



QUARTERLY REPORT  
JUL - SEP 2016

# COMPANY INFORMATION

## Board of Directors (BOD)

Ikram Ul Majeed Sehgal	Chairman
Syed Moonis Abdullah Alvi	CEO
Khalid Rafi	
Adeeb Ahmad	
Chaudhary Khaqan Saadullah Khan	
Dr. Ahmed Mujtaba Memon	
Mubasher H. Sheikh	
Muhammad Zubair Motiwala	
Nayer Hussain	
Shan A. Ashary	
Syed Mohammed Akhtar Zaidi	
Waseem Mukhtar	

## Board Audit Committee (BAC)

Khalid Rafi	Chairman
Chaudhary Khaqan Saadullah Khan	Member
Mubasher H. Sheikh	Member
Nayer Hussain	Member

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

Khalid Rafi	Chairman
Nayer Hussain	Member
Syed Moonis Abdullah Alvi	Member

## Board Finance Committee (BFC)

Shan A. Ashary	Chairman
Chaudhary Khaqan Saadullah Khan	Member
Khalid Rafi	Member
Nayer Hussain	Member

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

Khalid Rafi	Chairman
Chaudhary Khaqan Saadullah Khan	Member
Nayer Hussain	Member
Shan A. Ashary	Member
Syed Moonis Abdullah Alvi	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

## Chief Financial Officer

Muhammad Aamir Ghaziani

## Company Secretary

Muhammad Rizwan Dalia

## Chief of Internal Audit

Asif Raza

## Legal Adviser

Abid S. Zuberi & Co.

## External Auditors

M/s. A.F. Ferguson & Co.

M/s. BDO Ebrahim & Co.

## 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

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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UAN: 111-537-211



# K-Electric Limited

## Directors' Review

I am pleased to present the Condensed Interim Financial Information (un-audited) of K-Electric Limited (KE) for the first quarter ended September 30, 2016 on behalf of the Board of Directors.

Key operational and financial results are summarized below:

	<b>JUL-SEPT 2016</b>	<b>JUL-SEPT 2015</b>
<b><u>OPERATIONAL</u></b>		
	<b>(UNITS - GWh)</b>	
Units generated (net of auxiliary)	2,816	2,736
Units purchased	1,839	1,927
Total units available for distribution (sent out)	4,655	4,664
Units billed	3,458	3,476
Transmission & Distribution Losses %	25.7%	25.5%
	<b>(PKR - MILLIONS)</b>	
		<b>(Restated)</b>
<b><u>FINANCIAL</u></b>		
Revenue	49,355	50,526
Profit before taxation	3,442	5,519
Taxation – net	447	231
<b>Net Profit for the period</b>	<b>3,889</b>	<b>5,750</b>
<b>Earnings per share-BASIC/DILUTED</b> (Rupees)	<b>0.14</b>	<b>0.21</b>
<b>Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)</b>	<b>7,863</b>	<b>10,136</b>

### Financial Review

Company earned a net profit of Rs 3,889 million which translated into earning per share of Rs 0.14. The reduction of 32.4% in net profit from comparable period is mainly due to significant reduction in tariff

level and change in tariff structure, pursuant to the Multi Year Tariff (MYT) determined by NEPRA for K-Electric applicable from July 01, 2016

Revenue figure includes Rs 4.28 billion in tariff adjustment against actual write off of bad debts, as allowed by NEPRA under the MYT decision, as more fully explained in note 12.2 of this condensed interim financial information.

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**

Fundamental reason behind the delay in finalization of audited financial statements for the year ended June 30, 2017 and its related periods was the absence of a valid tariff for the year starting July 01, 2016.

Full description of the events from KE's first filing of request for Tariff determination till final MYT decision from NEPRA and its notification has been fully explained in note 1.3 of this condensed interim financial information.

### **Update on Significant Matters**

Since this quarter report is being issued with Annual Report 2017, for reasons explained in previous section; significant matters along with the performance highlights have been covered in Annual Report 2017 of the Company. Accordingly, the same has not been repeated in this report.

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

During the review quarter, there was no change in the Board of Directors of the Company. Whereas other changes in the Board during subsequent periods have been duly reported in the Annual Report 2017 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.



**Syed Moonis Abdullah Alvi**  
Chief Executive Officer

Karachi, July 04, 2019

ریونیو کے اعداد و شمار ٹیرف ایڈجسٹمنٹ میں 4.28 بلین روپے بیڈ ڈیبٹس کے حقیقی رائٹ آف کی مد میں شامل ہے، جیسا کہ مپرا کی جانب سے MYT کے فیصلہ کے تحت اجازت یافتہ ہے، جسے اس مختصر عبوری مالیاتی معلومات کے نوٹ 12.2 میں مکمل وضاحت سے بیان کیا گیا ہے۔

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

مالیاتی تفصیلات کے اجراء میں تاخیر

آڈٹ شدہ مالیاتی تفصیلات برائے اختتام 30 جون 2017 اور اس سے متعلقہ مدت کو حتمی شکل دینے میں تاخیر کی بنیادی وجہ 01 جولائی 2016 سے شروع ہونے والے سال کیلئے درست ٹیرف کی عدم موجودگی تھی۔

کے الیکٹرک کے پہلے فائنل آف ریکویسٹ کیلئے ٹیرف کا تعین کرنے کیلئے مپرا کی جانب سے MYT کے حتمی فیصلے تک اور اس کا اعلامیہ اس مختصر عبوری مالیاتی معلومات کے نوٹ 1.3 میں مکمل وضاحت سے بیان کیا گیا ہے۔

اہم معاملات پر پیش رفت

چونکہ یہ سہ ماہی رپورٹ سالانہ رپورٹ 2017 کے ہمراہ جاری کی جا رہی ہے، گزشتہ سیکشن میں بیان کردہ وجوہات کے باعث اہم معاملات بشمول نمایاں کارکردگی کا احاطہ کمپنی کی سالانہ رپورٹ 2017ء میں کیا گیا ہے، لہذا اسے اس رپورٹ میں دہرایا نہیں گیا ہے۔

بورڈ آف ڈائریکٹرز

زیر جائزہ سہ ماہی کے دوران کمپنی کے بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں تھی۔ جبکہ بعد از مدت کے دوران بورڈ میں دیگر تبدیلیوں کو کمپنی کی سالانہ رپورٹ 2017ء میں بیان کیا گیا ہے۔

توثیق

بورڈ تمام شیئرز ہولڈرز اور کمپنی کے کسٹمرز کو 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 04 جولائی 2019

# کے۔ الیکٹرک لمیٹڈ

## ڈائریکٹرز کی جائزہ رپورٹ

مجھے خوشی ہے کہ میں بورڈ آف ڈائریکٹرز کی جانب سے کے الیکٹرک کی مختصر عبوری مالی معلومات (غیر آڈٹ شدہ) برائے اختتام مدت پہلی سہ ماہی 30 ستمبر 2016 پیش کر رہا ہوں۔

اہم کارآمد افعال اور مالیاتی نتائج کا خلاصہ درج ذیل ہے۔  
آپیشنل

جولائی - ستمبر 2015ء	جولائی - ستمبر 2016ء
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(یونٹس - گریگا واٹ آور)

2,736	2,816
1,927	1,839
4,664	4,655
3,476	3,458
25.5%	25.7%

پیدا کئے گئے یونٹس کی تعداد (نمٹنی یونٹس کے علاوہ)

خریدے گئے یونٹس کی تعداد

تقسیم کے لئے دستیاب کل یونٹس (بھیجے گئے)

مل کئے گئے یونٹس کی تعداد

ترسیل اور تقسیم کے دوران نقصانات

(پاکستانی روپوں میں - ملین)

(دہرائے گئے)

50,526	49,355
5,519	3,442
231	447
5,750	3,889
0.21	0.14
10,136	7,863

محاصل

قبل از ٹیکس منافع

ٹیکسیشن - خالص

مدت کے لئے خالص منافع

فی حصص آمدنی ٹیکس (بیسک / ڈائیکوئڈ) (روپے)

قبل از منافع آمدنی ٹیکس، فرسودگی (EBITDA)

مالیاتی جائزہ

کمپنی نے مجموعی منافع 3,889 ملین روپے کمایا جس کا موازنہ 0.14 PKR فی شیئر سے کیا گیا۔ نیٹ منافع میں 32.4% کمی قابل موازنہ مدت سے خالصتا ٹیرف لیول میں نمایاں کمی اور ٹیرف کے اسٹرکچر میں تبدیلی کے سبب ہے، بمطابق ملٹی ایئر ٹیرف (MYT) متعین کردہ بجانب مہرہ برائے کے الیکٹرک قابل اطلاق از مورخہ 01 جولائی 2016۔

**K-ELECTRIC LIMITED**  
**Condensed Interim Balance Sheet**  
**As at September 30, 2016**

		(Un-Audited) September 30,	(Restated) (Audited) Jun 30,	(Restated) Opening balance as at July 1, 2015
	Note	2016	2016	
		(Rupees in '000)		
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4	222,719,514	223,478,001	213,869,249
Intangible assets		72,480	63,860	134,152
Long term investment	5	-	-	-
Long-term loans		23,465	25,908	27,837
Long-term deposits		10,757	8,297	7,907
		<u>222,826,216</u>	<u>223,576,066</u>	<u>214,039,145</u>
<b>Current assets</b>				
Stores, spares and loose tools		8,861,636	7,946,560	6,795,900
Trade Debts - net	6	102,370,053	101,044,031	91,330,982
Loans and advances		877,000	771,863	798,387
Deposits and short term prepayments		1,697,217	1,936,357	5,771,338
Other Receivables - net	7	33,890,346	33,296,413	59,298,573
Taxation - net	8	993,117	890,524	1,498,955
Short-term investments		3,000,000	3,000,000	-
Cash and bank balances		2,075,003	2,178,070	1,267,633
		<u>153,764,372</u>	<u>151,063,818</u>	<u>166,761,768</u>
Assets classified as held for sale		3,157,822	3,157,822	-
<b>TOTAL CURRENT ASSETS</b>		<u>156,922,194</u>	<u>154,221,640</u>	<u>166,761,768</u>
<b>TOTAL ASSETS</b>		<u>379,748,410</u>	<u>377,797,706</u>	<u>380,800,913</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Share capital and reserves</b>				
Authorised share capital		125,000,000	125,000,000	125,000,000
Issued, subscribed and paid up capital		<u>96,261,551</u>	<u>96,261,551</u>	<u>96,261,551</u>
<b>Reserves</b>				
Capital reserves		2,009,172	2,009,172	2,009,172
Revenue reserves		5,354,406	5,350,193	5,372,356
		7,363,578	7,359,365	7,381,528
Unappropriated profit / (Accumulated loss)		22,632,973	17,700,303	(18,225,056)
		<u>126,258,102</u>	<u>121,321,219</u>	<u>85,418,023</u>
<b>Surplus on revaluation of property, plant and equipment - net</b>		48,923,256	49,966,810	54,141,026
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Long-term diminishing musharka		20,525,160	21,526,916	21,527,233
Long-term financing		6,226,225	7,588,587	6,545,714
Long-term deposits		7,890,547	7,629,009	6,712,048
Employee retirement benefits		4,990,886	5,119,160	5,521,630
Deferred revenue		17,927,376	18,065,386	17,300,219
Deferred taxation - net		155,761	602,998	8,556,948
		<u>57,715,955</u>	<u>60,532,056</u>	<u>66,163,792</u>
<b>Current liabilities</b>				
Current maturity of long-term diminishing musharka		1,100,000	-	-
Current maturity of long-term financing		2,271,253	2,926,610	3,027,915
Trade and other payables	9	112,743,317	106,775,321	122,331,154
Accrued mark-up		5,530,738	5,469,650	5,866,849
Short-term borrowings - secured	10	17,980,360	23,351,923	36,743,121
Short-term deposits		7,215,451	7,444,139	7,099,055
Provision		9,978	9,978	9,978
		<u>146,851,097</u>	<u>145,977,621</u>	<u>175,078,072</u>
<b>TOTAL LIABILITIES</b>		<u>204,567,052</u>	<u>206,509,677</u>	<u>241,241,864</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>379,748,410</u>	<u>377,797,706</u>	<u>380,800,913</u>
<b>Contingencies and Commitments</b>				
11				

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer


**K-ELECTRIC LIMITED**  
**Condensed Interim Profit & Loss Account (Un-Audited)**  
**For the three months period ended September 30, 2016**

	Note	<u>Three Months Period ended</u>	
		September 30, 2016	(Restated) September 30, 2015
------(Rupees in '000)-----			
<b>Revenue</b>			
Sale of energy – net		47,070,007	46,986,936
Tariff adjustment	12	2,284,911	3,538,835
		<u>49,354,918</u>	<u>50,525,771</u>
<b>Cost of sales</b>			
Purchase of electricity	13	(13,726,782)	(15,920,080)
Consumption of fuel and oil	14	(18,652,851)	(16,781,644)
Expenses incurred in generation, transmission and distribution		(5,076,343)	(4,423,108)
		<u>(37,455,976)</u>	<u>(37,124,832)</u>
<b>Gross profit</b>		<u>11,898,942</u>	<u>13,400,939</u>
Consumers services and administrative expenses		(8,935,527)	(7,280,927)
Other operating expenses		(191,345)	(458,264)
Other income		1,785,381	1,528,152
		<u>(7,341,491)</u>	<u>(6,211,039)</u>
<b>Profit before finance cost</b>		<u>4,557,451</u>	<u>7,189,900</u>
Finance cost		(1,115,572)	(1,671,105)
<b>Profit before taxation</b>		<u>3,441,879</u>	<u>5,518,795</u>
Taxation		447,237	230,542
<b>Net Profit for the period</b>		<u><u>3,889,116</u></u>	<u><u>5,749,337</u></u>
<b>Earning before interest, tax, depreciation and amortization (EBITDA)</b>		<u><u>7,862,519</u></u>	<u><u>10,135,644</u></u>
(Rupees)			
<b>Earning per share - Basic and diluted</b>		<u>0.14</u>	<u>0.21</u>

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

  
**Chief Executive Officer**

  
**Director**

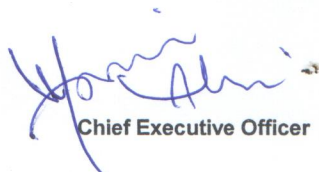
  
**Chief Financial Officer**



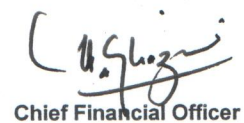
**K-ELECTRIC LIMITED**  
**Statement of Comprehensive Income (Un-Audited)**  
**For the three months period ended September 30, 2016**

	<u>Three Months Period ended</u>	
	September 30, 2016	(Restated) September 30, 2015
	------(Rupees in '000)-----	
Net profit for the period	3,889,116	5,749,337
<b>Other comprehensive income:</b>		
Items that may be re-classified to profit or loss		
Changes in fair value of cash flow hedges	6,135	-
Adjustment for amounts transferred to profit or loss	(1,922)	-
	<u>4,213</u>	<u>-</u>
Items that will not be reclassified to profit or loss		
Remeasurement of post employee benefit obligations	-	-
	4,213	-
<b>Total comprehensive income for the period</b>	<u><u>3,893,329</u></u>	<u><u>5,749,337</u></u>

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

  
 Chief Executive Officer

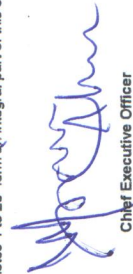
  
 Director

  
 Chief Financial Officer

**K-ELECTRIC LIMITED**  
**Condensed Interim Statement of Changes in Equity (Un-Audited)**  
**For the three months period ended September 30, 2016**

	Issued, subscribed and paid-up capital		Reserves			Total	(Accumulated loss) / Un-appropriated profit	Total
	Ordinary shares	Transaction costs	Total share capital	Share premium	Capital Others			
Balance as at July 1, 2015 as previously stated	96,653,179	(391,628)	96,261,551	1,500,000	509,172	2,009,172	5,372,356	74,074,438
Effect of restatement	-	-	-	-	-	-	-	11,343,585
Balance as at July 1, 2015 as restated	96,653,179	(391,628)	96,261,551	1,500,000	509,172	2,009,172	5,372,356	85,418,023
Total comprehensive income for the three months period ended September 30, 2015	-	-	-	-	-	-	-	5,749,337
Net profit for the period	-	-	-	-	-	-	-	5,749,337
Other comprehensive income	-	-	-	-	-	-	-	-
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	-	-	820,264
Balance as at September 30, 2015 (Un-Audited)	96,653,179	(391,628)	96,261,551	1,500,000	509,172	2,009,172	5,372,356	91,987,624
Balance as at July 1, 2016 - as restated	96,653,179	(391,628)	96,261,551	1,500,000	509,172	2,009,172	5,350,193	121,321,219
Total comprehensive income for the three months period ended September 30, 2016	-	-	-	-	-	-	(22,163)	3,889,116
Net profit for the period	-	-	-	-	-	-	-	4,213
Other comprehensive income	-	-	-	-	-	-	-	3,889,116
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	-	4,213	3,889,116
Balance as at September 30, 2016 (Un-Audited)	96,653,179	(391,628)	96,261,551	1,500,000	509,172	2,009,172	5,354,406	125,256,102

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

  
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer

**K-ELECTRIC LIMITED**  
**Condensed Interim Cash Flow Statement (Un-Audited)**  
**For the three months period ended September 30, 2016**

	<b>Three Months Period ended</b>	
	<b>September 30, 2016</b>	<b>(Restated) September 30, 2015</b>
	<b>(Rupees in '000)</b>	
<b>Cash flows from operating activities</b>		
Profit before taxation	3,441,879	5,518,795
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation and amortization	3,305,068	2,945,744
Provision for employee retirement benefits	173,791	197,778
Provision for slow moving and obsolete stores, spare parts and loose tools	(56,562)	21,676
Provision for debts considered doubtful	4,938,761	4,094,194
Gain on sale of property, plant and equipment	(17,156)	(11,023)
Finance cost	1,115,572	1,671,105
Amortization of deferred revenue	(364,291)	(341,502)
Return on bank deposits	(81,902)	(90,791)
<b>Operating profit before working capital changes</b>	<b>12,455,160</b>	<b>14,005,976</b>
<b>Working capital changes:</b>		
<b>(Increase) / decrease in current assets</b>		
Stores, spare parts and loose tools	(858,514)	27,841
Trade debts	(6,264,783)	(8,875,068)
Loans and advances	(105,137)	136,471
Trade deposits and short term-prepayments	239,140	1,465,614
Other receivables	(593,933)	10,406,401
	(7,583,227)	3,161,259
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	5,974,127	(5,827,680)
Short-term deposits	(228,688)	(374,883)
	5,745,439	(6,202,563)
<b>Cash generated from operations</b>	<b>10,617,372</b>	<b>10,964,672</b>
Employee retirement benefits paid	(302,059)	(201,487)
Income tax paid	(102,593)	(126,759)
Receipts in deferred revenue	226,281	325,706
Finance cost paid	(956,240)	(1,665,509)
Interest received on bank deposits	81,902	90,791
Long-term loans	2,443	1,151
Long-term deposits	(2,460)	-
	(1,052,726)	(1,576,107)
<b>Net cash generated from operating activities</b>	<b>9,564,646</b>	<b>9,388,565</b>
<b>Cash flows from investing activities</b>		
Capital expenditure incurred	(2,628,255)	(2,734,841)
Proceeds from disposal of property, plant and equipment	90,210	48,244
<b>Net cash used in investing activities</b>	<b>(2,538,045)</b>	<b>(2,686,597)</b>
<b>Cash flows from financing activities</b>		
Long-term financing - net	(2,019,643)	(281,786)
Short-term borrowings - net	(3,668,541)	(5,913,303)
Security deposit from consumers	261,538	132,772
<b>Net cash used in financing activities</b>	<b>(5,426,646)</b>	<b>(6,062,317)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,599,955</b>	<b>639,651</b>
Cash and cash equivalents at beginning of the period	(4,814,950)	(6,462,649)
<b>Cash and cash equivalents at end of the period</b>	<b>(3,214,995)</b>	<b>(5,822,998)</b>

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

  
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer

**K-ELECTRIC LIMITED****NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)****For the three months period ended September 30, 2016****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 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 National Electric Power Regulatory Authority (NEPRA) Act, 1997, to its licensed areas. KES Power Limited (the holding company) holds 66.40 percent (2016: 66.40 percent) shares in the Company as at September 30, 2016.

- 1.2** As notified on Pakistan Stock Exchange on October 28 2016, Shanghai Electric Power (SEP) Company Limited has entered into a Sale and Purchase Agreement (SPA) with KES Power Limited (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 and December 25, 2018, incorporating amended / additional requirements pursuant to the Securities Act and the takeovers regulations.

- 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 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 01, 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 01, 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.

Subsequent to the period ended September 30, 2016, NEPRA issued its decision dated October 09, 2017 on the Company's review motion and largely maintained its earlier decision. The Ministry of Energy (Power), 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 NEPRA Act 1997 (Act, 1997) to consider afresh its earlier determination to ensure that consumer interest in terms of continuous and efficient service delivery is maintained. NEPRA, vide its decision dated July 5, 2018 (MYT decision) in the matter of 'Reconsideration request' filed by the GoP, determined the revised MYT. The Company after considering that the MYT decision does not consider actual equity invested into the Company, applies notional capital structure based on the assumption of 70:30 debt to equity ratio and is a drastic departure from the previous structure without providing the Company an appropriate transition period, approached the Appellate Tribunal for the relief under Section 12G of the Act, 1997 (as amended). The Appellate Tribunal is yet to be made functional by the GoP.

The Company also approached the Sindh High Court against the aforementioned MYT decision and filed a suit in which a stay order was granted on July 26, 2018. The Company, on April 03, 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. Further, the Ministry of Energy (Power) has notified the MYT decision through SRO 576 (I) /2019 dated May 22, 2019.

The Company's revenue for the three months period ended September 30 2016, has been based on the revised MYT decision, which has been notified on May 22, 2019 by the Ministry of Energy.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

This condensed interim financial information of the Company for the three months period ended September 30, 2016 has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting which comprise International Accounting Standard (IAS) - 34 "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In cases where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 shall prevail.

2.2 This condensed interim financial information does not include all of the information and disclosures required for full annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2016.

2.3 This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand rupees unless otherwise stated.

### 2.4 Accounting Estimates, Judgement and Financial Risk Management

The preparation of this condensed interim financial information is in conformity with approved accounting standards, which require 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 this condensed interim financial information, 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 financial statements of the Company for the year ended June 30, 2016 do not have any material impact.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2016.

## 3. ACCOUNTING POLICIES

3.1 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 June 30, 2016 except a policy in connection with the matter as disclosed in the note 15 to this condensed interim financial information.

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 this condensed interim financial information.

3.3 Taxes on income, if any, in the interim periods are accrued using the tax rate that would be applicable to expected total amount of profit or loss.

3.4 There were certain amendments to the approved accounting standards which became effective for the first time for the period ended September 30, 2016 but these are neither considered relevant nor have any significant effect on the Company's financial reporting and are, therefore, not disclosed in this condensed interim financial information.

Note	<b>(Un-Audited)</b> <b>September 30,</b> <b>2016</b>	<b>(Audited)</b> <b>30 June</b> <b>2016</b>
	<b>(Rupees in '000)</b>	

## 4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets, at net book value	4.1	192,042,643	193,448,746
Capital work-in-progress		30,676,871	30,029,255
		<u>222,719,514</u>	<u>223,478,001</u>

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

	Additions (Un-Audited) (at cost)		Disposals (Un-Audited) (at net book value)	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	----- (Rupees in '000) -----			
Plant and machinery	151,131	38,249	876	-
Transmission and distribution network	1,325,936	932,282	72,084	37,214
Others	503,181	9,474	94	7
	<u>1,980,248</u>	<u>980,005</u>	<u>73,054</u>	<u>37,221</u>

4.2 The above disposals represent assets costing Rs. 189.026 million (September 30, 2015: Rs. 104.103 million) which were disposed-off for Rs. 90.210 million (September 30, 2015: Rs. 48.244 million).

	Note	(Un-Audited)	(Audited)
		September 30, 2016	June 30, 2016
		(Rupees in '000)	
5. Investment in joint venture - at cost	5.1	-	-

5.1 The Board of Directors of the Company in its meeting held on August 9, 2017 approved the write-off of Company's investment in Karachi Organic Energy (Private) Limited (KOEL) amounting to Rs. 44 million, comprising of Rs. 10 million being equity investment and Rs. 33.537 million (note 7) as advance against equity. These were already fully provided for by the Company in prior years.

	Note	(Un-Audited)	(Restated) (Audited)
		September 30, 2016	June 30, 2016
		(Rupees in '000)	

6. TRADE DEBTS

**Considered good**

Secured – against deposits from consumers		1,773,008	1,596,486
Unsecured		100,597,045	99,447,545
	6.1	<u>102,370,053</u>	<u>101,044,031</u>

**Considered doubtful**

		48,947,404	48,593,591
		<u>151,317,457</u>	<u>149,637,622</u>

Provision for impairment (against debts considered doubtful)	6.2	(48,947,404)	(48,593,591)
		<u>102,370,053</u>	<u>101,044,031</u>

6.1 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 September 30, 2016, receivable from government and autonomous bodies of Rs. 50,710 million (2016: Rs. 51,840 million) includes unrecognized LPS amounting to Rs. 6,831 million (2016: Rs. 6,536 million). This includes receivable from Karachi Water and Sewerage Board (KW&SB) amounting to Rs. 32,668 million including LPS of Rs. 3,742 million (2016: Rs. 36,002 million including LPS of Rs. 3,614 million) and receivable from City District Government Karachi (CDGK) amounting to Rs. 10,993 million including LPS of 1,450 million (2016: Rs. 9,815 million including LPS of Rs. 1,370 million).

As at September 30, 2016, adjustment orders has been received from the Government of Sindh (GoS) whereby the Company's liability amounting to Rs. 10,507 million (2016: Rs. 7,056 million) on account of electricity duty has been adjusted against the KW&SB dues.

	<b>(Un-Audited)</b>	<b>(Audited)</b>
	<b>September 30,</b>	<b>June 30,</b>
	<b>2016</b>	<b>2016</b>
	<b>(Rupees in '000)</b>	
<b>6.2 Provision for impairment (against debts considered doubtful)</b>		
Opening balance	48,593,591	36,164,740
Provision made during the period / year	4,938,761	15,211,165
	<u>53,532,352</u>	<u>51,375,905</u>
Write-off against provision during the year	(4,584,948)	(2,782,314)
	<u><u>48,947,404</u></u>	<u><u>48,593,591</u></u>

**6.3** This includes write-off of Rs. 4,281 million to be claimed as tariff adjustment in accordance with the criteria prescribed by NEPRA as explained in note 12.2.

	<b>Note</b>	<b>(Un-Audited)</b>	<b>(Audited)</b>
		<b>September 30,</b>	<b>June 30,</b>
		<b>2016</b>	<b>2016</b>
		<b>(Rupees in '000)</b>	
<b>7. OTHER RECEIVABLES</b>			
<b>Considered good</b>			
Sales tax - net		1,340,061	3,052,575
Due from the Government of Pakistan - net:			
- Tariff adjustments		32,145,811	29,860,899
- Interest receivable from GOP on demand finance liabilities		237,173	237,173
		<u>32,382,984</u>	<u>30,098,072</u>
Others		167,301	145,766
		<u>33,890,346</u>	<u>33,296,413</u>
<b>Considered doubtful</b>			
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)
		-	-
Others	<b>5.1</b>	-	33,537
Provision for impairment		-	(33,537)
		-	-
		<u><u>33,890,346</u></u>	<u><u>33,296,413</u></u>

## 8. TAXATION

There is no significant change in the status of the tax contingencies as disclosed in notes 43.2 and 43.3 to the annual audited financial statement of Company for the year ended June 30, 2016.

		<u>(Un-Audited)</u> September 30, 2016 (Rupees in '000)	<u>(Restated)</u> <u>(Audited)</u> June 30, 2016
<b>9. TRADE AND OTHER PAYABLES</b>			
<b>Trade creditors</b>			
Power purchases		43,981,829	35,355,486
Fuel and gas		21,647,065	23,396,802
Others		4,119,345	3,998,847
		<u>69,748,239</u>	<u>62,751,135</u>
Murabaha finance facilities		-	500,000
Accrued expenses		3,710,368	3,595,096
Advances / credit balances of consumers		3,773,042	3,431,724
Others including clawback	11.1.2	35,511,668	36,497,366
		<u>112,743,317</u>	<u>106,775,321</u>
		<u>(Un-Audited)</u> September 30, 2016 (Rupees in '000)	<u>(Audited)</u> June 30, 2016
<b>10. SHORT-TERM BORROWINGS – Secured</b>			
<b>From banking companies</b>			
Bills payable		4,113,147	7,827,860
Short term running finances		5,289,998	6,993,020
Short term loan		345,142	345,142
Structured invoice financing		2,600,036	2,599,967
		<u>12,348,323</u>	<u>17,765,989</u>
<b>From others</b>			
KES Power Limited - holding company		55,168	45,088
KESC Azm certificates		492,910	492,456
KESC Azm Sukuk certificates		5,083,959	5,048,390
		<u>17,980,360</u>	<u>23,351,923</u>
<b>11. CONTINGENCIES AND COMMITMENTS</b>			
<b>11.1 Contingencies</b>			
<b>11.1.1</b>	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 information. 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 September 30, 2016 MOF has released the Company's tariff differential claims aggregating Rs. 350,510 million directly to NTDC / CPPA. 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.		



Subsequent to the period end 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 afterwards. NTDC / CPPA's claim for mark-up on outstanding amount 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 September 2016 aggregates to Rs. 43,173 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 in the High Court of Sindh for recovery of unpaid gas consumption charges and interest thereon and the damages amounting to Rs. 45,705 million and Rs. 10,000 million, respectively. The Company also filed a suit against SSGC in the High Court of Sindh for recovery of damages / losses of Rs. 59,600 million resulting from SSGC's failure to comply with its legal obligation to supply the allocated and committed quantity of 276 MMCFD of natural gas to the Company. Both these suits are pending adjudication to date.

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 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, 2016: Rs.5,269 million) is being maintained by the Company in this condensed interim financial information on account of mark-up on delayed payment.

- 11.1.2** The Multi Year Tariff (MYT) applicable to the Company, for the previous tariff control period from 2009 to 2016, outlines a claw-back mechanism whereby the Company is required to share a portion of its profits with consumers when such profits exceed the stipulated thresholds. NEPRA vide its determination orders dated October 17, 2014, June 10, 2015, July 24, 2018 and November 1, 2018 has determined claw-back amount of Rs. 43,601 million for the financial years 2012 to 2016.

The Company is not in agreement with the interpretation and calculation of claw back mechanism performed by NEPRA, and accordingly has filed suits in the High Court of Sindh, praying that while finalizing the claw-back determination in respect of the financial years 2012 to 2016, NEPRA has mis-applied the claw back formula as prescribed in the MYT determination dated December 23, 2009. Amongst others, NEPRA has unlawfully included 'accumulated losses' as part of reserve, not taken into account 'surplus on revaluation of property, plant and equipment' and calculated the claw-back on notional EBIT instead of EBIT based on audited financial statements. On June 19, 2015, in respect of suit for financial years 2012 and 2013, the High Court of Sindh (Single Bench) passed an order suspending the earlier relief granted to the Company against implementation of NEPRA's order dated October 17, 2014, which was duly contested by the Company through an appeal before the High Court of Sindh (Divisional Bench), the adjudication of which is pending to date. However, the decision dated June 19, 2015 has been suspended and interim relief against implementation of NEPRA's order dated October 17, 2014 continues. Further, in other suits filed in respect of financial years 2014 to 2016, the interim relief provided to the Company against NEPRA's order for each year continues in the field.

Considering the above proceedings and the expert opinion obtained by the Company, the Company's management considers that the Company has a good case and expects favourable outcome of the suits pending before the High Court of Sindh.

Without prejudice to the Company's aforementioned legal position and on the basis of abundant caution, an provision amounting to Rs. 25,232 million is being maintained by the Company in this condensed interim financial information, in this respect.

- 11.1.3** On January 22, 2015, NEPRA issued an order directing the Company to discontinue charging of meter rent to the consumers and refund the total amount collected to the consumers and also imposed a fine of Rs. 10 million, on the Company.

The Company filed a review application to NEPRA against the aforementioned order and challenged the order on various grounds including that the direction issued by NEPRA is ultra vires and also that NEPRA has ignored certain provisions of its own rules and regulations which allows the Company to charge meter rent from its consumers. The review application filed by the Company with NEPRA was dismissed in April 2015. Thereafter, the Company filed a constitutional petition before the High Court of Sindh, which is pending to date. Meanwhile, a stay has been granted to the Company against any coercive action by NEPRA. The Company's management in accordance with the advice of its legal advisor expects a favourable outcome of the above-mentioned constitutional petition. However, on the basis of prudence and as an abundant caution the Company carries a provision of Rs. 326 million in this condensed interim financial information on account of meter rent charged from January 22, 2015 up to June 30, 2016. Further, NEPRA has excluded meter rent from "Other Income" component of tariff in the MYT Decision effective from July 1, 2016, accordingly there is no dispute between the Company and NEPRA on the matter of meter rent for the period July 1, 2016 and onwards.

- 11.1.4** NEPRA through its order dated March 13, 2015 directed the Company not to collect bank charges as a separate revenue from its customers through monthly billings, as these bank charges were already included in the MYT 2009–16 as part of operations and maintenance cost. NEPRA further directed the Company to refund the amount collected as bank charges to its consumers. The Company refuted NEPRA's aforementioned order and filed a review petition which was rejected by NEPRA through its review decision dated October 27, 2015. Thereafter, the Company filed a suit before the High Court of Sindh which is pending to date. Meanwhile, through an interim order dated November 17, 2015 by the High Court of Sindh, NEPRA has been restrained from taking any coercive action against the Company in this regard.

The Company, is of the view that such charges are being collected from the customers as per the directives of the State Bank of Pakistan and as per NEPRA's approval dated July 21, 2010 issued in this regard and these were never made part of MYT 2009–16. Therefore, in accordance with the advices obtained from its legal advisors, the Company is confident of a favourable outcome of this matter, and accordingly, no provision has been recognised in this respect. Further, NEPRA has separately included bank charges in the operations and maintenance' component of tariff in the MYT Decision effective from July 1, 2016, accordingly there is no dispute between the Company and NEPRA on the matter of bank charges for the period July 1, 2016 and onwards.

- 11.1.5** The Supreme Court, in its judgment dated August 22, 2014 in civil appeal declared that the levy of GIDC under Gas Infrastructure Development Cess Act, 2011 was unconstitutional and all amounts collected by the gas companies were due to be refunded back to the consumers. The Federal Government on September 24, 2014, promulgated Gas Infrastructure Development Cess (GIDC) Ordinance, 2014. Under that Ordinance, the Federal Government again levied GIDC chargeable on gas consumers (both power sector and industrial) other than domestic consumers and also fixed the responsibility of charging and collection of GIDC on gas companies. This Ordinance retrospectively validated the cess collected / levied or paid under the previous Gas Infrastructure Development Cess Act, 2011 which had been held illegal by the Supreme Court.

In October 2014, SSGC in its monthly bills issued to the Company, claimed GIDC amounting to Rs. 1,925 million, excluding GST, for the period from July to September 2014. The Company filed a fresh legal suit before the High Court of Sindh. The Sindh High Court through its order dated October 21, 2014, granted stay and restrained the Federal Government and SSGC from raising any demand which continues till date. The GIDC Ordinance lapsed on January 24, 2015, and therefore all amounts previously paid by the Company to SSGC amounting to Rs. 4,672 million in respect of GIDC became immediately due and recoverable from SSGC.

On May 23, 2015, GOP after having approval from the parliament promulgated the GIDC Act 2015 again levying cess on gas consumers and made the gas companies responsible to collect the cess. The Company again filed a suit in the Sindh High Court challenging the GIDC Act 2015 and through its counsel maintains that certain grounds were not taken into consideration while passing GIDC Act 2015. The Court while granting stay issued notices to the respondents and restrained SSGC from raising any demand under the GIDC Act 2015.

Single bench of the High Court of Sindh through its judgment (by consolidating all similar cases) dated 26 October 2016, held the GIDC Act 2011, GIDC Ordinance 2014 and GIDC Act 2015 to be ultra vires and un-constitutional and amount collected in pursuance of the above laws is liable to be refunded / adjusted in the future bills.

Subsequently, GOP filed an appeal before the divisional bench of High Court of Sindh challenging the above judgment (in respect of few other parties), whereby the decision of the single bench was suspended by the divisional bench of High Court of Sindh on November 10, 2016. In the eventual outcome, the amount payable by the Company, if any, on account of GIDC will be ultimately recovered through tariff mechanism.

- 11.1.6** As part of MYT decision, NEPRA has directed the Company to pay interest on security deposit collected from consumers. However, the Company, disagrees with the direction of NEPRA, being without any lawful justification and discriminatory as no other utility in Pakistan is required to pay interest on security deposit. Accordingly, the Company filed a CP 3810 of 2019 in the High Court of Sindh on May 30, 2019. The High Court of Sindh through its order dated May 30, 2019 has restrained NEPRA from taking any coercive action against the Company. Based on the advice of the legal advisor, the Company's management expects a favourable outcome of the suit. However, on the basis of prudence and as an abundant caution, a provision amounting to Rs. 66 million has been recognized in this respect for the period ended September 30, 2016.

## 11.2 Claims not acknowledged as debts

- 11.2.1** Claims not acknowledged as debts as disclosed in notes 32.3 to the annual financial statements of the Company for the year ended June 30, 2016 remain unchanged substantially except for the following claims;

	<b>(Un-Audited)</b> <b>September 30,</b> <b>2016</b>	<b>(Audited)</b> <b>June 30,</b> <b>2016</b>
	<b>(Rupees in '000)</b>	
<b>11.2.2</b> Outstanding dues of property tax, water charges, custom duty, ground rent and occupancy value	<u>7,306,471</u>	<u>6,945,702</u>
<b>11.3 Commitments</b>		
<b>11.3.1</b> Guarantees from banks	<u>1,080,206</u>	<u>1,105,360</u>

## 11.3.2 DPKPG project

The Company entered into the Shareholders' Agreement dated May 20, 2016, for the development of a 700MW (2 x 350 MW) coal-based power plant (the project) at Port Qasim, Karachi under an IPP structure. In this respect a project company i.e. Datang Pakistan Karachi Power Generation Limited (DPKPG) has been incorporated on May 26, 2016. The sponsors of the Project include China Datang Overseas Investment Company Limited (CDTO) having 51% shareholding, China Machinery Engineering Corporation (CMEC) having 25% shareholding and KE having 24% shareholding in DPKPG. The principal operations of DPKPG will be to carry out the business of power generation and sell electricity to KE under a Power Purchase Agreement (PPA).

Subsequent to the period end, on March 20, 2019, the Company entered into a MoU with CDTO and CMEC wherein CDTO has agreed to sell its entire shareholding in DPKPG to the Company as per the terms of the Share Purchase Agreement to be entered into by CDTO and the Company. Upon completion of the transaction, the Company's shareholding in DPKPG will increase to 75% from 24%.

	<u>(Un-Audited)</u> <b>September 30,</b> <b>2016</b>	<u>(Audited)</u> <b>June 30,</b> <b>2016</b>
	(Rupees in '000)	
<b>11.3.3</b> Transmission Projects - capital commitment	<u>2,061,386</u>	<u>1,869,653</u>
<b>11.3.4</b> Transmission Project (TP - 1000) - capital commitment	<u>34,341,713</u>	<u>28,504,718</u>
<b>11.3.5</b> Outstanding Letters of Credit	<u>5,160,153</u>	<u>3,174,680</u>
<b>11.3.6</b> Generation Projects - capital commitment KGTPS-II & SGTPS-II Steam Turbines	<u>500,057</u>	<u>500,057</u>
<b>11.3.7</b> Dividend on Preference Shares	<u>1,119,453</u>	<u>1,119,453</u>

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.

<b>11.3.8</b> Commitments for rentals under operating lease agreements in respects of vehicles are as follows:		
- not later than one year	<u>72,032</u>	<u>55,523</u>
- later than one year and not later than five years	<u>288,128</u>	<u>222,092</u>

		<u>(Restated)</u> <b>September 30,</b> <b>2016</b>	<b>September 30,</b> <b>2015</b>
		(Rupees in '000)	
<b>12. Tariff adjustment</b>	12.2	<u>2,284,911</u>	<u>3,538,835</u>

**12.1** This represents tariff differential subsidy claim for variation in fuel prices, cost of power purchases, operation and maintenance cost, adjustments required as per NEPRA's MYT decision and those resulting in adjustment of tariff due from Government.

**12.2** Includes Rs 4,281 million (comprising of 38,432 customers) recognized during the period 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.

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 mandatory procedures:

- The defaulter connection against which the bad debts have been written off were disconnected prior to September 30, 2016 and the customers were inactive in the Company's system i.e. SAP up to September 30, 2016.
- 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 period ended Sept 30, 2016, 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 the defaulter connection is physically disconnected and the defaulter customer who utilised the electricity is untraceable or 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 period ended September 30, 2016 and corresponding amount has been claimed in the tariff adjustment after verifying underlying facts.

	<b>(Un-Audited)</b>	
	<b>September 30, 2016</b>	<b>September 30, 2015</b>
	<b>(Rupees in '000)</b>	
<b>13. PURCHASE OF ELECTRICITY</b>		
Central Power Purchasing Agency (CPPA-G) / NTDC	8,823,583	10,240,953
Independent Power Producers (IPPs)		4,977,110
Others		702,017
	<u>13,726,782</u>	<u>15,920,080</u>
<b>14. CONSUMPTION OF FUEL AND OIL</b>		
Natural gas	11,296,654	11,051,876
Furnace and other oils	7,356,197	5,729,768
	<u>18,652,851</u>	<u>16,781,644</u>
<b>15. RESTATEMENT OF COMPARATIVES</b>		

At the period end, the management of the Company, after considering other events and conditions, in order to make the condensed interim financial information more relevant and reliable, has carried out a comprehensive review of its revenue and trade debts cycle, as a result of which it has been noted that up to June 30, 2016, the revenue was recorded on the basis of units billed as per the rates fixed by NEPRA and the revenue for units delivered to the consumers between the last meter reading date and the period end was not accounted for. Accordingly, these have been rectified in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' in this condensed interim financial information with retrospective effect and restatement of amounts previously presented as detailed below:

	<b>Effect of change</b> <b>(Rupees in '000)</b>
<b>Impact on balance sheet</b>	
Increase in trade debts	7,809,997
Decrease in other receivables	(213,821)
Increase in trade and other payables	(2,797,136)
<b>Impact on profit and loss account</b>	
Decrease in sale of energy	(230,423)
Decrease in tariff adjustment	(791,327)
Decrease in other operating expenses	71,477
<b>Impact on statement of changes in equity</b>	
Increase in accumulated profit:	
Incurred in 2016	<u>(950,273)</u>
Prior to 2016	<u>11,343,585</u>

	<b>Effect of change</b>
<b>Opening balance as at July 1, 2015:</b>	
<b>Impact on balance sheet</b>	
Increase in trade debts	8,040,420
Increase in other receivables	2,335,219
Decrease in trade and other payables	(967,946)

## 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 / balances with related parties not disclosed elsewhere in this condensed financial information are as follows:

	<b>(Un-Audited)</b>	
	<b>September 30, 2016</b>	<b>September 30, 2015</b>
	<b>(Rupees in '000)</b>	
<b>16.1 BYCO Petroleum Pakistan Limited</b>		
Purchases	<u>-</u>	<u>360,357</u>
Financial charges / late payment surcharge	<u>-</u>	<u>3,893</u>
<b>16.2 Government Related Entities</b>		
<b>16.2.1 National Transmission and Dispatch Company</b>		
Purchases	<u>8,823,583</u>	<u>10,240,953</u>
<b>16.2.2 Pakistan State Oil Company Limited</b>		
Purchases	<u>7,508,087</u>	<u>4,792,734</u>
Late payment surcharge	<u>-</u>	<u>20,716</u>

		(Un-Audited)	
		September 30, 2016	September 30, 2015
		(Rupees in '000)	
<b>16.2.3 Sui Southern Gas Company Limited</b>			
	Purchases	11,296,654	11,051,876
<b>16.3 Key management personnel</b>			
	- Managerial remuneration	68,861	40,316
	- Housing and other allowances	37,874	22,031
	- Other allowances	113,843	85,867
	- Retirement benefits	7,073	22,145
<b>16.4 Provident Fund</b>			
	Contribution to provident fund	170,352	137,715
		(Un-Audited)	Audited
		September 30, 2016	30 June 2016
		(Rupees in '000)	
<b>16.5 KES Power Limited, Parent Company</b>			
	Short term loan payable	55,168	45,088
<b>16.6 OMS (Private) Limited, Associated</b>			
	Amount payable included in creditors	-	11,349

	(Un-Audited) September 30, 2016 (Rupees in '000)	Audited 30 June 2016
<b>17. BYCO Petroleum Pakistan Limited</b>		
Amount payable included in creditors	219,911	252,166
<b>17.1 Government Related Entities</b>		
<b>17.1.1 National Transmission and Dispatch Company</b>		
Amount payable included in creditors	40,488,922	30,821,726
<b>17.1.2 Pakistan State Oil Company Limited</b>		
Amount payable included in creditors	684,067	1,165,084
<b>17.1.3 Sui Southern Gas Company Limited</b>		
Amount payable included in creditors	20,743,087	21,979,552
<b>17.1.4 Provident Fund</b>		
Payable to provident fund	50,899	50,909

**18. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison. Significant reclassification is as follows:

From	To	June 30, 2016	Opening balance as at July 1, 2015
			(Rupees in '000)
Other receivables	Trade and other payables	28,258,471	17,511,634

**19. DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorized for issue on 04-07-2019 by the Board of Directors of the Company.

**20. GENERAL**

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer