REPORT FOR THE QUARTER ENDED 30TH SEPTEMBER 2019



COMPANY INFORMATION

Board of Directors (BOD)

Riyadh S. A. A. Edrees, Chairman Syed Moonis Abdullah Alvi, Chief Executive Officer 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 Ch Khaqan Saadullah Khan Mubasher H. Sheikh Syed Asad Ali Shah Jilani Chairman Member Member 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 Ch Khaqan Saadullah Khan Dr Ahmed Mujtaba Memon Shan A. Ashary Chairman Member Member Member

Board Strategy & Project Committee (BS&PC)

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

Board Risk Management & Safety Committee (BRM&SC)

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

Member

Member

Member

Board Regulatory Affairs Committee (BRAC) Shan A. Ashary Chairman

Shan A. Ashary Ch Khaqan Saadullah Khan Syed Asad Ali Shah Jilani Syed Moonis Abdullah Alvi

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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Quarter Ended September 30, 2019 | 01

DIRECTORS' REVIEW

I am pleased to present the Condensed Interim Financial Statements (un-audited) of K-Electric Limited (KE) for the first quarter ended September 30, 2019 on behalf of the Board of Directors.

Key operational and financial results are summarized below:

		JUL-SEPT 2019	JUL-SEPT 2018
OPERATIONAL		(UNITS -	GWh)
Units generated (net of auxiliary) Units purchased		3,169 2,172	
Total units available for distribution (sent out) Units billed Transmission & Distribution Losses %		5,341 ¹ 4,235 20.7%	
FINANCIAL Revenue		(PKR - MI 89,961	LLIONS) 74,111
Profit before finance cost Profit before taxation Taxation – net		7,672 4,029 (1,363)	4,616 3,425 (355)
Net Profit for the period		2,666	3,070
Earnings per share-BASIC/DILUTED	(Rupees)	0.10	0.11
Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)		12,104	8,289

Financial Review

During the first quarter ended September 30, 2019, the Company's operational performance continued to show improvements including decrease in T&D losses by 0.6% points, increase in sent out units by 6.7% and increase in generation efficiency by 0.3% points. Additionally, appreciation of Pakistani Rupee against foreign currencies, mainly USD, during the 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 206.0% 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 5.9% during the period has also contributed to increase in finance cost. This along with increase in taxation for the period 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 13.2 % 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.

01. Excluding power import from KE's net metering consumers

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 guarterly, 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 COVID19 pandemic also contributed to delay in finalizing the said financial statements.

Update on Significant Matters

As this quarterly report is being issued with Half yearly report for reasons explained in previous paragraph; performance of the Company's business during the period have been covered in half yearly report for the six months period ended Dec 31, 2019 of the Company and therefore not repeated here.

Board of Directors (BOD)

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

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

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

2.

- 1. Ikram UI-Majeed Sehgal
- 3. Khalid Rafi
- Khaliu KaliChaudhary Khaqan Saadullah Khan6.Mubasher H. Sheikh8.Navver Hussain10.Ruhail Muhammad 5.
- 7.
- 9.
- Riyadh S. A. A. Edrees 11.

- Syed Moonis Abdullah Alvi Adeeb Ahmad
- 4.
 - Dr. Ahmed Mujtaba Memon
 - Muhammad Abid Lakhani
- 12. Shan A. Ashary

13. Waseem Mukhtar

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

مالياتي بيانات ك اجراء ميں تاخير:

مٰدکورہ مالیاتی بیانات میں تاخیر کی وجہ، کے-الیکٹر کملٹی ایئر ٹیرف(ایم وائے ٹی) کونیپرا MOE کی جانب سے حتی شکل دیئے جانے میں تاخیر تھی جو 30 جون 2016 کوایک پائر ہوا تھا۔ ٹیرف کاحتمی اعلان مئی 2019 میں کیا گیا۔ایک موئز اور اعلان کردہ ٹیرف کی عدم دستیابی کی وجہ سے مالی سال 2017 کے مالیاتی بیانات بھی تاخیر سے جاری ہوئے، کیونکہ یے صص یافتگان کی جانب سے پچھلے مالیاتی بیانات کو تھی شکل اور منظوری دینے سے مشروط تھے۔ مزید برآں، کو وڈ 19 واز الک ڈاؤن بھی ان مالیاتی بیانات کو حتی شکل دینے میں تاخیر کاباعث بنا۔

اہم معاملات پرتازہ ترین صورتحال

چونکہ بیسہ ماہی رپورٹ پیچلے پیرا گراف میں بیان کی گئی وجو ہات کی بناء پرششماہی سالانہ رپورٹ کے ساتھ جاری کی جارہی ہے، زیر جائزہ مدت کے دوران کمپنی کے کاروبار کی کارکردگی کو کمپنی کے 31 دسمبر 2019 کو ختم ہونے والی چیماہ کی مدت کے لئے ششماہی سالا نہ رپورٹ میں شامل کیا گیا ہے،لہٰذا اس کو یہاں د ہرایانہیں گیا ہے۔

بورد آف د ائر يکرز

ز برجائزہ مدت کے دوران، بورڈیمیں مندرجہ ذیل آسامیاں وقوع پذیر ہوئیں جنہیں مقرر ہدت میں ڈائر یکٹرز کی جانب سے یورا کیا گیا:

- 1- جناب اديب احمد كاتقر ربطور دُائر يكثر 4 جولاني 2019 كوعارض آسامى بركيا گيا-
- 2- جناب سید شمداختر زیدی نے 29 جولائی 2019 کوڈائر کیٹر کے عہدے سے استعفال دیا۔
- 3- جناب شمرز بیرموتی والا 30 جولائی 2019 کوڈائر یکٹر کے عہدے سے سبکدوش ہوئے۔

ڈائر یکٹرز کے انتخابات 30 جولائی 2019 کوسالا نہ اجلاس عام کے موقع پر منعقد ہوئے جس میں درج ذیل ڈائر یکٹر زمنتخب/دوبارہ منتخب ہوئے :

.1	اكرام المجيد سهكل	.2	سيدمونس عبداللدعلوك
.3	خالدر فيع	.4	اديباحمه
.5	چومدری خا قان سعداللدخان	.6	ڈ اکٹر احمہ جنبی سمین
.7	مبشرايج يثنخ	.8	محمه عابدلا كهانى
.9	نيرحسين	.10	روخيل محمد
.11	ریاض ایس اےاےادر یس	.12	شان اےاشعری
.13	وسيم مختار		

بعدازاں، جناب نیر صین نے کمپنی کے ڈائر یکٹر کے عہدے سے 18 ستمبر 2019 کو استعفاق دیااور جناب جمیل اکبرنے بورڈ کی خالی آسامی کو 25 ستمبر 2019 کو پڑ کیا۔ جبکہ جناب اکرام المجید سہگل نے کمپنی کے ڈائر یکٹر کے عہدے سے 6 نومبر 2019 کو استعفاق دیا۔

ز ریرجائزہ مدت کے بعد، جناب سیداسدعلی شاہ نے بورڈ کی خالی آسامی کو27 جنوری 2020 کو پڑ کیا جبکہ جناب ریاض ایس اے اے ادر لیس کو 9 اپریل 2020 کو بطور چیئر میں منتخب کیا گیا۔

ا ظہرار نشکر بورڈ تمام شیئر ہولڈرزاور کمپنی کے سٹمرز کاان کے تعاون اور حمایت کا شکر بیادا کرتا ہے اور کمپنی کے ملاز میں کوخراج ^عسین پیش کرتا ہے۔

=+=> رياض اليس ايےا بےادر ليس

چيئر مين

كراچى،اگست 2020,11

Anaphi

سىدمونس عبداللدعلوى چيف ايگيزيكيلوآ فيسر

کے۔الیکٹرک کمیٹڈ

ڈائر یکٹرز کی جانب سے جائزہ میں نہایت مسرت کے ساتھ بورڈ آف ڈائر یکٹرز کی جانب سے 30 ستمبر 2019 کواختتا م پذیر پہلی سہ ماہی کے لئے کے -الیکٹرک کمیٹڈ کی مجموعی عبور کی مالیاتی معلومات (غیر آڈٹ شدہ) پیش کررہا ہوں۔ اہم آپریشنل اور مالی نتائج کا خلاصہ مندرجہ ذیل ہے:

جولائی تاسمبر 2018	جولائی تائمبر 2019	
	(GWh-ينځش)	آ پریشنل
2,919	3,169	پیداواری نیٹس کی تعداد (ضمنی نیٹس کےعلاوہ)
2,086	2,172	خریدے گئے بیٹس کی تعداد
5,005	5,341 ¹	ڈسٹری بیوٹن کے لئے دستایب ٹوٹل نینٹس (جیھیج گئے)
3,941	4 ,235	یل کئے گئے یونٹس
21.3%	20.7%	ٹرانسمیشن اور ڈسٹری بیوٹن کے نقصا نات(فیصد)
(ن	(پاکستانی رو پوں میں _ملی	
		فنانشيل
74,111	89,961	آمدنی
4,616	7,672	منافع قبل از مالیاتی لاگت
3,425	4,029	منافع قبل از ٹیکس
(355)	(1,363)	عی <i>س محص</i> ولات ۔خالص
3,070	2,666	اس مدت کے دوران خالص منافع
0.11	0.10	آمدنی فی حصص به بیک اڈائیلونڈ (روپ)
8,289	12,104	سود، کمپس، فرسودگی اوربے باقی سے پہلے کی ادا کیگی (EBITDA)

مالياتي جائزه

اختمام پذیر شیشمانی سال 30 ستمبر 2019 کے دوران، تمپنی کی آپیشنل کارکردگی میں مسلس بہتری ظاہر ہوئی بشمول ٹر اسمیشن اور ڈسٹری بیوشن نقصانات میں %0.6 پو انتش کی، بیچیج کے یونٹس میں 6.7 فیصدا ضافداور جزیشن صلاحیت میں 0.3 فیصدا ضافد مزید بر آن، آد محسال کے عرصے کے دوران غیر ملکی کر نییوں خصوصاً امریکی ڈالر کے مقابلے میں پاکستانی روپ کی قدر میں بہتری کا کمپنی کے منافع پر مثبت اثر پڑا۔ تاہم قبل از ٹیکس منافع میں متعلقہ اضافد دیکھنے میں نہیں آیا جس کی دوران غیر ملکی کر نیوں خصوصاً امریکی ڈالر کے مقابلے میں پاکستانی روپ کی قدر میں بہتری کا کمپنی کے منافع پر مثبت اثر پڑا۔ تاہم قبل از ٹیکس منافع میں متعلقہ اضافد دیکھنے میں نہیں آیا جس کی دوران غیر ملکی کر نیوں خصوصاً امریکی ڈالر کے مقابلے میں پاکستانی روپ کی قدر میں بہتری کا کمپنی اضاف اور ٹیر فتر قابت کے تعین میں تاخیر کے باعث در کتا کمپیٹل کی بڑھتی ضروریات کو فنڈ کر تا تھا۔ اس کے علاوہ، مذکورہ مدت کے دوران اور سرطاری اداروں سے قابل دوسول رقوم میں مسلس اضاف اور ٹیر فتر قابت کے تعین میں تاخیر کے باعث در کتا کمپیٹل کی بڑھتی ضروریات کو فنڈ کر تا تھا۔ اس کے علاوہ، مذکورہ مدت کے دوران اور سرطار تی دار کی اور کی میں سلسل الگت میں اضافہ دوار ٹیر من قابل ہوں ہیں تا خیر کے باعث در کتا گسپیٹل کی بڑھتی ضروریات کو فنڈ کر تا تھا۔ اس کے علاوہ، مذکورہ مدت کے دوران اور ساط شرح قرض میں 30.0 میں سلسل

کے-الیکٹرک نے، نیپر امیں دائر کئے جانے والے ملٹی ایئر ٹیرف مڈٹرم ریویومیں دیگرعوامل کے ساتھ ور کنگ کیپٹل کے معاط کوبھی اٹھایا ہے، اورتو قع ہے کہ ٹیرف میں ضروری ایڈجسمنٹ بشمول ور کنگ کیپٹل کی اجازت دی جائے گی جس سے مسلس سرمایہ کاری جاری رہے گی جو کہ آخر کا رصارفین کو تفوظ، قابلِ اعتماد اور بلانغط بجلی کی فراہمی کی صورت میں فائدہ مند ثابت ہونے کے ساتھ ساتھ کمپنی کے مالی معاملات پڑھی مثبت اثرات مرتب کرے گی۔

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30,2019

AS AT SEPTEMBER 30,2019		(Un-Audited)	Audited
		September 30,	June 30,
	Note	2019	2019
ASSETS Non-current assets	Note	(Rupees	in '000)
Property, plant and equipment Intangible assets Long-term loans Long-term deposits	4	327,974,430 378,449 18,316 13,733	326,549,553 274,610 19,205 13,734
Current assets		328,384,928	326,857,102
Stores, spares and loose tools Trade debts Loans and advances Deposits and short-term prepayments Other receivables	5	12,812,764 107,599,719 797,372 3,168,567 173,468,392	12,077,761 99,928,057 871,189 3,398,983 144,806,110
Taxation - net Derivative financial assets Cash and bank balances	7	3,580,365 4,147,959 305,575,138	748,510 4,464,424 2,664,841 268,959,875
Access classified as hold for sole			
Assets classified as held for sale		3,047,856	3,047,856 272,007,731
TOTAL ASSETS		637,007,922	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 Surplus on revaluation of property, plant and equipment Revenue reserves General reserves Unappropriated profit	8	2,009,172 63,316,843 65,326,015 5,372,356 49,195,183 54,567,539 119,893,554 216,155,105	2,009,172 65,880,437 67,889,609 5,372,356 44,965,946 50,338,302 118,227,911 214,489,462
LIABILITIES Non-current liabilities Long-term diminishing musharaka Long-term financing Lease liabilities Long-term deposits Employee retirement benefits Deferred revenue	2.4.1	7,602,763 39,287,836 100,861 11,084,886 5,220,564 23,311,266 86,608,176	8,687,165 41,227,153 10,808,331 5,094,674 23,209,643 89,026,966
Current liabilities Current maturity of long-term diminishing musharaka Current maturity of long-term financing Current maturity of lease liabilities Trade and other payables Unclaimed dividend Accrued mark-up Taxation - net Short-term borrowings Short-term deposits Provision	2.4.1 9 7 10	4,400,000 3,078,933 36,305 212,204,212 645 8,036,460 128,964 87,741,726 18,595,996 21,400 334,244,641	4,400,000 3,274,552 190,794,648 645 7,527,712 71,921,721 17,407,727 21,400 295,348,405
TOTAL LIABILITIES		420,852,817	384,375,371
TOTAL EQUITY AND LIABILITIES	1 1	637,007,922	598,864,833
Contingencies and commitments The annexed notes 1 to 19 form an integral part of these condensed interim finance	11 ial statements.		

Syed Moonis Abdullah Alvi Chief Executive Officer

Khalid Rafi

Director

Muhammad Aamir Ghaziani Chief Financial Officer

06 | Quarter Ended September 30, 2019

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

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

		Three Months Period Ended		
		September 30, 2019	September 30, 2018	
	Note	(Rupees	s in '000)	
REVENUE				
Sale of energy - net		62,621,625	52,857,108	
Tariff adjustment	12	27,339,443	21,253,925	
COST OF SALES		89,961,068	74,111,033	
Purchase of electricity	13	(26,870,302)	(23,992,924)	
Consumption of fuel and oil	13	(44,319,479)	(32,448,898)	
Expenses incurred in generation, transmission		(,,		
and distribution		(5,857,178)	(5,424,330)	
		(77,046,959)	(61,866,152)	
GROSS PROFIT		12,914,109	12,244,881	
Consumers services and administrative expenses		(5,531,953)	(4,497,493)	
Impairment loss against trade debts		(2,616,660)	(3,948,189)	
Other operating expenses		(142,933)	(590,902)	
Other income		3,048,985	1,407,429	
		(5,242,561)	(7,629,155)	
PROFIT BEFORE FINANCE COST		7,671,548	4,615,726	
Finance cost		(3,642,834)	(1,190,388)	
		4 000 71 4	2.425.220	
PROFIT BEFORE TAXATION		4,028,714	3,425,338	
Taxation				
- Current		(953,973)	(355,482)	
- Deferred		(408,638)	-	
		(1,362,611)	(355,482)	
NET PROFIT FOR THE PERIOD		2,666,103	3,069,856	
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION (EBITDA)		12,103,555	8,288,896	
			Dees)	
			-	
EARNINGS PER SHARE - BASIC AND DILUTED		0.10	0.11	

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Syed Moonis Abdullah Alvi Chief Executive Officer

Khalid Rafi Director

Muhammad Aamir Ghaziani Chief Financial Officer

Quarter Ended September 30, 2019 | 07

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

		Three Months Ended		
		September 30, 2019	September 30, 2018	
	Note		s in '000)	
Net profit for the period		2,666,103	3,069,856	
Other comprehensive income:				
Items that may be reclassified to profit or loss				
Changes in fair value of cash flow hedges		(664,972)	260,777	
Adjustment for amounts transferred to profit or loss		664,972	(260,777)	
Impairment recognised against revaluation surplus	8.2	(1,409,098)	-	
Less: Taxation thereon		408,638 (1,000,460)		
		(1,000,460)		
Total comprehensive income for the period		1,665,643	3,069,856	

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Syed Moonis Abdullah Alvi Chief Executive Officer

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Khalid Rafi Director

Muhammad Aamir Ghaziani Chief Financial Officer

08 | Quarter Ended September 30, 2019

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

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

		d, subscribed aid-up capita				Rese	rves				Total
	Ordinary	Transaction	Total		Са	ipital		Reven	ue		TOTAL
	shares	costs	Share Capital	Share premium	Others	Surplus on revaluation of Property, plant and equipmen	t	General reserves	Un- appropriated profit	Total	-
					····· (F	Rupees in 'O	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 three months period ended September 30, 2018											
Profit for the period Other comprehensive income	-	-	-	-	-	-	-	-	3,069,856	3,069,856	3,069,856
	-	-	-	-	-	-	-	-	3,069,856	3,069,856	3,069,856
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax		-	-	-	-	(851,221)	(851,221)	-	851,221	851,221	-
Balance as at Septmeber 30, 2018	96,653,179	(391,628)	96,261,551	1,500,000	509,172	53,236,174	55,245,346	5,372,356	27,747,238	33,119,594	184,626,491
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 three months period ended September 30, 2019											
Profit for the period Other comprehensive income	-	-	-	-	-	- (1,000,460)	- (1,000,460)	-	2,666,103	2,666,103	2,666,103 (1,000,460)
Incremental depreciation relating to	-	-		-	-	(1,000,460)	(1,000,460)	-	2,666,103	2,666,103	1,665,643
surplus on revaluation of property, plant and equipment - net of deferred tax		-	-	-	-	(1,563,134)	(1,563,134)	-	1,563,134	1,563,134	-
Balance as at Septmeber 30, 2019	96,653,179	(391,628)	96,261,551	1,500,000	509,172	63,316,843	65,326,015	5,372,356	49,195,183	54,567,539	216,155,105

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Syed Moonis Abdullah Alvi Chief Executive Officer

Khalid Rafi Director

Muhammad Aamir Ghaziani Chief Financial Officer

Quarter Ended September 30, 2019 | 09

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

		Three Months Ended			
		September 30, 2019	September 30, 2018		
	Note		s in '000)		
Cash Flows From Operating Activities		(
Profit before taxation		4,028,714	3,425,338		
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 Loss / (Gain) on derivative financial assets Finance cost Amortization of deferred revenue Return on bank deposits Operating cash flow before working capital changes		4,432,007 278,983 1,995 2,699,803 (1,615) 884,059 3,642,834 (485,026) (101,435) 15,380,319	3,673,170 189,936 9,546 4,065,398 (552 (260,777 1,190,388 (441,802 (34,379 11,816,266		
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 Increase / (decrease) in current liabilities Trade and other payables		(736,998) (10,371,465) 73,817 219,801 (28,662,282) (39,477,127) 21,409,561 1,109,270	(781,532) (5,767,538) 224,025 254,717 (21,024,962) (27,095,290) 9,632,173		
Short-term deposits		1,188,269 22,597,830	1,880,932		
Cash utilised in operations		(1,498,978)	(3,765,919)		
Employee retirement benefits paid Income tax (paid)/ refunded Receipts against deferred revenue Finance cost paid Interest received on bank deposits Long-term loans Long-term deposits		(153,093) (76,499) 586,649 (3,129,291) 101,435 889 1 (2,(10,000)	(162,491) 83,256 162,434 (1,044,501) 34,379 986 (400)		
Net cash utilised in operating activities		(2,669,909) (4,168,887)	(926,337) (4,692,256)		
Cash flows from investing activities Capital expenditure incurred Proceeds from disposal of property, plant and equipment Net cash utilized in investing activities		(7,279,532) 57,832 (7,221,700)	(6,717,979) 1,156 (6,716,823)		
Cash flows from financing activities					
Long-term diminishing musharka Long-term financing - net Payment of lease liabilities Short-term borrowings - net Security deposit received from consumers Net cash generated from financing activities Net decrease in cash and cash equivalents		(1,084,402) (2,134,935) (3,519) 16,957,215 276,555 14,010,914 2,620,327	(1,080,042) 3,305,327 (540,058) 243,510 		
Cash and cash equivalents at beginning of the period Cash and cash equivalents at end of the period	15	(25,487,006) (22,866,679)	(26,771,993) (36,252,335)		

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Syed Moonis Abdullah Alvi Chief Executive Officer

Khalid Rafi

Director

Muhammad Aamir Ghaziani Chief Financial Officer

10 | Quarter Ended September 30, 2019

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

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 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 September 30, 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 ended September 30, 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 High Court of 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 three months period ended September 30, 2019 has been based on the aforementioned revised MYT decision.

1.5 Subsequent to the three months period ended September 30, 2019, the Company has filed Mid Term Review petition with NEPRA on March 11, 2020, as per the mechanism included in the MYT Decision dated July 5, 2018, 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 subjected to limited scope review by the Company's auditor 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 Rupee 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 amendments to published accounting and reporting standards which became effective during the period:

The amendments that's became applicable during the period are considered not to be significantly relevant for the Company's financial reporting process hence have not been disclosed in detail in these condensed interim financial statements. In addition to said amendments IFRS 16 'Leases' became applicable during the period with effect from July 1, 2019."

The Company has adopted IFRS 16 'Leases' from July 1, 2019. The impact of the adoption of the standard and the new accounting policies have been detailed 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 the 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 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 in 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	(Rupees in '000)
Assets 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

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.

3. 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 three months period ended September 30, 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.

			(Un-Audited)	(Audited)
			September 30,	June 30,
			2019	2019
		Note	(Rupee	s in '000)
4.	PROPERTY, PLANT AND EQUIPMENT			
	Operating fixed assets, at net book value	4.1	260,388,767	264,325,147
	Right of use assets		139,271	-
	Capital work-in-progress		67,446,392	62,224,406
			327,974,430	326,549,553

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	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
		(Rupees	s in '000)	
Plant and machinery	467,965	2,010,424	-	18
Transmission and distribution				
network	1,182,390	1,619,637	53,846	155
Others	405,625	109,704	2,371	431
	2,055,980	3,739,765	56,217	604

4.2 The above disposals represent assets costing Rs. 299.851 million (September 30, 2018: Rs.2.569 million) which were disposed off for Rs. 57.832 million (September 30, 2018: Rs. 1.156 million)

5.	TRADE DEBTS	Note	(Un-Audited) September 30, 2019 (Rupee	(Audited) June 30, 2019 s in '000)
	Considered good			
	Secured – against deposits from consumers Unsecured	5.1	3,052,486 104,547,233 107,599,719	2,922,893 97,005,164 99,928,057
	Considered doubtful		98,563,086 206,162,805	96,978,188
	Provision for impairment against debts considered doubtful	5.2	<u>(98,563,086)</u> 107,599,719	<u>(96,978,188)</u> 99,928,057

5.1 These balances do not include any Late Payment Surcharge (LPS) on receivables from public sector consumers as fully explained in note 11.1, 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 September 30, 2019, receivable from government and autonomous bodies amounting to Rs. 47,773 million (June 2019: Rs. 45,719 million) includes unrecognized LPS of Rs.7,526 million (June 2019: Rs.7,252 million). This includes receivable from Karachi Water and Sewerage Board (KW&SB) amounting to Rs.31,414 million including LPS of Rs 3,933 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. 10,761 million including LPS of Rs. 10,184 million including LPS of Rs. 1,496 million).

Upto September 30, 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) September 30,	(Audited) June 30,
		Note	2019	2019 s in '000)
5.2	Provision for impairment	Note	(hupee	3 11 000
	Opening balance Provision recognized during the period / year		96,978,188 2,699,803	91,657,035 18,256,508
			99,677,991	109,913,543
	Write-off against provision during the period / year	5.3	(1,114,905)	(12,935,355) 96,978,188
			,0,000,000	

5.3 This includes write-off of Rs. 766 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 12.2.

6. OTHER RECEIVABLES

Considered good

Sales tax - net	13,373,086	12,361,857
Due from the Government of Pakistan (GOP) - net	450.440.000	
- Tariff adjustment	159,469,390	132,129,947
 Interest receivable from GoP on demand 		
finance liabilities	237,173	237,173
	159,706,563	132,367,120
Others	388,743	77,133
	173,468,392	144,806,110

7. TAXATION - NET

There is no significant change in the status of the 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) September 30, 2019 (Rupee	(Audited) June 30, 2019 es in '000)
Balance at the beginning of the year 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	8.1 & 8.2	92,789,348 (1,563,134) (638,463) - (1,409,098) (3,610,695) 89,178,653	72,762,600 (4,105,364) (1,676,839) 25,808,951 - 20,026,748 92,789,348
 Less: Related deferred tax liability on: Revaluation at the beginning of the year Impairment charge / revaluation surplus arising during the period/year Effect of change of tax rate Incremental depreciation charged / disposals during the period/year 		(26,908,911) 408,638 - 638,463 (25,861,810) 63,316,843	(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.
- 8.2 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 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 ("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	Written down value before revaluation	Value determined by the valuer
Plant and machinery			(Rupees in '000))
- unit 3 & 4 of BQPS-I	Harvester services (PVT) Limited	Sept 30, 2019	7,142,098	5,733,000

9.	TRADE AND OTHER PAYABLES	(Un-Audited) September 30, 2019 (Rupee	(Audited) June 30, 2019 es in '000)
7.			
	Trade creditors		
	Power purchases Fuel and gas Others	123,579,754 29,073,925 8,067,457 160,721,136	106,967,665 24,406,858 9,505,332 140,879,855
	Accrued expenses	5,626,766	5,383,551
	Advances / Credit balances of consumers Other liabilities including claw-back	6,094,295 39,762,015 212,204,212	6,460,181 <u>38,071,061</u> 190,794,648
10.	SHORT-TERM BORROWINGS		
	From banking companies		
	Bills payable Short term running finances Murabaha finance facilities Structured invoice financing Bridge term finance facility - HBL From others KES Power Limited - Holding Company Islamic Commercial Papers	18,761,352 27,014,638 4,672,593 970,996 19,914,091 71,333,670 12,036 16,396,020 87,741,726	8,445,548 28,151,847 4,672,593 998,525 19,827,238 62,095,751 17,379 9,808,591 71,921,721

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 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 there 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 September 30, 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 September 30, 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 High Court of Sindh'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 markup claim upto September 30, 2019 amounts to Rs. 46,257 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 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 September 2019 aggregates to Rs. 80,055 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 more fully 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 High Court of Sindh 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 High Court of Sindh 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 on October 7, 2019 and adjourned to date. The earlier stay granted to SSGC against the Company is vacated on October 7, 2019, against which SSGC filed an appeal in the High Court of Sindh.

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 Implementation Agreement) 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.

- 11.1.2 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 statement of the Company for the year ended June 30, 2019.
- 11.2 Claims not acknowledged as debts
- 11.2.1 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) September 30, 2019 (Rupee	(Audited) June 30, 2019 s in '000)
Outstanding dues of property tax, water charges, custom duty, ground rent and occupancy value	9,538,587	9,389,983
11.3 Commitments		
11.3.1 Guarantees from banks	8,610,737	6,061,921
11.3.2 Transmission projects	1,384,204	2,059,897
11.3.3 Transmission Project (TP-1000)	8,387,852	7,581,704
11.3.4 Outstanding letters of credit	5,026,267	7,107,736
11.3.5 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.

11.3.6 Commitments for rentals under ijarah facilities in respects of vehicles are as follows:

- not later than one year	330,679	233,764
- later than one year and not later than five years	1,322,718	935,054

11.3.7 Commitments for rentals under operating lease agreements in respects of power purchase agreements with (SNPC) I and II are as follows:

- Not later than one year	3,181,562	3,145,675
- Later than one year but not later than five years	12,641,470	12,582,686
- Later than five years	56,096,525	55,329,345

		Nete	(Un-Audited)	
		Note	September 30,	September 30,
			2019	2018
			(Rupee	s in '000)
12.	TARIFF ADJUSTMENT	12.2	27,339,443	21,253,925

- 12.1 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 12.2).
- 12.2 Includes Rs. 766 million comprising dues of 8,817 customers (2018: Rs 909 million comprising dues of 2,230 consumers) recognized during the three months period ended September 30, 2019 against actual write-off of bad debts, as allowed by NEPRA under the MYT decision dated July 5, 2018 for the period from 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 connection against which the bad debts have been written-off were disconnected prior to September 30, 2019 both in the case of active and inactive customers. Furthermore, in the case of inactive customers, the customers were marked as "inactive" in the Company's system i.e. (SAP) prior to September 30, 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.

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 three months period ended September 30, 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 three months period ended September 30, 2019 and the corresponding amount has been claimed in the tariff adjustment after verifying underlying facts.

		(Un-Audited)	
		September 30, 2019	September 30, 2018
13.	PURCHASE OF ELECTRICITY	(Rupees	s in '000)
	Central Power Purchasing Agency (Guarantee) Limited (CPPA) / NTDC Independent Power Producers (IPPs) Karachi Nuclear Power Plant (KANUPP)	13,886,462 12,811,699 172,141 26,870,302	13,111,372 9,822,677 1,058,875 23,992,924
14.	CONSUMPTION OF FUEL AND OIL		
	Natural gas Furnace and other fuel / oil	20,091,148 24,228,331 44,319,479	14,504,536 17,944,362 32,448,898
15.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances Short-term running finances	4,147,959 (27,014,638) (22,866,679)	2,225,736 (38,478,071) (36,252,335)

16. 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)	
			September 30, 2019	September 30, 2018
16.1	Central Power Purchasing		(Rupees	s in '000)
	Agency (Guarantee) Limited	Device events	10.00/ 4/0	10 111 070
	(CPPA) / NTDC	Power purchases	13,886,462	13,111,372
16.2	Pakistan State Oil Company Limited (PSO)	Purchase of furnace oil & other lubricants	22,890,928	14,563,815
	2		22/07/07/20	
16.3	Sui Southern Gas Company			
	Limited (SSGC)	Purchase of gas	20,091,148	14,504,536
16.4	BYCO Petroleum Pakistan Limited	Purchase of furnace oil & other lubricants	962,428	3,090,808
16.5	Provident fund	Contribution to provident fund	238,300	210,306
16.6	Key management personnel	Managerial remuneration	112,755	107,188
		Other allowances and benefits	33,982	76,680

17. 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.

18. GENERAL

- 18.1 All figures have been rounded off to the nearest thousand of Pakistan Rupees, unless otherwise stated
- 18.2 Wherever considered necessary, corresponding figures have been rearranged and reclassified for the purpose of comparison. For the half year and quarter ended September 30, 2019, provision for impairment in relation to financial assets other than those which are due from the Government of Pakistan, amounting to Rs. 3,948 million determined in accordance with IAS 39, have been reclasified and disclosed as a separate line item on the condensed interim statement of profit or loss.
- 18.3 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 extent of the spread of the virus and its potential impact on the Company is being assessed/determined 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.

19. EVENTS AFTER THE REPORTING DATE

Subsequent to the period end, the Cabinet Committee on Energy (CCoE) in its meeting dated 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, 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

Quarter Ended September 30, 2019 | 23

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