

December 31, 2020 (un-audited)



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Company Information

Board of Directors Lt. General (Retd) Muzammil Hussain (Chairman)

Mr. Aftab Mahmood Butt (Chief Executive)

Mr. Ageel Ahmed Nasir Mr. Hafiz Muhammad Yousaf Mr. Naveed Asghar Chaudhry Mr. Saad lobal

Mr. Javed Akhtar Ms. Zunaira Azhar

Audit Committee Mr. Hafiz Muhammad Yousaf (Chairman)

Mr. Saad Iqbal Mr. Javed Akhtar

Mr. Naveed Asghar Chaudhry HR Committee Mr. Ageel Ahmed Nasir (Chairman)

Mr. Aftab Mahmood Butt

Mr. Naveed Asghar Chaudhry LDs Committee Mr. Ageel Ahmed Nasir (Chairman)

Mr. Aftab Mahmood Butt

Mr. Saad lobal Special Committee Mr. Naveed Asghar Chaudhry (Chairman)

Mr. Aftab Mahmood Butt Mr. Ageel Ahmed Nasir

Chief Financial Officer Mr. Muhammad Rabnawaz Ainum

Company Secretary Mr. A. Anthony Rath Head of Internal Audit Mr. Sikandar Usmani Auditors

A.F. Ferguson & Co. Chartered Accountants Internal Auditors EY Ford Rhodes Chartered Accountants

Legal Advisor Cornelius, Lane & Mufti Bankers Conventional

Allied Bank Limited Askari Bank Limited Bank Al-Habib Limited Citibank, N.A. 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

Islamic AlBaraka Bank (Pakistan) Limited Askari Bank Limited-IBD Bank Alfalah Limited Banklslami Pakistan Limited Dubai Islamic Bank Pakistan Limited Faysal Bank Limited Meezan Bank Limited

National Bank of Pakistan-IBD

Standard Chartered Bank (Pakistan) Limited-IBD The Bank of Puniab-IBD

Share Registrar THK Associates (Private) Limited

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Registered Office 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

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Directors' Report

We are pleased to present the condensed interim financial statements (un-audited) for the half year ended December 31, 2020.

For the half year, the turnover was Rs. 34,076 Million; cost of sales were Rs. 22,686 Million; and profit after tax stood at Rs. 11,495 Million (compared to Rs. 11,727 Million in the corresponding period last year) giving an EPS of Rs. 13,36 (Rs. 13,32) in the corresponding period last year).

During the second quarter, the Power Plant generated 320 GWh of electricity (year to date generation level 1,991 GWh) at a load factor of 10.8% (year to date load factor 33.6%) with an overall commercial availability of 96.9% (year to date overall commercial availability 97.4%).

In the larger national interest and to maintain the sustainability of the power sector, at the request of the Government of Pakistan, the Company, inter alia, signed a Master Agreement and the Third Amendment to the Power Durestae Agreement (Third PPA Amendment Agreement) with the Pakistan Water and Power Development Authority (WAPDA) on February 11, 2021. On December 31, 2020, the overdue receivables from the offiaker amounted to Rs. 104.107 Million. Pursuant to the proposed settlement, the Company will receive outstanding amount as on November 30, 2020 in two (2) installments. The first installment will be 40%; and the second installment will be 60% to be paid within six (6) months after the date of first installment.

As at December 31, 2020 the accumulated amount of liquidated damages invoiced to the Company amount to St. 27,868 Million for the period 2008.09 (but June 90, 2016 by way of settlement of the LDs Arbitration (under the Third PPA Amendment Agreement), the parties will jointly approach the ICC Tribunal to settle all claims and counter claims by treating the outage periods as Other Force Majeure Event and the PPA term will be extended by 485 days (approximately sideem months). We draw your attention to the Emphasio of Matter pranagraph in Audior's Report in

The Company, WAPDA and the Central Purchasing Agency (Guarantee) Limited ("CPPA-G") have executed a Novation Agreement to transfer the rights, obligations and liabilities of WAPDA under the PPA in favour of CPPA-G as it is the market operator.

The aforementioned Agreements will require shareholders' approval in general meeting to become effective.

During the review period, combustion inspection of four (4) gas turbines were carried out as per plan.

The interim cash dividend of Rs. 1.50 per share (of Rs. 10 each) approved by the Board of Directors of the Company in their meeting held on October 23, 2020 was paid to entitled shareholders on December 30, 2020.

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

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

Category	Names	
Independent Directors	Mr. Aqeel Ahmed Nasir Mr. Hafiz Muhammad Yousaf Mr. Saad (pbal Ms. Zunaira Azhar	
Executive Director	 Mr. Aftab Mahmood Butt (Chief Executive) 	73
Non-Executive Directors	Lt. General Muzammil Hussain (Retd) Mr. Javed Akhtar Mr. Naveed Asghar Chaudhry	

Committees of the Board:

Audit Committee	Mr. Hafiz Muhammad Yousaf (Chairman)	 Mr. Saad lqbal
	 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 lqbal	
Special	Mr. Naveed Asghar Chaudhry (Chairman)	 Mr. Aftab Mahmood Butt
Committee	Mr. Ageel Ahmed Nasir	

On behalf of the Board

Aftab Mahmood Butt Chief Executive Lahore: February 18, 2021

KOT ADDU POWER COMPANY LIMITED

- 31 منت 2020 ، وفتع ہونے والی ششاری کے لیے مختفر عبوری مالیاتی حمیشوارے (غیر آ ڈٹ شدہ) بیش کررہے ہیں۔

ر کے گیر گونا مدنی 34,076 میں در بدی فروعت کے فواجات 22,686 میں چیز کو گئی کی اوا نگل کے بدویو نے واقعات کی دو کے ایم 13,727 انٹون تھی بھی کی جدا کہ فرائیس کا رہے 38,100 میں جدوی کا موجود 13,320 میں گئی 13,727 میں کا دورا

ور برا میں کے دوران پار پیان نے 230 کی گا استار آونگل پیدا کو (سال کے دوران پیدادار 1991 کریگا واقد کار 108 کیسند (سال کے لیادا کینئر 33.6 کیسر) اور 14 باری طور پر متابان کار روز 40 کیسر دی (سال کے لیے وقت کی شر 47.70 کیسر)

رچ زخل علادتی اورنگل شبید می سازه با برورند که بی خود سازه که به کاف ندا فرود کا 2021 کاروپا اسازه کردند اورنگل کاروپا کسام به سیست می تیری زخم به دوخل (PPP) می بینی بری زخم به مهاری اورند در می کافی می در بادید اورند که این در بادید اورند که بیت 10 فور 2000 میک دارید الارام آورد همان می او کیا بسائی در خواند اورند کاروپا کاروپا کاروپا کاروپا کاروپا کاروپا 16 کار کنار دارداد کیا بسائی در سازه کاروپا کاروپا

زیرجائزومدت کے دوران منصوبے کے مطابق 4 گیس ٹربائن کی حرارت پذیری کا معائد کیا گیا۔

نگل کے بدائد دار کارڈ (221ء 1920ء بدائد کے اسال کے 1920ء ہے کی شیر (فرخبز قے۔10ء ہے) میں کیٹرائے پیڈوامائر نے مقدر 2011ء مارکٹر کے 1921ء میں 1920ء بدائد کے اسال کے 1920ء ہے کہ انداز کی میں 1920ء ہے۔

كمينى فصوابط كار يرمتدرجية بل طريق مع مملدرآ مدكياب:

از کیشرز کی مجموق تعداد 8 اور ترب صب ذیل ہے:
 مرد سات (7)

b) خواتمن ایک (1)

بورة كى كمشان:

2- يورد كامجوعة حب ديل ب

کیدیگری 	۲۰
غيرجا نبدار ڈائز بکٹرز	 جناع شیل احمد ناصر جناب سعداقبال جناب سعداقبال
الميز يكثيوذا زيكثر	 جناب آ فآب مودبث (چيف البريكيو)
نان الكِز يَكِثْيودُ الرِّيكُثْرِ ز	 لیفنید جزل مزل شین (ریائزؤ) جناب جاویداخر جناب فریداهفر چیدری

آ ڈٹ کمیٹی	 جناب حافظ محمد يوسف (چيئر مين) جناب جاويداختر 	• جناب معدا قبال • جناب نویداصغر چوبدری
ایج آرکیوٹی	 جناب عقیل احد ناصر (چیئر مین) جناب نوید اصغرچو بدری 	• جناب آفآب محمود بث
LDs كميڻ	• جناب عقيل احمام (چيز مين)	• جناب آفآب محمود بث جناب معدا قبال
سيش كميني	• جناب نويداصغرچو بدري (چيئر مين)	• جناب آفاب محود ب جناب عليل احمد ناصر

منجا نب يورژ

مرائع معمد المعلم المعاملة المعالم المعاركة الميسر جيف الميزيكة الميسر

لا ہور: 18 فروری 2021ء

حافظاتر يوسف داريكر

Independent Auditor's Report to the Members of Kot Addu Power Company Limited Report on Review of Interim Financial Statements

Introductio

We have reviewed the accompanying condensed interim statement of financial position of Kot Ad-Power Company Limited as a Leocember 31, 2020 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three-month periods ended December 31, 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2020.

Sonno of rovious

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor to the Entity". Areview of Interim Financial International Engagement (International Engagement Standards) and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to:

- a) Note 2.3 to the interim financial statements, which describes that the Power Purchase Agreement is due to expire or June 26, 2021. The Company and the Power Purchase have signed amendment / extension of the current Power Purchase Agreement for a period of 16 months. The pending requisite approvals from the Shareholders of the Company and relevant authorities on the said agreement indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.
 - b) Note 7.1 (v) which describes that settlement of an Arbitration case between the Company and Pakistan Water and Power Development Authority (WAPDA) is dependent upon requisite approvals of a settlement arrangement between the two parties. Our conclusion is not modified in respect of this matter.

Other Matter

The interim financial statements of the Company for the six-month period ended December 31, 2019 and the annual financial statements of the Company for the year ended June 30, 2020 were reviewed and audited by another firm of Chartered Accountants who vide their reports dated February 21, 2020 and September 17, 2020 expressed an unmodified conclusion and unmodified opinion thereon respectively.

The engagement partner on the audit resulting in this independent auditor's report is Amer Raza Mir.

Chartered Accountants

Name of engagement partner: Amer Raza Mir

Lahore: February 24, 2021

Condensed Interim Statement of Financial Position

as at December 31, 2020 (Un-audited)

Un-audited Audited December 31. June 30 2020

Note (Rupees in thousand)

36,000,000

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

Issued, subscribed and paid up capital 880,253,228 (June 30, 2020: 880,253,228) ordinary shares of Rs 10 each

Capital reserve Unappropriated profit

NON-CURRENT LIABILITIES

Lease liabilities Deferred liabilities

CURRENT LIABILITIES

Current portion of long term liabilities Finances under mark-up arrangements Trade and other payables Unclaimed dividend

CONTINGENCIES AND COMMITMENTS

8.802.532 8.802.532 444.451 444.451 61.281.140 51.103.528 70.528.123 60.350.511

6.615 11.065 10.611.652 8.505.835 10.618.267 8.516.900

20.274 14.288 39.146.265 44,062,195 19.661.335 20.784.614 822.636 794.671 65,655,768

134.523.179

36,000,000

59,650,510

140.796.900

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

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Aftab Mahmood Butt Chief Executive Officer

M. Rabnawa Chief Financia

Un-audited 2020

Audited December 31, June 30 2020

Note

(Rupees in thousand)

ASSETS

NON-CURRENT ASSETS

Property, plant and equipment Intangible assets Right of use assets Long term loans and deposits

ſ	3,013,261	4,106,460
	3,580	7,235
-	13,403	19,064
	9,894	12,508
ì	3,040,138	4,145,267

CURRENT ASSETS

Stores and spares Stock-in-trade Trade debts Income tax due from government Loans, advances, deposits, prepayments and other receivables Cash and bank balances

	3,726,581	3,855,364
	6,397,678	2,700,672
9	118,504,305	119,903,511
	2,015,965	1,540,711
10	6,270,132	1,542,408
	842,101	835,246
	137,756,762	130,377,912

140,796,900

Hafiz Muhammad Yousaf Director

134.523.179

Condensed Interim Statement of Profit or Loss

for the three-month and six-month period ended December 31, 2020 (Un-audited)

		Three month ended		Six mon	th ended
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	Note	(Rupees in	thousand)	(Rupees in	thousand)
Sales	11	10,676,568	9,103,941	34,076,139	44,469,422
Cost of sales	12	(5,088,619)	(4,222,777)	(22,685,678)	(34,363,914)
Gross profit		5,587,949	4,881,164	11,390,461	10,105,508
Administrative expenses	3	(441,103)	(265,999)	(663,787)	(472,844)
Other income	13	3,044,941	6,968,614	7,099,471	11,335,967
Finance cost		(735,330)	(2,465,961)	(1,628,668)	_(4,758,030)
Profit before tax		7,456,457	9,117,818	16,197,477	16,210,601
Taxation		(2,160,259)	(2,424,073)	(4,699,485)	(4,483,594)
Profit for the period		5,296,198	6,693,745	11,497,992	11,727,007
Earnings per share	upees	6.02	7.60	13.06	13.32

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Aftab Mahmood Butt Chief Executive Officer M. Rabnawaz Anjum Chief Financia Officer

for the three-month and six-month period ended December 31, 2020 (Un-audited)

	Three mo	nth ended	Six mon	th ended
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in	thousand)	(Rupees in	thousand)
Profit for the period	5,296,198	6,693,745	11,497,992	11,727,007
- Items that will not be reclassified to profit or loss	-	-		-
Items that may be reclassified subsequently to profit or loss				
Other comprehensive income				
Total comprehensive income				
for the period	5,296,198	6,693,745	11,497,992	11,727,007

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Aftab Mahmood Butt Chief Executive Officer M. Rabnawaz Anjum Chief Financial Officer

Six month ended December 31, December 31

(Rupees in thousand)

2019

2020

(6.894)

(1.292.415)

(1.299.309)

4.922.785

(43,226,949)

(38,304,164)

16

(5,432)

(3,191,983)

(3.197,415)

243,808

(52,830,372)

(52,586,564)

Note

Cash flows from operating activities		
Cash generated from operations 15	12,419,846	13,729,007
Finance cost paid	(3,036,015)	(6,891,379)
Taxes paid	(3,118,156)	(3,425,091)
Staff retirement benefits paid	(41,081)	(14,540)
Net cash generated from operating activities	6,224,594	3,397,997
Cash flows from investing activities		
Fixed capital expenditure	(23,368)	(18,290)
Income on bank deposits received	16,956	51,582
Net decrease in long term loans and deposits	2,614	5,613
Proceeds from sale of property, plant and equipment	1,298	4,321
Net cash (used in) / generated from investing activities	(2,500)	43,226
Cash flows from financing activities		

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Aftab Mahmood Butt Chief Executive Officer M. Rabnawaz njum Chief Financia Officer Hafiz Muhammad Yousaf Director

KOT ADDU POWER COMPANY LIMITED

Repayment of lease liabilities

Net cash used in financing activities

Net increase in cash and cash equivalents

Cash and cash equivalents at beginning of

Cash and cash equivalents at end of the period

Dividend paid

during the period

the period

Condensed Interim Statement of Changes in Equity for the six-month period ended December 31, 2020 (Un-audited)

Share capital	Capital	Un-appro- priated profit	Total
	(Rupees in	thousand)	
8,802,532	444,451	31,914,164	41,161,147
	-	11,727,007	11,727,007
	-		
-	-	11,727,007	11,727,007
-	-	(2,640,760)	(2,640,760)
8,802,532	444,451	41,000,411	50,247,394
8,802,532	444,451	51,103,528	60,350,511
		11,497,992	11,497,992
-			
	-	11,497,992	11,497,992
		(1,320,380)	(1,320,380)
8.802.532	444,451	61,281,140	70,528,123
	8,802,532 8,802,532 8,802,532	Capital Capital (Rupees in 8,802,532 444,451 8,802,532 444,451 8,802,532 444,451	Share capital reserve priest reserve profit reserve profit (Rupees in thousand) 8,802,532 444,451 31,914,164 11,727,007 (2,640,760) 8,802,532 444,451 41,000,411 8,802,532 444,451 51,103,528 11,497,992 11,497,992 (1,320,380)

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Aftab Mahmood Butt Chief Executive Officer M. Rabnawak Anjum Chief Financia Officer

for the six-month period ended December 31, 2020 (Un-audited)

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 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act. 2017:
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act. 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements are un-audited and are being submitted to the members of the Company as required by Section 237 of the Companies Act, 2017 (the "Act").

These condensed interim financial statements do 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 these condensed interim financial statements 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. Furthermore, the basis of significant estimates are same as those that were applied to the preceding financial statements for the year ended June 30, 2020.

The financial statements have been prepared under the historic cost convention except certain employee benefits which are recognized on present value. The financial statements are prepared in Pak Rupees, which is the functional currency of the Company. Figures have been rounded off to the nearest thousand rupee unless otherwise specified.

2.3 Expiry of PPA and going concern assumption

The existing PPA which is for the term of 25 years is due to expire on June 26, 2021. In line with terms and conditions of the PPA, the Company had taken-up the matter for renewal / extension or revision of PPA with Water and Power Development Authority (WAPDA) and other relevant quarters of the Government of Pakistan (GoP).

Due to the expiry of the current PPA, a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern beyond June 26, 2021.

On June 03, 2020, the Government formed a negotiation committee (the Committee) to initiate discussion with Independent Power Producers (IPP) on various matters, which inter alia, included tariff concessions and other terms and conditions of respective PPAs and also to coordinate with other GoP institutions, including Ministry of Energy, Central Power Purchasing Agency Guarantee Limited (CPPA-G), WAPDA, National Electric Power Regulatory Authority (NEPRA), National Transmission and Dispatch Company (NTDC) etc. for this purpose. After several discussions with the Committee, a Memorandum of Understanding (MoU) was signed between the Committee and the Company on August 19, 2020.

Subsequent to the MoU, the Government of Pakistan through notification dated October 7, 2020 constituted the Implementation Committee to finalize the binding agreement based on the MoU referred above. After several discussions with the Implementation Committee, WAPDA ("Power Purchaser") signed the Third Amendment to the PPA and Master Agreement (the Agreements) on February 11, 2021. Pursuant to the terms of these Agreements, the outages due to fuel shortage during the period 2008-2016 will be treated as Other Force Majeure Event under the PPA and consequently, existing Term of PPA will be extended by 16 (sixteen) months. During this extended period of 16 (sixteen) months, the Company agrees to waive off any right to receive Capacity Payments in lieu of the Capacity Payments already received during the outage period. However, during this extended period, the Company will receive Energy Payments and other pass-through items. Furthermore, as per terms of the Master Agreement, WAPDA shall consent to

the extension of the PPA for an additional term following the expiry of the extended term as mentioned above. The Company will also have the option to sell electricity to other Bulk Power Consumers through wheeling arrangement.

The above Agreements have been approved by the Federal Cabinet, and the Company's Board of Directors, however, it shall be binding on the Company and WAPDA only after the required approval has been obtained from its Shareholders and amendments to the facilitation agreement have been approved by the GoP. The management is confident that these Agreements will be duly approved in due course.

Furthermore, keeping in view the Plant's operations and maintenance as per best utility practices and its significance to WAPDA due to its certain distinct capabilities and strategic location in mid of the country, 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 beyond the extended term. Accordingly, the Company has prepared these condensed interim financial statements on a going concern basis.

Standards, amendments and interpretations to published approved accounting standards

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 these condensed interim financial statements.

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 these condensed interim financial statements except for the following:

The Securities and Exchange Commission of Pakistan ('SECP') through SRO 229(I)/2019 dated February 14, 2019 notified that the standard IFRS 9, 'Financial Instruments' would be effective for reporting period / year ending on or after June 30, 2019. However, SECP through SRO 985 (I)/ 2019 dated September 30, 2019 granted exemption from applying Expected credit loss based impairment model to financial assets due from the Government till June

- 2021. The management of the Company believes that the application of this standard subsequent to June 30, 2021 will not have any material impact on the Company.
- Income tax expense is recognized based on management's best estimate of the weighted average income tax rate expected for the full financial year.

5. Finances under mark-up arrangements

		Un-audited December 31, 2020	Audited June 30, 2020
	Note	(Rupees in	thousand)
Under conventional finances- secured Under Islamic finances- secured Under Islamic finances- unsecured	5.1	17,745,390	20,545,528
	5.1	16,400,875	23,516,667
	5.2	5,000,000	-
		39,146,265	44,062,195

- 5.1 Finances under mark-up arrangements available from various commercial banks amount to Rs 29,983 million (June 30, 2020: Rs 30,572 million) and finances available under musharakah and murabaha arrangements amount to Rs 24,900 million (June 30, 2020: Rs 24,587 million). The rate of mark-up ranges from 6.98 percent to 10.50 percent (June 30, 2020: 8.8 percent to 15.1 percent) per annum on the balances outstanding. In the event, the Company fails to pay the balances on the expiry of the quarter, year or earlier demand, mark-up is to be computed at the rate of 20 percent to 24 percent (June 30, 2020: 20 percent to 24 percent) per annum on the balances ungal.
- 5.2 On December 8, 2020, the Company issued privately placed unsecured Sukuk certificates based on musharakah amounting to Rs 5,000 million at a mark-up of 0.70% per annum above three-month KIBOR. The mark-up on the Sukuk is payable on quarterly basis in arrear and the principal is payable on June 8, 2021.
- 5.3 Of the aggregate facility of Rs 229 million (June 30, 2020: Rs 227 million) for opening letters of credit and Rs 4 million (June 30, 2020: Rs 4 million) for guarantees, the amounts utilised as at December 31, 2020 were Rs 65 million (June 30, 2020: Rs 83 million) and Rs 4 million (June 30, 2020: Rs 4 million) respectively.
- 5.4 The aggregate running finances, short term finances and letters of credit and guarantees are secured by joint pari passu charge over current assets up to a limit of Rs 90,792 million (June 30, 2020: Rs 90,792 million) and ranking charge over current assets up to a limit of Rs 1,334 million (June 30, 2020: Rs 1,334 million).
- 5.5 The finances under mark-up arrangements include Nil (June 30, 2020: Rs 527 million) payable to Samba Bank Limited, a related party.

Notes to the Condensed Interim Financial Statements for the six-month period ended December 31, 2020 (Un-audited)

Trade and other payables

Trade and other payables include an amount of Rs 13,691 million (June 30, 2020. Rs 15,184 million) payable to the fuel suppliers on account of fuel supplies and late payment surcharge on credit supplies of fuel.

7. Contingencies and commitments

7.1 Contingencies

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

- (I) Additional Commissioner Inland Revenue amended the assessment of tax year 2017 and issued an order by disallowing certain expenses, on April 23, 2018 creating a demand of Rs 741 million. The Company filed an appeal before Commissioner Inland Revenue Appeals (CIR-Appeals). CIR-Appeals 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 favor. The Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR), which was subsequently decided in favor of the Company vide order dated January 06, 2021.
- (ii) Additional Commissioner Inland Revenue amended the assessment of tax year 2020 and issued order on February 01, 2021 creating a demand of Rs 6,121 million on account of chargeability of tax on true-up income, late payment (LP) income from WAPDA and inadmissibility of few deductions by disallowing certain expenses. 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 have already been decided in favor of the Company at higher appellate forums in previous years. Therefore, the Company has decided to file an appeal in CIRAppeals against the said order.

The management believes that there are meritorious grounds available to defend the foregoing demand. Consequently no provision has been recorded in these condensed interim financial statements.

(iii) Deputy Commissioner Inland Revenue issued sales tax assessment order on August 5, 2020 creating demand of Rs. 1,111 million by rejecting credit notes issued during the tax period October 2014 to November 2016. Being aggrieved, the Company filed an appeal before CIR-Appeals. CIR-Appeals remanded back the case to Tax department vide order dated September 24, 2020. The Tax department has filed an appeal with the ATIR against the decision of CIR-Appeals, which is pending adjudication. The management and the taxation expert of the Company believe that there are meritorious grounds available to defend the foregoing demand. Consequently, no provision has been recorded in these condensed interim financial statements.

(iv) Commissioner Inland Revenue (CIR) issued the assessment order on August 31, 2020 creating a demand of Rs 2,600 million 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 during the tax period July 2016 to June 2017. Being aggrieved, the Company filed an appeal before CIR-Appeals who vide order dated November 23, 2020 deleted all the issues except inadmissibility of input to the tune of Rs 4 million. Subsequent to the period ended December 31, 2020, tax department has filed an appeal in ATIR against the said order.

The management and the taxation expert of the Company believe that there are meritorious grounds available to defend the foregoing demand. Consequently, no provision has been recorded in these condensed interim financial statements.

(v) 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 December 31, 2020 (June 30, 2020: Rs 27,681 million) based on the best estimate of the management.

The Company disputed and rejected 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 commenced proceedings for Arbitration in Sligapore under the rules of International Chamber of Commerce (ICC).

Pursuant to the Master agreement and Third amendment to the Power Purchase Agreements signed between the Company and WAPDA ("Parties") subsequent to the period ended December 31, 2020, the Parties have agreed to settle the dispute outstanding in Arbitration and withdraw the above case from ICC tribunal. The above agreements shall be binding on the Parties after obtaining the requisite approvals from the relevant authorities as mentioned in note 2.3. (vi) Sui Northern Gas Pipelines Limited (SNGPL) has raised claims of late payment surcharge amounting to Rs 765 million (June 30, 2020: Rs 775 million). The Management is of the view that these claims are not as per the underlying agreements, therefore such claims have been disputed.

The management and the legal advisor of the Company believe that there are mentiorious grounds available to defend the foregoing claims. Consequently, no provision has been recorded in these condensed interim financial statements.

(vii) 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, 2020: Rs 4 million).

7.2 Commitments

- Contracts for capital expenditure Nil (June 30, 2020: Rs 21 million).
- (ii) Letters of credit other than for capital expenditure Rs 65 million (June 30, 2020: Rs 88 million).
- (iii) Contracts for car ijarah are Rs 48 million (June 30, 2020: Rs 54 million).

				Un-audited	Audited
				December 31, 2020	June 30, 2020
			Vote	(Rupees in	thousand)
8.	Prop	perty, plant and equipment			
	Ope	ning Net Book Value (NBV)		4,106,460	6,337,095
	Add	: Additions / transfers during the period	8.1	24,485	30,971
			200000	4,130,945	6,368,066
	Less	s: Disposals / adjustment during the period	ĺ		
		(at NBV)		782	6,530
		Depreciation charged during the period		1,116,902	2,255,076
				1,117,684	2,261,606
				3,013,261	4,106,460
	8.1	Following is the detail of additions / transfe during the period	rs		
		Additions:			
		Gas turbine blading	- [23.024	2,184
		Auxiliary plant and machinery		344	22,716
		Office equipment		-	2,897
				23,368	27,797
		Transfers (at NBV):			
		Vehicles		1,117	3,174
				24,485	30,971

Less: Provision for doubtful debts

Trade debtsTrade debts

	December 31, 2020	June 30, 2020
Note	(Rupees in	n thousand)
9.1	118,696,491	120,096,066
	192,186	192,555

Audited

119,903,511

Un-audited

118.504.305

9.1 These are considered good except Rs 192 million (June 30, 2020: Rs 193 million) which are considered doubtful. Trade debts include an overdue amount of Rs 104.107 million (June 30, 2020: Rs 99,362 million) receivable from WAPDA, which is a related party of the Company. The maximum aggregate amount outstanding (gross) 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.

10. Loans, advances, deposits, prepayments and other receivables

Advances to suppliers include advance paid to Pakistan State Oil Company Limited (PSO) amounting to Rs 4,489 million (June 30, 2020: Nil) against fuel supplies under the terms of Oil Supply Agreement (OSA).

		Three month ended		Six month ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		(Rupees in thousand)		(Rupees in thousand)	
11.	Sales				
	Energy purchase price	4,623,298	3,052,217	24,202,849	37,596,228
	Sales tax	(669,107)	(442,851)	(3,500,589)	(5,445,758)
	Net energy purchase price	3,954,191	2,609,366	20,702,260	32,150,470
	Capacity purchase price	6,722,377	6,494,575	13,373,879	12,318,952
		10,676,568	9,103,941	34,076,139	44,469,422
12.	Cost of sales				
	Fuel cost	3,970,788	2,729,480	20,186,677	31,258,681
	Salaries, wages and benefits	417,337	387,487	1,025,502	1,030,020
	Plant maintenance	71,695	67,416	108,544	113,687
	Gas turbines overhauls	50,224	333,048	56,353	684,045
	Repair and renewals	41,122	159,305	230,862	181,569
	Depreciation on property,				
	plant and equipment	535,646	545,396	1,074,084	1,094,620
	Amortization on intangible				
	assets	1,807	645	3,656	1,292
		5,088,619	4,222,777	22,685,678	34,363,914

			onth ended	Six mont	100
		December 31, 2020	December 31, 2019	December 31, 2020	2019
		(Rupees in	n thousand)	(Rupees in	thousand)
13.	Other Income				
	True-up income	884,125	3,428,783	2,851,764	4,524,549
	Interest on late payment				
	from WAPDA Other	2,120,223		4,188,022	6,716,909
	Other	40,593	82,803	59,685	94,509
		3,044,941	6,968,614	7,099,471	11,335,967
				Six month	n ended
				December 31,	
				2020	2019
				(Rupees in	thousand)
14.	Fransactions with related p	arties			
	Deletionship with Dever	estance of Mature	nf.		
	the Company Shan	anoluling trans	saction		
	i. Associated				
	- WAPDA	40% Sale of	f electricity	34.076.139	44.469.422
	- WAPDA		ase of electricity	96,262	103,597
	- WAPDA	40% Purcha	ase of services	1,852	22
	- WAPDA	40% Interes	st income on		
		late	payments	4,188,022	6,716,909
	- WAPDA	40% True-u	p income	2,851,764	4,524,549
	- WAPDA	40% Divider	nd paid	531,467	1,062,933
	 KAPCO Employees 				
			nd paid	72,379	144,757
		0% Financ	cial charges	23,667	53,755
		0% Purcha	ase of services	431	100
		00/ Contrib		40 774	0.000
		0% Contrit	outions paid	19,771	3,839
		ne/ Contrib	nutions paid	24 522	24 020
		U/o COMINE	Julions paid	24,332	24,039
		0% Compe	ensation	204.001	229.402
14.	the Company shan i. Associated undertakings - WAPDA	antage of Nature trans 40% Sale or 40% Purcha 40% Interes late 40% Divider 5% Divider 5% Divider 5% Divider 5% Contrib	f electricity ase of electricity ase of services as income on payments p income nd paid	34,076,139 96,262 1,852 4,188,022 2,851,764 531,467	2019 thousand) 44,469,422 103,597 22 6,716,909 4,524,549 1,062,933

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

Notes to the Condensed Interim Financial Statements

for the six-month period ended December 31, 2020 (Un-audited)

Un-audited Audited
December 31, June 30,

2020 2020 (Rupees in thousand)

Period end balances

Associated Undertakings

 Receivable from related parties
 118,827,885
 120,562,233

 Payable to related parties
 4,052,079
 3,380,563

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

15. Cash generated from operations

Profit before working capital changes

Profit before tax	16,197,477	16,210,601
Adjustments for:		
- Depreciation on property, plant and equipment	1,116,902	1,137,536
- Amortization on intangible assets	3,656	1,292
- Depreciation on right of use assets	4,543	6,650
- Gain on sale of fixed assets	(516)	(2,086)
- Income on bank deposits	(16,956)	(51,582)
- Staff retirement benefits accrued	98,745	77,042
- Finance cost	1,628,668	4,758,030

Effect on cash flow due to working capital changes: (Increase) / decrease in current assets	
(increase) / decrease in current assets	
 Stores and spares 	128,783
- Stock-in-trade	(3,697,006)
- Trade debts	1,399,206
 Loans, advances, deposits, prepayments 	5.555.00.00.00.00.00.00

and other receivables (4,727,724) 299,996 (8,090,576) (6,612,673) (8,408,476)

Cash generated from operations 12,419,846 13,729,007

December 31. December 31.

2020 2019 (Rupees in thousand)

19,032,519

22.137.483

128,472 2,015,324 (2,761,692)

16. Cash and cash equivalents

Cash and bank balances		842,101	842,504
Finances under mark-up arrangements	note 5	(39,146,265)	(53,429,068)
		(38,304,164)	(52,586,564)

Notes to the Condensed Interim Financial Statements for the six-month period ended December 31, 2020 (Un-audited)

17. Date of authorization for issue

These condensed interim financial statements were authorized for issue on February 18, 2021 by the Board of Directors of the Company.

18. Events after the reporting date

Except for subsequent events mentioned in note 2.3 & 7.1 to these condensed interim financial statements, there are no significant events that have occurred subsequent to the period ended December 31, 2020.

19. 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.

Aftab Mahmood Butt Chief Executive Officer M. Rabnawaz Injum Chief Financial Office