

## COMPANY INFORMATION

Chairman

Chief Executive Officer

## Board of Directors (BOD)

Riyadh S. A. A. Edrees,

Syed Moonis Abdullah Alvi,

Khalid Rafi Adeeb Ahmad

Ch Khaqan Saadullah Khan Dr Ahmed Mujtaba Memon

Jamil Akbar

Mubasher H. Sheikh Muhammad Abid Lakhani Ruhail Muhammad

Shan A. Ashary Syed Asad Ali Shah Jilani

Waseem Mukhtar

## **Board Audit Committee (BAC)**

Khalid Rafi Chairman Ch Khagan Saadullah Khan Member Mubasher H. Sheikh Member Syed Asad Ali Shah Jilani Member

## **Board Human Resource & Remuneration** Committee (BHR&RC)

Khalid Rafi Chairman Ch Khaqan Saadullah Khan Member Shan A. Ashary Member Syed Moonis Abdullah Alvi Member

## **Board Finance Committee (BFC)**

Ruhail Muhammad Chairman Ch Khaqan Saadullah Khan Member Dr Ahmed Mujtaba Memon Member Shan A. Ashary Member

## **Board Strategy & Project Committee** (BS&PC)

Ch Khagan Saadullah Khan Chairman Adeeb Ahmad Member Jamil Akbar Member Shan A. Ashary Member Syed Moonis Abdullah Alvi Member Waseem Mukhtar Member

## **Board Risk Management & Safety** Committee (BRM&SC)

Khalid Rafi Chairman Dr Ahmed Mujtaba Memon Member Mubasher H. Sheikh Member Syed Moonis Abdullah Alvi Member

## **Board Regulatory Affairs Committee (BRAC)**

Shan A. Ashary Chairman Ch Khagan Saadullah Khan Member Syed Asad Ali Shah Jilani Member Syed Moonis Abdullah Alvi Member

## **Chief Financial Officer**

Muhammad Aamir Ghaziani

## Chief People Officer & Company Secretary

Muhammad Rizwan Dalia

## **Chief Internal Auditor**

Asif Raza

## Legal Adviser

Abid S. Zuberi & Co.

## **External Auditors**

Messrs A.F. Ferguson & Co.

## **Share Registrar**

CDC Share Registrar Services Limited CDC House, 99-B, Block "B", SMCHS, Main Shahrah-e-Faisal, Karachi. Office: 111-111-500

#### **Bankers**

Al Baraka Bank (Pakistan) Limited

Allied Bank Limited Askari Bank Limited Bank Alfalah Limited Bank Al-Habib Limited Bank Islami Pakistan Limited

Bank of Punjab

Bank of China Limited, Shanghai Branch Dubai Islamic Bank Pakistan Limited

Faysal Bank Limited First Women Bank Limited Habib Bank Limited

Industrial & Commercial Bank of China Limited

JS Bank Limited MCB Bank Limited MCB Islamic Bank Limited Meezan Bank Limited National Bank of Pakistan

Pak Brunei Investment Company Limited

Samba Bank Limited Soneri Bank Limited

Standard Chartered Bank (Pakistan) Limited

Standard Chartered Bank (UK)

Summit Bank Limited The Bank of Khyber United Bank Limited

## Registered Office

KE House, 39-B, Sunset Boulevard, Phase-II, Defence Housing Authority, Karachi, Pakistan

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## **DIRECTORS' REVIEW**

I am pleased to present the Condensed Interim Financial Statements (un-audited) of K-Electric Limited (KE) for the half year ended December 31, 2019 on behalf of the Board of Directors.

Key operational and financial results are summarized below:

		JUL-DEC 2019	JUL-DEC 2018
OPERATIONAL		_	6 - GWh)
Units generated (net of auxiliary) Units purchase		5,260 4,099	5,236 3,882
Total units available for distribution (sent out) Units billed		9,359 <sup>1</sup> 7,910	9,118 7,519
Transmission & Distribution Losses %		15.5%	17.5%
FINANCIAL		(PKR - N	MILLIONS)
Revenue		158,388	145,442
Profit before finance cost Profit before taxation Taxation – net		12,864 4,817 (2,022)	8,693 6,056 (711)
Net Profit for the period		2,795	5,345
Earnings per share-BASIC/DILUTED	(Rupees)	0.10	0.19
Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)		22,230	16,157

#### **Financial Review**

During the half year ended December 31, 2019, the Company's operational performance continued to show improvements including decrease in T&D losses by 2.0% points, increase in sent out units by 2.6% and increase in generation efficiency by 0.7% points. Additionally, appreciation of Pakistani Rupee against foreign currencies, mainly USD, during the half year period had a positive impact on the profitability of the Company. However, a corresponding increase in profit before tax was not witnessed due to increase in finance cost by 205.3% to fund the growing working capital requirements arising from continuous accumulation of government receivables and delays in determination of tariff variations. In addition, increase in average borrowing rate by 4.8% during the period has also contributed to increase in finance cost. This along with increase in taxation due to deferred tax asset reversal of Rs. 409 million on account of revaluation deficit of Rs. 1,409 million on unit 3 & 4 of BQPS-1 resulted in decrease in net profit for the period by 47.7 % from comparable period. The units are geared to be decommissioned as part of the installation of 900 MW RLNG based BQ-III Project.

KE, within the MYT mid-term review filed with NEPRA, has taken up the issue of working capital along with continuous accumulation of government receivables and expects that necessary adjustments will be allowed in tariff, enabling continued investments, ultimately benefitting consumers in the form of safe, reliable and uninterrupted power supply.

## **Delay in Issuance of Financial Statements**

The fundamental reason for delay in issuing these financial statements is delay in determination / notification of KE MYT by NEPRA / MoE which expired on 30 June 2016. The tariff was finally notified in May 2019. Due to unavailability of a valid and notified tariff, financial statements for FY 2017 were delayed and consequently subsequent quarterly, half yearly and annual financial statements were also delayed as these were contingent upon finalization and approval of previous financial statements by shareholders of the Company. Moreover, lock down situation amid COVID 19 pandemic also contributed to delay in finalizing the said financial statements.

## **Update on Significant Matters**

## Generation:

During the six months under review, the generation fleet efficiency improved by 0.7% points as compared to corresponding period.

Major maintenance activities at BQPS-I, SGTPS-II, and KCCPP were carried out during this period. Further, SGTPS-II and KGTPS-II plants achieved ISO 55001, Asset Management System certification and BQPS-II was awarded Topmost Reliable GE Power Plant in Pakistan, Middle East & Africa regions for 2019 with GTs average reliability of 99.84%.

#### **Transmission:**

As of December 31, 2019, KE's transmission system comprises of total 1,287.58 km of 220 kV, 132 kV, and 66 kV transmission lines, 69 grids, 18 auto transformers and 166 power transformers.

The TP-1000 project of over USD 450 million is on course and is expected to be completed by the 2nd quarter of FY 2021. Up to December 31, 2019, 5 new grid stations and 25 power transformers were energized. Additionally, 39.16 km of line length was rehabilitated, and 6.04 km of line length was added.

During the half year period, a state-of-the-art "Disaster Recovery Centre" (DRC) was also commissioned to serve as a back-up for KE's Load Dispatch Centre (LDC).

As of December 31, 2019, a three-year overhauling of 80 GIS bays neared completion with 75 bays completely overhauled while 06 new power transformers were added to the system at various locations to curb overloading. The replacement of obsolete current / potential transformers, circuit breakers and relays has also contributed in achieving greater system reliability.

Further, lines rehabilitation is also underway in which RTV coating is done on existing insulators and the insulators are being replaced with composite ones to improve the reliability of circuits near coastal belt, ultimately obtaining enhanced performance amid humid and polluted environment.

## **Distribution:**

KE continued to focus on its distribution network through various projects aimed at loss reduction and revenue management. Aerial Bundle Cabling (ABC) roll-out was continued with over 700 Pole Mounted Transformer (PMT) circuits converted to ABC during the half year period, bringing the total count to over 9,000 PMTs since the project began – the goal is to convert all high loss PMTs to ABC by 2023. In addition, as part of KE's plan to continuously improve the overall power system, the Company successfully added another 24 feeders between July and December 2019.

With continued investments in its infrastructure, KE's service area is now over 75% load shed free with complete exemption to industries. As a result, the Transmission and Distribution losses have declined from 35.9% in FY 09 to a rolling average of 18% as of December 31, 2019. AT&C losses have further reduced by 2.9% from the corresponding period last year, where it stood at 24.8% YTD 2019.

To achieve a load-shed free Karachi in the near future, KE is scaling up its efforts to combat power theft, by converting existing high loss Pole Mounted Transformers (PMTs) to Aerial Bundled Cables (ABC). KE launched a transformational project under the name of 'Project Sarbulandi' to uplift the less affluent and underdeveloped areas of Karachi. The same is aimed towards improving network health and its enhancement towards complete installation of ABC, mitigation of commercial losses and upliftment of areas through community engagement activities. Coupled with an effective governance mechanism to support the investment made, this will help in achieving area loss reduction and improved recoveries in these chronic pockets.

## **Strategy & Business Development:**

KE is currently in discussions with CPPA-G and NTDC for a long-term Power Purchase and Agency Agreement (PP&AA) pursuant to which KE will receive additional supply from NTDC network, up to 1400 MW. This will require construction of two new grid stations, one in West Karachi and the other at Dhabeji. These new grid stations will facilitate off-take of power from K2 / K3 nuclear projects and from Jamshoro / Jhimpir corridor. The grid stations are expected to take 2 to 3 years for completion subject to government and regulatory approvals and finalization of contractual modalities for which KE is in continuous discussions with relevant stakeholders.

Since Notice to Proceed (NTP), substantial progress has been achieved in design, procurement and construction phases of BQ-III 900 MW RLNG Power Plant Project; with over all progress currently at around 15%.. Regarding its fuel supply, CCOE has made the decision for supply of 150 MMCFD RLNG supply to KE through PLL up till 2025. Head of Agreement between KE and PLL is at an advanced stage of negotiation.

Gharo Solar (50 MW), an IPP based project, commenced Commercial Operations in December 2019 and is supplying clean energy into KE's system under a long-term Energy Purchase Agreement (EPA). KE plans to add more renewable projects within KE's licensed jurisdiction and is currently evaluating addition of up to 300 MW solar projects. Under IPP model, at Vindar, Uthal and Bela in Baluchistan, KE is currently working on adding an installed capacity of 100 MW. These will be the first power plants in the KE network located within Balochistan.

KE is committed to uplift the socio-environmental status of the city of Karachi. In order to inject clean power into the grid and improve solid waste disposal that plagues this fast growing city, KE and Engro Energy Limited have signed an MoU and have initiated a feasibility study for developing a 50 MW Solid Waste to Energy Plant at one of the landfill sites in Karachi. This plant will help adequately dispose of approximately one third of the waste generated in the city.

## **Auditors' Observations**

With respect to Auditors' observations in their review report to the members, it is informed that:

As explained in Note 13.1.1 to the financial statements, the issue of late payment surcharges / interest on delayed payment will ultimately be settled on a net basis with similar treatment of receivables and payables without accounting for any delayed payment surcharge / interest, and this Company's narrative is duly supported by legal opinions obtained in this respect. However, being prudent, the Company has made provision on a net basis.

#### **Board of Directors (BOD)**

During review period, the following changes occurred on the Board and all casual vacancies were filled by directors within the specified time period:

- 1. Adeeb Ahmad was appointed as Director effective from July 04, 2019 against casual vacancy.
- 2. Syed Mohammad Akhtar Zaidi resigned from the directorship on July 29, 2019.
- Muhammad Zubair Motiwala retired from the directorship on July 30, 2019.

Election of directors was held at the AGM on July 30, 2019 and the following directors were elected /re-elected:

- 1. Ikram Ul-Majeed Sehgal
- 3. Khalid Rafi
- Chaudhary Khaqan Saadullah Khan 6.
  Mubasher H. Sheikh 8.
  Nayyer Hussain 10. 5.
- 7.
- 9.
- 11. Riyadh S. A. A. Edrees
- 13. Waseem Mukhtar

- 2. Syed Moonis Abdullah Alvi
- Adeeb Ahmad
- Dr. Ahmed Mujtaba Memon
- Muhammad Abid Lakhani
- Ruhail Muhammad
- 12. Shan A. Ashary

Subsequently, Nayyer Hussain resigned from the directorship of the Company effective from September 18, 2019 and Jamil Akbar filled-up the casual vacancy on the Board on September 25, 2019. Whereas Ikram ul-Majeed Sehgal resigned from the directorship of the Company effective from November 6, 2019.

Subsequent to the review period, Syed Asad Ali Shah filled-up the casual vacancy on the Board on January 27, 2020 whereas Riyadh S.A.A. Edrees was appointed as Chairman with effect from April 09, 2020.

## **Acknowledgements**

The Board wishes to extend its gratitude to the shareholders and customers of the Company for their cooperation and support and extends its appreciation to the employees of the Company.

Riyadh S.A.A Edrees Chairman Syed Moonis Abdullah Alvi Chief Executive Officer

Karachi, August 11, 2020

## بورد آف دائر يكثرز

ا کرام المحی سهگل

ز برجائزه مدت کے دوران، بورڈ میں مندرجہ ذیل آ سامیاں وقوع پذیر ہوئیں جنہیں مقررہ مدت میں ڈائر یکٹرز کی جانب ہے پورا کیا گیا:

- 1- جناب ديب احمر كاتقر ربطور دُّائرَ كِيتْر 4 جولا ئي 2019 كوعارضي آسا مي يركيا گيا-
- 2- جناب سیر محماخر زیدی نے 29 جولائی 2019 کوڈائر کیٹر کے عہدے سے ستعفیٰ دیا۔
- 3- جناب محمد زبیر موتی والا 30 جولائی 2019 کوڈ ائر یکٹر کے عہدے سے سبکدوش ہوئے۔

ڈائر کیٹرز کے انتخابات 30 جولائی 2019 کوسالانہ اجلاس عام کے موقع پر منعقد ہوئے جس میں درجے ذیل ڈائر کیٹرزنتخ / دوبارہ فتخب ہوئے:

2 سيرمونس عيدال علوي

	المبيد ، ن		مير و ٢٠٠٠ مبراسد و
.3	خالدر فيع	.4	اديباحمر
.5	چوہدری خاقان سعداللہ خان	.6	ڈاکٹراحمہ بیٹی میمن
.7	مبشرايج ثنخ	.8	محمه عابدلا كھانى
			4 -

9. نیر خسین 10. روخیل محمد

11. رياض السااا المادريس 12. شان الماشعري

13. وسيم مختار

بعدازاں، جناب نیر حسین نے کمپنی کے ڈائر کیٹر کے عہدے ہے 18 ستمبر 2019 کو استعفاد میااور جناب جمیل اکبرنے بورڈ کی خالی آسامی کو 25 ستمبر 2019 کوپڑ کیا۔ جبکہ جناب اکرام المجید سہگل نے کمپنی کے ڈائر کیٹر کے عہدے ہے 6 نومبر 2019 کو استعفاٰ دیا۔

ز برجائزہ مدت کے بعد، جناب سیدا سدعلی شاہ نے بورڈ کی خالی آسامی کو 27 جنوری 2020 کوپڑ کیا جبکہ جناب ریاض ایس اے اے ادریس کو 19 پریل 2020 کوبطور چیئر مین فتخف کیا گیا۔

## اظهارتشكر

بورڈتمام شیئر ہولڈرز اور ممپنی کے سٹمرز کاان کے تعاون اور حمایت کاشکریدادا کرتا ہے اور کمپنی کے ملاز مین کوخراج شخسین پیش کرتا ہے۔

مسلم مسلم مسلم الشعلوي سيرمونس عبدالشعلوي چف الكيزيكيثيو آفيس

ریاض الیس اے اے ادر لیس چیئر مین

كراجي،اگست 2020,11

پی ایم ٹیز تک پہنچ گئی ہے۔ ہدف ہے کہ 2023 تک تمام ہائی لوس پی ایم ٹیز کواہے ہی میں تبدیل کیا جائے گا۔ مزید برآں، مجموعی پاورسٹم کی سلسل بہتری کے منصوبے کے تحت، کمپنی جولائی اور دسمبر 2019 کے دوران مزید24 فیڈرزنصب کرنے میں کامیاب رہی۔

ا پنے انفرااسٹر کچر میں جاری سرمامیکاریوں کی بدولت، کے-الیکٹرککا سروس ایریااب انڈسٹریز کوکمل استثنی کے ساتھ 75 فیصد سے زائد لوڈ شیڈ فری ہے۔ اس کے نتیجے میں، ٹرائسمیشن اورڈسٹری پیوٹن نقصانات مالی سال 2009میں 35.9 فیصد سے کم ہوکر 31 دیمبر 2019 کو 18 فیصد وائے ٹی ڈئ اسلامی نقصانات گذشتہ سال کی مسابقتی مدت میں 24.8 فیصد وائے ٹی ڈئ 2019 سے مزید 2.9 فیصد کے بھر 2019 کو 2019 کو 2019 کو 2019 کو 2019 کے دیکھر کرڈٹی اوسط تک آگئے۔ اے ٹی اینڈس نقصانات گذشتہ سال کی مسابقتی مدت میں 20.8 فیصد وائے ٹی ڈئ

مزید براں، کراچی کولوڈ شیر فری اور بکلی کی چوری سے نمٹنے کے لئے کمپنی اپنی کوششیں تیز تر کررہی ہے۔ اسلیط میں موجودہ زیادہ نقصان کے حامل PMTs کوابر ٹیل بنڈ لڈکیبل میں تبدیل کیا جارہا ہے۔
ای سلیط میں موجودہ زیادہ نقصان کے حامل PMTs کو بینما ندہ اور ترقی پنہ بر بین ۔ ساتھ ہی
اپنے اس وژن کی تکمیل میں ، کے -الیکٹرک نے سر بلندی پر وجیکٹ کا آغاز بھی کیا ہے ، یہ ایک جدت دراز قدم ہے جس کا مقصد کر اپنی کو ان کا مقصد محفوظ اور قابلِ اعتاد بجلی فراہم کرنے کے لئے نیٹ ورک میں استخام ، ABC کی مکمل تنصیب کے ذریعے نیٹ ورک کی صلاحیت میں اضافہ ، بجلی کی چوری کا خاتمہ اور کمیون کے ساتھ روابط کی سرگرمیوں کے ذریعے ان علاقوں کو ترقی دینا ہے ۔ اب تک کی گئی سر ماریکاری ، موئز گورنینس میکانزم کے ساتھ شریکے کارہوکر نقصان میں کی اور ان مستقل نا دہندہ علاقوں سے وصولیوں کی بہتری میں مدکرے گی جس سے کراچی کولوڈ شیڈ فری کرنے کے وژن کو حقیقت میں حاصل کیا جا سے گا۔

## اسٹریٹیجی اور برنس ڈیو لیمنٹ:

کے۔الیکٹرک کے ایک طویل مدتی پاور پر چیز اورا بیجنسی معاہدے (پی پی اینڈا ہے اے) کے سلسلے میں CPPA-G اور NTDC سے مذاکرات جاری ہیں جس کے تحت کے۔الیکٹرک کو NTDC نیٹ ورک سے NTDC تک کی اضافی سپلائی حاصل ہوگی۔اس کے لئے دوئے گرڈا سٹیشنز ،ایک ویسٹ کرا چی اور دوسرا دھا بیجی میں تغییر کیا جائے گا۔ یہنٹے گرڈاسٹیشنز K2/K3 نیوکلیٹر پر دجیکشس اور جامشور واجھمپر کوریڈور پاور کے ٹیک آف میں معاونت کریں گے۔ توقع ہے کہ سرکاری اور ریگو لیٹری منظور یوں اور معاہدے کے طریقوں کو ختی شکل دینے کے تحت ،انہیں مکمل ہونے میں دوسے تین سال کئیں گے ،جس کے لئے کے۔الیکٹرک متعلقہ اسٹیک ہولڈرز سے مسلسل مذاکرات کا ممل جاری رکھے ہوئے ہے۔

نوٹس ٹوپروسیڈ (این ٹی پی)، BQ-III 900 MW RLNG پاور پلانٹ پروجیکٹ کے ڈیزائن،خریداری اورتغیراتی مراحل میں خاطرخواہ پیش رفت ہوئی ہے۔اس وقت تمام ترپیش رفت تقریباً 15 فیصد ہے۔اپنی ایندھن کی فراہمی کے سلسلے میں ہی ہی اوا کی نے کے۔الیکٹرک کو 2025 تک پی ایل ایل کے ذریعے 150 MMCFD RLNG کی فراہمی کا فیصلہ کیا ہے۔ کے۔الیکٹرک اور پی ایل ایل کے مابین معاہدے کی بات چیت ایڈوانسڈ اسٹیج رہے۔

آئی پی پر پئی گھاروسولر (50میگاواٹ) نے دیمبر 2015 میں کمرشل آپریشنز کا آغاز کیا تھااورابوہ ایک طویل مدتی توانائی خریداری کے معاہدے (ای پی اے) تے تت کے -الیکٹرک کے نظام میں کلین انر جی فراہم کر رہا ہے ۔ کے - الیکٹرک اپنے دائرہ اختیار میں مزید قابل تجدید منصوبوں کوشامل کرنے کا ارادہ رکھتی ہے اور فی الحال 300 میگاواٹ تک کے شمی منصوبوں کے اضافے کا جائزہ لیکن انر جی ہے۔ آئی پی پی ماڈل کے تحت، وندر، اتھل اور بیلا بلوچتان میں کے -الیکٹرک نیٹ ورک کا پہلا یا ور بیلانٹ ہوگا۔

ے۔الیکٹرک کراچی شہر کے سابی ماحولیاتی حیثیت کوبہتر بنانے کے لئے کوشاں ہے۔گرڈ میں شفاف تو انائی شامل کرنے اور تیزی سے بڑھتے شہر کوآلودہ کرنے والے سولڈ ویسٹ کی بہتر طریقے سے تلفی کے لئے کے۔الیکٹرک اورائینگر وازبی کمیٹڈنے ایک مفاہمتی یا دواشت پرد شخط کے ہیں۔اور ساتھ ہی کراچی کی ایک لینڈفل سائیٹ پر 50میگاواٹ کے سولڈ ویسٹ ٹوانر بی پلانٹ قائم کرنے کی ایک فزیمبیٹی اسٹڈی کا آغاز بھی کیا ہے۔ یہ پلانٹ شہر میں پیدا ہونے والے تقریباً ایک تہائی ویسٹ کومناسب طریقے سے تلف کرنے میں معاونت کرےگا۔

## آ ڈیٹرز کا تبھرہ اجائزہ

آ ڈیٹرز کی جانب ہےممبران کواپنی رپورٹ میں دیئے جانے والے تبصرے اجائزے کے حوالے ہے مطلع کیا جاتا ہے کہ:

مالی گوشواروں کےنوٹ1.1. 13 میں دی گئی وضاحت کےمطابق، تاخیر سے ادائیگی کے سرچارج/سود (Interest) کا معاملہ، بغیر کسی تاخیر کا اورا کی بیان کی بیان کی باضا بطیمعاونت کرتی ہیں۔ ہر چند رید کمپنی نے احتیاطی طور پرصافی (Net) بنیا دوں کے ساتھ صافی (Net) بنیا دوں پر طے کیاجائے گا اوراس حوالے سے حاصل کی جانے والی قانونی آراء کمپنی کے بیان کی باضا بطیمعاونت کرتی ہیں۔ ہر چند رید کمپنی نے احتیاطی طور پرصافی (Net) بنیا دوں پر پُر وویژن کررکھا ہے۔ ے۔الیکٹرک نے ،نیپرامیں دائر کئے جانے والےملٹی ایئر ٹیمرف ڈٹرم ریو یومیں دیگرعوامل کےساتھ ور کنگ کیپٹل کےمعاطلے کوبھی اٹھایا ہے،اورتو قع ہے کہ ٹیمرف میں ضروری ایڈجسٹمنٹ بشمول ور کنگ کیپٹل کی اجازت دی جائے گی جس ہے سلسل سر مابیکاری جاری رہے گی جو کہ آخر کارصارفین کو مخفوظ ، قابلِ اعتاد اور بلانعطل بجلی کی فراہمی کی صورت میں فائدہ مند ثابت ہونے کے ساتھ ساتھ کمپنی کے مالی معاملات پربھی شبت اثر ات مرتب کرے گی۔

## مالياتي بيانات كاجراء مين تاخير:

نہ کورہ مالیاتی بیانات میں تاخیر کی وجہ ، کے الیکٹرک ملٹی ایئر ٹیرف(ایم وائے ٹی) کونیرا/ MoE کی جانب سے حتی شکل دیئے جانے میں تاخیر تھی جو 30 جون 2016 کو ایکسپائر ہوا تھا۔ ٹیرف کاحتی اعلان می 2019 میں تاخیر ہوئی ، جس کے نتیج میں سے ماہی ، ششماہی اور سالانہ مالیاتی بیانات میں تاخیر سے جاری ہوئے ، جس کے نتیج میں سے ماہی ، ششماہی اور سالانہ مالیاتی بیانات بھی تاخیر سے جاری ہوئے ، کیونکہ چھھ میں یافت گان کی جانب سے پچھلے مالیاتی بیانات کو حتی شکل اور منظوری دینے سے مشروط تھے۔ مزید برآں ، کووڈ 19 وباء کے دوران لاک ڈاؤن بھی ان مالیاتی بیانات کو حتی شکل دینے میں تاخیر کا باعث بنا۔

## ا ہم معاملات پرتاز ہترین صورتحال

## جزيش:

ز رِ جائزہ ششماہی مدت کے دوران، جزیش فلیٹ کی صلاحیت میں گذشتہ مدت کے مقابلے میں 0.7 فیصد کی بہتری آئی۔

نہ کورہ مدت کے دوران SGTPS-II,BQPS-I اور KCCPP پراہم مینٹینٹس سرگرمیاں انجام دی کئیں۔ مزید برآس SGTPS-II اور KGTPS-II,BQPS پانٹس نے SGTPS اور SGTPS-II,BQPS کو پاکتان ، ٹدل ایسٹ اورافریقہ در بجنز میں 99.84 فیصد GTs اوسط کی بھر وسیمندی کا حامل سب سے قابل اعتماد GE پاور پلانٹ برائے 2019 کا اعزاز دیا گیا۔

## نسمیش نراسمیشن:

31 دسمبر 2019 تک کے-الکیٹرک ٹرانسیشن سسٹم میں،کل 1,287.58 کلومیٹرز کی 132kV ،220kV اور 66Kv ٹرانسیشن لائیز، 69 گرڈز، 18 آٹوٹرانسفار مرزاور 166 پاورٹرانسفار مرزشامل ہیں۔

31 دئمبر 2019 تک، 80GIS بیزی اوور ہالنگ کا ایک تین سالہ منصوبہ اختتام کے قریب ہے،جس میں 75 بیز مکمل اوور ہال کردیئے گئے ہیں جبکہ اوور لوڈ نگ ہے بچاؤ کے لئے مختلف مقامات پر 6 نئے پاورٹر انسفار مرز مسٹم میں شامل کئے گئے ہیں ۔موجودہ متروک/ممکنٹر انسفار مرز،سرکٹ بریکرز اور Relays کی تبدیلی سے نظام کی بھروسہ مندی میں اضافیمکن ہواہے۔

مزید برآ ں، لائینز کی بحالی کا کام جاری ہے جس میں ساحلی پٹی کے زد کیک سرکٹس کی بھروسہ مندی میں اضافے کے لئے ،موجوہ انسولیٹرز پرRTV کوئنگ کی جارہی ہے اور انسولیٹرز کی جگہ کمپوزٹ والے نصب کئے جارہے ہیں۔اس عمل سے مرطوب اور آلودہ ماحول میں بہتر کارکردگی حاصل کی جاسکے گی۔

## ڈ سٹری بیوش:

ے۔الیکٹرکا پے مختلف پر وجیکٹس کے ذریعے ڈسٹری ہیوٹن نیٹ درک پر سلسل کام کررہی ہے جس کا مقصد نقصان میں کمی اور رایوینیو منتجنٹ ہے۔ ایئر ٹیل بنڈلڈ کیپلنگ (اے بی ہی) پر کام جاری رہا جس کے تحت چیرماہ کے دوران 700 سے زائد پول ماؤ ٹیڈٹرانسفار مرز (پی ایم ٹی) سرکٹس کواے بی ہی میں تبدیل کیا گیا۔اس طرح پر وجیکٹ کے آغاز سے اب تک مجموعی تعداد 9000

## ے-الیکٹرک لمیٹٹر ڈائز یکٹرز کی جانب سے جائزہ

میں نہایت مسرت کے ساتھ بورڈ آف ڈائر کیٹرز کی جانب سے 31 دسمبر 2019 کو اختتام پذیریششاہی سال کے لئے کے -الیٹرک کمیٹڈ کی مجموعی عبوری مالیاتی معلومات (غیرآ ڈٹشدہ) پیش کررہاہوں۔

جولائی تادیمبر 2018	جولائی تا دسمبر 2019	ا ہم آ پریشنل اور مالی نتائج کا خلاصہ مندرجہذیل ہے:
(0	(پۇش-SWh)	آ پر <sup>یشن</sup> ل
5,236	5,260	پیداواری یونٹس کی تعداد (ضمنی یونٹس کےعلاوہ)
3,882	4,099	خریدے گئے یوٹس کی تعداد
9,118	9,359 <sup>1</sup>	ڈسٹری بیوٹن کے لئے دستیاب ٹوٹل بوٹٹس (بھیجے گئے )
7,519	7,910	بل کئے گئے بیٹش
17.5%	15.5%	ٹرانسمیشن اورڈسٹری بیوٹن کے نقصانات (فیصد)
ملين)	(پاکشانی رو پوں میں	فانشل
_ملين) 145,442	(پاکتانی رو پوں میں 158,388	<b>فانشل</b> آمدنی
	* *	
145,442	158,388	آمدنی
145,442 8,693	158,388 12,864	آ مد نی منافع قبل از مالیاتی لاگت
145,442 8,693 6,056	158,388 12,864 4,817	آ مد نی منافع قبل از مالیاتی لاگت منافع قبل از تیکس
145,442 8,693 6,056 (711)	158,388 12,864 4,817 (2,022)	آمدنی منافع قبل از مالیاتی لاگت منافع قبل از گیکس ثیکس محصولات _خالص

## مالياتي جائزه

اختتام پذیرششاہی سال 3 دسمبر 2019 کے دوران، کمپنی کی آپیشنل کارکردگی میں مسلسل بہتری ظاہر ہوئی بشمول ٹرانسمیشن اورڈسٹری بیوشن نقصانات میں %2.0 بیوائنٹس کی ، بھیجے گئے یونٹس میں 1.2 فیصد اضافہ اور جزیشن صلاحیت میں 20.1 فیصد اضافہ در بید برآس، آ دھے سال کے عرصے کے دوران غیر ملکی کرنسیوں خصوصاً امریکی ڈالر کے مقابلے میں پاکتانی روپے کی قدر میں بہتری کا کمپنی کے منافع پر مثبت اثر پڑا۔ تاہم ، قبل از ٹیکس منافع میں متعلقہ اضافہ در کیھنے میں نہیں آیا جس کی وجہ مالی لاگت میں 205.3 فیصد کا اضافہ ہے ، اس کا سبب سرکاری اداروں سے قابل وصول رقوم میں مسلسل اضافہ وارٹیز فیمس میں تاخیر کے باعث ورکئگ کیپیٹل کی بڑھتی ضروریات کوفنڈ کرنا تھا۔ اس کے علاوہ ، نہ کورہ مدت کے دوران اوسط شرح قرض میں 8.4 فیصد اضافے کی وجہ سے بھی مالی لاگت میں اضافہ ہوا۔ اس کے علاوہ ، اس کے علاوہ ، بیٹر میں 409 ملین روپے کی ڈیفر ڈٹیکس ایسٹ ریوسل کے باعث محصولات میں مالی لاگت میں اضافہ ہوا ، جس کے نتیج میں زیر چائزہ مدت کا خالص منافع مواز نہ مدت سے 7.4 فیصد کم ہوا ہے۔ 40 سے 900 MW RLNG بیٹر گیس کے سلسلے میں یہ پوٹٹس غیر فعال کئے جائیں گے۔

1 کے - الیکٹرک نیٹ میٹرنگ صارفین سے درآ مدکر دہ پیٹس شامل نہیں ہیں۔

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF K-ELECTRIC LIMITED REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

#### Introduction

We have reviewed the accompanying condensed interim statement of financial position of K-Electric Limited as at December 31, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the 'interim financial statements'). Management is responsible for the preparation and presentation of the interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on the interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and the condensed interim statement of comprehensive income and notes thereto for the quarters ended December 31, 2019 and December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2019.

## **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

## **Emphasis of matter**

Without qualifying our conclusion, we draw attention to note 13.1.1 to the accompanying interim financial statements which describes that the mark-up / financial charges on outstanding liabilities due to government-controlled entities will be payable by the Company only when it will reciprocally receive mark-up on outstanding receivable balances on account of tariff differential claims and energy dues of the Company's public sector consumers.

The engagement partner on the review resulting in this independent auditor's report is Waqas Aftab Sheikh.

A. F. Ferguson & Co
Chartered Accountants

Place: Karachi

Date: August 21, 2020

# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

AS AT DECEMBER 31, 2019		(Un-Audited)	Audited
		December 31.	June 30,
		2019	2019
ASSETS	lote	(Rupee	s in '000)
Non-current assets Property, plant and equipment	4	348,801,860	326,549,553
Intangible assets Long-term loans		326,896 17,715	274,610 19,205
Long-term deposits		13,733	13,734
		349,160,204	326,857,102
Current assets Stores, spares and loose tools	_	15,148,470	12,077,761
Trade debts Loans and advances	5	97,468,733 1,338,693	99,928,057 871,189
Deposits and short-term prepayments Other receivables	6	1,645,848 198,778,654	3,398,983 144,806,110
Taxation - net Derivative financial assets	7	689,174 3,165,693	748,510 4,464,424
Cash and bank balances		596,663	2,664,841
		318,831,928	268,959,875
Assets classified as held for sale		3,047,856	3,047,856
TOTAL ASSETS		671,039,988	598,864,833
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital		125,000,000	125,000,000
Issued, subscribed and paid up capital		96,261,551	96,261,551
Reserves Capital reserves			
Share premium and other reserves		2,009,172	2,009,172
Surplus on revaluation of property, plant and equipment	8	62,188,130	65,880,437
		64,197,302	67,889,609
Revenue reserves General reserves		5,372,356	5,372,356
Unappropriated profit		50,452,414 55,824,770	44,965,946 50,338,302
		120,022,072	118,227,911
TOTAL EQUITY		216,283,623	214,489,462
LIABILITIES			
Non-current liabilities Long-term diminishing musharaka	9	26,912,546	8,687,165
	10 2.4.1	46,261,572 95,356	41,227,153
Long-term deposits Employee retirement benefits		11,341,243 5,340,275	10,808,331 5,094,674
Deferred revenue		23,756,410	23,209,643 89,026,966
Current liabilities Current maturity of long-term diminishing musharaka		4,400,000	4,400,000
Current maturity of long-term financing		3,078,362	3,274,552
Trade and other payables	2.4.1 11	36,305 221,028,333	190,794,648
Unclaimed dividend Accrued mark-up		8,280,825	7,527,712
	12	84,892,477 19,317,316	71,921,721 17,407,727
Provision		14,700	21,400
TOTAL LIABILITIES		341,048,963 454,756,365	295,348,405 384,375,371
TOTAL EQUITY AND LIABILITIES		671,039,988	598,864,833
Contingencies and commitments	13		

Syed Moonis Abdullah Alvi

Chief Executive Officer

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

Khalid Rafi Director

# CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

		Half Year Ended		Quarter Ended		
	Note	December 31, 2019 ( <b>Rupees</b>	December 31, 2018 in '000)	2019	December 31, 2018 <b>in '000)</b>	
REVENUE						
Sale of energy - net Tariff adjustment	14	105,692,090 52,695,870 158,387,960	97,510,657 47,931,216 145,441,873	43,070,465 25,356,427 68,426,892	44,653,549 26,677,291 71,330,840	
COST OF SALES						
Purchase of electricity Consumption of fuel and oil Expenses incurred in generation, transmission and distribution	15 16	(51,878,712) (70,153,358) (12,127,064)	(46,907,251) (63,252,030) (10,967,123)	(25,008,410) (25,833,879) (6,269,886)	(22,914,327) (30,803,132) (5,542,793)	
GROSS PROFIT		(134,159,134) 24,228,826	(121,126,404) 24,315,469	(57,112,175) 11,314,717	(59,260,252) 12,070,588	
Consumers services and administrative expenses Impairment loss against trade debt Other operating expenses Other income	S	(10,148,361) (6,547,859) (288,520) 5,619,789 (11,364,951)	(9,463,329) (7,067,793) (2,105,957) 3,014,199 (15,622,880)	(4,616,408) (3,931,199) (145,587) 2,570,804 (6,122,390)	(4,965,836) (3,119,604) (1,515,055) 1,606,770 (7,993,725)	
PROFIT BEFORE FINANCE COST		12,863,875	8,692,589	5,192,327	4,076,863	
Finance cost		(8,047,035)	(2,636,145)	(4,404,201)	(1,445,757)	
PROFIT BEFORE TAXATION		4,816,840	6,056,444	788,126	2,631,106	
Taxation - Current - Deferred		(1,613,581) (408,638) (2,022,219)	(710,963) - (710,963)	(659,608) - (659,608)	(355,481) - (355,481)	
NET PROFIT FOR THE PERIOD		2,794,621	5,345,481	128,518	2,275,625	
EARNINGS BEFORE INTEREST, TA DEPRECIATION AND AMORTIZA (EBITDA)		22,230,030	16,157,491 ( <b>Ru</b> r	10,126,474	7,868,595	
EARNINGS PER SHARE - BASIC AND DILUTED		0.10	0.19	0.01	0.08	

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

Syed Moonis Abdullah Alvi

Chief Executive Officer

Khalid Rafi Director

# CONDENSED INTERIM STAETMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

Note	Half Year Ended		Quarter Ended		
Note	2019	December 31, 2018 <b>in '000)</b>	December 31, 2019 ( <b>Rupees</b>	2018	
Net profit for the period	2,794,621	5,345,481	128,518	2,275,625	
Other comprehensive income: Items that may be reclassified to profit or loss					
Changes in fair value of cash flow hedges	(909,463)	1,350,005	(244,491)	1,089,228	
Adjustment for amounts transferred to profit or loss	909,463	(1,350,005)	244,491	(1,089,228)	
Impairment recognized against revauation surplus 8.2 Less: Taxation thereon	(1,409,098) 408,638 (1,000,460)			- - -	
	(1,000,460)	-	-	-	
Total comprehensive income for the period	1,794,161	5,345,481	128,518	2,275,625	

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

Syed Moonis Abdullah Alvi Chief Executive Officer Khalid Rafi Director

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Issued, subscribed and paid-up capital		Reserves			erves				Total	
	Ordinary	Transaction	Total	Capital Revenue			Iotai				
	shares	costs	Share Capital	Share premium	Others	Surplus on revaluation of Property, plant and equipmen		General reserves	Un- appropriated profit	Total	
					····· (F	Rupees in '00	00)				
Balance as at July 1, 2018 - restated	96,653,179	(391,628)	96,261,551	1,500,000	509,172	54,087,395	56,096,567	5,372,356	23,826,161	29,198,517	181,556,635
Total comprehensive income for the half year ended December 31, 2018											
Profit for the period Other comprehensive income	-			-	-		-		5,345,481	5,345,481	5,345,481
	-	-	-	-	-	-	-	-	5,345,481	5,345,481	5,345,481
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	(1,702,443)	(1,702,443)	-	1,702,443	1,702,443	-
Balance as at December 31, 2018 (Un-Audited)	96,653,179	(391,628)	96,261,551	1,500,000	509,172	52,384,952	54,394,124	5,372,356	30,874,085	36,246,441	186,902,116
Balance as at July 1, 2019	96,653,179	(391,628)	96,261,551	1,500,000	509,172	65,880,437	67,889,609	5,372,356	44,965,946	50,338,302	214,489,462
Total comprehensive income for the half year ended December 31, 2019											
Profit for the period Other comprehensive income	-		-		-	(1,000,460)	(1,000,460)	-	2,794,621	2,794,621	2,794,621 (1,000,460)
Incremental depreciation relating to	-	-	-	-	-	(1,000,460)	(1,000,460)	-	2,794,621	2,794,621	1,794,161
surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	(2,691,847)	(2,691,847)	-	2,691,847	2,691,847	
Balance as at December 31, 2019 (Un-Audited)	96,653,179	(391,628)	96,261,551	1,500,000	509,172	62,188,130	64,197,302	5,372,356	50,452,414	55,824,770	216,283,623

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

Syed Moonis Abdullah Alvi Chief Executive Officer Khalid Rafi Director

## **CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

FOR THE HALF YEAR ENDED DECEMBER 31, 2	019	Half Year	r Ended
	Note	December 31, 2019	December 31, 2018
Cash flows from operating activities	Note	(Rupees	in '000)
Profit before taxation		4,816,840	6,056,444
Adjustments for non-cash charges and other items:			
Depreciation and amortization Provision for employee retirement benefits Provision for slow moving and obsolete stores, spare parts and loose tools, net Provision for debts considered doubtful Gain on sale of property, plant and equipment (Gain) / Loss on derivative financial assets Finance cost Amortization of deferred revenue Return on bank deposits Operating cash flow before working capital changes		9,366,155 557,966 103,344 6,722,532 (1,615) 1,298,731 8,047,035 (979,231) (206,450) 29,725,307	7,464,902 381,630 9,546 7,281,592 (15,518) (1,350,005) 2,636,145 (896,079) (89,450) 21,479,207
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools Trade debts Loans and advances Trade deposits and short term prepayments Other receivables		(3,174,053) (4,263,208) (467,504) 1,742,520 (53,972,544) (60,134,789)	(1,596,200) (7,570,249) 107,340 (139,354) (44,235,486) (53,433,949)
Increase / (decrease) in current liabilities		(00,134,769)	(55,455,949)
Trade and other payables Short-term deposits		30,233,685 1,909,589 32,143,274	13,078,366 3,140,750 16,219,116
Cash generated / (utilized in) operations		1,733,792	(15,735,626)
Employee retirement benefits paid Income tax (paid)/ refunded Receipts against deferred revenue Finance cost paid Interest received on bank deposits Payment of fatal accident cases Long-term loans Long-term deposits		(312,365) (1,554,245) 1,525,998 (7,284,428) 206,450 (6,700) 1,490 1 (7,423,799)	(264,941) 915,889 1,180,091 (2,054,390) 89,450 - 1,585 (400) (132,716)
Net cash utilized in operating activities		(5,690,007)	(15,868,342)
Cash flows from investing activities Capital expenditure incurred Proceeds from disposal of property, plant and equipment Net cash utilized in investing activities		(32,989,558) 57,832 (32,931,726)	(15,523,765) 37,259 (15,486,506)
Cash flows from financing activities		10.005.001	
Long-term diminishing musharka Long-term financing - net Payment of lease liabilities Short-term borrowings - net Security deposits received from consumers, net Net cash generated from financing activities Net decrease in cash and cash equivalents		18,225,381 4,838,229 (13,723) 4,835,749 532,912 28,418,548 (10,203,185)	23,867,221 2,800,495 524,602 27,192,318 (4,162,530)
Cash and cash equivalents at beginning of the period Cash and cash equivalents at end of the period	17	(25,487,006) (35,690,191)	(26,771,993) (30,934,523)

Syed Moonis Abdullah Alvi

Chief Executive Officer

**Khalid Rafi** 

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

Director

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

- 1. THE COMPANY AND ITS OPERATIONS
- 1.1 K-Electric Limited "the Company" was incorporated as a limited liability company on September 13, 1913 under the repealed Indian Companies Act, 1882 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange. The registered office of the Company is situated at KE House, 39-B, Sunset Boulevard, Phase II, DHA, Karachi.
- 1.2 The Company is principally engaged in the generation, transmission and distribution of electric energy to industrial and other consumers under the Electricity Act, 1910 and the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 to its licensed areas. KES Power Limited (the Holding Company) incorporated in Cayman Island, holds 66.40 percent shares in the Company as at December 31, 2019.
- 1.3 As notified on the Pakistan Stock Exchange on October 28 2016, Shanghai Electric Power Company Limited (SEP) has entered into a Sale and Purchase Agreement (SPA) with KES Power Limited (the Holding Company) to acquire up to 66.40 percent of the shares in the Company. The completion of the transaction contemplated by SPA is subject to receipt of applicable regulatory approvals and satisfaction of other conditions precedent specified therein.
  - SEP notified its initial Public Announcement of Intention (PAI) for the above equity acquisition on October 3, 2016. Subsequently, in order to comply with the statutory requirements under the Securities Act, 2015 and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017, SEP notified fresh PAIs on June 29, 2017, March 29, 2018, December 25, 2018, September 30, 2019 and June 29, 2020 incorporating amended / additional requirements pursuant to the Securities Act, 2015 and the aforementioned regulations.
- 1.4 The Company, being a regulated entity, is governed through Multi Year Tariff (MYT) regime. Accordingly, the National Electric Power Regulatory Authority (NEPRA) determines tariff for the Company for the tariff control period from time to time. The MYT which was determined in 2009 was for a seven-year period which expired on June 30, 2016. On March 31, 2016, the Company filed a tariff petition with NEPRA for continuation of the MYT for a further 10 year period starting from July 1, 2016 along with certain modifications in the tariff. NEPRA vide its determination dated March 20, 2017, determined the MYT for the period commencing from July 1, 2016 till June 30, 2023 (MYT 2017-23). Considering that some of the assumptions in the MYT 2017-23 determined by NEPRA were not reflective of ground realities and would be detrimental to the long term investment plan and operations, the Company, in order to protect long term interest of the business filed a review motion with NEPRA on April 20, 2017.

NEPRA issued its decision on the Company's review motion and largely maintained its earlier decision. The Ministry of Energy (Power Division), Government of Pakistan (the GoP) on request of Company filed a 'Reconsideration request' with NEPRA dated October 26, 2017 under Section 31 (4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (Act, 1997) to consider afresh its earlier determination to ensure that consumer interest in terms of continuous and efficient service delivery is maintained. NEPRA, vide its decision dated July 5, 2018 (MYT decision) in the matter of 'Reconsideration request' filed by the GoP, determined the revised MYT. The Company after considering that the MYT decision does not consider actual equity invested into the Company, applies notional capital structure based on the assumption of 70:30 debt to equity ratio and is a drastic departure from the previous structure without providing the Company an appropriate transition period, approached the Appellate Tribunal for the relief under Section 12G of the Act, 1997 (as amended). Subsequent to the period end on December 31, 2019, the formation of Appellate Tribunal has been notified by the GoP, however, the same is yet to be made functional by the GoP, and in this regard the Company has also filed a Constitutional Petition in the Sindh High Court (SHC) to make the Appellate Tribunal functional. The Company also approached the SHC against the aforementioned MYT decision and filed a suit in which a stay order was granted on July 26, 2018. The Company, on April 3, 2019, withdrew the suit filed with

SHC against MYT decision, as the Company decided to pursue its legitimate concerns / issues with Appellate Tribunal, however, reserves its right to again approach the SHC if required. The Ministry of Energy (Power Division) notified the MYT decision through SRO 576 (I) /2019 dated May 22, 2019.

The Company's revenue for the half year ended December 31, 2019 has been based on the aforementioned revised MYT decision.

1.5 Subsequent to the period end on March 11, 2020, the Company filed Mid Term Review petition with NEPRA as per the mechanism included in the MYT Decision dated July 5, 2018. Such petition has been filed for reassessment of impact of USD indexation on allowed return on equity due to variation in actual exchange rates against the projected exchange rates assumed in tariff, impact of changes in the investment plan and impact of working capital requirements of the Company along-with adjustment on account of variation in KIBOR and LIBOR rates assumed in tariff projections as compared to actual rates and variation in sent-out growth assumed within tariff projections versus actual growth. Accordingly, through the Petition, the Company has requested for increase in the base tariff of Rs. 1.64 / kWh effective July 1, 2016. As the amount is currently subject to determination by NEPRA, therefore, based on prudence, the related impact has not been accounted for in these condensed interim financial statements.

#### 2. BASIS OF PREPARATION

## 2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for international financial reporting comprise of:

- International Accounting Standard (IAS) 34, 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.2 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2019. These condensed interim financial statements are unaudited, however, have been subject to limited scope review by the auditor's and are being submitted to the shareholders as required by section 237 of the Companies Act, 2017.
- 2.3 These condensed interim financial statements are presented in Pakistan Rupees which is also the Company's functional currency.
- 2.4 Initial application of standards, amendments or an interpretation to existing standards
- 2.4.1 New standard and amendements to published accounting and reporting standards which became effective during the period:

IFRS 16 'Leases' became applicable on the Company with effect from July 1, 2019. The impacts of the adoption of IFRS 16 and the new accounting policies are set out below:

IFRS 16 has replaced IAS 17 'Leases', 'IFRIC 4' Determining whether an Arrangement contains a Lease, 'SIC-15' Operating Leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 has introduced a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right of use of the underlying asset and a lease liability representing its obligations to make lease payments.

For the first time application of IFRS 16, the Company has used the modified retrospective transition approach as permitted under IFRS 16. The Company has recognised lease liabilities in relation to leases which had

previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of July 1, 2019. The Company elected to use transition practical expedient allowing the Company to use a single discount rate to a portfolio of leases with similar characteristics.

The right-of-use assets were measured at the amount equal to lease liabilities, adjusted for any related prepaid or accrued lease payments previously recognized. The Company does not have any sub-lease arrangements as of July 1, 2019.

On application of IFRS 16, the comparatives have not been restated, as permitted under the specific transitional provisions of IFRS 16. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening financial position on July 1, 2019, the summary of which is as follows:

Impact on condensed interim statement of financial position as at July 1, 2019 Assets	(Rupees in '000)
Property, plant and equipment (right-of-use asset) - increased by Prepayments - decreased by Impact on total assets	146,506 (10,615) 135,891
Liabilities Current portion of lease liabilities Lease liabilities Impact on total liabilities	35,922 99,969 135,891

The amendments which became applicable during the period are considered not to be relevant for the Company's financial reporting process hence have not been disclosed in these condensed interim financial statements.

2.4.2 Standards, interpretations and amendments to approved accounting and reporting standards that are not yet effective.

There are certain new standards, amendments and interpretations which will become effective for the Company on or after July 1, 2020. However, these are not expected to have significant impact on the Company's financial reporting process. Hence, these have not been disclosed in these condensed interim financial statements.

2.5 Accounting estimates, judgement and financial risk management

The preparation of these condensed interim financial statements, in conformity with the approved accounting and reporting standards for interim financial reporting requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from the estimates.

During the preparation of these condensed interim financial statements, there have been no changes in the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty from those that were applied to the annual audited financial statements of the Company for the year ended June 30, 2019.

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended June 30, 2019.

#### ACCOUNTING POLICIES

3.1 The accounting policies and method of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the Company's annual audited financial

statements for the year ended June 30, 2019, except for the change due to adoption of IFRS 16 as disclosed in note 3.6.

- 3.2 The Company follows the practice to conduct actuarial valuation annually at the year end. Hence, the impact of remeasurement of post-employment benefit plans has not been incorporated in these condensed interim financial statements.
- 3.3 Taxes on income, if any, in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.
- 3.4 The comparative statement of financial position presented in these condensed interim financial statements has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2019, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial statements of the Company for the half year ended December 31, 2018.
- 3.5 Lease liability and Right-of-use asset

Effective July 1, 2019 at inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in the determination of the lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of right of use of asset has been reduced to zero.

Right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, any estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated using the straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company does not recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases where the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term.

Further, the SECP through its SRO. 986 (I)/2019 dated September 2, 2019 granted exemption from IFRS 16 to the extent of the power purchase agreements executed prior to the effective date of IFRS 16 i.e. January 1, 2019. Accordingly, the Company's power purchase agreements executed prior to January 1, 2019 have not been accounted for under IFRS 16.

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4.1 Additions and disposals of operating fixed assets during the period are as follows:

	(Un-Audited) Additions (at cost)		(Un-Au Dispo (at net bo	osals <sup>′</sup>
	December 31, December 31, 2019 2018		December 31, 2019	December 31, 2018
		(Rupees	in '000)	
Leasehold land	6,219	407	-	-
Plant and machinery Transmission and distribution	957,831	3,041,954	-	2,916
network	5,200,365	4,351,028	53,846	155
Others	762,359	474,473	2,371	18,670
	6,926,774	7,867,862	56,217	21,741

4.2 The above disposals represent assets costing Rs. 299.851 million (December 31, 2018: Rs. 59.761 million) which were disposed-off for Rs. 57.832 million (December 31, 2018: Rs. 37.259 million).

			Un-Audited) December 31, 2019	(Audited) June 30, 2019
5.	TRADE DEBTS	Note	(Rupee	s in '000)
	Considered good			
	Secured – against deposits from consumers Unsecured	5.1	2,526,666 94,942,067 97,468,733	2,922,893 97,005,164 99,928,057
	Considered doubtful		<u>101,737,246</u> 199,205,979	96,978,188
	Provision for impairment against debts considered doubtful	5.2	(101,737,246) 97,468,733	(96,978,188) 99,928,057

These balances do not include any Late Payment Surcharge (LPS) on receivables from public sector consumers, as fully explained in note 13.1, on the contention that due to the circular debt situation the LPS should only be received by the Company from its public sector consumers, if any surcharge is levied on the Company on account of delayed payments of its public sector liabilities.

As at December 31, 2019, receivable from government and autonomous bodies amounting to Rs. 48,413 million (June 2019: Rs. 45,719 million) includes unrecognized LPS of Rs. 7,769 million (June 2019: Rs.7,252 million). This includes receivable from Karachi Water and Sewerage Board (KW&SB) amounting to Rs.31,569 million including LPS of Rs 4,026 million (June 2019: Rs. 30,321 million including LPS of Rs. 3,833 million) and receivable from City District Government Karachi (CDGK) amounting to Rs. 11,392 million including LPS of Rs. 1,631 million (June 2019: Rs. 10,184 million including LPS of Rs. 1,496 million).

Upto December 31, 2019, adjustment orders have been received from the Government of Sindh (GoS) whereby the Company's liability amounting to Rs. 12,434 (June 30, 2019: Rs. 12,434 million) on account of electricity duty has been adjusted against the KW&SB dues.

			(Un-Audited)	(Audited)
			December 31,	June 30,
			2019	2019
5.2	Provision for impairment	Note	(Rupee	s in '000)
	Opening balance Provision recognized during the period / year		96,978,188 6,722,532	91,657,035 18,256,508
			103,700,720	109,913,543
	Write-off against provision during the period / year	5.3	(1,963,474) 101,737,246	(12,935,355) 96,978,188

This includes write-off of Rs. 1,588 million (June 30, 2019: Rs. 4,050 million) to be claimed as tariff adjustment in accordance with the criteria prescribed by NEPRA, as explained in note 14.

			(Un-Audited)	(Audited)
			December 31,	June 30,
		Mada	2019	2019
6.	OTHER RECEIVABLES	Note	(Rupee	es in '000)
0.	OTTER RECEIVABLES			
	Considered good			
	Sales tax - net		13,362,335	12,361,857
	Sales tax Tiet		10,002,000	12,001,007
	Due from the Government of Pakistan (GOP) - net			
	- Tariff adjustment		184,825,817	132,129,947
	- faill adjustment		104,025,017	132,127,747
	- Interest receivable from GoP on demand			
	finance liabilities		237,173	237,173
			185,062,990	132,367,120
	Others		353,329	77,133
			198,778,654	144,806,110

#### 7. TAXATION - NET

There is no significant change in the status of tax related contingencies as disclosed in notes 40.1 and 40.2 of the annual financial statements of Company for the year ended June 30, 2019.

#### 8. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

This represents revaluation surplus relating to leasehold land, plant and machinery and transmission grid equipment.

	Note	(Un-Audited) December 31, 2019 (Rupees	(Audited) June 30, 2019 s in '000)
Balance at the beginning of the year		92,789,348	72,762,600
Transferred to unappropriated profit in respect of incremental depreciation charged / disposals during the year, net of deferred tax  Related deferred tax liability  Revaluation surplus arising during the year Impairment of operating assets recognized during the period	8.2	(2,691,847) (1,099,487) - (1,409,098) (5,200,432) 87,588,916	(4,105,364) (1,676,839) 25,808,951 - 20,026,748 92,789,348
<ul> <li>Less: Related deferred tax liability on:</li> <li>Revaluation at the beginning of the year</li> <li>Impairment charge / revaluation surplus arising during the period/year</li> <li>Effect of change of tax rate</li> <li>Incremental depreciation charged / disposals during the year</li> </ul>		(26,908,911) 408,638 - 1,099,487 (25,400,786) 62,188,130	(18,675,205) (7,484,596) (2,425,949) 1,676,839 (26,908,911) 65,880,437

- 8.1 The revaluation surplus on property, plant and equipment is a capital reserve and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.
- During the period the Company's Board of Directors, in its meeting held on September 25, 2019, authorised the management to execute the Equipment Supply Contract and Construction Contract in connection with the Company's 900 MW Bin Qasim III Combined Cycle Power Plant (BQPS III) and associated transmission projects. As per the Company's plans, Units 3 and 4 of Bin Qasim Power Station I (BQPS I) are to be decommissioned with the commissioning of the BQPS III project. The expected date of both these events is during second quarter of the financial year ending June 30, 2021 (i.e. "Q2 of FY 2021").

In view of the aforementioned resolution of the Board of Directors, effective September 30, 2019 revised remaining useful life of 15 months was determined for both Units 3 and 4 of BQPS I, as these are now expected to be decommissioned during Q2 of FY 2021. Accordingly, in view of the change in the remaining useful lives of Units 3 and 4 of BQPS I and expected cash inflow pattern, an impairment exercise was carried out as at September 30, 2019 through an external valuer based on whose report an impairment charge \ amounting to Rs. 1,409 million has been recognised during the period against the revaluation surplus being carried in the books in respect of Units 3 and 4 of BQPS I.

The details are set out as follows:

	Name of external valuer	Impairment exercise date	Written down value before revaluation	Value determined by the valuer
Plant and machinery		(Rupees in	'000)	
- units 3 & 4 of BQPS-I	Harvester services (Private) Limited	September 30, 2019	7,142,098	5,733,000

#### 9. LONG-TERM DIMINISHING MUSHARAKA

		(Un-Audited)	(Audited)
		December 31,	June 30,
		2019	2019
	Note	(Rupee	s in '000)
KE Sukuk of PKR 22,000 million		10,919,346	13,087,165
KE Sukuk of up to PKR 25,000 million	9.1	20,393,200	
		31,312,546	13,087,165
Less: Current maturity shown under current liabilities		(4,400,000)	(4,400,000)
		26,912,546	8,687,165

9.1 During the half year ended December 31, 2019, the Company received Sukuk inflows from pre-IPO investors aggregating to Rs. 20,431 million, out of which Rs. 37.5 million were paid / utilized as transaction cost. The Sukuk inflows were primarily used to settle bridge term finance facility from Habib Bank Limited. The Sukuk carries profit at the rate of 3 months KIBOR + 1.7% with tenor of seven years from the issue date. The Company entered into a diminishing Musharaka agreement with the investment agent, Pak Brunei Investment Company Limited (trustee on behalf of the Sukuk holders) as a co-owner of the Musharaka assets. Under this arrangement the Company sold the beneficial ownership of the Musharaka assets i.e. Grid Stations, to the investment agent (for the benefit of Sukuk holders) although legal title remains with the Company. The overall arrangement has been accounted for on the basis of substance of the transactions in these condensed interim financial statements.

#### 10. LONG-TERM FINANCING

LUNG-TERM FINANCING	Note	(Un-Audited)  December 31, 2019  (Rupees	(Audited) June 30, 2019 s in '000)
From banking companies and financial institutions - secured			
Hermes financing facility Sinosure financing facility Syndicate Term Finance facility GuarantCo. financing facility	10.1	6,372,992 11,882,198 23,377,326 7,680,808 49,313,324	7,433,975 13,679,416 23,361,704 
Current maturity shown under current liabilities  Others - Secured		(3,051,752) 46,261,572	(3,247,942) 41,227,153
Due to oil and gas companies Current maturity shown under current liabilities		610 (610)	610 (610)
Unsecured			
GoP loan for the electrification of Hub area Current maturity shown under current liabilities		26,000 (26,000)	26,000 (26,000)
		46,261,572	41,227,153

10.1 This represents Pakistan Rupee equivalent drawdown of USD 25 million disbursed under GuarantCo. supported facility agreement entered into on August 22, 2019, with Standard Chartered Bank, London Branch. This also includes a local currency loan of Rs. 4 billion disbursed under GuarantCo. supported facility entered into on August 29, 2019 with Askari Bank Limited and Standard Chartered Bank as Mandated Lead Arrangers. The USD loan carries mark-up at 3 month LIBOR + 5.5% per annum. The local currency loan carries mark-up at 3 month KIBOR + 1.05% per annum. The loan is to be settled in 14 quarterly instalments with first instalment due on September 16, 2021 and is repayable by December 16, 2024 for both tranches. The Company has executed cross currency swaps with commercial banks to hedge the Company's foreign currency payment obligation under the USD facility together with LIBOR interest accruing thereon. Both the loan facilities have been utilized to fund the capital expenditure related to transmission and distribution segments.

#### 11. TRADE AND OTHER PAYABLES

		Note	(Un-Audited) December 31, 2019 (Rupee	(Audited)  June 30, 2019  s in '000)
	Trade creditors Power purchases Fuel and gas Others		131,348,475 18,237,148 21,912,834 171,498,457	106,967,665 24,406,858 9,505,332 140,879,855
	Accrued expenses Advances / Credit balances of consumers Other liabilities including claw back		3,826,701 6,699,652 39,003,523 221,028,333	5,383,551 6,460,181 38,071,061 190,794,648
12.	SHORT-TERM BORROWINGS			
	From banking companies			
	Bills payable Short term running finances Murabaha finance facilities Structured invoice financing Bridge term finance facility - HBL Bridge term finance facility - NBP	12.1 12.2	24,938,913 36,286,854 2,233,393 999,307 - 3,400,000 67,858,467	8,445,548 28,151,847 4,672,593 998,525 19,827,238
	From others		07,030,407	02,073,731
	KES Power Limited - Holding Company Islamic Commercial Papers		11,552 17,022,458 84,892,477	17,379 9,808,591 71,921,721

- The bridge term finance facility was settled from the proceeds of pre-IPO of KE Sukuk (note 9.1). This facility was entered into on March 14, 2019 with HBL to meet short term funding requirements. The facility carried mark-up at 1 month KIBOR + 1.15% per annum payable monthly in arrears and was repayable within 12 months. The facility was secured against charge over specific grid stations.
- This represents drawdown of Rs. 3.4 billion under bridge term finance facility entered into on December 20, 2019 with National Bank of Pakistan (NBP) to fund 1st tranche of advance payment arising under supply & construction contracts of BQPS-III combined cycle plant and associated transmission projects of the Company. The facility carries mark-up at 6 month KIBOR + 1.15% per annum, payable in quarterly instalments. The facility is repayable within 12 months and is secured against charge over specific grid stations.

#### 13. CONTINGENCIES AND COMMITMENTS

#### 13.1 Contingencies

13.1.1 Mark-up on overdue balances with National Transmission and Dispatch Company (NTDC) / Central Power Purchase Agency (Guarantco) limited (CPPA), major government owned power supplier, has not been accrued in these condensed interim financial statements. With effect from June 2015, the CPPA has assumed the central power purchase division of NTDC along with the related assets, rights and liabilities of NTDC, including alleged receivables from the Company. The Company is of the view that in accordance with the mechanism defined in the Power Purchase Agreement (PPA) dated January 26, 2010 with NTDC, NTDC's dues are to be settled by the Ministry of Finance (MOF) through payment of the Company's tariff differential claims directly to NTDC. Up to December 31, 2019 the MOF has released the Company's tariff differential claims aggregating to Rs. 392,942 million directly to NTDC / CPPA. Additionally, the Company has directly paid Rs. 43,475 million up to December 31, 2019 to NTDC / CPPA on account of its outstanding dues on an agreed mechanism. The PPA with NTDC has expired on January 25, 2015. However, the supply of electricity of 650 Megawatts (MW) continues in line with the Sindh High Court's order dated February 6, 2014. Accordingly, to date NTDC / CPPA continues to raise invoices in line with terms of PPA. Discussions with NTDC / CPPA are underway for the renewal of PPA.

On June 22, 2018, NTDC / CPPA filed a suit in the Civil Court of Islamabad for recovery of Rs. 83,990 million up to May 2018, comprising of principal amounting to Rs. 66,347 million and mark-up thereon amounting to Rs. 17,643 million, the decision of which is pending to date. Within the alleged claims filed by NTDC / CPPA in the aforementioned suit, release of tariff differential claims amounting to Rs. 15,021 million was unilaterally adjusted by NTDC / CPPA against the disputed mark-up claim. This was subsequently corrected by NTDC / CPPA and adjusted against the principal balance (resulting in decrease in principal amount with corresponding increase in mark-up), as confirmed from invoices and correspondence received subsequently. NTDC / CPPA's mark-up claim upto December 31, 2019 amounts to Rs. 49,732 million which is on the premise that while the outstanding amounts were to be adjusted against tariff differential claims, the Company is eventually responsible for payments of all outstanding amounts, including mark-up. However, the Company has not acknowledged the disputed mark-up claimed by NTDC / CPPA as debt, as the Company is of the view that the disputed mark-up claims would not have arisen in case tariff differential claims payments, including payments related to claims of unrecovered cost due to 4% capping and gas load management plan, were released to NTDC / CPPA by the MOF on behalf of the Company on timely basis.

In addition to above, the mark-up claimed by Sui Southern Gas Company Limited (SSGC) through its monthly invoices from July 2010 to December 2019 aggregates to Rs. 83,971 million, which has not been accrued by the Company. In view of the Company, the unilateral reduction of gas by SSGC in year 2009-10, in violation of the Economic Coordination Committee (ECC) allocation and Head of Term Agreement dated July 31, 2009, led to increased consumption of furnace oil, which coupled with non-payment by government entities as explained below, significantly affected the Company's liquidity and hence the mark-up claim is not tenable.

In the year 2013, SSGC filed a suit against the Company in the Sindh High Court for recovery of unpaid gas consumption charges and interest thereon and the damages amounting to Rs. 45,705 million and Rs. 10,000 million, respectively. The Company also filed a suit against SSGC in the Sindh High Court for recovery of damages / losses of Rs. 59,600 million resulting from SSGC's failure to comply with its legal obligation to supply the allocated and committed quantity of 276 MMCFD of natural gas to the Company. The cases were fixed for hearing on October 7, 2019 and are adjourned to date. The earlier stay granted to SSGC against the Company was vacated on October 7, 2019, against which SSGC filed an appeal in the Sindh High Court.

Further, the Company entered into a payment plan with SSGC in the year 2014 and subsequently renewed the plan in years 2015 and 2016, which provided for a mechanism for payment of principal arrears by the Company on supply of adequate gas by SSGC. The dispute of mark-up claim has also been mentioned in the payment plan. The Company's management is of the view that the principal payments made by the Company to SSGC have been unilaterally adjusted by SSGC against SSGC's disputed mark-up claim, which is in violation of the payment plan which clearly mentions that the payments are to be adjusted against outstanding principal balances and hence any adjustment against the mark-up by SSGC in the Company's view is not tenable.

The Company's management believes that overdue amounts have only arisen due to circular debt situation caused by delayed settlement of tariff differential claims by the MOF as well as delayed settlement of the Company's energy dues by certain public sector consumers (e.g. KW&SB), the dues of which have been guaranteed by the GoP under the Implementation Agreement dated November 14, 2005 and amended through the Amended Agreement dated April 13, 2009 ("IA"); and Government of Sindh (GoS) departments and entities

(GoS Entities). Given that NTDC and SSGC are both majorly owned and controlled by the GoP and considering that tariff differential claims and energy dues of KW&SB (guaranteed by the GoP under the IA) are Company's receivables from the GoP and energy dues of GoS Entities are also receivable from GoS, the Company's management is of the view that the settlement of these outstanding balances will be made on a net basis. Further, this contention of the Company's management is also supported by the legal advices that it has obtained. Hence, mark-up / financial charges will be payable by the Company only when it will reciprocally receive mark-up on outstanding balances receivable from the Company's outstanding tariff differential claims and energy dues of public sector consumers. Without prejudice to the aforementioned position of the Company and solely on the basis of abundance caution, a provision amounting to Rs. 5,269 million (June 30, 2019: Rs. 5,269 million) is being maintained by the Company in these condensed interim financial statements on account of mark-up on delayed payment.

- 13.1.2 There has been no significant change in the status of contingencies as disclosed in notes 30.1.2 to 30.1.7 of the annual financial statements of the Company for the year ended June 30, 2019.
- 13.2 Claims not acknowledged as debts
- 13.2.1 Claims not acknowledged as debts as disclosed in notes 30.2 to the annual financial statements of the Company for the year ended June 30, 2019, remain substantially unchanged, except for the following claims:

		(Un-Audited)	(Audited)
		December 31, 2019	June 30, 2019
			s in '000)
	Outstanding dues of property tax, water charges, custom duty, ground rent and occupancy value	9,570,627	9,389,983
13.3	Commitments		
13.3.1	Guarantees from banks	6,052,863	6,061,921
13.3.2	Transmission projects	832,353	2,059,897
13.3.3	Transmission Project (TP-1000)	6,634,573	7,581,704
13.3.4	BQPS-III 900 MW combined cycle power plant and associated transmission projects	52,469,499	
13.3.4	Outstanding letters of credit	5,983,132	7,107,736
13.3.5	Dividend on preference shares	1,119,453	1,119,453

The Company has not recorded any dividend on redeemable preference shares in view of certain restrictions on dividend placed under loan covenants by certain local and foreign lenders.

13.3.6 Commitments for rentals under Ijarah facilities in respects of vehicles are as follows:

- not later than one year	225,735	233,764
	000.040	005.054
- later than one year and not later than five years	902,940	935,054

13.3.7 Commitments for rentals under operating lease agreements in respects of power purchase agreements with Sindh Nooriabad Power Company (Private) Limited (SNPC) I and II are as follows:

					(Un-Audited)  December 31, 2019  (Rupe	(Audited) June 30, 2019 es in '000)
	- Not later than one year				3,174,497	3,145,675
	- Later than one year but	not later th	nan five years		12,641,470	12,582,686
	- Later than five years				55,306,433	55,329,345
			Half Yea	r Ended	Quarter	Ended
			December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		Note	(Rupees	in '000)	(Rupees	in '000)
14.	TARIFF ADJUSTMENT	14.2	52,695,870	47,931,216	25,356,427	26,677,291

- This represents tariff differential subsidy claim for variation in fuel prices, cost of power purchases, operation and maintenance cost, being adjustments required as per NEPRA's MYT decision and those resulting in adjustment of tariff due from Government and claim for write-off of trade debts (note 14.2).
- Includes Rs. 1,588 million comprising dues of 12,400 customers (2018: Rs 1,119 million comprising dues of 3,163 consumers) recognized during the half year ended December 31, 2019 against actual write-off of bad debts, as allowed by NEPRA under the MYT decision dated July 5, 2018 for the period July 1, 2016 to June 30, 2023. NEPRA vide its decision dated December 31, 2019 stated that in connection with the claims submitted by the Company on account of trade debts write-offs for the years ended June 30, 2017 and June 30, 2018 aggregating to Rs. 9,566 million, it requires further deliberation.

As required under the aforementioned NEPRA decision of July 5, 2018, for the purpose of claim of tariff adjustment in respect of actual write-off of bad debts, the Company ensured the following required procedures:

- The defaulter connections against which the bad debts have been written-off were disconnected prior to December 31, 2019 in the system, both in the case of active and inactive customers. Further, in case of inactive customers, the customers were marked as "inactive" in the Company's system (i.e. SAP) prior to December 31, 2019.
- The aforementioned amount of write-off of bad debts has been approved by the Company's Board of Directors certifying that the Company has made all best possible efforts to recover the amount being written-off in accordance with the "Policy and Procedures for Write-off of Bad Debts".
- The actual write-off of bad debts has been determined in accordance with the terms of write-off detailed in the "Policy and Procedures for Write-off of Bad Debts", as approved by the Board of Directors of the Company.

Further, the statutory auditors of the Company as part of their limited scope review of these condensed interim financial statements have performed review procedures to assess that the bad debt write-off amount is not recoverable notwithstanding the efforts of the Company.

In case any amount written-off, as included in the aforementioned claim, is subsequently recovered from the customer, the recovered amount shall be adjusted in next year's tariff, as required under the aforementioned NEPRA decision of July 5, 2018.

In respect of all the defaulter connections, against which the aforementioned write-off amount has been claimed by the Company as tariff adjustment for the half year ended December 31, 2019, the Company in addition to the defaulter customer identification and traceability procedures mentioned in the "Policy and Procedures for Write-off of Bad Debts" has carried out physical surveys for establishing the fact that either the defaulter connection is physically disconnected or the defaulter customer who utilised the electricity is untraceable and recovery in the present circumstances is not possible.

There are number of locations / premises which were removed as a result of anti-encroachment drives by the government authorities, whereas, in a number of other cases the premises to which electricity was supplied is no more traceable due to change in either the mapping of the area (including unleased area), demolition of the original premises, structural changes (including division of single premises into many) to the original premises and discontinuation / demolition of single bulk PMT connection. In all of these cases due to the specific situation the connection and / or premises are no more traceable. In addition, there are certain defaulter customers; who were not able to pay off their outstanding dues, in various forms including outstanding amounts on hook connection at the time of transfer of defaulter customers to metered connections and other settlements. Accordingly, the same has been claimed as part of write-off for the half year ended December 31, 2019 and the corresponding amount has been claimed in the tariff adjustment after verifying underlying facts.

		Half Year Ended		Half Year Ended Quarter Ended		Ended
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	
		(Rupees	in '000)	(Rupees	in '000)	
15.	PURCHASE OF ELECTRICITY					
	Central Power Purchasing Agency (Guarantee) Limited					
	(CPPA) / NTDC Independent Power Producers	29,779,422	25,945,057	15,892,960	12,833,685	
	(IPPs) Karachi Nuclear Power Plant	21,452,177	19,903,320	8,640,478	10,080,642	
	(KANUPP)	647,113	1,058,874	474,972		
		51,878,712	46,907,251	25,008,410	22,914,327	
16.	CONSUMPTION OF FUEL AND OIL					
	Natural gas	37,078,388	29,843,149	16,987,240	15,338,613	
	Furnace and other fuel / oil	33,074,970	33,408,881	8,846,639	15,464,519	
		70,153,358	63,252,030	25,833,879	30,803,132	
				(Un-Au	udited)	
				December 31,	December 31,	
				2019 <b>(Rupees</b>	2018	
17.	CASH AND CASH EQUIVALENTS			(Hupees	, iii 000)	
	Cash and bank balances			596,663	1,360,464	
	Short-term running finances			(36,286,854)	(32,294,987)	
				(35,690,191)	(30,934,523)	

## 18. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated companies, state-controlled entities, staff retirement benefit plans and the Company's directors and key management personnel. Details of significant transactions with related parties, other than those disclosed elsewhere in these condensed interim financial statements, are as follows:

			(Un-Audited)	
			December 31, 2019	December 31, 2018
			(Rupees	in '000)
18.1	Central Power Purchasing Agency (Guarantee) Limited (CPPA) / NTDC	Power purchases	29,779,422	25,945,057
18.2	Pakistan State Oil Company Limited (PSO)	Purchase of furnace oil & other lubricants	31,234,863	28,297,739
18.3	Sui Southern Gas Company Limited (SSGC)	Purchase of gas	37,078,388	29,843,149
18.4	BYCO Petroleum Pakistan Limited	Purchase of furnace oil & other lubricants	1,141,969	4,529,028
18.5	Provident fund	Contribution to provident fund	480,460	432,879
18.6	Key management personnel	Managerial remuneration	225,667	219,796
		Retirement benefits	44,050	15,862
		Other allowances and benefits	116,386	118,001
		Leave encashment	2,020	914
		Buy-back proceeds for vehicle as part of final settlement		19,196

## 19. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on August 11, 2020 by the Board of Directors of the Company.

#### 20. GENERAL

- 20.1 All figures have been rounded off to the nearest thousand of Pakistan Rupees, unless otherwise stated
- 20.2 Wherever considered necessary, corresponding figures have been rearranged and reclassified for the purpose of comparision. For the half year and quarter ended December 31, 2018, povision for impairment in relation to financial assets other than those which are due from the Government of Pakistan, amounting to Rs. 7,068 million and Rs. 3,120 million, respectively, determined in accordance with IAS 39, have been reclassified and disclosed as a separate line item on the condensed interim statement of profit or loss.

## 21. EVENTS AFTER THE REPORTING DATE

21.1 On March 11, 2020, the World Health Organisation has declared COVID-19 (the virus) a global 'pandemic'. With the growing number of cases in Pakistan the Provincial Governments and the Federal Government of Pakistan have provided various directions and are taking measures to respond to the virus. The ongoing situation may have an impact on the operations and financial condition of the Company. The potential impact on the Company due to the spread of the virus is being assessed / determined as at the date these condensed interim financial statements were approved and authorised for issue. The management and the Board of Directors of the Company continue to monitor the developing situation.

21.2 Subsequent to the half year ended December 31, 2019, the Cabinet Committee on Energy (CCoE) in its meeting held on June 19, 2020 has principally decided for supply of additional power to the Company from national grid and abandonment of the 700 MW (2x350 MW) coal based power plant (the Project) which was proposed to be executed under an IPP structure by a project company i.e. Datang Pakistan Karachi Power Generation (Private) Limited. Consequently, the Project has been discontinued by the Company.

Syed Moonis Abdullah Alvi Chief Executive Officer Khalid Rafi
Director

Muhammad Aamir Ghaziani Chief Financial Officer

30 | Half Year Ended December 31, 2019











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