



**KOHINOOR**  
ENERGY LIMITED

2018 Quarterly Report

July-March (Un-Audited)

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# CORPORATE INFORMATION

## Board of Directors

Mr. M. Naseem Saigol  
Chairman  
Mr. S M Shakeel  
Chief Executive Officer  
Mr. Ichiro Kawano (Independent)  
Mr. Hirotooshi Ugajin (Independent)  
Ms. Mariko Ueda (Independent)  
Mr. Shingo Ito (Independent)  
Mr. Muhammad Asad Khan  
Nominee of Wartsila Finland Oy

## Company Secretary

Mr. Muhammad Asif

## Audit Committee

Mr. Shingo Ito  
Chairman  
Mr. Hirotooshi Ugajin  
Ms. Mariko Ueda

## HR & Remuneration Committee

Mr. Shingo Ito  
Chairman  
Mr. S M Shakeel  
Mr. Hirotooshi Ugajin  
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

## Bankers

Standard Chartered Bank (Pakistan) Limited  
Bank Alfalah Limited  
Askari Bank Limited  
MCB Bank Limited  
United Bank Limited  
Faysal Bank Limited  
AL Baraka Bank (Pakistan) Limited - (Islamic)  
Meezan Bank Limited - (Islamic)  
Habib Bank Limited - (Islamic)  
National Bank of Pakistan - (Islamic)

## 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](http://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, 2018.

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 nine months the power plant operated at 57.12% capacity factor and delivered 465,770 MWh of electricity to WAPDA while during the corresponding period of nine months, the plant by running at 70.96% capacity delivered 578,661 MWh of electricity.

We report that sale revenue of the Company for the quarter under review stood at Rs. 1.778 billion as compared to Rs 2.219 billion for the corresponding quarter of the last year. In aggregate the sales for nine months of the current financial year stood at Rs. 5.668 billion as compared to Rs. 5.911 billion in nine months of the corresponding year. During the quarter under review the Company posted net profit after tax of Rs. 217 million and demonstrated earning per share (EPS) of Rs. 1.28 as compared to net profit after tax of Rs. 254 million with an EPS of Rs. 1.50 demonstrated during the corresponding period last year. Overall profits for the current nine months stood at Rs. 527 million as compared to Rs. 588 million of corresponding nine months. We would like to report that lesser benefits on account of fuel saving that resulting from lower dispatch has attributed to lesser profits.

The board takes pleasure to declare 2nd interim dividend for the financial year 2017-18 at the rate of Rs. 1.00 per ordinary share of Rs. 10 each i.e. @ 10%, which will be paid to those shareholders whose names would appear on members' register on May 08, 2018. The Share Transfer Books of the Company

will remain closed from May 08, 2018 to May 14, 2018 (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 07, 2018 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 the Federal Board of Revenue, the status is the same as reported earlier.

We report that receivables from WAPDA are still on higher side. The management of your Company is consistently persuading the power purchaser, the PPIB and the Ministry of Water & Power, for recovery of the overdue invoices. It is pertinent to mention that despite of the high amounts of overdue the Company is complying with all the dispatch requirements of the power purchaser and is providing the electricity according to its demand.

During the quarter under review one engine surpassing 116k operational hours has been overhauled under 8k major maintenance program as compared to one engine's major maintenance done during the corresponding quarter. Further to our earlier reporting we wish to inform you that the after successful completion of the repair work of generator, the respective engine is now available to the main system and running successfully. Accordingly the insurance claim has been lodged and we are confident that it shall be settled in full.

We write to inform you that consequent to other business engagements Mr. Shinichi Ushijima, Mr. Mikihiro Moriya and Mr. Tatsuo Hisatomi have relinquished the offices of director of the Company and in their places the Board has appointed Mr. Ichiro Kawano, Mr. Shingo Ito and Ms Mariko Ueda as directors of the Company effective from April 16, 2018. The Board extends special thanks and gratitude to Mr. Ushijima, Mr. Moriya and Mr. Hisatomi for their valuable services that they extended to the Company during their tenure, and extends warm welcome to Mr. Kawano, Mr. Ito and Ms Ueda as new directors of the Company.

The Board is thankful and acknowledges the consistent support being extended by WAPDA, 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 consistent efforts that resulted in safe, efficient and reliable operations of the plant and is confident that their enthusiasm shall remain intact in the future.

For and on behalf of the Board

Lahore  
April 23, 2018

  
S M Shakeel  
Chief Executive Officer

  
Hirotohi Ugajin  
Director

# CONDENSED INTERIM BALANCE SHEET

	Note	March 2018	June 2017
(Rupees in thousand)			
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized capital 170,000,000 (June 2017: 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 2017: 169,458,614) ordinary shares of Rs. 10 each		1,694,586	1,694,586
Unappropriated profit		4,296,332	4,362,323
		5,990,918	6,056,909
<b>CURRENT LIABILITIES</b>			
Employee benefits		1,895	9,611
Short term finances - secured	5	4,791,284	3,578,671
Trade and other payables		167,479	196,859
Accrued Finance Cost		35,514	33,361
		4,996,172	3,818,502
<b>CONTINGENCIES AND COMMITMENTS</b>			
	6	–	–
		10,987,090	9,875,411

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

  
Chief Executive

  
Director

## AS ON MARCH 31, 2018 (Un-Audited)

	Note	March 2018	June 2017
(Rupees in thousand)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	3,463,979	3,600,913
Intangible assets		4,731	5,111
Stores held for capital expenditures		86,368	63,981
Long term loans, advances and deposits		10,763	10,935
		<u>3,565,841</u>	<u>3,680,940</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		321,815	344,483
Stock-in-trade		245,147	234,340
Trade debts		5,895,536	4,910,059
Loans, advances, deposits, prepayments and other receivables		597,654	531,629
Cash & Bank balances		328,760	144,919
Advance Tax - Net		32,337	29,041
		<u>7,421,249</u>	<u>6,194,471</u>
		<u>10,987,090</u>	<u>9,875,411</u>



**Chief Financial Officer**

# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2018 (Un-Audited)

	Note	January to March		July to March	
		2018	2017	2018	2017
(Rupees in thousand)					
Sales		1,778,003	2,219,141	5,668,301	5,911,968
Cost of sales	8	(1,436,289)	(1,858,309)	(4,762,141)	(5,023,809)
<b>Gross profit</b>		341,714	360,832	906,160	888,159
Administration and general expenses		(55,889)	(58,885)	(193,807)	(181,491)
Other operating income		293	34	1,824	2,133
<b>Profit from operations</b>		286,118	301,981	714,177	708,801
Finance costs		(68,756)	(47,691)	(186,837)	(120,162)
<b>Profit before tax</b>		217,362	254,290	527,340	588,639
Taxation		(89)	(10)	(227)	(661)
<b>Profit for the period</b>		217,273	254,280	527,113	587,978
Earnings per share - basic and diluted	<b>Rupees</b>	1.28	1.50	3.11	3.47

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

  
Chief Executive

  
Director

  
Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2018 (Un-Audited)

Note	January to March		July to March	
	2018	2017	2018	2017
	(Rupees in thousand)			
Profit after taxation	217,273	254,280	527,113	587,978
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	217,273	254,280	527,113	587,978

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

  
Chief Executive

  
Director

  
Chief Financial Officer



# CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2018 (Un-Audited)

	Note	July to March	
		2018 (Rupees in thousand)	2017
<b>Cash flows from operating activities</b>			
Cash generated from operations	10	(71,149)	110,321
Staff retirement benefits paid		(24,150)	(36,854)
Finance costs paid		(183,591)	(116,230)
Taxes paid		(3,523)	(8,754)
<b>Net cash from operating activities</b>		<b>(282,412)</b>	<b>(51,517)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(156,977)	(68,543)
Interest/mark-up income received		755	96
Net (increase)/decrease in long term loans, advances and deposits		172	(226)
Sale proceeds of property, plant and equipment		6,095	10,489
<b>Net cash (used in)/from investing activities</b>		<b>(149,955)</b>	<b>(58,184)</b>
<b>Cash flows from financing activities</b>			
Long term loan repaid during the year		—	(30,413)
Dividend paid		(596,406)	(581,378)
<b>Net cash used in financing activities</b>		<b>(596,406)</b>	<b>(611,791)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(1,028,773)</b>	<b>(721,492)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>(3,433,752)</b>	<b>(2,440,368)</b>
<b>Cash and cash equivalents at the end of the period</b>	11	<b>(4,462,525)</b>	<b>(3,161,860)</b>

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

  
Chief Executive

  
Director

  
Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED MARCH 31, 2018 (Un-Audited)

	Share capital	Un-appropriated profit (Rupees in thousand)	Total
<b>Balance as on July 1, 2016</b>	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)
Interim dividend for the year ended June 30, 2017 at the rate of Rs 1.75 per share	–	(296,553)	(296,553)
Total comprehensive income for the period	–	587,978	587,978
<b>Balance as on March 31, 2017</b>	1,694,586	4,391,967	6,086,553
Interim dividend for the year ended June 30, 2017 at the rate of Rs 1.50 per share	–	(254,187)	(254,187)
Total comprehensive income for the period	–	224,543	224,543
<b>Balance as on June 30, 2017</b>	1,694,586	4,362,323	6,056,909
Final dividend for the year ended June 30, 2017 at the rate of Rs 2.00 per share	–	(338,917)	(338,917)
Interim dividend for the year ending June 30, 2018 at the rate of Rs 1.50 per share	–	(254,187)	(254,187)
Total comprehensive income for the period	–	527,113	527,113
<b>Balance as on March 31, 2018</b>	1,694,586	4,296,332	5,990,918

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

  
Chief Executive

  
Director

  
Chief Financial Officer

# SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED MARCH 31, 2018 (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 Companies Act, 2017. The Company is listed on the Pakistan Stock Exchange. The principal activities of the Company are to own, operate and maintain a power plant of 124 MW capacity in Lahore and to sell the electricity produced therefrom to a sole customer, the Pakistan Water and Power Development Authority (WAPDA) under a Power Purchase Agreement (PPA), for a term of 30 years which commenced from June 19, 1997. The registered office of the Company is located in Islamabad.

## 2. Basis of preparation

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:

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

2) Provisions of and directives issued under the Companies Act, 2017.

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

## 3. 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, 2017.

## 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, 2017.

Un-audited March 31, 2018	Audited June 30, 2017
(Rupees in thousand)	

## 5. Short term finances - secured

- Under mark up arrangements	- note 5.1	3,366,129	1,797,349
- Under arrangements permissible under Shariah	- note 5.1	1,425,155	1,781,322
		<u>4,791,284</u>	<u>3,578,671</u>

**5.1** Out of total available short term finances amounting to Rs. 6,421 million (June 30, 2017: Rs. 6,260 million) finances available from Islamic banks under Islamic arrangements amount to Rs. 2,000 million. The rates of mark up for finances under mark-up arrangement ranged from 6.25% to 6.97% per annum (June 30, 2017: 6.14% to 6.92 per annum) and for finances under arrangement permissible under Shariah ranged from 6.18 % to 6.58 % per annum (June 30, 2017: 6.12% to 6.66% 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 year ended June 30, 2017 except the following.

**(i)** WAPDA has imposed Liquidated Damages (LD) on the Company amounting to Rs. 481.94 million (June 30, 2017: Rs. 478.31 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 128.09 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. 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. 23 million (June 30, 2017: Rs. 18.10 million)

(iii) Commitment regarding capital expenditures is Rs. 128 million (June 30, 2017: Rs. 49.62 million)

	<b>March 2018</b>	<b>June 2017</b>
	<b>(Rupees in thousand)</b>	
Opening book value	3,600,913	3,852,559
Add: Additions during the period	155,810	118,466
	<u>3,756,723</u>	<u>3,971,025</u>
Less: Disposals during the period (at book value)	5,026	4,994
Capitalised maintenance write off (at book value)	10,891	5,071
Depreciation charged during the period	276,827	360,047
	<u>292,744</u>	<u>370,112</u>
	<u>3,463,979</u>	<u>3,600,913</u>

	<b>January to March 2018</b>	<b>2017</b>	<b>July to March 2018</b>	<b>2017</b>
	<b>(Rupees in thousand)</b>			
<b>8. Cost of sales</b>				
Raw material consumed	1,243,277	1,656,121	4,080,646	4,359,006
Salaries, wages and benefits	43,680	44,895	165,009	145,583
Fee for Produce of Energy (FPE)	-	-	-	1,925
Stores and spares consumed	37,653	45,465	170,833	185,590
Depreciation/amortization	92,062	87,834	271,244	262,359
Asset written off	-	3,459	10,891	3,459
Insurance	6,560	7,355	20,079	22,352
Traveling, conveyance and entertainment	3,246	3,386	9,678	10,539
Repairs and maintenance	2,722	4,407	10,297	16,731
Electricity consumed in-house	2,087	441	5,968	1,778
Miscellaneous	5,001	4,945	17,496	14,486
	<u>1,436,289</u>	<u>1,858,309</u>	<u>4,762,141</u>	<u>5,023,809</u>

	<b>July to March 2018</b>	<b>2017</b>
	<b>(Rupees in thousand)</b>	

## 9. Transactions with related parties

<b>Relationship with the company</b>	<b>Nature of transactions</b>		
i. Associated undertakings and other related parties	Purchase of goods / services	299	273
	Sharing of expenditure	124	185
	Dividend paid	214,878	214,878
ii. Key management personnel	Salaries and other employee benefits	80,603	74,735
	Dividend paid	154,355	154,355
“iii. Post employment benefits	Expense charged	11,908	14,481

	<b>March 2018</b>	<b>June 2017</b>
	<b>(Rupees in thousand)</b>	
<b>Period end balances</b>		
Payable to related parties	17	75
	<b>July to March</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Rupees in thousand)</b>	
<b>10. Cash generated from operations</b>		
Profit before tax	527,340	588,639
Adjustments for:		
Depreciation/amortization	277,207	264,828
Written off maintenances	10,891	3,459
Gain on disposal of property, plant and equipment	(1,069)	(2,037)
Interest income	(755)	(96)
Provision for gratuity	16,434	16,434
Finance cost	185,744	119,113
<b>Profit before working capital changes</b>	<b>1,015,792</b>	<b>990,341</b>
Effect on cash flow due to working capital changes		
Stores and spares	1,447	41,383
Stock in trade	(10,807)	(25,080)
Trade debts	(985,477)	(1,041,162)
Advances deposits prepayments & other receivables	(66,025)	132,358
Creditors, accrued and other liabilities	(26,078)	12,481
	<b>(1,086,940)</b>	<b>(880,020)</b>
	<b>(71,149)</b>	<b>110,321</b>
<b>11. Cash and cash equivalents</b>		
Cash and bank balances	328,760	95,835
Finances under mark-up arrangements - Secured	(4,791,284)	(3,257,695)
	<b>(4,462,524)</b>	<b>(3,161,860)</b>

#### 12. Date of authorization for issue

These financial statements were authorized for issue on April 23, 2018 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. 1.00 per share (June 30, 2017: Rs 2.00 per share), amounting to Rs.169,459 thousand (June 30, 2017: Rs. 338,917 thousand) at their meeting held on April 23, 2018. 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

  
Chief Financial Officer



# "SAY NO TO CORRUPTION"

## Contribution to Social Welfare

