



2013

QUARTERLY REPORT

January-March
(Un-Audited)



KOHINOOR
ENERGY LIMITED

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Corporate Information

Board of Directors

Mr. M. Naseem Saigol
Chairman
Mr. Tatsuo Hisatomi
Chief Executive Officer
Mr. S M Shakeel
Mr. Manabu Iida
Mr. Hidenori Saito
Mr. Yasunori Mizuno
Mr. Ghazanfar Ali Khan
Nominee of Wartsila Finland Oy

Company Secretary

Mr. Muhammad Asif

Audit Committee

Mr. Hidenori Saito
Chairman
Mr. S M Shakeel
Mr. Manabu Iida
Mr. Yasunori Mizuno

HR & Remuneration Committee

Mr. Hidenori Saito
Chairman
Mr. Tatsuo Hisatomi
Mr. S M Shakeel
Mr. Manabu Iida

Management

Mr. Tatsuo Hisatomi
Chief Executive Officer
Mr. S M Shakeel
Chief Operating 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
Faysal Bank Limited
Bank Alfalah Limited
Askari Bank Limited
AL Baraka Bank (Pakistan) Limited
Meezan Bank
Barclays Bank PLC
MCB Bank Limited
Deutsche Bank

Registered Office

1404, 14th 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



Quarterly Report 2013

The Board of Directors takes pleasure to present you the review report on financial and operational performance and interim accounts of the Company for the 3rd quarter ended March 31, 2013.

The Company owns, operates and maintains a 124 MW furnace oil fired power plant with a gross capacity of 131.44 MW. We report that during the 3rd Quarter under review the power plant by running at 60.80% capacity factor has generated 162,856 MWH of electricity as compared with 165,732 MWH generated by running at 61.88% capacity of previous corresponding quarter. We would like to inform you due to massive overdue amount receivable from WAPDA the Company, as a result of liquidity constraints, could not operate the plant at its optimum level of the available capacity.

We report that turnover of the Company for the 3rd quarter of the current financial year remained at Rs. 2.871 billion as compared to Rs. 2.922 billion of the corresponding quarter of previous financial year 2011-12. In aggregate the turnover for nine months of the current financial year stood at Rs. 9.047 billion comparing to Rs. 8.705 billion of nine months of the FY2011-12. Resultantly during the quarter under review the Company earned a net profit after tax of Rs. 236.8 million by demonstrating the earnings per share (EPS) of Rs. 1.40 as compared with Rs. 255.5 million with an EPS of Rs. 1.51 earned during the corresponding quarter of the FY2011-2012.

Further we report that until this date WAPDA has imposed liquidated damages (LDs) amounting to Rs. 320 million on account of short dispatch by the Company. Resultantly in terms of the Power Purchase Agreement we are disputing their invoices for LDs. Based on the legal opinion sought, we are of the view that WAPDA cannot levy LDs on its own default in making timely payments. Therefore we have not made any provision in these financial statements.


During the quarter under review two engines have been dealt with the 8k major maintenance program. However during the same quarter of the previous FY no such maintenance occurred. We report that during period of current nine months total five engines have gone through the 8k major maintenance as compare with four engines overhauled during the first nine months of the FY2011-12. All of the five maintenances of current nine months have been charged to profit & loss account (P&L) while previously only one maintenance was charged to P&L.

The Board takes pleasure to intimate that directors in their meeting held on April 24, 2013 has declared 2nd interim dividend for the financial year 2012-13 at the rate of 25% (i.e. @ Rs. 2.50 per share) for which the date of entitlement has been fixed as May 09, 2013. Transfers received at our Share Registrar Office CORPLINK (PVT) LIMITED Wings Arcade, 1-K, Commercial, Model Town, Lahore upto the close of business hours on May 08, 2013 will be treated in time for the purpose of entitlement of Cash Dividend to the transferees.

The Board of Directors places on record its gratitude and appreciation to valued shareholders, WAPDA, PSO, and bankers of the Company for their continued guidance and recognizes their support which is playing a vital role in the progress of the Company. The Board also appreciates the dedication and devotion of all of the employees of the Company towards the safe, reliable and efficient operations of the power plant and hope that the same spirit of dedication will remain continue in future.

for and on behalf of the Board

**Lahore
April 24, 2013**


**Tatsuo Hisatomi
Chief Executive Officer**

Tatsuo Hisatomi

Condensed Interim Balance Sheet

		<div>March</div> <div>2013</div>	<div>June</div> <div>2012</div>
	Note	(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized capital			
170,000,000 (June 2012: 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 2012: 169,458,614) ordinary shares of Rs. 10 each		1,694,586	1,694,586
Unappropriated profit		5,837,931	5,817,196
		7,532,517	7,511,782
NON-CURRENT LIABILITIES			
Long Term Diminishing Musharaka		32,341	–
CURRENT LIABILITIES			
Staff retirement benefits		5,361	22,320
Short term borrowings	1	2,863,183	2,594,732
Current portion of long term loans		13,813	–
Creditors, accrued and other liabilities		99,959	145,555
Accrued Finance Cost		17,981	17,025
Provision for taxation		69,722	83,496
		3,070,019	2,863,128
CONTINGENCIES AND COMMITMENTS			
	4		
		10,634,877	10,374,910

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


Chief Executive

As At March 31, 2013

(Un-Audited)



Quarterly Report 2013

		<div>March</div> <div>2013</div>	<div>June</div> <div>2012</div>
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5.	3,898,109	4,036,052
Intangible assets		3,780	4,296
Capital work-in-progress		—	2,200
Long term loans, advances and deposits		17,814	14,649
		3,919,703	4,057,197
CURRENT ASSETS			
Stores, spares and loose tools		386,276	414,178
Stock-in-trade		310,744	195,050
Trade debts		5,636,157	5,177,717
Loans, advances, deposits, prepayments and other receivables		329,423	392,071
Cash & Bank balances		52,574	138,697
		6,715,174	6,317,713
		10,634,877	10,374,910

Director

Condensed Interim Profit and Loss Account

For the Quarter and Nine Months ended March 31, 2013 (Un-Audited)

	Note	January to March		July to March	
		2013	2012	2013	2012
		(Rupees in thousand)			
Sales		2,871,187	2,922,128	9,047,246	8,704,695
Cost of sales	6.	(2,516,072)	(2,567,670)	(8,040,592)	(7,740,924)
Gross profit		355,115	354,458	1,006,654	963,771
Administration and general expenses		(49,487)	(45,634)	(170,267)	(152,341)
Other operating income		1,133	999	12,071	4,344
Profit from operations		306,761	309,823	848,458	815,774
Finance costs		(69,551)	(54,071)	(232,497)	(181,290)
Profit before tax		237,210	255,752	615,961	634,484
Taxation		(381)	(241)	(2,121)	(3,962)
Profit for the period		236,829	255,511	613,840	630,522
Earnings per share - basic and diluted	Rupees	1.40	1.51	3.62	3.72

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



Chief Executive



Director

Condensed Interim Statement of Comprehensive Income

For the Quarter and Nine Months ended March 31, 2013 (Un-Audited)



Quarterly Report 2013

Note	January to March		July to March	
	2013	2012	2013	2012
	(Rupees in thousand)			
Profit after taxation	236,829	255,511	613,840	630,522
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	<u>236,829</u>	<u>255,511</u>	<u>613,840</u>	<u>630,522</u>

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

Chief Executive

Director

Condensed Interim Cash Flow Statement

For the Quarter and Nine Months ended March 31, 2013 (Un-Audited)

		July to March	
		2013	2012
		(Rupees in thousand)	
	Note		
Cash flows from operating activities			
Cash generated from operations	8.	520,057	696,232
Staff retirement benefits paid		(27,958)	(7,312)
Finance costs paid		(230,339)	(176,109)
Taxes paid		(15,895)	(18,393)
Net cash from operating activities		245,865	494,418
Cash flows from investing activities			
Purchase of property, plant and equipment		(67,632)	(195,655)
Interest/mark-up income received		3,341	3,285
Net (increase)/decrease in long term loans, advances and deposits		(3,165)	(440)
Sale proceeds of property, plant and equipment		15,783	1,955
Net cash (used in)/from investing activities		(51,673)	(190,855)
Cash flows from financing activities			
Increase in Long Term Financng		46,154	–
Dividend paid		(594,920)	(383,791)
Net cash used in financing activities		(548,766)	(383,791)
Net (decrease) in cash and cash equivalents		(354,574)	(80,228)
Cash and cash equivalents at beginning of the period		(2,456,035)	(1,495,230)
Cash and cash equivalents at the end of the period		9 (2,810,609)	(1,575,458)

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



Chief Executive



Director

Condensed Interim Statement of Changes in Equity

For the Quarter and Nine Months ended March 31, 2013 (Un-Audited)



	Share capital	Un-appropriated profit (Rupees in thousand)	Total
Balance as on July 1, 2012	1,694,586	5,817,196	7,511,782
Final dividend for the year ended June 30, 2012 at the rate of Rs 1.50 per share		(254,188)	(254,188)
Profit for the period	–	156,263	156,263
Balance as on September 30, 2012	1,694,586	5,719,271	7,413,857
Profit for the period	–	220,748	220,748
Balance as on December 31, 2012	1,694,586	5,940,019	7,634,605
Profit for the period	–	236,829	236,829
Interim dividend - Rs. 2.00 per share		(338,917)	(338,917)
Balance as on March 31, 2013	<u>1,694,586</u>	<u>5,837,931</u>	<u>7,532,517</u>

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

Chief Executive

Director

Selected Notes to the Condensed Interim Financial Information

For the Quarter and Nine Months ended March 31, 2013 (Un-Audited)

1. These financial statements are un-audited and are being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984.
2. The accounting policies adopted for the preparation of these quarterly yearly financial statements are the same as those applied in the preparation of preceding published financial statements of the company for the half year ended Dec 31, 2012.
3. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting'.
4. **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, 2012 except the following.

- (i) WAPDA have imposed liquidated damages (after taking into account forced outage allowance stipulated under the terms of Power Purchase Agreement) on account of short supply of electricity by the Company, which was due to cash flow constraints of the Company as a result of default by WAPDA in making timely payments. Currently, the amount of liquidated damages invoiced by WAPDA is 320 Million. The Company disputes and rejects any claim on account of liquidated damages that is or may be raised by WAPDA on the premise that its failure to dispatch electricity was due to WAPDA's nonpayment of dues on timely basis to the Company and consequential inability of the Company to make advance payments to its fuel supplier (PSO) that resulted in inadequate level of electricity production owing to shortage of fuel. According to legal advisors of the company, there are adequate grounds to defend any claim by WAPDA for such liquidated damages since these conditions were imposed on the Company by WAPDA due to circumstances beyond its control. The ultimate outcome of the matter cannot presently be determined, and consequently, no provision for such liquidated damages has been made in these financial statements.
- (ii) The company has issued guarantee in favour of Sui Northern Gas Pipelines Limited on account of payment of dues against gas sales etc., amounting to Rs. 2.15 million (2012: 2.15 million)
- (iii) Commitment regarding letter of credit other than capital expenditure Rs. 85.479 million (2012: Rs. 10.19 million)
- (iv) Commitment regarding capital expenditures as at March 31, 2013 is Rs. 337.075 million (2012: NIL)

Note	<u>March 2013</u>	<u>June 2012</u>
	(Rupees in thousand)	
5. Property, plant and equipment		
Opening book value	4,036,052	4,083,855
Add: Additions during the period	67,116	58,916
Transfer from capital work in progress	2,717	185,984
	<u>4,105,884</u>	<u>4,328,705</u>
Less: Disposals during the period (at book value)	6,878	14,464
Depreciation charged during the period	200,897	278,189
	<u>207,775</u>	<u>292,653</u>
	<u>3,898,109</u>	<u>4,036,052</u>



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	January to March		July to March	
	2013	2012	2013	2012
	(Rupees in thousand)			
6. Cost of sales				
Raw material consumed	2,307,988	2,400,942	7,362,422	7,220,790
Salaries, wages and benefits	28,168	26,132	110,682	97,083
Fee for Produce of Energy (FPE)	13,871	12,613	43,967	39,582
Stores and spares consumed	77,074	44,005	255,119	113,697
Depreciation/amortization	65,688	64,245	196,313	204,900
Insurance	12,007	11,824	35,604	34,515
Traveling, conveyance and entertainment	2,043	2,047	7,901	6,480
Repairs and maintenance	3,691	2,498	12,979	11,636
Electricity consumed in-house	1,851	403	2,579	1,433
Miscellaneous	3,691	2,962	13,025	10,809
	<u>2,516,072</u>	<u>2,567,670</u>	<u>8,040,592</u>	<u>7,740,924</u>
			July to March	
			2013	2012
			(Rupees in thousand)	
7. Related party transactions				
Purchase of goods and services			249	31
Key management personnel compensation			87,384	68,434
Expense charged in respect of staff retirement benefit plan			11,000	11,389
8. Cash generated from operations				
Profit before tax			615,961	634,484
Adjustments for:				
Depreciation/amortization			201,414	211,687
Loss on disposal of property, plant and equipment			(8,905)	(996)
Exchange loss			105	2,513
Interest income			(3,165)	(3,348)
Provision for gratuity			11,000	11,389
Finance cost			231,295	177,998
Profit before working capital changes			<u>1,047,703</u>	<u>1,033,727</u>
Effect on cash flow due to working capital changes				
Stores and spares			27,902	15,435
Stock in trade			(115,694)	8,581
Trade debts			(458,440)	(448,689)
Advances deposits prepayments & other receivables			62,367	99,486
Creditors, accrued and other liabilities			(43,782)	(12,308)
			<u>(527,646)</u>	<u>(337,495)</u>
			<u>520,057</u>	<u>696,232</u>

July to March
2013 2012
(Rupees in thousand)

9. Cash and cash equivalents

Cash and bank balances	52,574	203,942
Finances under mark-up arrangements - Secured	<u>(2,863,183)</u>	<u>(1,779,400)</u>
	<u>(2,810,609)</u>	<u>(1,575,458)</u>

10. Date of authorization for issue

These financial statements were authorized for issue on April 24, 2013 by the Board of Directors of the company.

11. Events after the balance sheet date

The Board of Directors have declared a second interim cash dividend of Rs 2.5 per share amounting to Rs 423,646 thousand at their meeting held on April 24, 2013. This condensed interim financial information does not include the effect of the above interim cash dividend which will be accounted for in the period in which it is declared.

12. Corresponding figures

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



Chief Executive



Director

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Contribution to Social Welfare

