

SAIGOLS



KEL/COR/STOK/2018/191
October 29, 2018

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building/Road,
Karachi.

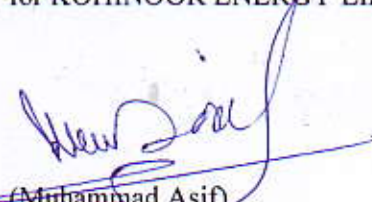
Subject: Transmission of Quarterly Report for the Period Ended September 30, 2018

Dear Sir,

We have to inform you that the Quarterly Report of the Company for the period ended September 30, 2018 have been transmitted through PUCARS and is also available on Company's website.

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours faithfully,
for KOHINOOR ENERGY LIMITED



(Muhammad Asif)
Company Secretary

SAY NO TO CORRUPTION



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CORPORATE INFORMATION

Board of Directors

Mr. M. Naseem Saigol
Chairman
Mr. S M Shakeel
Chief Executive Officer
Mr. Ichiro Kawano
Non-Executive
Mr. Hirotoshi Ugajin
Independent
Ms. Mariko Ueda
Independent
Mr. Shingo Ito
Independent
Mr. Muhammad Asad Khan

Company Secretary

Mr. Muhammad Asif

Audit Committee

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

HR & Remuneration Committee

Mr. Shingo Ito
Chairman
Mr. S M Shakeel
Mr. Hirotoshi 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

Legal Advisor

LMA | Ebrahim Hosain

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)
Bankislami Pakistan Limited - (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

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, 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. It is reported that during the period of 1st quarter the power plant by operating at 64.02% capacity factor delivered 175,268 MWh of electricity to WAPDA while during the corresponding quarter of last year, the plant by operating at 75.59% capacity delivered 206,969 MWh of electricity to WAPDA.

The sales of the Company for the quarter under review remained at Rs. 2.984 billion as compared to Rs 2.276 billion for the corresponding quarter of the last year. During the quarter under review the Company earned a net profit after tax of Rs. 244.79 million and demonstrated earning per share (EPS) of Rs. 1.44 as compared to net profit after tax of Rs. 170.53 million and EPS of Rs. 1.01 demonstrated during the corresponding period last year. The power plant is being operated at its best possible efficiency. Saving from fuel consumption and increased capacity charges because of Rupee devaluation are the key factors increasing in profits of the Company.

On account of maintenance work during the quarter under review two engines reaching at 108k and 116k operational hours were dealt under 8k major maintenance, while during the same quarter of the previous year there were also two engines which were overhauled under 8k maintenance. The maintenances have successfully been carried out by our own in-house team. All of the maintenance work has been performed as per the schedules and budget.

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 the Company in compliance with demand from the power purchaser (WAPDA), is providing the electricity at its available capacity. However the Company is facing delay in payments from WAPDA. Due to delay, the overdue amount payable by the power purchaser is mounting up. You shall appreciate that the management of your Company is doing its best to keep the power plant operational and delivering the electricity despite of increasing overdue amount, and the Company is complying with all the dispatch instructions of the power purchaser solely in the best interest of the country. In the meanwhile the management is interacting with the Power Purchaser, PPIB and the Ministry Energy (Power Division) for early recoveries of the overdue invoices.

The Board expresses its appreciation to the financial institutions, CPPA, Pakistan State Oil, Wartsila and suppliers as well as the valued shareholders of the Company for their continued support that resulted in successful and smooth operations. The Board also acknowledges the enthusiasm and determination of the management and employees of the Company resulting in the safe, efficient and smooth operations of the power complex.

For and on behalf of the Board

S M Shakeel
Chief Executive Officer

Shingo Ito
Director

BALANCE SHEET

	Note	September 2018	June 2018
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized capital 170,000,000 (June 2018: 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 2018: 169,458,614) ordinary shares of Rs. 10 each		1,694,586	1,694,586
Unappropriated profit		4,386,210	4,310,877
		6,080,796	6,005,463
CURRENT LIABILITIES			
Employee benefits		31,003	29,950
Short term finances - secured	5	5,396,702	5,285,780
Trade and other payables		159,498	84,120
Accrued finance cost		56,803	48,878
Provision for taxation - net		60,050	61,439
Dividend payable		177,926	10,305
		5,881,982	5,520,472
CONTINGENCIES AND COMMITMENTS			
	6	-	-
		11,962,778	11,525,935

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



Chief Executive Officer



Director

AS ON SEPTEMBER 30, 2018 (Un-Audited)



KOHINOOR
ENERGY LIMITED

	Note	September 2018	June 2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	3,458,797	3,491,232
Intangible assets		4,478	4,606
Long term loans and deposits		5,067	7,703
		<u>3,468,342</u>	<u>3,503,541</u>
CURRENT ASSETS			
Stores, spares and loose tools		293,963	305,767
Stock-in-trade		320,923	381,717
Trade debts		7,378,489	6,645,211
Loans, advances, deposits, prepayments and other receivables		474,389	535,126
Cash and bank balances		26,671	154,573
		<u>8,494,436</u>	<u>8,022,394</u>
		<u>11,962,778</u>	<u>11,525,935</u>

Chief Financial Officer

PROFIT AND LOSS ACCOUNT

FOR THE QUARTER ENDED SEPTEMBER 30, 2018 (Un-Audited)

	Note	July to September	
		2018	2017
		(Rupees in thousand)	
Sales		2,983,589	2,276,463
Cost of sales	8	(2,570,576)	(1,978,380)
Gross profit		413,013	298,083
Administration and general expenses		(66,536)	(69,734)
Profit from operations		346,477	228,349
Other income		94	142
Finance costs		(101,752)	(57,919)
Profit before tax		244,819	170,572
Taxation		(28)	(43)
Profit for the period		244,791	170,529
Earnings per share - basic and diluted	Rupees	1.44	1.01

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, 2018 (Un-Audited)



KOHINOOR
ENERGY LIMITED

Note	July to September	
	2018	2017
	(Rupees in thousand)	
Profit for the period	244,791	170,529
Other comprehensive income	-	-
Total comprehensive income for the quarter	244,791	170,529

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, 2018 (Un-Audited)

	Note	July to September	
		2018	2017
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	9	(77,600)	1,233
Staff retirement benefits paid		(3,918)	(749)
Finance costs paid		(93,507)	(70,842)
Taxes paid		(1,361)	(3,023)
Net cash from operating activities		(176,386)	(73,381)
Cash flows from investing activities			
Purchase of property, plant and equipment		(64,198)	(73,067)
Interest/mark-up income received		94	142
Net increase in long term loans, advances and deposits		2,636	(2,558)
Sale proceeds of property, plant and equipment		868	3,377
Net cash used in investing activities		(60,600)	(72,106)
Cash flows from financing activities			
Increase in short term financing		110,922	7,199
Dividend paid		(1,838)	(2,757)
Net cash used in financing activities		109,084	4,442
Net increase/(decrease) in cash and cash equivalents		(127,902)	(141,045)
Cash and cash equivalents at beginning of the period		154,573	144,919
Cash and cash equivalents at the end of the period		26,671	3,874

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, 2018 (Un-Audited)

	Share capital	Un-appropriated profit (Rupees in thousand)	Total
Balance as on July 1, 2017	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)
Total comprehensive income for the period	-	170,529	170,529
Balance as on September 30, 2017	1,694,586	4,193,935	5,888,521
Interim dividend for the year ended June 30, 2018 at the rate of Rs 1.50 per share	-	(254,187)	(254,187)
Interim 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 (Oct-17 to Jun-18)	-	559,369	559,369
Other Comprehensive Income:			
Re-measurement of staff gratuity fund	-	(18,781)	(18,781)
Balance as on June 30, 2018	1,694,586	4,310,877	6,024,244
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 quarter	-	244,791	244,791
Balance as on September 30, 2018	1,694,586	4,386,210	6,099,577

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, 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 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. 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, 2018.

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, 2018.

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, 2018.

5. Short Term Financing - Secured

- Under mark up arrangements
- Under arrangements permissible under Shariah

Note	September 2018	June 2018
	3,609,982	3,590,533
	1,786,721	1,695,247
	<u>5,396,702</u>	<u>5,285,780</u>

Out of total available short term finances amounting to Rs. 6,960 million (June 30, 2018: Rs. 6,760 million) finances available from Islamic banks under Islamic arrangements amount to Rs. 3,030 million (June 30, 2018: Rs. 2,780 million). The rates of mark up for finances under mark-up arrangement ranged from 6.53% to 9.01% per annum (June 30, 2018: 6.25% to 6.97% per annum) and for finances under arrangement permissible under Shariah ranged from 7.07% to 8.93 % per annum (June 30, 2018: 6.18 % to 6.58 % per annum) on the balances outstanding.

6. Contingencies and commitments

6.1 Contingencies

6.1.1 During year ended June 30, 2010, WAPDA disputed the eligibility of indexation of non-escalable component (NEC) of the capacity purchase price relating to the period subsequent to the repayment of foreign currency loan taking the stance that under the Power Purchase Agreement (PPA) indexation is allowed until the repayment of foreign currency loan, and since the loan was fully repaid in September, 2008, therefore no indexation was to be allowed from September, 2008 onwards (Dispute 1). WAPDA had earlier paid Rs. 430.51 million relating to the period from September, 2008 to September, 2009 but subsequently withheld this amount in June, 2010 against the invoices of April, 2010 (Dispute 2).

Article XV of PPA requires that if a dispute arises the matter shall be decided by (i) mutual discussions, failing which (ii) through mediation by an expert and as a last resort through (iii) arbitration. During the year ended June 30, 2011, the management of the Company referred the matter to the expert. Consequently an expert was engaged with the consent of both the parties.

"The expert had given his decision / recommendation on December 30, 2011 as follows:

(i) For Dispute 1, Company is not entitled to continued indexation of the NEC after repayment of foreign currency loans.

However, Management of the Company is of the view that under the terms of the PPA the Company is entitled to the continued indexation of the NEC even after repayment of foreign currency loans; and

(ii) For Dispute 2, the adjustment of Rs. 430.51 million is unlawful, therefore, WAPDA is required to pay this amount to the

Company. WAPDA has waived its right to seek revision of such invoices in terms of section 9.7 (d) of the PPA since the invoices for the period from September 2008 to September 2009 were not disputed within the prescribed period of 180 days."

WAPDA had not accepted the decision / recommendation of the expert (on Dispute 2) .The management of the Company and legal advisor is of the opinion that the matter will be settled in Company's favor and consequently the Company has not provided for Rs. 430.51 million in these financial statements. Indexation on non-escalable of capacity purchase price was not claimed by the Company subsequent to September 2009. Consequently, there is no implication in subsequent periods.

6.1.2 WAPDA has imposed Liquidated Damages (LD) on the Company amounting to Rs. 510.97 million (2018: Rs. 510.97 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 157.12 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.

6.1.3A 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. 23 million (June 30, 2018: Rs.68.13 million)

(ii) Commitment regarding letter of credit for capital expenditure Rs. 237 million (June 30, 2018: Rs. 131.35 million)

	Note	September 2018	June 2018
(Rupees in thousand)			
7. Property, plant and equipment			
Operating fixed assets	5.1	3,410,355	3,432,549
Stores held for capital expenditures		48,442	58,683
		<u>3,458,797</u>	<u>3,491,232</u>
7.1 Operating fixed assets			
Opening net book value		3,432,549	3,600,913
Additions (At cost)		74,440	218,989
		<u>3,506,989</u>	<u>3,819,902</u>
Disposals (at NBV)		(868)	(5,026)
Assets Write-offs (at NBV)		-	(10,892)
Depreciation charge		<u>(95,766)</u>	<u>(371,435)</u>
		<u>(96,634)</u>	<u>(387,353)</u>
Closing net book value		<u>3,410,355</u>	<u>3,432,549</u>

8. Cost of sales

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

July to September	
2018	2017
(Rupees in thousand)	
2,307,729	1,717,105
62,946	69,004
75,396	73,822
93,893	90,211
-	7,340
11,761	6,802
4,775	2,989
7,013	3,787
1,057	787
6,007	6,533
2,570,576	1,978,380

9. Related party transaction

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	1,047
-	57
596	54
29,817	28,854
4,971	4,166
36,468	34,178

Period end balances

Payable to related parties

September 2018	June 2018
(Rupees in thousand)	
92	-

10. Cash generated from operations

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

July to September	
2018	2017
(Rupees in thousand)	
244,819	170,572
95,893	92,180
-	7,340
(94)	(142)
4,971	4,166
101,378	57,557
446,966	331,673

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

11,804	12,672
60,794	19,377
(733,278)	(262,521)
60,736	(56,529)
75,378	(43,439)
(524,566)	(330,440)
(77,600)	1,233

11. Date of authorization for issue

These financial statements were authorized for issue on October 23, 2018 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