



1ST QUARTER REPORT

September 30, 2020
(un-audited)

**KOT ADDU
POWER COMPANY
LIMITED**

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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 (Chairman)</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>
Special Committee	<p>Mr. Naveed Asghar Chaudhry (Chairman)</p> <p>Mr. Altaf Mahmood Butt</p> <p>Mr. Aqeel Ahmed Nasir</p>
Chief Financial Officer	Mr. Muhammad Rabnawaz Ajnum
Company Secretary	Mr. A. Anthony Rath
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>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>BankIslami Pakistan Limited</p> <p>Dubai Islamic Bank Pakistan Limited</p> <p>Faysal Bank 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.E.C.H.S. Karachi 75400, Pakistan</p> <p>Tel: +92 (0)21 111 000 322, 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, 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 first quarter ended September 30, 2020.

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

The net output from the plant was 1,637 GWh of electricity, resulting in a load factor of 56.3% and an overall commercial availability of 96.7%.

Turnover for the review period was Rs. 23,400 Million and cost of sales were Rs. 17,597 Million. Profit after tax for the period was Rs. 6,202 Million (compared to Rs. 5,033 Million in the corresponding period in 2019), delivering an earnings per share (EPS) of Rs. 7.05.

On September 30, 2020, the receivables (including overdue receivables) from the Company's off-taker were Rs. 125,386 Million. The Company continues to actively pursue the off-taker and concerned Ministries in the Government of Pakistan for settlement of the outstanding receivables.

Kindly refer to Note 2.2 of the financial statements in respect of the expiry of the Company's Power Purchase Agreement on June 26, 2021 and going concern assumption.

The LDs arbitration between the Company and WAPDA continues. You may view Note 6.1(a)(iii) for details.

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 December 14, 2020.

The Company has complied with the requirements of the Code of Corporate Governance in the following manner:

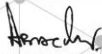
- The total number of Directors are eight (8) as per the following detail:
 - Male: Seven (7)
 - Female: One (1)
- The composition of the Board of Directors is as follows:

Category	Names
Independent Directors	<ul style="list-style-type: none">Mr. Aqeel Ahmed NasirMr. Hafiz Muhammad YousafMr. Saad IqbalMs. Zunaira Azhar
Executive Directors	<ul style="list-style-type: none">Mr. Aftab Mahmood Butt (Chief Executive)
Non-Executive Directors	<ul style="list-style-type: none">Lt. General Muzammil Hussain (Retd)Mr. Javed AkhtarMr. Naveed Asghar Chaudhry

Committees of the Board of Directors:

Audit Committee	<ul style="list-style-type: none">Mr. Hafiz Muhammad Yousaf (Chairman)Mr. Naveed Asghar ChaudhryMr. Saad IqbalMr. Javed Akhtar
HR Committee	<ul style="list-style-type: none">Mr. Aqeel Ahmed Nasir (Chairman)Mr. Naveed Asghar ChaudhryMr. Aftab Mahmood Butt
LDs Committee	<ul style="list-style-type: none">Mr. Aqeel Ahmed Nasir (Chairman)Mr. Saad IqbalMr. Aftab Mahmood Butt
Special Committee	<ul style="list-style-type: none">Mr. Naveed Asghar Chaudhry (Chairman)Mr. Aftab Mahmood ButtMr. Aqeel Ahmed Nasir

On behalf of the Board


Aftab Mahmood Butt
Chief Executive
Islamabad: October 23, 2020


Hafiz Muhammad Yousaf
Director

ہمیں 30 ستمبر 2020 کو ختم ہونے والی پہلی سہ ماہی تک کے مالیاتی گوشوارے (غیر منتقج شدہ) پیش کرنے پر خوش محسوس ہو رہی ہے۔
کمپنی کی بنیادی سرگرمی کوٹ اڈو میں اپنے گیس، فرنس آئل اور ڈیزل سے چلنے والے 1600 میگا واٹ کی استعداد کے حامل بجلی گھر/پاور پلانٹ کی ملکیت،
آپریشن اور دیگر بحال و مرمت ہے۔

زیر درجہ جازمہ مدت کے دوران، پلانٹ سے بجلی کی مجموعی پیداوار 1,637 GWh رہی، جس کے نتیجے میں 56.3 فیصد لوڈ فیکٹر اور مجموعی تجارتی دستیابی
96.7 فیصد رہی۔

جائزے کی مدت میں کمپنی کا کاروباری حجم 23,400 ملین روپے رہا ہے جس میں فروخت کی لاگت 17,597 ملین روپے ہے۔ ٹیکس کی ادائیگی کے بعد منافع
6,202 ملین روپے رہا ہے (جبکہ 2019 میں اسی مدت میں منافع 5,033 ملین روپے تھا)۔ اس طرح اس سال آمدن فی حصص (EPS) 7.05 روپے
رہی ہے۔

30 ستمبر 2020 تک خریدار کے ذمہ کمپنی کی واجب الادا رقم (بشمول زائد المعیاد واجب الادا رقم) 125,386 ملین روپے تھی۔ کمپنی مذکورہ بتایا جات کے
سلسلے میں متعلقہ خریدار اور حکومت پاکستان کی وزارتوں سے معاملات کے حل کے لیے مسلسل پیروی کر رہی ہے۔

بجلی کے معاہدے کی معیاد کے اختتام اور کمپنی کے قائم نہ رہنے کے حوالے سے ذکر مالیاتی گوشواروں کے نوٹ 2.2 میں کیا گیا ہے۔

واپڈ اور کمپنی کے درمیان ثالثی کی کارروائی جاری ہے۔ آپ مزید تفصیلات مالیاتی گوشواروں کے نوٹ 6.1 (a)(iii) میں ملاحظہ کر سکتے ہیں۔

ہمیں 1.50 روپے فی حصص منافع کا اعلان کرتے ہوئے خوش محسوس ہو رہی ہے جو ان حصص مالکان کو ادا کیا جائے گا جن کے نام 14 دسمبر 2020 تک کمپنی کے
رجسٹر موجود ہوں گے۔

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

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

(a) مرد سات (7)

(b) خواتین ایک (1)

2- بورڈ کی ترتیب درج ذیل ہے:

کمپنی	نام
خود مختار ڈائریکٹرز	• جناب عقیل احمد ناصر • جناب سعد اقبال • جناب حافظ محمد یوسف • محترمہ مزونہ طاہر
ایگزیکٹو ڈائریکٹرز	• جناب آفتاب محمود بٹ (چیف ایگزیکٹو)
ٹران ایگزیکٹو ڈائریکٹرز	• لیفٹیننٹ جنرل مہمل حسین (رٹائرڈ) • جناب جاوید اختر • جناب نوید اصغر چوہدری

بورڈ کی کمیٹیاں:	• آڈٹ کمیٹی • جناب حافظ محمد یوسف (چیئر مین) • جناب سعد اقبال • جناب جاوید اختر • جناب نوید اصغر چوہدری
ایچ آر کمیٹی	• جناب عقیل احمد ناصر (چیئر مین) • جناب آفتاب محمود بٹ • جناب نوید اصغر چوہدری
LDs کمیٹی	• جناب عقیل احمد ناصر (چیئر مین) • جناب آفتاب محمود بٹ • جناب سعد اقبال
سکینس کمیٹی	• جناب نوید اصغر چوہدری (چیئر مین) • جناب آفتاب محمود بٹ • جناب عقیل احمد ناصر

منجانب بورڈ

حافظ محمد یوسف
ڈائریکٹر

آفتاب محمود بٹ
چیف ایگزیکٹو آفیسر

اسلام آباد: 23 اکتوبر 2020ء

Condensed Interim Statement of Financial Position
as at September 30, 2020

	Un-audited September 30, 2020	Audited June 30, 2020
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorised capital		
3,600,000,000 (June 30, 2020: 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, 2020: 880,253,228)		
ordinary shares of Rs 10 each	8,802,532	8,802,532
Capital reserve	444,451	444,451
Unappropriated profit	57,305,322	51,103,528
	66,552,305	60,350,511
NON-CURRENT LIABILITIES		
Lease liabilities	9,807	11,065
Deferred liabilities	9,585,197	8,505,835
	9,595,004	8,516,900
CURRENT LIABILITIES		
Current portion of lease liabilities	12,576	14,288
Finances under mark-up arrangements - secured	39,750,211	44,062,195
Trade and other payables	21,467,801	20,784,614
Unclaimed dividend	797,599	794,671
	62,028,187	65,655,768
CONTINGENCIES AND COMMITMENTS		
	138,175,496	134,523,179

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


Aftab Mahmood Butt
Chief Executive Officer


M. Rabnawaz Anjum
Chief Financial Officer

		Un-audited September 30, 2020	Audited June 30, 2020
Note		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	3,570,141	4,106,460
Intangible assets		5,386	7,235
Right-of-use assets		16,529	19,064
Long term loans and deposits		11,738	12,508
		3,603,794	4,145,267
CURRENT ASSETS			
Stores and spares		3,721,941	3,855,364
Stock-in-trade		1,731,186	2,700,672
Trade debts	8	125,386,027	119,903,511
Advance income tax		1,358,564	1,540,711
Loans, advances, deposits, prepayments and other receivables		1,573,091	1,542,408
Cash and bank balances		800,893	835,246
		134,571,702	130,377,912
		138,175,496	134,523,179


 Hafiz Muhammad Yousaf
 Director

Condensed Interim Statement of Profit or Loss
for the quarter ended September 30, 2020 (Un-audited)

		Quarter ended	
		September 30, 2020	September 30, 2019
	Note	(Rupees in thousand)	
Sales		23,399,571	35,365,481
Cost of sales	9	(17,597,059)	(30,141,137)
Gross profit		5,802,512	5,224,344
Administrative expenses		(222,684)	(206,845)
Other income		4,054,530	4,367,353
Profit from operations		9,634,358	9,384,852
Finance cost		(893,338)	(2,292,069)
Profit before tax		8,741,020	7,092,783
Taxation		(2,539,226)	(2,059,521)
Profit for the period		6,201,794	5,033,262
Earnings per share - basic and diluted	Rupees	7.05	5.72

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


Aftab Mahmood Butt
Chief Executive Officer


M. Rabnawaz Anjum
Chief Financial Officer


Hafiz Muhammad Yousaf
Director

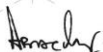
Condensed Interim Statement of Comprehensive Income
for the quarter ended September 30, 2020 (Un-audited)

Quarter ended
September 30, 2020, September 30,
2019

(Rupees in thousand)

Profit for the period	6,201,794	5,033,262
- 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	6,201,794	5,033,262

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



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer



Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Cash Flows

for the quarter ended September 30, 2020 (Un-audited)

		Quarter ended	
		September 30, 2020	September 30, 2019
	Note	(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	11	6,926,456	3,102,145
Finance cost paid		(1,300,449)	(1,891,282)
Taxes paid		(1,304,970)	(1,506,712)
Staff retirement benefits paid		(22,119)	(10,744)
Net cash generated from / (used in) operating activities		4,298,918	(306,593)
Cash flows from investing activities			
Fixed capital expenditure		(23,602)	(19,442)
Income on bank deposits received		2	1
Net increase in long term loans and deposits		770	3,278
Proceeds from sale of property, plant and equipment		1,585	2,664
Net cash used in investing activities		(21,245)	(13,499)
Cash flows from financing activities			
Repayment of lease liabilities		(2,970)	(2,839)
Dividend adjustment / (paid)		2,928	(68,180)
Net cash used in financing activities		(42)	(71,019)
Net increase / (decrease) in cash and cash equivalents during the period		4,277,631	(391,111)
Cash and cash equivalents at the beginning of the period		(43,226,949)	(52,830,372)
Cash and cash equivalents at the end of the period	12	(38,949,318)	(53,221,483)

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


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 quarter ended September 30, 2020 (Un-audited)

	Share capital	Capital reserve	Un-appro- priated profit	Total
	(Rupees in thousand)			
Balance as at June 30, 2019	8,802,532	444,451	31,914,164	41,161,147
Total comprehensive income for the period	-	-	5,033,262	5,033,262
Balance as at September 30, 2019	8,802,532	444,451	36,947,426	46,194,409
Transactions with owners:				
Final dividend for the year ended June 30, 2019 - Rs 3.00 per share	-	-	(2,640,760)	(2,640,760)
Profit for the period	-	-	18,579,931	18,579,931
Other comprehensive income:				
- Re-measurement of net defined benefit obligation - net of tax	-	-	(462,689)	(462,689)
Total comprehensive income for the period	-	-	18,117,242	18,117,242
Transactions with owners:				
Interim dividend for the year ended June 30, 2020 - Rs 1.50 per share	-	-	(1,320,380)	(1,320,380)
Balance as at June 30, 2020	8,802,532	444,451	51,103,528	60,350,511
Total comprehensive income for the period	-	-	6,201,794	6,201,794
Balance as at September 30, 2020	8,802,532	444,451	57,305,322	66,552,305

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


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, Pakistan Water and Power Development Authority (WAPDA) under a Power Purchase Agreement (PPA).

2. Basis of preparation and measurement

2.1 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.

This condensed interim financial information does not include all the information required for annual financial statements including financial risk management information and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2020.

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, 2020. Further, the basis of significant estimates are same as those that were applied to the financial statements for the year ended June 30, 2020, except for estimation of provision for taxation as referred to in note 4.

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 expiry of PPA during this financial year indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern beyond June 26, 2021, and therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Currently, the Government is in the process of introducing reforms in the energy sector and formulating a new energy policy for issuance and renewal of power purchase contracts. Under the proposed energy policy, a Competitive Trading Bilateral Contracts Market (CTBCM) on competitive pricing mechanism is expected to be introduced, for both new and renewal cases. The Government formed a negotiation committee ("the Committee") on June 03, 2020, which as per its terms of reference (TOR), discussed / renegotiated the terms and conditions of PPAs with all the IPPs and also coordinated with other GoP institutions, including Ministry of Energy, CPPA-G,

NEPRA, NTDC etc. for this purpose.

The Management is in the process of discussions with the Committee and other GoP institutions on the possibilities of renewal / extension of the PPA including period and other commercial terms and conditions. During the period, a Memorandum of Understanding has been signed with the Committee which states, among other things, that the parties / GoP shall look into possibility of extension / renewal of KAPCO's PPA beyond June 26, 2021 on terms and conditions to be mutually agreed, keeping in view the commercial and technical viability of KAPCO's Power Plant. In addition, the Company will also have the option to sell electricity to CPPA-G and / or other Bulk Power Consumers.

The Company has successfully demonstrated the technical availability of the Plant during last 24 years through successful Annual Dependable Capacity tests. The Plant has been operated and maintained as per international best utility practices. Further, in the Management's view, the Plant has significance for the system operator, due to Plant's certain distinct capabilities and its strategic location in mid of the country. In view of the above, the management is optimistic about the potential of the Plant to be operational at varying levels of generation vis-à-vis the anticipated technical and commercial regime. Accordingly, the Company has prepared this financial information on a going concern basis.

3. Standards, amendments and interpretations to published approved accounting standards

3.1 Standards, amendments and interpretations to existing standards effective in current period

Certain standards, amendments and interpretations to approved accounting standards are effective for the annual periods beginning on or after January 1, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Certain standards, amendments to the approved accounting standards and interpretations are mandatory for future periods but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information.

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 (PSO) amounting to Nil (June 30, 2020: Rs 473 million) and Sui Northern Gas Pipelines Limited (SNGPL) amounting to Rs 549 million (June 30, 2020: Rs 200 million) against fuel supplies.

6. Contingencies and commitments

6.1 Contingencies

(a) There has been no significant change in the status of the contingent liabilities disclosed as at June 30, 2020 except the following:

(i) KAPCO was selected for audit of its sales tax affairs u/s 72B of the Sales Tax Act, 1990 for tax year 2017. After conducting the audit, Commissioner Inland Revenue (CIR) issued the assessment order on August 31, 2020 by creating a demand of Rs 2.6 billion on account of disallowance of input on capacity invoices and inadmissibility of input on various invoices under section 8 of the Sales Tax Act, 1990. The Company is of the view that issue of disallowance of input on capacity invoices has already been decided in favor of Power sector by Lahore High Court vide its judgment dated October 31, 2016. Similarly, for other input disallowances, there are meritorious grounds available to defend the case. Therefore, Company has filed an appeal in CIR-A which is pending 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.

(ii) For the tax period October 2014 to December 2017 a notice was issued to KAPCO to determine whether the output tax of Rs 1.3 billion reduced against credit notes issued by WAPDA was accurate as per section 9 of the Sales Tax Act, 1990. On August 05, 2020, DCIR issued an assessment order by rejecting the credit notes and created a demand of Rs 1.1 billion. KAPCO filed an appeal before CIR-A who remanded the case back to CIR 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.

(iii) 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, 2020: Rs 27,898 million). Estimated amount of liquidated damages are not expected to exceed Rs 27,681 million as at September 30, 2020 (June 30, 2020: Rs 27,681 million) based on the best estimate of 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 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 (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) and after considering various factors including provisions of PPA and Facilitation Agreement, ICC Tribunal has decided that it has jurisdiction over WAPDA and moving forward, the regular hearing of the case continues 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. Subsequent to the filing of WAPDA's memorial in February 2020, the Company filed its reply memorial and other related documents with ICC Tribunal in July 2020, to which WAPDA filed its rejoinder in September 2020 and the Company thereafter filed its rejoinder in October 2020.

According to legal advice, 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.

- (b) 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, 2020: Rs 4 million).

6.2 Commitments

- (i) Contracts for capital expenditure Nil (June 30, 2020: Rs 21 million).
(ii) Letters of credit other than for capital expenditure Rs 73 million (June 30, 2020: Rs 88 million).
(iii) Contracts for car ijara are Rs 52 million (June 30, 2020: Rs 54 million).

7. Property, plant and equipment

		Un-audited September 30, 2020	Audited June 30, 2020
	Note	(Rupees in thousand)	
Opening Net Book Value (NBV)		4,106,460	6,337,095
Add: Additions / transfers during the period	7.1	23,602	30,971
		4,130,062	6,368,066
Less: Disposals / adjustments during the period (at NBV)		73	6,530
Depreciation charged during the period		559,848	2,255,076
		559,921	2,261,606
		3,570,141	4,106,460

Selected Explanatory Notes to and Forming part of the Condensed Interim Financial Information
for the quarter ended September 30, 2020 (Un-audited)

		Un-audited September 30, 2020	Audited June 30, 2020
		(Rupees in thousand)	
	Note		
7.1 Following is the detail of additions / transfers during the period			
Additions:			
Gas turbine blading		23,257	2,184
Auxiliary plant and machinery		345	22,716
Office equipment		-	2,897
		23,602	27,797
Transfers:			
Vehicles		-	3,174
		23,602	30,971
8. Trade debts			
Trade debts	8.1	125,578,582	120,096,066
Less: Provision for doubtful debts		192,555	192,555
		125,386,027	119,903,511

8.1 These are considered good except Rs 193 million (June 30, 2020: Rs 193 million) which are considered doubtful. Trade debts include an overdue amount of Rs 106,831 million (June 30, 2020: Rs 99,362 million) receivable from WAPDA, which is a related party of the Company. The maximum aggregate amount outstanding during the period was Rs 126,395 million (June 30, 2020: Rs 129,750 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.

	Quarter ended	
	September 30, 2020	September 30, 2019
	(Rupees in thousand)	
9.	Cost of sales	
Fuel cost	16,215,889	28,529,201
Salaries, wages and benefits	608,165	642,533
Plant maintenance	36,849	46,271
Gas turbines overhauls	6,129	350,997
Repair and renewals	189,740	22,264
Depreciation on property, plant and equipment	538,438	549,224
Amortisation on intangible assets	1,849	647
	17,597,059	30,141,137

Selected Explanatory Notes to and Forming part of the Condensed Interim Financial Information
for the quarter ended September 30, 2020 (Un-audited)

			Quarter ended	
			September 30, 2020	September 30, 2019
			(Rupees in thousand)	
10. Transactions with related parties				
Relationship with the Company	Percentage of shareholding	Nature of transaction		
i. Associated undertakings				
- WAPDA	40%	Sale of electricity	23,399,571	35,365,481
- WAPDA	40%	Purchase of electricity	19,516	45
- WAPDA	40%	Purchase of services	840	22
- WAPDA	40%	Interest income on late payments	2,067,799	3,259,881
- WAPDA	40%	True-up income	1,967,639	1,095,766
- Samba Bank Limited	0%	Financial charges	14,203	18,485
- Pakistan Institute of Corporate Governance	0%	Purchase of services	431	100
ii. Post retirement benefit plans				
- KAPCO employees pension fund trust	0%	Contributions paid	7,908	3,839
- KAPCO employees provident fund trust	0%	Contributions paid	12,012	11,734
iii. Key management personnel				
(including directors)	0%	Compensation	126,315	152,927

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

		Un-audited	Audited
		September 30, 2020	June 30, 2020
		(Rupees in thousand)	
Period end balances			
Associated Undertakings			
Receivable from related parties		126,219,704	120,562,233
Payable to related parties		3,501,851	3,380,563

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

Selected Explanatory Notes to and Forming part of the Condensed Interim Financial Information
for the quarter ended September 30, 2020 (Un-audited)

	Quarter ended	
	September 30, 2020	September 30, 2019
	(Rupees in thousand)	
11. Cash generated from operations		
Profit before tax	8,741,020	7,092,783
Adjustments for:		
- Depreciation on property, plant and equipment	559,848	570,698
- Amortisation on intangible assets	1,849	647
- Depreciation on assets subject to finance lease	2,535	3,341
- Gain on sale of fixed assets	(1,513)	(2,248)
- Income on bank deposits	(2)	(1)
- Staff retirement benefits accrued	49,373	45,297
- Finance cost	893,338	2,292,069
Profit before working capital changes	10,246,448	10,002,586
Effect on cash flow due to working capital changes:		
Decrease / (increase) in current assets		
- Stores and spares	133,423	93,076
- Stock-in-trade	969,486	1,445,888
- Trade debts	(5,482,516)	(16,357,019)
- Loans, advances, deposits, prepayments and other receivables	(30,683)	179,676
Increase in trade and other payables	1,090,298	7,737,938
	(3,319,992)	(6,900,441)
Cash generated from operations	6,926,456	3,102,145

	September 30, 2020	September 30, 2019
	(Rupees in thousand)	
12. Cash and cash equivalents		
Cash and bank balances	800,893	1,280,086
Finances under mark-up arrangements - secured	(39,750,211)	(54,501,569)
	<u>(38,949,318)</u>	<u>(53,221,483)</u>

13. Date of authorisation for issue

This condensed interim financial information was authorised for issue on October 23, 2020 by the Board of Directors of the Company.

14. Corresponding figures

In order to comply with the requirements of IAS 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.

15. 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 (September 30, 2019: Nil), amounting to Rs 1,320 million (September 30, 2019: Nil) at their meeting held on October 23, 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