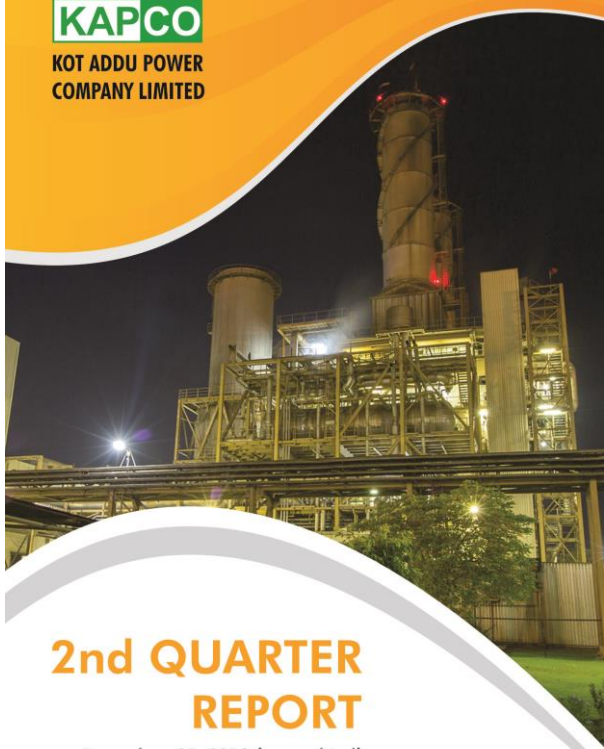




**KOT ADDU POWER
COMPANY LIMITED**



2nd QUARTER REPORT

December 31, 2019 (un-audited)

Company Information

Board of Directors	Lt. General (Retd) Muzammil Hussain (Chairman) Mr. Aftab Mahmood Butt (Chief Executive) Mr. Aqeel Ahmed Nasir Mr. Hafiz Muhammad Yousaf Mr. Saad Iqbal Ms. Zunaira Azhar Mr. Javed Akhtar Mr. Naveed Asghar Chaudhry ²
Audit Committee	Mr. Hafiz Muhammad Yousaf Mr. Saad Iqbal Mr. Javed Akhtar Mr. Naveed Asghar Chaudhry
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
General Manager Finance / CFO	Mr. M. Rabnawaz Anjum (Acting)
Company Secretary	Mr. A. Anthony Rath
Head of Internal Audit	Mr. Sikandar Usmani
Auditors	Deloitte Yousuf Adil Chartered Accountants
Internal Auditors	EY Ford Rhodes Chartered Accountants
Legal Advisor	Cornelius, Lane & 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 BankIslami Pakistan Limited Dubai Islamic Bank Pakistan Limited Faysal Bank Limited-IB Habib Bank Limited-IB Meezan Bank Limited National Bank of Pakistan-IBD Standard Chartered Bank (Pakistan) Limited-IBD The Bank of Punjab-IBD
Share Registrar	THK Associates (Private) Limited First Floor, 40-C, Block-6 P.E.C.H.S. Karachi 75400, Pakistan Tel: +92 (0)21 111 000 322 Fax: +92 (0)21 34168271
Registered Office	Office No. 309, 3rd Floor, Evacuee Trust Complex Agha Khan Road, F-5/1, Islamabad, Pakistan
Corporate Office	5 B/3, Gulberg III, Lahore 54660, Pakistan Tel: +92 (0)42 3577 2912-6 Fax: +92 (0)42 3577 2922
Power Project	Kot Addu Power Complex, Kot Addu District Muzaffargarh, Punjab, Pakistan Tel: +92 (0)66 230 1047-9 Fax: +92 (0)66 230 1025
Email	Info@kapco.com.pk
Website	www.kapco.com.pk

¹ Appointed Director of the Company in place of Mr. Muhammad Anshad Chaudhry on February 19, 2020

² Appointed Director of the Company in place of Mr. Muhammad Ikram Khan on February 19, 2020

Directors' Report

Half Year ended December 31, 2019

We are pleased to present the financial statements (un-audited) for the half year ended December 31, 2019.

For the half year, the turnover was Rs. 44,469 Million; cost of sales were Rs. 34,364 Million; and profit after tax stood at Rs. 11,727 Million (compared to Rs. 6,322 Million in the corresponding period last year) giving an EPS of Rs. 13.32 (Rs. 7.18 in the corresponding period last year).

During the second quarter, the Power Plant generated 174 GWh of electricity (year to date generation level 2,275 GWh) at a load factor of 5.9% (year to date load factor 38.4%) with an overall commercial availability of 97.5% (year to date overall commercial availability 97.1%).

On December 31, 2019, the overdue receivables amounted to Rs. 101,175 Million. The Company continues to pursue the off-taker and concerned Ministries in the Government of Pakistan for resolution of the matter.

As at December 31, 2019 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 has commenced arbitration proceedings in Singapore under the International Chamber of Commerce (ICC) Rules for the settlement of this issue in accordance with the provisions of the Power Purchase Agreement. As per legal advice received, the arbitration is proceeding satisfactorily.

During the review period, combustion inspection of two gas turbines; and major overhauling of two gas turbines were carried out as per plan.

Following shareholder approval at the Annual General Meeting on October 28, 2019, the final cash dividend of Rs. 3.00 per share (at par value of Rs. 10.00) was paid in November 2019; culminating in a full year 2018/19 cash dividend of Rs. 4.50 per share.

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:
 - Male: Seven (7)
 - Female: One (1)
- The composition of board is as follows:

Category	Names
Independent Directors	<ul style="list-style-type: none"> ● Mr. Aqeel Ahmed Nasir ● Mr. Saad Iqbal ● Mr. Hafiz Muhammad Yousaf ● Ms. Zunaira Azhar
	<ul style="list-style-type: none"> ● Mr. Aftab Mahmood Butt (Chief Executive)
Executive Directors	<ul style="list-style-type: none"> ● Lt. General Muzammil Hussain (Retd) ● Mr. Javed Akhtar¹
Non-Executive Directors	<ul style="list-style-type: none"> ● Mr. Naveed Asghar Chaudhry²

Committees of the Board:

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


Messrs. Javed Akhtar and Naveed Asghar Chaudhry have been appointed Directors of the Company respectively on February 19, 2020 in place of Messrs. Muhammad Arshad Ch. and Muhammad Ikram Khan who resigned from the Board of Directors upon retirement from service with the Pakistan Water and Power Development Authority (WAPDA).



Aftab Mahmood Butt
Chief Executive

Lahore: February 21, 2020

On behalf of the Board



Hafiz Muhammad Yousaf
Director

¹ Appointed Director of the Company in place of Mr. Muhammad Arshad Chaudhry on February 19, 2020

² Appointed Director of the Company in place of Mr. Muhammad Ikram Khan on February 19, 2020

ہیں 31 دسمبر 2019 کو ختم ہونے والی شش ماہی مدت کے مالیاتی گوشوارے (غیر تصفیہ شدہ) پیش کرنے پر خوشی محسوس ہو رہی ہے۔

ان چھ ماہ کے دوران کمپنی کا کاروباری حجم 44,469 ملین روپے تھا جس میں فروخت کی لاگت 34,364 ملین روپے تھی۔ گیس کی ادائیگی کے بعد منافع 11,727 ملین روپے رہا ہے (جبکہ گزشتہ سال اسی مدت کے دوران یہ منافع 6,322 ملین روپے تھا)۔ اس طرح اس سال آمدنی فی حصص (EPS) 13.32 روپے ہے (جبکہ گزشتہ سال اسی مدت کے دوران یہ آمدن 7.18 روپے فی حصص تھی)۔

دوسری سہ ماہی کے دوران ان بجلی گھر کی مجموعی پیداوار 174 GWh تھی (جبکہ سالانہ مجموعی پیداواری سطح 2,275 GWh تھی) جس کے نتیجے میں 5.9 فیصد لوڈ فیڈر رہا ہے (اس طرح سالانہ لوڈ فیڈر 38.4 فیصد رہا ہے) اور مجموعی تجارتی دستیابی 97.5 فیصد رہی ہے (جبکہ سالانہ مجموعی تجارتی دستیابی 97.1 فیصد تھی)۔

31 دسمبر 2019 تک کمپنی کے محفلات خریدار کے ذمہ واجب الادا رقم 101,175 ملین روپے تھی۔ کمپنی مذکورہ بتایا جات کی رقم وصول کرنے کے لیے حکومت پاکستان کی محفلات وزارتوں سے اس معاملے پر بات کر رہی ہے۔

31 دسمبر 2019 تک کمپنی کے سہ ماہی 2008-09 سے 30 جون 2016 تک کے سالوں کے لیے تصانیات کے ازالے کی مجموعی رقم 27,681 ملین روپے بنتی ہے۔ کمپنی نے بجلی کی خریداری کے معاہدے کی دھمات کے مطابق اس مسئلے کے حل کے لیے بین الاقوامی ایوان تجارت (ICC) کے قواعد کے تحت سگاپور میں قائم کاروباریوں کا آغاز کر دیا ہے۔ تھانونی مشورہ کے مطابق ثالث کی یہ کاروائیاں تسلی بخش جاری ہیں۔

دوسری سہ ماہی کے دوران منصوبے کے مطابق دو گیس ٹرانسپورٹیشن کی ترسٹ پر بری اور دو گیس ٹرانسپورٹیشن کا تفصیلی معاہدہ کیا گیا۔

اکتوبر 2019 کے سالانہ اجلاس عام میں حصص مالکان کی منظوری کے ساتھ تصفیہ منافع 3.00 فی حصص (10 روپے مالیت کے مساوی) نومبر 2019ء میں ادا کیا گیا تھا جو سال 2018/19 کے لیے 4.50 روپے فی حصص (10 روپے مالیت کے مساوی) ہے۔

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 کی درج ذیل ہے:

نام	کمپنی
● جناب حافظ محمد یوسف ● جناب عقیل احمد ناصر ● جناب سعد اقبال ● محترمہ زونیرہ نظیر	خود مختار ڈائریکٹرز
● جناب آفتاب محمود بیٹ (چیف ایگزیکٹو)	ایگزیکٹو ڈائریکٹرز
● ایلیفٹ جنرل منزل حسین (ریٹائرڈ) ● جناب جاوید اختر ¹ ● جناب نوید اصغر چوہدری ²	ٹان ایگزیکٹو ڈائریکٹرز


● جناب حافظ محمد یوسف (چئیرمین) ● جناب محمد ارشد چوہدری ● جناب عقیل احمد ناصر (چئیرمین) ● جناب محمد اکرام خان	آڈٹ کمیٹی
● جناب عقیل احمد ناصر (چئیرمین) ● جناب آفتاب محمود بیٹ ● جناب محمد اکرام خان	ایچ آر کمیٹی
● جناب عقیل احمد ناصر (چئیرمین) ● جناب آفتاب محمود بیٹ ● جناب سعد اقبال	LDS کمیٹی

بورڈ کی کمیشیاں:

جناب محمد جاوید اختر اور جناب نوید اصغر چوہدری 19 فروری 2020ء کو جناب چوہدری محمد ارشد اور جناب اکرام خان کی جگہ کمپنی کا ڈائریکٹر مقرر کیا گیا۔ جناب چوہدری محمد ارشد اور جناب اکرام خان دونوں نے پاکستان وائٹرائزڈ پاور وٹیلینسٹ اتھارٹی (واپا) سے ریٹائرڈ ہونے پر ایگور کمپنی کے ڈائریکٹر مستعفی ہو گئے تھے۔


حافظ محمد یوسف
ڈائریکٹر

مختار بورڈ


آفتاب محمود بیٹ
چیف ایگزیکٹو آفیسر

¹ جناب محمد جاوید اختر کو 19 فروری 2020ء کو جناب محمد ارشد چوہدری کی جگہ کمپنی کا ڈائریکٹر مقرر کیا گیا۔

² جناب نوید اصغر چوہدری کو 19 فروری 2020ء کو جناب اکرام خان کی جگہ کمپنی کا ڈائریکٹر مقرر کیا گیا۔

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Kot Addu Power Company Limited** (the Company) as at December 31, 2019, the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, and condensed interim statement of changes in equity and notes to the financial statements for the six months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these Condensed 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 Condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss for the three months period ended December 31, 2019 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2019.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial 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 Condensed interim financial statements as at December 31, 2019 and for the six months period then ended, 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 note 6.1 (iii) to the interim financial statements which describes the uncertainty regarding the outcome of certain claims lodged by Pakistan Water and Power Development Authority (WAPDA), which have been disputed by the Company. Our conclusion is not qualified in respect of this matter.

The engagement partner on the review resulting in this independent auditor's report is Rana M. Usman Khan.

Deloitte Young Adil
Deloitte Yousuf Adil
Chartered Accountants

Lahore: February 21, 2020

Name of engagement partner: Rana M. Usman Khan

Condensed Interim Statement of Financial Position

as at December 31, 2019

	Un-audited December 31, 2019	Audited June 30, 2019
Note	(Rupees in thousand)	
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	41,000,411	31,914,164
	50,247,394	41,161,147
NON-CURRENT LIABILITIES		
Lease liabilities	19,862	25,106
Deferred liabilities	6,295,674	1,762,224
	6,315,536	1,787,330
CURRENT LIABILITIES		
Current portion of lease liabilities	12,788	12,976
Finances under mark-up arrangements - secured	53,429,068	54,180,294
Provision for taxation - net	-	641,741
Trade and other payables	29,914,733	40,138,658
Unclaimed dividend	793,677	1,344,900
	84,150,266	96,318,569
CONTINGENCIES AND COMMITMENTS		
	140,713,196	139,267,046

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer
(Acting)

		Un-audited December 31, 2019	Audited June 30, 2019
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	5,216,033	6,337,095
Intangible assets		2,960	4,252
Right of use assets		27,652	34,721
Capital work-in-progress		4,988	4,988
Long term loans and deposits		19,782	25,395
Post retirement benefits		339,293	348,784
		5,610,708	6,755,235
CURRENT ASSETS			
Stores and spares		3,336,609	3,465,081
Stock-in-trade		7,451,132	9,466,456
Trade debts	8	118,560,079	115,798,387
Income tax due from Government		2,780,195	-
Loans, advances, deposits, prepayments and other receivables		2,131,969	2,431,965
Cash and bank balances		842,504	1,349,922
		135,102,488	132,511,811
		140,713,196	139,267,046


 Hafiz Muhammad Yousaf
 Director

Condensed Interim Statement of Profit or Loss
for the six months period ended December 31, 2019 (Un-audited)

	Note	Three months ended		Six months ended	
		December 31, 2019	December 31, 2018 (Restated)	December 31, 2019	December 31, 2018 (Restated)
		(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)
Sales		9,103,941	12,625,582	44,469,422	44,220,871
Cost of sales	9	(4,222,777)	(9,088,073)	(34,363,914)	(37,066,141)
Gross profit		4,881,164	3,537,509	10,105,508	7,154,730
Administrative expenses		(265,999)	(141,242)	(472,844)	(318,222)
Other operating expenses		-	(6,311)	-	(6,311)
Other income	10	6,968,614	3,976,694	11,335,967	6,505,923
Profit from operations		11,583,779	7,366,650	20,968,631	13,336,120
Finance cost		(2,465,961)	(2,301,637)	(4,758,030)	(4,400,401)
Profit before tax		9,117,818	5,065,013	16,210,601	8,935,719
Taxation		(2,424,073)	(1,483,881)	(4,483,594)	(2,613,970)
Profit for the period		6,693,745	3,581,132	11,727,007	6,321,749
Earnings per share					
- basic and diluted Rupees		7.60	4.07	13.32	7.18

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer
(Acting)



Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Comprehensive Income
for the six months period ended December 31, 2019 (Un-audited)

	Three months ended		Six months ended	
	December 31, 2019	December 31, 2018 (Restated)	December 31, 2019	December 31, 2018 (Restated)
	(Rupees in thousand)		(Rupees in thousand)	
Profit for the period	6,693,745	3,581,132	11,727,007	6,321,749
Other comprehensive income				
- Items that will not be reclassified to statement of profit or loss	-	-	-	-
- Items that may be reclassified subsequently to statement of profit or loss	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	6,693,745	3,581,132	11,727,007	6,321,749

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer
(Acting)



Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Cash Flows
for the six months period ended December 31, 2019 (Un-audited)

		Six months ended	
		December 31, 2019	December 31, 2018 (Restated)
	Note	(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	12	13,729,007	5,949,034
Finance cost paid		(6,891,379)	(2,426,761)
Taxes paid		(3,425,091)	(2,333,847)
Staff retirement benefits paid		(14,540)	(22,360)
Net cash generated from operating activities		3,397,997	1,166,066
Cash flows from investing activities			
Fixed capital expenditure		(18,290)	(70,941)
Income on bank deposits received		51,582	14,580
Net decrease in long term loans and deposits		5,613	7,026
Proceeds from sale of property, plant and equipment		4,321	3,056
Net cash generated from / (used in) investing activities		43,226	(46,279)
Cash flows from financing activities			
Repayment of lease liabilities		(5,432)	(8,830)
Dividend paid		(3,191,983)	(4,083,365)
Net cash used in financing activities		(3,197,415)	(4,092,195)
Net increase / (decrease) in cash and cash equivalents		243,808	(2,972,408)
Cash and cash equivalents at beginning of the period		(52,830,372)	(49,189,644)
Cash and cash equivalents at end of the period	13	(52,586,564)	(52,162,052)

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer
(Acting)



Hafiz Muhammad Yousaf
Director

Condensed Interim Statement of Changes in Equity

for the six months period ended December 31, 2019 (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)	-	-	6,321,749	6,321,749
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 December 31, 2018	8,802,532	444,451	26,090,784	35,337,767
Profit for the period	-	-	6,789,791	6,789,791
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	-	-	7,143,760	7,143,760
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	-	-	11,727,007	11,727,007
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 December 31, 2019	8,802,532	444,451	41,000,411	50,247,394

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer
(Acting)



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 firmed 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 six months ended December 31, 2018 by Rs 3,877 million, previously recognized in other Income, attributable to delay in timing of recognition. Further, tax expense has also been reduced by Rs 1,202 million, having a total impact (net of tax) of Rs 2,675 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 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:

Notes to Condensed Interim Financial Statements
for the six months period ended December 31, 2019 (Un-audited)

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 Nil (June 30, 2019: Rs 4,105 million) and Sui Northern Gas Pipelines Limited (SNGPL) amounting to Rs 9,076 million (June 30, 2019: Rs 15,053 million) against fuel supplies.

6. Contingencies and commitments

6.1 Contingencies

There has been no change in the status of the contingent liabilities disclosed in the annual financial statements of the Company for the year ended June 30, 2019 except for the following:

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

Tax depreciation in income tax return for tax year 2008 was also claimed with resultant written down value carried forward from tax year 2007, as computed in the revised return of income in accordance with position explained above. Such return and revised returns for tax year 2003 to 2007 were amended by Tax Authorities by restoring the earlier position and were also endorsed by Commissioner Inland Revenue (Appeals) [CIR(A)]. The Company preferred appeal before Income Tax Appellate Tribunal (ITAT) [now Appellate Tribunal Inland Revenue (ATIR)] against the decision of CIR(A) which was decided in 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 application 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) 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 (including un-invoiced liquidated damages till December 31, 2019) are not expected to exceed Rs 27,681 million as at December 31, 2019 (June 30, 2019: Rs 27,681 million) based on the best estimate of the management of the Company.

The Company disputes and rejects any claim on account of liquidated damages that may be raised by WAPDA on the premise that its failure to dispatch electricity was due to WAPDA's non-payment of dues on timely basis to the Company and consequential inability of the Company to make timely

Notes to Condensed Interim Financial Statements
for the six months period ended December 31, 2019 (Un-audited)

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). 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.

- (iv) 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).

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 650 million (June 30, 2019: Rs 128 million).
(iii) Contracts for car ljarah are Rs 58 million (June 30, 2019: Rs 59 million).

		Un-audited December 31, 2019	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	18,710	89,752
		6,355,805	8,654,329
Less: Disposals during the period (at NBV)		2,235	12,375
Depreciation charged during the period		1,137,537	2,304,859
		1,139,772	2,317,234
		5,216,033	6,337,095

Notes to Condensed Interim Financial Statements
for the six months period ended December 31, 2019 (Un-audited)

		Un-audited December 31, 2019	Audited June 30, 2019
	Note	(Rupees in thousand)	
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		17,358	4,829
Office equipment		300	3,632
Furniture and fixtures		-	311
		18,290	85,750
Transfers (at NBV)			
Vehicles Transferred		420	4,002
		18,710	89,752
8. Trade debts			
Trade debts	8.1	118,789,181	116,027,489
Less: Provision for doubtful debts		229,102	229,102
		118,560,079	115,798,387
8.1	These are considered good except Rs 229 million (June 30, 2019: Rs 229 million) which are considered doubtful. Trade debts include overdue amount (gross) of Rs 101,175 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.		
		Three months ended	Six months ended
		December 31, 2019	December 31, 2018
		December 31, 2019	December 31, 2018
		(Rupees in thousand)	
9. Cost of sales			
Fuel cost		2,729,480	7,974,325
Salaries, wages and benefits		387,487	467,530
Plant maintenance		67,416	107,989
Gas turbines overhauls		333,048	23,041
Repair and renewals / (adjustments)		159,305	(103,896)
Depreciation on property, plant and equipment		545,396	557,829
Amortisation on intangible assets		645	852
Provision for store obsolescence		-	60,403
		4,222,777	9,088,073
		31,258,681	34,565,841
		1,030,020	1,059,475
		113,687	163,317
		684,045	54,005
		181,569	44,654
		1,094,620	1,114,029
		1,292	1,703
		-	63,117
		34,363,914	37,066,141

Notes to Condensed Interim Financial Statements

for the six months period ended December 31, 2019 (Un-audited)

10. Other income includes True-up income recognized during the period amounting to Rs 4,525 million (December 31, 2018: Rs 1,342 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 to PPA.

Six months ended
December 31, 2019 December 31, 2018
(Rupees in thousand)

11. Transactions with related parties

Relationship with the Company	Nature of transaction		
i. Associated undertakings			
- WAPDA	Purchase of services	22	78
- WAPDA	Sale of electricity	44,469,422	44,220,871
- WAPDA	Purchase of electricity	103,597	52,113
- WAPDA	Interest income on late payments	6,716,909	5,072,621
- WAPDA	True-up income	4,524,549	1,341,839
- 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	Contribution paid	3,839	19,197
- KAPCO employees provident fund trust	Contribution paid	24,039	22,602
iii. Key management personnel (including directors)	Compensation	229,402	211,307

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

	Note	Un-audited December 31, 2019	Audited June 30, 2019
(Rupees in thousand)			
Period end balances			
Associated Undertakings			
Receivable from related parties		118,883,922	116,195,070
Payable to related parties	11.1	2,065,981	1,493,621

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

Notes to Condensed Interim Financial Statements
for the six months period ended December 31, 2019 (Un-audited)

	Six months ended	
	December 31, 2019	December 31, 2018
	(Rupees in thousand)	
12. Cash generated from operations		
Profit before tax	16,210,601	8,935,719
Adjustments for:		
- Depreciation on property, plant and equipment	1,137,536	1,153,930
- Depreciation on right of use assets	6,650	7,939
- Amortisation on intangible assets	1,292	1,703
- (Gain) / loss on disposal of fixed assets	(2,086)	6,311
- Income on bank deposits	(51,582)	(14,580)
- Liabilities written back	-	(58,572)
- Provision for store obsolescence	-	63,117
- Staff retirement benefits accrued	77,042	83,963
- Finance cost	4,758,030	4,400,401
Profit before working capital changes	22,137,483	14,579,931
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stores and spares	128,472	(408,685)
- Stock-in-trade	2,015,324	4,489,271
- Trade debts	(2,761,692)	(7,184,671)
- Loans, advances, deposits, prepayments and other receivables	299,996	1,050,763
Decrease in trade and other payables	(8,090,576)	(6,577,575)
	(8,408,476)	(8,630,897)
Cash generated from operations	13,729,007	5,949,034
	December 31, 2019	December 31, 2018
	(Rupees in thousand)	
13. Cash and cash equivalents		
Cash and bank balances	842,504	806,998
Finances under mark-up arrangements - secured	(53,429,068)	(52,969,050)
	<u>(52,586,564)</u>	<u>(52,162,052)</u>

14. Date of authorisation for issue

These condensed interim financial statements were authorised for issue on February 21, 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.



Aftab Mahmood Butt
Chief Executive Officer



M. Rabnawaz Anjum
Chief Financial Officer
(Acting)



Hafiz Muhammad Yousaf
Director