

# 1st Quarter Report

September 30, 2018 (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. Aftab Mahmood Butt (Chief Executive)</p> <p>Mr. Owais Shahid</p> <p>Mr. Aqeel Ahmed Nasir</p> <p>Mr. Saad Iqbal</p> <p>Mr. Muhammad Arshad Ch.</p> <p>Mr. Muhammad Ikram Khan</p>
Audit Committee	<p>Mr. Owais Shahid (Chairman)</p> <p>Mr. Saad Iqbal</p> <p>Mr. Muhammad Arshad Ch.</p> <p>Mr. Muhammad Ikram Khan</p>
HR Committee	<p>Mr. Aqeel Ahmed Nasir (Chairman)</p> <p>Mr. Aftab Mahmood Butt</p> <p>Mr. Muhammad Ikram Khan</p>
LDS Committee	<p>Mr. Aqeel Ahmed Nasir (Chairman)</p> <p>Mr. Aftab Mahmood Butt</p> <p>Mr. Saad Iqbal</p>
General Manager Finance / CFO	Mr. M. Mohtashim Aftab
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>Faysal Bank Limited</p> <p>Habib Bank Limited</p> <p>Habib Metropolitan Bank Limited</p> <p>MCB Bank Limited</p> <p>National Bank of Pakistan</p> <p>Samba Bank Limited</p> <p>Standard Chartered Bank (Pakistan) Limited</p> <p>United Bank Limited</p> <p><u>Islamic</u></p> <p>AlBaraka Bank (Pakistan) Limited</p> <p>Askari Bank Limited-IBD</p> <p>Bank Alfalah Limited</p> <p>BankIslami Pakistan Limited</p> <p>Dubai Islamic Bank Pakistan Limited</p> <p>Meezan Bank Limited</p> <p>National Bank of Pakistan-IBD</p> <p>Standard Chartered Bank (Pakistan) Limited-IBD</p> <p>The Bank of Punjab-IBD</p>
Share Registrar	<p>THK Associates (Private) Limited</p> <p>First Floor, 40-C, Block-6</p> <p>P.E.C.H.S.</p> <p>Karachi 75400, Pakistan</p> <p>Tel: +92 (0)21 111 000 322</p> <p>Fax: +92 (0)21 34168271</p>
Registered Office	<p>House No. 4, Street No. 54-A</p> <p>F-7/4, Islamabad 44210, Pakistan</p>
Corporate Office	<p>5B/3, Gulberg III, Lahore 54660, Pakistan</p> <p>Tel: +92 (0)42 3577 2912-6</p> <p>Fax: +92 (0)42 3577 2922</p>
Power Project	<p>Kot Addu Power Complex, Kot Addu</p> <p>District Muzaffargarh, Punjab, Pakistan</p> <p>Tel: +92 (0)66 230 1047-9</p> <p>Fax: +92 (0)66 230 1025</p>
Email	Info@kapco.com.pk
Website	www.kapco.com.pk

## Directors' Report

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We are pleased to present the financial statements (un-audited) for the period ended September 30, 2018.

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 2,065 GWh of electricity, resulting in a load factor of 69.5% and an overall commercial availability of 96.8%.

Turnover for the review period was Rs. 31,595 Million and cost of sales were Rs. 27,978 Million. Profit after tax for the period was Rs. 3,116 Million (compared to Rs. 2,181 Million in the corresponding period in 2017), delivering an earnings per share (EPS) of Rs. 3.54 (EPS Rs. 2.48 in corresponding period in 2017).

On September 30, 2018, the receivables (including overdue receivables) from the Company's off-taker were Rs. 130,107 Million. The Company continues to actively pursue the off-taker and concerned Ministries in the Government of Pakistan for settlement of the outstandings.

During the review period, the Power Plant was operated and maintained in accordance with international standards. Combustion Inspection of two Gas Turbines were carried out as per plan.

On behalf of the Board



Aftab Mahmood Butt  
Chief Executive Officer  
Islamabad: October 23, 2018



Owais Shahid  
Director

ہمیں 30 ستمبر 2018ء کو ختم ہونے والی مدت تک کے مالیاتی گوشوارے (غیر تصفیہ شدہ) پیش کرنے پر خوشی محسوس ہو رہی ہے۔

کمپنی کی بنیادی سرگرمی کوٹ اڈو میں اپنے گیس، فزس آئل اور ڈیزل سے چلنے والے 1600 میگا واٹ کی استعداد کے حامل بجلی گھر/پاور پلانٹ کی ملکیت، آپریشن اور دیکھ بھال و مرمت ہے۔

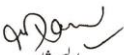
زیر جائزہ مدت کے دوران، پلانٹ سے بجلی کی مجموعی پیداوار 2,065 GWh رہی، جس کے نتیجے میں 69.5 فیصد لوڈ فیکٹر اور مجموعی تجارتی دستیابی 96.8 فیصد رہی۔


جائزے کی مدت میں کمپنی کا کاروباری حجم 31,595 ملین روپے رہا ہے جس میں فروخت کی لاگت 27,978 ملین روپے ہے۔ ٹیکس کی ادائیگی کے بعد منافع 3,116 ملین روپے رہا ہے (جبکہ 2017 میں اسی مدت میں منافع 2,181 ملین روپے تھا)۔ اس طرح اس سال آمدن فی حصص (EPS) 3.54 روپے رہی ہے (جبکہ 2017 میں آمدن فی حصص (EPS) 2.48 روپے تھی)۔

30 ستمبر 2018ء تک خریدار کے ذمہ کمپنی کی واجب الادا رقم (بشمول زائد المعیاد واجب الادا رقم) 130,107 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۔

زیر جائزہ مدت کے دوران بجلی گھر/پاور پلانٹ کو بین الاقوامی معیارات کے مطابق چلایا گیا اور اس کی دیکھ بھال کی گئی۔ اس مقصد کے لیے منصوبے کے مطابق دو گیس ٹربائنوں کی حرارت پذیری کا معائنہ کیا گیا۔

منجانب بورڈ

  
اولیس شاہد  
ڈائریکٹر

  
آفتاب محمود  
چیف ایگزیکٹو آفیسر

اسلام آباد: 23 اکتوبر 2018ء

## Condensed Interim Balance Sheet

as at September 30, 2018 (Un-audited)

	September 30, 2018	June 30, 2018
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorised capital 3,600,000,000 (June 30, 2018: 3,600,000,000) ordinary shares of Rs 10 each	36,000,000	36,000,000
Issued, subscribed and paid up capital 880,253,228 (June 30, 2018: 880,253,228) ordinary shares of Rs 10 each	8,802,532	8,802,532
Capital reserve	444,451	444,451
Unappropriated profit	28,961,502	25,845,905
	38,208,485	35,092,888
NON-CURRENT LIABILITIES		
Liabilities against assets subject to finance lease	34,580	38,487
Deferred liabilities	2,790,763	2,710,085
	2,825,343	2,748,572
CURRENT LIABILITIES		
Current portion of long term liabilities	15,593	15,960
Finances under mark-up arrangements - secured	51,715,671	49,874,599
Provision for taxation - net	570,435	296,738
Trade and other payables	54,217,566	49,754,942
Unclaimed dividend	638,734	662,289
	107,157,999	100,604,528
CONTINGENCIES AND COMMITMENTS		
	148,191,827	138,445,988

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt  
Chief Executive Officer



M. Mohtashim Aftab  
Chief Financial Officer

		September 30, 2018	June 30, 2018
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	7,988,760	8,564,577
Intangible assets		6,611	7,462
Assets subject to finance lease		48,987	51,747
Capital work-in-progress		5,410	7,327
Long term loans and deposits		29,533	31,821
		8,079,301	8,662,934
CURRENT ASSETS			
Stores and spares		4,331,527	4,248,855
Stock-in-trade		3,446,365	6,717,597
Trade debts	8	130,107,327	115,472,114
Loans, advances, deposits, prepayments and other receivables		1,571,091	2,659,533
Cash and bank balances		656,216	684,955
		140,112,526	129,783,054
		148,191,827	138,445,988

  
 Owais Shahid  
 Director

**Condensed Interim Profit and Loss Account**  
for the quarter ended September 30, 2018 (Un-audited)

		Quarter ended	
		September 30, 2018	September 30, 2017
	Note	(Rupees in thousand)	
Sales		31,595,289	21,570,552
Cost of sales	9	(27,978,068)	(18,127,310)
Gross profit		3,617,221	3,443,242
Administrative expenses		(176,980)	(127,588)
Other income		3,072,679	1,398,642
Profit from operations		6,512,920	4,714,296
Finance cost		(2,098,764)	(1,598,253)
Profit before tax		4,414,156	3,116,043
Taxation		(1,298,559)	(935,082)
Profit for the period		3,115,597	2,180,961
Earnings per share - basic and diluted	Rupees	3.54	2.48


The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt  
Chief Executive Officer



M. Mohtashim Aftab  
Chief Financial Officer



Owais Shahid  
Director



## Condensed Interim Statement of Comprehensive Income

for the quarter ended September 30, 2018 (Un-audited)

	Quarter ended	
	September 30, 2018	September 30, 2017
	(Rupees in thousand)	
Profit for the period	3,115,597	2,180,961
- 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	-	-
<b>Total comprehensive income for the period</b>	<b>3,115,597</b>	<b>2,180,961</b>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt  
Chief Executive Officer



M. Mohtashim Aftab  
Chief Financial Officer



Owais Shahid  
Director

**Condensed Interim Cash Flow Statement**  
for the quarter ended September 30, 2018 (Un-audited)

		Quarter ended	
		September 30, 2018	September 30, 2017
	Note	(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	11	105,373	9,785,740
Finance cost paid		(966,492)	(969,652)
Taxes paid		(972,789)	(975,615)
Staff retirement benefits paid		(9,232)	(5,057)
Net cash (used in) / generated from operating activities		(1,843,140)	7,835,416
Cash flows from investing activities			
Fixed capital expenditure		(2,873)	(8,167)
Income on bank deposits received		2	15
Net increase in long term loans and deposits		2,288	(2,393)
Proceeds from sale of property, plant and equipment		1,741	3,552
Net cash generated from / (used in) investing activities		1,158	(6,993)
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(4,274)	(4,635)
Dividend paid		(23,555)	(13,713)
Net cash used in financing activities		(27,829)	(18,348)
Net increase in cash and cash equivalents during the period		(1,869,811)	7,810,075
Cash and cash equivalents at the beginning of the period		(49,189,644)	(45,503,456)
Cash and cash equivalents at the end of the period	12	(51,059,455)	(37,693,381)

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt  
Chief Executive Officer



M. Mohtashim Aftab  
Chief Financial Officer



Owais Shahid  
Director

## Condensed Interim Statement of Changes in Equity

for the quarter ended September 30, 2018 (Un-audited)

	Share Capital	Capital reserve	Un-appro- priated profit	Total
	(Rupees in thousand)			
Balance as at June 30, 2017	8,802,532	444,451	23,256,226	32,503,209
Total comprehensive income for the period	-	-	2,180,961	2,180,961
Balance as at September 30, 2017	8,802,532	444,451	25,437,187	34,684,170
Final dividend for the year ended June 30, 2017 - Rs 4.75 per share	-	-	(4,181,203)	(4,181,203)
Profit for the period	-	-	8,436,124	8,436,124
Other comprehensive income: - Re-measurement of net defined benefit obligation - net of tax	-	-	(17,101)	(17,101)
Total comprehensive income for the period	-	-	8,419,023	8,419,023
Interim dividend for the year ended June 30, 2018 - Rs 4.35 per share	-	-	(3,829,102)	(3,829,102)
Balance as at June 30, 2018	8,802,532	444,451	25,845,905	35,092,888
Total comprehensive income for the period	-	-	3,115,597	3,115,597
Balance as at September 30, 2018	8,802,532	444,451	28,961,502	38,208,485

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Aftab Mahmood Butt  
Chief Executive Officer



M. Mohtashim Aftab  
Chief Financial Officer



Owais Shahid  
Director

**1. Legal status and nature of business**

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

**2. Basis of preparation**

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Act, 2017. In case where the requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.

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, 2018.

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, 2018. Further, the basis of significant estimates are same as those that were applied to the financial statements for the year ended June 30, 2018, except for estimation of provision for taxation as referred to in note 4.

**3. 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, 2018 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.

**Notes to and forming part of the Condensed Interim Financial Information**  
for the quarter ended September 30, 2018 (Un-audited)

**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 the annual periods beginning on or after January 1, 2019 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 amounting to Rs 28,893 million (June 30, 2018: Rs 27,067 million) and Sui Northern Gas Pipelines Limited (SNGPL) amounting to Rs 5,395 million (June 30, 2018: Rs 4,426 million).

**6. Contingencies and commitments**

**6.1 Contingencies**

- (i) There has been no significant change in the status of the contingent liabilities disclosed as at June 30, 2018.
- (ii) 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 12,304 million (June 30, 2018: Rs 12,304 million).

**6.2 Commitments**

- (i) Contracts for capital expenditure Rs 158 million (June 30, 2018: Rs 107 million).
- (ii) Letters of credit other than for capital expenditure Rs 174 million (June 30, 2018: Rs 178 million).

		September 30, 2018	June 30, 2018
	Note	(Rupees in thousand)	
7. Property, plant and equipment			
Opening Net Book Value (NBV)		8,564,577	10,813,412
Add: Additions / transfers during the period	7.1	<u>3,341</u>	<u>133,150</u>
		8,567,918	10,946,562
Less: Disposals / adjustment during the period (at NBV)		<u>3,006</u>	<u>94,905</u>
Depreciation charged during the period		<u>576,152</u>	<u>2,287,080</u>
		<u>579,158</u>	<u>2,381,985</u>
		<u>7,988,760</u>	<u>8,564,577</u>

**Notes to and forming part of the Condensed Interim Financial Information**  
for the quarter ended September 30, 2018 (Un-audited)

	Note	September 30, 2018 (Rupees in thousand)	June 30, 2018
<b>7.1 Following is the detail of additions / transfers during the period</b>			
<b>Additions:</b>			
Buildings on freehold land		-	98,947
Gas turbine blading		-	2,632
Auxiliary plant and machinery		1,273	3,415
Office equipment		1,554	6,678
		2,827	111,672
<b>Transfers:</b>			
Vehicles		514	21,478
		3,341	133,150
<b>8. Trade debts</b>			
Trade debts	8.1	130,346,717	115,711,504
Less: Provision for doubtful debts		239,390	239,390
		130,107,327	115,472,114

**8.1** These are considered good except Rs 239 million (June 30, 2018: Rs 239 million) which are considered doubtful. Trade debts include an overdue amount of Rs 109,493 million (June 30, 2018: Rs 95,976 million) receivable from WAPDA, which is a related party of the Company. The maximum aggregate amount outstanding during the period was Rs 130,346 million (June 30, 2018: Rs 116,360 million). The trade debts are secured by a guarantee from the Government of Pakistan under the Facilitation Agreement. These receivables are in the normal course of business and are interest free, however, a penal mark-up of SBP discount rate plus 4 percent per annum is charged in case the amounts are not paid within due dates.

	Quarter ended	
	September 30, 2018	September 30, 2017
	(Rupees in thousand)	
<b>9. Cost of sales</b>		
Fuel cost	26,591,516	16,757,835
Salaries, wages and benefits	591,945	525,684
Plant maintenance	55,328	44,586
Gas turbines overhauls	30,964	57,097
Repair and renewals	148,550	171,514
Depreciation on property, plant and equipment	556,200	562,619
Amortisation on intangible assets	851	1,120
Provision for store obsolescence	2,714	6,855
	27,978,068	18,127,310

**Notes to and forming part of the Condensed Interim Financial Information**  
for the quarter ended September 30, 2018 (Un-audited)

		Quarter ended	
		September 30, 2018	September 30, 2017
		(Rupees in thousand)	
10. Transactions with related parties			
Relationship with the Company	Nature of transaction		
i. Associated undertakings			
- WAPDA	Sale of electricity	31,595,289	21,570,552
- WAPDA	Interest expense	-	13,517
- WAPDA	Interest income on late payments	2,277,145	1,390,554
- WAPDA	True-up income	784,833	-
ii. Post retirement benefit plans			
- KAPCO employees pension fund trust	Expense charged	21,236	5,511
- KAPCO employees provident fund trust	Expense charged	10,654	9,885
- KAPCO employees post retirement medical plan	Expense charged	4,925	4,230
- KAPCO employees post retirement electricity plan	Expense charged	15,821	16,060
iii. Key management personnel			
	Compensation	141,794	117,083

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

	September 30, 2018	June 30, 2018
	(Rupees in thousand)	
Period end balances		
Associated Undertakings		
Receivable from related parties	130,693,607	116,549,165
Payable to related parties	985,605	694,747

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

**Notes to and forming part of the Condensed Interim Financial Information**  
for the quarter ended September 30, 2018 (Un-audited)

Quarter ended  
September 30, September 30,  
2018 2017  
(Rupees in thousand)

**11. Cash generated from operations**

Profit before tax	4,414,156	3,116,043
Adjustments for:		
- Depreciation on property, plant and equipment	576,152	574,562
- Amortisation on intangible assets	851	1,120
- Depreciation on assets subject to finance lease	4,209	4,254
- Income on bank deposits	(2)	(15)
- Provision for store obsolescence	2,714	6,855
- Staff retirement benefits accrued	41,981	25,801
- Finance cost	2,098,764	1,598,253
<b>Profit before working capital changes</b>	<b>7,140,090</b>	<b>5,326,873</b>
Effect on cash flow due to working capital changes:		
(Increase) / decrease in current assets		
- Stores and spares	(85,386)	39,772
- Stock-in-trade	3,271,232	2,209,816
- Trade debts	(14,635,213)	(341,002)
- Loans, advances, deposits, prepayments and other receivables	1,088,442	540,227
Increase in trade and other payables	3,326,208	2,010,054
	(7,034,717)	4,458,867
<b>Cash generated from operations</b>	<b>105,373</b>	<b>9,785,740</b>

**12. Cash and cash equivalents**

Cash and bank balances	656,216	613,765
Finances under mark-up arrangements - secured	(51,715,671)	(38,307,146)
	(51,059,455)	(37,693,381)



13. Date of authorisation for issue

This condensed interim financial information was authorised for issue on October 23, 2018 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.



Aftab Mahmood Butt  
Chief Executive Officer



M. Mohtashim Aftab  
Chief Financial Officer



Owais Shahid  
Director