

HALF YEARLY REPORT 2020

July-December (Un-Audited)



KOHINOOR
ENERGY LIMITED



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CORPORATE INFORMATION

Board of Directors

Mr. M. Naseem Saigol
Chairman / Non-Executive
Mr. S M Shakeel
Chief Executive Officer
Mr. Muhammad Zeid Yousuf Saigol
Non-Executive
Syed Manzar Hassan
Non-Executive
Mr. Muhammad Omer Farooq
Independent
Ms. Sadaf Kashif
Independent
Mr. Faisal Riaz
Independent

Company Secretary

Mr. Muhammad Asif

Audit Committee

Mr. Muhammad Omer Farooq
Chairman
Syed Manzar Hassan
Ms. Sadaf Kashif

HR & Remuneration Committee

Mr. Faisal Riaz
Chairman
Mr. Muhammad Zeid Yousuf Saigol
Mr. S M Shakeel
Syed Manzar Hassan

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

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, 2020.

The Company is engaged in electricity generation from a furnace oil fired power plant having net capacity of 124 MW. Central Power Purchase Agency (CPPA) is the exclusive purchaser of the electricity being generated at the power plant. During the half year under review, the plant on demand, operated at 33.40% capacity factor because of lesser demand from CPPA and delivered 182,875 MWh of electricity, while during the corresponding half year the plant by operating at 37.97% capacity factor delivered 207,924 MWh of electricity.

During the half-year ended Dec 30, 2020, the sales revenue of the Company stood at Rs. 3.466 billion as compared to Rs. 4.536 billion during the corresponding six months of the last year. The Company has earned net profit after tax of Rs. 622 million as compared to Rs. 513 million earned during the corresponding half year last year. Increased capacity amount as a result of the Rupee devaluation, has contributed to increase in profits of the Company.

We would like to inform you that during the half year under review, one engine surpassing 8,000 running hours was overhauled under 8k major maintenance program however during the same period of last year two major maintenances were carried out. The maintenance work has been done within the budgeted numbers.

We take pleasure to inform you that the Board in its meeting held on February 18, 2021 has declared an interim dividend of 60% (Rs. 6.00 per share) for the financial year 2020-21, for which the date of entitlement has been fixed as March 06, 2021.

This is with respect to the matters related to, disputes with WAPDA on imposition of liquidated damages as detailed in Notes 11.1.1 and 11.1.2, and sales tax demand raised by the Federal Board of Revenue (the FBR) has been detailed in Note 11.1.3 and 11.1.4 to the financial information, the status is same as reported earlier.

We would like to report that recovery of payments from the power purchaser on account of trade debts has been improved.

As earlier notified through the Stock Exchange, we would like to reiterate that the Government of Pakistan had formed a Committee for negotiations with the Independent Private Power Producers (the IPPs) including the Company, for negotiation on power tariff, settlement of long outstanding receivables and resolution of certain disputed matters between the IPPs and the Power Purchaser. Consequent to having several rounds of discussions and meetings with the Committee, the Company signed a Memorandum of Understanding (the MoU). Subsequently CPPA and the Company initialed and finally signed the Master Agreement, PPA Amendment Agreement, PPA Novation Agreement to effect the agreed terms and conditions including:

- CPPA shall assist and support the Company in tax issues with the Federal Board of Revenue;
- Mechanism of settlement of long outstanding receivables;
- Settlement of the outstanding dispute pending in Arbitration; and
- Revisions in Tariff components.

The Board acknowledges the continuous support being extended by CPPA, the financial institutions, Pakistan State Oil, Wartsila and other suppliers as well as valued shareholders of the Company. The Board also extends its appreciation to the employees of the Company for their continued efforts that resulted in safe, efficient and reliable operations of the plant and we are confident of their enthusiasm to remain continue in the future.

For and on behalf of the Board



Syed Manzar Hassan
Director



S M Shakeel
Chief Executive Officer

Lahore
February 18, 2021

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, 2020 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, 2020 and December 31, 2019 have not been reviewed, as we are required to review only the cumulative figures for the six month period then ended December 31, 2020.

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 11.1.1 and 11.1.2 to the interim financial statements, which describe 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.

Lahore
February 25, 2021

A. F. Ferguson & Co.
Chartered Accountants



Hammad Ali Ahmad
Partner

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	<u>Un-audited December 31, 2020</u>	<u>Audited June 30, 2020</u>
(Rupees in thousand)			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 170,000,000 (June 2020: 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 2020: 169,458,614) ordinary shares of Rs. 10 each		1,694,586	1,694,586
Un-appropriated profit		5,469,723	4,848,005
		<u>7,164,309</u>	<u>6,542,591</u>
NON-CURRENT LIABILITIES			
Long term finance- secured	8	78,878	-
Deferred grant	9	3,093	-
		81,971	-
CURRENT LIABILITIES			
Employee benefits		9,864	82,405
Short term finances - secured	10	3,692,820	5,389,907
Trade and other payables		79,926	150,594
Accrued finance cost		39,752	143,274
Current portion of long term finance- secured		28,080	-
Current portion of deferred grant		4,194	-
Unclaimed dividend		9,413	10,228
Provision for taxation - net		56,355	57,082
		<u>3,920,404</u>	<u>5,833,490</u>
CONTINGENCIES AND COMMITMENTS	11	-	-
		<u>11,166,684</u>	<u>12,376,081</u>

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director

AS AT DECEMBER 31, 2020 (UN-AUDITED)

	Note	<u>Un-audited December 31, 2020</u>	<u>Audited June 30, 2020</u>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	3,011,099	3,213,573
Intangible assets		3,341	3,594
Long term loans and deposits		1,934	2,118
		<u>3,016,374</u>	<u>3,219,285</u>
CURRENT ASSETS			
Stores, spares and loose tools		284,998	303,561
Stock in trade		474,459	48,965
Trade debts		5,592,092	8,035,685
Loans, advances, deposits, prepayments and other receivables		279,482	466,177
Cash and bank balances	13	1,519,279	302,408
		<u>8,150,310</u>	<u>9,156,796</u>
		<u>11,166,684</u>	<u>12,376,081</u>



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2020 (Un-Audited)

	Note	Three months ended		Six months ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
(Rupees in thousand)					
Revenue from contract with customer		971,569	1,063,555	3,465,550	4,535,931
Cost of sales	14	(639,581)	(624,012)	(2,538,186)	(3,434,933)
Gross profit		331,988	439,543	927,364	1,100,998
Administrative expenses		(65,531)	(79,699)	(132,167)	(149,729)
Other income		231	59	687	152
Profit from operations		266,688	359,903	795,884	951,421
Finance costs		(60,854)	(225,756)	(173,962)	(437,961)
Profit before taxation		205,834	134,147	621,922	513,460
Taxation		(67)	(17)	(204)	(44)
Profit for the period		205,767	134,130	621,718	513,416
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		205,767	134,130	621,718	513,416
Earnings per share - basic and diluted - Rupees		1.21	0.79	3.67	3.03

The annexed notes 1 to 22 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, 2020 (Un-Audited)

	Note	Six months ended	
		December 31, 2020	December 31, 2019
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	15	3,184,555	(322,323)
Employee benefits paid		(98,651)	(22,215)
Mark up on borrowings paid		(277,484)	(383,077)
Taxes paid		(931)	(2,003)
Net cash generated / (used in) from operating activities		2,807,489	(729,618)
Cash flows from investing activities			
Purchase of property, plant and equipment		(11,565)	(36,275)
Interest / mark up income received		687	152
Net decrease in long term loans and deposits		184	731
Proceeds from sale of property, plant and equipment		3,733	3,692
Net cash used in investing activities		(6,961)	(31,700)
Cash flows from financing activities			
Dividend paid		(815)	(377,385)
Long term financing received		114,245	-
Net cash generated from / (used in) financing activities		113,430	(377,385)
Net (decrease) / increase in cash and cash equivalents		2,913,958	(1,138,703)
Cash and cash equivalents at the beginning of the period		(5,087,499)	(5,278,847)
Cash and cash equivalents at the end of the period	16	(2,173,541)	(6,417,550)

The annexed notes 1 to 22 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, 2020 (Un-Audited)

	Share capital	Un-appropriated profit (Rupees in thousand)	Total
	<u> </u>	<u> </u>	<u> </u>
Balance as on July 1, 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	<u>1,694,586</u>	<u>4,350,537</u>	<u>6,045,123</u>
Total comprehensive income for the period	-	497,468	497,468
Balance as on June 30, 2020	<u>1,694,586</u>	<u>4,848,005</u>	<u>6,542,591</u>
Total comprehensive income for the period	-	621,718	621,718
Balance as on December 31, 2020	<u><u>1,694,586</u></u>	<u><u>5,469,723</u></u>	<u><u>7,164,309</u></u>

The annexed notes 1 to 22 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, 2020 (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

3.1 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, 2020, 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, 2019.

The figures of the six months ended December 31, 2020 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, 2020.

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 as well as long term loan 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, 2020, 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 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, 2020.

		Un-audited December 31, 2020	Audited June 30, 2020
(Rupees in thousand)			
8. Long term finance- secured			
Long term loan	- note 8.1	106,958	-
Less: Current portion shown under current liabilities		(28,080)	-
		<u>78,878</u>	<u>-</u>

8.1. The reconciliation of carrying amount is as follows

Opening balance		-	-
Loan received during the year	- note 8.2	114,245	-
Transferred to deferred grant	- note 9	(10,634)	-
Unwinding of discount on liability		3,347	-
		<u>106,958</u>	<u>-</u>
less: Current portion shown under current liabilities		(28,080)	-
		<u>78,878</u>	<u>-</u>

8.2. This represents amount of loan against facility of Rs. 145 million (2020: Nil) obtained under SBP refinance scheme of salaries and wages. The amount is repayable in 8 equal quarterly installments starting from April 1, 2021 and carry markup at the rate of 1.5% per annum which is payable quarterly.

This facility is secured by ranking charge on current assets.

		Un-audited December 31, 2020	Audited June 30, 2020
(Rupees in thousand)			
9. Deferred Grant			
Opening Balance		-	-
Received during the year		10,634	-
Transferred to profit or loss during the year		(3,347)	-
Closing Balance	- note 9.1	<u>7,287</u>	<u>-</u>
Represented by:			
Non-current portion		3,093	-
Current portion		4,194	-
		<u>7,287</u>	<u>-</u>

9.1. Government grant has been recognized against loan obtained under the SBP refinance scheme of salaries and wages in lieu of below market-interest rate payable on this loan. There are no unfulfilled conditions or contingencies attached to this grant effecting its recognition at the reporting date.

		Un-audited December 31, 2020	Audited June 30, 2020
(Rupees in thousand)			
10. Short term finances - secured			
Under mark up arrangements	- note 10.1	1,713,417	2,040,235
Under arrangements permissible under Shariah	- note 10.1	1,979,403	3,349,672
		<u>3,692,820</u>	<u>5,389,907</u>

- 10.1** Short term finances available from commercial banks under mark up arrangements amount to Rs.9,410 million (June 30, 2020: Rs. 9,410 million), out of which finances available from Islamic banks under Islamic arrangements amount to Rs. 4,400 million (June 30, 2020: Rs. 5,513 million). The rates of mark up for finances under mark up arrangement ranged from 7.23% to 8.78% per annum (June 30, 2020: 9.08% to 15.81% per annum) and for finances under arrangement permissible under Shariah ranged from 7.55% to 8.37% per annum (June 30, 2020: 8.98% to 15.74% 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.
- 10.2** Out of the aggregate running finances availed by the Company, Rs. 8,910 million (June 30, 2020: Rs. 8,160 million) are secured by joint pari passu charge and Rs. 500 million (June 30, 2020: Rs. 1,250 million) are secured by ranking charge on the current assets of the Company.
- 10.3** Of the aggregate facility of Rs. 875 million (June 30, 2020: Rs. 875 million) for opening letters of credit and Rs. 305 million (June 30, 2020: Rs. 510 million) for guarantees, the amount utilized as at December 31, 2020 was Rs. 3.82 million (June 30, 2020: Nil) and Rs. 296.99 million (June 30, 2020: Rs. 296.99 million) respectively.

11. Contingencies and commitments

11.1 Contingencies

- 11.1.1** WAPDA imposed Liquidated Damages (LD) on the Company amounting to Rs. 353.85 million (June 30, 2020: Rs. 353.85 million) during the period from 2011 to 2013 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.

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.

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.

- 11.1.2** WAPDA imposed LDs on the Company amounting to Rs 179.32 million (June 30, 2020: Rs. 179.32 million) due to incorrect calculation from 2011 till April 2018. The Company has disputed these LDs because WAPDA has ignored certain factors applicable for the calculation of LDs under the terms of the PPA.

For settlement of the dispute, several discussions were held between the officials of WAPDA and the Company. Consequent to the mutual discussion, WAPDA has agreed to calculate the LDs using a model consistent with the terms of the PPA. However, the said model has not yet been applied to recalculate the LDs imposed prior to April 2018. Resultantly, there have been no disputed LDs since May 2018.

Management is confident that the LDs imposed prior to April 2018 will also be revised by WAPDA. The impact of LDs calculated under the agreed model for the period preceding April 2018 has been assessed to be insignificant and therefore, no provision has been made in these financial statements.

- 11.1.3** 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.

11.1.4 During the year ended June 2020, the Deputy Commissioner Inland Revenue ('DCIR') raised a sales tax demand of Rs. 185.47 million against the Company through its order dated August 27, 2019 mainly on account of inadmissible input tax related to 'capacity purchase price' and sales tax default on account of suppression of sales related to tax periods from July, 2015 to June, 2016. Against the aforesaid order, the Company preferred an appeal before Commissioner Inland Revenue (Appeals) ('CIR(A)') on September 16, 2019 which is pending adjudication. According to legal advisors of the Company, there are strong grounds to believe that case will be decided in favor of the Company, therefore no provision has been made in these financial statements.

11.1.5 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. 294 million (June 30, 2020: Rs. 294 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, 2020: Rs 2.99 million).

11.2 Commitments

- (i) Letters of credit / Bank contracts other than capital expenditure are Rs. 15.6 million (June 30, 2020: nil).
- (ii) Letters of credit / Bank contracts for capital expenditure are nil (June 30, 2020: nil).

		<u>Un-audited</u> <u>December</u> <u>31, 2020</u>	<u>Audited</u> <u>June</u> <u>30, 2020</u>
(Rupees in thousand)			
12. Property, plant and equipment			
Operating fixed assets	- note 12.1	2,958,111	3,129,907
Stores held for capitalization		52,988	83,666
		<u>3,011,099</u>	<u>3,213,573</u>
12.1 Operating fixed assets			
Opening net book value		3,129,907	3,425,226
Add: Additions during the period	- note 12.1.1	42,243	132,059
		3,172,150	3,557,285
Less: Disposals during the period (at book value)	- note 12.1.2	3,750	3,943
Transfers from operating fixed assets to Stores held for capitalization		-	-
Assets written off		-	-
Depreciation charged during the period		210,289	423,435
		<u>(214,039)</u>	<u>(427,378)</u>
		<u>2,958,111</u>	<u>3,129,907</u>
12.1.1 Additions during the period			
Plant and machinery		30,678	118,166
Electric appliances and equipment		98	98
Computers		502	994
Vehicles		10,885	12,802
Office Equipment		80	-
		<u>42,243</u>	<u>132,060</u>
12.1.2 Disposals during the period			
Office Equipment		29	-
Vehicles		3,721	3,943
		<u>3,750</u>	<u>3,943</u>

Un-audited	Audited
December	June
31, 2020	30, 2020
(Rupees in thousand)	

13. Cash and bank balances

Balance at banks on:		
Current accounts	19,713	200,914
Saving accounts		
-Under interest / mark up arrangements	- note 13.1	50,026
-Under arrangements permissible under Shariah	- note 13.1	50,005
	1,498,160	100,031
	1,517,873	300,945
Cash in hand	1,406	1,463
	1,519,279	302,408

- 13.1 The balance in savings bank accounts bear mark up at rates ranging from 3.35 % to 6.50 % per annum (June 30, 2020: 5.00% to 11.25% per annum) and balance in accounts under arrangements permissible under Shariah bear profit at the rates ranging from 2.75 % to 6.75 % per annum (June 30, 2020: 3.76% to 6.25%).

Un-audited		Un-audited	
Three months ended		Six months ended	
December	December	December	December
2020	2019	2020	2019
(Rupees in thousand)			

14. Cost of sales

Raw material consumed	393,965	378,261	2,074,469	2,938,517
Salaries, wages and benefits	56,927	63,481	120,362	130,050
Stores and spares consumed	42,744	37,135	60,356	79,914
Depreciation on operating fixed assets	103,010	103,517	206,184	206,593
Fee and subscription	902	896	1,717	1,738
Insurance	17,522	17,601	35,044	36,672
Travelling, conveyance and entertainment	5,090	5,738	9,918	11,470
Repairs and maintenance	6,304	2,932	8,491	6,457
Communication charges	176	445	365	1,782
Electricity consumed in-house	9,331	8,491	13,028	10,447
Environmental expenses	102	113	420	283
Contracted services	3,071	4,483	7,063	9,339
Miscellaneous	437	919	769	1,671
	639,581	624,012	2,538,186	3,434,933

Un-audited	
Six months ended	
December	December
31, 2020	31, 2019
(Rupees in thousand)	

15. Cash generated from operations

Profit before taxation	621,922	513,460
Adjustment for:		
- Depreciation / amortization	210,542	210,888
- Loss on disposal of property, plant and equipment	17	-
- Income on bank deposits	(687)	(152)
- Provision for employee retirement benefits	26,110	21,515
- Finance cost	173,962	437,961
	1,031,866	1,183,672

	Un-audited	
	Six months ended	
	December 31, 2020	December 31, 2019
	(Rupees in thousand)	
Profit before working capital changes		
Effect on cash flow due to working capital changes:		
- Decrease in stores, spares and loose tools	18,563	15,383
- (Increase) / Decrease in stock in trade	(425,494)	63,572
- Decrease / (Increase) in trade debts	2,443,593	(1,590,050)
- Decrease / (increase) in loans, advances, deposits, prepayments and other receivables	186,695	(20,027)
- (Decrease) / Increase in trade and other payables	(70,668)	25,127
	<u>2,152,689</u>	<u>(1,505,995)</u>
	<u>3,184,555</u>	<u>(322,323)</u>

16. Cash and cash equivalents

Cash and bank balances	- note 13	1,519,279	128,215
Finances under mark up arrangements	- note 10	(3,692,820)	(6,545,765)
		<u>(2,173,541)</u>	<u>(6,417,550)</u>

17. 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, 2020	December 31, 2019
		(Rupees in thousand)	
i) Associated undertakings and other related parties	Purchase of services	-	1,162
	Purchase of goods	116	163
	Dividend paid	-	122,787
ii) Key management personnel	Salaries and other employee benefits	60,726	65,844
	Dividend paid	-	44,139
iii) Post retirement benefit plan	Expense charged	15,587	11,455

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

18. 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, 2020.

19. Date of authorization for issue

This condensed interim financial statements was authorized for issue on February 18, 2021 by the Board of Directors of the Company.

20. Subsequent events

The Board of Directors have declared an interim dividend of Rs. 6 per share (June 30, 2020: Nil), amounting to Rs. 1,016.75 million (June 30, 2020: Nil) at their meeting held on February 18, 2021.

Subsequent to various meetings with the Committee constituted by the Government of Pakistan for negotiation of tariff, the Company's Board of Directors on February 18, 2021 has approved a "Master Agreement" and a "PPA Amendment Agreement" with the Central Power Purchasing Agency (Guarantee) Limited (CPPA). Under these agreements, the Company and CPPA have agreed on the following matters:

- CPPA shall assist and support the Company in tax issues with the Federal Board of Revenue;
- Mechanism of settlement of long outstanding receivables;
- Settlement of the outstanding dispute pending in Arbitration; and
- Revisions in Tariff components.

The finalization of these matters is subject to terms and conditions mentioned in the abovementioned agreements.

Based on the above management has assessed the accounting implications of these developments on these condensed interim financial statements, including the impairment of tangible and intangible assets under IAS-36, "Impairment of Assets." However, according to management's assessment there is no significant impact on these condensed interim financial statements.

21. General

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

22. Corresponding figures

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

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