, under section 13.4 (iv) of Part II of Schedule 6 of PPA. Previously the Company recorded true-up income on the basis of total CPP amount (including the CPP amount not yet realized) as on reporting date. At the financial year ended June 30, 2019, the application of IFRS 15 'Revenue from Contracts with customers' was assessed and it was concluded that true-up income contained variable consideration subject to significant uncertainties attributable to factors beyond the Company's

influence, therefore this income was recognized to the extent of firm up consideration i.e. to the extent of receipts of relevant underlying CPP invoices till reporting date. Therefore, during this period, the Company reduced true-up income of nine months ended March 31, 2019 by Rs 3,582 million, previously recognized in other income, attributable to delay in timing of recognition. Further, tax expense has also been reduced by Rs 1,110 million, having a total impact (net of tax) of Rs 2,471 million on profit after tax earlier reported for the comparative period.

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, 2019.

The principal accounting policies applied in the preparation of these condensed interim financial statements are the same, except for IFRS 16 'Leases', as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2019. Further, the basis of significant estimates are same as those that were applied to the financial statements for the year ended June 30, 2019.

4. Standards, amendments and interpretations

The new and revised relevant IFRSs effective in the current period had no significant impact on the amounts reported and disclosures in these condensed interim financial statements except for the following:

Impact of IFRS 16 - 'Leases'

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC-15, 'Operating Leases - Incentive', and SIC - 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces an on balance sheet lease accounting model for long term operating leases (short-term leases and leases where the underlying assets are of low value continue to be treated as off-balance sheet operating leases). A lessee recognizes a 'right of use' asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments.

Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases. However, SECP through S.R.O. 986 (I)/2019, dated September 2, 2019, has granted exemption from requirements of IFRS 16 to Power Companies to the extent of the power purchase agreements executed before the effective date of IFRS 16.

The Company has adopted IFRS 16 from July 1, 2019 for leases not falling under the domain of PPA. The Company has assessed that there is no impact of IFRS 16 on the Company's financial statements, results of transition is summarized below:

Previously used nomenclature	Current nomenclature	Amount as per IAS 17 (Rupees in thousand)	Amount as per IFRS 16
Assets subject to finance lease	Right of use assets	34,721	34,721
Liabilities against assets subject to finance lease	Lease liabilities	38,082	38,082

5. Trade and other payables

Trade and other payables include payable to Pakistan State Oil (PSO) amounting to Rs 1,969 million (June 30, 2019: Rs 4,105 million) and Sui Northern Gas Pipelines Limited (SNGPL) amounting to Rs 6,326 million (June 30, 2019: Rs 15,053 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, 2019 except 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 the Company's favor in April 2012. No appeal was filed by the Tax Department before Honorable Lahore High Court (LHC) within the time stipulated under law.

Later on the Tax Department filed miscellaneous applications for rectification before ATIR which was decided against the Company. Being aggrieved, the Company filed reference with the LHC against this order.

In 2018, 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 favor 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 allowing proper opportunity of being heard to both the parties, shall decide in detail these applications. Thus original orders passed by ATIR in favor of 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 decided in favor of the Company. Being aggrieved, the Company applied for leave of appeal from Honorable Supreme Court of Pakistan who vide their order dated August 21, 2019 remanded the case back to Lahore High Court to decide the same afresh after addressing the question of law involved therein.

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 these condensed interim financial statements.

- (ii) Additional Commissioner Inland Revenue amended the assessment of tax year 2016 and issued order by disallowing certain expenses, 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.

Being aggrieved with the order of the CIR(A), both the Department and the Company filed appeals before the ATIR. After hearing the stance of both the parties in appeal, ATIR proceeded to uphold the order passed by the learned CIR(A). Being aggrieved both the Department and the Company filed appeals before the Honorable Lahore High Court who vide their order dated February 22, 2019 remanded the case back to ATIR for fresh proceedings.

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 these condensed interim financial statements.

- (iii) Additional Commissioner Inland Revenue further amended the assessment of tax year 2018 and issued order on March 04, 2020 creating a demand of Rs 1,122 million on account of chargeability of tax on true-up income on accrual basis. The Company is of the view that true-up income being unrealized exchange gain, will be taxed on realization basis in the year of actual receipt. Therefore, Company filed an appeal before CIR(A) which is pending adjudication.
- (iv) Additional Commissioner Inland Revenue amended the assessment of tax year 2019 and issued order on March 05, 2020 creating a demand of Rs 2,203 million on account of chargeability of tax on true-up income, LP income from WAPDA and inadmissibility of few deductions and tax credits under section 65B.

The Company is of the view that true-up income being unrealized exchange gain and LP income still being receivable from WAPDA will be taxed on realization basis in the year of actual receipt. Similarly, other issues confronted on account of inadmissibility of deductions and tax credits have already been decided in favour of the Company at higher appellate forums in previous years. Therefore, the Company filed an appeal before CIR(A) which is pending adjudication.

- (v) Additional Commissioner Inland Revenue further amended the assessment of tax years 2014-2017 through orders dated January 01, 2020 by disallowing depreciation/initial allowance claimed on cost of assets amounting to Rs 80 million on the premise that the Company has already claimed tax credit u/s 65B on account of investment in BMR, on this amount. The approximate tax impact of this disallowance in four years amounts to Rs 28 million. The Company is of the view that it is entitled for both tax credit u/s 65B and depreciation u/s 22. Therefore, it filed an appeal before CIR(A) which is pending adjudication.
- (vi) Water and Power Development Authority (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, 2019: Rs 27,898 million). Estimated amount of liquidated damages are not expected to exceed Rs 27,681 million as at March 31, 2020 (June 30, 2019: Rs 27,681 million) based on the best estimate of the management of the Company.

The Company disputed and rejected the claim on account of liquidated damages that was 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 initiated the dispute resolution procedures specified in the PPA and commenced proceedings for Arbitration in Singapore under the rules of International Chamber of Commerce (ICC).

In June 2019, the ICC Tribunal in its partial award has decided matters related to its jurisdiction over WAPDA, Central Power Purchasing Agency (Guarantee) Limited (CPPA – G) and Government of Pakistan (GoP). After considering various factors including provisions of PPA, Facilitation Agreement and GoP's Guarantee, the ICC Tribunal has decided that it has jurisdiction over WAPDA and since then, the arbitration proceedings continue between WAPDA and the Company. In keeping with procedural timetable agreed, the Company submitted its Memorial and other related documents with the ICC Tribunal in November 2019.

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 condensed interim financial statements.

- (vii) The Company has provided bank guarantee in favor of Sui Northern Gas Pipelines Limited (SNGPL) on account of payment of dues against gas sales etc., amounting to Rs 4 million (June 30, 2019: Rs 4 million).

Notes to and forming part of the Condensed Interim Financial Statements
for the nine months period ended March 31, 2020 (Un-audited)

6.2 Commitments

- (i) Contracts for capital expenditure Rs 29 million (June 30, 2019: Rs 21 million).
- (ii) Letters of credit other than for capital expenditure Rs 344 million (June 30, 2019: Rs 128 million).
- (iii) Contracts for car ljarah are Rs 59 million (June 30, 2019: Rs 59 million).

		Un-audited March 31, 2020	Audited June 30, 2019
	Note	(Rupees in thousand)	
7. Property, plant and equipment			
Opening Net Book Value (NBV)		6,337,095	8,564,577
Add: Additions / transfers during the period	7.1	22,284	89,752
		6,359,379	8,654,329
Less: Disposals during the period (at NBV)		5,594	12,375
Depreciation charged during the period		1,698,179	2,304,859
		1,703,773	2,317,234
		4,655,606	6,337,095
7.1 Following is the detail of additions / transfers during the period			
Additions:			
Buildings on freehold land		-	13,861
Gas turbine blading		632	63,117
Auxiliary plant and machinery		19,039	4,829
Office equipment		589	3,632
Furniture and fixtures		-	311
		20,260	85,750
Transfers:			
Vehicles		2,024	4,002
		22,284	89,752
8. Trade debts			
Trade debts	8.1	125,588,981	116,027,489
Less: Provision for doubtful debts		192,555	229,102
		125,396,426	115,798,387

- 8.1 These are considered good except Rs 193 million (June 30, 2019: Rs 229 million) which are considered doubtful. Trade debts include an overdue amount (gross) of Rs 112,302 million (June 30, 2019: Rs 94,071 million) receivable from WAPDA, which is a related party of the Company. The maximum aggregate amount outstanding (gross) during the period was Rs 133,026 million (June 30, 2019: Rs 131,988 million). 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 Statements
for the nine months period ended March 31, 2020 (Un-audited)

	Three months ended		Nine months ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	(Rupees in thousand)			
9. Cost of sales				
Fuel cost	5,228,055	5,494,753	36,486,736	40,060,594
Salaries, wages and benefits	390,723	386,549	1,420,743	1,446,024
Plant maintenance	45,134	54,007	158,821	217,324
Gas turbines overhauls	94,100	475,885	778,145	529,890
Repair and renewals	58,952	40,858	240,521	85,512
Depreciation on property, plant and equipment	539,216	556,987	1,633,836	1,671,016
Amortisation on intangible assets	648	851	1,940	2,554
Provision for store obsolescence	-	43,516	-	106,633
	<u>6,356,828</u>	<u>7,053,406</u>	<u>40,720,742</u>	<u>44,119,547</u>

10. Other income includes True-up income recognized during the period amounting to Rs 6,441 million (March 31, 2019: Rs 2,299 million), 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 received during the period under section 13.4 (iv) of Part II of Schedule 6 of PPA.

		Nine months ended	
		March 31, 2020	March 31, 2019
		(Rupees in thousand)	
11. Transactions with related parties			
Relationship with the Company	Nature of transaction		
i. Associated undertakings			
- WAPDA	Sale of electricity	56,396,719	54,978,275
- WAPDA	Purchase of electricity	181,588	136,430
- WAPDA	Purchase of services	22	78
- WAPDA	Interest income on late payments	10,086,424	8,080,615
- WAPDA	True-up income	6,440,692	2,298,900
- WAPDA	Dividend paid	1,062,933	1,700,693
- KAPCO Employees Empowerment Trust	Dividend paid	144,757	231,612
ii. Post retirement benefit plans			
- KAPCO employees pension fund trust	Contributions paid	3,839	30,716
- KAPCO employees provident fund trust	Contributions paid	36,460	34,310
iii. Key management personnel (including directors)	Compensation	291,481	271,568

Notes to and forming part of the Condensed Interim Financial Statements
for the nine months period ended March 31, 2020 (Un-audited)

All transactions with related parties have been carried out on mutually agreed terms and conditions in accordance with various contracts in place.

	Un-audited March 31, 2020	Audited June 30, 2019
	(Rupees in thousand)	
Period end balances		
Associated Undertakings		
Receivable from related parties	125,890,599	116,195,070
Payable to related parties	2,460,980	1,493,621

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

	Nine months ended	
	March 31, 2020	March 31, 2019 (Restated)
	(Rupees in thousand)	
12. Cash generated from operations		
Profit before tax	24,727,117	14,268,481
Adjustments for:		
- Depreciation on property, plant and equipment	1,698,179	1,730,879
- Amortisation on intangible assets	1,940	2,554
- Depreciation on right of use assets	9,722	11,539
- (Gain) / loss on sale of fixed assets	(465)	8,922
- Liabilities written back	-	(58,889)
- Income on bank deposits	(48,717)	(14,581)
- Provision for store obsolescence	-	106,633
- Staff retirement benefits accrued	107,767	125,944
- Finance cost	6,937,448	6,525,932
Profit before working capital changes	33,432,991	22,707,414
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stores and spares	(220,259)	(404,961)
- Stock-in-trade	4,563,634	1,086,814
- Trade debts	(9,598,039)	12,768,046
- Loans, advances, deposits, prepayments and other receivables	673,303	(73,577)
Increase in trade and other payables	(9,788,724)	(28,026,245)
	(14,370,085)	(14,649,923)
Cash generated from operations	19,062,906	8,057,491

Notes to and forming part of the Condensed Interim Financial Statements
for the nine months period ended March 31, 2020 (Un-audited)

	March 31, 2020	March 31, 2019
	(Rupees in thousand)	
13. Cash and cash equivalents		
Cash and bank balances	787,689	733,700
Finances under mark-up arrangements - secured	(50,153,045)	(53,721,670)
	<u>(49,365,356)</u>	<u>(52,987,970)</u>

14. Date of authorisation for issue

This condensed interim financial information was authorised for issue on April 22, 2020 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 statement of financial position 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 statement of profit or loss, condensed interim statement of comprehensive income and condensed interim statement of cash flows 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 the restatement as mentioned in note 2.3.

16. Non-adjusting event after the statement of financial position date

The Board of Directors of the Company has declared an interim cash dividend of Rs 1.50 per share (March 31, 2019: Rs 1.50 per share), amounting to Rs 1,320 million (March 31, 2019: Rs 1,320 million) at their meeting held on April 22, 2020. These condensed interim financial statements do 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. Rabnawaz Anjum
Chief Financial Officer



Hafiz Muhammad Yousaf
Director