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Board of Directors

Mr. M. Naseem Saigol
Chairman
Mr. S M Shakeel
Chief Executive Officer
Mr. Tatsuo Hisatomi
Mr. Shinichi Ushijima
Mr. Manabu Iida
Mr. Mikihiro Moriya
Independent
Mr. Muhammad Asad Khan
Nominee of Wartsila Finland Oy

Company Secretary

Mr. Muhammad Asif

Audit Committee

Mr. Mikihiro Moriya
Chairman
Mr. S M Shakeel
Mr. Shinichi Ushijima
Mr. Manabu Iida

HR & Remuneration Committee

Mr. Mikihiro Moriya
Chairman
Mr. S M Shakeel
Mr. Tatsuo Hisatomi
Mr. Manabu Iida

Management

Mr. S M Shakeel
Chief Executive Officer
Mr. Ghazanfar Ali Zaidi
General Manager Technical
Mr. Muhammad Ashraf
Chief Financial Officer

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Bankers

Standard Chartered Bank (Pakistan) Limited
Bank Alfalah Limited
Askari Bank Limited
AL Baraka Bank (Pakistan) Limited
Meezan Bank Limited
Habib Bank Limited
NIB Bank Limited
United Bank 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

Website

www.kel.com.pk



The Board of Directors takes pleasure to present you the financial and operational review report together with the interim accounts of Kohinoor Energy Limited (the Company) for the 1st quarter ended September 30, 2016.

The Company owns, operates and maintains a 124 MW furnace oil fired power plant with a gross capacity of 131.44 MW. During the 1st quarter of the current financial year, the plant operated at 76.43% capacity factor and delivered 209,246 MWh of electricity to the power purchaser; while during the corresponding period of the last financial year the plant, by running at 79.88% capacity factor delivered 218,712 MWh.

We report that surpassing 100k operational hours two engines have been overhauled under 8k running hours maintenance program. In terms of the existing maintenance agreement the said maintenances were carried out by Wartsila Pakistan. After the 8k maintenance of remaining one engine by Wartsila sometime in November 2016, the maintenance agreement with Wartsila shall expire; and the Company has put in place an in-house team which shall be responsible to carry out the maintenance post expiry of the existing agreement. As reported earlier, this restructuring of the maintenance activity shall bring substantial savings for the Company without compromising on the quality. We also report that the overall condition and performance of the power plant is quite satisfactory.

We report that during the 1st quarter under review total turnover of the Company remained at Rs. 1.191 billion as compared to Rs. 2.257 billion demonstrated during the corresponding quarter of the last financial year. The Company earned a net profit after tax of Rs. 191 million and demonstrating an earning per share (EPS) of Rs. 1.13 as compared to Rs. 162 million with an EPS of Rs. 0.96 posted during the corresponding 1st quarter of the FY 2015-16. Because of non-renewal of the said major maintenance agreement, the saving on account of Fee for Produced Electricity payable to Wartsila and some non-reoccurring expenses have contributed to increase in profits of the Company.

The Board is thankful and acknowledges the consistent support being extended by the financial institutions, WAPDA, PSO, Wartsila and other suppliers as well as our valued shareholders of the Company. The Board also extends its appreciation to the employees of the Company for their continued efforts resulted in safe, efficient and reliable operations of the plant and we are confident that same spirit of their enthusiasm shall remain continued in the future.

For and on behalf of the Board



S M Shakeel
Chief Executive Officer

Lahore
October 18, 2016

BALANCE SHEET

Quarterly 20
Report 16

	Note	September 2016	June 2016
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized capital 170,000,000 (June 2016: 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 2016: 169,458,614) ordinary shares of Rs. 10 each		1,694,586	1,694,586
Unappropriated profit		4,291,605	4,397,095
		<u>5,986,191</u>	<u>6,091,681</u>
Long term financing - secured	4	—	—
CURRENT LIABILITIES			
Employee benefits		32,513	28,603
Short term finances - secured		2,172,124	2,473,983
Current Portion of long term financing		—	30,413
Trade and other payables		152,971	149,664
Accrued finance cost		10,629	14,828
Dividend payable		296,553	—
		<u>2,664,790</u>	<u>2,697,491</u>
CONTINGENCIES AND COMMITMENTS	5	—	—
		<u>8,650,981</u>	<u>8,789,172</u>

The annexed notes 1 to 11 form an integral part of these financial statements.


Chief Executive

AS AT SEPTEMBER 30, 2016 (Un-Audited)



	Note	September 2016	June 2016
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	3,805,724	3,893,564
Intangible assets		5,569	5,776
Long term loans and deposits		10,395	9,608
		<u>3,821,688</u>	<u>3,908,948</u>
CURRENT ASSETS			
Stores, spares and loose tools		382,956	380,265
Stock-in-trade		208,521	158,854
Trade debts		3,747,723	3,607,405
Loans, advances, deposits, prepayments and other receivables		470,653	685,350
Advance Tax - net		17,211	14,735
Cash and bank balances		2,229	33,615
		<u>4,829,293</u>	<u>4,880,224</u>
		<u>8,650,981</u>	<u>8,789,172</u>

Director

PROFIT AND LOSS ACCOUNT

FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (Un-Audited)

Quarterly 20
Report 16

	Note	July to September	
		2016	2015
(Rupees in thousand)			
Sales		1,910,705	2,256,672
Cost of sales	7	(1,625,242)	(1,979,528)
Gross profit		285,463	277,144
Administration and general expenses		(63,326)	(74,398)
Other operating income		915	25
Profit from operations		223,052	202,771
Finance costs		(31,705)	(40,641)
Profit before tax		191,347	162,130
Taxation		(284)	(8)
Profit for the period		191,063	162,122
Earnings per share - basic and diluted	Rupees	1.13	0.96

The annexed notes 1 to 11 form an integral part of these financial statements.


Chief Executive


Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (Un-Audited)



	Note	July to September	
		2016	2015
Profit for the period		191,063	162,122
Other comprehensive income		—	—
Total comprehensive income for the quarter		<u>191,063</u>	<u>162,122</u>

The annexed notes 1 to 11 form an integral part of these financial statements.


Chief Executive


Director

CASH FLOW STATEMENT

FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (Un-Audited)

Quarterly 20
Report 16

	Note	July to September	
		2016	2015
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	9	341,049	528,227
Staff retirement benefits paid		(917)	(62)
Finance costs paid		(35,547)	(37,742)
Taxes paid		(2,759)	(7,524)
Net cash from operating activities		301,826	482,899
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,605)	(45,853)
Interest income received		12	25
Net (increase)/decrease in long term loans, advances and deposits		(787)	760
Sale proceeds of property, plant and equipment		2,635	334
Net cash used in investing activities		(745)	(44,734)
Cash flows from financing activities			
Decrease in short term financing (net)		(301,859)	(520,522)
Decrease in long term financing		(30,413)	(32,290)
Dividend paid		(195)	(112)
Net cash used in financing activities		(332,467)	(552,924)
Net decrease in cash and cash equivalents		(31,386)	(114,759)
Cash and cash equivalents at beginning of the period		33,615	142,235
Cash and cash equivalents at the end of the period		2,229	27,476

The annexed notes 1 to 11 form an integral part of these financial statements.


Chief Executive


Director

STATEMENT OF CHANGES IN EQUITY

FOR THE QUARTER ENDED SEPTEMBER 30, 2016 (Un-Audited)



	Share capital	Un-appropriated profit (Rupees in thousand)	Total
Balance as on July 1, 2015	1,694,586	4,641,886	6,336,472
Final dividend for the year ended June 30, 2015 at the rate of Rs 2.00 per share	—	(338,917)	(338,917)
Total comprehensive income for the period	—	162,122	162,122
Balance as on September 30, 2015	1,694,586	4,465,091	6,159,677
Interim dividend for the year ended June 30, 2016 at the rate of Rs 2.00 per share	—	(338,917)	(338,917)
Interim dividend for the year ended June 30, 2016 at the rate of Rs 1.50 per share	—	(254,188)	(254,188)
Total comprehensive income for the period (Oct-14 to Jun-15)	—	525,109	525,109
Balance as on June 30, 2016	1,694,586	4,397,095	6,091,681
Final dividend for the year ended June 30, 2016 at the rate of Rs 1.75 per share	—	(296,553)	(296,553)
Total comprehensive income for the quarter	—	191,063	191,063
Balance as on September 30, 2016	<u>1,694,586</u>	<u>4,291,605</u>	<u>5,986,191</u>

The annexed notes 1 to 11 form an integral part of these financial statements.


Chief Executive


Director

1. Legal status and nature of business

Kohinoor Energy Limited (the company) was incorporated in Pakistan on April 26, 1994 as a public limited company under the Companies Ordinance, 1984 and its shares are quoted on 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 Water and Power Development Authority (WAPDA) under a Power Purchase Agreement (PPA), for a term of 30 years which commenced from June 19, 1997. The registered office of the company is located in Islamabad.

2. Basis of preparation

This condensed interim financial information is un-audited and has been prepared in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard (IAS) 34 - 'Interim Financial Reporting'. 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, 2016.

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, 2016.

4. Long term financing - secured

This represent Islamic finance under musharaka agreement from Al Baraka Bank (Pakistan) Limited which is repayable in 12 equal quarterly installments from the date of disbursement. The pricing is based on 3 months kibar plus 1.1% and is secured by first pari passu charge over all fixed assets including Land and Building to the extent of Rs. 667 million.

5. Contingencies and commitments

WAPDA has imposed Liquidated Damages (LDs) on the company amounting to Rs. 417.59 m (June 30, 2016: Rs. 415.44 m) during the period from 2011 to 2016. The reasons of LDs are as follows:

"i. Rs. 354 m is because of the 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 (PSO), that resulted in inadequate level of electricity production owing to shortage of fuel, and ;

ii. Rs. 63.59 m is due to incorrect calculations of LDs by WAPDA as while calculating the LDs, certain factors were ignored 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 the PPA, no LDs can be charged to the Company due to the reasons caused solely by the Power Purchaser i.e. WAPDA.

According to legal advisors of the company, there are adequate grounds to defend the claim for such LDs, therefore no provision has been made in these financial statements. It is also pertinent to mention here that recently in a similar case pertaining to 'capacity payments' of other Independent Power Producers (falling under the 1994 and 2002 power policy), the experts gave the decision in favour of Independent Power Producers.

- (ii) Commitment regarding letter of credit/bank contracts other than capital expenditure Rs. 31 million (June 30, 2016: Rs.8.65 million)
- (iii) Commitment regarding letter of credit for capital expenditure Rs. Nil million (June 30, 2016: Rs. Nil)

	Note	September 2016	June 2016
6. Property, plant and equipment		(Rupees in thousand)	
Operating fixed assets	6.1	3,784,641	3,852,559
Stores held for capital expenditures		21,083	41,005
		<u>3,805,724</u>	<u>3,893,564</u>
6.1 Operating fixed assets			
Opening net book value		3,852,559	4,079,514
Additions (at cost)		22,527	138,290
		<u>3,875,086</u>	<u>4,217,804</u>
Disposals (at NBV)		(1,732)	(10,841)
Assets Write-offs		–	(6,450)
Depreciation charge		(88,713)	(347,954)
		<u>(90,445)</u>	<u>(365,245)</u>
Closing net book value		<u>3,784,641</u>	<u>3,852,559</u>
		July to September	
		2016	2015
		(Rupees in thousand)	
7. Cost of sales			
Raw material consumed		1,406,666	1,740,473
Salaries, wages and benefits		53,944	57,466
Fee for Produce of Energy (FPE)		1,925	17,457
Stores and spares consumed		55,852	56,735
Depreciation/amortization		87,018	85,167
Insurance		7,512	9,646
Traveling, conveyance and entertainment		3,645	2,944
Repair and maintenance		3,525	3,741
Electricity consumed in-house		91	248
Miscellaneous		5,064	5,651
		<u>1,625,242</u>	<u>1,979,528</u>
8. Related party transactions			
		July to September	
		2016	2015
		(Rupees in thousand)	
Relationship with the company	Nature of transactions		
i. Associated undertakings	Purchase of goods and services	195	–
	Share of expenses	93	86
ii. Key management	Salaries and other employee benefits	25,192	38,940
iii. Post employment benefit plan	Expense charged in respect of retirement benefit plan	4,827	3,290
		<u>30,307</u>	<u>42,316</u>

Period end balances

September 2016	June 2016
(Rupees in thousand)	

Payable to related parties	216	41
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July to September

2016	2015
(Rupees in thousand)	

9. Cash generated from operations

Profit before tax	191,347	162,130
Adjustments for:		
Depreciation/amortization	88,920	87,224
Gain on disposal of property, plant and equipment	(903)	-
Interest income	(12)	(25)
Provision for retirement benefits	4,827	3,290
Finance cost	31,346	40,231
Profit before working capital changes	315,525	292,850
Effect on cash flow due to working capital changes		
Stores and spares	(2,691)	(10,141)
Stock in trade	(49,667)	15,373
Trade debts	(140,318)	172,451
Other receivables	214,698	101,999
Increase in creditors, accrued and other liabilities	3,502	(44,305)
	25,524	235,377
	341,049	528,227

10. Date of authorization for issue

These financial statements were authorized for issue on October 18, 2016 by the Board of Directors of the company.

11. 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


Director