KOHINOOR
ENERGY LIMITED

2019
HALF YEARLY REPORT
July-December (Un-Audited)

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CORPORATE INFORMATION

Board of Directors

Mr. M. Naseem Saigol
Chairman / Non-Executive
Mr. S M Shakeel
Chief Executive Officer
Mr. Ichiro Kawano
Non-Executive
Mr. Ryo Aoe
Independent
Ms. Mariko Ueda
Independent
Mr. Shingo Ito
Independent
Mr. Faisal Riaz
Non-Executive

Company Secretary
Mr. Muhammad Asif

Audit Committee
Mr. Shingo Ito
Chairman
Mr. Ryo Aoe
Ms. Mariko Ueda

HR & Remuneration Committee
Mr. Shingo Ito
Chairman
Mr. S M Shakeel
Mr. Ryo Aoe
Ms. Mariko Ueda

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

Legal Advisor
LMA | Ebrahim Hosain

Bankers

Standard Chartered Bank [Pakistan] Limited
Bank Alfalah Limited
Askari Bank Limited
AL Baraka Bank [Pakistan] Limited
Meezan Bank Limited
Habib Bank Limited
MCB Bank Limited
United Bank Limited
Faysal Bank Limited
Bank Islami Pakistan Limited
National Bank of Pakistan
Dubai Islamic Bank Pakistan 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

Company Registration No.
0032461 of 1993-94

Company NTN No
0656788-6

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, 2019.

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 power plant. We report that during the half year under review, the plant on demand, operated at 37.97% capacity factor because of lesser demand from WAPDA and delivered 207,924 MWh of electricity, while during the corresponding half year the plant by operating at 44.92% capacity factor delivered 245,997 MWh of electricity.

We report that during the half-year under review, the sales revenue of the Company remained at Rs. 4.536 billion as compared to Rs. 4.539 billion during the corresponding period last year. The Company has earned net profit after tax of Rs. 513 million as compared to Rs. 421 million earned during the corresponding previous half year. Increased capacity amount as a result of the rupee devaluation, has contributed to increase in profits of the Company.

On account of major maintenance work we would like to inform you that during the half year under review, two engines have been overhauled under 8k major maintenance program as compared to the same number of engines overhauled as major maintenance during the corresponding half year. All the maintenance work has been done within the budgeted numbers.

This is with respect to the dispute with WAPDA related to imposition of Liquidated Damages (LDs) on the Company amounting to Rs. 533.17 million (June 30, 2019: Rs. 571.86 million) during the period from 2011 to 2019 we write to explain that 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 179.32 million is due to incorrect calculation of LDs by WAPDA till June 2018 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 disputed and rejected 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. The matter is under discussion between the officials of WAPDA and the Company. We are of the opinion that there are adequate grounds to defend the claim for such LDs, therefore no provision has been made in these condensed interim financial statements.

Moreover with respect to the matter, related to sales tax demand raised by the Federal Board of Revenue (the FBR), has been detailed in Note 9.1.2 to these financial statements, the status is same as reported earlier.

We would like to report that due to delay in payments from the power purchaser (WAPDA) the trade debts are mounting up. The management is consistently pursuing the matter with the relevant quarters, and look forward for early recovery of the overdue invoices. This is the reason that the board has skipped the dividend. Under the circumstances the Company is utilizing the available credit lines from various financial institutions and fully complying with all the dispatch instructions of the power purchaser solely in the best interest of the country.

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 18, 2020

S M Shakeel
Chief Executive Officer

Shingo Ito
Director

TO THE MEMBERS OF KOHINOOR ENERGY LIMITED REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Kohinoor Energy Limited as at December 31, 2019 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six month period ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and other comprehensive income for the three month period ended December 31, 2019 and December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the six month period then ended December 31, 2019.

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 statements 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 statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 9.1.1 to the interim financial statements, which describes the uncertainties regarding the outcome of certain claims by WAPDA which have been disputed by the Company. Our conclusion is not qualified in respect of this matter.

The engagement partner on the review resulting in this independent auditor's review report is Hammad Ali Ahmad.

A. F. Ferguson & Co.
Chartered Accountants

Lahore
February 27, 2020

Hammad Ali Ahmad
Partner

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Un-audited December 31, 2019	Audited June 30, 2019
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
170,000,000 (June 2019: 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 2019: 169,458,614) ordinary shares of Rs. 10 each		1,694,586	1,694,586
Un-appropriated profit		4,350,537	4,176,038
		6,045,123	5,870,624
CURRENT LIABILITIES			
Employee benefits		31,229	31,929
Short term finances - secured	8	6,545,765	5,354,474
Trade and other payables		78,994	53,867
Accrued finance cost		158,611	103,727
Unclaimed dividend		11,620	50,088
Provision for taxation - net		57,119	59,078
		6,883,338	5,653,163
CONTINGENCIES AND COMMITMENTS	9	-	-
		12,928,461	11,523,787

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Director

AS AT DECEMBER 31, 2019 (UN-AUDITED)

	Note	Un-audited December 31, 2019	Audited June 30, 2019
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,363,945	3,541,996
Intangible assets		3,847	4,101
Long term loans and deposits		2,832	3,563
		3,370,624	3,549,660
CURRENT ASSETS			
Stores, spares and loose tools		300,909	316,292
Stock in trade		126,473	190,045
Trade debts		8,745,072	7,155,022
Loans, advances, deposits, prepayments and other receivables		257,168	237,141
Cash and bank balances	11	128,215	75,627
		9,557,837	7,974,127
		12,928,461	11,523,787

Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2019 (Un-Audited)

	Note	Three months ended		Six months ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		(Rupees in thousand)			
Revenue from contract with customer		1,063,555	1,555,201	4,535,931	4,538,790
Cost of sales	12	(624,012)	(1,181,644)	(3,434,933)	(3,752,221)
Gross profit		439,543	373,557	1,100,998	786,569
Administrative expenses		(79,699)	(78,131)	(149,729)	(144,667)
Other income	13	59	460	152	554
Profit from operations		359,903	295,886	951,421	642,456
Finance costs		(225,756)	(119,962)	(437,961)	(221,714)
Profit before taxation		134,147	175,924	513,460	420,742
Taxation		(17)	(35)	(44)	(63)
Profit for the period		134,130	175,889	513,416	420,679
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		134,130	175,889	513,416	420,679
Earnings per share - basic and diluted - **Rupees**		0.79	1.04	3.03	2.48

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF CASHFLOWS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (Un-Audited)

	Note	Six months ended December 31, 2019	Six months ended December 31, 2018
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	14	(322,323)	820,252
Employee benefits paid		(22,215)	(23,478)
Mark up on borrowings paid		(383,077)	(205,437)
Taxes paid		(2,003)	(1,608)
Net cash (used in) / generated from operating activities		(729,618)	589,729
Cash flows from investing activities			
Purchase of property, plant and equipment		(36,275)	(282,613)
Interest / mark up income received		152	554
Net decrease in long term loans and deposits		731	4,080
Proceeds from sale of property, plant and equipment		3,692	4,011
Net cash used in investing activities		(31,700)	(273,968)
Cash flows from financing activities			
Dividend paid		(377,385)	(170,637)
Net cash used in financing activities		(377,385)	(170,637)
Net (decrease) / increase in cash and cash equivalents		(1,138,703)	145,124
Cash and cash equivalents at the beginning of the period		(5,278,847)	(5,131,206)
Cash and cash equivalents at the end of the period	15	(6,417,550)	(4,986,082)

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (Un-Audited)

	Share capital	Un-appropriated profit	Total
		(Rupees in thousand)	
Balance as on July 1, 2018	1,694,586	4,310,877	6,005,463
Final dividend for the year ended June 30, 2018 at the rate of Rs 1.00 per share	-	(169,459)	(169,459)
Total comprehensive income for the period	-	420,679	420,679
Balance as on December 31, 2018	1,694,586	4,562,097	6,256,683
Interim dividend for the year ended June 30, 2019 at the rate of Rs. 1.50 per share	-	(254,187)	(254,187)
Interim dividend for the year ended June 30, 2019 at the rate of Rs. 1.50 per share	-	(254,187)	(254,187)
Total comprehensive income for the period	-	122,315	122,315
Balance as on June 30, 2019	1,694,586	4,176,038	5,870,624
Final dividend for the year ended June 30, 2019 at the rate of Rs. 2.00 per share	-	(338,917)	(338,917)
Total comprehensive income for the period	-	513,416	513,416
Balance as on December 31, 2019	1,694,586	4,350,537	6,045,123

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2019 (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 repealed Companies Ordinance, 1984 (the Ordinance) repealed with the enactment of the Companies Act, 2017 on May 30, 2017. 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 address of the registered office of the Company is 301, 3rd Floor, Green Trust Tower, Blue Area, Islamabad, Lahore Office is situated at 17-Aziz Avenue, Unit # 4, Canal Bank, Gulberg V, Lahore and the Company's power plant has been set up at Post Office Raja Jang, Near Tablighi Ijtima, Raiwind Bypass, Lahore.

2. Statement of Compliance

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. Basis of preparation

3.1 The comparative condensed interim statement of financial position presented in these condensed interim financial statements has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2019, whereas comparative condensed interim statement of profit or loss and comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been extracted from the condensed interim financial statements for the six months ended December 31, 2018.

The figures of the six months ended December 31, 2019 are being submitted to the shareholders, and have been subjected to limited scope review in accordance with Section 237 of the Companies Act, 2017.

3.2 These condensed interim financial statements do not include all information and disclosures required in the annual audited financial statements and therefore should be read in conjunction with the annual audited financial statements for the year ended June 30, 2019.

4. Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, modified by capitalization of exchange differences in previous years, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

5. Functional and presentation currency

The condensed interim financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

6. Summary of significant accounting policies

The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are same as those applied in the preparation of the preceding annual audited financial statements of the Company for the year ended June 30, 2019, except for the adoption of new and amended standards as set out below:

6.1 Standards, interpretations and amendments to published approved accounting standards that became effective during the year

IFRS 16 'Leases': (effective for periods beginning on or after January 1, 2019) has been notified by the SECP to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The International Accounting Standards Board (IASB) has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

SECP through SRO 986(I)/2019 dated September 2, 2019 has granted exemption from the requirements of IFRS 16 to all companies that have executed their power purchase agreements before January 1, 2019. Therefore, the standard will not have any impact on the Company's financial statements.

6.2 Standards, interpretations and amendments to published approved accounting standards that became effective during the year but are not relevant

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The amendments and Interpretations which became effective during the current period are considered not to be relevant to the Company's operations and therefore are not detailed in these condensed interim financial statements.

7. Accounting estimates and judgments

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation are the same as those that applied to the annual audited financial statements for the year ended June 30, 2019.

		Un-audited December 31, 2019	Audited June 30, 2019
		(Rupees in thousand)	
8. Short term finances - secured			
Under mark up arrangements	- note 8.1	3,164,155	2,485,506
Under arrangements permissible under Shariah	- note 8.1	3,381,610	2,868,968
		6,545,765	5,354,474

8.1 Short term finances available from commercial banks under mark up arrangements amount to Rs. 8,660 million (June 30, 2019: Rs. 8,410 million), out of which finances available from Islamic banks under Islamic arrangements amount to Rs. 3,910 million (June 30, 2019: Rs. 3,410 million). The rates of mark up for finances under mark up arrangement ranged from 13.37 % to 15.81 % per annum (June 30, 2019: 6.92% to 12.79% per annum) and for finances under arrangement permissible under Shariah ranged from 13.12 % to 15.74 % per annum (June 30, 2019: 6.38% to 10.99% per annum) on the balances outstanding during the period. 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.

8.2 Out of the aggregate running finances availed by the Company, Rs. 8,160 million (June 30, 2019: Rs. 8,160 million) are secured by joint pari passu charge and Rs. 500 million (June 30, 2019: Rs. 250 million) are secured by ranking charge on the current assets of the Company.

8.3 Of the aggregate facility of Rs. 875 million (June 30, 2019: Rs. 875 million) for opening letters of credit and Rs. 285 million (June 30, 2019: Rs. 440 million) for guarantees, the amount utilized as at December 31, 2019 were Rs. 2.49 million (June 30, 2019: Rs. 4.44 million) and Rs. 274.99 million (June 30, 2019: Rs. 274.43 million) respectively.

9. Contingencies and commitments

9.1 Contingencies

9.1.1 WAPDA has imposed Liquidated Damages (LD) on the Company amounting to Rs. 533.17 million (June 30, 2019: Rs. 571.86 million) during the period from 2011 to 2019. 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 179.32 million is due to incorrect calculation of LDs by WAPDA till June 2018 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 disputed and rejected 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. Moreover, the matter is under discussion between the officials of WAPDA and the Company.

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 condensed interim financial statements.

9.1.2 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 and which has been refunded to the company during the current year. 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 condensed interim financial statements.

9.1.3 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. 272 million (June 30, 2019: Rs. 272 million).

(ii) Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs. 2.99 million (June 30, 2019: Rs 2.43 million).

9.2 Commitments

(i) Letters of credit / Bank contracts other than capital expenditure are Rs. 2.49 million (June 30, 2019: nil).

(ii) Letters of credit / Bank contracts for capital expenditure are nil (June 30, 2019: Rs. 4.44 million).

		Un-audited December 31, 2019	Audited June 30, 2019
		(Rupees in thousand)	
10. Property, plant and equipment			
Operating fixed assets	- note 10.1	3,272,192	3,425,226
Stores held for capitalization		91,753	116,770
		3,363,945	3,541,996
10.1 Operating fixed assets			
Opening net book value		3,425,226	3,432,549
Add: Additions during the period	- note 10.1.1	61,293	407,125
		3,486,519	3,839,674
Less: Disposals during the period (at book value)	- note 10.1.2	3,692	10,482
Transfers from operating fixed assets to Stores held for capitalization	- note 10.1.3	-	4,125
Assets written off		-	-
Depreciation charged during the period		210,635	399,841
		214,327	414,448
		3,272,192	3,425,226

	Un-audited December 31, 2019	Audited June 30, 2019
	(Rupees in thousand)	

10.1.1 Additions during the period

Plant and machinery	48,412	380,983
Electric appliances and equipment	-	1,142
Computers	330	483
Vehicles	12,551	24,517
	61,293	407,125

10.1.2 Disposals during the period

Vehicles	3,692	10,482
	3,692	10,482

10.1.3 Transfers from operating fixed assets to stores held for capitalization

Plant and machinery	-	4,125
	-	4,125

11. Cash and bank balances

Balance at banks on:			
Current accounts		86,456	11,280
Saving accounts			
-Under interest / mark up arrangements	- note 11.1	20,031	32,421
-Under arrangements permissible under Shariah	- note 11.1	20,028	30,019
		40,059	62,440
		126,515	73,720
Cash in hand		1,700	1,907
		128,215	75,627

11.1 The balance in savings bank accounts bear mark up at rates ranging from 10.25 % to 11.25 % per annum (June 30, 2019: 4.00% to 10.25% per annum) and balance in accounts under arrangements permissible under Shariah bear profit at the rates ranging from 5.00 % to 6.25 % per annum (June 30, 2019: 2.38% to 5.50%).

	Un-audited Three months ended		Un-audited Six months ended	
	December 2019	December 2018	December 2019	December 2018
	(Rupees in thousand)			

12. Cost of sales

Raw material consumed	378,261	988,343	2,938,517	3,296,072
Salaries, wages and benefits	63,481	54,679	130,050	117,625
Stores and spares consumed	37,135	13,072	79,914	88,468
Depreciation on operating fixed assets	103,517	96,131	206,593	190,024
Fee and subscription	896	938	1,738	1,936
Insurance	17,601	11,815	36,672	23,576
Travelling, conveyance and entertainment	5,738	3,360	11,470	8,135
Repairs and maintenance	2,932	3,265	6,457	10,278
Communication charges	445	272	1,782	609
Electricity consumed in-house	8,491	5,540	10,447	6,597
Environmental expenses	113	169	283	339
Contracted services	4,483	3,483	9,339	7,409
Miscellaneous	919	577	1,671	1,153
	624,012	1,181,644	3,434,933	3,752,221

		Un-audited Six months ended	
		December 31, 2019	December 31, 2018
		(Rupees in thousand)	

13. Other income

Income on bank deposits	- note 13.1	152	214
Profit on disposal of property, plant and equipment		-	340
		152	554

13.1 Income on bank deposits

Income on bank deposits under mark up arrangements	18	103
Income on bank deposits under arrangements permissible under Shariah	134	111
	152	214

14. Cash generated from operations

Profit before taxation	513,460	420,742
Adjustment for:		
- Depreciation / amortization	210,888	194,003
- Gain on disposal of property, plant and equipment	-	(340)
- Fixed assets written-off during the period	-	-
- Income on bank deposits	(152)	(554)
- Provision for employee retirement benefits	21,515	18,521
- Finance cost	437,961	221,714
	1,183,672	854,086
Profit before working capital changes		
Effect on cash flow due to working capital changes:		
- Decrease in stores, spares and loose tools	15,383	2,627
- Decrease in stock in trade	63,572	209,376
- Increase in trade debts	(1,590,050)	(393,133)
- Decrease / (increase) in loans, advances, deposits, prepayments and other receivables	(20,027)	69,379
- Increase / (decrease) in trade and other payables	25,127	77,917
	(1,505,995)	(33,834)
	(322,323)	820,252

15. Cash and cash equivalents

Cash and bank balances	- note 11	128,215	88,599
Finances under mark up arrangements	- note 8	(6,545,765)	(5,074,681)
		(6,417,550)	(4,986,082)

16. Transactions with related parties

The related parties comprise subsidiary companies, companies in which directors are interested, major shareholders, post retirement benefit plans and key management personnel, inclusive of directors, and their close family members. The Company in the normal course of business carries out transactions with various related parties. The period end balances and transactions with related parties, other than those which have been specifically disclosed elsewhere in these condensed interim financial statements are as follows:

Relationship with the Company	Nature of transaction	Un-audited Half year ended December 31, 2019	Un-audited Half year ended December 31, 2018
		(Rupees in thousand)	
i) Associated undertakings and other related parties	Purchase of services	1,162	1,494
	Sharing of expenditure	-	-
	Purchase of goods	163	596
	Dividend paid	122,787	61,394
ii) Key management personnel	Salaries and other employee benefits	65,844	56,228
	Dividend paid	44,139	22,069
iii) Post retirement benefit plan	Expense charged	11,455	9,942

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

	Un-audited December 31, 2019	Audited June 30, 2019
	(Rupees in thousand)	
Period end balances :		
Payable to related parties	-	150

17. Financial risk management

The Company's financial risk management objective and policies are consistent with that disclosed in annual audited financial statements for the year ended June 30, 2019.

18. Date of authorization for issue

This condensed interim financial statements was authorized for issue on February 18, 2020 by the Board of Directors of the Company.

19. Subsequent events

No significant events have occurred subsequent to the statement of financial position date that require adjustment or disclosure in these condensed interim financial statements.

20. General

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

Corresponding figures have been reclassified or rearranged, where necessary, for better and fair presentation. However, no significant reclassification / rearrangements were made during the period.

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

"SAY NO TO CORRUPTION"

Contribution to Social Welfare

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