REPORT FOR THE **HALF-YEAR ENDED**

31 December 2018

KE

Energy That Moves Life

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	Chairman
Ch. Khaqan 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.Khaqan 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. Khaqan 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 of Internal Audit
Asif Raza

Legal Adviser
Abid S. Zuberi & Co.

External Auditors
Messrs A.F. Ferguson & Co.
Messrs BDO Ebrahim & 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
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
Samba Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Standard Chartered Bank (UK)
Summit Bank Limited
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 (reviewed) of K-Electric Limited (KE) for the half year ended December 31, 2018 on behalf of the Board of Directors.

Key operational and financial results are summarized below:

		JUL-DEC 2018	JUL-DEC 2017
OPERATIONAL		(UNITS - GWh)	
Units generated (net of auxiliary)		5,236	5,003
Units purchased		3,882	3,683
Total units available for distribution (sent out)		9,118	8,687
Units billed		7,519	7,106
Transmission & Distribution Losses %		17.5%	18.2%
		(PKR - MILLIONS)	
FINANCIAL			
Revenue		145,442	97,714
Profit before finance cost		8,693	10,985
Profit before taxation		6,056	9,626
Taxation – net		(711)	(739)
Net Profit for the period		**5,345**	**8,888**
Earnings per share-BASIC/DILUTED	(Rupees)	**0.19**	**0.32**
Earnings before Interest ,Tax, Depreciation and Amortization (EBITDA)		16,157	18,525

Financial Review

Company earned a net profit of PKR 5,345 million which translated into earning per share of PKR 0.19. Units billed for the period increased by 5.8% owing to increase in units sent out by 4.9% and decrease in T&D losses by 0.7% points. The decrease of 39.9% in net profit from comparable period is mainly due to increase in finance cost by 94% (due increase in gearing and borrowing rates) and increase in other operating expenses by 108% (due to depreciation of Pakistani Rupee against foreign currencies). Revenue figure includes PKR 1,119 million in tariff adjustment against actual write off of bad debts, as allowed by NEPRA under MYT decision, as more fully explained in note 12.2 of these condensed interim financial statements.

Significant amount continued to be receivable from Government entities including dues from Karachi Water and Sewerage Board (KW&SB) and City District Government Karachi (CDGK). The management has been taking up the matter at highest levels within the Federal and Provincial Governments to ensure recovery which is significantly hampering the ability of the Company to enhance the pace of investment in the Company's infrastructure.

Delay in Issuance of Financial Statements

These accounts are delayed due to finalization of the Multi-Year Tariff (MYT) which now stands notified and effective.

Update on Significant Matters

As this quarterly report is being issued with Annual Report 2019 for reasons explained in previous paragraph; significant matters along with the performance highlights have been covered in Annual Report 2019 of the Company and therefore, not repeated here.

Board of Directors (BOD)

During review and subsequent period for FY2019, following casual vacancies occurred on the Board and all were filled-up by the directors within the specified time period.

1. GoP nominee Mr. Hassan Nasir Jamy replaced Dr. Aamer Ahmed on December 14, 2018.

2. Mr. Muhammad Tayyab Tareen resigned from the position of Director / Chairman and Mr. Ikram Ul-Majeed Sehgal was elected as Chairman effective from January 18, 2019.

3. Mr. Omar Khan Lodhi and Mr. Frederic Sicre resigned from the directorship effective from February 8, 2019.

4. Syed Mohammad Akhtar Zaidi appointed on April 15, 2019 against casual vacancy.

5. GoP nominee Mr. Hasan Nasir Jamy ceased to be Director w.e.f. February 13, 2019. GoP nominee Mr. Waseem Mukhtar replaced him on April 15, 2019.

6. Mr. Aziz Moolji resigned from the directorship of the Company effective from May 6, 2019.

Whereas other changes, subsequent to year end, have been duly reported in the Annual Report 2019 of the Company.

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.

Karachi, April 9, 2020

Syed Moonis Abdullah Alvi
Chief Executive Officer

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF K-ELECTRIC LIMITED ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of K-Electric Limited as at December 31, 2018 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 cash flows, and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the 'condensed interim financial statements'). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed 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, 2018 and December 31, 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

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 condensed 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 condensed interim financial statements are not prepared, in all material respects, in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

Without qualifying our conclusion, we draw attention to the note 11.1.1 to the accompanying condensed 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 partners on the review resulting in this independent auditors' report are Waqas Aftab Sheikh (A. F. Ferguson & Co.) and Raheel Shahnawaz (BDO Ebrahim & Co.).

A. F. Ferguson & Co
Chartered Accountants

BDO Ebrahim & Co.

BDO Ebrahim & Co.
Chartered Accountants

Place: Karachi
Date: April 18, 2020

جیسا کہ ایم وائے ٹی کے فیصلوں کے تحت NEPRA نے اجازت دی ہے، جس کی مزید تفصیلات مجموعی عبوری مالیاتی معلومات کے نوٹ نمبر 12.2 میں درج ہیں، اس کے مطابق ریونیو کے اعداد و شمار کے اندر ٹیرف ایڈجسٹمنٹ کی مد میں 1,119 ملین روپے بیڈ ڈیٹس کے حقیقی رائٹ آف کی مد میں شامل ہیں۔

سرکاری اداروں سے خطیر رقم واجب الادا رہی بشمول واجبات کراچی واٹر اینڈ سیوریج بورڈ (کے ڈبلیو ایس بی) اور سٹی ڈسٹرکٹ گورنمنٹ کراچی (سی ڈی جی کے)۔ انتظامیہ نے وصولیابی یقینی بنانے کے لئے اعلیٰ سطح پر وفاقی اور صوبائی حکومتوں کے سامنے اس مسئلے کو اٹھایا جو کمپنی کے انفرااسٹرکچر میں سرمایہ کاری کو بڑھانے کی استطاعت میں نمایاں تاخیر کا باعث ہے۔

مالیاتی گوشواروں کے اجراء میں تاخیر

مذکورہ مالیاتی گوشواروں میں، ملٹی ایئر ٹیرف (ایم وائے ٹی) کو حتمی شکل دیئے جانے کے باعث تاخیر ہوئی، جو کہ اب اعلان شدہ اور موثر ولاگو ہیں۔

اہم معاملات پر تازہ ترین صورتحال

یہ ششماہی رپورٹ 2019 کی سالانہ رپورٹ کے ساتھ جاری کی جارہی ہے۔ اور اس تاخیر کا سبب اوپر پیراگراف میں واضح کیا گیا ہے۔ اہم معاملات اور کارکردگی کی سرخیاں سالانہ رپورٹ 2019 میں وضاحت کے ساتھ بیان کی گئی ہیں، اس لئے انہیں دوبارہ پیش کرنے کی ضرورت نہیں ہے۔

بورڈ آف ڈائریکٹرز (BOD)

جائزہ لینے اور اس کے بعد کی مدت برائے مالی سال 2019 کے دوران، بورڈ میں مندرجہ ذیل آسامیاں وقوع پذیر ہوئیں جنہیں مقررہ مدت میں ڈائریکٹر کی جانب سے پورا کیا گیا۔

1- حکومت پاکستان کے نامزد امیدوار جناب حسن ناصر جامی کی جگہ جناب ڈاکٹر عامر احمد کو 14 دسمبر 2018 کو تقرری دی گئی۔

2- جناب محمد طیّب ترین کے ڈائریکٹر/چیئر مین کے عہدے سے استعفیٰ دینے کے بعد جناب اکرام المجید سہگل، 18 جنوری 2019 سے چیئر مین منتخب ہوئے۔

3- جناب عمر خان لودھی اور جناب فیڈرک سکرے نے 8 فروری 2019 سے ڈائریکٹر شپ کے عہدے سے استعفیٰ دیا۔

4- جناب سید محمد اختر زیدی کو 15 اپریل 2019 کو عمومی اسامی پر مقرر کیا گیا۔

5- حکومت پاکستان کے نامزد امیدوار جناب حسن ناصر جامی نے 13 فروری 2019 تک بطور ڈائریکٹر ذمہ داریاں نبھائیں۔ جس کے بعد 15 اپریل 2019 کو ان کے متبادل کے طور پر حکومت پاکستان کے نامزد امیدوار جناب وسیم مختار نے یہ عہدہ سنبھالا۔

6- جناب عزیز مولجی نے 6 مئی 2019 سے کمپنی کی ڈائریکٹر شپ سے استعفیٰ دیا۔

جبکہ سال کے اختتام کے بعد بورڈ میں دیگر تبدیلیوں سے متعلق کمپنی کی 2019 کی سالانہ رپورٹ میں باضابطہ بیان کیا گیا ہے۔

اظہار تشکر

بورڈ تمام شیئر ہولڈرز اور کمپنی کے کسٹمرز کا ان کے تعاون اور حمایت پر شکریہ ادا کرتا ہے اور کمپنی کے ملازمین کو خراج تحسین پیش کرتا ہے۔

سید مونس عبداللہ علوی

چیف ایگزیکٹو آفیسر

کراچی، 9 اپریل 2020

کے-الیکٹرک لمیٹڈ

ڈائریکٹرز کی جانب سے جائزہ

میں نہایت مسرت کے ساتھ بورڈ آف ڈائریکٹرز کی جانب سے 31دسمبر 2018 کو اختتام پزیر ششماہی سال کے لئے کے-الیکٹرک لمیٹڈ کی مجموعی عبوری مالیاتی معلومات (غیر آڈٹ شدہ) پیش کر رہا ہوں۔

اہم آپریشنل اور مالی نتائج کا خلاصہ مندرجہ ذیل ہے:

	جولائی تا دسمبر 2018	جولائی تا دسمبر 2017
آپریشنل	(یونٹس-GWH)	
پیداواری یونٹس کی تعداد (ضمنی یونٹس کے علاوہ)	5,236	5 003
خریدے گئے یونٹس کی تعداد	3,882	3,683
ڈسٹری بیوشن کے لئے دستیاب ٹوٹل یونٹس (بھیجے گئے)	9,118	8,687
بل کئے گئے یونٹس	7,519	7,106
ٹرانسمیشن اور ڈسٹری بیوشن کے نقصانات	17.5%	18.2%
فنانشیل	(پاکستانی روپوں میں - ملین)	
ریونیو	145,442	97,714
منافع قبل از مالیاتی لاگت	8,693	10,985
منافع قبل از ٹیکس	6,056	9,626
ٹیکس محصولات خالص	(711)	(739)
اس مدت کے دوران خالص منافع	**5,345**	**8,888**
آمدنی فی حصص - بیسک/ڈائیلوٹڈ (روپے)	**0.19**	**0.32**
سود، ٹیکس، فرسودگی اور بے باقی سے پہلے کی ادائیگی (EBITDA)	16,157	18,525

مالیاتی جائزہ

کمپنی کی خالص آمدنی 5,345 ملین روپے رہی جس کے نتیجے میں آمدنی فی حصص 0.19 روپے رہی۔ مذکورہ مدت میں بل شدہ یونٹس میں 5.8% اضافہ ہوا جس کی وجہ بھیجے گئے یونٹس میں 4.9% اضافہ اور ٹرانسمیشن اور ڈسٹری بیوشن کے نقصانات میں 0.7% کمی ہے۔ گزشتہ سال کی اس مدت کے دوران حاصل ہونے والی خالص آمدنی کے مقابلے میں اس سال کے دوران ہونے والے 39.9% کمی کی بنیادی وجہ مالیاتی لاگت میں 94% اضافہ (گیئرنگ اور شرح قرض میں متعلقہ اضافے کے باعث) اور دیگر آپریٹنگ اخراجات میں 108% اضافہ ہے۔ (بیرونی کرنسیز کے مقابلے میں پاکستانی روپے کی قدر میں کمی کے باعث)۔

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	(Un-Audited) December 31, 2018	Audited June 30, 2018
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	285,514,041	277,403,146
Intangible assets		217,984	291,757
Long-term loans		20,416	22,001
Long-term deposits		16,206	15,806
		285,768,647	277,732,710
Current assets			
Stores, spares and loose tools		13,071,082	11,484,428
Trade debts	5	115,659,919	115,371,262
Loans and advances		781,784	889,124
Deposits and short-term prepayments		2,649,540	2,510,186
Other receivables	6	101,221,267	56,985,781
Taxation - net	7	2,246,941	3,873,793
Derivative financial assets		2,019,990	669,985
Cash and bank balances		1,360,464	1,132,674
		239,010,987	192,917,233
Assets classified as held for sale		3,047,856	3,047,856
		242,058,843	195,965,089
TOTAL ASSETS		527,827,490	473,697,799
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		52,384,952	54,087,395
		54,394,124	56,096,567
Revenue reserves			
General reserves		5,372,356	5,372,356
Un-appropriated profit		56,610,488	49,562,564
		61,982,844	54,934,920
		116,376,968	111,031,487
		212,638,519	207,293,038
LIABILITIES			
Non-current liabilities			
Long-term diminishing musharaka		10,848,016	13,005,681
Long-term financing	8	36,921,620	11,896,987
Long-term deposits		10,243,351	9,718,749
Employee retirement benefits		4,557,866	4,441,177
Deferred revenue		21,671,929	21,387,917
		84,242,782	60,450,511
Current liabilities			
Current maturity of long-term diminishing musharaka		4,400,000	4,400,000
Current maturity of long-term financing		3,184,873	2,184,620
Trade and other payables	9	153,536,823	140,458,457
Unclaimed dividend		645	645
Accrued mark-up		6,951,386	6,369,631
Short-term borrowings	10	48,508,175	41,317,360
Short-term deposits		14,317,837	11,177,087
Provision		46,450	46,450
		230,946,189	205,954,250
TOTAL LIABILITIES		315,188,971	266,404,761
TOTAL EQUITY AND LIABILITIES		527,827,490	473,697,799
Contingencies and Commitments	11		

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Syed Moonis Abdullah Alvi	Khalid Rafi	Muhammad Aamir Ghaziani
Chief Executive Officer	Director	Chief Financial Officer

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Note	Half Year Ended December 31, 2018	Half Year Ended December 31, 2017	Quarter Ended December 31, 2018	Quarter Ended December 31, 2017
		---------(Rupees in '000)---------		---------(Rupees in '000)---------	
REVENUE					
Sale of energy - net		97,510,657	87,846,417	44,653,549	39,106,544
Tariff adjustment	12	47,931,216	9,867,784	26,677,291	6,283,003
		145,441,873	97,714,201	71,330,840	45,389,547
COST OF SALES					
Purchase of electricity	13	(46,907,251)	(32,228,937)	(22,914,327)	(15,772,005)
Consumption of fuel and oil	14	(63,252,030)	(31,178,776)	(30,803,132)	(12,897,512)
Expenses incurred in generation, transmission and distribution		(10,967,123)	(10,863,646)	(5,542,793)	(5,357,441)
		(121,126,404)	(74,271,359)	(59,260,252)	(34,026,958)
GROSS PROFIT		24,315,469	23,442,842	12,070,588	11,362,589
Consumers services and administrative expenses		(16,531,122)	(16,345,907)	(8,085,440)	(8,627,457)
Other operating expenses		(2,105,957)	(1,010,303)	(1,515,055)	(556,092)
Other income		3,014,199	4,898,314	1,606,770	2,088,808
		(15,622,880)	(12,457,896)	(7,993,725)	(7,094,741)
PROFIT BEFORE FINANCE COST		8,692,589	10,984,946	4,076,863	4,267,848
Finance cost		(2,636,145)	(1,358,601)	(1,445,757)	(631,781)
PROFIT BEFORE TAXATION		6,056,444	9,626,345	2,631,106	3,636,067
Taxation		(710,963)	(738,570)	(355,481)	(369,285)
NET PROFIT FOR THE PERIOD		5,345,481	8,887,775	2,275,625	3,266,782
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION (EBITDA)		16,157,491	18,524,835	7,868,595	8,051,786
		-------------------------------------(Rupees)-----------------------------------			
EARNINGS PER SHARE - BASIC AND DILUTED		0.19	0.32	0.08	0.12

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Syed Moonis Abdullah Alvi	Khalid Rafi	Muhammad Aamir Ghaziani
Chief Executive Officer	Director	Chief Financial Officer

CONDENSED INTERIM STAETMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Half Year Ended		Quarter Ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	---------(Rupees in '000)---------		---------(Rupees in '000)---------	
Net profit for the period	5,345,481	8,887,775	2,275,625	3,266,782
Other comprehensive income:				
Items that may be reclassified to profit or loss				
Changes in fair value of cash flow hedges	1,350,005	162,660	1,089,228	162,568
Adjustment for amounts transferred to profit or loss	(1,350,005)	(162,660)	(1,089,228)	(162,568)
	-	-	-	-
Total comprehensive income for the period	5,345,481	8,887,775	2,275,625	3,266,782

The annexed notes 1 to 18 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

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Issued, subscribed and paid-up capital			Reserves						Un-appropriated profit	Total
				Capital				Revenue			
	Ordinary shares	Transaction costs	**Total Share Capital**	Share premium	Others	Surplus on revaluation of Property, plant and equipment	**Total**	General reserves	**Total**		
	(Rupees in '000)										
Balance as at July 1, 2017	96,653,179	(391,628)	**96,261,551**	1,500,000	509,172	47,605,194	**49,614,366**	5,372,356	**5,372,356**	33,068,043	**184,316,316**
Total comprehensive income for the half year ended December 31, 2017											
Profit for the period	-	-	**-**	-	-	-	**-**	-	**-**	8,887,775	**8,887,775**
Other comprehensive income	-	-	**-**	-	-	-	**-**	-	**-**	-	**-**
	-	-	**-**	-	-	-	**-**	-	**-**	8,887,775	**8,887,775**
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	**-**	-	-	(2,183,618)	**(2,183,618)**	-	**-**	2,183,618	**-**
Balance as at December 31, 2017 (Un-Audited)	96,653,179	(391,628)	**96,261,551**	1,500,000	509,172	45,421,576	**47,430,748**	5,372,356	**5,372,356**	44,139,436	**193,204,091**
Balance as at July 1, 2018	96,653,179	(391,628)	**96,261,551**	1,500,000	509,172	54,087,395	**56,096,567**	5,372,356	**5,372,356**	49,562,564	**207,293,038**
Total comprehensive income for the half year ended December 31, 2018											
Profit for the period	-	-	**-**	-	-	-	**-**	-	**-**	5,345,481	**5,345,481**
Other comprehensive income	-	-	**-**	-	-	-	**-**	-	**-**	-	**-**
	-	-	**-**	-	-	-	**-**	-	**-**	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	**-**
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	**5,372,356**	56,610,488	**212,638,519**

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Syed Moonis Abdullah Alvi	**Khalid Rafi**	**Muhammad Aamir Ghaziani**
Chief Executive Officer	Director	Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Note	Half Year Ended December 31, 2018	Half Year Ended December 31, 2017
		(Rupees in '000)	
Cash flows from operating activities			
Profit before taxation		6,056,444	9,626,345
Adjustments for non-cash charges and other items:			
Depreciation and amortization		7,464,902	7,539,889
Provision for employee retirement benefits		381,630	372,841
Provision for slow moving and obsolete stores, spares and loose tools, net		9,546	-
Provision for debts considered doubtful		7,281,592	7,848,644
Gain on sale of property, plant and equipment		(15,518)	(264,260)
Gain on derivative financial assets		(1,350,005)	-
Finance cost		2,636,145	1,358,601
Amortization of deferred revenue		(896,079)	(821,781)
Return on bank deposits		(89,450)	(55,682)
		21,479,207	25,604,597
Working capital changes:			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(1,596,200)	(2,260,883)
Trade debts		(7,570,249)	(1,715,635)
Loans and advances		107,340	220,350
Trade deposits and short term prepayments		(139,354)	992,546
Other receivables		(44,235,486)	(4,013,458)
		(53,433,949)	(6,777,080)
Increase / (decrease) in current liabilities			
Trade and other payables		13,078,366	(3,451,275)
Short-term deposits		3,140,750	1,272,812
		16,219,116	(2,178,463)
Cash (utilized in) / generated from operations		(15,735,626)	16,649,054
Employee retirement benefits paid		(264,941)	(705,226)
Income tax refunded / (paid)		915,889	(597,801)
Receipts against deferred revenue		1,180,091	812,093
Finance cost paid		(2,054,390)	(1,227,651)
Interest received on bank deposits		89,450	55,682
Long-term loans		1,585	(1,348)
Long-term deposits		(400)	(2,699)
		(132,716)	(1,666,950)
Net cash (utilized in) / generated from operating activities		(15,868,342)	14,982,104
Cash flows from investing activities			
Capital expenditure incurred		(15,523,765)	(17,412,750)
Proceeds from disposal of property, plant and equipment		37,259	539,976
Net cash utilized in investing activities		(15,486,506)	(16,872,774)
Cash flows from financing activities			
Long-term financing - net		23,867,221	(2,346,835)
Short-term borrowings - net		2,800,495	670,136
Security deposit received from consumers		524,602	531,910
Net cash generated from / (utilized in) financing activities		27,192,318	(1,144,789)
Net decrease in cash and cash equivalents		(4,162,530)	(3,035,459)
Cash and cash equivalents at beginning of the period		(26,771,993)	(8,421,025)
Cash and cash equivalents at end of the period	15	(30,934,523)	(11,456,484)

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Syed Moonis Abdullah Alvi	Khalid Rafi	Muhammad Aamir Ghaziani
Chief Executive Officer	Director	Chief Financial Officer

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2018

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.

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 (2018: 66.40 percent) shares in the Company as at December 31, 2018.

1.2 As notified on 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 66.4 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 Securities Act, 2015 and 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 and September 30, 2019, incorporating amended / additional requirements pursuant to the Securities Act and the Takeover Regulations. On the request of SEP, SECP has granted further extension of ninety days to make public announcement of offer by SEP which may be made by June 26, 2020

1.3 The Company, being regulated entity, is governed through Multi Year Tariff (MYT) regime. Accordingly, 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 on March 20, 2017, determined the MYT for the period commencing from July 1, 2016 till June 30, 2023. Considering that some of the assumptions in the MYT 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.

During year ended June 30, 2018, NEPRA issued its decision dated October 9, 2017 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 the 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 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). The Appellate Tribunal is yet to be made functional by the GoP.

The Company also approached the Sindh High Court (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 its case filed with SHC against MYT decision, as the Company decided to pursue its legitimate concerns / issues with Appellate Tribunal and reserves its right to again approach the SHC if required. Further, the Ministry of Energy (Power Division) has notified the MYT decision through SRO 576 (I) /2019 dated May 22, 2019.

The Company's revenue for the half year period ended December 31, 2018 has been based on the aforementioned revised MYT decision.

1.4 Subsequent to the half year period ended December 31, 2018, 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 interim 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

- Provisions of and directives issued under the Companies Act, 2017.

Where the 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, 2018. These condensed interim financial statements are unaudited, however, have been subject to limited scope review by the auditors and are being submitted to the shareholders as required by the listing regulations of the SECP and 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 Accounting and reporting standard that became effective during the period.

IFRS 15 'Revenue from contracts with customers' - (effective for annual accounting period beginning on July 1, 2018). This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaced IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. There is no material impact of IFRS 15 on these condensed interim financial statements.

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

- IFRS 16 'Leases' will be effective for the Company's annual accounting period beginning July 1, 2019. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under IFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Further, the SECP through its SRO No. 986(I)/2019 dated September 2, 2019 has granted exemption from requirements of IFRS 16 'Leases' to all companies that have executed their power purchase agreements before January 1, 2019. Consequently all the power purchase agreements entered before the aformentioned date will continue to be treated under IFRIC 4 'Determining Whether an Arrangement Contains a Lease'.

At present the Company is in the process of determining the impacts of application of IFRS 16 on the ensuing year's financial statements of the Company.

- IFRS 9 'Financial instruments' - (effective for period / year ended on or after June 30, 2019). This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. Further the SECP through SRO 985/(1)/2019 dated February 14, 2019 notified that the requirements contained in IFRS 9 (Financial Instruments) with respect to application of Expected Credit Losses method, shall not be applicable on dues from Government of Pakistan till June 30, 2021, provided that the companies shall follow the requirements of IAS 39 (Financial Instruments: Recognition and Measurement) in this respect during the exemption period. Further, Securities and Exchange Commission of Pakistan through its S.R.O. No. 229 (1)/2019 dated February 14, 2019 has deferred application of the aforementioned standard for reporting period / year ended June 30, 2019. The impacts of the adoption of this standard are reflected in the Company's annual financial statements for the year ended June 30, 2019.

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 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, 2018.

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, 2018.

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, 2018, except for the change due to adoption of IFRS 15 as disclosed in note 2.4.1.

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 figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended December 31, 2018 and December 31, 2017 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the half year ended December 31, 2018 and December 31, 2017.

3.5 The comparative statement of financial position presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2018, 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 information for the half year ended December 31, 2017.

		Note	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
			(Rupees in '000)	
4.	PROPERTY, PLANT AND EQUIPMENT			
	Operating fixed assets, at net book value	4.1	220,778,548	220,323,561
	Capital work-in-progress		64,735,493	57,079,585
			285,514,041	277,403,146

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

	(Un-Audited) Additions (at cost)		(Un-Audited) Disposals (at net book value)	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Rupees in '000)			
Leasehold land	407	5,579	-	-
Plant and machinery	3,041,954	1,721,754	2,916	8,142
Transmission and distribution network	4,351,028	4,040,682	155	266,502
Others	474,473	730,295	18,670	1,072
	7,867,862	6,498,310	21,741	275,716

4.2 The above disposals represent assets costing Rs. 59.761 million (December 31, 2017: Rs. 937.579 million) which were disposed-off for Rs. 37.259 million (December 31, 2017: Rs. 539.976 million).

		Note	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
			(Rupees in '000)	
5.	TRADE DEBTS			
	Considered good			
	Secured – against deposits from consumers		2,245,542	2,406,007
	Unsecured		113,414,377	112,965,255
		5.1	115,659,919	115,371,262
	Considered doubtful		71,559,292	65,920,632
			187,219,211	181,291,894
	Provision for impairment against debts considered doubtful	5.2	(71,559,292)	(65,920,632)
			115,659,919	115,371,262

5.1 These balances do not include any Late Payment Surcharge (LPS) on receivables from public sector consumers on the contention that due to the circular debt situation, the LPS should 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 liabilities.

As at December 31, 2018, receivable from government and autonomous bodies of Rs. 51,743 million (2018: Rs. 50,045 million) includes unrecognized LPS amounting to Rs. 6,860 million (2018: Rs.6,515 million). This includes receivable from Karachi Water and Sewerage Board (KW&SB) amounting to Rs.31,300 million including LPS of Rs 3,654 million (2018: Rs. 31,155 million including LPS of Rs. 3,424 million) and receivable from City District Government Karachi (CDGK) amounting to Rs. 14,915 million including LPS of Rs. 1,363 million (2018: Rs. 13,161 million including LPS of Rs. 1,350 million).

Upto December 31, 2018, adjustment orders have been received from the Government of Sindh (GoS) whereby the Company's liability amounting to Rs.12,434 million (2018: Rs. 12,434 million) on account of electricity duty has been adjusted against the KW&SB dues.

		(Un-Audited) December 31, 2018	(Audited) June 30, 2018
		(Rupees in '000)	
5.2	Provision for impairment		
	Opening balance	65,920,632	58,197,616
	Provision recognized during the period / year	7,281,592	16,300,201
		73,202,224	74,497,817
	Write-off against provision during the period / year	(1,642,932)	(8,577,185)
		71,559,292	65,920,632

5.3 This includes write-off of Rs. 1,119 million (June 30, 2018: Rs. 3,371 million) to be claimed as tariff adjustment in accordance with the criteria prescribed by NEPRA (note 12.2).

		(Un-Audited) December 31, 2018	(Audited) June 30, 2018
		(Rupees in '000)	
6.	OTHER RECEIVABLES		
	Considered good		
	Sales tax - net	9,952,919	7,333,382
	Due from the Government of Pakistan (GOP) - net		
	- Tariff adjustment	90,944,429	49,328,513
	- Interest receivable from GoP on demand finance liabilities	237,173	237,173
		91,181,602	49,565,686
	Others	86,746	86,713
		101,221,267	56,985,781
	Considered doubtful		
	Sales tax	851,320	851,320
	Provision for impairment	(851,320)	(851,320)
		-	-
	Due from a Consortium of suppliers of power plant	363,080	363,080
	Provision for impairment	(363,080)	(363,080)
		-	-
		101,221,267	56,985,781

7. TAXATION - NET

There is no significant change in the status of the tax contingencies as disclosed in note 41.1 and 41.2 to the annual financial statements of Company for the year ended June 30, 2018.

	Note	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
		(Rupees in '000)	
8. LONG-TERM FINANCING			
From banking companies and financial institutions - secured			
Syndicated loan		414,286	1,242,857
Hermes financing facility		6,739,499	5,873,045
Sinosure financing facility		12,433,598	6,939,095
Syndicate term finance facility	8.1	20,492,500	-
		40,079,883	14,054,997
Current maturity shown under current liabilities		(3,158,263)	(2,158,010)
		36,921,620	11,896,987
Others - Secured			
Due to oil and gas companies		610	610
Current maturity shown under current liabilities		(610)	(610)
		-	-
Unsecured			
GoP loan for the electrification of Hub area		26,000	26,000
Current maturity shown under current liabilities		(26,000)	(26,000)
		-	-
		36,921,620	11,896,987

8.1 This represents drawdowns against Syndicate Term Finance Facility of Rs. 23.5 billion entered into on November 06, 2018 with a syndicate of local commercial banks. The loan is to be utilized to fund the TP-1000 project and ongoing distribution projects. The loan carries mark-up at 3 months KIBOR + 1% per annum. The facility will be settled in 20 quarterly installment with repayment commencing from March 16, 2021 and ending on December 16, 2025.

	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	(Rupees in '000)	
9. TRADE AND OTHER PAYABLES		
Trade creditors		
Power purchases	80,163,846	64,457,613
Fuel and gas	18,707,288	22,006,403
Others	7,269,207	6,908,780
	106,140,341	93,372,796
Accrued expenses	4,987,784	5,019,082
Advances / Credit balances of consumers	4,786,687	5,595,163
Others including claw-back	37,622,011	36,471,416
	153,536,823	140,458,457

	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	(Rupees in '000)	
10. SHORT-TERM BORROWINGS		
From banking companies		
Bills payable	1,041,160	5,282,752
Short term running finances	32,294,987	27,904,667
Murabaha finance facilities	4,773,600	5,526,000
Structured invoice financing	1,976,854	1,116,756
Islamic Commercial Paper	6,903,102	-
	46,989,703	39,830,175
From others		
KES Power Limited - Holding Company	18,472	9,300
KESC Azm Sukuk Certificates	1,500,000	1,477,885
	48,508,175	41,317,360

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 (CPPA), major government owned power supplier, has not been accrued in this 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 MOF through payment of the Company's tariff differential claims directly to NTDC. Up to December 31, 2017 Ministry of Finance (MOF) has released the Company's tariff differential claims aggregating to Rs. 385,614 million directly to NTDC / CPPA. Additionally, the Company has directly paid Rs. 42,218 million up to December 31, 2018 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 December 31, 2018 amounts to Rs. 39,434 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 2018 aggregates to Rs. 69,278 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 No. 1641/2013 against KE, 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 No. 91/2013, 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 07, 2019 and adjourned to date in office. The earlier stay granted to SSGC against the Company is vacated on October 07, 2019, against which SSGC filed an appeal HCA No. 353/2019.

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 i.e. 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, 2018: 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 change in the status of contingencies as disclosed in notes 31.1.2 to 31.1.7 to the annual financial statement of the Company for the year ended June 30, 2018.

11.2 Claims not acknowledged as debts

11.2.1 Claims not acknowledged as debts as disclosed in notes 31.2 to the annual financial statements of the Company for the year ended June 30, 2018 remain unchanged substantially except for the following claims;

		(Un-Audited) December 31, 2018	(Audited) June 30, 2018
		(Rupees in '000)	
	Outstanding dues of property tax, water charges, custom duty, ground rent and occupancy value	8,628,630	8,587,443
11.3	Commitments		
11.3.1	Guarantees from banks	6,045,498	6,050,444
11.3.2	Transmission Projects - capital commitment	1,492,213	1,415,839
11.3.3	Transmission Project (TP - 1000) - capital commitment	11,151,073	18,198,316
11.3.4	Outstanding letters of credit	5,647,642	5,512,248
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.

		(Un-Audited) December 31, 2018	(Audited) June 30, 2018
		(Rupees in '000)	
11.3.6	Commitments for rentals under operating lease agreements		
	- not later than one year	124,900	193,708
	- later than one year and not later than five years	499,602	774,834

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

	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	(Rupees in '000)	
- Not later than one year	2,889,566	2,633,457
- Later than one year but not later than five years	12,582,688	12,582,690
- Later than five years	58,194,923	58,475,017

			Half Year Ended		Quarter Ended	
			December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
		Note	---------(Rupees in '000)---------		---------(Rupees in '000)---------	
12.	TARIFF ADJUSTMENT	12.2	47,931,216	9,867,784	26,677,291	6,283,003

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.

12.2 Includes Rs. 1,119 million comprising dues of 3,163 customers (2017: Rs 2,459 million comprising dues of 46,488 customers) recognized during the year against actual write-off of bad debts, as allowed by NEPRA under the MYT decision for the period from July 1, 2016 to June 30, 2023, through the decision dated July 5, 2018. The write-off amount has been claimed by the Company on October 30, 2019 on a provisional basis as part of quarterly tariff adjustment for the fourth quarter ended June 30, 2019 aggregating to Rs. 10,850 million (fourth quarter ended June 30, 2018: Rs. 4,545 million). Further, 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 December 31, 2018 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 December 31, 2018.

- 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 verified that the write-off of bad debts 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 year ended December 31, 2018, 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 disconnected both physically and in the system 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 year ended December 31, 2018, and the corresponding amount has been claimed in the tariff adjustment after verifying underlying facts.

	Half Year Ended		Quarter Ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Rupees in '000)		**(Rupees in '000)**	
13. PURCHASE OF ELECTRICITY				
Central Power Purchasing Agency (Guarantee) Limited (CPPA) / NTDC	25,945,057	19,633,420	12,833,685	9,825,879
Independent Power Producers (IPPs)	19,903,320	11,560,827	10,080,642	5,300,829
Karachi Nuclear Power Plant (KANUPP)	1,058,874	1,034,690	-	645,297
	46,907,251	32,228,937	22,914,327	15,772,005
14. CONSUMPTION OF FUEL AND OIL				
Natural gas	29,843,149	11,452,181	15,338,613	5,079,163
Furnace and other fuel / oils	33,408,881	19,726,595	15,464,519	7,818,349
	63,252,030	31,178,776	30,803,132	12,897,512

	(Un-Audited)	
	December 31, 2018	December 31, 2017
	(Rupees in '000)	
15. CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,360,464	852,844
Short-term running finances	(32,294,987)	(12,309,328)
	(30,934,523)	(11,456,484)

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 transactions with related parties not disclosed elsewhere in these condensed interim financial statements are as follows:

			(Un-Audited)	
			December 31, 2018	December 31, 2017
			(Rupees in '000)	
16.1	Central Power Purchasing Agency (Guarantee) Limited (CPPA) / NTDC	Power purchases	25,945,057	19,633,420
16.2	Pakistan State Oil Company Limited (PSO)	Purchase of furnace oil & other lubricants	28,297,739	17,671,096
16.3	Sui Southern Gas Company Limited (SSGC)	Purchase of gas	29,843,149	11,452,181
16.4	BYCO Petroleum Pakistan Limited	Purchase of furnace oil & other lubricants	4,529,028	2,132,066
16.5	Provident fund	Contribution to provident fund	432,879	392,369
16.6	Key management personnel	Managerial remuneration	219,796	169,844
		Retirement benefits	15,862	-
		Other allowances and benefits	118,001	75,805
		Leave Encashment	914	-
		Buy-back proceeds for vehicle as part of final settlement	19,196	-

16.6.1 The above figures include remuneration of Chief Executive Officer and Chief Financial Officer.

17. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 9, 2020, by the Board of Directors of the Company.

18. GENERAL

All figures have been rounded off to the nearest thousand of Pakistan Rupees, unless otherwise stated

18.1 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 extent of the spread of the virus and its potential impact on the Company is undeterminable at the date these condensed interim financial statements were approved and authorised for issue. However, the management and the Board of Directors of the Company continue to monitor the developing situation.

Syed Moonis Abdullah Alvi	**Khalid Rafi**	**Muhammad Aamir Ghaziani**
Chief Executive Officer	Director	Chief Financial Officer

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