



KOHINOOR
ENERGY LIMITED

ENERGY

QUARTERLY REPORT **2016**
January-March (Un-Audited)

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Board of Directors

- Mr. M. Naseem Saigol
Chairman
- Mr. S M Shakeel
Chief Executive Officer
- Mr. Tatsuo Hisatomi
- Mr. Shinichi Ushijima
- Mr. Manabu Iida
- Mr. Mikihiro Moriya
Independent
- Mr. Muhammad Asad Khan
Nominee of Wartsila Finland Oy

Company Secretary

- Mr. Muhammad Asif

Audit Committee

- Mr. Mikihiro Moriya
Chairman
- Mr. S M Shakeel
- Mr. Shinichi Ushijima
- Mr. Manabu Iida

HR & Remuneration Committee

- Mr. Mikihiro Moriya
Chairman
- Mr. S M Shakeel
- Mr. Tatsuo Hisatomi
- Mr. Manabu Iida

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
- AL Baraka Bank (Pakistan) Limited
- Meezan Bank Limited
- Habib Bank Limited
- NIB Bank Limited

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, 2016.

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 plant by operating at 75.09% capacity factor delivered 203,362 MWH of electricity to WAPDA while during the corresponding quarter year last year the plant by running at 74.31% capacity delivered 199,033 MWH.

The turnover of the Company for the 3rd quarter of the current financial year remained at Rs. 1.42 billion as compared to Rs 2.10 billion in the corresponding quarter last year. In aggregate the turnover for nine months of the current financial year stood at Rs. 5.54 billion as compared to Rs. 9.13 billion in nine months of the FY 2014-15. During the quarter under review the Company earned a net profit after tax of Rs. 210.98 million and demonstrated earning per share (EPS) of Rs. 1.25 as compared to net profit after tax of Rs. 206.26 million and EPS of Rs. 1.22 made during the corresponding quarter of FY 2014-15. The fall in sales revenue is due to substantial decrease in fuel prices during the period. Resultantly the overall profit for nine months of the current FY 2015-16 remained lower as compared to corresponding period. However the negative impact of the lower fuel prices was set off against lesser expenses on major maintenances during the current quarter.

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 revenue department, the status is the same as reported earlier.

We write to report that only half of the major maintenance cost of one engine has been charged to accounts during the quarter under review as compared to two major maintenances carried out during the corresponding quarter last year. Overall during the period of current nine months total 4 engines in full and one engine in partial have gone through the 8k major maintenance as compared to 5 engines overhauled during the same period in FY 2014-15.

Lahore
April 19, 2016

The Board further inform you that by virtue of an agreement Wartsila Pakistan (Pvt) Limited (Wartsila) had been taking care of 8000 running hours (8k) major maintenance of engines. The said agreement is going to expire during the year 2015-16 and consequently after 100k running hours the major overhaul activity, the respective diesel generator set is getting out of work scope of Wartsila. The Company's in-house technical team has more than 18 years of operations and maintenance experience and already carrying out all maintenances except of 8 k maintenance for the last 10 years and the Company's team is fully competent to carry out 8K maintenance. Therefore the management has decided to carry out the 8k maintenance itself by the Company's in-house team; and the Board is confident that it shall bring substantial saving for the Company.

We take pleasure to inform you that the Board of Directors in their meeting held on April 19, 2016 has declared 2nd interim dividend for the financial year 2015-16 at the rate of 15% (i.e. @ Rs. 1.50 per share) for which the date of entitlement has been fixed as May 05, 2016. 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 04, 2016 will be treated in time for the purpose of entitlement of Cash Dividend to the transferees.

Further the Board informs you that consequent to relocation to Japan, Mr. Tatsuo Hisatomi has relinquished the office of Chief Executive of the Company and in his place the Board has appointed Mr. S M Shakeel as Chief Executive Officer (CEO) of the Company effective from April 01, 2016.

The Board extends special gratitude to Mr. Tatsuo Hisatomi for his services that he rendered during his tenure of Chief Executive and warm welcome to Mr. S M Shakeel as new CEO of the Company.

We are thankful and acknowledge the consistent support being extended by WAPDA, the financial institutions, PSO, 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 continued efforts that resulted in safe, efficient and reliable operations of the plant and is confident of their enthusiasm to remain continued in future.

for and on behalf of the Board



S M Shakeel
Chief Executive Officer

CONDENSED INTERIM BALANCE SHEET



KOHINOOR
ENERGY LIMITED

	Note	March 2016	June 2015
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized capital			
170,000,000 (June 2015: 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 2015: 169,458,614) ordinary shares of Rs. 10 each		1,694,586	1,694,586
Unappropriated profit		4,525,018	4,641,886
		6,219,604	6,336,472
NON-CURRENT LIABILITIES			
Long term financing - secured		-	30,597
CURRENT LIABILITIES			
Staff retirement benefits		7,471	10,865
Finances under mark up arrangements - secured	2	2,085,771	2,245,901
Current portion of long term loans		60,269	128,649
Trade and other payables		166,857	195,328
Accrued finance cost		10,618	11,664
Provision for taxation		-	1,332
		2,330,986	2,593,739
CONTINGENCIES AND COMMITMENTS	4	-	-
		8,550,590	8,960,808

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

Chief Executive

AS AT MARCH 31, 2016 (Un-Audited)

	Note	March 2016	June 2015
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	3,892,591	4,079,514
Intangible assets		2,169	2,534
Capital work-in-progress		3,845	8,430
Stores held for capital expenditures		53,024	36,826
Long term loans, advances and deposits		11,545	14,618
		<u>3,963,174</u>	<u>4,141,922</u>
CURRENT ASSETS			
Stores, spares and loose tools		450,114	402,034
Stock-in-trade		120,723	237,548
Trade debts		3,634,408	3,551,810
Loans, advances, deposits, prepayments and other receivables		361,523	485,259
Advance tax - net		12,673	-
Cash & bank balances		7,975	142,235
		<u>4,587,416</u>	<u>4,818,886</u>
		<u><u>8,550,590</u></u>	<u><u>8,960,808</u></u>



Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT



KOHINOOR
ENERGY LIMITED

For the Quarter and Nine Months ended March 31, 2016 (Un-Audited)

	Note	January to March		July to March	
		2016	2015	2016	2015
(Rupees in thousand)					
Sales		1,421,312	2,101,394	5,544,866	9,130,979
Cost of sales	6	(1,120,338)	(1,785,013)	(4,680,830)	(8,077,505)
Gross profit		300,974	316,381	864,036	1,053,474
Administration and general expenses		(58,439)	(60,026)	(200,716)	(204,656)
Other operating income		154	57	338	3,620
Profit from operations		242,689	256,412	663,658	852,438
Finance costs		(31,662)	(50,131)	(102,584)	(219,627)
Profit before tax		211,027	206,281	561,074	632,811
Taxation		(49)	(18)	(108)	(1,229)
Profit for the period		210,978	206,263	560,966	631,582
Earnings per share - basic and diluted	Rupees	1.25	1.22	3.31	3.73

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, 2016 (Un-Audited)

Note	January to March		July to March	
	2016	2015	2016	2015
	(Rupees in thousand)			
Profit after taxation	210,978	206,263	560,966	631,582
Other Comprehensive Income	-	-	-	-
Total comprehensive income for the period	210,978	206,263	560,966	631,582

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, 2016 (Un-Audited)

	Note	July to March	
		2016	2015
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	8	1,002,768	2,401,101
Staff retirement benefits paid		(22,608)	(38,023)
Finance costs paid		(102,434)	(234,400)
Taxes paid		(14,114)	(21,772)
Net cash from operating activities		863,612	2,106,906
Cash flows from investing activities			
Purchase of property, plant and equipment		(74,554)	(109,471)
Interest/mark-up income received		338	853
Net (increase)/decrease in long term loans, advances and deposits		3,073	2,419
Sale proceeds of property, plant and equipment		6,165	4,811
Net cash (used in)/from investing activities		(64,978)	(101,389)
Cash flows from financing activities			
Decrease in long term financng		(98,977)	(88,199)
Dividend paid		(673,786)	(761,213)
Net cash used in financing activities		(772,763)	(849,413)
Net (decrease) in cash and cash equivalents		25,871	1,156,104
Cash and cash equivalents at beginning of the period		(2,103,666)	(2,861,772)
Cash and cash equivalents at the end of the period	9	(2,077,795)	(1,705,668)

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 Nine Months ended March 31, 2016 (Un-Audited)

	Share capital	Un-appropriated profit (Rupees in thousand)	Total
Balance as on July 1, 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
Interim dividend for the year ended June 30, 2015 at the rate of Rs 1.50 per share		(254,188)	(254,188)
Total comprehensive income for the period		220,795	220,795
Balance as on July 1, 2015	1,694,586	4,641,886	6,336,472
Final dividend for the year ended June 30, 2015 at the rate of Rs 2.00 per share		(338,917)	(338,917)
Interim dividend for the half year ended December 31, 2015 at the rate of Rs 2.00 per share		(338,917)	(338,917)
Total comprehensive income for the period		560,966	560,966
Balance as on March 31, 2016	1,694,586	4,525,018	6,219,604

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



Chief Executive



Director



For the Quarter and Nine Months ended March 31, 2016 (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 Ordinance, 1984. The company is listed on the Karachi, Islamabad and Lahore Stock Exchanges (now merged as 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

This condensed interim financial information is un-audited and has been prepared in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard (IAS) 34 - 'Interim Financial Reporting'. 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, 2015

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, 2015.

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, 2015 except the following.

- (i) WAPDA has 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. Up till March 31, 2016, accumulated liquidated damages invoiced by WAPDA are Rs. 410.709 million (Up till June 30, 2015: 402.433 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 non-payment of dues on a timely basis to the company and consequential inability of the company to make advance payments to its fuel supplier - Pakistan State Oil (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, however, recently in a similar case pertaining to 'capacity payments' of other Independent Power Producers (falling under the 1994 and 2002 power policy), the expert appointed in such a case, gave the decision in favour of Independent Power Producers 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 (2015: 2.15 million)
- (iii) Commitment regarding letter of credit / bank contract other than capital expenditure Rs. 22.3 million (June 30, 2015: Rs. 18.24 million)

(iv) Commitment regarding capital expenditures as at March 31, 2016 is Rs. Nil (June 30, 2015: Rs. 42.23 millions)

	March 2016		June 2015		
	(Rupees in thousand)				
5. Property, plant and equipment					
Opening book value	4,079,514		4,222,938		
Add: Additions during the period	79,138		194,774		
	<u>4,158,652</u>		<u>4,417,712</u>		
Less: Disposals during the period (at book value)	2,548		2,432		
Assets Write Off	3,617		9,127		
Depreciation charged during the period	259,896		326,639		
	<u>266,061</u>		<u>338,198</u>		
	<u>3,892,591</u>		<u>4,079,514</u>		
	Note	January to March		July to March	
		2016	2015	2016	2015
		(Rupees in thousand)			
6. Cost of sales					
Raw material consumed	934,614	1,567,056	4,048,810	7,348,945	
Salaries, wages and benefits	37,450	34,090	136,481	129,882	
Fee for produce of energy (FPE)	9,778	18,018	41,729	58,555	
Stores and spares consumed	29,650	65,384	133,047	227,362	
Depreciation/amortization	88,296	79,360	257,641	245,887	
Insurance	9,781	9,883	29,163	30,048	
Traveling, conveyance and entertainment	2,697	2,943	8,400	9,719	
Repairs and maintenance	2,611	3,157	10,133	11,149	
Electricity consumed in-house	620	195	1,382	855	
Miscellaneous	4,841	4,927	14,045	15,103	
	<u>1,120,338</u>	<u>1,785,013</u>	<u>4,680,830</u>	<u>8,077,505</u>	
				July to March	
				2016	2015
				(Rupees in thousand)	
7. Related party transactions					
Purchase / sale of goods and services			393	186	
Key management personnel compensation			95,957	99,496	
Expense charged in respect of staff retirement benefit plan			11,908	14,627	
				March 2016	June 2015
				(Rupees in thousand)	
Period end balances					
Payable to related parties			159	39	

	Note	July to March	
		2016	2015
(Rupees in thousand)			
8. Cash generated from operations			
Profit before tax		561,074	632,811
Adjustments for:			
Depreciation/amortization		260,261	252,107
Gain on disposal of property, plant and equipment		–	(2,873)
Interest income		(338)	(748)
Provision for gratuity		19,214	21,470
Finance cost		101,388	218,401
Profit before working capital changes		941,599	1,121,169
Effect on cash flow due to working capital changes			
Stores and spares		(64,276)	(15,934)
Stock in trade		116,825	42,923
Trade debts		(82,598)	1,203,597
Advances deposits prepayments & other receivables		123,737	49,872
Creditors, accrued and other liabilities		(32,519)	(527)
		61,169	1,279,931
		<u>1,002,768</u>	<u>2,401,101</u>
9. Cash and cash equivalents			
Cash and bank balances		7,975	6,647
Finances under mark-up arrangements - Secured		(2,085,771)	(1,712,314)
		<u>(2,077,796)</u>	<u>(1,705,668)</u>
10. Date of authorization for issue			
These financial statements were authorized for issue on April 19, 2016 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 (June 30, 2015: Rs 2.0 per share), amounting to Rs. 254,188 thousand (June 30, 2015: Rs. 338,917 thousand) at their meeting held on April 19, 2016. 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

“SAY NO TO CORRUPTION”

KOHINOOR

Contribution to Social Welfare

