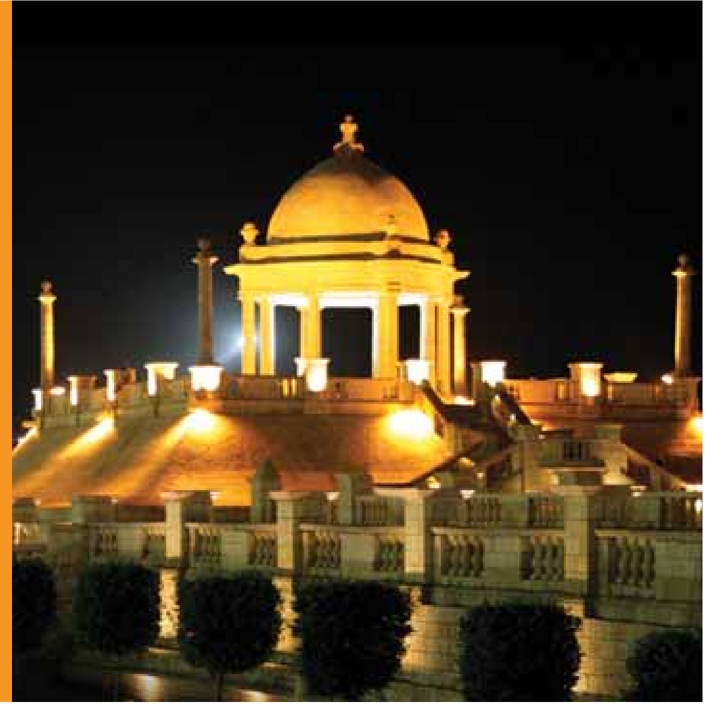
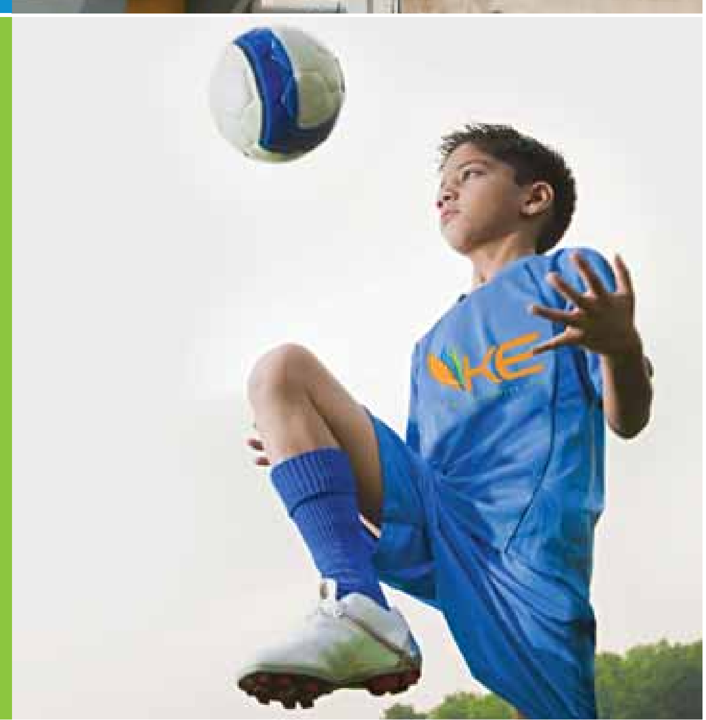
ENERGY
THAT MOVES LIFE



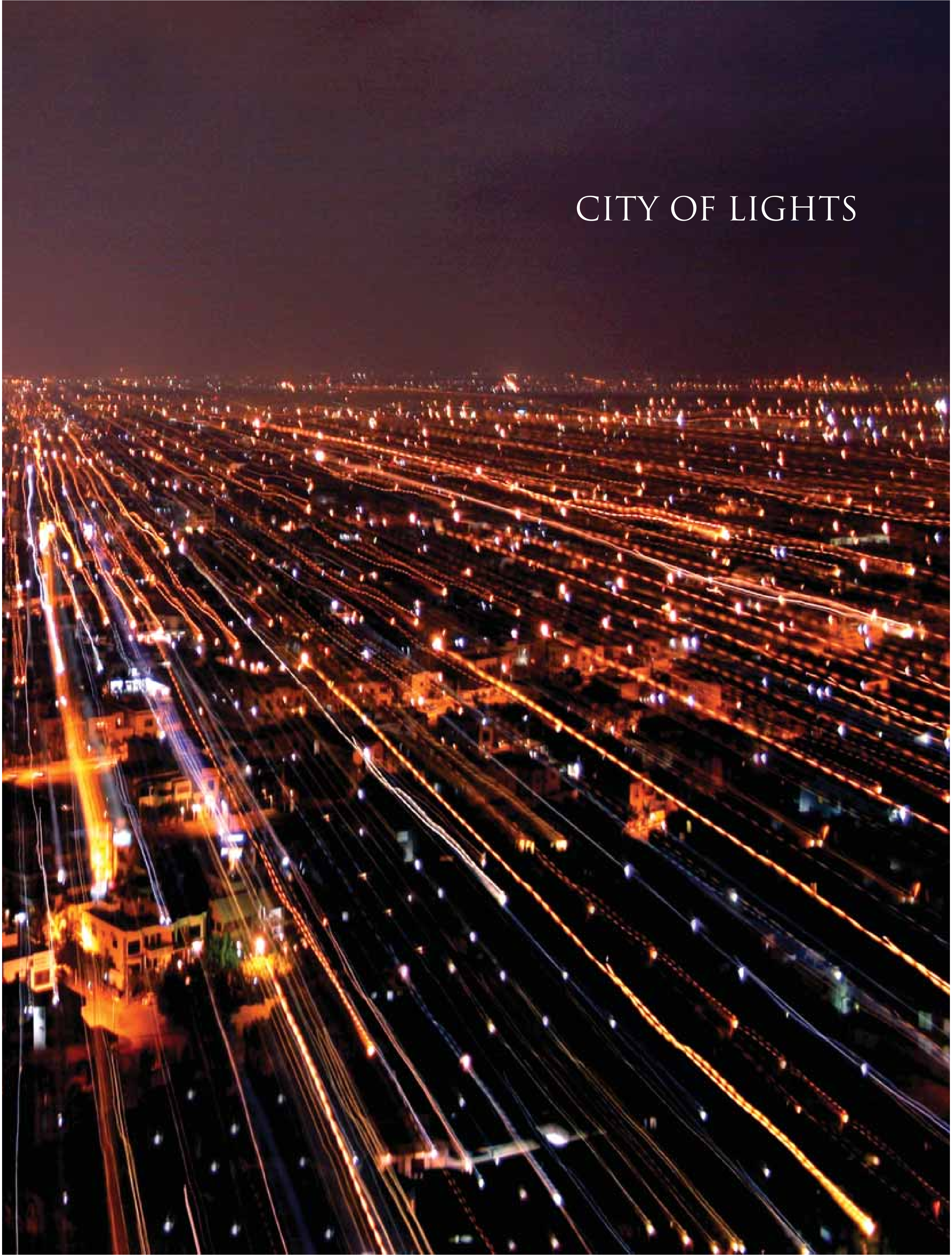


ANNUAL REPORT
2014

Energy That Moves Life

ANNUAL REPORT
2014

CITY OF LIGHTS



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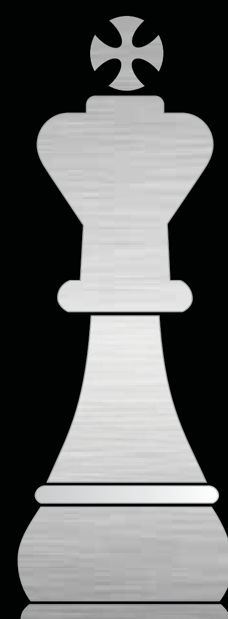


KE's Karachi

Region 1

FY14 D. Loss*	**27.6%**
FY14 AT&C Loss*	**35.1%**
# of IBCs	**7**
# of Consumers	**570,114**
Ord. Consumers' Consumption (MWh)	**959,271**
Ind. Consumers' Consumption (MWh)	**1,674,829**

Low Loss Areas
SITE
Uthal

Medium Loss Areas
Lyari I

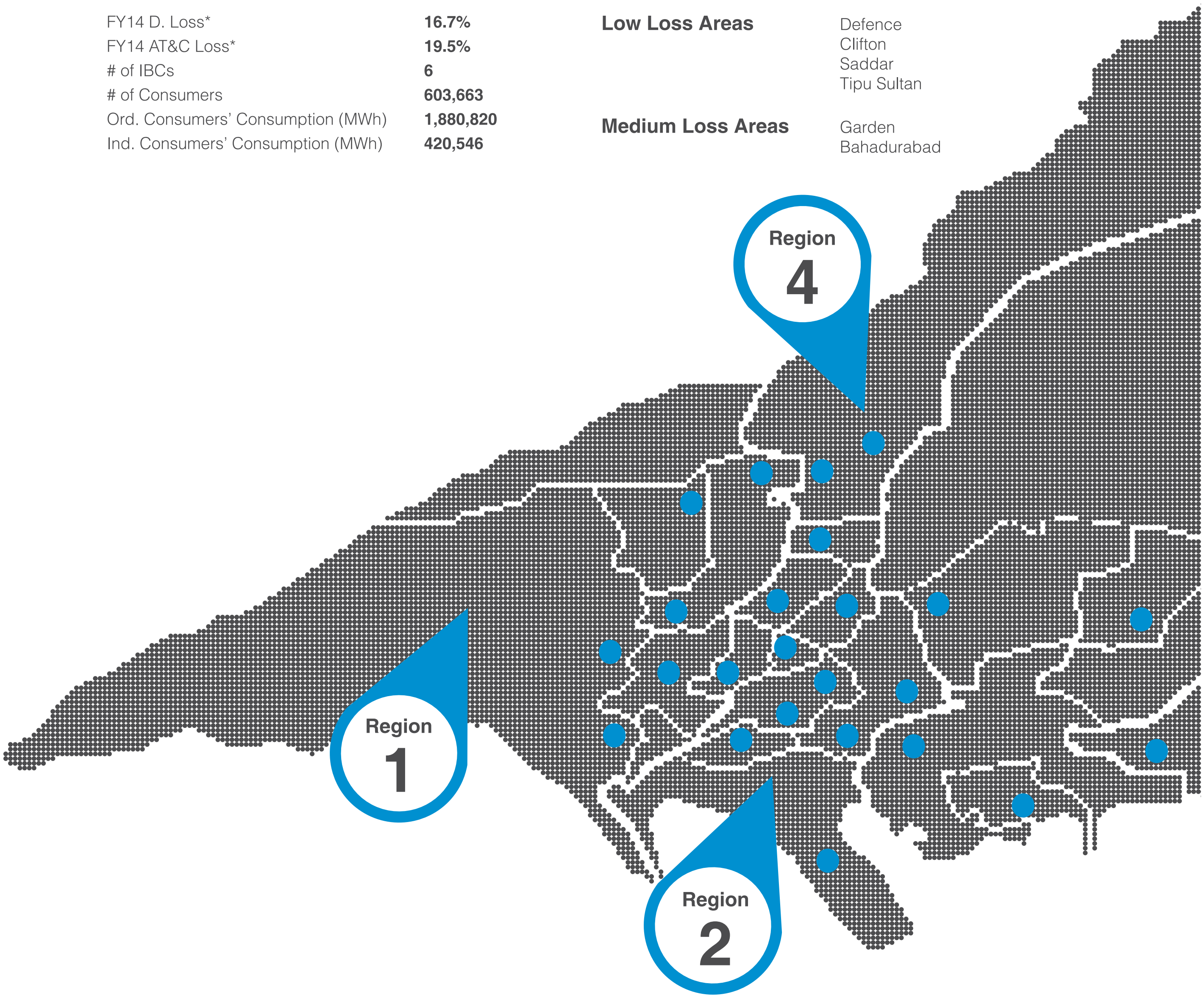
High Loss Areas
Baldia
Orangi I
Orangi II
Lyari II

Region 2

FY14 D. Loss*	**16.7%**
FY14 AT&C Loss*	**19.5%**
# of IBCs	**6**
# of Consumers	**603,663**
Ord. Consumers' Consumption (MWh)	**1,880,820**
Ind. Consumers' Consumption (MWh)	**420,546**

Low Loss Areas
Defence
Clifton
Saddar
Tipu Sultan

Medium Loss Areas
Garden
Bahadurabad



KE's Network of Reach

Residential Consumers 1.8 million	Public Sector Consumers 13,000	Total Consumers Approximately 2.5 million	Industrial Consumers 53,000	Commercial Consumers 0.6 million

*__FY:__ Fiscal Year
*__D. Loss:__ Distribution Loss
*__AT&C Loss:__ Aggregate, Technical and Commercial Loss

Region 3

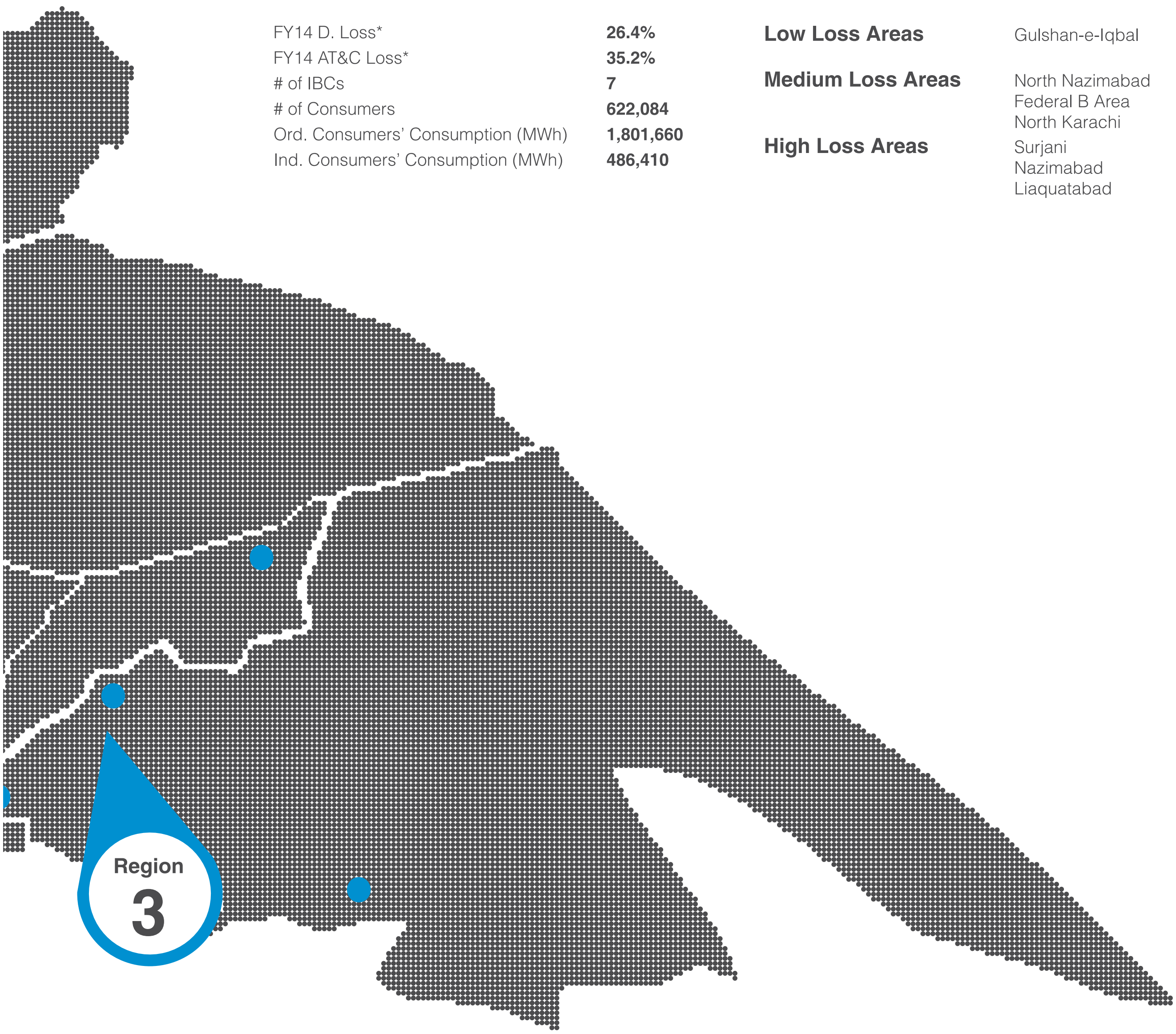
FY14 D. Loss*	**25.3%**
FY14 AT&C Loss*	**32.4%**
# of IBCs	**8**
# of Consumers	**616,069**
Ord. Consumers' Consumption (MWh)	**1,483,590**
Ind. Consumers' Consumption (MWh)	**1,279,867**

Low Loss Areas	Bin Qasim
Medium Loss Areas	Gulistan-e-Johar Shah Faisal
High Loss Areas	Korangi Gadap Landhi Malir

Region 4

FY14 D. Loss*	**26.4%**
FY14 AT&C Loss*	**35.2%**
# of IBCs	**7**
# of Consumers	**622,084**
Ord. Consumers' Consumption (MWh)	**1,801,660**
Ind. Consumers' Consumption (MWh)	**486,410**

Low Loss Areas	Gulshan-e-Iqbal
Medium Loss Areas	North Nazimabad Federal B Area North Karachi
High Loss Areas	Surjani Nazimabad Liaquatabad



Area Covered 6,500 Square Kilometres

KE (formerly KESC), incorporated in **1913**, is a publicly-listed fully-integrated power utility involved in generation, transmission and distribution, energising Karachi and parts of Sindh and Balochistan since a century.

28 **Integrated Business Centres (IBCs)** located across licensed areas.

On the employment side, the organisation employs over **10,000** workers in different capacities.

Chairman Message

"WE HAVE SHOWN THE WORLD THAT WHEN THERE IS UNFLINCHING DETERMINATION, PASSION AND INTEGRITY, NOTHING IS IMPOSSIBLE"

Tabish Gauhar
Chairman

Ours is a message of hope when it is so easy to fall in a state of despair. We have tried to show the world that when there is clarity of purpose, an unflinching determination, passion and integrity, nothing is impossible. We have challenged the status quo, made unpopular decisions and many enemies, all in the long-term interest of our customers. **We will let history judge us; not tomorrow's headlines in the newspaper or tonight's tickers on TV**. An organisation that has been around for over 100 years has an in-built stamina and ability to look beyond today and into the horizon, to see its role evolve and expand across different products, services, and indeed geographies in the near future. This is why we came up with a new identity, to rebrand, in line with our aspirations to grow and make Karachi proud.

It is about instilling a sense of "ownership" of our great city; to tell the world that we care, that while we are resilient, we are also not indifferent. It is about making a humble contribution to our city and our country. We all serve in different capacities, according to our individual capabilities, aspirations and beliefs; but there has to be a greater purpose of life than just fulfilling our individual needs and wants — that's the only key to happiness. In this context, the role of corporate organisations as change agents in society cannot be over-emphasised. Clichéd terms such as "good corporate citizen", "responsible investment", "corporate social responsibility", "ESG", "social compact", etc. are all too familiar to most of us. In the end, it all boils down to one simple fact: you cannot survive and prosper in the long run, and attempt to create "an island of excellence" in a "sea of chaos". In so many respects, that has been the struggle and journey of KE over the last 100 years — and especially the previous five years or so that we have been at the helm of affairs of this organisation. Whilst we have worked earnestly to try to repair the broken relationship of trust between KE and its stakeholders, we have simultaneously also asked for patience and a recognition that **change is relative — to our past performance and to our peers — and should be measured in overall terms, not against some absolute, best-in-class benchmark that we are admittedly short of today**. All we have asked for is a bit of encouragement and support, not for us but for those dozens of foreign and local institutions that have contributed close to a billion dollars to KE over the last 4-5 years. They need to be welcomed, not scared away.

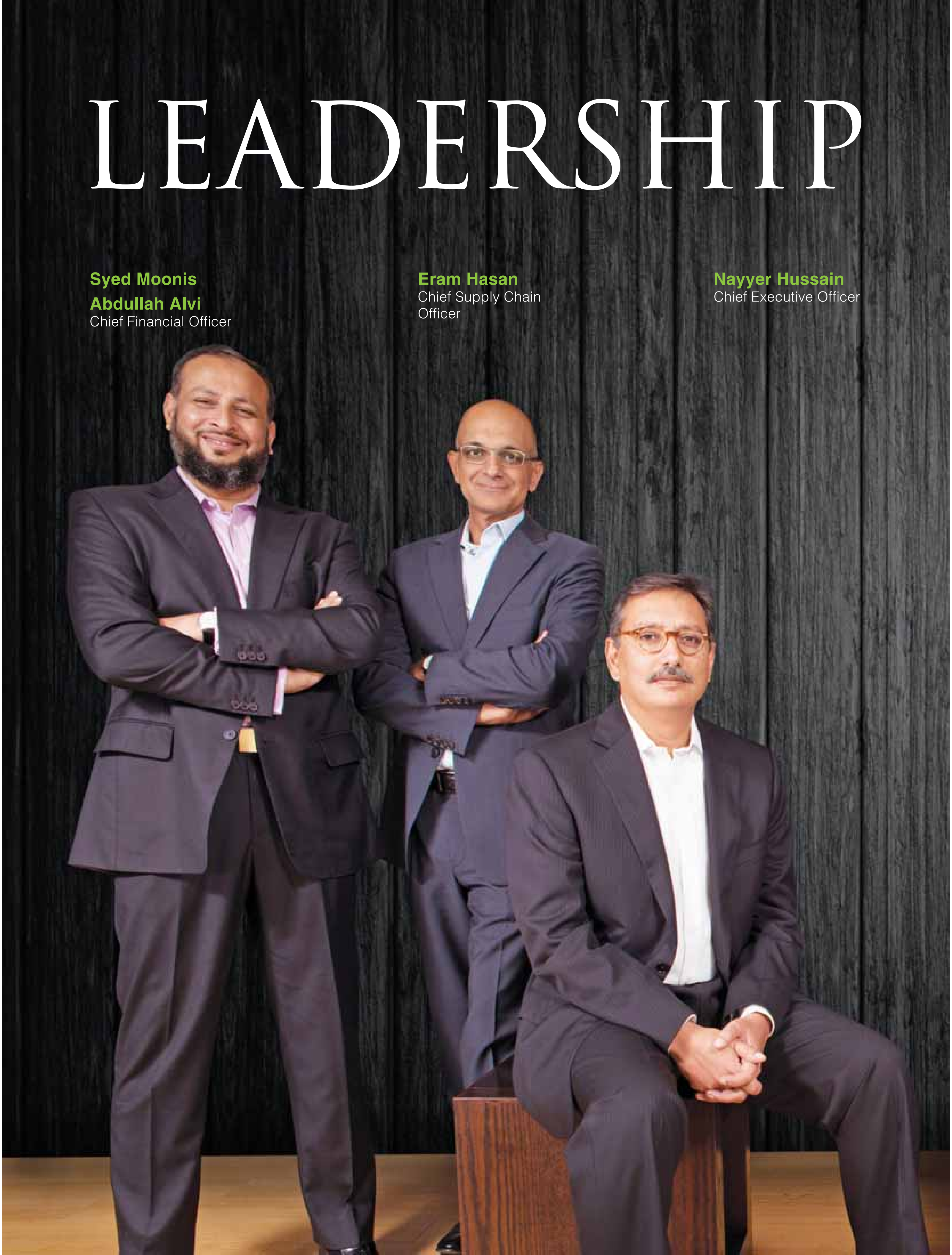
Our mission is clear — to be able to provide power to our 2.5 million industrial, commercial, residential and strategic customers on a consistent basis, at a price that is affordable for all without subsidy from the Government and to make KE a more customer-centric organisation. The journey is well underway, but there will be no finish line per se. As we strive for excellence, we will always remain in pursuit of an ever-changing and challenging target — but we will never give up, never lose hope and keep serving. **For us, it is not a 9 to 5 day job, but a once-in-a-lifetime God-given opportunity to make a meaningfully positive difference in the lives of millions of our fellow citizens**. Otherwise, it would have been all too easy, and indeed safer, to "throw in the towel" a long time ago. **Public service is a sacred trust, and a thankless job by definition, but one that we have voluntarily embraced. It is neither for the faint-hearted nor for the thin-skinned**. We need more young people to join us in this journey, which is why we are particularly pleased to be running what is arguably the largest training programme in the country's corporate history. These young people can surely make more money elsewhere, or wear a socially-acceptable corporate badge. But they have chosen to join our mission to leave a powerful legacy behind and to help others in the pursuit of true happiness... Pakistan Zindabad!"

LEADERSHIP

Syed Moonis Abdullah Alvi
Chief Financial Officer

Eram Hasan
Chief Supply Chain Officer

Nayyer Hussain
Chief Executive Officer



"To command is to serve, nothing more and nothing less" — Andre Malraux

Syed Naveed Ahmed
Chief Business Development Officer

Syed Arshad Masood Zahidi
Chief Generation & Transmission Officer

Asir Manzur
Chief Human Resource Officer

Syed Muhammad Taha
Chief Distribution Officer

VISION, MISSION AND VALUES

VISION – ہماری منزل
To restore and maintain pride in KE, Karachi and Pakistan.

MISSION – ہمارا عمل
Brightening lives by building the capacity to deliver uninterrupted, safe and affordable power to Karachiites.

VALUES – ہماری اقدار

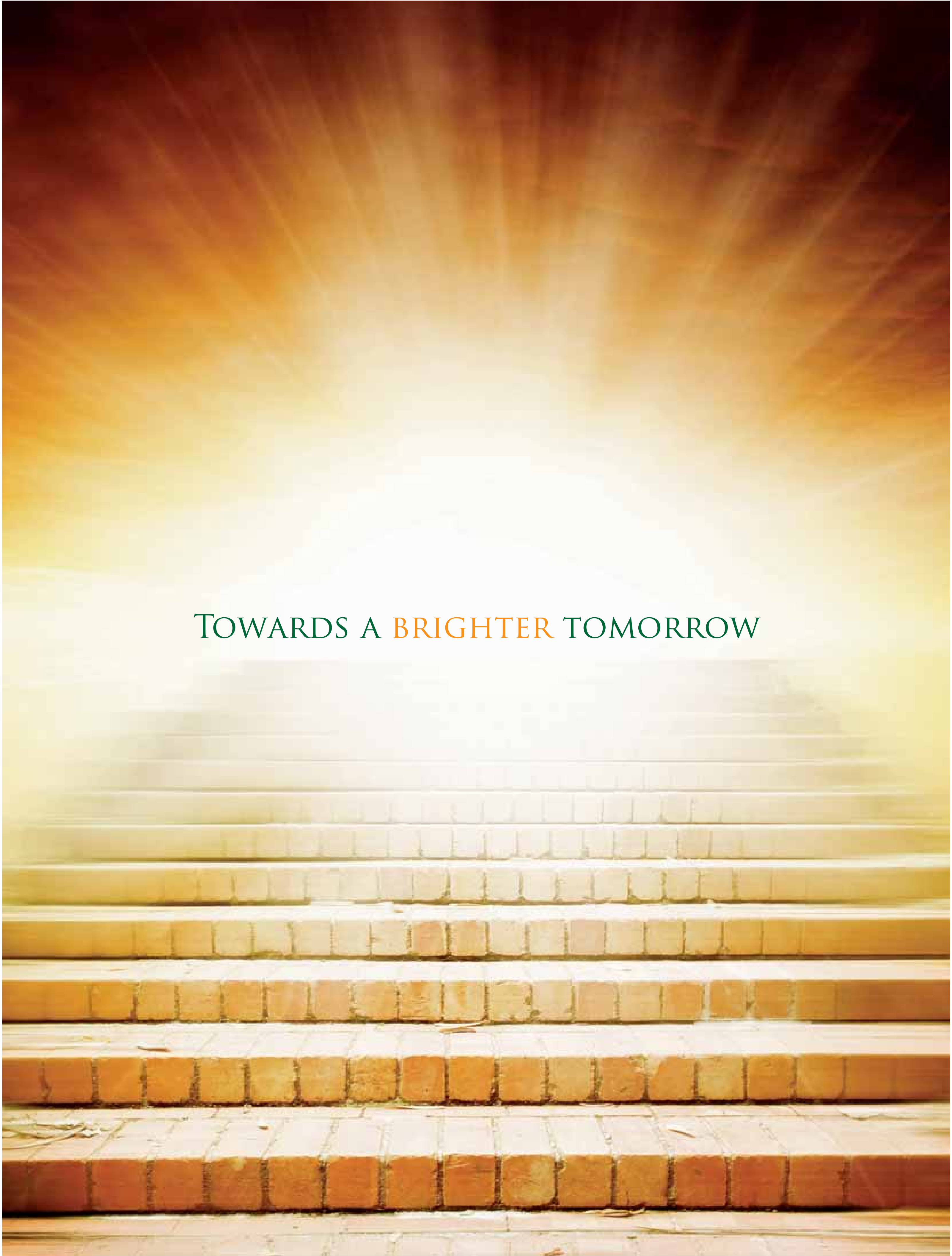
WE BELIEVE
We speak as a professional, committed to helping the customer. As an organisation, we have a long way to go to provide the service we all deserve, so we cannot boast. We can do what we say we will do. Be accountable and continue to do better.

WE ARE TRUSTWORTHY
We speak simply, but never patronise. Long and complicated explanations are confusing and can appear as if we have something to hide.

WE ARE OPEN
We speak clearly and concisely. If the customer needs our assistance, or if we need to give them information, we don't waste their time. We tell the truth and are completely open and transparent. By explaining the 'good' and the 'bad', we can gain the customer's trust and respect. We always ask for their involvement, never demand it.

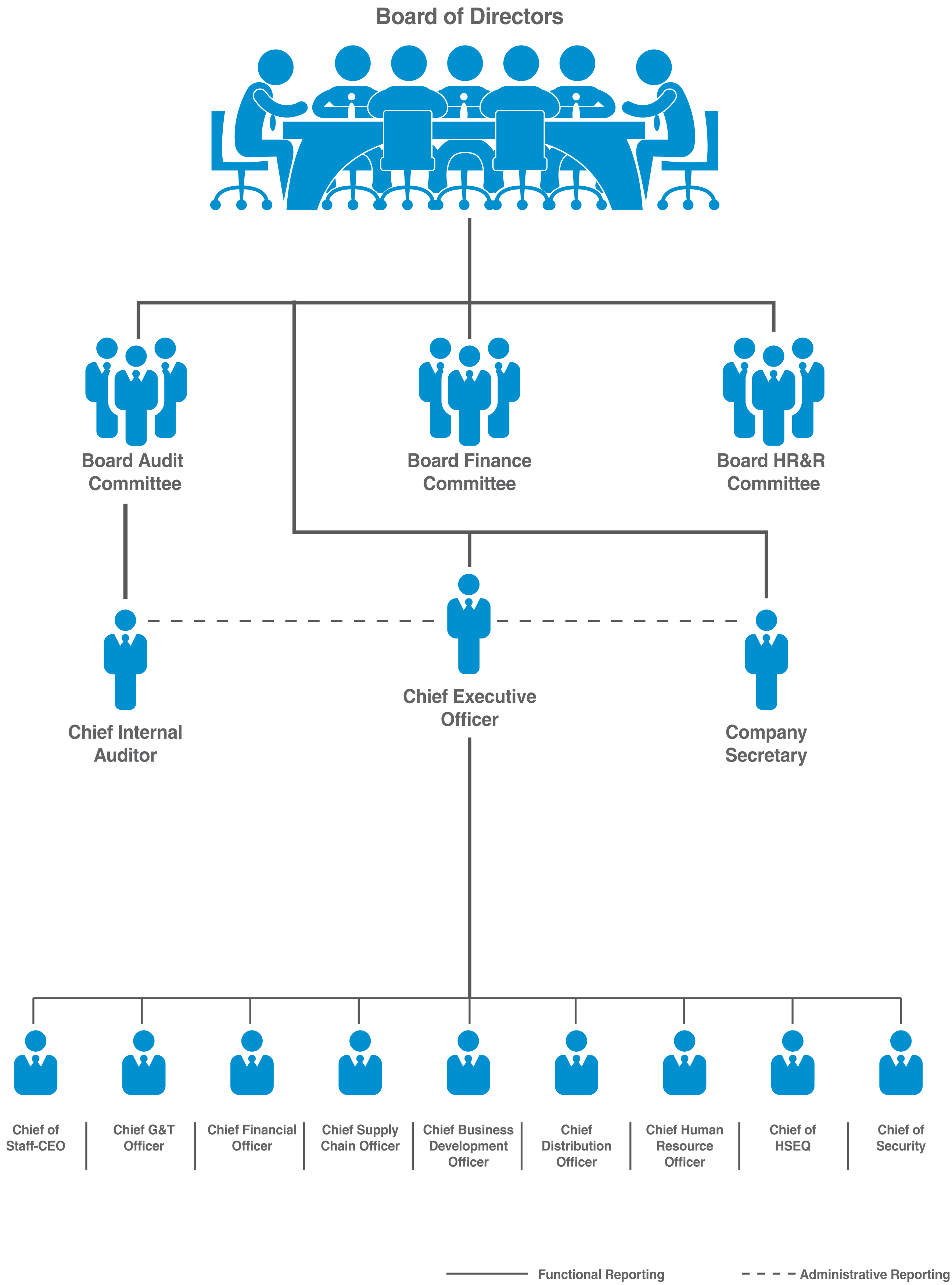
WE ARE DEPENDABLE
We can be relied upon to do the right thing by everyone we come across and act in a responsible manner towards people, places and the environment.

WE THINK ABOUT YOU
We take time to listen to you and understand your needs. You are at the heart of what we do. We speak with a welcoming human smile in our voice. A conversation that begins this way shows that we are approachable and are here to help the customer.


Towards a brighter tomorrow

HOLDING STRUCTURE AND ORGANOGRAM

Incorporated on September 13, 1913 under the Indian Companies Act of 1882, KE was nationalised in 1952 and then privatised once more on November 29, 2005. In September 2008, The Abraaj Group acquired equity stake in KES Power, the holding company of KE, and took administrative control of the organisation. The Abraaj Group and the Government of Pakistan (GoP) committed substantial equity investment of USD 361 million and USD 125 million respectively in the organisation in a three-year period. Under the current holding structure, KES Power has a 69.2% stake in KE, the Government of Pakistan being the second largest shareholder with 24.4% while IFC and ADB own a 3.8% stake with minority and freely floated shares at 2.6%.


Board of Directors
Board Audit Committee
Board Finance Committee
Board HR&R Committee
Chief Internal Auditor
Chief Executive Officer
Company Secretary
Chief of Staff-CEO
Chief G&T Officer
Chief Financial Officer
Chief Supply Chain Officer
Chief Business Development Officer
Chief Distribution Officer
Chief Human Resource Officer
Chief of HSEQ
Chief of Security
Functional Reporting
Administrative Reporting

COMPANY INFORMATION

Board of Directors (BoD)

Chairman
Tabish Gauhar

Chief Executive Officer
Nayyer Hussain

Independent Director
Khalid Rafi

Non-Executive Directors
Frederic Sicre
Mubasher H. Sheikh
Muhammad Tayyab Tareen
Muhammad Zargham Eshaq Khan
Noor Ahmed
Omar Khan Lodhi
Shan A. Ashary
Sohail Akber Shah
Wahid Hamid

Executive Director
Syed Arshad Masood Zahidi

Board Audit Committee (BAC)

Khalid Rafi	Chairman
Mubasher H. Sheikh	Member
Muhammad Tayyab Tareen	Member
Tabish Gauhar	Member
Wahid Hamid	Member

Board Human Resource & Remuneration Committee (BHR&RC)

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
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
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
United Bank Limited

Registered Office
KE House, 39-B, Sunset Boulevard,
Phase-II (Ext) DHA, Karachi, Pakistan.

Website
www.ke.com.pk

UAN
111-537-211

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 104th Annual General Meeting of K-Electric Limited (formerly Karachi Electric Supply Company Limited) will be held at Navy Welfare Centre, Liaquat Barracks, Karachi on Thursday, October 23, 2014 at 11:00 am to transact the following business:

Ordinary Business

1. To confirm Minutes of the Annual General Meeting held on October 29, 2013.

2. To receive and adopt the annual audited financial statements of the Company (with the Directors' Report and Auditors' Report) for the year ended June 30, 2014.

3. The Board of Directors has proposed cash dividend up to a maximum of 15% i.e. PKR 0.525 per share only for minority shareholders subject to waiver from all the four (4) major shareholders (GoP, KES Power, IFC and ADB).

4. To appoint Auditors for FY14-15 and to fix their remuneration.

5. Any other business with the permission of the Chair.

By Order of the Board
Muhammad Rizwan Dalia
Company Secretary
K-Electric Limited
Karachi, September 26, 2014

N.B.

(i) a) The Share Transfer Books of the Company, for the purpose of attending AGM, will remain closed from October 16 to October 23, 2014 (both days inclusive). Transfer received at CDC Share Registrar Department, Central Depository Company of Pakistan Limited, CDC House 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400 by the close of business on Wednesday, October 15, 2014 will be treated in time.

b) Closure of Share Transfer Books of the Company to determine shareholders entitlement to the proposed cash dividend will be announced in due course of time.

(ii) A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A proxy must be a member of the Company.

(iii) Duly completed forms of proxy must be deposited with the Company Secretary at the Corporate Affairs Department, 1st Floor, 66 KVA Building, Power House, Elander Road, Karachi no later than 48 hours before the time fixed for the meeting.

(iv) Shareholders (non-CDC) are requested to promptly notify the Share Registrar of the Company of any change in their addresses. All the Shareholders holding their shares through the CDC are requested to please update their addresses with their participants.

(v) Shareholders who have not yet submitted attested photocopy of their Computerised National Identity Card (CNIC) to the Company are requested to send the same at the earliest.

CDC account holders will further have to follow the under-mentioned guidelines as laid down in Circular 1, dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

(i) In case of individuals, the account holders or sub-account holders, whose registration details are uploaded as per the regulations shall authenticate his / her identity by showing his / her original CNIC or original passport at the time of attending the meeting.

(ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies

(i) In case of individuals, the account holders or sub-account holders, whose registration details are uploaded as per the regulations shall submit the proxy form as per the above requirement.

(ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(iii) The proxy shall produce his / her original CNIC or original passport at the time of the meeting.

(iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

(v) The proxy form will be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

PROFILE OF BOARD OF DIRECTORS

Tabish Gauhar

Chairman

Mr. Tabish Gauhar Chairman KE, Partner and Country Head of The Abraaj Group for Pakistan, has over 20 years of experience in project development in the private power, water and petrochemical industries in the Middle East, South Asia, Europe and Africa. Mr. Gauhar has played a key role in the development of the energy sector in Pakistan since 1994. He has been involved in the development, financing, construction and operation of nearly 3,000 MW of installed capacity in the country including 1,300 MW Hub Power Plant; 700 MW AES LalPir / PakGen Power Plants; and 1,000 MW of four new K-Electric Power Plants. In the last five years alone, he has been instrumental in facilitating nearly USD 1 billion of Foreign Direct Investment into Pakistan for the turnaround of K-Electric and the construction of Pakistan's largest oil refinery complex "Byco" with 150,000 barrels per day capacity situated in Balochistan.

As the Chief Executive of K-Electric between November 2009 and February 2013, Mr. Gauhar achieved an operational, financial, and reputational turnaround of the ailing utility Company including:

- Eliminating scheduled load shedding in 57% of the total network
- Promoting "sustainability and responsible investment" through a series of CSR initiatives impacting over 2.2 million underprivileged people per annum
- Laying the foundation for Pakistan's first oil-to-coal conversion project to significantly reduce the consumer tariff, circular debt and oil import bill
- Formulating the country's first holistic "Climate Change" policy for a utility Company

Mr. Gauhar graduated with a First Class Honours degree in Electrical Engineering from King's College London (Chevening / ICI Scholar), and also holds an MBA (Finance) from the Institute of Business Administration, Karachi.

Other Offices: Director:
1. MSF (Pakistan)
2. Byco Industries Inc. (Mauritius)
3. KES Power Limited

Nayyer Hussain
Chief Executive Officer

Nayyer Hussain is the CEO of the Company since February 2013. He was an Executive Director of the Company and Chief Distribution Officer between November 2009 and February 2013.

Prior to joining The Abraaj Group he was with Mashreq Bank, where he managed the Retail Risk Management function.

While with Citigroup from 1991 to 2005, he worked with their franchise in Pakistan, Saudi Arabia and Russia as Head of Retail Risk Management. In Pakistan and Russia, he was part of the pioneering team that was responsible for the launch of Retail Banking Business.

During his tenure in Saudi Arabia with Saudi American Bank, he managed to turnaround an adversely performing portfolio and also led the retail banking team that helped merge United Saudi Commercial Bank (previously known as Saudi Cairo Bank).

Khalid Rafi
Independent Director

Khalid Rafi is an Independent Director on the Board of the Company, elected at the AGM of the Company held on October 8, 2012 and he is also Chairman of the Board Audit Committee (BAC).

Mr. Rafi was a Senior Partner at A. F. Ferguson & Co., Chartered Accountants, a member firm of PricewaterhouseCoopers LLP, for 20 years. He was also the President of the Institute of Chartered Accountants of Pakistan and of Management Association of Pakistan. Mr. Rafi is a Chartered Accountant, being a Fellow at the Institute of Chartered Accountants in England and Wales.

Other Offices: Chairman, FAMCO
Independent Director,
Century Insurance Company Limited.

Syed Arshad Masood Zahidi
Executive Director

A Director at The Abraaj Group, currently assigned to K-Electric (KE), formerly KESC, Pakistan as Chief Generation & Transmission Officer.

Mr. Zahidi collectively possesses more than 23 years of experience in Process Design, Business Development, Project Management, and Plant Management in fertiliser, power and refinery sectors. He started his career with Engro Chemical Pakistan Ltd. (formerly Exxon) in 1991 and worked as the operations and design engineer. His achievements include commissioning of the product handling unit, implementation of the environment project and urea plant de-bottlenecking, with ammonia plant manager being his last assignment. As an engineering manager at Engro Energy Limited, he led the development and engineering of a 220 MW power plant from 2006 to 2008.

He joined The Abraaj Group in 2008 and managed industrial portfolios, Byco Petroleum, Pakistan and Mannan Shahid Forging, Pakistan as an industrial specialist. As a member of The Abraaj Investment Team, he carried out due diligence, developed an investment case and acquired management control of KE (formerly KESC) in May 2009. He is an Executive Director of the Board, currently heading the Generation and Transmission side of the power utility as the Chief Generation and Transmission Officer. Concurrently, he spearheaded the development and construction of five power plants with a combined capacity of 1,000 MW and eleven 132 kV grid stations adding more than 750 MVA of transmission capability.

Mr. Zahidi holds a Bachelors Degree in Chemical Engineering from the University of Engineering and Technology in Pakistan.

Frederic Sicre
Non-Executive Director

Frederic Sicre is a Non-Executive Director on the K-Electric (KE), formerly KESC, Board since May 7, 2013.

Mr. Sicre, Managing Director - The Abraaj Group, has over 20 years of experience in engaging the private sector on global issues, regional development agendas and community building. He spearheads the Abraaj Strategic Stakeholder Engagement Track (ASSET) at The Abraaj Group that works with leaders from all fields, including governments, the private sector, media and culture.

Prior to joining the Group, Mr. Sicre spent 16 years as a managing director at the World Economic Forum where he established the Forum's activities in Africa and the Middle East. Mr. Sicre was responsible for the Center for Regional Strategies, with particular focus on global growth markets, and acted as the editor of South Africa at Ten, a book celebrating the first 10 years of democracy in the country.

Mr. Sicre is the Chairman of the Mustaqbali Foundation and serves on a number of Advisory Boards, including Dubai Cares and Injaz Al Arab (Junior Achievement). He is also a member of the World Presidents' Organisation (WPO).

Mr. Sicre holds an MBA from IMD, a Bachelor of Arts and Sciences from Villanova University, Philadelphia and is a Fellow of Stanford University.

Other Offices:

Chairman, Mustaqbali Foundation
Director:
1. Wamda Limited
2. Injaz
3. Dubai Cares
Board Member:
1. Education for Employment

Mubasher H. Sheikh
Non-Executive Director

Mubasher Hussain Sheikh has been a Non-Executive Director of the Company since its privatisation on November 29, 2005.

Mr. Sheikh joined the National Industries Group (Holding), Kuwait, in 2001 and is currently holding the position of Group Financial Controller. NIG is one of the largest listed investment holding companies on the Kuwait Stock Exchange and a leading industrial conglomerate in the GCC. NIG focuses on investment opportunities arising in the MENA region and Indian sub-continent within the "infrastructure and industrials" space, which includes petrochemicals, oil and gas services, utilities, building materials, real estate and financial services sectors. NIG has consolidated assets in excess of USD 5 billion.

Prior to joining NIG, Mr. Sheikh was an audit manager at Grant Thornton International, Kuwait, where he worked since 1996. He is currently a board member of K-Electric (KE), formerly KESC, as well as National Combined Industries Holding Company for Energy, Kuwait. He graduated with a degree in mathematics and statistics from The University of Punjab, Pakistan and is a Chartered Certified Accountant UK (FCCA).

He is also a Non-Executive Board Member in Proclad Group Limited, UAE, which has sales in excess of USD 200 million and specialises in the manufacturing of Weld Overlay Clad products and in the manufacturing of Unibar continuous cast iron.

Other Offices:
Group Financial Controller, National Industries Group, Kuwait
Board Member:
1. Proclad Group Limited, UAE
2. National Combined Industries Holding Company for Energy, Kuwait

Muhammad Tayyab Tareen
Non-Executive Director

Muhammad Tayyab Tareen was an Executive Director of the Company between May 2009 to June 2013 and held the position of Chief Financial Officer and Chief Strategy Officer and since July 2013, he is a Non-Executive Director of the Company.

Mr. Tareen is Managing Director, The Abraaj Group and Head of Abraaj Pakistan Fund. He has over 21 years of experience, mainly with multinationals, covering areas of business turnarounds, financial management, planning and business acquisitions. Prior to joining The Abraaj Group, in 1996 he was the Chief Financial Officer (CFO) of the Coca-Cola Company managed bottler in the UAE and Oman, a business that saw a successful turnaround from losses to sustained profitability within two years. From 1997 to 2001, he was with Coca-Cola Beverages Pakistan as CFO and Company Secretary.

He started his career in 1995 with Packages Limited in Pakistan as Manager Project Financing, responsible for investment reviews and project financing. Mr. Tareen is a qualified Chartered Accountant and member of the Institute of Chartered Accountants of England and Wales.

Omar Khan Lodhi
Non-Executive Director

Omar Khan Lodhi is a Non-Executive Director of the Company since August 26, 2010.

Mr. Lodhi is a Partner and Regional Head of The Abraaj Group for East Asia, based in Singapore. He has close to 21 years of investing and operating experience spread across a diverse range of sectors in Asia, Europe and MENA. Prior to joining The Abraaj Group in 2005, Mr. Lodhi spent the most part of his career with UBS, based in London and Hong Kong.

Mr. Lodhi is a graduate of the London School of Economics with an Honours degree in International Trade and Development. He also holds an MBA from the Harvard Business School.

Shan A. Ashary
Non-Executive Director

Shan A. Ashary has been a Non-Executive Director of the Company since its privatisation on November 29, 2005.

Mr. Ashary is a senior executive with over thirty years of proven success in managing international investments, operations of a large diversified group, finance, treasury, public accounting, and strategic and corporate planning. He has worked with multinationals and leaders of the industries in UK, Canada, USA, UAE, Kuwait and Saudi Arabia. He currently serves on the Boards of several companies in the US and the Middle East, including Al-Jomaih Holding in Riyadh, where he is the Chief Investment Officer – International Investments.

He is a Fellow of the Institute of Chartered Accounts of England and Wales, and has previously been engaged as Vice President (COO) – Operations and member of the Board for Al-Wazzan Holding Group in Kuwait and Chief Financial Officer / Advisor to the Chairman and member of the executive Board for Al-Jeraisy Group in Riyadh.

His experience in the Western half of the world includes: Vice President and Partner with Metrics Inc. in Dallas, Texas; Manager Finance and Administration with Crowley Maritimes in San Francisco, California; Manager Internal Audit with Hawker Siddley in Toronto, Canada; and Audit Senior / Supervisor with Pricewaterhouse & Co. in London and Montreal.

Other Offices:
Investment Adviser, Al-Jomaih Holding Co. (Saudi Arabia)

Wahid Hamid
Non-Executive Director

Wahid Hamid is a Non-Executive Director on the Board of the Company, elected at the AGM held on October 8, 2012.

Mr. Hamid is a partner at The Abraaj Group and Head of The Abraaj Performance Acceleration Group, in which role he is responsible for structuring the firm's operational excellence and business acceleration capabilities to drive value creation in partner companies. He chairs the Group's ParCo Review Committee and is a member of the Global Investment Committee and the Management Executive Committee.

Mr. Hamid brings extensive experience to The Abraaj Group related to strategy, M&A, global business development and operational improvement. Most recently, he has worked as an independent advisor to private equity firms and their portfolio companies and acted as a senior advisor to the Boston Consulting Group, helping expand their business with leading multinational clients.

Prior to this role, Mr. Hamid was the Senior Vice President of Corporate Strategy and Development at PepsiCo, Inc., reporting to the CEO. He was on the firm's executive management committee and a member of the Board of Pepsi Americas (NYSE:PAS), one of their largest anchor bottlers. While at PepsiCo, he was also CFO of PepsiCo Americas Foods, a USD 20 billion sector of the company. In these roles he was responsible for developing and implementing innovative corporate and business unit strategies, new ventures and alliances and for all M&A activities in conjunction with the divisions and sectors.

Mr. Hamid joined PepsiCo from the Boston Consulting Group (BCG), where he spent 15 years in a wide variety of roles and led engagements advising Fortune 100 companies on developing and implementing growth and innovation strategies as well as on large-scale re-engineering and transformation programmes and ultimately served as a Senior Partner and Managing Director at their New York office. He led BCG's consumer goods and retail practice across Asia Pacific for a number of years and led large-scale engagements in Japan, China, South Korea and India. He was also the founder and chairman of a successful IT services business in China.

Mr. Hamid holds dual undergraduate degrees from the California Institute of Technology (with honours) and Occidental College (cum laude) and an MBA from the Wharton School of the University of Pennsylvania.

Other Offices: Director:

1. JoramCo, Jordan
2. Art Marine, Dubai
3. Network International, Dubai
4. Byco Industries Inc, Mauritius
5. Mediamorph, New York
6. Knowledge Platform, Singapore

Noor Ahmed
Non-Executive Director (GoP nominee)

Noor Ahmed is a Non-Executive Director on the Board of the Company since September 10, 2013 and represents the Government of Pakistan (GoP).

Mr. Ahmed currently holds the position of Senior Joint Secretary (CF-II), Finance Division, Ministry of Finance, GoP.

Prior to this position, he has worked in the capacity of: Senior Joint Secretary, Statistics Division; Chief (Administration), FBR (HQ); Director General, Privatisation Commission; Joint Secretary (Economic Affairs Wing), PM Secretariat; Deputy Secretary (Economic Affairs Wing), PM Secretariat; and Deputy Director, Public Procurement Regulatory.

He is an M.A. in Development Studies (1996) from the Institute of Social Studies in Hague, Netherlands (Specialisation in Public Policy), and an M.A. in History (1988) from the University of Punjab, Lahore.

Other Offices:
Director:
1. PHPL
2. GENCO Holding (Pvt) Ltd
3. ISGSL
4. PARCO

Muhammad Zargham Eshaq Khan
Non-Executive Director (GoP nominee)

Muhammad Zargham Eshaq Khan is a Non-Executive Director on the Board of the Company since April 26, 2011.

Mr. Khan represents the Government of Pakistan (GoP) on the KE BoD and currently holds the position of Joint Secretary (Power), Ministry of Water and Power, GoP.

Other Offices: Director:

1. LESCO
2. PESCO
3. HESCO
4. MEPCO
5. GEPCO

Sohail Akber Shah
Non-Executive Director (GoP nominee)

Sohail Akber Shah is a Non-Executive Director of the Company since April 10, 2014. He represents the Government of Pakistan (GoP) on the KE BoD and currently holds the position of Additional Secretary (Power), Ministry of Water & Power, GoP, Islamabad.

Prior to this position, Mr. Shah worked on key positions in diverse sectors at various locations including: Additional Secretary / Member, Federal Ombudsman Office; Additional Chief Secretary, Home Department; Secretary Agriculture Department; Secretary Forest and Wild Life; Secretary to CM Sindh; Member RS&EP Board of Revenue, Government of Sindh; Director General, Mines and Mineral Development, Govt. of Sindh; Special Secretary, Education and Literacy Department, Govt. of Sindh; Additional Secretary, Health Department; Additional Secretary, Local Govt. Public Health Engg Rural Development Department; Deputy Secretary, Economic Affairs Division; Administrator, Municipal Corporation Peshawar; Director Food, Government of Sindh; Deputy Commissioner / District Magistrate Khairpur; Hyderabad; Mirpurkhas; and Thatta; Additional Secretary (Imp), CM Secretariat / House, Karachi; Colonisation Officer, Sukkur Barrage; Revenue Officer, Kotri Barrage; Deputy Secretary, Industries Department; Deputy Secretary Home Department.

Mr. Shah has a B.E. (Electronics) from Dawood College of Engineering & Technology and attended various training programmes which include: Advance Course in Public Sector Management at NIPA, Karachi and Executive Leadership Development Programme at John F. Kennedy School, Harvard University, Boston.

Other Offices:
Director:
1. MEPCO; 2. PESCO;
3. QESCO; 4. HESCO; 5.GHCL

BOARD AUDIT COMMITTEE (BAC)

Khalid Rafi
Chairman

Mubasher H. Sheikh
Member

Muhammad Tayyab Tareen
Member

Terms of Reference:

a. Determination of appropriate measures to safeguard the Company's assets

b. Review of preliminary announcements of results prior to publication

c. Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the board of directors, focusing on:

(i) Major judgmental areas
(ii) Significant adjustments resulting from the audit
(iii) The going-concern assumption
(iv) Any changes in accounting policies and practices
(v) Compliance with applicable accounting standards
(vi) Compliance with listing regulations and other statutory and regulatory requirements
(vii) Significant related party transaction

d. The audit committee shall be responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to the audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit Committee in all these matters

e. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary)

f. Review of management letter issued by external auditors and management's response thereto

g. Ensuring coordination between the internal and external auditors of the Company

h. Review of the scope and extent of internal audit and ensuring that the internal audit function is adequately resourced, appropriately placed and strategically aligned within the Company

i. Consideration of major findings of internal investigations of activities characterised by fraud, corruption and abuse of power and the management's response thereto

j. Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective

k. Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports

l. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body

m. Determination of compliance with relevant statutory requirements

n. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof

o. Review and assess the performance of CIA at least on annual basis and recommend to fix / revise the remuneration of CIA for the coming year

p. Review and approve Internal Audit Charter of the Company

q. Consideration of any other issue or matter as may be assigned by the Board of Directors

Tabish Gauhar
Member

Wahid Hamid
Member

Tabish Gauhar
Chairman

Shan A. Ashary
Member

Muhammad Tayyab Tareen
Member

BOARD HUMAN RESOURCE & REMUNERATION COMMITTEE (BHR&RC)

Terms of Reference:

a. Review and recommend for approval to the Board:

   (i) All proposals requiring mandatory / statutory approval of the Board of Directors
   (ii) All proposals on development, revision, modification and / or interpretation of Human Resources policies

b. Review and recommend for approval to the Board, the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO

c. Review and recommend for approval to the Board, the selection, evaluation, compensation including retirement benefits of the COO, CFO, Company Secretary and Head of Internal Audit

d. Consider and approve on recommendations of the CEO, such matters for key management positions that report directly to the CEO or COO

e. Review and approve on behalf of the Board of Directors all matters relating to the implementation of Human Resources related proposals previously approved by the Board

f. The Board on the recommendations of the committee may make such changes in the mandate of the Committee as it may deem fit from time to time

BOARD FINANCE COMMITTEE (BFC)

Terms of Reference:

a. Review and discuss on an ongoing basis an effective system for managing the financial risks faced by KE

b. Review and discuss financial strategy and plan together with an annual budget (including Balance Sheet, Profit & Loss and functional Cash Flow) and KPIs prior to submission to the Board for approval

c. Review and discuss Capex programme together with financial commitment and financing strategy

d. Review financial policies and transactions which have material financial impact such as tariff, cost of fuel, etc

e. Review and discuss treasury management to ensure efficient management of cash to reduce financial cost (i.e. effective management of Balance Sheet and Profit & Loss items)

f. Review and discuss annual financing plan and requirements with respect to:

(i) Running Finance
(ii) Short term, medium term facility
(iii) L / C facilities and bank guarantees, etc

g. Monthly / quarterly review and discussion of MIS reports with respect to code provisions 1 to 5, to ensure major variances are identified and corrective action taken in a timely manner to minimise financial losses

h. Review Insurance Policy of the Company

i. Undertake any other assignment entrusted by the Board of Directors

Muhammad Tayyab Tareen
Chairman

Shan A. Ashary
Member

Nayyer Hussain
Member

Omar Khan Lodhi
Member

ATTENDANCE OF BOARD

Board of Directors

S.No.	Name	No. of meetings held	No. of meetings attended
01	Tabish Gauhar	6	6
02	Nayyer Hussain	6	6
03	Khalid Rafi	6	6
04	S. Arshad M. Zahidi	6	6
05	Frederic Sicre	6	2
06	Mubasher H. Sheikh	6	6
07	M. Tayyab Tareen	6	5
08	Omar Khan Lodhi	6	2
09	Shan A. Ashary	6	4
10	Wahid Hamid	6	3
11	Noor Ahmed[2]	5	1
12	M. Zargham E. Khan	6	-
13	Sohail Akber Shah[3]	2	1
14	Saifullah Chattha	4	-

Notes:

1. Meetings held during the period concerned Director was on the Board / Committee
2. Noor Ahmed replaced Naveed Alauddin in September 2013
3. Sohail Akber Shah replaced Saifullah Chattha in April 2014

AND COMMITTEE MEETINGS

Board Audit Committee

S.No.	Name	No. of meetings held	No. of meetings attended
01	Khalid Rafi	5	5
02	Mubasher H. Sheikh	5	2
03	M. Tayyab Tareen	5	4
04	Tabish Gauhar	5	5
05	Wahid Hamid	5	2

Board HR&R Committee

S.No.	Name	No. of meetings held	No. of meetings attended
01	Tabish Gauhar	3	3
02	Shan A. Ashary	3	-
03	M. Tayyab Tareen	3	3

Board Finance Committee

S.No.	Name	No. of meetings held	No. of meetings attended
01	M. Tayyab Tareen	1	1
02	Shan A. Ashary	1	-
03	Nayyer Hussain	1	1
04	Omar Khan Lodhi	1	-

CODE OF CONDUCT

The Code of Conduct (Code) is intended to assist K-Electric (KE) Board members and employees in meeting the standards of professional and personal integrity expected and required of them. Compliance with the Code is mandatory for all KE Board members and employees and will be deemed to form part of the employment contracts / appointment letters for all Board members / employees of the Company as a specific condition thereof. KE Board members and employees will act with honesty and integrity at all times, to protect and safeguard the reputation of the Company and to ensure that no morally questionable means and / or methods are used to achieve any personal objectives and / or the objectives of the Company. Contravention of this Code will be regarded as misconduct and may form the basis for termination of the Board member's / employee's association with the Company.

Salient Features of the Code

1. Conflict of Interest

Each Board member and employee must be alert to any situation that could compromise the position of trust they hold as a KE Board Member / Employee and avoid any kind of conflict between personal interests and those of KE.

Each Board member and employee has a primary responsibility to the Company and is expected to avoid any activity that could interfere with that responsibility. Board members / employees should not engage in activities or transactions which may give rise to, or which may be seen to be giving rise to, any conflict between their personal interests and the interests of the Company. Such a conflict could arise in a number of ways and in a number of situations and may have to be individually assessed by the Board member / employee in each individual scenario.

2. Confidentiality

KE Board members and employees must protect confidential information and trade secrets, and prevent such information from being improperly disclosed to others inside or outside KE.

3. Contributions

KE Board members and employees may not use their position to coerce or pressure employees to make contributions or support candidates or political causes.

4. Inducement Payments

KE Board members and employees must refrain from bringing in outside pressure or influence to attain personal gains within the organisation.

5. Health and Safety

KE Board members and employees must comply with all applicable laws and KE policies relating to safety, health and the environment.

6. **Trading in Company's Shares**

Certain restrictions / reporting requirements apply to trading by the Directors / employees in Company shares. They shall make sure that they remain compliant with these statutory requirements.

7. **Compliance with the Code**

KE Board members and employees must read, understand and comply with the Code at all times during their association with the Board / Company. Any violation to the Code or any applicable law or regulation, must be reported so that KE can take appropriate action.

Standards of Business Conduct

All KE employees have to abide by the Code. Both management and non-management employees must observe the highest ethical standards in the conduct of business activities. The Code is intended to assist KE employees in meeting the standards of professional and personal integrity expected and required of them. KE employees will act with integrity at all times, to protect and safeguard the reputation of the Organisation. Any breach of the Code guidelines is regarded as misconduct.

Governance, Compliance, Risk and Organisation

Governance

KE believes that the more it improves its governance, the more it will need to adopt and adapt to internationally recognised best practices and the respective voluntary codes that govern them. Our desire to adopt the GRI disclosure standards for our sustainability report, gearing up to an inclusive culture and implementation of our climate change policy is a clear example of this commitment. Moreover, organisational values are cascaded through various policies with focus on transparency and openness in all aspects of communication.

GOVERNANCE FRAMEWORK

The Role of the Board of Directors

The Board provides oversight in the governance, management and control of the Company and limits its role and sets its principal focus on strategic direction, key policy framework, long-term business plan, setting the goals, objectives and formulating policies and guidelines towards achieving those goals and objectives, oversight and control, enhancing shareholders' value and corporate governance. The Board reviews and approves financial performance and financial statements with the main focus on the Auditors' report observations, business policies and practices, ethics, values and code of conduct, annual budget, major capital expenditure programmes, internal controls and governance and compliance framework. The Directors exercise managerial oversight and provide

strategic guidance, whereas the management and the Company's performance are the responsibility of executives. Through this balanced and prudent approach, the Board not only avoids overlaps, controversy and Auditors and Regulators questions but also places itself in a much better position to build and improve shareholders value, key performance indicators and the Company's image.

The Board is accountable to the shareholders for the discharge of its fiduciary function. The management is responsible for the implementation of the aforesaid goals and strategies in accordance with the policies and guidelines laid down by the BoD. The policy to disclose, record and address conflict of interest is in place and details are available in the Code.

Roles and Responsibilities of the Chairman and the Chief Executive Officer (CEO)

The Chairman evaluates the performance of individual Directors on the basis of attendance in Board Committee meetings, level of participation and value addition through suggestions and recommendations. The Chairman meets and consults the Directors, especially non-executive and independent ones, on a regular basis to discuss corporate governance issues, performance of the Company and conducive environment enabling the Directors to fulfil their fiduciary duties.

The CEO is responsible for the management of the affairs of the Company and the custody and maintenance of its properties, assets, records and accounts in accordance with the policies and guidelines established by the Board. He is bound to exercise discretionary powers vested upon him through the Companies Ordinance 1984, KE Memorandum and Articles of Association, General Power of Attorney and any other mandates given by the Board from time to time. The CEO is also responsible for the smooth functioninng of the business with optimum utilisation of the Company's resources and effective implementation of internal controls.

Conflict of Interest Policy

The Company has a policy in place ensuring that any conflict of interest should be properly disclosed, recorded and addressed upholding the interest of the Company. In line with the provisions of Companies Ordinance 1984, every Director is required to disclose his interest in writing to the Company Secretary, in respect of any contract / appointment etc. Such disclosures are circulated to the Board, interested Director does not participate in voting on the said resolution and it is properly recorded in the minutes of the Board meeting and also entered in the statutory register maintained for the purpose. More details are available in the Code.

Recognition of Stakeholders' Rights

The Company recognises and respects the rights of each and every stakeholder including shareholders, employees, financiers, creditors, business partners, local communities and others. The Company encourages active participation of shareholders in all general meetings of the Company and values their views towards better governance and operational management. The Company is also cognizant of its legal and constructive obligations towards its business partners, local communities where it operates and other stakeholders and takes appropriate actions to timely respond to their expectations after taking into account a pragmatic view of their interests associated with the Company.

Investors' Relations and Engagement

KE fully believes in the policy of openness and transparent processes and regularly shares company-related information with all stakeholders and keeps them informed of the affairs of the Company's management. Present and prospective investors are informed about the Company's activities, key operational and financial indicators and future plans of the Company through quarterly and annual reports. Moreover, in the shareholders' meeting (AGM / EGM), members are given detailed updates on the Company's affairs and shareholders' queries are answered to improve communication and understanding to make informed investment decisions. Any material development in the form of signing of a major agreement and others are immediately announced for shareholders information through online systems at stock exchanges and SECP and through press releases / notifications. The Company maintains a comprehensive website showcasing all Company-related information with a specific link / section "Investor Relations" containing all financial and other data which helps make investment decisions.

Grievance Handling Mechanism

KE recognises the importance of present and prospective investors in the Company's capital irrespective of amount invested, and keeps them posted and updated on the Company's affairs. Any issue or grievance is promptly addressed. In addition to conventional means, the Company uploads on its website, under Investor Relations section, substantial information relating to the Company's operational and financial data to facilitate the investors. Contact information of the KE representative and related links of SECP and three (3) stock exchanges are also available on KE's website to help investors lodge their complaints or post their queries. Delivery strategy and redressal mechanism are properly developed and vigilantly monitored aiming at immediate resolution of investors' grievances. At the same time, personal, telephonic and written requests and letters forwarded by SECP or stock exchanges are given equal importance and any queries and complaints are promptly addressed and responded to. Additionally, the shareholders are informed and reminded on a regular basis through press notification and official communication to notify any change in mailing address, ensure statutory compliance by providing copies of CNIC, etc, and collection of undelivered bonuses or right shares, etc.

Compliance

Registered at all stock exchanges of Pakistan, KE abides by a number of codes including, the Code of Corporate Governance, Companies Ordinance 1984, Listing Regulations of Stock Exchanges, Memorandum and Articles of Associations of the Company and other statutory requirements and applicable accounting frameworks.

In compliance with the Code of Corporate Governance, among other things, KE has ensured that:

- It has effective representation of Independent and Non-Executive Directors on its Board of Directors so that the Board as a group includes relevant core competencies
- All financial statements are prepared in conformity with the provisions of the Companies Ordinance 1984 adhering to International Financial Reporting Standards
- Proper books of accounts have been prepared and maintained with estimates based on reasonable and prudent judgment
- It has published and circulated a statement along with its annual reports to set out the status of its compliance with the best practices of corporate governance
- The statement of compliance with the best practices of corporate governance is reviewed and certified by statutory Auditors before publication
- There is implementation and monitoring of an effective system of internal controls
- Strategic plans and decisions have been covered adequately in the Directors' Report

Top Regulatory Bodies

KE, being a Company registered under the Companies Ordinance 1984 (the Ordinance) and listed at all three (3) stock exchanges of the country, abides primarily by the Ordinance in addition to the Code of Corporate Governance (CCG) and listing regulations of the stock exchanges. As part of the regulatory regime, KE reports to the apex corporate regulatory body of the country, Securities and Exchange Commission of Pakistan (SECP) in addition to Karachi, Lahore and Islamabad Stock Exchanges. Whereas, KE, being the only vertically-integrated utility involved in generation, transmission and distribution, and possessing business licenses for each respective area, is also regulated by the National Electric Power Regulatory Authority (NEPRA) for power generation, transmission, distribution and tariff related issues.

Risk Management and Business Continuity Plan

The Board of Directors and the management periodically review major financial and operating risks faced by the business. Although mitigation strategies are implemented for all identified operational and financial risks, the organisation is working on a holistic Business Continuity Plan (BCP).

Due to the nature of KE's operations involving generation, transmission and distribution of electricity, any discontinuity of business operations affects the organisation as well as the general public, which can create social and political unrest in the city. It is imperative that all major operational business units have a working and tested BCP in place.

Through this BCP, the organisation plans to reduce the impact of disasters by adopting suitable disaster mitigation strategies catering to the business units and their support functions. These specialised plans would benefit KE in the following ways:

- Safeguard internal and external customers as well as protect investments and assets
- Help KE maximise efficiency and communicate before, during, and after an incident
- Shorten the amount of time needed to respond to any emergency
- Ensure uninterruptable service under all circumstances
- Minimise revenue loss
- Sustain productivity during an emergency
- Minimise potential regulatory impacts

Disaster Management Plan

The disaster management plan is categorised into the following three types of response elements as the initial part of the BCP project:

- **Operational Response**: To get the disruption under control as quickly as possible so that normal operations can be resumed.
- **Management Response**: To allocate resources and make critical decisions needed to resolve the situation.
- **Communication Response**: To communicate with employees, their families, officials, customers, other agencies and media.

We have disaster management plans in place for all our critical business operations like IT, distribution, transmission, generation and finance.

Policy for Safety of Records of the Company

Being a century old entity, the Company is in possession of a lot of very old and valuable records comprising legal, corporate, property documents and original agreements executed with other entities. The preservation period for various documents stipulated in Annex-K of the Companies (Registration Offices) Regulations 2003 is used as a yardstick, however, the documents are preserved for a much longer period in an orderly and systematic manner and a computerised database is maintained for each category of documents separately and the records are subject to periodic checks by internal and external Auditors. KE places due emphasis for confidentiality and safe custody of its financial records. KE is using SAP for recording its financial information. Access to electronic documentation has been ensured through the implementation of a comprehensive password protected authorisation matrix in SAP-ERP system. Documents are classified on the basis of their valuation and importance and valuable original property title documents, key agreements, incorporation documents and others are prioritised for safe custody purpose, whereas fire proof storage for such documents has also been arranged.

Organisation

KE has undergone intensive reorganisation since its privatisation. The new management created many new positions to account for missing functions, and relocated old ones where they belonged best. As it stands, the organisation has an elaborate structure that has been communicated to all employees. All functions necessary for KE's sustainability are accounted for, and responsibilities are clearly delineated along with succession planning.

Moreover, all aspects of operations are conducted as per the new systems, work instructions and SOPs, in compliance with the requirements of the regulatory bodies and Codes.

Internal Control Process

Responsibility

The Board is ultimately responsible for the system of internal control and for reviewing its effectiveness. The Board, whilst maintaining its overall responsibility for managing risk within the Company, has delegated the detailed design and operation of the system of internal controls to the Chief Executive.

Framework

The Company maintains an established control framework comprising of clear structures, authority limits, and accountability. Policies and procedures are well in place with a process identified for budget allocation and review. The Board establishes corporate strategy and the Company's business objectives.

Review

The Board meets quarterly to consider KE's financial performance, financial and operating budgets and forecasts, business growth and development plans, capital expenditure proposals and other key performance indicators.

Role of Internal Audit in KE

KE treats Internal Auditing (IA) as an autonomous, objective assurance and consulting activity designed to add value and improve its operations. It nudges the organisation closer to its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

KE's Internal Audit Department (IAD) is independent of the activities being audited and the Chief Internal Auditor (CIA) reports directly to the BAC established by the Board. KE's IA activities observe three main external standards:

- Local Code of Corporate Governance issued by the SECP
- The Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) and the International Standards for the Professional Practice of Internal Auditing (Standards Information System Audit and Control Association [ISACA], an affiliate firm of FAC International Federation of Accountants) and Global Technology Audit Guideline (GTAG), a practice guide of IPPF
- The IAD is also governed by an IA Charter approved by the Board Audit Committee, which describes the purpose, authority, responsibility and reporting relationship of IAD

All assurance audit activities are performed in accordance with the risk-based Internal Audit Plan, annually approved by the BAC, whereas consulting activities are based on the services requested by the operating management, with agreed objectives, scope and reporting.

AZM Speak Up – Whistle Blower Policy

We value an open dialogue on integrity and responsibility in our actions with our employees. A direct communication bridge has been created between the leadership and the employees through various communication mediums which include a confidential email address, PO Box and hotline. Employees can directly report misconduct or any unethical practice through these mediums. Disclosure of names is not necessary.

Our employees are also encouraged to report their views on processes and practices to their manager or the Business Ethics Committee (BEC). These reporting mechanisms are part of the complaints procedure and are described in our Code.

Employees are also encouraged to give suggestions and feedback on a specific topic or idea. Investigations on a specific complaint are ordered by the highest authority of the relevant department. We investigate all alleged breaches of our Code and apply appropriate measures when complaints turn out to be substantiated.

Board's Performance Evaluation

The Board is fully cognizant of the importance of its role and performance which will ultimately decide the future of the Company, and therefore evaluates its performance in an objective manner on a regular basis, essentially based on the overall performance of the Company, and the implementation of strategic policies and business plans and achievement of budget targets and key performance indicators. The Board recognises its fundamental responsibility to safeguarding and enhancing shareholders' value and stewardship of the Company's assets and sets its principal focus on strategic direction, key policy framework, long-term business plan, oversight, control and adoption of best practices of good corporate governance.

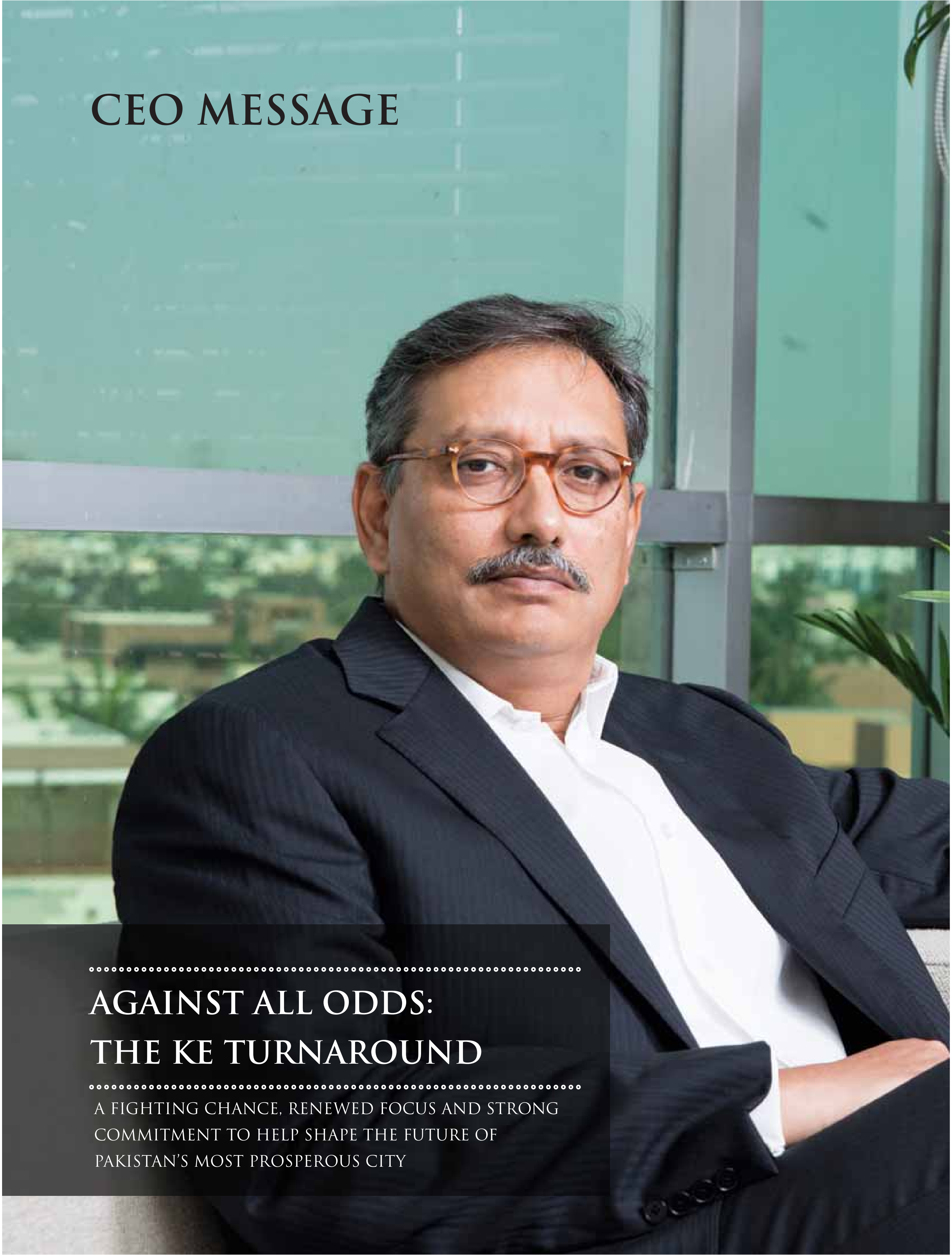
The Board evaluates its performance by taking stock of successful achievements of the strategic and business objectives of the Company vis-à-vis set targets, continued compliance with regulatory requirements and best practices of good corporate governance with added focus on its sustainability strategy based on Corporate Social Responsibility (CSR) social and environmental initiatives. The Board ensures that all of its decisions and guidelines are observed in letter and spirit and there is a mandatory agenda item for every Board meeting that is "Report on Implementation of Actionable Board's Decisions" under which the status update of previous decisions is presented to the Board. The Board also continuously reviews developments in corporate governance in order to ensure that the Company remains aligned with best practices of good corporate governance. The Board further ensures that meetings of its Committees including the BAC, BHR&RC and BFC are held in accordance with the requirements of CCG and recommendations / reports of these Committees are regularly circulated / presented to the Board.

CEO's Performance Review by the Board

The CEO is appointed, on the BHR&RC's recommendation, by the Board of the Company for a three-year term. The CEO is responsible for the management of the affairs of the Company and ensures smooth functioning of the business with optimum utilisation of the Company's resources and effective implementation of internal controls and improves the operational and financial performance of the Company. The CEO sets his main focus on implementing long-term business plans of the Company and towards adding value to shareholders' investment under the strategic direction and policies approved by the Board. The Board sets key operational and financial objectives at the time of approval of the Annual Budget of the Company. The CEO leads the management team in achieving the objectives and presents to the Board a quarterly report showing the level of achievement in relation to key budget targets and an objective comparison of actual performance with the budgeted as well as with last year's performance along with variance justifications. Moreover, in every Board meeting the CEO presents to the Board a detailed business update envisaging the operational and financial performance of the Company and key issues, opportunities and challenges facing the Company, suggesting the way forward and seeking the Board's guidance to address the issues in the best interest of the Company. The Board invariably reviews in every Board meeting a report on the implementation of its earlier decisions in terms of set timelines, cost estimates and benefits to the Company which, in effect, is the CEO's performance review. Whereas a comprehensive CEO's performance review is undertaken by the Board every year at the time of review and approval of the Company's annual audited financial statements against pre-set strategic, operational and financial goals and effective implementation of strategic decisions and policies of the Board. The CEO's performance evaluation by the Board provides constructive support to the management's actions and inculcates a collective decision-making process to improve the Company's performance and value addition for all the stakeholders.


Director's Report

CEO MESSAGE



AGAINST ALL ODDS: THE KE TURNAROUND

A FIGHTING CHANCE, RENEWED FOCUS AND STRONG COMMITMENT TO HELP SHAPE THE FUTURE OF PAKISTAN'S MOST PROSPEROUS CITY

Sitting back and pondering over all that we've achieved at the mark of our centennial, I realise one thing if any — this milestone is not the end of an era for us — this is the beginning of a whole new age of serving the future generations of one of the largest cities around the globe.

And just as that resounding thought settles in, and we sail ahead backed by our renewed identity and vision, I know that our energy today is more fervent than ever.

Today, I can humbly claim that we have delivered on most of our promises — and none of that would have been possible without the relentless efforts of every single individual steering KE's vision forward.

KE's team — my team — has been empowering Karachi for more than a century now — we have successfully and tirelessly powered every ounce of progress that Karachi has made. We continue to fuel the industrial engine of the country and light up a consumer base of over 2.5 million.

Our transition to KE, in itself, marked our initial success into the new era and we are only too determined now to ensure that this is followed by the spirit of our vision, mission and values with

even greater zeal and commitment, ensuring that KE remains sustainable for future generations. With a renewed approach, KE is determined to pave the way to achieve many more milestones and continue to do better. A noticeable difference in the overall service, investors' trust, stakeholders' satisfaction and a positive shift in perception is rewarding enough for us to strive harder with each passing day.

While there are more than just a few achievements that we are proud of, I believe our greatest accomplishment lies in the fact that we have successfully managed to exempt approximately 57% of Karachi from load shed. Who would have thought that was even remotely possible when we came in five years ago? And yet, taking all the naysayers in our stride, we proved them wrong — and let me reiterate before you today that there is no greater victory than having achieved what everyone tells you is impossible. Furthermore, for me, our most encouraging achievement yet has been our consumers' reposed confidence in KE.

Our efforts paid off when earlier this year, KE was honoured with the prestigious FT / IFC Transformational Business Award for exceptional achievement in Project Finance - Energy. The FT / IFC Transformational Business Awards suggest one approach — harnessing the power of the private sector to make development dollars go further. With this award, KE became the only company in the energy sector to have won international recognition of such stature.

To top it off, the story of our successful turnaround echoed so loudly that the Harvard Business School recently introduced a course titled 'Corporate Turnarounds' where they educate their students through a case study designed around KE's revival.

Today, I envision KE as a modern and forward-looking organisation that fully understands the sector's growing challenges and one that is consistently geared up to empower the city on its journey to greatness. Our continued commitment to impact the social sector through our Social Investment Programme (SIP) remains a priority.

I foresee a future for KE that is progressive and uninhibited. That is the very mindset we have come to nurture within our organisation, one that believes in possibilities and recognises potential. As a utility, I have no qualms in saying, we are a force to be reckoned with, and as a power, we are precisely who we claim to be — the energy that moves life.

PERFORMANCE SNAPSHOT

Financial Performance

- Marked improvement: EBITDA of PKR 30.16 billion in FY14 from a negative EBITDA in FY10
- Net Income in FY12 was positive for the first time in 17 years — 9 consecutive quarters since then have been profitable
- Total Capex spend of over USD 1 billion over the last five years
- Circular debt managed by a set-off mechanism — subsidy receivable is netted with NTDC payable
- IFC / ADB long-term loan converted into equity of USD 50 million (USD 25 million each) in December 2012 — endorsing The Abraaj Group investment and success of KE's turnaround
- Successful launch of:
  (i) AZM TFC (Fully subscribed within six weeks)
  (ii) AZM Sukuk (Fully subscribed within only 12 business hours)

Operational Performance

- Generation capacity enhanced by nearly 1,010 MW through the addition of 4 new power plants
- Average fleet efficiency increased from 30.6% to 37% (FY08 vs FY14)
- 10.6% reduction in Transmission & Distribution (T&D) losses since FY09
- 70% of the city has distribution losses of 16%
- Zero load shed for customers representing 57% of overall energy distributed
- Conversion of three existing open cycle plants to combined cycle adding 47.5 MW of capacity as well as enhanced generation efficiency is in progress
- SCADA, SAP ISU and ERP — implemented across the Company
- Smart grid project in progress

HR and Stakeholder Alignment

- Specific and real-time engagement through simple, open and transparent communication
- Rebrand of all KE properties, collaterals, infrastructure and assets
- Realignment of workforce through restructuring across the board from 17,436 to 10,242 employees
- Succession planning, focus on training and skill enhancement and induction of fresh blood through one of the biggest management trainee programmes
- Several sovereign issues around implementation agreement, tariff structure and fuel supply significantly addressed
- Targeted interventions such as proactive media interaction, Lyari community football and free electricity to healthcare and educational institutes

Enhanced installed generation capacity by over

1,010 MWs

56% reduction in unserved energy through increase in Transformer Reliability since 2008

Flexible payment facility benefitting

300,000 low income customers

57% of Karachi load shed exempt

Energising over

2.5 million

households, industries and commercial ventures

Coal conversion project will save

USD 7 billion

over 20 years

1st ever distribution facility in Pakistan to earn an ISO 9001-2008 certificate

Aerial Bundled Cabling has benefitted a total of

175,000

consumers

189 km

of Extra High Tension (EHT) lines rehabilitated

CORE FUNCTIONS: PROGRESS IN PERFORMANCE 2013-14

Generation — Re-energising Energy

We are consistently innovating, enhancing capacity and efficiency at our generation plants. Over the last five years we have enhanced installed generation capacity by over 1,010 MWs and overall fleet efficiency has improved by 21% FY-09 to FY-14. New projects for adding 47.5 MW capacity are under various stages of construction / commissioning.

Our fleet portfolio has been enhanced through the rehabilitation of old plants and the addition of new plants. **Total gross dependable capacity of 1,652 MWs with nearly 1,000 MWs of plants less than five years old** (gross capacity lesser compared to FY12 as it does not include units for coal conversion and obsolete units of KTPS, SGTPS and KGTPS).

Our 1,260 MW Bin Qasim Power Station-I (BQPS-I) has gone through major rehabilitation in the last five years resulting in the recovery of 50 MWs and improvement in efficiency. Addition of 220 MWs was made possible through the successful implementation of the Korangi Combined Cycle Power Plant (CCPP). Conversion project for two open cycle gas turbines into combined cycle, is in progress. Upon completion, all gas turbines would run in combined cycle mode.

90 MW GE Jenbacher Site and 90 MW GE Jenbacher Korangi were termed the 'Best Fast Track Project' and 'Best Plant in the Region' respectively by Asian Power magazine. The addition of BQPS-II, the largest and one of the most efficient combined cycle plants in Pakistan, has taken KE one step closer to self-reliance in power generation and in meeting Karachi's long-term power needs. The accomplishment is a landmark achievement in the energy sector and with the addition of state-of-the-art 560 MW combined cycle; KE can proudly claim that the Bin Qasim Power Complex stands as the country's largest, with an installed capacity of 1,820 MWs.

In the last fourteen months, reliability projects were implemented through an Extension of Contractual Service Agreement with GE worth USD 39 million for LM6000 GT's (CCPP). Rehabilitation of BQPS-I for capacity and efficiency recovery has been undertaken as a USD 46 million project which would result in 86 MW increase in capacity and 2.2% enhancement in efficiency.

All KE generating stations are certified in the field of QHSE. They are certified with OHSAS 18001 for excellence in complying with international safety standards, ISO 14001:2004 for compliance with international standards of environmental management and ISO 9001:2008 for excellence in quality management systems.

Generation Capacity and Efficiency Enhancement

New Capacity Already Added | 1,010 MWs

- 220 MW CCPP Korangi
- 180 MW GE JB Korangi and SITE
- 50 MW rehabilitated from BQPS-I
- 560 MW BQPS-II

Gross Dependable Capacity FY14 | 1,652 MW*

- 755 MW BQPS-I
- 529 MW BQPS-II
- 192 MW KCCPP
- 88 MW SGTPS-II
- 88 MW KGTPS-II

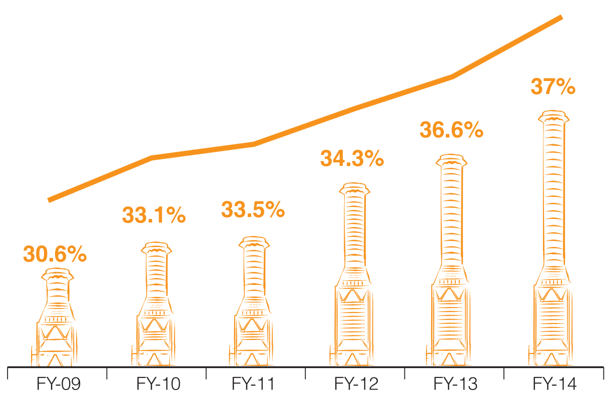
***Excluding Units 3 and 4 of BQPS-I and KTPS Unit 3**

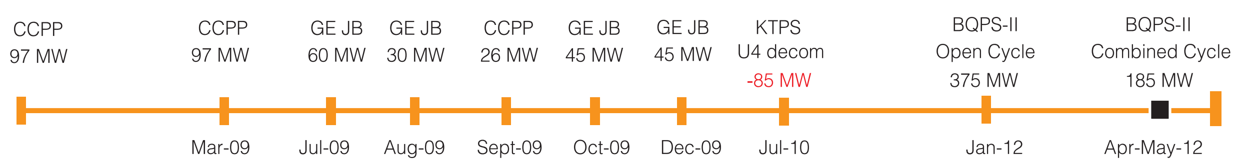
Committed Projects | 133 MWs

- 47 MW KCCPP, Site and Korangi combined cycle projects
- 86 MW Generation long-term investment plan at BQPS-I

Improvement in Fleet Efficiency | 21%

- 21% efficiency gain (FY-09 to FY-14)
- Addition of new efficient plants
- Annual maintenance of BQPS-I





- 50 MWs recovered from BQPS-I rehabilitation

1,010 MWs ADDED TO DATE

Ongoing Efficiency

Increase in efficiency and capacity will be achieved from converting two existing fully operational open cycle plants (220 MWs and 180 MWs GE JB) to combined cycle. Advanced ongoing construction activities for conversion to combined cycle are underway. This will result in additional capacity of 47 MWs (27 MWs by November 2014 and 20 MWs by July-August 2015) and an increase in fleet efficiency.

EPC activities at KCCPP 220 MW plant for the addition of 27 MWs are in the constructional / commissioning stage and are expected to be completed in November 2014.

Design, procurement and construction are in progress for the NTP to Korangi (10 MW) project issued in December 2013 and the NTP to Site (10 MW) project issued on February 26, 2014.

A five-year rehabilitation plan for BQPS Units 1, 2, 5 and 6 has been approved by the Board and is in place (expected increase in capacity 86 MWs; efficiency 2.2%).

Redefining the Future of Generation

Energy is becoming the major driver of competitiveness. We have taken a lead role in redefining the future fuel strategy of the energy sector of Pakistan. From biogas to coal, we are exploring and investing in fuel options which are reliable, affordable and have low carbon impact.

Our main emphasis is to shift reliance to coal as the primary driver of future power generation.

We are equally committed to utilising locally available coal along with imported coal. Pakistan is blessed with one of the largest reservoirs of lignite coal in the world in Thar region. Current estimates suggest close to 175 billion tonnes of recoverable reserves. Besides this, we are also targeting to meet 15% of our generation through renewable energy sources within the next five years.

The following gives a snapshot of our strategic investments for coal and renewable energy:

Coal-Based Initiatives

Coal Conversion of BQPS-I

We have been actively pursuing the development of coal power in the country. At present, we are at an advanced stage on the conversion of two furnace oil based units out of six units (210 MW x 2) of our 1,260 MW BQPS-I to coal in Phase 1. This project is being developed under an Independent Power Producer (IPP) structure. We plan to lease out the two units to the IPP which has already been formed by project investors by the name of K-Energy.

K-Energy has entered into an Engineering, Procurement, Construction (EPC) contract with a reputable Chinese contractor, Harbin Electric International (HEI) for the engineering, procurement, and construction of new machinery which will also include overhauling and rehabilitation of existing equipment. The boiler being designed is based on coal specifications suitable to local coal to accommodate Thar coal as and when available in sufficient and commercial quantities. Coal, for the operations of the plant initially, will be procured from a dedicated mine in Indonesia. Additionally, K-Energy has obtained environmental approvals from Sindh Environmental and Protection Agency (SEPA) and is currently pursuing NEPRA for generation license and tariff determination.

The coal conversion project will take two and a half years to achieve the commercial operations date prior to the financial close of the year. This duration is much shorter than the time required to construct a brand new coal-fired power plant. The project will save around USD 7 billion in foreign exchange over a period of 20 years.

Thar Coal Mine-Mouth Power Plants

Thar Coal Energy Board (TCEB) has been tasked with the target of managing the affairs of Thar-based coal projects, including the development of a pricing mechanism. We have been strategically engaged with all the major developers of integrated mine and power plant project, including Sindh Engro Coal Mining Company (SECMC), Oracle Coalfields and Sino Sindh Resources.

Pursuing Thar coal development, we are working with the UK-based firm Oracle Coalfields, for the development of 660 MW mine-mouth power plant at Thar Block VI. Oracle is in the process to conclude the EPC contract for the power project (2 x 330 MWs) and Joint Development Agreement (JDA) with the power Company. A power purchase agreement will be signed for the supply of power to our system which will be wheeled through NTDC's network.

SECMC is developing a 660 MW integrated mine mouth project in Thar block II which will be expanded to double the capacity in phases. SECMC has engaged local and international contractors for the development of the project. We have signed a multifaceted MoU in line with which we will engage SECMC for the procurement of power from the Thar coal-based power plants of up to 660 MWs.

Fauji Power Plant

We have entered into a strategic partnership with Fauji Fertiliser Bin Qasim Limited for procuring 52 MWs of coal-based power. In this regard, an MoU has already been signed with FFBL pursuant to which KE and FFBL are currently engaged in setting up power purchase terms. On the other side, FFBL is advancing on the design and equipment procurement processes.

Waste-to-Energy Initiatives

Landhi Biogas Project

A separate project company, Karachi Organic Energy (Pvt) Limited (KOEL), has been incorporated and staffed to execute the Landhi biogas project in phases. KE and Aman Foundation have signed a JDA with IFC for the co-development of Karachi Bio Waste-to-Energy Project (KOEL) in the vicinity of the Landhi Cattle Colony (LCC). KOEL has been brought to its drive the project forward. KOEL engaged an international firm ARUP to conduct feedstock survey and a waste logistics study. Moreover, the company is engaged in the process of hiring consultants for technical design and other ancillary studies.

Landfill Waste-to-Energy Project

More than 10,000 tonnes of solid waste is either being dumped or burnt every day in Karachi. This environmental liability, however, has great potential to generate electricity through combustion of municipal solid waste if collected and processed.

We are working on an opportunity to develop a waste-to-energy power plant based on bio-combustible waste being produced in one of the largest urban cities of the world, Karachi. It is estimated that Karachi generates more than 10,000 tonnes of solid waste per day and less than 50% is disposed to land fill sites. Municipal Solid Waste (MSW) is a severe environmental hazard and a social problem in Karachi. This environmental liability, however, has great potential to generate electricity through combustion of MSW if it can be collected and processed. We are in the process of hiring a consultant for waste categorisation study. We are simultaneously identifying a suitable piece of land for the project. We will define the scope of the project on the basis of the solid waste study and will accordingly approach interested local and foreign investors / sponsors for the development of this project.

Through a modular approach, the first phase of the project is expected to generate up to 15 MWs of electricity utilising approximately 1,500 tonnes of solid waste. The project will be replicated after successful commissioning of the first phase. We have engaged Clifton Cantonment Board to gain access to different reputable contractors, land availability options and feedstock supply.

Wind Initiatives

In an effort to add nearly 50-100 MWs of wind power into our system, we are currently engaged with wind project developers to discuss options for power off-take.

Burj Power

We are working with an independent power developer, Burj Power, for the development of a 15 MW wind project in our licensed area in Gharo, Sindh. An LOI has already been signed in this regard.

Hydro Initiatives

We have been striving to add hydel-based power in its overall generation mix via long-term off-take agreements with private infrastructure developers.

Laraib Group

We have signed two MoUs with Laraib Group (LG) to procure affordable power from 640 MW Azad Pattan project and 250 MW Ashkot hydropower project, which are currently under development as IPPs under the Power Policy of 2002.

Solar Initiatives

We have also initiated discussions with reputable solar companies for setting up 10-30 MW solar power plants under an IPP structure in our licensed area.

Hanergy Solar Group

Hanergy Solar Group is the world's largest manufacturer of thin film PV modules. Hanergy is desirous of setting up a 10-15 MW solar-based IPP in our licensed area based on their thin-film technology. In this regard, an LOI has been issued to the solar developer. Along with this, a tentative timeframe of major milestones for the development of the project has been agreed with Hanergy.

Other Solar Initiatives

We are also working with other reputable local and international parties for the development of solar-based power projects in our licensed area. We have also issued an LOI to Nizam Energy and Sun Edison for the development of solar power plants.

Other Strategic Initiatives - Unbundling

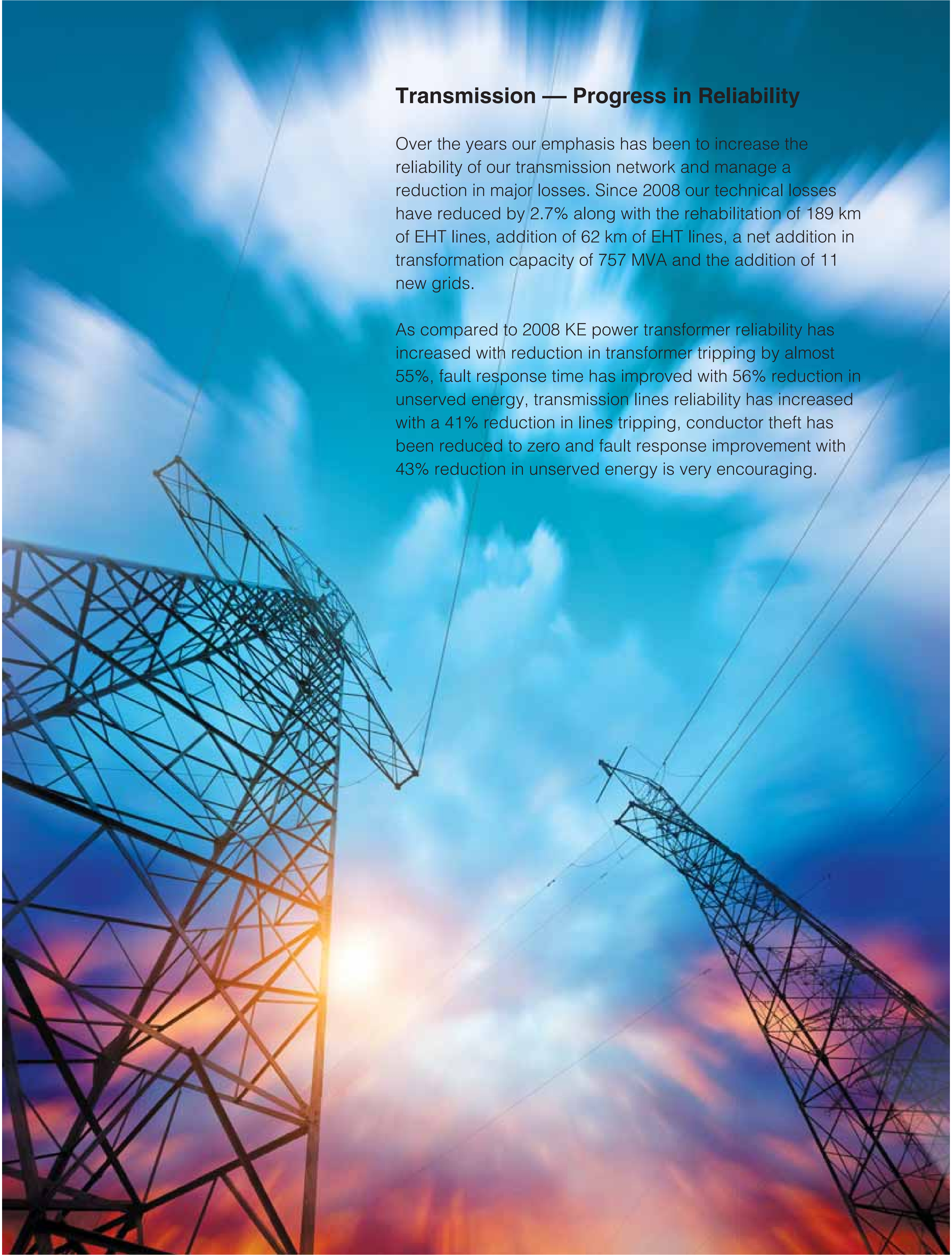
KE has initiated the process to unbundle its operations into independent entities for electricity generation and transmission / distribution. This is in line with our vision to develop the best possible mode of functioning in the greater interest of our customers. The unbundling of KE's core functions will provide the independent entities ample opportunity to utilise 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.

Transmission — Progress in Reliability

Over the years our emphasis has been to increase the reliability of our transmission network and manage a reduction in major losses. Since 2008 our technical losses have reduced by 2.7% along with the rehabilitation of 189 km of EHT lines, addition of 62 km of EHT lines, a net addition in transformation capacity of 757 MVA and the addition of 11 new grids.

As compared to 2008 KE power transformer reliability has increased with reduction in transformer tripping by almost 55%, fault response time has improved with 56% reduction in unserved energy, transmission lines reliability has increased with a 41% reduction in lines tripping, conductor theft has been reduced to zero and fault response improvement with 43% reduction in unserved energy is very encouraging.

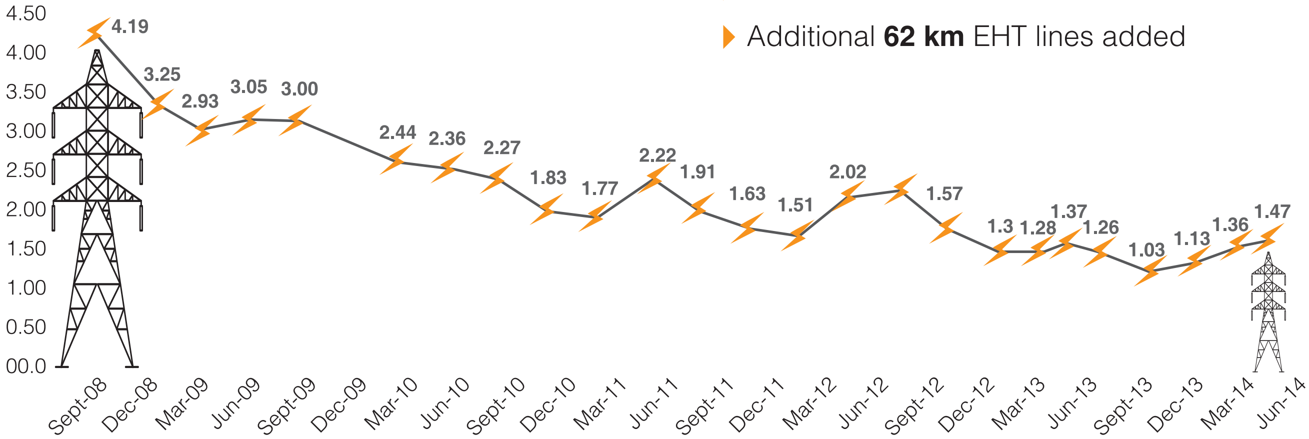


TRANSMISSION NETWORK: KEY INITIATIVES

Increased reliability in transmission network and major reduction in transmission losses since 2008

Reduction in Transmission Losses | 2.7%

- **2.7%** reduction in transmission losses
- **189 km** old EHT lines rehabilitated
- Additional **62 km** EHT lines added

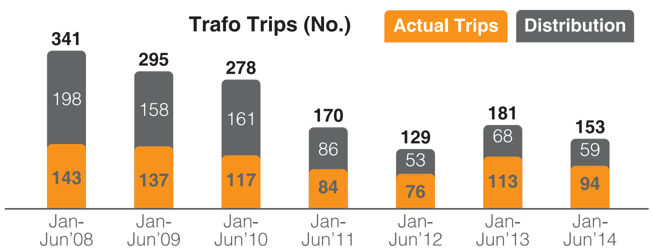


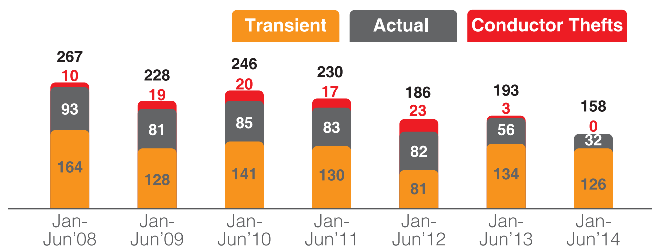
Power Transformers Reliability

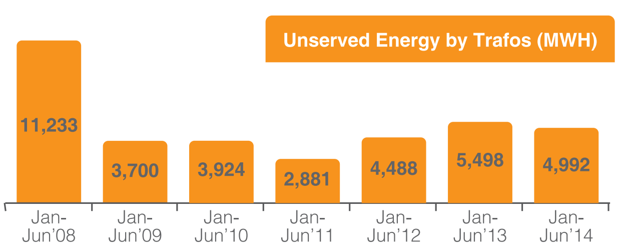
- **55%** reduction in transformer tripping vs. 2008
- Fault response improvement; **56%** reduction in unserved energy vs. 2008

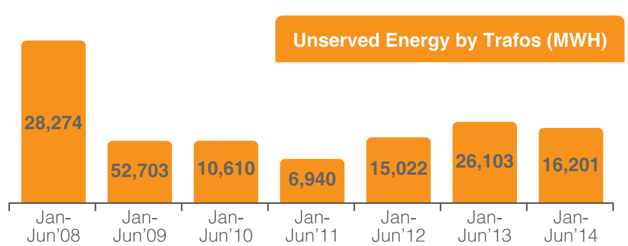
Transmission Lines Reliability

- **41%** reduction in lines tripping vs. 2008
- **100%** reduction in conductor thefts vs. 2008
- Fault response improvement; **43%** reduction in unserved energy vs. 2008









In FY14, 97 MVA transformation capacity has been added in the system through ONAN to ONAF conversion by installing fans on existing power transformers.

Major rehabilitation work done on four 132 kV underground circuits i.e. Civic- Liaquatabad, Jacob-Gizri, Jacob-Baloch, KTPS-PRL. Replaced complete hardware of 132 kV Malir-Memon Goth overhead circuit. Partial jumpering, rehabilitation of conductor and strengthening of civil foundation work was carried out on 220 kV BQ-KCR 1 and two circuits to increase reliability and performance.

The state-of-the-art SCADA has gone through ongoing improvement over the years. We continue to build team competency to attain self-sufficiency, resulting in cost saving up to PKR 36 million per annum. SAP PS (Project System) Module was successfully implemented in the transmission department. We had planned to integrate SAP PM (Plant Maintenance) System with Material Management and Finance; therefore we have started KCR-220 kV as a pilot project. Annual Preventive Maintenance (APM) through SAP has already been executed successfully for Grid Transformers in FY-14.

More than 150 SOPs were developed and implemented in the transmission network to safely execute its major activities at grid stations and transmission lines.

Strategic Transmission Projects

Repair of 250 MVA Auto Trafo # 2 at Pipri-West grid station has resulted in improvement in the load profile and removal of bottlenecks faced by bulk consumers in the area.

Fire alarm systems have been installed at 19 grid stations.

Shared 120 MVA grid station is being constructed at Aga Khan Hospital. So far, 75% civil work is completed. This grid will not only power up one of the biggest hospitals of the city but also adjoining areas.

The construction of Mahmoodabad grid has been delayed due to court orders.

44 new 11kV feeders were installed at various grid stations in 2013-2014.

Future Transmission Capacity Enhancement Project

In order to address the future load growth of the city, a mega transmission expansion project has been developed. Technical and commercial proposals from world renowned contractors are expected by November 2014. The scope of the project includes:

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

TRANSMISSION SYSTEM AS ON JUNE 30, 2014

Description	Circuit Length As on 30 June 2014
220 kV Overhead	323.301 km
220 kV Underground	14.714 km
132 kV Overhead	611.203 km
132 kV Underground	150.197 km
66 kV Overhead	149.400 km
66 kV Underground	- km
Total	**1,248.82 km**
220 / 132 / 66 / 11 kV Grid Stations	63 Nos.

Transmission Capacity in MVA	
Auto Transformers	
220 / 132 kV	3,000 MVA
132 / 66 kV	100 MVA
Power Transformers	
132 / 11 kV	4,621 MVA
66 / 11 kV	69 MVA
Total	**4,690**

System Loading	2008-09	2013-14
System peak demand MW	2,462	2,929
Base demand (night) MW	1,057	1,084
System load factor	67.94%	59.69%

Distribution: Leading progress

Energising around 2.5 million households, industries and commercial ventures, KE has continued to take on challenges successfully. Some of these noticeable challenges include law and order situation, growing demand, prolonged summers and increase in electricity tariffs, but despite these hurdles we continue to make progress. Today we can proudly claim that **57% of Karachi is load shed exempt**, in other words gets electricity 24/7, including all industrial zones and pockets of underprivileged areas. Our transmission and distribution losses are down by 10.6% over the last five years, standing today at 25.3%. Over 70% of Karachi has distribution losses of 16% which is equivalent to the MENA Region. Two thirds of KE's distribution network that is 17 out of 28 IBCs contributes over 80% of revenue with a recovery ratio of 95% without Public Sector Consumers (PSCs).

System improvement and upkeep of the distribution network is an ongoing project. The Company is consistently adding capacity to the distribution system along with preventive maintenance projects conducted on Low Tension (LT) and High Tension (HT) networks. A total of 229 MWs were added to the distribution system through new connections in FY14. Roll out of state-of-the-art Billing and Customer Relationship Management System (SAP ISU) in all IBCs resulted in improved processes and better overall customer service.

Sustained Loss Reduction Initiatives

With increased capability to target smaller clusters for loss reduction and increased stakeholder support and accountability, we have continued to achieve sustained loss reduction and operational excellence through the following strategic initiatives **focused on underprivileged areas** and the masses:

1. Aerial Bundled Cabling

Installation of Aerial Bundled Cabling (ABC) continues as a means towards sustained loss reduction in areas infested with illegal extraction of electricity despite various external challenges and at times violent resistance from area residents. ABC has been successfully rolled out on 91 Pole Mounted Transformers (PMTs) namely in areas of Clifton (Kemari), Defence (Gizri), Gulshan, Garden, North Nazimabad, Bahadurabad (Lines Area) and Johar, where **losses have significantly been reduced** on these PMTs.

To date, the ABC project has had an impact on a total of 60,000 consumers and, as a result, proved to be one of the most effective solutions for theft reduction as it makes it harder to use a hook connection. It also proves to be safer for communities and the environment. Such reduction in losses would eventually yield minimal or no load shed in high loss areas. ABC provides relative immunity against short circuits caused by external forces (such as wind, fallen branches), hence minimising the voltage fluctuations and breakage of wires which in turn enhances the useful life of PMTs. There has been a substantial decrease in faults reported due to its higher resistance to moisture and surge currents. It allows prevention of fatal accidents and minimises tripping which is a norm for high-loss areas.

Going forward, the Company plans to convert PMTs in high-loss areas to ABC so as to yield benefits for both, the utility and the end consumer.

2. ISO Certification

Being customer-centric, KE has always centered on customer care, customer accounts, network and revenue protection and enhancing interaction with the consumer in a structured manner. This has enabled KE to become the **first ever distribution facility in Pakistan to earn an ISO 9001-2008 Certificate** for one of our IBCs. The achievement has established a framework for IBCs on how to manage a business' key processes and to ensure that the processes meet recognised standards, clarifying business objectives and avoiding mistakes.

Moving forward, KE's remaining IBCs are also in the limelight to receive a similar certificate due to their efficient performance and continue to improve its customer services.

3. Low-Cost Meter Project

With a vision to contribute towards social welfare of the underprivileged, KE's realisation of its social responsibility has led to the installation of low-cost meters, which have been provided to consumers, residing in poverty-stricken communities, on easy instalments. These neighbourhoods were infested with illegal connections or 'kundas' and therefore this initiative has given an opportunity to the residents of several slums of Karachi to get **legal electric connections at a low cost**.

The drive involves community engagement and support and thus an opportunity for each community to get better service from KE and to use electricity through a legal metered connection. Moving forward, we plan to install some 25,000 meters under this project in FY15.

4. Flexible Payment Facility

Consumer's propensity to pay has considerably decreased over the years following tariff increases and as a result many good consumers are on the verge of non-payment. There are many customers who are willing to pay but their income levels do not allow them to clear the dues on time. Hence with this realisation, the Company has offered flexible payment options. **Discounts and rebates are offered on full settlement** and easy instalments are also offered to provide the customer with an option for partial payment.

Some 3,00,000 low income customers have, to date, benefitted from this facility.

5. Re-engineering Operational Progress

At KE, we are **increasing customer centricity throughout the Company** so that all of us — from the operations teams in the field to enabling functions like customer services and supply chain — are aligned to meet the needs of customers. In this respect, we are becoming more proactive in our network system enhancement and optimisation and are also very conscious of future demands and the network's strengths and weaknesses and hence, keeping the future in view, the Company is in the process of implementing the following innovative projects:

A. Network Optimisation Project

In order to develop an efficient mechanism for significant reduction in technical losses at the feeder level, physical verification of load on PMTs was assessed to identify areas where Capex investment is required to reduce technical losses.

The implementation of the project can reduce feeder technical loss by 50% of the current loss level. It will have a major impact on the reduction of faults and tripping. The project also aims to optimise HT:LT ratio (initially to 1:2 against a standard of 1:1.2) and improve power quality; a power factor of 0.9 is expected. The **voltage profile will be improved within the limit of +/- 5%** and hence more power will be available for distribution resulting in a decrease in load shedding. The Company plans to optimise around 100 feeders in FY14-15.

B. Smart Grid Project

Smart grid is a key strategic initiative for us with an initial investment of approximately USD 6 million. The project aims to redefine our Distribution Network Management System (DNMS) by improving operations and reduction in network outage response time (operational efficiency and improved customer service). It will also help in the reduction of AT&C losses through improved energy monitoring.

The scope of the project covers the installation of smart meters and introducing an IT platform that allows for remote data management and analytics. Replacing existing standard meters on all energy nodes within the identified cluster will improve network visibility, enabling KE to manage current and future energy demand systematically. The IT platform will be the basis of KE's drive to benchmark itself to international industry standards, enabling remote management, analytics and future enhancements such as time of use, tariffs and prepaid billing.

Similarly, **monitoring devices will be installed to facilitate faster response over outages on the Medium Voltage (MV) network**. Input from these devices will be fed into the Network Management System (NMS) to enhance control room processes.

Initial pilot will be rolled out to around 10,000 consumers that include a mix of residential, commercial and industrial consumers. The first phase includes the implementation of IT platform along with **10,000 metering points and is expected to be completed in the second quarter of 2015**. KE plans to quickly ramp it up to around 1,00,000 consumers in the near future and to a potential of 5,00,000 consumers in the next five years.

C. Mobile Meter Reading Project

The objective of the project is to eliminate manual meter reading with the intent of reducing errors due to human intervention. An android application has been developed that enables meter readers to go on the field and note down meter readings from the meters on their route. The readings are then transferred to billing servers via GPRS and then processed for billing. Currently 18 out of the 28 IBCs of KE have adopted this technology with more to follow in the current year. More than **one million customers' meter readings are now taken through hand-held units**.

Mobile meter reading reduces time to process billing as the readings are now punched directly on the software and transmitted via GPRS. The chances of human error have decreased resulting in lower complaints and better consumer satisfaction. It also improves the accountability of meter readers as pictures are required for each meter along with GPS tracking of the individual. The **mobile application also has a feature where meter readers can take pictures of discrepancies** they note on their route, which enables the Company to deal with electricity theft with timely proof. This is our first step to move towards a paperless, green environment.

Future Outlook

While KE continues its profitable journey, it is important to understand the DNA and reason of its existence and thus ensure customer satisfaction at all levels. The Company's

renewed focus towards better customer service and the change in mindset, despite being in a monopolistic environment, will not only yield benefits to its 2.5 million customers but also increase the shareholders' return. To achieve this, KE has taken the following initiatives and is continuing to build upon them:

1. Technical Loss Reduction Project

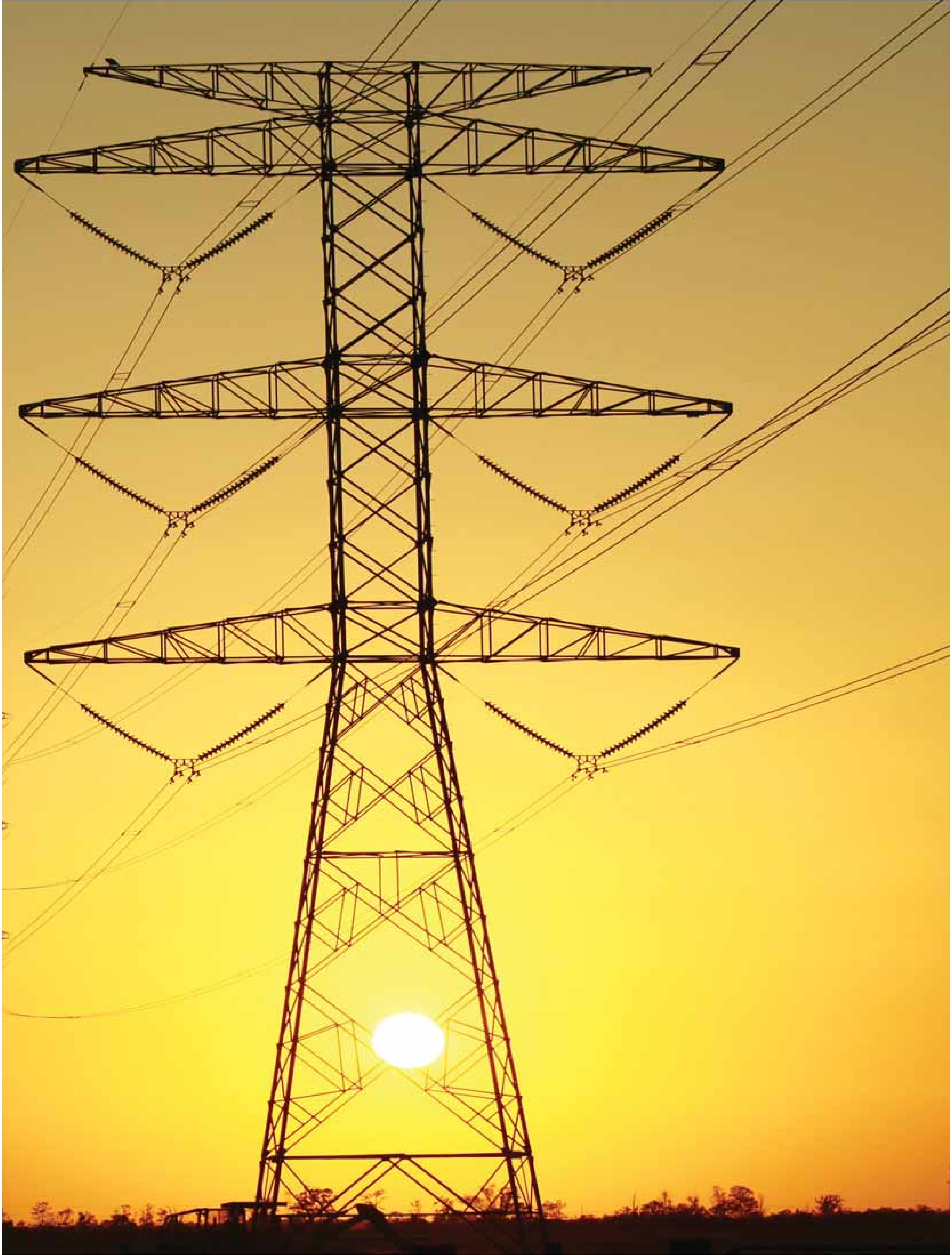
This project focuses on the development of an efficient mechanism for **significant reduction in technical losses at the feeder level** through standardised network optimisation. This will not only result in the reduction of the technical loss of the Company but improved service levels to the end-consumer through better voltage level and reduction in network faults. The project requires on-ground revamp of the entire distribution network and would continue to reap benefits for the years to come. The project is currently in the planning phase with the first phase of execution expected in FY15.

2. Sustainable Loss Reduction Projects

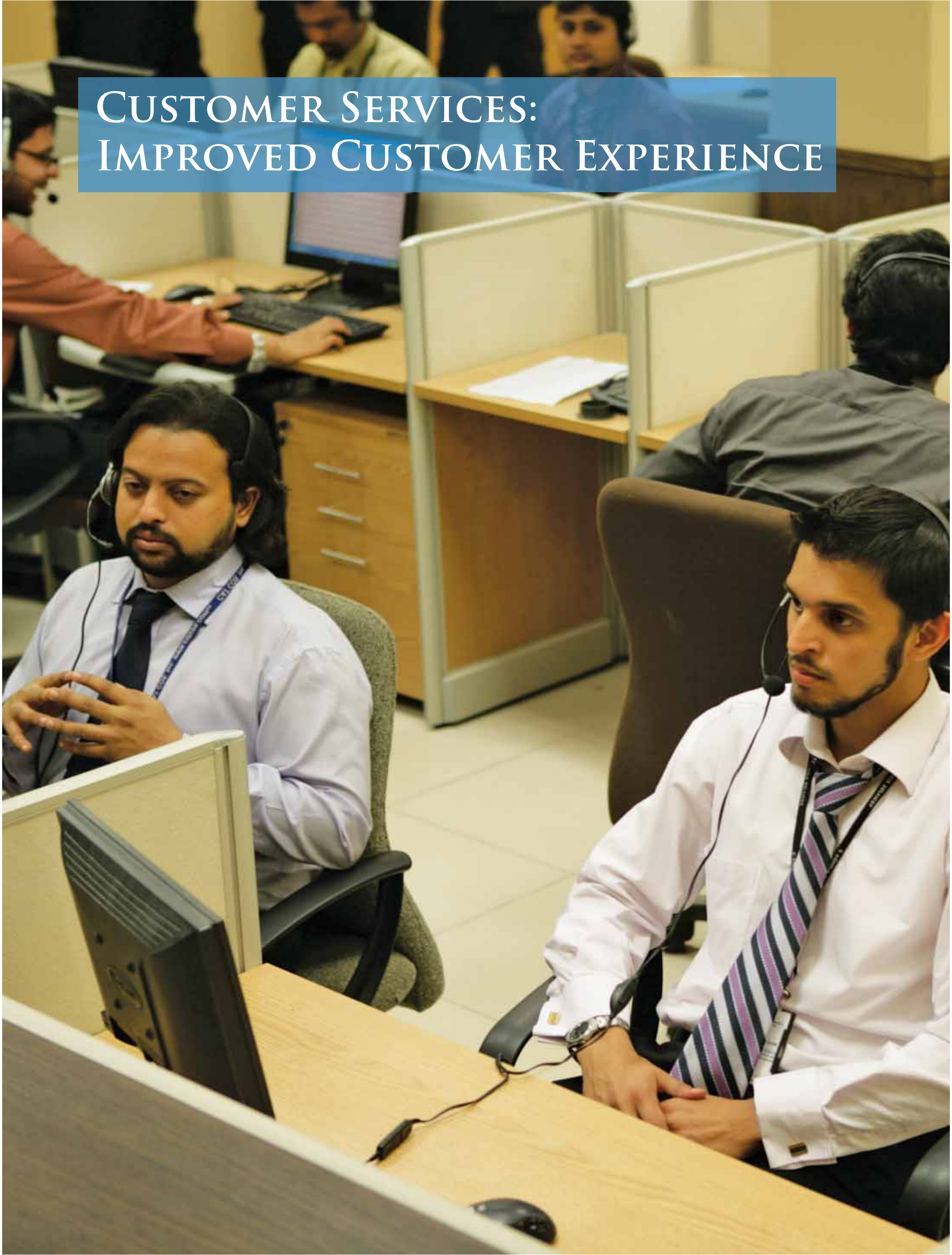
Projects like ABC, kunda removal and installation of low-cost meters have shown positive results and contributed towards sustainable loss reduction. Given the encouraging results, **the Company plans to convert PMTs in HL and VHL areas to ABC to mutually benefit both the utility and the end-consumer through reduced load shed**. Moving forward, we are also identifying more kunda-infested areas, and continuing to execute low-cost meter schemes with the help of locals, giving the masses an opportunity to use electricity through a legal metered connection.

3. Recovery Management

Our "reward and reprimand policy" will continue in its full zeal, **offering paying and honest consumers the best in class service from the utility**, while those who steal and don't pay are taken to task. Aggressive disconnection drives, coupled with flexible recovery options (instalments, etc), will ensure that the Company receives its energy charges on time. We also hope that the Federal and Provincial Governments play a positive role, just like the honest citizens of the city, and pay their respective dues on time. It is once again emphasised that the non-payment of state-owned enterprises namely Karachi Water and Sewerage Board (KW&SB) and the City District Government Karachi (CDGK) has hampered the Company's ability to run its operations.



Customer Services: Improved Customer Experience



Our objective is to make KE more accessible to the customer. To achieve this we are making processes simpler, improving the customer services team and creating more efficient platforms and alternate channels for the customers to engage with us.

In order to serve the customer better, we have expanded our state-of-the-art call center and streamlined call handling capabilities through increased number of PRI lines, construction of an ISO-compliant server room and an increase in the number of customer service representatives.

In order to provide more real-time feedback to the customer, SAP has been integrated with the system to allow for better data management and improved communications with other related business units.

Customer service is now also equipped / upgraded to handle complaints from alternate channels such as email, social media, website and SMS. All customer platforms are also empowered with Customer Relationship Management (CRM) services. Auto complaint rectification confirmation via Interactive Voice Response (IVR) to all customers is being implemented.

A very powerful platform of 8119 SMS complaint registration was launched this year in order to make complaint registration and feedback more effective and to inform customers proactively of the major developments with regards to shutdowns, faults and load shed schedule, etc, along with the monthly billing details.

In order to make the overall experience more customer-centric and virtual, a self-care portal is in the development stages that aims to give the customer instant access to information, online payment platforms and several other benefits.

THE POWER OF 1%

Reduction in Transmission and Distribution losses

Efficiency drives wealth creation. Just a 1% change in losses can bring millions of dollars of revenues. At KE we're creating efficiencies for our customers and for our Company with the power of innovative solutions:

1% of loss reduction = Revenue of USD 25 million per annum or PKR 2.5 billion per annum

1% of energy conservation = 25 MWs of new generation that is also, on an average, equivalent to electricity consumed by 10,000 households

1% of fleet efficiency = PKR 2 billion, USD 20 million

SUPPORT

FUNCTIONS

- HUMAN RESOURCE
- FINANCE
- HSEQ
- SOCIAL INVESTMENTS
- ENERGY CONSERVATION
- SUPPLY CHAIN
- IT
- MARCOMMS

Human Resource: Fueling Progress

Our culture is about providing everyone who works at KE with opportunities to exercise their responsibility, integrity and creativity while developing themselves, their careers and our business.

Enhanced workforce effectiveness through the creation of performance-driven workforce optimisation (reduction of headcount by approximately 7,000 — from 17,436 to 10,242 as the current headcount).

Effective management of human resources is a major milestone achieved for the successful turnaround of the Company. Rightsizing the organisation through the conversion of **3,500 non-management employees to management cadre** followed by the **regularisation** of 5,700 contractual staff to the successful implementation of the **Voluntary Separation Scheme (VSS)** has been key for the creation of a dynamic and performance-oriented organisation. As of June 2014, the management headcount stands at 5,277 and non-management at 4,965.

Implementation of AZM, our change management programme has been instrumental in aligning the employees with the organisation's vision and values and providing them an ongoing platform for their professional, attitudinal and behavioural refinement.

Another major achievement has been the successful completion of the fifth round of Annual Performance Appraisal (APA) through a Bell Curve evaluation system for management and staff. "Variable Yearly Performance Reward Matrix" has been implemented for all employees this year as well.

A succession management programme has been launched to ensure smooth operations under all foreseeable circumstances.

Accountability has been emphasised through the implementation of a **disciplinary committee** for the first time. The HR legal cell was constituted in January 2010 in order to take disciplinary action where required, resulting in effective systems and policies implementation to deal with misconduct. To date 1,175 employees have been dismissed or terminated across all cadres due to corruption, theft and misconduct.

Today we can proudly claim to be amongst the top preferred employers' lists for fresh graduates. Our graduate trainee recruitment drive has been our focus in order to create the future workforce for KE. The programme has become very popular among graduates of all reputable business schools like IBA and LUMS and Engineering schools like NED, NUST and GIKI etc. To date we have inducted 927 young professionals since 2008 under our Graduate Trainee Programme (GTP) from various top-ranking institutes.

Internal job postings have successfully motivated current employees by giving them the opportunity to build their careers within KE at positions that match their skillsets and career aspirations.

KE believes in equality and non-discrimination. Over time, we have built a more diverse, inclusive and open culture. We currently employ 13 employees with special needs in the organisation and are in discussions for retrofitting our offices for accessibility, helping with policy implementation and sourcing talent. There is a strong presence of females in our workforce, especially in the management cadre. Although, at 197 female employees, the numbers are still very small, making up almost 2% of the employee-base, we hope to achieve a healthier ratio to balance out our human resources.

We have an extensive learning and organisation development programme conducted through standardised and structural learning interventions through our “AZM” Learning Institute (ALI).

Training details for the year

- **257 learning events**
- **11,797 employees trained**
- **2,24,601 training man-hours**
- **Approx PKR 100 million total training budget for FY15**

An extensive training calendar was rolled out to meet the training needs, compiled through training needs analysis, through technical and professional management skills development programmes. A structured evaluation and follow-up mechanism, including targeted programmes, for first-time and high-potential employees was part of the training calendar.

Extensive career progression based trainings have been conducted to promote karkuns to semi-skilled linemen. **Twenty** batches have completed training and **823** employees have been promoted through this programme. Other training and development initiatives include the First Time Supervisory Programme (FTSP) for employees who are new to supervisory roles, the emerging managers programme for high-potential management employees, technical training programme for our field staff, the business catalyst programme to inculcate forward-thinking and the motivation to achieve business goals and workshops to tackle violent and aggressive behaviour and difficult situations faced during customer interactions and on-site visits.

Other important initiatives include time and attendance integration into SAP HCM, retirement planning three years in advance and enhancement of welfare loans, education scholarships, as well as Hajj sponsorship and increased canteen subsidy.

Having played a pivotal role in the restructuring of the organisation into a thriving entity, the HR function is actively working to increase employee retention and attracting top-tier talent through the provision of a peaceful work environment that encourages and rewards personal and organisational growth.

Finance

For any profit-making entity, financial planning and control is vital. Our finance department aims to increase the Company’s value through efficiencies improvements, availability of MIS for effective decision-making and long-term planning. In compliance with all the foreign and local standards expected of listed entities, the department ensures transparency and control in all our financial dealings.

During the year KE was honoured with the prestigious FT / IFC Transformational Business Award for exceptional achievement in Project Finance - Energy.

Financial Highlights	2014	2013
	PKR in Millions	
Revenue	194,708	188,999
Gross profit	32,418	28,819
Profit before tax	9,575	4,001
Net profit after tax	12,887	6,825
Earning per share (PKR)	0.47	0.26
Earning before interest, tax, depreciation and amortization (EBITDA)	30,158	26,902

K-Electric Limited financial results have shown improvements as compared to last year. The main reason is the decrease in transmission and distribution losses which decreased to 25.3% as compared to 27.8% last year showing a reduction of 2.5% and increase in revenue by 3%. The reduction in T&D losses, together with improved fleet efficiency that increased from 36.6% to 37% during the current year, led the improvement in EBITDA by 12%. Finance cost was noticeably reduced due to repayments of long-term financing and the cost could further be reduced if circular debt issue is resolved.

Receivables from the Government of Pakistan rose to PKR 105.68 billion including KW&SB and CDGK amounting to PKR 30.2 billion and PKR 7.8 billion respectively. These receivables create liquidity issues for the Company.

During the current year the Company has recognised deferred tax asset amounting to PKR 2.3 billion indicating availability of future taxable profits against which the asset is estimated to be realised.

Financial Initiative and Future Plans

During the current financial year the Company issued the first listed Sukuk in Pakistan amounting to PKR 6 billion which was subscribed within only twelve business hours. The Company is planning to issue another Sukuk of PKR 22 billion which would be utilised to prepay existing long-term debt. The benefit to the Company will be extended debt maturity profile and reduced finance cost. In addition, the Company is also working to arrange international credit agencies backed financing for its upcoming project.

HSEQ

Health, Safety, Environment and Quality (HSEQ) assurance has become an integral part of KE's operations across the board resulting in a marked decrease in accident and injury rates. With an aim to incorporate personal and operational safety along with a robust quality assurance system, an emphasis is placed on the implementation of policies and measures for better preparedness, monitoring and management in all our functions. Further intransigent compliance with local and international environmental regulations is ensured as a policy.

We feel it is our responsibility as one of the largest organisations in Pakistan to act as an example in this regard. We also strive to create an environment that is not only safe for our employees, but also for all those whom we serve.

Under our various HSEQ initiatives, we conduct carefully planned preventive maintenance to counter unforeseen faults and outages, while also constantly exploring new and better ways of conducting operations. An important measure taken in the last one year was the introduction of improved safety gear for our technical staff. **Safety audits and spot checks are conducted regularly** to ensure compliance and suggest improvements. Extensive trainings are held across all cadres to inculcate greater awareness on safety issues amongst all workers.

Systems have also been implemented to **decentralise safety initiatives by empowering and equipping business unit heads** to be responsible for safety drills, trainings and audits.

Another key area of focus is the circulation of safety information targeted towards our employees, consumers and the general public. Employee welfare measures have been a prominent feature at KE and various activities, including **vaccination drives for employees and their families**, were carried out during the year.

Impact in Numbers and Figures

- 34% reduction in employee accidents
- 86% reduction in damaged assets
- 67% reduction in public accidents
- 1,434 safety and hygiene inspections
- Increase of 14% in hazard reporting

Social Investments

In line with the leadership's vision of creating tangible social impact through our operations and interventions, **sustainability is dedicatedly worked towards through social investments**, thought leadership and knowledge sharing platforms.

Over the years **we have added some well-reputed welfare organisations to our social investment programmes for the provision of free and / or uninterrupted electricity** to support them in the vital services they provide to the masses, while assisting them through various employee volunteering programmes to help build their capacity. These organisations include Lady Dufferin, the Kidney Center, Behbud Association Karachi and SOS Children's Village. We also support the city's residents in their time of need through our emergency response programme.

A free lifetime electricity benefit has also been provided to the winners of the Pride of Karachi Awards as a testament to their services to the city.

Through our knowledge sharing platforms we have reached school and university students through interactive tours, seminars and conferences.

KE is actively involved in The Pakathon Data and Design Connect, organised under the advisement of the MIT enterprise forum of Pakistan. This platform aims at bringing together the industry and academia in Pakistan and abroad to promote innovation and entrepreneurship. The contest entails the issuing of open challenges posed by organisations to tackle problems they face. KE is the only organisation that has provided real data in an attempt to devise data-based solutions to curb theft and consequently reduce load shed. Eighteen teams have submitted their entries from Pakistan and abroad and results are being tabulated.

KE as an organisation is proud to be a **socially aware and proactive entity**. Our initiatives are highly respected by the corporate, governmental and NGO sectors alike due to the noble intent behind them and the impact they have had. With the hopes to build on the milestones we have already reached, we wish to work towards a harmonious social environment.

Impact in Numbers and Figures

- Almost eight million individuals reached through social investment programmes
- 150,000 employee hours volunteered
- Over 3,000 students reached through knowledge sharing platforms

Energy Conservation

The Energy Conservation Department (ECD) **propagates and facilitates an energy-efficient lifestyle** amongst the consumers (particularly industrial, big commercial and residential) and employees in line with the **Company's "Climate Change" policy**, by providing free-of-cost energy audits and efficient operations advisory services. In the year July 2013 – June 2014, ECD has been successful in the implementation of the following remarkable initiatives for enhancing energy conservation leading to sustainable reduction in carbon dioxide emissions.

Awards and Recognition Received

ECD received the prestigious **Energy Leaders Award 2014** for Best Practices in Energy Conservation, Energy Efficiency and Implementation of Efficient Practices for the second consecutive year, at the **National Energy Leaders Summit** organised by the **National Forum for Environment and Health (NFEH),** in collaboration with the **Government of Sindh,** the FPCCI and the **Karachi Chamber of Commerce and Industry (KCCI).**

Impact in Numbers and Figures

PFIP Project

- 1,860 cases surveyed
- 77.5 MVA released

Energy Audits

- 60 audits conducted
- 6 MW load optimised
- 26.5 million KWh / annum units saved

Mass Awareness Activities (ATL, BTL, interactive session and others)

- 158 activities
- 140,365 consumers tapped
- Approx 10 MW load optimised

Environmental and Compliance Zone

- 24 successful transformations
- 1 MW load optimised

Cause Partnerships

- Three MoUs

Plantation

- 15 activations
- Approx 2,000 trees planted

Climate Change Mitigation

- 58,371 metric tonnes / annum reduction in carbon footprints

Ongoing Research and Development Projects (in collaboration with NED University, ENERCON, AEDB, PSQCA and others)

- Study of energy-efficient inverter ACs
- Study of energy-efficient UPS
- Study of energy-efficient ATM cabins for banks
- Building codes envelope
- Study on energy-efficient fan motors
- Real-time mapping of KE network data through newly developed software
- Labeling and rating regime

Supply Chain

The initiatives and steps taken with respect to KE's supply chain are primarily aimed at the streamlining and automation of relevant processes to increase efficiency and control, while lowering the costs associated in these areas. All this needs to be done in a socially responsible way by conducting business with professional suppliers; the idea being to support the rest of the organisation and augment its smooth operations allowing us to **further thrive as the region's flagship energy provider**.

KE's supply chain involves not just the methodical sourcing of material and services from suppliers and vendors; it essentially mans the very system that allows the rest of the organisation to perform its day-to-day operations without interruptions. At KE, supply chain has the added responsibility to ensure that we move our business to entities that **adhere to the strictest of ethical standards and norms**.

Over the course of the fiscal year, several improvements have been made to existing systems, as the department continues to upgrade itself. To **reduce lead times of purchase** and reduce dependence on suppliers that monopolise the market, new contracts have been introduced and new vendors have been taken on board for the procurement of goods and services.

Effective management of real estate and works has seen several construction and renovation projects delivered, while the **number of rented**

premises has also been reduced as part of KE's rent-free vision. We have implemented an online centralised real estate database management system with a GIS overlay, covering aspects of property data and space utilisation.

Systems at inventory management have been improved through the **implementation of SAP** and the creation of inventory and scrap disposal management portals, all associated processes have also been standardised by developing SOPs. We have also incorporated a PR release strategy and a warehouse management system for improved stock visibility and traceability. Advance material planning for Transformers Workshop (TSW) has been initiated which has led to a reduction in material stockouts. The capacity of KE's TSW has been enhanced and it now also repairs switch gears and isolator mechanisms.

The fleet management department has implemented a cohesive solution and successfully reduced the fleet age.

Impact in Numbers and Figures

- Service provider universe increased to 345
- Rented premises reduced from 22 to 17
- Identified and uploaded unrecorded material worth PKR 48 million in SAP
- 181 new fuel-efficient MTLs inducted
- 2,564 transformers refurbished
- 72 construction projects delivered

Information Technology

The state-of-the-art IT infrastructure of the Company aims at keeping KE a step ahead in a technology-intensive world. With a focus on continuous process improvements, we plan to **increase dependence on automation in all business functions** for more efficient controls and monitoring, while also offering more reliable communications systems.

During FY-14, further integration of SAP into business processes has been of utmost importance to improve quality and efficiency. Initiatives have also been taken to control access and improve the security of Company information systems.

Policies and SOPs were developed and implemented in the service areas of IT hardware, software and support services to **align current Company practices with industry standards**. **Android-based apps for electronic meter reading** were rolled out to improve accuracy of meter readings.

Improvements have been made in geographic information systems to gather and maintain the geo-spatial information of facilities and installations.

MARCOMMS

BRAND MARKETING

23rd March

On our Resolution Day, we reiterate our resolve to serve with the same spirit that gave us Pakistan. As the beacon of the nation's energy sector, we believe that a Public Service Entity serves beyond providing a mere utility; it delivers ENERGY THAT MOVES LIFE.

Customer Service Menu

KE is the only power utility in Pakistan to offer the most convenient and unique customer care facilities round the clock.

The Highest AZM,
The Highest Returns upto15.50%

Investing in bonds has become a viable option and people are usually looking for safe investments to make. Term Finance Certificates (TFCs) are one of the most secure options when it comes to public investment, and KE offered the investment market in Pakistan a unique opportunity, backed by SECP, to enjoy the highest returns in the market, that too through the most flexible tenor options; i.e. 13 months, three years and five years.

2012

The research results of the product were discouraging yet insightful, allowing KE to position the product in a way that worked well for the Company.

By offering the highest rates of return and flexible tenor options through a very thorough media mix comprising an engaging radio spot, print ads, building wraps, on social media and it's own website, all three tenor options of the AZM TFC were subscribed within the first five weeks of the launch — a record breaking time frame in Pakistan as certificates usually have a subscription period of three months or more.

The subscription money KE received was allocated to our operating costs, enabling us to further bridge the demand-supply gap and come a step closer to providing our consumers with reliable, affordable and uninterrupted power.

The 1st Listed Sukuk of Pakistan

2014

Following the success of the AZM TFC, KE developed a product which reached out to an audience that may not have participated in investing in the certificate, as well as offered an opportunity to those looking for a good investment. The AZM Sukuk is the 1st listed Shariah-compliant Sukuk in Pakistan, approved through a Shariah advisory board.

The AZM Sukuk also offered three tenor options and was marketed to the nation through print ads, radio spots, and building wraps. This record breaking Sukuk worth PKR 6 billion was fully subscribed within the first 12 business hours of its launch.

We are extremely grateful to our valued subscribers and thankful to our consumers, stakeholders, partner banks, Government of Pakistan (Ministry of Water and Power and Ministry of Finance), SECP and the Karachi Stock Exchange.

We believe this awe-inspiring success was made possible because of the trust they reposed in KE and on this triumphant occasion, we pledge to strive even harder and to honour and uphold our resolve.

KE

unicef

KE and unicef have entered into an agreement, with the pledge to increase awareness regarding polio and preventive diseases through KE bill ads and tactical communications — Because

KARACHI DESERVES TO SMILE

SWITCH OFF KARO
BACHAT ON KARO

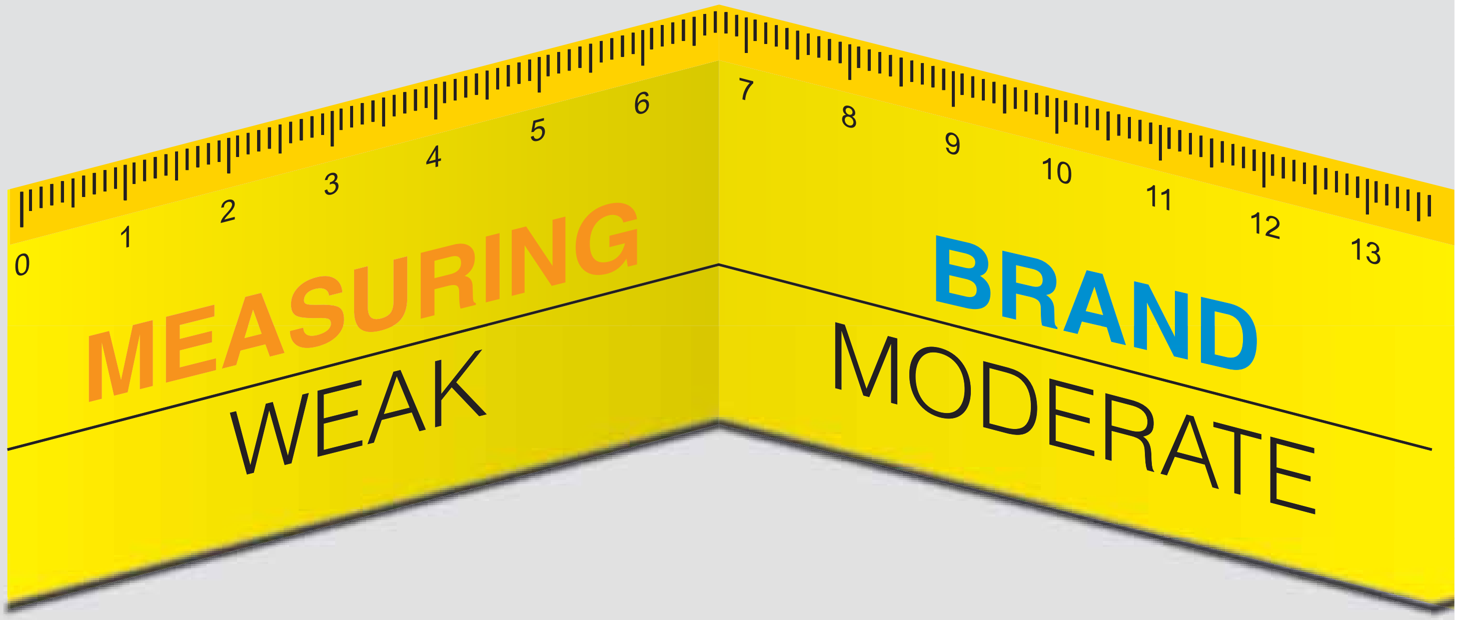
I KHI
#iPowerKarachi

Energy conservation is a global phenomenon and due to inadequate gas supply and rising power demand, there is a dire need for massive awareness and behavioural change regarding power usage to inculcate this change and to bridge the power gap, giving maximum relief to our valued consumers, since almost 50% of our power is generated through the most expensive fuel mix (furnace oil).

Unfortunately, as a nation, energy conservation is probably not even amongst the top five on the list of our priorities therefore rolling out basic ‘energy conservation’ tips would not cut through the noise or our consumers won’t be able to relate to it the way they would to an audience-specific campaign hence...

Keeping the psychographics and demographics in view, the audience was split into eight segments which include
Kids (seven years and above)
Housewives (savings for shopping)
CEO (even if you can afford it doesn’t mean you waste it)
Industry for labourers or small school or health clinic for the underprivileged (switch off to switch on)
Shopkeepers (save power and increase your profit)

Each thematic was hammered through the following media mix
TV
Radio
Outdoor
Wraps (KE Sites)
Bill Ads
Social Media (ipowerkarachi.com, Facebook and Twitter)



Brand tracker Study

KE undertakes brand health tracking studies on an annual basis through which we calculate brand equity index and satisfaction index, which is the output / reaction to total brand experience. We also track respondents' perceptions in the areas of Company image, perceived equipment quality, billing and pricing, customer services, corporate social responsibility, theft, energy conservation, electricity safety and KE response center. A total of 74 selected perception attributes are present in these brand trackers. The total sample is equally divided among SEC A, B, C, D and E.

As per Wave 7, we have shown an increase in all Company image-selected attributes, also with anti theft, customer service and billing.

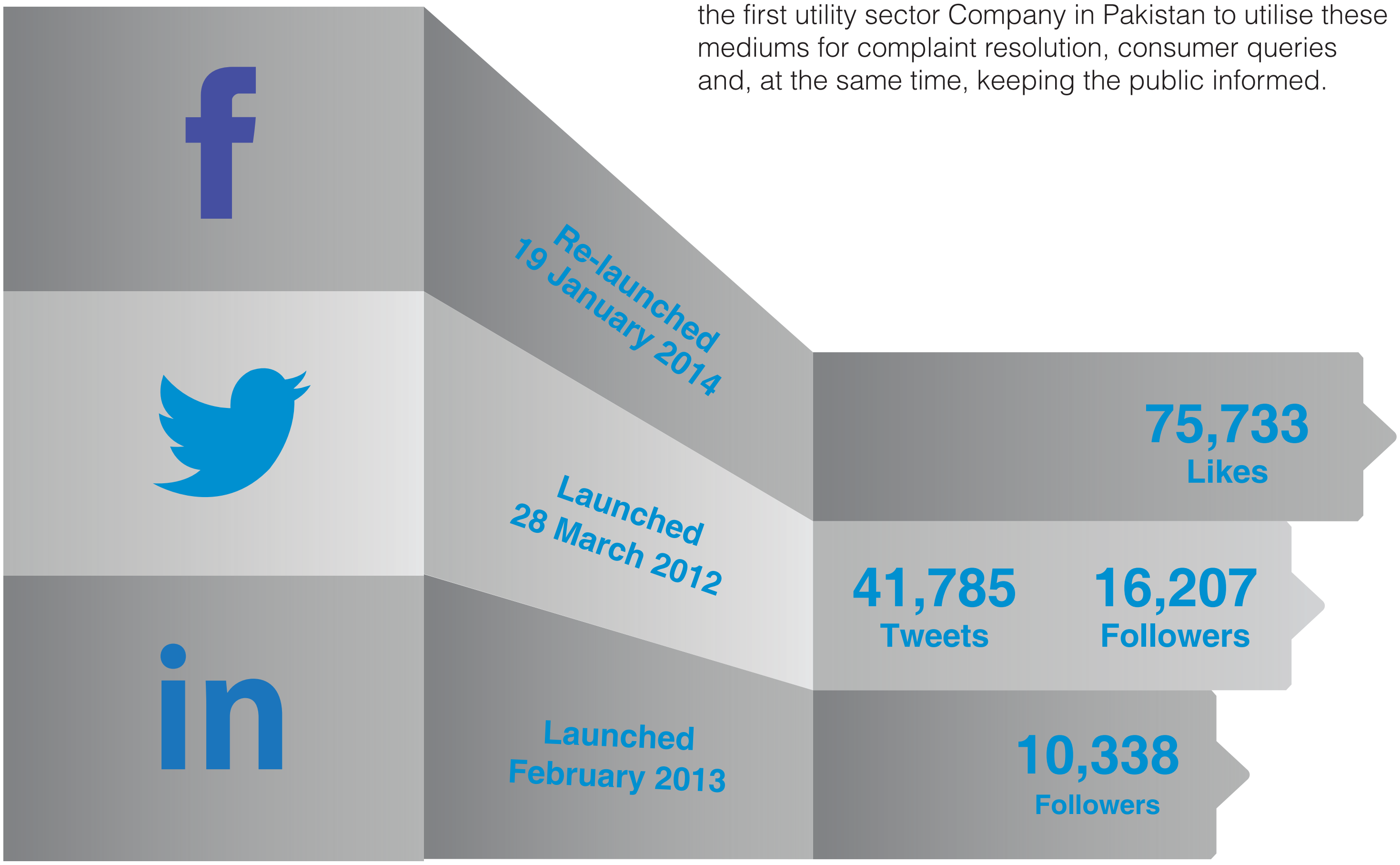
	Satisfaction Index
Wave 1	45
Wave 2	48
Wave 3	50
Wave 4	53
Wave 5	57
Wave 6	51
Wave 7	59.5

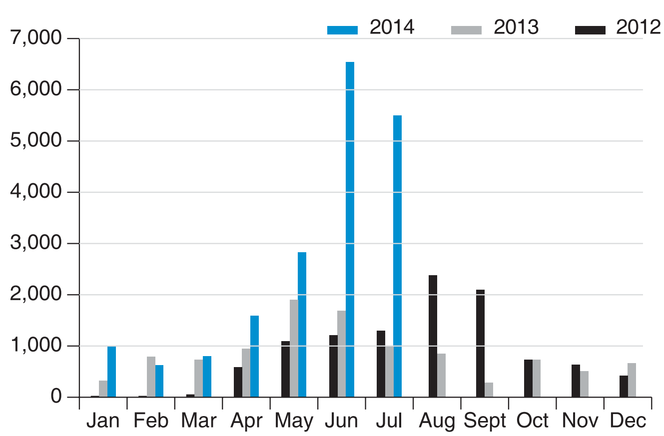
Weighted Scores

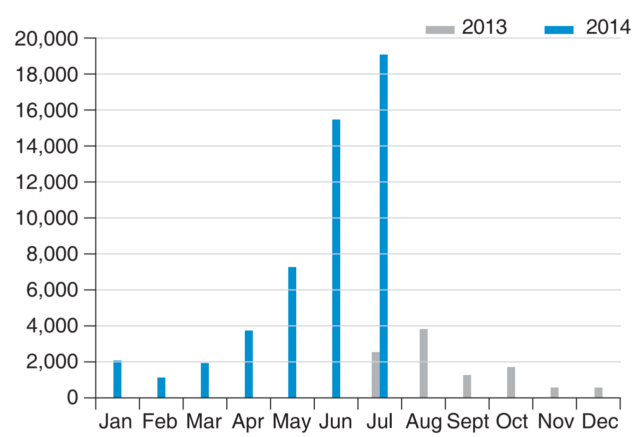
Experience scores are based on the perception consumers have of KE. Stand-alone KE experience scores are derived from the question where customers have been asked their perception on KE-specific attributes only. Wave 7 shows the highest experience scores since 2007.

SOCIAL MEDIA

KE is actively present on social mediums focusing on Facebook, Twitter, LinkedIn and Vimeo to allow direct and real-time interaction with our consumers, making us the first utility sector Company in Pakistan to utilise these mediums for complaint resolution, consumer queries and, at the same time, keeping the public informed.







I⏻KHI

#iPowerKarachi

The objective of iPowerKarachi was to educate and create awareness amongst the citizens of Karachi to use energy efficiently by observing various tips that most of us are familiar with but don't remember to apply.

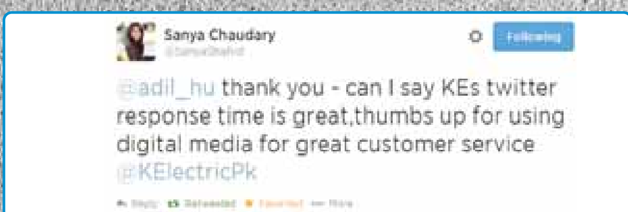
A PC monitor switched off overnight saves enough energy to microwave six dinners

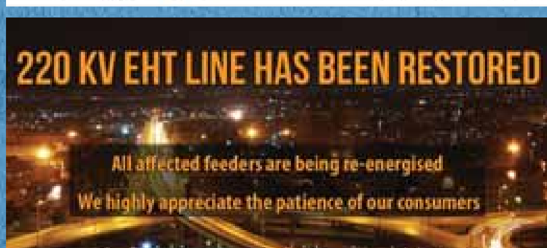
80 watts

30 DAYS = PKR 542.52 PER MONTH

A photocopier left on overnight uses enough energy to produce over 1,500 copies

Crisis Communication





July 25 (7:00 am – 7:18 pm)

Facebook
Five announcement posts
2,998 likes, 462 shares,
1,053 comments, 199,784 views

Twitter
11 announcement tweets
193 retweets, 81 favourites,
43,985 impressions 4,213 mentions

Due to constant and immediate replies to all the queries, the tweet limit was also reached

Media Management

The media and PR team has continued to hold interactive dialogues with the media and over the last twelve months managed to place KE's voice 5,305 times in the form of news tickers, news clips, news reports, talk shows, beepers and interviews on 14 prominent news channels. Out of this number, almost 70% have been positive or either neutral which, given the nature of KE's work and the Pakistani media, is no small feat. Apart from the usual media presence through digital, print and electronic, radio presence has also been established where KE's spokesperson has given interviews on radio channels over different topics. Media's role in the power sector has evolved to become more critical and responsible towards issues related to the sector.

KE's voice has appeared

5,305

times in the media in FY13-14

Iftar with Print and Electronic Media Representatives

KE has played a critical role to educate and create awareness amongst the media on different micro and macro aspects like distribution of 2.7 million free energy savers under the umbrella of Prime Minister's Energy Saving Programme to reduce power consumption by 107 MWs across Karachi, successfully arranged the coverage for low-cost one-stop shop project with distribution strategy teams; ABCs, raised its voice on media regarding anti-theft raids with FIA teams against electricity thieves, Bait-ul-Sukoon Cancer Hospital to receive free electricity and about the provision of free electricity to SOS Children's Village Karachi among other important issues.

70% of positive media coverage, given the nature of KE's work and the Pakistani media, is no small feat.

- Issued more than 120 press releases and around 65 rebuttals to the print media on various issues
- Around 1,500 complaints resolved for contacts and more than 50 beepers arranged with the channels so as to maintain a media presence in key news channels
- A major challenge for the media and PR department has been to hold KE's positive image especially during major breakdowns such as the EHT tripping that took place almost two months back
- Another challenge that is addressed aggressively is when print or electronic media publishes a baseless story without KE's version, the media department not only contacts the beat reporter, but the sub-editor and the editor-in-chief for KE's rebuttal to be published the following day

Around
1,500
complaints resolved

Defaulters of Rs 13m torture KE personnel

Staff Report

KARACHI: Karachi Electric (KE) was aggrieved when residents of Sultanabad attacked KE staff busy at work on July 16 on the Rickshaw Poll Mounting Transformer (PMT) near Saddar and manhandled KE personnel.

Giving details the press statement said these residents who got their electricity supply from the Rickshaw PMTs (2), owed KE's almost Rs 13 million. The recovery ratio from these 2 PMTs is at a mesmerisingly low level and since Sultanabad is a kunda-infested area, it is categorised as a High-Loss Area. Despite being defaulters, these residents resort to protests where only couple of days back they had blocked off a road which affected the traffic flow as well.

The KE staff was working near the Rickshaw PMT area to restore supply after a fault on the over-loaded PMT had occurred, where unknown persons misbehaved and tortured KE's linesman.

The KE vehicle was also targeted in this unfortunate incident. This was not the first time KE's team faced resistance from the residents of Sultanabad, as such instances occur almost every alternate day.

Spokesman KE has clarified, "If such instances continue then we will have no choice but to stop our operations in such areas. These residents are defaulters and despite pleading to them that they need to remove these illegal connections to ensure a smooth supply of electricity, these residents resort to violence and continue to use electricity through such illegal connections or kundas".

Press Conference at the Lyari League 2014

KE rebuts allegations by NEPRA's official

KARACHI: K-Electric has rebutted some allegations laid out by NEPRA's official.

NEPRA Rules and Regulations allow distribution companies to take all legal measures/actions against defaulting consumers for recovery of outstanding dues, statement further added.

It also added that there is no specific provision in the law where it states that utility companies cannot disconnect PMTs where paying consumers barely exist. Instead, Power Policy 2013 announced by Government of Pakistan clearly allows such actions against defaulting consumers. It is pertinent to mention that a major cause of this circular debt's recurrence is due to electricity theft and non-payment by defaulters.

Giving details the statement said that in a city like Karachi where the law and order situation is quite shaky, it is not easy for the power utility to recover its dues. Spokesman KE said, "People think that if out of 10 customers only four are defaulters KE disconnects the PMT which stops supply to the whole lot, but such is not the case. We disconnect the PMT's supply only when the defaulters outgrow the loyal customers by a huge margin, and the losses and the recovery ratio hit rock bottom. There are a number of PMTs, where the paying consumer ratio is barely in single digit and hence calls for aggressive disconnection drives. Such disconnections have also worked in favour of the residents as they realize the consequences of electricity theft. KE before disconnecting the PMT sends endless notices to these defaulting customers, sets up a camp in the vicinity where discounts and easy instalment packages are offered to the defaulters. The area representative is also contacted so that an awareness campaign could be commenced. Sadly, in some cases, people still don't pay their bills and then resort to violence and road-blocks after their electricity supply is disconnected. However, in other parts of the country, no such notices are sent and neither any camps established, and electricity is cut for the residents. It is important to highlight that SBP has appreciated KE's policies on theft reduction and Government of Pakistan also admitted and adopted these policies countrywide.

State Minister for Water and Power time and time again threatens to disconnect the whole feeder, which has an average of 25-30 PMTs on it, if some people don't pay. Disconnecting a whole feeder for one defaulting PMT is far worse than what KE has been doing. On the other hand loyal customers also suffer as overloaded PMTs lead to prolonged power breakdowns.

Spokesman KE added, "KE has been able to convince defaulters and electricity thieves for instalment payment plans and discounted rates after the camps are set up and defaulters are contacted. KE has been installing low-cost meters through a One-Stop Shop in underprivileged areas of Karachi, where electricity theft had been common."—PR

KE cuts power to 'defaulting' PMTs

By our correspondent
Karachi

The K-Electric (KE) disconnected power supply to the pole mounted transformers (PMTs) installed in areas with the highest number of defaulters.

The areas included Munnu Goth near Old Sabzi Mandi, PIB Colony and Goharabad, a KE official said on Monday.

According to the spokesperson, a sum of over Rs20 million was to be recovered from Munnu Goth while Rs6.5 million was to be recovered from the Goharabad area. Owing to the unpaid bills, the KE cut-off power supply to the localities.

The power utility claimed to have served notices as well as reminders to the defaulters but the efforts to collect outstanding dues proved futile.

The KE advised affected people to clear their dues at the earliest rather than staging protests and also sought help from elected representatives of the areas.

District administrations

The K-Electric will have to notify the district administrations before disconnecting power supply of any consumer or PMT.

The decision was taken in a meeting held at the Deputy Commissioner (DC) Central office located near Sakhi Hassan, North Nazimabad.

DC Central Dr Saifur Rehman said the decision was taken in light of severe traffic jams caused due to protests against suspension of power connections. "This would help the company recover their dues from consumers as district administrations would cooperate in asking people to pay their dues on time," he added.

The KE officers informed the DC Central that as many as 82 copper spans were missing from all sub-divisions while Oil Circuit Breakers also required repairing.

The meeting was presided over by Rehman, whereas General Managers of KE, sub-division officers of North Nazimabad, New Karachi, Liaquatabad and Gulberg were also present.

Rehman also said that absence of streetlights was causing an increase in street crimes. All streetlights installed on the main roads of District Central will also be made functional in the next two weeks in order to avoid a law and order situation, it was decided.

KE asks govt to release promised funds to defaulting KWSB

By our correspondent
Karachi

K-Electric (KE) has requested the Sindh government to release the funds it had promised to the Karachi Water and Sewerage Board (KWSB), which owes the power utility at least Rs31 billion in unpaid dues.

In a letter written to Chief Minister Qaim Ali Shah, members of the water and power ministry and the treasury bench on Wednesday, the KE appealed to the officials to clear the funds it had promised to the water board so it could pay its bills to the power utility.

According to a KE official, a meeting had been held two months ago in which the chief minister had promised KE officials that an amount of Rs5 billion would be earmarked in the current budget for the KWSB's payment to the power utility.

It was also decided that the water board will pay its monthly bill to the KE, amounting between Rs650 and Rs700 million. However, even after two months and continuous appeals made to the relevant ministries, no such payments have yet been made to the KE.

"The KWSB's total dues have touched Rs31 billion which is no small amount," said the KE official. "Despite the water board being a huge defaulter, time and time again it puts the entirety of its incompetence on the KE by claiming that its pumping stations are affected due to power outages, leading to disruption in the city's water supply."

He said the power utility had denied the KWSB's claims almost every day and for the sake of the city had followed court orders and has neither cut off electricity supply to the water board's offices nor has it subjected pumping stations to power outages.

Speaking on behalf of the KE, he said the company urged the Sindh government to treat this as a high priority matter since continuous defaulting by the KWSB hurt the KE's finances, thus affecting its operations.

KE receives ISO 9001-2008 certificate for SITE IBC

KARACHI: K-Electric (KE) is pleased to announce that the power utility has received an ISO 9001-2008 Certificate for its SITE IBC (Integrated Business Centre). The certificate is given to organisations in recognition of their improved performances and operations. The certificate recognizes quality in customer care and satisfaction along with network complaint solution turn around and Revenue Protection activities.

Giving details, the press statement added that KE had announced the year 2014 as a 'Customer Care & Satisfaction Year', and it was pleasing to know KE's hardship towards improving its customer care has been appreciated and recognised by a third-party accredited certification.

With this certification KE would be more vigilant in focusing on Customer Care, Customer Accounts, Network & Revenue Protection, whereas direct interaction with the consumer will be enhanced in a structured manner. Also, this would help KE in speeding up fault rectifications and the turnaround time will also be reduced. Fault traction and analysis to prevent recurrence would also become mandatory for KE through this certificate and voltage fluctuations and losses will be reduced through a proper strategy. The main emphasis of the system is continual improvement and gives an opportunity to KE to focus on optimizing the areas that matter most in IBC's business. It establishes a framework for IBCs as to how to manage a business's key process and ensures that the processes meet recognized standards, clarifying business objectives and avoiding mistakes.—PR

K-Electric urges govt to ensure foolproof security for employees

RECORDER REPORT

KARACHI: K-Electric has voiced serious concern over the target killing of its employees and demanded of the provincial government to ensure foolproof security for its field employees.

Sources said that the ongoing menace of target killing has not only claimed the precious lives of the common man but also the employees of the government and private entities particularly KE workers have been targeted while offering their duties in field.

They said the incidents of target killing of KE employees are alarmingly increasing as field employees have been targeted thrice since last year creating sense of frustration among them.

According to sources, unidentified gunmen on a motorbike opened fire at KE's Maintenance Vehicle standing outside grid station in Baldia Town in the limits of Saeedabad police station on Tuesday. Resultantly, a driver Shabbir was killed on the spot whereas Obaid Ullah, the lineman and Fazal, the meter-reader were wounded in the incident.

Similarly, KE Deputy General Manager (DGM) Quddoos Memon in Gulistan-e-Johar, was targeted by unidentified persons while he was on his way to somewhere last year, however he managed to escape the attack.

In another incident, Muhammad Salim, Cable Jointer was shot and injured by unknown assailants when he was busy in maintenance work in Lyari a few months ago. Similarly, a KE team was targeted in North Nazimabad recently in which an employee was fatally injured, they claimed.

When K-Electric spokesman was contacted in this regard, he said that it was the matter of great concern for the power utility as its employees were being targeted.

He urged the law enforcement agencies to arrest the miscreants as early as possible. He also appealed to the Sindh government to ensure security for KE workers and their assets as well.

KE demands Rs 31 billion dues from KWSB

KARACHI (PR): K-Electric (KE) has sent a letter to the Chief Minister of Sind, Members of the Ministry of Water & Power & Members of the Government of Sind in which the company has appealed that the Sind Government should clear KWSB's dues as per the understanding between KE members and Chief Minister Sind, Qaim Ali Shah.

Giving details KE's press statement said that a meeting was held almost 2 months back in which the Chief Minister Sind gave details of the Rs 5 Billion earmarked in the current Sind budget for KWSB's payment to K-Electric.

K-Electric condemns attack on workers, demands action

KARACHI: K-Electric has strongly condemned the firing incident in which a KE driver was shot and killed, and two of its workers were injured outside KE office in Baldia Town.

KE while giving details said that the firing incident took place in Sayeedabad area in Baldia Town where unidentified gunmen on a motorbike opened fire at KE's Maintenance Vehicle standing outside KE's grid station. As a result, the on-duty driver Shabbir was killed on the spot whereas ObaidUllah, the line-man and Fazal, the meter-reader were wounded. Later, the injured were shifted to a nearby hospital for further treatment.

KE has not only expressed its concerns but also demands the law enforcing agencies to arrest the miscreants on immediate basis. The power utility also appeals to the Sindh Government to provide security for their workers and their assets as well.

KE gets ISO 9001-2008 Certificate

News Desk

KARACHI: K-Electric (KE) has received an ISO 9001-2008 Certificate for its SITE IBC (Integrated Business Centre), a statement said on Friday.

The certificate is being given to the organisations in recognition of their improved performances and operations, it said.

The certificate recognises quality in customer care and satisfaction along with the network complaint solution turnaround and revenue protection activities, it said.

KE had announced the year 2014 as a 'Customer Care and Satisfaction Year', and with this certification, KE would be more vigilant in focusing on customer care, customer accounts, network and revenue protection, whereas direct interaction with the consumer will be enhanced in a structured manner.

Also, this will help KE in speeding up fault rectifications and the turnaround time will also be reduced.

KE Sends Letter to the Government as Receivables from Defaulting KWSB Touch PKR 31 Billion

Thursday, 28 August 2014 13:33   Posted by Shoaib-ur-Rehman Siddiqui

KARACHI: K-Electric (KE) has sent a letter to the Chief Minister of Sindh, members of the Ministry of Water & Power as well as to members of the Government of Sind in which the company has appealed that the Sindh Government should clear KWSB's dues as per the understanding between KE members and Chief Minister Sindh, Mr Qaim Ali Shah.

Giving details KE's press statement said that a meeting was held almost 2 months back in which the Chief Minister Sindh gave details of the Rs 5 Billion earmarked in the current Sindh budget for KWSB's payment to K-Electric. The meeting also decided that KWSB will be making payments of its monthly bill, which fall in the range of PKR 650 to PKR 700 million. However, after the passage of 2 months, and continuous appeals made to the concerned ministries, no such payments have been made.

It is imperative to mention that KWSB's total dues have touched PKR 31 Billion, which is no small amount, and despite KWSB being a huge defaulter, KWSB time and time again puts the entirety of its incompetence on K-Electric by claiming its pumping stations are affected and hence water supply to Karachi gets disrupted. KE has rebutted these claims almost every day and for the sake of Karachi and following the Honorable Court's orders, has not stopped electricity supply to KWSB and nor has it put any of KWSB's pumping station under any load-shed.

K-Electric urges the Sind Government and the Federal Government to prioritize this matter, as the continuous default of KWSB is hurting KE's finances and hence, its operations.

بھاری واجبات پر لیاقت آباد اپسرا اپارٹمنٹ کی بجلی منقطع

پروجیکٹ پر ماہانہ بلوں اور واجبات کی مجموعی رقم 2 کروڑ 80 لاکھ روپے ہو چکی، ترجمان

صارفین ہنگامہ آرائی اور سڑک بلاک کرنے کے بجائے بلوں کی ادائیگیوں کو یقینی بنائیں

کراچی (اسٹاف رپورٹر) کے الیکٹرک واجبات کی عدم ادائیگی پر متعلقہ پی ایم ٹیز سے بجلی منقطع کرنے لگی۔ ترجمان کے مطابق ناظم آباد اور لیاقت آباد سمیت شہر کے مختلف علاقوں میں نادہندہ صارفین کے خلاف آپریشن جاری ہے، لیاقت آباد میں واقع اپسرا اپارٹمنٹ کی بجلی بھاری واجبات کی بنا پر منقطع کر دی گئی۔ بیان میں واضح کیا گیا ہے اس پروجیکٹ پر ماہانہ بلوں اور دیگر واجبات کی مجموعی رقم 2 کروڑ 80 لاکھ روپے تک پہنچ چکی ہے۔ اہم نوٹسز اور ضروری ہدایات سے متعلق خاطر خواہ نتائج حاصل نہ ہونے پر مجبوراً بجلی منقطع کرنا پڑی۔ اس پروجیکٹ سے ماہانہ بلوں کی (باقی صفحہ 4 نمبر 9)

ادائیگیوں کا تناسب بھی نہایت کم ہے۔ علاوہ ازیں ماضی میں بھی اس پروجیکٹ کی بجلی عدم ادائیگی پر منقطع ہو چکی ہے۔ ادارے کی طرف سے صارفین کے بلاجواز احتجاج پر تشویش کا اظہار کیا گیا اور تلقین کی گئی ہے کہ ہنگامہ آرائی اور سڑک بلاک کرنے کے بجائے بلوں کی ادائیگیوں کو یقینی بنائیں۔ دریں اثنا ناظم آباد میں علاقہ معززین اور منتخب نمائندگان کے تعاون سے نادہندہ صارفین کے لیے خصوصی کیمپ بھی قائم کیے گئے ہیں تاکہ ادائیگیوں کے طریقہ کار کو سہل بنایا جا سکے۔

کے الیکٹرک کا ڈرائیور کے قاتلوں کی گرفتاری کا مطالبہ

کراچی (اسٹاف رپورٹر) کے الیکٹرک کی جانب سے حملے پر فائرنگ کی شدید الفاظ میں مذمت کی گئی ہے۔ سعید آباد میں گرڈ اسٹیشن کے باہر کھڑی گاڑی پر فائرنگ کے نتیجے میں ڈرائیور شبیر جاں بحق جبکہ لائن مین ومیٹر ریڈر رحیم اللہ اور فضل زخمی ہو گئے۔ کے الیکٹرک انتظامیہ نے واقعے پر تشویش کا اظہار کرتے ہوئے اعلیٰ حکام سے ملوث شرپسند عناصر کو فوری طور پر گرفتار کرنے کا مطالبہ اور حکومت سے ملازمین اور املاک کو تحفظ فراہم کرنے کی اپیل کی ہے۔

ILLUMINATING KOLACHI'S PRIDE

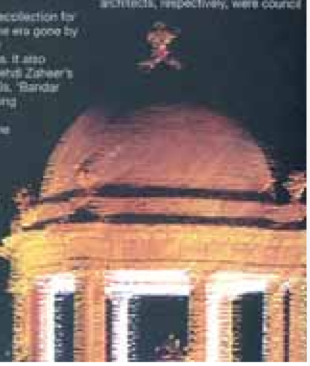
By Sanna Malik

The 'city of lights' as Karachi is called, owes its magnificence and its metaphorical brightness to its folks; including the founding- parents of modern Karachi who worked through encumbrances from rampant corruption, unwarranted censorship of intellectual discourse to propagation thriving in the face of weakened faith and growing mindlessness. They toiled resiliently, using their ingenuity in the face of the ever-increasing madness delivering for life and passionately accounting to those responsibilities they have taken on themselves, envisioning and creating, sporting and achieving; chiseling their unique identities in the process.

K-Electric, the city's electric power utility company since the past 100 years, honored 25 such individuals in a grand ceremony held at the historic Mohatta Palace. Also, published at the occasion was the "KE Pride of Karachi Awards" which pays homage to the city and its pride.

Written by the eloquent Imran Aslam, the book starts off with a personal tribute to the history of Kolachi in it's hey days of pre- and post-partition splendor. He traces the birth of this thriving metropolis to the famed, Mai Kolachi, the (mythical?) founder of the city and narrates the landing of different races on the shores of Kolachi, the somewhat remaining effect of British bourgeois on the city, the pre-partition ownership commanded by the likes of Dayaram Jethmal (DJ), Nadirshaw Eduljee Dinshaw (NED) and other Hindus, Parsis and Christians alongside Muslims who wanted to see the city prosper. Imran has delved into the after effects of partition and the culture of the Indian Muslim inhabitants most of whom came as refugees from riverside valleys, going on to describe how that evolved the Karachi society; its traditions and intellectual landscape. The narrative is powerful enough to move the reader emotionally while pressing on any passionate Karachite's appetite to know more about the ever transitioning and shredded city that is now our home making one question; how could we allow a culture of loathing to prosper in such a happening city that always spread its arms to take all in?
On a lighter note, his recollection for points and places of the era gone by is enough to rouse any Karachiwala's nostalgia. It also brought to my mind Mehdi Zaheer's poem written in the '50s, 'Bandar Road Say Keamari', sung by Ahmed Rushdi, creating an image of the old peaceful city and the well-ordered discipline that it was imagined with, which was allowed to die out as times progressed.

With a message of hope, the book progresses on to the five award categories and council members who nominated and chose the award winners. The first category, 'Leaders, Visionaries & Social Change-makers' was chaired by Dr. Abdul Bari Khan of Dow's blood bank; Abdul Majid Bhatti, the senior journalist and sports correspondent; CPLC founder Jameel Yusuf; and the prolific and diverse Javed Jabbar. The next one, 'Literature', was manned by the famed journalist, Ghazi Salahuddin, and Asif Farrukhi the fiction writer, critic and translator; Seema Taher Khan of Interflow Group and Arshad Mahmud, the legendary figure of our music and entertainment industry, judged the third category, 'Performing & Visual Arts'. Durriya Qazi, Shahab Ghani Khan and Tariq A. Qaiser, the prominent artist and architects, respectively, were council



واجبات کی عدم ادائیگی پر لیاقت آباد اور ناظم آباد میں متعدد بجلی کے کنکشن منقطع

اپسرا اپارٹمنٹ پر واجبات کی رقم 2 کروڑ 80 لاکھ روپے تک پہنچ چکی ہے، ترجمان کے الیکٹرک

کراچی (اسٹاف رپورٹر) کے الیکٹرک کی جانب سے واجبات کی عدم ادائیگی پر متعلقہ پی ایم ٹیز سے بجلی منقطع کی جا رہی ہے۔ ادارے کی جانب سے جاری بیان میں بتایا گیا ہے ناظم آباد اور لیاقت آباد سمیت شہر کے مختلف علاقوں میں نادہندہ صارفین کے خلاف آپریشن جاری ہے۔ اس ہی حوالے سے کارروائی کے دوران لیاقت آباد میں واقع اپسرا اپارٹمنٹ کی بجلی بھاری واجبات کی بنا پر منقطع کر دی گئی۔ بیان میں واضح کیا گیا ہے اس پروجیکٹ پر ماہانہ بلوں اور دیگر واجبات کی مجموعی رقم 2 کروڑ 80 لاکھ روپے تک پہنچ چکی ہے۔ اہم نوٹسز اور ضروری ہدایات سے متعلق خاطر خواہ نتائج نہ ہونے پر مجبوراً منقطع کرنا پڑی۔ اس پروجیکٹ سے ماہانہ بلوں کی ادائیگیوں کا تناسب بھی نہایت کم ہے۔

کے الیکٹرک کی جانب سے بلال کالونی میں آپریشن کے دوران 200 سے زائد کنڈے ہٹا دیے گئے، زیر نظر تصویر میں آپریشن سے پہلے اور بعد کا منظر دکھایا گیا ہے

Sports Marketing

Since the management change the scope of the KE sports department has increased, from the management of our professional football and cricket teams, to also include the grassroots development of sports in the troubled areas of Karachi. The aim is to divert disenfranchised youth towards more positive outlets and increase the national profile of sports.

K-Electric currently ranks 2nd amongst Pakistan's football teams and holds the same position in the Pakistan Premier League as well as the National Challenge Cup.

During the FY the following activities were conducted in Lyari:

- Night street-football match in collaboration with Azm-e-Alishan in support of the victims of the Lyari bomb blast
- The 3rd KE Lyari League 2014 in partnership with ANF, unicef and Searle Water was the follow-up of the successful tournament held in 2011. The entire stadium was branded with messages for the youth and adults regarding the importance of vaccinations for preventable diseases and the ill-effects of drugs

CORPORATE COMMUNICATIONS

To ensure transparency in our operations and in order to comply with various compulsory and voluntary regulatory and governance standards KE compiles and publishes different periodic corporate reports. We also communicate with internal and external stakeholders through our newsletters AZM and Umeed, respectively. The Company intranet, and administrator emails are the preferred method to communicate internally, while the Company website is also used to share information and updates.

EXTERNAL RELATIONS

Movers and Shakers of the Energy Sector
KE's management and leadership are engaged in constant dialogue with all key stakeholders in the energy sector, be it ministries, regulatory bodies, power sector players or key suppliers with a focus on critical policy issues of the overall power sector.

Trade and Industry Associations
Our regional heads and CEO's office are in direct dialogue with all key trade associations and industries in order to keep them informed about real-time challenges and problems and to seek their advice on any issues that might affect their performance.

Shareholders
Annual and quarterly financial and performance reports are printed for the shareholders and an annual general body meeting is held to address and clarify developments and conflicts of interest.

INTERNAL AND EXTERNAL EVENTS

Different programmes and events are organised to interact with our stakeholders meaningfully. These include:

100-year celebrations to commemorate KE's centennial at all locations

Flag hoisting at the head office and cake cutting ceremony simultaneously at all KE locations

Company-wide talent hunt to bring the many talents of our employees to the fore. The finalists went on to perform or display their works at the Family Gala

Family Fun Gala for all employees and their families over a span of two days

عزم
K-ELECTRIC
چیف ایگزیکٹو آفیسر کا پیغام
اداریہ
UMEED
Quarterly E-Newsletter
20th Edition
Special Edition 2014
website: www.ke.com.pk
Page - 01
K-ELECTRIC HOLDS PRIDE OF KARACHI AWARDS CEREMONY AT MOHATTA PALACE
April to June 2014
22nd Edition

AWARDS

Annual Safety Leader Award

NFEH Environment Excellence Award

NFEH Energy Leader Award

IFC Global Transformational Business Award

NFEH Corporate Social Responsibility Award

NFEH Fire and Safety Award

Outstanding Corporate Volunteerism Award by INJAZ

EFP — OSH&E Award

SUMMARY 2013-14

- June 2014: Financial Times / IFC Global Transformational Business Award for Exceptional Achievement in Project Finance — Energy

- KE became the only Company in the energy sector to have won the international award. Awards highlight innovative, commercially viable, and replicable products and services that can create long-term, transformative solutions to development needs

- April 2014: Employers' Federation of Pakistan — OSH&E Award

- K-Electric won the 9th Employers' Federation of Pakistan (EFP) (in collaboration with ILO) — OSH&E Award-2013 in the category of Oil, Gas and Energy Sector in April 2014

- April 2014: Outstanding Corporate Volunteerism Award by INJAZ

- K-Electric recognised for involvement in the pilot phase of INJAZ Pakistan with a number of KE employees volunteering for the professional skills based mentoring programmes

- May 2014: NFEH Energy Leader Award

- K-Electric awarded for best practices in energy conservation, energy efficiency and implementation of efficient practices at the National Energy Leaders Summit, organised by the National Forum for Environment and Health in collaboration with the Government of Sindh, the FPCCI and the Karachi Chamber of Commerce and Industry

- July 2013: NFEH Environment Excellence Award

- The award was presented by the National Forum for Environment and Health (NFEH) in collaboration with the UN Environmental Programme (UNEP) and the Environment Protection Department, Government of Sindh

- December 2013: NFEH Fire and Safety Award

- The award was presented by the NFEH in collaboration with the UNEP and the Fire Protection Association of Pakistan (FPAP), a member of CFPA-Asia

- February 2014: NFEH Corporate Social Responsibility Award 2014

- K-Electric awarded by NFEH for support to the education sector and youth platforms

- January 2014: Annual Safety Leader Award

- KE has an in-house safety reward and reprimand procedure; internal safety competition held every year amongst various departments to promote a top-down safety culture

AUDITORS' OBSERVATIONS

With respect to Auditors' observations in their report to the members, it is informed that:

i. As explained in note 32.1.1 to the financial statements, the issue of late payment surcharge / interest on delayed payment to / from government entities which are part of the circular debt situation, is likely to be settled on net receivable / payable basis without accounting for any delayed payment surcharge / interest. The contention of the Company is duly supported by legal opinions in this respect. However, being prudent, the Company has made due provision on net basis in these financial statements.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Directors are pleased to report and the Auditors, in their Report to the Shareholders, certified that:

a. The financial statements of the Company have been prepared in conformity with the provisions of the Companies Ordinance 1984, and present fairly its state of affairs, results of its operations, cash flows and changes in equity.

b. Proper books of accounts of the Company have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. Changes in accounting policies during the review year have been properly disclosed under note 3.1 to financial statements.

d. International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom have been adequately disclosed and explained.

e. The system of internal control is sound in design and has been effectively implemented and monitored.

f. There are no significant doubts upon the Company's ability to continue as a going concern.

g. The operational and infrastructure rehabilitation programme being implemented by the Company with the commitment and support of the sponsors has been fully explained in note 1.2 to the financial statements.

h. Key operating and financial data of the Company for the last six (06) years is given on page 153.

i. The Company is in the process of consolidation and restructuring to extinguish the accumulated loss. However, in view of the profitable operation of the Company for a couple of years, the Board, out of the profit for FY14, has proposed cash dividend up to a maximum of 15% i.e. PKR 0.525 per share, only for minority shareholders subject to waiver from the four (4) major shareholders (GoP, KESP, IFC and ADB) to their right to dividend for the financial year 2014. Earning Per Share (EPS) for the year under review is PKR 0.47 (basic / diluted).

j. Statutory payments on account of taxes, duties, levies and charges outstanding as on June 30, 2014 have been disclosed in note 25 to the financial statements.

k. Significant plans and decisions, such as corporate restructuring, business expansion and discontinuance of operations, have been sufficiently covered in the Directors' Report to the Members.

l. The fair value of investments of KE Provident Fund (KEPF) is PKR 7.8 billion as on June 30, 2014 whereas the Company has recently established Employees Gratuity Fund (KEGF) after completing statutory requirements and obtaining necessary approvals, however funding / investment process will commence in FY15. The pension scheme does not exist in the Company.

m. Statement showing the number of Board and Board Committees' meetings held during the year is given on page 35.

n. The training of the Directors is an ongoing process and the Directors, on a regular basis, are provided with and are presented and updated on relevant laws, codes and guidelines on best practices of corporate governance. One Director has acquired certification under SECP–approved Directors Training Programme (DTP) and a few more Directors shall acquire the said certification in the near future.

o. The pattern of shareholding is given on page 222.

p. All trades in the shares of the Company, carried out by its Directors, executives and their spouses and minor children have been disclosed on page 227.

q. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

PROPOSED CASH DIVIDEND ONLY FOR MINORITY SHAREHOLDERS

The Board, subject to waiver from the four (4) major shareholders (GoP, KESP, IFC and ADB), has proposed cash dividend up to a maximum of 15% i.e. PKR 0.525 per share, only for minority shareholders and requested the above four (4) major shareholders to forgo / waive their right to dividend for the financial year 2014. GoP and KESP consent will also include a waiver of their right, for FY14, to outstanding accumulated dividend on Redeemable Preference Shares (RPS).

BOARD OF DIRECTORS

During year two (2) GoP nominees on the KE Board, Mr. Naveed Alauddin and Mr. Zafar Mahmood were replaced and substituted by Mr. Noor Ahmed, Senior Joint Secretary (CF-II), Ministry of Finance, GoP and Mr. Saifullah Chattha, Acting Secretary, Ministry of Water and Power, GoP respectively. Mr. Saifullah Chattha was subsequently replaced and substituted by Mr. Sohail Akber Shah, Additional Secretary (Power), Ministry of Water and Power, GoP. The Board wishes to place on record appreciation of services of the outgoing Directors and welcomes the incoming Directors.

AUDITORS

The present Auditors, Messrs KPMG Taseer Hadi & Company, Chartered Accountants, retired and, being eligible, have offered themselves for re-appointment. BAC has recommended the re-appointment of Messrs KPMG Taseer Hadi & Company, Chartered Accountants, as Auditors of the Company for FY15.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board,

Nayyer Hussain
Chief Executive Officer
Karachi, August 28, 2014

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (the "CCG") contained in Regulation No.35 of listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of Independent and Non-Executive Directors on its Board of Directors (the "Board"). At present the Board includes:

CATEGORY	NAMES	
Independent Director	Khalid Rafi	
Executive Directors	Nayyer Hussain, Chief Executive Officer	
	Syed Arshad Masood Zahidi	
Non-Executive Directors	Tabish Gauhar, Chairman	
	Frederic Sicre	
	Mubasher H. Sheikh	
	Muhammad Tayyab Tareen	
	Omar Khan Lodhi	
	Shan A. Ashary	
	Wahid Hamid	
	Muhammad Zargham Eshaq Khan	GoP nominee
	Noor Ahmed	GoP nominee
	Sohail Akber Shah	GoP nominee

The Independent Director meets the criteria of independence under clause 1(b) of the CCG. The Company also encourages representation of minority interest on its Board, however, investment of minority shareholders in the capital of the Company is quite insignificant mainly due to their non-subscription to five (5) right issues offered by the Company and the amounts were ultimately subscribed by KES Power, the holding company of KE.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.

3. All the Resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared a defaulter by that stock exchange.

4. Casual vacancies on the Board, on September 10, 2013 and April 10, 2014, were filled up by the Directors within ninety (90) days.

5. The Company has prepared and adopted a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained by the respective department.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors, have been taken by the Board.

8. The meetings of the Board were presided over by the chairman and the Board met at least once every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The training of the Directors is an ongoing process and the Directors, on a regular basis, are provided with and are presented and updated on relevant laws, codes, and guidelines on best practices of corporate governance. Most of the Directors are professionals and senior executives having national and international exposure and experience and are fully aware of their duties and responsibilities. One Director has acquired certification under the DTP offered by PIGC and a few more Directors shall acquire the said certification in the near future and the process shall be completed by June 30, 2016 as required under CCG.

10. During the review period, the Board has approved the appointment of the Company Secretary, including his remuneration and terms and conditions of employment.

11. The Directors’ Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of five (5) members, all of whom are Non-Executive Directors. The Chairman of the Committee is an Independent Director.

16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three (3) members, all of whom, including the Chairman, are Non-Executive Directors.

18. The Board has set up an effective internal audit function for the Company which was fully operational during the year.

19. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by ICAP.

20. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the Auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The ‘closed period’, prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of the Company’s securities, was determined and intimated to Directors, employees and stock exchanges.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the CCG have been fully complied with and efforts are made to ensure full compliance in respect of Directors’ certification under the DTP at the earliest.

For and on behalf of the Board of Directors

Nayyer Hussain
Chief Executive Officer
Karachi, August 28, 2014

REVIEW REPORT OF AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants
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Karachi, 75530 Pakistan

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Review Report to the Members on Statement of Compliance With Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of K-Electric Limited (Formely Karachi Electric Supply Company Limited) ("the Company") for the year ended 30 June 2014 to comply with Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance with this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

Further, we draw attention to paragraph 9 which more fully explains the progress being made to seek compliance with Code of Corporate Governance for Directors' certification process under "Corporate Governance Leadership Skills (CGLS) – Directors' Training Program (DTP)" of the Pakistan Institute of Corporate Governance by the end of next financial year.

Date: 28 August 2014

Karachi

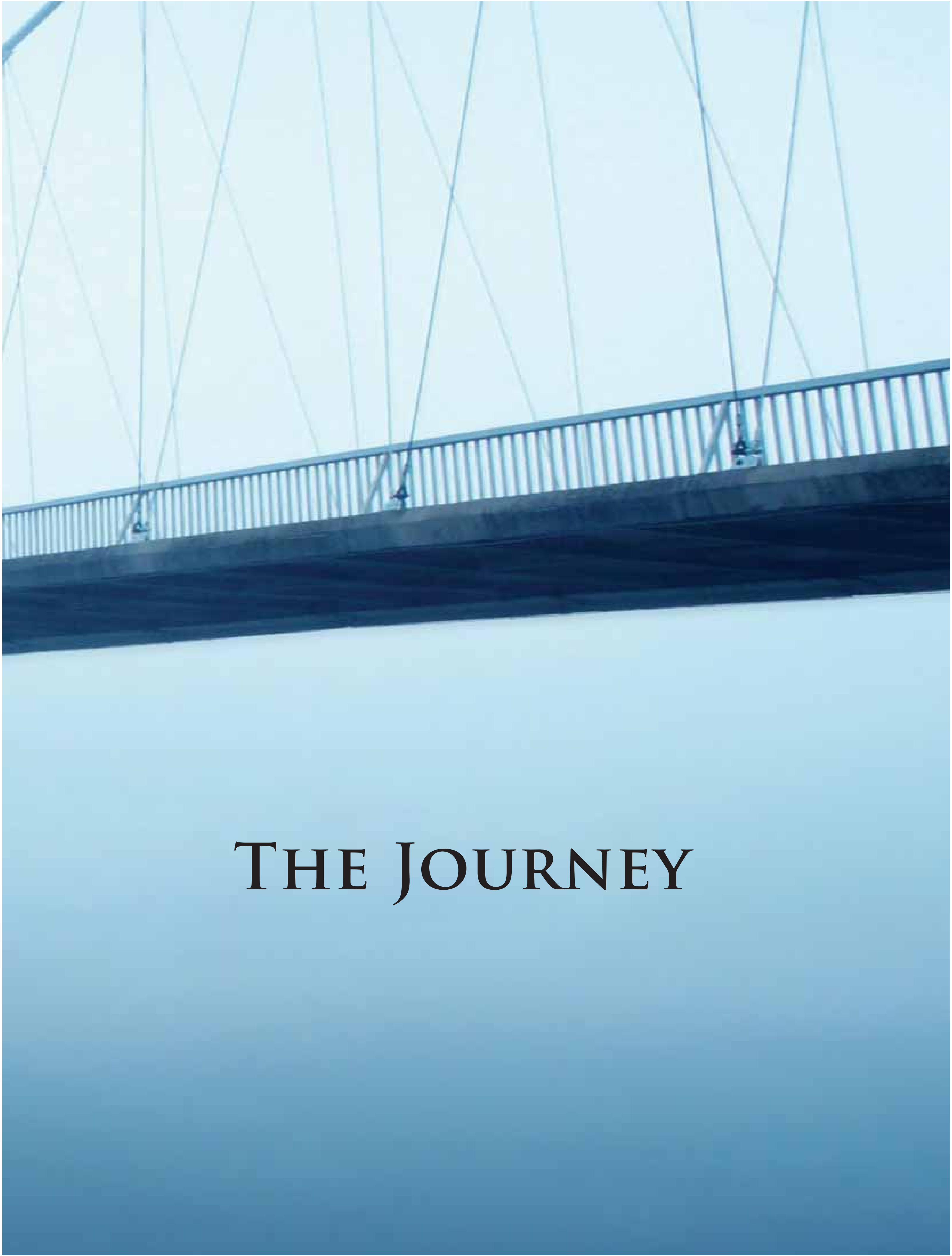
KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

POWER & KESC PROGRESS

TO

KE

Energy That Moves Life



The Journey

Our legacy prior to Abraaj management's takeover

1913

On September 13, 1913, a private Company was formed to serve the power needs of a small port town called Karachi.

1913-1946

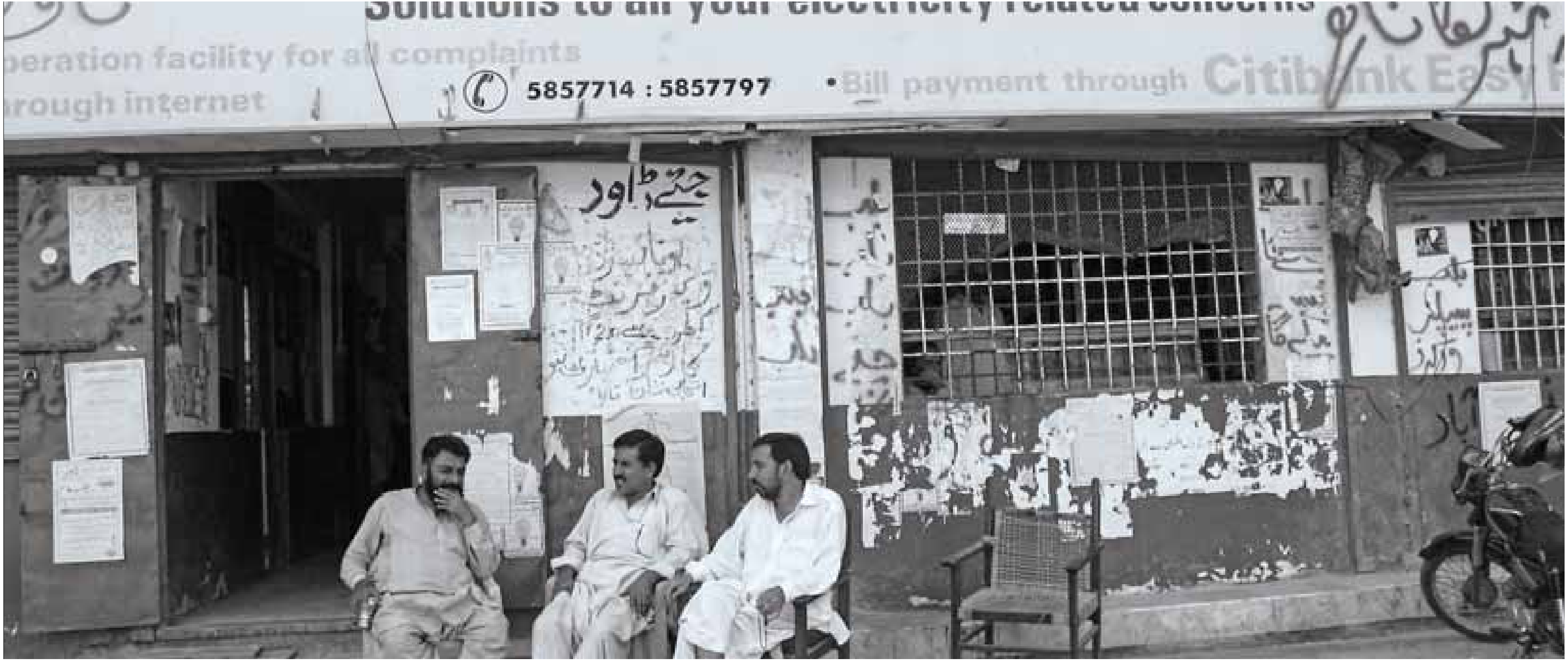
From day one, KESC served its consumers with the utmost zeal, fulfilling the power needs of a growing city.

1947

As Pakistan became a reality, Karachi saw a sudden surge in population, followed by unplanned growth which also increased the power demand. KESC was the first Company to be listed on the Karachi Stock Exchange.

1952

KESC was nationalised by the Government of Pakistan.



1953-1980

To meet the growing industrial, commercial and residential demands, eight new generating plants were added with a total capacity of 513 MWs.

1981-2000

KESC's flagship, Bin Qasim-I, was added to the generation fleet. KESC was initially under WAPDA's control. In 1999, Pakistan Army took over the Company's management.

2005

KESC was privatised with the government retaining around 26% stake, while 71% was transferred to a foreign consortium.

2008

The Abraaj Group took charge and the Turnaround Story began.

The Situation in 2009

On the surface it seemed straightforward

New shareholders, fresh capital, now go fix the power crisis in Karachi. Such was our state of affairs five years ago — or so we thought. Digging a little deeper led to the stark realisation of just how monumental our task ahead really was.

Did you know not a single megawatt of energy had been added to the grid since 1997?

Thirteen out of the nineteen power plants were technically obsolete, with their average age toying around 27 years. Maintenance and upgrading of these facilities were virtually non-existent. Our networks were so fragile, even light rain could trip them out. And the majority of our plants were oil-based, the most inefficient and environmentally unfriendly energy source on the planet.

Financially KESC was hemorrhaging money. Monthly cash loss, initially reported as 30.8%, proved to be in excess of 35%. We were talking millions of rupees in theft, corruption and bad debts every month. Nice surprise. The knock-on effect was a shortfall in the cash flow that had paralysed the Company. In layman's terms, we didn't have enough money to buy the oil to make the electricity. Add to that the poor distribution and management of past capital investments and you quite literally had a concoction which shaped the crisis back then.

We won't touch upon the long-term effect this had on our staff's morale, it only gets more depressing. Safe to say, we had pretty much reached the depths of despair before everyone.

And surely, the most frustrated of all being you — the public. Now you probably wouldn't have wanted to hear this then, but to navigate our way out of the mess was going to take the combined energies of everyone. That meant, the government, investors, media, KESC and the public.

Internally, we had coined a phrase for it — we called it our Azm — our resolve to fix Karachi's energy crisis once and for all. We reached out to the entire city to join us in this Azm.

Our first move was to reset the course of KESC. It was going to require a lot of patience and focus from everyone. That being said, we were already well and truly on our way. That week we signed an agreement with the Government of Pakistan to allow The Abraaj Group to invest in KESC. The deal would ensure fresh investment in the fast-dilapidating Company.

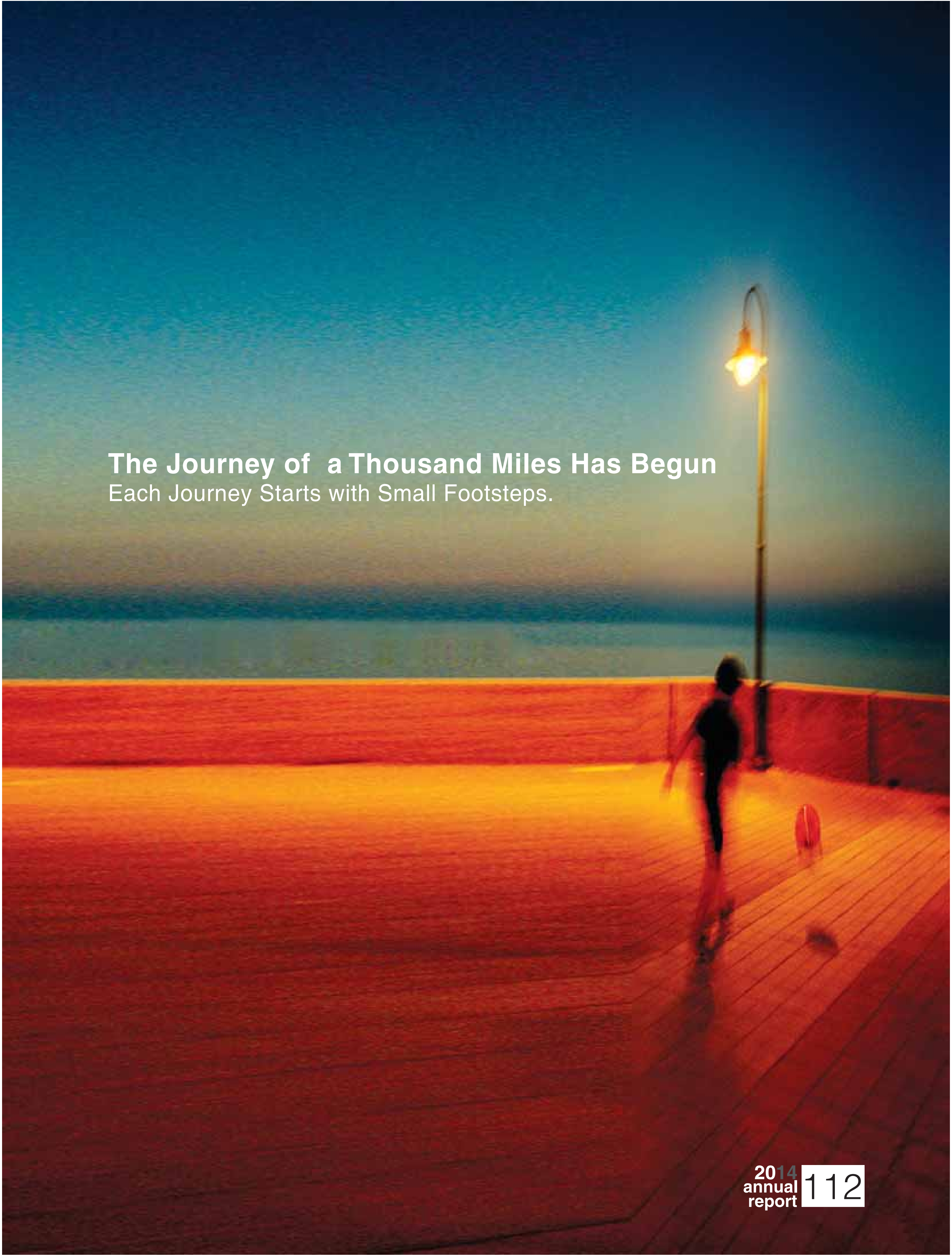
In the course of seven months, we added 130 MW of extra power, upgraded three power plants and started building three new ones. There was a long list of initiatives in addition to these ones that had already been completed, with many more that were underway. We decided to provide you with monthly updates on the progress of each project from that point on.

But make no mistake we were well aware that the voyage ahead was going to be a long one. Summer was upon us, and the gap between our population growth and the energy supply had widened significantly. The secret was to stand our new course and maintain our Azm.

That was our promise to you. We invited you to come onboard and join us and help us rewrite our history, turning Karachi once again into the city of lights.

Announcing a NEW VISION

We could see the pathway ahead. It looked clear and bright. But it was going to take all of our combined energies. Internally, we called it our Azm. We invited all our stakeholders to join us in our Azm to change Karachi forever.



The Journey of a Thousand Miles Has Begun

Each Journey Starts with Small Footsteps.

Our Resolve

As a nation, Pakistan and all its people have often had their backs against the wall. It has been our pride and our resilience that has brought us back from the brink every time.

This same fighting spirit is the driving force behind KE's resolve to finally restore Karachi to its former glory. No one wants to bet on our chances, and yet we are here. Alive and well. With 57% of the city including industries exempted from load shed.

Recently, we've successfully injected an unprecedented USD 1.0 billion. In just the last five years, we have achieved many extraordinary milestones not just towards our primary role but towards our environment, giving back to the community — we have taken everything hand in hand with the realisation that 'KE cannot be an island of excellence in an ocean of chaos'.

years with one Azm: to rid our city and country of its energy crisis and problems, we have certainly come a long way but there are still many battles that we need to fight and we can't do this alone.

We, as proud citizens of Pakistan, and residents of Karachi must come together. We all want our nation to thrive and to be the shining light of progress around the world.

This may take some time, but our Azm will see us through. Because it's time we all stopped pointing fingers and started joining hands.

Together, we can show the world how Pakistan and its people can overcome every obstacle.

Join us in our Azm.

Brand Challenges

- Gain consumer trust and confidence.
- Invest in the right areas by engaging with our consumers, reassuring them that we are working persistently and tirelessly to exempt the remaining city from load shed whilst providing affordable energy.
- Revamp KE's brand architecture and establish its new identity.

Strategic Objectives

01 Creating a marketing ecosystem that enables thought leadership

02 Marketing campaigns to drive brand equity and address business needs

03 Creating a mass communication tonality and cutting across all demo and psychographics

04 Driving multiple strands: from the brand, mend social behaviour as the bedrock

05 Deliver holistic media campaigns with a tone of a professionally run confident, customer-facing utility, paving the way for the point of arrival "The Rebrand,"

Business Challenges

- Tracking KE's equity and consumer perception.
- Tactical campaigns to support departments initiatives.
- Showcase KE consumer-facing milestones.
- Address theft, increase revenue collection, reduce public fatalities, customer service, support to media and energy efficient lifestyle.
- Engage 'good customers' in high loss areas.

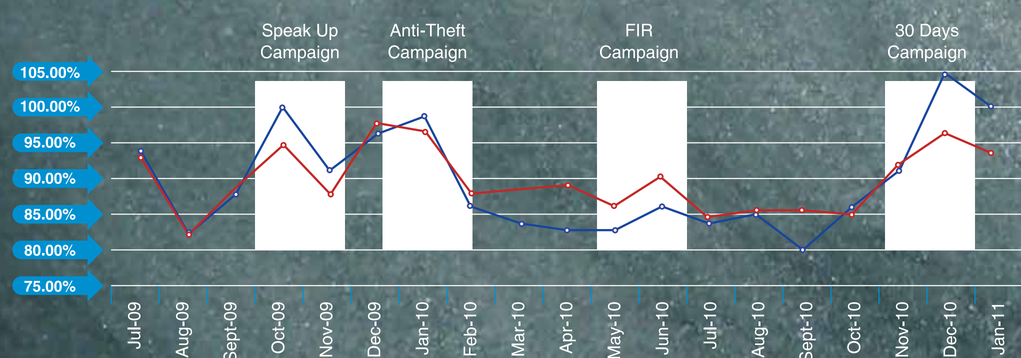
Milestones Achieved Through Campaigns

Before the launch of any power theft campaign, chronic defaulters and power thieves felt it was their right to ‘take’ electricity from others — even when the argument was countered through religious debates.

Therefore the first step was to create awareness through tactical communication such as the ‘Speak Up’ and ‘Name and Shame’ campaigns where we established the speakup email ID as a touch point. Once we had established theft as a crime, we were able to launch the 360-degree campaign, targeting three different socio-economic strata of society. The campaign received an overwhelming response, as can be seen from the numbers below.

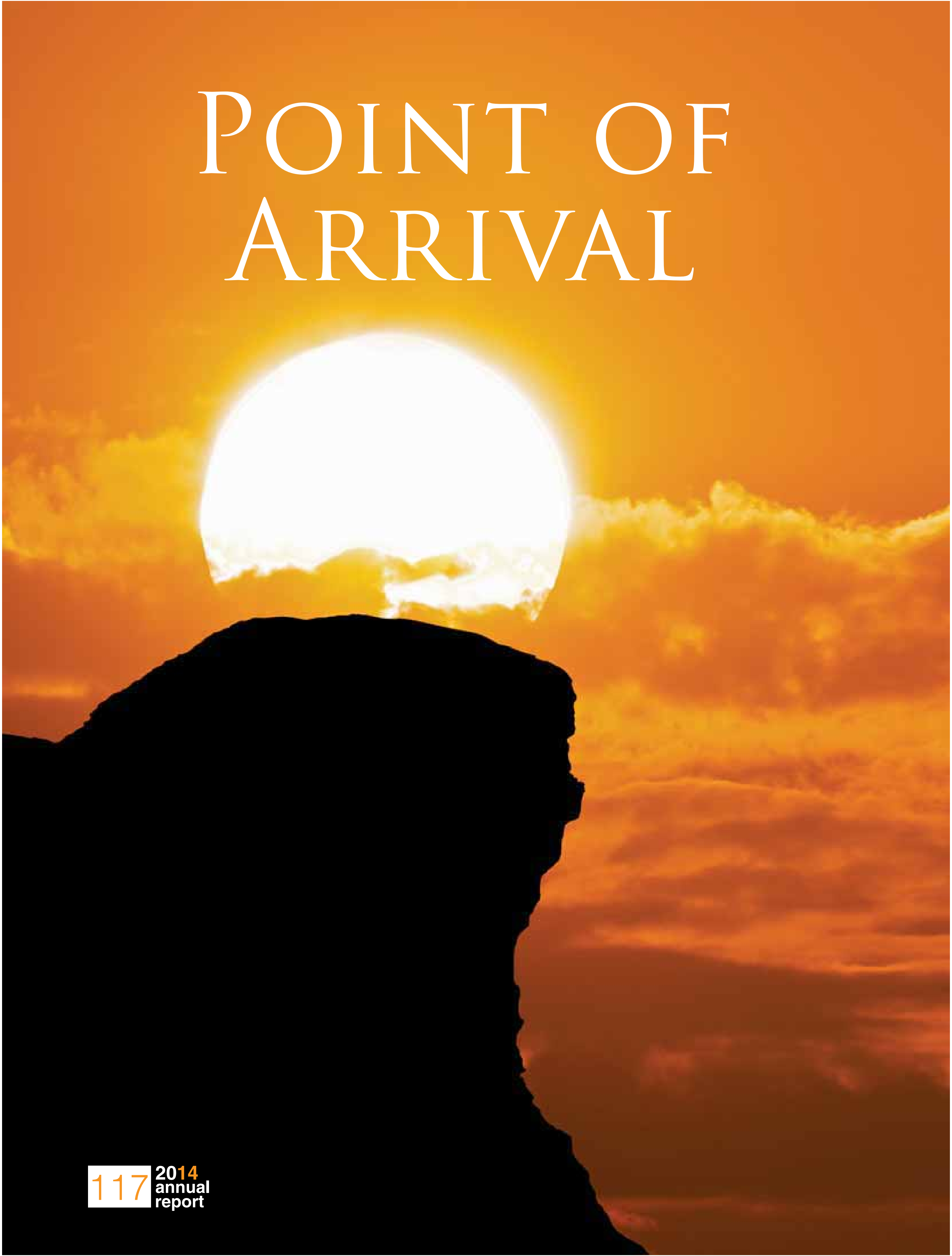
Speak Up Drive

Year	Hit Rate %	Resolved Cases %
2009	78	100
2010	71	100
2011	64	100
2012	62	99.95
2013	79	100
2014	78	88.2




THE 30-DAY COUNTDOWN HAS BEGUN
30
THEY STEAL
WE PAY
F.I.R.

Point of Arrival



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Operational Achievements

- Consistently declared Net Profit for the 3rd consecutive year
- Roll-out of the largest employee engagement programme in the history of Pakistan's corporate sector
- Lowest ever T&D losses
- 1,010 MWs added into the generation fleet
- Unprecedented USD 1 billion shareholders' equity investment
- The only remaining vertically-integrated power utility of Pakistan
- Reduction in internal and external fatalities through public service messaging
- Eleven new grid stations bringing the total number of grid stations to 63 and resulting in an added 757 MVA to transmission capacity
- Successfully converted a number of PMTs and consumer connections into high tension ABCs
- Corporate Social Responsibility Business Excellence Award 2012 (eye camps, health and flood relief camps)
- Biogas, coal conversion and LNG project
- 1st power utility to implement SAP ISU
- 1st utility to receive 'A' rating from Global Reporting Initiative (GRI)
- 55% reduction in transformer tripping
- Power Transformers Reliability; 56% reduction in underserved energy
- 41% reduction in lines tripping
- Transmission Lines Reliability; 43% reduction in unserved energy
- KE's 180 MW GE – Jenbacher Gas Engines — Project has been awarded "Best Fast Track Project (Silver Award)" and "Best Plant in the Region" title by Asian Power Magazine

Consumer Facing Achievements

- The 1st utility to exempt industries from load shed
- The only power utility with a 24/7 short code SMS service
- Creating awareness curtailing theft through anti-theft campaign
- Inspiring an energy-efficient lifestyle
- One-window solution offices across Karachi
- Seventeen CEO open house sessions, namely 'Khuli Katcheri', across Karachi
- Speak Up forum launched to join hands with our honest paying consumers to curtail theft
- KE offers the most unique and convenient options to pay your electricity bills
- Bill payment solutions: Rebate scheme, instalment bills, etc
- Planned shutdown notices and scheduled load management
- Load shed duration according to area losses
- Real time consumer engagement through Twitter and Facebook
- Youth engagement programmes to harness sports talent
- Issued PKR 2 billion worth of bonds through the AZM term finance certificate
- 57% of Karachi exempted from load shed
- KE bill re-designed to be user-friendly
- Several reports and books to showcase our legacy, thoughts, challenges, achievements and aspirations

Rebrand

PAKISTAN'S NATIONAL BIRD: PARTRIDGE

ENVIRONMENT

COMMUNITY

ENERGY

CORPORATE

OUR PATRIOTISM AND COMMITMENT TO KARACHI AND PAKISTAN IS EMBEDDED IN OUR IDENTITY

Logo Rationale: Words like 'supply' and 'company' are primitive, the name should be simple and neat whilst the challenge was to come up with a name and logo that didn't shy away from our legacy and yet reflected our patriotism, vision, mission and values.

Feathers in our identity have been inspired by our national bird 'Partridge', Pakistan flag green for 'corporate' Orange for 'energy' blue for 'community' and green for 'environment' followed by a strapline 'energy that moves life' to complement the overall scope and identity.

Given the overall scale of our organisation, the internal and external execution of the Rebrand was an enormous task and a unique opportunity that entailed over 3,000 collaterals, branding at 386 KE locations and all this was to be unveiled on the same day that was managed through joint collaboration between dedicated teams from KE and Interflow Communications.

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Marcomms articulated a framework in 2009 known as the 'Value Creation Plan' that aimed to convert KE, from a weak brand to an exemplary brand and Rebranding could only be done once positive changes and traction towards turnaround (in tandem with reality) was consistently experienced by majority of our stakeholders and our star customers that don't steal or default.

Despite all odds, over the last few years KE not only demonstrated a strong will and the ability to establish a sustainable change but is visibly pursuing a path of transformation and excellence that places our organisation amongst the dynamic national and regional institutions.

The list of milestones achieved in the last four years is very extensive and fortunately the 'Point of arrival' being accomplished on our centennial was remarkable and to reach this monumental accomplishment with one family is a milestone reached by only a select few that led to a threefold strategy: (corporate event, Rebrand and internal engagement).

Corporate Event: KE and Karachi are synonymous with one another contributing significantly towards our national GDP and besides our primary role, sustainability management remains at the heart of our vision and mission therefore phase – 1 comprised of the following two fold agenda The event commenced with the unveiling of our new identity by the honourable Governor Sindh — Dr Ishrat ul Ebad Khan, Chairman KE — Mr. Tabish Gauhar and CEO KE — Mr. Nayyer Hussain followed by:

Our centennial celebration meant nothing to us if it wasn't celebrated with the heroes of Karachi (sung or unsung) hence our humble endeavour to establish the 'Pride of Karachi Awards Ceremony' to uniquely honour and salute them by providing 'Free lifetime power supply' to our national heroes who have tirelessly and selflessly worked to put Pakistan on the map and to uplift different spheres of life such as; 'Arts and Architecture, Leaders, Visionaries and social change makers, Literature, Performing visual arts and Sports'.

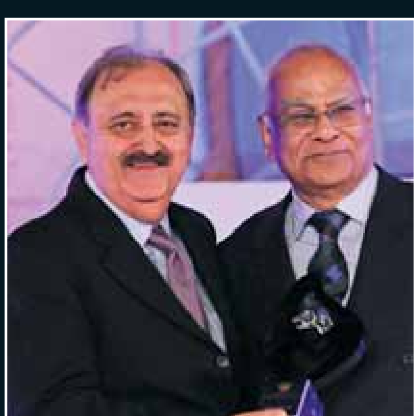
PRIDE OF KARACHI

AWARDS CEREMONY









KE Flag Hoisting Ceremony At KE House

1st Ever KE Family Fun Gala

ECONOMIC STRATEGIES

SWOT ANALYSIS OF THE ORGANISATION

STRENGTHS

1. Being a monopoly, KE has a consumer-base of over 2.5 million which includes the biggest industrial base of customers throughout the country and one of the largest distribution networks in the region spread over 6,500 kilometers

2. PKR 234.45 billion market capitalisation as of June 30, 2014

3. Our share value increased from PKR 6.22 (July 1, 2013) to PKR 8.49 (June 30, 2014) in the current year

4. In line with its vision to deliver uninterrupted, safe and affordable power to its consumers, KE over the last 5 years, added 1,010 MW of fresh generation capacity that represents 49% increase in its capacity and fleet efficiency increased from 30.6% to 37% (FY09 to FY14)

5. State-of-the-art 560 MW BQPS-II power plant

6. Making existing new plants more efficient by closing cycles at KCCPP, Korangi and Site Gas Engine Plants

7. Commitment to rehabilitate old BQPS-I units through "Generation Long Term Investment Plan"

8. Net income in FY12 was positive for the first time in 17 years — last nine consecutive quarters have had a net profit

9. Consecutive decline in transmission and distribution losses since the past five years. T&D losses down to 25.3%

10. Rebrand, manifestation of our successful transformation and our renewed resolve to create higher service and quality standards

11. Restored relationship with all key stakeholders and creation of various open, interactive communication platforms for both internal and external consumers

12. One of the country's largest call centres and customer services network

13. State-of-the-art integrated ERP system implemented across all functions of the Company

14. A workforce of 10,242 and a base of fresh talent created through the biggest management trainee programme. Ideal administrative capacity reached though rightsizing and putting the right person at the right job has increased the overall efficiency of the organisation

15. Smart grid implementation to reduce and pre-empt outages

& RISKS

WEAKNESSES

1. Electricity theft still plagues almost 40% areas of Karachi, with theft ratio as high as 60% or more in some areas

2. One of the largest distribution networks in the region spread over commercial, residential, industrial and agricultural areas of Karachi and some parts of Balochistan. Rain, theft issues, increasing population and other unforeseen weather related problems still makes it a challenge for us to maintain optimum levels of service despite regular maintenance and system up-gradations

3. Honest paying customers in medium, high and very high loss areas have to suffer load shed because of chronic power thieves and defaulters

4. Recoveries from state-owned organisations

5. A need for real-time integration of customer services

6. Resistance to change from a small fraction of inherited employees

OPPORTUNITIES

1. Growing base of customers

2. Conversion of furnace oil based power plants to coal

3. Thar coal and LNG import and other cost-effective fuel options

4. Renewable energy projects

5. Energy sector restructuring and policy alignment by the government

6. Resolution of circular debt

7. KE foresees the deregulation of the power sector to happen in the medium term which will enable a multi-buyer multi-seller scenario that will raise the level of competitiveness, increase productivity, encourage more efficiency and lower prices overall. The unbundling of KE's core functions will provide independent entities ample opportunity to utilise optimum potential of each unit for efficiency enhancement and value creation through the shift from the integrated utility model. Moreover, KE’s unbundling would also enhance manageability of each business entity and would add value for all stakeholders

8. The new law against electricity theft empowers us to further curtail theft

THREATS

1. Law and order situation and undue strikes result in less operational days hence affecting the service quality and recovery ratio of the organisation. This also directly impacts the organisation as KE offices and employees are attacked in case of prolonged outage or theft / hook connection (kunda removal) exercise

2. Growing base of population through unplanned slum communities

3. The circular debt issue adversely affects KE's cash flow management, which hampers our fuel management capacity and hence the overall organisational efficiency gets affected

4. Government decisions on gas allocations are very critical. KE heavily relies on government actions and strategies. The sector-wise non alignment for gas prioritisation results in regular shortages. Gas shortages and dependence on furnace oil affects the overall optimum fuel mix and plant efficiency. It also puts undue cash flow constraints on the organisation

5. Increase in fuel prices

6. The periodic increase in electricity tariff structure regularised by NEPRA, the state owned regulator, makes electricity more unaffordable for the common man and hence, it impacts the recovery ratio and fuels electricity theft

RISKS AND MITIGATING

We continue to build a system whereby we ensure that our business operations are safeguarded against key risks and threats arising out of the external operating environment.

- Payment plan agreed with SSGC to ensure minimum gas volumes to keep efficient plants operational
- Active collaborations with GoP and SSGC for adherence to gas allocation policy and for the signing of long-term Gas Supply Agreement (GSA)
- Fuel Supply Agreements (FSA) with PSO and Byco
- Implementation of the coal conversion project, the biogas project and LNG as a replacement to CNG

- Climate change policy in place

- Our safety standards are compliant with the highest world class safety standards. The safety management system is compliant with the principles of ISO 9000, ISO 14000 and OHSAS 18000
- Business insurance also in place to mitigate any monetary impact

- Managed actively by hedging open positions whenever necessary

ACTIONS

- New resourcing policies have been designed and implemented that are aligned with business strategy and our vision and value statement. Based on best market practices and processes, these strategies utilise modern resourcing tools and techniques, in partnership with line management, ensuring adherence to the principles and processes
- An organisation-wide vision and value training programme executed last year for all employees at all levels
- Code of conduct is mandatory to be signed by all employees

- An effective financial market analysis is in place to enable timely implementation of hedging strategies

- Asset integrity strategy in place
- Periodic maintenance and inspection strategies in place across all facilities

- The largest management trainee programme in place. Also emphasis laid on succession planning at all levels throughout the organisation

- Increased security for our employees at all operational centres
- Operations suspended whenever the situation gets sensitive in a particular area
- Work on off days in case of strikes and other unexpected situations

CASH FLOW MANAGEMENT STRATEGY

The reality is that our cash recoveries do not match the receivable amount hence the gap needs to be filled through smart cash flow management. The gap is created particularly due to the public sector consumers owing to circular debt. This gap in turn increases the payables with fuel suppliers and other creditors, hence the increases in the Company's average overdraft utilisation. Apart from arranging short-term borrowing from financial institutions at borrowing rates lower than the industry averages and managing the cash flow through monthly cash flow plans, the Company issued a revolutionary product; **Pakistan's first listed Shariah-compliant instrument,** or Sukuk amounting to **PKR 6 billion** to the general public in February 2014. KE's Sukuk received overwhelming public response and **was fully subscribed within twelve business hours of commencement** of subscription. Our Sukuk is listed at the Karachi, Lahore and Islamabad Stock Exchanges.

The Sukuk was offered for three tenors, namely 13 months, three years and five years. Each Sukuk is **rated A+ by the JCR-VIS** and the Islamic International Rating Agency.

Overall financial charges declined by 19.2% from PKR 13.9 billion in FY13 to PKR 11.2 billion in the current year. This is on account of savings made from long-term-financing and effective profit rate negotiations with the banks.

One of the main objectives of our cash flow management strategy is to maintain an optimal Capital Structure. The Company is continuously striving to reduce the cost of capital in order to provide adequate returns to the stakeholders. The Company finances its operations through short-term borrowing and efficient management of working capital.

FORWARD LOOKING STATEMENT: OBJECTIVES AND PROJECTS 2015

We will continue to optimise our operational capabilities and focus on a few strategic objectives which will strengthen our foundations. Customer access and facilitation is the focus of all our operational initiatives, thus building **customer-centricity into the organisation's DNA.** Our IBCs are being re-engineered, SOPs are being re-evaluated so that they are more **efficient, transparent** and can give **real-time solutions** to the customers. Our call centre is being expanded to give timely feedback to the customer. Focus is also on expanding and increasing customer accessibility through **SMS** and **social media** platforms. A **self-care portal** will be created to give a customised option to every customer to manage their specific account through the portal. Stringent quality control with regards to facilitation and **turnaround time for complaint resolutions** is being re-inforced. Customer advocacy is now being emphasised within the system. Infrastructure fortification and systems enhancement of our network will remain a continued focus.

The unbundling of KE's core functions will provide the independent entities ample opportunity to utilise **optimum potential of each unit** for **efficiency enhancement** and **value creation** through the shift from the integrated utility model.

Coal conversion of BQPS-I and coal based strategic agreements will continue to remain our focus in the year 2014-15. The coal conversion project will take 2 ½ years to achieve commercial operations date from financial close, which is much shorter than the time required to construct a brand new coal-fired power plant. KE has entered into a strategic partnership with Fauji Foundation for procuring up to **70 MWs** of coal-based power into KE's licensed area. KE has also signed a multi-faceted MoU for the procurement of power from Thar-based power plants of up to **660 MWs** and jointly approaching NTDC for the construction of transmission lines. KE is exploring and has entered various MoUs for **biogas, wind, solar** and **hydro initiatives.**

Smart grid project is a strategic initiative with an aim of bringing in technology to reduce **AT&C losses** through improved energy monitoring and with a Distribution Network Management System which will improve operations hence **reducing network outage response time.** Smart grid is now heading towards its implementation phase as both the local meter vendors and network monitoring solution vendors have been taken on board. Both meters and network monitoring devices will send and receive real time data to the back-end platform enabling proficient monitoring, planning and load management capability.

We are also trying to implement a customised community partnership based solution which includes **aerial bundling, low cost meters, payment flexibility** and **discounts** in order to bring customers on the payment track.

Stakeholders, both external and internal, will continue to be engaged through more interactive and accessible platforms. Propagation of energy-efficient lifestyles and energy conservation will be the theme which will be carried forward in the current year, and it is our belief that a **megawatt saved is a far greater achievement than a megawatt generated.**

Injection and **retention of new talent** will remain one of our core HR objectives. This year the focus will be the implementation of an inclusiveness policy in spirit with greater participation from employees at all levels.

SUSTAIN

ABILITY

SUSTAINED

15% of the total energy portfolio to be converted to renewable energy sources

1,010 megawatts generation capacity installed over the last five years

USD 1 billion investment injected in the organisation

232 management trainees inducted

PKR 30 million given under social investment programme

Over **5.5 million** individuals impacted through our vital organs programme

6,500 kilometers of total area powered by K-Electric

370 schools lit up through our Social Impact Programme

Over **75%** products and services procured locally

IMPACT

Over **1,300 families given relief**
through Emergency Response
Programme

150,000 + hours
spent in volunteer programmes

360-Degree
energy conservation campaign
across Pakistan

2,777
suppliers

Coal conversion will **save more than**

USD 7 billion
over a period of 20 years

All **7**
major industrial zones are
exempted from load shed

PKR 234.45 billion
market capitalisation of K-Electric as on 30.06.2014

SUSTAINABILITY

Sustainability can be achieved by unlocking the value creation potential in an organisation. Good governance involves a journey and a commitment to **an ethic of continuous improvement**. Since 2008 the present management has established many milestones for the organisation, moving it through a transitional period that witnessed a plethora of reforms. This has earned the organisation the respect of many financial and non-financial organisations, as well as many awards in the fields of safety, corporate social responsibility, improved management systems, environmental performance and the recent FT / IFC transformation award.

Sustainability Policy

Our sustainability policy revolves around economic value creation, essentially through social and environmental gains across our stakeholder universe. We firmly believe in integrating our corporate philosophy and operational performance to meet the expectations of our stakeholders.

- We shall provide and maintain a clean, healthy and safe operating environment for our employees, customers and the community
- We will build and preserve strong partnerships with communities, customers, trade and industry associations, governments, media, academia and non-governmental organisations
- We will ensure open and transparent communications with all our stakeholders
- We will continuously endeavour to enhance our value proposition to our consumers and adhere to our promised standards of service delivery
- We shall encourage our business partners to adopt responsible business practices, strong business ethics and the highest standards of an honest code of conduct

ENVIRONMENTAL

Climate Change Policy

KE's climate change policy acts as a compass in directing efforts to achieve environmental sustainability. We are committed to generating, distributing and transmitting clean energy for the sustainable development of the city. We continue to develop policies and mechanisms to reduce our environmental footprint and improve our infrastructure in four ways:

- Increasing efficiency and reducing green house emissions in our existing infrastructure
- Working to develop and promote renewable energy infrastructure
- Advocating energy conservation amongst employees, customers and stakeholders
- Implementing emissions monitoring systems, material handling and waste material management systems in compliance with international environmental standards

KE has adopted a balanced and responsible approach, while carrying out its core business operations that reduces carbon emissions and ensures social and environmental gains. We aim to expand our current generation portfolio by **15%** through renewable energy and various energy efficiency initiatives over the next five years to mitigate climate change and reduce our carbon footprint.

Managing our Environmental Impact

While delivering secure and reliable electricity to the communities we serve, we attempt to minimise the environmental impacts of our electricity network. We are committed to improving our environmental performance and are vigilant in resolving any environmental issues that might be a direct or indirect consequence of our day-to-day operations, while continually striving to attain higher standards of excellence.

The various national rules and regulations we adhere to in true letter and spirit include:

- Pakistan Environmental Protection Act 1997
- PEPA Review of IEE and EIA Regulations 2000
- Self Monitoring and Reporting by Industries Rules 2001
- National Environmental Quality Standards (NEQS) for Noise, Air Emissions and Effluents

EIA / IEE is conducted for every new project / expansion through third party contractors in line with IEE / EIA Regulations 2000. Timely submission of EMP Implementation status reports during the construction phase is ensured to EPA Sindh as per the clauses of the NOC issued. All operational activities are monitored for ambient air, ambient noise, stack emissions, effluent discharges and soil contamination for all power plants. Regular compliance reports are also submitted to EPA Sindh.

Environment Management System

All five generation plants have established Environment Management System (EMS) as per ISO 14001 and are compliant with international standards for HSE management.

Waste Management

EPA-certified contractors are involved for the handling, transportation and disposal of hazardous waste circulated amongst all stakeholders for compliance with the hazardous substance rules.

Water Management

Water is effectively managed at all power plants and effluent treatment plants are constructed with measures in place to reuse the treated water for horticulture within the premises.

Pollution Reduction

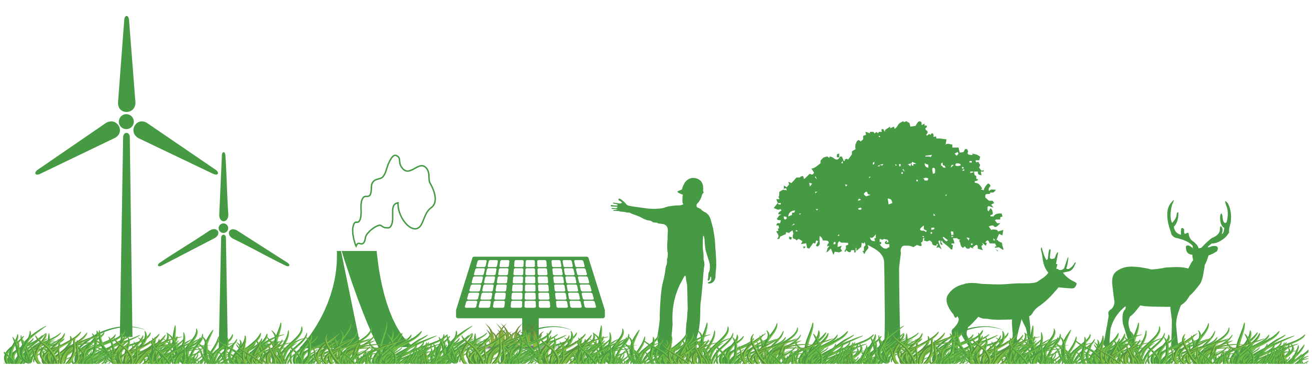
KE is in constant coordination with the UNDP-sponsored Ministry of Climate Change for GoP's National Programme to phase out PCBs and POPs from Pakistan.

Energy Efficiency and Conservation

Energy efficiency and conservation is an operationally and socially integral part of KE. Our efforts in this domain aim not only to make KE an exemplary energy-efficient organisation that sets an example for other industrial, corporate and manufacturing entities, but also to propagate the importance of the responsible use of energy throughout our stakeholders' universe to ensure the sustainability of the regional energy sector. Keeping in mind the scarcity of natural resources and the fragile state of the global environment, with the added advantage of our technical expertise, we feel it is our duty to create awareness amongst the masses and provide solutions to the business sector through various targeted interventions.

Key Areas of Focus

- **Power Factor Improvement** to ensure load demand is managed efficiently without burdening electrical systems
- **Energy Audits** for industrial and corporate customers to reduce energy consumption and costs at their premises while maintaining or improving human comfort, health and safety
- **Mass Awareness Campaigns** through various ATL and BTL mediums targeted at different stakeholder groups to create awareness amongst the masses
- **Creating Partnerships** with key stakeholders in the manufacturing sector to promote conservation



SEEDS: STAKEHOLDER ENGAGEMENT AND ENRICHMENT DRIVES FOR SUSTAINABILITY

We firmly believe that KE's own sustainability is fundamentally linked to the economic, social and environmental values that we create for a diverse set of stakeholders whom we serve and engage on a daily basis.

Seeds is a holistic approach that fully recognises the impact of our performance in sustainable development across our stakeholders' universe. A 360-degree value creation model, Seeds essentially drives four distinct programmes — Environmental, Social and Governance (ESG) Initiatives, Social Investment Programmes, Stakeholder Engagement and Thought Leadership.

ESG Initiatives

In line with global business norms and ethics, we not only encourage best environmental, social and governance practices, but ensure that they are implemented by adhering to various local and international standards. KE, as an organisation, strives to ensure the provision of a healthy and safe environment to all our stakeholders with focus on customer centricity, environmental impact and HR practices.

To keep our stakeholders informed, we release periodic corporate reports which comply with various local and international frameworks:

- **GRI Sustainability Reports:** GRI's Self Reporting Standards under the G3.1 Standards, received Level A rating for our submission in 2012. Having committed to releasing an updated report in 2014, preparation is well underway with data collection and compliance checks
- **Monitoring Reports:** Periodic updates are provided to various stakeholder sets including investors and governmental and corporate bodies.

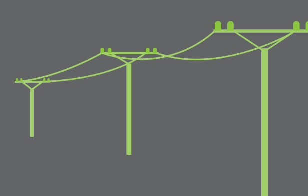
OUR VALUE CREATION MODEL: INNOVATING FOR SUSTAINABILITY

We have consciously developed a 360-degree value creation model that guides us in defining our role in much broader terms and puts greater focus on building strong ties with all our key stakeholder groups, ensuring regular, open and transparent two-way communication, something that was neglected completely in the pre-privatisation era.

Addition of 1,010 megawatts of new generation capacity has strengthened our generation fleet. Our long lasting endeavour is to ensure reliable and cost-effective energy supply with minimal environmental impact. This has pushed us to pursue plans to use cost-effective, low carbon and clean fuels: coal, natural gas and renewable forms of energy. Of these, the most important is the production of electricity from coal and conversion of selected production plants accordingly. We are also pursuing projects in wind, solar, hydro and biogas.

A deeper customer focus and the commitment to reduce losses push us to invest and innovate in our system enhancement and loss reduction initiatives. The smart grid project will further enhance our capability to reduce AT&C losses through improved energy management and through a DNMS which will reduce network outage response time. Mobile metering project will further eliminate manual meter reading with the intent of reducing errors due to human intervention.

ABC continues as a means towards sustained loss reduction in areas infested with illegal consumption of electricity. Another initiative is the provision of low-cost meters to primarily underprivileged consumers using hook connections on easy instalments. A company-wide programme of providing rebate payment to its consumers has been initiated so as to provide them with an opportunity to board the good consumers' category and clear their long outstanding dues. Almost around 65,000 chronic defaulters have turned up and either settled in full or paid instalments to clear their outstanding dues.



The launch of Azm Sukuk was an overwhelming success. The fact that the AZM Sukuk, worth PKR 6 billion, was fully subscribed within 12 business hours is a great testament to the trust that respected patrons and stakeholders repose in KE.

Over the last few years KE has established itself in the preferred employer category especially for the young business, accountancy and engineering graduates. Since 2008 we have so far inducted and trained 927 management trainees, trainee engineers and trainee accountants.

We reach out and impact through our social investment programme over 8 million masses of Karachi.

We are now a model utility for the power sector to replicate and bring in efficiencies, hence, we contribute through an active thought leadership platform. Through this platform we continue to share our transformation model with other utilities in the sector and continue to share policy-oriented suggestions for the energy sector at large.

The efficiencies built in KE reflected in the industrial growth of the city, supplier chain was strengthened, regular paying consumers benefitted from the segmented model. The trickledown effect reflected both in terms of the economic and social value creation as the overall life of the ordinary citizen of Karachi was improved. Since Karachi contributes almost 20% to the total GDP of Pakistan, and is the industrial hub of Pakistan, the overall economy is strengthened.

Social Investment Programme

Our aim with the social investment programme is to facilitate organisations and entities that the masses rely on for the provision of their basic needs. The approach we take allows us to benefit from our operational capabilities and the experience of our workforce.

GUIDING PRINCIPLES

Sustainability: Delivering lasting benefits that enable self-sufficiency in our partners long after KE's involvement ends.

Operational Alignment: Ensuring our interventions are aligned perfectly with the operational goals of the organisation.

Impact Investment: The investment should have maximum impact through a multiplied effect.

Creating Strategic Partnerships: Building lasting relationships while making our programmes inclusive, taking into account a range of stakeholder opinions from NGOs to community groups.

EMPOWERMENT PROGRAMME

The empowerment programme aims to provide relief to social welfare organisations in the healthcare and education sectors. So far, under this initiative, agreements for the provision of subsidised or entirely free electricity have been signed with 11 institutions.

Reach: Over 8 million individuals
Reimbursements made: PKR 14 million

VITAL ORGANS PROGRAMME

Under this initiative KE provides uninterrupted supply of electricity to 23 major hospitals and educational institutions in the city that provide services to nearly 80% of Karachi. Dedicated feeders and PMTs are provided free-of-cost along with the system enhancements required to allow the smooth running of operations. Provision of generators is ensured where uninterrupted power is not feasible due to system limitations.

Reach: 5.5 million individuals

EMPLOYEE VOLUNTEERING

Our employees regularly participate in INJAZ Pakistan, TCF Rahbar and TCF career counselling programmes. They also conduct management workshops to aid the capacity building of our social investment partners. Over 2,000 hours have been volunteered over the FY, which brings the total so far, up to 150,000 hours. Our aim is to scale up this programme by bringing on board a panel of NGOs working for the betterment of the city and providing these options to our employees in the form of a menu.

EMERGENCY RESPONSE

KE is positioned at the very centre of the economy and society. Being a subset of our social surroundings, we have always stepped up to provide relief in times of need. In the past we have executed one of the largest flood relief programmes following the floods of 2010 and 2011. We have also provided support to victims of the Kharadar, Abbas Town and Baldia tragedies. As an organisation, we are ever ready to help out when required and have protocols in place to assess how we can serve the country best in times of trouble.

EMPLOYEE WELFARE

Employee Support Fund

Need-based grants are given to employees to help during exigencies. The fund is pooled together by contributions from KE's leadership. The fund also looks after school education of deceased employees children.

KE AZM School Handing Over / Inauguration of TCF-KE School

The KE-run welfare primary school for the children of employees, and those from surrounding areas at the KE colony in Gulshan-e-Hadeed, was closed down and the students were formally enrolled in the newly-constructed TCF-School built on land donated by KE. Usable furniture and other items were donated to the Dar-ul-Banaat Fellowship School for Girls.

Supporting our Culture and Heritage

Through our support we aim to contribute to different platforms which include cultural events and festivals and the preservation of heritage. During the FY, sponsorship was provided to the National Academy of Performing Arts' International Theatre Festival and the All Pakistan Music Conference, Karachi. We have also been in constant contact with the Heritage Foundation and KMC to work towards a trilateral mechanism where the focus will be to preserve and uplift key heritage sites throughout the city.

SOCIAL INVESTMENT PARTNERS

Lady Dufferin Hospital

INDUS HOSPITAL

BAIT-UL-SUKOON CANCER HOSPITAL

MALC Over 55 years of caring

SOS CHILDREN'S VILLAGES PAKISTAN

BEHBUD ASSOCIATION·KARACHI

LRBT FREE EYE CARE

کاروانِ حیات KARWAN-E-HAYAT Institute For Better Mental Health ادارہ برائے ذہنی صحت

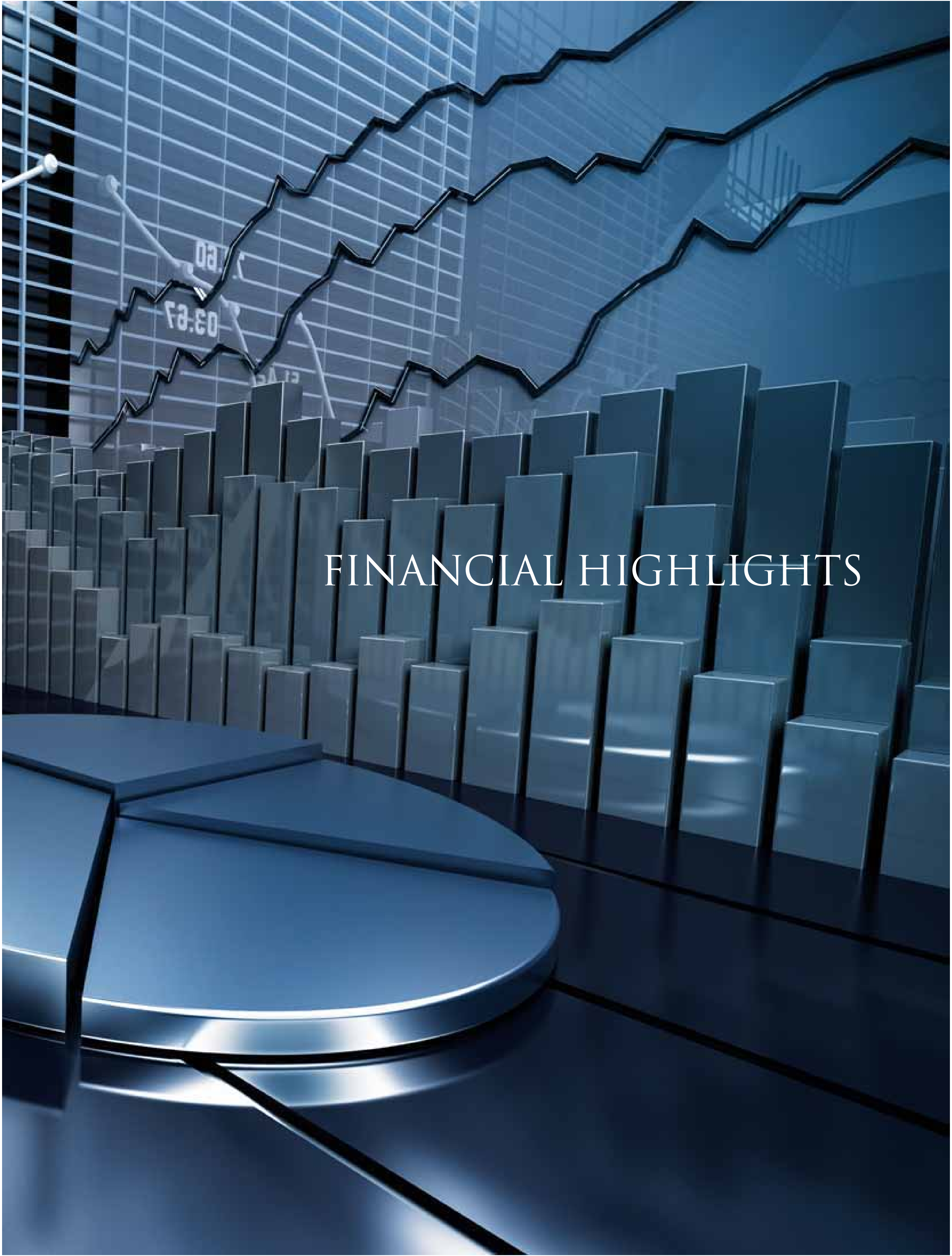
SIUT PAKISTAN

THE CITIZENS FOUNDATION

THE KIDNEY CENTRE POST GRADUATE TRAINING INSTITUTE


73.60
03.67
51.42
25.14
15.24
24.51

FINANCIAL HIGHLIGHTS



SIX YEARS' PERFORMANCE

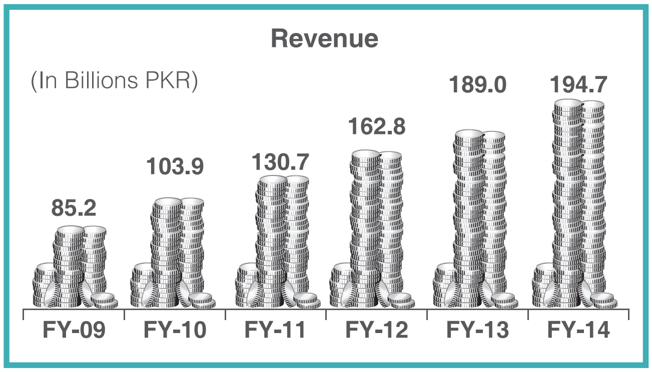
Description	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
OPERATIONAL PERFORMANCE						
Units generated (million units) - Gross	8,262	7,964	7,826	8,029	8,567	8,709
Units purchased (million units)	7,005	7,842	7,605	7,230	7,257	7,282
Units sent out (million units)	14,648	15,215	14,836	14,619	15,155	15,332
Units sold (million units)	9,396	9,905	10,059	10,277	10,942	11,453
T&D loss	35.9%	34.9%	32.2%	29.7%	27.8%	25.3%
SUMMARY OF PROFIT & LOSS ACCOUNT			**(PKR IN MILLIONS)**			
Revenue	85,224	103,937	130,721	162,816	188,999	194,708
Purchase of electricity & consumption of fuel and oil	82,372	97,062	115,990	133,255	146,179	147,307
Gross Profit / (Loss)	(6,632)	(4,052)	249	16,260	28,820	32,418
O&M expenses	14,855	19,305	24,296	25,519	29,301	31,230
Financial charges	5,590	6,824	5,127	7,702	13,960	11,275
Other charges / (income)	(2,142)	(4,517)	(4,638)	(6,230)	(4,444)	(4,679)
Profit / (Loss) before taxation	(15,451)	(14,737)	(10,054)	2,569	4,001	9,575
Profit / (Loss) after taxation	(15,485)	(14,641)	(9,394)	2,620	6,826	12,887
SUMMARY OF BALANCE SHEET						
Non-current assets	83,018	141,726	167,594	170,610	165,332	173,144
Current assets	48,918	65,903	68,759	101,668	113,547	133,171
Total assets	**131,936**	**207,629**	**236,353**	**272,278**	**278,879**	**306,316**
Share capital & reserves	(82)	31,301	26,504	41,642	53,714	70,967
Long term liabilities	71,757	82,832	89,179	84,308	64,505	60,114
Current liabilities	60,261	93,497	120,670	146,329	160,660	175,234
Total equity & liabilities	**131,936**	**207,629**	**236,353**	**272,278**	**278,879**	**306,316**
SUMMARY OF CASH FLOW STATEMENT						
Net cash generated from / (used in) operating activities	2,218	2,541	10,077	(9,427)	1,412	14,324
Net cash used in investing activities	(20,922)	(13,523)	(30,731)	(3,688)	(3,133)	(8,578)
Net cash generated from / (used in) financing activities	16,385	11,901	18,891	16,156	(3,034)	(1,996)
Net (decrease) / increase in cash and cash equivalent	**(2,318)**	**919**	**(1,762)**	**3,042**	**(4,755)**	**3,750**
Cash and cash equivalent at the beginning of the year	(2,053)	(4,371)	(3,452)	(5,214)	(2,173)	(6,927)
Cash and cash equivalent at the end of the year	**(4,371)**	**(3,452)**	**(5,214)**	**(2,173)**	**(6,927)**	**(3,178)**

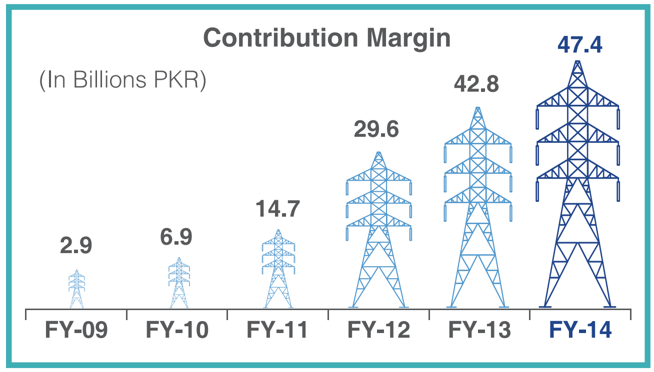
KEY FINANCIAL INDICATORS

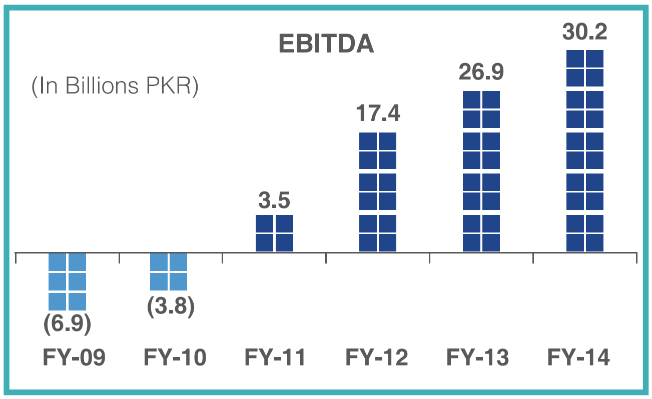
Description	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
PROFITABILITY RATIOS						
Gross Profit / (Loss) ratio	-7.8%	-3.9%	0.2%	10.0%	15.3%	16.7%
Net profit to sales	-18.2%	-14.1%	-7.2%	1.6%	3.6%	6.6%
EBITDA margin to sales	-8.1%	-3.7%	2.7%	10.7%	14.3%	15.5%
Return on equity	-	-57.8%	-45.8%	6.3%	12.7%	18.2%
Return on capital employed	-	-17.0%	-9.8%	2.3%	3.2%	7.0%
LIQUIDITY RATIOS			**(IN TIMES)**			
Current ratio	0.81	0.70	0.57	0.69	0.71	0.76
Quick / Acid test ratio	0.34	0.32	0.34	0.35	0.40	0.44
Cash to current liabilities	0.02	0.01	0.01	0.01	0.00	0.00
Cash flow from operations to revenue	0.03	0.02	0.08	-0.06	0.01	0.07
ACTIVITY / TURNOVER RATIO			**(IN DAYS)**			
Inventory turnover days	21	18	17	14	11	13
Debtor turnover days - including circular debt	92	111	110	132	158	174
Creditor turnover days - including circular debt	110	118	163	189	186	182
INVESTMENT / MARKET RATIOS			**(IN PKR)**			
Earnings per share	(1.18)	(0.74)	(0.44)	0.11	0.26	0.47
Earnings per share - diluted	(0.98)	(0.66)	(0.39)	0.11	0.26	0.47
Market value per share - year end	2.65	2.23	2.15	3.24	6.22	8.49
- high during the year	3.96	3.65	3.38	4.56	7.44	8.86
- low during the year	1.80	1.98	1.50	1.60	4.91	4.99
Breakup value per ordinary share (including surplus on revaluation of property, plant & equipment)	(0.01)	1.58	1.24	1.67	1.95	2.57
Breakup value per ordinary share (excluding surplus on revaluation of property, plant & equipment)	(0.04)	(0.03)	(0.11)	0.58	1.03	1.58
CAPITAL STRUCTURE RATIOS			**(IN TIMES)**			
Debt to equity ratio	1.00	0.81	0.87	0.82	0.78	0.73
Interest coverage ratio	(1.76)	(1.16)	(0.96)	1.33	1.29	1.85
Weighted average cost of debt	0.09	0.06	0.07	0.09	0.12	0.13

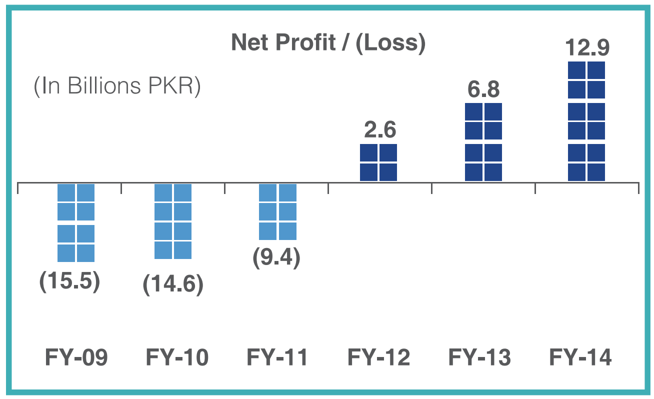
In general, the ratios indicate a continuous improvement trend in financial health over the years. The resolution of circular debt will further improve the position.

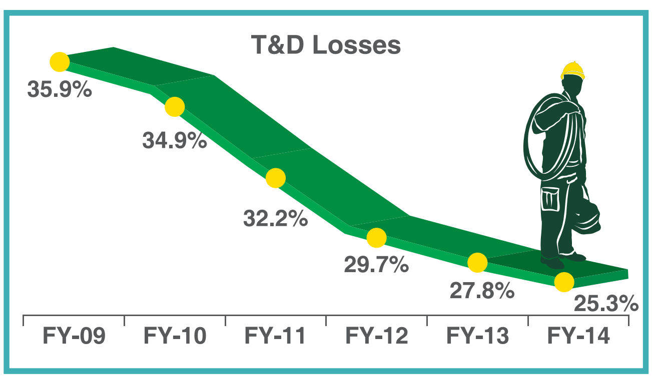
GRAPHICAL ANALYSIS

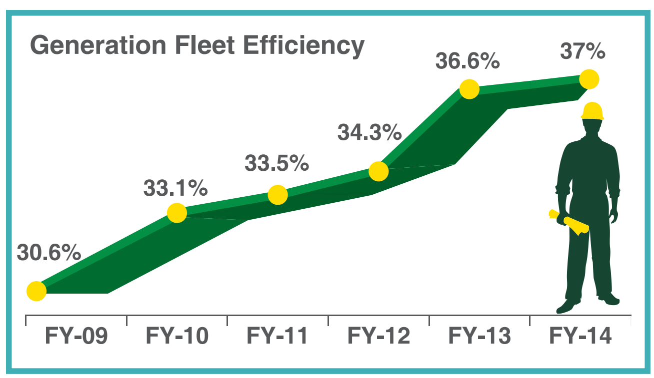


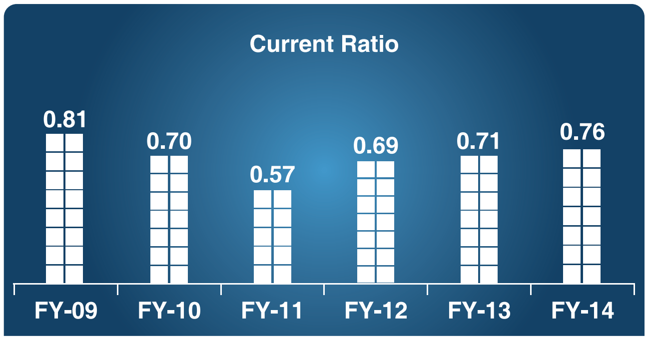


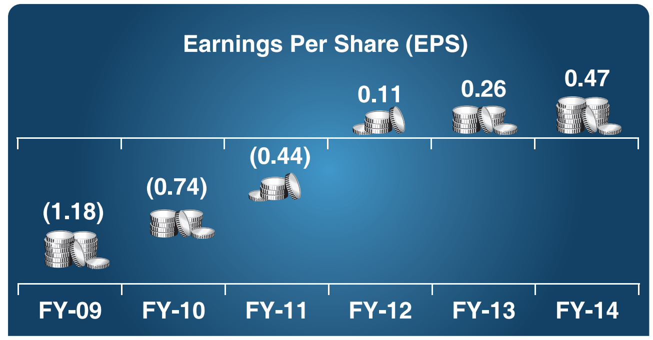


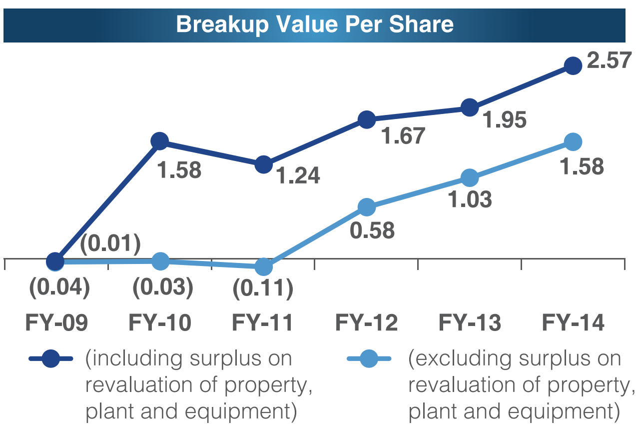


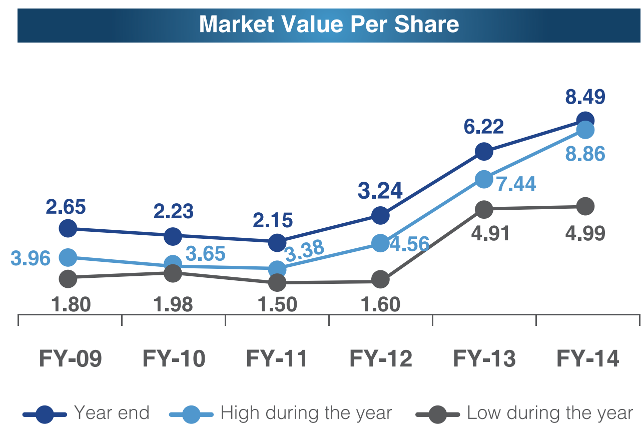


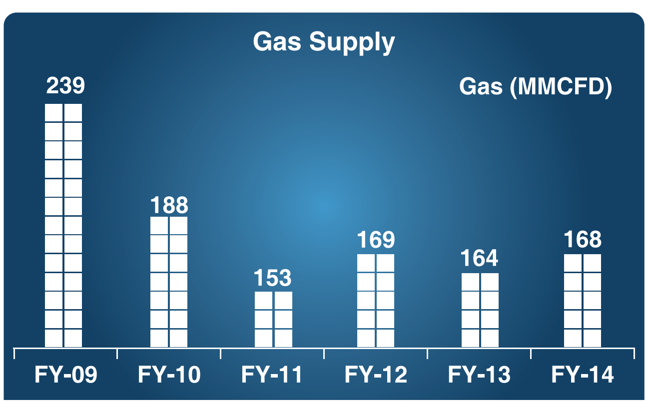


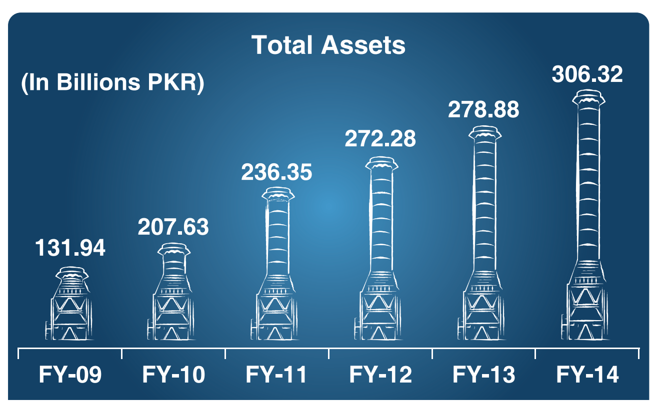

Current Ratio
0.81
0.70
0.57
0.69
0.71
0.76
FY-09
FY-10
FY-11
FY-12
FY-13
FY-14


Earnings Per Share (EPS)
(1.18)
(0.74)
(0.44)
0.11
0.26
0.47
FY-09
FY-10
FY-11
FY-12
FY-13
FY-14


Breakup Value Per Share
2.57
1.58
1.24
1.67
1.95
(0.01)
0.58
1.03
1.58
(0.04)
(0.03)
(0.11)
FY-09
FY-10
FY-11
FY-12
FY-13
FY-14
(including surplus on revaluation of property, plant and equipment)
(excluding surplus on revaluation of property, plant and equipment)


Market Value Per Share
8.49
6.22
8.86
7.44
2.65
2.23
2.15
3.24
3.96
3.65
3.38
4.56
4.91
4.99
1.80
1.98
1.50
1.60
FY-09
FY-10
FY-11
FY-12
FY-13
FY-14
Year end
High during the year
Low during the year


Gas Supply
Gas (MMCFD)
239
188
153
169
164
168
FY-09
FY-10
FY-11
FY-12
FY-13
FY-14


Total Assets
(In Billions PKR)
131.94
207.63
236.35
272.28
278.88
306.32
FY-09
FY-10
FY-11
FY-12
FY-13
FY-14

VERTICAL ANALYSIS

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
BALANCE SHEET						
Non-current assets	62.9%	68.3%	70.9%	62.7%	59.3%	56.5%
Current assets	37.1%	31.7%	29.1%	37.3%	40.7%	43.5%
TOTAL ASSETS	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Share capital & reserves	-0.1%	15.1%	11.2%	15.3%	19.3%	23.2%
Long term liabilities	54.4%	39.9%	37.7%	31.0%	23.1%	19.6%
Current liabilities	45.7%	45.0%	51.1%	53.7%	57.6%	57.2%
TOTAL EQUITY & LIABILITIES	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
PROFIT & LOSS ACCOUNT						
REVENUE	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
EXPENDITURE						
Purchase of electricity	-52.7%	-57.6%	-50.0%	-45.9%	-41.5%	-42.6%
Consumption of fuel and oil	-43.9%	-35.8%	-38.8%	-36.0%	-35.9%	-33.0%
	96.7%	**93.4%**	**88.7%**	**81.8%**	**77.3%**	**75.7%**
Expenses incurred in generation, transmission and distribution	-11.1%	-10.5%	-11.1%	-8.2%	-7.4%	-7.7%
GROSS PROFIT / (LOSS)	**-7.8%**	**-3.9%**	**0.2%**	**10.0%**	**15.2%**	**16.6%**
Consumers' services and administrative expenses	-6.3%	-8.1%	-7.5%	-7.5%	-8.1%	-8.3%
Other operating income	2.9%	4.6%	3.7%	4.4%	2.7%	3.2%
Other operating expenses	-0.4%	-0.2%	-0.2%	-0.6%	-0.3%	-0.8%
	-3.8%	**-3.7%**	**-4.0%**	**-3.7%**	**-5.7%**	**-5.9%**
OPERATING PROFIT / (LOSS)	**-11.6%**	**-7.6%**	**-3.8%**	**6.3%**	**9.5%**	**10.7%**
Finance cost	-6.6%	-6.6%	-3.9%	-4.7%	-7.4%	-5.8%
PROFIT / (LOSS) BEFORE TAXATION	**-18.1%**	**-14.2%**	**-7.7%**	**1.6%**	**2.1%**	**4.9%**
PROFIT / (LOSS) AFTER TAXATION	**-18.2%**	**-14.1%**	**-7.2%**	**1.6%**	**3.6%**	**6.6%**

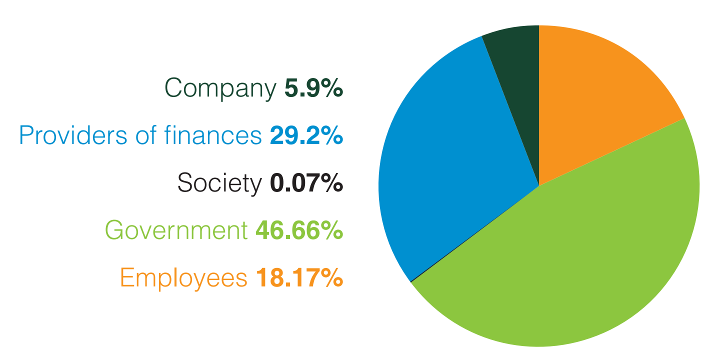
HORIZONTAL ANALYSIS

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
BALANCE SHEET						
Non-current assets	100.0%	170.7%	201.9%	205.5%	199.2%	208.6%
Current assets	100.0%	134.7%	140.6%	207.8%	232.1%	272.2%
TOTAL ASSETS	**100.0%**	**157.4%**	**179.1%**	**206.4%**	**211.4%**	**232.2%**
Share capital & reserves	100.0%	38042.4%	32211.9%	50610.6%	65283.2%	86252.0%
Long term liabilities	100.0%	115.4%	124.3%	117.5%	89.9%	83.8%
Current liabilities	100.0%	155.2%	200.2%	242.8%	266.6%	290.8%
TOTAL EQUITY & LIABILITIES	**100.0%**	**157.4%**	**179.1%**	**206.4%**	**211.4%**	**232.2%**
PROFIT & LOSS ACCOUNT						
REVENUE	**100.0%**	**122.0%**	**153.4%**	**191.0%**	**221.8%**	**228.5%**
EXPENDITURE						
Purchase of electricity	100.0%	133.3%	145.4%	166.2%	174.5%	184.7%
Consumption of fuel and oil	100.0%	99.3%	135.4%	156.5%	181.1%	171.8%
	100.0%	**117.8%**	**140.8%**	**161.8%**	**177.5%**	**178.8%**
Expenses incurred in generation, transmission and distribution	100.0%	115.2%	152.7%	140.2%	147.6%	158.0%
GROSS PROFIT / (LOSS)	**100.0%**	**-61.1%**	**3.8%**	**345.2%**	**534.5%**	**588.8%**
Consumers' services and administrative expenses	100.0%	156.0%	182.7%	227.5%	284.9%	302.5%
Other operating income	100.0%	191.2%	196.4%	287.3%	204.8%	248.0%
Other operating expenses	100.0%	68.4%	70.6%	265.0%	188.2%	431.9%
	100.0%	**119.6%**	**160.3%**	**185.5%**	**336.3%**	**358.3%**
OPERATING PROFIT / LOSS	**100.0%**	**-19.7%**	**-50.0%**	**204.2%**	**282.1%**	**311.4%**
Finance cost	100.0%	122.1%	91.7%	137.8%	249.7%	201.7%
PROFIT / (LOSS) BEFORE TAXATION	**100.0%**	**-4.6%**	**-34.9%**	**116.6%**	**125.9%**	**162.0%**
PROFIT / (LOSS) AFTER TAXATION	**100.0%**	**-5.4%**	**-39.3%**	**116.9%**	**144.1%**	**183.2%**

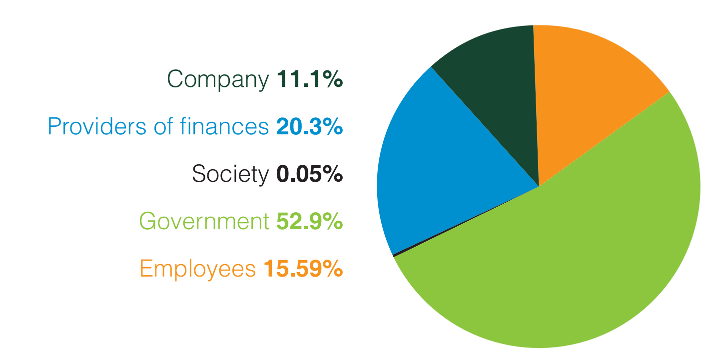
STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2014 **PKR in Mn**	%	2013 **PKR in Mn**	%
Wealth Generated				
Total revenue inclusive of all taxes and other income	232,119		221,280	
Electricity purchase, consumption of fuel and oil, service and other costs	(176,590)		(173,478)	
	55,529	**100.00%**	**47,802**	**100.00%**
Wealth Distribution				
To Employees				
Salaries, benefits and other costs	8,656	15.59%	8,687	18.17%
To Government				
Income tax, sales tax and others	29,374	52.90%	22,304	46.66%
To Society				
Donations	29	0.05%	32	0.07%
To Providers of Finances				
Financial charges	11,275	20.30%	13,960	29.20%
To Company				
Retained within the business	6,195	11.16%	2,819	5.90%
	55,529	**100.00%**	**47,802**	**100.00%**

Wealth Distribution 2013

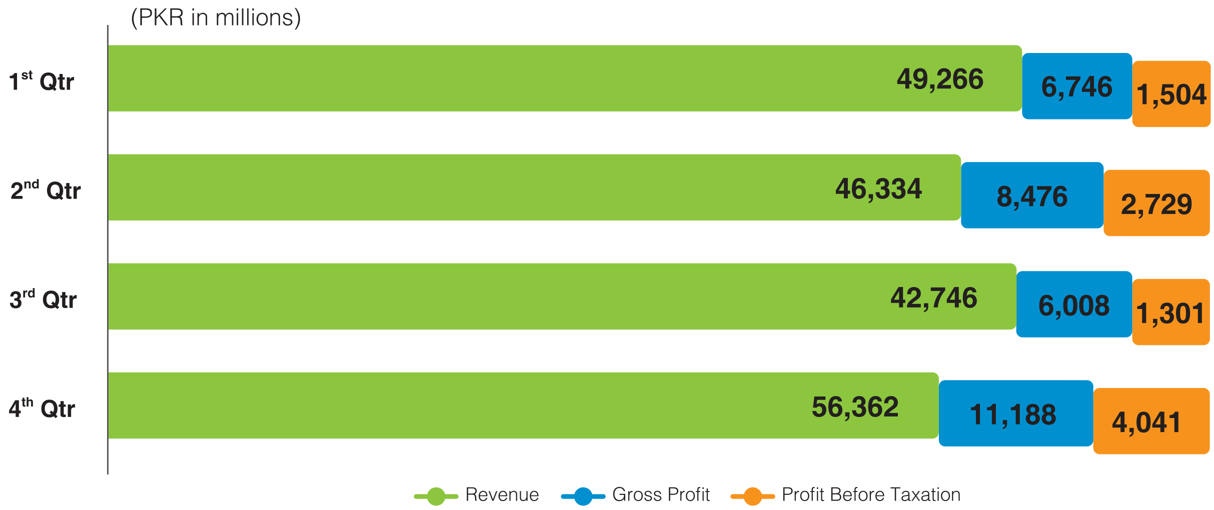


Wealth Distribution 2014



QUARTERLY PERFORMANCE ANALYSIS

Quarterly Performance



Revenue	**Quarter1**	**Quarter2**	**Quarter3**	**Quarter4**	**Total**
- PKR in million	49,266	46,334	42,746	56,362	194,708
Composition	25.3%	23.8%	22.0%	28.9%	
T&D losses					
- %	29.4%	22.2%	22.6%	25.8%	25.3%

Analysis

Revenue was higher in the fourth quarter due to higher sent out in the fourth quarter, higher revenue was registered due to both increase in sent out units and reduction in T&D losses.

Gross Profit	**Quarter1**	**Quarter2**	**Quarter3**	**Quarter4**	**Total**
- PKR in millions	6,746	8,476	6,008	11,188	32,418
- Percentage of Revenue	13.7%	18.3%	14.1%	19.9%	

Analysis

Gross profit variation from quarter to quarter is a functioning of reduction in T&D losses and proportion of more efficient generation in the overall mix.

Profit before Taxation	**Quarter1**	**Quarter2**	**Quarter3**	**Quarter4**	**Total**
- PKR in millions	1,504	2,729	1,301	4,041	9,575
- Percentage of Revenue	3.1%	5.9%	3.0%	7.2%	

Analysis

Net profit increase in later quarters resulted from the reduction in T&D losses, operation of more efficient plants and lower finance cost on long-term financing due to principal repayments.

KPMG

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Auditors' Report to the Members

We have audited the annexed balance sheet of **K-Electric Limited** ("the Company") (formerly Karachi Electric Supply Company Limited) as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3.1 with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30

June 2014 and of the profits, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to note 32.1.1 to the accompanying financial statements which describes that in view of the continuing circular debt situation and non recovery from various consumers in the public sector, the management considers that late payment surcharge / interest on delayed payment will ultimately be settled on net basis with similar treatment of receivables and payables without accounting for any delayed payment surcharge / interest. The Company has also obtained legal opinions in this respect. Accordingly, the Company has accrued interest on a net basis.

Our opinion is not qualified in respect of above matter.

KPMG Taseer Hadi & Co.

Date: 28 August 2014

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

K-ELECTRIC LIMITED

(FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)

BALANCE SHEET

AS AT 30 JUNE 2014

	Note	2014	2013 (Restated)	2012 (Restated)
			(Rupees in '000)	
ASSETS				
Operating fixed assets	4	**170,286,970**	164,681,401	170,423,386
Intangible assets	5	**376,230**	504,823	19,117
		170,663,200	165,186,224	170,442,503
Long term investments	6	**-**	-	-
Long term loans and advances	7	**29,376**	41,220	49,234
Long term deposits and prepayments	8	**105,816**	104,594	118,701
Deferred tax asset		**2,345,773**	-	-
		173,144,165	165,332,038	170,610,438
CURRENT ASSETS				
Due from the Government	9	**-**	317,750	317,750
Stores, spare parts and loose tools	10	**5,968,300**	4,607,043	4,414,562
Trade debts	11	**75,704,095**	62,843,648	49,381,277
Loans and advances	12	**1,485,855**	418,979	501,007
Trade deposits and short term prepayments	13	**2,218,028**	2,736,495	2,214,629
Other receivables	14	**44,240,998**	38,498,853	41,519,735
Derivative financial assets	15	**1,862,728**	2,523,006	2,135,048
Taxation-net	29	**1,037,924**	810,957	-
Cash and bank balances	16	**653,473**	790,396	1,183,765
		133,171,401	113,547,127	101,667,773
TOTAL ASSETS		**306,315,566**	278,879,165	272,278,211
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital	17	**96,261,551**	96,261,551	92,957,949
Reserves				
Capital reserves	18	**509,172**	509,172	509,172
Share premium		**1,500,000**	1,500,000	-
Revenue reserves	19	**5,372,356**	5,372,356	5,372,356
Accumulated losses		**(59,742,221)**	(74,674,804)	(83,671,318)
Other reserves		**(359,552)**	(490,460)	(621,373)
		(52,720,245)	(67,783,736)	(78,411,163)
TOTAL EQUITY		**43,541,306**	28,477,815	14,546,786
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	20	**27,425,967**	25,236,527	27,095,083
		70,967,273	53,714,342	41,641,869
LIABILITIES				
NON-CURRENT LIABILITIES				
Long term financing	21	**18,231,391**	24,901,685	43,183,473
Long term deposits	22	**5,865,741**	5,114,912	4,754,318
Deferred liabilities	23	**4,946,221**	5,299,062	5,676,957
Deferred revenue	24	**16,303,048**	15,600,186	16,103,412
Deferred tax liability	20	**14,767,933**	13,588,899	14,589,659
		60,114,334	64,504,744	84,307,819
CURRENT LIABILITIES				
Current maturity of long term financing	33	**9,928,007**	14,964,692	14,217,317
Trade and other payables	25	**110,406,240**	96,214,810	98,892,023
Accrued mark-up	26	**5,719,543**	5,776,415	3,739,614
Short term borrowings	27	**43,286,450**	37,608,485	23,420,575
Short term deposits	28	**5,883,741**	6,085,699	5,387,090
Taxation - net		**-**	-	661,926
Provisions	30	**9,978**	9,978	9,978
		175,233,959	160,660,079	146,328,523
CONTINGENCIES AND COMMITMENTS	32			
TOTAL EQUITY AND LIABILITIES		**306,315,566**	278,879,165	272,278,211

The annexed notes 1 to 57 form an integral part of these financial statements.

Nayyer Hussain
Chief Executive Officer

Mubasher H. Sheikh
Director

K-ELECTRIC LIMITED
(FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)
PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013 (Restated)
		(Rupees in '000)	
REVENUE			
Sale of energy – net	34	**139,112,606**	112,165,872
Tariff adjustment	35	**55,377,622**	76,615,185
Rental of meters and equipment		**218,087**	217,591
		194,708,315	188,998,648
EXPENDITURE			
Purchase of electricity	36	**(82,970,897)**	(78,371,645)
Consumption of fuel and oil	37	**(64,335,938)**	(67,807,844)
		(147,306,835)	(146,179,489)
Expenses incurred in generation, transmission and distribution	38	**(14,983,057)**	(13,999,481)
GROSS PROFIT		**32,418,423**	28,819,678
Consumers services and administrative expenses	39	**(16,247,074)**	(15,301,832)
Other operating expenses	40	**(1,483,990)**	(646,507)
Other income	41	**6,162,939**	5,090,344
		(11,568,125)	(10,857,995)
OPERATING PROFIT		**20,850,298**	17,961,683
Finance cost	42	**(11,275,212)**	(13,960,441)
PROFIT BEFORE TAXATION		**9,575,086**	4,001,242
Taxation			
- Prior	43	**-**	1,823,548
- Deferred	43	**3,312,149**	1,000,760
		3,312,149	2,824,308
NET PROFIT FOR THE YEAR		**12,887,235**	6,825,550
		(Rupees)	
EARNING PER SHARE - BASIC / DILUTED	44	**0.47**	0.26
		(Rupees in '000)	
Earning Before Interest, Tax, Depreciation and Amortization (EBITDA)		**30,158,619**	26,902,772

The annexed notes 1 to 57 form an integral part of these financial statements.

Nayyer Hussain
Chief Executive Officer

Mubasher H. Sheikh
Director

K-ELECTRIC LIMITED

(Formerly Karachi Electric Supply Company Limited)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	2014	2013 *(Restated)*
	(Rupees in '000)	
Net profit for the year	**12,887,235**	6,825,550
Items that are or may be reclassified to profit and loss account		
Net changes in fair value of cash flow hedges reclassified to profit and loss account	**130,908**	130,913
Items that will never be reclassified to profit and loss		
Effect of change in accounting policy with respect to accounting for actuarial gains and losses	**-**	312,408
Remeasurements of defined benefit liabilities (actuarial gains and losses)	**250,455**	-
Total comprehensive income for the year	**13,268,598**	7,268,871

The annexed notes 1 to 57 form an integral part of these financial statements.

Nayyer Hussain
Chief Executive Officer

Mubasher H. Sheikh
Director

K-ELECTRIC LIMITED

(Formerly Karachi Electric Supply Company Limited)

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Issued, Subscribed and Paid-up Capital				Reserves						Total equity
					Capital reserves		Revenue reserves				
	Ordinary shares	Redeemable preference shares	Transaction costs	Total share capital	Capital reserves	Share premium	Revenue reserves	Accumulated losses	Other reserves	Total reserves	
	----------	----------	----------	----------	----------	(Rupees in '000)	----------	----------	----------	----------	----------
Balance as at 30 June 2012 as previously reported	**87,271,178**	**6,000,000**	**(313,229)**	**92,957,949**	**509,172**	**-**	**5,372,356**	**(82,854,799)**	**(621,373)**	**(77,594,644)**	**15,363,305**
Effect of retrospective change in accounting policy with respect to accounting for actuarial gains and / (losses)	-	-	-	-	-	-	-	(518,551)	-	(518,551)	(518,551)
Effect of retrospective change in accounting policy with respect to accounting for depreciation of major spare parts, servicing and stand by equipments	-	-	-	-	-	-	-	(297,968)	-	(297,968)	(297,968)
Balance as at 30 June 2012 restated	**87,271,178**	**6,000,000**	**(313,229)**	**92,957,949**	**509,172**	**-**	**5,372,356**	**(83,671,318)**	**(621,373)**	**(78,411,163)**	**14,546,786**
Total comprehensive income restated for the year ended 30 June 2013											
Net profit for the year (restated)	-	-	-	-	-	-	-	6,825,550	-	6,825,550	6,825,550
Other comprehensive income											
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	-	-	130,913	130,913	130,913
Effect of retrospective change in accounting policy with respect to accounting for actuarial gains and losses	-	-	-	-	-	-	-	312,408	-	312,408	312,408
Total comprehensive income for the year (restated)	-	-	-	-	-	-	-	7,137,958	130,913	7,268,871	7,268,871
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	-	-	1,858,556	-	1,858,556	1,858,556
Transaction with owners recorded directly in equity											
Issuance of 1,394,857,142 ordinary shares @ Rs 3.5 each (refer note 17.3)	4,882,001	-	(33,477)	4,848,524	-	-	-	-	-	-	4,848,524
Cancellation of 1,714,285,713 redeemable preference shares (refer note 17.4)	-	(6,000,000)	-	(6,000,000)	-	-	-	-	-	-	(6,000,000)
Issuance of 1,285,714,284 ordinary shares in lieu of cancellation of redeemable preference shares (refer note 17.4)	4,500,000	-	(44,922)	4,455,078	-	-	-	-	-	-	4,455,078
Share premium on issuance of ordinary shares in lieu of cancellation of redeemable preference shares	-	-	-	-	-	1,500,000	-	-	-	1,500,000	1,500,000
Balance as at 30 June 2013 restated	**96,653,179**	**-**	**(391,628)**	**96,261,551**	**509,172**	**1,500,000**	**5,372,356**	**(74,674,804)**	**(490,460)**	**(67,783,736)**	**28,477,815**
Total comprehensive income for the year ended 30 June 2014											
Net profit for the year	-	-	-	-	-	-	-	12,887,235	-	12,887,235	12,887,235
Other comprehensive income											
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	-	-	130,908	130,908	130,908
Remeasurements of defined benefit liabilities	-	-	-	-	-	-	-	250,455	-	250,455	250,455
Total comprehensive income for the year	-	-	-	-	-	-	-	13,137,690	130,908	13,268,598	13,268,598
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	-	-	1,794,893	-	1,794,893	1,794,893
Balance as at 30 June 2014	**96,653,179**	**-**	**(391,628)**	**96,261,551**	**509,172**	**1,500,000**	**5,372,356**	**(59,742,221)**	**(359,552)**	**(52,720,245)**	**43,541,306**

The annexed notes 1 to 57 form an integral part of these financial statements.

Nayyer Hussain
Chief Executive Officer

Mubasher H. Sheikh
Director

K-ELECTRIC LIMITED

(FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013 (Restated)
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		9,575,086	4,001,242
Adjustments for non-cash charges and other items:			
Depreciation and amortization		9,308,323	8,941,089
Provision for deferred liabilities		876,857	1,172,537
Provision for slow moving stores		130,929	153,893
Provision for debts considered doubtful		6,689,225	6,155,460
Gain on sale of fixed assets		(100,016)	(213,469)
Finance costs		11,275,212	13,960,439
Fixed asset written-off		32,910	17,358
Amortization of deferred revenue		(1,199,103)	(1,174,727)
Return on bank deposits		(323,573)	(335,242)
Operating profit before working capital changes		36,265,850	32,678,580
Working capital changes			
(Increase) / decrease in current assets			
Stores, spares parts and loose tools		(1,492,186)	(679,837)
Trade debts		(19,549,672)	(19,617,831)
Loans and advances		(1,066,876)	82,028
Trade deposits and short term prepayments		518,467	(521,866)
Due from the Government		317,140	-
Other receivables		(5,741,535)	3,020,882
		(27,014,662)	(17,716,624)
Increase / (decrease) in current liabilities			
Trade and other payables		15,492,750	(2,677,206)
Short-term deposits		(201,958)	698,609
		15,290,792	(1,978,597)
Cash generated from operations		24,541,980	12,983,359
Deferred liabilities paid		(979,243)	(1,238,024)
Income tax paid		(226,967)	350,665
Receipts in deferred revenue		1,901,965	671,501
Finance cost paid		(11,237,711)	(11,690,974)
Interest received on bank deposits		323,573	335,242
		(10,218,383)	(11,571,590)
Net cash generated from operating activities		14,323,597	1,411,769
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(8,831,040)	(3,442,636)
Proceed from disposal of fixed assets		242,591	287,397
Long term loans		11,844	8,014
Long-term deposits		(1,222)	14,107
Net cash used in investing activities		(8,577,827)	(3,133,118)
CASH FLOWS FROM FINANCING ACTIVITIES			
Subscription of shares		-	4,882,000
Syndicated Loan for PKR 7,700 million term facility		2,271,175	-
Payment of long term financing - net		(14,582,662)	(18,024,125)
Transaction cost for capital issuance		-	(78,399)
KESC Azm Certificates (payment) / receipts		(263,083)	267,968
KE Azm Sukuk Certificates receipts net off transaction cost		5,682,133	-
Short term borrowing acquired		4,145,506	9,558,341
Security deposit from consumers		750,829	360,594
Net cash used in financing activities		(1,996,102)	(3,033,621)
Net increase / (decrease) in cash and cash equivalent		3,749,668	(4,754,970)
Cash and cash equivalent at beginning of the year		(6,927,479)	(2,172,509)
Cash and cash equivalent at end of the year	31	(3,177,811)	(6,927,479)

The annexed notes 1 to 57 form an integral part of these financial statements.

Nayyer Hussain
Chief Executive Officer

Mubasher H. Sheikh
Director

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.

1.2 During the year, the Company has registered a profit of Rs. 12,887 million (2013: Rs. 6,826 million), resulting in accumulated losses of Rs. 59,742 million (2013: Rs.74,675 million) as of the balance sheet date. The Management of the Company is continuing with the operational and infrastructure rehabilitation program commenced after the privatization of the Company, with the objective of converting the Company into a profitable entity and has taken operational and financial measures to support such rehabilitation program. The program includes:

1.2.1 Generation – Expansion and Rehabilitation

a) Operational and financial measures taken in prior years for expansion, rehabilitation of generation capacity included:

- Commission of first fast track plant of 90 MW capacity at SITE (SGTP) in June 2009.
- Commission of second fast track power plant of 90 MW capacity at Korangi (KGTP) in 2010.
- Commission of first combine cycle power plant (CCPP-1) with ISO capacity of 220 MW including the steam turbine in financial year 2010.
- Overhaul of existing Bin Qasim Power Station to increase its reliability, capacity and efficiency.
- Commission of second combine cycle power plant (BQPS II) having ISO capacity of 560 MW in 2012.

b) In addition to above, the Company has also taken further measures to:

- Enhance the capacity and efficiency through installation of steam turbines at SGTP, KGTP and two units of CCPP-I. This will add 47 MW to the capacity and have significant impact on the overall fuel efficiency and profit margins of the Company.
- Convert two units of BQPS 1 into coal (cheaper fuel), commercial operation from this project is expected within a period of 2 and half years.

1.2.2 Transmission and Distribution Network – Expansion and Rehabilitation

The Management has been following a comprehensive plan focused towards the transmission and distribution network to improve reliability and reduce technical and distribution losses. This has also enhanced monitoring and control of the grid and expanded the existing network. Proper network planning, maintenance and capital expenditure has also led to reduced outages and prevented network damage. Some of the transmission and distribution projects which are in progress include constructions of new grid stations and launching of Integrated Business Centers (IBCs).

1.2.3 Financial measures

The financial measures which the Company has embarked upon included loan agreements with foreign lenders including International Financial Corporation (IFC), Asian Development Bank (ADB) and Oesterreichische Kontrol Bank (Oekb) Austria - ECA as well as local lenders. The loans have been obtained for the purpose of capital expenditure on power generation, transmission and network improvement projects.

International Finance Corporation (IFC) and Asian Development Bank (ADB) had exercised their options to convert certain portion of their debt into ordinary shares pursuant to subscription agreement entered between the Senior Lenders and the Company. Investment in the Company by these two international financial institutions reflects their confidence in the commitment shown by the Management in bringing a turnaround in the Company.

1.2.4 Sponsors support

The Sponsors of the Company are committed to invest in the Company for its ongoing as well as future projects and also to meet its operating shortfalls. As part of the commitment, KES Power Limited (the Holding company) has invested Rs. 30,598 million (USD 361 million) in the Company's capital (including subscription of unsubscribed minority shares) and the Government of Pakistan (GoP) has subscribed Rs. 10,567 million. Based on the support of the holding company, actions as outlined above and future projections, the Management is of the view that the Company has started moving in the right direction and would achieve better results in future.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except for the following:

- certain class of assets included in property, plant and equipment are stated at revalued amounts as referred to in notes 3.2.1 and 4;
- the derivative financial instruments measured at fair value in accordance with the requirements of International Accounting Standards (IAS) – 39 "Financial Instruments: Recognition and Measurement" as referred to in notes 3.24 and 15; and
- defined benefits obligations are stated at present value in accordance with the requirements of IAS – 19 "Employee Benefits", as referred to in notes 3.14 and 23.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is also the Company's functional currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Company's accounting policies, Management has made the following accounting estimates and judgments which are significant to the financial statements:

2.4.1 Tariff adjustment determination

As per the mechanism laid out in the NEPRA rules, the Company seeks the fuel price adjustment determination from NEPRA on a monthly / quarterly basis. The monthly / quarterly determination of the tariff adjustment is done by NEPRA on a time to time basis.

2.4.2 Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. The estimates of revalued amounts of leasehold land, plant and machinery and transmission equipments are based on a valuation carried out by a professional valuers. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

2.4.3 Trade debts

The Company reviews its doubtful trade debts at each reporting date to assess whether impairment allowance should be recorded to reduce the trade debts to their recoverable amounts. In particular, judgment by Management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

2.4.4 Stores, spare parts and loose tools

The Company reviews the net realizable value (NRV) and impairment of stores, spare parts and loose tools to assess any diminution in the respective carrying values and wherever required provision for NRV / impairment is made. The calculation of provision involves the use of estimates with regards to future estimated use and past consumption along with stores, spare parts and loose tools holding period.

2.4.5 Employees retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 23 to the financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect actuarial gains and losses in those years.

2.4.6 Taxation

In making the estimates for income taxes currently payable by the Company, the Management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

2.4.7 Derivatives

The Company has entered into Cross Currency Swap and Interest Rate Swap arrangements. The calculation involves the use of estimates with regard to interest rate and foreign currency exchange rate which fluctuates with the market forces.

2.5 Accounting developments

Certain amendments to published standards and interpretations of accounting standards became effective during the year, however, they do not affect the Company's financial statements.

2.6 Standards, amendments or an interpretation not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company's financial statements.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

  - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

  - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

  - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

  - Amendments to IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

  - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

  - IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for changes explained in notes 3.1

3.1 Changes in Accounting Policies

Property, Plant & equipment

As result of amendments in International Accounting Standards IAS-16 Property, plant & equipment the Company during the current year has adopted the amendments and recognized spare parts , stand by equipments and servicing equipments as property, plant and equipment as they meet the definition of property, plant and equipment as per IAS -16 and depreciate these spares over the remaining useful lives of the plant and machinery to which they belong. Previously these were classified as consumable spares / inventory under the then relevant provisions of International Accounting Standard 2 Inventories.

With the changes in accounting policy depreciation on transmission and distribution network related to major spare parts, stand-by equipment and servicing equipment is charged after one year from the date of purchase of such spares considering that one year is the time needed to identify stores to the relevant projects. In past these spares were depreciated once they were available for use.

Effect of change in accounting policy

The change in accounting policy has been accounted for retrospectively in accordance with International Accounting Standard - 8 "Accounting policies, Changes in Accounting Estimates and Errors", these have resulted in adjustment of prior year financial statements.

The company has applied the revised standard retrospectively and, consequently the earliest periods presented in the balance sheet , profit and loss account , statement of comprehensive income and statement of changes in equity have been restated.

There is no cash flow impact as a result of the retrospective application of change in accounting policy.
The following table summarizes the impact of retrospective application of IAS 16 (revised):

	Impact of changes in accounting policy		
01 July ,2013	As previously reported	Effect of change	As restated
	---------------------- (Rupees in '000) ----------------------		
Impact in Balance sheet			
Increase in Property plant and equipment	153,984,435	1,275,780	155,260,215
Increase in Capital Work in Progress	9,027,303	393,883	9,421,186
(Decrease) in stores, spare parts and loose tools	6,630,630	(2,023,587)	4,607,043
Impact on statement of changes in equity			
Increase in accumulated losses			
Incurred during the year ended 30 June 2013		55,956	
Incurred in period prior to 1 July 2012		297,968	
Impact on Profit and loss account			
For the year ended 30 June 2013			
Increase in expenses incurred in generation, transmission and distribution		55,956	
01 July ,2012			
Impact in Balance sheet			
Increase in Property plant and equipment	158,501,340	1,151,267	159,652,607
Increase in Capital Work in Progress	10,529,890	240,889	10,770,779
(Decrease) in stores, spare parts and loose tools	6,104,686	(1,690,124)	4,414,562

Employee Benefits

During the year the Company has adopted IAS-19 (Revised) effective from January 1, 2013. The revised standard has removed the option to defer recognition of actuarial gains and losses (i.e., the corridor approach) for defined benefit plans. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income/expense. All other changes in net defined benefit obligations are recognized directly in other comprehensive income with no subsequent recycling through the profit and loss account.

Effect of change in accounting policy

The revised standard eliminates the corridor approach and requires to recognize all remeasurement gain or loss / actuarial gain or loss in the other comprehensive income (OCI) immediately as they occur. In accordance with the transitional provision as mentioned in IAS-19 (Revised), the company has applied the revised standard retrospectively, and consequently the earliest periods presented in the balance sheet, statement of comprehensive income and the statement of changes in equity have been restated. There is no cash flow impact as a result of the retrospective application of change in accounting policy. Due to application of IAS -19 (Revised) impact on 'earning per share' is immaterial in the overall context of these financial statements.

The following table summarizes the impact of retrospective application of IAS 19 (revised):

	Impact of changes in accounting policy		
	As previously reported	Effect of change	As restated
	----------------------	(Rupees in '000)	----------------------
Impact on balance sheet			
Increase in deferred Liabilities	5,245,788	53,274	5,299,062
Impact on Statement of changes in equity			
Increase / (Decrease) in accumulated losses			
Upto 30 July 2012		(518,551)	
For the year ended 30 June 2013		152,869	
Impact on Profit and loss account			
For the year ended 30 June 2013			
Decrease in expenses incurred in generation, transmission and distribution		(54,347)	
Decrease in consumers services and administrative expenses		(98,522)	
Impact on Other Comprehensive income			
Items that will never be reclassified to profit and loss account	-	312,408	312,408
July 1, 2012			
Impact on balance sheet			
Increase in Deferred liabilities	5,158,406	518,551	5,676,957

3.2 Operating fixed assets

3.2.1 Property, plant and equipment

Initial recognition

The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably. Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. Major spare parts, stand-by equipment and servicing equipment is capitalized after one year from the date of purchase of such spares.

Measurement

Except leasehold land, plant and machinery and transmission grid equipments, all others items of property, plant and equipment (refer note 4.1) are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Capital work in progress are stated at cost less impairment losses; if any. Capital spares held by the company for replacement of major items of plant and machinery are stated at cost less accumulated depreciation and impairment losses if any.

Leasehold land, plant and machinery and transmission grid equipments are measured at revalued amounts, which is the fair value at the date of revaluation less accumulated depreciation and accumulated impairment losses, if any, recognized subsequent to the date of revaluation. The surplus arising on revaluation is disclosed as surplus on revaluation of fixed assets.

Expenditure incurred to replace a component of an item of operating assets is capitalized and the asset so replaced is retired. Other subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized.

Depreciation

Depreciation is charged to profit and loss account, applying the straight line method whereby costs of assets, less their residual values, is written off over their estimated useful lives at rates disclosed in note 4.1.

Depreciation on additions is charged from the month in which the asset is available for use up to the month preceding the disposal except for capital spares relating to transmission and distribution network where depreciation is charged after one year from the date of purchase of such spares.

In case of extension and addition in existing units, depreciation is provided from the date of actual commissioning and in respect of material replacements and modernization, from the date of capitalization. Cost of subsequent acquisition of stores and spares under specific agreement for specific project are depreciated over the remaining economic useful life of such plant and machinery.

Useful lives are determined by the Management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit and loss account in the year the asset is derecognized.

Gains and losses on disposal of assets are taken to profit and loss account. When revalued assets are sold, the relevant remaining surplus is transferred directly by the Company to retained earning.

Normal repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

3.2.2 Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment, if any, and consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their acquisition, erection, construction and installation, including salaries and wages directly attributable to capital work-in-progress, determined by the management. The assets are transferred to relevant category of operating fixed assets when they are available for use. Where as spare parts , stand by equipments and servicing equipment are recognised as property plant and equipments when they meet the definition of property, plant and equipment as per IAS 16

3.2.3 Asset subject to finance lease

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of leased assets or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor is the effective interest rate.

The outstanding obligations under the lease less finance charges allocated to future periods are shown as liability.
Financial charges are calculated at the interest rate implicit in the lease and are charged to the profit and loss account.

Depreciation is charged to profit and loss account applying the straight-line method on a basis similar to owned assets.

3.3 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefit beyond one year are recognized as intangible assets. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. In respect of additions and deletions of intangible assets during the year, amortization is charged from the month of acquisition and up to the month preceding the deletion, respectively.

Intangible assets with finite lives are amortized on a straight line basis over their economic useful lives as specified in note 5.2.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

3.4 Investment in associates and joint venture

Investment in associates and joint venture are accounted for using the equity method. They are recognised initially at cost. Subsequent to initial recognition, the financial statements include Company's share of the profit or loss and other comprehensive income until the date on which significant influence or joint control ceases.

3.5 Borrowing costs

Borrowing costs are recognized in profit and loss account in the period in which these are incurred except to the extent of borrowing costs on long term finances that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized, during the period of time that is required to complete and prepare the asset for its intended use.

3.6 Assets held under operating leases / Ijarah financing

Assets held under operating leases / Ijarah financing are accounted for using the guidelines of IFAS 2. The assets are not recognized on the Company's financial statements or balance sheet and payments made under operating leases / Ijarah financing are recognized in profit or loss on a straight line basis over the term of the lease.

3.7 Loans, advances and deposits

These are initially recognized at cost, which is the fair value of the consideration given. Subsequent to initial recognition assessment is made at each balance sheet date to determine whether there is an indication that a financial asset or group of assets may be impaired. If such indication exists, the estimated recoverable amount of that asset or group of assets is determined and any impairment loss is recognized for the difference between the recoverable amount and the carrying value.

3.8 Stores, spare parts and loose tools

These are stated at moving average cost less impairment loss, if any, except items in transit, which are stated at cost. For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated realizable value. The Company reviews the carrying amount of the stores and spares on a regular basis and provision is made for obsolescence.

Provision is made for obsolete and slow moving items where necessary and is recognized in the profit and loss account.

3.9 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method, if applicable, less provision for impairment, if any. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and receivables are written off when considered irrecoverable.

No provision is made for trade debts due from federal / provincial Government and local bodies, as management believes that these trade debts are not impaired and will be recovered.

3.10 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks and short term placements readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents also include bank overdrafts which form an integral part of the Company's cash management.

3.11 Surplus on revaluation of fixed assets

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of Fixed Assets account" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002. The Company has adopted following accounting treatment of depreciation / amortization on revalued assets, in accordance with Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated 13 January 2003:

- depreciation / amortization on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation / amortization charge for the year is taken to the profit and loss account; and

- an amount equal to incremental depreciation / amortization for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation / amortization charge for the year.

3.12 Interest / Mark-up bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Loans and borrowings are subsequently stated at amortized cost with any difference between the proceeds (net of transaction cost) and the redemption value recognized in the profit and loss account over the period of the borrowing using the effective interest method.

3.13 Deferred revenue

Deferred revenue represents amounts received from consumers as contribution towards the cost of supplying and laying service connections, extension of mains and street lights along with the Transfer from Specific Grants. Amortization of deferred revenue commences upon completion of related work, with 5% of completed jobs taken to the profit and loss account each year corresponding to the depreciation charge for the year (note 24).

3.14 Employee retirement and other service benefits

3.14.1 Defined benefit plans

Provisions are made to cover the obligations under defined benefit gratuity scheme, post retirement medical benefits and electricity rebate on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as of 30 June 2014 using the "Projected Unit Credit Method".

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains / (losses).

During the current year the Company has changed its accounting policy in respect of recognition of actuarial gains and losses, past service costs whereby with effect from current year, the Company has recognised:

- actuarial gains and losses as they occur in other comprehensive income, instead of past policy, where actuarial gains and losses were recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for the plan at the end of the previous reporting period exceeded 10 % of present value of the Company's obligation and are amortized over the expected service of the current members.

The company operates following retirement schemes for its employees.

(a) Defined benefit gratuity scheme

The Company operates an approved unfunded defined benefit gratuity scheme for all its eligible employees. The Scheme provides for a ascending scale of benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn salary.

(b) Post retirement medical benefits

The Company also offers post retirement medical coverage to its eligible employees and their dependents. Under the unfunded scheme all such employees and their dependents are entitled for such coverage for a period of 10 years and 5 years, respectively.

(c) Electricity rebate

The Company provides a rebate on their electricity bills to its eligible retired employees for the first five years of retirement.

3.14.2 Defined contributory provident fund

The Company also operates an approved funded contributory provident fund for all its eligible management and non-management employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of basic salary.

3.14.3 Earned leave

The company allows Leave Preparatory to Retirement (LPR) to staff to the extent of accumulating leave up to 60 days, in case if staff are early retired / taken Golden hand shake / deceased then leaves are enchased. Officers are also allowed LPR who have opted for the scheme in 2003, to the extent of 365 days before actual retirement date.

3.15 Actuarial gains and losses

Remeasurement gains / losses and actuarial gains and losses are recognized in other comprehensive income when they occur.

3.16 Taxation

3.16.1 Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any, in accordance with the provision of the Income Tax Ordinance, 2001. It also includes any adjustment to tax payable in respect of prior years.

3.16.2 Deferred

Deferred tax is recognized using balance sheet liability method, providing for all significant temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.17 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

3.18 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.19 Revenue recognition

3.19.1 Energy sale

Revenue is recognized on supply of electricity to consumers based on meter readings at the rates notified by the Government from time to time, except for Karachi Nuclear Power Plant and Pakistan Steel Mills Corporation (Private) Limited where tariff is applied as per agreements with these entities.

3.19.2 Tariff adjustment

Tariff adjustment for variation in fuel prices, cost of power purchase and operation and maintenance cost is recognized on accrual basis when the Company qualifies to receive it.

3.19.3 Late payment surcharge

Surcharge on late payment is accounted for after the due date of payment has passed. In case of Government and Local Bodies, late payment surcharge is accounted for on receipt basis.

3.19.4 Rebate on electricity duty

Rebate on electricity duty is recognized at the rates specified by the Government and is recognized on electricity duty collected.

3.19.5 Meter rentals

Meter rentals are recognized monthly, on the basis of specified rates for various categories of consumers.

3.19.6 Interest / Mark-up income

The Company recognizes interest income / mark-up on short term deposits and interest bearing advances on time proportion basis.

3.19.7 Grant from Government

Grant from the GoP is the specific grant for Financial Implementation Plan (FIP) which is recognised in profit and loss account on a systematic and rational basis over the useful life of corresponding assets.

3.20 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.21 Foreign currencies translation

The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to profit and loss account, however in case of monetary assets and liabilities designated as hedge items in a cash flow hedge the gains and losses on translation are taken to statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.22 Financial instruments

All financial assets and liabilities are initially measured at fair value, and subsequently re-measured at fair value or amortized cost as the case may be. The Company derecognizes the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

3.23 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3.24 Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its interest rate risk and foreign currency risk. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are classified as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge are taken to the profit and loss account.

The fair value of derivative financial instruments is determined by reference to market values for similar instruments or by using discounted cash flow method.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedge risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair value hedges

Fair value hedges are when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.

The change in the fair value of a hedging derivative is recognized in the profit and loss account. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in the profit and loss account. If the hedged item is derecognized, the unamortized fair value is recognized immediately in the profit and loss account.

Cash flow hedges

Cash flow hedges are when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss.

Amounts accumulated in equity are reclassified to the profit and loss account in the periods when the hedged item affects profit and loss account i.e. when the hedged financial income or expense is recognized or when the forecast transaction occurs. Where the hedged item is the cost of a non financial asset or non financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non financial asset or liability.

On an ongoing basis, the Company assesses whether each derivative continues to be highly effective in offsetting changes in the cash flows of hedged items. If and when a derivative is no longer expected to be highly effective, hedge accounting is discontinued.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account. The fair values of derivative instruments used for hedging purposes are disclosed in note to these financial statements. Movements on the hedging reserve are shown in statements of changes in equity and statement of comprehensive income.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non current portion only if a reliable allocation can be made.

3.25 Appropriations to reserves

Appropriations to reserves are recognized in the financial statements in the period in which these are approved.

3.26 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4. OPERATING FIXED ASSETS

	Note	**2014**	2013 *(Restated)*	2012 *(Restated)*
			(Rupees in '000)	
Property, plant and equipment	4.1	**158,984,712**	155,260,215	159,652,607
Capital work-in-progress	4.3	**11,302,258**	9,421,186	10,770,779
		170,286,970	164,681,401	170,423,386

4.1 Property, plant and equipment

	Note	2014 COST / REVALUATION As at 01 July 2013	Additions / revaluation surplus*	Disposals	Adjustments*	As at 30 June 2014	ACCUMULATED DEPRECIATION As at 01 July 2013	Charge for the year	On Disposal	Adjustments*	As at 30 June 2014	WRITTEN DOWN VALUE As at 30 June 2014	Annual rate of depreciation %
		----------	----------	----------	----------	----------	(Rupees in '000)	----------	----------	----------	----------	----------	
Owned Assets													
Land:													
Leasehold land	4.1.1	3,661,972	*6,129,743	-	(132,184)	9,659,531	1,385,563	186,586	-	-	1,572,149	8,087,382	1.3 to 33.3
Other land	4.1.2	415,585	-	-	132,184	547,769	-	-	-	-	-	547,769	-
Buildings on:													
Leasehold land		2,641,759	101,444	-	-	2,743,203	249,039	90,828	-	-	339,867	2,403,336	2
Other land		4,063,601	42,699		(61,143)	4,045,157	1,350,331	62,036	-	(54,872)	1,357,495	2,687,662	2
Plant and machinery		132,373,433	1,411,775	(12,089)		133,773,119	36,321,070	5,148,130	(2,165)		41,467,035	92,306,084	2.85 to 20
Transmission grid equipments	4.1.3	31,908,668	671,408	(11,113)	(21,936)	32,547,027	11,272,430	1,287,943	(6,132)	(274)	12,553,967	19,993,060	3 to 10
Transmission lines		15,847,395	404,623	(14,360)	-	16,237,658	7,121,135	461,102	(7,187)		7,575,050	8,662,608	3 to 10
Distribution networks		38,001,897	3,566,781	(348,881)	(9,275)	41,210,522	18,871,524	1,415,239	(230,843)	(4,297)	20,051,623	21,158,899	3 to 10
Renewals of mains and services		1,811,923	264,792	(14,757)	-	2,061,958	1,493,208	118,773	(14,757)		1,597,224	464,734	20
Furniture, air-conditioners and office equipment		1,127,621	30,627	(986)		1,157,262	541,932	89,611	(832)		630,711	526,551	10 to 15
Vehicles		224,479	-	(21,426)	-	203,053	174,555	9,220	(19,282)	-	164,493	38,560	15 to 20
Computers and related equipment		614,353	42,951	(3,947)		653,357	478,137	62,136	(3,789)		536,484	116,873	14.33-33.33
Tools and general equipment		1,037,564	105,873	(32)		1,143,405	486,891	88,034	(29)		574,896	568,509	10 to 15
Major spare parts		1,629,704	216,305			1,846,009	353,924	69,400			423,324	1,422,685	
Simulator equipment		67,713	-	-	-	67,713	67,713	-	-	-	67,713	-	14.33
		235,427,667	**12,989,021**	**(427,591)**	**(92,354)**	**247,896,743**	**80,167,452**	**9,089,038**	**(285,016)**	**(59,443)**	**88,912,031**	**158,984,712**	

- Additions of Rs.6,859.276 million (excluding surplus of Rs. 6,129.473 million), as shown above, represent transfer from capital work-in-progress during the current year, as shown under capital work-in-progress in note 4.3.

- During the year, fixed assets having a written down value Rs. 32.910 million were written off to reconcile the result of physical verification of fixed assets carried out by M/s. Tariq Abdul Ghani & Co. Chartered Accountants and internal fixed assets verification, such written off made in accordance with the approval of Board of Directors.

		2013 *(Restated)*											
		COST / REVALUATION					ACCUMULATED DEPRECIATION					WRITTEN DOWN VALUE	Annual rate of depreciation
	Note	As at 01 July 2012	Additions	Disposals	Adjustments*	As at 30 June 2013	As at 01 July 2012	Charge for the year	On Disposal	Adjustments*	As at 30 June 2013	As at 30 June 2013	%
		(Rupees in '000)											
Owned Assets													
Land:													
Leasehold land	4.1.1	3,661,972	-	-	-	3,661,972	1,102,254	283,309	-	-	1,385,563	2,276,409	1.3 to 33.3
Other land	4.1.2	415,585	-	-	-	415,585	-	-	-	-	-	415,585	-
Buildings on:													
Leasehold land		2,386,797	254,962	-	-	2,641,759	160,296	88,743	-	-	249,039	2,392,720	2
Other land		4,046,158	17,443	-	-	4,063,601	1,284,862	65,469	-	-	1,350,331	2,713,270	2
Plant and machinery		131,546,415	837,339	(8,744)	(1,577)	132,373,433	31,410,462	4,915,167	(4,410)	(149)	36,321,070	96,052,363	2.85 to 20
Transmission grid equipments	4.1.3	31,427,075	493,455		(11,862)	31,908,668	10,019,509	1,254,951		(2,030)	11,272,430	20,636,238	3 to 10
Transmission lines		15,777,245	185,348	(115,198)	-	15,847,395	6,725,669	454,989	(59,523)	-	7,121,135	8,726,260	3 to 10
Distribution networks		35,831,479	2,251,742	(81,324)	-	38,001,897	17,609,442	1,335,273	(73,192)	-	18,871,523	19,130,374	3 to 10
Renewals of mains and services		1,669,937	148,342	(6,356)	-	1,811,923	1,423,243	76,321	(6,356)	-	1,493,208	318,715	20
Furniture, air-conditioners and office equipment		1,107,747	28,270	(131)	(8,265)	1,127,621	458,721	86,730	(99)	(3,420)	541,932	585,689	10 to 15
Vehicles		260,340	-	(35,861)	-	224,479	193,841	12,206	(31,492)	-	174,555	49,924	15 to 20
Computers and related equipment		623,312	24,428	-	(33,387)	614,353	432,823	78,313	-	(32,999)	478,137	136,216	14.33-33.33
Tools and general equipment		983,060	69,962	(13,857)	(1,601)	1,037,564	414,660	85,438	(12,471)	(736)	486,891	550,673	10 to 15
Major spare parts		1,449,235	180,469			1,629,704	297,968	55,957			353,925	1,275,779	
Simulator equipment		67,713	-	-	-	67,713	67,713	-	-	-	67,713	-	14.33
		231,254,070	4,491,760	(261,471)	(56,692)	235,427,667	71,601,463	8,792,866	(187,543)	(39,334)	80,167,452	155,260,215	

* The Company carried out an exercise in respect of physical verification of its fixed assets. As a result of the said exercise, fixed assets having a written down value of Rs.17.358 million, were written off during the year to reconcile the results of physical verification of fixed assets with book balances. Such write-off was made in accordance with the approval of the Board of Directors.

Additions of Rs. 4,491.760 million, as shown above, represent transfer from capital work-in-progress during the current year, as shown under capital work-in-progress in note 4.3.

4.1.1 Leasehold land

This represents leasehold lands owned by the Company which are freely transferable.

4.1.2 Other land

Lands classified as other comprise properties in possession of the Company, which are not freely transferable.
Lands classified as other include:

	Note	2014	2013
		(Rupees in '000)	
Amenity			
- Leasehold		**508,520**	364,348
- Freehold (mainly grid)		**671**	9,271
- Leasehold land – owned	4.1.2.1	**38,578**	41,966
		547,769	415,585

4.1.2.1 This represents leasehold land in respect of which lease renewals are in the process.

4.1.3 The Company had entered into a sale and leaseback Ijara financing arrangement with Standard Chartered Modaraba Limited. The asset sold and leased back under the said arrangement, being already under hypothecation charge over the Company's long term debts, comprised of grid stations with carrying value of Rs. 322.616 million.

As per the requirements of IFAS 2 the sale and leaseback of the above mentioned assets under Ijarah financing had been treated as an operating lease and accordingly had been derecognised from the books, as disposal of fixed assets.

The Company paid Rs. 100 million to Standard Chartered Modaraba as security deposit under the sale and lease back agreement (Ijara lease agreement). Under the term of the agreement, the said amount will be adjusted upon payment of the purchase price in full against the salvage value. Total lease rentals due were Rs. 428.590 million, and were payable in 20 equal quarterly instalments and payable latest by 29 June 2017.

During the current year Company entered into an agreement with Standard Chartered Modarba (Doner), Doner gifted to the Company (Donee) the asset mentioned above to the use of the Donee with all legal and beneficial interest therein and thereafter gave the possession of the subject asset to the unrestricted use of the Company. Consequently the donee became the absolute and exclusive owner of the subject asset having all rights , transfer and interest.

The total of lease payments after the recognition of asset are as follows:

	2014	2013
	(Rupees in '000)	
Not later than one year	**71,741**	85,641
Later than one year and not later than five years	**143,148**	256,923

4.1.4 During the year ended 30 June 2009 and 30 June 2010, revaluation exercises were carried out by independent valuers, Colliers International Pakistan (Private) Limited, Iqbal Nanjee and Company (Private) Limited and Harvester Services (Private) Limited.

The fair values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, adjusted for any difference in nature, location or condition of the specific property and in case where market based evidence was not available or not applicable due to the specialized nature of asset, than it was based on depreciated replacement cost method. Surplus on revaluation arised were as follow:

	Surplus on revaluation	Written down values
	(Rupees in '000)	
Leasehold land	3,194,189	322,411
Plant and machinery	34,753,442	31,931,330
Transmission grid equipments	11,290,541	11,399,461
	49,238,172	43,653,202

During the year ended 30 June 2014, revaluation exercise of leasehold lands was carried out by an independent valuer, Collier's International Pakistan (Pvt) Ltd. The fair values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, adjusted for any difference in nature, location or condition of the specific property. Surplus on revaluation arised were as follows:

	Surplus on revaluation	Written down values
	(Rupees in '000)	
Leasehold land	6,129,743	1,957,639

During the year land amounting to Rs. 13.188 million (2013: Nil) were transferred from other land to leasehold land upon completion of documentation as to title.

4.1.4.1 Had there been no revaluation, the values of specific classes of leasehold land, plant and machinery and transmission grid equipments at 30 June 2014 would have amounted to:

	Cost	Written down value
	(Rupees in '000)	
Leasehold land	335,599	316,347
Plant and machinery	99,003,791	66,586,716
Transmission grid equipments	21,256,486	10,945,731
	120,595,876	77,848,794

4.1.5 The cost of fully depreciated assets as at 30 June 2014 is Rs. 12,718.624 million (2013: Rs. 11,979.171 million).

4.1.6 Due to nature of Company's operations, certain assets included in transmission and distribution network are not in possession of the Company. In view of large number of consumers, the management considers it impracticable to disclose particulars of assets not in the possession or control of the Company as required under Fourth Schedule to the Companies Ordinance, 1984.

4.1.7 Depreciation charge for the year has been allocated as follows:

	Note	2014	2013
		(Rupees in '000)	
Expenses incurred in generation, transmission and distribution	38	8,226,400	8,249,649
Consumers services and administrative expenses	39	862,638	543,217
		9,089,038	8,792,866

4.2 The details of operating fixed assets disposed off during the year are as follows:

	Original Cost	Accumulated Depreciation	Written Down Value	Sales proceeds	Gain/ (Loss) on Disposal	Mode of Disposal	Particulars of Buyer
	-----------------------------		(Rupees in '000)		-----------------------------		
Generation							
Oil filled cable	80	72	8	75	67	Tender	Saqib & Aqeel
Metallic & non-metallic items-220mw	11,739	2,035	9,704	40	(9,664)	Tender	Abdul Rahim
Transmission							
GIS,LKB-132kv, Air blast circuit breaker	3,248	1,967	1,282	1,671	389	Tender	New Delite Co.(Pvt) Ltd.
Hosing	687	379	308	401	93	Tender	New Delite Co. (Pvt) Ltd.
XLPE cable, P.Ts, C.Ts, Switch Hosing,C.B poles	3,233	1,911	1,322	1,825	502	Tender	Muhammad Furqan
CB poles	130	117	13	15	2	Tender	Muhammad Furqan
P.Ts, C.Ts, Housing, C.B op. Mechanism	4,920	2,715	2,205	2,475	270	Tender	Muhammad Furqan
Aluminium Cable	2,899	2,899	-	3,932	3,932	Tender	H.M. Ismail
Copper Conductor-Transmission Line	2,324	1,580	744	4,917	4,174	Tender	Rehmani Metal Traders
Oil Pressure Tanks	1	1	0.11	40	40	Tender	Shabbir Enterprises
Copper Conductor-Transmission Line	7,367	7,307	60	19,293	19,233	Tender	New Delite Co. (Pvt) Ltd.
P.Ts, C.Ts, control cables, Insulators, G.trollies	2,925	2,380	546	610	64	Tender	Muhammad Faisal
Optical ground wire	1,122	676	446	395	(51)	Tender	RKF Traders
Copper conductor	575	386	189	2,783	2,594	Tender	New Delite Co. (Pvt) Ltd.
Cables, oil terminations, relays etc	1,978	1,978	-	2,222	2,222	Tender	AIC,JGIC,EFU,Alfalah,Askari
Copper Conductor-Transmission Line	233	233	-	3,559	3,559	Tender	Universal Metal
Disc insulators	7,490	2,518	4,972	166	(4,806)	Tender	Muhammad Umar
Distribution							
Aluminium conductor-Dist.Line	7,267	6,541	727	3,649	2,923	Tender	Sun Metal Industries
Capicitor cells, switches & trollies, Tubular poles meters, bushing & isolators, Conductor-Cu	9,826	8,871	955	8,826	7,870	Tender	Zafar & Sons, Faisal Impex, Anwar Traders
Steel poles	247	222	25	400	375	Tender	Abdul Razzak
Breakers, C.Ts, P.Ts	1,316	1,185	132	1,177	1,045	Tender	Abdul Rahim
PVC Copper Cable	6,562	5,906	656	13,944	13,288	Tender	Universal Metal
Energy Meters	16,861	15,175	1,686	15,135	13,449	Tender	Qadir Engineering
Aluminium Cable	5,187	934	4,254	7,193	2,939	Tender	Aslam Metal Scrap
L.T Transformers	53,990	31,720	22,269	20,845	(1,424)	Tender	Naushad Metal Works
Energy Meters	6,794	4,878	1,916	2,902	986	Tender	Bismillah Metal Impex
Al. Cable, OCB & VCB trollies, RMUs	27,131	16,470	10,661	7,226	(3,435)	Tender	Aslam Metal Scrap
Transformers	9,288	5,903	3,385	7,342	3,957	Tender	Naushad Metal Works
Energy Meters	35,077	25,289	9,788	5,200	(4,588)	Tender	Bismillah Metal Impex
C.Ts, P.Ts, Breakers etc.	9,133	2,529	6,604	883	(5,721)	Tender	Muhammad Kursheed
Transformers	18,263	11,784	6,479	3,560	(2,919)	Tender	Naushad Metal Works
Copper Conductor	1,523	114	1,408	3,987	2,579	Tender	New Delite Co. (Pvt) Ltd.
Generators	38	22	16	36	20	Tender	Abdul Rahim
Copper Conductor	9,707	7,154	2,553	18,780	16,227	Tender	New Delite Co. (Pvt) Ltd.
Copper cable	7,887	3,249	4,638	6,397	1,759	Tender	Naushad Metal Works
Energy Meters	25,626	22,105	3,521	9,941	6,420	Tender	SunMetal Industries
Copper cable & lead	2,003	1,376	627	1,208	581	Tender	Jan Gul Khan
Disc insulators & Tubular poles	5,519	3,979	1,540	3,661	2,120	Tender	Jan Gul Khan
Aluminium cable	6,223	4,164	2,058	7,790	5,732	Tender	Gujranwala Cables
Transformers	669	604	64	1,017	953	Tender	Naushad Metal Works
Switches & trollies	4,361	2,727	1,634	1,425	(209)	Tender	Muhammad Furqan & Bros.
Capacitors Cells	3,927	2,900	1,026	15	(1,011)	Tender	Mushtaq Ahmed & Sons
Breakers, C.Ts, P.Ts	23,475	6,379	17,096	2,080	(15,016)	Tender	Naushad Metal Works
Energy Meters	21,501	16,340	5,161	8,077	2,916	Tender	Gujranwala Cables
Capacitors, D/O cutout & Knife switch	173	156	17	13	(4)	Tender	Abdul Rahim
Aluminium cables & joints	998	595	403	1,310	907	Tender	Bismillah Metal Impex
Energy Meters	19,599	15,341	4,258	8,110	3,852	Tender	Bismillah Metal Impex
C.Ts, P.Ts, Breakers etc.	8,223	6,078	2,145	836	(1,309)	Tender	Khalid Hussain
Disc insulators	1,586	1,186	401	35	(366)	Tender	Muhammad Umar
General and Office Equipments							
Generator-50 kva	530	477	53	73	20	Tender	Muhammad Furqan
Welding plant	0.001	-	0.001	8	8	Tender	Abdul Rahim
SF gas cylinders	32	29	3	645	642	Tender	Muhammad Faisal
Computers							
CPUs,Moniters etc	3,958	3,798	160	186	26	Tender	Khalid Hussain
Furnitures							
Split Air conditioner	38	19	19	8	(11)	Tender	Muhammad Furqan
Iron Cabinet, Chair	6	3	4	1	(3)	Tender	Mustaq Ahmed & Sons
Window ACs	271	58	214	12	(202)	Tender	Abdul Rahim Shershah
Misc. Wooden & Iron Furnitures	190	145	45	49	4	Tender	Mustaq Ahmed & Sons
Window ACs & Splits	145	123	23	30	7	Tender	Abdul Rahim
Chairs & tables-wooden & metallic	66	56	10	2	(9)	Tender	Himmat Khan & Brothers
Vehicles							
IVECO Prime Mover JT-9199	0.001	-	0.001	1,000	1,000	Tender	e2e Logistics Ltd.
Toyota Hilux CE-5037	118	106	12	194	183	Tender	Muhammad Ateeq & Co.
Suzuki Mehran AB-9820	238	214	24	90	67	Tender	Muhammad Ateeq & Co.
Mazda T-3500 JX-5195	295	266	30	571	542	Tender	Naseem Bali
Mazda T-3500 JX-5915	315	284	32	541	510	Tender	Naseem Bali

	Original Cost	Accumulated Depreciation	Written Down Value	Sales proceeds	Gain/ (Loss) on Disposal	Mode of Disposal	Particulars of Buyer
	----------------------------------	(Rupees in '000)	----------------------------------				
Suzuki SJ-410	155	140	16	201	186	Tender	Naseem Bali
Hyundai Shahzore KM-8540	571	514	57	375	318	Tender	Muhammad Saleem
Hyundai Shahzore KM-7768	571	514	57	425	368	Tender	Muhammad Zahid Shafi
Toyota Corolla AC-7722	549	494	55	375	320	Tender	Col. Irshad
Suzuki SJ-410 BA-6269	138	124	14	198	184	Tender	Muhammad Younus Baloch
Suzuki Bolan CJ-8779	260	234	26	217	191	Tender	Muhammad Younus Baloch
Suzuki Bolan CJ-9372	260	234	26	232	206	Tender	Muhammad Younus Baloch
Suzuki Ravi CK-0153	237	213	24	235	211	Tender	Muhammad Mustaq
Suzuki Ravi CJ-4412	116	104	12	211	200	Tender	Azeem Khan
Suzuki Ravi CN-0146	271	244	27	278	251	Tender	Azeem Khan
Suzuki Ravi CN-0141	271	244	27	271	244	Tender	Azeem Khan
Suzuki Ravi CN-0165	271	244	27	272	245	Tender	Azeem Khan
Suzuki Bolan CJ-0574	135	122	14	200	187	Tender	Azeem Khan
Suzuki Ravi CN-0163	271	244	27	268	241	Tender	Azeem Khan
Suzuki Ravi CJ-8846	225	203	23	227	205	Tender	Azeem Khan
Suzuki Ravi CJ-4401	116	104	12	226	214	Tender	Azeem Khan
Suzuki Ravi CN-2361	271	244	27	311	284	Tender	Azeem Khan
Suzuki Ravi CJ-5004	116	104	12	221	209	Tender	Azeem Khan
Suzuki Ravi CJ-4409	116	104	12	207	195	Tender	Azeem Khan
Suzuki Ravi CN-0279	271	244	27	283	256	Tender	Azeem Khan
Suzuki Ravi CJ-7857	188	169	19	234	215	Tender	Muhammad Hanif
Suzuki Ravi CJ-8845	225	203	23	215	192	Tender	Muhammad Hanif
Suzuki Bolan CJ-8765	260	234	26	196	170	Tender	Syed Fahad Ali
Suzuki Bolan CJ-9311	260	234	26	211	185	Tender	Syed Fahad Ali
Suzuki Bolan CJ-8649	260	234	26	226	200	Tender	Syed Fahad Ali
Suzuki Ravi CN-2605	271	244	27	323	296	Tender	Muhammad Tahir
Suzuki Ravi CN-0127	271	244	27	318	291	Tender	Muhammad Tahir
Suzuki Ravi CJ-9269	225	203	23	247	224	Tender	Muhammad Tahir
Suzuki Ravi CN-0287	271	244	27	308	281	Tender	Muhammad Tahir
Suzuki Ravi CN-0286	271	244	27	279	252	Tender	Muhammad Younus Baloach
Suzuki Ravi CJ-4407	116	104	12	206	195	Tender	Muhammad Younus Baloach
Suzuki Ravi CN-0088	271	244	27	289	262	Tender	Muhammad Younus Baloach
Mazda T-3500 JX-1294	174	156	17	451	434	Tender	Muhammad Ayaz
Mazda T-3500 JX-5209	295	266	30	541	512	Tender	Muhammad Ayaz
Mazda T-3500 JX-5367	295	266	30	521	492	Tender	Muhammad Ayaz
Mazda T-3500 JX-5914	315	284	32	565	534	Tender	Muhammad Ayaz
Nissan Truck JT-6978	312	281	31	521	490	Tender	Muhammad Usman
Nissan Truck JT-6984	435	392	44	531	487	Tender	Muhammad Usman
Suzuki Bolan CJ-8856	260	234	26	210	184	Tender	Syed Fahad Ali
Suzuki Khyber Z-3418	235	212	24	180	157	Tender	Ashfaq Ahmed
Suzuki SJ-410 BA-6288	155	140	16	188	173	Tender	Muhammad Tahir
Suzuki Khyber AB-7287	304	274	30	166	136	Tender	Muhammad Tahir
Suzuki SJ-410 BA-6292	155	140	16	198	183	Tender	Muhammad Tahir
Suzuki Bolan CJ-9254	260	234	26	225	199	Tender	Muhammad Tahir
Suzuki Bolan CD-5873	135	122	14	193	180	Tender	Azeem Ullah
Suzuki Bolan CJ-9396	260	234	26	213	187	Tender	Azeem Ullah
Suzuki Ravi CN-0167	271	244	27	315	288	Tender	Azeem Ullah
Suzuki Ravi CN-0225	271	244	27	289	262	Tender	Azeem Ullah
Suzuki Ravi CN-2362	271	244	27	303	275	Tender	Azeem Ullah
Suzuki Ravi CN-0168	271	244	27	266	239	Tender	Azeem Ullah
Suzuki Bolan CD-3587	135	122	14	153	140	Tender	Muhammmad Ali
Suzuki Bolan CD-3596	116	104	12	209	197	Tender	Muhammmad Ali
Suzuki Ravi CJ-4397	238	214	24	90	66	Tender	Muhammmad Ali
Suzuki Ravi CJ-4419	116	104	12	153	141	Tender	Muhammmad Ali
Suzuki Mehran AB-6336	135	122	14	165	152	Tender	Muhammmad Ali
Suzuki Bolan CJ-9252	260	234	26	214	188	Tender	Muhammad Tahir
Suzuki Ravi CN-0285	271	244	27	287	260	Tender	Muhammad Tahir
Suzuki Ravi CN-1282	271	244	27	259	232	Tender	Muhammad Tahir
Suzuki Ravi CR-9814	271	244	27	296	269	Tender	Muhammad Tahir
Suzuki Ravi CJ-6889	175	158	18	215	198	Tender	Muhammad Tahir
MTL Mazda, T-3500 KM-7758	571	514	57	386	329	Tender	Muhammad Tahir
Nissan Sunny S-4027	0.001	-	0.001	132	132	Tender	Muhammad Tahir
Suzuki Bolan CJ-6313	190	171	19	155	136	Tender	Muhammad Tahir
Suzuki Ravi CN-0085	271	244	27	286	259	Tender	Muhammad Tahir
Suzuki Ravi CN-0143	271	244	27	277	250	Tender	Muhammad Tahir
Suzuki Ravi CN-0164	271	244	27	259	232	Tender	Muhammad Tahir
Suzuki Ravi CN-7766	271	244	27	301	275	Tender	Muhammad Tahir
Suzuki Ravi CN-7873	271	244	27	299	272	Tender	Muhammad Tahir
M/Cycle Honda-70 KCT-9306	69	62	7	23	16	Tender	Aziz Ullah Khan
Suzuki Bolan CJ-4392	174	157	17	153	136	Tender	Aziz Ullah Khan
Suzuki Bolan CR-0844	319	287	32	275	243	Tender	Meraj Ali
Suzuki Bolan AB-7466	238	214	24	145	122	Tender	Meraj Ali
Suzuki Mehran AB-0849	192	173	19	142	123	Tender	Meraj Ali
Fork Lifter KD-1481	210	189	21	222	201	Tender	Abdul Aziz Jumma
Mazda T-3500 JX-8718	660	594	66	606	540	Tender	Abdul Aziz Jumma
Mazda T-3500 JX-5393	339	305	34	575	541	Tender	Abdul Aziz Jumma
Hyundai Shehzore KM-8436	571	514	57	525	468	Tender	Mushtaq Ahmed & Sonns
Hyundai Shehzore KM-7583	571	514	57	455	398	Tender	Mushtaq Ahmed & Sonns
Suzuki Bolan CJ-0588	135	122	14	135	122	Tender	Mushtaq Ahmed & Sonns
Suzuki Ravi CJ-4427	116	104	12	205	193	Tender	Muhammad Ali
30 June 2014	**427,591**	**285,016**	**142,575**	**242,591**	**100,016**		

4.3 CAPITAL WORK-IN-PROGRESS

The movement of capital work-in-progress during the year is as follows:

	Plant and machinery	**Transmission system**	**Distribution system**	**Others**	**Major spare parts**	**Total**
			(Rupees in '000)			
Opening balance as at 1 July 2013	**1,997,911**	**2,007,084**	**4,552,760**	**469,548**	**393,883**	**9,421,186**
Additions during the year	**5,195,201**	**272,037**	**3,044,433**	**204,758**	**114,611**	**8,831,040**
	7,193,112	**2,279,121**	**7,597,193**	**674,306**	**508,494**	**18,252,226**
Transferred to the:						
Operating fixed assets	**1,436,077**	**1,263,337**	**3,757,351**	**186,206**	**216,305**	**6,859,276**
Intangible assets	**-**	**-**	**-**	**90,692**	**-**	**90,692**
	1,436,077	**1,263,337**	**3,757,351**	**276,898**	**216,305**	**6,949,968**
Balance as at 30 June 2014	**5,757,035**	**1,015,784**	**3,839,842**	**397,408**	**292,189**	**11,302,258**

The company has started construction and installation of steam turbines at SGTP, KGTP and at two units of CCPP-I. Cost incurred upto 30 June 2014 amounted to Rs 4,594.108 million (30 June 2013: Rs 524.766 million). Included in this amount are capitalized borrowing costs relating to the construction of plant and machinery of Rs 252.366 million, calculated using a capitalization rate of 13%.

	Plant and machinery	Transmission system	Distribution system	Others	Major spare parts	Total
			(Restated)			
			(Rupees in '000)			
Opening balance as at 1 July 2012	1,836,516	2,684,929	4,985,655	1,022,790	240,889	10,770,779
Additions during the year	1,081,172	65,182	2,149,427	146,852	333,463	3,776,096
	2,917,688	2,750,111	7,135,082	1,169,642	574,352	14,546,875
Transferred to the:						
Operating fixed assets	919,777	743,027	2,582,322	66,165	180,469	4,491,760
Intangible assets	-	-	-	633,929	-	633,929
	919,777	743,027	2,582,322	700,094	180,469	5,125,689
Balance as at 30 June 2013	1,997,911	2,007,084	4,552,760	469,548	393,883	9,421,186

5. INTANGIBLE ASSETS

	Note	**2014**	2013
		(Rupees in '000)	
Computer softwares			
Cost	5.1	**825,258**	734,566
Amortization to date	5.2	**(449,028)**	(229,743)
		376,230	504,823

5.1 Cost

	Note	**2014**	2013
Opening balance		**734,566**	100,637
Additions during the year	4.3	**90,692**	633,929
	5.3	**825,258**	734,566

5.2 Amortization to-date

	Note	**2014**	2013
Opening balance		**(229,743)**	(81,520)
Amortization during the year	5.2.2	**(219,285)**	(148,223)
		(449,028)	(229,743)

		2014	2013
5.2.1 Useful Life		**3 years**	3 years
5.2.2 Amortization charge for the year has been allocated to consumers services and administrative expenses	39	**219,285**	148,223

5.3 Computer softwares include ERP system - SAP, antivirus and other softwares. Included in additions are mainly licensing costs of SAP and computer software.

6. LONG-TERM INVESTMENTS

	2014	2013
	(Rupees in '000)	
Investment in Joint venture - at cost	-	-

The Company and The Aman Foundation have started a project of Karachi Organic Energy (Pvt.) Ltd. (KOEL) incorporated for set up and operation of a biogas project. During the current year by way of allotment of shares by KOEL, the Company owns 50% of the total share capital of KOEL by virtue of investment in 1,010,790 ordinary shares (2013: 2) having a face value of Rs 10 each which amounts to total investment of Rs 10.108 million. KOEL is yet to commence operations and due to initial preliminary expenses currently has a negative equity. Accordingly, it has been recorded at Nil carrying value.

7. LONG-TERM LOANS AND ADVANCES

	Note	Secured House building loans (note 7.1)	Unsecured Festival Loans (note 7.2)	2014	2013
		(Rupees in '000)			
Considered good					
Executives	7.6	-	66	66	66
Employees		1,654	40,178	41,832	49,168
		1,654	40,244	41,898	49,234
Recoverable within one year shown under current assets	7.2 & 12	(1,654)	(10,868)	(12,522)	(8,014)
		-	29,376	29,376	41,220
Considered doubtful					
Employees	7.3	4,333	-	4,333	4,333
		4,333	29,376	33,709	45,553
Provision for impairment (against loans considered doubtful)		(4,333)	-	(4,333)	(4,333)
		-	29,376	29,376	41,220

7.1 House building loans, carrying mark-up @ 6% per annum (2013: 6% per annum), are recoverable over a period of sixteen years. These are secured against equitable mortgage of relevant properties.

7.2 These are non-interest bearing loans and have been granted to the employees of the Company. The Board of Directors in their meeting held on 1 February 2003 approved the deferment of the recovery of these loans in instalments and decided that the said loans would be recovered against the final settlement of the employees at the time of their retirement. The amount disclosed as recoverable within one year is receivable from employees expected to retire within one year.

7.3 These balances pertain to the ex-employees of the Company with whom legal proceedings have been initiated for the purpose of recovery.

7.4 Long-term loans have not been discounted to their present value as the financial impact thereof is not considered material by the Management.

7.5 The maximum aggregate amount of loans due from the executives and employees of the Company at the end of an month during the year was Rs. 52.834 million (2013: Rs. 62.280 million).

7.6 Reconciliation of carrying amount of loans to executives

	Note	2014	2013
		(Rupees in '000)	
Balance at beginning of the year		66	155
Less: Repayments		-	(89)
Balance at end of the year		66	66

8. LONG-TERM DEPOSITS AND PREPAYMENTS

	Note	2014	2013
Considered good			
Rental premises and others	8.1	5,816	4,594
Ijarah financing deposit	4.1.3	100,000	100,000
		105,816	104,594
Considered doubtful			
Rental premises		1,020	1,020
Provision for impairment		(1,020)	(1,020)
		-	-
		105,816	104,594

8.1 These are non-interest bearing and are generally on terms of one to more than five years.

9. DUE FROM THE GOVERNMENT

	Note	2014	2013
		(Rupees in '000)	
Amount due from the Government of Pakistan (GoP)	9.1	-	317,750

9.1 This represents amount accrued by the Company as due from the GoP to settle its liability to the Pirkoh Gas Company Limited (PGCL) as discussed in detail in note 21.11

	Note	30 June 2014	30 June 2013 *(Restated)*	01 July 2012 *(Restated)*
		------------------- (Rupees in '000) -------------------		
10. STORES, SPARE PARTS AND LOOSE TOOLS				
Stores and spares		**6,665,093**	5,172,907	4,826,533
Provision against slow moving and obsolete stores and spares	10.1	**(696,793)**	(565,864)	(411,971)
		5,968,300	4,607,043	4,414,562
10.1 Provision against slow moving and obsolete stores and spares				
Opening balance		**565,864**	411,971	332,420
Provision during the year		**130,929**	153,893	79,551
		696,793	565,864	411,971

11. TRADE DEBTS

	Note	2014	2013
		(Rupees in '000)	
Considered good			
Secured – against deposits from consumers	11.1	**1,066,956**	629,323
Unsecured		**74,637,139**	62,214,325
	11.2	**75,704,095**	62,843,648
Considered doubtful		**28,754,041**	23,150,546
		104,458,136	85,994,194
Provision for impairment (against debts considered doubtful)	11.3	**(28,754,041)**	(23,150,546)
		75,704,095	62,843,648

11.1 The Company maintains deposit from customers, taken as security for energy dues (note 22) of Rs. 5,866 million (2013: Rs. 5,115 million).

11.2 This includes gross receivable of Rs. 42,289 million (30 June 2013: Rs.33,127 million) due from Government and autonomous bodies, including Karachi Water and Sewerage Board and City District Government Karachi amounting to Rs. 30,244 million (30 June 2013: Rs. 23,047 million) and Rs. 7,797 million (30 June 2013: Rs. 6,064 million) less unrecorded late payment surcharge from them of Rs. 2,488 million (30 June 2013: Rs 1,950 million) and Rs. 1,070 million(30 June 2013: Rs. 857 million) respectively (refer note 41.1). 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.

11.3 Provision for impairment (against debts considered doubtful)

	Note	2014	2013
		(Rupees in '000)	
Opening balance		**23,150,546**	17,682,730
Provision made during the year	39	**6,689,225**	6,155,460
		29,839,771	23,838,190
Provision on debts written off during the year		**(1,085,730)**	(687,644)
		28,754,041	23,150,546

11.4 Energy sales to and purchases from NTDC and KANUPP are recorded through their respective payable accounts to facilitate recovery of energy dues by offsetting receivables against liabilities for purchase of energy.

11.5 The age analysis of trade debts as at the reporting date that are not impaired is as follows:

	Total	Neither Past due nor impaired	Past due but not impaired					
			>30 days upto 6 months	>6 months upto 1 years	1-2 years	2-3 years	3-4 years	4 years and above
	(Rupees in '000)							
2014								
Trade debts	**75,704,095**	**10,563,998**	**12,929,119**	**12,601,914**	**17,786,872**	**8,372,179**	**3,953,127**	**9,496,886**
2013								
Trade debts	62,843,648	10,010,467	12,282,278	11,869,349	11,452,654	7,571,526	2,799,464	6,857,910

12. LOANS AND ADVANCES

	Note	2014	2013
		(Rupees in '000)	
Loans – secured			
Considered good			
Current portion of long term loans	7	**12,522**	8,014
Advances – unsecured			
Considered good			
Employees		**25,064**	27,427
Suppliers	12.1	**1,448,269**	383,538
		1,473,333	410,965
Considered doubtful			
Suppliers		**130,340**	130,340
		1,603,673	541,305
Provision for impairment (against advances - considered doubtful)		**(130,340)**	(130,340)
	12.2	**1,473,333**	410,965
		1,485,855	418,979

12.1 These represent advances to suppliers for purchase of stores and spares and providing services.

12.2 These are non-interest bearing and generally on terms of 3 months to 12 months.

13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2014	2013
Trade deposits			
Deposits	13.1 & 13.2	**2,161,812**	2,678,023
Prepayments			
Rent		**14,492**	10,896
Insurance and others		**41,724**	47,576
	13.3	**56,216**	58,472
		2,218,028	2,736,495

13.1 This includes Rs.142.918 million (2013: Rs. 81.241 million), representing margins / guarantee deposits held by commercial banks against guarantees, letter of credits and other payments.

13.2 This includes Rs. 1,999.110 million (2013: Rs. 2,563.429 million) which represents deposits under lien against for settlement of letter of credits, loans and Azm Sukuk certificates repayments with commercial banks. It carries mark up ranging from per annum 5% to 6% (2013: 5% to 6% per annum).

13.3 These are non-interest bearing and generally on terms of 1 month to 12 months.

14. OTHER RECEIVABLES

	Note	2014	2013
		(Rupees in '000)	
Considered good			
Sales tax - net	14.1 & 14.2	**6,351,122**	5,431,920
Due from the Government of Pakistan in respect of:			
- Tariff adjustment and Others	14.3 to 14.5	**37,558,427**	32,704,935
- Interest receivable from GoP on demand finance liabilities		**237,173**	237,173
		37,795,600	32,942,108
Others	14.7	**94,276**	124,825
	14.6	**44,240,998**	38,498,853
Considered doubtful			
Sales tax	14.1	**236,922**	232,050
Provision for impairment	14.1	**(236,922)**	(232,050)
		-	-
Due from a Consortium of Suppliers of Power Plant		**363,080**	363,080
Provision for impairment		**(363,080)**	(363,080)
		-	-
		44,240,998	38,498,853

14.1 This includes Rs. 610.459 million relating to the refund claims for the period from July 2000 to June 2007 'withheld by the Sales Tax Department on account of sales tax on service connection charges, sales tax on meter burnt charges, input inadmissible and some other matters. The audit observations issued by the Department in this regard have already been responded by the Company's lawyer.

The Management is of the view that the ultimate outcome of this matter will be decided in favour of the Company. The Company has made an aggregate provision of Rs. 236.922 million in prior years, against above refundable balance of Rs. 610.459 million.

14.2 Upto the current year tax department had disallowed input tax claims amounting to Rs. 733.470 million whilst processing sales tax refund claims of the Company relating to tax periods July 2007 through May 2013 for want of verification / validation by FBR refund processing system. The Company lawyer has filed appeal before the Commissioner Inland Revenue Appeals which is pending for decision. However, based on facts of the case and identical legal precedence, Management and its lawyers are confident that ultimate decision will be in favour of the Company.

14.3 In previous years, the tariff adjustment mechanism was to pass on the effect of variation in cost of fuel and power purchase on quarterly basis. This formula capped adjustment on account of quarterly fuel price and cost of power purchase to 4% and the remaining burden or relief was to be carried forward to the next quarterly adjustment. The purpose of the said tariff adjustment structure was to pass on the effect of variation in the cost of fuel and power purchase in full within the framework of the 4% price cap. However, the adverse fuel price movements since 2005 resulted in additional costs which were not being recovered due to 4% cap and increasing burden was being placed upon the company with respect to such unrecovered amount.

The Company, on 20 February 2006, submitted petition for revision of the above adjustment mechanism formula, which was accepted by NEPRA, and passed order to remove the above cap which was eventually notified by GoP in September 2008. However, the issue to deal with the backlog of unrecovered costs amounting to Rs. 6,037 million (verified by the Ministry of Water and Power) arising from the application of the 4% cap was not taken up by NEPRA.

The Economic Co-ordination Committee (ECC), on a summary moved by the Ministry of Water and Power, in Case No. ECC-164/16/2008 dated 14-10-2008 reviewed the matter of recovery of amounts as a result of the application of the 4% capping formula and decided that the said unrecovered cost has been incurred by the Company and NEPRA may take the amount into account in the subsequent quarterly adjustment, but NEPRA was of the view that the tariff mechanism does not have such mechanism.

On 1 June 2012 the Additional Secretary of Ministry of Water and Power wrote a letter to Joint Secretary (CF-II) Finance Division Government of Pakistan whereby this stance was communicated that the unrecovered costs of the Company were pending due to non availability of mechanism with NEPRA although it has already been acknowledged by ECC that GoP owes this amount to the Company, and therefore this unrecovered cost of Rs. 6,037 million to be settled as per the options available with GoP to resolve this issue.

In view of the above situation the Management considered it certain that the unrecovered costs of Rs. 6,037 million would be recovered. Accordingly the entire amount of Rs. 6,037 million was recognized as tariff adjustment subsidy receivable from Government of Pakistan.

In the current year, further correspondence was made by the Company with the Ministry of Finance and Ministry of Water and Power for early settlement of such outstanding amounts. The Company despite continuous delays by concerned Government departments continues to pursue an early settlement of long outstanding receivable from Government of Pakistan on account of 4% capping and is confident that the same will be recovered in due course of time.

14.4 The above includes Rs.698 million subsidy receivable in respect of subsidised electricity supplied to agricultural tubewell consumers of Baluchistan as per Government of Pakistan notification dated 28 November 2012. During the current year there has been certain correspondence with Ministry of Water and Power whereby such claim for subsidy for the period December 2012 to June 2014 has been denied considering that the subsidised electricity is not applicable for the agricultural tubewells consumers of Baluchistan who fall under Company's licensed area rather it is only for Quetta Electric Supply Company Limited that supplied electricity in similar areas. The Company is pursuing the matter with Government of Baluchistan as well as with Government of Pakistan and is of the view that the subsidised portion will be recovered from both governments as per their respective shares and if the subsidized portion is not recovered from the governments then it will be recovered from consumers.

14.5 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 finalised 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. Management has recognised tariff differential based on the petitions submitted to NEPRA in this regard.

14.6 These are non-interest bearing and generally on terms of 1 month to 12 months.

14.7 This includes advance against equity (in the form of various feasibility related expenses) relating to KOEL of Rs. 37 million which has been recorded at nil carrying value considering the current negative equity of the project (refer note 6).

15. DERIVATIVE FINANCIAL ASSETS

	Note	**2014**	2013
		(Rupees in '000)	
Cross currency swap	15.1	**1,905,437**	2,627,752
Interest rate swap	15.2	**(42,709)**	(104,746)
	15.3	**1,862,728**	2,523,006

15.1 The Company has entered into various Cross Currency Swaps with commercial banks as discussed in note 21.1, 21.3 and 21.4 respectively. Pursuant to the agreements, the Company's foreign obligations up to USD 133 million (2013: USD 171 million) have been converted into the hedged PKR amount and the interest rate accruing thereon has been paid to the hedging bank at 3 month KIBOR plus spread ranging from negative 85 to positive 80 basis points.

15.2 The Company had entered into an interest rate swap arrangement whereby the Company has converted the Pakistan Rupee floating rate liability as discussed in note 21.2 into fixed rate liability. The amortizing notional of the amount hedged against interest rate risk amounted to Rs.1,000 million.

15.3 The above hedging exposures to variability in cash flows due to interest / currency risks are designated as cash flow hedges by the management of the Company.

16. CASH AND BANK BALANCES

	Note	2014	2013
Cash in hand		**13,951**	15,043
Cash at banks in:			
Current accounts		**466,866**	133,668
Deposit accounts	16.1	**32,276**	9,085
Collection accounts		**140,380**	632,600
		639,522	775,353
		653,473	790,396

16.1 These carry mark up ranging from per annum 5% to 8% (2013: 5% to 8% per annum).

17. SHARE CAPITAL

2014	2013		Note	2014	2013
(Number of Shares)				(Rupees in '000)	
		Authorized share capital			
32,857,142,857	32,857,142,857	Ordinary shares of Rs. 3.5 each fully paid	17.1	**115,000,000**	115,000,000
2,857,142,857	2,857,142,857	Redeemable Preference shares of Rs. 3.5 each fully paid	17.1	**10,000,000**	10,000,000
35,714,285,714	35,714,285,714			**125,000,000**	125,000,000
		Issued, subscribed and paid-up capital			
		Issued for cash			
45,371,105	45,371,105	Ordinary shares of Rs. 10 each fully paid		**453,711**	453,711
14,448,119,262	14,448,119,262	Ordinary shares of Rs. 3.5 each fully paid	17.2,17.3 & 17.4	**50,568,417**	50,568,417
14,493,490,367	14,493,490,367			**51,022,128**	51,022,128
		Issued for consideration other than cash			
304,512,300	304,512,300	Ordinary shares of Rs. 10 each fully paid	17.5	**3,045,123**	3,045,123
1,783,456,000	1,783,456,000	Ordinary shares of Rs. 10 each fully paid	17.6	**17,834,560**	17,834,560
6,534,077,300	6,534,077,300	Ordinary shares of Rs. 10 each fully paid	17.7	**65,340,773**	65,340,773
4,366,782,389	4,366,782,389	Ordinary shares of Rs. 3.5 each fully paid	17.8	**15,283,738**	15,283,738
12,988,827,989	12,988,827,989			**101,504,194**	101,504,194
27,482,318,356	27,482,318,356			**152,526,322**	152,526,322
		Issued as bonus shares			
132,875,889	132,875,889	Ordinary shares of Rs. 10 each fully paid as bonus shares		**1,328,759**	1,328,759
27,615,194,245	27,615,194,245			**153,855,081**	153,855,081
-	-	**Reduction in capital**	17.9	**(57,201,902)**	(57,201,902)
27,615,194,245	27,615,194,245			**96,653,179**	96,653,179
-	-	Transaction costs on issuance of shares		**(391,628)**	(391,628)
27,615,194,245	27,615,194,245			**96,261,551**	96,261,551

17.1 During the year ended 30 June 2006 pursuant to a Special resolution passed in the Extra Ordinary General Meeting of the shareholders of the Company, held on 02 March 2006, the share capital of the Company was determined at Rs. 100,000 million, divided into the following categories of shares:

- Ordinary share capital of Rs. 90,000 million, divided into 25,714,285,714 Ordinary shares of Rs. 3.50 each; and

- Redeemable Preference share capital of Rs. 10,000 million, divided into 2,857,142,857 Redeemable Preference shares of Rs. 3.50 each.

The Board of Directors and the shareholders of the Company in their meeting held on 26 August 2010 and 21 October 2010, respectively, approved the increase in authorized share capital to Rs. 125,000 million from existing authorized share capital of Rs. 100,000 million. All the formalities relating to increase in authorized share capital have been completed.

17.2 This represents 13,053,262,120 (2013: 13,053,262,120) ordinary shares issued at Rs. 3.5 each. KES Power Limited (the Holding Company) has subscribed for its share of right issue and also subscribed the unsubscribed minority shares. The Government of Pakistan has also subscribed for its share in the right issue. The transaction cost incurred on issue of these shares are amounted to Rs. 341.560 million (2013: Rs. 341.560 million).

17.3 During the year ended 30 June 2013, the shareholders of the Company, by way of a special resolution passed in the extraordinary general meeting of the Company, held on 08 October 2012, resolved the issuance of additional share capital to International Finance Corporation and Asian Development Bank. As a result of the said resolution, the Company issued 698,071,428 ordinary shares and 696,785,714 ordinary shares having a face value of Rs. 3.5 each to International Finance Corporation and Asian Development Bank respectively. The issuance of shares was made pursuant to terms of the amended subscription agreement dated 05 May 2010 whereby the Senior Lenders exercised their right to convert their debt of USD 25 million each into ordinary shares of the Company.

17.4 During the year ended 30 June 2013, the Company converted its redeemable preference shares into ordinary shares of the Company. The conversion of redeemable preference shares to ordinary shares was executed as per the resolution passed by the Board of Directors in their meeting dated 31 October 2012 and in accordance with Article 4 of the Subscription Agreement dated 14 November 2005 which required the Company to convert all its remaining redeemable preference shares to ordinary shares in case the Company is not able to redeem the full amount of redeemable preference shares by the redemption date. As per the terms of conversion, each redeemable preference shareholder shall become the holder of three ordinary shares for every four redeemable preference share held. Consequently, the Company converted 1,714,285,713 redeemable preference shares having face value of Rs. 3.5 each which amount to Rs. 6,000 million into 1,285,714,284 ordinary shares having face value of Rs. 3.5 each which amounts to Rs. 4,500 million resulting in a share premium of Rs. 1,500 million.

17.5 During the year ended 30 June 1999, the Company issued 304,512,300 Ordinary shares of Rs.10 each as a result of the conversion of overdue outstanding balance of (a) rescheduled foreign currency loan of Rs. 1,968 million and (b) cash development loan of Rs. 1,077 million, aggregating to Rs. 3,045 million at that date, into equity.

17.6 During the year ended 30 June 2002, the shareholders of the Company, by way of a Special resolution, passed in the 89th Annual General Meeting, finalized the conversion of the Company's debt servicing liabilities, aggregating to Rs.17,834.560 million, into equity. As a result of the said resolution, the Company issued 1,783,456,000 Ordinary shares of Rs. 10 each at par. The subscription finalized in this regard was entered into on 24 January 2002.

17.7 As per the decision taken in the ECC meeting, held on 16 April 2002, which was also approved by the President of Pakistan, the Ministry of Finance conveyed through its letter, dated 27 April 2002, that all the loans of GoP and GoP guaranteed loans outstanding against the Company, aggregating to Rs. 65,340.773 million, had been converted into GoP equity.

17.8 During the year ended 30 June 2005, the shareholders of the Company, by way of a Special resolution passed in the 94th Annual General Meeting of the Company, held on 02 December 2004, resolved the conversion of (a) GoP funds into equity, amounting to Rs. 6,080.738 million and (b) GoP long term loan, amounting to Rs. 9,203.000 million, aggregating to Rs.15,283.738 million into equity. As a result of the said resolution, the Company issued 4,366,782,389 Ordinary shares of Rs. 3.50 each at par. The subscription agreement in this regard was entered into on 20 December 2004 between the Company and the President of Pakistan on behalf of the GoP.

17.9 The shareholders of the Company during the year ended 30 June 2002, by way of a Special resolution, in an Extra Ordinary General Meeting, held on 27 May 2002, resolved the reduction of share capital of the Company, subsequent to the completion of the conversion of GoP and GoP guaranteed loans of Rs. 65,340.773 million into equity (note 17.7 above). The paid-up capital, which was lost or not represented by assets of the Company, to the extent of Rs. 6.50 per share on each of the issued Ordinary shares of the Company at such time, was reduced and a new nominal value thereof was fixed at Rs. 3.50 per share. The Company had also filed a petition in the Honourable High Court of Sindh, vide its order, dated 12 October 2002, ordered the reduction in the nominal value of share capital by Rs. 6.50 per share. The Board of Directors, in its 115th meeting held on 26 October 2002 also approved by way of a special resolution the reduction in the nominal value of share capital, amounting to Rs. 57,201.902 million.

The GoP, vide its Finance Division letter F.5(16)-CF:1/97-98/vol 25/191 dated 31 January 2003, conveyed the sanction of the President of Pakistan to write off the GoP equity in the Company. Accordingly, the reduction in share capital of Rs. 57,201.902 million was adjusted against the accumulated losses of the Company.

18. CAPITAL RESERVES

	Note	2014	2013
		(Rupees in '000)	
Unclaimed fractional bonus shares money	18.1	**46**	46
Workmen compensation reserve	18.2	**700**	700
Third party liability reserve	18.3	**300**	300
Fire and machinery breakdown insurance reserve	18.4	**508,126**	508,126
		509,172	509,172

18.1 Unclaimed fractional bonus shares money

This represents proceeds received by the Company from the sale of fractional bonus coupons for the period up to 1975, remaining unclaimed up to 30 June 1986.

18.2 Workmen compensation reserve

The reserve for workmen compensation was created and maintained at Rs. 0.700 million to meet any liability that may arise in respect of compensation to workmen who, whilst on duty, meet with an accident causing partial or total disability.

18.3 Third party liability reserve

This reserve has been created to meet the third party liabilities, arising due to accidents by electrocution, both fatal and non-fatal, claims for which are not accepted by the National Insurance Company, where the negligence or fault on the part of the Company is proved by the Court.

18.4 Fire and machinery breakdown insurance reserve

The Company was operating a self insurance scheme in respect of its certain fixed assets and spares to cover such hazards which were potentially less likely to occur. However, commencing the year ended 30 June 1997, the Company discontinued its policy for providing the amount under self-insurance scheme. Fixed assets, which are insured under this scheme and on which claim lodged with respect to damages to such assets is not fully acknowledged by the insurer, the shortfall is charged to the said reserve.

19. REVENUE RESERVES

	2014	2013
General Reserve	**5,372,356**	5,372,356

20. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

This represent revaluation surplus relating to leasehold land, plant and machinery and transmission grid equipments (refer note 4.1.4).

	2014	2013
Balance as at 01 July	**38,825,426**	41,684,742
Surplus arising on revaluation of leasehold land during the year	**6,129,743**	-
	44,955,169	41,684,742
Transferred to accumulated losses in respect of incremental depreciation / amortisation charged during the year, net of deferred tax	**1,794,893**	1,858,556
Related deferred tax liability	**966,376**	1,000,760
	2,761,269	2,859,316
Surplus on revaluation as at 30 June	**42,193,900**	38,825,426
Less: Related deferred tax liability on:		
- Revaluation at the beginning of the year	**13,588,899**	14,589,659
- Surplus arising on revaluation of leasehold land during the year	**2,145,410**	-
- Incremental depreciation charged during the year	**(966,376)**	(1,000,760)
	14,767,933	13,588,899
	27,425,967	25,236,527

21. LONG-TERM FINANCING

	Note	2014	2013
		(Rupees in '000)	
From banking companies and financial institutions - Secured			
International Finance Corporation (IFC)	21.1 & 21.7	5,641,821	7,094,755
Syndicate term loan	21.2 & 21.7	2,560,000	3,840,000
Asian Development Bank (ADB)	21.3 & 21.7	7,190,366	9,016,526
Foreign currency term loan	21.4 & 21.7	256,505	769,904
Syndicated commercial facility	21.5 & 21.7	236,111	708,333
Syndicated structured term finance facility	21.6 & 21.7	5,100,000	6,800,000
Structured Islamic Term Financing - Musharakah	21.8	1,200,000	1,800,000
Faysal Bank Limited - medium term loan	21.9	1,350,000	1,800,000
Syndicated Loan for PKR 7.7 bn term facility	21.10	2,271,175	-
		25,805,978	31,829,518
Current maturity shown under current liabilities	21.17	(7,947,606)	(8,288,096)
		17,858,372	23,541,422
Others - Secured			
Due to oil and gas companies	21.11	125,610	606,938
Current maturity shown under current liabilities	21.17	(125,610)	(606,938)
		-	-
Unsecured			
GoP loan for the electrification of Hub Area	21.12	26,000	26,000
Karachi Nuclear Power Plant	21.13	389,263	989,263
BYCO Petroleum Pakistan limited	21.14	-	669,658
Gul Ahmed Energy	21.15	867,547	-
		1,256,810	1,658,921
Current maturity thereof shown under current liabilities			
Due to Karachi Nuclear Power Plant	21.17	(389,263)	(600,000)
Due to BYCO Petroleum Pakistan Limited	21.17	-	(669,658)
Due to Gul Ahmed Energy	21.17	(520,528)	-
		(909,791)	(1,269,658)
Due to the Government and autonomous bodies - related parties	21.16	945,000	5,745,000
Current maturity thereof shown under current liabilities	21.17	(945,000)	(4,800,000)
		-	945,000
		18,231,391	24,901,685

21.1 This represents fully utilised loan arranged by the Company amounting to USD 125 million obtained under an agreement dated 22 March 2007, as amended by an Amendment Agreement dated 5 May 2010 with International Finance Corporation (IFC) for 220 MW Korangi Power Generation Project and 560 MW Bin Qasim Power Generation Project. Under the Amended Loan Agreement the loan is divided in three tranches namely Tranche A, Tranche B1 and Tranche B2. Tranche A is payable in 29 equal quarterly instalments after the expiry of 3 years grace period with first instalment due on 15 September 2010 and final instalment due on 15 September 2017. It carries interest at 3 months LIBOR + 2.85% up to the project completion date and 3 months LIBOR + 2.5% thereafter and is payable quarterly in arrears from the effective date of the agreement. Tranche B1 carries interest at 3 months LIBOR + 4.25% up to the project completion date and 3 months LIBOR + 3.25% thereafter and is payable quarterly in arrears starting from 15 June 2012 with final instalment due on 15 September 2017. Tranche B2 carried interest at 3 months LIBOR + 4.25% up to the project completion date and 3 months LIBOR + 3.75% thereafter and is payable in one full instalment of principal on 15 September 2017. Pursuant to the amended subscription agreement signed with IFC , the IFC have exercised their option to subscribe and convert their outstanding liability of tranche B2 up to an amount of USD 25 million into ordinary share capital of the Company by way of issuance of 698,071,428 shares other than right as referred in note 17.3. Further, during the year the Company has repaid USD 14.677 million (2013: USD 13.907 million) as per the terms of the agreement.

In the event of default in payments, the Company shall pay liquidated damages at the rate of 3 months LIBOR + 2 % on the overdue principal and mark-up payment respectively. The Company has executed Cross Currency Swaps with commercial banks to hedge the Company's foreign currency payment obligation to IFC up to USD 57.132 million (2013: USD 71.809 million) together with LIBOR interest accruing thereon (note 15.1).

21.2 This represents fully utilised loan arranged by the Company aggregating to Rs. 8,000 million, with a Syndicate of local commercial banks, for the purposes of capital expenditure for 220 MW Korangi Generation Project and 560 MW Bin Qasim Power Generation Project. The said loan is available for a period of 9 years maturing on 15 June 2016, with a 3 years grace period, having an availability period of 2 years upto 21 May 2009 and is payable in 25 equal quarterly instalments after the expiry of 3 year grace period with first instalment due on 15 June 2010. It carries mark-up at the rate of 6 months KIBOR + 3% and is payable quarterly in arrears from the effective date of the agreement. The Company has executed an Interest Rate Swap with a commercial bank to hedge the Company's PKR floating rate liability on an amortizing notional outstanding of Rs.1,000 million (2013: Rs. 1,400 million).

21.3 This represents fully utilised loan amounting to USD 150 million under an agreement dated 4 June 2007, as amended by an Amendment Agreement dated 5 May 2010 with the Asian Development Bank (ADB) for the purposes of capital expenditure for 220 MW Korangi Power Generation Project and 560 MW Bin Qasim Power Generation Project. The financing facility having an availability period up to 31 March 2012. Under the Amended Loan Agreement the loan is divided in three tranches namely Tranche A, Tranche B1 and Tranche B2. Tranche A is payable in 29 equal quarterly instalments after the expiry of 3 years grace period with first instalment due on 15 September 2010 and final instalment due on 15 September 2017. It carries interest rate at 3 months LIBOR + 2.85% up to the project completion date and 3 months LIBOR + 2.5% thereafter and is payable quarterly in arrears from the effective date of the agreement. Tranche B1 carries interest rate at 3 months LIBOR + 4.25% up to the project completion date and 3 months LIBOR + 3.25% thereafter and is payable quarterly in arrears starting from 15 June 2012 and final instalment due on 15 September 2017. Tranche B2 carried interest rate at 3 months LIBOR + 4.25% up to the project completion date and 3 months LIBOR + 3.75% thereafter and is payable in one full instalment of principal on 15 September 2017. Pursuant to the amended subscription agreement signed with ADB, the ADB have exercised their option to subscribe and convert their outstanding liability of tranche B2 up to an amount of USD 25 million into ordinary share capital of the Company by way of issuance of 696,785,714 shares other than right as referred in note 17.3.

Further, during the year the Company has repaid USD 18.447 million (2013: USD 17.397 million) as per the terms of the Loan Agreement.

In the event of default in payments, the Company shall pay liquidated damages at the rate of 2% per annum and 3 months LIBOR + 2 % on the overdue principal and mark-up payment respectively. The Company has executed Cross Currency Swaps with commercial banks to hedge the Company's foreign currency payment obligation to ADB up to USD 72.813 million (2013: USD 91.260 million) together with LIBOR interest accruing thereon (note 15.1).

21.4 This represents fully utilized foreign currency loan arranged by the Company amounting to USD 23.378 million under an agreement dated 5 May 2010 with Citibank Europe plc and Bank Alfalah Kabul for purchase of Gas engines in relation to Jenbacher Project expansion. The loan is under Political risk insurance from OeKB (Oesterreichische Kontrol bank AG) - ECA Austria. It is repayable in 18 equal quarterly instalments with first instalment paid on 5 August 2010 and final instalment due on 5 November 2014. It carries interest at 3 month LIBOR + 1.7% per annum payable quarterly in arrears from the date of signing of the agreement.

In the event of default in payments, the Company shall pay 2% per annum over the relevant interest rate on any overdue payment. The Company has executed Cross Currency Swaps with a commercial bank to hedge the Company's foreign currency payment obligations to Citibank Europe plc and Bank Alfalah Kabul together with LIBOR interest accruing thereon. During the year the Company has repaid USD 5.195 million (2013: USD 5.195 million) as per the terms of the Agreement.

21.5 This represents utilized portion of syndicated mark-up facility aggregating to Rs. 2,125 million arranged by the Company under an agreement dated 5 May 2010 with a Syndicate of local commercial banks, for purchase of power generators and related equipment in relation to Jenbacher Project expansion. It is repayable in 18 equal quarterly instalments with first instalment paid on 5 August 2010 and final instalment due on 5 November 2014. It carries interest at 3 month KIBOR plus 3% per annum payable quarterly in arrears from the date of signing of the agreement.

In the event of default in payments, the Company shall pay 2% per annum over the relevant interest rate on any overdue payment.

21.6 This represents fully utilized loan obtained under an agreement dated 29 June 2010, aggregating to Rs. 8,500 million, with a syndicate of local commercial banks, for the purpose of expansion of 560 MW Bin Qasim Power Generation Project. The said loan is available for a period of seven years maturing on 17 June 2017, with a two years grace period, having an availability period upto 31 March 2011 and is payable in 20 equal quarterly instalments after the expiry of two year grace period with first instalment due on 17 September 2012.

21.7 The above facilities, discussed in notes 21.1, 21.2, 21.3, 21.4, 21.5 and 21.6 are secured as follows:

- mortgage (by deposit of title deeds) over all lands and buildings located at the Bin Qasim Plant and the Korangi Plant (including without limitation, all fixed assets relating to the Generation Expansion);
- an exclusive hypothecation over all movable fixed assets whether now or at any time in the future located at the Bin Qasim Plant, SITE, Korangi SITE and the Korangi Gas Plant (including without limitation, all movable assets relating to Generation Expansion);
- an exclusive hypothecation over all receivables from certain customers of the Company selected by the lenders and IFC, together with a notice to such customers;
- hypothecation over all receivables payable to the borrower under the project documents (other than the share purchase agreement) together with a notice to other contracting party(ies); and
- hypothecation over all receivables payable to the borrower under all insurance and reinsurance policies of all insurable assets that are subject to the security.

21.8 This represents fully utilized portion of musharakah finance obtained under an agreement dated 22 April 2011 amounting to Rs.3,000 million for the purpose of working capital financing. The said musharka is payable in 5 years term with 20 equal quarterly instalments, with first instalment due on 28 July 2011. It carries mark-up at the rate 3 months KIBOR plus 2.5% per annum and is payable quarterly in arrears from the date of first drawdown. The facility is secured as follows:

- an exclusive hypothecation over all receivables from specified customers of the Company and first charge over certain grid stations as selected by the lender.
- 1st charge hypothecation over specific grid stations.

21.9 This represents medium term loan obtained from Faysal Bank Limited under an agreement dated 29 May 2012 amounting to Rs. 2,000 million to convert short term finance facility of Rs. 1,500 million into a medium term loan. The said loan is payable in 5 years term with stepped up repayments in quarterly instalments. It carries mark-up at the rate 3 months KIBOR plus 2.75 % per annum and is payable quarterly in arrears from the date of first drawdown. The facility is secured as follows:

- Exclusive hypothecation charge over Company's specific network fixed assets of the Company for Rs. 2,703 million
- Exclusive assignment of GPO collection placed under Faysal Bank's Lien through letter of lien and set off.

21.10 This represents an amount disbursed under syndicate loan agreement signed on 28 March 2014 amounting to Rs. 5,700 million, term finance facility for an aggregate amount of Rs 1,360 million and Musharika facility amounting to Rs. 640 million, from banking companies. The loan will be utilized for the procurement and services required to increase output and efficiency of 90 MW GE Jenbacher engines at SITE and Korangi and to convert single cycle operation to combined cycle operation. The loan carries mark-up at 3 month Kibor + 2.5% and will be settled in 14 quarterly instalments with first instalment due on 31 December 2015 and repayable by 31 March 2019.

The loan is secured as follows;

- Plant and machinery located at Bin Qasim, SITE, Korangi SITE, Korangi Gas Plant.
- Hypothecation over excess amount of certain specific receivable whereof first charge by way of hypothecation over the Hypothecated Receivables and Accounts in favour of the Security Trustee for the benefit of the facility Parties;

21.11 Due to the Oil and Gas Companies - unsecured

	2014	2013
	(Rupees in '000)	
Pirkoh Gas Company Limited (PGCL)	**125,610**	606,938
Current maturity thereof	**(125,610)**	(606,938)
	-	-

During the year ended 30 June 2002, the Economic Co-ordination Committee (ECC) of the Federal Cabinet, vide case No. ECC-136/13/2001, dated 06 November 2001, considered the Summary, dated 01 November 2001, submitted by the Finance Division, and approved the proposal, contained in paragraph 4 of the said Summary, which stated that all dues of the Company (Principal only) to the Oil and Gas Companies as on 30 June 2001, including those under the Letter of Exchange (LoE) arrangements of 10 February 1999, aggregating to Rs. 6,672 million, would be redeemed over a period of ten years, including a grace period of two years, free of interest. Implementing the above decision, two formal agreements, one between the Company and the PGCL and the other between the Company and the PSO, containing the above referred terms in accordance with the ECC decision, were executed on 30 July 2003 and 25 August 2003, respectively. As per these agreements, the repayments by the Company to the Oil and Gas Companies were to be made on a quarterly basis, commencing 29 February 2004.

However, at the time of the privatization of the Company, the ECC of the Federal Cabinet decided that on privatization of the Company, the Finance Division, the Government of Pakistan, would pick up the aforesaid liability of the Company. As a result, Finance Division, Government of Pakistan (GoP), issued a letter of comfort, No. F.5(24)CF.I/2004-05/1289, dated 25 November 2005, to the Company stating that the GoP would pay to the Company, for making onward payments to the PSO and the PGCL on due dates as per respective agreements.

After the privatization of the Company, the sum owed by the Company to the Oil and Gas Companies is now being repaid upon the receipt of funds from the GoP. Further, Finance Division, Government of Pakistan, vide its letter No. F.5(24) CF.I/2004-05/Vol.V/1356, dated 21 December 2005, provided the decision taken in the meeting held on 10 November 2005 that the GoP would provide funds for the payment of these liabilities.

During the current year an amount of Rs. 481.32 million was paid to PGCL, which includes Rs. 317.14 received from GoP.

21.12 During the year ended 30 June 2004, the Finance Division, GoP, vide its letter No. F.2(6)-PF.V/ 2003-04/785, dated 20 April 2004, released a sum of Rs. 26 million as cash development loan for village electrification in Hub and Vinder Areas, District Lasbella. This loan is repayable in 20 years with a grace period of five years, ended on 30 June 2009, along-with mark-up chargeable at the prevailing rate for the respective years. Accordingly, the Company is in process of settlement of the said loan.

21.13 The Company had entered into an agreement with Karachi Nuclear Power Plant in respect of payment of outstanding adjusted balance as of 30 June 2011 amounting to Rs. 2,089.263 million. As per agreement the Company would pay outstanding amount in 37 equal monthly instalments of Rs. 50.00 million each starting from January 2011.

21.14 The Company at the request of Byco Petroleum Pakistan Limited (Byco) had made oral assignment of receivables of Byco to National Bank of Pakistan (NBP) amounting to Rs. 1,220 million, being the amount payable to Byco as on 30 November 2011. It was done to secure the grant of financial facilities provided by NBP to Byco. As per the arrangement, the Company would make payments in respect of the above amount carrying mark-up at one month KIBOR + 2% p.a., directly to NBP. The said loan is payable in 2 years term with stepped up repayments in monthly instalments starting from May 2012. The said facility is unsecured. During the year, Company has repaid the outstanding amount.

21.15 This represents remaining amount of outstanding Non Escalable Capacity Purchase Price Component (NEC FEI outstanding amount) under schedule 6 of Power Purchase Agreement payable to Gul Ahmed Energy Limited (GAEL), the Company earlier disputed its obligation under PPA to pay this amount to GAEL by raising dispute invoice notices. Company during the current year by entering into an agreement with GAEL agreed to settle this outstanding amount in 30 equal monthly settlement instalments starting from September 2013.

21.16 Due to the Government and autonomous bodies - unsecured

	Note	2014	2013
		(Rupees in '000)	
National transmission and dispatch Company (NTDC)	21.16.1	**945,000**	5,745,000
Current maturity thereof shown under current liabilities		**(945,000)**	(4,800,000)
		-	945,000

21.16.1 Consequent to decisions of Economic Coordination Committee and Cabinet dated 14 October 2008 and 08 April 2009, respectively, the Company and Government of Pakistan (GoP) have entered into an amendment agreement on 13 April 2009 which amended certain terms and conditions set out in an implementation agreement dated 14 November 2005.

The above decisions have determined a balance of Rs. 29,746 million upto 14 October 2008 to be paid by the Company to NTDC (a related party). This amount was converted into long term loan and payment mechanism was decided and documented in the amended implementation agreement. As per the amended implementation agreement, the Company is required to pay the said amount as per payment plan agreed in ECC decision dated 14 October 2008 (i.e. the Company to pay NTDC Rs. 4,000 million upfront and balance amount of arrears in Rs. 400 million monthly instalments) along with mark-up at 6 months Treasury Bill Rate on the net outstanding dues. Due to the reason discussed in note 32.1.1, effective from 1 July 2009 the Company has discontinued accruing interest payable to NTDC.

21.17 Current maturity of long term financing is as follows:

	2014	2013
	(Rupees in '000)	
Due to Banks and Financial Institutions	**7,947,606**	8,288,096
Due to Oil and Gas Companies	**125,610**	606,938
Due to Karachi Nuclear Power Plant	**389,263**	600,000
Due to BYCO Petroleum Pakistan limited	**-**	669,658
Due to Gul Ahmed Energy	**520,528**	-
Due to Government and Autonomous bodies	**945,000**	4,800,000
	9,928,007	14,964,692

22. LONG TERM DEPOSITS

	2014	2013
Long term deposits	**5,865,741**	5,114,912

These represent deposits from customers, taken as a security for energy dues (note 11.1). Such deposits are repayable at the time when electricity connection of consumer is permanently disconnected after adjustment thereof against any amount receivable from the consumer at the time of disconnection. Such deposits do not carry any mark up. The Company has obtained a legal opinion whereby the lawyer confirms that there appears to be no legal obligation on the Company to pay any mark-up / return on the security deposits of the Company.

23. DEFERRED LIABILITIES

	Note	**30 June 2014**	30 June 2013 *(Restated)*	01 July 2012 *(Restated)*
			(Rupees in '000)	
Gratuity	23.1	**3,973,534**	4,219,329	4,556,652
Post retirement medical benefits	23.1	**635,102**	729,113	774,127
Post retirement electricity benefits	23.1	**337,585**	350,620	346,178
		4,946,221	5,299,062	5,676,957

23.1 Actuarial valuation of retirement benefits

In accordance with the requirements of IAS–19 "Employee Benefits", actuarial valuation was carried out as at 30 June 2014, using the "Projected Unit Credit Method". Provision has been made in the financial statements to cover obligations in accordance with the actuarial recommendations. Details of significant assumptions used for the valuation and disclosures in respect of above mentioned schemes are as follows:

	2014	2013
Discount rate	**13.00%**	10.75%
Salary increase	**10.75%**	8.75%
Medical cost trend	**7.50%**	5.50%
Electricity price increase	**7.50%**	5.50%

23.1.1 The amount recognized in the profit and loss account and other comprehensive income (OCI) is determined as follows:

	2014			
	Gratuity	**Medical benefits**	**Electricity benefits**	**Total**
	------------------------------ **(Rupees in '000)** ------------------------------			
Current service cost	**279,347**	**23,455**	**9,037**	**311,839**
Past service, termination and settlement cost	**-**	**(6,168)**	**91,673**	**85,505**
Net interest	**386,514**	**71,617**	**21,382**	**479,513**
Chargeable in profit and loss account	**665,861**	**88,904**	**122,092**	**876,857**
Remeasurement due to :				
Change in demographic assumptions				
experience obligation	**(159,456)**	**(102,708)**	**11,709**	**(250,455)**
Chargeable in OCI	**(159,456)**	**(102,708)**	**11,709**	**(250,455)**
Total Cost	**506,405**	**(13,804)**	**133,801**	**626,402**

23.1.2 Movement in the liability recognized in the balance sheet is as follows:

Provision at 1 July 2013 (restated)	**4,219,329**	**729,113**	**350,620**	**5,299,062**
Charge for the year	**506,405**	**(13,804)**	**133,801**	**626,402**
Benefits paid	**(752,200)**	**(80,207)**	**(146,836)**	**(979,243)**
Provision as at 30 June 2014	**3,973,534**	**635,102**	**337,585**	**4,946,221**

23.1.3 The amount recognized in the balance sheet is as follows:

Obligation beginning of the year (restated)	**4,219,329**	**729,113**	**350,620**	**5,299,062**
Current service cost	**279,347**	**23,455**	**9,037**	**311,839**
Past service cost	**-**	**(6,168)**	**91,673**	**85,505**
Net interest	**386,514**	**71,617**	**21,382**	**479,513**
Remeasurement due to :				
change in demographic assumptions				
experience obligation	**(159,456)**	**(102,708)**	**11,709**	**(250,455)**
Benefits paid	**(752,200)**	**(80,207)**	**(146,836)**	**(979,243)**
Obligation end of the year	**3,973,534**	**635,102**	**337,585**	**4,946,221**

23.1.4 The amount recognized in the profit and loss account and other comprehensive income (OCI) is determined as follows:

	2013 (Restated)			
	Gratuity	Medical benefits	Electricity benefits	Total
	---------- (Rupees in '000) ----------			
Current service cost	256,862	14,452	9,097	280,411
Past service, termination and settlement cost	79,623	73,651	130,374	283,648
Net Interest	487,709	97,437	23,332	608,478
Chargeable in profit and loss account	824,194	185,540	162,803	1,172,537
Remeasurement due to :				
change in demographic assumptions	8,497	50	(16,243)	(7,696)
experience obligation	(235,785)	(118,654)	49,727	(304,712)
Chargeable in OCI	(227,288)	(118,604)	33,484	(312,408)
Total Cost	596,906	66,936	196,287	860,129

23.1.5 Movement in the liability recognized in the balance sheet is as follows:

	Gratuity	Medical benefits	Electricity benefits	Total
Provision at 1 July 2012	4,556,652	774,127	346,178	5,676,957
Charge for the year	596,906	66,936	196,287	860,129
Benefits paid	(934,228)	(111,950)	(191,846)	(1,238,024)
Provision as at 30 June 2013	4,219,330	729,113	350,619	5,299,062

23.1.6 The amount recognized in the balance sheet is as follows:

	Gratuity	Medical benefits	Electricity benefits	Total
Obligation beginning of the year	4,556,652	774,127	346,178	5,676,957
Current service cost	256,862	14,452	9,097	280,411
Past service cost	79,623	73,651	130,374	283,648
Net Interest	487,709	97,437	23,332	608,478
Remeasurement due to :				
change in demographic assumptions	8,497	50	(16,243)	(7,696)
experience obligation	(235,785)	(118,654)	49,727	(304,712)
Benefits paid	(934,228)	(111,950)	(191,846)	(1,238,024)
Obligation end of the year	4,219,330	729,113	350,619	5,299,062

23.1.7 The impact of one percent movement in retirement benefit obligations in assumed assumptions would have following effects on 30 June 2014 valuation:

	30 June 2014	
	Increase	**Decrease**
	(Rupees in '000)	
Discount rate	**(278,694)**	**313,420**
Salary increase	**259,523**	**(234,812)**
Electricity tariff increase	**13,525**	**(12,291)**
Medical cost trend	**45,615**	**(40,583)**

Projected gratuity payments during each of the following year :

FY 2015	**205,954**
FY 2016	**369,662**
FY 2017	**489,554**
FY 2018	**459,689**
FY 2019	**572,107**
FY 2020-24	**4,479,830**

23.1.8 Plan Duration

	Gratuity	Medical	Electricity
30 June 2013	7.50	7.80	7.10
30 June 2014	7.50	7.90	6.10

The weighted average of plan durations was 7.5 years on 30 June 2013 and on 30 June 2014.

24. DEFERRED REVENUE

	Note	2014	2013
		(Rupees in '000)	
Opening balance		**15,600,186**	16,103,412
Additions during the year:			
Recoveries from customer during the year	24.1	**1,903,916**	671,501
		17,504,102	16,774,913
Amortisation for the year	41	**(1,192,865)**	(1,164,112)
		16,311,237	15,610,801
Repayment to supplier during the year		**(1,951)**	-
Amortisation for the year	24.2 & 41	**(6,238)**	(10,615)
		16,303,048	15,600,186

24.1 This represents non-interest bearing recoveries from the consumers towards the cost of service connection, extension of mains and streetlights.

24.2 This represents amounts recoverable from supplier and has been adjusted from payment of monthly instalments.

25. TRADE AND OTHER PAYABLES

	Note	2014	2013
Trade creditors			
Power purchases		**46,133,765**	31,161,135
Fuel and gas		**37,438,980**	47,715,353
Others		**3,858,641**	3,538,889
		87,431,386	82,415,377
Murabaha finance facilities	25.1	**3,636,680**	1,500,000
Accrued expenses	25.2	**2,124,263**	2,059,114
Advances / credit balances of consumers			
Energy	25.3	**662,029**	646,923
Others	25.4	**633,646**	1,142,066
		1,295,675	1,788,989
Other liabilities			
Unclaimed and unpaid dividend		**650**	650
Employee related dues		**129,243**	112,791
Payable to Provident Fund		**29,164**	79,143
Electricity duty	25.5	**6,991,707**	5,236,164
Tax deducted at source	25.5	**5,450,103**	1,417,511
PTV license fee	25.5	**811,664**	506,096
Workers' Profit Participation Fund		**909,187**	359,631
Workers' Welfare Fund		**299,515**	128,367
Payable to the then Managing Agent, PEA (Private) Limited		**28,871**	28,871
Others		**1,268,132**	582,106
		15,918,236	8,451,330
		110,406,240	96,214,810

25.1 This represents murabaha financing facilities under Islamic mode of financing from different banks for retirement of import documents and working capital financing to the extent of Rs. 3,636 million (2013:1,500 million). These financing facilities carries profit rate of matching KIBOR plus 0.90 % to 2.0 % p.a. These are secured against specific charge over grid stations and moveables and receivables of the Company.

25.2 This includes an aggregate sum of Rs. 687.16 million (2013: Rs. 638.64 million) representing outstanding claims / dues of property taxes, water charges, ground rent and occupancy value payable to various government authorities.In addition to the above, claims in respect of property tax, ground rent and occupancy value payable to various government authorities, aggregating to Rs. 6,380.14 million (2013: Rs. 6,182.570 million), have not been acknowledged by the Company as debts and, hence, these have been disclosed as contingencies and commitments (note 32.3.3).

25.3 Represents amount due to the consumers on account of excess payments and revision of previous bills.

25.4 This include Rs.633.64 million (2013: Rs. 1,142.066 million) which represent general deposits received from consumers, in respect of meters, mains & lines alteration, scrap sales, etc.

25.5 Electricity duty, tax deducted at source and PTV license fee are collected by the Company from the consumers on behalf of the concerned authorities. Payments are made thereto upon receipt of these dues from the consumers after deducting Company's rebate / commission thereon, where applicable.

25.6 Trade Payable and other payable are generally payable on 30 to 60 days term and 3 months to 12 months term respectively.

26. ACCRUED MARK-UP

	Note	**2014**	2013
		(Rupees in '000)	
Accrued mark-up on:			
Long term financing	21	**172,818**	216,328
Borrowings relating to Financial Improvement Plans (FIP)		**15,357**	15,357
Short term borrowing	27	**27,293**	32,180
Short term running finance	27	**235,252**	243,727
Financial charges on delayed payment to suppliers	26.1	**5,268,823**	5,268,823
		5,719,543	5,776,415

26.1 This includes Rs. 2,381.658 million (2013: Rs. 2,381.658 million) representing financial charges accrued in respect of Sui Southern Gas Company Limited and Rs. 619.152 million (2013: Rs. 619.152 million) representing financial charges accrued in respect of National Transmission and Dispatch Company. This also includes the provision made by the Company on net basis (refer note 32.1.1).

27. SHORT-TERM BORROWINGS – Secured

	Note	**2014**	2013
From banking companies			
Bridge term finance facility	27.1	**1,435,543**	2,032,922
Bills payable	27.2	**29,254,672**	20,886,303
Short term running finances	27.3	**3,831,284**	7,717,875
Short term loan		**-**	2,500,000
Structured invoice financing	27.4	**1,375,000**	2,500,000
From others			
KES Power Limited - holding company	27.5	**45,088**	45,572
KESC Azm Certificates	27.6	**1,662,730**	1,925,813
KE Azm Sukuk Certificates	27.7	**5,682,133**	-
		43,286,450	37,608,485

27.1 This represents a bridge term finance facility under Bridge Term Finance Agreement dated 20 January 2013 and extended up to January 2015, executed between the Company and a Consortium of local commercial banks to meet short term funding requirement. Under the terms of the said agreement, the Company has acquired a term finance facility of Rs. 1,435 million (2013: Rs. 2,033 million). The principal amount is repayable on demand and carries mark-up at 1 month KIBOR + 1% payable monthly in arrears and is secured against Standby Letters of Credit (SBLC) amounting to USD 10 million and USD 5.65 million, issued in favour of the Company by the Gulf International Bank (GIB) and HSBC Bank Middle East Limited, respectively.

27.2 These are payable to various local commercial banks at a maturity of 90 days from the date of discounting in respect of making payments to Sui Southern Gas Company Limited, Pakistan State Oil Company Limited, BYCO Petroleum Pakistan Limited and Independent Power Purchasers IPPs and are secured against Joint parri passu charge over current assets.

27.3 The Company has arranged various facilities for short term running finances from commercial banks, on mark-up basis to the extent of Rs. 3,831 million (2013: Rs. 7,717 million). These are for a period of one year and carry mark-up of 1 to 3 month KIBOR plus 0.75% to 3.00%. These finances are secured against joint parri passu charge over current assets and first charge over specific grid stations. In addition, demand promissory notes in respect of the above mentioned facilities have also been furnished by the Company.

27.4 This represents utilized portion of structure working capital finance facility obtained from Standard Chartered bank (Pakistan) Limited (SCB) to the extent of Rs. 1,375 million (2013: 2,500) and carries mark-up at the mark up rate of relevant tenor KIBOR plus 1.75%.

These are secured against first parri passu charge over current assets of the Company. Further, specific charge over plant and machinery with 25% margin.

27.5 This includes balance amount of fund received from KES Power holding limited which were received in excess after fully subscribing its share of right issue, and a sum paid by KES Power holding Limited amounting to USD 0.250 million to a supplier as deposit on behalf of the Company.

27.6 This represent balance amount of KESC Azm certificates payable to general public amounted to Rs. 1,662 million (2013: Rs 1,926 million) net of amortized transaction costs. The frequency of profit payment ranging from one to three months at fixed rate from 14.75% to 15.50%. The certificates are issued for a tenure of thirteen months to sixty months and are structured to redeem 100% of the principal amount in accordance with the above tenure from the date of issue. The certificate holder, however, may ask the Company for early redemption at any time from the date of investment subject to the service charges. The rates are varied according to the certificates' tenor. The certificates are secured by way of exclusive hypothecation over certain specific consumers receivables and specific fixed assets of the Company consisting of Grid Stations and relevant insurance rights of total value of Rs. 2,267 million.

27.7 During the current year, the Company offered Azm Sukuk certificates to general public amounting to Rs. 6,000 million. The issue was fully subscribed and the amount of Rs. 5,700 million represents the subscription money, net off amortized transaction costs. The frequency of profit payment of these certificates is ranging from one to three months at 1 month KIBOR + 100 bps per annum to 3 month KIBOR + 275 bps per annum. These certificates are issued for a tenure from thirteen to sixty months and are structured in such a way to redeem 100% of the principal amount at the end of the respective tenures. The Sukuk holders, however, may ask the Company for Early Purchase Option after 26 December, 2014. In that case, the certificates shall be redeemed in accordance with the discount rates on face value, varied according to the terms of the respective certificates' tenure. These certificates are secured by way of exclusive hypothecation charge on the unencumbered grid stations of total value of Rs 8,103 million and relevant insurance rights.

28. SHORT-TERM DEPOSITS

	Note	**2014**	2013
		(Rupees in '000)	
Service connection deposits	28.1	**3,062,402**	3,736,334
Suppliers' security deposits		**212,528**	220,562
Earnest money / Performance bond	28.2	**2,608,811**	2,128,803
		5,883,741	6,085,699

28.1 These include non-interest bearing amounts contributed by consumers in respect of service connections, extension of mains and streetlights. The same is refundable if concerned work is not completed. Upon completion of work these deposits are transferred to deferred revenue (note 24).

28.2 These include non-interest bearing refundable deposits received from various contractors.

29. TAXATION -net

Advance income tax	**3,054,943**	2,827,976
Provision for taxation	**(2,017,019)**	(2,017,019)
	1,037,924	810,957

30. PROVISIONS

This represent provisions in respect of contingencies relating to fatal accident cases.

Provisions	**9,978**	9,978

31. CASH AND CASH EQUIVALENT

	Note	2014	2013
Cash and bank balances	16	**653,473**	790,396
Short term running finances	27.3	**(3,831,284)**	(7,717,875)
		(3,177,811)	(6,927,479)

32. CONTINGENCIES AND COMMITMENTS

32.1 Contingencies

32.1.1 In respect of mark-up on the arrears payable to National Transmission and Dispatch Company (NTDC), a major government owned power supplier, the Company has reversed the mark-up accrued for the period from 1 July 2009 to 31 March 2010 amounting to Rs. 1,432 million during the year ended 30 June 2010 and also has not accrued mark - up amounting to Rs. 6,924 million for the period from 1 April 2010 to 30 June 2014 with the exception as mentioned below. Further, the Company has not accrued any mark-up on the overdue power purchase agreement (PPA) with the exception as mentioned below. Clause 9.3 of the PPA clearly defines the mechanism for settlement of NTDC dues whereby Ministry of Finance (MOF) has to pay Company's tariff differential receivable directly to NTDC. Accordingly, MOF has been releasing Company's tariff differential receivable directly to NTDC and till 30 June 2014 MOF has released Rs. 250,110 million directly to NTDC from time to time since the date of signing PPA on account of Company's tariff differential receivables. Management believes that overdue amount have only arisen due to circular debt situation caused by delayed settlement of the Company's tariff differential claims by the MOF Government of Pakistan ("GOP") as well as delayed settlement of energy dues (including Late Payment Surcharge due from KW&SB, CDGK, refer Note 11.2) by certain Public Sector Consumers. NTDC has claimed an amount of Rs 15,457 million on account of mark-up on arrears and delayed payments under Power Purchase Agreement (PPA) up to 30 June 2012 which the Management has not acknowledged as debts and further considers the amount calculated to be much higher than the Management's own calculations.

Management further believes that in view of continuing circular debt situation and non recovery from various consumers in the public sector, mark-up / financial charges would be payable only when the Company will receive similar claims from GoP and Public Sector consumers and will ultimately be settled on net basis. However, being prudent, the Company has made due provision on net basis in these financial statements.

In respect of interest payable to Sui Southern Gas Company Limited (SSGC), the Company has not accounted for / discontinued accrual of interest effective from 1 July 2010 till circular debt issue is settled and the Company is supplied with the gas as committed. The interest not accrued for the period as claimed by SSGC in their invoice from July 2010 to June 2014 amounts to Rs. 22,970 million (July 2010 to June 2013: Rs. 15,636 million) which is disputed by the management and the management is of the view that the Company is not liable and will not pay any interest on the amount payable based on the same principle that the reduction in gas supply, together with the delayed settlement of energy dues (including Late Payment Surcharge due from KW&SB, CDGK, refer Note 11.2) by Government Entities, have a direct impact on the liquidity of the Company.

During the year ended 30 June 2013, SSGC filed a Suit bearing number 1641/2012 in the Honourable High Court of Sindh at Karachi for recovery and damages amounting to Rs 55,700 million including the alleged outstanding of approximately Rs 45,700 million on account of alleged unpaid gas consumption charges and interest. The said suit is being contested on merits and the Company has disputed liability to pay any amounts of interest /late payment surcharge to SSGC on the ground that the Company's inability to charge interest / mark-up against KW&SB and other Government owned entities receivables on similar basis is unreasonable in light of interest / mark-up obligation on payables to SSGC and others.

The Company also filed a Suit bearing number 91/2013 against SSGC in the Honourable High Court of Sindh at Karachi for recovery of damages / losses of Rs. 59,600 million resulting from SSGC's failure to comply with their legal obligation to allocate and supply the committed quantity of 276 MMCFD of natural gas to the Company.

The above suits no 1641/2012, 91/2013 and 1389/2012 are all pending adjudication and are being rigorously pursued and contested on merits by legal council.

The Company has also obtained legal opinions in this respect which support the Company's position. The main arguments in the legal opinions supporting the Company's contentions are summarized below:

- the lawyer contends that they are confident that the Company will not be held liable by a competent court to the extent of amount due from KW&SB and other Government entities not received by the Company. The legal opinion effectively recognizes a right of set off based on various meetings with Government of Pakistan (GoP) and decisions taken in meetings with GoP on circular debt issue. In other words in view of involvement of the GoP, who is indirectly liable to pay the amounts due from KW&SB, etc., to the Company and entitled to receive the amount payable by the Company to SSGC (as the majority owner in SSGC), the Company would be legally entitled to the same treatment in respect of its receivables and payables.

- another legal advisor contends that

  a. the Company's inability to charge interest / mark-up against KW&SB and other Government owned entities receivables on similar basis is unreasonable in light of interest / mark-up obligation on payables to SSGC. The lawyer also contends that in a court of law the Company's non-accrual of interest on payments to SSGC due to frustration of contract dated 30 June 2009 and recoverability of any interest / damages from the Federal Government is justifiable and the Company has good prospects of success on these grounds. Further the lawyer contends that SSGC values its claims against the Company on a much higher basis based on inclusion of disputed interest upon interest as it is evident from the total amount claimed by SSGC in its recovery suit number 1641 of 2012 SSGC Vs KESC.

b. In case of NTDC under the power purchase agreement interest can only become applicable if the party claiming interest can demonstrate that the defaulting party has breached the payment mechanism. Under the current mechanism the Company is only responsible directly to pay to NTDC if the NTDC invoice (for any billing period) is higher than the amount of Company's tariff adjustment claim (subsidy). NTDC being a company wholly owned and controlled by GoP is only an extension of GoP and accordingly GoP will also be bound by the payment mechanism provided under the Power purchase agreement and will therefore be liable for any interest on delayed current monthly payment. Further, for mark-up on the outstanding principal reconciled arrears, the Company's liability will be subject to adjustment of KWSB receivables and the Company's claim against the GoP for losses sustained by the Company as a result of non-payment or delayed payment of tariff differential.

Based on the above facts, the Management believes that the circular debt issue will ultimately be settled on net basis without accounting for any delayed payment surcharge / interest. However, being prudent, the Company has made due provision on net basis in these financial statements.

32.1.2 During the year ended 30 June 2013 National Electric Power Regulatory Authority (NEPRA) issued a corrigendum vide its letter no. NEPRA/TRF-133/KESC-2009/10401-10404 dated 23 November 2012 whereby Schedule of Tariff (SoT) for the period July 2009 to March 2010 had to be adjusted by Rs. 2.79/kWh, an increase for all the categories of consumer uniformly (except for life line consumers). However NEPRA believes, due to error, the SoT was inadvertently adjusted for four consumer categories and the effect of the error was carried forward in the subsequent determined SoTs up to quarter January 2012 – March 2012. Accordingly, NEPRA has issued a revised SoT which resulted in decrease of approximately Paisa 14/kWh in the determined tariff. The said corrigendum resulted in retrospective and unilateral decrease in previously determined rates of tariff for certain consumer categories resulting in a decrease in tariff differential claim amounting to Rs. 6,295.273 million from MoW&P for the relevant year ended 30 June 2014.

The Company disagreed with the alleged corrigendum and filed a law suit against NEPRA and Ministry of Water and Power Pakistan (MoW&P) in the Honourable High court of Sindh. According to the management, NEPRA had not followed its own prescribed review procedure in relation to the alleged corrigendum through not providing the Company an opportunity of being heard. Further, NEPRA while calculating the determination as given in the aforementioned alleged corrigendum has taken 25% Transmission and Distribution losses instead of 27% for July 2009 to December 2009 and made its calculation based on natural gas rate of Rs. 349.56/MMBTU instead of 333.89/MMBTU. It was respectfully submitted that the two ignored factors would results in an increase of Rs. 0.1461/KWH and the net effect of alleged decrease in tariff by NEPRA and increase established by the Company would be negligible.

In response to suit filed by the Company to grant mandatory and permanent injunction to restrain NEPRA from adjusting the amount of tariff, the Honourable High Court of Sindh vide its order dated 4 June 2013 disposed off the above suit since the legal advisor of NEPRA submitted that determination was passed without hearing of the Company and that the fresh determination by NEPRA would be passed after notice and providing ample opportunity of hearing to the Company.

During the current year on 31 March 2014 NEPRA issued a decision in the matter of review of SoT attached with the quarterly adjustment decision for the period July 2009 to March 2012 in the matter of Karachi Electric Supply Company Limited. In the Decision NEPRA upheld its original corrigendum after hearing the Company's contention and adjusted the SoT for the period July 2009 to March 2010 by Rs. 2.79/KWH for all the consumer categories uniformly (except for life line consumers), thereby reducing the tariff by Paisa 14/KWH.

The Company being aggrieved of the NEPRA's order as the contentions of the Company were rejected without any proper justification and basis filed a suit No 556/2014 in Honourable High Court of Sindh at Karachi to set-aside the impugned decision dated March 31, 2014 as the same was not made in accordance with the law. The Honourable High Court of Sindh dated 7 April 2014 passed an interim order whereby "the impugned decision / determination was suspended to the extent of reduction made by NEPRA through the impugned decision in all tariff determinations / schedule of tariff from July 2009 till September 2013". On 15 April 2014, Honourable High Court of Sindh further ordered that NEPRA should act in accordance with law and shall not effect the issuance of Schedule of Tariff in compliance with the earlier order dated 7 April 2014. After the issuance of ad interim order dated 7 April 2014 , the Company wrote a letter to NEPRA for the re-issuance / notifications of all the determinations / SOTs for the period from April 2012 to September 2013 in suppression of the NEPRA's letter dated 31 March, 2014 as a consequence of the said court order dated 7 April 2014. The notifications are still in pending.

32.1.3 As per the Gas infrastructure and Development Cess Act, 2011 (the Act), certain Companies as specified in the Act (including Sui Southern Gas Company) shall collect and pay Gas infrastructure and Development Cess (GIDC) in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GIDC of Rs. 27 per MMBTU was applicable on the Company. Through Finance Bill 2012-2013, an amendment was made to the Act whereby the rate of GIDC applicable on the Company was increased to Rs. 100 per MMBTU. On 10 October 2012, the Company filed a suit bearing number 1389/2012 wherein it has impugned the Act on the ground that the rate of GIDC has been enhanced without any lawful justification and authority. The Honourable High Court of Sindh at Karachi vide its ad-interim order dated 10 October 2012 has restrained SSGC from charging GIDC above Rs. 27 per MMBTU. Consequently, on account of High Court order SSGC invoices the Company at Rs. 27 per MMBTU and accordingly the Company continues to record GIDC at Rs. 27 per MMBTU.

In a similar suit filed in the Honorable Peshawar High Court, Peshawar High Court declared the levy, imposition and recovery of the cess unconstitutional with the direction to refund the "Cess" so far collected. The suit was then challenged in the Supreme Court of Pakistan, thereafter Honorable Supreme Court of Pakistan issued an interim injunction setting aside the order granted by Peshawar High Court and reserved it for future judgement. The Company being an interested party having a direct bearing on suit number 1389/2012 filed an intervener application 1540/2013 before Honorable Supreme Court of Pakistan.

Honorable Supreme Court of Pakistan examined the case and in its decision dated 22 August 2014 concluded that GIDC is a fee and not a tax and on either count the "Cess" could not have been introduced through a money bill under Article 73 of the Constitution and the same was therefore not validly levied in accordance with the Constitution and the impugned judgements are not liable to be reversed.

Considering the above, GIDC recorded in Company's books of accounts until June 2014 amounted to Rs. 5,354 million from the date of GIDC notification dated 4 January 2012, becomes recoverable. The Company is in the process of taking up the matter with SSGC. The amount will have to be passed on in the tariff adjustment as soon as sorted out with SSGC.

32.2 Claims not acknowledged as debts

A claim, amounting to Rs. 73.161 million, was lodged by Pakistan Steel Mills Corporation (Private) in respect of right of way charges for Transmission Line passing within the premises of PASMIC. The said claim has been calculated on the basis of the minutes of the meeting held on 19 July 1994 wherein the key terms were subject to approval of the Company and PASMIC which was not duly approved.

The Company vide its letter DDRASP/PASMIC/C/075/ 274 dated 27 June 2007 refuted the Pakistan Steel Mill aforestated claim and stated in its letter that as per Section 12 and Section 51 of the Electricity Act, 1910, any licensee is permitted to lay down or place electric supply lines with permission of local authority or the occupier of that land, subject to conferment of powers under Part III, of the Telegraph Act, 1885. Moreover public utility is also barred from payment of annual rentals to any authority under the sections mentioned above and the claim is time barred. Furthermore, the Company was issued license from Provincial Government and all concessions and the permissions for such exemptions are provided in the license. Based on the above mentioned facts, the Company is not liable to pay any amount whatsoever in this regard and does not acknowledge the said claim as debt.

32.3 Others claim not acknowledged as debts

	Note	2014	2013
		(Rupees in '000)	
32.3.1 Fatal accident cases	32.3.4	**761,883**	754,683
32.3.2 Architect's fee in respect of the Head office project	32.3.4	**50,868**	50,868
32.3.3 Outstanding dues of property tax, water charges, ground rent and occupancy value	32.3.4	**6,380,145**	6,182,571

32.3.4 The Company is party to number of cases in respect of fatal injuries and billing disputes in relation to property tax, water charges and occupancy charges, ground rent and rent of electric poles and cable, etc. Based on the opinion of Company's lawyers, the management is confident that the outcome of the cases will be in favour of the Company. Accordingly, no provision has been made in respect of those cases in these financial statements.

32.4 Commitments

	Note	2014	2013
32.4.1 Guarantees from banks		**223,674**	49,611
32.4.2 Contracts with respect to Transmission Projects		**1,635,640**	1,479,378
32.4.3 Outstanding Letters of Credit		**2,686,000**	1,683,962
32.4.4 Payment in respect of maintenance of Combined Cycle Power Plant (220 MW)		**348,434**	197,599
32.4.5 Payment in respect of extension of Combined Cycle Power Plant (220 MW)		**15,000**	1,187,374
32.4.6 Contracts with respect to extension of Generation Projects Combined Cycle Power Plant (28 MW)		**782,508**	-
32.4.7 Contracts with respect to Generation Projects KGTP II (10 MW) Steam Turbine		**2,667,702**	-
32.4.8 Contracts with respect to Generation Projects SGTPS II (10 MW) Steam Turbine		**1,749,032**	-
32.4.9 Dividend on Preference Shares	32.4.10	**1,119,453**	1,119,453

32.4.10 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.

33. CURRENT MATURITY OF LONG TERM FINANCING

	2014	2013
Current maturity of long term financing	**9,928,007**	14,964,692

34. SALE OF ENERGY – net

	Note	2014	2013
		(Rupees in '000)	
Residential		**49,506,125**	44,854,735
Commercial		**32,376,814**	26,325,661
Industrial		**52,527,714**	34,626,671
Karachi Nuclear Power Plant		**122,357**	39,774
Pakistan Steel Mills Corporation (Private) Limited		**1,938,178**	2,039,584
Fuel Surcharge Adjustment	34.1	**(60,824)**	2,121,577
Others	34.2	**2,702,242**	2,157,870
		139,112,606	112,165,872

34.1 This represents monthly Fuel Surcharge Adjustment (FSA) approved by NEPRA in its monthly tariff determinations. The said amount will be charged to the consumers subsequently as per notification by Ministry of Water and Power, Government of Pakistan.

34.2 This includes, a sum of Rs. 1,468.807 million (2013: Rs. 1,448.248 million) in respect of supply of energy through street lights.

34.3 The above sales is net of sales tax billed to consumer of Rs. 24,769.087 million (2013: Rs. 18,686.484 million) on account of sale of energy.

35. TARIFF ADJUSTMENT

	Note	2014	2013
Tariff adjustment due to fuel and power purchase	35.1	**55,377,622**	76,615,185

35.1 This represents tariff adjustment (subsidy) claim for variation in fuel prices, cost of power purchase and operation and maintenance cost.

36. PURCHASE OF ELECTRICITY

	2014	2013
National Transmission and Dispatch Company	**53,640,675**	51,812,491
Independent Power Producers (IPPs)	**26,728,048**	21,544,903
Karachi Nuclear Power Plant	**2,510,695**	4,969,904
Pakistan Steel Mills Corporation (Private) Limited	**91,479**	44,347
	82,970,897	78,371,645

37. CONSUMPTION OF FUEL AND OIL

	2014	2013
Natural gas	**31,552,581**	29,336,017
Furnace and other oils	**32,783,357**	38,471,827
	64,335,938	67,807,844

38. EXPENSES INCURRED IN GENERATION, TRANSMISSION AND DISTRIBUTION

	Note	Generation expenses	Transmission and distribution expenses	2014	2013 (Restated)
		---------------------------- (Rupees in '000)			----------------------
Salaries, wages and other benefits	38.1,38.2 & 38.3	**1,131,519**	**1,893,618**	**3,025,137**	3,098,465
Stores and spares		**653,705**	**195,351**	**849,056**	517,555
Office supplies		**16,888**	**62,962**	**79,850**	57,169
NEPRA license fee		**27,159**	**28,591**	**55,750**	44,597
Repairs and maintenance		**52,199**	**118,605**	**170,804**	148,595
Transport expense		**8,322**	**97,036**	**105,358**	99,257
Rent, rates and taxes		**8,469**	**19,477**	**27,946**	92,787
Depreciation		**5,528,378**	**2,698,022**	**8,226,400**	8,249,649
Interdepartmental consumption		**-**	**235,006**	**235,006**	194,745
Provision against slow moving and obsolete stores and spares		**115,443**	**7,555**	**122,998**	153,893
Third party services		**1,045,641**	**803,714**	**1,849,355**	1,038,911
Others		**235,301**	**96**	**235,397**	303,858
		8,823,024	**6,160,033**	**14,983,057**	13,999,481

38.1 This includes a sum of Rs. 311.734 million (2013: Rs. 466.713 million) in respect of staff retirement benefits.

38.2 Free electricity benefit to employees, amounting to Rs. 55.089 million (2013: Rs. 33.858 million), has been included in salaries, wages and other benefits.

38.3 This includes Rs Nil (2013: 64.073 million) relating to staff Voluntary Separation Scheme.

39. CONSUMERS SERVICES AND ADMINISTRATIVE EXPENSES

	Note	Consumer Services and Billing Expenses	Administrative and General Expenses	2014	2013 (Restated)
		----------	(Rupees in '000)	----------	
Salaries, wages and other benefits	39.1, 39.2 & 39.3	4,036,279	1,594,886	5,631,165	5,589,274
Bank collection charges		-	15,399	15,399	31,212
Transport cost		131,597	19,877	151,474	120,216
Depreciation and amortization	4.1.7 & 5	772,977	308,946	1,081,923	691,440
Repairs and maintenance		39,794	93,841	133,635	94,305
Rent, rates and taxes		51,057	14,008	65,065	117,766
Public relations and publicity		116	193,349	193,465	66,309
Legal expenses		3,491	121,316	124,807	110,213
Professional charges		18,946	38,408	57,354	41,368
Auditors' remuneration	39.4	-	3,910	3,910	3,598
Directors fee		-	520	520	320
Provision against debts considered doubtful	11.3	6,689,225	-	6,689,225	6,155,460
Office supplies		72,648	105,278	177,926	168,878
Other expenses		13,004	52,184	65,188	70,292
Interdepartmental consumption		77,574	15,258	92,832	85,335
Third Party Services		1,158,002	226,207	1,384,209	1,640,350
Others		193,500	185,477	378,977	315,496
		13,258,210	2,988,864	16,247,074	15,301,832

39.1 This includes a sum of Rs. 565.123 million (2013: Rs. 705.824 million) in respect of staff retirement benefits.

39.2 Free electricity benefit to employees, amounting to Rs. 134.379 million (2013: Rs. 75.932 million), has been included in salaries, wages and other benefits.

39.3 This includes Rs. Nil (2013: Rs. 115.011 million) relating to staff Voluntary Separation Scheme.

39.4 Auditors' remuneration

	Note	2014	2013
		(Rupees in '000)	
Statutory audit, half yearly review and report of compliance on Code of Corporate Governance		3,200	2,800
Out of pocket expenses		130	130
Other certifications		580	668
		3,910	3,598

40. OTHER OPERATING EXPENSES

	Note	2014	2013
Default surcharge		674,354	138,012
Exchange loss -net		14,389	162,207
Workers' Profits Participation Fund		514,790	210,475
Workers' Welfare Fund		205,915	84,190
Donations	40.1	29,836	32,216
Listing fee		1,688	2,049
Fixed asset written-off		32,910	17,358
Impairment in Joint venture		10,108	-
		1,483,990	646,507

40.1 Donations do not include any donee in whom any director or his spouse has any interest.

41. OTHER INCOME

	Note	2014	2013
Return on bank deposits		323,573	335,242
Late payment surcharge	41.1	2,011,887	2,059,860
Amortisation of deferred revenue	24	1,199,103	1,174,727
Gain on disposal of property, plant and equipment		100,016	213,469
Scrap sale – stores and spares		205,453	164,438
Collection charges TV licence fee		87,014	81,725
Liquidated damages recovered from suppliers and contractors		21,748	23,648
Service connection charges		1,388,232	310,536
Others		825,913	726,699
		6,162,939	5,090,344

41.1 In accordance with the Company's policy, up to 30 June 2014, Late Payment Surcharge receivable on delayed payment of electricity bills from various Government / Government controlled entities (Public Sector Consumers, "PSCs") amounting to Rs. 4,442 million (2013: Rs. 3,442 million) has not been recorded in these financial statements and will be accounted for on receipt basis. It is Management's contention that the calculation of Late Payment Surcharge on PSCs 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 income amount would substantially increase.

42. FINANCE COST

	Note	2014	2013
		(Rupees in '000)	
Mark-up / interest on:			
Long-term financing		**3,586,212**	4,893,264
Short-term borrowings		**204,004**	157,700
Short-term running finance		**1,819,472**	1,064,678
		5,609,688	6,115,642
Late payment surcharge on delayed payment to creditors		**1,620,606**	3,927,254
Bank charges, guarantee commission, commitment fee and other service charges		**397,600**	239,016
Letter of credit discounting charges		**3,552,945**	3,445,863
Cross currency swaps costs		**94,373**	232,666
		11,275,212	13,960,441

43. TAXATION

	Note	2014	2013
For the year:			
- Prior	43.2	**-**	1,823,548
- Deferred			
- Due to reversal of taxable temporary diferences		**966,376**	1,000,760
- Due to deductible temporary differences (mainly on account of carryforward of tax losses)		**2,345,773**	-
		3,312,149	1,000,760
		3,312,149	2,824,308

43.1 The Taxation Officer passed assessment orders under section 122(A) of the Income Tax Ordinance, 2001 (the Ordinance) in respect of tax years 2010 and 2011 and made certain disallowances and additions resulting in minimum tax liability of Rs. 543 million and Rs. 1,408 million for the tax years 2010 and 2011 respectively. Taxation Officer held that the tariff adjustment claim (subsidy) is part of Turnover and also added back total depreciation allowance instead of depreciation related to cost of sales of the Company for the purpose of computing minimum tax liability under section 113 of the Ordinance.

The Company filed appeal with CIR(A) against the said assessment orders. The appeal was rejected by CIR(A), thereby maintaining the decision of ACIR. Subsequently, the Company filed appeal before Appellate Tribunal Inland Revenue (ATIR) against order of the Taxation Officer for tax years 2011 and 2010. ATIR has decided the case in favour of the Company vide its orders no. ITA No 274/KB/2012 dated 31 July 2012 for tax year 2011 and order no. ITA 877/KB/2011 dated 2 November 2012 for tax year 2010 respectively whereby orders of the learned CIR(A) were vacated and the order passed under section 122 (5A) by Addition Commissioner Inland Revenue were cancelled. The ATIR orders were passed in favour of the Company mainly considering subsidy is not the part of turnover. The Department, however, has approached Honorable High Court against the decision of ATIR in tax year 2011 and has also filed Miscellaneous Application in ATIR in tax year 2010.

The Company has reversed the minimum tax liability during the year ended 30 June 2013 based on the decision of ATIR.

43.2 The returns of income have been filed up to and including tax year 2013 (corresponding to financial year ended 30 June 2013), while the income tax assessments have been finalized up to and including tax year 2011.

During the year ended 30 June 2009, the Taxation Officer passed order under section 161 and 205 read with 152(5) of the Income Tax Ordinance, 2001 raised tax demand of Rs. 22.368 million for withholding income tax on payments of rentals of power plant to a non-resident company at the rate of 12.5% instead of 30% under section 152 of the Ordinance. Management considers that under Article 12 of the double taxation treaty between Pakistan and UK, such rentals are subject to 12.5% and therefore, no provision in these financial statements have been made in this regard. An appeal has been filed before Appellate Tribunal Inland Revenue subsequent to the Commissioner Inland Revenue (Appeals) decision confirming the order of the taxation officer.

The Tax Department has revised the assessment orders for the tax year 2004, 2005, 2006, 2007 & 2008 raising tax demand of Rs. 51.437 million, Rs. 65.338 million, Rs. 95.150 million, Rs. 76.860 million, and Rs. 109.837 million respectively, on account of levy of minimum tax at the rate of 0.5% of turnover on “other income” and “tariff adjustment” subsidy from Government of Pakistan.

The Commissioner Inland Revenue has given decision in respect of tax year 2004, tax year 2005, & tax year 2008 whereas the decision is pending in respect of Tax Year 2006 & 2007. However, the Minimum tax related issues were not adjudicated in Commissioner Inland Revenue order. Accordingly, rectification letters have been filed against this omission in orders and appeals with Income Tax Appellate Tribunal (ITAT) with regard to tax year 2004, 2005 and 2008 have also been filed.

The management based on advice of its tax consultants is of the view that the tax demand is unjustified and not in accordance with true interpretation of law. As such, the ultimate outcome will be in favour of the Company. The Company’s contention is further strengthened by the decision of Appellate Tribunal in tax years 2010 & 2011 whereby it held that the Government subsidy is not the part of turnover.

43.3 Deferred taxation

	30 June 2014	30 June 2013 *(Restated)*	01 July 2012 *(Restated)*
	(Rupees in ‘000)		
Deferred credits:			
- accelerated tax depreciation	**25,389,395**	26,703,650	24,522,720
Deferred tax debits:			
- available tax losses	**(146,955,911)**	(133,206,051)	(112,444,576)
- provision for gratuity and compensated absences	**(1,731,177)**	(1,854,672)	(1,986,935)
- others	**10,565,286**	(8,535,534)	(6,588,933)
	(138,121,802)	(143,596,257)	(121,020,444)
	(112,732,407)	(116,892,607)	(96,497,724)

43.3.1 Deferred tax debit, amounted to Rs. 112,732 million (2013: Rs. 116,874 million) out of which deferred tax asset amounting to Rs. 2,345.773 million has been recognised based on financial projections of future 3 years which indicate availability of taxable profits against which this asset is estimated to be realised, however, the balance amount will be recognised in future years to the extent and based on financial projections indicating availability of taxable profits. At the year end, the Company’s tax losses amounted to Rs. 419,874 million (2013: Rs. 380,589 million).

44. EARNING PER SHARE - BASIC/DILUTED

	2014	2013 *(Restated)*
Earning attributable to ordinary share holders (Rupees in ‘000)	**12,887,235**	6,825,550
Weighted average number of ordinary shares outstanding for basic earning per share (Number of shares in ‘000)	**27,615,194**	26,337,931
Earning per share - Basic (In Rupees)	**0.47**	0.26
Earning attributable to ordinary share holders net of dilution effect (Rupees in ‘000)	**12,887,235**	6,825,550
Weighted average number of ordinary shares outstanding - net of dilution effect (Number of shares in ‘000)	**27,615,194**	26,337,931
Earning per share - Diluted (In Rupees)	**0.47**	0.26

45. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

		2014			2013		
		Chief Executives Officer	**Directors**	**Executives**	Chief Executives Officers	Directors	Executives
	Note	**(Rupees in ‘000)**					
Directors’ fee	45.2	**-**	**520**	**-**	-	320	-
Managerial remuneration		**12,371**	**4,434**	**1,653,488**	12,371	11,048	1,521,160
House rent / accommodation		**4,529**	**1,742**	**344,625**	4,529	4,408	341,722
		16,900	**6,696**	**1,998,113**	16,900	15,776	1,862,882
Number of persons		**1**	**12**	**693**	2	11	678

45.1 The Executives and Chief Executive Officer (CEO) of the Company are provided with medical facility. Chief Executive officer is also provided with car facility and accommodation. Included in Chief Executive Officer's remuneration was the remuneration of other CEO who worked part of the year during the year ended 30 June 2013.

45.2 Non-executive directors have been paid director fees with no other remuneration.

46. TRANSMISSION AND DISTRIBUTION LOSSES

46.1 The transmission and distribution losses were 25.30% (June 2013: 27.82%). The trend of transmission and distribution losses over the years is as follows:

2002-2003	40.78%
2003-2004	37.84%
2004-2005	34.23%
2005-2006	34.43%
2006-2007	34.23%
2007-2008	34.12%
2008-2009	35.85%
2009-2010	34.89%
2010-2011	32.20%
2011-2012	29.70%
2012-2013	27.82%
2013-2014	25.30%

46.2 One of the factors attributable to these losses is the theft of electricity, which cannot be billed as it is subject to identification, which has directly affected the profitability of the Company. No consideration has been given to units over billed in prior years and corrected during the year in the determination of transmission and distribution losses percentage as disclosed in paragraph 46.1 above.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

Financial Risk Factors

The Company has exposure to the following risks arising from financial instruments:
- Market Risk
- Credit Risk
- Liquidity Risk

This note presents information about the Company's exposure to each of the following risks, the Company's objectives, policies and processes for measuring and managing risks and the Company's management of capital.

Risk Management Framework

The Board of Directors have the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established a Board Finance Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee regularly reports to the Board on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limit and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Company. The Audit Committee is assisted in its oversight role by the internal audit function. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures the results of which are reported to the Audit committee.

The Company's principal financial liabilities other than derivatives, comprise bank loans and overdrafts, trade payables and etc. The main purpose of these financial liabilities is to raise finance for Company's operations. The Company has various financial assets such as trade receivables, cash, short term deposits etc. which arise directly from its operations.

The Company also entered into derivative transactions, primarily cross currency and interest rate swap contracts. The purpose is to manage currency and interest rate risk from Company's operation and its source of finance. It is the Company policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

47.1 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

Market Risk comprise of three components - the currency risk, interest rate risk and other price risk.

The Company buys and sells derivatives and also incurs financial liabilities in order to manage market risks. All such transactions are carried out within guidelines set by the Board Finance Committee. Generally the Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

47.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company is exposed to foreign currency risk on purchase and borrowings that are denominated in a currency other than Pak Rupees. As the Company imports items of operating fixed assets and stores and spares for generation plants accordingly it is exposed to currency risk, primarily with respect to liabilities denominated in US Dollars.

The Company has hedged 100% of its long term financing denominated in its foreign currency. The company uses cross currency swaps to hedge its currency risk, with a maturity of more than one year from the reporting date. Such contracts are generally designated as cash flow hedge.

Exposure to Currency Risk

The summary of the quantitative data about the Company's exposure to foreign currency risk is as follows:

	30 June 2014							
	PKR	**USD**	**EUR**	**GBP**	**AED**	***Others**	**Total**	**Off-Balance Sheet**
	(Rupees in '000)							
Current Assets								
Loans and Advances	**544,549**	**864,299**	**51,171**	**12,451**	**1,552**	**11,833**	**1,485,855**	**-**
Derivative financial assets	**1,862,728**	**-**	**-**	**-**	**-**	**-**	**1,862,728**	**13,088,692**
Trade deposits and prepayments	**2,217,837**	**191**	**-**	**-**	**-**	**-**	**2,218,028**	**-**
Cash and bank balances	**653,297**	**176**	**-**	**-**	**-**	**-**	**653,473**	**-**
	5,278,411	**864,666**	**51,171**	**12,451**	**1,552**	**11,833**	**6,220,084**	**13,088,692**
Non-Current Liabilities								
Long term financing	**8,824,194**	**9,407,197**	**-**	**-**	**-**	**-**	**18,231,391**	**-**
Current Liabilities								
Current Maturity of Long Term Financing	**6,246,512**	**3,681,495**	**-**	**-**	**-**	**-**	**9,928,007**	**-**
Short-term borrowings	**43,261,812**	**24,638**	**-**	**-**	**-**	**-**	**43,286,450**	
Accrued mark-up on loans	**5,654,843**	**64,700**	**-**	**-**	**-**	**-**	**5,719,543**	
	63,987,361	**13,178,030**	**-**	**-**	**-**	**-**	**77,165,391**	**-**
Gross balance sheet exposure	**58,708,950**	**12,313,364**	**(51,171)**	**(12,451)**	**(1,552)**	**(11,833)**	**70,945,307**	**(13,088,692)**

*Other currencies include Swiss Francs (CHF), Australian Dollar (AUD), Carona (SEK), Japanese Yen (JPY), Chinese currency (CNY) and Singaporean Dollar (SGD)

	30 June 2013							
	PKR	USD	EUR	GBP	AED	*Others	Total	Off-Balance Sheet
	(Rupees in '000)							
Current Assets								
Loans and Advances	330,024	61,760	19,267	4,954	1,013	1,961	418,979	-
Derivative financial assets	2,523,006	-	-	-	-	-	2,523,006	16,881,185
Trade deposits and prepayments	2,731,710	4,785	-	-	-	-	2,736,495	-
Cash and bank balances	790,219	177	-	-	-	-	790,396	-
	6,374,959	66,722	19,267	4,954	1,013	1,961	6,468,876	16,881,185
Non-Current Liabilities								
Long term financing	11,806,361	13,095,324	-	-	-	-	24,901,685	-
Current Liabilities								
Current Maturity of Long Term Financing	11,178,818	3,785,874	-	-	-	-	14,964,692	-
Short-term borrowings	37,583,785	24,700	-	-	-	-	37,608,485	-
Accrued mark-up on loans	5,691,573	84,842	-	-	-	-	5,776,415	-
	66,260,537	16,990,740	-	-	-	-	83,251,277	-
Gross balance sheet exposure	59,885,578	16,924,018	(19,267)	(4,954)	(1,013)	(1,961)	76,782,401	(16,881,185)

* Other currencies include Swiss Francs (CHF), Hongkong Dollar (HKD), Japanese Yen (JPY) and Singaporean Dollar (SGD).

Significant exchange rates applied during the year were as follows:

	Average rate for the year		Spot rate as at 30 June	
	2014	2013	**2014**	2013
	(Rupees)		(Rupees)	
Rupees per				
EURO	**140.20**	124.98	**134.46**	129.11
USD	**103.05**	96.53	**98.55**	98.80
GBP	**168.44**	151.57	**167.79**	150.87
JPY	**1.02**	1.11	**0.97**	1.00
SGD	**81.72**	77.99	**78.90**	78.11

Sensitivity analysis

A five percent strengthening / (weakening) of the Rupee against Foreign Currency as at 30 June 2014 would have increased/ (decreased) equity and profit and loss account by Rs. 611.819 million (2013: Rs. 3.846 million). This analysis assumes that all other variables, in particular interest rates, remaining constant. The analysis is performed on the same basis for 2014 as in 2013.

47.1.2 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long term financing and short term borrowing facilities for financing its generation, transmission and distribution projects and meeting working capital requirements at variable rates. The Company manages these mismatches through risk management policies where significant changes in gap position can be adjusted. The Company has hedged its interest rate risk on long-term financing through cross currency and interest rate swaps.

At the reporting date, the interest rate profile of Company's interest-bearing financial instruments was:

	2014	2013
	(Rupees in '000)	
Fixed Rate Instruments		
Financial Assets		
Deposit account	**32,276**	9,085
Long term loans	**1,654**	1,724
Deposit under lien against LC	**578,477**	931,696
	612,407	942,505
Financial Liabilities		
Short Term Borrowings	**1,662,730**	1,925,813
Variable Rate Instruments		
Financial Assets		
Derivative financial assets	**1,862,728**	2,523,006
Financial Liabilities		
Long term financing	**18,205,391**	24,875,343
Short term borrowing	**41,578,632**	37,562,913
Trade and other Payable	**3,636,680**	1,500,000
Current portion of long term financing	**9,413,134**	13,368,491
	72,833,837	77,306,747

Fair value sensitivity analysis

The company does not account for and fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not effect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

If KIBOR / LIBOR had been 1% higher/ lower with all other variables held constant, the profit after tax for the year would have been higher / lower by Rs. 380 million (2013: Rs. 466 million).

47.1.3 Other Price Risk

Other Price Risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future value of investments securities. As at balance sheet date, the Company is not exposed to equity price risk.

47.2 Credit Risk

Credit Risk is the risk of financial loss to the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligation, and arises principally from the Company's receivables from customers and balances held with banks.

Exposure to Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk are trade debts. Out of the total financial assets of Rs. 124,796 million (2013: Rs. 107,515 million), the financial assets which are subject to credit risk amounted to Rs. 43,391 million (2013: Rs. 39,618 million). The Company's electricity is sold to industrial and residential consumers and government organizations. Due to large number and diversity of its consumer base, concentration of credit risk with respect to trade debts is limited. Further, the Company manages its credit risk by obtaining security deposit from the consumers.

	2014		2013	
	Financial assets	**Maximum exposure**	Financial assets	Maximum exposure
	(Rupees in '000)			
Long term loans	**29,376**	**29,376**	41,220	41,220
Loans and advances	**37,586**	**12,522**	35,441	8,014
Long term deposits and prepayments	**105,816**	**-**	104,594	-
Trade debts	**75,704,095**	**38,591,046**	62,843,648	33,468,040
Trade deposits	**2,161,812**	**2,161,812**	2,678,023	2,678,023
Other receivables	**44,240,998**	**94,276**	38,498,853	124,825
Cash and bank balances	**653,473**	**639,522**	790,396	775,353
Derivative Financial Assets	**1,862,728**	**1,862,728**	2,523,006	2,523,006
	124,795,884	**43,391,282**	107,515,181	39,618,481

Differences in the balances as per balance sheet and maximum exposures were due to the fact that other receivables of Rs. 44,241 million (2013: Rs. 38,499 million) which mainly comprises of sales tax of Rs. 6,351 million (2013: Rs. 5,432 million) and tariff adjustment amounting to Rs. 37,558 million (2013: Rs. 32,705 million). Trade debts includes due from Government and autonomous bodies amounting to Rs.42,289 million (2013 Rs. 33,127 million).

The maximum exposure to credit risk for trade receivables at the reporting dates by type of counter party was as follows:

	2014	2013
	(Rupees in '000)	
Ordinary Consumers	**37,164,323**	31,442,015
Industrial Consumers	**1,426,723**	2,026,025
	38,591,046	33,468,040

Impairment losses

The aging of trade debtors as at the balance sheet date was:

	2014		2013	
	Gross	**Impairment**	Gross	Impairment
	(Rupees in '000)			
Up to 1 year	**36,972,980**	**877,949**	35,270,855	1,108,762
1 to 2 years	**21,127,517**	**3,340,645**	13,326,068	1,873,414
2 to 3 years	**11,299,398**	**2,927,218**	9,802,058	2,230,531
3 to 4 years	**8,988,665**	**5,035,538**	5,994,098	3,194,634
Over 4 years	**26,069,577**	**16,572,691**	21,601,113	14,743,203
	104,458,137	**28,754,041**	85,994,192	23,150,544

47.2.1 The credit quality of the receivables can be assessed with reference to the historical performance with no or some defaults in recent history, however, no loses. The credit quality of Company's bank balances can be assessed with reference to external credit rating as follows:

Company Name	Rating agency	Rating	
		Short-term	Long-term
Public Sector Banks			
First Women Bank Limited	PACRA	A2	BBB+
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Sindh Bank Limited	JCR-VIS	A-1+	AA-
The Bank of Khyber	PACRA	A1	A
The Bank of Punjab	PACRA	A1+	AA-
Specialized Banks			
SME Bank Limited	PACRA	A3	BBB-
Zarai Taraqiati Bank Limited	JCR-VIS	A-2	A
Private Sector Banks			
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank Al-Habib Limited	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1	A+
KASB Bank Limited	PACRA	A3	BBB
MCB Bank Limited	PACRA	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA-
SilkBank Limited	JCR-VIS	A-2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A-3	A-
United Bank Limited	JCR-VIS	A-1+	AA+
Foreign Banks operating in Pakistan			
Barclays Bank Pakistan	Standard & Poor's	A-1	A
Citibank N.A.	Moody's	P-1	A2
Deutsche Bank AG	Standard & Poor's	A-1	A
HSBC Bank Middle East Limited	Moody's	P-1	A2
Industrial and Commercial Bank of China	Moody's	P-1	A1
Oman International Bank S.A.O.G.	Fitch	F1	A+
The Bank of Tokyo-Mitsubishi-UFJ, Limited	Standard & Poor's	A-1	A+
Islamic Banks			
Albaraka Bank (Pakistan) Limited	PACRA	A1	A
BankIslami Pakistan Limited	PACRA	A1	A
Burj Bank Limited	JCR-VIS	A-1	A
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	A+
Meezan Bank Limited	JCR-VIS	A-1+	AA
Microfinance Banks			
Apna Microfinance Bank Limited	PACRA	A3	BBB
FINCA Microfinance Bank Limited	JCR-VIS	A-2	A-
Tameer Microfinance Bank Limited	JCR-VIS	A-1	A+
U Microfinance Bank Limited	JCR-VIS	A-2	A-

47.3 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

	2014					
	Carrying Amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**One to Five years**	**More than five years**
	(Rupees in '000)					
Non-Derivative Financial liabilities						
Long term financing	**28,159,398**	**(31,951,943)**	**(6,941,834)**	**(4,982,236)**	**(20,027,873)**	**-**
Long-term deposits	**5,865,741**	**(5,865,741)**	**-**	**-**	**-**	**(5,865,741)**
Trade and other payables	**110,406,240**	**(110,406,240)**	**(110,406,240)**	**-**	**-**	**-**
Accrued mark-up	**5,719,543**	**(5,719,543)**	**(5,719,543)**	**-**	**-**	**-**
Short-term borrowings	**43,286,450**	**(43,286,450)**	**(43,286,450)**	**-**	**-**	**-**
Short-term deposits	**5,883,741**	**(5,883,741)**	**(5,883,741)**	**-**	**-**	**-**
	199,321,113	**(203,113,658)**	**(172,237,808)**	**(4,982,236)**	**(20,027,873)**	**(5,865,741)**

	2013					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to Five years	More than five years
	(Rupees in '000)					
Non-Derivative Financial liabilities						
Long term financing	39,866,377	(50,829,940)	(9,878,267)	(8,021,997)	(32,929,676)	-
Long-term deposits	5,114,912	(5,114,912)	-	-	-	(5,114,912)
Trade and other payables	96,214,810	(96,214,810)	(96,214,810)	-	-	-
Accrued mark-up	5,776,415	(5,776,415)	(5,776,415)	-	-	-
Short-term borrowings	37,608,485	(37,608,485)	(37,608,485)	-	-	-
Short-term deposits	6,085,699	(6,085,699)	(6,085,699)	-	-	-
	190,666,698	(201,630,261)	(155,563,676)	(8,021,997)	(32,929,676)	(5,114,912)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June (and includes both principal and interest payable thereon). The rates of mark-up have been disclosed in notes 21 to these financial statements.

As disclosed in note 21 of these financial statements, the Company has multiple secured bank loans which contain debt covenants. The breach of these covenants may require the Company to repay the loan earlier than indicated in the above table. As disclosed in note 21, convertible loans become payable on demand if the Company's short term debt and excess payables to GoP exceeds the set limit of Rs. 30,000 million from 01 January 2013 to 30 March 2014 Rs. 27,000 million from 31 March 2014 till 29 June 2014, Rs 24,000 million from 30 June 2014 to 29 September 2014 and Rs. 16,000 million from 30 September 2014 onwards. The interest rate payments on variable rate loans and short term borrowings in the table above reflect market rates at the period end and the amounts may differ as market interest rates change. The future cash flows on derivative instruments may be different from the amount in the above table as interest rates and exchange rates or the relevant conditions underlying the contingency change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

47.4 Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. The carrying amounts of all the financial instruments reflected in these financial statements approximate to their fair value.

47.5 Hedging Activities and Derivatives

The Company uses foreign currency denominated borrowings to manage some of its transactions exposures. These carry cross currency swaps which are designated as cash flow hedge and are dealt in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". Such derivatives qualify for hedge accounting (note 3.24).

Cash flow hedges

As at 30 June 2014, the Company held cross currency swaps and interest rate swaps with commercial banks, designated as cash flow hedges of expected future interest payments and principal repayments of loan from foreign lenders and local lenders. The cross currency swaps are being used to hedge the interest / currency risk in respect of long- term financing as stated in notes 21.1, 21.3 and 21.4 to these financial statements.

Fair value	Note	2014	2013
		(Rupees in '000)	
Cross Currency Swaps	15.1	**1,905,437**	2,627,752
Interest Rate Swap	15.2	**(42,709)**	(104,746)

The critical terms of the interest rate swap have been negotiated to match the terms of the aforesaid financial liability. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the profit and loss account. The critical terms of the cross currency swap contracts have been negotiated to match the terms of the aforementioned financial liability (note 15).

47.6 Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business sustain future development of the business and maximize shareholders value. No changes were made in the objectives, policies or processes during the year ended 30 June 2014.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions.

The Company monitors capital using the net debt to adjusted equity ratio, which is total debt of the Company as reduced by cash and cash equivalents, divided by total capital plus the net debt. Equity comprises of share capital, capital and revenue reserves. During the year, the Company's strategy was to maintain leveraged gearing. The net debt to equity ratio as at 30 June 2014 and 30 June 2013 were as follows:

	Note	2014	2013
		(Rupees in '000)	
Long term financing	21	**18,231,391**	24,901,685
Long-term deposits	22	**5,865,741**	5,114,912
Trade and other payables	25	**110,406,240**	96,214,810
Accrued mark-up	26	**5,719,543**	5,776,415
Short-term borrowings	27	**43,286,450**	37,608,485
Short-term deposits	28	**5,883,741**	6,085,699
Current maturity of non-current liabilities	33	**9,928,007**	14,964,692
Total debt		**199,321,113**	190,666,698
Cash and bank balance	16	**(653,473)**	(790,396)
Net debt		**198,667,640**	189,876,302
Total equity		**43,541,306**	28,885,013
Cash flow hedge		**359,552**	490,460
Total capital		**242,568,498**	219,251,775
Net debt to adjusted equity		**0.82**	0.87

47.7 Collateral

The Company has created charge over its fixed assets and all current assets and securities in order to fulfil the collateral requirements for various financing facilities. The counter parties have an obligation to return the securities to the Company. Further, the Company did not hold collateral of any sort at 30 June 2014 and 30 June 2013 except otherwise disclosed in respective notes to these financial statements. The fair value and terms and conditions associated with the use of these collateral and securities given and hold by the Company are disclosed in respective notes to these financial statements.

47.8 Accounting Classification and Fair Values

Fair values versus carrying amount

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Loans and receivables	Fair value hedging instruments	Other financial liabilities	Total carrying amount	Fair value
	(Rupees in '000)				
Financial Assets					
Long-term loans	29,376	-	-	29,376	29,376
Long-term deposits	105,816	-	-	105,816	105,816
Trade debts	75,704,095	-	-	75,704,095	75,704,095
Loans and advances	37,586	-	-	37,586	37,586
Trade deposits	2,161,812	-	-	2,161,812	2,161,812
Derivative financial asset	-	1,862,728	-	1,862,728	1,862,728
Cash and bank balances	653,473	-	-	653,473	653,473
Financial Liabilities					
Long-term financing	-	-	28,159,398	28,159,398	28,159,398
Long-term deposits	-	-	5,865,741	5,865,741	5,865,741
Trade and other payables	-	-	110,406,240	110,406,240	110,406,240
Accrued mark-up	-	-	5,719,543	5,719,543	5,719,543
Short-term borrowings	-	-	43,286,450	43,286,450	43,286,450
Short-term deposits	-	-	5,883,741	5,883,741	5,883,741

Fair value hierarchy

Financial instruments carried at fair value are analyzed by valuation method. The different levels used for these analysis have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Based on the above criteria the financial derivative asset of the Company has been classified as a level 3 instrument.

Although the Company believes that its estimates for fair value are appropriate, the use of different methodologies or assumptions could lead to different measures of fair values.

48. TRANSACTIONS / BALANCES WITH RELATED PARTIES

Related parties of the Company comprise of associated companies, state-controlled entities, staff retirement benefit plans, and the company's directors and key management personnel.

Details of transactions / balances with related parties not disclosed elsewhere in the financial statements are as follows:

	2014	2013
	(Rupees in '000)	
48.1 KES Power Limited, Parent Company		
Short term loan payable	**45,088**	45,572

	2014	2013
	(Rupees in '000)	

48.2 Government Related Entities

48.2.1 National Transmission and Dispatch Company

	2014	2013
Purchases	53,640,675	51,812,491
Amount payable included in creditors	37,904,027	20,726,349
Amount payable included in long term financing	945,000	5,745,000

48.2.2 Pakistan State Oil Company Limited

	2014	2013
Purchases	24,866,365	28,203,573
Late payment surcharge	900,487	438,078
Amount payable included in creditors	5,323,836	12,089,435

48.2.3 Sui Southern Gas Company Limited

	2014	2013
Purchases	31,552,581	29,336,017
Amount payable included in creditors	29,370,726	32,920,587

48.2.4 BYCO Petroleum Pakistan Limited, Associated Company

	2014	2013
Amount payable included in long term financing	-	669,658
Amount payable included in creditors	2,744,418	2,705,331
Purchases	8,300,306	10,361,484
Financial Charges / Late Payment Surcharge	366,518	409,099

48.2.5 Key management personnel

	2014	2013
Managerial Remuneration	142,358	178,067
Housing and utilities	78,297	97,937
Other allowances and benefits	94,869	98,105
Retirement Benefits	45,692	49,181
Leave encashment	1,190	-

48.3 Provident Fund

	2014	2013
Contribution to provident fund	492,030	491,213
(Payable) to / receivable from provident fund	(29,164)	(79,143)

48.4 Remuneration to the executive officers of the Company (disclosed in note 45 to these financial statements) and loans and advances to them (disclosed in note 7 to these financial statements) are determined in accordance with the terms of their employment.

49. DIVIDEND DISTRIBUTION

The Company has decided not to record 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.

50. PROVIDENT FUND DISCLOSURE

The Company operates approved funded contributory provident fund for both its management and non-management employees. Details of net assets and investments of the fund is as follows:

	2014	2013
Size of the fund - Net assets	7,768,186	6,883,507
Cost of the investment made	5,130,275	5,115,236
Percentage of the investment made	66%	74%
Fair value of the investment made	7,827,650	6,866,050

The break up of fair value of the investment is:

	2014		2013	
	(Rupees in '000)	%	(Rupees in '000)	%
Term deposit receipts	316,498	4.04%	1,373,497	20.00%
Government securities	3,914,042	50.00%	2,735,578	39.84%
Debt securities	278,867	3.56%	565,760	8.24%
Mutual funds	3,318,243	42.39%	2,191,215	31.91%
	7,827,650		6,866,050	

The management, based on the un-audited financial statements of the fund, is of the view that the investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

51. CAPACITY AND PRODUCTION

The actual production during the year was 8,709 Gwh (2013:8,567 Gwh), at BQPS-I Unit 3 & 4 have been earmarked for coal conversion project.

The gross dependable capacity in the year FY 14 was 1652MW compared to 1643 MW in FY13.

52. OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segment which is consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

The internal reporting provided to the chief operating decision-maker relating to the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

There were no change in the reportable segments during the year.

The Company is domiciled in Pakistan. The Company's revenue is generated substantially from the sale of electric energy to industrial and other consumers under the Electric Act, 1910 and Nepra Act, as amended, to its licensed areas.

All non-current assets of the Company at 30 June 2014 are located in Pakistan.

53. BENAZIR EMPLOYEES STOCK OPTION SCHEME (BESOS)

On 14 August 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprise (SOEs) and non-state Owned Enterprise where GoP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on the market price of the listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for the payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the company, under the provisions of amended International Financial Reporting Standard 2 Share Based Payments (IFRS2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities and Exchange Commission of Pakistan on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan vide their letter number CAIDTS / PS & TAC / 2011-2036 dated 02 February 2011 has granted exemption to such entities from the application of IFRS 2 to the Scheme vide SRO 587 (I)/2011 dated 07 June 2011.

The total impact of the Scheme over the vesting period is approximately Rs. 1,135 million. However, various formalities relating to the finalization of the Scheme such as Trust Deed, vesting period, etc., are yet to be finalized.

54. RECLASSIFICATION

Certain prior year's figures have been re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparisons. However, there are no material reclassification to report.

55. NUMBER OF EMPLOYEES

The average number of employees for the year ended June 30 2014 were 10,509 (2013: 10,936) and number of employees as at June 30 2014 were 10,242 (2013: 10,594).

56. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on 28 August 2014 has proposed a cash dividend for the year ended 30 June 2014 up to a maximum of 15% i.e. @ Rs. 0.525 per share, only for minority shareholders (holding approximately 2.65% shares), subject to waiver from all the four major shareholders (GOP, KES Power Limited, IFC & ADB) of their right to dividend for the financial year 2014. GOP and KES Power Limited consent will also include waiver of their right for FY 2014 to outstanding accumulated dividend on Redeemable Preference Shares (RPS).

57. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 28 August 2014 by the Board of Directors of the Company.

57.1 GENERAL

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

Nayyer Hussain Chief Executive Officer	Mubasher H. Sheikh Director

Pattern Of Shareholdings

as of June 30, 2014

5800	1	to	100	169,377
3439	101	to	500	1,014,069
1942	501	to	1000	1,690,644
3741	1001	to	5000	10,657,077
1286	5001	to	10000	10,724,733
479	10001	to	15000	6,177,788
340	15001	to	20000	6,468,565
241	20001	to	25000	5,790,324
152	25001	to	30000	4,371,078
79	30001	to	35000	2,635,015
74	35001	to	40000	2,881,452
44	40001	to	45000	1,913,730
153	45001	to	50000	7,631,098
39	50001	to	55000	2,096,688
34	55001	to	60000	2,004,637
24	60001	to	65000	1,521,824
36	65001	to	70000	2,480,581
46	70001	to	75000	3,426,154
26	75001	to	80000	2,067,952
10	80001	to	85000	835,929
12	85001	to	90000	1,070,937
9	90001	to	95000	849,941
151	95001	to	100000	15,085,500
13	100001	to	105000	1,338,319
10	105001	to	110000	1,092,152
12	110001	to	115000	1,355,100
13	115001	to	120000	1,540,701
15	120001	to	125000	1,863,586
6	125001	to	130000	766,826
1	130001	to	135000	135,000
3	135001	to	140000	420,000
4	140001	to	145000	579,690
24	145001	to	150000	3,589,000
3	150001	to	155000	463,500
7	155001	to	160000	1,117,500
3	160001	to	165000	490,157
6	165001	to	170000	1,012,000
8	170001	to	175000	1,391,227
5	175001	to	180000	890,500
4	185001	to	190000	754,000
2	190001	to	195000	390,000
49	195001	to	200000	9,796,756
5	200001	to	205000	1,017,500

3	205001	to	210000	627,200
1	210001	to	215000	215,000
5	215001	to	220000	1,087,500
3	220001	to	225000	673,500
3	225001	to	230000	686,246
1	235001	to	240000	240,000
1	240001	to	245000	245,000
9	245001	to	250000	2,249,411
5	250001	to	255000	1,260,650
1	255001	to	260000	257,000
2	260001	to	265000	530,000
2	265001	to	270000	533,687
2	270001	to	275000	549,000
1	280001	to	285000	280,566
3	285001	to	290000	866,000
15	295001	to	300000	4,500,000
4	300001	to	305000	1,208,028
1	305001	to	310000	309,764
4	315001	to	320000	1,268,500
1	320001	to	325000	325,000
2	330001	to	335000	666,500
1	335001	to	340000	335,349
1	340001	to	345000	345,000
9	345001	to	350000	3,147,500
1	350001	to	355000	352,000
3	365001	to	370000	1,106,500
1	385001	to	390000	385,548
9	395001	to	400000	3,600,000
1	405001	to	410000	409,764
1	410001	to	415000	412,000
3	420001	to	425000	1,274,000
2	425001	to	430000	860,000
2	430001	to	435000	866,340
1	435001	to	440000	437,500
3	445001	to	450000	1,350,000
3	470001	to	475000	1,425,000
16	495001	to	500000	8,000,000
1	500001	to	505000	500,001
1	505001	to	510000	506,000
1	520001	to	525000	522,500
1	530001	to	535000	535,000
1	535001	to	540000	537,000
1	555001	to	560000	556,334
1	580001	to	585000	583,500
5	595001	to	600000	3,000,000
2	615001	to	620000	1,235,500
1	625001	to	630000	625,500
1	635001	to	640000	640,000
2	645001	to	650000	1,300,000

1	650001	to	655000	655,000
1	655001	to	660000	655,200
2	670001	to	675000	1,348,148
5	695001	to	700000	3,500,000
1	700001	to	705000	703,435
4	745001	to	750000	3,000,000
1	765001	to	770000	769,500
1	770001	to	775000	775,000
1	780001	to	785000	781,520
3	795001	to	800000	2,400,000
1	805001	to	810000	807,000
2	845001	to	850000	1,700,000
1	865001	to	870000	867,500
1	870001	to	875000	875,000
2	895001	to	900000	1,800,000
1	935001	to	940000	940,000
2	950001	to	955000	1,901,263
1	965001	to	970000	970,000
1	990001	to	995000	992,000
11	995001	to	1000000	11,000,000
1	1020001	to	1025000	1,025,000
2	1055001	to	1060000	2,115,784
1	1070001	to	1075000	1,075,000
1	1085001	to	1090000	1,089,500
1	1095001	to	1100000	1,100,000
1	1145001	to	1150000	1,150,000
1	1170001	to	1175000	1,175,000
4	1195001	to	1200000	4,800,000
1	1235001	to	1240000	1,240,000
2	1245001	to	1250000	2,500,000
1	1295001	to	1300000	1,300,000
1	1345001	to	1350000	1,350,000
1	1435001	to	1440000	1,440,000
1	1470001	to	1475000	1,475,000
3	1495001	to	1500000	4,500,000
1	1590001	to	1595000	1,595,000
1	1625001	to	1630000	1,625,037
2	1645001	to	1650000	3,297,000
2	1695001	to	1700000	3,400,000
1	1745001	to	1750000	1,750,000
1	1775001	to	1780000	1,780,000
1	1910001	to	1915000	1,915,000
1	1945001	to	1950000	1,946,500
3	1995001	to	2000000	6,000,000
1	2105001	to	2110000	2,105,500
1	2125001	to	2130000	2,126,000
1	2210001	to	2215000	2,215,000
1	2295001	to	2300000	2,300,000
1	2320001	to	2325000	2,325,000

1	2345001	to	2350000	2,350,000
1	2355001	to	2360000	2,355,227
1	2420001	to	2425000	2,421,500
1	2445001	to	2450000	2,447,000
1	2495001	to	2500000	2,500,000
1	2505001	to	2510000	2,507,500
1	2515001	to	2520000	2,515,500
1	2700001	to	2705000	2,704,500
1	2720001	to	2725000	2,721,500
1	2835001	to	2840000	2,840,000
1	2895001	to	2900000	2,900,000
1	2995001	to	3000000	3,000,000
1	3290001	to	3295000	3,294,500
1	3435001	to	3440000	3,437,676
1	3450001	to	3455000	3,453,500
1	3585001	to	3590000	3,589,000
1	3695001	to	3700000	3,695,653
1	3845001	to	3850000	3,850,000
1	3905001	to	3910000	3,907,500
1	4365001	to	4370000	4,369,887
1	4495001	to	4500000	4,500,000
1	4545001	to	4550000	4,546,500
1	5420001	to	5425000	5,423,775
1	5460001	to	5465000	5,463,456
1	5780001	to	5785000	5,780,737
1	6495001	to	6500000	6,500,000
1	8495001	to	8500000	8,500,000
1	8755001	to	8760000	8,757,000
1	9705001	to	9710000	9,706,969
1	9850001	to	9855000	9,852,000
1	9995001	to	10000000	10,000,000
1	12790001	to	12795000	12,794,500
1	13995001	to	14000000	14,000,000
1	14345001	to	14350000	14,350,000
1	14640001	to	14645000	14,641,463
1	15695001	to	15700000	15,700,000
1	19580001	to	19585000	19,583,042
1	20995001	to	21000000	21,000,000
1	25440001	to	25445000	25,441,500
1	32915001	to	32920000	32,917,688
1	40195001	to	40200000	40,197,000
1	41345001	to	41350000	41,349,131
1	64625001	to	64630000	64,626,650
1	348385001	to	348390000	348,385,714
1	698070001	to	698075000	698,071,428
1	6726910001	to	6726915000	6,726,912,278
1	19110180001	to	19110185000	19,110,182,090
18,624				**27,615,194,246**

CATEGORIES OF SHAREHOLDERS AS OF JUNE 30, 2014 ORDINARY SHARES

Categories of Shareholders	Total		
	Number	Shares	%age
Associated Companies, Undertakings and Related Parties			
AND / OR			
Shareholders holding five percent or more voting rights in the Company			
KES Power Limited (Holding Company)	1	19,110,182,090	69.20
President of the Islamic Republic of Pakistan (GoP)	1	6,726,912,278	24.36
Mutual Funds			
CDC - Trustee Meezan Balanced Fund	1	1,650,000	0.01
CDC - Trustee Faysal Balanced Growth Fund	1	1,000,000	0.00
CDC - Trustee AKD Index Tracker Fund	1	673,148	0.00
CDC - Trustee Al Meezan Mutual Fund	1	3,453,500	0.01
CDC - Trustee Meezan Islamic Fund	1	8,757,000	0.03
CDC - Trustee Faysal Asset Allocation Fund	1	1,150,000	0.00
CDC - Trustee UBL Stock Advantage Fund	1	15,700,000	0.06
CDC - Trustee Al-Ameen Shariah Stock Fund	1	14,350,000	0.05
CDC - Trustee NAFA Stock Fund	1	1,915,000	0.01
CDC - Trustee NAFA Multi Asset Fund	1	1,240,000	0.00
CDC - Trustee Askari Asset Allocation Fund	1	100,000	0.00
CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	1	2,840,000	0.01
CDC - Trustee HBL - Stock Fund	1	9,852,000	0.04
CDC - Trustee NAFA Islamic Asset Allocation Fund	1	655,000	0.00
CDC - Trustee HBL Multi - Asset Fund	1	2,500,000	0.01
CDC - Trustee IGI Stock Fund	1	875,000	0.00
CDC - Trustee Alfalah GHP Alpha Fund	1	286,000	0.00
CDC - Trustee First Habib Stock Fund	1	250,000	0.00
CDC - Trustee NAFA Asset Allocation Fund	1	2,215,000	0.01
CDC - Trustee HBL Islamic Stock Fund	1	3,000,000	0.01
CDC - Trustee HBL IPF Equity Sub Fund	1	850,000	0.00
CDC - Trustee HBL PF Equity Sub Fund	1	475,000	0.00
CDC - Trustee Askari Equity Fund	1	50,000	0.00
CDC - Trustee KSE Meezan Index Fund	1	3,695,653	0.01
CDC - Trustee First Habib Islamic Balanced Fund	1	50,000	0.00
CDC - Trustee PIML Strategic Multi Asset Fund	1	50,000	0.00
CDC - Trustee NAFA Islamic Principal Protected Fund - I	1	1,700,000	0.01
CDC - Trustee PIML Islamic Equity Fund	1	275,000	0.00
CDC - Trustee Al-ameen Islamic Ret. Sav. Fund-equity Sub Fund	1	1,075,000	0.00

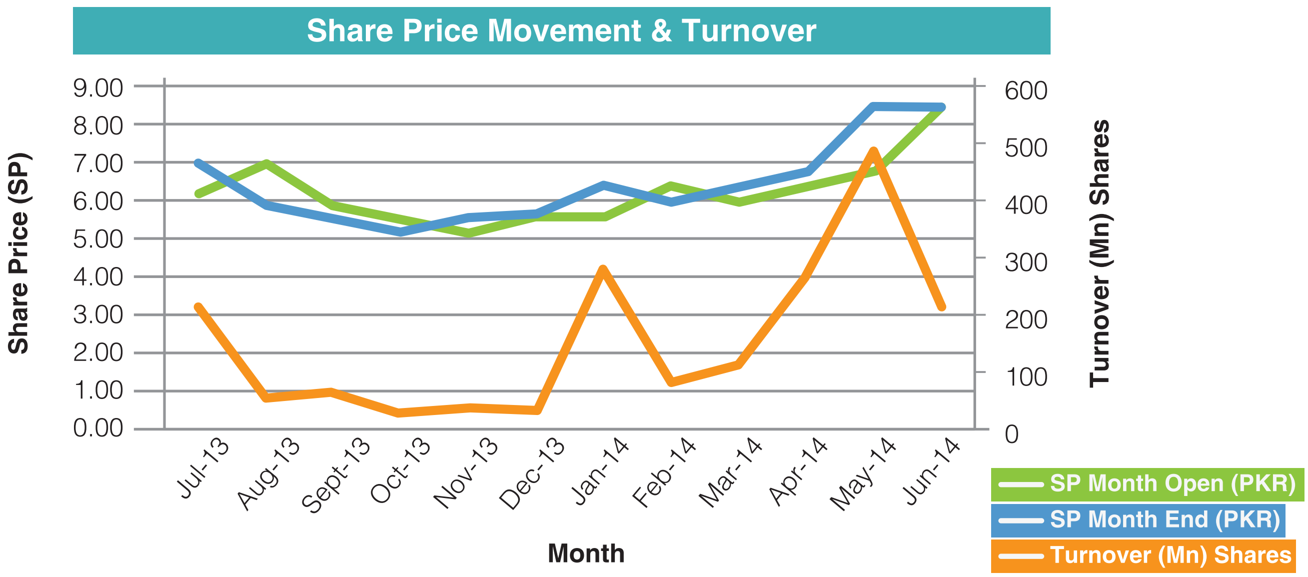
Categories of Shareholders	Total		
	Number	Shares	%age
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	1	1,500,000	0.01
CDC - Trustee National Investment (Unit) Trust	1	5,423,775	0.02
CDC - Trustee PICIC Islamic Stock Fund	1	400,000	0.00
Directors, CEO, their Spouses and Minor Children			
Khalid Rafi, Director	1	500	0.00
Executives	**8**	**152,100**	**0.00**
Public Sector Companies And Corporations	**13**	**15,030,760**	**0.05**
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds			
Banks, Financial Institutions	17	11,535,586	0.04
Investment Companies	8	145,199	0.00
Insurance Companies	13	16,113,888	0.06
Joint Stock Companies	160	166,527,702	0.60
Modarabah Management Companies	3	20,001	0.00
Modarabas	14	1,412,835	0.01
Charitable Trusts	10	1,392,852	0.01
General Public - Local	**18,229**	**277,467,684**	**1.00**
Foreign Shareholders	**78**	**1,196,741,208**	**4.33**
Institutions			
Asian Development Bank (ADB) 698,071,428 2.53%			
International Finance Corporation (IFC) 348,385,714 1.26%			
Others 148,699,972 0.54%			
General Public 1,584,094 0.00%			
1,196,741,208 4.33%			
Other	**36**	**3,553,487**	**0.01**
	18,624	**27,615,194,246**	**100.00**

ADDITIONAL INFORMATION

Trading in Shares of the Company	Purchase	Sale
Director	-	-
Executives		
Anoop Lal	7,500	45,000
Ubaid Akhtar	10,000	-
S.M. Athar Hussain	6,000	-
Usama Qureshi	3,000	-
Abdus Sami	25,000	25,000
Ayaz Ahmed Patel	31,000	-
Muhammad Aamir Ibrahim	16,000	-
Wahid Asghar	100	-
Obaid Rehman	16,500	-

SHARE PRICE SENSITIVITY ANALYSIS

The share price of the Company is fundamentally driven by the performance of the Company reflected through its key operational and financial indicators which include revenue growth, gross and net margins, debt coverage, profit before / after tax and others. Alongside, overall performance of capital markets in the country and national economy impact the share price trend.



KE-specific factors affecting the share price of the Company include the **(i) CIRCULAR DEBT (CD)** situation engulfing the entire energy sector of the country. Colossal sum of over PKR 42 billion stuck in Public Sector Consumers' receivables under CD, is adversely affecting the smooth operations of the Company and meeting its payment obligation to its key suppliers; **(ii) GAS SUPPLY** of allocated quantity to KE would act as a major driver for reduced generation cost leading to improved financial performance and maintaining consumer end tariff at an affordable level; **(iii) LAW AND ORDER SITUATION** in the city causes disruption of business activities and hampers operational measures and recovery efforts; **(iv) STABLE PLANT OPERATION** leads to efficient generation and augments revenue stream;

(v) timely **TARIFF DETERMINATION AND NOTIFICATION** respectively by NEPRA and the Ministry of Water and Power help manage cash flow issues; **(vi) INTEREST RATE VARIATION AND EXCHANGE RATE** fluctuation positively / negatively impact financial charges and principal repayment of foreign currency loans as well as Furnace Oil (FO) price; **(vii) 650 MW SUPPLY TO KE BY NTDC** under PPA, timely settlement of KE Tariff Differential Claims (TDC) by GoP are some other contributors whereas certain development initiatives of the Company during the year, such as coal conversion project, closing of open cycle at three (3) plant locations, rebranding and renewed long-term vision, **signing of MoU with Herbin Electric International (HEI) of China** for the co-development of 660 MW green field coal-fired power plant, **unbundling of KE operation** and inclusion of KE share in MSCI frontier markets index.

GLOSSARY

Abbreviation	Description
AA	Amendment Agreement
ACCA	Association of Chartered Certified Accountants
ADB	Asian Development Bank
AKHMCF	Aga Khan Hospital & Medical College Foundation
BAC	Board Audit Committee
BFC	Board Finance Committee
BHR&RC	Board Human Resource & Remuneration Committee
BOC	Business Operation Centre
BQPS	Bin Qasim Power Station
CAPEX	Capital Expenditure
CBDO	Chief Business Development Officer
CCG	Code of Corporate Governance
CCPP	Combined Cycle Power Plant
CD	Circular Debt
CDCPL	Central Depository Company of Pakistan Limited
CDGK	City District Government Karachi
CDO	Chief Distribution Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGTO	Chief Generation & Transmission Officer
CHRO	Chief Human Resource Officer
CO1984	Companies Ordinance 1984
CSCO	Chief Supply Chain Officer
CSO	Chief Strategy Officer
CSR	Corporate Social Responsibility
C&A	Controlling & Accounts
DSP	Distribution Service Provider
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EPS	Earnings Per Share
BF	Business Finance
FBR	Federal Board of Revenue
FO	Furnace Oil
FSA	Fuel Surcharge Adjustment
GoP	Government of Pakistan
HBL	Habib Bank Limited
GoS	Government of Sindh
HSEQ	Health, Safety, Environment & Quality
IA	Implementation Agreement
IAS	International Accounting Standards
IBC	Integrated Business Centre
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost & Management Accountants of Pakistan
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards

Abbreviation	Description
IPP	Independent Power Producer
ISE	Islamabad Stock Exchange Limited
ISO	International Organisation for Standardisation
IT	Information Technology
KEL / KE	K-Electric Limited
KESP	KES Power Limited
KGTPS	Korangi Gas Turbine Power Station
KM	Kilometer
KSE	Karachi Stock Exchange Limited
KW&SB	Karachi Water & Sewerage Board
L&OD	Learning & Organisation Development
LSE	Lahore Stock Exchange Limited
MMCFD	Millions of Cubic Feet Per Day
MW	Megawatt
NBFI	Non-Banking Financial Institution
NBP	National Bank of Pakistan
NEPRA	National Electric Power Regulatory Authority
NIFT	National Institutional Facilitation Technologies
NTDC	National Transmission & Dispatch Company
OGDC	Oil & Gas Development Company Ltd
OGRA	Oil & Gas Regulatory Authority
OHSAS	Occupational Health & Safety Assessment System
PKR	Pak Rupees
PMT	Pole Mounted Transformer
PO	Purchase Order
PPA	Power Purchase Agreement
PPL	Pakistan Petroleum Limited
PSO	Pakistan State Oil
PUCARS	Pakistan Unified Corporate Actions Reporting System
RA&SP	Regulatory Affairs & Special Projects
SAP	System Application Products in Data Processing
SCADA	Supervisory Control And Data Acquisition
SCBL	Standard Chartered Bank (Pak) Limited
SECP	Securities & Exchange Commission of Pakistan
SGTPS	SITE Gas Turbine Power Station
SIP	Social Investment Plan
SSGC	Sui Southern Gas Company Limited
TCF	The Citizens Foundation
TFC	Term Finance Certificate
T&D	Transmission & Distribution
UBL	United Bank Limited
USD	US Dollar
VIBC	Virtual Integrated Business Centre

FORM OF PROXY

104th Annual General Meeting

I / We ______________________________ of ______________________________
____________________ being a member of **K-Electric Limited**, hereby appoint ____________________ of
____________________ or failing him / her ____________________ of ____________________ as my / our proxy to attend and vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held at **Navy Welfare Centre, Liaquat Barracks, Karachi** on **Thursday, October 23, 2014** at **11:00 am** or at any adjournment thereof.

As witnessed given under my / our hand(s) this __________ day of October ______, 2014.

Revenue stamp of appropriate value

Shares held ____________________

Shareholder's Folio / Account # ____________________

CNIC # ☐☐☐☐☐-☐☐☐☐☐☐☐-☐

Signature ____________________

The signature should agree with specimen signature registered with the Company.

Proxy Holder's Folio / Account # ____________________

Proxy Holder's CNIC # ☐☐☐☐☐-☐☐☐☐☐☐☐-☐

1.	Witness: ____________	2.	Witness: ____________
	Signature: ____________		Signature: ____________
	Name: ____________		Name: ____________
	CNIC: ____________		CNIC: ____________
	Address: ____________		Address: ____________

Note:

1. Name should be written in **BLOCK LETTERS** and please mention your Folio / CDC Account No. and also the Folio / CDC Account No. of the Proxy Holder.
2. Proxy must be given to a person who is **a member of the Company**, except in the case of companies where the proxy may be given to any of its employees for which a certified true copy of Power of Attorney and / or Board Resolution with regard to the appointment of the proxy should be attached.
3. In case the proxy is the beneficial owner of CDC, **an attested copy of his / her CNIC** or passport must be enclosed.
4. The proxy shall produce **his / her original CNIC or original passport** at the time of the meeting.
5. The proxy form **shall be witnessed by two persons** whose names, addresses and CNIC numbers shall be mentioned on the form.
6. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of **proxy shall be rendered invalid**.

Energy That Moves Life

No postage necessary if mailed in Pakistan

KE House, 39-B,
Sunset Boulevard,
Phase II (Ext) DHA,
Karachi, Pakistan.

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