



KOHINOOR
ENERGY LIMITED

2019

QUARTERLY
REPORT

July-September (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

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 takes pleasure to present you the review report on financial and operational performance and interim accounts of Kohinoor Energy Limited for the 1st quarter ended September 30, 2019.

The Company is engaged in electricity generation from a furnace oil fired power plant having a net capacity of 124 MW. The Company has entered into an exclusive power purchase agreement with The Water and Power Development Authority (WAPDA) for sale of electricity being generated at the power plant. We report that during the quarter under review the power plant by running at 65.35% capacity factor delivered 178,910 MWh of electricity to WAPDA while during the corresponding quarter of last year, the power plant by running at 64.02% capacity delivered 175,268 MWh of electricity to WAPDA.

The sales of the Company for the 1st quarter under review remained at Rs. 3,473 million as compared to Rs 2,984 million for the corresponding quarter of the last financial year. The Company earned net profit after tax of Rs. 379.29 million and demonstrated Earnings Per Share (EPS) of Rs. 2.24 as compared to Rs. 244.79 million (with an EPS Rs. 1.44) earned during corresponding quarter of the last financial year. We take pleasure to report that the power plant has been operated at its best possible efficiency. Saving from fuel consumption and lesser major maintenance cost have contributed to increase in profits of the Company.

During the first quarter under review there was only one engine that overhauled on account of 8k major maintenance while during previous corresponding quarter two engines were overhauled against the major maintenance program. The maintenance work has successfully been carried out by our own technical team. All of the engines and their auxiliary equipment are in quite satisfactory condition.

With respect to the matter of dispute with WAPDA regarding imposition of liquidated damages; and the matter related to raise of sales tax demand by the Federal Board of Revenue, the status is the same as reported earlier.

We report that the Company is facing delay in payments from WAPDA resultantly the overdue amount payable by the power purchaser is mounting up. It's worth to mention that despite of higher amounts of receivables the Company is duly complying with the demand of power supply from the power purchaser, and providing the electricity at its available capacity. The management is consistently persuading the matter with the Power Purchaser and other related quarters for early recoveries of the overdue invoices.

We are thankful and acknowledge the consistent support being extended by CPPA, the financial institutions, Pakistan State Oil Company, Wartsila and other suppliers as well as the 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 of their enthusiasm to remain continued in future.

Islamabad
October 22, 2019



S M Shakeel
Chief Executive Officer



Shingo Ito
Director

BALANCE SHEET

	Note	September 2019	June 2019
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized 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
Unappropriated profit		4,216,407	4,176,038
		<u>5,910,993</u>	<u>5,870,624</u>
CURRENT LIABILITIES			
Employee benefits		31,499	31,929
Short term finances - secured	5	6,632,995	5,354,474
Trade and other payables		37,298	53,867
Accrued finance cost		189,115	103,727
Provision for taxation - net		57,613	59,078
Dividend payable		388,940	50,088
		<u>7,337,460</u>	<u>5,653,163</u>
CONTINGENCIES AND COMMITMENTS	6	-	-
		<u>13,248,453</u>	<u>11,523,787</u>

The annexed notes 1 to 12 form an integral part of these financial statements.



Chief Executive Officer



Director

AS ON SEPTEMBER 30, 2019 (Un-Audited)

	Note	September 2019	June 2019
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	3,441,628	3,541,996
Intangible assets		3,973	4,101
Long term loans and deposits		2,901	3,563
		<u>3,448,502</u>	<u>3,549,660</u>
CURRENT ASSETS			
Stores, spares and loose tools		307,028	316,292
Stock-in-trade		182,548	190,046
Trade debts		8,968,522	7,155,022
Loans, advances, deposits, prepayments and other receivables		289,121	237,141
Cash and bank balances		52,732	75,626
		<u>9,799,951</u>	<u>7,974,127</u>
		<u><u>13,248,453</u></u>	<u><u>11,523,787</u></u>



Chief Financial Officer

PROFIT AND LOSS ACCOUNT

FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (Un-Audited)

	Note	July to September	
		2019	2018
(Rupees in thousand)			
Sales		3,472,376	2,983,589
Cost of sales	8	(2,810,921)	(2,570,576)
Gross profit		661,455	413,013
Administration and general expenses		(70,030)	(66,536)
Profit from operations		591,425	346,477
Other income		93	94
Finance costs		(212,205)	(101,752)
Profit before tax		379,313	244,819
Taxation		(27)	(28)
Profit for the period		379,286	244,791
Earnings per share - basic and diluted	Rupees	2.24	1.44

The annexed notes 1 to 12 form an integral part of these financial statements.



Chief Executive Officer



Director



Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME

FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (Un-Audited)

	Note	July to September	
		2019	2018
Profit for the period		379,286	244,791
Other comprehensive income		-	-
Total comprehensive income for the quarter		<u>379,286</u>	<u>244,791</u>

The annexed notes 1 to 12 form an integral part of these financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CASH FLOW STATEMENT

FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (Un-Audited)

	Note	July to September	
		2019	2018
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	10	(1,165,211)	(77,600)
Staff retirement benefits paid		(4,248)	(3,918)
Finance costs paid		(126,508)	(93,507)
Taxes paid		(1,438)	(1,361)
Net cash from operating activities		(1,297,406)	(176,386)
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,622)	(64,198)
Interest/mark-up income received		93	94
Net increase in long term loans, advances and deposits		662	2,636
Sale proceeds of property, plant and equipment		923	868
Net cash used in investing activities		(3,944)	(60,600)
Cash flows from financing activities			
Increase in short term financing		1,278,521	110,922
Dividend paid		(65)	(1,838)
Net cash used in financing activities		1,278,456	109,084
Net increase/(decrease) in cash and cash equivalents		(22,894)	(127,903)
Cash and cash equivalents at beginning of the period		75,626	154,573
Cash and cash equivalents at the end of the period		52,732	26,671

The annexed notes 1 to 12 form an integral part of these financial statements.



Chief Executive Officer



Director



Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE QUARTER ENDED SEPTEMBER 30, 2019 (Un-Audited)

	Share capital	Un-appropriated profit (Rupees in thousand)	Total
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	-	244,791	244,791
Balance as on September 30, 2018	1,694,586	4,386,210	6,080,796
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)
Profit for the period (Oct-18 to Jun-19)	-	306,686	306,686
Other Comprehensive Income:			
Re-measurement of staff gratuity fund	-	(8,483)	(8,483)
Balance as on June 30, 2019	1,694,586	4,176,038	5,879,107
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 quarter	-	379,286	379,286
Balance as on September 30, 2019	1,694,586	4,216,407	5,919,476

The annexed notes 1 to 12 form an integral part of these financial statements.


Chief Executive Officer


Director


Chief Financial Officer

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER ENDED SEPTEMBER 30, 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 (Now Companies Act, 2017). The Company is listed on the Pakistan Stock Exchange. The principal activity 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 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

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

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

- Provision of & directives issued under the Companies Act, 2017

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

This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2019.

3. Significant Accounting Policies

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended June 30, 2019.

4. Accounting Estimates & Judgements

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements for the year ended June 30, 2019.

5. Short Term Financing - Secured

- Under mark up arrangements
- Under arrangements permissible under Shariah

	September 2019	June 2019
	3,096,603	2,485,506
	3,536,393	2,868,968
	<u>6,632,995</u>	<u>5,354,474</u>

Out of total available short term finances amounting to Rs. 8,910 million (June 30, 2019: Rs. 8,410 million) finances available from Islamic banks under Islamic arrangements amount to Rs. 4,810 (June 30, 2019: Rs. 3,410 million). The rates of mark up for finances under mark-up arrangement ranged from 13.37% to 15.30% per annum (June 30, 2019: 6.92% to 12.75% per annum) and for finances under arrangement permissible under Shariah ranged from 12.93% to 15.74 % per annum (June 30, 2019: 6.38% to 10.99 % per annum) on the balances outstanding.

6. Contingencies and commitments

6.1 Contingencies

6.1.1 WAPDA has imposed Liquidated Damages (LD) on the Company amounting to Rs. 586.97 million (2019: Rs. 510.908 million) during the period from 2011 to 2018. 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 233.12 million is due to incorrect calculation of LDs by WAPDA as while calculating the LDs, certain factors were ignored by WAPDA that were to be considered under the terms of Power Purchase Agreement (PPA).

The Company disputes and rejects the claim on account of LDs because under the terms of PPA, no LDs can be charged to the Company due to the reasons caused solely by the Power Purchaser i.e. WAPDA.

According to legal advisors of the Company, there are adequate grounds to defend the claim for such LDs, therefore no provision has been made in these financial statements.

6.1.2A 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 financial statements.

6.2 Commitments

(i) Commitment regarding letter of credit/bank contracts other than capital expenditure Rs. 6.736 million (June 30, 2019: Rs. Nil million)

(ii) Commitment regarding letter of credit for capital expenditure Rs. Nil million (June 30, 2019: Rs. 4.44 million)

	Note	September 2019	June 2019
(Rupees in thousand)			
7. Property, plant and equipment			
Operating fixed assets	7.1	3,353,858	3,425,226
Stores held for capital expenditures		87,770	116,770
		<u>3,441,628</u>	<u>3,541,996</u>
7.1 Operating fixed assets			
Opening net book value		3,425,226	3,432,549
Additions (At cost)		34,624	407,125
		3,459,850	3,839,674
Disposals (at NBV)		(923)	(10,482)
Transfer (Cost)			(4,125)
Depreciation charge		(105,069)	(399,841)
		(105,992)	(414,448)
Closing net book value		<u>3,353,858</u>	<u>3,425,226</u>

8. Cost of sales

Raw material consumed
Salaries, wages and benefits
Stores and spares consumed
Depreciation/amortization
Insurance
Traveling, conveyance and entertainment
Repair and maintenance
Electricity consumed in-house
Contracted Services
Miscellaneous

	July to September	
	2019	2018
	(Rupees in thousand)	
	2,560,256	2,307,729
	66,569	62,946
	42,779	74,427
	103,076	93,893
	19,071	11,761
	5,732	7,194
	3,525	5,562
	1,956	1,057
	4,856	3,926
	3,101	2,080
	2,810,921	2,570,576

9. Related party transactions**Relationship with the company Nature of transactions**

i. Associated undertakings Purchase of services
Reimbursement of expenses
Purchase of goods

ii. Key Management Personnel Salaries and other employee benefits

ii. Retirement benefit plan Expense charged

	-	1,084
	8	-
	970	596
	35,611	29,817
	3,818	4,971
	40,407	36,468

Period end balances

Payable to related parties

	September	June
	2019	2019
	(Rupees in thousand)	
	2	153

10. Cash generated from operations

Profit before tax
Adjustments for:
Depreciation/amortization
Interest income
Provision for retirement benefits
Finance cost

Profit before working capital changes

Effect on cash flow due to working capital changes
Stores and spares
Stock in trade
Trade debts
Other receivables
Creditors, accrued and other liabilities

	July to September	
	2019	2018
	(Rupees in thousand)	
	379,313	244,819
	105,195	95,893
	(93)	(94)
	3,818	4,971
	211,842	101,378
	700,075	446,966
	9,264	11,804
	7,498	60,794
	(1,813,500)	(733,278)
	(51,980)	60,736
	(16,569)	75,378
	(1,865,287)	(524,566)
	(1,165,211)	(77,600)

11. Date of authorization for issue

These financial statements were authorized for issue on October 22, 2019 by the Board of Directors of the company.

12. Corresponding figures

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


Chief Executive Officer

Director

Chief Financial Officer

“SAY NO TO CORRUPTION”

Contribution to Social Welfare

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