

Quarterly Report

Jul - Sep 2015

Energising Karachi – Empowering Lives



Entire industry
exempted from
load shed for
the past
6 years



Serving over
22 million
lives spread across
Karachi and Gharo in
Sindh, and Hub, Uthal,
Vindar and Bela in Balochistan

Providing **24/7** customer
support through **800** field teams



24 HOURS
118 RESPONSE
CENTRE
99000
CUSTOMER CARE



Enabling NGOs
through our Social Investment
Programme that helps us
impact over **8 million** lives

Company Information

Board of Directors (BOD)

Waqar Hassan Siddique	Chairman
Muhammad Tayyab Tareen	CEO
Aziz Moolji	
Chaudhary Khaqan Saadullah Khan	
Frederic Sicre	
Iftikhar Aziz Siddiqui	
Khalid Rafi	
Mubasher H. Sheikh	
Nayer Hussain	
Noor Ahmed	
Omar Khan Lodhi	
Shan A. Ashary	
Zafar Abbas	

Board Audit Committee (BAC)

Khalid Rafi	Chairman
Aziz Moolji	Member
Mubasher H. Sheikh	Member
Nayer Hussain	Member

Board Human Resource & Remuneration Committee (BHR&RC)

Omar Khan Lodhi	Chairman
Muhammad Tayyab Tareen	Member
Shan A. Ashary	Member

Board Finance Committee (BFC)

Shan A. Ashary	Chairman
Muhammad Tayyab Tareen	Member
Nayer Hussain	Member
Aziz Moolji	Member

Chief Financial Officer

Syed Moonis Abdullah Alvi

Company Secretary

Muhammad Rizwan Dalia

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

Bankers

Albaraka Bank (Pakistan) Limited
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Burj Bank Limited
Citibank N.A.
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
Industrial & Commercial Bank of China Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Samba Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
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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UAN: 111-537-211



K-Electric Limited

Brief Interim Review

I am pleased to present the Condensed Interim Financial Information (un-audited) of K-Electric Limited (KE) for the first quarter ended 30 September 2015 on behalf of the Board of Directors.

Key operational and financial results are summarized below:

	JUL-SEPT 2015	JUL-SEPT 2014
<u>OPERATIONAL</u>		
		(UNITS - GWh)
Units generated (net of auxiliary)	2,736	2,645
Units purchased	1,927	1,908
Total units available for distribution(sent out)	4,663	4,553
Units billed	3,476	3,325
Transmission & Distribution Losses	25.5%	27.0%
		(PKR - MILLIONS)
<u>FINANCIAL</u>		
Revenue	51,447	55,806
Profit before taxation	6,313	2,905
Taxation – net	231	242
Net profit for the period	6,544	3,147
Earnings per share-BASIC/DILUTED	(Rupees)	
	0.24	0.11
Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)	10,930	8,008

FINANCIAL REVIEW:

KE earned a net profit for the period of PKR 6,544 million which translated into earning per share of PKR 0.24. This significant growth in net profit and earning per share was mainly driven by improvement in fleet efficiency, reduction in Transmission and Distribution (T&D) losses by 1.5%, increase in units sent out by 151 GWh and reduction in financial charges.

During the financial year ended 30 June 2015, KE pre-paid expensive foreign (IFC/ADB) and local loans through the issuance of SUKKUK at lower rates. This along with improved profit levels and reduction in furnace oil rates led the decline in financial charges considerably during the period under review.

Receivable from Government entities continued to increase, 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 Company's infrastructure.

ACTIVITIES UNDER REVIEW

GENERATION EXPANSION and REHABILITATION

During the period under review, the generation fleet utilization improved by 3.57%, KE's own generation was 2955 GWh as compared to 2853 GWh. Gas availability was 222 MMCFD (on cumulative average basis) as compared to 213 MMCFD

in the corresponding period of last year. Better utilization of fleet resulted in improved fleet efficiency i.e.36.74% as compared to 36.5%.

Satisfactory progress was achieved in the on-going Generation Efficiency and Reliability improvement initiatives/projects as follows:

Closing of Open Cycle GTs-Korangi Combined Cycle Power Plant (KCCPP)

Sustained steam turbine operation was achieved at the KCCPP plant following the successful conversion of the simple cycle block to combined cycle block in the last quarter. This contributed increase in complex efficiency to 43.4% as compared to 39.5%.

GE Jenbacher Plant – KGTPS and SGTPS – Closing open cycle

The project to convert open cycle Gas Engine plants at KGTPS and SGTPS into combined cycle by installation of 32 HRSGs and one Steam Turbine at each station was awarded to M/s Descon Engineering along with addition on the grid side. Both conversions are in their final stages and the revised commercial operation dates (COD) are Oct'15 and Nov'15 for KGTPS and SGTPS respectively.

BOPS-I Rehabilitation

The fast track BWRO (Brackish Water Reverse Osmosis) Plant Project for ensuring efficient utilization of raw water was completed on 27th May 2015.Plant Operation was handed over to on 25 August 2015 after test production of 250,000 cubic meter of required specification.

Korangi Combined Cycle Power Plant (KCCPP)

Island Mode Operation modification at KCCPP was implemented, commissioned and tested. Station also demonstrated the ability to survive trips following transmission network related faults.

TRANSMISSION NETWORK

In order to enhance the capacity and reliability of EHT network and to meet the long term load evacuation requirement, following is the progress achieved during the period under review.

Transmission Project (TP-1000):

This Transmission Project (TP-1000) will increase the transmission capability by 1000 MVA through the EHT Network post2018; resulting an almost 30% increase in the existing capability. Key components of the project include:

- * Eight (08) new grid stations comprising 220kV and 132kV grid stations, bay extensions and 06 New Auto transformers
- * Twenty (20) Existing Grid Stations efficiency expansion program which include addition of (30) power transformers and (400+) 11 KV Feeders to cater the grid growth
- * Ten (10) new 220 KV and 132 KV double & single circuit transmission lines
- * Three (03) existing 220KV and 132 KV transmission circuits rehabilitation to increase the current carrying capacity & reliability
- * Addition of a Disaster Recovery Center to cope up with the emergency conditions.

Commencement to the Contract given on September 16, 2015 after making payment of Advance, Design Works have started after Kick-off Meeting held during October 2015.

Aga Khan Grid Project

Contract signing ceremony for Phase-II of the Aga Khan Project (KE dedicated portion) was held on 11th June 2015. Kickoff meeting held on 2nd July 2015 and advance payment has been made.

Lyari-Mauripur Underground Cable Project:

Contract signing ceremony was held on May 08, 2015. Document has been completed and signed. Notice to Proceed (NTP) has been issued to contractor on 18-June-2015. ROW acquisition in coordination with Siemens is in progress. Design review & Environmental Impact Assessment in progress.

Grid Expansion Projects:

- * **Dhabeji** Grid is undergoing up-gradation of its existing 20MVA transformer to 40MVA as well as construction of a new 11kV yard to cater to increased loading requirements. The civil expansion of the grid is nearing completion, while 40MVA Trafo and associated 11kV switch installations are in progress.
- * **Qayumabad** Grid is undergoing similar expansion in terms of new 40MVA Transformer and 11kV Yard installation, to cater to additional load growth in the area as well as providing supply to several new connection cases for the region.

ISO 9001:2008 QMS Certification:

In accordance to the core values and business commitment of K-Electric, various Transmission Network departments participated in a concerted effort towards being certified ISO 9001:2008 Quality Management System. Project Implementation Department has been certified in June 2015, whereas GSM has been certified in October 2015.

S&K Expansion Projects:

KGPS and SGTPS Generation Expansion Projects include the following infrastructure:-

- * KGTPS-II New GIS Grid Station (14 Bays): Installation job completed, presently under hot commissioning;
- * SGTPS-II New GIS portion (4 Additional Bays) for safe evacuation of Steam Turbine Load: Erection work in progress, commissioning is planned in November 2015.

DISTRIBUTION

Transmission & Distribution Loss:

During the period under review, the Company sustained its downward trajectory of reducing T&D losses and achieved a decline of 1.5% over corresponding period last year.

The Company continued its strict focus to achieve a sustained T&D loss reduction in high loss areas through the installation of Aerial Bundled Cabling (ABC). During the period, ABC has been successfully rolled-out on an additional Ninety Nine (99) Pole Mounted Transformers (PMTs) cumulating to a total of Three Hundred and Ninety Seven (397) PMTs.

Furthermore, an initiative targeting technical loss reduction was undertaken on certain feeders through network optimization. The reduction in technical loss on these feeders ranges from 30% to 50% coupled with declining consumer complaints related to faults and tripping due to improved High Tension: Low Tension ratio of the distribution system. To date the project has been implemented on Thirty Two (32) feeders yielding encouraging results and is gradually being rolled out across the distribution network.

Recovery Ratio:

The recovery ratio, excluding Public Sector Consumers (PSC), stood at 88.8% while recoveries from PSC stood at 69.7%. The low recovery ratio from PSC was mainly due to non-payment by KWSB, CDGK & Sindh Police in spite of consistent management's efforts. Even with tariff increase in the residential segment, the Company managed to achieve an increase of 0.6% in recovery ratio over the same period last year.

Customer Facilitation:

Till date Twelve (12) IBCs and Two (2) departments have achieved ISO 9001- 2008 Certification. Furthermore, KE has initiated e-Bill payment solution with major banks at branch level through Utility Bill Control Switch (UBCS) to eliminate manual processing, control invalid transaction processing and improve overall data processing standards eventually leading to make entire system cost effective, efficient and customer centric.

Network Health:

Focused mini summer plan (MSP) was executed to enhance system performance & improve distribution network reliability. During the period under review, every 9th day a feeder was added to the system alongside preventive maintenance on Eighty Seven (87) feeders & over Five hundred (500)PMTs. MSP resulted in reduction of power interruptions and subsequent reduction in consumer complaints. Further, preparations are already lined up for Annual Preventive Maintenance Plan to be executed particularly during the winter season.

STRATEGY AND BUSINESS DEVELOPMENT

As part of the process of converting two units of BQPS (420 MW) to coal in the first phase of the project, the project company, K-Energy has been granted Generation License by NEPRA, following which power acquisition request has been submitted to NEPRA for the approval of tariff. With EPC contract already in place, both the units are expected to come online by first quarter 2019.

KE has initiated development of a Greenfield 2 x 350 MW coal fired power plant in the strategic location of Port Qasim. A JDA has been signed with China Datang Overseas Investment Co. Ltd (CDTO) and China Machinery Engineering Corporation (CMEC) to co-develop this project. Bankable Feasibility Study has been completed, and Financial Close of this Project is expected by second quarter 2016.

KE is currently in the process of negotiating a power purchase agreement with Sind Nooriabad Power Company (Pvt.) Limited (SNPCL), which is in the process of developing a 100 MW (2 X 50 MW) gas fired power project at Nooriabad, Sindh. This combined cycle power plant is expected to come online in second quarter 2016. On the same note, KE is pursuing 52 MW power off-take option from coal fired power plant being established by Fauji Fertilizer Bin Qasim Limited (FFBL) and in the process of negotiating a power purchase agreement. The project is expected to come online by early 2017.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

NEW PARTNER SIGNUP– ‘Kashif Iqbal Thallasemia Care Centre’ qualified for the program bringing the total to 14 institutions. The annual social impact of this program is now 2.52 million directly.

RAMADAN/ HEAT WAVE RELIEF CAMPS - KE in partnership with Aman Foundation organized heat wave relief camps at six focal points of Karachi. The camps continued for 23 days, where water bottles, ORS sachets and Iftari boxes were distributed. Jinnah Post Graduate Medical Centre, Indus Hospital and Civil Hospital were supported through Water, ORS and Air conditioners.

COMMUNITY CONNECT: KE, in an attempt to bring the consumers of theft prone area of Altaf Town on our legal billing panel, organized 3 new connection camps through which the residents were offered low cost meters in soft installments payable in twelve months’ time. Free eye and skin care camp was also arranged for the locals to provide them with quality ophthalmic and derma care at their doorstep.

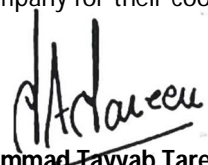
BOARD OF DIRECTORS (BOD)

Thirteen (13) directors, including three (3) GOP nominees and one (1) Independent Director, were elected at the Annual General Meeting of the Company held on 16 October 2015. Mr. Waqar Hasan Siddique and Chaudhary Khaqan Saadullah Khan replaced Mr. Tabish Gauhar and Mr. Arshad Zahidi respectively as KES Power nominees, while Mr. Iftikhar Aziz Siddiqui and Mr. Zafar Abbas replaced Mr. Zargham Eshaq Khan and Mr. Khaqan Murtaza respectively as GOP nominees. Subsequently Mr. Waqar Hasan Siddique was elected as Chairman of the Board in place of Mr. Tabish Gauhar. The Board appreciates valuable services of the outgoing Chairman and Directors and welcomes the incoming Chairman and Directors 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, 29 October 2015


Muhammad Tayyab Tareen
Chief Executive Officer

K-ELECTRIC LIMITED
Condensed Interim Balance Sheet
As at 30 September 2015

	September 2015 (Un-Audited)	June 2015 (Audited)
Note (Rupees in '000)	
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	213,681,532	213,869,249
Intangible assets	<u>73,745</u>	<u>134,152</u>
	213,755,277	214,003,401
Long-term investments	-	-
Long-term loans	26,686	27,837
Long-term deposits and prepayments	7,907	7,907
Deferred tax assets	<u>14,646,433</u>	<u>14,646,433</u>
	228,436,303	228,685,578
CURRENT ASSETS		
Stores, spare parts and loose tools	6,746,383	6,795,900
Trade debts	86,907,915	83,290,562
Loans and advances	661,916	798,387
Trade deposits and short term prepayments	4,305,724	5,771,338
Other receivables	29,045,319	39,451,720
Taxation-net	1,504,714	1,498,955
Cash and bank balances	<u>117,833</u>	<u>1,267,633</u>
	129,289,804	138,874,495
TOTAL ASSETS	<u>357,726,107</u>	<u>367,560,073</u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Issued, subscribed and paid up capital	96,261,551	96,261,551
Reserves		
Capital reserves	509,172	509,172
Share premium	1,500,000	1,500,000
Revenue reserves	<u>5,372,356</u>	<u>5,372,356</u>
	7,381,528	7,381,528
Accumulated losses	<u>(22,204,696)</u>	<u>(29,568,641)</u>
	81,438,383	74,074,438
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	53,320,762	54,141,026
LIABILITIES		
NON-CURRENT LIABILITIES		
Long term diminishing musharka	21,638,079	21,527,233
Long term financing	5,909,214	6,571,714
Long term deposits	6,844,820	6,712,048
Employee Retirement benefits	5,517,924	5,521,630
Deferred revenue	17,284,423	17,300,219
Deferred tax liability	<u>22,851,839</u>	<u>23,203,381</u>
	80,046,299	80,836,225
CURRENT LIABILITIES		
Current maturity of long term financing	3,271,783	3,001,915
Trade and other payables	98,001,919	105,787,466
Accrued mark-up	5,872,445	5,866,849
Short term borrowings - secured	29,040,366	36,743,121
Short term deposits	6,724,172	7,099,055
Provisions	<u>9,978</u>	<u>9,978</u>
	142,920,663	158,508,384
TOTAL EQUITY AND LIABILITIES	<u>357,726,107</u>	<u>367,560,073</u>
CONTINGENCIES AND COMMITMENTS		

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.


Chief Executive Officer


Director


K-ELECTRIC LIMITED

Condensed Interim Profit & Loss Account

For the three months period ended 30 September 2015 (Un-audited)

		Three Months Period ended	
		30 September 2015	30 September 2014
	 (Rupees in '000)	
	<i>Note</i>		
REVENUE			
Sale of energy – net		45,823,415	41,594,683
Tariff adjustment		5,623,772	14,211,097
		<u>51,447,187</u>	<u>55,805,780</u>
EXPENDITURE			
Purchase of electricity	9	(15,920,080)	(20,710,050)
Consumption of fuel and oil	10	(16,781,644)	(21,452,969)
		<u>(32,701,724)</u>	<u>(42,163,019)</u>
Expenses incurred in generation, transmission and distribution		(4,423,108)	(3,815,660)
		<u>14,322,355</u>	<u>9,827,101</u>
GROSS PROFIT			
Consumers services and administrative expenses		(7,280,927)	(5,097,097)
Other operating expenses		(585,336)	(642,939)
Other income		1,528,152	1,555,282
		<u>(6,338,111)</u>	<u>(4,184,754)</u>
PROFIT BEFORE FINANCE COST			
		7,984,244	5,642,347
Finance cost	11	(1,671,105)	(2,737,168)
PROFIT BEFORE TAXATION			
		6,313,139	2,905,179
Taxation		230,542	241,594
NET PROFIT FOR THE PERIOD			
		<u>6,543,681</u>	<u>3,146,773</u>
Earning Before Interest, Tax, Depreciation and Amortization (EBITDA)			
		<u>10,929,989</u>	<u>8,008,673</u>
(Rupees)			
EARNING PER SHARE - BASIC / DILUTED		<u>0.24</u>	<u>0.11</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.


 Chief Executive Officer


 Director

K-Electric Limited
Condensed Interim Statement of Comprehensive Income
For the three months period ended 30 September 2015 (Un-audited)

	Three Months period ended	
	30 September 2015	30 September 2014
 (Rupees in '000)	
Net profit for the period	6,543,681	3,146,773
<i>Items that are or may be reclassified to profit and loss account</i>		
Net changes in fair value of cash flow hedges reclassified to profit and loss account	-	32,727
Total comprehensive income for the period	<u>6,543,681</u>	<u>3,179,500</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

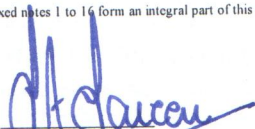
Chief Executive Officer

Director

K-Electric Limited
 Condensed Interim Statement of Changes in Equity
 For the three months period ended 30 September 2015 (Un-audited)

	Issued, Subscribed and Paid-up Capital			Reserves				Accumulated Losses	Total
	Ordinary Shares	Transaction Costs	Total share Capital	Capital reserves		Revenue reserves			
				Capital reserves	Share premium	Revenue reserves	Other reserves		
	----- (Rupees in '000) -----								
Balance as at 30 June 2014	96,653,179	(391,628)	96,261,551	509,172	1,500,000	5,372,356	(359,552)	(59,742,221)	43,541,306
<i>Total comprehensive income for the three months period ended 30 September 2014</i>								3,146,773	3,146,773
Net Profit for the period									
<i>Other comprehensive income</i>									
Changes in fair value of cash flow hedges - net								32,727	32,727
Total comprehensive income for the period								32,727	3,179,500
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax								448,675	448,675
Balance as at 30 September 2014	96,653,179	(391,628)	96,261,551	509,172	1,500,000	5,372,356	(326,825)	(56,146,773)	47,169,481
<i>Total comprehensive income for the nine months period ended 30 June 2015</i>								25,177,938	25,177,938
Net profit for the period									
<i>Other comprehensive income</i>									
Changes in fair value of cash flow hedges - net								326,825	326,825
Remeasurements of defined benefit liabilities								89,119	89,119
Total comprehensive income for the period								326,825	25,267,037
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax								1,311,095	1,311,095
Balance as at 30 June 2015	96,653,179	(391,628)	96,261,551	509,172	1,500,000	5,372,356	-	(29,568,641)	74,074,438
<i>Total comprehensive income for the three months period ended 30 September 2015</i>								6,543,681	6,543,681
Net profit for the period									
<i>Other comprehensive income</i>									
Changes in fair value of cash flow hedges - net									
Total comprehensive income for the period								6,543,681	6,543,681
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax								820,264	820,264
Balance as at 30 September 2015	96,653,179	(391,628)	96,261,551	509,172	1,500,000	5,372,356	-	(22,204,696)	81,438,383

The annexed notes 1 to 16 form an integral part of this condensed interim financial information


 Chief Executive Officer


 Director

K-ELECTRIC LIMITED
Condensed Interim Cash Flow Statement
For the three months period ended 30 September 2015 (Un-audited)

	Three Months period ended	
	30 September 2015	30 September 2014
 (Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,313,139	2,905,179
Adjustments for non-cash charges and other items:		
Depreciation and amortization	2,945,744	2,366,326
Provision for employee retirement benefits	197,778	232,626
Provision for slow moving stores, spares and loose tools	21,676	32,731
Provision for debts considered doubtful	4,094,194	2,289,872
Gain on sale of fixed assets	(11,023)	(40,145)
Finance costs	1,671,105	2,737,168
Amortization of deferred revenue	(341,502)	(316,866)
Amortization of transaction cost - long term diminishing musharka	110,846	-
Return on bank deposits	(90,791)	(93,718)
Operating profit before working capital changes	14,911,166	10,113,173
Working capital changes		
(Increase) / decrease in current assets		
Stores, spares parts and loose tools	27,841	(141,685)
Trade debts	(7,711,547)	(9,598,552)
Loans and advances	136,471	(120,264)
Trade deposits and short term prepayments	1,465,614	816,214
Other receivables	10,406,401	(7,415,334)
	4,324,780	(16,459,621)
Increase / (decrease) in current liabilities		
Trade and other payables	(7,785,545)	13,022,957
Short-term deposits	(374,883)	99,114
	(8,160,428)	13,122,071
Cash generated from operations	11,075,518	6,775,623
Employee retirement benefits paid	(201,487)	(237,520)
Income tax paid	(126,759)	(44,773)
Receipts in deferred revenue	325,706	474,102
Finance cost paid	(1,665,509)	(2,663,583)
Interest received on bank deposits	90,791	93,718
Long term loans	1,151	1,749
Long-term deposits	-	(264)
	(1,576,107)	(2,376,571)
Net cash generated from operating activities	9,499,411	4,399,052
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(2,734,841)	(2,180,968)
Proceed from disposal of fixed assets	48,244	56,336
Net cash used in investing activities	(2,686,597)	(2,124,632)
CASH FLOWS FROM FINANCING ACTIVITIES		
Syndicated Loan for PKR 7,700 million term facility	-	430,880
Payment of long term financing - net	(392,632)	(3,216,271)
Short term borrowing (repaid) / acquired	(5,913,303)	485,276
Security deposit from consumers	132,772	190,069
Net cash used in financing activities	(6,173,163)	(2,110,046)
Net increase in cash and cash equivalent	639,651	164,374
Cash and cash equivalent at beginning of the period	(6,462,649)	(3,177,811)
Cash and cash equivalent at end of the period	(5,822,998)	(3,013,437)

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.


 Chief Executive Officer


 Director

K-Electric Limited

Notes to the Condensed Interim Financial Information

For the three months period ended 30 September 2015 (Un-audited)

1. THE COMPANY AND ITS OPERATIONS

1.1 K-Electric 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 KE House, 39-B, Sunset Boulevard, Phase II, DHA, Karachi. KES Power Limited (the holding company) holds 66.40 percent (30 June 2015: 66.40 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 2015.

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 2015.

		30 September 2015 (Un-Audited)	30 June 2015 (Audited)
		(Rupees in '000)	
4. TRADE DEBTS	<i>Note</i>		
Considered good			
Secured – against deposits from consumers		1,244,161	1,194,067
Unsecured		85,663,754	82,096,495
	4.2	86,907,915	83,290,562
Considered doubtful		39,595,778	36,164,740
		126,503,693	119,455,302
Provision for impairment (against debts considered doubtful)		(39,595,778)	(36,164,740)
		86,907,915	83,290,562

4.1 This includes gross receivable of Rs. 48,761 million net of adjustment (30 June 2015: Rs.46,529 million), due from Government and autonomous bodies, including Karachi Water and Sewerage Board (KW&SB) and City District Government Karachi (CDGK) amounting to Rs. 40,459 million (30 June 2015: Rs. 38,263 million) and Rs. 8,950 million (30 June 2015: Rs.8,353 million) less unrecorded late payment surcharge from them of Rs. 3,176 million (30 June 2015: Rs 3,058 million) and Rs. 1,340 million (30 June 2015: Rs. 1,291 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. As of 30 September 2015 the company received Rs.6,174 (30 June 2015 : Rs 5,292 million) from Government of Sindh in the form of adjustment of electricity duty liability of the Company against receivable from KW&SB. Accordingly the Company has adjusted its liability, however, the allocation of this amount against KW&SB has been disputed by the Company as in view of management the amount should be prorated against all Public Sector Consumers (PSC) dues including KW&SB.

	30 September 2015 (Un-Audited) (Rupees in '000)	30 June 2015 (Audited)
<i>Note</i>		
4.2 Provision for impairment (against debts considered doubtful)		
Opening balance	36,164,740	28,754,041
Provision made during the period / year	4,094,194	9,268,074
	40,258,934	38,022,115
Provision on debts written off during the period / year	(663,156)	(1,857,375)
	39,595,778	36,164,740
5. OTHER RECEIVABLES		
Considered good		
Sales tax - net	2,016,199	3,438,298
Due from the Government of Pakistan (GOP) in respect of:		
- Tariff adjustment and Others	26,662,866	35,661,271
- Interest receivable from GoP on demand finance liabilities	237,173	237,173
	26,900,039	35,898,444
Others	129,081	114,978
	29,045,319	39,451,720
Considered doubtful		
Sales tax	236,922	236,922
Provision for impairment	(236,922)	(236,922)
	-	-
Due from a Consortium of Suppliers of Power Plant	363,080	363,080
Provision for impairment	(363,080)	(363,080)
	-	-
	29,045,319	39,451,720

5.1 The quarterly determination of Schedule of Tariffs have been finalized upto the quarter January - March 2015 except for the matter as discussed in detail in note 32.1.2.of the financial statement for the year ended 30 June 2015. Management has recognized tariff differential based on the petitions submitted to NEPRA in this regard.

	30 September 2015 (Un-Audited)	30 June 2015 (Audited)
	(Rupees in '000)	
6. LONG-TERM FINANCING		
From banking companies and financial institutions - Secured		
Structured Islamic Term Financing - Musharka	450,000	600,000
Faysal Bank Limited - medium term loan	787,500	900,000
Syndicated Loan for PKR 7.7 bn term facility	<u>7,700,000</u>	<u>7,700,000</u>
	8,937,500	9,200,000
Current maturity shown under current liabilities	<u>(3,054,286)</u>	<u>(2,654,286)</u>
	5,883,214	6,545,714
Others - Secured		
Due to oil and gas companies	610	610
Current maturity shown under current liabilities	<u>(610)</u>	<u>(610)</u>
	-	-
Unsecured		
GoP loan for the electrification of Hub Area	26,000	26,000
Gul Ahmed Energy	216,887	347,019
Current maturity shown under current liabilities	<u>(216,887)</u>	<u>(347,019)</u>
	-	-
	<u>5,909,214</u>	<u>6,571,714</u>
7. TRADE AND OTHER PAYABLES		
Trade creditors		
Power purchases	46,719,890	53,268,608
Fuel and gas	28,693,188	31,988,876
Others	<u>5,085,339</u>	<u>3,010,122</u>
	80,498,417	88,267,606
Murabaha finance facilities	2,000,000	2,425,000
Accrued expenses	2,260,249	2,832,421
Advances / credit balances of consumers		
Energy	1,132,327	1,229,565
Others	<u>1,553,630</u>	<u>1,493,365</u>
	2,685,957	2,722,930
Other liabilities	10,557,296	9,539,509
	<u>98,001,919</u>	<u>105,787,466</u>
8. CONTINGENCIES AND COMMITMENTS		
8.1 Contingencies		
8.1.1 Contingencies as disclosed in notes 32.1 and 43 to the annual financial statements of the Company for the year ended 30 June 2015 remain unchanged.		
8.1.2 Claims not acknowledged as debts		
8.1.2.1 Claims not acknowledged as debts as disclosed in notes 32.2 to the annual financial statements of the Company for the year ended 30 June 2015 remain unchanged.		
8.1.2.2 Outstanding dues of property tax, water charges, ground rent and occupancy value	<u>6,920,800</u>	<u>6,539,380</u>

	30 September 2015 (Un-Audited) (Rupees in '000)	30 June 2015 (Audited)
8.2 Commitments		
8.2.1 Guarantees from banks	<u>249,150</u>	<u>228,434</u>
8.2.2 Transmission Projects	<u>1,591,716</u>	<u>1,719,250</u>
8.2.3 Transmission Package (TP 1000)	<u>33,232,481</u>	<u>-</u>
8.2.4 Outstanding Letters of Credit	<u>3,509,489</u>	<u>2,280,788</u>
8.2.5 Extension of Generation Projects Combined Cycle Power Plant-II	<u>-</u>	<u>538,502</u>
8.2.6 Generation Projects KGTP-II & SGTPS-II Steam Turbines	<u>593,221</u>	<u>1,649,367</u>
8.2.7 Dividend on Preference Shares	<u>1,119,453</u>	<u>1,119,453</u>

8.2.8 The Company has not recorded any dividend on redeemable preference shares in view of accumulated losses and restriction on dividend placed by certain local commercial banks which are part of loan covenants.

	30 September 2015 (Un-Audited) (Rupees in '000)	30 September 2014
9. PURCHASE OF ELECTRICITY		
National Transmission and Dispatch Company	<u>10,240,953</u>	<u>12,294,887</u>
Independent Power Producers (IPPs)	<u>4,977,110</u>	<u>7,940,986</u>
Karachi Nuclear Power Plant	<u>702,017</u>	<u>474,177</u>
	<u>15,920,080</u>	<u>20,710,050</u>
10. CONSUMPTION OF FUEL AND OIL		
Natural gas	<u>11,051,876</u>	<u>9,398,455</u>
Furnace and other oils	<u>5,729,768</u>	<u>12,054,514</u>
	<u>16,781,644</u>	<u>21,452,969</u>
11. FINANCE COST		
Mark-up / interest on:		
Mark-up / interest on short / long term borrowings	<u>1,026,491</u>	<u>1,421,122</u>
Late payment surcharge on delayed payments to creditors	<u>32,048</u>	<u>204,552</u>
Bank service, discounting charges and others	<u>612,566</u>	<u>1,111,494</u>
	<u>1,671,105</u>	<u>2,737,168</u>

12. TRANSMISSION AND DISTRIBUTION LOSSES

The transmission and distribution losses for the current period were 25.46% (30 September 2014: 26.96%).

13. TRANSACTIONS / BALANCES WITH RELATED PARTIES

Related parties of the Company comprise of government related entities, joint venture, 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 2015 (Un-Audited) (Rupees in '000)	30 September 2014
13.1 BYCO Petroleum Pakistan Limited		
Purchases	<u>360,357</u>	<u>3,033,898</u>
Financial charges / Late payment surcharge	<u>3,893</u>	<u>83,962</u>

		30 September 2015	30 September 2014
		(Un-Audited)	
		(Rupees in '000)	
13.2	Government Related Entities		
13.2.1	National Transmission and Dispatch Company		
	Purchases	<u><u>10,240,953</u></u>	<u><u>12,294,887</u></u>
13.2.2	Pakistan State Oil Company Limited		
	Purchases	<u><u>4,792,734</u></u>	<u><u>8,668,182</u></u>
	Late payment surcharge	<u><u>20,716</u></u>	<u><u>84,694</u></u>
13.2.3	Sui Southern Gas Company Limited		
	Purchases	<u><u>11,051,876</u></u>	<u><u>9,398,455</u></u>
13.3	Key management personnel		
	- Managerial Remuneration	<u><u>40,316</u></u>	<u><u>35,560</u></u>
	- Housing and Other allowances	<u><u>22,031</u></u>	<u><u>19,558</u></u>
	- Other allowances	<u><u>85,867</u></u>	<u><u>25,596</u></u>
	- Retirement Benefits	<u><u>22,145</u></u>	<u><u>14,804</u></u>
13.4	Provident Fund		
	Contribution to provident fund	<u><u>137,715</u></u>	<u><u>122,433</u></u>
		30 September 2015	30 June 2015
		(Un-audited)	Audited
		(Rupees in '000)	
13.5	BYCO Petroleum Pakistan Limited		
	- Trade and other payables	<u><u>847,662</u></u>	<u><u>1,725,250</u></u>
13.6	Government Related Entities		
13.6.1	National Transmission and Dispatch Company		
	- Trade and other payables	<u><u>41,513,317</u></u>	<u><u>46,904,694</u></u>
13.6.2	Pakistan State Oil Company Limited		
	- Trade and other payables	<u><u>1,764,750</u></u>	<u><u>4,053,658</u></u>
13.6.3	Sui Southern Gas Company Limited		
	- Trade and other payables	<u><u>26,080,776</u></u>	<u><u>26,209,967</u></u>
13.7	Provident Fund		
	Payable to provident fund	<u><u>44,892</u></u>	<u><u>11,585</u></u>
13.8	KES Power Limited, Parent Company		
	Short term loan payable	<u><u>45,088</u></u>	<u><u>45,088</u></u>

	30 September 2015 (Un-audited)	30 June 2015 Audited
	(Rupees in '000)	
13.9 Joint Venture		
13.9.1 Long term investments		
Impairment in long term investments	10,108	10,108
Nil carrying value	<u>(10,108)</u>	<u>(10,108)</u>
	-	-

The Company and the Aman Foundation have started the project of Karachi Organic Energy (Pvt.) Ltd. (KOEL) incorporated for set up and operation of a biogas project. The Company owned 50% of the total share capital of KOEL by virtue of investment in 1,010,790 ordinary shares having a face value of Rs 10 each which amounts to total investment of Rs 10.108 million. KOEL is yet to commence operations and due to initial preliminary expenses currently has a negative equity. Accordingly, it has been impaired.

13.9.2 Other receivable		
Impairment in other receivable	33,537	33,537
Nil carrying value	<u>(33,537)</u>	<u>(33,537)</u>
	-	-

14. 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 except for

- Rental of meters & equipment amounting to Rs. 54.842 million for the three months period ended 30 September 2014 previously shown as part of revenue has been reclassified and now shown under the head other income.

15. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information were authorized for issue on 29 Oct. 2015 by the Board of Directors of the Company.

16. GENERAL

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



Chief Executive Officer



Director