

**1913
THE BEGINNING**



URBANISATION



GLORY



NEGLIGENCE



CRISIS



PRIVATISATION



RESOLVE



TURNAROUND



CENTENNIAL

Company Information

Board of Directors (BOD)

Chairman

Tabish Gauhar

Chief Executive Officer

Nayer Hussain

Independent Director

Khalid Rafi

Non-Executive Directors

Frederic Sicre

Mubasher H. Sheikh

Muhammad Tayyab Tareen

Muhammad Zargham Eshaq Khan

(statutory documentation in process)

Noor Ahmed

Omar Khan Lodhi

Shan A. Ashary

Wahid Hamid

Executive Director

Syed Arshad Masood Zahidi

Board Audit Committee (BAC)

Khalid Rafi Chairman

Mubasher H. Sheikh Member

Muhammad Tayyab Tareen Member

Tabish Gauhar Member

Wahid Hamid Member

Board Human Resource & Remuneration Committee (BHR&RC)

Omar Khan Lodhi Chairman

Shan A. Ashary Member

Muhammad Tayyab Tareen Member

Board Finance Committee (BFC)

Muhammad Tayyab Tareen Chairman

Shan A. Ashary Member

Nayer Hussain Member

Omar Khan Lodhi Member

Chief Financial Officer and Company Secretary

Syed Moonis Abdullah Alvi

Chief Internal Auditor

Khalilullah Shaikh

Legal Adviser

Abid S. Zuberi & Co.

External Auditors

KPMG Taseer Hadi & Company,
Chartered Accountants

Share Registrar

Central Depository Company of Pakistan Limited

Bankers

Albaraka Bank (Pakistan) Limited

Allied Bank Limited

Askari Bank Limited

Bank Alfalah Limited

Burj Bank Limited

Citibank N.A.

Dubai Islamic Bank Pakistan Limited

Faysal Bank Limited

Habib Bank Limited

Industrial & Commercial Bank of China

KASB Bank Limited

MCB Bank Limited

Meezan Bank Limited

National Bank of Pakistan

NIB Bank Limited

Standard Chartered Bank (Pakistan) Limited

Standard Chartered Modaraba

Summit Bank Limited

United Bank Limited

Registered Office

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

Website

www.kesc.com.pk

Brief Review

I am pleased to present report on un-audited accounts of the Company for the quarter ended 30 September 2013 on behalf of Board of Directors. Key operational figures and financial results are listed below:

	July-September 2013	July-September 2012
<u>OPERATIONAL</u>	(UNITS-GWh)	
Units generated (net of auxiliary)	2,437	2,372
Units purchased	1,846	1,860
Total units available for distribution	4,283	4,232
Units billed	3,026	2,900
Transmission & Distribution Losses	29.4%	31.5%
<u>FINANCIAL</u>	(PKR IN MILLIONS)	
Revenue	49,267	49,456
Gross profit	6,747	4,986
Profit before taxation	1,504	234
Net Profit for the period	1,747	2,308
Earnings Before Interest ,Tax, Depreciation and Amortization (EBITDA)	6,633	5,845

FINANCIAL REVIEW:

The first quarter witnessed remarkable growth in profit before tax which increased six times compared to corresponding quarter last year. This significant increase is mainly on account of reduction in Transmission and Distribution losses, efficient generation of electricity and full operation of steam turbines of BQPS II. Generation fleet efficiency has significantly increased to 37.1 % from 34.2 % in the first quarter last year. The Transmission & Distribution (T&D) Losses decreased to 29.4% as compared to 31.5% in the same quarter last year.

Despite healthy profitability, your company is facing cash flow constraints due to delay in settlement of KESC related circular debt by the Federal Government and limited releases from Provincial Governments against the electricity dues. Currently, Federal and Provincial Government dues have accumulated to Rs. 92.5 billion including Karachi Water and Sewerage Board and City District Government Karachi which amounts to Rs 24.6 billion and Rs.6.5 billion respectively. We are much concerned about the delay by the Provincial and the Federal Government to urgently address the unfavorable impacts of delay in settlement of Government dues, with a longer term plan to create an environment conducive to business continuity and growth in this key sector of the economy.

FINANCING – CAPITAL RESTRUCTURING

Launch of Islamic SUKUK

With a view to diversify the borrowing profile and in order to meet permanent working capital requirements of the Company, the management is aiming to float Islamic SUKUK of up to PKR 6 billion, including green shoe option of PKR 2 billion subject to regulatory approvals and after completing necessary corporate actions. The draft Prospectus is already filed with the Karachi Stock Exchange. We expect that subscription list will Insha Allah open end December 2013/January 2014.

ACTIVITIES UNDER REVIEW

GENERATION EXPANSION & REHABILITATION

560 MW Bin Qasim Combined Cycle Power Plant (BQPS II)

The 560 MW Bin Qasim Combined Cycle Power Plant is in operation since May 2012. In the quarter of July-September 2012 the station efficiency was low (35.2%) due to problem in its Steam Turbine Rotor. The problem was partly addressed in September 2012 and consequently during the quarter under review the efficiency increased to 43.1%. The fleet efficiency accordingly increased from 34.2% in Jul-Sep 2012 to 37.1% in Jul-Sep 2013. This represents an 8.6% overall increase of KESC fleet efficiency (QoQ).

Korangi Combine Cycle Power Plant (KCCPP)

At KCCPP out of four (4) Gas Turbines (GTs), two (2) GTs are operating in combined cycle mode with one Steam turbine, whereas the remaining two (2) GTs are operating in open cycle mode. KESC signed an EPC contract with M/s IEG in Nov 2012 to close the open cycle of remaining two (2) GTs. EPC contractor will install a Heat Recovery Steam Generator (HRSG) and a Steam Turbine so that these GTs can also operate in combined cycle mode. NTP (Notice to Proceed) has been given in January this year. On completion of the project in about 18-20 months at a cost of around US\$ 40 million, station efficiency will increase to 45.5% from 42% and the installed capacity will increase by 27MW. Civil work pertaining to the project started during current quarter. First three Letters of Credits were posted as envisaged in the EPC contract.

SGTPS & KGTPS (GE-JB)

Further progress was made in the current quarter in the area of capacity & efficiency enhancement at SGTPS and KGTPS. Each of these stations, comprise of 32 gas engines of 2.739MW capacity operating in open cycle. KESC signed EPC contract in June 2013 with M/s Descon Engineering for closing the cycle and installing waste heat recovery boilers HRSGs and one steam turbine at each of these stations. Capacity enhancement of 10MW at each of these stations is anticipated and the efficiency of the station shall increase to 39%. Dismantling of old gas turbines from the site has already commenced to clear it up for the project work. The contractor is expected to be mobilized with in second quarter of the current financial year.

TRANSMISSION NETWORK

Transmission Package

Scope clarification and review is in progress on proposed Transmission Package for further capacity enhancement and to improve the reliability and stability of EHT Network. Scope of work includes:-

1. Three completely new 132 KV Grid Stations with interlinking 132 KV lines
2. 132 KV One Double Circuit & One Single Circuit
3. Six 40 MVA Power Trafo with associated switch gears and Bays
4. Two new 250 MVA 220/132 kv Auto Trafo bays with Autos

DISTRIBUTION

The Transmission and Distribution (T&D) losses during the quarter stood at 29.4% as compared to 31.5% for the same period last year, showing a reduction of 2.1%. The trend of reduction of energy losses has continued despite challenges presented by the prevailing economic slowdown and unstable law and order situation hampering strategic initiatives taken by the Company, particularly in eleven (11) High Loss Distribution Centers, where losses are in excess of 45 percent.

The Company maintained its strong focus on installation of Aerial Bundled Cabling (ABC), as a means towards sustained loss reduction in High Loss areas despite external challenges and at times, violent resistance from illegal electricity consumers. ABC has been successfully rolled out on 49 Pole Mounted Transformers (PMTs) in areas of Gulshan-e-Iqbal, Garden and North Nazimabad. Losses have been significantly reduced on these PMTs and based on the success of the pilot, ABC Project is being rolled out in other areas of the city.

KESC has also started working on state-of-the-art 'Smart Grid' Project, which is a key strategic initiative to establish itself as a best in class utility and serve as a role model for utilities in the country. The project aims to reduce losses through improved energy monitoring along with Distribution Network Management System to improve operations and reduce network outage response time for operational efficiency and improved customer service. KESC will be initiating the pilot project comprising around 10,000 customers in the next quarter, which would take approximately one year for completion.

The Recovery Ratio, excluding Public Sector Consumers (PSC), during the period under review stood at 89.2% showing an increase of 1.8% over the same period prior year, while recoveries from PSC remained depressed at 62.1%. The Company has been vigorously following-up with PSCs, specifically KWSB, CDGK and Police for payments against stuck-up dues.

The current economic climate and tariff increase, as a result of gas shortages, has significantly eroded the consumers' propensity to pay. Furthermore, efforts were hampered by a significant number of non-productive days due to the law and order situation in the city affecting the high loss areas the most.

In this tough operating backdrop, KESC undertook a number of measures yielding significant success to reduce this recovery gap. Rebate/Amnesty Scheme and other initiatives have been introduced to facilitate low income group consumers to clear-out their long outstanding dues so as to bring them back on payment track.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Over the last Quarter, the Company continued to work under the existing framework of KESC's SEEDS (Stakeholder Engagement & Enrichment Drives for Sustainability) which divides our focus into 4 distinct areas: Environmental, Social & Governance (ESG) Initiatives, Social Investment Programs (SIP), Stakeholder Engagement & Thought Leadership.

Under our ESG initiatives content was developed for the annual report with the aim to move towards Integrated Reporting, we hope that inclusion of more information will make the eventual shift an easier process, at the same time helping us in being as transparent as possible. KESC's sustainability case was presented at the OICCI summit to an audience of representatives from the leading organizations and industrial concerns of Pakistan.

As a part of our Social Investment Program, in support to our Partnering Organizations', KESC endorsed their Zakat campaigns and helped increase awareness through different mediums completely free-of-cost. The 7th Empowerment Program MoU under our SIP was signed with The Kidney Centre to share electricity costs adding them to a select group of reputed organizations in the education and healthcare sectors.

Under our Stakeholder Engagement programs a group of Social media stakeholders representing different sectors were given a detailed tour of our facilities. We also celebrated KESC's 100th Year by holding ceremonies at all KESC offices and installations including IBCs, Power Plants and Grid Stations.

Under the ambit of the Thought Leadership initiative a knowledge sharing session was arranged for engineering students from Sir Syed University of Engineering & Technology focused on KESC's Bin Qasim Power Station-II including an in depth site visit.

STRATEGY AND BUSINESS DEVELOPMENT

In line with Company's vision to provide affordable, reliable and uninterrupted power supply to the citizens of Karachi, KESC is moving forward on investing in long term, sustainable and economical alternative options of generation. The shareholders were apprised, in annual report of the Company in sufficient detail, of KESC's initiatives which include the initiative to convert 420 MW of its BQPS-I facility from furnace oil (FO) to coal, the development of 22 MW Karachi Bio-Waste to Energy Project through partnership with local and foreign entities including IFC, GE and Aman Foundation, the power offtake from 600 MW mine-mouth coal power plant to be developed by Sindh Engro Coal Mining Company (SECMC) in Thar region and 300 MW mine-mouth coal power plant to be developed by Oracle Coalfields also in the Thar region. Pursuant to the Climate Change Policy, KESC has started approaching green power developers for the offtake of clean energy such as solar, wind and hydropower. All the said projects are being actively pursued.

BOARD OF DIRECTORS (BOD)

Two (2) GOP nominees on KESC BOD, Mr. Naveed Alauddin and Mr. Zafar Mahmood were replaced and substituted by Mr. Noor Ahmed, Senior Joint Secretary (CF-II), Ministry of Finance, GOP and Mr. Saifullah Chattha, Acting Secretary, Ministry of Water & Power, GOP respectively. Mr. Noor Ahmed has been inducted into KESC BOD whereas appointment of Mr. Saifullah Chattha will be effected after completing SECP statutory filing process. The Board wishes to place on record appreciation of services of the outgoing directors and welcomes the incoming director.

CHANGE OF NAME OF THE COMPANY

KESC has completed 100 years of its existence on 13 September 2013 and the shareholders at the AGM of the Company held on 29 October 2013 resolved to change name of the Company as "K- Electric Limited" as a manifestation of its renewed vision and aspirations and its current leadership stance among the energy sector companies in Pakistan.

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.



Nayyer Hussain
Chief Executive Officer

Karachi, 29 October 2013

Karachi Electric Supply Company Limited

Condensed Interim Balance Sheet

As at 30 September 2013

	30 September 2013 (Un-Audited)	30 June 2013 (Audited)
	(Rupees in '000)	
ASSETS		
Operating fixed assets	161,765,477	163,011,738
Intangible assets	450,556	504,823
	<u>162,216,033</u>	<u>163,516,561</u>
Long-term loans and advances	38,755	41,220
Long-term deposits and prepayments	104,593	104,594
	<u>162,359,381</u>	<u>163,662,375</u>
CURRENT ASSETS		
Due from the Government	317,750	317,750
Stores, spare parts and loose tools	6,478,413	6,630,630
Trade debts	63,914,616	62,843,648
Loans and advances	429,282	418,979
Trade deposits and short term prepayments	2,165,305	2,736,495
Other receivables	53,595,133	38,498,853
Derivative financial assets	3,438,752	2,523,006
Taxation-net	846,802	810,957
Cash and bank balances	428,955	790,396
	<u>131,615,008</u>	<u>115,570,714</u>
TOTAL ASSETS	<u><u>293,974,389</u></u>	<u><u>279,233,089</u></u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Share capital	96,261,551	96,261,551
Reserves		
Capital reserves	509,172	509,172
Share premium	1,500,000	1,500,000
Revenue reserves	5,372,356	5,372,356
Accumulated losses	(72,048,568)	(74,267,606)
Other reserve	(457,733)	(490,460)
	<u>(65,124,773)</u>	<u>(67,376,538)</u>
TOTAL EQUITY	<u>31,136,778</u>	<u>28,885,013</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	<u>24,764,741</u>	<u>25,236,527</u>
	<u>55,901,519</u>	<u>54,121,540</u>
LIABILITIES		
NON-CURRENT LIABILITIES		
Long term financing	22,592,811	24,901,343
Long term deposits	5,242,713	5,114,912
Deferred liabilities	5,233,191	5,245,788
Deferred revenue	15,302,978	15,600,186
Deferred tax liability	13,345,856	13,588,899
	<u>61,717,549</u>	<u>64,451,128</u>
CURRENT LIABILITIES		
Current maturity of long term financing	14,828,996	14,965,034
Trade and other payables	109,532,561	96,214,810
Accrued mark-up	5,903,509	5,776,415
Short term borrowings	39,634,794	37,608,485
Short term deposits	6,445,483	6,085,699
Provisions	9,978	9,978
	<u>176,355,321</u>	<u>160,660,421</u>
CONTINGENCIES AND COMMITMENTS	9	
TOTAL EQUITY AND LIABILITIES	<u><u>293,974,389</u></u>	<u><u>279,233,089</u></u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Nayyer Hussain
Chief Executive Officer



Mubasher H. Sheikh
Director

Karachi Electric Supply Company Limited

Condensed Interim Profit and Loss Account

For the three months period ended 30 September 2013 (Un-audited)

	Three months period ended	
	30 September 2013	30 September 2012
	(Rupees in '000)	
REVENUE		
Sale of energy – net	33,686,176	29,463,683
Tariff adjustment	15,526,495	19,938,024
Rental of meters and equipment	54,459	54,470
	<u>49,267,130</u>	<u>49,456,177</u>
EXPENDITURE		
Purchase of electricity	10 (18,838,507)	(18,567,634)
Consumption of fuel and oil	11 (19,813,434)	(22,410,223)
	<u>(38,651,941)</u>	<u>(40,977,857)</u>
Expenses incurred in generation, transmission and distribution	<u>(3,868,152)</u>	<u>(3,492,216)</u>
GROSS PROFIT	<u>6,747,037</u>	<u>4,986,104</u>
Consumers services and administrative expenses	(3,296,402)	(2,922,638)
Other operating expenses	(80,499)	(10,046)
Other operating income	999,093	1,589,530
	<u>(2,377,808)</u>	<u>(1,343,154)</u>
OPERATING PROFIT	<u>4,369,229</u>	<u>3,642,950</u>
Finance cost	12 (2,865,021)	(3,408,015)
PROFIT BEFORE TAXATION	<u>1,504,208</u>	<u>234,935</u>
Taxation		
-Prior	-	1,823,548
-Current	243,042	249,731
	<u>243,042</u>	<u>2,073,279</u>
NET PROFIT FOR THE PERIOD	<u>1,747,250</u>	<u>2,308,214</u>
EARNING PER SHARE - BASIC / DILUTED	<u>0.06</u>	<u>0.09</u>
	(Rupees)	
Earning Before Interest, Tax, Depreciation and Amortisation (EBITDA)	<u>6,633,012</u>	<u>5,845,184</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Nayer Hussain
Chief Executive Officer



Mubasher H. Sheikh
Director

Karachi Electric Supply Company Limited

Condensed Interim Statement of Comprehensive Income

For the three months period ended 30 September 2013 (Un-audited)

	Three months period ended	
	30 September 2013	30 September 2012
	(Rupees in '000)	
Net profit for the period	1,747,250	2,308,214
Net changes in fair value of cash flow hedges reclassified to profit and loss account	32,727	32,732
Total comprehensive income for the period	<u>1,779,977</u>	<u>2,340,946</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Nayer Hussain
Chief Executive Officer



Mubasher H. Sheikh
Director

Karachi Electric Supply Company Limited

Condensed Interim Statement of Changes in Equity

For the three months period ended 30 September 2013 (Un-audited)

	Issued, Subscribed and Paid-up Capital				Reserves						Total equity	
	Ordinary shares	Redeemable preference shares	Transaction costs	Total share capital	Capital reserves		Revenue reserves			Total reserves		
					Capital reserves	Share premium	Revenue reserves	Accumulated losses	Other reserves			
	-----[Rupees in '000]-----											
Balance as at 30 June 2012	87,271,178	6,000,000	(313,229)	92,957,949	509,172	-	5,372,356	(82,854,799)	(621,373)	(77,594,644)	15,363,305	
<i>Total comprehensive income for the three months period ended 30 September 2012</i>												
Net Profit for the period	-	-	-	-	-	-	-	2,308,214	-	2,308,214	2,308,214	
<i>Other comprehensive income</i>												
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	-	-	32,732	32,732	32,732	
Total comprehensive income for the period	-	-	-	-	-	-	-	2,308,214	32,732	2,340,946	2,340,946	
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	-	-	463,787	-	463,787	463,787	
Balance as at 30 September 2012	87,271,178	6,000,000	(313,229)	92,957,949	509,172	-	5,372,356	(80,082,798)	(588,641)	(74,789,911)	18,168,038	
<i>Total comprehensive income for the nine months period ended 30 June 2013</i>												
Net profit for the period	-	-	-	-	-	-	-	4,420,423	-	4,420,423	4,420,423	
<i>Other comprehensive income</i>												
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	-	-	98,181	98,181	98,181	
Total comprehensive income for the period	-	-	-	-	-	-	-	4,420,423	98,181	4,518,604	4,518,604	
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	-	-	1,394,769	-	1,394,769	1,394,769	
<i>Transaction with owners recorded directly in equity</i>												
Issuance of 1,394,857,142 ordinary shares @ Rs 3.5 each	4,882,001	-	(33,477)	4,848,524	-	-	-	-	-	-	4,848,524	
Cancellation of 1,714,285,713 redeemable preference shares	-	(6,000,000)	-	(6,000,000)	-	-	-	-	-	-	(6,000,000)	
Issuance of 1,285,714,284 ordinary shares in lieu of cancellation of redeemable preference shares	4,500,000	-	(44,922)	4,455,078	-	-	-	-	-	-	4,455,078	
Share premium on issuance of ordinary shares in lieu of cancellation of redeemable preference shares	-	-	-	-	-	1,500,000	-	-	-	1,500,000	1,500,000	
Balance as at 30 June 2013	96,653,179	-	(391,628)	96,261,551	509,172	1,500,000	5,372,356	(74,267,606)	(490,460)	(67,376,538)	28,885,013	
<i>Total comprehensive income for the three months period ended 30 September 2013</i>												
Net profit for the period	-	-	-	-	-	-	-	1,747,250	-	1,747,250	1,747,250	
<i>Other comprehensive income</i>												
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	-	-	32,727	32,727	32,727	
Total comprehensive income for the period	-	-	-	-	-	-	-	1,747,250	32,727	1,779,977	1,779,977	
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	-	-	471,788	-	471,788	471,788	
Balance as at 30 September 2013	96,653,179	-	(391,628)	96,261,551	509,172	1,500,000	5,372,356	(72,048,568)	(457,733)	(65,124,773)	31,136,778	

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Nayer Hussain
Chief Executive Officer



Mubasher H. Sheikh
Director

Karachi Electric Supply Company Limited

Condensed Interim Cash Flow Statement

For the three months period ended 30 September 2013 (Un-audited)

	Note	Three months period ended	
		30 September 2013	30 September 2012
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	13	3,448,260	(1,382,495)
Deferred liabilities paid		(233,919)	(244,245)
Income tax paid		(35,845)	(26,332)
Receipts in deferred revenue		-	99,209
Finance cost paid		(2,711,596)	(2,888,371)
Interest received on bank deposits		80,902	99,471
Net cash generated from / (used in) operating activities		547,802	(4,342,763)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(1,015,846)	(714,941)
Proceed from disposal of fixed assets		103,947	138,124
Long term loans		2,465	2,533
Net cash used in investing activities		(909,434)	(574,284)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of long term financing		(2,153,922)	(3,196,986)
Short term borrowing acquired		4,007,443	7,020,489
Security deposit from consumers		127,801	95,941
Net cash generated from financing activities		1,981,322	3,919,444
Net increase / (decrease) in cash and cash equivalent		1,619,690	(977,603)
Cash and cash equivalent at beginning of the period		(6,927,479)	(2,172,509)
Cash and cash equivalent at end of the period		(5,307,789)	(3,170,112)

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Nayyer Hussain
Chief Executive Officer



Mubasher H. Sheikh
Director

Karachi Electric Supply Company Limited

Notes to the Condensed Interim Financial Information

For the three months period ended 30 September 2013 (Un-audited)

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Karachi Electric Supply Company Limited (the Company) was incorporated as a limited liability company on 13 September 1913 under the repealed Indian Companies Act, 1882 (now Companies Ordinance, 1984). The Company is listed on Karachi, Lahore and Islamabad Stock Exchanges.

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 Nepra Act, 1997, as amended, to its licensed areas.

The registered office of the Company is situated at KESC House, 39-B, Sunset Boulevard, Phase II, DHA, Karachi. KES Power Limited (the holding company) holds 69.20 percent (30 June 2012: 69.20 percent) shares in the Company.

2. STATEMENT OF COMPLIANCE

This condensed interim financial information has been prepared in condensed form in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and is being submitted to shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984. This condensed interim financial information does not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended 30 June 2013.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the annual financial statements for the year ended 30 June 2013, except as explained in note 3.1.

- 3.1 International Accounting Standard (IAS) 19 'Employee Benefits' (amended 2011) is applicable on the company from 1 July 2013. The amended IAS 19 includes the amendments that require immediate recognition of actuarial gains and losses in 'other comprehensive income'; this change removes the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The impact of this change is not material and therefore it is not reflected in this condensed interim financial information .

		30 September 2013 (Un-Audited)	30 June 2013 (Audited)
	<i>Note</i>	(Rupees in '000)	
4. TRADE DEBTS			
Considered good			
Secured – against deposits from consumers		571,658	629,323
Unsecured		63,342,958	62,214,325
	4.1	63,914,616	62,843,648
Considered doubtful		24,090,934	23,150,546
		88,005,550	85,994,194
Provision for impairment (against debts considered doubtful)	4.1 & 4.2	(24,090,934)	(23,150,546)
		<u>63,914,616</u>	<u>62,843,648</u>

- 4.1 This includes gross receivable of Rs. 35,628 million (30 June 2013: Rs. 33,127 million) due from Government and autonomous bodies, including Karachi Water and Sewerage Board and City District Government Karachi amounting to Rs. 24,610 million (30 June 2013: Rs. 23,047 million) and Rs. 6,558 million (30 June 2013 : Rs. 6,064 million) less unrecorded late payment surcharge from them of Rs.2,055 million (30 June 2013: Rs 1,950 million) and Rs.911 million (30 June 2013: Rs. 857 million) respectively. It is Management's contention that the calculation of late payment surcharge on Public Sector Consumers should be made on the same basis as the accrued interest on delayed payments on account of circular debt situation. If the similar basis is adopted, then the above receivable amount would substantially increase.

	30 September 2013 (Un-Audited)	30 June 2013 (Audited)
Note	(Rupees in '000)	
4.2 Provision for impairment (against debts considered doubtful)		
Opening balance	23,150,546	17,682,730
Provision made during the period / year	<u>1,121,344</u>	<u>6,155,460</u>
	24,271,890	23,838,190
Provision on debts written off during the period / year	<u>(180,956)</u>	<u>(687,644)</u>
	<u>24,090,934</u>	<u>23,150,546</u>
5. OTHER RECEIVABLES		
Considered good		
Sales tax - net	5,371,228	5,431,920
Due from the Government of Pakistan (GOP) in respect of:		
- Tariff adjustment and Others	47,866,787	32,704,935
- Interest receivable from GoP on demand finance liabilities	237,173	237,173
	48,103,960	32,942,108
Others	119,945	124,825
	53,595,133	38,498,853
Considered doubtful		
Sales tax	236,922	232,050
Provision for impairment	(236,922)	(232,050)
	-	-
Due from a Consortium of Suppliers of Power Plant	363,080	363,080
Provision for impairment	(363,080)	(363,080)
	-	-
	<u>53,595,133</u>	<u>38,498,853</u>

- 5.1 Tariff adjustments receivable includes certain adjustments to account for items including where the final mechanism of settlement have not been notified / finalized by NEPRA as part of its tariff determination process.

	30 September 2013 (Un-Audited)	30 June 2013 (Audited)
	(Rupees in '000)	
6. LONG-TERM FINANCING		
From banking companies and financial institutions - Secured		
International Finance Corporation (IFC)	7,191,676	7,094,755
Syndicate term loan	3,520,000	3,840,000
Asian Development Bank (ADB)	9,145,399	9,016,526
Foreign currency term loan	685,095	769,904
Syndicated commercial facility	590,278	708,333
Syndicated structured term finance facility	6,375,000	6,800,000
Structured Islamic Term Financing - Musharakah	1,650,000	1,800,000
Faysal Bank Limited - medium term loan	1,687,500	1,800,000
	<u>30,844,948</u>	<u>31,829,518</u>
Current maturity shown under current liabilities	<u>(8,517,400)</u>	<u>(8,288,096)</u>
	22,327,548	23,541,422
Others - Secured		
Due to oil and gas companies	606,938	606,938
Current maturity shown under current liabilities	(606,938)	(606,938)
	-	-
Unsecured		
GoP loan for the electrification of Hub Area	26,000	26,000
Karachi Nuclear Power Plant	839,263	989,263
BYCO Petroleum Pakistan Limited	559,658	669,658
	1,398,921	1,658,921
Current maturity thereof shown under current liabilities		
Due to Karachi Nuclear Power Plant	(600,000)	(600,000)
Due to BYCO Petroleum Pakistan Limited	(559,658)	(670,000)
	(1,159,658)	(1,270,000)
Due to the Government and autonomous bodies - related parties	4,545,000	5,745,000
Current maturity thereof shown under current liabilities	(4,545,000)	(4,800,000)
	-	945,000
	<u>22,592,811</u>	<u>24,901,343</u>

		30 September 2013 (Un-Audited)	30 June 2013 (Audited)
	Note	(Rupees in '000)	
7. TRADE AND OTHER PAYABLES			
Trade creditors			
Power purchases		45,175,989	31,161,135
Fuel and gas		44,366,491	47,715,353
Others		<u>3,704,476</u>	<u>3,538,889</u>
		93,246,956	82,415,377
Murabaha finance facilities	7.1	1,980,000	1,500,000
Accrued expenses		2,092,814	2,059,114
Advances / credit balances of consumers			
Energy		718,802	646,923
Others		<u>1,045,031</u>	<u>1,142,066</u>
		1,763,833	1,788,989
Other liabilities		10,448,958	8,451,330
		<u>109,532,561</u>	<u>96,214,810</u>

7.1 During the current period the company obtained murabaha financing facilities under Islamic mode of financing from a local bank for payment to fuel suppliers and working capital financing needs to the extent of Rs. 480 million (2013: Nil). This facility carries profit rate of six month KIBOR plus 2 % p.a. This is secured against current assets under joint parri passu charge letter of hypothecation.

8. SHORT-TERM BORROWINGS – Secured

		30 September 2013 (Un-Audited)	30 June 2013 (Audited)
		(Rupees in '000)	
From banking companies			
Bridge term finance facility		2,012,570	2,032,922
Bills payable	8.1	25,368,156	20,886,303
Short term running finances		5,736,741	7,717,875
Short term loan		2,500,000	2,500,000
Structured invoice financing		2,345,376	2,500,000
From others			
KES Power Limited - holding company		45,358	45,572
KESC Azm Certificates		<u>1,626,593</u>	<u>1,925,813</u>
		<u>39,634,794</u>	<u>37,608,485</u>

8.1 During the current period the company acquired two additional letter of credit facilities payable to various commercial banks at a maturity of 90 days from the date of discounting in respect of making payments to Independent Power Producers (IPPs) and fuel suppliers.

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 Contingencies as disclosed in notes 31.1 and 42 to the annual financial statements of the Company for the year ended 30 June 2013 remain unchanged.

9.1.2 Claims not acknowledged as debts

Claims not acknowledged as debts as disclosed in notes 31.2 and 31.3 to the annual financial statements of the Company for the year ended 30 June 2013 remain unchanged.

	<i>Note</i>	30 September 2013 (Un-Audited) (Rupees in '000)	30 June 2013 (Audited)
9.2			
9.2.1		<u>212,217</u>	<u>49,611</u>
9.2.2		<u>1,479,378</u>	<u>1,479,378</u>
9.2.3		<u>1,399,000</u>	<u>1,683,962</u>
9.2.4		<u>786,000</u>	<u>197,599</u>
9.2.5		<u>1,276,000</u>	<u>1,187,374</u>
9.2.6	9.2.7	<u>1,119,453</u>	<u>1,119,453</u>
9.2.7		The Company has not recorded any dividend on redeemable preference shares in view of accumulated losses and restriction on dividend placed by Senior lenders which are part of loan covenants.	

	30 September 2013 (Un-Audited) (Rupees in '000)	30 September 2012
10. PURCHASE OF ELECTRICITY		
National Transmission and Dispatch Company	11,578,031	11,309,399
Independent Power Producers (IPPs)	6,332,193	5,652,301
Karachi Nuclear Power Plant	928,283	1,605,934
	<u>18,838,507</u>	<u>18,567,634</u>
11. CONSUMPTION OF FUEL AND OIL		
Natural gas	9,217,714	9,933,989
Furnace and other oils	10,595,720	12,476,234
	<u>19,813,434</u>	<u>22,410,223</u>
12. FINANCE COST		
Mark-up / interest on:		
Mark-up / interest on short / long term borrowings	1,636,560	2,011,078
Late payment surcharge on delayed payments to creditors	356,740	285,493
Bank service, discounting charges and others	871,721	1,111,444
	<u>2,865,021</u>	<u>3,408,015</u>

	30 September 2013 (Un-Audited) (Rupees in '000)	30 September 2012
13. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,504,208	234,935
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	2,263,783	2,202,234
Provision for deferred liabilities	221,322	254,910
Amortization of deferred revenue	(297,208)	(286,072)
Provision for debts considered doubtful - net	1,121,344	628,961
Gain on disposal of fixed assets	(51,356)	(129,968)
Provision against stores and spares	104,311	22,476
Finance costs	2,865,021	3,031,451
Return on bank deposits	(80,902)	(99,471)
Working capital changes	13.1 <u>(4,202,263)</u>	<u>(7,241,951)</u>
	<u>3,448,260</u>	<u>(1,382,495)</u>

13.1 Working capital changes

(Increase) / decrease in current assets

Stores, spare parts and loose tools	47,906	(296,750)
Trade debts	(2,192,312)	(5,506,889)
Loans and advances	(10,303)	45,695
Trade deposits and prepayments	571,190	(145,617)
Other receivables	<u>(15,096,280)</u>	<u>635,642</u>
	<u>(16,679,799)</u>	<u>(5,267,919)</u>

Increase / (decrease) in current liabilities

Trade and other payables	12,117,752	(2,280,880)
Short-term deposits	<u>359,784</u>	<u>306,848</u>
	<u>(4,202,263)</u>	<u>(7,241,951)</u>

14. TRANSMISSION AND DISTRIBUTION LOSSES

The transmission and distribution losses for the current period were 29.4 % (30 September 2012: 31.5%).

15. TRANSACTIONS / BALANCES 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 / balances with related parties not disclosed elsewhere in this condensed interim financial information are as follows:

	30 September 2013 (Un-Audited) (Rupees in '000)	30 September 2012 (Un-Audited) (Rupees in '000)
Major suppliers		
Purchase	31,317,826	33,631,810
Late payment surcharge	285,214	77,862

	30 September 2013 (Un-Audited) (Rupees in '000)	30 June 2013 (Audited) (Rupees in '000)
Major suppliers		
Amount payable included in		
- Trade and other payables	79,456,537	68,441,702
- Long term financing	5,104,658	6,414,658
Retirement benefits		
- Contribution to Provident Fund	120,827	491,213
- Payable to Provident Fund	53,543	79,143
KES Power Limited, Parent Company		
Short term loan	45,358	45,572

16. RECLASSIFICATION

Figures have been reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparisons. However, there are no material reclassification to report.

17. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information were authorized for issue on 29 October 2013 by the Board of Directors of the Company.

18. GENERAL

All figures have been rounded off to the nearest thousand rupees.



Nayyer Hussain
Chief Executive Officer



Mubasher H. Sheikh
Director



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