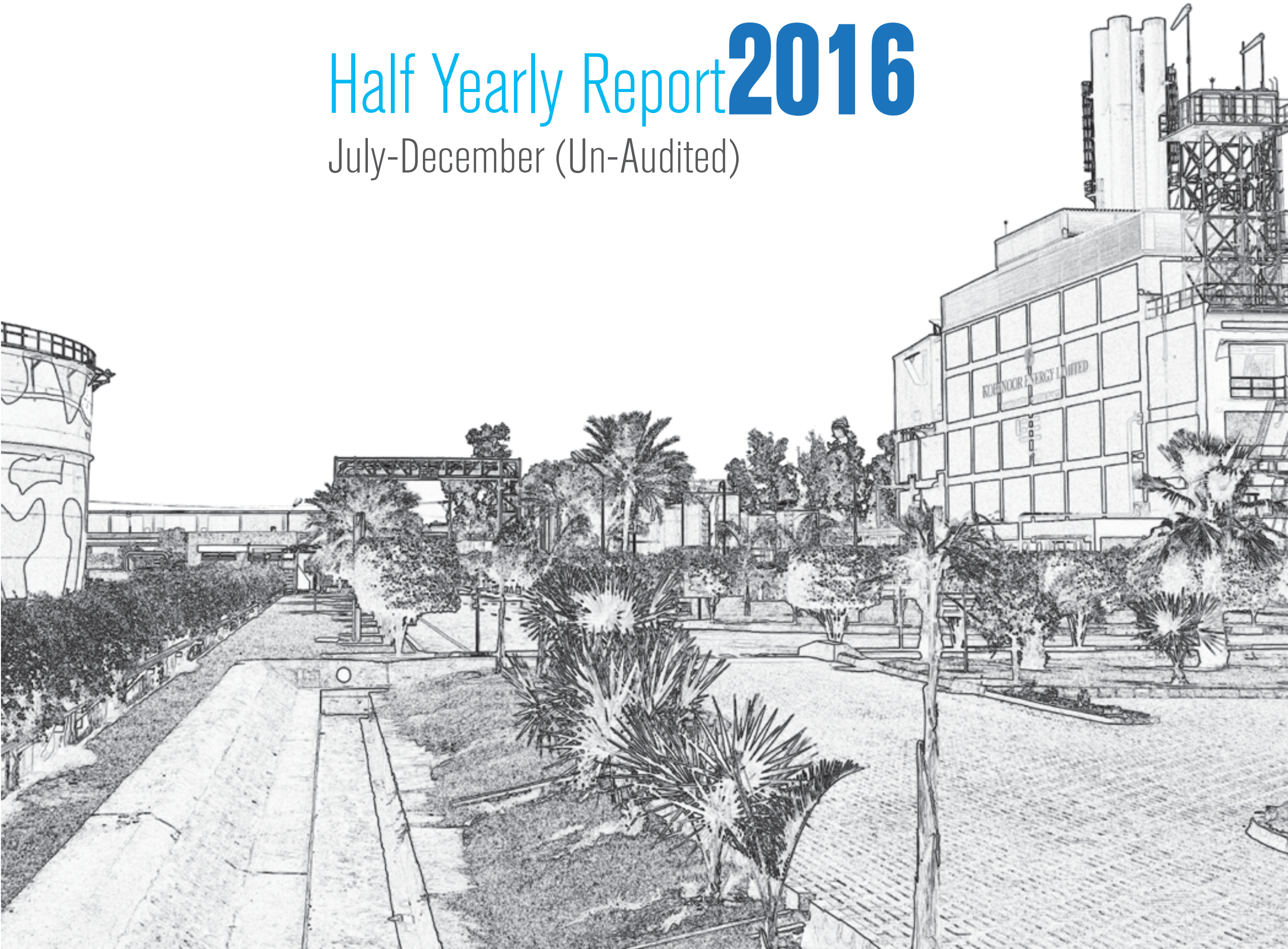
KOHINOOR
ENERGY LIMITED

# Half Yearly Report 2016

July-December (Un-Audited)

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# CORPORATE INFORMATION

## Board of Directors

Mr. M. Naseem Saigol
Chairman
Mr. S M Shakeel
Chief Executive Officer
Mr. Tatsuo Hisatomi
Mr. Shinichi Ushijima
Mr. Manabu Iida
Mr. Mikihiro Moriya
Independent
Mr. Muhammad Asad Khan
Nominee of Wartsila Finland Oy

## Company Secretary

Mr. Muhammad Asif

## Audit Committee

Mr. Mikihiro Moriya
Chairman
Mr. S M Shakeel
Mr. Shinichi Ushijima
Mr. Manabu Iida

## HR & Remuneration Committee

Mr. Mikihiro Moriya
Chairman
Mr. S M Shakeel
Mr. Tatsuo Hisatomi
Mr. Manabu Iida

## Management

Mr. S M Shakeel
Chief Executive Officer
Mr. Ghazanfar Ali Zaidi
General Manager Technical
Mr. Muhammad Ashraf
Chief Financial Officer

## Auditors

A. F. Ferguson & Co.
Chartered Accountants

## Bankers

Standard Chartered Bank (Pakistan) Limited
Bank Alfalah Limited
Askari Bank Limited
AL Baraka Bank (Pakistan) Limited
Meezan Bank Limited
Habib Bank Limited
NIB Bank Limited
United Bank Limited

## Registered Office

301, 3RD Floor, Green Trust Tower,
Blue Area Islamabad, Pakistan.
Tel : +92-51-2813021-2
Fax : +92-51-2813023

## Project/Head Office

Post Office Raja Jang, Near Tablighi Ijtima,
Raiwind Bypass, Lahore, Pakistan.
Tel : +92-42-35392317
Fax : +92-42-35393415-7

## Shares Registrar

M/S. Corplink (Pvt.) Ltd.
Wings Arcade, 1-K,Commercial, Model Town,
Lahore, Pakistan.
Tel : +92-42-35839182, 35887262, 35916719
Fax : +92-42-35869037

## Lahore Office

17-Aziz Avenue, Unit # 4, Canal Bank,
Gulberg V, Lahore, Pakistan.
Tel : +92-42-35717861-2
Fax : +92-42-35715090

## Website

www.kel.com.pk

# DIRECTORS' REPORT

The Board of Directors feels pleasure to present you the brief report together with the operational and financial results of the Company reviewed by the statutory auditors, for the 2nd quarter / half year ended December 31, 2016.

The Company is engaged in electricity generation from a furnace oil fired power plant having a net capacity of 124 MW. Water and Power Development Authority (WAPDA) is the exclusive purchaser of the electricity being generated at the plant. We report that during the half year under review, the plant operated at 69.81% capacity factor because of less demand from WAPDA and delivered 382,243 MWh of electricity, while during the corresponding half year the plant by operating at 79.14% capacity factor delivered 433,370 MWh of electricity.

During the half year under review, four engines have been overhauled under 8k major maintenance program while during the corresponding period last year there were also four engines overhauled on account of major maintenance. The maintenance work has been completed within the budgeted numbers. The overall condition and performance of the power plant is quite satisfactory.

During the half-year under review, the sales revenue of the Company stood at Rs. 3.692 billion as compared to Rs. 4.12 billion during the corresponding period last year; and the Company posted net profit of Rs. 333.6 million as compared to Rs. 350 million made during the corresponding period last year. Less demand of electricity from WAPDA attributes to decline in sales revenue that ultimately resulted in decrease in profits of the Company. It is pertinent to mention that because the Company didn't renew the major maintenance contract and the decision to carry out the maintenance through in-house team, resulted in bringing substantial saving in the fee for produced energy.

This is with respect to he disputes with WAPDA on 1) eligibility of indexation on non-escalable component of the capacity purchase price and 2) the imposition of liquidated damages as detailed in Notes 8.1.1 and 8.1.2 to the financial information, the status is same as reported to you earlier.

Further with respect to the matter related to sales tax demand by FBR as detailed in Note 8.1.3 to this condensed interim financial information, we write to inform you that the Honorable Lahore High Court vide its judgment dated Oct 31, 2016 has decided that case in favor of the Company. Subsequently FBR has filed an appeal with the Supreme Court of Pakistan. The management is of the view that there are meritorious grounds to defend the case, therefore no provision for the demand has been made in the books of accounts.

We feel pleasure to inform you that the Board in its meeting held on February 21, 2017 has declared an interim dividend of 17.50% (Rs. 1.75 per share) for the financial year 2016-17, for which the date of entitlement has been fixed as March 08, 2017.

The Board extends its appreciation to WPPO, financial institutions, Pakistan State Oil Company, Wartsila and suppliers as well as the valued shareholders of the Company for their consistent support that resulted in successful and smooth operations. The Board also appreciates the hard work and dedication of the management and employees of the Company which resulted in the safe, efficient and smooth operations of the power complex.

**For and on behalf of the Board**

**Lahore**
**February 21, 2017**

**S M Shakeel**
**Chief Executive Officer**

## Introduction

We have reviewed the accompanying condensed interim balance sheet of Kohinoor Energy Limited as at December 31, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with explanatory notes forming part thereof, for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2016 and 2015 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2016.

## Scope of review

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

## Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

## Emphasis of Matter

We draw attention to notes 8.1.1 and 8.1.2 of condensed interim financial information which describes the uncertainty regarding the outcome of certain claims by WAPDA which have been disputed by the Company. Our conclusion is not qualified in respect of these matters.

**A. F. Ferguson & Co.**
**Chartered Accountants**

**Hammad Ali Ahmad**
**Partner**

**Lahore**
**February 21, 2017**

# CONDENSED INTERIM BALANCE SHEET



| | Note | Un-audited December 31, 2016 | Audited June 30, 2016 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **EQUITY AND LIABILITIES** | | | |
| **CAPITAL AND RESERVES** | | | |
| Authorised share capital | | | |
| 170,000,000 (June 30, 2016: 170,000,000) ordinary shares of Rs 10 each | | 1,700,000 | 1,700,000 |
| Issued, subscribed and paid up capital | | | |
| 169,458,614 (June 30, 2016: 169,458,614) ordinary shares of Rs 10 each | | 1,694,586 | 1,694,586 |
| Unappropriated profit | | 4,434,241 | 4,397,095 |
| | | 6,128,827 | 6,091,681 |
| **CURRENT LIABILITIES** | | | |
| Employee benefits | | 3,839 | 28,603 |
| Short term finances - secured | 6 | 2,726,075 | 2,473,983 |
| Current portion of long term financing | 7 | – | 30,413 |
| Trade and other payables | | 161,763 | 149,664 |
| Accrued finance cost | | 21,162 | 14,828 |
| | | 2,912,839 | 2,697,491 |
| **CONTINGENCIES AND COMMITMENTS** | 8 | – | – |
| | | 9,041,666 | 8,789,172 |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Chief Executive

# AS AT DECEMBER 31, 2016 (Un-Audited)

KOHINOOR ENERGY LIMITED

## ASSETS

| | Note | Un-audited December 31, 2016 | Audited June 30, 2016 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 9 | 3,735,645 | 3,893,564 |
| Intangible assets | | 5,363 | 5,776 |
| Long term loans and deposits | | 9,769 | 9,608 |
| | | 3,750,777 | 3,908,948 |
| **CURRENT ASSETS** | | | |
| Stores, spares and loose tools | | 355,016 | 380,265 |
| Stock-in-trade | | 238,741 | 158,854 |
| Trade debts | | 4,121,050 | 3,607,405 |
| Loans, advances, deposits, prepayments and other receivables | | 492,895 | 685,350 |
| Cash and bank balances | 10 | 63,768 | 33,615 |
| Advance tax - net receviable | | 19,419 | 14,735 |
| | | 5,290,889 | 4,880,224 |
| | | 9,041,666 | 8,789,172 |

Director

# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016 (Un-Audited)



| | Note | Quarter ended | | Half year ended | |
|---|---|---|---|---|---|
| | | December 31, 2016 | December 31, 2015 | December 31, 2016 | December 31, 2015 |
| | | (Rupees in thousand) | | | |
| Sales | | 1,782,122 | 1,866,882 | 3,692,827 | 4,123,554 |
| Cost of sales | 11 | (1,540,257) | (1,580,964) | (3,165,500) | (3,560,492) |
| Gross profit | | 241,865 | 285,918 | 527,327 | 563,062 |
| Administration and general expenses | | (59,280) | (67,879) | (122,606) | (142,277) |
| Other operating income | | 1,184 | 159 | 2,099 | 184 |
| Profit from operations | | 183,769 | 218,198 | 406,820 | 420,969 |
| Finance costs | | (40,766) | (30,280) | (72,471) | (70,921) |
| Profit before tax | | 143,003 | 187,918 | 334,349 | 350,048 |
| Taxation | | (367) | (51) | (651) | (59) |
| Profit for the period | | 142,636 | 187,867 | 333,698 | 349,989 |
| Earnings per share | | 0.84 | 1.11 | 1.97 | 2.07 |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Chief Executive

Director

# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016 (Un-Audited)

KOHINOOR ENERGY LIMITED

| | Note | Quarter ended December 31, 2016 | Quarter ended December 31, 2015 | Half year ended December 31, 2016 | Half year ended December 31, 2015 |
|---|---|---|---|---|---|
| | | (Rupees in thousand) | | | |
| Profit for the period | | 142,636 | 187,867 | 333,698 | 349,989 |
| Other comprehensive income/(loss): | | – | – | – | – |
| Items that will not be ‘reclassified to profit or loss | | – | – | – | – |
| Items that may be subsequently reclassified to profit and loss | | – | – | – | – |
| Total comprehensive income for the period | | 142,636 | 187,867 | 333,698 | 349,989 |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Chief Executive

Director

# CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (Un-Audited)



| | Note | July 1 to December 31 2016 | 2015 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 12 | 229,081 | 853,431 |
| Staff retirement benefits paid | | (41,198) | (13,132) |
| Finance costs paid | | (66,137) | (66,741) |
| Taxes paid | | (5,335) | (1,391) |
| **Net cash generated from operations** | | 116,411 | 772,167 |
| **Cash flows from investing activities** | | | |
| Fixed capital expenditure | | (17,159) | (81,669) |
| Income on bank deposits received | | 63 | 184 |
| Net (increase)/decrease in long term loans, advances and deposits | | (161) | 1,842 |
| Proceeds from sale of property, plant and equipment | | 6,391 | 1,454 |
| **Net cash used in investing activities** | | (10,866) | (78,189) |
| **Cash flows from financing activities** | | | |
| Dividend paid | | (297,071) | (338,427) |
| Long term loan repaid during the period | | (30,413) | (65,284) |
| **Net cash used in financing activities** | | (327,484) | (403,711) |
| **Net increase in cash and cash equivalents** | | (221,939) | 290,267 |
| **Cash and cash equivalents at beginning of the period** | | (2,440,368) | (2,103,666) |
| **Cash and cash equivalents at the end of the period** | 13 | (2,662,307) | (1,813,399) |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

**Chief Executive** **Director**

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (Un-Audited)

KOHINOOR ENERGY LIMITED

| | Share capital | Un-appropriated profit | Total |
|---|---|---|---|
| | (Rupees in thousand) | | |
| **Balance as on July 1, 2015** | 1,694,586 | 4,641,886 | 6,336,472 |
| Final dividend for the year ended June 30, 2015 at the rate of Rs. 2.00 per share | – | (338,917) | (338,917) |
| Total comprehensive income for the period | – | 349,989 | 349,989 |
| **Balance as on December 31, 2015** | 1,694,586 | 4,652,958 | 6,347,544 |
| Interim dividend for the year ended June 30, 2016 at the rate of Rs. 2.00 per share | – | (338,917) | (338,917) |
| Interim dividend for the year ended June 30, 2016 at the rate of Rs. 1.50 per share | – | (254,188) | (254,188) |
| Total Comprehensive income for the period | – | 337,242 | 337,242 |
| **Balance as on June 30, 2016** | 1,694,586 | 4,397,095 | 6,091,681 |
| Final dividend for the year ended June 30, 2016 at the rate of Rs. 1.75 per share | – | (296,552) | (296,552) |
| Total comprehensive income for the period | – | 333,698 | 333,698 |
| **Balance as on December 31, 2016** | 1,694,586 | 4,434,241 | 6,128,827 |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

**Chief Executive** **Director**

## 1. Legal status and nature of business

Kohinoor Energy Limited (the company) was incorporated in Pakistan on April 26, 1994 as a public limited company under the Companies Ordinance, 1984. The company is listed on the Pakistan Stock Exchange. The principal activities of the company are to own, operate and maintain a power plant of 124 MW capacity in Lahore and to sell the electricity produced therefrom to a sole customer, the Pakistan Water and Power Development Authority (WAPDA) under a Power Purchase Agreement (PPA), for a term of 30 years which commenced from June 19, 1997. The registered office of the company is located in Islamabad.

## 2. Basis of preparation

This condensed interim financial information is unaudited and has been prepared in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard (IAS) 34 - 'Interim Financial Reporting'. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2016.

## 3. Significant accounting policies

**3.1** The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended June 30, 2016.

**3.2** Standards, amendments and interpretations to published approved accounting standards

**3.2.1** Standards, amendments and interpretations to existing standards effective in current period

Certain standards, amendments and interpretations to approved accounting standards are effective for the annual periods beginning on or after January 1, 2016 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information.

**3.2.2** Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

Certain standards, amendments to the approved accounting standards and interpretations are mandatory for the accounting periods beginning on or after January 1, 2016 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information.

## 4. The provision for taxation for the half year ended December 31, 2016 has been made on an estimated basis.

## 5. Accounting estimates

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements for the year ended June 30, 2016, except for estimation of provision for taxation as referred to in Note 4.

| | Note | Un-audited December 31, 2016 | Audited June 30, 2016 |
|---|---|---|---|
| | | (Rupees in thousand) | |

## 6. Short term financing - secured

| | Note | Un-audited December 31, 2016 | Audited June 30, 2016 |
|---|---|---|---|
| Under mark up arrangements | 6.1 | 1,031,269 | 1,690,585 |
| Under arrangemnets permissible under Shariah | 6.1 | 1,694,806 | 783,398 |
| | | 2,726,075 | 2,473,983 |

**6.1** Out of total available short term finances amounting to Rs. 5,610 million (June 30, 2016: Rs. 5,610 million) finances available from Islamic banks under Islamic arrangements amount to Rs. 3,000 million. The rates of mark up for finances under mark-up arrangement ranged from 6.23% to 7.30% per annum (June 30, 2016: 6.41% to 8.26% per annum) and for finances under arrangement permissible under Shariah ranged from 6.25% to 6.55% per annum (June 30, 2016: 6.46% to 8.22% per annum) on the balances outstanding. The security and other agreements, negotiable instruments and documents to be executed by the company in favor of the bank shall be in the form and substance satisfactory to the bank. The company shall execute or cause to be executed all such instruments, deeds or documents, which the bank may in its sole discretion require.

Out of the aggregate running finances availed by the company, Rs. 5,510 million are secured by joint pari passu charge on the current assets of the company.

Of the aggregate facility of Rs 405 million (June 30, 2016: Rs 405 million) for opening letters of credit and Rs 342 million (June 30, 2016: Rs 342 million) for guarantees, the amounts utilized as at December 31, 2016 were Rs 25 million (June 30, 2016: Rs 8.65 million) and Rs 184.15 million (June 30, 2016: Rs 184.15 million) respectively.

## 7. Long term financing - secured

| | Un-audited December 31, 2016 | Audited June 30, 2016 |
|---|---|---|
| | (Rupees in thousand) | |
| Opening balance | – | 30,413 |
| Less: Current portion shown under current liabilities | – | (30,413) |
| | – | – |

## 8. Contingencies and commitments

### 8.1 Contingencies

**8.1.1** During year ended June 30, 2010, WAPDA disputed the eligibility of indexation of non-escalable component (NEC) of the capacity purchase price relating to the period subsequent to the repayment of foreign currency loan taking the stance that under the Power Purchase Agreement (PPA) indexation is allowed until the repayment of foreign currency loan, and since the loan was fully repaid in September, 2008, therefore no indexation was to be allowed from September, 2008 onwards (Dispute 1). WAPDA had earlier paid Rs. 430.517 million relating to the period from September, 2008 to September, 2009 but subsequently withheld this amount in June, 2010 against the invoices of April, 2010 (Dispute 2).

The management of the company is of the view that under the terms of the PPA (i) the company is entitled to the continued indexation of the NEC after repayment of foreign currency loans; and (ii) the invoice receiving party may serve a dispute notice to the other party at any time prior to 180 days of receipt of such invoice. Since the invoices for the period from September 2008 to September 2009 were not disputed within the prescribed period of 180 days therefore WAPDA has waived its right to seek revision of such invoices in terms section of 9.7 (d) of the PPA.

Article XV of PPA requires that if a dispute arises the matter shall be decided by (i) mutual discussions failing which (ii) through mediation by an expert and as a last resort through (iii) arbitration. The company's initial views were to refer the disputed matter to arbitration under the Rules of Arbitration of the International Chamber of Commerce to expedite the resolution of the dispute. However, during the year ended 30 June 2011, the Management of the company referred the matter to the expert. Consequently an expert was engaged with the consent of both the parties. The expert had given his decision / recommendation on December 30, 2011 which states that the adjustment of Rs. 430.517 million is unlawful, therefore, WAPDA is required to pay this amount to the company.

WAPDA had not accepted the decision / recommendation of the Expert (on Dispute 2) .The Management of the company and legal advisor is of the opinion that the matter will be settled in company's favour and consequently the company has not provided for Rs. 430.517 million in this condensed interim financial information.

**8.1.2** WAPDA has imposed Liquidated Damages (LDs) on the company amounting to Rs. 420.45 million (June 2016: Rs. 415.44 million) during the period from 2011 to 2016. The reasons of LDs are as follows:

**i.** Rs. 353.85 million is because of the failure to dispatch electricity due to WAPDA's non-payment of dues on timely basis and consequential inability of the company to make advance payments to its fuel supplier - Pakistan State Oil (PSO), that resulted in inadequate level of electricity production owing to shortage of fuel, and ;

**ii.** Rs. 66.60 million is due to incorrect calculations of LDs by WAPDA as while calculating the LDs, certain factors were ignored that were to be considered under the terms of Power Purchase Agreement (PPA). The Company disputes and rejects the claim on account of LDs because under the terms of the PPA, no LDs can be charged to the Company due to the reasons caused solely by the Power Purchaser i.e. WAPDA.

According to legal advisors of the company, there are adequate grounds to defend the claim for such LDs, therefore no provision has been made in these financial statements. It is also pertinent to mention here that in a similar case pertaining to 'capacity payments' of other Independent Power Producers (falling under the 1994 and 2002 power policy), the experts gave the decision in favour of Independent Power Producers.

**8.1.3** A sales tax demand of Rs 505.41 million was raised against the company through order dated August 29, 2014 by the Assistant Commissioner Inland Revenue ('ACIR') by disallowing input sales tax for the tax periods from August 2009 to June 2013. Such amount was disallowed on the grounds that the revenue derived by the company on account of 'capacity purchase price' was against a non-taxable supply and thus, the entire amount of input sales tax claimed by the company was required to be apportioned with only the input sales tax attributable to other revenue stream i.e. 'energy purchase price' admissible to the company. Against the aforesaid order, the company preferred an appeal before the Commissioner Inland Revenue (Appeals) ('CIR(A)') who vide its order dated November 6, 2014, upheld the ACIR's order on the issue regarding apportionment of input sales tax with the caveat that tax demand pertaining to period of show cause notice beyond the limitation of five years cannot be sustained and reduced from the tax demand. Subsequently, the company preferred an appeal before the Appellate Tribunal Inland Revenue ('ATIR'). Additionally, the company had filed an application with the Lahore High Court seeking a stay in recovery of tax arrears, default surcharge and penalty. The Lahore High Court, in its order dated December 31, 2014, stayed the recovery of the tax demand along with default surcharge and penalty till adjudication by the ATIR, subject to deposit of Rs. 10 million with the Tax Department which the company duly submitted on January 7, 2015. The ATIR vide its order dated May 4, 2015, upheld the CIR(A)'s order on the issue regarding apportionment of input sales tax. Thereafter, the company has filed an appeal against the decision of ATIR in the Lahore High Court.

The Lahore High Court vide its judgement dated October 31, 2016 has decided the case in favor of KEL. Subsequent to half year ended December 31, 2016, the tax department being aggrieved, filed an appeal in Honorable Supreme Court of Pakistan. The management is of the view that there are meritorious grounds available to defend the foregoing demands in the Honorable Supreme Court. Consequently no provision for such demands has been made in this condensed interim financial information.

**8.1.4** The company has issued the following guarantees in favour of:

**(i)** Water and Power Development Authority (WAPDA) on account of liquidated damages, in case the Company fails to make available electricity to WAPDA on its request, amounting to Rs. 182 million (June 30, 2016: Rs. 182 million).

**(ii)** Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs 2.15 million (June 30, 2016: Rs 2.15 million).

### 8.2 Commitments

**(i)** Letters of credit/ Bank contracts other than capital expenditure are Rs. 25 million (June 30, 2016: Rs. 8.65 million).

**(ii)** Letters of credit for capital expenditure are Nil (June 30, 2016: Nill million).

| | Note | Un-audited December 31, 2016 | Audited June 30, 2016 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **9. Property, plant and equipment** | | | |
| Operating fixed assets | 9.1 | 3,716,851 | 3,852,559 |
| Capital work-in-progress | | 18,794 | 41,005 |
| | | 3,735,645 | 3,893,564 |

| | Note | Un-audited December 31, 2016 | Audited June 30, 2016 |
|---|---|---|---|
| | | (Rupees in thousand) | |

### 9.1 Operating fixed assets

| | Note | Un-audited December 31, 2016 | Audited June 30, 2016 |
|---|---|---|---|
| Opening net book value | | 3,852,559 | 4,079,514 |
| Add: Additions during the period | 9.1.1 | 46,717 | 22,261 |
| Transfer from capital work-in-progress | 9.1.2 | – | 116,029 |
| | | 3,899,276 | 4,217,804 |
| Less: Disposals during the period (at book value) | 9.1.3 | 11,701 | 10,841 |
| Assets written off | | – | 6,450 |
| Depreciation charged during the period | | 170,724 | 347,954 |
| | | 182,425 | 365,245 |
| | | 3,716,851 | 3,852,559 |

### 9.1.1 Additions during the period

| | Un-audited December 31, 2016 | Audited June 30, 2016 |
|---|---|---|
| Buildings | – | 2,300 |
| Plant and machinery | 32,550 | – |
| Office appliances and equipment | 179 | 425 |
| Electric appliances and equipment | 968 | 2,774 |
| Computers | 348 | 562 |
| Vehicles | 12,672 | 16,200 |
| | 46,717 | 22,261 |

### 9.1.2 Transfer from capital work-in-progress

| | Un-audited December 31, 2016 | Audited June 30, 2016 |
|---|---|---|
| Plant and machinery | – | 116,029 |

### 9.1.3 Disposals during the period

| | Un-audited December 31, 2016 | Audited June 30, 2016 |
|---|---|---|
| Computers | 72 | – |
| Vehicles | 11,629 | 10,841 |
| | 11,701 | 10,841 |

## 10. Cash and bank balances

| | Note | Un-audited December 31, 2016 | Audited June 30, 2016 |
|---|---|---|---|
| Balance at banks on: | | | |
| Current accounts | | 4,947 | 265 |
| Saving accounts | | | |
| - Under interest / mark up arrangements | 10.1 | 26,962 | 11,336 |
| - Under arrangements permissible under Shariah | 10.1 | 30,004 | 20,028 |
| | | 56,966 | 31,364 |
| | | 61,913 | 31,629 |
| Cash in hand | | 1,855 | 1,986 |
| | | 63,768 | 33,615 |

**10.1** The balance in savings bank accounts including those under arrangement permissible under Shariah bear mark-up at rates ranging from 3.75 % to 4.50 % per annum (June 30, 2016: 3.75 % to 4.50 % per annum).

## 11. Cost of sales

| | Un-audited Quarter ended December 31, 2016 | Un-audited Quarter ended December 31, 2015 | Un-audited Half year ended December 31, 2016 | Un-audited Half year ended December 31, 2015 |
|---|---|---|---|---|
| | (Rupees in thousand) | | | |
| Raw material consumed | 1,296,220 | 1,373,723 | 2,702,886 | 3,114,196 |
| Salaries, wages and benefits | 46,743 | 41,565 | 100,687 | 99,031 |
| Fee for Produce of Energy (FPE) | – | 14,495 | 1,926 | 31,952 |
| Stores and spares consumed | 84,273 | 46,663 | 140,125 | 103,398 |
| Depreciation/amortization | 87,506 | 84,177 | 174,524 | 169,344 |
| Insurance | 7,485 | 9,735 | 14,997 | 19,381 |
| Travelling, conveyance and entertainment | 3,508 | 2,759 | 7,153 | 5,703 |
| Repairs and maintenance | 8,799 | 3,780 | 12,324 | 7,521 |
| Communication charges | 289 | 166 | 774 | 721 |
| Electricity consumed in-house | 1,246 | 514 | 1,337 | 762 |
| Miscellaneous | 4,188 | 3,387 | 8,767 | 8,483 |
| | 1,540,257 | 1,580,964 | 3,165,500 | 3,560,492 |

## 12. Cash generated from operations

| | Un-audited July 1 to December 31 2016 | Un-audited July 1 to December 31 2015 |
|---|---|---|
| | (Rupees in thousand) | |
| Profit before tax | 334,349 | 350,048 |
| Adjustments for: | | |
| Depreciation/amortization | 171,137 | 173,486 |
| Gain on disposal of property, plant and equipment | (2,037) | – |
| Income on bank deposits | (63) | (184) |
| Employee benefits accrued | 16,434 | 14,075 |
| Finance costs | 72,471 | 70,921 |
| **Profit before working capital changes** | 592,291 | 608,346 |
| Effect on cash flow due to working capital changes: | | |
| Decrease/(increase) in stores, spares and loose tools | 25,249 | (16,140) |
| (Increase)/decrease in stock-in-trade | (79,887) | 113,070 |
| (Increase)/decrease in trade debts | (513,645) | 68,231 |
| Decrease in loans, advances, deposits, prepayments and other receivables | 192,455 | 92,277 |
| Increase/(decrease) in trade and other payables | 12,618 | (12,353) |
| | (363,210) | 245,085 |
| | 229,081 | 853,431 |

| | Note | Un-audited December 31, 2016 | Un-audited December 31, 2015 |
|---|---|---|---|
| | | (Rupees in thousand) | |

## 13. Cash and cash equivalents

| | Note | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| Cash and bank balances | 10 | 63,768 | 163,089 |
| Finances under mark-up arrangements - secured | 6 | (2,726,075) | (1,976,488) |
| | | (2,662,307) | (1,813,399) |

## 14. Transactions with related parties

| Relationship with the company | Nature of transactions | Un-audited July 1 to December 31 2016 | 2015 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| i. Associated undertakings and other related parties | Purchase of services | 247 | 257 |
| | Sharing of expenditure | 114 | 41 |
| | Dividend paid | 107,439 | 122,787 |
| ii. Key management personnel | Salaries and other employee benefits | 41,790 | 49,107 |
| | Dividend paid | 77,173 | 88,198 |
| iii. Post employment benefit plan | Expense charged | 9,654 | 6,769 |

All transactions with related parties are carried out at mutually agreed terms and conditions.

| | Un-audited December 31, 2016 | Audited June 30, 2016 |
|---|---|---|
| | (Rupees in thousand) | |
| **Period end balances :** | | |
| Payable to related parties | 23 | – |

## 15. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at June 30, 2016.

There have been no changes in the risk management policies since the year end.

## 16. Date of authorization for issue

This condensed interim financial information was authorized for issue on February 21, 2017 by the Board of Directors of the Company.

## 17. Events after the balance sheet date

The Board of Directors have declared an interim dividend of Rs 1.75 per share per share (June 30, 2016: Rs 1.75 per share), amounting to Rs. 296.552 million (June 30, 2016: Rs. 296.552 million) at their meeting held on February 21, 2017. This condensed interim financial information does not include the effect of the above interim dividend which will be accounted for in the period in which it is declared.

## 18. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison. However no significant re-arrangements were made during the period.

**Chief Executive** **Director**

**"SAY NO TO CORRUPTION"**

## Contribution to Social Welfare