



KOHINOOR
ENERGY LIMITED

Quarterly Report **2014**
July-September (Un-Audited)





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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. Hidenori Saito
Mr. Manabu lida
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. Muhammad Asad Khan
Mr. Yasunori Mizuno

HR & Remuneration Committee

Mr. Hidenori Saito
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 financial and operational review report together with the interim accounts of the Company for the 1st quarter ended September 30, 2014.

We write to reiterate that Kohinoor Energy Limited (the Company) is a joint venture between Toyota Tsusho Corporation Japan and Saigols Group of Pakistan. The Company owns, operates and maintains a 124 MW furnace oil fired power plant with a gross capacity of 131.44 MW. During the quarter under review the power complex by running at 83.84% capacity dispatched 229,547 MWHs of electricity to WAPDA which is comparatively higher than that of previous corresponding quarter when 218,639 MWHs electricity delivered to WAPDA at 79.86% capacity level.

The total sales during the 1st quarter of FY 2014-15 remained at Rs. 3.766 billion as compared with Rs. 3.55 billion recorded during the corresponding quarter of the previous FY 2013-14. Resultantly the Company earned a net profit after tax of Rs. 218 million by demonstrating an earning per share (EPS) of Rs. 1.29 as compared with Rs. 243.5 million with an EPS of Rs. 1.44 earned during the corresponding previous 1st quarter of the FY2013-14. The decrease in profits is mainly due to the maintenance of 2 engines as compared with no major maintenance work occurred during the previous corresponding quarter.

During the 1st quarter under review 2 engines have gone through the 8k major maintenances however during the previous corresponding 1st quarter no major maintenance work had been done on any engine of the engines. All the engines and allied equipment are in good condition.

The Board of Directors wishes to place on record its appreciation to the valuable shareholders, WAPDA, financial institutions and lenders, Wartsila, Pakistan State Oil and other suppliers for their consistent trust and support to the Company. The Board is also thankful to all executives and employees of the Company for their hard working, dedication and commitment with the Company. We are confident that the same spirit of adherence shall remain to continue in the future as well.

Lahore
October 21, 2014


Tatsuo Hisatomi
Chief Executive Officer

Condensed Interim Balance Sheet

	Note	September 2014	June 2014
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized capital		1,700,000	1,700,000
170,000,000 (June 2014: 170,000,000) ordinary shares of Rs. 10 each			
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		4,600,795	4,806,261
		<u>6,295,381</u>	<u>6,500,847</u>
Long term financing - secured	4	127,687	189,721
CURRENT LIABILITIES			
Finances under mark up arrangements - secured		3,155,073	3,083,465
Trade and other payables		272,320	264,084
Accrued finance cost		30,241	27,229
Current portion of long term financing		122,547	89,078
Provision for taxation		21,628	26,518
		<u>3,601,808</u>	<u>3,490,374</u>
CONTINGENCIES AND COMMITMENTS	5		
		<u>10,024,875</u>	<u>10,180,942</u>

The annexed notes 1 to 11 form an integral part of these financial statements.



Chief Executive

As At September 30, 2014 (Un-Audited)

	Note	September 2014	June 2014
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	4,256,183	4,303,803
Intangible assets		2,899	3,020
Long term loans, advances and deposits		16,119	17,232
		<u>4,275,201</u>	<u>4,324,055</u>
CURRENT ASSETS			
Stores, spares and loose tools		367,745	385,208
Stock-in-trade		411,903	295,464
Trade debts		4,465,466	4,598,451
Loans, advances, deposits, prepayments and other receivables		487,736	356,071
Cash and bank balances		16,825	221,693
		<u>5,749,674</u>	<u>5,856,887</u>
		<u><u>10,024,875</u></u>	<u><u>10,180,942</u></u>



Director

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Condensed Interim Profit And Loss Account

For the Quarter ended September 30, 2014 (Un-Audited)

	Note	July to September	
		2014	2014
(Rupees in thousand)			
Sales		3,766,289	3,549,176
Cost of sales	7	(3,389,946)	(3,201,656)
Gross profit		376,343	347,520
Administration and general expenses		(76,756)	(68,410)
Other operating income		3,276	5,188
Profit from operations		302,863	284,298
Finance costs		(83,569)	(39,451)
Profit before tax		219,294	244,847
Taxation		(1,114)	(1,343)
Profit for the period		218,180	243,504
Earnings per share - basic and diluted	Rupees	<u>1.29</u>	<u>1.44</u>

The annexed notes 1 to 11 form an integral part of these financial statements.


Chief Executive


Director

Condensed Interim Statement Of Comprehensive Income

For the Quarter ended September 30, 2014 (Un-Audited)

	Note	July to September	
		2014	2014
Profit for the period		218,180	243,504
Other comprehensive income		-	(7,570)
Total comprehensive income for the quarter		218,180	235,934

The annexed notes 1 to 11 form an integral part of these financial statements.


Chief Executive


Director



Condensed Interim Cash Flow Statement

For the Quarter ended September 30, 2014 (Un-Audited)

	Note	July to September	
		2014	2014
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	9	310,921	(1,276,452)
Staff retirement benefits paid		(17,119)	(297)
Finance costs paid		(80,169)	(25,803)
Taxes paid		(6,004)	(22,652)
Net cash from operating activities		207,628	(1,325,204)
Cash flows from investing activities			
Purchase of property, plant and equipment		(47,997)	(130,928)
Interest income received		402	2,167
Net decrease in long term loans, advances and deposits		1,113	705
Sale proceeds of property, plant and equipment		9,496	6,686
Net cash used in investing activities		(36,986)	(121,370)
Cash flows from financing activities			
Increase in short term financing (net)		71,608	1,568,362
(Decrease)/increase in long term financing		(28,566)	317,956
Dividend paid		(418,553)	(720,132)
Net cash used in financing activities		(375,511)	1,166,186
Net decrease in cash and cash equivalents		(204,868)	(280,389)
Cash and cash equivalents at beginning of the period		221,693	585,775
Cash and cash equivalents at the end of the period		16,825	305,386

The annexed notes 1 to 11 form an integral part of these financial statements.

Chief Executive

Director

Condensed Interim Statement Of Changes In Equity

For the Quarter ended September 30, 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 Balance as on July 1, 2013 (Restated)	–	(28,608)	(28,608)
	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)
Interim 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)	–	243,504	243,504
Re-measurement of actuarial loss on retirement benefit plans	–	(7,570)	(7,570)
	–	235,934	235,934
Balance as on September 30, 2013	1,694,586	4,643,651	6,338,237
Interim dividend for the year ended June 30, 2014 at the rate of Rs 2.00 per share	–	(338,917)	(338,917)
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 (Oct-13 to Jun-14)	–	840,444	840,444
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)
Total comprehensive income for the quarter	–	218,180	218,180
Balance as on September 30, 2014	1,694,586	4,600,795	6,295,381

The annexed notes 1 to 11 form an integral part of these financial statements.


Chief Executive


Director

Selected Notes To The Condensed Interim Financial Information

For the Quarter ended September 30, 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 annual published financial statements of the company for the year ended June 30, 2014.
3. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting'.

4. Long term financing - secured

This represent Islamic finance under musharaka agreement from Al Baraka Bank which is repayable in 12 equal quarterly installments from the date of disbursement. The loan carries mark up at the rate of 3 months kibar plus 1.1% and is secured by first pari passu charge over all fixed assets including Land and Building to the extent of Rs. 667 million.

5. Contingencies and commitments

There is no change in contingencies from the preceding annual published financial statements of the company for the year ended June 30,2014 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, liquidated damages invoiced by WAPDA is Rs. 387.063 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 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. During the year, 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 these financial statements.
- (ii) Commitment regarding letter of credit/bank contracts other than capital expenditure Rs. 58.688 million (June 30, 2014: Rs.12.978 million)
- (iii) Commitment regarding letter of credit for capital expenditure Rs.21.539 million (June 30, 2014: Rs.NIL million)

	Note	September 2014	June 2014
(Rupees in thousand)			
6. Property, plant and equipment			
Operating fixed assets	6.1	4,180,694	4,222,938
Capital work in progress		6,015	1,515
Stores held for capital expenditures		69,474	79,350
		<u>4,256,183</u>	<u>4,303,803</u>

6.1 Operating fixed assets

Opening net book value	4,222,938	3,870,267
Additions (At cost)	39,447	659,046
	<u>4,262,385</u>	<u>4,529,313</u>
Disposals (at NBV)	(2,574)	(5,403)
Depreciation charge	(79,116)	(300,972)
	<u>(81,691)</u>	<u>(306,375)</u>
Closing net book value	<u>4,180,694</u>	<u>4,222,938</u>

July to September 2014 2014 (Rupees in thousand)

7. Cost of sales

Raw material consumed	3,133,377	3,004,080
Salaries, wages and benefits	52,970	50,999
Fee for Produce of Energy (FPE)	20,481	20,170
Stores and spares consumed	81,860	34,695
Depreciation/amortization	77,765	67,565
Insurance	10,081	12,064
Traveling, conveyance and entertainment	3,103	3,552
Repair and maintenance	4,309	3,361
Electricity consumed in-house	370	440
Miscellaneous	5,628	4,731
	<u>3,389,946</u>	<u>3,201,656</u>

July to September

2014	2014
(Rupees in thousand)	

8. Related party transactions

Purchase/ Sale of goods and services	59	3,084
Key management personnel compensation	38,324	32,424
Expense charged in respect of staff retirement benefit plan	4,876	4,685
	<u>43,258</u>	<u>40,193</u>

9. Cash generated from operations

Profit before tax	219,294	244,847
Adjustments for:		
Depreciation/amortization	79,238	69,821
Gain on disposal of property, plant and equipment	(2,873)	(3,021)
Interest income	(403)	(2,167)
Provision for gratuity	4,876	4,685
Finance cost	83,182	38,909
Profit before working capital changes	<u>383,314</u>	<u>353,073</u>
Effect on cash flow due to working capital changes		
Decrease/(increase) in stores and spares	27,339	(249,094)
Increase in stock in trade	(116,439)	(293,412)
Decrease/(increase) in trade debts	132,985	(1,215,910)
Decrease/(increase) in other receivables	(131,663)	190,141
Increase/(decrease) in creditors, accrued and other liabilities	15,385	(61,250)
	<u>(72,393)</u>	<u>(1,629,526)</u>
	<u>310,921</u>	<u>(1,276,452)</u>

10. Date of authorization for issue

These financial statements were authorized for issue on October 21, 2014 by the Board of Directors of the company.

11. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison.


Chief Executive

Director

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Contribution to Social Welfare

