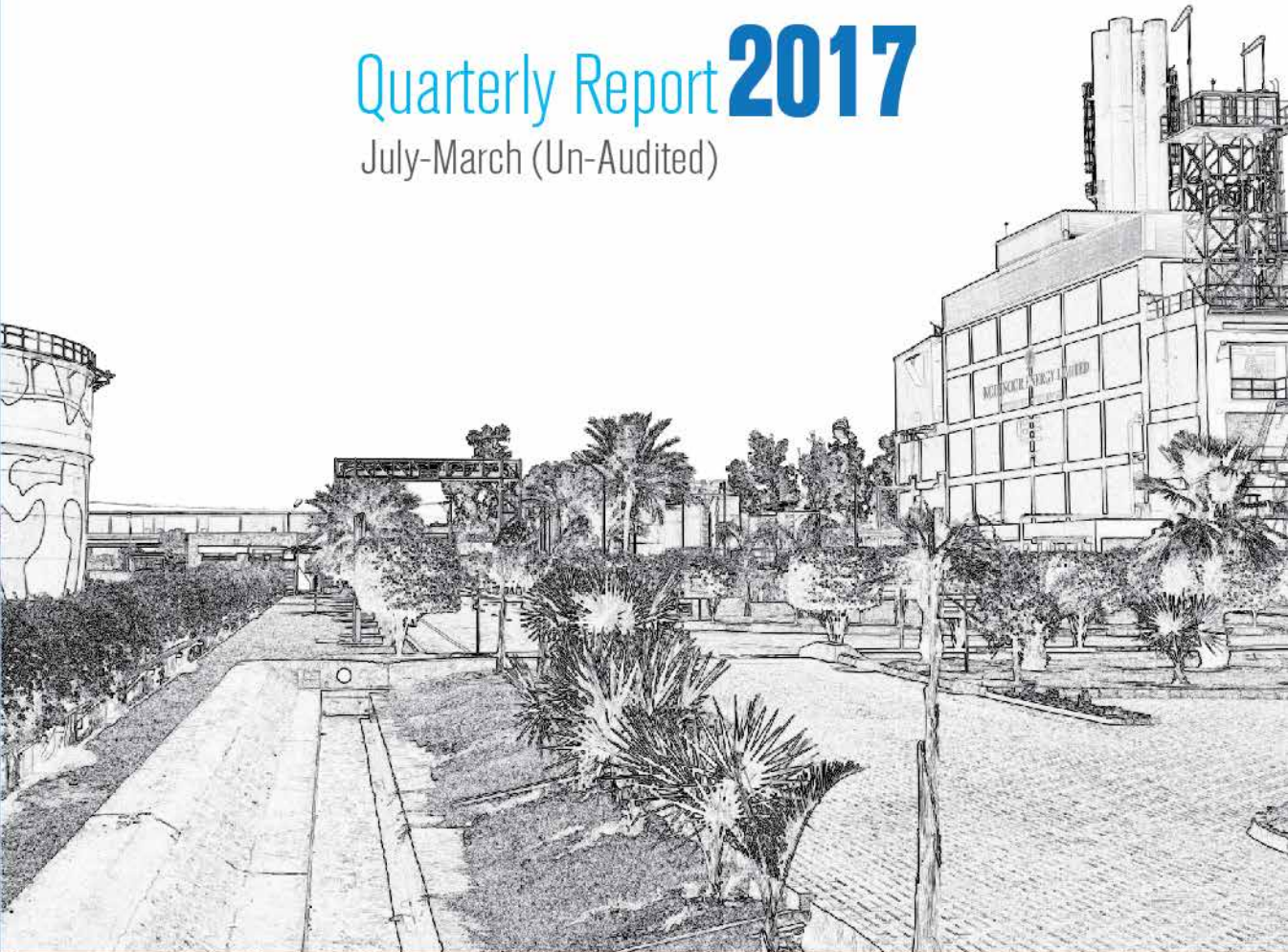




KOHINOOR
ENERGY LIMITED

Quarterly Report **2017**

July-March (Un-Audited)





CONTENTS

- 02 CORPORATE INFORMATION
- 03 DIRECTORS' REVIEW
- 04 BALANCE SHEET
- 06 PROFIT AND LOSS ACCOUNT
- 07 STATEMENT OF COMPREHENSIVE INCOME
- 08 CASH FLOW STATEMENT
- 09 STATEMENT OF CHANGES IN EQUITY
- 10 NOTES TO AND FORMING PART

Board of Directors

Mr. M. Naseem Saigol
Chairman
Mr. S M Shakeel
Chief Executive Officer
Mr. Tatsuo Hisatomi
Mr. Shinichi Ushijima
Mr. Hirotoshi Ugajin
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. Hirotoshi Ugajin

HR & Remuneration Committee

Mr. Mikihiro Moriya
Chairman
Mr. S M Shakeel
Mr. Tatsuo Hisatomi
Mr. Hirotoshi Ugajin

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
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

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 (the Company) for the 3rd quarter ended March 31, 2017.

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 plant. During the period of 3rd quarter the power plant by operating at 73.33% capacity factor delivered 196,418 MWh of electricity to WAPDA while during the corresponding quarter year last year, the plant by running at 75.09% capacity delivered 203,362 MWh of electricity.

The sales revenues of the Company for the quarter under review stood at Rs. 2.219 billion as compared to Rs 1.42 billion for the corresponding quarter of the last year. In aggregate the sales for nine months of the current financial year stood at Rs. 5.911 billion as compared to Rs. 5.545 billion in nine months of the corresponding year. During the quarter under review the Company earned a net profit after tax of Rs. 254.2 million and demonstrated earning per share (EPS) of Rs. 1.50 as compared to net profit after tax of Rs. 210.98 million and EPS of Rs. 1.25 demonstrated during the corresponding period last year. Overall profits for current nine months surged to Rs. 588 million as compared to Rs. 561 million of corresponding nine months. We had reported earlier that non-renewal of major maintenance contract shall bring substantial saving to bottom-line of the Company. The Board takes pleasure to report that the decision to carry out major maintenance through in-house team has substantially contributed to increase in profits of the Company.

We take pleasure to inform you that the Board of Directors has declared 2nd interim dividend for the financial year 2016-17 at the rate of Rs. 1.50 per ordinary share of Rs. 10 each i.e. @15%, which will be paid to those shareholders whose names would appear on members' register on May 09, 2017. The Share Transfer Books of the Company will remain closed from May 09, 2017 to May 15, 2017 (both days inclusive). Transfers received at our Share Registrar M/s CORPLINK (Private) Ltd, situated at Wings Arcade, 1-K Commercial, Model Town, Lahore upto the close of business hours on May 08, 2017 will be treated in time for the purpose of entitlement of cash dividend to the transferees.

This is with respect to the matters of disputes with WAPDA on 1) eligibility of indexation on non-escalable component of the capacity purchase price and 2) the imposition of liquidated damages and; the matter related to raise of sales tax demand by revenue department, the status is the same as reported earlier.

Further we would like to report that the overdue amount payable by the power purchaser has been shoot up to an alarming level and we are pursuing the power purchaser, PPIB and the Ministry of Water & Power for an early resolution of this issue. The Company has been complying with all the dispatch instructions by the power purchaser despite of mounting overdue amount


We also report that during the quarter under review one engine surpassing 108k operational hours has been overhauled under 8k major maintenance program as compared to half of one engine's maintenance cost incurred in the corresponding quarter. As reported earlier the maintenance has successfully been carried out by our own in-house team for the first time. All of the maintenance work has been performed in accordance with the budget and scheduled time.

We are pleased to report that the Company, this year as well, has successfully qualified the Annual Dependable Capacity Test (ADC), conducted by WAPDA on April 07, 2017. Even after the 19 years after the COD, the plant is in excellent condition and we demonstrated a capacity of 127.74 MW, pretty higher than the net contractual capacity of 124 MW.

Consequent to other business engagements Mr. Manabu lida has relinquished the office of director of the Company and in his place the Board has appointed Mr. Hirotohi Ugajin as director of the Company effective from April 01, 2017. The Board extends special thanks and gratitude to Mr. lida for his valuable services that he extended to the Company during his tenure and extends warm welcome to Mr. Ugajin as new director of the Company.

We are thankful and acknowledge the consistent support being extended by WAPDA, the financial institutions, Pakistan State Oil Company, 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 of their enthusiasm to remain continued in future.

For and on behalf of the Board


S M Shakeel
Chief Executive Officer

Lahore
April 24, 2017

BALANCE SHEET

Quarterly 20
Report 17

	Note	March 2017	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		4,391,969	4,397,095
		<u>6,086,555</u>	<u>6,091,681</u>
CURRENT LIABILITIES			
Employee benefits		8,183	28,603
Short term finances - secured	5	3,257,695	2,473,983
Current portion of long term loans		-	30,413
Trade and other payables		173,871	149,664
Accrued Finance Cost		17,711	14,828
		<u>3,457,460</u>	<u>2,697,491</u>
CONTINGENCIES AND COMMITMENTS	6	-	-
		<u>9,544,015</u>	<u>8,789,172</u>

The annexed notes 1 to 14 form an integral part of these financial statements.


Chief Executive

AS ON MARCH 31, 2017 (Un-Audited)



	Note	March 2017	June 2016
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	3,644,902	3,852,559
Intangible assets		5,236	5,776
Stores held for capital expenditures		14,896	41,005
Long term loans, advances and deposits		9,834	9,608
		<u>3,674,868</u>	<u>3,908,948</u>
CURRENT ASSETS			
Stores, spares and loose tools		364,991	380,265
Stock-in-trade		183,934	158,854
Trade debts		4,648,567	3,607,405
Loans, advances, deposits, prepayments and other receivables		552,992	685,350
Cash & Bank balances		95,835	33,615
Advance Tax - Net		22,828	14,735
		<u>5,869,147</u>	<u>4,880,224</u>
		<u>9,544,015</u>	<u>8,789,172</u>

Director

PROFIT AND LOSS ACCOUNT

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2017 (Un-Audited)

Quarterly 20
Report 17

	Note	January to March		July to March	
		2017	2016	2017	2016
(Rupees in thousand)					
Sales		2,219,141	1,421,312	5,911,968	5,544,866
Cost of sales	8	(1,858,309)	(1,120,338)	(5,023,809)	(4,680,830)
Gross profit		360,832	300,974	888,159	864,036
Administration and general expenses		(58,885)	(58,439)	(181,490)	(200,716)
Other operating income		34	154	2,133	338
Profit from operations		301,981	242,689	708,801	663,658
Finance costs		(47,691)	(31,662)	(120,162)	(102,584)
Profit before tax		254,290	211,027	588,639	561,074
Taxation		(10)	(49)	(661)	(108)
Profit for the period		254,280	210,978	587,978	560,966
Earnings per share - basic and diluted	Rupees	1.50	1.25	3.47	3.31

The annexed notes 1 to 14 form an integral part of these financial statements.


Chief Executive


Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2017 (Un-Audited)



Note	January to March		July to March	
	2017	2016	2017	2016
	(Rupees in thousand)			
Profit after taxation	254,280	210,978	587,978	560,966
Other Comprehensive Income	–	–	–	–
Items that will not be reclassified to profit or loss	–	–	–	–
Items that may be subsequently reclassified to profit and loss	–	–	–	–
	–	–	–	–
Total comprehensive income for the period	254,280	210,978	587,978	560,966

The annexed notes 1 to 14 form an integral part of these financial statements.


Chief Executive


Director

CASH FLOW STATEMENT

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2017 (Un-Audited)

Quarterly 20
Report 17

	Note	July to March	
		2017	2016
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	10	110,321	1,002,768
Staff retirement benefits paid		(36,854)	(22,608)
Finance costs paid		(116,230)	(102,434)
Taxes paid		(8,754)	(14,114)
Net cash from operating activities		(51,517)	863,612
Cash flows from investing activities			
Purchase of property, plant and equipment		(68,543)	(74,554)
Interest/mark-up income received		96	338
Net (increase)/decrease in long term loans, advances and deposits		(226)	3,073
Sale proceeds of property, plant and equipment		10,489	6,165
Net cash (used in)/from investing activities		(58,184)	(64,978)
Cash flows from financing activities			
Long term loan repaid during the year		(30,413)	(98,977)
Dividend paid		(581,378)	(673,787)
Net cash used in financing activities		(611,791)	(772,764)
Net (decrease) in cash and cash equivalents		(721,492)	25,870
Cash and cash equivalents at beginning of the period		(2,440,368)	(2,103,666)
Cash and cash equivalents at the end of the period	11	<u>(3,161,860)</u>	<u>(2,077,796)</u>

The annexed notes 1 to 14 form an integral part of these financial statements.


Chief Executive


Director

STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED MARCH 31, 2017 (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)
Interim dividend for the year ended June 30, 2016 at the rate of Rs 2.00 per share	–	(338,917)	(338,917)
Total comprehensive income for the period	–	560,966	560,966
Balance as on March 31, 2016	1,694,586	4,525,018	6,219,604
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	–	126,265	126,265
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	–	(296,552)	(296,552)
Interim dividend for the year ending June 30, 2017 at the rate of Rs 1.75 per share	–	(296,552)	(296,552)
Total comprehensive income for the period	–	587,978	587,978
Balance as on March 31, 2017	1,694,586	4,391,969	6,086,555

The annexed notes 1 to 14 form an integral part of these financial statements.


Chief Executive


Director

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED MARCH 31, 2017 (Un-Audited)

Quarterly 20
Report 17

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. 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 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. Critical 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, 2016.

Un-audited	Audited	March 31, 2017	June 30, 2016
		(Rupees in thousand)	

5. Short term finances - secured

- Under mark up arrangements	- note 5.1	1,535,530	1,690,585
- Under arrangements permissible under Shariah	- note 5.1	1,722,165	783,398
		3,257,695	2,473,983

5.1 Out of total available short term finances amounting to Rs. 5,610 million (June 30, 2016: Rs. 5,610 million) finances available from Islamic banks under Islamic arrangements amount to Rs. 3,000 million. The rates of mark up for finances under mark-up arrangement ranged from 6.11% to 7.30% per annum (June 30, 2016: 6.41% to 8.26% per annum) and for finances under arrangement permissible under Shariah ranged from 6.08% to 6.55% per annum (June 30, 2016: 6.46% to 8.22% per annum) on the balances outstanding.

6. Contingencies and commitments

There is no change in contingencies & commitments from the preceding published financial statements of the company for the half year ended Dec 31, 2016 except the following.

- (i) WAPDA has imposed Liquidated Damages (LDs) on the company amounting to Rs. 425.7 million (June 2016: Rs. 415.44 million) during the period from 2011 to 2016. The reasons of LDs are as follows:
- i. Rs. 353.85 million 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. 71.85 million 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 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 favor of Independent Power Producers.

- (ii) Commitment regarding letter of credit / bank contract other than capital expenditure Rs. 14 million (June 30, 2016: Rs. 8.65 million)
- (iii) Commitment regarding capital expenditures as at March 31, 2017 is Rs. 18 (June 30, 2016: Rs. Nil)

	March 2017	June 2016
(Rupees in thousand)		
7. Property, plant and equipment		
Opening book value	3,852,559	4,079,514
Add: Additions during the period	68,543	138,290
	3,921,102	4,217,804
Less: Disposals during the period (at book value)	4,993	10,841
Assets Write Off	3,459	6,450
Depreciation charged during the period	267,747	347,954
	276,200	365,245
	3,644,902	3,852,559

	January to March 2017	January to March 2016	July to March 2017	July to March 2016
(Rupees in thousand)				
8. Cost of sales				
Raw material consumed	1,656,121	934,614	4,359,006	4,048,810
Salaries, wages and benefits	44,895	37,450	145,583	136,481
Fee for Produce of Energy (FPE)	—	9,778	1,925	41,729
Stores and spares consumed	45,465	29,650	185,590	133,047
Depreciation/amortization	87,834	84,680	262,359	254,024
Asset written off	3,459	3,617	3,459	3,617
Insurance	7,355	9,781	22,352	29,163
Traveling, conveyance and entertainment	3,386	2,697	10,539	8,400
Repairs and maintenance	4,407	2,611	16,731	10,133
Electricity consumed in-house	441	620	1,778	1,382
Miscellaneous	4,946	4,841	14,487	14,045
	1,858,309	1,120,338	5,023,809	4,680,830

	July to March 2017	July to March 2016
(Rupees in thousand)		
9. Transactions with related parties		
Relationship with the company	Nature of transactions	
i. Associated undertakings and other related parties	Purchase of services	273
	Sharing of expenditure	185
	Dividend paid	214,878
ii. Key management	Salaries and other employee benefits	74,735
	Dividend paid	154,355
iii. Post employment	Expense charged	14,481
		341
		52
		245,574
		95,957
		176,406
		11,908

	March 2017	June 2016
Period end balances	(Rupees in thousand)	
Payable to related parties	26	-
	July to March	
	2017	2016
	(Rupees in thousand)	
10. Cash generated from operations		
Profit before tax	588,639	561,074
Adjustments for:		
Depreciation/amortization	268,287	260,261
Gain on disposal of property, plant and equipment	(2,037)	-
Interest income	(96)	(338)
Provision for gratuity	16,434	19,214
Finance cost	119,113	101,388
Profit before working capital changes	990,341	941,599
Effect on cash flow due to working capital changes		
Stores and spares	41,383	(64,276)
Stock in trade	(25,080)	116,825
Trade debts	(1,041,162)	(82,598)
Advances deposits prepayments & other receivables	132,358	123,737
Creditors, accrued and other liabilities	12,481	(32,519)
	(880,020)	61,169
	110,321	1,002,768
11. Cash and cash equivalents		
Cash and bank balances	95,835	7,975
Finances under mark-up arrangements - Secured	(3,257,695)	(2,085,771)
	(3,161,860)	(2,077,796)
12. Date of authorization for issue		
These financial statements were authorized for issue on April 24, 2017 by the Board of Directors of the company.		
13. Events after the balance sheet date		
The Board of Directors have declared 2nd interim dividend of Rs 1.50 per share (June 30, 2016: Rs 1.75 per share), amounting to Rs. 254,188 thousand (June 30, 2016: Rs. 296,553 thousand) at their meeting held on April 24, 2017. These condensed interim financial statements does not include the effect of the above interim dividend which will be accounted for in the period in which it is declared.		
14. Corresponding figures		
Corresponding figures have been re-arranged, where necessary, for the purpose of comparison. However no significant re-arrangements were made during the period.		


Chief Executive


Director

"SAY NO TO CORRUPTION"

Contribution to Social Welfare

