


Notice of 19th Annual General Meeting

Notice is hereby given that the 19th Annual General Meeting of Kot Addu Power Company Limited will be held at the Islamabad Serena Hotel, Khayban-e-Suhrawardy, Islamabad on Thursday, October 22, 2015 at 9.30 a.m. to transact the following business:

- (a) To confirm the Minutes of the 8th Extraordinary General Meeting of the Company held on October 2, 2015.
- (b) To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2015 together with Directors' and Auditors' Reports thereon.
- (c) To approve the final cash dividend of Rs. 4.75 per share, that is, 47.50% for the year ended June 30, 2015 as recommended by the Board of Directors. This is in addition to the interim dividend of Rs. 4.00 per share, that is, 40% already paid making a total cash dividend of Rs. 8.75 per share, that is, 87.50% during the year.
- (d) To appoint Auditors and fix their remuneration for the year ending June 30, 2016. The present Auditors, Messrs. A.F. Ferguson & Co., Chartered Accountants, retired and being eligible, offer themselves for reappointment.
- (e) To transact any other business with the permission of the Chairman.

By Order of the Board



A. Anthony Rath
(Company Secretary)

Lahore
August 27, 2015

Notes:

- 1. The share transfer books of the Company will remain closed from October 15, 2015 to October 22, 2015 (both days inclusive). Transfers received in order at the office of the Company's Shares Registrar, THK Associates (Private) Limited at the close of business on October 14, 2015 will be treated in time for purposes of payment of the final cash dividend (subject to approval of the Members) and to attend and vote at the Meeting.
- 2. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his/her behalf, provided such proxy is also a Member.
- 3. An instrument of proxy and the Power of Attorney or other authority (if any) under which it is signed, or a Notary Public certified copy of such Power of Attorney, in order to be valid, must be deposited with the Company's Registrars, THK Associates (Private) Limited not later than (48) forty-eight hours before the time of holding the Meeting.
- 4. CDC account holders will in addition have to follow the under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the Meeting:

- (i) In case of individuals: The account holder or sub account holder and / or the person whose securities are registered on CDS; and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or original passport at the time of attending the Meeting. The Members are also required to bring their Participants' I.D. number and account numbers in CDS.
- (ii) In case of corporate entity: The Board of Directors Resolution / Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of Meeting.

5. Submission of copy of CNIC (Mandatory)

The Securities and Exchange Commission of Pakistan (SECP) vide their SRO 779(i) 2011 dated August 18, 2011 has directed the company to print your CNIC number on your dividend warrants and if your CNIC number is not available in our records, your dividend warrant will not be issued / dispatched to you. In order to comply with the regulatory requirement, you are requested to kindly send photocopy of your CNIC to your Participant / Investor Account Services or to us (in case of physical shareholding) immediately to Company's Shares Registrar, THK Associates (Private) Limited.

6. Transmission of Annual Financial Statements through E-Mail:

SECP vide SRO 787(1)/2014 dated September 8, 2014 has provided an option to receive audited financial statements electronically through email. Hence, members who hold shares in physical form and are interested in receiving the annual reports electronically in future are required to submit their e-mail addresses and consent for electronic transmission to the Shares Registrar of the Company. CDC shareholders are requested to submit their email address and consent directly to their broker (Participant)/CDC Investor Account Services.

7. In compliance with SECP notification No. 634(1)/2014 dated July 10, 2014, the audited financial statements and reports of the Company for year ended June 30, 2015 are being placed on the Company's website: www.kapco.com.pk for the information and review of shareholders.

8. The correspondence address of the Company's Registrars, THK Associates (Private) Limited is as follows:

THK Associates (Private) Limited
Second Floor, State Life Building No. 3
Dr. Zia-ud-Din Ahmed Road
Karachi, 75530

Consent for Video Conference Facility

Members can also avail video conference facility in {name of cities where facility can be provided keeping in view geographical dispersal of members}. In this regard please fill the following and submit to the Company's Corporate Office at 5-B/3, Gulberg III, Lahore 54660 10 days before holding of the AGM.

If the Company receives consent from Members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting though video conference at least 10 days prior to date of the Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

The Company will intimate Members regarding venue of video conference facility at least 5 days before the date of the AGM along with complete information necessary to enable them to access such facility.

I/We, _____ of _____,
being a member of Kot Addu Power Company Limited, holder of _____ Ordinary Share(s) as per
Register Folio No. _____ hereby opt for video conference facility at _____.

Signature of Member

Chairman's Review



I am pleased to present the Annual Report of Kot Addu Power Company Limited for the financial year ending on June 30, 2015.

The Company has completed another successful financial year. The profit before tax is Rs. 14,788 Million; and profit after tax is Rs. 9,799 Million bringing the earnings per share (EPS) for the year to Rs. 11.13 per share of Rs. 10 each.

The Board of Directors has recommended a final cash dividend of Rs. 4.75 per share. This is an addition to the interim dividend of Rs. 4 per share paid to entitled shareholders in April 2015. Subject to shareholder approval at the AGM, the total cash dividend for the year will be Rs. 8.75 per share, which is a good return on investment.

The Company has over the year engaged with the local communities of the Kot Addu area through its Social Action Programme. I am confident that the Company will continue activities in education and health care for the local communities.

The Company continues to be compliant with the following accreditations to the Integrated Management System:

ISO 9001:2008	Quality Management System
ISO 14001:2004	Environmental Management System
OHSAS 18001:2007	Occupational Health and Safety Assessment Series (Occupational Health and Safety Management System)

On behalf of the Board of Directors I would like to express my gratitude to the employees of the Company whose hard work and dedication have made this a successful year for the Company.

Lahore
August 27, 2015



Zafar Mahmood
Chairman, Board of Directors

Directors' Report



It pleases us to present the Directors' Report together with the Financial Statements (audited) for the year ended June 30, 2015.

The principal activities of the Company continues to be the ownership, operation and maintenance of the 1600 MW nameplate capacity multi-fuel fired power plant (gas, furnace oil and diesel) at Kot Addu, Punjab. The Company continues to sell the electrical energy produced from its power plant to its single customer, the Pakistan Water and Power Development Authority ("WAPDA").

The Company's power plant is Pakistan's largest combined cycle power plant. The plant comprises of 10 multi-fuel fired gas turbines and 5 steam turbines installed in 5 phases between 1985 and 1997. These turbines are divided into 3 energy blocks with each block having a combination of gas and steam turbines. The plant's combined cycle technology enables it to use the waste heat from the gas turbine exhaust to produce steam in the Heat Recovery Steam Generator, which in turn is used to run the steam turbines thereby resulting in fuel cost efficiency and minimum wastage.

The plant is a multi-fuel gas-turbine power plant with the capability of using three different fuels to generate electricity, namely: gas, light sulphur furnace oil and high speed diesel. It also has the ability to generate electricity for itself in case of a country wide blackout.

The Company continues to be listed on all three Stock Exchanges of Pakistan; and is a KSE 30 index company.

Finance

The turnover for the year is Rs. 101,481 Million (2014: Rs. 113,206 Million) and the cost of sales are Rs. 86,335 Million (2014: Rs. 101,002 Million). The gross profit earned is Rs. 15,146 Million (2014: Rs. 12,204 Million); and profit before tax is Rs. 14,788 Million (2014: Rs. 11,330 Million). This year's tax expense is Rs. 4,989 Million; and profit after tax is Rs. 9,799 Million (2014: Rs. 7,730 Million). The earnings per share (EPS) for the year are Rs. 11.13 per share of Rs. 10 each (2014: Rs. 8.78 per share).

The power purchaser's payment default continues towards the Company. On June 30, 2015, the overdue receivables were Rs. 59,243 Million (for details refer to Note 21.1 to the Financial Statements). Due to the power purchaser's failure to make timely payments to the Company, the payables of the Company to Pakistan State Oil Company Limited for fuel oil supplies on June 30, 2015 were Rs. 6,409 Million. The Company

continues to pursue WAPDA, Pakistan Electric Power Company (Private) Limited (PEPCO), National Transmission and Dispatch Company (NTDC) and the concerned Ministries of the Government of Pakistan for resolution of the matter.

As with other IPPs, the Company too has received liquidated damages invoices from the power purchaser. The liquidated damages invoices are of the amount of Rs. 22,939 Million for the years ended June 30, 2009 to June 30, 2014. The Company has disputed these invoices in accordance with the provisions of its Power Purchase Agreement. The Company contends, inter alia, that its failure to dispatch electricity was due to its sole customer's non-payment of dues on a timely basis to it. For details you may refer to Note 13.1(v) of the Financial Statements.

The Company discharged its obligation under the Note Agreement with its creditor (WAPDA) through exchange of two debit and credit notes respectively in December 2014 and June 2015 of the total amount of Rs. 802 Million.

Operations

The Company sold 6,934 GWh of electricity to its customer during the year. This generation represents a cumulative load factor of 59%; overall commercial availability of 94.1%; and thermal efficiency of 44.2%.

The Company maintains its power plant in accordance with recommendations of the Original Equipment Manufacturer; and to this end it carried out one Major Overhaul; ten Combustion Inspections; and two Hot Gas Path Inspections during the year.

Expansion Project (Proposed)

In response to the proposal submitted by the Company to the Expression of Interest invited by the Punjab Power Development Board (PPDB) and the Company fulfilling the prequalification requirements, PPDB (on behalf of the Government of Punjab) issued a Letter of Interest (LoI) to the Company for one 660 MW coal based power project at Bhikki, District Sheikhpura.

Thereafter, PPDB requested the Company to relocate the coal project from Bhikki, District Sheikhpura to Muzaffargarh due to coal transportation and logistical issues. Following deliberations, the Board of Directors consented to the proposed relocation to Muzaffargarh. To progress matters, the Company has appointed a consultant to carry out a feasibility study for the development of the proposed power project.

Directors' Report

Conducting of a feasibility study is no assurance/guarantee at this stage that the Company will be setting up the proposed power project.

Annual Board Evaluation

The Board of Directors has put in place a mechanism for an annual evaluation of its own performance. Under the mechanism, each Director is required to fill out a self-assessment questionnaire, which is then placed before the Chairman Board of Directors for discussions and further action (if needed). We are confident that the mechanism put in place will not only give impetus to the Board for improving its performance, but will also facilitate it to formulate strategies for the ongoing success of the Company.

Social Action Programme

Under the Company's Social Action Programme, a two day free medical/eye camp was conducted with the usual vigour and enthusiasm. Major activities at this camp included medical consultancy, diagnostic tests and medications in addition to eye surgeries performed. A team of eleven doctors volunteered for the camp which included a medical specialist, a gynaecologist, a child specialist, an ultra sound specialist, a pathologist and eye specialists. Around thirty paramedical volunteers provided requisite services for a pharmacy, laboratory and ultra sound machines. Facilities were also made available by the Company for eye surgeries and post operation care. Over the two day period 4600 patients received medical treatment, 37 eye surgeries were performed, 127 ultrasounds were carried out, and 347 laboratory tests were conducted.



As part of the Company's Social Action Programme, the Company provided medical/eye equipment to the Eye Ward of Tehsil Hospital, Kot Addu.

The cost of the Social Action Programme was around Rs. 3.77 Million.

In keeping with its corporate social responsibility, the Company made a donation of Rupees ten Million to the Punjab Chief Minister's Relief Fund set-up for Relief Operation of IDPs of North Waziristan Agency.

Directors' Training

During the year, the Company's Director, Mr. Owais Shahid participated and passed the assessments carried out by the Pakistan Institute of Corporate Governance under its Corporate Governance Leadership Skills – Directors Education Program.

Change on Board of Directors'

Two casual vacancies on the Board of Directors' caused by the resignation of Mr. Syed Zia Ijaz and Mr. Ali Sameer Farooqui were respectively filled-in by the appointment of Mr. Owais Shahid and Mr. Aqeel Ahmed Nasir.

Corporate and Financial Reporting Framework

As required by the Code of Corporate Governance, we are pleased to report the following:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgement.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there-from has been adequately disclosed and explained.



- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) Key operating and financial data for the last six years is annexed.
- h) The pattern of shareholding as at June 30, 2015 along with disclosure as required under the Code of Corporate Governance is annexed.
- i) The Directors, Chief Executive, General Manager Finance/CFO, the Company Secretary, their spouses and minor children have not traded in the shares of the Company.
- j) The value of investments (at cost) of Pension Fund and Provident Fund as at June 30, 2014 is as follows:

Rs. in Million

Pension Fund	1,578
Provident Fund	531

- k) Information about outstanding taxes and levies is given in the Notes to the Financial Statements.
- l) During the year, five meetings of the Board of Directors were held, attendance of these meetings is as follows:

Name of Director	Meetings Attended
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Mr. Zafar Mahmood	5
Mr. Aftab Mahmood Butt	5
Syed Nizam Ahmed Shah, Esq.	5
Mr. Anwar-ul-Haq	5
Mr. Tahir Mahmood	5
Mr. Owais Shahid ¹	3
Mr. Aqeel Ahmed Nasir ²	1
Syed Zia Ijaz, Esq. ³	1
Mr. Ali Sameer Farooqui ⁴	2
Mr. Muhammad Hanif Akhai ⁵	1

¹ Appointed Director on September 19, 2014 in place of Syed Zia Ijaz who resigned on September 19, 2014

² Appointed Director on March 30, 2015 in place of Mr. Ali Sameer Farooqui who resigned on March 30, 2015

³ Ceased to be Director on September 19, 2014

⁴ Ceased to be Director on March 30, 2015

⁵ Alternate Director to Mr. Aqeel Ahmed Nasir

- m) During the year, four meetings of the Audit Committee were held, attendance of these meetings is as follows:

Name of Director	Meetings Attended
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Syed Nizam Ahmed Shah	4
Mr. Anwar-ul-Haq	4
Mr. Tahir Mahmood	4
Mr. Owais Shahid ⁶	1
Mr. Aqeel Ahmed Nasir ⁷	1

Directors' Report

Syed Zia Ijaz, Esq. ⁸	1
Mr. Ali Sameer Farooqui ⁹	2

⁶ Appointed Member of Audit Committee on October 25, 2014

⁷ Appointed Member of Audit Committee on March 30, 2015

⁸ Ceased to be Member of Audit Committee due to resignation from the Board of Directors on September 19, 2014

⁹ Ceased to be Member of Audit Committee due to resignation from the Board of Directors on March 30, 2105

- n) During the year, four meetings of the HR Committee were held, attendance of these meetings is as follows:

Name of Director	Meetings Attended
Mr. Anwar-ul-Haq	4
Mr. Aftab Mahmood Butt	4
Mr. Owais Shahid ¹⁰	2
Syed Zia Ijaz, Esq. ¹¹	1

¹⁰ Appointed Member of HR Committee on October 25, 2014

¹¹ Ceased to be Member of HR Committee on September 19, 2014 due to resignation from the Board of Directors

Appropriations

The Directors are pleased to recommend a final dividend of Rs. 4.75 per share. This will be paid to the shareholders on the Company's Register of Members on October 14, 2015. An Interim Dividend of Rs. 4.00 per share was approved by the Board of Directors on February 18, 2015 and was dispatched in April 2015. The total dividend to be approved by the shareholders at the Annual General Meeting on October 22, 2015 will be Rs. 8.75 per share i.e. 87.50% for the year ended June 30, 2015.

The net profit for the year is recommended to be appropriated as follows:

	Rs. '000
Net Profit for the year	9,798,709
Other comprehensive loss	(35,984)
Un-appropriated profit brought forward	<u>17,540,864</u>
	27,303,589

Appropriations

Final dividend for the year ended June 30, 2014 @ Rs. 3.75 per share.	(3,300,950)
Interim dividend @ Rs. 4.00 per share.	(3,521,013)
Proposed final dividend @ Rs. 4.75 per share.	<u>(4,181,203)</u>
	(11,003,166)
Un-appropriated profit carried forward	<u>16,300,423</u>
Basic Earnings Per Share (Rupees)	11.13

The Directors draw your attention to the last paragraph of the Auditors Report relating to Note 13.1(v) to the Financial Statements.

Auditors

The present auditors, A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Board of Directors recommends the appointment of A. F. Ferguson & Co., Chartered Accountants, as auditors of the Company for the next year, as suggested by the Audit Committee.

Appreciation

We take this opportunity to thank the employees of the Company for making this a successful year for the Company.

By Order of the Board



Lahore
August 27, 2015

Aftab Mahmood Butt
Chief Executive

Key Operating and Financial Data

of the Last Six Years

Financial Year Ending June 30,		2015	2014	2013	2012	2011	2010
Turnover	PKR in Million	101,481	113,206	97,533	100,504	74,351	85,935
Net profit	PKR in Million	9,799	7,730	7,354	6,071	6,527	5,089
Assets	PKR in Million	96,262	95,352	62,224	99,328	95,337	77,600
Dividends	PKR in Million	6,822	6,382	5,414	6,382	5,061	5,678
EPS	PKR per share	11.13	8.78	8.35	6.90	7.41	5.78
Net Output	GWh	6,934	6,479	5,521	6,065	5,688	7,767
Thermal Efficiency	%	44.2	43.7	44.0	43.5	43.5	42.9
Load Factor	%	59.0	55.1	47.0	51.5	48.4	66.1
Availability	%	85.5	80.2	91.7	88.6	86.2	79.2

Pattern of Shareholding

As on June 30, 2015

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	From	To		
406	1	100	20733	0.002
50048	101	500	24953961	2.835
2013	501	1000	1979563	0.225
2028	1001	5000	5138266	0.584
438	5001	10000	3525174	0.401
182	10001	15000	2356319	0.268
117	15001	20000	2170181	0.247
78	20001	25000	1844059	0.210
55	25001	30000	1568343	0.178
38	30001	35000	1264323	0.144
40	35001	40000	1549536	0.176
14	40001	45000	601800	0.068
30	45001	50000	1475706	0.168
21	50001	55000	1117534	0.127
14	55001	60000	815218	0.093
12	60001	65000	753280	0.086
10	65001	70000	673715	0.077
16	70001	75000	1177991	0.134
11	75001	80000	861900	0.098
1	80001	85000	81200	0.009
8	85001	90000	704505	0.080
4	90001	95000	371227	0.042
28	95001	100000	2794304	0.317
8	100001	105000	826023	0.094
7	105001	110000	755869	0.086
4	110001	115000	452000	0.051
2	115001	120000	239000	0.027
3	120001	125000	374100	0.043
2	125001	130000	256166	0.029
4	130001	135000	533900	0.061
7	135001	140000	970821	0.110
3	140001	145000	429000	0.049
7	145001	150000	1049077	0.119
2	150001	155000	305500	0.035
5	155001	160000	797000	0.091
3	160001	165000	485500	0.055
2	165001	170000	338703	0.039
2	170001	175000	344000	0.039
2	175001	180000	356600	0.041
2	180001	185000	363885	0.041
1	190001	195000	194300	0.022
6	195001	200000	1199761	0.136
3	200001	205000	607997	0.069
2	205001	210000	416500	0.047
2	215001	220000	439500	0.050
1	220001	225000	225000	0.026
1	225001	230000	229000	0.026

Pattern of Shareholding

As on June 30, 2015

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	From	To		
1	230001	235000	235000	0.027
5	245001	250000	1250000	0.142
1	250001	255000	255000	0.029
2	260001	265000	523500	0.060
1	265001	270000	270000	0.031
3	270001	275000	823500	0.094
1	280001	285000	283113	0.032
2	285001	290000	580000	0.066
1	290001	295000	293900	0.033
8	295001	300000	2400000	0.273
2	315001	320000	635278	0.072
2	320001	325000	648600	0.074
1	325001	330000	330000	0.038
1	340001	345000	340350	0.039
2	355001	360000	716333	0.081
1	365001	370000	370000	0.042
1	370001	375000	373000	0.042
1	375001	380000	375500	0.043
1	390001	395000	395000	0.045
6	395001	400000	2400000	0.273
1	400001	405000	401000	0.046
1	420001	425000	424594	0.048
1	455001	460000	460000	0.052
2	460001	465000	926653	0.105
1	465001	470000	470000	0.053
1	490001	495000	493500	0.056
3	495001	500000	1500000	0.170
1	530001	535000	534500	0.061
1	540001	545000	544750	0.062
1	550001	555000	550934	0.063
1	555001	560000	556000	0.063
1	600001	605000	604500	0.069
1	620001	625000	625000	0.071
2	630001	635000	1268000	0.144
1	635001	640000	639000	0.073
1	655001	660000	660000	0.075
1	660001	665000	663753	0.075
1	695001	700000	696000	0.079
1	710001	715000	712828	0.081
1	715001	720000	717000	0.082
1	745001	750000	750000	0.085
1	760001	765000	761500	0.087
1	765001	770000	765500	0.087
1	785001	790000	790000	0.090
1	790001	795000	791530	0.090
1	805001	810000	806500	0.092

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	From	To		
1	860001	865000	862500	0.098
1	875001	880000	875900	0.100
1	925001	930000	927832	0.105
2	995001	1000000	1996500	0.227
3	1000001	1005000	3000785	0.341
1	1030001	1035000	1030799	0.117
1	1050001	1055000	1055000	0.120
1	1095001	1100000	1100000	0.125
1	1150001	1155000	1151400	0.131
2	1180001	1185000	2365344	0.269
1	1225001	1230000	1226000	0.139
2	1285001	1290000	2575000	0.293
1	1325001	1330000	1327000	0.151
1	1340001	1345000	1343500	0.153
1	1385001	1390000	1387500	0.158
1	1475001	1480000	1477500	0.168
1	1805001	1810000	1808500	0.206
1	1860001	1865000	1862500	0.212
1	1885001	1890000	1886500	0.214
1	2030001	2035000	2031679	0.231
1	2100001	2105000	2103667	0.239
1	2455001	2460000	2456394	0.279
1	2540001	2545000	2543000	0.289
1	2655001	2660000	2660000	0.302
1	2680001	2685000	2685000	0.305
1	2905001	2910000	2909500	0.331
1	3045001	3050000	3050000	0.347
1	4780001	4785000	4784500	0.544
1	4940001	4945000	4941500	0.561
1	5505001	5510000	5509644	0.626
1	5800001	5805000	5801000	0.659
1	6420001	6425000	6420500	0.729
1	7140001	7145000	7141500	0.811
1	9145001	9150000	9147000	1.039
1	12835001	12840000	12839500	1.459
1	15190001	15195000	15190893	1.726
1	17825001	17830000	17830000	2.026
1	19675001	19680000	19675500	2.235
1	23145001	23150000	23145500	2.629
1	26540001	26545000	26542173	3.015
1	48250001	48255000	48252429	5.482
1	79420001	79425000	79422000	9.023
1	87995001	88000000	88000000	9.997
1	354310001	354315000	354311133	40.251
55815	Company Total		880,253,228	100.00

Categories of Shareholders

As on June 30, 2015

Particulars	No of Folio	Balance Share	Percentage
DIRECTORS, CEO, SPOUSE & CHILDREN	10	3,009	0.001
ASSOCIATED COMPANIES	2	402,563,562	45.733
BANKS, DFI & NBF	22	212,166,989	24.103
INSURANCE COMPANIES	14	52,796,814	5.998
MODARABAS & MUTUAL FUNDS	45	26,981,755	3.065
PUBLIC SECTOR COMPANIES AND CORP.	7	10,729,429	1.219
GENERAL PUBLIC (LOCAL)	52,999	133,983,882	15.221
GENERAL PUBLIC (FOREIGN)	2,420	5,632,462	0.640
OTHERS	152	16,262,115	1.847
FOREIGN COMPANIES	23	9,791,795	1.112
APPROVED FUND	121	9,341,416	1.061
Company Total	55,815	880,253,228	100.00

Statement of Compliance with the Code of Corporate Governance

Name of Company	Kot Addu Power Company Limited
Year Ended	June 30, 2015

This Statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited for the purposes of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At June 30, 2015 the Board was constituted as follows:

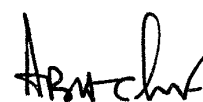
Category	Names
Independent Directors	Syed Nizam Ahmad Shah, esq.
Executive Directors	Mr. Aftab Mahmood Butt (Chief Executive)
Non-Executive Directors	1. Mr. Zafar Mahmood 2. Mr. Anwar-ul-Haq 3. Mr. Tahir Mahmood 4. Mr. Owais Shahid 5. Mr. Aqeel Ahmed Nasir

The Independent Director meets the criteria of independence under clause i(b) of the CCG.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident Directors of the Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFIs.
4. Casual vacancies occurring on the board during the financial year ended June 30, 2015 were duly filled-in by the Directors within 90 days.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive and non-executive Directors, have been taken by the Board in accordance with the Articles of Association of the Company.
8. The Meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose; and the Board met at least once in every quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged a training programme for its Directors during the year. The training was provided by the Pakistan Institute of Corporate Governance and the training is titled 'Corporate Governance Leadership Skills – Directors Education Program'.
10. The Board has approved the appointment of the Internal Auditors of the Company including their remuneration and terms and conditions of employment. The Board has also approved the

- appointment of Head of Internal Audit to act as coordinator between the Internal Auditors and the Board of Directors. The Company's CFO and Company Secretary were appointed prior to the listing of the Company; and for a new appointment in these positions, in future, compliance with CCG will be ensured.
11. The Board has developed a mechanism for the annual evaluation of the Board's own performance.
 12. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
 13. The financial statements of the Company were duly endorsed by the Chief Executive and CFO before approval of the Board.
 14. The Directors, Chief Executive and Executives do not hold any interest in the shares of the Company other than as disclosed in the pattern of shareholding.
 15. The Company has complied with all the corporate and financial reporting requirements of the CCG.
 16. The Board has formed an Audit Committee. It comprises five members, of whom all are non-executive directors and the Chairman of the Committee is an Independent Director.
 17. The Meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results of the Company and as required by the CCG. The Terms of Reference of the Audit Committee have been formed and advised to the Committee for compliance.
 18. The Board has formed a Human Resource Committee. It comprises three members, of whom two are non-executive Directors and the Chairman of the HR Committee is a non-executive Director.
 19. The Board has outsourced the internal audit function to Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
 20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
 21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 22. The 'closed period', prior to the announcement of interim and final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to Directors, specified employees and the Stock Exchanges.
 23. Material/price sensitive information has been disseminated among all market participants at once through the Stock Exchanges.
 24. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on Behalf of the
Board of Directors



Aftab Mahmood Butt
Chief Executive

Lahore
August 27, 2015

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Kot Addu Power Company Limited to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges, where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Regulation 35 (x) of the Listing Regulations requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such

transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2015.



Chartered Accountants
Name of engagement partner: Amer Raza Mir
Lahore
Date: August 27, 2015

Auditors' Report to the Members

We have audited the annexed balance sheet of Kot Addu Power Company Limited ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Emphasis of matter

We draw attention to note 13.1 (v) to the financial statements, which describes the uncertainty regarding the outcome of certain claims by WAPDA which have been disputed by the Company. Our opinion is not qualified in respect of this matter.



Chartered Accountants
Name of engagement partner: Amer Raza Mir
Lahore
Date: August 27, 2015

Balance Sheet

As at June 30, 2015

	Note	2015 (Rupees in thousand)	2014
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
3,600,000,000 (2014: 3,600,000,000) ordinary shares of Rs 10 each		<u>36,000,000</u>	<u>36,000,000</u>
Issued, subscribed and paid up capital			
880,253,228 (2014: 880,253,228) ordinary shares of Rs 10 each	5	8,802,532	8,802,532
Capital reserve	6	444,451	444,451
Unappropriated profit		20,481,626	17,540,864
		<u>29,728,609</u>	<u>26,787,847</u>
NON-CURRENT LIABILITIES			
Long term finances	7	926,402	1,466,609
Liabilities against assets subject to finance lease	8	58,561	68,332
Deferred liabilities	9	3,075,197	3,602,025
		<u>4,060,160</u>	<u>5,136,966</u>
CURRENT LIABILITIES			
Current portion of long term liabilities	10	567,241	869,245
Finances under mark-up arrangements - secured	11	32,871,918	37,054,118
Trade and other payables	12	29,034,166	25,503,830
		<u>62,473,325</u>	<u>63,427,193</u>
CONTINGENCIES AND COMMITMENTS			
	13		
		<u>96,262,094</u>	<u>95,352,006</u>

The annexed notes 1 to 42 form an integral part of these financial statements.



Aftab Mahmood Butt
(Chief Executive)

ASSETS

NON-CURRENT ASSETS

	Note	2015 (Rupees in thousand)	2014
Property, plant and equipment	14	14,038,572	15,755,465
Intangible assets	15	13,193	14,648
Assets subject to finance lease	16	79,146	90,934
Capital work-in-progress	17	726,221	80,060
Long term loans and deposits	18	36,385	53,120
		14,893,517	15,994,227

CURRENT ASSETS

Stores and spares	19	4,481,508	3,912,837
Stock-in-trade	20	3,539,023	4,128,021
Trade debts	21	71,069,093	66,087,635
Loans, advances, deposits, prepayments and other receivables	22	1,603,641	1,898,851
Cash and bank balances	23	675,312	3,330,435
		81,368,577	79,357,779
		<u>96,262,094</u>	<u>95,352,006</u>


Syed Nizam Ahmed Shah
 (Director)

Profit and Loss Account

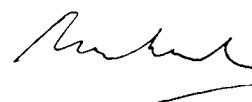
For the year ended June 30, 2015

	Note	2015 (Rupees in thousand)	2014
Sales	24	101,480,570	113,206,047
Cost of sales	25	<u>(86,334,572)</u>	<u>(101,001,998)</u>
Gross profit		15,145,998	12,204,049
Administrative expenses	26	(417,718)	(536,565)
Other operating expenses	27	(13,734)	(723)
Other income	28	<u>6,321,217</u>	<u>4,213,709</u>
Profit from operations		21,035,763	15,880,470
Finance cost	29	<u>(6,248,083)</u>	<u>(4,550,475)</u>
Profit before tax		14,787,680	11,329,995
Taxation	30	(4,988,971)	(3,600,151)
Profit for the year		<u>9,798,709</u>	<u>7,729,844</u>
Earnings per share	Rupees 38	<u>11.13</u>	<u>8.78</u>

The annexed notes 1 to 42 form an integral part of these financial statements.



Aftab Mahmood Butt
(Chief Executive)



Syed Nizam Ahmed Shah
(Director)

Statement of Comprehensive Income

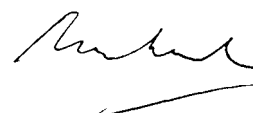
For the year ended June 30, 2015

	2015 (Rupees in thousand)	2014
Profit for the year	9,798,709	7,729,844
Items that will not be reclassified to profit or loss		
- Re-measurement of net defined benefit obligation - net of tax	(35,984)	(35,199)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive loss for the year - net of tax	(35,984)	(35,199)
Total comprehensive income for the year	<u>9,762,725</u>	<u>7,694,645</u>

The annexed notes 1 to 42 form an integral part of these financial statements.



Aftab Mahmood Butt
(Chief Executive)



Syed Nizam Ahmed Shah
(Director)

Cash Flow Statement

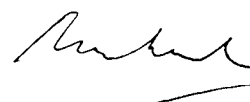
For the year ended June 30, 2015

	Note	2015 (Rupees in thousand)	2014
Cash flows from operating activities			
Cash generated / (used in) from operations	36	24,487,028	(10,627,595)
Finance cost paid		(9,252,265)	(5,488,284)
Taxes paid		(4,917,654)	(3,241,521)
Staff retirement benefits paid		(342,228)	(38,104)
Net cash generated from / (used in) operating activities		9,974,881	(19,395,504)
Cash flows from investing activities			
Fixed capital expenditure including intangible assets		(1,039,971)	(843,628)
Income on bank deposits received		23,870	23,413
Net decrease in long term loans and deposits		16,735	3,689
Proceeds from sale of property, plant and equipment		2,964	4,816
Net cash used in investing activities		(996,402)	(811,710)
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(27,608)	(29,933)
Repayment of long term loan - unsecured		(540,207)	(701,406)
Repayment of long term loans - secured		(304,530)	(1,258,152)
Dividend paid		(6,579,057)	(6,336,946)
Net cash used in financing activities		(7,451,402)	(8,326,437)
Net increase / (decrease) in cash and cash equivalents		1,527,077	(28,533,651)
Cash and cash equivalents at beginning of the year		(33,723,683)	(5,190,032)
Cash and cash equivalents at the end of the year	37	(32,196,606)	(33,723,683)

The annexed notes 1 to 42 form an integral part of these financial statements.



Aftab Mahmood Butt
(Chief Executive)



Syed Nizam Ahmed Shah
(Director)

Statement of Changes in Equity

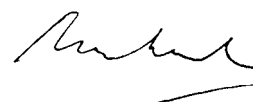
For the year ended June 30, 2015

	Share capital	Capital reserve	Un-appropriated profit	Total
	(Rupees in thousand)			
Balance as at June 30, 2013	8,802,532	444,451	16,228,055	25,475,038
Final dividend for the year ended June 30, 2013 - Rs 4.50 per share	-	-	(3,961,140)	(3,961,140)
Profit for the year	-	-	7,729,844	7,729,844
Other comprehensive loss:				
- Re-measurement of net defined benefit obligation - net of tax	-	-	(35,199)	(35,199)
Total comprehensive income for the year	-	-	7,694,645	7,694,645
Interim dividend for the year ended June 30, 2014 - Rs 2.75 per share	-	-	(2,420,696)	(2,420,696)
Balance as at June 30, 2014	8,802,532	444,451	17,540,864	26,787,847
Final dividend for the year ended June 30, 2014 - Rs 3.75 per share	-	-	(3,300,950)	(3,300,950)
Profit for the year	-	-	9,798,709	9,798,709
Other comprehensive loss:				
- Re-measurement of net defined benefit obligation - net of tax	-	-	(35,984)	(35,984)
Total comprehensive income for the year	-	-	9,762,725	9,762,725
Interim dividend for the year ended June 30, 2015 - Rs 4.00 per share	-	-	(3,521,013)	(3,521,013)
Balance as at June 30, 2015	8,802,532	444,451	20,481,626	29,728,609

The annexed notes 1 to 42 form an integral part of these financial statements.



Aftab Mahmood Butt
(Chief Executive)



Syed Nizam Ahmed Shah
(Director)

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2015

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. The Company was listed on April 18, 2005 on the Karachi, Islamabad and Lahore Stock Exchanges. 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). This agreement is for a term of 25 years which commenced from June 1996.

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the said directives shall prevail.

2.2 Standards, amendments and interpretations to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments and interpretations to existing standards effective in current year and applicable / relevant to the Company's operations

Standards or Interpretation	Effective date (annual periods beginning on or after)
IAS 32 (Amendment), 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities	January 1, 2014
IAS 36 (Amendment), 'Impairment of assets'	January 1, 2014
IAS 19 (Amendment), 'Employee benefits'	July 1, 2014
IAS 24 (Amendment), 'Related parties'	July 1, 2014
Annual improvements 2012; IFRS 2, 'Share-based payment'. IFRS 3, 'Business combinations'. IFRS 8, 'Operating segments'. IFRS 13, 'Fair value measurement'. IAS 16, 'Property, plant and equipment'. IAS 38, 'Intangible assets'.	July 1, 2014

The application of these amendments have no material impact on the Company's financial statements.

2.2.2 Standards, amendments and interpretations to existing standards effective in current year but not applicable / relevant to the Company's operations

Standards or Interpretation	Effective date (annual periods beginning on or after)
IFRIC 21, 'Levies'	January 1, 2014
IAS 39 (Amendment), 'Financial Instruments: Recognition and measurement' on novation of derivatives and hedge accounting	January 1, 2014
Annual improvements 2013; IFRS 1, 'First time adoption'. IFRS 3, 'Business combinations'. IFRS 13, 'Fair value measurement'. IAS 40, 'Investment property'	July 1, 2014

2.2.3 Standards, amendments and interpretations to existing standards that are not yet effective but applicable / relevant to the Company's operations

- IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' is applicable for annual periods beginning on or after January 1, 2006, however, Securities and Exchange Commission of Pakistan (SECP) granted waiver from the application of IFRIC 4 to all companies including power sector companies. This interpretation provides guidance on determining whether arrangements that do not take the legal form of a lease should, nonetheless, be accounted for as a lease in accordance with IAS 17, 'Leases'.

Consequently, the Company is not required to account for a portion of its Power Purchase Agreement (PPA) as a lease under IAS 17. If the Company were to follow IFRIC 4 and IAS 17, the effect on the financial statements would be as follows:

	2015 (Rupees in thousand)	2014
De-recognition of property, plant and equipment	(14,020,074)	(15,732,629)
Recognition of lease debtor	6,746,129	7,516,890
Decrease in un-appropriated profit at the beginning of the year	(5,348,092)	(5,448,883)
Increase in profit for the year	563,331	100,791
Decrease in un-appropriated profit at the end of the year	(4,784,761)	(5,348,092)

- IFRS 2 (Amendment), 'Share-based Payment – Group Cash-settled Share-based Payment Transactions' effective for annual periods beginning on or after January 1, 2010.

The International Accounting Standards Board (IASB) amended IFRS 2 whereby an entity receiving goods or services is to apply this IFRS in accounting for group cash-settled share-based payment transactions in its financial statements when that entity has no obligation to settle the share-based payment transaction.

On August 14, 2009, the Government of Pakistan (GOP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GOP holds significant investment (non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities, on the date of launch of the scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2015

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GOP transferred 12% of its investment in such SOEs and non-SOEs to a Trust Fund created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service. On retirement or termination such employees would be entitled to receive such amounts from Trust Fund in exchange for the surrendered units as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GOP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to Central Revolving Fund Managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Fund to meet the re-purchase commitments would be met by GOP.

The Scheme, developed in compliance with stated GOP Policy of empowerment of employees of SOEs need to be accounted for by the covered entities, including the Company, under the provisions of amended IFRS 2. However, keeping in the view the difficulties that may be faced by entities covered under the scheme, the SECP on receiving representations from some of entities covered under the Scheme and after having consulted the ICAP, has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted, the staff costs of the Company for the year would have been higher by Rs 3,129 million (2014: Rs 1,891 million), profit after taxation would have been lower by Rs 2,024 million (2014: Rs 1,232 million), retained earnings would have been lower by Rs 2,024 million (2014: Rs 1,232 million), earning per share would have been lower by Rs 2.30 per share (2014: Rs 1.40 per share) and reserves would have been higher by Rs 3,129 million (2014: Rs 1,891 million).

- IAS 1 (Amendment), 'Presentation of financial statements' on disclosure initiative. The application of these amendments have no material impact on the Company's financial statements. The amendment is effective for annual periods beginning on or after January 1, 2016.

- IAS 16 and 38 (Amendment), 'Property, plant and equipment' and 'Intangibles' on acceptable methods of depreciation and amortization. The application of these amendments have no material impact on the Company's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016.

2.2.4 Standards, amendments and interpretations to existing standards that are not yet effective and not applicable / relevant to the Company's operations

Standards or Interpretations	Effective date (annual periods beginning on or after)
IFRS 10, 'Consolidated financial statements'	January 1, 2015
IFRS 11, 'Joint arrangements'	January 1, 2015
IFRS 12, 'Disclosure of interests in other entities'	January 1, 2015
IFRS 10, 12 and IAS 28 (Amendment), on exception to consolidation for investment entities	January 1, 2015
IFRS 13 (Amendment), 'Fair Value measurement' on scope of portfolio exception	January 1, 2015
IAS 27 (Amendment), 'Separate financial statements' on application of equity method in separate financial statements	January 1, 2016
IAS 41 (Amendment), 'Agriculture' on bearer plants	January 1, 2016
IFRS 10 and IAS 28 (Amendment), on sale or contribution of assets between an Investor and its associate or joint venture	January 1, 2016

Standards or Interpretations

Effective date (annual periods beginning on or after)

IFRS 11 (Amendment), 'Joint arrangements' on acquisition of interest in joint operations	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Annual improvements 2014; IFRS 5, 'Non-current assets held for sale and discontinued operations'. IFRS 7, 'Financial instruments: disclosures'. IAS 19, 'Employee benefits'. IAS 34, 'Interim financial reporting'	January 1, 2016
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts'	January 1, 2018

3. Basis of measurement

These financial statements have been prepared under the historical cost convention except for recognition of certain employee retirement benefits at present value.

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Staff retirement benefits

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.2.

b) Provision for taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment and appellate stage and where the Company considers that its views on items of material nature are in accordance with law, the amounts are disclosed as contingent liabilities.

c) Useful life and residual values of property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2015

4.1 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Previously, income of the Company derived from the power station up to June 27, 2006 was exempt from income tax under clause 138 of the Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Company was also exempt from minimum tax under clause 13(A) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 for the period it continued to be entitled to exemption under clause 138 of the Part I of the Second Schedule i.e. up to June 27, 2006. Thereafter, the income of the Company is taxable under the provisions of the Income Tax Ordinance, 2001.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.2 Staff retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

- (a) The Company operates an approved funded defined benefit pension scheme for all employees with a qualifying service period of ten years. Monthly contribution is made to the fund on the basis of actuarial recommendation. The latest actuarial valuation was carried out as at June 30, 2015. The actual return on plan assets during the year was Rs 264 million (2014: Rs 188 million). The actual return on plan assets represents the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the Company as reduced by benefits paid during the year.

The future contribution rate includes allowances for deficit and surplus. Projected unit credit method, using the following significant assumptions, is used for valuation of the scheme:

- Discount rate: 10.50 percent per annum (2014: 13.50 percent per annum).
- Expected rate of increase in salary level: 10.00 percent per annum (2014: 13.50 percent per annum).
- Expected rate of increase in pension: 5.50 percent per annum (2014: 8.50 percent per annum).

Plan assets include long-term Government bonds, term finance certificates of financial institutions and term deposits with banks. Return on Government bonds and debt is at fixed and floating rates.

The Company is expected to contribute Rs 91 million to the pension fund in the next year ending June 30, 2016.

The Company's policy with regard to actuarial gains/losses is to immediately recognise all actuarial losses and gains in other comprehensive income under IAS 19, 'Employee benefits'.

- (b) The Company also operates an approved funded contributory provident fund for all employees. Equal monthly contributions are made by both the Company and the employees to the fund.
- (c) The Company provides medical facilities to its retired employees and eligible dependent family members along with free electricity. Provisions are made annually to cover the obligation on the basis of actuarial valuation and are charged to income. The latest actuarial valuation was carried out as at June 30, 2015.

Projected unit credit method, using the following significant assumptions, is used for valuation of these schemes:

- Discount rate: 10.50 percent per annum (2014: 13.50 percent per annum).
- Expected rate of increase in medical cost: 8.50 percent per annum (2014: 11.50 percent per annum).
- Expected rate of increase in electricity benefit: 10.50 percent per annum (2014: 13.50 percent per annum).

Retirement benefits are payable to all regular employees on completion of prescribed qualifying period of service under these schemes.

4.3 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost represents the acquisition price of assets transferred to the Company in accordance with the Transfer Agreement signed between WAPDA and the Company on June 26, 1996 based on a valuation by M/s Stone and Webster using depreciated replacement cost basis.

Depreciation on all property, plant and equipment is charged to profit and loss account on the straight line method so as to write off the depreciable amount of an asset over the economic useful life or the remaining term of PPA, whichever is lower using the annual rates mentioned in note 14 after taking their residual values into account.

The assets' residual values and estimated useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its property, plant and equipment as at June 30, 2015 has not required any adjustment.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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Major plant modifications and improvements are capitalised. Overhauls, maintenance and repairs are charged to income as and when incurred. The gain or loss on disposal or retirement of an asset, represented by the difference between the sale proceeds and the carrying amount of the asset, is recognised as an income or expense.

Blades for Gas Turbines are considered a separate category of assets. All blades are depreciated at the annual rate as mentioned in note 14 regardless of whether they are in use or not. Refurbishment costs are accrued and charged to profit and loss account.

4.4 Intangible assets

Expenditure incurred to acquire computer software are capitalised as intangible assets and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight line method so as to write off the depreciable amount of an asset over its estimated useful life at the annual rates mentioned in note 15.

Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalised, while no amortization is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that intangible asset may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.5 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

4.6 Leases

The Company is the lessee:

Finance leases

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. At inception finance leases are capitalised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of the payment.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight line method so as to write off the depreciable amount of an asset over its estimated useful life at the annual rates mentioned in note 16. Depreciation of leased assets is charged to profit and loss account.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight line basis over the lease term.

4.7 Stores and spares

Usable stores and spares are valued principally at weighted average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Refurbishable items are valued at the lower of cost and net realisable value. Cost of refurbishment is charged to the profit and loss account as it is incurred. The item is charged to the profit and loss account when, upon inspection, it cannot be refurbished.

4.8 Stock-in-trade

Stock-in-trade except for those in transit are valued at lower of cost based on First In First Out (FIFO) and net realisable value.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management's best estimate.

4.9 Financial instruments

4.9.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not

Notes to and Forming Part of the Financial Statements

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classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss account. Financial assets carried at fair value through profit and loss account are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as 'available-for-sale' are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company determines the fair value of financial assets using valuation techniques based on assumptions that are dependent on market conditions existing at balance sheet date.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

4.9.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in respective carrying amounts is recognised in the profit and loss account.

4.10 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.11 Long term loans and deposits

Loans and deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in non-current assets for having maturities greater than 12 months after the balance sheet date. Initially they are recognised at fair value and subsequently stated at amortized cost.

4.12 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the balance sheet, finances under mark-up arrangements are included in current liabilities.

4.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued finance costs to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

4.15 Trade and other payables

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and/or services received, whether or not billed to the Company.

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.16 Derivative financial instruments

These are initially recorded at fair value on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2015

4.17 Foreign currencies

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees (PKR), which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into PKR using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

4.18 Borrowing costs

Mark-up, interest and other charges on borrowings are capitalised up to the date of commissioning of the related property, plant and equipment, acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to income.

4.19 Revenue recognition

Revenue on account of energy is recognised on transmission of electricity to WAPDA, whereas on account of capacity is recognised when due.

4.20 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved.

5. Issued, subscribed and paid up capital

2015 (Number of shares)	2014		2015 (Rupees in thousand)	2014
253,000	253,000	Ordinary shares of Rs 10 each fully paid in cash	2,530	2,530
880,000,228	880,000,228	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	8,800,002	8,800,002
<u>880,253,228</u>	<u>880,253,228</u>		<u>8,802,532</u>	<u>8,802,532</u>

Ordinary shares of the Company held by associated undertakings are as follows:

	2015 (Number of shares)	2014
Pakistan Water and Power Development Authority (WAPDA)	354,311,133	354,311,133
KAPCO Employees Empowerment Trust	48,252,429	48,252,429
[Formed under Benazir Employees' Stock Option Scheme (BESOS)]	<u>402,563,562</u>	<u>402,563,562</u>

6. Capital reserve

This represents the value of fuel stock taken over by the Company at the time of take over of Kot Addu Gas Turbine Power Station from WAPDA. The value of stock was not included in the valuation of assets at the time of take over.

7. Long term finances

These are composed of:

- Loan from related parties - unsecured	- note 7.1	1,466,609	2,006,816
- Other bank finances - secured	- note 7.2	-	304,530
		<u>1,466,609</u>	<u>2,311,346</u>
Less: Current maturity		540,207	844,737
		<u>926,402</u>	<u>1,466,609</u>

7.1 Loan from related parties - unsecured

Lender	Currency	Amount of loan outstanding (Rs in thousand)	Rate of interest / mark-up per annum	Remaining number of installments	Interest / Mark-up payable
					2015
WAPDA	PKR	1,466,609	14%	6 equal semi annual installments ending June 2018	Semi annually
					2014
WAPDA	PKR	2,006,816	14%	8 equal semi annual installments ending June 2018	Semi annually

7.2 Other bank finances - secured

These finances were repaid during the year. The following are details of these loans as at June 30, 2014:

Lender	Currency	Amount of loan outstanding (Rs in thousand)	Rate of interest / mark-up per annum	Remaining number of installments	Interest / Mark-up payable
MCB Bank Limited	PKR	124,546	6 month KIBOR plus 2.75%	1, ending August 2014	Quarterly
Habib Bank Limited	PKR	179,984	3 month KIBOR plus 2.50%	1, ending August 2014	Semi annually
Total		304,530			

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	2015 (Rupees in thousand)	2014
8. Liabilities against assets subject to finance lease		
Present value of minimum lease payments	85,595	92,840
Less: Current portion shown under current liabilities	27,034	24,508
	<u>58,561</u>	<u>68,332</u>

Minimum lease payments have been discounted at an implicit interest rate ranging from 9.48 percent to 12.68 percent (2014: 10.06 percent to 12.69 percent) per annum to arrive at their present value. The lessee has the option to purchase the assets after expiry of the lease term.

Taxes, repairs, replacements and insurance costs are to be borne by the lessee.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	Minimum lease payment	Future finance charge	2015 Present value of lease liability
	(Rupees in thousand)		
Not later than one year	34,376	7,342	27,034
Later than one year and not later than five years	65,522	6,961	58,561
	<u>99,898</u>	<u>14,303</u>	<u>85,595</u>

	Minimum lease payment	Future finance charge	2014 Present value of lease liability
	(Rupees in thousand)		
Not later than one year	33,292	8,784	24,508
Later than one year and not later than five years	78,097	9,765	68,332
	<u>111,389</u>	<u>18,549</u>	<u>92,840</u>

		2015 (Rupees in thousand)	2014
9. Deferred Liabilities			
Deferred taxation	- note 9.1	2,217,369	2,697,466
Staff retirement benefits	- note 9.2	857,828	904,559
		<u>3,075,197</u>	<u>3,602,025</u>

9.1 Deferred taxation

The liability for deferred taxation comprises of timing differences relating to:

Accelerated tax depreciation	2,382,677	2,889,778
Provision for store obsolescence	(34,371)	(57,651)
Provision for doubtful debts	(53,070)	(48,435)
Write back of unpaid liabilities	(51,436)	(55,589)
Liabilities against assets subject to finance lease	(26,431)	(30,637)
	<u>2,217,369</u>	<u>2,697,466</u>

9.2 Staff retirement benefits

These are composed of:

		2015 (Rupees in thousand)	2014
Pension	- note 9.2.1	154,029	288,402
Medical	- note 9.2.2	157,628	136,820
Free electricity	- note 9.2.2	508,307	479,337
Other long term employee benefits		37,864	-
		<u>857,828</u>	<u>904,559</u>

9.2.1 Pension

The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation	2,350,904	1,932,096
Fair value of plan assets	<u>(2,196,875)</u>	<u>(1,643,694)</u>
Liability as at June 30	<u>154,029</u>	<u>288,402</u>
Liability as at July 1	288,402	267,820
Charge to profit and loss account	99,968	84,598
Contribution paid by the Company	(336,469)	(33,134)
Remeasurement losses / (gains) recognised in other comprehensive income	102,128	(30,882)
Liability as at June 30	<u>154,029</u>	<u>288,402</u>

The movement in the present value of defined benefit obligation is as follows:

Present value of defined benefit obligation as at July 1	1,932,096	1,749,201
Current service cost	63,422	56,674
Interest cost for the year	259,765	191,613
Benefits paid during the year	(47,074)	(58,732)
Remeasurement losses / (gains) on obligation	142,695	(6,660)
Present value of defined benefit obligation as at June 30	<u>2,350,904</u>	<u>1,932,096</u>

The movement in fair value of plan assets is as follows:

Fair value as at July 1	1,643,694	1,481,381
Expected return on plan assets	223,219	163,689
Contribution paid by the Company	336,469	33,134
Benefits paid during the year	(47,074)	(58,732)
Remeasurement gains on plan assets	40,567	24,222
Fair value as at June 30	<u>2,196,875</u>	<u>1,643,694</u>

Plan assets are comprised as follows:

	2015	2014
Mutual funds	41%	15%
Interest bearing instruments	55%	65%
Other	4%	20%
	<u>100%</u>	<u>100%</u>

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2015

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of pension fund is as follows:

	2015	2014	2013	2012	2011
			(Rupees in thousand)		
As at June 30					
Present value of defined benefit obligations	2,350,904	1,932,096	1,749,201	1,400,795	1,355,828
Fair value of plan assets	(2,196,875)	(1,643,694)	(1,481,381)	(1,192,195)	(1,043,050)
Deficit	<u>154,029</u>	<u>288,402</u>	<u>267,820</u>	<u>208,600</u>	<u>312,778</u>
Experience adjustment on obligation	142,695	(6,660)	198,474	(172,322)	194,921
Experience adjustment on plan assets	40,567	24,222	(520)	(3,352)	18,832

Year end sensitivity analysis on present value of defined benefit obligation:

	2015	2014
	(Rupees in thousand)	
Discount rate + 0.50%	2,226,810	1,830,054
Discount rate - 0.50%	2,485,971	2,043,821
Increase in salary level + 0.50%	2,379,553	1,992,767
Increase in salary level - 0.50%	2,322,181	1,874,037
Increase in pension + 0.50%	2,422,098	1,988,203
Increase in pension - 0.50%	2,284,262	1,880,178

9.2.2

	Post retirement Medical	Post retirement Free electricity
	2015	2014
	(Rupees in thousand)	(Rupees in thousand)

The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation as at June 30	157,628	136,820	508,307	479,337
Liability as at July 1	136,820	104,953	479,337	363,794
Charge to profit and loss account	22,983	15,272	80,974	52,895
Benefits paid during the year	(1,490)	(1,646)	(4,269)	(3,324)
Remeasurement (gains) / losses recognised in other comprehensive income	(685)	18,241	(47,735)	65,972
Liability as at June 30	<u>157,628</u>	<u>136,820</u>	<u>508,307</u>	<u>479,337</u>

The movement in the present value of defined benefit obligation is as follows:

Present value of defined benefit obligation as at July 1	136,820	104,953	479,337	363,794
Current service cost	4,335	3,435	15,561	11,547
Interest cost for the year	18,648	11,837	65,413	41,348
Benefits paid during the year	(1,490)	(1,646)	(4,269)	(3,324)
Remeasurement (gains) / losses on obligation	(685)	18,241	(47,735)	65,972
Present value of defined benefit obligation as at June 30	<u>157,628</u>	<u>136,820</u>	<u>508,307</u>	<u>479,337</u>

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of post retirement medical is as follows:

	Post Retirement Medical				
	2015	2014	2013	2012	2011
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligations	157,628	136,820	104,953	90,731	86,263
Fair value of plan assets	-	-	-	-	-
Deficit	<u>157,628</u>	<u>136,820</u>	<u>104,953</u>	<u>90,731</u>	<u>86,263</u>
Experience adjustment on obligation (loss) / gain	(685)	18,241	618	(9,799)	(18,982)

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of post retirement free electricity is as follows:

	Post Retirement Free Electricity				
	2015	2014	2013	2012	2011
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligations	508,307	479,337	363,794	296,546	279,689
Fair value of plan assets	-	-	-	-	-
Deficit	<u>508,307</u>	<u>479,337</u>	<u>363,794</u>	<u>296,546</u>	<u>279,689</u>
Experience adjustment on obligation (loss) / gain	(47,735)	65,972	18,997	(32,456)	4,002

Year end sensitivity analysis on present value of defined benefit obligation:

	Post retirement Medical		Post retirement Free electricity	
	2015	2014	2015	2014
	(Rupees in thousand)		(Rupees in thousand)	
Discount rate + 0.50%	143,297	124,791	460,665	434,593
Discount rate - 0.50%	173,393	150,485	562,857	530,439
Increase in medical cost / electricity benefit + 0.50%	161,270	150,235	520,374	529,298
Increase in medical cost / electricity benefit - 0.50%	153,632	124,898	496,758	435,141

10. Current portion of long term liabilities

		2015	2014
		(Rupees in thousand)	
Long term finances	- note 7	540,207	844,737
Liabilities against assets subject to finance lease	- note 8	<u>27,034</u>	<u>24,508</u>
		<u>567,241</u>	<u>869,245</u>

11. Finances under mark-up arrangements - secured

Short term finances - secured	- note 11.1	<u>32,871,918</u>	<u>37,054,118</u>
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Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2015

11.1 Short term finances - secured

Short term finances available from various commercial banks under mark-up arrangements amount to Rs 46,670 million (2014: Rs 44,670 million). The rate of mark-up ranges from 7.66 percent to 12.31 percent (2014: 9.93 percent to 12.18 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 (2014: 20 percent to 24 percent) per annum on the balances unpaid.

11.2 Letters of credit and bank guarantees

Of the aggregate facility of Rs 3,688 million (2014: 3,189 million) for opening letters of credit and Rs 113 million (2014: Rs 112 million) for guarantees, the amounts utilised as at June 30, 2015 were Rs 490 million (2014: Rs 922 million) and Rs 113 million (2014: Rs 112 million) respectively.

The aggregate running finances, short term finances and letters of credit and guarantees are secured by charge on stores, spares, stock-in-trade and trade debts up to a limit of Rs 62,712 million (2014: Rs 62,712 million) and charge on property, plant and equipment up to a limit of Rs 62,045 million (2014: Rs 62,045 million).

		2015 (Rupees in thousand)	2014
12. Trade and other payables			
Trade creditors	- note 12.1	11,037,932	7,062,817
Accrued liabilities		2,176,712	393,432
Liquidated damages		229,004	178,978
Markup accrued on:			
- Long term loan - unsecured		2,250	3,079
- Long term finances - secured		-	12,072
- Finances under markup arrangements - secured		310,806	497,483
- Liabilities against assets subject to finance lease		763	912
- Credit supplies of raw material		13,167,889	15,972,344
		13,481,708	16,485,890
Deposits - interest free repayable on demand		167	237
Workers' Welfare Fund		312,660	240,533
Workers' Profit Participation Fund	- note 22.4	44,384	-
Income tax payable		1,096,703	378,947
Differential payable to WAPDA	- note 12.2	-	364,443
Unclaimed dividends		625,054	382,148
Others		29,842	16,405
		<u>29,034,166</u>	<u>25,503,830</u>

12.1 Trade creditors include Nil amount due to related parties (2014: Rs 0.250 million), payable to Pakistan State Oil (PSO) amounting to Rs 6,409 million (2014: Rs 7,049 million) and Sui Northern Gas Pipelines Limited (SNGPL) amounting to Rs 4,605 million (2014: Nil) including disputed amounts of Rs 3,026 million on account of provisional price of Regasified Liquefied Natural Gas (RLNG) and Gas Infrastructure Development Cess (GIDC) of Rs 648 million (2014: Rs 55 million).

12.2 This represents income tax differential payable to WAPDA in accordance with clause 6.7 and 6.15(a) of Part I of Schedule 6 of Power Purchase Agreement (PPA) on account of difference in income tax rate as provided for in the PPA and the current tax rate as applicable to the Company. After imposition of super tax vide Finance Act, 2015 the effective tax rate of the Company equalled the income tax rate as mentioned in the said clause of PPA and consequently, no provision for tax differential was made during the year ended June 30, 2015.

13. Contingencies and commitments

13.1 Contingencies

- (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 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 Company's favor in April 2012. No appeal was filed by the Tax Department before High Court within the time stipulated under law.

Tax Department had filed miscellaneous application for rectification before ATIR which has been decided against the Company through order received subsequent to the year ended June 30, 2015. Aggregate demand amounts to Rs 1,611 million. The Company is in the process of filing reference with Lahore High Court against the aforementioned ATIR order.

The management is of the view that there are meritorious grounds available to defend the foregoing demands. Consequently no provision for such demands has been made in these financial statements.

- (ii) Company's appeals with Appellate Tribunal Inland Revenue (ATIR) for Tax Years 2011, 2012 & 2013 against orders of Commissioner Inland Revenue Appeals [CIR(A)] are pending for hearing. Aggregate demand for these years amounts to Rs 116 million.

For the Tax Year 2014, Additional DCIR issued demand notice amounting to Rs 98 million. Being aggrieved, the Company has filed an appeal before CIR(A) who stayed the impugned demand subject to 10% payment amounting to Rs 10 million. The appeal has been heard, however, order is awaited.

The management is of the view that there are meritorious grounds available to defend the foregoing demands. Consequently no provision for such demands has been made in these financial statements.

- (iii) On the strength of an unfavorable decision by ATIR in the case of other Independent Power Producers, the Tax Department has issued a sales tax order against the Company for the financial period from June 2008 to June 2013 and created a demand of Rs 10,102 million by apportioning input sales tax between Capacity invoices and Energy invoices and allowed input sales tax allocated to Energy invoices only. The refund claims of the Company during the period falling between the aforementioned period were also rejected by the Tax Authorities. Against the foregoing order, the Company filed an appeal before CIR(A) which was decided against the Company. However, CIR(A) instructed the Tax Department to rectify the demand by deleting the sales tax liability in respect of tax periods beyond 5 years, resulting in reduction of demand to the tune of Rs 1,481 million. However, order to that effect from Tax Department is awaited. Being aggrieved, the Company filed an appeal before ATIR against the foregoing order of CIR(A) which was also decided against the Company. The Company has filed petition with Lahore High Court (LHC) against ATIR decision. Further, in response to the writ petition filed by the Company, LHC has stayed the recovery of tax demand till adjudication of the case.

The management is of the view that there are meritorious grounds available to defend the foregoing demands. Consequently no provision for such demands has been made in these financial statements.

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- (iv) Before introduction of amendments in Finance Act 2006, the Company had not established Workers' Profit Participation Fund under the Companies Profit (Workers' Participation) Act, 1968 (the Act) based on the opinion of the legal advisor that it did not employ any person who fell under the definition of Worker as defined in the Act.

Further, the question whether a company to which the Act and its scheme applies but which does not employ any worker is nevertheless obliged to establish and pay contributions into the Fund under the Act and thereafter transfer the same to the Fund established under the WWF Ordinance, 1971 is sub-judice before the Sindh High Court as the Supreme Court of Pakistan accepted the petition of another company and remanded the case to the Sindh High Court for fresh decision in accordance with its order.

Certain amendments were introduced in Finance Act 2006, to relax the conditions of payment of interest and penalty for companies defaulting in creating Fund under the Act. If it is established that Workers' Profit Participation Fund (WPPF) is applicable to the Company and Company makes the principal payment on or before the date which is yet to be decided by the Federal Government, no such penalty may be imposed and the Company may not be liable to pay interest.

In case this liability materializes, the cumulative amount of contributions to WPPF would be Rs 3,463 million (2014: Rs 3,463 million). However, it is not certain at the moment that any penalties will be levied on non-payment of WPPF as the relaxation provided under the Finance Act 2006 is still applicable. If it is established that the scheme is applicable to the Company and the Company is liable to pay contribution to the Workers' Welfare Fund, then these amounts would be recoverable from WAPDA as a pass through item under the provisions of Power Purchase Agreement.

In view of the foregoing, the Company did not make any provision for Workers' Profit Participation Fund and interest thereon in the financial statements up to June 30, 2006.

However, subsequent to the amendments in Finance Act 2006, the Company has established the KAPCO Workers' Participation Fund in March 2008 to allocate the amount of annual profits stipulated by the Act for distribution amongst workers eligible to receive such benefits under the Act.

- (v) WAPDA has raised invoices for liquidated damages to the Company for the years ended June 30, 2009 through 2014 (after taking into account forced outage allowance stipulated under the terms of Power Purchase Agreement) 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 22,939 million (2014: Rs 20,571 million). Estimated amount of liquidated damages (including un-invoiced liquidated damages till June 30, 2015) are not expected to exceed Rs 25,958 million as at June 30, 2015 (2014: 22,773 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 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 Power Purchase Agreement.

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 financial statements.

(vi) The Company has provided bank guarantees in favor of following;

- Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 47 million (2014: Rs 46 million);
- Punjab Power Development Board on account of Coal Project as explained in note 22.5, amounting to Rs 65 million (2014: Rs 65 million); and
- Collector of Customs on account of temporary import of rental tools, amounting to Rs 1 million (2014: Rs Nil).

13.2 Commitments

(i) Contracts for capital expenditure are Rs 82 million (2014: Rs 1,131 million).

(ii) Letters of credit other than for capital expenditure are Rs 490 million (2014: Rs 317 million).

14. Property, plant and equipment

	Freehold Land	Buildings on freehold land	Plant and machinery	Gas turbine blading	Auxiliary plant and machinery	Office equipment	Fixtures and fittings	Vehicles	Total
(Rupees in thousand)									
Net carrying value basis									
Year ended June 30, 2015									
Opening net book value (NBV)	100,773	230,694	10,896,362	4,404,001	77,728	36,223	153	9,531	15,755,465
Additions (at cost)	-	4,588	170,909	179,089	12,893	21,910	185	2,641	392,215
Transfers from leased assets at NBV	-	-	-	-	-	-	-	2,043	2,043
Disposals (at NBV)	-	-	-	(3,714)	-	(248)	-	(2,053)	(6,015)
Depreciation charge	-	(33,217)	(1,312,090)	(720,061)	(27,419)	(12,162)	(118)	(69)	(2,105,136)
Closing net book value (NBV)	100,773	202,065	9,755,181	3,859,315	63,202	45,723	220	12,093	14,038,572
Gross carrying value basis									
As at June 30, 2015									
Cost	100,773	718,869	34,739,394	8,910,717	348,235	139,292	17,831	59,726	45,034,837
Accumulated depreciation	-	(516,804)	(24,984,213)	(5,051,403)	(285,033)	(93,570)	(17,611)	(47,633)	(30,996,267)
Net book value (NBV)	100,773	202,065	9,755,181	3,859,315	63,202	45,723	220	12,093	14,038,572
Depreciation rate % per annum	-	4 - 16.22	4 - 16.44	10 - 15.79	20	20	20	25	
Net carrying value basis									
Year ended June 30, 2014									
Opening net book value (NBV)	46,285	252,442	12,206,033	4,459,216	99,053	20,079	275	6,816	17,090,199
Additions (at cost)	54,488	10,945	-	670,143	8,008	25,743	-	-	769,327
Transfers from leased assets at NBV	-	-	-	-	-	-	-	5,230	5,230
Disposals (at NBV)	-	-	-	(665)	-	(58)	-	(2,051)	(2,774)
Depreciation charge	-	(32,693)	(1,309,671)	(724,693)	(29,333)	(9,541)	(122)	(464)	(2,106,517)
Closing net book value (NBV)	100,773	230,694	10,896,362	4,404,001	77,728	36,223	153	9,531	15,755,465
Gross carrying value basis									
As at June 30, 2014									
Cost	100,773	714,281	34,568,485	8,763,639	335,342	135,675	17,646	57,136	44,692,977
Accumulated depreciation	-	(483,587)	(23,672,123)	(4,359,638)	(257,614)	(99,452)	(17,493)	(47,605)	(28,937,512)
Net book value (NBV)	100,773	230,694	10,896,362	4,404,001	77,728	36,223	153	9,531	15,755,465
Depreciation rate % per annum	-	4 - 13.79	4 - 12.37	10 - 12.77	20	20	20	25	

The cost of fully depreciated assets which are still in use as at June 30, 2015 is Rs 2,789 million (2014: Rs 2,548 million).

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		2015	2014
		(Rupees in thousand)	
14.1	The depreciation charge for the year has been allocated as follows:		
	Cost of sales	- note 25	2,071,732
	Administration expenses	- note 26	33,404
			<u>2,105,136</u>
			<u>2,106,517</u>

14.2 Disposal of Property, plant and equipment of book value exceeding Rs 50,000

2015						
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
(Rupees in thousand)						
Vehicles	Executives					
Honda Civic	Mr. Jamil Ahmad Shah	1,736	(1,389)	347	347	Company Policy
Honda Civic	Mr. Muhammad Khan	1,696	(1,357)	339	339	Company Policy
Toyota Corolla - XLi	Mr. Aurangzeb Alamgir	1,295	(1,036)	259	259	Company Policy
Toyota Corolla - GLi	Mr. Nazir Ahmad Ch.	1,414	(1,131)	283	283	Company Policy
Toyota Corolla - XLi	Mr. Muhammad Jamil	1,295	(1,036)	259	259	Company Policy
Toyota Corolla - GLi	Mr. Azhar Baig	1,414	(1,131)	283	283	Company Policy
Toyota Corolla - GLi	Mr. Muhammad Amin	1,413	(1,130)	283	283	Company Policy
Office equipment	Executives					
Iphone 5s	Mr. Azfar Saeed Baig	92	(9)	83	83	Negotiation
	Outsiders					
Iphone 5s	IGI Insurance Limited	80	(16)	64	50	Insurance claim
2014						
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
(Rupees in thousand)						
Vehicles	Executives					
Honda Civic	Mr. Muhammad Anwar	1,847	(1,478)	369	369	Company Policy
Honda Civic	Mr. Naeem Ahmad Tariq	1,929	(1,543)	386	386	Company Policy
Honda City	Mr. Arshad Saqib	1,371	(1,097)	274	274	Company Policy
Toyota Corolla - GLi	Mr. Ehsan ul Haq	1,448	(1,159)	289	289	Company Policy
	Outsiders					
Toyota Hilux Vigo	New Hampshire Insurance Company	3,666	(2,933)	733	3,498	Insurance Claim

	2015	2014
	(Rupees in thousand)	
15. Intangible assets - computer software		
Net carrying value basis		
Year ended June 30		
Opening net book value (NBV)	14,648	14,528
Additions (at cost)	3,248	4,183
Amortization charge	(4,703)	(4,063)
Closing net book value	<u>13,193</u>	<u>14,648</u>
Gross carrying value basis		
Cost	52,664	49,416
Accumulated amortization	(39,471)	(34,768)
Net book value	<u>13,193</u>	<u>14,648</u>
Amortization rate % per annum	<u>20</u>	<u>20</u>

15.1 Amortization charge for the year has been allocated to cost of sales.

	2015	2014
	(Rupees in thousand)	
16. Assets subject to finance lease		
Net carrying value basis		
Year ended June 30		
Opening net book value (NBV)	90,934	109,751
Additions (at cost)	18,892	14,436
Disposals (at NBV)	(2,225)	(5,230)
Depreciation charge	(28,455)	(28,023)
Closing net book value	<u>79,146</u>	<u>90,934</u>
Gross carrying value basis		
Cost	160,507	152,011
Accumulated depreciation	(81,361)	(61,077)
Net book value	<u>79,146</u>	<u>90,934</u>
Depreciation rate % per annum	<u>25</u>	<u>25</u>

16.1 Depreciation charge for the year has been allocated to administrative expenses.

	2015	2014
	(Rupees in thousand)	
17. Capital work-in-progress		
Civil works	5,950	1,389
Plant and machinery	717,727	77,399
Others	2,544	1,272
	<u>726,221</u>	<u>80,060</u>
18. Long term loans and deposits		
Loans to employees - considered good	- note 18.1	
Security deposits	31,569	49,021
	<u>14,834</u>	<u>13,781</u>
	46,403	62,802
Less: Receivable within one year	10,018	9,682
	<u>36,385</u>	<u>53,120</u>

18.1 Loans to employees - considered good

Loans to employees - unsecured	- note 18.1.1	31,569	32,459
Loans to employees - secured	- note 18.1.2	-	16,562
		<u>31,569</u>	<u>49,021</u>

18.1.1 These represent unsecured loans to non-executive employees for the purchase of plot, car, construction of house etc. and are repayable in monthly installments over a maximum period of 120 months. These loans carry interest of 9 percent per annum (2014: 9 percent per annum). Included in loans to employees are loans amounting to Rs 1 million (2014: Rs 1 million) given to employees who were victims of flood. These are interest free and repayable up to 10 years.

18.1.2 These represent secured loans to executive employees under Company's policy for the purchase of residential plot, residential house, renovation of house etc. and are repayable in monthly installments over a

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maximum period of 109 months. These loans are secured against the property purchased/renovated of the concerned employee. These loans carried interest of 6.40 percent (2014: 5.77 percent to 6.10 percent) per annum. During the year, previous loans were completely re-paid and no new loans were disbursed.

		2015 (Rupees in thousand)	2014
19. Stores and spares			
Stores and spares including in transit Rs 389 million (2014: Rs 46 million)	- note 19.1	4,596,078	4,087,537
Less: Provision for store obsolescence	- note 19.2	114,570	174,700
		<u>4,481,508</u>	<u>3,912,837</u>

Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

19.1 Included in stores are items valuing Rs 26 million (2014: Rs 4 million) which are being held by the following suppliers:

	2015 (Rupees in thousand)	2014
MJB International, UAE	-	4,420
Gulf Turbine Services LLC, UAE	23,275	-
Siemens, Germany	3,113	-
	<u>26,388</u>	<u>4,420</u>

These stores and spares comprise of bearings and shrouds sent to suppliers for inspection/ refurbishment purposes.

	2015 (Rupees in thousand)	2014
19.2 Provision for store obsolescence		
Opening balance as at July 1	174,700	199,838
Add: Reversal for the year	(37,911)	(266)
	<u>136,789</u>	<u>199,572</u>
Less: Stores written off against provision	22,219	24,872
Closing balance as at June 30	<u>114,570</u>	<u>174,700</u>

20. Stock-in-trade

Furnace oil	- note 20.1	2,979,423	3,279,390
Diesel		559,600	848,631
		<u>3,539,023</u>	<u>4,128,021</u>

20.1 Stock-in-trade include Rs 2 million (2014: Rs 2 million) being carried at net realisable value.

21. Trade debts

Trade debts	- note 21.1	71,245,994	66,234,408
Less: Provision for doubtful debts	- note 21.2	176,901	146,773
		<u>71,069,093</u>	<u>66,087,635</u>

- 21.1 These are considered good except Rs 177 million (2014: Rs 147 million) which are considered doubtful. Trade debts include an overdue amount of Rs 59,243 million (2014: Rs 50,779 million) receivable from WAPDA. 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. Aging analysis of trade receivables is given in note 39.1 (b).

	2015 (Rupees in thousand)	2014
21.2 Provision for doubtful debts		
Opening balance as at July 1	146,773	71,305
Add: Provision for the year	33,842	120,562
	<u>180,615</u>	<u>191,867</u>
Less: Trade debts written off against provision	3,714	45,094
Closing balance as at June 30	<u>176,901</u>	<u>146,773</u>

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

Loans to employees - considered good		7,907	7,704
Advances to suppliers - considered good	- note 22.1	37,965	315,907
Sales tax claims recoverable from Government	- note 22.2	377,024	723,541
Insurance claim receivable		99,594	-
Prepayments		4,321	4,149
Claims recoverable from WAPDA as pass through items:			
Workers' Welfare Fund		312,660	240,533
Workers' Profit Participation Fund		739,384	566,500
	- note 22.3	<u>1,052,044</u>	<u>807,033</u>
Security deposits		3,585	4,402
Refundable from Workers' Profit Participation Fund	- note 22.4	-	11,500
Advance for coal expansion project	- note 22.5	6,999	6,999
Other receivables		14,202	17,616
		<u>1,603,641</u>	<u>1,898,851</u>

- 22.1 Advances to suppliers include amounts due from WAPDA amounting to Rs 19 million (2014: Rs 15 million). These are in the normal course of business and are interest free.

- 22.2 Sales tax recoverable includes an amount of Rs 17 million (2014: Rs 17 million), which represents refund for input tax on purchase of diesel for start-up. This refund was withheld by Deputy Collector (Refunds) and has also been adjudicated against the Company by Collector of Customs, Federal Excise & Sales Tax. The Company has filed Miscellaneous Application before the Customs, Excise and Sales Tax Appellate Tribunal.

Sales tax recoverable also includes an amount of Rs 415 million (2014: Rs 415 million) which represents refund held for input tax on EPP and CPP apportionment issue in 2009 and 2011 as explained in note 13.1(iii) to these financial statements.

- 22.3 Under section 14.2(a) of Part III of Schedule 6 to the Power Purchase Agreement (PPA) with WAPDA, payments to Workers' Welfare Fund and Workers' Profit Participation Fund are recoverable from WAPDA as pass through items.

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	2015	2014
	(Rupees in thousand)	
22.4 Workers' Profit Participation Fund		
Opening (refundable) / payable as at July 1	(11,500)	15,271
Add: Provision for the year	739,384	566,500
	727,884	581,771
Less: Payments made during the year	683,500	593,271
Closing payable / (refundable) as at June 30	44,384	(11,500)

22.5 The Company initiated coal expansion project during last year. For this purpose, a special purpose vehicle was incorporated under the name of KAPCO Energy (Private) Limited (KEPL) on April 30, 2014. Share Capital of KEPL has not been paid up as at June 30, 2015. The balance represents regulatory fees, professional charges, guarantee commission and other related expenses incurred by the Company on behalf of KEPL. Final decision for expansion project is dependent upon the outcome of feasibility study and management as well as regulatory approvals.

	2015	2014
	(Rupees in thousand)	
23. Cash and bank balances		
At banks on:		
- Current accounts	187,950	197,573
- Savings accounts	487,237	3,132,780
	675,187	3,330,353
In hand	125	82
	675,312	3,330,435

23.1 Included in these are total restricted funds of Nil (2014: Rs 8 million) held by banks under lien as margin against letters of credit. The balances in saving accounts bear mark up ranging from 4.5 percent to 7 percent (2014: 5.5 percent to 7 percent) per annum.

	2015	2014
	(Rupees in thousand)	
24. Sales		
Energy purchase price	98,049,900	112,126,010
Sales tax	(14,265,771)	(16,291,813)
Net energy purchase price	83,784,129	95,834,197
Capacity purchase price	17,696,441	17,371,850
	101,480,570	113,206,047

25. Cost of sales		
Fuel cost	81,833,907	95,254,807
Salaries, wages and benefits	1,433,244	1,163,670
Plant maintenance	308,578	308,416
Gas turbines overhauls	358,683	1,112,372
Repair and renewals	361,636	1,082,698
Depreciation on property, plant and equipment	2,071,732	2,073,238
Amortization on intangible assets	4,703	4,063
Liquidated damages	-	3,000
Reversal of provision for store obsolescence	(37,911)	(266)
	86,334,572	101,001,998

	2015 (Rupees in thousand)	2014
25.1 Salaries, wages and benefits		
Salaries, wages and benefits include following in respect of retirement benefits;		
Pension		
Current service cost	63,422	56,674
Net interest cost for the year	36,546	27,924
	<u>99,968</u>	<u>84,598</u>
Medical		
Current service cost	4,335	3,435
Net interest cost for the year	18,648	11,837
	<u>22,983</u>	<u>15,272</u>
Free electricity		
Current service cost	15,561	11,547
Net interest cost for the year	65,413	41,348
	<u>80,974</u>	<u>52,895</u>

In addition to above, salaries, wages and benefits also include Rs 38 million (2014: Rs 28 million) in respect of provident fund contribution by the Company.

	2015 (Rupees in thousand)	2014
25.2 Disclosures relating to provident fund		
Size of the fund	779,373	668,110
Cost of investments made	590,980	508,238
Percentage of investments made	75.83%	76.07%
Fair value of investments	626,405	508,571
Breakup of investments		
Government securities	313,420	290,856
Term finance certificates	71,618	98,021
Listed securities	205,941	119,361
	2015	2014
	% age of size of the fund	
Breakup of investments		
Government securities	40.22%	43.53%
Term finance certificates	9.19%	14.67%
Listed securities	26.42%	17.87%

The figures for 2015 are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies' Ordinance, 1984 and the rules formulated for this purpose.

25.3 Cost of sales include Rs 659 million (2014: Rs 1,637 million) for stores and spares consumed.

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		2015	2014
		(Rupees in thousand)	
26. Administrative expenses			
Travelling		12,658	12,396
Motor vehicles running		43,198	49,159
Postage, telephone and telex		12,084	11,473
Legal and professional charges		44,288	37,542
Computer charges		14,830	11,430
Auditors' remuneration	- note 26.1	3,652	3,102
Printing, stationery and periodicals		12,123	5,673
Repairs and maintenance infrastructure		53,670	44,425
Training expenses		5,492	10,058
Rent, rates and taxes		12,349	13,303
Depreciation on property, plant and equipment	- note 14.1	33,404	33,279
Depreciation on assets subject to finance lease	- note 16.1	28,455	28,023
Infrastructure cost		37,519	34,516
Education fee		32,495	30,879
Bad debts written off		9,266	66,243
Loans and advances written off		-	78
Provision for doubtful debts	- note 21.2	33,842	120,562
Other expenses		28,393	24,424
		<u>417,718</u>	<u>536,565</u>

26.1 Auditors' remuneration

The charges for auditors' remuneration include the following in respect of auditors' services for:

Statutory audit	2,242	2,039
Half yearly review	735	668
Workers' Profit Participation Fund audit, Employees Provident and Pension Fund audit, special reports and certificates	454	293
Out of pocket expenses	221	102
	<u>3,652</u>	<u>3,102</u>

27. Other operating expenses

Donations	- note 27.1	10,000	-
Write down of property, plant and equipment		3,734	723
		<u>13,734</u>	<u>723</u>

27.1 None of the directors and their spouses had any interest in any of the donees during the year.

		2015	2014
		(Rupees in thousand)	
28. Other income			
Income from financial assets			
Income on bank deposits		23,870	23,413
Interest on loans to employees		3,065	3,957
Interest on late payment - WAPDA		6,169,794	4,137,014
Exchange gain		14,642	-
		<u>6,211,371</u>	<u>4,164,384</u>
Income from non-financial assets			
Profit on disposal of property, plant and equipment		684	2,765
Colony electricity		4,889	4,683
Provisions and unclaimed balances written back		21,434	963
Others		82,839	40,914
		<u>109,846</u>	<u>49,325</u>
		<u>6,321,217</u>	<u>4,213,709</u>

	2015 (Rupees in thousand)	2014
29. Finance cost		
Interest and mark up including commitment charges on		
- long term loan from WAPDA - unsecured	261,218	353,526
- long term finances - secured	5,280	113,912
- finances under markup arrangements - secured	3,704,701	3,279,788
- credit supplies of raw material	2,259,925	755,110
- liabilities against assets subject to finance lease	9,578	10,224
Exchange loss	-	31,983
Bank and other charges	7,381	5,932
	<u>6,248,083</u>	<u>4,550,475</u>
30. Taxation		
Current tax		
- Current year	5,447,287	3,996,275
- Prior year	21,781	546
	<u>5,469,068</u>	<u>3,996,821</u>
Deferred tax	(480,097)	(396,670)
	<u>4,988,971</u>	<u>3,600,151</u>
30.1 Tax charge reconciliation	2015 %age	2014 %age
Numerical reconciliation between the applicable tax rate and the average effective tax rate		
Applicable tax rate	33.00	34.00
One time super tax - note 30.2	3.00	-
Effect of change in tax rate	(1.23)	(0.72)
Effect of tax credit	(1.22)	(1.50)
Effect of prior period tax	0.15	-
Others	0.04	-
Average effective tax rate	<u>33.74</u>	<u>31.78</u>
30.2	It represents tax expense pertaining to one time super tax, which has been levied at the rate of 3% for the tax year 2015 on all the companies having taxable income of Rs 500 million or above through amendments introduced in the Income Tax Ordinance, 2001 vide Finance Act, 2015.	
30.3	Finance Act, 2015 introduced income tax at the rate of 10% on undistributed reserves where such reserves of the Company are in excess of its paid up capital and the Company derives profit for a tax year but does not distribute requisite cash dividend within six months of the end of the said tax year. Liability in respect of such income tax, if any, is recognised when the prescribed time period for distribution of dividend expires.	

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2015

31. Remuneration of Directors, Chief Executive and Executives

31.1 The aggregate amount charged in the financial statements for the year for remuneration including certain benefits to the chief executive and executives of the Company is as follows:

	Chief Executive		Executives	
	2015	2014	2015	2014
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration including bonus and other allowances	53,681	41,913	443,118	323,096
Contribution to provident & pension funds and other retirement benefit plans	3,544	2,840	62,498	47,889
Leave passage	3,000	2,157	17,531	13,557
	<u>60,225</u>	<u>46,910</u>	<u>523,147</u>	<u>384,542</u>
Number of Persons	1	1	114	86

In addition to above, the Company also provides the Chief Executive and some of the Executives with Company transport, telephones and medical facilities.

31.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 6 directors (2014: 6 directors) was Rs 3 million (2014: Rs 2 million).

32. Transactions with related parties

The related parties comprise associated undertakings, key management personnel and post retirement benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due to/from related parties are shown under payables and receivables and remuneration of the key management personnel is disclosed in note 31. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transaction	2015	2014
		(Rupees in thousand)	
i. Associated undertakings	Purchase of services	2,241	594
	Sale of goods and electricity	101,480,570	113,206,047
	Interest expense	261,218	353,526
	Interest income on late payment	6,169,794	4,137,014
	Bad debts written off	9,266	66,243
	Provision for doubtful debts	33,842	120,562
	Dividend paid	3,119,867	2,918,586
ii. Post retirement benefit plans	Expense charged	241,647	181,214

Sale and purchase transactions with related parties are carried out on mutually agreed terms.

33. Non-adjusting events after the balance sheet date

The Board of Directors of the Company have proposed a final dividend for the year ended June 30, 2015 of Rs 4.75 (2014: Rs 3.75) per share amounting to Rs 4,181 million (2014: Rs 3,301 million) at their meeting held on August 27, 2015 for approval of members at the Annual General Meeting to be held on October 22, 2015. These financial statements do not reflect this dividend payable.

	2015 MWh	2014 MWh	
34. Capacity and production			
Annual dependable capacity (based on 8,760 hours)	11,756,064	11,756,064	
Actual energy delivered	6,933,805	6,478,703	
Capacity for the power plant taking into account all the planned scheduled outages is 11,159,830 MWh (2014: 10,374,682 MWh). Actual energy delivered by the plant is dependent on the load demanded by WAPDA and the plant availability.			
35. Rates of exchange			
Liabilities in foreign currencies as on June 30, 2015 have been translated into Rupees at USD 0.9833 (2014: USD 1.0126), EURO 0.8788 (2014: EURO 0.7422), GBP 0.6254 (2014: GBP 0.5948) and YEN 121.7582 (2014: YEN 102.6062) equal to Rs 100.			
36. Cash generated from operations	2015 (Rupees in thousand)	2014	
Profit before tax	14,787,680	11,329,995	
Adjustments for:			
- Depreciation on property, plant and equipment	2,105,136	2,106,517	
- Amortization on intangible assets	4,703	4,063	
- Depreciation on assets subject to finance lease	28,455	28,023	
- Profit on disposal of property, plant and equipment	(684)	(2,765)	
- Write down of property, plant and equipment	3,734	723	
- Income on bank deposits	(23,870)	(23,413)	
- Bad debts written off	9,266	66,243	
- Advances written off	-	78	
- Reversal of provision for store obsolescence	(37,911)	(266)	
- Provision for doubtful debts	33,842	120,562	
- Staff retirement benefits accrued	204,585	152,280	
- Finance cost	6,248,083	4,550,475	
Profit before working capital changes	23,363,019	18,332,515	
Effect on cash flow due to working capital changes:			
- (Increase)/decrease in stores and spares	(530,760)	219,905	
- Decrease in stock-in-trade	588,998	70,241	
- (Increase) in trade debts	(5,024,566)	(32,055,015)	
- Decrease/(increase) in loans, advances, deposits, prepayments and other receivables	295,210	(598,711)	
- Increase in trade and other payables	5,795,127	3,403,470	
	1,124,009	(28,960,110)	
	24,487,028	(10,627,595)	
37. Cash and cash equivalents			
Cash and bank balances	- note 23	675,312	3,330,435
Finances under mark-up arrangements - secured	- note 11	(32,871,918)	(37,054,118)
		(32,196,606)	(33,723,683)
38. Earnings per share			
38.1 Basic earnings per share			
Profit for the year	Rupees in thousand	9,798,709	7,729,844
Weighted average number of ordinary shares	Number	880,253,228	880,253,228
Earnings per share	Rupees	11.13	8.78

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2015

38.2 Diluted earnings per share

Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2015 and June 30, 2014 which would have any effect on the earnings per share.

39. Financial risk management

39.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the management in accordance with the Financial Risk Management Policy approved by the Board of Directors. This policy covers specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of this policy.

(a) Market risk (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Great Britain Pound (GBP) and Euro. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable/payable from/to the foreign entities. The Company's exposure to currency risk was as follows:

	2015	2014
Trade and other payables - USD	(736,471)	(82,015)
Advances to suppliers - USD	-	-
Net exposure - USD	(736,471)	(82,015)
Trade and other payables - GBP	(216,433)	(201)
Advances to suppliers - GBP	-	-
Net exposure - GBP	(216,433)	(201)
Trade and other payables - Euro	(439,965)	(797,847)
Advances to suppliers - Euro	-	-
Net exposure - Euro	(439,965)	(797,847)

The following exchange rates were applied during the year:

Rupees per USD

Average rate	101.28	102.65
Reporting date rate	101.70	98.75

Rupees per GBP

Average rate	159.44	167.21
Reporting date rate	159.91	168.13

Rupees per Euro

Average rate	124.78	139.39
Reporting date rate	113.79	134.73

If the functional currency, at reporting date, had fluctuated by 5% against the USD, GBP and Euro with all other variables held constant, the impact on profit after taxation for the year would have been Rs 5 million (2014: Rs 4 million) respectively lower/higher, mainly as a result of exchange gains/losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) **Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since there are no investments in equity securities.

(iii) **Interest rate risk**

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from short term financing. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2015 (Rupees in thousand)	2014
Financial assets		
Fixed rate instruments		
Staff Loans	31,569	49,021
Floating rate instruments		
Bank balances - savings accounts	487,237	3,132,780
Financial liabilities		
Fixed rate instruments		
Long term loan - WAPDA	1,466,609	2,006,816
Floating rate instruments		
Other long term loans - secured	-	304,530
Liabilities against assets subject to finance lease	85,595	92,840
Finances under mark-up arrangements - secured	32,871,918	37,054,118
	32,957,513	37,451,488

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2015

Cash flow sensitivity analysis for variable rate instruments

If interest rates on late payments, liabilities against assets subject to finance lease and finances under mark-up arrangement, at the year end date, fluctuate by 1% higher/lower with all other variables held constant, profit after taxation for the year would have been Rs 54 million (2014: Rs 52 million) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its trade debts and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2015 (Rupees in thousand)	2014
Long term loans and deposits	36,385	53,120
Trade debts	71,069,093	66,087,635
Loans, advances, deposits, prepayments and other receivables		
- Loans to employees - considered good	7,907	7,704
- Workers' Welfare Fund receivable from WAPDA	312,660	240,533
- Workers' Profit Participation Fund receivable from WAPDA	739,384	566,500
- Insurance claim receivable	99,594	-
- Security deposits	3,585	4,402
- Refundable from Workers' Profit Participation Fund	-	11,500
- Other receivables	5,189	7,598
Balances with banks	675,187	3,330,353
	<u>72,948,984</u>	<u>70,309,345</u>

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk and the risk attributable to trade debts, Workers' Welfare Fund and Workers' Profit Participation Fund receivable from WAPDA is mitigated by guarantee from the Government of Pakistan under the Facilitation Agreement. Age analysis of trade receivable balances is as follows:

	2015 (Rupees in thousand)	2014
Not yet due	11,826,313	15,308,250
Due past 90 days	28,033,950	31,192,083
Due past 90 to 180 days	15,105,998	9,076,849
Due past 181 to 365 days	3,734,541	5,022,514
Due past 365 days	12,368,291	5,487,939
	<u>71,069,093</u>	<u>66,087,635</u>

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating Agency	2015	2014
	Short term	Long term		(Rupees in thousand)	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	11,186	2,918,129
Faysal Bank Limited	A-1+	AA	JCR-VIS	148	22
Habib Bank Limited	A-1+	AAA	JCR-VIS	663,830	404,407
Standard Chartered Bank	A1+	AAA	PACRA	1	1
NIB Bank Limited	A1+	AA-	PACRA	8	8
Bank of Punjab	A1+	AA-	PACRA	-	2
Deutsche Bank AG	A-1	A	Standard & Poor's	13	14
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	7,758
Citibank N.A.	A-1	A+	Standard & Poor's	1	12
				<u>675,187</u>	<u>3,330,353</u>

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2015, the Company had borrowing limits available from financial institutions at Rs 46,670 million (2014: Rs 44,670 million) and Rs 675 million (2014: Rs 3,330 million) in cash and bank balances. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

The following are the contractual maturities of financial liabilities as at June 30, 2015:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term loan - unsecured	1,466,609	540,207	926,402	-
Long term loan - secured	-	-	-	-
Liabilities against assets subject to finance lease	85,595	27,034	58,561	-
Finances under mark-up arrangements - secured	32,871,918	32,871,918	-	-
Trade and other payables	27,580,419	27,580,419	-	-
	<u>62,004,541</u>	<u>61,019,578</u>	<u>984,963</u>	<u>-</u>

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2015

The following are the contractual maturities of financial liabilities as at June 30, 2014:

	Carrying amount	Less than one year (Rupees in thousand)	One to five years	More than five years
Long term loan - unsecured	2,006,816	540,207	1,466,609	-
Long term loan - secured	304,530	304,530	-	-
Liabilities against assets subject to finance lease	92,840	24,508	68,332	-
Finances under mark-up arrangements - secured	37,054,118	37,054,118	-	-
Trade and other payables	24,884,350	24,884,350	-	-
	<u>64,342,654</u>	<u>62,807,713</u>	<u>1,534,941</u>	<u>-</u>

39.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

39.3 Financial instruments by categories

	Loans and receivables	
	2015	2014
	(Rupees in thousand)	
Financial assets as per balance sheet		
Long term loans and deposits	36,385	53,120
Trade debts	71,069,093	66,087,635
Loans, advances, deposits, prepayments and other receivables		
- Loans to employees - considered good	7,907	7,704
- Workers' Welfare Fund receivable from WAPDA	312,660	240,533
- Workers' Profit Participation Fund receivable from WAPDA	739,384	566,500
- Insurance claim receivable	99,594	-
- Security deposits	3,585	4,402
- Refundable from Workers' Profit Participation Fund	-	11,500
- Other receivables	5,189	7,598
Cash and bank balances	675,312	3,330,435
	<u>72,949,109</u>	<u>70,309,427</u>
	Financial liabilities at amortized cost	
	2015	2014
	(Rupees in thousand)	
Financial liabilities as per balance sheet		
Long term loan - unsecured	1,466,609	2,006,816
Long term loan - secured	-	304,530
Liabilities against assets subject to finance lease	85,595	92,840
Finances under mark-up arrangements - secured	32,871,918	37,054,118
Trade and other payables	27,580,419	24,884,350
	<u>62,004,541</u>	<u>64,342,654</u>

39.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio.

This ratio is calculated as debt divided by total capital. Debt is calculated as total borrowings including current and non-current borrowings, as disclosed in note 7. Total capital is calculated as 'equity' shown in the balance sheet plus debt. The gearing ratio as at year ended June 30, 2015 and June 30, 2014 are as follows:

		2015 (Rupees in thousand)	2014
Debt	- note 7	1,466,609	2,311,346
Total equity		29,728,609	26,787,847
Total capital		<u>31,195,218</u>	<u>29,099,193</u>
Gearing ratio	Percentage	5	8

40. Number of employees

Total number of employees at year end and average number of employees during the year are 604 (2014: 577) and 589 (2014: 587) respectively.

41. Corresponding figures

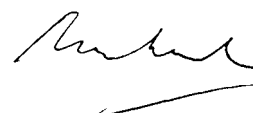
Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant reclassifications have been made.

42. Date of authorisation for issue

These financial statements were authorised for issue on August 27, 2015 by the Board of Directors of the Company.



Aftab Mahmood Butt
(Chief Executive)



Syed Nizam Ahmed Shah
(Director)

Proxy Form

I/We _____ of _____ being a Member of Kot Addu Power Company Limited (the "Company") holding _____ shares hereby appoint _____ of _____ who is also a Member of the Company, as my/our proxy to vote for me/us, and on my/our behalf at the 19th Annual General Meeting of the Company to be held on October 22, 2015 and at any adjournment thereof.

Signed this _____ day of _____ 2015.

Folio No.	CDC Account No.
	Participant I.D. Account No.

Witnesses:

1. Signature _____
Name _____
CNIC _____
Address _____

Revenue Stamp
Rs 5/-

2. Signature _____
Name _____
CNIC _____
Address _____

The Signature should agree with the
Specimen signature registered with
the Company.

Note

1. This Proxy, duly completed, signed and witnessed, must be deposited at the offices of the Company's Registrar, THK Associates (Private) Limited, 2nd Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, 75530 not later than forty-eight (48) hours before the time appointed for the Meeting.
2. No person shall act as proxy who is not a Member of the Company (except that a corporation may appoint a person who is not a Member).
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a Member with Company's Registrar, all such instruments or proxies shall be regarded invalid.
4. The Proxy shall produce his/her original CNIC or original passport at the time of Meeting.
5. Incase of individual CDC Account holders, attested copy of CNIC or passport (as the case may be of the beneficial owner will have to be provided with this Proxy).
6. Incase of a corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the nominee shall be submitted alongwith the Proxy (unless it has been provided earlier).



AFFIX
CORRECT
POSTAGE

THK Associates (Private) Limited
Registrar for
Kot Addu Power Company Limited
2nd Floor, State Life Building No. 3
Dr. Ziauddin Ahmed Road
Karachi 75530, Pakistan