


# Quarterly Report **2014**

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. Muhammad Asad 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  
Bank Alfalah Limited  
Askari Bank Limited  
AL Baraka Bank (Pakistan) Limited  
Meezan Bank  
Habib Bank Limited  
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.  
UAN : +92-42-111-111-535  
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 the Company for the 3rd quarter ended March 31, 2014.

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 operated at 85.92% capacity. Overall during the period of nine months the power plant operated at 80.28% as compared with 64.53% demonstrated during the corresponding previous nine months.

The turnover of the Company for the 3rd quarter of the current financial year remained at Rs. 4.006 billion as compared with Rs 2.871 billion of the corresponding quarter of previous financial year 2012-13. In aggregate the turnover for nine months of the current financial year stood at Rs. 11.12 billion comparing with Rs. 9.047 billion of nine months of the FY2012-13. Resultantly during the quarter under review the Company earned a net profit after tax of Rs. 351 million by demonstrating the earnings per share (EPS) of Rs. 2.07 as compared with Rs. 236.8 million with an EPS of Rs. 1.40 earned during the corresponding quarter of the FY2012-13. We write to inform you that fewer expenses on account of major maintenance, less stores and spare consumption and high dispatch in combination with improved fuel consumption are the key contributors to increase in profits of the Company.

We would like to update you regarding dispute with WAPDA on the matter of eligibility of indexation on non-escalable component of the capacity purchase price, we write to inform you that the status of the matter is same as reported earlier. Moreover with respect to the matter of liquidated damages (LDs) imposed by WAPDA, as reported earlier, we write to update that the process of appointment of an expert for arbitration is in progress.

We write to report that there were two engines of which one's 8k maintenance started in Dec 2013 and the other's maintenance started in late Mar 2014. Further the third engine reaching 85,000 operational hours has been completely overhauled during the quarter under review. Therefore one complete and two partial maintenances have been charged to the profit and loss account of the quarter under review. Overall during the period of current nine months total 3 engines in full and one engine in partial have gone through the 8k major maintenance as compared with 5 engines overhauled during the same period of the FY2012-13.

Moreover we report that cylinder liners of all the engines are reaching at their defined age. In this regard liners of five engines have been replaced while the remaining ones shall be replaced by and by at their due times. The cost of liners for one engine has been estimated at Rs. 30 million which all is being capitalized to amortize during remaining life of the plant. We are confident that such replacement shall keep the engines safe from possible de-rating in their efficiency.

The Board takes pleasure to inform you that the directors in their meeting held on April 22, 2014 have declared 2nd interim dividend for the financial year 2013-14 @ 20% (i.e. Rs. 2.00 per share) for which the date of entitlement is fixed as May 09, 2014. Transfers received at our Share Registrar Office CORPLINK (PVT) LIMITED Wings Arcade, 1-K, Commercial, Model Town, Lahore upto the closure of business hours on May 08, 2014 will be treated in time for the purpose of entitlement of Cash Dividend to the transferees.

We are thankful and acknowledge the consistent support being extended by the financial institutions, WAPDA, PSO, Wartsila and other suppliers as well as 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 of their enthusiasm to remain continue in future.

**for and on behalf of the Board**



**Tatsuo Hisatomi**  
Chief Executive Officer

**Lahore**  
**April 22, 2014**

## Condensed Interim Balance Sheet

	Note	March 2014	June 2013 Restated
		(Rupees in thousand)	
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized capital		<u>1,700,000</u>	<u>1,700,000</u>
170,000,000 (June 2013: 170,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid up capital			
169,458,614 (June 2013: 169,458,614) ordinary shares of Rs. 10 each		1,694,586	1,694,586
Unappropriated profit		<u>4,906,784</u>	<u>5,636,292</u>
		<u>6,601,370</u>	<u>7,330,878</u>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Diminishing Musharaka		189,721	28,657
<b>CURRENT LIABILITIES</b>			
Staff retirement benefits		41,614	37,361
Short term borrowings		2,719,712	316,408
Current portion of long term loans		116,889	14,178
Creditors, accrued and other liabilities		156,519	163,814
Accrued Finance Cost		31,803	8,853
Provision for taxation		<u>31,943</u>	<u>65,218</u>
		<u>3,098,480</u>	<u>605,832</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	4	<u>—</u>	<u>—</u>
		<u>9,889,571</u>	<u>7,965,367</u>

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



Chief Executive

## As At March 31, 2014 (Un-Audited)

	Note	March 2014	June 2013 Restated
(Rupees in thousand)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	4,189,790	3,870,266
Intangible assets		3,142	3,608
Capital work-in-progress		1,185	85,871
Stores held for capital expenditures		107,263	–
Long term loans, advances and deposits		17,413	17,341
		<u>4,318,794</u>	<u>3,977,086</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		425,606	434,588
Stock-in-trade		385,592	294,106
Trade debts		4,465,909	2,158,228
Loans, advances, deposits, prepayments and other receivables		272,538	515,584
Cash & Bank balances		21,132	585,775
		<u>5,570,778</u>	<u>3,988,281</u>
		<u><u>9,889,571</u></u>	<u><u>7,965,367</u></u>



Director

## Condensed Interim Profit And Loss Account

For the Quarter and Nine months ended March 31, 2014 (Un-Audited)

	Note	January to March		July to March	
		2014	2013	2014	2013
		(Rupees in thousand)			
Sales		4,005,585	2,871,187	11,119,475	9,047,246
Cost of sales	6	(3,524,109)	(2,516,072)	(9,914,355)	(8,040,591)
<b>Gross profit</b>		481,476	355,115	1,205,120	1,006,654
Administration and general expenses		(59,315)	(49,487)	(183,248)	(170,267)
Other operating income		1,108	1,133	8,486	12,071
<b>Profit from operations</b>		423,269	306,761	1,030,358	848,458
Finance costs		(71,862)	(69,551)	(174,344)	(232,497)
<b>Profit before tax</b>		351,407	237,210	856,014	615,961
Taxation		(377)	(381)	(2,891)	(2,121)
<b>Profit for the period</b>		351,030	236,829	853,123	613,840
Earnings per share - basic and diluted	Rupees	2.07	1.40	5.03	3.62

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

## Condensed Interim Statement Of Comprehensive Income

For the Quarter and Nine months ended March 31, 2014 (Un-Audited)

Note	January to March		July to March	
	2014	2013	2014	2013 Restated
	(Rupees in thousand)			
Profit after taxation	351,030	236,829	853,123	613,840
Other Comprehensive Income	—	—	—	—
Re-measurement of actuarial loss on retirement benefit plans	—	—	(15,140)	(9,500)
Total comprehensive income for the period	<u>351,030</u>	<u>236,829</u>	<u>837,983</u>	<u>604,340</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, 2014 (Un-Audited)

	Note	July to March	
		2014	2013
		(Rupees in thousand)	
<b>Cash flows from operating activities</b>			
Cash generated from operations	8	(1,015,915)	520,057
Staff retirement benefits paid		(18,655)	(27,958)
Finance costs paid		(149,961)	(230,339)
Taxes paid		(36,167)	(15,895)
<b>Net cash from operating activities</b>		(1,220,698)	245,865
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(460,969)	(67,632)
Interest/mark-up income received		5,484	3,341
Net (increase)/decrease in long term loans, advances and deposits		(73)	(3,165)
Sale proceeds of property, plant and equipment		6,699	15,783
<b>Net cash (used in)/from investing activities</b>		(448,859)	(51,673)
<b>Cash flows from financing activities</b>			
Increase in Long Term Financng - net		263,776	46,154
Dividend paid		(1,562,166)	(594,920)
<b>Net cash used in financing activities</b>		(1,298,390)	(548,766)
<b>Net (decrease) in cash and cash equivalents</b>		(2,967,947)	(354,574)
<b>Cash and cash equivalents at beginning of the period</b>		269,367	(2,456,035)
<b>Cash and cash equivalents at the end of the period</b>	9	(2,698,580)	(2,810,609)

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, 2014 (Un-Audited)

	Share capital	Un-appropriated profit (Rupees in thousand)	Total
Balance as on July 1, 2013 (As previously reported)	1,694,586	5,664,900	7,359,486
Effect of retrospective change in accounting policy		(28,608)	(28,608)
Balance as on July 1, 2013 ( Restated)	1,694,586	5,636,292	7,330,878
Interim dividend for the year ended June 30, 2013 at the rate of Rs 4.25 per share		(720,199)	(720,199)
Final dividend for the year ended June 30, 2013 at the rate of Rs 3.00 per share		(508,376)	(508,376)
Comprehensive income for the period (As previously reported)	–	243,503	243,503
Re-measurement of actuarial loss on retirement benefit plans	–	(7,570)	(7,570)
	–	235,933	235,933
Balance as on September 30, 2013	1,694,586	4,643,650	6,338,236
Comprehensive income for the period (As previously reported)	–	258,591	258,591
Re-measurement of actuarial loss on retirement benefit plans	–	(7,570)	(7,570)
	–	251,021	251,021
Balance as on December 31, 2013	1,694,586	4,894,671	6,589,257
Comprehensive income for the period	–	351,030	351,030
Interim dividend for the quarter ended December 31, 2013 at the rate of Rs 2.00 per share		(338,917)	(338,917)
Balance as on March 31, 2014	1,694,586	4,906,784	6,601,370

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, 2014 (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 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, 2013.
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, 2013 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 Rs. 385.4 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. During the half year ended December 31, 2013, the management of the Company decided to join hands with two Independent Power Producers: M/S Lalpir and PakGen Power who had already initiated the expert mediation with WAPDA on a similar issue. Currently WAPDA and IPPs are in the process of the expert appointment under the mechanism given in the Power Purchase Agreement. The ultimate outcome of the matter cannot presently be determined, and consequently, no provision for such liquidated damages has been made in this condensed interim financial information.
- (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 (2013: 2.15 million)
- (iii) Commitment regarding letter of credit / bank contract other than capital expenditure Rs. 17.6 million (2013: Rs. 85.479 million)
- (iv) Commitment regarding capital expenditures as at March 31, 2014 is Rs. 31.8 million (2013: Rs. 337.075)

	Note	March 2014	June 2013
(Rupees in thousand)			
<b>5. Property, plant and equipment</b>			
Opening book value		3,870,266	4,036,054
Add: Additions during the period		460,969	113,340
Transfer from capital work in progress		84,686	–
		<u>4,415,921</u>	<u>4,149,394</u>
Less: Disposals during the period (at book value)		3,695	9,755
Depreciation charged during the period		222,436	269,373
		<u>226,131</u>	<u>279,128</u>
		<u>4,189,790</u>	<u>3,870,266</u>

	January to March		July to March	
	2014	2013	2014	2013
	(Rupees in thousand)			
6. Cost of sales				
Raw material consumed	3,315,189	2,307,988	9,292,216	7,362,422
Salaries, wages and benefits	35,871	28,168	116,979	110,682
Fee for Produce of Energy (FPE)	20,469	13,871	59,321	43,967
Stores and spares consumed	54,522	77,074	158,969	255,119
Depreciation/amortization	75,179	65,688	216,403	196,313
Insurance	12,228	12,007	37,098	35,604
Traveling, conveyance and entertainment	2,919	2,043	9,640	7,901
Repairs and maintenance	2,846	3,691	8,753	12,979
Electricity consumed in-house	175	1,851	2,252	2,579
Miscellaneous	4,710	3,691	12,725	13,024
	<u>3,524,109</u>	<u>2,516,072</u>	<u>9,914,355</u>	<u>8,040,591</u>

	July to March	
	2014	2013
	(Rupees in thousand)	
7. Related party transactions		
Purchase / sale of goods and services	5,962	249
Key management personnel compensation	92,491	87,384
Expense charged in respect of staff retirement benefit plan	7,769	11,000

		July to March	
		2014	2013
		(Rupees in thousand)	
<b>8. Cash generated from operations</b>			
Profit before tax		856,014	615,961
Adjustments for:			
Depreciation/amortization		222,902	201,414
Loss on disposal of property, plant and equipment		(3,004)	(8,905)
Exchange loss		–	105
Interest income		(5,483)	(3,165)
Provision for gratuity		7,769	11,000
Finance cost		172,911	231,295
Profit before working capital changes		1,251,109	1,047,705
Effect on cash flow due to working capital changes			
Stores and spares		(98,282)	27,902
Stock in trade		(91,486)	(115,694)
Trade debts		(2,307,681)	(458,440)
Advances deposits prepayments & other receivables		243,045	62,366
Creditors, accrued and other liabilities		(12,620)	(43,782)
		(2,267,024)	(527,648)
		<u>(1,015,915)</u>	<u>520,057</u>
<b>9. Cash and cash equivalents</b>			
Cash and bank balances		21,132	52,574
Finances under mark-up arrangements - Secured		(2,719,712)	(2,863,183)
		<u>(2,698,580)</u>	<u>(2,810,609)</u>
<b>10. Date of authorization for issue</b>			

These financial statements were authorized for issue on April 22, 2014 by the Board of Directors of the company.

#### 11. Events after the balance sheet date

The Board of Directors have declared 2nd interim dividend of Rs 2.0 per share (Dec 31, 2013: Rs 2.0 per share), amounting to Rs. 338,917 thousand (Dec 31, 2013: Rs. 338,917 thousand) at their meeting held on April 22, 2014. 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.

#### 12. Corresponding figures

No significant restatement has been made in corresponding figures except for the retrospective effect of the change in accounting policy in respect of post retirement defined benefits plans as disclosed in preceeding published financial statements for the half year ended Dec 31, 2013 due to which the liability recognised in balance sheet on account of employees' retirement benefits as of June 30, 2013 increased and unappropriated profit decreased by Rs. 28,608 thousands.



Chief Executive



Director

### Contribution to CSR



[www.kel.com.pk](http://www.kel.com.pk)