



KOHINOOR
ENERGY LIMITED

Quarterly Report 2015
January-March (Un-Audited)





CONTENTS

02 Corporate Information

03 Directors' Review

04 Condensed Interim Balance Sheet

06 Condensed Interim Profit And Loss Account

07 Condensed Interim Statement Of Comprehensive Income

08 Condensed Interim Cash Flow Statement

09 Condensed Interim Statement Of Changes In Equity

10 Selected Notes To The Condensed Interim Financial Information

Corporate Information

Board of Directors

Mr. M. Naseem Saigol
Chairman
Mr. Tatsuo Hisatomi
Chief Executive Officer
Mr. S M Shakeel
Mr. Shinichi Ushijima
Mr. Manabu lida
Mr. Yasunori Mizuno
Mr. Muhammad Asad Khan
Nominee of Wartsila Finland Oy

Company Secretary

Mr. Muhammad Asif

Audit Committee

Mr. Shinichi Ushijima
Chairman
Mr. S M Shakeel
Mr. Manabu lida
Mr. Yasunori Mizuno

HR & Remuneration Committee

Mr. Shinichi Ushijima
Chairman
Mr. Tatsuo Hisatomi
Mr. S M Shakeel
Mr. Manabu lida

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
NIB Bank

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 the Company for the 3rd quarter ended March 31, 2015.

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 third quarter under review the power plant by operating at 74.31% capacity factor delivered 199,033 MWH of electricity to WAPDA while during the corresponding previous quarter of 2013-14, by running at 85.92% capacity delivered 230,131 MWH.

The turnover of the Company for the 3rd quarter of the current financial year stood at Rs. 2.1 billion as compared with Rs 4 billion of the corresponding quarter of previous FY 2013-14. In aggregate the turnover for nine months of the current financial year stood at Rs. 9.13 billion comparing with Rs. 11.12 billion of nine months of the FY2013-14. Resultantly during the quarter under review the Company posted a net profit after tax of Rs. 206 million by demonstrating the earnings per share (EPS) of Rs. 1.22 as compared with Rs. 351 million with an EPS of Rs. 2.07 earned during the corresponding quarter of the FY2013-14. We would like to inform you that lesser benefits on account of fuel saving and higher spending on major maintenance work are main factors of decrease in profits of the Company.

We would like to update you that the status of the matters relating to the disputes with WAPDA on the issues of eligibility of indexation on non-escalable component of the capacity purchase price and the liquidated damages (LDs) imposed by WAPDA, is the same as reported earlier. Further with respect to the matter of input sales tax, we report that a demand has been raised by the tax department, like in the case of other IPPs, on the ground that the revenue derived on account of capacity purchase price was against the exempt supply and thus the input sales tax claimed was required to be apportioned with the ratio of the Energy Purchase Price and the Capacity Purchase Price. In this regard the Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against which the adjudication is pending. We are of the view that since our supply is not defined as 'Exempt Supply' but is the non-taxable supply therefore the issue of apportionment does not arise. We are confident that the matter shall be decided in Company's favor therefore in this regard no provision has been made in these financial statements.

During the quarter under review two engines went through the 8-k hours maintenance while during the previous corresponding quarter the major maintenance cost equivalent to one and a half engines maintenance work was charged to the profit and loss account.

The Board feels immense pleasure to inform you that the Directors in their meeting held on April 24, 2015 have declared 2nd interim dividend for the FY 2014-15 at the rate of 15% (i.e. @ Rs. 1.50 per share) for which the date of entitlement has been fixed as May 09, 2015. 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, 2015 will be treated in time for the purpose of entitlement of Cash Dividend to the transferees.

We acknowledge and recognize the continuous support of the valuable shareholders, the financial institutions, WAPDA, PSO, Wartsila and other suppliers 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.

Tokyo
April 24, 2015


Tatsuo Hisatomi
Chief Executive Officer

Condensed Interim Balance Sheet

	Note	March 2015	June 2014
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized capital			
170,000,000 (June 2014: 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 2014: 169,458,614) ordinary shares of Rs. 10 each		1,694,586	1,694,586
Unappropriated profit		4,675,279	4,806,261
		6,369,865	6,500,847
NON-CURRENT LIABILITIES			
Long term financing		60,613	189,721
CURRENT LIABILITIES			
Staff retirement benefits		24,914	41,467
Short term borrowings		1,712,314	3,083,465
Current portion of long term financing		129,987	89,078
Creditors, accrued and other liabilities		223,439	222,617
Accrued finance cost		11,231	27,229
Provision for taxation		5,975	26,517
		2,107,860	3,490,374
CONTINGENCIES AND COMMITMENTS	4	-	-
		8,538,338	10,180,942

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



Chief Executive

As On March 31, 2015 (Un-Audited)

	Note	March 2015	June 2014
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	4,080,242	4,222,938
Intangible assets		2,656	3,021
Capital work-in-progress		-	1,515
Stores held for capital expenditures		86,103	79,350
Long term loans, advances and deposits		14,813	17,232
		<u>4,183,814</u>	<u>4,324,055</u>
CURRENT ASSETS			
Stores, spares and loose tools		394,389	385,208
Stock-in-trade		252,541	295,464
Trade debts		3,394,854	4,598,451
Loans, advances, deposits, prepayments and other receivables		306,094	356,071
Cash & Bank balances		6,647	221,693
		<u>4,354,525</u>	<u>5,856,887</u>
		<u><u>8,538,338</u></u>	<u><u>10,180,942</u></u>



Director

Quarterly Report 2015 | 05

Condensed Interim Profit And Loss Account

For the Quarter and Nine Months ended March 31, 2015 (Un-Audited)

	Note	January to March		July to March	
		2015	2014	2015	2014
(Rupees in thousand)					
Sales		2,101,394	4,005,585	9,130,979	11,119,475
Cost of sales	6	(1,785,013)	(3,524,109)	(8,077,505)	(9,914,355)
Gross profit		316,381	481,476	1,053,474	1,205,120
Administration and general expenses		(60,026)	(59,315)	(204,656)	(183,248)
Other operating income		57	1,108	3,620	8,486
Profit from operations		256,412	423,269	852,438	1,030,358
Finance costs		(50,131)	(71,862)	(219,627)	(174,344)
Profit before tax		206,281	351,407	632,811	856,014
Taxation		(18)	(377)	(1,229)	(2,891)
Profit for the period		206,263	351,030	631,582	853,123
Earnings per share - basic and diluted	Rupees	1.22	2.07	3.73	5.03

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, 2015 (Un-Audited)

Note	January to March		July to March	
	2015	2014	2015	2014
	(Rupees in thousand)			
Profit after taxation	206,263	351,030	631,582	853,123
Other Comprehensive Income	-	-	-	-
Re-measurement of actuarial loss on retirement benefit plans	-	-	-	(15,140)
Total comprehensive income for the period	<u>206,263</u>	<u>351,030</u>	<u>631,582</u>	<u>837,983</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, 2015 (Un-Audited)

	Note	July to March	
		2015	2014
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	8	2,401,101	(1,015,915)
Staff retirement benefits paid		(38,023)	(18,655)
Finance costs paid		(234,400)	(149,961)
Taxes paid		(21,772)	(36,167)
Net cash from operating activities		2,106,906	(1,220,698)
Cash flows from investing activities			
Purchase of property, plant and equipment		(109,471)	(460,969)
Interest income received		853	5,484
Net decrease/(increase) in long term loans and deposits		2,419	(73)
Sale proceeds of property, plant and equipment		4,811	6,699
Net cash (used in)/from investing activities		(101,389)	(448,859)
Cash flows from financing activities			
(Decrease)/Increase in Long Term Financng		(88,199)	263,776
Dividend paid		(761,213)	(1,562,166)
Net cash used in financing activities		(849,413)	(1,298,390)
Net increase / (decrease) in cash and cash equivalents		1,156,104	(2,967,947)
Cash and cash equivalents at beginning of the period		(2,861,772)	269,367
Cash and cash equivalents at the end of the period	9	(1,705,668)	(2,698,580)

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, 2015 (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 in retirement benefit plan	-	(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)
Interim dividend for the year ended June 30, 2014 at the rate of Rs 3.00 per share	-	(338,917)	(338,917)
Total comprehensive income for the period	-	837,983	837,983
Balance as on March 31, 2014	1,694,586	4,906,783	6,601,370
Interim dividend for the year ended June 30, 2014 at the rate of Rs 2.00 per share	-	(338,917)	(338,917)
Total comprehensive income for the period	-	238,395	238,395
Balance as on June 30, 2014	1,694,586	4,806,261	6,500,847
Final dividend for the year ended June 30, 2014 at the rate of Rs 2.50 per share	-	(423,647)	(423,647)
Interim dividend for the half year ended December 31, 2014 at the rate of Rs 2.00 per share	-	(338,917)	(338,917)
Total comprehensive income for the period	-	631,582	631,582
Balance as on March 31, 2015	1,694,586	4,675,279	6,369,865

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, 2015 (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, 2014.
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, 2014 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. 395 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, 2014, 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 (2014: 2.15 million)
- (iii) Commitment regarding letter of credit / bank contract other than capital expenditure Rs. 52 million (June 30, 2014: Rs. 12.987 million)
- (iv) Commitment regarding capital expenditures as at March 31, 2015 is Rs. 17 million (June 30, 2014: Rs. NIL)

	March 2015	June 2014
	(Rupees in thousand)	
5. Property, plant and equipment		
Opening book value	4,222,938	3,870,267
Add: Additions during the period	<u>110,986</u>	<u>659,046</u>
	4,333,924	4,529,313
Less: Disposals during the period (at book value)	<u>1,938</u>	<u>5,403</u>
Depreciation charged during the period	<u>251,742</u>	<u>300,972</u>
	<u>253,680</u>	<u>306,375</u>
	<u>4,080,242</u>	<u>4,222,938</u>

	January to March		July to March	
	2015	2014	2015	2014
	(Rupees in thousand)			
6. Cost of sales				
Raw material consumed	1,567,056	3,315,189	7,348,945	9,292,216
Salaries, wages and benefits	34,090	35,871	129,882	116,979
Fee for Produce of Energy (FPE)	18,018	20,469	58,555	59,321
Stores and spares consumed	65,384	54,522	227,362	158,969
Depreciation/amortization	79,360	75,179	245,887	216,403
Insurance	9,883	12,228	30,048	37,098
Traveling, conveyance and entertainment	2,943	2,919	9,719	9,640
Repairs and maintenance	3,157	2,846	11,149	8,753
Electricity consumed in-house	195	175	855	2,252
Miscellaneous	4,927	4,710	15,103	12,725
	<u>1,785,013</u>	<u>3,524,109</u>	<u>8,077,505</u>	<u>9,914,355</u>

	July to March	
	2015	2014
	(Rupees in thousand)	
7. Related party transactions		
Purchase / sale of goods and services	186	5,962
Key management personnel compensation	99,496	92,491
Expense charged in respect of staff retirement benefit plan	14,627	7,769

8. Cash generated from operations

	July to March	
	2015	2014
	(Rupees in thousand)	
Profit before tax	632,811	856,014
Adjustments for:		
Depreciation/amortization	252,107	222,902
Gain on disposal of property, plant and equipment	(2,873)	(3,004)
Interest income	(748)	(5,483)
Provision for gratuity	21,470	7,769
Finance cost	218,401	172,911
Profit before working capital changes	1,121,169	1,251,109
Effect on cash flow due to working capital changes		
Stores and spares	(15,934)	(98,282)
Stock in trade	42,923	(91,486)
Trade debts	1,203,597	(2,307,681)
Advances deposits prepayments & other receivables	49,872	243,045
Creditors, accrued and other liabilities	(527)	(12,620)
	<u>1,279,931</u>	<u>(2,267,024)</u>
	<u>2,401,101</u>	<u>(1,015,915)</u>

9. Cash and cash equivalents

Cash and bank balances	6,647	21,132
Finances under mark-up arrangements - Secured	(1,712,314)	(2,719,712)
	<u>(1,705,668)</u>	<u>(2,698,580)</u>

10. Date of authorization for issue

These financial statements were authorized for issue on April 24, 2015 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 1.5 per share (Dec 31, 2014: Rs 2.0 per share), amounting to Rs. 254,188 thousand (Dec 31, 2014: Rs. 338,917 thousand) at their meeting held on April 24, 2015. 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

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

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Contribution to Social Welfare

