



KOHINOOR
ENERGY LIMITED

2021 HALF YEARLY REPORT

July-December (Un-Audited)



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CORPORATE INFORMATION

Board of Directors

Mr. M. Naseem Saigol
Chairman / Non-Executive

Mr. Muhammad Zeid Yousuf Saigol
Chief Executive Officer

Mr. Muhammad Murad 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

Syed Manzar Hassan

Management

Mr. Muhammad Zeid Yousuf Saigol
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

Habib Bank Limited

MCB 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

PEL Factory, 14-KM Ferozepur Road,
Lahore, Postcode 54760, Pakistan.
Tel : +92-42-35920117-8

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, 2021.

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 power plant on demand from the CPPA, by operating at 41.84% capacity factor delivered 229,118 MWh of electricity, while during the corresponding half year the power plant by operating at 33.40% capacity factor delivered 182,875 MWh of electricity.

We report that during the half-year ended Dec 31, 2021, the sales revenue of the Company stood at Rs. 5.414 billion as compared to Rs. 3.466 billion during the corresponding six months of the last year. During the 2nd quarter ended Dec 31, 2021 the Company posted net profit after tax of Rs. 271.8 million as compared to net profit after tax of Rs. 205.8 million posted during the corresponding quarter of the last FY. Overall the Company, during the half year ended Dec 31, 2021 earned Rs. 689 million net profit after tax by demonstrating earnings per share (EPS) of Rs. 4.07 as compared to Rs. 622 million earned with an EPS of Rs. 3.67 during the corresponding period of six months. We report that mainly the increase in dispatch of electricity has contributed to increase in the profits of the Company.

We would like to inform you that during the half year of the current financial year, two engines surpassing 116k and 124k running hours respectively, were overhauled under 8k major maintenance program as compared with two major maintenances which were carried out during six months of the preceding FY. All of the maintenance work has been done within the budgeted numbers.

The Board takes immense pleasure to inform you that the board of directors in their meeting held on February 21, 2022 has declared 3rd interim dividend of 27.50% (Rs. 2.75 per share) for the financial year 2021-22, for which the date of entitlement has been fixed as February 28, 2022.

This is with respect to the matters related to, disputes with WAPDA on imposition of liquidated damages as detailed in Notes 9.1.1 and 9.1.2, and sales tax demand raised by the Federal Board of Revenue (the FBR) as detailed in Note 9.1.3 and 9.1.4 to the financial information, the status is same as reported in the earlier report.

Further to our notification through Pakistan Stock Exchange, we re-write to report that consequent to execution of the Power Purchase Amendment Agreement between the Company and the Power Purchaser, the Company had received the second agreed installment of 60% of the overdue amount. Subsequently the Company is regularly receiving the routine payments against its invoices.

The Board is thankful and acknowledges the consistent 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 management and employees of the Company for their continued efforts that resulted in safe, efficient and reliable operations of the plant and is confident for their enthusiasm to remain continued in the future.

For and on behalf of the Board



M. Zeid Yousuf Saigol
Chief Executive Officer



Syed Manzar Hassan
Director

Lahore:
February 21, 2022

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REVIEW REPORT 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, 2021 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 financial statements for the six-month period then ended (herein-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these 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 periods ended December 31, 2021 and December 31, 2020 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2021.

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 is 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 notes 9.1.1 and 9.1.2 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 audit resulting in this independent auditor's report is Amer Raza Mir.



A. F. Ferguson & Co.
Chartered Accountants
Lahore

Date: February 23, 2022

UDIN: RR202110118wcH259qXg

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Un-audited December 31, 2021 (Rupees in thousand)	Audited June 30, 2021
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 170,000,000 (June 30, 2021: 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, 2021: 169,458,614) ordinary shares of Rs. 10 each		1,694,586	1,694,586
Un-appropriated profit		2,864,426	4,378,113
		4,559,012	6,072,699
NON-CURRENT LIABILITIES			
Long term finance - secured	6	-	27,930
Deferred grant	7	-	630
		-	28,560
CURRENT LIABILITIES			
Short term finances - secured	8	1,350,338	3,790,152
Trade and other payables		162,164	165,164
Accrued finance cost		15,237	29,663
Current portion of long term finance - secured		55,048	53,758
Current portion of deferred grant		2,074	3,674
Unclaimed dividend		39,432	10,616
Provision for taxation - net		57,433	58,655
		1,681,726	4,111,682
CONTINGENCIES AND COMMITMENTS	9		
		6,240,738	10,212,941

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Director

AS AT DECEMBER 31, 2021 (Un-Audited)

	Note	Un-audited December 31, 2021 (Rupees in thousand)	Audited June 30, 2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,743,463	2,841,686
Intangible assets		2,836	3,088
Long term loans and deposits		534	815
		<u>2,746,833</u>	<u>2,845,589</u>
CURRENT ASSETS			
Stores, spares and loose tools		303,436	300,594
Stock in trade		932,608	756,453
Trade debts		894,353	3,981,105
Loans, advances, deposits, prepayments and other receivables		344,605	536,830
Cash and bank balances	11	1,018,903	1,792,370
		<u>3,493,905</u>	<u>7,367,352</u>
		<u><u>6,240,738</u></u>	<u><u>10,212,941</u></u>



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTH AND SIX MONTH PERIOD ENDED
DECEMBER 31, 2021 (Un-Audited)

	Note	Three month period ended		Six month period ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		(Rupees in thousand)			
Revenue from contract with customer		1,994,142	971,569	5,414,115	3,465,550
Cost of sales	12	(1,630,246)	(639,581)	(4,540,724)	(2,538,186)
Gross profit		363,896	331,988	873,391	927,364
Administrative expenses		(51,765)	(65,531)	(106,024)	(132,167)
Other (expense) / income		(9,840)	231	(8,203)	687
Profit from operations		302,291	266,688	759,164	795,884
Finance costs		(29,331)	(60,854)	(68,286)	(173,962)
Profit before taxation		272,960	205,834	690,878	621,922
Taxation		(1,128)	(67)	(1,603)	(204)
Profit after taxation		271,832	205,767	689,275	621,718
Other comprehensive income		-	-	-	-
Total comprehensive income		271,832	205,767	689,275	621,718
Earnings per share - basic and diluted - (in Rupees)		1.60	1.21	4.07	3.67

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Director

Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2021

	Share Capital	Unappropriated Profit	Total
(Rupees in thousand)			
Balance as at July 01, 2020	1,694,586	4,848,005	6,542,591
Total comprehensive income	-	621,718	621,718
Balance as at December 31, 2020	1,694,586	5,469,723	7,164,309
Transactions with owners in their capacity as owners:			
Interim dividend for the year ended			
June 30, 2021 - 1st Interim at the rate of Rs. 6 per share	-	(1,016,752)	(1,016,752)
June 30, 2021 - 2nd Interim at the rate of Rs. 4 per share	-	(677,834)	(677,834)
Total comprehensive income	-	602,976	602,976
Balance as at June 30, 2021	1,694,586	4,378,113	6,072,699
Transactions with owners in their capacity as owners:			
Interim dividend for the year ended			
June 30, 2022 - 1st Interim at the rate of Rs. 5.25 per share	-	(889,658)	(889,658)
June 30, 2022 - 2nd Interim at the rate of Rs. 7.75 per share	-	(1,313,304)	(1,313,304)
Total comprehensive income	-	689,275	689,275
Balance as at December 31, 2021	1,694,586	2,864,426	4,559,012

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2021

	Note	Six month period ended	
		December 31, 2021	December 31, 2020
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	13	4,052,421	3,184,555
Employee benefits paid		(114)	(98,651)
Finance cost paid		(82,712)	(277,484)
Taxes paid		(2,826)	(931)
Net cash generated from operating activities		3,966,769	2,807,489
Cash flows from investing activities			
Purchase of property, plant and equipment		(103,719)	(11,565)
Interest / mark up income received		5,529	687
Net decrease in long term loans and deposits		281	184
Proceeds from sale of property, plant and equipment		503	3,733
Net cash generated from / (used in) investing activities		(97,406)	(6,961)
Cash flows from financing activities			
Dividend paid		(2,174,146)	(815)
Long term finance received		-	114,245
Repayment of long term finance		(28,870)	-
Net cash (used in) / generated from financing activities		(2,203,016)	113,430
Net increase in cash and cash equivalents		1,666,347	2,913,958
Cash and cash equivalents at the beginning of the period		(1,997,782)	(5,087,499)
Cash and cash equivalents at the end of the period	14	(331,435)	(2,173,541)

The annexed notes 1 to 18 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 (UN-AUDITED)

FOR THE THREE MONTH AND SIX MONTH PERIOD ENDED DECEMBER 31, 2021 (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 (now, the Companies Act, 2017). The Company is listed on the Pakistan Stock Exchange. The principal activities of the Company is 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 Water and Power Development Authority (WAPDA) under a Power Purchase Agreement (PPA), for a term of 30 years which commenced from June 19, 1997. Subsequently, WAPDA has irrevocably transferred all of its rights, obligations and liabilities under the PPA to Central Power Purchasing Agency Guarantee Limited (CPPA-G) (Power Purchaser) thereunder via Novation Agreement and Amendment Agreement to the Implementation Agreement which became effective on February 11, 2021 after approval from the relevant authorities.

The address of the registered office of the Company is 301, 3rd Floor, Green Trust Tower, Blue Area, Islamabad 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

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;
- Islamic Financial Reporting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 and IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. Basis of preparation and measurement

These condensed interim financial statements are un-audited but subject to limited scope review. These condensed interim financial statements do not include all the information and disclosures required in an audited financial statements and therefore should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2021.

These condensed interim financial statements are prepared in Pak Rupees, which is the functional currency of the Company. Figures have been rounded off to the nearest thousand rupee unless otherwise specified.

4. Standards, amendments and interpretations to published accounting standards

4.1 Initial application of standards, amendments or interpretations to existing standards

The following amendments to existing standards have been published that are applicable to the Company's condensed interim financial statements covering annual periods, beginning on or after the following dates:

4.1.1 Standards, amendments and interpretations to existing standards that are effective in current period

Certain standards, amendments and interpretations to accounting standards are effective for accounting periods beginning on July 1, 2021 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed interim financial statements.

4.1.2 Standards, amendments and interpretations to existing standards that are not yet effective and/or have not been early adopted by the Company

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 01, 2022, but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

5. Significant accounting policies, estimates, judgements and financial risk management

The preparation of these condensed interim financial statements is in conformity with the approved accounting and reporting standards as applicable in Pakistan. Interim reporting requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on the historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognized prospectively commencing from the period of revision.

Accounting policies, judgements and estimates made by the management in the preparation of these condensed interim financial statements are the same as those applied to the audited financial statements as at and for the year ended June 30, 2021.

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended June 30, 2021.

<u>Un-audited</u>	<u>Audited</u>
<u>December</u>	<u>June</u>
<u>31, 2021</u>	<u>30, 2021</u>
<u>(Rupees in thousand)</u>	

6. Long term finance- secured

Long term loan	- note 6.1	55,048	81,688
Less: Current portion shown under current liabilities		(55,048)	(53,758)
		<u>-</u>	<u>27,930</u>

<u>Un-audited</u> <u>December</u> <u>31, 2021</u>	<u>Audited</u> <u>June</u> <u>30, 2021</u>
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(Rupees in thousand)

6.1. The reconciliation of carrying amount is as follows:

Opening balance		81,688	-
Loan received during the period / year	- note 6.2	-	114,245
Loan repaid during the period / year		(28,870)	(29,641)
Transferred to deferred grant	- note 7	-	(9,418)
Unwinding of discount on liability		2,230	6,502
		<u>55,048</u>	<u>81,688</u>
Current portion shown under current liabilities		<u>(55,048)</u>	<u>(53,758)</u>
		<u>-</u>	<u>27,930</u>

6.2 This represents amount of loan against facility of Rs 145 million 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.

6.3 This facility is secured by joint parri passu charge over all the present and future current assets of the Company.

<u>Un-audited</u> <u>December</u> <u>31, 2021</u>	<u>Audited</u> <u>June</u> <u>30, 2021</u>
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(Rupees in thousand)

7. Deferred Grant

Opening Balance		4,304	-
Received during the period / year		-	9,418
Unwinding of grant		(2,230)	(5,114)
Closing Balance	- note 7.1	<u>2,074</u>	<u>4,304</u>
Represented by:			
Non-current portion		-	630
Current portion		<u>2,074</u>	<u>3,674</u>
		<u>2,074</u>	<u>4,304</u>

7.1. 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.

<u>Un-audited</u> <u>December</u> <u>31, 2021</u>	<u>Audited</u> <u>June</u> <u>30, 2021</u>
(Rupees in thousand)	

8. Short term finances - secured

Under mark up arrangements	- note 8.1	647,219	2,214,475
Under arrangements permissible under Shariah	- note 8.1	703,119	1,575,677
		<u>1,350,338</u>	<u>3,790,152</u>

- 8.1** Short term finances available from commercial banks under mark up arrangements amount to Rs. 7,510 million (June 30, 2021: Rs. 7,510 million), out of which finances available from Islamic banks under Islamic arrangements amount to Rs. 2,900 million (June 30, 2021: Rs. 2,900 million). The rates of mark up / profit for finances under mark up arrangement ranged from 7.62% to 11.02% per annum (June 30, 2021: 7.23% to 9.83% per annum) and for finances under arrangement permissible under Shariah ranged from 7.80% to 10.68% per annum (June 30, 2021 : 7.55% to 9.79% 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.

- 8.2** Out of the aggregate running finances availed by the Company, Rs. 7,450 million (June 30, 2021: Rs. 7,510 million) are secured by joint pari passu charge.
- 8.3** Of the aggregate facility of Rs. 700 million (June 30, 2021: Rs. 700 million) for opening letters of credit and Rs. 5 million (June 30, 2021: Rs. 5 million) for guarantees, the amount utilized as at December 31, 2021 was Rs. 9.25 million (June 30, 2021: Rs. 30.53 million) and Rs.2.99 million (June 30, 2021: Rs. 2.99 million) respectively.

9. Contingencies and commitments

9.1 Contingencies

- 9.1.1** WAPDA imposed Liquidated Damages (LD) on the Company amounting to Rs. 353.85 million (June 30, 2021: 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 condensed interim financial statements.

- 9.1.2** WAPDA imposed LDs on the Company amounting to Rs 179.32 million (June 30, 2021: 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 condensed interim financial statements.

- 9.1.3** 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 condensed interim financial statements.

- 9.1.4** A sales tax demand of Rs. 184.13 million was raised against the Company through order dated August 27, 2019 mainly by the Deputy Commissioner Inland Revenue ('DCIR') on account of inadmissible input tax related to 'capacity purchase price', sales tax default on account of suppression of sales related to tax periods from July, 2015 to June, 2016 and inadmissible input tax claimed by the Company. Against the aforesaid order, the Company preferred an appeal before Commissioner Inland Revenue (Appeals) ('CIR(A)') on September 16, 2019. Out of Rs. 184.13 million, CIR(A) through order dated July 08, 2021 has deleted the demand of Rs. 152.95 million raised on account of inadmissible input tax related to 'capacity purchase price', whereas the remaining demand of Rs. 31.18 million raised related to sales tax default on account of suppression of sales for the tax periods from July, 2015 to June, 2016 and inadmissible input tax claimed by the Company have been remanded back to the DCIR. The Company has filed an appeal before the Tribunal on the issues decided against the Company, which is pending adjudication. The management is of the view that there are meritorious grounds to defend the Company's stance. Consequently, no provision for such demand has been made in these condensed interim financial statements.

- 9.1.5** The Company has issued the following guarantee in favor of:

Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs. 2.99 million (June 30, 2021: Rs 2.99 million).

9.2 Commitments

- (i) Letters of credit / bank contracts other than capital expenditure are Rs 37.84 million (June 30, 2021: Rs 20.17 million).
- (ii) Letters of credit / bank contracts for capital expenditure are Nil (June 30, 2021: Rs 10.36 million).

		<u>Un-audited</u> <u>December</u> <u>31, 2021</u>	<u>Audited</u> <u>June</u> <u>30, 2021</u>
(Rupees in thousand)			
10. Property, plant and equipment			
Operating fixed assets	- note 10.1	2,690,217	2,764,406
Stores held for capitalization		53,246	53,246
Capital work in progress		-	24,034
		<u>2,743,463</u>	<u>2,841,686</u>
10.1 Operating fixed assets			
Opening net book value		2,764,406	3,129,907
Additions during the period	- note 10.1.1	127,753	60,142
		<u>2,892,159</u>	<u>3,190,049</u>
Disposals during the period (at net book value)	- note 10.1.2	503	10,047
Assets written off (at net book value)	- note 10.1.3	3,105	929
Depreciation charged during the period		198,334	414,667
		<u>(201,942)</u>	<u>(425,643)</u>
		<u>2,690,217</u>	<u>2,764,406</u>
10.1.1 Additions during the period / year			
Plant and machinery		125,663	48,133
Electric appliances and equipment		-	370
Computers		234	674
Vehicles		1,856	10,885
Office Equipment		-	80
		<u>127,753</u>	<u>60,142</u>

	<u>Un-audited</u> <u>December</u> <u>31, 2021</u>	<u>Audited</u> <u>June</u> <u>30, 2021</u>
	(Rupees in thousand)	
10.1.2 Disposals during the period		
Office Equipment	-	29
Vehicles	503	10,018
	<u>503</u>	<u>10,047</u>
10.1.3 Assets written off during the period		
Plant and machinery	3,105	929
11. Cash and bank balances		
Balance at banks in:		
Current accounts	851	249,902
Saving accounts		
-Under interest / mark up arrangements - note 11.1	450,500	1,180,049
- Retention account - Onshore	16,088	11,363
-Under arrangements permissible under Shariah - note 11.1	550,033	350,241
	<u>1,016,621</u>	<u>1,541,653</u>
	<u>1,017,472</u>	<u>1,791,555</u>
Cash in hand	1,431	815
	<u>1,018,903</u>	<u>1,792,370</u>

- 11.1** The balance in savings accounts bear mark up at rates ranging from 2.57% to 9.5% per annum (June 30, 2021: 3.01% to 9.00%) and balance in accounts under arrangements permissible under Shariah bear profit at the rates ranging from 2.75% to 11% per annum (June 30, 2021: 2.75% to 6.75%).

	Un-audited		Un-audited	
	Three month period ended		Six month period ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
12. Cost of sales	(Rupees in thousand)			
Raw material consumed	1,412,547	393,965	4,077,765	2,074,469
Salaries, wages and benefits	47,370	56,927	98,182	120,362
Stores and spares consumed	27,954	42,744	90,724	60,356
Depreciation on operating fixed assets	98,300	103,010	195,127	206,184
Fee and subscription	941	902	1,783	1,717
Insurance	18,916	17,522	37,833	35,044
Travelling, conveyance and entertainment	5,640	5,090	11,877	9,918
Repairs and maintenance	2,861	6,304	4,373	8,491
Communication charges	318	176	611	365
Electricity consumed in-house	9,285	9,331	12,458	13,028
Environmental expenses	-	102	170	420
Contracted services	2,679	3,071	5,822	7,063
Miscellaneous	330	437	894	769
Capitalised maintenance written off	3,105	-	3,105	-
	<u>1,630,246</u>	<u>639,581</u>	<u>4,540,724</u>	<u>2,538,186</u>

	Un-audited	
	Six month ended	
	December	December
	31, 2021	31, 2020
	(Rupees in thousand)	
13. Cash generated from operations		
Profit before taxation	690,878	621,922
Adjustment for non-cash charges and other items:		
- Depreciation / amortization	198,587	210,542
- Asset fully written off	3,105	-
- Loss on disposal of property, plant and equipment	-	17
- Income on bank deposits	(5,529)	(687)
- Provision for employee retirement benefits	12,272	26,110
- Finance cost	68,286	173,962
Profit before working capital changes	967,599	1,031,866
Effect on cash flow due to working capital changes:		
- (Increase) / Decrease in stores, spares and loose tools	(2,842)	18,563
- Increase in stock in trade	(176,155)	(425,494)
- Decrease in trade debts	3,086,752	2,443,593
- Decrease in loans, advances, deposits, prepayments and other receivables	192,225	186,695
- Decrease in trade and other payables	(15,158)	(70,668)
	3,084,822	2,152,689
	4,052,421	3,184,555
14. Cash and cash equivalents		
Cash and bank balances	1,018,903	1,519,279
Short term finances - secured	(1,350,338)	(3,692,820)
	(331,435)	(2,173,541)
15. Transactions with related parties		

The related parties comprise associated undertakings, other related companies, key management personnel, inclusive of directors, and their close family members and post retirement benefit plan. The Company in the normal course of business carries out transactions with various related parties. The 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, 2021	December 31, 2020
		(Rupees in thousand)	
i) Associated undertakings and other related parties	Purchase of services	201	-
	Purchase of goods	25,771	116
	Dividend paid	1,285,854	-
ii) Key management personnel	Salaries and other employee benefits	40,357	60,726
	Dividend paid	82,458	-
iii) Post retirement benefit plan	Expense charged	6,136	15,587

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

16. Date of authorization for issue

These condensed interim financial statements were authorized for issue on Feb 21, 2022 by the Board of Directors of the Company.

17. Event after the reporting date

The Board of Directors have approved an interim cash dividend for the period ended December 31, 2021 of Rs 2.75 per share, amounting to Rs 466.011 million at their meeting held on February 21, 2022. These condensed interim financial statements do not include the effect of the above dividend which will be accounted for in the period in which it is approved.

18. Corresponding figures

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

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



Chief Executive Officer



Director



Chief Financial Officer

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Contribution to Social Welfare

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