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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. Hirotoshi Ugajin
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. Tatsuo Hisatomi
Mr. Hirotoshi Ugajin

HR & Remuneration Committee

Mr. Mikihiro Moriya
Chairman
Mr. S M Shakeel
Mr. Tatsuo Hisatomi
Mr. Hirotoshi Ugajin

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
MCB Bank Limited
United Bank Limited
AL Baraka Bank (Pakistan) Limited - (Islamic)
Meezan Bank Limited - (Islamic)
Habib Bank Limited - (Islamic)
National Bank of Pakistan - (Islamic)

Registered Office

301, 3RD Floor, Green Trust Tower,
Blue Area Islamabad, Pakistan.
Tel : +92-51-2813021-2
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Raiwind Bypass, Lahore, Pakistan.
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Shares Registrar

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Wings Arcade, 1-K,Commercial, Model Town,
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Fax : +92-42-35869037

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Gulberg V, Lahore, Pakistan.
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Fax : +92-42-35715090

Website

www.kel.com.pk

DIRECTORS' REVIEW

The Board of Directors 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, 2017.

The Company is engaged in electricity generation from a furnace oil fired power plant having 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 60.64% capacity factor because of less demand from WAPDA and delivered 332,042 MWh of electricity, while during the corresponding half year the plant by operating at 69.81% capacity factor delivered 382,243 MWh of electricity.

We report that during the half-year under review, the sales revenue of the Company remained at Rs. 3.890 billion as compared to Rs. 3.692 billion during the corresponding period last year and the Company posted net profit after tax Rs. 309.840 million as compared to Rs. 333.698 million made during the corresponding period last year. Increase in fuel oil prices attributed to the increase in sales revenue, however lesser demand of electricity from WAPDA resulted in lesser profits of the Company.

During the half year under review, four engines have been overhauled under 8k major maintenance program; the same number of engines were overhauled on account of major maintenance during the corresponding period last year. The maintenance work has been completed by our own in-house technical team and done within the budgeted numbers.

We write to inform you that during the last quarter one of the engines of the power plant had to be shut down due to an electrical malfunction of the generator. An insurance claim has been filed with the insurers and a planned course of action has been agreed with them which includes procurement of a new generator and repair of the existing generator. The Company has issued a purchase order and entered into letter of credit arrangements with its bankers for the procurement of a new generator. After the repair works, the existing generator shall be installed till the time the new generator arrives at the plant. The management is confident that the insurance claim shall be settled in full including recovery of the loss the Company has to bear because of shut down of one of its generators.

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 7.1.1 and 7.1.2 to the financial information, the status is same as reported to you earlier.

Moreover regarding the matter related to sales tax demand raised by the Federal Board of Revenue (the FBR) has been detailed in Note 7.1.3 to the financial information, we write to refresh 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 this financial information.

Further we would like to report that the overdue amount payable by the power purchaser (WAPDA) has been mounting. The management is pursuing the power purchaser, PPIB and the Ministry of Water & Power for an early recovery of over dues. It is pertinent to mention that despite of mounting overdue amount the Company is complying with all the dispatch instructions of the power purchaser solely in the best interest of the country.

We feel pleasure to inform you that the Board in its meeting held on February 20, 2018 has declared an interim dividend of 15% (Rs. 1.50 per share) for the financial year 2017-18, for which the date of entitlement has been fixed as March 06, 2018.

The Board extends its appreciation to WAPDA, financial institutions, Pakistan State Oil Company, Wartsila and other 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 20, 2018

S M Shakeel
Chief Executive Officer

Tatsuo Hisatomi
Director

AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF
CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Kohinoor Energy Limited as at December 31, 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flows 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 fair presentation of this condensed interim financial information in accordance with the 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, 2017 and 2016 have not been reviewed as we were required to review only the cumulative figures for the half year ended December 31, 2017.

Scope of Review

We conducted our review in accordance with the 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, 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for the interim financial reporting.

Emphasis of Matter

We draw attention to notes 7.1.1 and 7.1.2 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 20, 2018

CONDENSED INTERIM BALANCE SHEET

	Note	Un-audited December 31, 2017	Audited June 30, 2017
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
170,000,000 (June 30, 2017: 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, 2017: 169,458,614) ordinary shares of Rs 10 each		1,694,586	1,694,586
Unappropriated profit		4,333,246	4,362,323
		6,027,832	6,056,909
CURRENT LIABILITIES			
Employee benefits		10,365	9,611
Short term finances - secured	6	4,104,365	3,578,671
Trade and other payables		173,949	196,859
Accrued finance cost		29,395	33,361
		4,318,074	3,818,502
CONTINGENCIES AND COMMITMENTS	7	–	–
		10,345,906	9,875,411

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

Chief Executive Officer **Director**

AS AT DECEMBER 31, 2017 (Un-Audited)

	Note	Un-audited December 31, 2017	Audited June 30, 2017
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	3,618,375	3,664,894
Intangible assets		4,857	5,111
Long term loans and deposits		13,109	10,935
		3,636,341	3,680,940
CURRENT ASSETS			
Stores, spares and loose tools		323,996	344,483
Stock in trade		194,469	234,340
Trade debts		5,470,258	4,910,059
Loans, advances, deposits, prepayments and other receivables		614,519	531,629
Provision for taxation		32,195	29,041
Cash and bank balances	9	74,128	144,919
		6,709,565	6,194,471
		10,345,906	9,875,411

Chief Financial Officer

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017 (Un-Audited)

	Note	Quarter ended		Half year ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		(Rupees in thousand)			
Sales		1,613,836	1,782,122	3,890,299	3,692,827
Cost of sales	10	(1,347,472)	(1,540,257)	(3,325,852)	(3,165,500)
Gross profit		266,364	241,865	564,447	527,327
Administrative expenses		(68,185)	(59,280)	(137,919)	(122,606)
Other income	11	1,389	1,184	1,531	2,099
Profit from operations		199,568	183,769	428,059	406,820
Finance costs		(60,162)	(40,766)	(118,081)	(72,471)
Profit before taxation		139,406	143,003	309,978	334,349
Taxation		(95)	(367)	(138)	(651)
Profit for the period		139,311	142,636	309,840	333,698
Earnings per share - Basic and diluted - Rupees		0.82	0.84	1.83	1.97

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

Chief Executive Officer **Director** **Chief Financial Officer**

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017 (Un-Audited)

	Note	Quarter ended		Half year ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		(Rupees in thousand)			
Profit for the period		139,311	142,636	309,840	333,698
Items that will not be reclassified subsequently to profit or loss:					
Re-measurement of staff gratuity fund		–	–	–	–
Items that may be reclassified subsequently to profit or loss		–	–	–	–
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		139,311	142,636	309,840	333,698

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

Chief Executive Officer

Director

Chief Financial Officer

CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (Un-Audited)

	Note	Half year ended December 31, 2017	Half year ended December 31, 2016
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	12	31,445	229,081
Employee benefits paid		(15,766)	(41,198)
Mark up on borrowings paid		(122,047)	(66,137)
Taxes paid		(3,292)	(5,335)
Net cash (used in) / generated from operating activities		(109,660)	116,411
Cash flows from investing activities			
Purchase of property, plant and equipment		(151,432)	(17,159)
Interest / mark up income received		462	63
Net decrease / (increase) in long term loans and deposits		(2,174)	(161)
Proceeds from sale of property, plant and equipment		5,236	6,391
Net cash used in investing activities		(147,908)	(10,866)
Cash flows from financing activities			
Dividend paid		(338,917)	(297,071)
Long term loan repaid during the period		–	(30,413)
Net cash used in financing activities		(338,917)	(327,484)
Net decrease in cash and cash equivalents		(596,485)	(221,939)
Cash and cash equivalents at the beginning of the period		(3,433,752)	(2,440,368)
Cash and cash equivalents at the end of the period	13	(4,030,237)	(2,662,307)

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

Chief Executive Officer **Director** **Chief Financial Officer**

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (Un-Audited)

	Share capital	Un-appropriated profit	Total
		(Rupees in thousand)	
Balance as on July 1, 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	–	(296,553)	(296,553)
Total comprehensive income for the period	–	333,698	333,698
Balance as on December 31, 2016	1,694,586	4,434,240	6,128,826
Interim dividend for the year ended June 30, 2017 at the rate of Rs. 1.75 per share	–	(296,553)	(296,553)
Interim dividend for the year ended June 30, 2017 at the rate of Rs. 1.50 per share	–	(254,187)	(254,187)
Total comprehensive income for the period	–	478,823	478,823
Balance as on June 30, 2017	1,694,586	4,362,323	6,056,909
Final dividend for the year ended June 30, 2017 at the rate of Rs. 2.00 per share	–	(338,917)	(338,917)
Total comprehensive income for the period	–	309,840	309,840
Balance as on December 31, 2017	1,694,586	4,333,246	6,027,832

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

Chief Executive Officer **Director** **Chief Financial Officer**

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017 (Un-Audited)

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 Ordinance). 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 has been prepared in accordance with the approved accounting standards as applicable in Pakistan. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. CLD/CCD/PR(11)/2017 dated October 4, 2017 (Circular No. 23 / 2017), companies whose financial year, including quarterly and other interim period, closes on or before December 31, 2017, shall prepare financial statements in accordance with the provisions of Companies Ordinance, 1984. Accordingly this condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 and is being submitted to the shareholders in accordance with Section 245 of Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued by Companies Ordinance, 1984 have been followed. The figures for the half year ended December 31, 2017 have been subjected to limited scope review as required by above-mentioned section of the Companies Ordinance, 1984. This condensed interim financial information does not include all information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2017.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the audited financial statements of the Company for the year ended June 30 2017, whereas comparative 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 have been extracted from the un-audited condensed interim financial information for the six months period ended December 31, 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, 2017.

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 July 1, 2017 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 July 1, 2018 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information.

4. The provision for taxation for the half year ended December 31, 2017 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, 2017, except for estimation of provision for taxation as referred to in Note 4.

	Note	Un-audited December 31, 2017	Audited June 30, 2017
		(Rupees in thousand)	
6. Short term financing - secured			
Under mark up arrangements	6.1	2,711,479	1,797,349
Under arrangemnets permissible under Shariah	6.1	1,392,886	1,781,322
		4,104,365	3,578,671

6.1 Short term finances available from commercial banks under mark up arrangements amount to Rs. 6,260 million (June 30, 2017: Rs. 6,260 million), out of which finances available from Islamic banks under Islamic arrangements amount to Rs. 2,780 million (June 30, 2017: Rs. 2,780 million). The rates of mark up for finances under mark up arrangement ranged from 6.25 % to 7.26 % per annum (June 30, 2017: 6.14% to 6.92 % per annum) and for finances under arrangement permissible under Shariah ranged from 6.22 % to 6.36 % per annum (June 30, 2017: 6.12 % to 6.66% 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.

6.2 Out of the aggregate running finances availed by the Company, Rs. 5,510 million (June 30, 2017: Rs. 5,510 million) are secured by joint pari passu charge and Rs. 750 million (June 30, 2017: Rs. 750 million) are secured by ranking charge on the current assets of the Company.

6.3 Of the aggregate facility of Rs. 476.85 million (June 30, 2017: Rs. 373 million) for opening letters of credit and Rs. 187.15 million (June 30, 2017: Rs. 345 million) for guarantees, the amount utilized as at December 31, 2017 were Rs. 135.95 million (June 30, 2017: Rs. 11 million) and Rs. 187.15 million (June 30, 2017: Rs. 187.15 million) respectively.

7. Contingencies and commitments

7.1 Contingencies

7.1.1 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. 430.51 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 of section 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. 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. 430.51 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 favor and consequently the Company has not provided for Rs. 430.51 million in these financial statements.

7.1.2 WAPDA has imposed Liquidated Damages (LD) on the Company amounting to Rs. 481.32 million (June 30, 2017: Rs. 478.31 million) during the period from 2011 to 2017. The reasons of LDs are as follows:

i) Rs 353.85 million is because of 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 Company Limited (PSO), that resulted in inadequate level of electricity production owing to shortage of fuel, and;

ii) Rs 127.47 million is due to incorrect calculation of LDs by WAPDA as while calculating the LDs, certain factors were ignored by WAPDA 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 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 recently 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 favor of the Independent Power Producers.

7.1.3 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 filed an appeal against the decision of ATIR in the Lahore High Court.

The Lahore High Court vide its judgment dated October 31, 2016 has decided the case in favor of the Company. Subsequently, the tax department being aggrieved, filed a leave for appeal before the Supreme Court of Pakistan. The management is of the view that there are meritorious grounds available to defend the foregoing demands in the Supreme Court of Pakistan. Consequently, no provision for such demand has been made in these financial statements.

7.1.4 The Company has issued the following guarantees in favor 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. 185 million (June 30, 2017: Rs. 185 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, 2017: Rs 2.15 million).

7.2 Commitments

(i) Letters of credit / Bank contracts other than capital expenditure are Rs. 25.70 million (June 30, 2017: Rs. 18.10 million).

(ii) Letters of credit / Bank contracts for capital expenditure Rs. 110.24 million (June 30, 2017: Rs. 49.62 million).

During the period, one of the engines of the power plant had to be shut down due to an electrical malfunction of the generator. An insurance claim has been filed with the insurers and a planned course of action has been agreed with them. the Company has issued a purchase order and entered into letter of credit arrangements with its bankers for the procurement of the new generator. Management is confident that the claim shall be settled in full.

	Note	Un-audited December 31, 2017	Audited June 30, 2017
		(Rupees in thousand)	
8. Property, plant and equipment			
Operating fixed assets	- note 8.1	3,526,114	3,600,913
Stores held for capitalization		91,628	63,981
Capital work in progress		633	–
		3,618,375	3,664,894
8.1 Operating Fixed Assets			
Opening net book value		3,600,913	3,852,559
Add: Additions during the period	- note 8.1.1	41,502	105,414
Transfer from capital work-in-progress	- note 8.1.2	81,650	13,052
		3,724,065	3,971,025
Less: Disposals during the period (at book value)	- note 8.1.3	4,167	4,994
Assets written off		10,891	5,071
Depreciation charged during the period		182,893	360,047
		197,951	370,112
		3,526,114	3,600,913
8.1.1 Additions during the period			
Plant and machinery		29,494	87,844
Office appliances and equipment		–	180
Electric appliances and equipment		130	1,270
Computers		624	1,362
Vehicles		11,254	14,758
		41,502	105,414
8.1.2 Transfer from capital work-in-progress			
Plant and machinery		81,650	13,052
8.1.3 Disposals during the period			
Vehicles		4,167	4,994
		4,167	4,994
9. Cash and bank balances			
Balance at banks on:			
Current accounts		390	2
Saving accounts			
-Under interest / mark up arrangements	- note 9.1	22,056	113,611
-Under arrangements permissible under Shariah	- note 9.1	50,629	30,069
		72,685	143,680
		73,075	143,682
Cash in hand		1,053	1,237
		74,128	144,919

9.1 The balance in savings bank accounts bear mark up at rates ranging from 3.75 % to 3.80 % per annum (June 30, 2017: 3.75% to 4.50% per annum) and balance in accounts under arrangements permissible under Shariah bear profit at the rates ranging from 2.50 % to 4.87 % per annum (June 30, 2017: 2.39% to 5.01%).

10. Cost of sales

	Un-audited Quarter ended		Un-audited Half year ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Rupees in thousand)			
Raw material consumed	1,120,263	1,296,220	2,837,368	2,702,886
Salaries, wages and benefits	52,325	46,743	121,329	100,687
Fee for Produce of Energy (FPE)	–	–	–	1,926
Stores and spares consumed	59,358	84,273	133,180	140,125
Depreciation on operating fixed assets	88,970	87,506	179,181	174,524
Insurance	6,716	7,485	13,518	14,997
Travelling, conveyance and entertainment	3,444	3,508	6,433	7,153
Repairs and maintenance	3,788	8,799	7,575	12,324
Communication charges	433	289	1,369	774
Electricity consumed in-house	3,094	1,246	3,881	1,337
Assets written-off	3,551	–	10,891	–
Miscellaneous	5,530	4,188	11,127	8,767
	1,347,472	1,540,257	3,325,852	3,165,500

11. Other income

	Note	Un-audited Half year ended	
		December 31, 2017	December 31, 2016
		(Rupees in thousand)	
Income on bank deposits	- note 11.1	462	62
Profit on disposal of property, plant and equipment		1,069	2,037
		1,531	2,099

11.1 Income on bank deposits

Income on bank deposits under mark up arrangements	226	50
Income on bank deposits under arrangements permissible under Shariah	236	12
	462	62

12. Cash generated from operations

Profit before taxation	309,978	334,349
Adjustment for:		
Depreciation / amortization	183,147	171,137
Gain on disposal of property, plant and equipment	(1,069)	(2,037)
Fixed assets written-off during the period	10,891	–
Income on bank deposits	(462)	(63)
Charge for employee retirement benefits	16,520	16,434
Finance cost	118,081	72,471

	Note	Un-audited Half year ended December 31, 2017	December 31, 2016
		(Rupees in thousand)	
Profit before working capital changes		637,086	592,291
Effect on cash flow due to working capital changes:			
Decrease in stores, spares and loose tools		20,487	25,249
Decrease / (increase) in stock in trade		39,871	(79,887)
Increase in trade debts		(560,199)	(513,645)
(Increase) / decrease in loans, advances, deposits, prepayments and other receivables		(82,890)	192,455
(Decrease) / increase in trade and other payables		(22,910)	12,618
		(605,641)	(363,210)
		31,445	229,081

13. Cash and cash equivalents

	Note	Un-audited December 31, 2017	December 31, 2016
		(Rupees in thousand)	
Cash and bank balances	- note 9	74,128	63,768
Finances under mark up arrangements	- note 6	(4,104,365)	(2,726,075)
		(4,030,237)	(2,662,307)

14. Transactions with related parties

Relationship with the company	Nature of transactions	Note	Un-audited Half year ended December 31, 2017	December 31, 2016
			(Rupees in thousand)	
i) Associated undertakings and other related parties	Purchase of services		149	247
	Sharing of expenditure		86	114
	Purchase of goods		107	–
	Dividend paid		122,787	107,439
ii) Key management personnel	Salaries and other employee benefits		59,107	53,004
	Dividend paid		88,198	77,173
ii) Post retirement benefit plan	Expense charged		8,333	9,654

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

	Un-audited December 31, 2017	Audited June 30, 2017
	(Rupees in thousand)	
Period end balances :		
Payable to related parties	10	76

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, 2017.

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 20, 2018 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. 1.50 per share (June 30, 2017: Rs 1.75 per share), amounting to Rs. 254.19 million (June 30, 2017: Rs. 296.55 million) at their meeting held on February 20, 2018. 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 Officer **Director** **Chief Financial Officer**