NOTICE OF 21ST ANNUAL GENERAL MEETING

Notice is hereby given that the 21st Annual General Meeting of Kot Addu Power Company Limited will be held at the Islamabad Serena Hotel, Khayban-e-Suhrawardy, Islamabad on Thursday, October 19, 2017 at 9.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the Minutes of the 20th Annual General Meeting of the Company held on October 20, 2016.

2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2017 together with Directors' and Auditor's Reports thereon.

3. To approve the final cash dividend of Rs. 4.75 per share, that is, 47.50% for the year ended June 30, 2017 as recommended by the Board of Directors. This is in addition to the interim dividend of Rs. 4.30 per share, that is, 43% already paid making a total cash dividend of Rs. 9.05 per share, that is, 90.50% during the year.

4. To appoint Auditors and fix their remuneration for the year ending June 30, 2018. The Board of Directors, on the recommendation of the Audit Committee of the Company, has proposed the appointment of Deloitte Yousuf Adil, Chartered Accountants, as External Auditors, for the year ending June 30, 2018.

5. To transact any other business with the permission of the Chairman.

By Order of the Board

A. ANTHONY RATH
Company Secretary

August 22, 2017
Islamabad

NOTES:

1. The share transfer books of the Company will remain closed from October 13, 2017 to October 19, 2017 (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 12, 2017 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. **DIVIDEND MANDATE (MANDATORY)**

   In order to make the process of payment of cash dividend more efficient, SECP vide its Circular No. 18/2017 dated August 1, 2017 has instructions so that the shareholders can get their dividend credited in their respective bank accounts electronically without any delay. The shareholders, therefore, must authorize the Company to credit the dividend directly to their bank account for all future dividend declared by the Company. Accordingly, all CDC shareholders are requested to send their bank account details to the Company's Share Registrar at the address given below. Shareholders who hold shares with Participant/Central Depository Company of Pakistan Limited (CDC) are advised to provide the mandate to the concerned Stock Broker / Central Depository Company of Pakistan Limited.

6. **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.

7. **TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS THROUGH E-MAIL:**

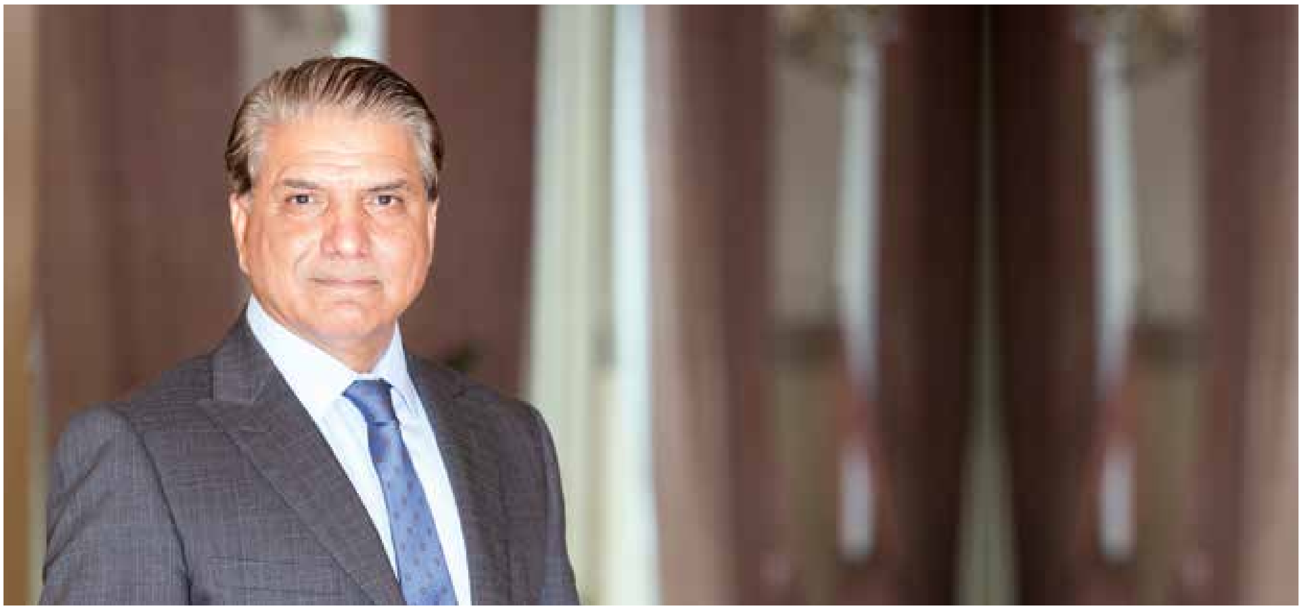
   SECP vide SRO 787(1)/2014 dated September 8, 2014 has provided an option to receive audited financial statements electronically through email. Hence, members who hold shares in physical form and are interested in receiving the annual reports electronically in future are required to submit their e-mail 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.

8. 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, 2017 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
   First Floor, 40-C, Block-6
   P.E.C.H.S.
   Karachi 75400, Pakistan

CHAIRMAN'S REVIEW



It is a pleasure for me to present the Annual Report of Kot Addu Power Company Limited for the financial year ending on June 30, 2017.

Your Company's profit before tax is Rs. 14,073 Million; and profit after tax is Rs. 9,447 Million bringing its earnings per share (EPS) for the year to Rs. 10.73 per share of Rs. 10 each.

Your Board of Directors has recommended a final cash dividend of Rs. 4.75 per share, which will be in addition to the interim dividend of Rs. 4.30 per share paid to entitled shareholders in May 2017. Subject to shareholder approval at the AGM, the total cash dividend for the year will be Rs. 9.05 per share, which is a good return.

Your 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)

It is heartening to observe that your Company continues to support the local communities of the Kot Addu area through its Social Action Programme particularly via its free medical/ eye camp.

Your Board of Directors recognizes the contribution of Company employees to the continued success of the Company.

LT. GENERAL MUZAMMIL HUSSAIN (RETD)
Chairman, Board of Directors
August 22, 2017
Islamabad

DIRECTORS' REPORT

It pleases us to present the Directors' Report together with the Financial Statements (audited) for the year ended June 30, 2017.

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

The Company is listed on the Pakistan Stock Exchange; and is a KSE 100 and KSE 30 index company.

FINANCIAL HIGHLIGHTS

Turnover for the year is Rs. 81,847 Million (2016: Rs. 64,178 Million); and the cost of sales are Rs. 67,667 Million (2016: Rs. 50,770 Million). The gross profit earned is Rs. 14,180 Million (2016: Rs. 13,408 Million); and profit before tax is Rs. 14,073 Million (2016: Rs. 13,683 Million). Tax provision is Rs. 4,626 Million; and profit after tax is Rs. 9,447 Million (2016: Rs. 9,071 Million) culminating in an earnings per share (EPS) of Rs. 10.73 per share of Rs. 10 each (2016: Rs. 10.31per share) for the year.

The power purchaser's payment default continues. On June 30, 2017, the overdue receivables were Rs. 76,896 Million (for details refer to Note 22.1 to the Financial Statements). The Company's payables to Pakistan State Oil Company Limited for fuel oil supplies were Rs. 16,899 Million (Rs. 671 Million on June 30, 2016). The Company continues to pursue WAPDA, Central Power Purchasing Agency (Guarantee) Limited (CPPA(G)) and the concerned Ministries of the Government of Pakistan (GoP) for resolution of the matter.

The matter of liquidated damages with the power purchaser continues to remain. The liquidated damages amount claimed is Rs. 27,898 Million for the years ended June 30, 2009 to June 30, 2016. 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(iv) 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 2016 and June 2017 of the total amount of Rs. 540 Million.

OPERATIONAL HIGHLIGHTS

The Company sold 7,335 GWh of electricity to its customer, representing a cumulative load factor of 62.4%; overall commercial availability of 96.0%; and thermal efficiency of 43.7%.

The Company's power plants maintenance at the highest international standards in accordance with Original Equipment Manufacturers recommendations assures availability to the power purchaser. During the year, two Major Overhauls; fourteen Combustion Inspections; and two Hot Gas Path Inspections were duly carried out.

EXPANSION PROJECT (PROPOSED)

The Company initiated coal expansion project during year ended June 30, 2014 under the initiatives of Punjab Power Development Board (PPDB). For this purpose, a special purpose vehicle was incorporated by the name of KAPCO Energy (Private) Limited (KEPL) on April 30, 2014. The share capital of KEPL was not subscribed until June 30, 2017.

The ultimate outcome of the coal project is not certain as GoP has changed its policy with respect to construction of new power projects on imported fuel (including imported coal). Thus, the development cost incurred on the coal expansion project has been charged off.

PROPOSED ACQUISITION OF SHARES IN THE HUB POWER COMPANY LIMITED

The Company on August 10, 2017 made a disclosure to the Pakistan Stock Exchange (pursuant to Section 96 and 131 of the Securities Act, 2015 and Regulation 5.6.1 and 5.19.13 of Pakistan Stock Exchange Regulations) of the consideration/evaluation of a strategic proposal to be considered/evaluated by the Board of Directors of the Company, and if considered appropriate to submit a bid to acquire 172,582,000 ordinary shares (constituting 14.91%) of the Hub Power Company Limited ("HUBCO"), which are being offered by Dawood Hercules Corporation Limited; and an additional 28,502,105 ordinary shares (constituting 2.46%) of HUBCO being offered by some other shareholders. The Company submitted its bid on August 21, 2017.

Please note that appropriate further disclosure of material information as per the legal obligations of the Company shall be made at appropriate time as and when applicable as well as application for relevant regulatory and corporate approvals.

DIRECTORS' REPORT

SOCIAL ACTION PROGRAMME

In May 2017, the Company arranged a two day free medical/ eye camp at Kot Addu where at 3300 patients received medical assistance, 23 eye surgeries were conducted, 87 ultrasound tests were carried out, and 883 laboratory tests were completed. Thirty-eight doctors and twenty-five paramedics volunteered their service to the camp. Major activities were free medical consultancy, medication, free diagnostic tests and eye surgeries. Doctors included a medical specialist, gynaecologist, child specialist, ultra sound specialist, pathologist, and eye specialists. A pharmacy, laboratory, and ultra sound facility was also set-up at the camp.

Other activities of the Social Action Programme included supporting bright students, making donations for worthy or charitable causes, and sponsorships events.

The Social Action Programme was completed at a cost of Rs. 7,053,591.

DIRECTORS' TRAINING

During the year, the Company's Director, Mr. Badar-ul-Munir Murtiza 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. Zafar Mahmood and Mr. Iqbal Alimohamed and were respectively filled-in by the appointment of Lt. General Muzammil Hussain (Retd) and Mr. Saad Iqbal.

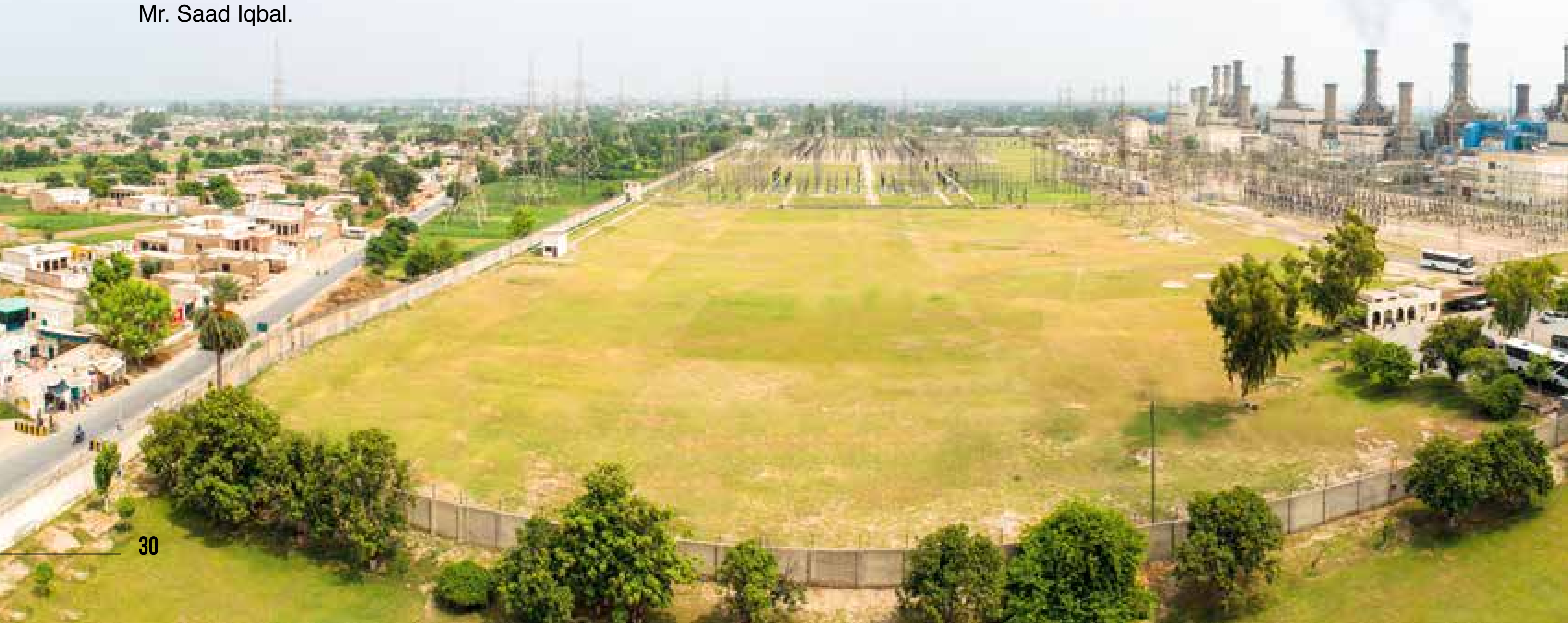
CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

a) 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.

b) Proper books of accounts of the Company have been maintained.

c) 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.



d) 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, 2017 along with disclosure as required under the Code of Corporate Governance is annexed.

i) Except as disclosed in the pattern of shareholding, 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 of Pension Fund and Provident Fund as at June 30, 2016 is as follows:

	RS. IN MILLION
Pension Fund	2,624
Provident Fund	767

k) Information about outstanding taxes and levies is given in the Notes to the Financial Statements and the same will be cleared in due course.

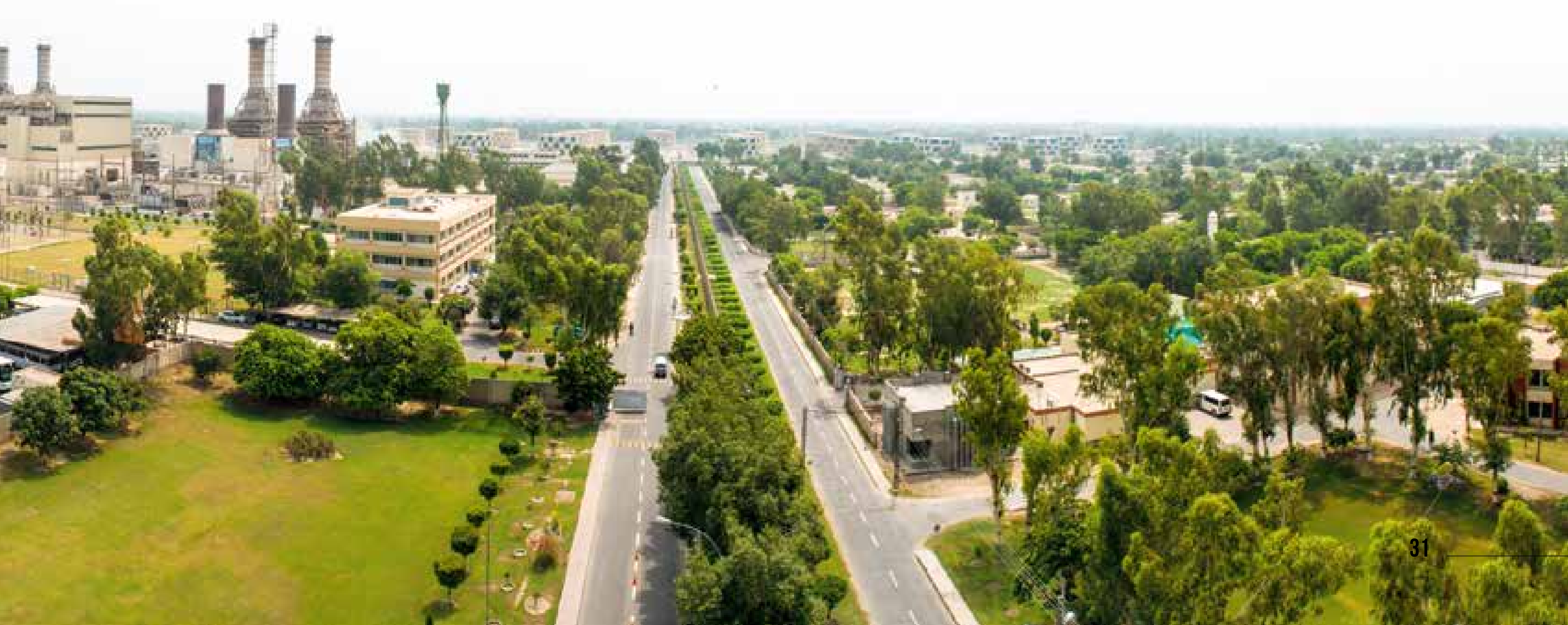
l) During the year, five (5) meetings of the Board of Directors were held, attendance of these meetings is as follows:

NAME OF DIRECTORS	NO. OF MEETINGS ATTENDED
Lt. General Muzammil Hussain (Retd)[1]	5
Mr. Aftab Mahmood Butt	5
Mr. Anwar-ul-Haq	5
Mr. Owais Shahid	5
Mr. Aqeel Ahmed Nasir	5
Mr. Badr-ul-Munir Murtiza	5
Mr. Saad Iqbal[2]	3

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

NAME OF DIRECTORS	NO. OF MEETINGS ATTENDED
Mr. Anwar-ul-Haq	4
Mr. Owais Shahid	4
Mr. Badr-ul-Munir Murtiza	4
Mr. Saad Iqbal[3]	1

1 Appointed Director on August 29, 2016 in place of Mr. Zafar Mahmood
2 Appointed Director on November 4, 2016 in place of Mr. Iqbal Alimohamed
3 Appointed Member Audit Committee on February 21, 2017



DIRECTORS' REPORT

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

NAME OF DIRECTORS	NO. OF MEETINGS ATTENDED
Mr. Aqeel Ahmed Nasir	4
Mr. Aftab Mahmood Butt	4
Mr. Anwar-ul-Haq	4

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 12, 2017. An Interim Dividend of Rs. 4.30 per share was approved by the Board of Directors on February 21, 2017 and was dispatched in May 2017. The total dividend to be approved by the shareholders at the Annual General Meeting on October 19, 2017 will be Rs. 9.05 per share i.e. 90.50% for the year ended June 30, 2017. These financial statements do not reflect this proposed dividend.

The net profit for the year is appropriated as follows:

	RS. '000
Net Profit for the year	9,447,049
Other comprehensive gain	67,364
Un-appropriated profit brought forward	21,708,105
Profit available for appropriation	31,222,518
APPROPRIATIONS	
Final dividend for the year ended June 30, 2016 Rs. 4.75 per share	(4,181,203)
Interim dividend for the year ended June 30, 2017 Rs. 4.30 per share	(3,785,089)
	(7,966,292)
Un-appropriated profit carried forward	23,256,226
Basic Earnings Per Share (Rupees)	10.73

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

AUDITORS

The Board of Directors recommends the appointment of Deloitte Yousuf Adil, Chartered Accountants, as auditors of the Company for the next year, as suggested by the Audit Committee in place of the existing Auditors, A. F. Ferguson & Co.

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

Islamabad
August 22, 2017

AFTAB MAHMOOD BUTT
Chief Executive

سال کے خالص منافع کی تقسیم کچھ یوں رہی ہے:

	'000 روپے
سال کے لیے خالص منافع	9,447,049
دیگر جامع منافع	67,364
غیر منقسمہ منافع (پچھلے سال سے)	21,708,105
تقسیم کے لیے دستیاب منافع	31,222,518

رقوم کی تقسیم

جون 2016 کو ختم ہونے والے سال کے لیے	
حتمی منافع بحساب 4.75 روپے فی شیئر	(4,181,203)
30 جون 2017 کو ختم ہونے والے سال کے لیے	
حتمی منافع بحساب 4.30 روپے فی شیئر	(3,785,089)
	(7,966,292)
غیر منقسمہ منافع (اگلے سال کے لیے)	23,256,226
فی شیئر بنیادی آمدن (روپے)	10.73

ڈائریکٹرز آپ کی توجہ مالیاتی گوشواروں کے نوٹ (iv)13.1 سے متعلق آڈیٹرز کی رپورٹ کے آخری پیرے پر مبذول کرانا چاہتے ہیں۔

آڈیٹرز

بورڈ آف ڈائریکٹرز آڈٹ کمیٹی کی تجویز پر یہ سفارش کرتا ہے کہ آئندہ مالی سال کے لیے موجودہ آڈیٹرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی جگہ ڈیلائٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس کو آڈیٹرز مقرر کیا جائے۔

اظہار تشکر

ہم اس موقع پر کمپنی کے تمام ملازمین کا شکریہ ادا کرتے ہیں جنھوں نے اس کمپنی کی کامیابی کے لیے کام کیا ہے۔

بحکم بورڈ

آفتاب محمود بٹ
چیف ایگزیکٹو

اسلام آباد
22 اگست 2017ء

h۔ کوڈ آف کارپوریٹ گورننس کے تحت کمپنی کے حصص یافتگان کی تفصیل برائے 30 جون 2017ء اس رپورٹ کے منسلک ہے۔

i۔ کمپنی کے ڈائریکٹرز، چیف ایگزیکٹیو، جنرل منیجر فنانس/سی ایف او، کمپنی سیکرٹری، ان کی بیویوں/شوہر اور بچوں نے کمپنی کے شیئرز کا تجارتی لین دین نہیں کیا ہے۔ ماسوائے اس کے جو ظاہر کیا گیا ہے۔

j۔ 30 جون 2016 تک پنشن فنڈ اور پروویڈنٹ فنڈ کی سرمایہ کاری کی تفصیل کچھ یوں ہے:

	ملین روپے
پنشن فنڈ	2,624
پراویڈنٹ فنڈ	767

k) واجب الادا ٹیکسوں اور لیویز کے بارے میں معلومات مالیاتی گوشواروں کے نوٹس میں دی گئی ہیں اور مذکورہ ادائیگیاں مناسب وقت پر کر دی جائیں گی۔

l) اس سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے تھے جن میں ڈائریکٹرز کی حاضری درج ذیل رہی ہے:۔

ڈائریکٹرز کے نام	اجلاس میں شرکت کی تعداد
جناب لیفٹیننٹ جنرل مزمل حسین (ریٹائرڈ)[1]	5
جناب آفتاب محمود بٹ	5
جناب انوار الحق	5
جناب اولیس شاہد	5
جناب عقیل احمد ناصر	5
جناب بدرالمنیر مرتضیٰ	5
جناب سعد اقبال[2]	3

m۔ اس سال کے دوران آڈٹ کمیٹی کے چار اجلاس ہوئے جن میں ڈائریکٹرز کی حاضری درج ذیل رہی:

ڈائریکٹرز کے نام	اجلاس میں شرکت کی تعداد
جناب انوار الحق	4
جناب اولیس شاہد	4
جناب بدرالمنیر مرتضیٰ	4
جناب سعد اقبال[3]	1

n۔ اس سال کے دوران ایچ آر کمیٹی کے چار اجلاس ہوئے جن میں ڈائریکٹرز کی حاضری کی تفصیل درج ذیل ہے:

ڈائریکٹرز کے نام	اجلاس میں شرکت کی تعداد
جناب عقیل احمد ناصر	4
جناب آفتاب محمود بٹ	4
جناب انوار الحق	4

مالیاتی تصرف

ڈائریکٹرز 4.75 روپے فی شیئر کے حتمی ڈیونڈنڈ کی سفارش کرنے پر خوشی محسوس کر رہے ہیں۔ یہ ڈیونڈنڈ 12 اکتوبر 2017ء کو کمپنی ممبران کے رجسٹر پر اندراج شدہ حصص مالکان کو ادا کیا جائے گا۔ 21 فروری 2017ء کو بورڈ آف ڈائریکٹرز کی جانب سے 4.30 فی شیئر کا عبوری ڈیویڈنڈ منظور کیا گیا تھا اور مئی 2017 میں اس کی ترسیل کی گئی تھی 19 اکتوبر 2017ء کے سالانہ اجلاس عام میں حصص مالکان کی طرف سے منظور کردہ کل ڈیویڈنڈ 9.05 روپے فی شیئر یعنی 30 جون 2017ء کو ختم ہونے والے سال کے لیے 90.50 فیصد ہو جائے گا۔ یہ مالیاتی گوشوارے اس مجوزہ ڈیویڈنڈ کی عکاسی نہیں کرتے۔

1۔ 29 اگست 2016ء کو جناب ظفر محمود کی جگہ ڈائریکٹر مقرر ہوئے۔
2۔ 4 نومبر 2016ء کو جناب اقبال علی محمد کی جگہ پر ڈائریکٹر مقرر کیا گیا۔
3۔ 21 فروری 2017ء کو آڈٹ کمیٹی کا ممبر مقرر کیا گیا۔

حب پاور کمپنی لمیٹڈ کے شیئرز کی مجوزہ خریداری

کمپنی نے 10 اگست 2017 کو پاکستان اسٹاک ایکسچینج کو (سیکیورٹیز ایکٹ 2015 کے سیکشن 96 اور 131 کی مد میں اور پاکستان اسٹاک ایکسچینج ریگولیشنز کی ضابطہ 5.6.1 اور 5.19.13 کے مطابق) کہ ایک تزویراتی تجویز سے متعلق آگاہ کیا اور جس کا کمپنی کے بورڈ آف ڈائریکٹرز جائزہ/غور کریں گے۔ اگر یہ مناسب سمجھا گیا کہ حب پاور کمپنی لمیٹڈ (''HUBCO'') کے 172,582,000 شیئرز (کمپنی کے شیئرز کا کُل 14.91 فیصد) کی خریداری کے لیے بولی لگائی جائے گی۔ یہ شیئرز داؤد ہرکولیس کارپوریشن لمیٹڈ کی طرف سے فروخت کے لیے پیش کئے جارہے ہیں، اس کے علاوہ کچھ اور شیئر ہولڈرز بھی HUBCO کے مزید 28,502,105 شیئرز (کُل شیئرز کا 2.46 فیصد) بھی فروخت کے لیے پیش کر رہے ہیں۔ کمپنی نے 21 اگست 2017 کو اپنی بولی جمع کرادی۔

ازراہ کرم یہ بات نوٹ کرلیں کہ کمپنی کی قانونی ذمہ داریوں کے مطابق مزید میٹریل معلومات مناسب وقت اور ضرورت کے تحت فراہم کی جائیں گی اور اس وقت ضروری ریگولیٹری اور کارپوریٹ منظوری کے لیے درخواست بھی دی جائے گی۔

سماجی اقدام کا پروگرام

کمپنی کے سماجی پروگرام کے حصے کے طور پر کوٹ ادو میں مئی 2017 کو دو روزہ مفت میڈیکل/آنکھوں کے معائنے کے لیے ایک کیمپ لگایا گیا جس میں 3300 مریضوں کو طبی امداد مہیا کی گئی، آنکھوں کی 23 سرجریاں ہوئیں، 87 الٹرا ساؤنڈ ٹیسٹ اور 883 لیبارٹری ٹیسٹ بھی انجام دیئے گئے۔ 8 3 ڈاکٹروں اور پیرامیڈیکل اسٹاف کے 25 اراکین نے رضاکارانہ طور پر کیمپ میں خدمات انجام دیں۔ اس کیمپ کی اہم سرگرمیوں میں مفت طبی معائنہ، ادویات کی فراہمی، مفت تشخیصی ٹیسٹ اور آنکھوں کی سرجری شامل تھیں۔ ڈاکٹروں میں ایک میڈیکل اسپیشلسٹ، ماہرِ امراض نسواں، بچوں کے امراض کے ماہر، الٹرا ساؤنڈ اسپیشلسٹ، پیتھالوجسٹ، اور آنکھوں کے ماہر ڈاکٹر شامل تھے۔ مریضوں کی سہولت کے لیے ایک فارمیسی، لیبارٹری اور الٹرا ساؤنڈ کا مرکز بھی قائم کیا گیا تھا۔

سماجی اقدام کے پروگرام کی دیگر سرگرمیوں میں لائق طلبہ کی امداد، خیراتی مقاصد کے لیے عطیات کی فراہمی اور مختلف پروگراموں کی اسپانسر شپ بھی شامل ہیں۔
سماجی اقدام کا یہ پروگرام 7,053,591 روپے کی لاگت سے مکمل کیا گیا۔

ڈائریکٹرز کی تربیت

اس سال کے دوران کمپنی کے ڈائریکٹر جناب بدرالمنیر مرتضیٰ نے پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس کی جانب سے اس کے کارپوریٹ گورننس لیڈرشپ سکلز۔ ڈائریکٹرز ایجوکیشن پروگرام کے تحت منعقدہ جائزوں میں شرکت کی اور ان میں کامیابی حاصل کی۔

بورڈ آف ڈائریکٹرز میں تبدیلی

بورڈ آف ڈائریکٹرز میں مسٹر ظفر محمود اور مسٹر اقبال علی محمد کے استعفوں کی وجہ سے دو اسامیاں خالی ہوئی تھیں جن پر بالترتیب لیفٹیننٹ جنرل مزمل حسین (ر) اور مسٹر سعد اقبال کی تقرری عمل میں آچکی ہے۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

کوڈ آف کارپوریٹ گورننس کے فریم ورک کے مطابق مالیاتی رپورٹ کے ضمن میں ڈائریکٹرز مندرجہ ذیل اُمور کی تصدیق کرتے ہیں:

a۔ کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے تمام معاملات کو واضح طور پر پیش کرتے ہیں جیسے سرگرمیوں کے نتائج، رقم کی آمدورفت اور کاروباری سرمایہ میں ہونے والی تبدیلیاں۔

b۔ حسابداری کے مناسب کھاتے رکھے جاتے ہیں۔

c۔ مالیاتی گوشواروں کی تیاری کے لیے ہمیشہ مناسب اور متعلقہ اکاؤنٹنگ پالیسیوں پر عمل کیا جاتا ہے اور پالیسیوں میں ہونے والی کسی بھی تبدیلی کو مالیاتی گوشواروں میں ظاہر کیا جاتا ہے۔ حسابداری کے گوشوارے ہمیشہ انتہائی منطقی اور محتاط اندازوں پر مشتمل ہوتے ہیں۔

d۔ پاکستان میں لاگو 'انٹرنیشنل فنانشل رپورٹنگ سٹینڈرڈز' کو مالیاتی گوشواروں کی تیاری کے لیے بروئے کار لایا جاتا ہے اور ان میں ہونے والی کسی بھی تبدیلی کو مناسب طور پر ظاہر کیا جاتا ہے اور اس کی وضاحت کی جاتی ہے۔

e۔ اندرونی کنٹرول کا نظام مضبوط بنیادوں پر استوار ہے اور موثر طریقے سے روبہ عمل ہے جس کی مسلسل نگرانی کی جاتی ہے۔

f۔ کمپنی کے قائم نہ رہنے کے حوالے سے کسی بھی قسم کا کوئی خدشہ نہیں پایا جاتا۔

g۔ گزشتہ 6 برس کے مالی اور انتظامی امور سے متعلق اعدادوشمار کا خلاصہ اس رپورٹ کے ساتھ منسلک ہے۔

ڈائریکٹرز رپورٹ

ہمیں ڈائریکٹرز رپورٹ کے ساتھ 30 جون 2017 کو ختم ہونے والے سال کے مالیاتی گوشوارو (آڈٹ شدہ) پیش کرنے میں خوشی محسوس ہورہی ہے۔

کمپنی کی بنیادی سرگرمیوں میں کوٹ ادو پنجاب میں اپنے گیس، فرنس آئل اور ڈیزل سے چلنے والے 1600 میگاواٹ کی استعداد کے حامل بجلی گھر/ پاور پلانٹ کی ملکیت، آپریشن او ردیکھ بھال ومرمت شامل ہے۔ کمپنی اپنے واحد کسٹمر/ صارف پاکستان واٹر اینڈ پاور ڈیولپمنٹ اتھارٹی (واپڈا) کو اپنے بجلی گھر/ پاور پلانٹ سے پیدا کردہ بجلی کی فروخت کو جاری رکھے ہوئے ہے۔

کمپنی پاکستان اسٹاک ایکسچینج میں مندرج/ رجسٹرڈ ہے اور اسے کے ایس ای 100 اور کے ایس ای 30 انڈیکس کمپنی ہونے کا اعزاز حاصل ہے۔

مالیاتی کارکردگی

اس سال کمپنی کا کاروباری حجم 81,847 ملین روپے رہا ہے (جبکہ 2016 میں 64,178 ملین روپے) روپے رہا ہے جس میں فروخت کی لاگت 67,667 ملین روپے ہے (جبکہ 2016 میں 50,770 ملین روپے) تھی۔ خام منافع کی مجموعی رقم 14,180 ملین روپے ہے (2016 جو 13,408 ملین روپے تھی) ہے اور ٹیکس کی ادائیگی سے قبل منافع کی رقم 14,073 ملین روپے ہے (جبکہ 2016 میں 13,683 ملین روپے تھا)۔ ٹیکس کی رقم میں 4,626 ملین روپے ہے اور ٹیکس کی ادائیگی کے بعد منافع کی رقم 9,447 ملین روپے ہے (یہ 2016 میں 9,071 ملین روپے تھا)۔ اس طرح اس سال آمدن فی حصص (ای پی ایس) 10.73 روپے فی حصص کے حساب سے 10 روپے فی کس سالانہ رہی (جبکہ 2016 میں 10.31 روپے فی حصص تھی)۔

بجلی کا خریدار ادارہ کمپنی کی واجب الادا رقوم کی ادائیگی میں مسلسل ناکام رہا ہے۔ 30 جون 2017 کو وصول کی جانے والی واجب الادا رقوم 76,896 ملین روپے تھی (مزید تفصیلات کے لیے مالیاتی گوشوارے کا نوٹ 22.1 دیکھیں)۔ تیل کی فراہمی کی مد میں کمپنی کے ذمہ پاکستان اسٹیٹ آئل کمپنی لمیٹڈ کو واجب الادا رقم 16,899 ملین روپے تھی (30 جون 2016 کو یہ رقم 671 ملین روپے تھی)۔ کمپنی اس ضمن میں واپڈا، سینٹرل پاور پرچیزنگ ایجنسی (گارنٹی) لمیٹڈ CPPA(G) اور حکومت پاکستان کی متعلقہ وزارتوں (جی او پی) سے مل کر اس معاملے کے حل کے لیے مسلسل پیروی کررہی ہے۔

بجلی کے خریدار ادارے کے ساتھ نقصانات کے ازالے کا معاملہ برقرار ہے۔ 30 جون 2009 سے 30 جون 2016 تک ختم ہونے والے سالوں کے لیے نقصانات کے ازالے کی یہ رقم 27,898 ملین روپے بنتی ہے۔ کمپنی نے بجلی کی خریداری کے معاہدے کی دفعات کے مطابق ان انوائسز پر پر اپنے اختلافات کا اظہار کیا ہے۔ کمپنی کا موقف ہے کہ فراہمی متاثر ہونے کی وجہ خریدار کی طرف سے اس کے واجبات کی بروقت ادائیگی نہ ہونا ہے۔ مزید تفصیلات کے لیے مالیاتی گوشوارے کا نوٹ 13.1 (iv) دیکھیں۔

کمپنی نے مذکورہ اختتام پذیر ہونے مالی سال کے دوران ``نوٹ ایگریمنٹ`` کے تحت اپنی ذمہ داریوں کو پورا کرتے ہوئے مبلغ 540 ملین روپے کے دوعدد ڈیبٹ اور کریڈٹ نوٹ کا تبادلہ دسمبر 2016ء اور جون 2017ء میں کیا۔

آپریشنل کارکردگی

اس سال کے دوران کمپنی نے اپنے صارف/ کسٹمر کو 7,335 GWh بجلی فروخت کی ہے۔ یہ پیداوار 62.4 فیصد مجموعی لوڈ فیکٹر کی نمائندگی کرتی ہے جس میں 96.0 فیصد کی مجموعی تجارتی دستیابی اور 43.7 فیصد تھرمل استعداد شامل ہے۔

کمپنی کے پاور پلانٹ کی دیکھ بھال ومرمت اس کے اصل تیارکنندہ کی سفارشات کے مطابق اعلیٰ ترین اندرونی معیارات کے مطابق کی جاتی ہے جس سے یہ پلانٹ بجلی کے خریدار کے لیے فعال رہتا ہے۔ اس سال کے دوران دو بار بڑے پیمانے پر اوور ہالنگ کی گئی، چودہ بار حرکت پذیری کا معائندہ کیا گیا؛ اور گرم گیس کے راستوں کا بھی دوبار معائنہ کیا گیا۔

توسیعی پراجیکٹ (مجوزہ)

کمپنی نے 30 جون 2014 کو ختم ہونے والے سال کے دوران پنجاب پاور ڈیولپمنٹ بورڈ (PPDB) کے اقدامات کے تحت کوئلے کا توسیعی منصوبہ شروع کیا۔ اس مقصد کے لیے 30 اپریل 2014 کو KAPCO انرجی (پرائیویٹ) لمیٹڈ (KEPL) کے نام سے خصوصی مقصدی حامل کمپنی کو شامل کیا گیا۔ K E P L کے شیئر کیپٹل کو 30 جون 2017 تک جاری نہیں کیا گیا۔

کوئلے کی اس منصوبے کا حتمی نتیجہ یقینی نہیں ہے کیونکہ جی او پی نے درآمد شدہ ایندھن (بشمول درآمد شدہ کوئلے) پر چلنے والے نئے پاور پراجیکٹس کی تعمیر کے لحاظ سے اپنی پالیسی بدل دی ہے۔ یوں کوئلے کے اس توسیعی منصوبے پر آنے والی لاگت ناقابل واپسی ہوگئی ہے۔

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

NAME OF COMPANY / Kot Addu Power Company Limited **YEAR ENDED /** June 30, 2017

This Statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of Listing Regulations of the Pakistan Stock Exchange 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, 2017 the Board was constituted as follows:

CATEGORY	NAMES
Independent Directors	Mr. Saad Iqbal
Executive Directors	Mr. Aftab Mahmood Butt (Chief Executive)
Non-Executive Directors	• Lt. General Muzammil Hussain (Retd) • Mr. Anwar-ul-Haq • Mr. Owais Shahid • Mr. Aqeel Ahmed Nasir • Mr. Badr-ul-Munir Murtiza

   The Independent Director meets the criteria of independence under clause 5.19.1(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 NBFI.
4. Casual vacancies occurring on the board during the financial year ended June 30, 2017 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 a Director 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 four members, of whom all are non-executive directors and the Chairman of the Committee is a non-executive 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 EY Ford Rhodes, 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 Exchange(s).
23. Material/price sensitive information has been disseminated among all market participants at once through the Stock Exchange(s).
24. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
25. 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

August 22, 2017
Islamabad

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Kot Addu Power Company Limited ('Company') as at June 30, 2017 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, 2017 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(iv) to the financial statements which describes the uncertainty regarding the outcome of certain claims lodged by WAPDA, which have been disputed by the Company. Our opinion is not qualified in respect of this matter.

A.F.Ferguson & Co.

Chartered Accountants

Engagement Partner: Amer Raza Mir

August 22, 2017

Lahore

FINANCIAL STATEMENTS

for the year ended June 30, 2017

BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
3,600,000,000 (2016: 3,600,000,000) ordinary shares of Rs 10 each		36,000,000	36,000,000
Issued, subscribed and paid up capital			
880,253,228 (2016: 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		23,256,226	21,708,105
		32,503,209	30,955,088
NON-CURRENT LIABILITIES			
Long term finances	7	–	386,195
Liabilities against assets subject to finance lease	8	64,161	47,982
Deferred liabilities	9	2,138,546	2,511,603
		2,202,707	2,945,780
CURRENT LIABILITIES			
Current portion of long term liabilities	10	411,635	569,057
Finances under mark-up arrangements - secured	11	46,133,174	41,346,145
Trade and other payables	12	34,749,856	16,397,140
		81,294,665	58,312,342
CONTINGENCIES AND COMMITMENTS	13		
		116,000,581	92,213,210

The annexed notes 1 to 43 form an integral part of these financial statements.

Aftab Mahmood Butt
Chief Executive

	Note	2017	2016
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	10,813,412	12,632,019
Intangible assets	15	9,577	9,527
Assets subject to finance lease	16	63,615	53,140
Capital work-in-progress	17	71,383	29,226
Long term loans and deposits	18	30,622	31,859
Post retirement benefits	19	58,876	3,467
		11,047,485	12,759,238
CURRENT ASSETS			
Stores and spares	20	4,264,752	4,361,205
Stock-in-trade	21	5,914,402	3,134,827
Trade debts	22	89,987,164	69,376,790
Loans, advances, deposits, prepayments and other receivables	23	4,157,060	1,983,500
Cash and bank balances	24	629,718	597,650
		104,953,096	79,453,972
		116,000,581	92,213,210

Anwar ul Haq
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

		Note	2017	2016
			(Rupees in thousand)	
Sales		25	81,846,981	64,178,389
Cost of sales		26	(67,666,625)	(50,770,461)
Gross profit			14,180,356	13,407,928
Administrative expenses		27	(451,839)	(528,603)
Other operating expenses		28	(221,708)	(25)
Other income		29	4,991,238	4,040,713
Profit from operations			18,498,047	16,920,013
Finance cost		30	(4,424,942)	(3,236,733)
Profit before tax			14,073,105	13,683,280
Taxation		31	(4,626,056)	(4,612,229)
Profit for the year			9,447,049	9,071,051
Earnings per share	Rupees	39	10.73	10.31

The annexed notes 1 to 43 form an integral part of these financial statements.

Aftab Mahmood Butt
Chief Executive

Anwar ul Haq
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	(Rupees in thousand)	
Profit for the year	9,447,049	9,071,051
Items that will not be reclassified to profit or loss		
- Re-measurement of net defined benefit obligation - net of tax	67,364	77,707
Items that may be reclassified subsequently to profit or loss	–	–
Other comprehensive income for the year - net of tax	67,364	77,707
Total comprehensive income for the year	9,514,413	9,148,758

The annexed notes 1 to 43 form an integral part of these financial statements.

Aftab Mahmood Butt
Chief Executive

Anwar ul Haq
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	37	13,741,691	9,597,369
Finance cost paid		(3,913,563)	(3,035,379)
Taxes paid		(5,609,280)	(6,179,704)
Staff retirement benefits paid		(46,171)	(251,297)
Net cash generated from operating activities		4,172,677	130,989
Cash flows from investing activities			
Fixed capital expenditure including intangible assets		(494,280)	(118,485)
Income on bank deposits received		22,093	22,816
Net decrease in long term loans and deposits		1,237	4,526
Proceeds from sale of property, plant and equipment		8,161	7,190
Net cash used in investing activities		(462,789)	(83,953)
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(32,547)	(17,559)
Repayment of long term loan - unsecured		(540,207)	(540,207)
Dividend paid		(7,892,095)	(8,041,159)
Net cash used in financing activities		(8,464,849)	(8,598,925)
Net decrease in cash and cash equivalents		(4,754,961)	(8,551,889)
Cash and cash equivalents at beginning of the year		(40,748,495)	(32,196,606)
Cash and cash equivalents at the end of the year	38	(45,503,456)	(40,748,495)

The annexed notes 1 to 43 form an integral part of these financial statements.

Aftab Mahmood Butt
Chief Executive

Anwar ul Haq
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2017

	Share capital	Capital reserve	Un-appropriated profit	Total
	(Rupees in thousand)			
Balance as at June 30, 2015	8,802,532	444,451	20,481,626	29,728,609
Final dividend for the year ended June 30, 2015 - Rs 4.75 per share	–	–	(4,181,203)	(4,181,203)
Profit for the year	–	–	9,071,051	9,071,051
Other comprehensive income:				
- Re-measurement of net defined benefit obligation - net of tax	–	–	77,707	77,707
Total comprehensive income for the year	–	–	9,148,758	9,148,758
Interim dividend for the year ended June 30, 2016 - Rs 4.25 per share	–	–	(3,741,076)	(3,741,076)
Balance as at June 30, 2016	8,802,532	444,451	21,708,105	30,955,088
Final dividend for the year ended June 30, 2016 - Rs 4.75 per share	–	–	(4,181,203)	(4,181,203)
Profit for the year	–	–	9,447,049	9,447,049
Other comprehensive income:				
- Re-measurement of net defined benefit obligation - net of tax	–	–	67,364	67,364
Total comprehensive income for the year	–	–	9,514,413	9,514,413
Interim dividend for the year ended June 30, 2017 - Rs 4.30 per share	–	–	(3,785,089)	(3,785,089)
Balance as at June 30, 2017	8,802,532	444,451	23,256,226	32,503,209

The annexed notes 1 to 43 form an integral part of these financial statements.

Aftab Mahmood Butt
Chief Executive

Anwar ul Haq
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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 Pakistan Stock Exchange. 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. As per the requirements of circular No. CLD/CCD/PR(11)/2017 dated July 20, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP), companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with provisions of the repealed Companies Ordinance, 1984. Accordingly, 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

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

Annual improvements 2014; IFRS 7, 'Financial instruments: disclosures'. IAS 19, 'Employee benefits'. IAS 34, 'Interim financial reporting'. The application of these amendments has no material impact on the Company's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016.

2.2.2 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)
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, 12 and IAS 28 (Amendment), on exception to consolidation for investment entities	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
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'.	January 1, 2016

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:

	2017	2016
	(Rupees in thousand)	
De-recognition of property, plant and equipment	(10,753,978)	(12,565,245)
Recognition of lease debtor	4,994,783	5,909,946
Decrease in deferred tax liability	725,880	2,297,192
Decrease in un-appropriated profit at the beginning of the year	(4,358,107)	(4,757,024)
(Decrease) / Increase in profit for the year	(675,208)	398,917
Decrease in un-appropriated profit at the end of the year	(5,033,315)	(4,358,107)

- 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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 1,833 million (2016: Rs 2,737 million), profit after taxation would have been lower by Rs 1,210 million (2016: Rs 1,769 million), retained earnings would have been lower by Rs 1,210 million (2016: Rs 1,769 million), earning per share would have been lower by Rs 1.37 per share (2016: Rs 2.01 per share) and reserves would have been higher by Rs 1,833 million (2016: Rs 2,737 million).

- IAS 7 (Amendment), 'Statement of cash flows' disclosure initiative effective for annual periods beginning on or after January 1, 2017.

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 Interpretation	Effective date (annual periods beginning on or after)
IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
IAS 12, (Amendments), 'Income taxes' on recognition of deferred tax assets for unrealized losses	January 1, 2017
IAS 40, (Amendments), 'Investment Property'	January 1, 2018
IAS 28, 'Investments in Associates and Joint Ventures'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts'	January 1, 2018
IFRS 2 (Amendments), 'Shared-based payment' classification and measurement	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
IFRIC 22, 'Foreign Currency Transactions and Advance Considerations'	January 1, 2018
Annual improvements 2014-2016 cycle	January 1, 2018
IFRS 4 (Amendments), Insurance Contracts	January 1, 2018
IFRS 17, Insurance Contracts	January 1, 2021

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.

4.1 Taxation

Current

Provision for current tax is based on 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 current 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. The actual return on plan assets during the year is Rs 364 million (2016: Rs 274 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: 9.25 percent per annum (2016: 9.00 percent per annum).
- Expected rate of increase in salary level: 8.75 percent per annum (2016: 8.50 percent per annum).
- Expected rate of increase in pension: 5.50 percent per annum (2016: 5.50 percent per annum).

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

The expected expense for the next year ending June 30, 2018 is Rs 22 million as per actuarial valuation. As there is asset in defined benefit plan as at June 30, 2017 so no contribution is required in next year ending June 30, 2018.

(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, 2017.

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

- Discount rate: 9.25 percent per annum (2016: 9.00 percent per annum).
- Expected rate of increase in medical cost: 7.00 percent per annum (2016: 7.00 percent per annum).
- Expected rate of increase in electricity benefit: 9.25 percent per annum (2016: 9.00 percent per annum).

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

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'.

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, 2017 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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.

The assets acquired under Ijarah agreement where the terms of agreement do not meet the conditions of recognition of Ijarah financing specified in Islamic Financial Accounting Standard (IFAS) 2- Ijarah, then the arrangement is classified as finance lease.

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. Certain items are identifed by the management for provisioning purposes and specific provision is recognized based on management’s best estimate.

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 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-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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.

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.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

4.20 Dividend

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

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5. Issued, subscribed and paid up capital

2017	2016		2017	2016
(Number of shares)			(Rupees in thousand)	
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
880,253,228	880,253,228		8,802,532	8,802,532

5.1 There has been no movement in the ordinary share capital of the company.

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

	2017	2016
	(Number of share)	
Pakistan Water and Power Development Authority (WAPDA)	354,311,133	354,311,133
KAPCO Employees Empowerment Trust [Formed under Benazir Employees' Stock Option Scheme (BESOS)]	48,252,429	48,252,429
	402,563,562	402,563,562

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.

	Note	2017	2016
		(Rupees in thousand)	
7. Long term finances			
Loan from related parties - unsecured	7.1	386,195	926,402
Less: Current maturity		386,195	540,207
		–	386,195

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
2017					
WAPDA	PKR	386,195	14%	2 equal semi annual installments ending June 2018	Semi annually
2016					
WAPDA	PKR	926,402	14%	4 semi annual installments ending June 2018	Semi annually

	2017	2016
	(Rupees in thousand)	

8. Liabilities against assets subject to finance lease

	2017	2016
Present value of minimum lease payments	89,601	76,832
Less: Current portion shown under current liabilities	25,440	28,850
	64,161	47,982

Minimum lease payments have been discounted at an implicit interest rate ranging from 6.55 percent to 8.66 percent (2016: 8.62 percent to 9.55 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	Present value of lease liability
		(Rupees in thousand)	
2017			
Not later than one year	30,083	4,643	25,440
Later than one year and not later than five years	70,693	6,532	64,161
	100,776	11,175	89,601
2016			
Not later than one year	33,689	4,839	28,850
Later than one year and not later than five years	53,671	5,689	47,982
	87,360	10,528	76,832

	Note	2017	2016
		(Rupees in thousand)	

9. Deferred Liabilities

	Note	2017	2016
Deferred taxation	9.1	1,425,370	1,841,329
Staff retirement benefits	9.2	713,176	670,274
		2,138,546	2,511,603

9.1 Deferred taxation

	2017	2016
The liability for deferred taxation comprises of timing differences relating to:		
Accelerated tax depreciation	1,663,232	2,049,100
Provision for store obsolescence	(82,425)	(37,505)
Provision for doubtful debts	(70,219)	(95,105)
Write back of unpaid liabilities	(58,338)	(51,743)
Liabilities against assets subject to finance lease	(26,880)	(23,418)
	1,425,370	1,841,329

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

		Note	2017	2016
			(Rupees in thousand)	
9.2	Staff retirement benefits			
	These are composed of:			
	Medical	9.2.1	141,430	139,060
	Free electricity	9.2.1	538,693	495,210
	Other long term employee benefits		33,053	36,004
			713,176	670,274

9.2.1

	Post retirement medical 2017	Post retirement medical 2016	Post retirement free electricity 2017	Post retirement free electricity 2016
	(Rupees in thousand)			
The amounts recognised in the balance sheet are as follows:				
Present value of defined benefit obligation as at June 30	141,430	139,060	538,693	495,210
Liability as at July 1	139,060	157,628	495,210	508,307
Charge to profit and loss account	16,520	21,410	58,411	68,844
Benefits paid during the year	(1,268)	(1,227)	(5,150)	(4,660)
Remeasurement gains recognised in other comprehensive income	(12,882)	(38,751)	(9,778)	(77,281)
Liability as at June 30	141,430	139,060	538,693	495,210
The movement in the present value of defined benefit obligation is as follows:				
Present value of defined benefit obligation as at July 1	139,060	157,628	495,210	508,307
Current service cost	3,874	4,695	13,388	14,858
Interest cost for the year	12,646	16,715	45,023	53,986
Benefits paid during the year	(1,268)	(1,227)	(5,150)	(4,660)
Remeasurement gains on obligation	(12,882)	(38,751)	(9,778)	(77,281)
Present value of defined benefit obligation as at June 30	141,430	139,060	538,693	495,210

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				
	2017	2016	2015	2014	2013
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligations	141,430	139,060	157,628	136,820	104,953
Fair value of plan assets	–	–	–	–	–
Deficit	141,430	139,060	157,628	136,820	104,953
Experience adjustment on obligation (gain) / loss	(12,882)	(38,751)	(685)	18,241	618

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				
	2017	2016	2015	2014	2013
	(Rupees in thousand)				
As at June 30					
Present value of defined benefit obligations	538,693	495,210	508,307	479,337	363,794
Fair value of plan assets	–	–	–	–	–
Deficit	538,693	495,210	508,307	479,337	363,794
Experience adjustment on obligation (gain) / loss	(9,778)	(77,281)	(47,735)	65,972	18,997

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

	Post retirement medical		Post retirement free electricity	
	2017	2016	2017	2016
	(Rupees in thousand)			
Discount rate + 0.50%	129,333	126,797	490,036	449,526
Discount rate - 0.50%	155,158	153,016	594,225	547,467
Increase in medical cost / electricity benefit + 0.50%	144,383	142,276	551,378	506,023
Increase in medical cost / electricity benefit - 0.50%	138,593	135,975	526,534	484,843

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		Note	2017	2016
			(Rupees in thousand)	
10.	Current portion of long term liabilities			
	Long term finances	7	386,195	540,207
	Liabilities against assets subject to finance lease	8	25,440	28,850
			411,635	569,057
11.	Finances under mark-up arrangements - secured			
	- Under Conventional finances		30,295,320	24,383,024
	- Under Islamic finances		15,837,854	16,963,121
		11.1	46,133,174	41,346,145

11.1 Finances under mark up arrangements available from various commercial banks under mark-up arrangements amount to Rs 39,250 million (2016: Rs 34,950 million) and finances available under musharika and murabaha arrangements amount to Rs 19,950 million (2016: Rs 21,450 million). The rate of mark-up ranges from 6.27 percent to 8.78 percent (2016: 6.57 percent to 9.49 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 (2016: 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 2,669 million (2016: 3,400 million) for opening letters of credit and Rs 1,031 million (2016: Rs 4,569 million) for guarantees, the amounts utilised as at June 30, 2017 were Rs 317 million (2016: Rs 392 million) and Rs 1,031 million (2016: Rs 4,569 million) respectively.

11.3 The aggregate running finances, short term finances and letters of credit and guarantees are secured by joint pari passu charge over current assets up to a limit of Rs 72,800 million (2016: Rs 72,800 million), ranking joint pari passu charge over current assets upto a limit of Rs. 6,000 million (2016: Rs 6,000 million), joint pari passu charge over plant and machinery up to a limit of Rs 6,000 million (2016: Rs 68,045 million) and ranking charge over current assets up to a limit of Rs 10,801 million (2016: Rs 4,000 million).

		Note	2017	2016
			(Rupees in thousand)	
12.	Trade and other payables			
	Trade creditors	12.1	18,173,889	700,079
	Accrued liabilities		445,352	477,518
	Liquidated damages		226,883	224,275
	Markup accrued on:			
	- Long term loan - unsecured		593	1,421
	- Finances under markup arrangements - secured		422,826	288,190
	- Liabilities against assets subject to finance lease		322	549
	- Credit supplies of raw material		13,770,700	13,392,902
			14,194,441	13,683,062
	Deposits - interest free repayable on demand		438	166
	Workers' Welfare Fund	12.3 & 23.3	609,567	296,849
	Income tax payable		–	258,579
	Differential payable to WAPDA	12.2	470,136	228,345
	Unclaimed dividends		580,371	506,174
	Others		48,779	22,093
			34,749,856	16,397,140

12.1 Trade creditors include payable to Pakistan State Oil (PSO) amounting to Rs 16,899 million (2016: Rs 671 million) and Sui Northern Gas Pipelines Limited (SNGPL) amounting to Rs 1,266 million (2016: Rs 82 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.

12.3 Movement in Workers' Welfare Fund is as follows:

	2017	2016
	(Rupees in thousand)	
Opening balance	296,849	312,660
Provision made during the year	310,290	296,849
	607,139	609,509
Payment made during the year	–	(311,662)
Adjustment	2,428	(998)
Closing balance	609,567	296,849

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 was decided against the Company. Being aggrieved, the Company filed reference with the Honorable Lahore High Court (LHC) against this order. The Honorable LHC granted interim relief to the Company and restrained Tax Department from passing any order on the basis of 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) The Tax Department 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 partially decided against the Company. However, CIR(A) instructed the Tax Department to rectify the demand by deleting the sales tax liability in respect

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of tax periods beyond five years, resulting in reduction of demand to the tune of Rs 1,481 million. Being aggrieved, the Company filed an appeal before ATIR against the CIR(A) order which was also decided against the Company. The Company filed petition with Honorable Lahore High Court against ATIR decision.

Tax Department also created a demand of Rs 2,933 million for the financial period July 2013 to June 2014 pertaining to aforementioned issue of apportionment of input tax. The Company filed an appeal before CIR(A) who remanded back the demand of Rs 2,933 million till adjudication of petition from Honorable Lahore High Court on inadmissibility of input tax on Capacity invoices.

The Honorable Lahore High Court vide its judgement dated October 31, 2016 decided the case in favour of the Company and Company has received the Refund Process Order (RPO) amounting to Rs 1,191 million from FBR out of the refunds which were withheld by the Tax Department due to above mentioned apportionment issue. The Tax Department has filed an intra-court appeal in Honorable Lahore High Court against the decision of Honorable Lahore High Court, which is pending adjudication. 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) 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 subjudice 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 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.

Subsequent to the amendments in Finance Act 2006, the Company had established the KAPCO Workers' Profit 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. Accordingly contributions to WPPF were duly made up to the year ended June 30, 2016.

During the year ended June 30, 2017, the Honorable Supreme Court of Pakistan decided that amendments in Workers' Welfare Fund Ordinance, 1971 and Companies Profit (Workers Participation) Act, 1968 cannot be introduced through Finance Act, thereby, the said amendments made through the Finance Act 2006 are void ab initio. Subsequently, the Commissioner Inland Revenue (Peshawar) filed review petition in the Honorable Supreme Court of Pakistan against the said decision in case of another company, which is pending adjudication.

In light of the above decision and based on advice of Company's legal counsel, the Company did not make any contribution to Workers' Profit Participation Fund for the year ended June 30, 2017.

In case the liability materializes, the cumulative principal amount of WPPF for the years up to June 30, 2006 and for the year ended June 30, 2017 would amount to Rs 4,167 million (2016: Rs 3,463 million). 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.

(iv) WAPDA had raised invoices for liquidated damages to the Company for the years ended June 30, 2009 through 2016 (after taking into account forced outage allowance stipulated under the terms of 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 27,898 million (2016: Rs 27,872 million). Estimated amount of liquidated damages (including un-invoiced liquidated damages till June 30, 2017) are not expected to exceed Rs 27,681 million as at June 30, 2017 (2016: Rs 27,681 million) based on the best estimate of the management of the Company.

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

(v) 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 1,030 million (2016: Rs 4,504 million);

- Punjab Power Development Board on account of Coal Project amounting to Nil (2016: Rs 65 million); and

- Suppliers on account of equipment hired for use, amounting to Rs 1 million (2016: Nil).

13.2 Commitments

(i) Contracts for capital expenditure are Rs 139 million (2016: Rs 428 million).

(ii) Letters of credit other than for capital expenditure are Rs 316 million (2016: Rs 392 million).

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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, 2017									
Opening net book value (NBV)	100,773	188,751	9,059,268	3,156,293	60,201	49,699	145	16,889	12,632,019
Additions (at cost)	–	39,948	23,196	349,675	38,167	10,837	–	–	461,823
Transfers from leased assets at NBV	–	–	–	–	–	–	–	3,907	3,907
Disposals (at NBV)	–	–	–	–	–	(24)	–	(4,241)	(4,265)
Depreciation charge	–	(41,269)	(1,458,645)	(739,483)	(22,897)	(16,863)	(44)	(871)	(2,280,072)
Closing net book value (NBV)	100,773	187,430	7,623,819	2,766,485	75,471	43,649	101	15,684	10,813,412
Gross carrying value basis									
As at June 30, 2017									
Cost	100,773	780,853	35,513,576	9,257,689	404,891	154,838	17,831	77,347	46,307,798
Accumulated depreciation	–	(593,423)	(27,889,757)	(6,491,204)	(329,420)	(111,189)	(17,730)	(61,663)	(35,494,386)
Net book value (NBV)	100,773	187,430	7,623,819	2,766,485	75,471	43,649	101	15,684	10,813,412
Depreciation rate % per annum	–	4 - 24.49	4 - 23.09	10 - 21.06	20-24.49	20-24.49	20	25	
Net carrying value basis									
Year ended June 30, 2016									
Opening net book value (NBV)	100,773	202,065	9,755,181	3,859,315	63,202	45,723	220	12,093	14,038,572
Additions (at cost)	–	22,036	750,986	–	18,489	18,960	–	1,716	812,187
Transfers from leased assets at NBV	–	–	–	–	–	–	–	9,534	9,534
Disposals (at NBV)	–	–	–	(23)	–	(2)	–	(5,629)	(5,654)
Depreciation charge	–	(35,350)	(1,446,899)	(702,999)	(21,490)	(14,982)	(75)	(825)	(2,222,620)
Closing net book value (NBV)	100,773	188,751	9,059,268	3,156,293	60,201	49,699	145	16,889	12,632,019
Gross carrying value basis									
As at June 30, 2016									
Cost	100,773	740,905	35,490,380	8,908,014	366,724	158,172	17,831	80,965	45,863,764
Accumulated depreciation	–	(552,154)	(26,431,112)	(5,751,721)	(306,523)	(108,473)	(17,686)	(64,076)	(33,231,745)
Net book value (NBV)	100,773	188,751	9,059,268	3,156,293	60,201	49,699	145	16,889	12,632,019
Depreciation rate % per annum	–	4 - 19.67	4 - 16.90	10 - 15.79	20	20	20	25	

The cost of fully depreciated assets which are still in use as at June 30, 2017 is Rs 3,117 million (2016: Rs 3,051 million).

14.1 The depreciation charge for the year has been allocated as follows:

	Note	2017	2016
		(Rupees in thousand)	
Cost of sales	26	2,237,888	2,186,370
Administration expenses	27	42,184	36,250
		2,280,072	2,222,620

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

2017

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees in thousand)				
Vehicles	Employees					
Toyota Corolla GLi	Mr. Muawaz Amin	1,590	(1,272)	318	318	Company Policy
Toyota Corolla GLi	Mr. Muhammad Khan	1,887	(660)	1,227	1,227	Company Policy
Toyota Corolla GLi	Mr. Maqsood Ahmad	1,624	(1,299)	325	325	Company Policy
Toyota Corolla GLi	Mr. Ehsan ul Haq	1,775	(1,095)	680	1,011	Company Policy
Toyota Corolla Altis	Mr. Atta ur Rehman	1,972	(1,577)	395	467	Company Policy
Honda Civic Prosmatic	Dr. Ahmed Javed	1,963	(1,570)	393	393	Company Policy
Honda Civic Prosmatic	Mr. Aftab Mahmood Butt	2,509	(2,007)	502	502	Company Policy
Toyota Corolla XLi	Mr. Rana M. Afzal	930	(744)	186	889	Tender
	Outsiders					
Toyota Corolla GLi	Mr. M. Tahir Ejaz	1,007	(806)	201	906	Tender

2016

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees in thousand)				
Vehicles	Employees					
Toyota Corolla XLi	Mr. Amjad Hayee	1,342	(1,075)	267	267	Company Policy
Toyota Corolla GLi	Mr. Mushtaq Ahmed	1,735	(896)	839	839	Company Policy
Honda City MT	Mr. Mehmood Rahim	1,545	(721)	824	824	Company Policy
Nissan Sunny	Mr. Aamir Chishti	1,546	(1,237)	309	309	Company Policy
Toyota Corolla GLi	Mr. Muhammad Bilal	1,730	(1,211)	519	954	Company Policy
Toyota Corolla Altis	Mr. Muhammad Asif	2,062	(1,477)	585	997	Company Policy
	Outsiders					
Toyota Hilux Vigo	TPL Direct Insurance	3,609	(1,323)	2,286	3,000	Insurance claim

	2017	2016
	(Rupees in thousand)	
15. Intangible assets - computer software		
Net carrying value basis		
Year ended June 30		
Opening net book value (NBV)	9,527	13,193
Additions (at cost)	4,739	1,191
Amortization charge	(4,689)	(4,857)
Closing net book value	9,577	9,527
Gross carrying value basis		
Cost	58,594	53,855
Accumulated amortization	(49,017)	(44,328)
Net book value	9,577	9,527
Amortization rate % per annum	20 - 23.15	20

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

15.2 The cost of intangible assets as on June 30, 2017 include fully amortized assets amounting to Rs 15 million (2016: Rs 10 million).

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		2017	2016
		(Rupees in thousand)	
16.	Assets subject to finance lease		
	Net carrying value basis		
	Year ended June 30		
	Opening net book value (NBV)	53,140	79,146
	Additions (at cost)	30,877	10,897
	Disposals (at NBV)	(3,907)	(9,533)
	Depreciation charge	(16,495)	(27,370)
	Closing net book value	63,615	53,140
	Gross carrying value basis		
	Cost	155,525	138,313
	Accumulated depreciation	(91,910)	(85,173)
	Net book value	63,615	53,140
	Depreciation rate % per annum	25	25

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

16.2 The cost of fully depreciated assets which are still in use as at June 30, 2017 is Rs 92 million (2016: Rs 20 million).

		Note	2017	2016
			(Rupees in thousand)	
17.	Capital work-in-progress			
	Civil works		33,646	6,596
	Plant and machinery		–	1,604
	Others		37,737	21,026
			71,383	29,226
18.	Long term loans and deposits			
	Loans to employees - considered good	18.1	29,378	29,662
	Security deposits		14,815	14,367
			44,193	44,029
	Less: Receivable within one year		13,571	12,170
			30,622	31,859

18.1 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 (2016: 9 percent per annum). Included in loans to employees are loans amounting to Rs 0.408 million (2016: Rs 0.442 million) given to employees who were victims of flood. These are interest free and repayable up to 10 years.

	Note	2017	2016
		(Rupees in thousand)	
19. Post retirement benefits			
Pension	19.1	58,876	3,467
19.1 Pension			
The amounts recognised in the balance sheet are as follows:			
Fair value of plan assets		2,939,808	2,625,082
Present value of defined benefit obligation		(2,880,932)	(2,621,615)
Asset as at June 30		58,876	3,467
Asset / (liability) as at July 1		3,467	(154,029)
Charge to profit and loss account		(62,196)	(91,431)
Contribution paid by the Company		39,753	245,410
Remeasurement gains recognised in other comprehensive income		77,852	3,517
Asset as at June 30		58,876	3,467
The movement in the present value of defined benefit obligation is as follows:			
Present value of defined benefit obligation as at July 1		2,621,615	2,350,904
Current service cost		72,638	72,508
Interest cost for the year		233,835	245,916
Benefits paid during the year		(89,453)	(90,971)
Remeasurement losses on obligation		42,297	43,258
Present value of defined benefit obligation as at June 30		2,880,932	2,621,615
The movement in fair value of plan assets is as follows:			
Fair value as at July 1		2,625,082	2,196,875
Expected return on plan assets		244,277	226,993
Contribution paid by the Company		39,753	245,410
Benefits paid during the year		(89,453)	(90,971)
Remeasurement gains on plan assets		120,149	46,775
Fair value as at June 30		2,939,808	2,625,082
Plan assets are comprised as follows:			
Mutual funds		62%	41%
Interest bearing instruments		35%	46%
Other		3%	13%
		100%	100%

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

	2017	2016	2015	2014	2013
			(Rupees in thousand)		
As at June 30					
Fair value of plan assets	2,939,808	2,625,082	2,196,875	1,643,694	1,481,381
Present value of defined benefit obligations	(2,880,932)	(2,621,615)	(2,350,904)	(1,932,096)	(1,749,201)
Surplus / (deficit)	58,876	3,467	(154,029)	(288,402)	(267,820)
Experience adjustment on obligation - loss / (gain)	42,297	43,258	142,695	(6,660)	198,474
Experience adjustment on plan assets - gain / (loss)	120,149	46,775	40,567	24,222	(520)

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

	Note	2017	2016
		(Rupees in thousand)	
Discount rate + 0.50%		2,743,691	2,475,546
Discount rate - 0.50%		3,067,052	2,782,792
Increase in salary level + 0.50%		2,931,789	2,649,960
Increase in salary level - 0.50%		2,864,495	2,594,097
Increase in pension + 0.50%		3,000,284	2,716,456
Increase in pension - 0.50%		2,803,285	2,534,511

20. Stores and spares

	Note	2017	2016
Stores and spares including in transit Rs 15 million (2016: Rs 93 million)	20.2	4,539,501	4,486,223
Less: Provision for store obsolescence	20.3	274,749	125,018
		4,264,752	4,361,205

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

20.2 Included in stores are items valuing Rs 61 million (2016: Rs 5 million) which are being held by the following suppliers for inspection / refurbishment purposes.

	2017	2016
	(Rupees in thousand)	
Siemens, Germany	15,665	4,640
MJB International Limited LLC, UAE	45,087	–
	60,752	4,640

20.3 Provision for store obsolescence

	2017	2016
Opening balance as at July 1	125,018	114,570
Add: Provision for the year	160,362	15,409
	285,380	129,979
Less: Stores written off against provision	10,631	4,961
Closing balance as at June 30	274,749	125,018

		Note	2017	2016
			(Rupees in thousand)	
21.	Stock-in-trade			
	Furnace oil		5,205,488	2,692,820
	Diesel		697,911	442,007
	Coal		11,003	–
			5,914,402	3,134,827
22.	Trade debts			
	Trade debts	22.1	90,221,227	69,599,531
	Less: Provision for doubtful debts	22.2	234,063	222,741
			89,987,164	69,376,790

22.1 These are considered good except Rs 234 million (2016: Rs 223 million) which are considered doubtful. Trade debts include an overdue amount of Rs 76,896 million (2016: Rs 58,646 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 40.1(b).

		Note	2017	2016
			(Rupees in thousand)	
22.2	Provision for doubtful debts			
	Opening balance as at July 1		222,741	176,901
	Add: Provision for the year		12,044	45,840
			234,785	222,741
	Less: Trade debts written off against provision		722	–
	Closing balance as at June 30		234,063	222,741
23.	Loans, advances, deposits, prepayments and other receivables			
	Loans to employees - considered good		8,851	8,271
	Advances to suppliers - considered good	23.1	53,794	50,208
	Sales tax claims recoverable from Government	23.2	3,085,171	774,921
	Income tax - refundable		275,542	–
	Prepayments		5,376	27,661
	Claims recoverable from WAPDA as pass through items:			
	Workers' Welfare Fund		609,566	296,848
	Workers' Profit Participation Fund		–	684,164
		23.3	609,566	981,012
	Security deposits	23.4	7,041	6,171
	Refundable from Workers' Profit Participation Fund	23.5	–	836
	Advance for coal expansion project	23.6	–	111,967
	Insurance claim receivable - net of provision:			
	Insurance claim receivable		94,274	94,274
	Less: Provision for insurance claim receivable	23.7	(18,481)	(94,274)
			75,793	–
	Other receivables		35,926	22,453
			4,157,060	1,983,500

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23.1 Advances to suppliers include amounts due from WAPDA amounting to Rs 1 million (2016: Rs 21 million). These are in the normal course of business and are interest free.

23.2 Sales tax recoverable includes an amount of Rs 1,191 million against which Sales Tax Refund Payment Order (RPO) has been issued to KAPCO by FBR and filed sales tax refund of Rs 724 million which has been deferred by the Tax Department.

23.3 This represents amount provided for Workers' Welfare Fund pertaining to financial year ended June 30, 2016 and June 30, 2017, which will be paid to Taxation authorities and invoiced to WAPDA upon adjudication of case pending before Honorable Supreme Court of Pakistan regarding applicability of Workers' Welfare Fund being contested by another company. 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.

23.4 All the security deposits are non-interest bearing.

	2017	2016
	(Rupees in thousand)	
23.5 Workers' Profit Participation Fund		
Opening (refundable) / payable as at July 1	(836)	44,384
Add: Reversal / provision for the year	836	684,164
	–	728,548
Less: Payments made during the year	–	729,384
Closing payable / (refundable) as at June 30	–	(836)

23.6 The Company initiated coal expansion project during year ended June 30, 2014 under the initiatives of Punjab Power Development Board (PPDB). For this purpose, a special purpose vehicle was incorporated under the name of KAPCO Energy (Private) Limited (KEPL) on April 30, 2014. The share capital of KEPL was not subscribed uptil June 30, 2017. The ultimate outcome of the coal project is not certain as the Government of Pakistan (GoP) has changed its policy with respect to construction of new power projects on imported fuel, therefore, the development cost incurred on the coal expansion project has been charged off.

	Note	2017	2016
		(Rupees in thousand)	
23.7 Provision for insurance claim			
Opening balance as at July 1		94,274	–
Add: Provision for the year		–	94,274
		94,274	94,274
Less: Reversal of provision	23.7.1	(75,793)	–
Closing balance as at June 30		18,481	94,274

23.7.1 During the year, the Company reversed provision for insurance claim receivable pursuant to acceptance of insurance claim by the insurance company amounting Rs 76 million.

	Note	2017	2016
		(Rupees in thousand)	
24. Cash and bank balances			
At banks on:			
- Current accounts		223,219	219,340
- Savings accounts		406,206	378,100
	24.1	629,425	597,440
In hand		293	210
		629,718	597,650

24.1 Included in these are total restricted funds of Rs 47 million (2016: Rs 35 million) held by banks under lien as margin against letters of credit. The balances in savings accounts are placed under markup arrangements and bear markup ranging from 4.0 percent to 5.5 percent (2016: 4.5 percent to 6 percent) per annum.

24.2 Included in bank balance is an amount of Rs 0.006 million (2016: Nil) placed in Al Baraka Bank (Pakistan) Limited under an arrangement permissible under Shariah.

	Note	2017	2016
		(Rupees in thousand)	
25. Sales			
Energy purchase price		75,345,365	55,868,258
Sales tax		(11,321,795)	(9,340,707)
Net energy purchase price		64,023,570	46,527,551
Capacity purchase price		17,823,411	17,650,838
		81,846,981	64,178,389
26. Cost of sales			
Fuel cost		62,063,351	44,821,350
Salaries, wages and benefits	26.1	1,543,934	1,456,392
Plant maintenance	26.3	299,357	263,143
Gas turbines overhauls	26.3	902,393	666,627
Repair and renewals	26.3	452,043	1,356,313
Depreciation on property, plant and equipment	14.1	2,237,888	2,186,370
Amortization on intangible assets	15.1	4,689	4,857
Liquidated damages		2,608	–
Provision for store obsolescence	20.3	160,362	15,409
		67,666,625	50,770,461

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	2017	2016
	(Rupees in thousand)	
26.1 Salaries, wages and benefits		
Salaries, wages and benefits include following in respect of retirement benefits;		
Pension		
Current service cost	72,638	72,508
Net interest (income) / cost for the year	(10,442)	18,923
	62,196	91,431
Medical		
Current service cost	3,874	4,695
Net interest cost for the year	12,646	16,715
	16,520	21,410
Free electricity		
Current service cost	13,388	14,858
Net interest cost for the year	45,023	53,986
	58,411	68,844

In addition to above, salaries, wages and benefits also include Rs 40 million (2016: Rs 36 million) in respect of provident fund contribution by the Company.

	2017	2016
	(Rupees in thousand)	
26.2 Disclosures relating to provident fund		
Size of the fund	1,048,024	917,089
Cost of investments made	628,325	599,019
Percentage of investments made	59.95%	65.32%
Fair value of investments	796,368	687,951
Breakup of investments		
Government securities	359,826	372,438
Term finance certificates	40,073	40,905
Listed securities	396,469	274,608

	2017	2016
	% age of size of the fund	
Breakup of investments		
Government securities	34.33%	40.61%
Term finance certificates	3.82%	4.46%
Listed securities	37.83%	29.94%

The figures for 2017 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.

26.3 Cost of sales include Rs 875 million (2016: Rs 1,027 million) for stores and spares consumed.

	Note	2017	2016
		(Rupees in thousand)	
27. Administrative expenses			
Travelling		22,737	13,329
Motor vehicles running		43,174	37,322
Postage, telephone and telex		12,420	13,530
Legal and professional charges		45,232	35,788
Computer charges		27,160	19,269
Auditors' remuneration	27.1	4,889	4,617
Printing, stationery and periodicals		17,277	12,973
Repairs and maintenance infrastructure		78,130	50,576
Training expenses		10,046	18,497
Rent, rates and taxes		21,752	24,524
Depreciation on property, plant and equipment	14.1	42,184	36,250
Depreciation on assets subject to finance lease	16.1	16,495	27,370
Infrastructure cost		43,105	43,291
Education fee		29,637	30,024
Bad debts written off		763	6,414
Provision for loans and advances		–	94,274
Provision for doubtful debts	22.2	12,044	45,840
Other expenses		24,794	14,715
		451,839	528,603
27.1 Auditors' remuneration			
The charges for auditors' remuneration include the following in respect of auditors' services for:			
Statutory audit		2,849	2,590
Half yearly review		934	849
Workers' Profit Participation Fund audit, Employees Provident and Pension Fund audit, special reports and certificates		806	864
Out of pocket expenses		300	314
		4,889	4,617
28. Other operating expenses			
Write down of property, plant and equipment		–	25
Project development cost	23.6	221,708	–
		221,708	25

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		Note	2017	2016
			(Rupees in thousand)	
29.	Other income			
	Income from financial assets			
	Income on bank deposits	24.1	22,093	22,816
	Interest on loans to employees		2,860	2,856
	Interest on late payment - WAPDA		4,824,635	3,942,032
			4,849,588	3,967,704
	Income from non-financial assets			
	Profit on disposal of property, plant and equipment		3,896	1,561
	Colony electricity		6,318	5,309
	Provisions and unclaimed balances written back		75,793	19,039
	Scrap sales		35,445	11,103
	House rent recovery		10,694	10,681
	Others		9,504	25,316
			141,650	73,009
			4,991,238	4,040,713
30.	Finance cost			
	Interest and mark up including commitment charges on			
	- long term loan from WAPDA - unsecured		109,960	185,589
	- finances under markup arrangements - secured		2,854,340	2,569,185
	- credit supplies of raw material		1,423,797	419,719
	- liabilities against assets subject to finance lease		4,494	6,040
	Exchange loss		1,305	14,549
	Bank and other charges		31,046	41,651
			4,424,942	3,236,733
31.	Taxation			
	Current tax			
	- Current year		5,042,433	4,988,044
	- Prior year		(423)	225
			5,042,010	4,988,269
	Deferred tax		(415,954)	(376,040)
			4,626,056	4,612,229

	Note	2017 %age	2016 %age
31.1 Tax charge reconciliation			
Numerical reconciliation between the applicable tax rate and the average effective tax rate			
Applicable tax rate		31.00	32.00
Super tax	31.2	3.00	3.00
Effect of change in tax rate		0.28	0.13
Effect of tax credit		(1.41)	(1.51)
Permanent differences		0.03	–
Others		(0.03)	0.09
Average effective tax rate		32.87	33.71

31.2 It represents tax expense pertaining to super tax, which has been levied at the rate of 3% for the tax year 2017 on all the persons having taxable income of Rs 500 million or above through amendments introduced in the Income Tax Ordinance, 2001 vide Finance Act, 2017.

31.3 Section 5A of Income Tax Ordinance, 2001 imposed income tax at the rate of 7.5% on accounting profit before tax where the Company derives profit for a tax year but does not distribute at least forty percent of its after tax profits within six months of the end of the tax year through cash or bonus shares. The Company has distributed the requisite amount of dividend during the year and accordingly no provision has been recognized in these financial statements.

32. Remuneration of Directors, Chief Executive and Executives

32.1 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	
	2017	2016	2017	2016
	(Rupees in thousand)			
Managerial remuneration including bonus and other allowances	62,839	57,815	717,669	496,306
Contribution to provident & pension funds and other retirement benefit plans	4,183	3,898	58,060	68,542
Leave passage	3,300	3,000	24,400	20,009
	70,322	64,713	800,129	584,857
Number of persons	1	1	164	121

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

32.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 6 directors (2016: 6 directors) is Rs 6 million (2016: Rs 4 million).

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33. 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 32. Other significant transactions with related parties are as follows:

		2017	2016
Relationship with the Company	Nature of transaction	(Rupees in thousand)	
i. Associated undertakings	Sale of goods and electricity	81,846,981	64,178,389
	Interest expense	109,960	185,589
	Interest income on late payment	4,824,635	3,942,032
	Bad debts written off	763	6,414
	Provision for doubtful debts	12,044	45,840
	Dividend paid	3,643,200	3,623,072
	Purchase of services	1,000	1,402
ii. Post retirement benefit plans	Expense charged	177,255	218,073

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

34. Non-adjusting events after the balance sheet date

34.1 The Board of Directors of the Company have proposed a final dividend for the year ended June 30, 2017 of Rs 4.75 (2016: Rs 4.75) per share amounting to Rs 4,181 million (2016: Rs 4,181 million) at their meeting held on August 22, 2017 for approval of members at the Annual General Meeting to be held on October 19, 2017. These financial statements do not reflect this dividend payable.

34.2 Subsequent to the year end, the Company has submitted a bid to acquire 172,582,000 ordinary shares (constituting 14.91%) of Hub Power Company Limited ("HUBCO") which are being offered by Dawood Hercules Corporation Limited ("DHCL") and an additional 28,502,105 ordinary shares (constituting 2.46%) of HUBCO being offered by some other shareholders. The outcome of the bid is not presently known.

	2017	2016
	MWh	MWh
35. Capacity and production		
Annual dependable capacity [based on 8,760 hours (2016: 8,784 hours)]	11,756,064	11,788,128
Actual energy delivered	7,334,896	6,582,630

Capacity for the power plant taking into account all the planned scheduled outages is 10,631,395 MWh (2016: 10,583,936 MWh). Actual energy delivered by the plant is dependent on the load demanded by WAPDA and the plant availability.

36. Rates of exchange

Liabilities in foreign currencies as on June 30, 2017 have been translated into Rupees at USD 0.9528 (2016: USD 0.9551), EURO 0.8354 (2016: EURO 0.8598), GBP 0.7356 (2016: GBP 0.7123) and YEN 106.9862 (2016: YEN 98.1740) equal to Rs 100.

	Note	2017	2016
		(Rupees in thousand)	
37. Cash generated from operations			
Profit before tax		14,073,105	13,683,280
Adjustments for:			
- Depreciation on property, plant and equipment		2,280,072	2,222,620
- Amortization on intangible assets		4,689	4,857
- Depreciation on assets subject to finance lease		16,495	27,370
- Profit on disposal of property, plant and equipment		(3,896)	(1,561)
- Write down of property, plant and equipment		–	25
- Income on bank deposits		(22,093)	(22,816)
- Bad debts written off		763	6,414
- Provision for doubtful advances		–	94,274
- Provision for store obsolescence		160,362	15,409
- Provision for doubtful debts		12,044	45,840
- Staff retirement benefits accrued		137,127	181,685
- Provision for insurance claim written back		(75,793)	–
- Finance cost		4,424,942	3,236,733
Profit before working capital changes		21,007,817	19,494,130
Effect on cash flow due to working capital changes:			
- (Increase) / decrease in stores and spares		(63,909)	104,894
- (Increase) / decrease in stock-in-trade		(2,779,575)	404,196
- (Increase) / decrease in trade debts		(20,623,181)	1,640,049
- Increase in loans, advances, deposits, prepayments and other receivables		(1,822,225)	(162,664)
- Increase / (decrease) in trade and other payables		18,022,764	(11,883,236)
		(7,266,126)	(9,896,761)
		13,741,691	9,597,369
38. Cash and cash equivalents			
Cash and bank balances	24	629,718	597,650
Finances under mark up arrangements - secured	11	(46,133,174)	(41,346,145)
		(45,503,456)	(40,748,495)

39. Earnings per share

39.1 Basic earnings per share

		2017	2016
Profit for the year	Rupees in thousand	9,447,049	9,071,051
Weighted average number of ordinary shares	Numbers	880,253,228	880,253,228
Earnings per share	Rupees	10.73	10.31

39.2 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, 2017 and June 30, 2016 which would have any effect on the basic earnings per share.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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40. Financial risk management

40.1 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 is as follows:

	2017	2016
Trade and other payables - USD	(569,661)	(359,745)
Advances to suppliers - USD	–	–
Net exposure - USD	(569,661)	(359,745)
Trade and other payables - GBP	(5,920)	(55,500)
Advances to suppliers - GBP	–	–
Net exposure - GBP	(5,920)	(55,500)
Trade and other payables - Euro	(791,542)	(1,356,420)
Advances to suppliers - Euro	–	–
Net exposure - Euro	(791,542)	(1,356,420)
The following exchange rates were applied during the year:		
Rupees per USD		
Average rate	104.67	104.24
Reporting date rate	105.00	104.70
Rupees per GBP		
Average rate	132.34	153.99
Reporting date rate	136.68	140.39
Rupees per Euro		
Average rate	114.00	115.72
Reporting date rate	120.14	116.31

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 (2016: Rs 7 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 is:

	2017	2016
	(Rupees in thousand)	
Financial assets		
Fixed rate instruments		
Staff Loans	29,378	29,662
Floating rate instruments		
Bank balances - savings accounts	406,206	378,100
Financial liabilities		
Fixed rate instruments		
Long term loan - WAPDA	386,195	926,402
Floating rate instruments		
Liabilities against assets subject to finance lease	89,601	76,832
Finances under mark-up arrangements - secured	46,133,174	41,346,145
	46,222,775	41,422,977

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.

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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 56 million (2016: Rs 17 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 is as follows:

	2017	2016
	(Rupees in thousand)	
Long term loans and deposits	30,622	31,859
Trade debts	89,987,164	69,376,790
Loans, advances, deposits, prepayments and other receivables		
- Loans to employees - considered good	13,571	10,059
- Workers' Welfare Fund receivable from WAPDA	609,566	296,848
- Workers' Profit Participation Fund receivable from WAPDA	–	684,164
- Insurance claim receivable	75,793	–
- Security deposits	7,041	6,171
- Refundable from Workers' Profit Participation Fund	–	836
- Other receivables	6,922	3,467
Balances with banks	629,425	597,440
	91,360,104	71,007,634

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:

	2017	2016
	(Rupees in thousand)	
Not yet due	13,091,341	10,730,915
Due past 90 days	31,611,497	14,185,764
Due past 90 to 180 days	12,463,493	16,089,739
Due past 181 to 365 days	9,863,912	7,767,190
Due past 365 days	22,956,921	20,603,182
	89,987,164	69,376,790

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 Short term	Rating Long term	Rating Agency	2017 (Rupees in thousand)	2016 (Rupees in thousand)
National Bank of Pakistan	A-1+	AAA	JCR-VIS	149	962
Habib Bank Limited	A-1+	AAA	JCR-VIS	604,530	571,631
MCB Bank Limited	A1+	AAA	PACRA	24,623	24,625
Faysal Bank Limited	A-1+	AA	JCR-VIS	75	86
Standard Chartered Bank	A1+	AAA	PACRA	1	1
NIB Bank Limited	A1+	AA-	PACRA	9	8
Bank of Punjab	A1+	AA-	PACRA	26	98
Burj Bank Limited	A-2	BBB+	JCR-VIS	–	15
Deutsche Bank AG	A-2	BBB+	Standard & Poor's	–	13
AlBaraka Bank (Pakistan) Limited	A-1	A	PACRA	6	–
Citibank N.A.	A-1	A	Standard & Poor's	6	1
				629,425	597,440

Due to the Company's long standing business relationships with these counter parties 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, 2017, the Company had borrowing limits available from financial institutions at Rs 59,200 million (2016: Rs 56,400 million) and Rs 629 million (2016: Rs 597 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, 2017:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term loan - unsecured	386,195	386,195	–	–
Liabilities against assets subject to finance lease	89,601	25,440	64,161	–
Finances under mark-up arrangements - secured	46,133,174	46,133,174	–	–
Trade and other payables	34,140,289	34,140,289	–	–
	80,749,259	80,685,098	64,161	–

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The following are the contractual maturities of financial liabilities as at June 30, 2016:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term loan - unsecured	926,402	540,207	386,195	–
Liabilities against assets subject to finance lease	76,832	28,850	47,982	–
Finances under mark-up arrangements - secured	41,346,145	41,346,145	–	–
Trade and other payables	15,841,712	15,841,712	–	–
	58,191,091	57,756,914	434,177	–

40.2 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Specific valuation techniques used to value financial instruments include:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As of reporting date, there were no Level 1, 2 or 3 assets or liabilities during prior or current year.

	Loans and receivables	
	2017	2016
	(Rupees in thousand)	
40.3 Financial instruments by categories		
Financial assets as per balance sheet		
Long term loans and deposits	30,622	31,859
Trade debts	89,987,164	69,376,790
Loans, advances, deposits, prepayments and other receivables		
- Loans to employees - considered good	13,571	10,059
- Workers' Welfare Fund receivable from WAPDA	609,566	296,848
- Workers' Profit Participation Fund receivable from WAPDA	–	684,164
- Insurance claim receivable	75,793	–
- Security deposits	7,041	6,171
- Refundable from Workers' Profit Participation Fund	–	836
- Other receivables	6,922	3,467
Cash and bank balances	629,718	597,650
	91,360,397	71,007,844

	Financial liabilities at amortized cost	
	2017	2016
	(Rupees in thousand)	
Financial liabilities as per balance sheet		
Long term loan - unsecured	386,195	926,402
Liabilities against assets subject to finance lease	89,601	76,832
Finances under mark-up arrangements - secured	46,133,174	41,346,145
Trade and other payables	34,140,289	15,841,712
	80,749,259	58,191,091

40.4 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 ratios as at year ended June 30, 2017 and June 30, 2016 are as follows:

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		Note	2017	2016
			(Rupees in thousand)	
Debt		7	386,195	926,402
Total equity			32,503,209	30,955,088
Total capital			32,889,404	31,881,490
Gearing ratio	Percentage		1%	3%

41. Number of employees

Total number of employees at year end and average number of employees during the year are 618 (2016: 603) and 603 (2016: 603) respectively.

42. Corresponding figures

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

43. Date of authorisation for issue

These financial statements were authorised for issue on August 22, 2017 by the Board of Directors of the Company.

Aftab Mahmood Butt
Chief Executive

Anwar ul Haq
Director