



Quarterly Report Jul-Sep 2014



**EMPOWERING
THE
ECONOMY**

COMPANY INFORMATION

Board of Directors (BOD)

Chairman

Tabish Gauhar

Chief Executive Officer

Nayyer Hussain

Independent Director

Khalid Rafi

Non-Executive Directors

Aziz Moolji

Frederic Sicre

Mubasher H. Sheikh

Muhammad Tayyab Tareen

Muhammad Zargham Eshaq Khan

Noor Ahmed

Omar Khan Lodhi

Shan A. Ashary

Sohail Akber Shah

Executive Director

Syed Arshad Masood Zahidi

Board Audit Committee (BAC)

Khalid Rafi

Chairman

Aziz Moolji

Member

Mubasher H. Sheikh

Member

Muhammad Tayyab Tareen

Member

Tabish Gauhar

Member

Board Human Resource & Remuneration

Committee (BHR&RC)

Tabish Gauhar

Chairman

Shan A. Ashary

Member

Muhammad Tayyab Tareen

Member

Board Finance Committee (BFC)

Muhammad Tayyab Tareen

Chairman

Shan A. Ashary

Member

Nayyer Hussain

Member

Omar Khan Lodhi

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

Bankers

Albaraka Bank (Pakistan) Limited

Allied Bank Limited

Askari Bank Limited

Bank Alfalah Limited

Bank Al-Habib Limited

Bank Islami Pakistan Limited

Barclays Bank 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

KASB Bank 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 (Ext)

Defence Housing Authority, Karachi, Pakistan

Website

www.ke.com.pk

UAN

111-537-211

K-ELECTRIC LIMITED

(FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)

BRIEF INTERIM REVIEW

I am pleased to present the Condensed Interim Financial Information (un-audited) of K-Electric Limited (KE) for the quarter ended 30 September 2014 on behalf of the Board of Directors. Key operational and financial results are summarized below:

	JUL-SEPT 2014	JUL-SEPT 2013
	(UNITS - GWh)	
<u>OPERATIONAL</u>		
Units generated (net of auxiliary)	2,645	2,437
Units purchased	1,908	1,846
Total units available for distribution	4,553	4,283
Units billed	3,325	3,026
Transmission & Distribution Losses %	26.96%	29.36%
	(PKR IN MILLIONS)	
<u>FINANCIAL</u>		
Revenue	55,861	49,267
Profit before taxation	2,905	1,504
Taxation	242	243
Net profit for the period	3,147	1,747
Earnings per share -BASIC/DILUTED	(Rupees)	
	0.11	0.06
Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)	8,009	6,633

FINANCIAL REVIEW:

Financial results for the reporting period exhibit improved growth in revenue by 13.38% mainly due to the reduction in Transmission and Distribution losses by 2.40% and improvement in plant efficiencies. This resulted in net profit after taxation of Rs 3,147 million (Q1 Jul-Sep14 : Rs 1,747 million). The improved results led the company to report earning per share of Rs 0.11 (Q1-2013-14 : Rs 0.06) indicating sustainable growth.

Higher consumer services and administrative expense and other operating expenses was partially offset by increase in other income owing to increase service connection charges. Receivable from Government entities continued to soar, including dues from Karachi Water and Sewerage Board and City District Government Karachi amounting to Rs 32,323 million and Rs 8,127 million respectively. Reluctance on the part of Federal Government of not resolving the circular debt issue timely is significantly hampering the ability of the Company to operate efficiently.

ACTIVITIES UNDER REVIEW

GENERATION EXPANSION and REHABILITATION

Rehabilitation of BQPS-I

The Generation Long Term Investment Plan is aimed at restoring de-rated capacity and improving efficiencies of Units 1,2,5 & 6 of BQPS-I. Procurement process has commenced during the quarter under review.

Closing of Open Cycle Gas Turbines (GTs) at Korangi Combined Cycle Power Plant (KCCPP)

KCCPP-II project aimed at converting the two (2) open cycle GTs into combined cycle by installing a second HRSG and steam turbine at the station. The output of plant will increase by 27MW whereas the efficiency will increase from the existing 41% to 45%. Project is 92% complete and synchronization of steam turbine is expected by December 2014. Major construction milestones achieved in review quarter include completion of procurement and civil works; HRSG installation followed by successful Hydrostatic test. Furthermore, installation of STG and BoP equipment has also largely been completed. Most of the power and controls equipment including Transformers, switch gears, GIS, UPS, DCS have been installed and equipment testing is in progress.

002

2014
JULY-SEPTEMBER
QUARTERLY REPORT

GE Jenbacher Plant – KGTPS & SGTPS – Closing open cycle

The plan to convert the open cycle Gas Engine plants at KGTPS & SGTPS into combined cycle by installation of 32 HRSGs and one (1) Steam Turbine at each station, has entered into full construction mode and basic design for both Projects is almost done. Civil Works at KGTPS are in full swing and the installation / erection works related to HRSG and steam turbine will start in January 2015. SGTPS project is also being executed at accelerated pace and the civil works will start in December 2014.

As of now, both projects are on schedule, KGTPS is likely to be commissioned in June / July 2015 followed by SGTPS in August / September 2015 and will cumulatively add 20 MW gross to KE fleet with increased efficiency up to 42%.

Advanced Gas Path (AGP):

KE has signed USD 8 million amendment to the existing Contractual Service Agreement (CSA) with GE on 29th September 2014. CSA has been extended till 2028 with the conventional HGIP replaced with the new AGP upgrade. AGP is expected to boost output of Gas Turbine by more than 3 per cent and increase fuel efficiency by approx 2 per cent.

TRANSMISSION NETWORK

The key achievements during review quarter aiming to enhance and improve the capacity, stability and reliability of EHT network and to meet the long term load evacuation requirement are listed below:-

Transmission Project:

A mega Transmission Expansion Project has been developed to cater for the future load growth of the city. Technical and commercial proposals from world renowned contractors are expected by November 14, the project scope includes,

- * Three (3) new 220/132 kV Grid Stations at Gulshan, Surjani and Port Qasim areas.
- * Five (5) new 132 kV Grid Stations at Old Golimar, Labour Square, Bath Island, Shadman and Gadap.
- * Addition of fifteen (15) power transformers at existing Grid Stations.
- * Addition of six (6) new 220 kV and six (6) new 132 kV transmission lines.
- * Addition of three (3) 250 MVA transformers with bays (750 MVA).

Agha Khan Grid Station:

- * Shared 120 MVA grid station is being constructed at Agha Khan Hospital, where building structures are completed, civil work and electrical material submittals are in progress. HVAC & SERGI system design have been finalized, GIS has been delivered on site and two (2) power transformers have been placed on foundation whereas electrification work on site is in progress. Moreover all design submittals for the underground interconnecting cable circuit (part B) have been reviewed & approved and manufacturing of cable has been completed.

Infrastructure Rehabilitation:

- * Rehabilitation of Gharo Grid Station has been completed, a 20/26 MVA power transformer and its allied 11 kV switches has been installed and commissioned on 4 September 2014.
- * Replacement of 54 cross arms at nine (9) different towers on 132 kV Baldia-Orangi and Baldia-Valika lines were successfully completed in September 2014.

KGTPS and SGTPS Expansion Projects:

EPC for KGTPS and SGTPS Generation Expansion Projects signed on 12 October 2013 also includes the following transmission infrastructure:-

- * For KGTPS a new 132 kV GIS (14 bays), for which basic design is completed and civil work related to GIS Building and 132 kV Cable trenches is in full swing. Installation & Erection works on GIS will start in January / February 2015 as per plan leading to project commissioning in June 2015.
- * For SGTPS four (04) additional 132 kV GIS bays have been included for safe evacuation of Steam Turbine (ST) Load. Presently Basic Design & Engineering Surveys are in progress; the work is expected to start on GIS Part in February 2015. Commissioning is scheduled in August 2015.

DISTRIBUTION

Transmission & Distribution Loss

During the review quarter, the Company continued its journey towards reducing T&D losses and achieved a quarterly basis reduction of 2.4% despite external challenges faced due to the law and order situation in the city.

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 thirty eight (38) Pole Mounted Transformers (PMTs) cumulating to a total of one hundred and sixty eight (168) resulting in significant loss reduction on those PMTs.

Furthermore, an initiative targeting technical loss reduction was undertaken on certain feeders through network optimization. This will result in a significant reduction in technical loss as well as consumer complaints related to faults and trippings due to improved High Tension: Low Tension ratio of the distribution system. Pilot project has been implemented and will be rolled-out across the distribution network.

Recovery Ratio

The recovery ratio, excluding Public Sector Consumers (PSC), during the review period stood at last year’s level i.e. 89%; whereas recoveries from PSC stood at 64%. The recovery was facilitated through a number of measures for the low income groups like Rebate/Amnesty Scheme, easy installments of arrears and recovery camps which have produced encouraging results to reduce the recovery gap. The low recovery ratio from PSC was mainly due to non-payment by Karachi Water and Sewerage Board (KWSB) despite consistent efforts of the management.

Customer Facilitation

KE became the first-ever distribution company in Pakistan to earn an ISO 9001-2008 Certification for its Integrated Business Center (IBC) at Site industrial area during the last fiscal year. KE continues its customer-centric approach towards quality services to its consumers and during the period earned the same certification for four (4) more IBCs namely Korangi, Gulshan, Clifton and Defence. The remaining IBCs are working towards the same goal to align business processes with business objectives in order to further improve customer services.

The Company is working with local financial institutions for the implementation of utility bills payment solution. This is an efficient and cost-effective initiative which will help reduce consumer complaints and improve cash update mechanism and enable KE for quick fund transfers thus saving precious time and reduce financial costs.

The Company is taking forward its resolve to provide seamless quality service to its valued customers through an exclusive online customer portal. The bandwidth of services offered at this portal will be broadened to include more options of online payment, prior information of customized outages and load shed schedule, and priority handling of complaints relating to billing and technical issues.

Network Health

System improvement and upkeep of distribution network are on-going processes. The Company is consistently adding capacity to the distribution system alongside preventive maintenance program being conducted on Low Tension and High Tension networks. During the review period preventive maintenance on 30 feeders has been completed resulting in significant reduction in feeder tripping. In connection with this objective, technical loss through network optimization is also being carried out to further improve the distribution network.

STRATEGY AND BUSINESS DEVELOPMENT

KE is progressing on a number of strategic initiatives to embark upon long term, sustainable and economic power generation options.

Moving ahead on Bin Qasim Coal Conversion project, EPC contract was signed in November 2013 followed by approval of Licensee Proposed Modification of K-Electric at the end of March 2014. The approval of Generation License of K-Energy is pending with NEPRA which is preliminary to the approval of Power Acquisition Request of K-Electric by NEPRA. The holdup in regulatory approvals is responsible for delay in the execution of the project.

Pursuing Thar Coal development, K-Electric has been engaged with Oracle Coalfields for the prospective power purchase from 600 MW mine mouth power plant to be setup at Thar Block VI. Oracle has involved Chinese firms CMEC and SEPCO for the mine and power plant development. They have already signed a JDA with CMEC for the mine development and signed an EPC Frame-work Agreement with SEPCO for the power project (2 x 330 MW). The EPC Contract is expected to be signed by end of 1st quarter of 2015. KE intends to enter into a power purchase agreement with the power generation company to be formed for the implementation of power project. The purchased power from this plant will be wheeled through NTDC's network under a wheeling agreement.

KE has been making progress to setup a 660 MW coal based power plant at Bin Qasim and potential EPC contractors and foreign investor groups are being approached.

In line with Company's Climate Change Policy, KE aims to bring renewable energy into its generation portfolio. KE has issued Lols to interested local and foreign parties for the development of solar projects and also explored land options for the solar projects. KE is engaged with stakeholders at the government and non-government levels for the development of a municipal waste to energy power plant. Furthermore, KE is approaching active wind and hydropower developers to tap the potential of clean energy.

KE UNBUNDLING

KE has initiated the process to unbundle its operations into independent entities for electricity generation and transmission / distribution. This is in line with our vision to develop the best possible mode of functioning in the greater interest of our customers. The unbundling of KE's core functions will provide the independent entities ample opportunity to utilize optimum potential of each unit for efficiency enhancement and value creation through a shift from the integrated utility model. Moreover, KE's unbundling would also enhance the manageability of each business entity and would add value for all stakeholders. Unbundling will improve synergies by eliminating cost redundancies, result in better allocation of resources, foster higher accountability and cultivate improved customer relationship management.

A legal consultant has been appointed to assist KE in unbundling project, whereas engagement of financial/project lead advisor is in process. Internally, KE dedicated team is working on internal SAP based Business Area wise reporting for segregated unbundled entities and working on a separate unbundled financial model. Tariff related matters would be taken up with NEPRA in due course of time.

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SUSTAINABILITY MANAGEMENT

APWA RLCC was added as the twelfth partner to receive 100% subsidized electricity. APWA is actively promoting crafts through skill training especially to women. They also run a school and secondary health center.

'Celebrating diversity', was the first ever interactive session held for the females of the organizations to discuss their various issues, suggestions and queries with the CEO. The session was filled with energy and enthusiasm as the female employees actively participated in the session and overall proved to be a very positive initiative.

BOARD OF DIRECTORS (BOD)

During the review period one of KESP nominees on KE BOD, Mr. Wahid Hamid, resigned and Mr. Aziz Moolji was appointed director of the Company in his place. The Board wishes to place on record appreciation of services of Mr. Wahid Hamid and welcomes Mr. Aziz Moolji on KE BOD.

ACKNOWLEDGEMENTS

The Board wishes to extend its gratitude to the shareholders and customers of the Company for their cooperation and support and extends its appreciation to the employees of the Company.



Nayyer Hussain
Chief Executive Officer

Karachi, 31 October 2014

K-ELECTRIC LIMITED

(FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)

CONDENSED INTERIM BALANCE SHEET

AS AT 30 SEPTEMBER 2014

	Note	September 2014 (Un-Audited)	June 2014 (Audited)
(Rupees in '000)			
ASSETS			
Operating fixed assets		170,146,614	170,286,970
Intangible assets		315,038	376,230
		<u>170,461,652</u>	<u>170,663,200</u>
Long-term investments		-	-
Long-term loans and advances		27,627	29,376
Long-term deposits and prepayments		106,080	105,816
Deferred tax assets		2,345,773	2,345,773
		<u>172,941,132</u>	<u>173,144,165</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		6,077,253	5,968,300
Trade debts	4	83,012,775	75,704,095
Loans and advances		1,606,119	1,485,855
Trade deposits and short term prepayments		1,401,814	2,218,028
Other receivables	5	51,656,332	44,240,998
Derivative financial assets		2,162,131	1,862,728
Taxation-net		1,082,697	1,037,924
Cash and bank balances		411,923	653,473
		<u>147,411,044</u>	<u>133,171,401</u>
TOTAL ASSETS		<u>320,352,176</u>	<u>306,315,566</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital		96,261,551	96,261,551
Reserves			
Capital reserves		509,172	509,172
Share premium		1,500,000	1,500,000
Revenue reserves		5,372,356	5,372,356
Other reserve		(326,825)	(359,552)
Accumulated losses		(56,146,773)	(59,742,221)
		<u>(49,092,070)</u>	<u>(52,720,245)</u>
Total equity		<u>47,169,481</u>	<u>43,541,306</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		<u>26,977,294</u>	<u>27,425,967</u>
		<u>74,146,775</u>	<u>70,967,273</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	6	16,955,481	18,231,391
Long term deposits		6,055,810	5,865,741
Deferred liabilities		4,941,326	4,946,221
Deferred revenue		16,460,283	16,303,048
Deferred tax liability		14,526,337	14,767,933
		<u>58,939,237</u>	<u>60,114,334</u>
CURRENT LIABILITIES			
Current maturity of long term financing		8,728,805	9,928,007
Trade and other payables	7	123,429,199	110,406,240
Accrued mark-up		5,749,525	5,719,543
Short term borrowings		43,365,802	43,286,450
Short term deposits		5,982,855	5,883,741
Provisions		9,978	9,978
		<u>187,266,164</u>	<u>175,233,959</u>
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		<u>320,352,176</u>	<u>306,315,566</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



Nayyer Hussain
Chief Executive Officer



Shan A. Ashary
Director

K-ELECTRIC LIMITED

(FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)

CONDENSED INTERIM PROFIT & LOSS ACCOUNT


FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2014 (UN-AUDITED)

	Note	Three Months period ended	
		30 September 2014	30 September 2013
		(Rupees in '000)	
REVENUE			
Sale of energy – net		41,594,683	33,686,176
Tariff adjustment		14,211,097	15,526,495
Rental of meters and equipment		54,842	54,459
		55,860,622	49,267,130
EXPENDITURE			
Purchase of electricity	9	(20,710,050)	(18,838,507)
Consumption of fuel and oil	10	(21,452,969)	(19,813,434)
		(42,163,019)	(38,651,941)
Expenses incurred in generation, transmission and distribution		(3,815,660)	(3,868,152)
GROSS PROFIT		9,881,943	6,747,037
Consumers services and administrative expenses		(5,097,097)	(3,296,402)
Other operating expenses		(642,939)	(80,499)
Other income		1,500,440	999,093
		(4,239,596)	(2,377,808)
OPERATING PROFIT		5,642,347	4,369,229
Finance cost	11	(2,737,168)	(2,865,021)
PROFIT BEFORE TAXATION		2,905,179	1,504,208
Deferred Taxation		241,594	243,042
NET PROFIT FOR THE PERIOD		3,146,773	1,747,250
		(Rupees)	
EARNING PER SHARE - BASIC / DILUTED		0.11	0.06
		(Rupees in '000)	
Earning Before Interest, Tax, Depreciation and Amortization (EBITDA)		8,008,673	6,633,012

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



Nayyer Hussain
Chief Executive Officer



Shan A. Ashary
Director

K-ELECTRIC LIMITED

(FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2014 (UN-AUDITED)

	Three Months period ended	
	30 September 2014	30 September 2013
	(Rupees in '000)	
Net profit for the period	3,146,773	1,747,250
<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	32,727
Total comprehensive income for the period	<u>3,179,500</u>	<u>1,779,977</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



Nayer Hussain
Chief Executive Officer



Shan A. Ashary
Director

K-ELECTRIC LIMITED

(FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)

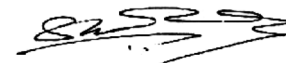
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2014 (UN-AUDITED)

	Issued, Subscribed and Paid-up Capital				Capital reserves		Revenue reserves			Total	Total equity
	Ordinary shares	Redeemable preference shares	Transaction costs	Total share capital	Capital reserves	Share premium	Revenue reserves	Other reserves	Accumulated losses		
Balance as at 30 June 2013 restated	96,653,179	-	(391,628)	96,261,551	509,172	1,500,000	5,372,356	(490,460)	(74,674,804)	(67,783,736)	28,477,815
<i>Total comprehensive income for the three months period ended 30 September 2013</i>											
Net Profit for the period	-	-	-	-	-	-	-	-	1,747,250	1,747,250	1,747,250
<i>Other comprehensive income</i>											
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	-	32,727	-	32,727	32,727
Total comprehensive income for the period	-	-	-	-	-	-	-	32,727	1,747,250	1,779,977	1,779,977
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	-	-	-	471,788	471,788	471,788
Balance as at 30 September 2013	96,653,179	-	(391,628)	96,261,551	509,172	1,500,000	5,372,356	(457,733)	(72,455,766)	(65,531,971)	30,729,580
<i>Total comprehensive income for the nine months period ended 30 June 2014</i>											
Net profit for the period	-	-	-	-	-	-	-	-	11,139,985	11,139,985	11,139,985
<i>Other comprehensive income</i>											
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	-	98,181	-	98,181	98,181
Remeasurements of defined benefit liabilities	-	-	-	-	-	-	-	-	250,455	250,455	250,455
Total comprehensive income for the period	-	-	-	-	-	-	-	98,181	11,390,440	11,488,621	11,488,621
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	-	-	-	1,323,105	1,323,105	1,323,105
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)	(52,720,245)	43,541,306
<i>Total comprehensive income for the three months period ended 30 September 2014</i>											
Net profit for the period	-	-	-	-	-	-	-	-	3,146,773	3,146,773	3,146,773
<i>Other comprehensive income</i>											
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	-	32,727	-	32,727	32,727
Total comprehensive income for the period	-	-	-	-	-	-	-	32,727	3,146,773	3,179,500	3,179,500
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	-	-	-	448,675	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)	(49,092,070)	47,169,481

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



Nayyer Hussain
Chief Executive Officer



Shan A. Ashary
Director

K-ELECTRIC LIMITED

(FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)

CONDENSED INTERIM CASH FLOW STATEMENT

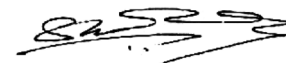
FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2014 (UN-AUDITED)

	Three Months period ended	
	30 September 2014	30 September 2013
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,905,179	1,504,208
Adjustments for non-cash charges and other items:		
Depreciation and amortization	2,366,326	2,263,783
Provision for deferred liabilities	232,626	221,322
Provision for slow moving stores	32,731	104,311
Provision for debts considered doubtful	2,289,872	1,121,344
Gain on sale of fixed assets	(40,145)	(51,356)
Finance costs	2,737,168	2,865,021
Amortization of deferred revenue	(316,866)	(297,208)
Return on bank deposits	(93,718)	(80,902)
Operating profit before working capital changes	10,113,173	7,650,523
Working capital changes		
(Increase) / decrease in current assets		
Stores, spares parts and loose tools	(141,685)	47,906
Trade debts	(9,598,552)	(2,192,312)
Loans and advances	(120,264)	(10,303)
Trade deposits and short term prepayments	816,214	571,190
Other receivables	(7,415,334)	(15,096,280)
	(16,459,621)	(16,679,799)
Increase in current liabilities		
Trade and other payables	13,022,957	12,117,752
Short-term deposits	99,114	359,784
	13,122,071	12,477,536
Cash generated from operations	6,775,623	3,448,260
Deferred liabilities paid	(237,520)	(233,919)
Income tax paid	(44,773)	(35,845)
Receipts in deferred revenue	474,102	-
Finance cost paid	(2,663,583)	(2,711,596)
Interest received on bank deposits	93,718	80,902
	(2,378,056)	(2,900,458)
Net cash generated from operating activities	4,397,567	547,802
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(2,180,968)	(1,015,846)
Proceed from disposal of fixed assets	56,336	103,947
Long term loans	1,749	2,465
Long-term deposits	(264)	-
Net cash used in investing activities	(2,123,147)	(909,434)
CASH FLOWS FROM FINANCING ACTIVITIES		
Syndicated Loan for PKR 7,700 million term facility	430,880	-
Payment of long term financing - net	(3,216,271)	(2,153,922)
Short term borrowing acquired	485,275	4,007,443
Security deposit from consumers	190,069	127,801
Net cash (used in) / generated from financing activities	(2,110,047)	1,981,322
Net increase in cash and cash equivalent	164,374	1,619,690
Cash and cash equivalent at beginning of the period	(3,177,811)	(6,927,479)
Cash and cash equivalent at end of the period	(3,013,437)	(5,307,789)

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



Nayyer Hussain
Chief Executive Officer



Shan A. Ashary
Director

K-ELECTRIC LIMITED

(FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2014 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

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

On 16 January 2014 the Company after obtaining all necessary statutory approvals has changed its name from Karachi Electric Supply Company Limited to K-Electric Limited.

The Company is principally engaged in the generation, transmission and distribution of electric energy to industrial and other consumers under the Electricity Act, 1990 and NEPRA Act, 1997, as amended to its licensed areas.

The registered office of the Company is situated at KE House (formerly KESC House), 39-B, Sunset Boulevard, Phase II, DHA, Karachi. KES Power Limited (the holding company) holds 69.20 percent (30 June 2013: 69.20 percent) shares in the Company.

2. STATEMENT OF COMPLIANCE

This condensed interim financial information has been prepared in condensed form in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and is being submitted to shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984. This condensed interim financial information does not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended 30 June 2014.

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 2014.

4. TRADE DEBTS

Considered good

Secured – against deposits from consumers

Unsecured

Considered doubtful

Provision for impairment

(against debts considered doubtful)

	30 September 2014	30 June 2014
<i>Note</i>	(Un-Audited)	<i>(Audited)</i>
	(Rupees in ‘000)	
	1,068,876	1,066,956
	81,943,899	74,637,139
4.1	83,012,775	75,704,095
	30,533,592	28,754,041
	113,546,367	104,458,136
	(30,533,592)	(28,754,041)
	83,012,775	75,704,095

- 4.1 This includes gross receivable of Rs. 44, 969 million (30 June 2014: Rs. 42,289 million) due from Government and autonomous bodies, including Karachi Water and Sewerage Board and City District Government Karachi amounting to Rs. 32,323 million (30 June 2014: Rs. 30,244 million) and Rs. 8,127 million (30 June 2014: Rs. 7,797 million) less unrecorded late payment surcharge from them of Rs. 2,639 million (30 June 2014: Rs. 2,488 million) and Rs.1,130 million (30 June 2014: Rs. 1,070 million) respectively. It is Management's contention that the calculation of late payment surcharge on Public Sector Consumers should be made on the same basis as the accrued interest on delayed payments on account of circular debt situation. If the similar basis is adopted, then the above receivable amount would substantially increase.

30 September
2014
(Un-Audited)
Note
(Rupees in '000)

30 June
2014
(Audited)

4.2 **Provision for impairment
(against debts considered doubtful)**

Opening balance	28,754,041	23,150,546
Provision made during the period / year	2,289,872	6,689,225
	31,043,913	29,839,771
Provision on debts written off during the period / year	(510,321)	(1,085,730)
	30,533,592	28,754,041

5. **OTHER RECEIVABLES**

Considered good

Sales tax - net	6,341,148	6,351,122
Due from the Government of Pakistan (GoP) in respect of:		
- Tariff adjustment and Others	5.1 44,990,964	37,558,427
- Interest receivable from GoP on demand finance liabilities	237,173	237,173
	45,228,137	37,795,600
Others	87,047	94,276
	51,656,332	44,240,998

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)
	-	-
	51,656,332	44,240,998

- 5.1 Tariff adjustments receivable includes certain adjustments to account for items including where the final mechanism of settlement have not been notified / finalized by NEPRA as part of its tariff determination process. The quarterly determination of Schedule of Tariffs have not been finalized for any quarter of the current year due to the impending corrigendum matter outstanding for the determination from July 2009 to March 2010 as discussed in detail in note 32.1.2 of the annual financial statement for the year ended 30 June 2014. Management has recognized tariff differential based on the petitions submitted to NEPRA in this regard.

30 September
2014
(Un-Audited)
(Rupees in '000)

30 June
2014
(Audited)

6. LONG-TERM FINANCING

From banking companies and financial institutions - Secured

International Finance Corporation (IFC)	5,482,192	5,641,821
Syndicate term loan	2,240,000	2,560,000
Asian Development Bank (ADB)	6,997,942	7,190,366
Foreign currency term loan	128,253	256,505
Syndicated commercial facility	118,056	236,111
Syndicated structured term finance facility	4,675,000	5,100,000
Structured Islamic Term Financing - Musharakah	1,050,000	1,200,000
Faysal Bank Limited - medium term loan	1,237,500	1,350,000
Syndicated Loan for PKR 7.7 bn term facility	2,702,055	2,271,175
	24,630,998	25,805,978
Current maturity shown under current liabilities	(7,918,404)	(7,947,606)
	16,712,594	17,858,372

Others - Secured

Due to oil and gas companies	50,610	125,610
Current maturity shown under current liabilities	(50,610)	(125,610)

Unsecured

GoP loan for the electrification of Hub Area	26,000	26,000
Karachi Nuclear Power Plant	239,263	389,263
Gul Ahmed Energy	737,415	867,547
	976,678	1,256,810
Current maturity thereof shown under current liabilities		
Due to Karachi Nuclear Power Plant	(239,263)	(389,263)
Due to Gul Ahmed Energy	(520,528)	(520,528)
	(759,791)	(909,791)

Due to the Government and autonomous bodies

Current maturity thereof shown under current liabilities

	-	945,000
	-	(945,000)
	-	-
	16,955,481	18,231,391

7. TRADE AND OTHER PAYABLES

Trade creditors

Power purchases	57,124,219	46,133,765
Fuel and gas	35,906,976	37,438,980
Others	5,554,169	3,858,641
	98,585,364	87,431,386

Murabaha finance facilities

Accrued expenses

	3,396,690	3,636,680
	2,469,125	2,124,263

Advances / credit balances of consumers

Energy	641,193	662,029
Others	763,387	633,646

Other liabilities

	1,404,580	1,295,675
	17,573,440	15,918,236
	123,429,199	110,406,240

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 2014 remain unchanged. Except as explained as follows:-

8.1.1.1 During the current period, the Federal Government promulgated Gas Infrastructure Cess Development (GIDC) Ordinance, 2014. Under that ordinance, the Federal Government again levied GIDC chargeable to gas consumers other than domestic consumers and also fixed the responsibility of charging and collection of GIDC on Gas companies. This ordinance validated the cess collected / levied under the previous Gas Infrastructure Development Cess Act, 2011. After issuance of the ordinance various suits were filed in Sindh High Court and Peshawar High Court against the enforcement of GIDC as the ordinance was issued against clear judgment of Honorable Supreme Court contained in the civil appeal nos 1540-1599/2013. Honorable High Courts after hearing the issue have restrained the defendants in the suits for raising such demand or issuing such bills in pursuance of the ordinance till final decision on the cases.

In the mean while, SSGC in its monthly bills issued to the Company has claimed GIDC amounting to Rs 1,924 million for the period July to September 2014. After receiving the demand and being aggrieved the Company also filed legal suit in the Sindh High Court to declare the ordinance illegal and ultra vires and restrain the defendants from recovering or taking any actions for recovery of cess from the Company and direct the defendants to refund the already paid cess amount. The Sindh High Court after hearing, granted stay and restrained the defendants from raising any demand till the next hearing.

Considering the courts' restraining orders, management believes that the matter will be decided in favor of the Company. In case if GIDC is made applicable then the amount of Rs 1,924 million will be recoverable through tariff adjustments without any significant impact on profit & loss of the Company.

8.1.1.2 With reference to note 32.1.2 of the annual financial statement for the period ended 30 June 2014, National Electric Power Regulatory Authority (NEPRA) issued a quarterly adjustment in tariff order on 17 October 2014 for the quarter ended December 2013. In the said order, considering the civil suit filed by the Company in Honorable Sindh High Court and the Sindh High Court interim order dated 7 April 2014, NEPRA excluded the reductions till the final decision of the Sindh High Court and worked out quarterly tariff adjustments after excluding the impact of reductions. While issuing the order NEPRA also determined other matters without following the due procedure and consideration of Company's contentions, resulting in a decrease in tariff differential claim amounting to Rs 4,552.913 million. The Company, being aggrieved with the action, filed a suit in Sindh High Court which has granted stay against NEPRA's order till the date for next hearing. Based on opinion from legal advisor, management believes that the matter will ultimately be decided in favor of the Company.

8.1.2 Claims not acknowledged as debts

Claims not acknowledged as debts as disclosed in notes 32.2 and 32.3 to the annual financial statements of the Company for the year ended 30 June 2014 remain unchanged.

	30 September 2014 (Un-Audited)	30 June 2014 (Audited)
	Note	
	(Rupees in '000)	
8.2 Commitments		
8.2.1 Guarantees from banks	227,674	223,674
8.2.2 Transmission Projects	1,709,265	1,635,640
8.2.3 Outstanding Letters of Credit	2,943,800	2,686,000
8.2.4 Extension of Generation Projects Combined Cycle Power Plant (28 MW)	673,640	1,130,942
8.2.5 Generation Project KGTP II (10 MW) Steam Turbine	2,900,299	2,682,702
8.2.6 Generation Project SGTPS II (10 MW) Steam Turbine	1,608,907	1,749,032
8.2.7 Dividend on Preference Shares	8.2.8 1,119,453	1,119,453
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 Senior lenders which are part of loan covenants.		

	30 September 2014 (Un-Audited)	30 September 2013
	(Rupees in '000)	
9. PURCHASE OF ELECTRICITY		
National Transmission and Dispatch Company	12,294,887	11,578,031
Independent Power Producers (IPPs)	7,940,986	6,332,193
Karachi Nuclear Power Plant	474,177	928,283
	<u>20,710,050</u>	<u>18,838,507</u>
10. CONSUMPTION OF FUEL AND OIL		
Natural gas	9,398,455	9,217,714
Furnace and other oils	12,054,514	10,595,720
	<u>21,452,969</u>	<u>19,813,434</u>
11. FINANCE COST		
Mark-up / interest on:		
Mark-up / interest on short / long term borrowings	1,421,122	1,636,560
Late payment surcharge on delayed payments to creditors	204,552	356,740
Bank service, discounting charges and others	1,111,494	871,721
	<u>2,737,168</u>	<u>2,865,021</u>
12. TRANSMISSION AND DISTRIBUTION LOSSES		

The transmission and distribution losses for the current period were 26.96% (30 September 2013: 29.36%).

13. TRANSACTIONS / BALANCES WITH RELATED PARTIES

Related parties of the Company comprise of associated companies, 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 2014	30 September 2013
	(Un-Audited)	
	(Rupees in '000)	
BYCO Petroleum Pakistan Limited, Associated Company		
Purchases	3,033,898	1,584,557
Financial Charges / Late Payment Surcharge	83,962	120,001
Key management personnel		
- Managerial Remuneration	35,560	35,749
- Housing and Other allowances	19,558	19,662
- Other allowances	25,596	21,251
- Retirement Benefits	14,804	6,295
	30 September 2014	30 June 2014
	(Un-Audited)	
	(Rupees in '000)	
BYCO Petroleum Pakistan Limited, Associated Company		
Amount payable included in		
- Trade and other payables	2,593,987	2,744,418
Provident Fund		
- Contribution to Provident Fund	122,433	492,030
- Payable to Provident Fund	7,669	29,164
KES Power Limited, Parent Company		
Short term loan	45,088	45,088

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.

15. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

Further to note 56 to the annual financial statements for the year ended 30 June 2014, waiver from KES Power Limited has been received, however waivers from the other three major shareholders (GOP, IFC and ADB) are still awaited. It was resolved in the Annual General Meeting (AGM) held on 23 October 2014, that the Board of Directors (BOD) to convene an Extra Ordinary General Meeting of the shareholders of KE within the next 90 days of the AGM, provided that the relevant waivers from GOP, IFC and ADB are available with KE. If such waivers / consents from GOP, IFC and ADB are collectively not available within 90 days of the AGM, then the Directors proposal made in the BOD Meeting held on 28 August 2014 shall be deemed to lapse automatically.

16. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information were authorized for issue on 31 October 2014 by the Board of Directors of the Company.

17. GENERAL

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



Nayyer Hussain
Chief Executive Officer



Shan A. Ashary
Director