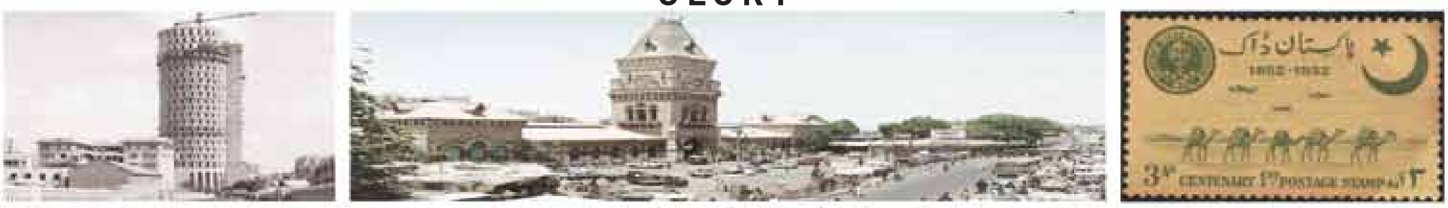
1913

THE BEGINNING

URBANISATION

GLORY

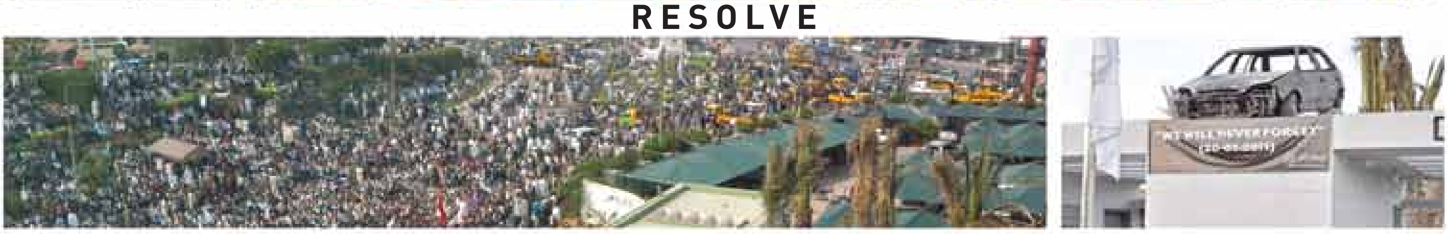


NEGLIGENCE

CRISIS

PRIVATISATION

RESOLVE



TURNAROUND

CENTENNIAL

2013

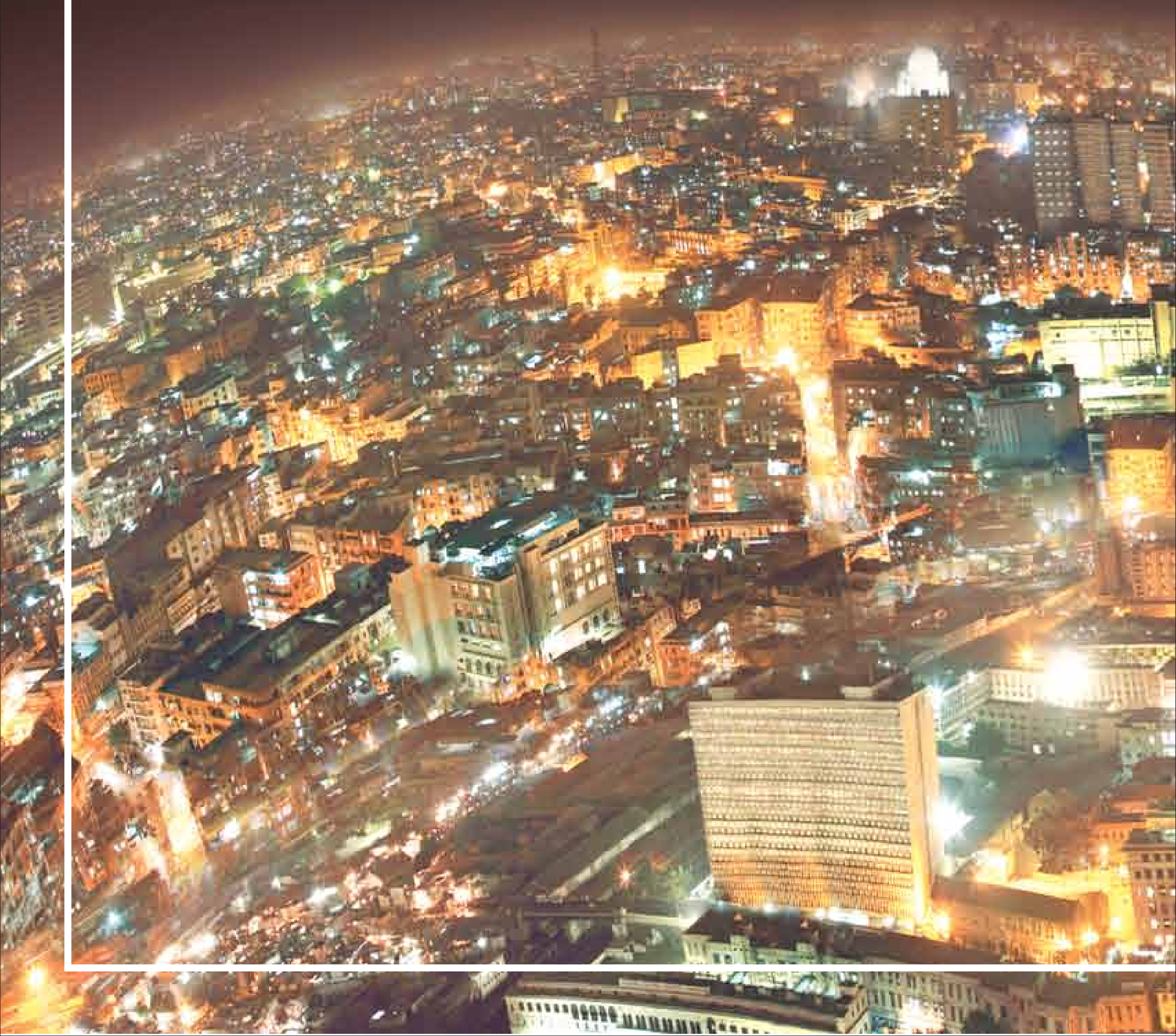
KESC روشنی کا سفر SINCE 1913 Lighting the Way

Annual Report 2013

From a small port town, Karachi transformed into a sprawling metropolis, which rapidly became the financial and economic hub of our nation. However, lack of vision and poor planning in the 80s and 90s led to an acute energy crisis.

Taking over just four years ago, the KESC management has introduced value creation across all aspects of our operations and the financial performance has improved year after year.

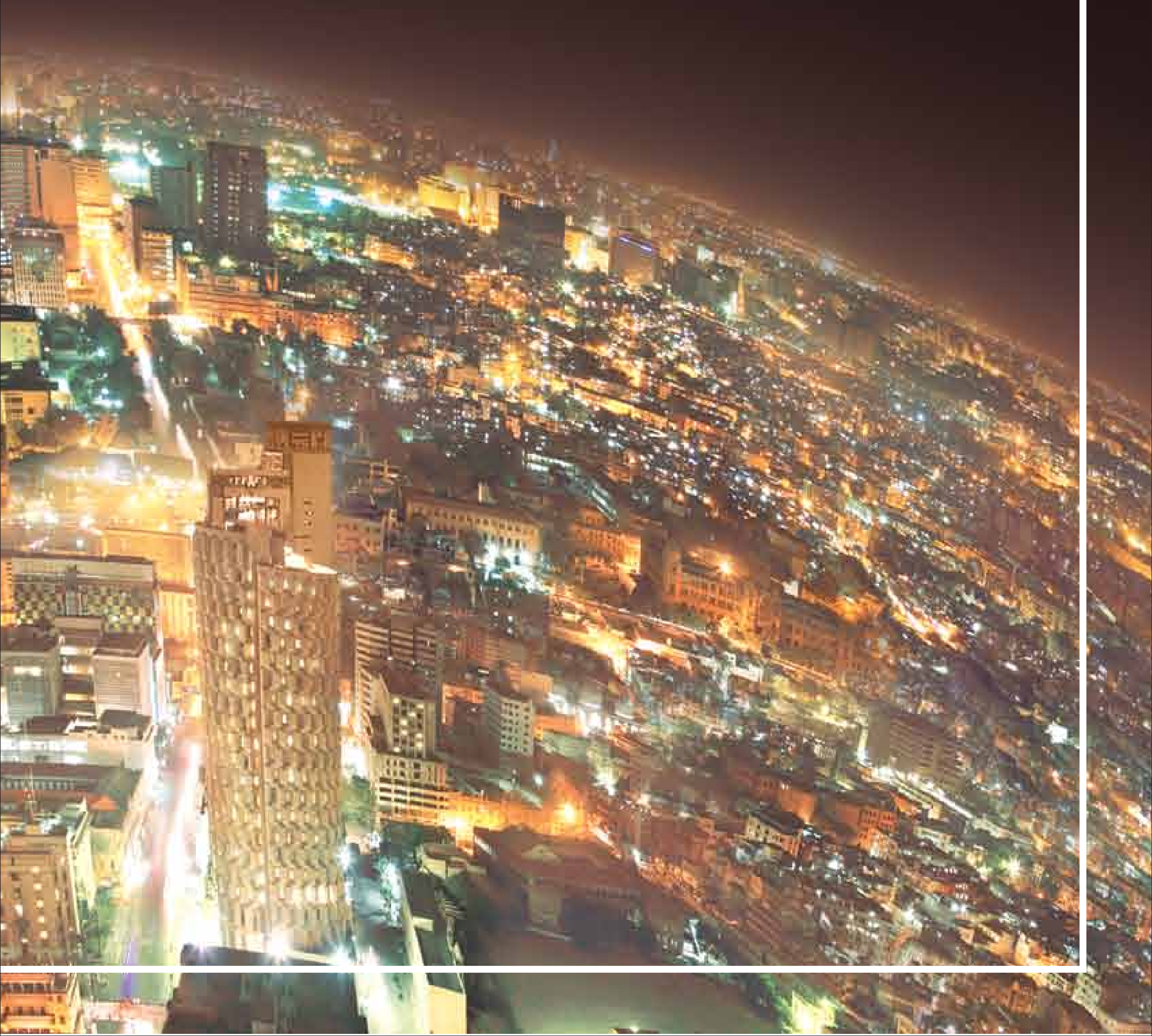
The KESC of today is providing thought leadership to the entire power sector, many of our interventions have been acknowledged as best practices by experts of our field, including the state and the corporate sector of Karachi.



Our commitment to sustainability and to our environment, social and governance (ESG) philosophy have led us to proudly become the first utility in Pakistan to receive an 'A' rating from the Global Reporting Initiative (GRI).

We realise that Karachi is the economic force of Pakistan. KESC and Karachi are synonymous with one another, which is why we were the first to exempt industries from load shed and this in itself is a testament of that realisation.

As KESC enters into the next century, we reaffirm our pledge to continue our journey with greater zeal and commitment.



CONTENTS

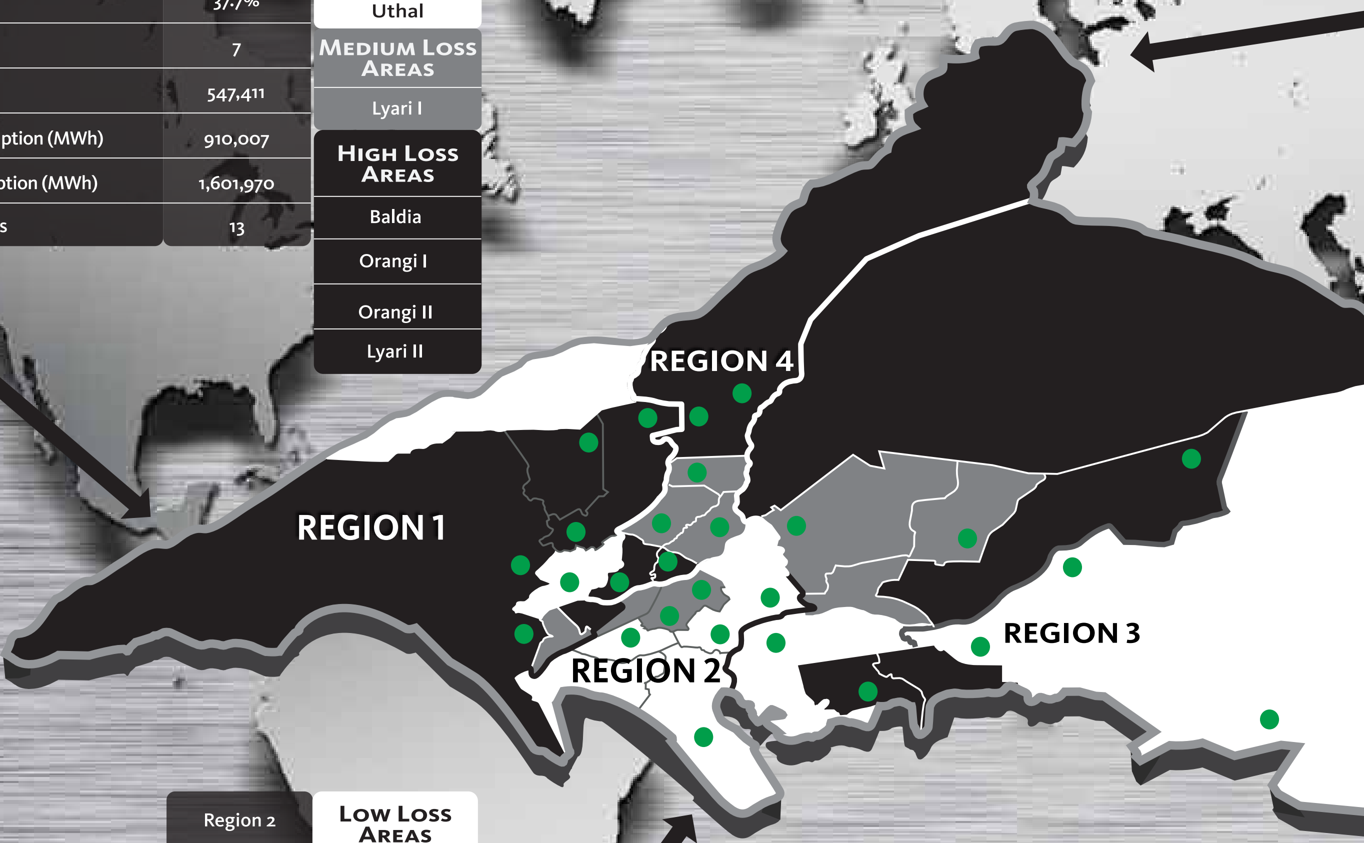
KESC's KARACHI

	Region 1
FY13 D. Loss	29.0%
FY13 AT&C Loss	37.7%
# of IBCs	7
# of Consumers	547,411
Ord. Consumers Consumption (MWh)	910,007
Ind. Consumers Consumption (MWh)	1,601,970
Number of Grid Stations	13

Low Loss Areas
- SITE
- Uthal

Medium Loss Areas
- Lyari I

High Loss Areas
- Baldia
- Orangi I
- Orangi II
- Lyari II



	Region 2
FY13 D. Loss	18.8%
FY13 AT&C Loss	22.0%
# of IBCs	6
# of Consumers	596,441
Ord. Consumers Consumption (MWh)	1,798,964
Ind. Consumers Consumption (MWh)	399,176
Number of Grid Stations	15

Low Loss Areas
- Defence
- Clifton
- Saddar
- Tipu Sultan

Medium Loss Areas
- Garden
- Bahadurabad

KESC has 2,341 MW of installed capacity *

Customer base of approximately 2.5 million

52% of the city exempted from load shed

* 420MW dedicated for coal conversion

KESC's Network of Reach

Residential Consumers 1.8 Million

Public Sector Consumers 13 Thousand

Total Consumers Approximately 2.5 Million

Industrial Consumers 60 Thousand

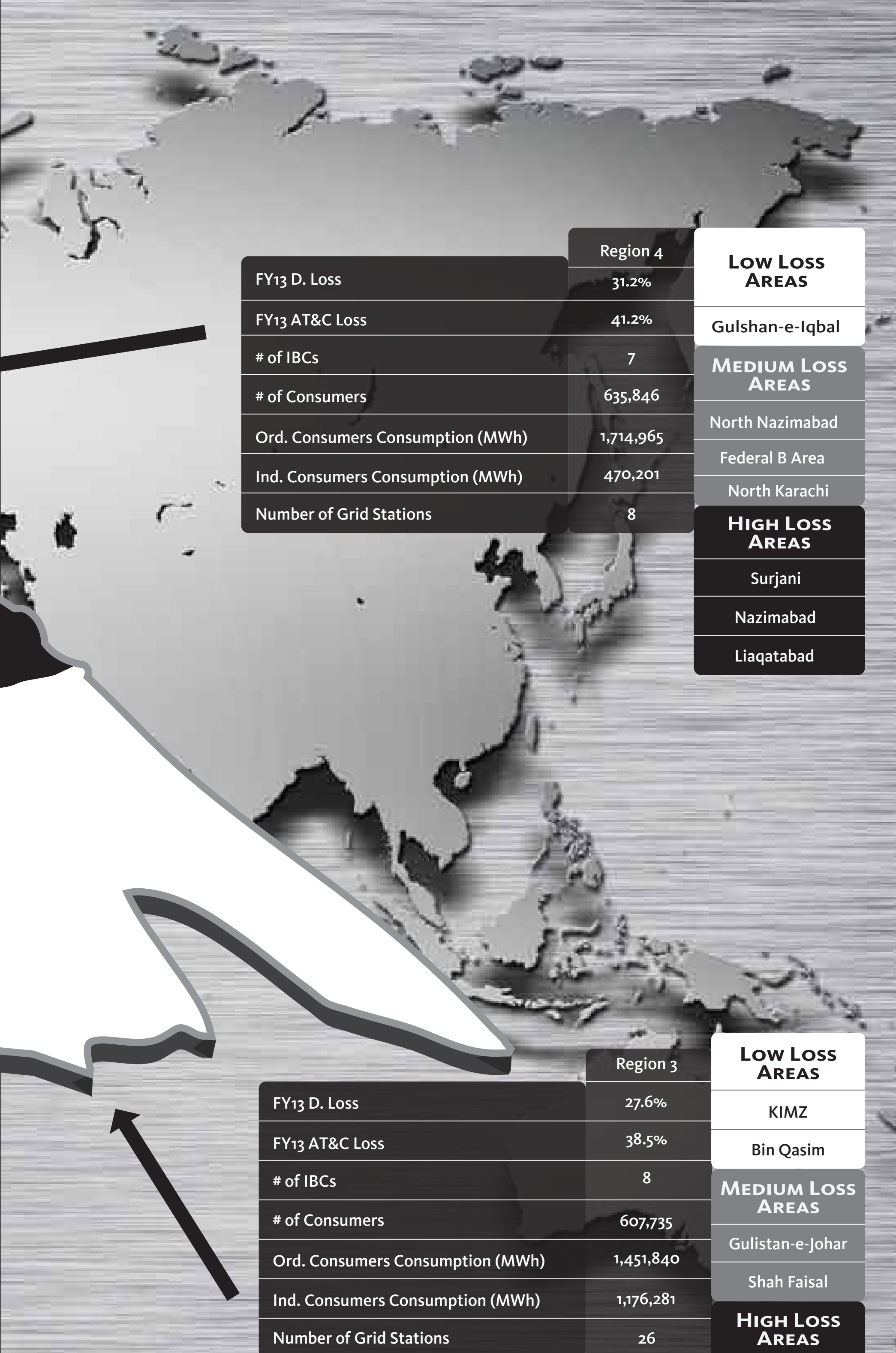
Commercial Consumers 0.6 Million

Area Covered 6,500 square kilometres

KESC, incorporated in **1913,** is a publicly listed, fully integrated power utility involved in generation, transmission and distribution; lighting up Karachi for the last 100 years.

28 **Integrated Business Centres (IBCs)** located across Karachi.

The organisation employs **10,603** workers in different capacities.



	Region 4
FY13 D. Loss	31.2%
FY13 AT&C Loss	41.2%
# of IBCs	7
# of Consumers	635,846
Ord. Consumers Consumption (MWh)	1,714,965
Ind. Consumers Consumption (MWh)	470,201
Number of Grid Stations	8

Low Loss Areas
- Gulshan-e-Iqbal

Medium Loss Areas
- North Nazimabad
- Federal B Area
- North Karachi

High Loss Areas
- Surjani
- Nazimabad
- Liaqatabad

	Region 3
FY13 D. Loss	27.6%
FY13 AT&C Loss	38.5%
# of IBCs	8
# of Consumers	607,735
Ord. Consumers Consumption (MWh)	1,451,840
Ind. Consumers Consumption (MWh)	1,176,281
Number of Grid Stations	26

Low Loss Areas
- KIMZ
- Bin Qasim

Medium Loss Areas
- Gulistan-e-Johar
- Shah Faisal

High Loss Areas
- Korangi
- Gadap
- Landhi
- Malir

Integrated Business Centre

GENERATION

- Installed Capacity
  2,341 MW *

Power Plants:

- Bin Qasim Power Station 1 **1260 MW**
- Bin Qasim Power Station 2 **560 MW**
- Korangi Thermal Power Station **125 MW**
- Korangi Combined Cycle Power Plant **220 MW**
- SITE Gas Turbine Power Station **88 MW**
- Korangi Gas Turbine Power Station **88 MW**

TRANSMISSION

- **62** grid stations and **128** power transformers
- Network of **220**, **132**, and **66** KV circuits
- **1,249** km of overhead and underground cables

DISTRIBUTION

- 11 KV Feeders: **1,340**
- 11 KV Overhead: **2,701 km**
- 11 KV Underground: **5,370 km**
- 400 V Overhead: **10,842 km**
- 400 V Underground: **1,202 km**
- 11 KV Distribution S/S/PMTs: **15,588**
- 11 KV Distribution Capacity: **4,973 MVA**

* 420MW dedicated for coal conversion at BQPS 1 under regulator's approval

Bin Qasim Power Station 2

KESC's

Ghufran Atta Khan
Chief
Engagement
Officer

Syed Muhammad Taha
Chief
Distribution
Officer

Syed Arshad Masood Zahidi
Chief Generation
& Transmission
Officer

Nayyer Hussain
Chief
Executive
Officer

Leadership

Syed Moonis Abdullah Alvi
Chief
Financial Officer
and Company Secretary

Asir Manzur
Chief
Human Resource
Officer

Eram Hasan
Chief
Supply Chain
Officer

Syed Naveed Ahmed
Chief
Business
Development
Officer

Let The City of Lights be our legacy to our children

Our Vision, Mission and Values

OUR VISION

To restore and maintain pride in KESC, Karachi and Pakistan.

OUR MISSION

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

OUR VALUES

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.

What is your Azm?

Governance - 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
(statutory documentation in process)
Noor Ahmed
Omar Khan Lodhi
Shan A. Ashary
Wahid Hamid

Executive Director

Syed Arshad Masood Zahidi

Board Audit Committee (BAC)

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

Board Human Resource & Remuneration Committee (BHR&RC)

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

Board Finance Committee (BFC)

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

Chief Financial Officer and Company Secretary

Syed Moonis Abdullah Alvi

Chief Internal Auditor

Khalilullah Shaikh

Legal Adviser

Abid S. Zuberi & Co.

External Auditors

KPMG Taseer Hadi & Company,
Chartered Accountants

Share Registrar

Central Depository Company of Pakistan Limited

Bankers

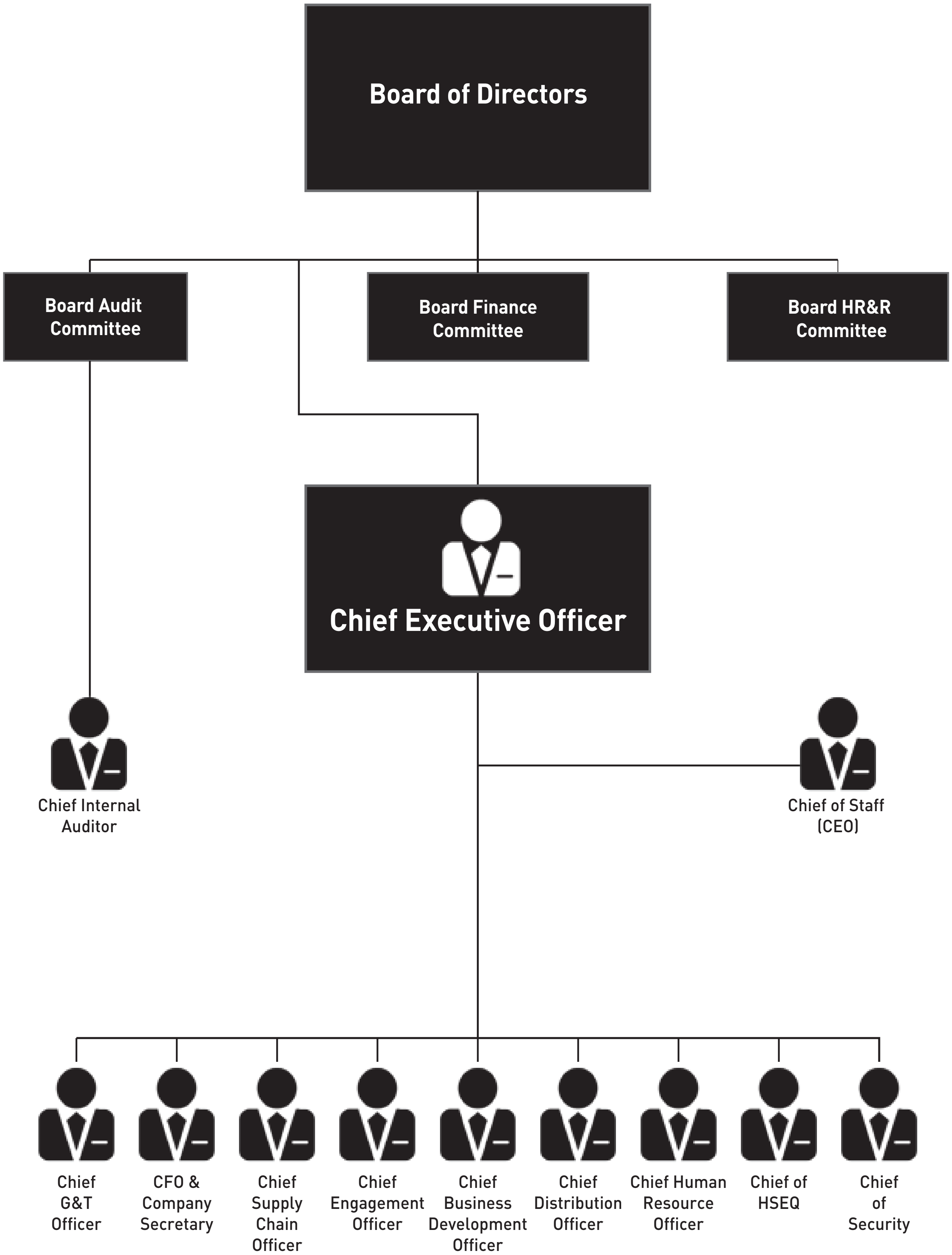
Al-Baraka Bank (Pakistan) Limited
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Citibank N.A.
Faysal Bank Limited
Habib Bank Limited
Industrial & Commercial Bank of China
KASB Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank (Pakistan) Limited
Standard Chartered Modaraba
Summit Bank Limited
United Bank Limited

Registered Office

KESC House, 39-B, Sunset Boulevard, Phase-2
Defence Housing Authority, Karachi

Website

www.kesc.com.pk


Board of Directors
Board Audit Committee
Board Finance Committee
Board HR&R Committee
Chief Executive Officer
Chief Internal Auditor
Chief of Staff (CEO)
Chief G&T Officer
CFO & Company Secretary
Chief Supply Chain Officer
Chief Engagement Officer
Chief Business Development Officer
Chief Distribution Officer
Chief Human Resource Officer
Chief of HSEQ
Chief of Security

Notice of Annual General Meeting

Notice is hereby given that the 103rd Annual General Meeting (AGM) of the Karachi Electric Supply Company Limited will be held at the Navy Welfare Centre, Liaquat Barracks, Karachi on Tuesday, October 29, 2013 at 10:30 a.m. to transact the following business:

Ordinary Business

1. To confirm minutes of the Extraordinary General Meeting (EGM) held on August 23, 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, 2013.
3. To appoint auditors in place of retiring auditors, M/s. KPMG Taseer Hadi & Company, for FY13-14 and to fix their remuneration as recommended by the Board Audit Committee (BAC).

Special Business

1. To approve change of name of the Company:-

   To consider and pass the following as special resolution with or without modification:

   Resolved that the name of the company be and is hereby changed to K-Electric Limited after obtaining requisite statutory approvals pursuant to the Companies Ordinance 1984.
2. Any other business with the permission of the Chair.

By order of the Board
Syed Moonis Abdullah Alvi
Company Secretary
Karachi Electric Supply Company Ltd
Karachi, October 8, 2013

N.B.

(i) Transfer books of the company will remain closed from October 23, 2013 to October 29, 2013 (both days inclusive). Only those persons whose names appear in the register of members of the company as on October 22, 2013 are entitled to attend and participate in and vote at the AGM.

(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 registered office of the company not 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 photocopies of their Computerised National Identity Cards (CNICs) to the company are requested to send the same at the earliest.

CDC account holders will further have to follow the below-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 holder or sub-account holder, 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 a corporate entity, the Board of Directors' resolution/power of attorney with a 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 a specimen signature shall be submitted (unless it has been provided earlier) along with the 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.

Statement U/S 160(1)(b) of the Companies Ordinance 1984

KESC is the 1st power utility to mark 100 years of its existence. Driven by its ESG philosophy, KESC has also become the 1st power utility with a publically announced climate change policy, which represents a commitment to environmental, social and governance value creation. Over the last few years, KESC has practically demonstrated a strong will and the ability to bring about a sustainable change and it is visibly pursuing a path of growth and transformation which places it amongst the most dynamic institutions not only in Pakistan but also in the region. The signs of an operational and financial turnaround are clearly noticed by its stakeholders, who have a reason to believe that KESC now is a renewed entity with a brand new vision and a progressive outlook. Therefore, there is a strong case to reposition and rebrand KESC with a refreshing new visual identity as a manifestation of its aspirations and its current stance as leader among the energy sector companies in Pakistan.

The Directors have no interest in the Special Business as mentioned above.

Profile
of the
Board of Directors

Tabish Gauhar
Chairman

Tabish Gauhar has 19 years of experience in the infrastructure sector in the Middle East, South Asia, Europe and Africa. He is a Partner at The Abraaj Group and non-executive Chairman of KESC, having previously served as its CEO between November 2009 and February 2013. Before joining The Abraaj Group, he was the Regional CFO at AES Corporation for Europe, Middle East & Africa. He has previously worked with International Power on its Hub Power Project in Pakistan.
Mr. Gauhar started his career at Exxon Chemical. He 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, MSF (Pakistan)
Director, Byco Industries Inc. (Mauritius)

Nayyer Hussain
Chief Executive Officer

Nayyer Hussain is the CEO of KESC since February 2013. He served as the 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.

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. Mr. Rafi has been a Non-Executive Director of Unilever Pakistan Ltd. since April 19, 2008.

Other Offices: Non-Executive Director, Unilever Pakistan Limited
Chairman, FAMCO

Frederic Sicre

Non-Executive Director

Frederic Sicre is a Non-Executive Director on the 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 Young President's Organisation.

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, Wamda Limited
Director, Injaz
Director, Dubai Cares

Mubasher H. Sheikh
Non-Executive Director

Mubasher Hussain Sheikh has been a Non-Executive Director on KESC's Board of Directors (BoD) since the privatisation of the company on November 29, 2005.

Mr. Sheikh has been employed by the National Industries Group (Holding), Kuwait, since 2001 and is currently the 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 US$ 5 billion.

Prior to joining NIG, he was an audit manager at Grant Thornton International, Kuwait, where he worked since 1996. He is currently a board member of the Karachi Electric Supply Company 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 US$ 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, National Combined Industries Holding Company for Energy, Kuwait

Muhammad Tayyab Tareen
Non-Executive Director

Muhammad Tayyab Tareen joined KESC on May 27, 2009 and remained an Executive Director till June 10, 2013 in the position of Chief Financial Officer and Chief Strategy Officer. Currently, he is a Non-Executive Director of the company.

Mr. Tareen joined The Abraaj Group in 2006. He has over 20 years of experience, mainly with multinationals, covering areas of business turnarounds, financial management, planning and business acquisitions. Prior to joining Abraaj, 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.

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 is a government-nominated director representing the position of Joint Secretary (Power), Ministry of Water and Power, GoP, Islamabad.

Other Offices: Director, LESCO, PESCO, HESCO, MEPCO and GEPCO

Noor Ahmed
Non-Executive Director (GoP nominee)

Noor Ahmed is a Non-Executive Director on the Board of the Company appointed on September 10, 2013.

Mr. Ahmed is a government-nominated director representing the position of Senior Joint Secretary (CF-II), Finance Division, Ministry of Finance, GoP, Islamabad.

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 has 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: PHPL, GENCO Holding (Pvt) Ltd., ISGSL and PARCO

Omar Khan Lodhi
Non-Executive Director

Omar Khan Lodhi is a Non-Executive Director on KESC's Board 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 20 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 on the Board of the company since November 29, 2005.

Mr. Ashary is a senior executive with 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 Holdings 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 US$ 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

Syed Arshad Masood Zahidi

Executive Director

A Director at The Abraaj Group, currently assigned to Karachi Electric Supply Company, Pakistan as Chief Generation & Transmission Officer.

Mr. Zahidi collectively possesses more than 22 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 KESC in April 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 ten 132 KV grid stations adding more than 700 MVA of transmission capability.

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

Board Committees:

Board Audit Committee (BAC)

Khalid Rafi
Chairman
(Independent Director)

M. Tayyab Tareen
Member
(Non-Executive Director)

Tabish Gauhar
Member
(Non-Executive Director)

Wahid Hamid
Member
(Non-Executive Director)

Mubasher H. Sheikh
Member
(Non-Executive Director)

Board Finance Committee (BFC)

M. Tayyab Tareen
Chairman
(Non-Executive Director)

Omar Khan Lodhi
Member
(Non-Executive Director)

Shan A. Ashary
Member
(Non-Executive Director)

Nayyer Hussain
Member
(Executive Director)

Board Human Resource & Remuneration Committee (BHR&RC)

Omar Khan Lodhi
Chairman
(Non-Executive Director)

Shan A. Ashary
Member
(Non-Executive Director)

M. Tayyab Tareen
Member
(Non-Executive Director)

Attendance of Directors in Board Meetings

Board of Directors (BoD)

S. #	Name	Category	# of meetings held *	# of meetings attended
1.	Waqar Hassan Siddique	Ex-Chairman	3	3
2.	Tabish Gauhar	Chairman/CEO	4	4
3.	Nayyer Hussain	Chief Executive Officer	4	3
4.	Khalid Rafi	Independent Director	3	3
5.	Shan A. Ashary	Non-Executive Director	4	2
6.	Mubasher H. Sheikh	Non-Executive Director	4	3
7.	Muhammad Zargham Eshaq Khan	Non-Executive Director	4	-
8.	Naveed Alauddin	Non-Executive Director	4	-
9.	Omar Khan Lodhi	Non-Executive Director	4	2
10.	Wahid Hamid	Non-Executive Director	3	3
11.	Zafar Mahmood	Non-Executive Director	3	-
12.	Muhammad Tayyab Tareen	Non-Executive Director	4	4
13.	Syed Arshad Masood Zahidi	Executive Director	4	4

Board Audit Committee (BAC)

1.	Khalid Rafi	Chairman	3	3
2.	Mubasher H. Sheikh	Member	4	3
3.	Omar Khan Lodhi	Member	3	2
4.	Tabish Gauhar	Member	1	1
5.	Wahid Hamid	Member	3	2
6.	Muhammad Tayyab Tareen	Member	1	1
7.	Nayyer Hussain	Member	1	1

Board Finance Committee (BFC)

1.	Muhammad Tayyab Tareen	Chairman	4	4
2.	Nayyer Hussain	Member	4	3
3.	Omar Khan Lodhi	Member	4	2
4.	Shan A. Ashary	Member	4	3

* held during the period the concerned director was member of the Board/Committee.

Code of Conduct – Salient Features for the Directors

The Code of Conduct (Code) is intended to assist KESC board members and employees in meeting the standards of professional and personal integrity expected and required of them and compliance with the Code is mandatory for all KESC 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. KESC 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 for Directors:

1. Conflict of Interest

KESC board members must be alert to any situation that could compromise the position of trust they hold as a KESC Board member and avoid any kind of conflict between personal interests and those of KESC.

Each Board member has a primary responsibility to the company and is expected to avoid any activity that could interfere with that responsibility. Board members 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 in each individual scenario.

2. Confidentiality

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

3. Contributions

KESC board members may not use their position to coerce or pressure employees to make contributions or support candidates or political causes.

4. Inducement Payments

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

5. Health and Safety

KESC board members must comply with all applicable laws and KESC policies relating to safety, health and the environment.

6. Trading in Company's Shares

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

7. Compliance with the Code

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

Board's Performance Outlook

The Board of Directors (BoD) of the company comprises thirteen (13) Directors with an overwhelming majority of Non-Executive Directors, including a Non-Executive Chairman and an Independent Director acting as Chairman of the Board Audit Committee (BAC). The Directors are professionals and senior executives having national and international exposure and experience and are fully aware of their roles and responsibilities, business ethics and the code of conduct and best practices of good corporate governance. The Board is fully aware of its role and responsibilities in the company's operations and statutory and corporate compliance. The Board sets its principal focus on strategic direction, long-term business development plan, 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 and major capital expenditure programmes and internal controls, governance and compliance framework.

The roles of the Chairman and CEO are separate; the Chairman provides leadership to the Board, chairs the Board meetings and ensures that the Directors are kept properly informed and all the decisions which are required to be taken at the Board level are put in effect in a timely manner and that the views of the shareholders are known to the Board. Whereas, the CEO has the ultimate responsibility of leading the management, operational performance of the company, handling the day-to-day affairs and implementing the strategy and business plan approved by the Board and risk management.

The Board 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, adoption of best practices of good corporate governance and the achievement of budget targets and key performance indicators.

The process starts with the preparation of working papers on all policy issues, major capital expenditure programmes, key operational, financial and other updates in sufficient detail and objective comparison and variance analysis based on the actual of the corresponding period last year and the budget. The Board pack is circulated to the directors at least seven (7) days before the Board meeting in order to have a comprehensive review and meaningful participation in the Board meeting.

Presentations on financial results, annual budget, major investment proposals and other issues and reports/recommendations of various Board and management committees are also circulated to the Directors for reference purposes, facilitating objectives and meaningful discussions in the Board meeting. Every Board member tries his level best to attend all Board meetings of the company and to actively participate in the discussions on issues confronting the company. The CEO, CFO and relevant group heads present to the Board details of strategic, operational, financial, investment and other proposals and update the Board on a regular basis. Comprehensive discussions are held on all policy and operational issues with the active participation of all Board members and decisions are made in the interest of the company.

The Board makes sure 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 before the Board.

The Board gauges 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) and environmental factors.

Governance, Compliance, Risk and Organisation

Governance

The goal of transforming the organisation into a profit-making, transparent, and effectively governed utility is phenomenal. The first phase included setting up an efficient and effective Board, revamping our top management functions, improving all our procedures, putting in place measures that assure compliance with all relevant and compulsory codes of ethics.

KESC believes that the more it improves its governance, the more it will need to adopt the world's best practices and the respective voluntary codes that govern them. Our desire to adopt the GRI disclosure standards for our sustainability report 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.

Sustainability performance currently plays a crucial role in performance appraisal and organisation policies, but its linkage with compensation is not yet systemised. KESC, thus, plans to create and spell out clear linkages between its ESG performance and the compensations and qualifications of its BoD members, senior managers, and executives.

KESC is also planning to enhance the policies, procedures and mechanisms that ensure conflicts of interest are avoided.

Compliance

Registered in all stock exchanges of Pakistan, KESC abides by a number of codes, including the Code of Corporate Governance, Companies Ordinance 1984, Listing Regulations of Stock Exchanges and Memorandum, and Articles of Associations of the Organisation.

Top Regulatory Bodies

KESC is the only vertically integrated utility involved in generation, transmission and distribution, and hence, it has business licenses for each respective area. As part of the regulatory regime, KESC 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.

KESC also reports to NEPRA for its annual performance regarding the regulated system's parameters. It also reports to NEPRA for compliance against various other components, including legal and operational issues. In addition, KESC also reports on issues related to consumer complaints and dispute resolution.

Tariff is completely a regulatory component controlled by NEPRA. KESC implements the tariff structure as per NEPRA's regulations.

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 (detail in economic sustainability section), the organisation is working on a holistic Business Continuity Plan (BCP).

Due to the nature of KESC's operations involving generation, transmission and distribution of electricity, any discontinuity of business operations affects the organisation as well as the mass 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 support functions. These specialised plans would benefit KESC in the following ways:

- Safeguard internal and external customers as well as protect investments and assets;
- Help KESC 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 the emergency;
- Minimise potential regulatory impacts.

This Disaster Management Plan is Categorised into the Following Three Types of Response Elements

- Operational response - to get the disruption under control as quickly as possible so that normal operation is 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.

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 clear structures, authority limits, and accountabilities, well-understood policies and procedures and budgeting for review processes. The Board establishes corporate strategy and the company's business objectives.

Review

The Board meets quarterly to consider KESC'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 KESC

At KESC, internal auditing is an independent, objective assurance and consulting activity designed to add value and improve its operations. It assists the organisation in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

KESC's Internal Audit Department (IAD) is completely independent of operating activities and the Chief Internal Auditor (CIA) reports directly to the BAC established by the BoDs.

KESC's Internal Audit activities are governed by the following standards

- Local Code of Corporate Governance issued by SECP.
- International Professional Practices Framework (IPPF) and International Standards for the Professional Practice of Internal Auditing (Standards) issued by the Institute of Internal Auditors (IIA).
- Guidelines issued by Information Systems Audit and Control Association (ISACA), an affiliate member of the International Federation of Accountants (IFAC).

KESC's internal audit activities are also governed by an Internal Audit Charter approved by the BAC, which describes the purpose, authority, responsibility and reporting relationship of IAD. All assurance activities are performed in accordance with the risk-based Internal Audit Plan (IAP) approved by the BAC, whereas consulting activities are based on the services requested by the operating management with agreed objectives, scope and reporting.

Records Safety and Confidentiality Policy

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 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 computerised database is maintained for each category of documents separately and the record is subject to periodic checks by internal and external auditors. KESC places due emphasis on confidentiality and safe custody of its financial records. KESC 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 the 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 purposes. Fire proof storage for such documents is also being arranged.

Standards of Business Conduct

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

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. These reporting mechanisms are part of the complaints procedure and are described in the Code of Conduct. 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 the Code and apply appropriate measures when complaints turn out to be substantiated.

Organisation

KESC has been undergoing 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 KESC's sustainability are accounted for, and responsibilities are clearly delineated.

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

DIRECTORS' REPORT

For the Year Ended June 30, 2013

Compliance

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

- It has effective representation of Independent Non-Executive Directors, including those representing minority interests, 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 judgement.
- 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.

CEO's Performance Review

I would like to begin by highlighting a historic milestone achieved by our organisation; KESC has completed a century of lighting the way for the residents of Karachi.

We have already initiated a programme to celebrate our centenary in a manner befitting an institution as iconic as KESC and would like to include our esteemed stakeholders in these festivities. It is a matter of pride for us that this organisation has been serving the Quaid's city for one hundred years now. This city has, from a small coastal town, grown into one of the largest metropolitan cities of the world. Today, we serve over 20 million power consumers, more than 60 thousand industrial units, hospitals, educational institutions, commercial outfits and several sensitive installations and organisations. We are proud of KESC's role and contribution in powering this phenomenal growth that our city has witnessed over the decades.

When we started our journey over four years ago, there were innumerable challenges facing us. The company was in dire need of capital, required to improve its dilapidated infrastructure; management processes were not complementing the defined goals, human resource was demoralised and disillusioned, links with our stakeholders were disrupted at best and KESC's image and reputation were tarnished as a result of years of neglect. Right from the onset, we were cognizant of the fact that we had a big responsibility to transform an entity that is vital for the socio-economic growth and sustainable development of our city and country.

We are all happy and excited to be a part of this continuing journey that has seen significant value creation across all aspects of our operations. We were able to invest over US$ 1 billion in KESC in the shape of debt and equity that enabled us to embark on various new infrastructure projects. We have not only added 1,010 MW of efficient energy generation capacity but also augmented our transmission and distribution infrastructure.

These major initiatives have ensured much improved operational efficiency and system reliability. This year, we recorded the lowest electricity loss numbers in 18 years and the downward trend continues. KESC, today, is a renewed organisation with shared vision and values, where all employees are working wholeheartedly to create a superior service experience for our customers. KESC is undoubtedly providing thought leadership to the entire power sector and many of our interventions have been acknowledged by experts of the field as best practices. Our relationships with key stakeholder groups, both internal and external, have improved and strengthened significantly over time and KESC's brand image continues to get stronger as evidenced by empirical studies.

It was indeed due to our adherence to the best management practices, the tremendous amount of effort and work put in by our people and the support and trust of our business partners and stakeholders that KESC made a profit in 2011-12, for the first time in 17 years. I am happy to see such positive trend setting, and this year again, we have been able to greatly improve our financial performance.

While we are satisfied with the business turnaround, we believe that there are still challenges and obstacles that we must counter to really put KESC on a sustainable development track. Our struggle with circular debt continues and we hope to be able to sort out this issue with the help of the government. Fuel supply reliability from SSGC is a crucial issue that requires the government's intervention in line with the spirit of the gas allocation policy. We are well on our way to pursue our fuel diversification strategy, which aims to bring down the cost of generation for the benefit of our consumers. We are committed to our vision of creating gains for all our stakeholders in accordance with our Environmental, Social and Governance (ESG) value-creation philosophy.

Our resolve to transform KESC into an operationally efficient, socially responsible and financially viable entity remains strong. With steady leadership, focus and diligence, we believe that our goal is within sight and reach. By creating an establishment that fosters sustainable development, we would be able to change the face of the city and power it on its journey to greatness.

Value Creation and Challenges Snapshot

KESC has made major transformational strides since April 09...

Generation

- Energy serving capacity exceeds demand, 1,010 MW added to date (49% increase in generation capacity).
- Fleet efficiency increased from 30.7% (Jan-Jun 08) to 37.8% (Jan-Jun 13).
- Executed Power Purchase Agreement (PPA) and long-term Fuel Supply Agreement (FSA) with NTDC and PSO.

Transmission & Distribution

- T&D losses at an 18-year record low of 27.8%.
- Collection from more than two-thirds of the city stands at 94%.
- Load shed: 52% is exempted; 7% has 3 hrs.
- Transmission losses for 2012-2013 were 1.5%.
- T&D infrastructure augmented and de-bottlenecked – 10 new Grids, 249 new Feeders, SCADA, GIS implementation.
- Complete roll-out of SAP IS-U, the first of its kind in the region.
- One mobile grid augmented in transmission infrastructure.

Human Resource

- Realignment of workforce through restructuring across the board from 17,436 to 10,603 employees.
- Fourth successive performance-based appraisal.
- Outsourcing of non-core functions.

Marketing and Communication

- AZM Change Management Programme, designed around vision and values, was rolled out during the second half of the year. 10,901 KESC employees actively participated in 44 AZM sessions.
- KESC continued its social investment programme under the ESG umbrella during the year 2012-13.
- Marketing campaigns, media engagements and various customer communication drives helped KESC consistently stay within the healthy brand category as established by AC Nielsen's Brand Tracker Study.

Health, Safety and Environment

- Employee training on safety tools/techniques resulted in 45% reduction in employee accidents and 36% reduction in asset damage.

Finance

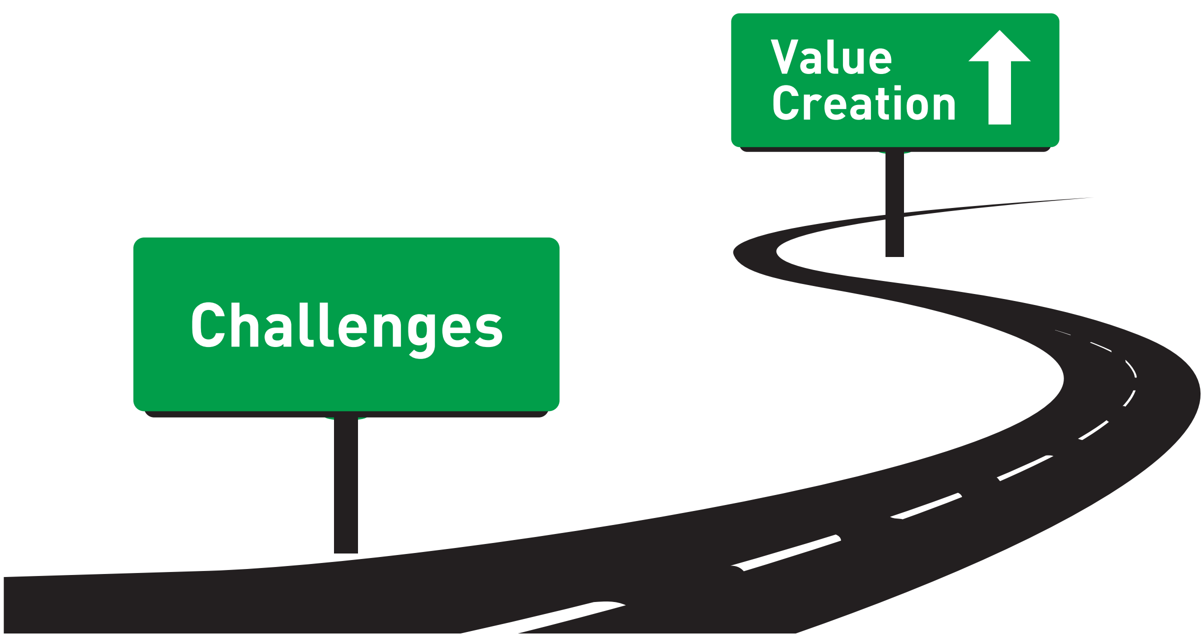
- Marked improvement in key financials:

PKR bn	FY09	FY10	FY11	FY12	FY13
EBITDA	(6.9)	(3.8)	3.5	17.4	26.7
Net Profit (Loss)	(15.5)	(14.6)	(9.4)	2.6	6.7

- Total CAPEX spend of approx. PKR 83 billion across the board.
- Raised incremental long-term bank financing of PKR 35 billion (US$ 401 million) on KESC's balance sheet without any guarantee from GoP.
- Successfully closed Pakistan's first utility sector retail bond of PKR 2 billion. Fully subscribed within 6 weeks.
- US$ 361 million equity injection completed as per commitment, with full subscription by GoP of US$ 122.5 million.
- IFC/ADB converted US$ 50 million (US$ 25 million each) of long-term loan into equity in December 2012 – validating the investment case and success of the turnaround strategy.

External Challenges Affecting the Pace of Change...

- Stagnated economy, high inflation and 71% increase in average tariff since FY09 has negatively impacted the customers' propensity to pay.
- Poor law & order situation – Hampered loss reduction and recovery efforts in 11 no-go/low income areas where combined Aggregate Technical & Commercial loss stood at 62%.
- Significant drop in gas supply and compensating increase in FO consumption (3.5 x more expensive).
- Fuel Mix (Gas:FO) deteriorated from 78:22 in 2009 to 62:38 in 2013.
- GoP Receivables ("Circular Debt") of PKR 76 billion.



PERFORMANCE OVERVIEW

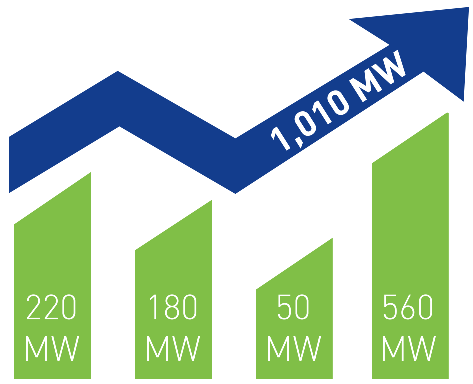
Generation and Transmission

Generation Capacity Enhancement

Generation capacity has been enhanced by 1,010 MW and overall efficiency has improved by 23%.

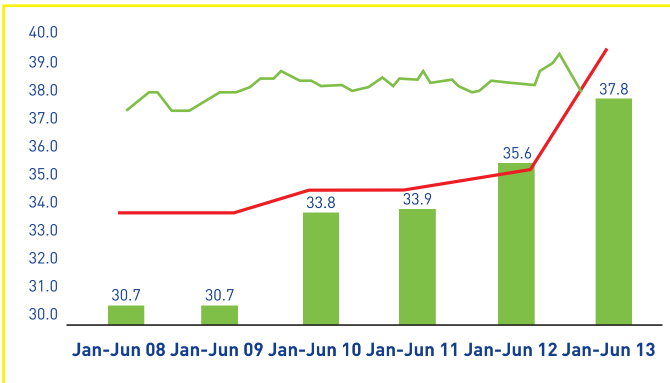
Capacity Enhancement **1,010 MW**

- 220 MW CCPP Korangi.
- 180 MW GEJB Korangi and SITE.
- 50 MW BQPS-1 rehabilitation.
- 560 MW BQPS-2.

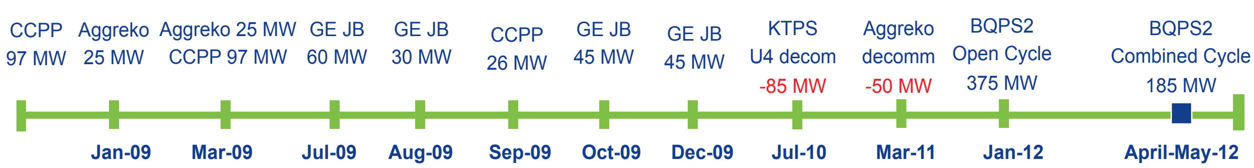


Improvement in Fleet Efficiency **23%**

- 23% Efficiency Gain (Jan-Jun 08 to Jan-Jun 13).
- Addition of new, efficient plants.
- Major overhaul of three units and annual maintenance of BQPS.
- Achieved highest ever fleet efficiency of 39.2% in Dec 12.



- Efficiency increased by 10% with the addition of GEJB (S and K) and 220 MW CCPP in Jan-Jun 10 compared to Jan-Jun 08.
- Efficiency increased by a further 12% due to continuous operation of BQPS-2 in Jan–Jun 13.



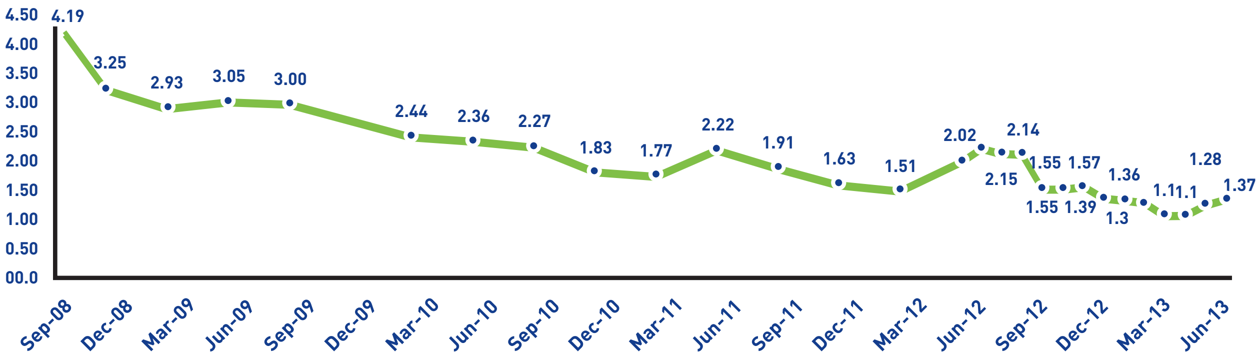
1,010 MW added to date

Transmission System Maintenance

Increased reliability in transmission network and transmission losses reduced by half.

- 189 km old EHT line rehabilitated
- Additional 62 km EHT lines added

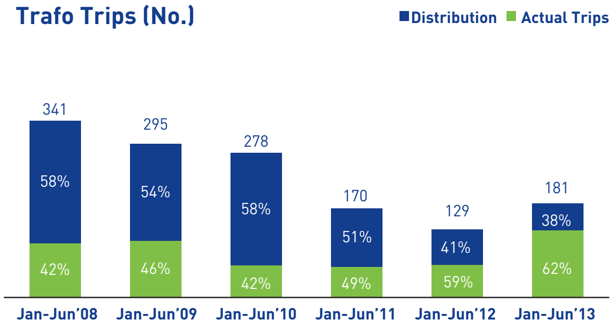
Reduction in Transmission Losses 2.8%



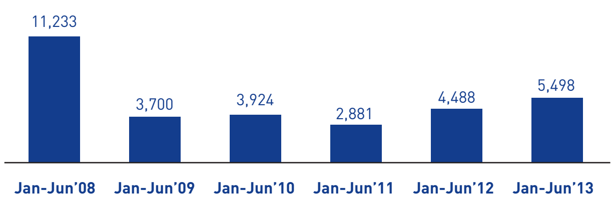
Power Transformers Reliability

- 47% reduction in transformer tripping vs. 2008.
- 66% less transformer trips occurred on 11 KV distribution network from Jan-Jun 08 to Jan-Jun 13.
- Fault response improvement; 51% reduction in un-served energy vs. 2008.

Trafo Trips (No.)



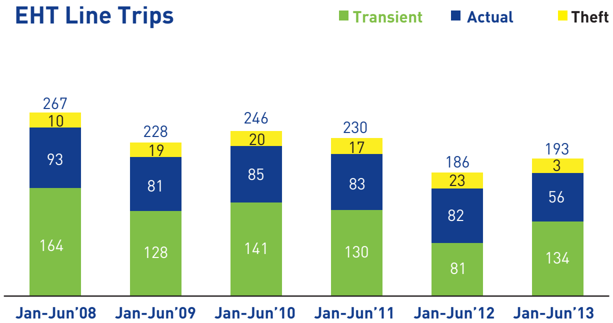
Un-served Energy (MWH)



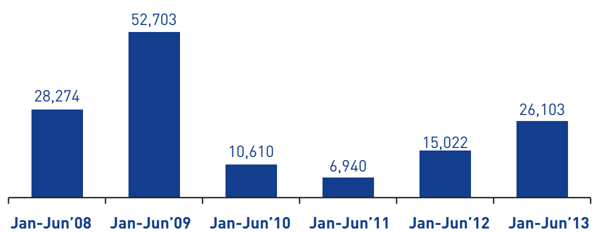
Transmission Lines Reliability

- 27% reduction in transmission line trips vs. 2008.
- 70% decrease in theft vs. 2008 (87% decrease vs. 2011).
- Fault response improvement; 13% reduction in un-served energy vs. 2008.

EHT Line Trips



Un-served Energy (MWH)



Generation and Transmission Projects

Efficiency Projects

- Conversion of open cycle to combined cycle.
- CCPP (GTs 1 and 2), GE-JB SITE, GE-JB Korangi.
- 47 MW would be added to the system and the efficiency of the plants will increase by approximately 4%.

Capacity Addition in Grid and Transmission System

Grids Added

- One mobile grid at KDA: 15/20 MVA in FY12-13.
- 10 new grid stations since April 2009.
- Net addition in transformation capacity: 635 MVA since April 2009.
- 22 new 11 KV feeders installed in 2012-2013; R&C and Industrial.

Grid Projects

- Aga Khan Grid: project awarded to M/S Siemens. Kick-off held on March 3, 2013.
- Mahmoodabad Grid: 30% civil works complete. On hold due to court case.
- KTGT rehabilitation will be carried out with the closing-of-cycle project.

New Transmission Lines

- 19 new circuits.
- 62 km of new transmission lines.
- 189 km circuit length rehabilitated since April 2009.

New Connections

- M/S ASG metal completed in November 2012.

SCADA

- Integration of SSGC supplied gas pressure and volume signal acquisition in SCADA.
- Automatic load rejection/circuit tripping on NTDC import set-point violation (completed).
- Display of power system frequencies of KESC at KDA, BQPS and Baldia.

Transmission Package

- 3 new 132 KV strategic grid stations; Mominabad, Old Golimar, Shadman.
- Addition of 6 power transformers (240 MVA capacity).
- Addition of auto transformers, 2 with bays (500 MVA 132 KV transformation capacity).
- Addition of 2 new 132 KV transmission lines (D/C and S/C).

Transmission Line Projects

- Clifton Gantry: 132 KV line from Mai Kolachi Gantry Clifton G/S energised on March 1, 2013.
- Mehmoodabad-Qayyumabad U/G cable: On hold due to stay order granted by the Sindh High Court.

Key Business Achievements

Human Resource

Comprehensive G&T training programme planned and executed on continuous basis for developing employees' skills at all levels.

Resource Rationalisation; Organisation chart across all layers of the G&T function.

EH & S Initiatives

OHSAS certification 18001:2007 achieved for all generating stations.

ISO 14001 (Environment Management System) achieved at KCCPP & BQPS-2.

Environmental and Social Impact Assessment (ESIA) carried out for all projects.

Reliability Projects

Contractual Service Agreement with GE worth US$ 11.35 million for LM6000 GTs (CCPP).

Contractual Service Agreement with GE worth US$ 28 million for GE 9E GTs at BQPS-2.

Process Optimisation

ISO 9001 certification at Korangi CCPP.

SAP Implementation at all generating stations.

SAP Implementation (Transmission); Entire 220 KV system assets and 25% of grid assets added to SAP database.

Task of uploading data of all 132 KV and 220 KV transmission lines is in progress. APM through SAP has been initiated.

Local Fabrication Cell

Initiative for substituting costly imports of parts/spares through local fabrication. Highly skilled manpower employed for design, reverse engineering and testing of costly imported spares.

State-of-the-art technology put in use for scanning, prototype building and testing of identified components.

Transmission System as on June 30, 2013

Description Transmission System	Length	Addition During 2012-13	As on Jun 30, 2013
220 KV Overhead	Circuit Km	2.10	323.30
220 KV Underground	Circuit Km	(2.10)	14.71
132 KV Overhead	Circuit Km	0.32	611.21
132 KV Underground	Circuit Km	0.09	150.20
66 KV Overhead	Circuit Km	-	149.40
66 KV Underground	Circuit Km	-	-
Total	Circuit Km	0.41	1,248.82
220/132/66/11 KV Grid Stations	**Nos.**	**1.00**	**62.00**
Transmission Capacity in MVA			
Auto Transformers :			
220/132 KV	MVA	-	3,000.00
132/66 KV	MVA	-	100.00
132/11 KV	MVA	(66.50)	4,510.50
66/11 KV	MVA	-	60.00
	Total	**(66.50)**	**4,570.50**
Load Frequency			
	2008-09	**2012-13**	
Description			
1) System peak demand MW	2,462	2,778	
2) Base demand (Night) MW	1,057	1,115	
3) System load factor	67.94%	62.40%	

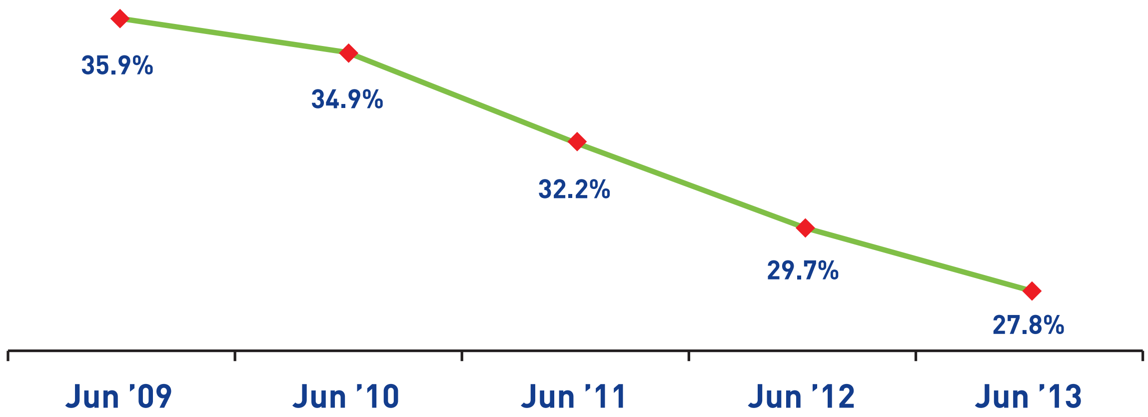
Operating Results

		Jul to Jun 13	Jul to Jun 12
Max. Demand	MW	2,778	2,596
Units Generated	MWh	8,567,221	8,029,402
Auxiliary Consumption	MWh	664,554	635,373
	%	7.80%	7.90%
Units Sent-Out	MWh	7,902,667	7,394,029
Total Power Purchase	MWh	7,256,977	7,230,325
Total Units Available	MWh	15,159,644	14,624,354
Units Billed	MWh	10,941,827	10,276,250
T&D Losses	MWh	4,217,817	4,348,104
	%	27.8%	29.7%

Distribution – T&D Losses

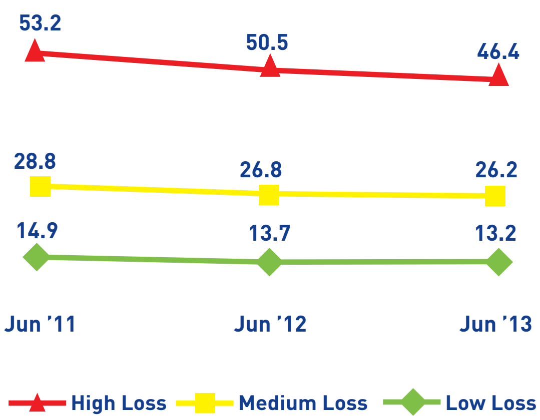
Annualised T&D losses at the end of FY13 stood at 27.8%, representing an 8.1% reduction since FY09

T&D Losses (%) – Rolling Average



- Special emphasis on resource optimisation and employee productivity.
- SAP IS-U rolled out for all IBCs and public sector consumers.
- External factors negatively impacting the business:
  - Inevitable load shed of best consumer-base (industry) during reduced gas supply regime.
  - Conversion of key consumers into captive consumers.
  - Significant increase in sent-out from last year.

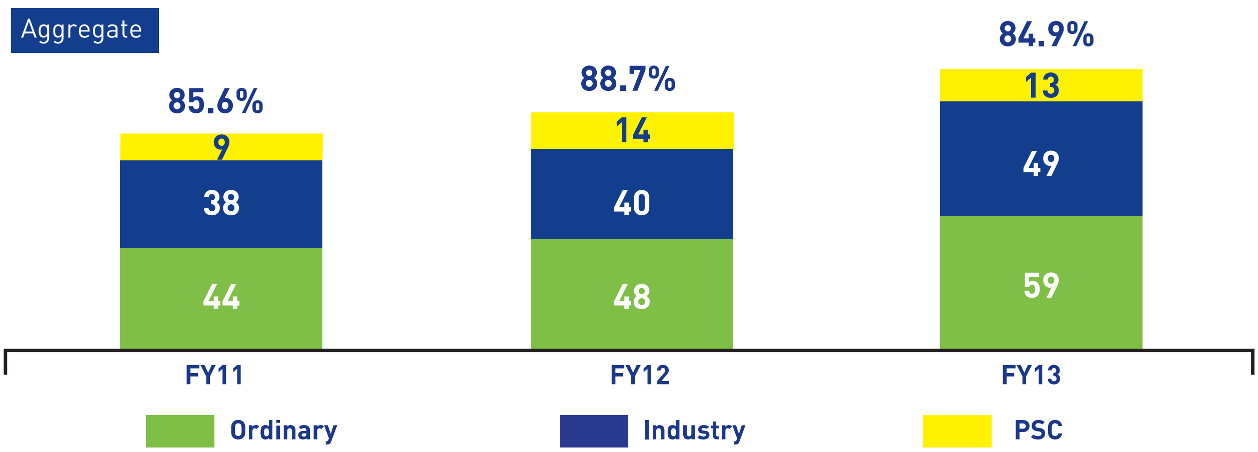
Distribution Losses (%) by Segment – Rolling Average

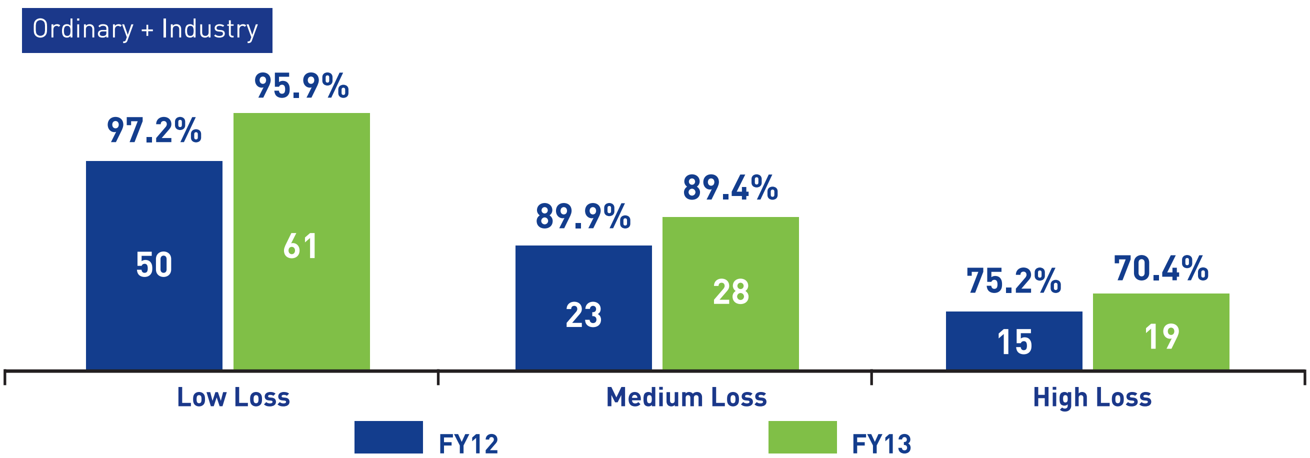


- Low and medium loss areas comprise 17 out of the 28 IBCs consuming 70% of overall energy.
- Supply management (segmented load shedding) – under reward and reprimand policy - 52% of feeders are under load shed free regime.

Distribution – Recoveries

Recovery Ratio (%), Cash Collections (PKR Billions)





- 100% recovery ratio from industrial consumers.
- Two-thirds of KESC (based on energy sent-out) recorded a recovery ratio of about 94%.
- Recovery from public sector consumers, including water utility and the city government, took a nosedive by 15% (FY13: 63%; FY12: 78%).
- Massive recovery drive helped uncover 1.5 times more power thieves this year as compared to previous years.
- Payment plan in low income areas, made flexible through Rebate and Token Payment options, helped us recover around PKR 500 million from habitual defaulters.
- External factors adversely affecting business:
  - Revision in the subsidy mechanism for agricultural consumers.
  - Prevailing law and order situation in the city hampering routine operations.
  - 16.7% increase in power tariff during FY13 as compared to FY12.

Building on our 100 year legacy for a brighter tomorrow

1913

On September 13, 1913, a 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, growing quickly with the growing city.

1947 - 1951

As Pakistan became a reality, Karachi saw a sudden surge in population and power demand also increased rapidly.

1952

KESC was nationalized by the Government of Pakistan in order to facilitate the much needed investment in its infrastructure.

1953 -1980

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

1981-2000

KESC's flagship Bin Qasim 1 was added to the generation fleet. KESC was first given under WAPDA's control and later Pakistan Army took over the company's management.

2005

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

Khidmat Mein Roshan

2013

THE TURNAROUND

2008

The Abraaj Group led management took charge and the Turnaround Story began.

Unprecedented Investment

Over the next few years more than US$ one billion was invested in KESC, adding 1010 MWs of generation capacity, enhancing our transmission & distribution capabilities and renewing our focus on customer service.

What is your Azm?

AZM Change Management Programme

The largest cultural change management programme in the corporate history of Pakistan was initiated. KESC embarked on a sustainability journey with renewed vision, mission and values.

Regaining Karachi's Identity

Massive efforts were made to reduce electricity losses. Lowest ever power losses in 18 years were recorded in 2012-13. KESC posted a profit for the first time in 17 years in 2011-12.

Thought Leadership

KESC initiated work on Biogas and coal conversion projects. Driven by its ESG value creation philosophy, Climate Change Policy, Energy Conservation and Social Empowerment programmes were undertaken. KESC won numerous awards in CSR and Environment excellence.

The Journey Continues

A century gone by, our journey towards transforming KESC into a progressive, sustainable and a vibrant entity continues with a renewed resolve.

روشنی کا سفر

SINCE 1913

Lighting the Way

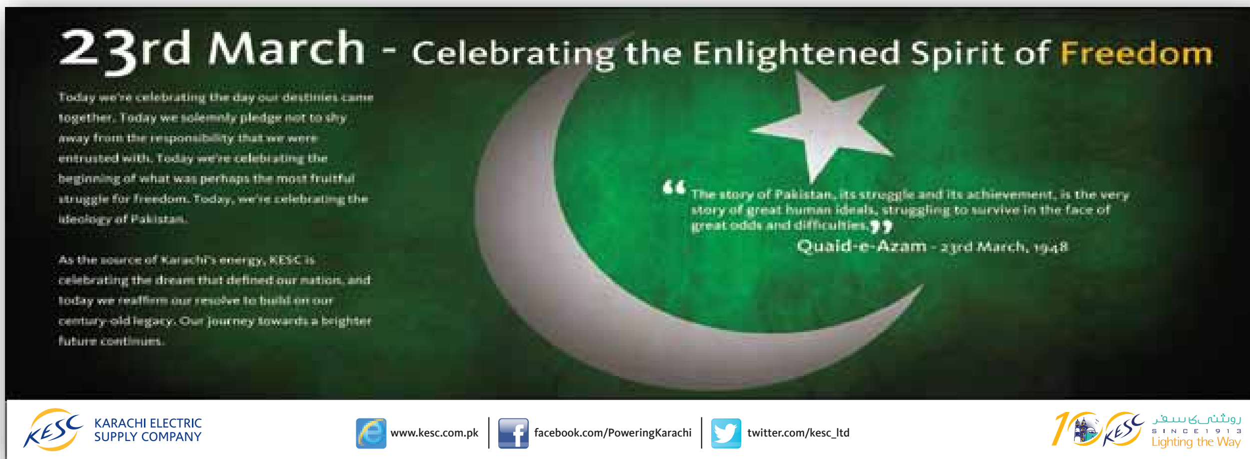
Marketing and Communication

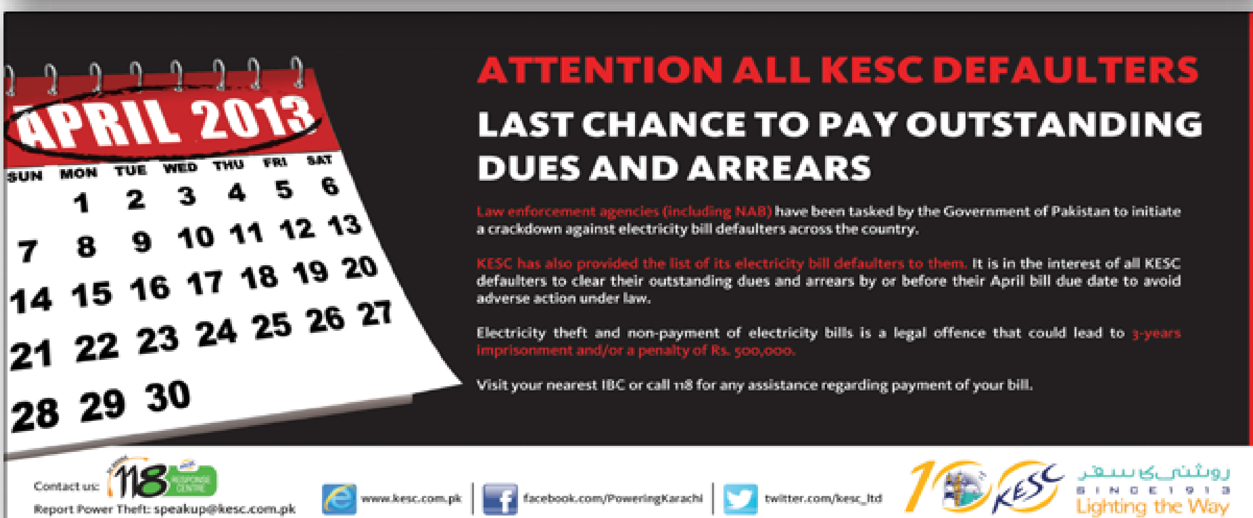
Strategy in Action – Stakeholder Engagement

Winning stakeholders' confidence through regular, open and transparent communication.

- Reconnecting with our stakeholders.
- Greater focus on interactive approach.
- Communication aligned with core business strategies.
- "AZM and UMEED" newsletters – Internal and external publications.
- Relationship-based proactive media engagement.
- E-billing and comprehensive e-payment solution.
- Social media and digital marketing – Twitter: 17,641 tweets and 8,583 followers; Facebook: 6,031 likes.
- Recovery campaign in compliance with regulatory authorities.
- Branding of KESC assets.
- Branding of corporate events.

Brand Equity Index	
October 09	0.74
February 10	0.78
August 10	2.01
December 10	2.52
December 11	3.2





Working Passionately on Sustainable Development across Our Stakeholders' Universe

- Integrated Sustainability Report Jun 09-Jun 12 – Level 'A' rating in the first attempt.
- Social Investment Programme (SIP) - Providing relief to seven social welfare organisations in health and education sectors. Institutions like TCF, SIUT, Karavan-e-Hayat, Indus Hospital, MALC and LRBT are provided free/subsidised electricity. Outreach: 2.2 million.
- Uninterrupted power supply to 17 major hospitals of Karachi. Outreach: approx. 5.5 million.
- Employee Volunteer Programmes – 150,000 volunteer hours.
- Emergency Response Initiatives – PKR 9,048,866 paid.
- Energy conservation outreach programme.
- Thought Leadership Forum.

Creating Sustainable Community Impact Through Sports

- Runners-up – Pakistan Premier Football League 2012.
- 2nd Position – National Football Challenge Cup.
- Runners-up – PCB Patron's Trophy including 4 individual awards.

Shake the Net is rolled out to different communities where Abraaj-managed companies exist.

HR Restructuring

Supporting KESC's public-to-private sector turnaround through aggressive HR restructuring (reduction of headcount by approximtely 6,800 to 10,603) and creating a performance-driven culture.

	Initiatives	Impact
Right-sizing	• Conversion of 3,500 employees from non-management to management cadre followed by regularisation of 5,700 contractual staff. • Voluntary Separation Scheme (VSS) costing PKR 6.0 billion (US$ 67 million) for 4,459 non-core staff. • Outsourcing of 4,459 non-core positions despite resistance and violence faced.	• Balancing of lopsided management versus non-management structure: ✓ Apr-09 : 1,899/15,537 ✓ Sep-12: 5,55/5,682 • 3,400 staff opted for VSS, remaining retrenched. • Non-core staff successfully outsourced.
Change Management	• Roll-out of AZM Change Management Programme – sessions held for 5,817 non-management employees and officers to bridge employee and senior management gap. • One of the largest OD initiatives carried out by a private sector organisation.	• Employees informed, aligned and motivated. • Platform provided to NMS for their professional, attitudinal and behavioural refinement.
Accountability	• Implementation of disciplinary committee for the first time – HR legal cell constituted in Jan 10 in order to take disciplinary action where required.	• Systems and policies created to deal with misconduct. • 1,022 employees dismissed/ terminated across all cadres due to corruption, theft and misconduct.
Performance Monitoring	• Annual bell curve evaluation system for management and staff introduced. • "Variable Yearly Performance Reward Matrix" implemented for all employees. • 360-degree performance reviews initiated. High potential employee programme launched.	• Visibility on employees' capability and contribution to the organisation. • Filtration of incompetent workforce. • Enable appropriate career development and growth, with fast track paths for high potential employees.

Learning and Organisational Development Initiatives

	Initiatives	Impact
Induction Programme	Infuse fresh blood through management trainees/trainee engineers from various top-ranked institutes. Through these programmes, trainees will be acquainted with all the facets of the business.	Induction and training of 863 young professionals since 2008. 989 candidates (TEs and MTs) assessed in business and engineering universities across Pakistan. Recruitment drive to induct 190 fresh graduates as MTs and TEs from top institutions.
Career Progression Plan	Career progression plan (Karkun to Lineman). 1,182 Karkuns assessed through assessment centre from a pool of 2,156. Training plan: • 10 days (classroom) • 30 days (on-the-job)	800 trained semi-skilled linemen will be provided for business. Trainees are divided into 17 batches. 6th batch has completed on-the-job training. 213 employees have been promoted.
Training Calendar	Rolled out training calendar to meet training needs, compiled through TNA. Investment in human capital development. Technical as well as professional management skills development programmes (from technical to senior management level).	Building people and organisational capabilities and making KESC a learning organisation. Total learning interventions from April to June: 28 sessions. Total employees trained: 844. Training man-hours: 2,68,392.

Health and Safety

Year-on-Year

- 45% reduction in employee accidents, 36% reduction in assets damaged.
- Revamping 11 KV feeder - Preventive maintenance, resulting in 54% reduction in tripping.
- Introduction of fire safety and housekeeping award, which defines a system for ensuring compliance with the prescribed fire safety and housekeeping practices.
- 1,304 safety inspections conducted in distribution, grids, generation plants and other support departments. Implementation of fire management system to increase asset value.
- 2,083 vaccinations of staff and families were carried out.
- An increase of 122% in hazard reporting through "Electronic Safe Card" on the KESC website.
- Placement of over 20,000 retro-reflective warning signs on electric poles in public fatality prone areas.
- 11,168 staff - all cadres attended safety awareness sessions.
- Industrial safety and basic firefighting training imparted to around 500 engineering students of NED Karachi and NUST Islamabad.

Environment and Quality

KESC, through its recently enacted Climate Change Policy, aims to provide clean, reliable and affordable energy for the sustainable development of Karachi.

Reducing Carbon Footprint

Four-fold strategy to improve the energy infrastructure and reduce the effect of GHG emissions

- KESC's existing critical infrastructure to be reviewed and various technically sustainable solutions implemented (see below).
- Working extensively on developing and promoting new renewable energy infrastructure.
- Actively advocating energy conservation and efficiency practices among various consumer segments and other stakeholders.
- Implementing emission monitoring systems, material handling and waste material management systems in compliance with international environmental standards.

Renewable energy targets to be achieved in the next five years

- A waste-to-energy project utilising biodegradable matter to generate up to 22 MW electricity and organic fertiliser.
- Addition of 50-100 MW wind power in the overall generation mix through offtake agreements.
- 10 MW in aggregate of off-grid solar-based projects in far-flung areas within the KESC-licensed domain to be explored.
- Addition of hydroelectric power to KESC's overall generation mix through offtake agreements with independent developers.

Energy efficiency, conservation and GHG emission reduction

KESC is working on the following initiatives to reduce emissions from our current infrastructure:

- Open-to-combined-cycle power projects at the existing plants at SITE and Korangi.
- Incentivising industries using captive power (average efficiency 20%) to switch back to KESC (average efficiency 45%).
- Facilitating the revival of the 80 MW DHA cogeneration and desalination (power and water) plant.
- Transmission and Distribution (T&D) technical loss reduction package via Pakistan's first smart grid project.
- Replacement of all our internal equipment containing CFC compound (air conditioners, refrigerators, water cooling machines, etc.) with HFC-134a compound.
- Power factor improvement projects and free energy audit service for industrial and commercial customers.
- Active participation in the ADB-funded national energy-saver distribution programme.
- Cost-sharing in the conversion of main municipal thoroughfare street lights and landmark monuments to LED and solar lights.
- Collaboration with USAID on the KWSB pumping stations efficiency project.

Supply Chain

Efficiency and productivity gains through BPR, automation and improved controls.

Fleet Management

- Streamlined FM operations for improved efficiency and control.
- CRM-approach: 360° view of fleet resources – vehicles, utilisation and fuel consumption.
- End-to-end SAP implementation completed.
- Fleet outsourcing: 29% reduction in KESC-owned fleet strength, 17% reduction in fuel.
- Fleet age reduced by inducting new hired vehicles.

Real Estate

- Rent-free vision – Rented premises reduced from 34 to 22 in FY13, saving PKR 36 million per annum.
- 84 construction/renovation projects worth PKR 332 million delivered.
- Work on an automated system for properties started.

Procurement

- Service codes introduced in distribution services, fleet and manpower.
- Long Term Service Agreement (LTSA) and Material Stream Agreement (MSA) signed with GE for BQPS-2 and with GE JB for KGTPS and SGTPS respectively.
- Global supply network enhanced covering the requirements of generating stations. More than 150 new suppliers introduced for generation since 2011.

Inventory Management

- Stock SKUs reduced from 3,500 to 2,318 in FY13.
- SAP utilisation enhanced. Increased use of SAP reporting tools.
- Satellite Distribution Maintenance Stores SAP enabled, improving system-wide stock monitoring.

Transformer Workshop

- Repair capacity of workshop increased to 2000 transformers per annum @ IEC 60076-1 standards.
- Implementation of SAP started.


Bay-5
KESC

IT Overview

SAP IS-U

- Implementation of SAP IS-U utility industry solution for customer care and billing, covering all consumer facing offices. This is the first implementation of its kind in Pakistan.

SAP ERP

- SAP ERP module enhancement in progress.
- Mechanism developed for cross charging of O&M expenses through Finance and Controlling (FICO) module completed.
- PS module for CAPEX budgeting completed.
- Fleet management project completed.
- Work Clearance Management (WCM) related to SAP Plant Maintenance (PM) implemented for CCPP and BQPS-2. For BQPS-1 and SGTPS, activities are in progress.

GIS Project

- EHT 132 KV update of staking sheets with transmission department in progress.
- Smart grid to GIS integration in progress.
- 11 KV/HT network in progress.
- GPS survey of customer data in IBC Defence 100% complete, other IBCs progressing.
- POC developed for Web GIS.

Other Initiatives

- Smart grid project initiated.
- Monitoring of server event logs by Arc Sight SIEM started.

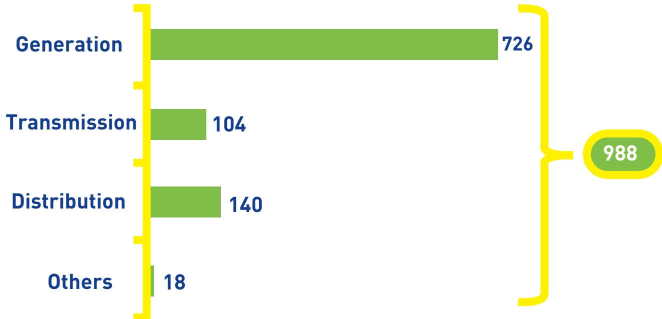
Energy Conservation

- Approx. 2.5 million consumers tapped (through different mediums both in-house and outreach).
- 216 MW of load optimised through energy conservation teams, in-house and outreach activities.
- Providing awareness and assistance regarding power factor improvement, and so far obtained 269 MVA capacity margin, released by improving the quality of supply in the system, besides reduction in technical and commercial losses.
- Reaching over 2.2 million consumers monthly through the energy conservation tips printed on electricity bills other than ATL and BTL activities under the mass awareness campaign.
- Consultation with strategic organisations including MoWP, ENERCON, PEPCO, IEEP, PEC, IEP, on energy conservation efficiency and green environment aligned with the company's "Climate Change" policy.
- Transformation of exterior and park conventional lights to green energy LEDs at Quaid-e-Azam's mausoleum.
- In-house consumption reduced through the replacement of conventional lights and appliances with energy-efficient ones, regular surveys and monitoring of energy conservation practices in KESC offices and installations in compliance with the Climate Change Policy and CEO-EC guidelines.
- National CFL programme in collaboration with PEPCO: distribution of 2.7 million CFLs amongst domestic consumers - saving approx. 107 MW, in close liaison with government stakeholders (ADB, PEPCO, MoWP and DISCOs) and in-house departments.
- In continuous contact with different communities (such as Memon, Bhora, Agha Khan, Faizan-e-Madina, Churches) for the transformation and inclusion of energy conservation guidelines into their spiritual sermons.
- The EC team is encouraging consumers from all walks of life towards plantation in Karachi to reduce carbon footprint, and so far, the EC team along with the in-house departments, various organisations and educational institutions such as NED, Agha Khan School, Mama Parsi, and Memon Industrial and Technical Institute (MITI), has planted around 1,500 trees.

Financial Performance

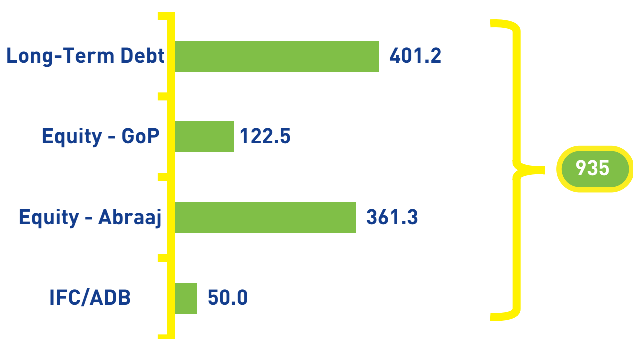
The first objective of increasing generation capacity has been largely achieved over the last 4 years. Transmission and distribution capex has been largely focused on infrastructure enhancement.

Capex (US$ Million) FY2009 to Date



- Generation includes new projects of 220 MW CCPP, BQPS-2 – 560 MW Project (US$ 383 million) and GE Jenbacher Plant – 180 MW project (US$ 107 million).
- Transmission infrastructure enhancement included 10 new grid stations.
- Distribution capex has been mainly around network maintenance and expansion. Loss reduction based capex has been limited to new meters and IBC construction, while recently an increasing level is being spent on ABCs.

Funding: Equity and Debt (US$ Million) FY2009 to Date



Please note that KESC has a June 30th fiscal year end

- Raised incremental long-term bank financing of US$ 401 million on KESC's balance sheet without any sovereign guarantee.
- Successfully closed Pakistan's first utility sector retail bond of PKR 2.0 billion (US$ 22 million). Fully subscribed within 6 weeks.
- US$ 361 million equity injection completed by The Abraaj Group as per its commitment with full subscription by the GoP of US$ 122.5 million (corresponding to their stake).
- Internal cash flows are funding the balance of capex.

Equity Injection

Equity injection over the last 4 years was critical to the turnaround given the historical underinvestment in the company and dire cash flow situation.

	FY09 (Oct-08 – Jun-09)	FY10 (Jun-09 – Jun-10)	FY11 (Jun-10 – Jun-11)	FY12 (Jun-11 – Jun-12)	FY13 (Jun-12 – Mar-13)	
Abraaj	US$ 100.5 Million	US$ 107.4 Million	US$ 51.8 Million	US$ 101.6 Million		361.3
GoP		US$ 69.8 Million	US$ 16.3 Million	US$ 36.3 Million		122.5
IFC/ADB					US$ 50 Million	50

FY09:
- Aggreko 50 MW rental power
- GE Jenbacher advance payment
- BQPS-2 (560 MW) advance payment
- GE Jenbacher payment for equipment and local works

FY10:
- BQPS-2 (560 MW) - Harbin (EPC)
- GE Jenbacher
- Other general capex

FY11:
- BQPS-2 (560 MW)
- Other general capex including ABC Project (US$ 4 million), IBC infrastructure and new transmission grid projects

FY12:
- BQPS II (560 MW)
- General capex including new transmission grid projects

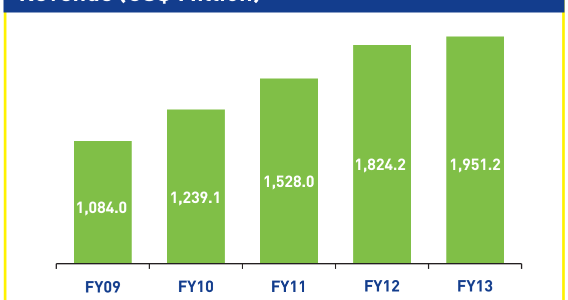
533.8

Total equity injected over the last 4 years

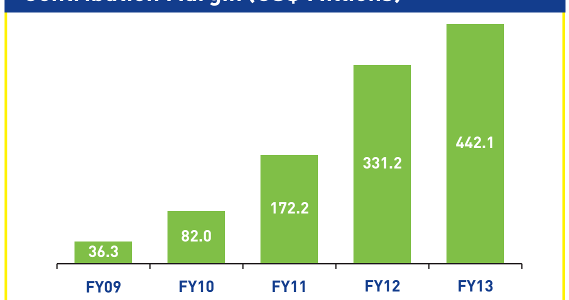
Financial Highlights

FY13 marked KESC's highest return to profitability

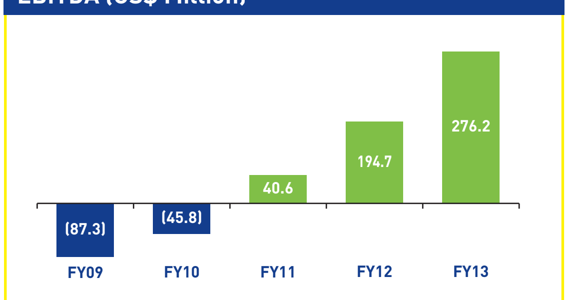
Revenue (US$ Million)



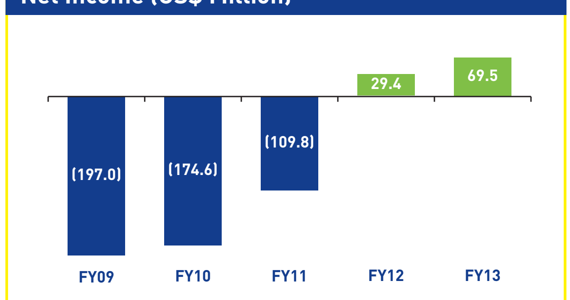
Contribution Margin (US$ Millions)



EBITDA (US$ Million)



Net Income (US$ Million)



Please note that KESC has a June 30th fiscal year end

Strategic Initiatives - Business Development

The coal conversion project is one of the important initiatives by KESC. Progress over the period under review included:

Coal Conversion

- Forming of K-Energy (Pvt.) Ltd. by BEEGIL (the investors), to whom KESC shall lease its existing units 3 and 4 of Bin Qasim Power Station 1 under a long-term lease agreement for which the shareholders' approval has already been obtained by convening an EGM on August 23, 2013. K-Energy shall function as an Independent Power Producer (IPP) which shall sell power to KESC and a Power Purchase Agreement is currently under negotiation.
- Receipt of EPC bids from six (6) leading Chinese EPC contractors. Technical negotiations with the shortlisted EPC contractors have been concluded and commercial negotiations are in the final stages.
- Engagement of the regulator by KESC and K-Energy for obtaining various approvals including generation license and initial tariff.
- EIA report is at the final stages for submission to the Sindh Environmental Protection Agency (SEPA) which ensures that the project will be equipped to meet National Environment Quality Standards.

Karachi Biogas

- A project company, Karachi Organic Energy Limited (KOEL) has been incorporated to establish a Biogas Power Plant at Landhi Cattle Colony which will utilise cattle manure and organic food waste as the feedstock to produce 22 MW of electricity in two phases (11 MW each). KESC, AMAN Foundation, IFC and GE are the prospective shareholders of this company.
- Pre-feasibility study completed by Biogas Technology provider (Himark Biogas, Canada) for a 22 MW plant.
- Engaged Orient Engineering Services as the EPC lead and Himark Biogas as the technology provider for the plant.
- The International Finance Corporation (IFC), a member of World Bank Group, signed a joint development agreement to co-develop this waste-to-energy project.
- Subsequent to an MoU signed with Karachi Metropolitan Corporation (KMC) at the Governor House, KMC will provide land in the vicinity of Landhi Cattle Colony for the establishment of the project and will also assist in the supply of feedstock for the power plant.
- Consultants for the ancillary studies including feedstock logistics, EIA and geotechnical assessment have been selected.

Thar Coal Project

- Being one of the largest lignite reserves, Thar Coal is of strategic importance to Pakistan's energy sector.
- Joint Development Agreement signed with Oracle Coalfields for a 300 MW power plant at Thar Block II; pre-feasibility study of power plant has been completed.
- KESC and Sindh Engro Coal Mining Company have been pursuing the development of 600 MW mine-mouth based power plant at Thar Block II.

Hydro Power

- KESC has entered into an MoU with the Laraib Group, with a view to procure power from 640 MW Azad Pattan Project, and 250-300 MW Ashkot Hydropower Project.

Renewable Energy

- As part of its Climate Change Policy, KESC is also engaged with wind and solar power developers for the addition of renewable energy into its portfolio.

Rebrand

- KESC is now a renewed entity with a brand new vision and a progressive outlook. Therefore, there is a strong case to reposition and rebrand KESC with a new refreshing visual identity as a manifestation of its aspirations and its current leadership stance among the energy sector companies in Pakistan.

Capacity and efficiency enhancement generation projects - Korangi Combined Cycle Power Plant phase-2

Project Charter

- Conversion of open cycle of GT 1 and 2 to combined cycle at Korangi Combined Cycle Power Plant.
- Increase of complex efficiency from 42% to 45%.
- Output of the plant shall increase by 27.5 MW.

Contract Highlights

- Total project duration: 18 months from Notice to Proceed (NTP).
- Planned provisional takeover on July 28, 2014.
- Warranty period: 12 months.
- Offshore contract worth US$ 35.3 million, onshore contract worth PKR 488.43 million. Total EPC worth US$ 40.4 million.
- Major equipment: GE thermodynamic steam turbine, IEG HRSG and 30 m3/hr. water treatment plant.
- Contract was signed on November 7, 2012 with Istroenergo Group (IEG) of Slovakia.

Progress

- NTP issued to owner's engineer (Zeeshan Engineering) on March 15, 2013.
- NTP issued to IEG in January 2013.
- Basic design work started.

Next Fiscal Year

Jul 2013

- Third security LC of US$ 7.4 million to be opened by Jul 13.
- Start of civil works by mid Jul 13.
- Detailed design package submission by contractor by Jul 13.

Sep 2013

First equipment shipment is expected by end Sep 13.

Capacity and efficiency enhancement generation projects - S and K phase 2

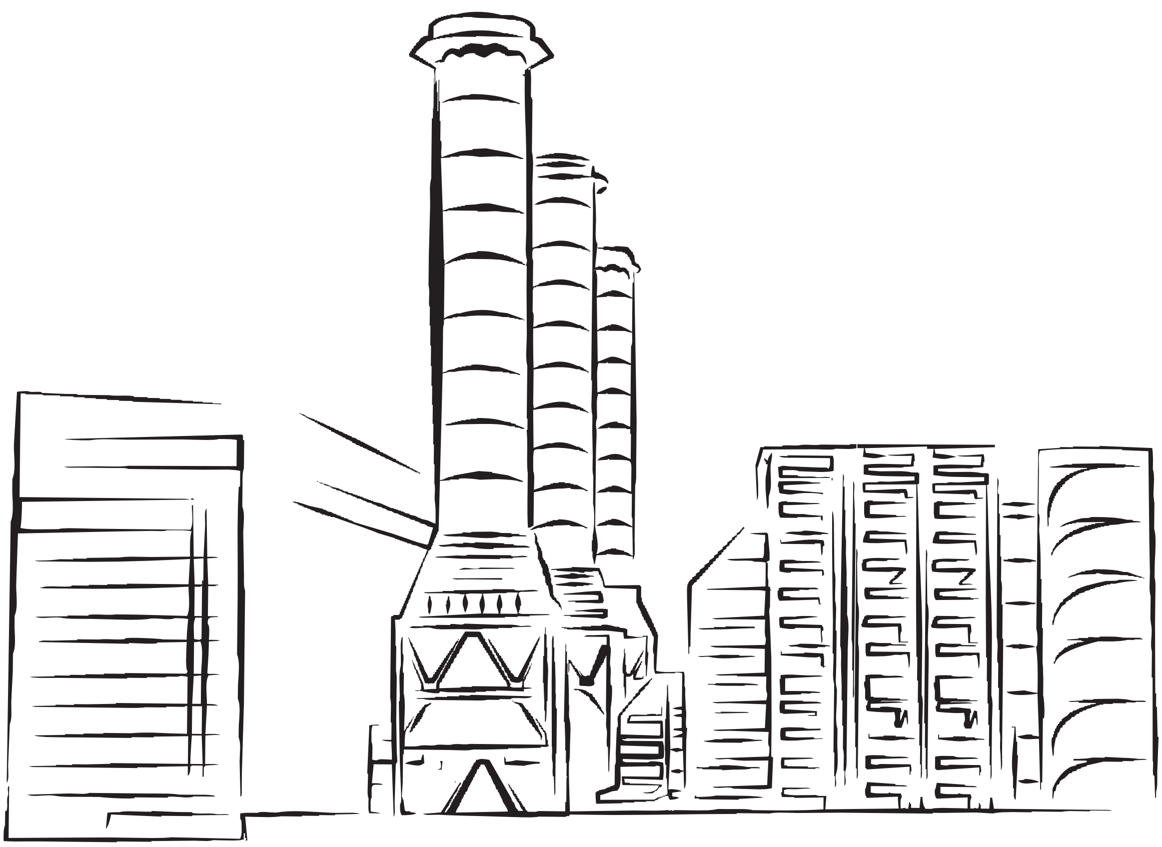
Project Charter

Conversion of 2 open cycle engine-plants at SITE and Korangi to combined cycle

- Increase in efficiency from 37% to 42%.
- Output of the plants increased by 10 MW each.
- Efficient utilisation of natural gas.
- EPC contract signed with DESCON on June 14, 2013.
- Expected PTOCs: KGTPS-2 in March 2015 and SGTPS-2 in June 2015.

Contract Highlights

- US$ 53.5 million, 18 months, 10 MW @ 132 KV at each plant.
- 15% advance, 70% progressive, 10% PTOC, 5% warranty bond.
- Steam turbine and balance of plant is of European origin. Boilers are by DESCON, Pakistan.
- 132 KV GIS and grid associated equipment of European origin.

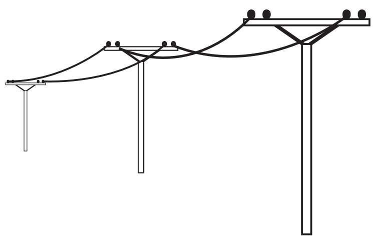


Initiatives - Distribution

Smart Grid Initiative

- To establish KESC as a commercially feasible, best in class utility, serving as a role model for utilities in the country and the region.
- Project aims to reduce aggregate technical and commercial (AT&C) losses through improved energy monitoring (impact on the economic viability of the company) and through a distribution network management system to improve operations and reduce network outage response time (operational efficiency and improved customer service).
- The initial phase involves remotely managed smart meters at customers' premises and transformers, along with the IT systems to manage the information. The ability to accurately monitor energy flows (allowing for loss identification, remote billing, and remote disconnection) and the network health will result in reduced energy losses, improved recoveries and increased productivity as well as better network service.

ABC



- Aerial Bundled Cabling (ABC) continues as a means towards sustained loss reduction in areas infested with illegal consumption of electricity despite various external challenges and at times violent resistance from illegal electricity consumers.
- ABC being rolled out on High Loss Transformers to control theft – pilot project has yielded encouraging returns.
- ABC has been successfully rolled out on 47 Pole-Mounted Transformers (PMTs) namely in the areas of Gulshan, Garden and North Nazimabad. Losses have been significantly reduced on these PMTs.

Mobile Meter Reading

- To improve the meter reading process and replace the existing process with a more efficient and faster one.
- To digitally record meter readings, which would be transmitted wirelessly from the field for quick processing, so as to eliminate time wastage and human interference.
- Pictures of faulty meters to be uploaded through customised mobile programme.

Rebate/Token

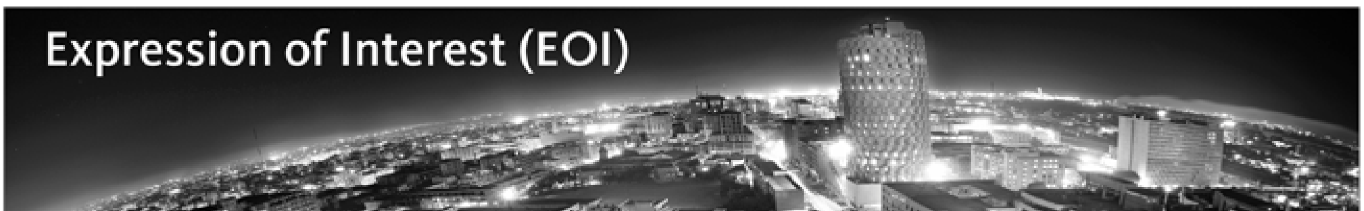
- A company-wide programme of providing rebate/token payment to its consumers has been initiated so as to provide them with an opportunity to board the good consumers' category and clear out their long outstanding dues.

Distribution Franchise

Distribution Service Provider (DSP) agreements were signed effective from August 2012 for:

- IBC Orangi 1 with Paras Power (Pvt.) Limited.
- IBC Gadap with Sherwani Enterprise (Pvt.) Limited

With DSP arrangement in place, KESC gained access to several no-go areas, Goths and Katchi Abadis, which have resulted in the provision of adequate security coverage to DC/RC gangs, disconnection of several high loss PMTs, prevention of mob attacks against disconnection and successful negotiation with consumers on payment of outstanding dues. Both DSP IBCs will move to SAP IS-U from September 2013, which is likely to bring improvement in billing processes. With the initial teething problems of coordination between the DSP and IBC staff largely resolved, now we hope that both DSPs would be able to improve the overall performance of their IBCs during the current year.



Expression of Interest (EOI)

Karachi Electric Supply Company Limited (KESC) is a vertically integrated utility involved in the generation, transmission and distribution of electricity to Karachi and its adjoining areas.

In order to improve the quality of service, efficiency and deliver better value to customers in certain areas/regions of Karachi, KESC intends to make alliances with local business groups/entities that have a greater level of familiarity, knowledge, penetration and experience in conducting business in these localities.

Such a strategic alliance would be established through a Distribution Franchise Agreement between KESC and the strategic partner under a loss reduction & improvement sharing model for the following Business Centres:

Business Centre Name	No. of Registered Customers (Approx.)	Yearly Revenue FY 2011 Rs. Million
Baldia	86,000	2,000
Lyari	96,000	2,100
Orangi-I	97,000	1,800
Orangi-II	64,000	1,000
Liaqatabad	87,000	2,400
Nazimabad	87,000	2,700
Surjani	81,000	2,300
Gadap	45,000	1,400
Malir	84,000	2,900
Landhi	62,000	1,600
Korangi	88,000	2,100

Interested parties/applicants are encouraged to send their confidential Expression of Interest (EOI) and Capability Statement in relation to one or more of the listed Business Centres to eoi-df@kesc.com.pk by 15th April 2012.

An Information Memorandum (containing detailed technical, financial, operational and other data for the relevant Business Centre) and a Request for Proposal (RFP) document will be shared with prequalified/shortlisted parties after signing of a Non Disclosure Agreement (NDA) with KESC.

KESC shall not be bound to disclose any reasons to any party that is unsuccessful in the EOI or otherwise fails to meet the required shortlist/prequalification criteria.

Head Office:
KESC House, 39-B, Sunset Boulevard Ext. Phase II, D.H.A, Karachi

KARACHI ELECTRIC SUPPLY COMPANY
KHIDMAT MEIN ROSHAN

Awards & Achievements

Sports:

Runners-up – Pakistan Premier Football League 2012.

2nd Position – National Football Challenge Cup.

Runners-up – PCB Patron's Trophy including 4 individual awards.

Sustainability Management:

Level 'A' rating awarded to Sustainability Report by the Global Reporting Initiative.

CSR Association of Pakistan – CSR Excellence Award 2012 for 'Innovation' and 'Sustainability Reporting'.

International CSR Excellence Award 2012 organised by NFEH and UNEP for 'Community Service'.

Certificates of Appreciation from Fatimid Foundation for overwhelming participation by KESC employees in the blood donation drive.

Presentation of KESC's sustainability case at the Global Reporting Initiative Summit.

Corporate HSEQ

Winner - "Annual Environment Excellence Award" for the fifth year in a row awarded by NFEH and UNEP.

Winner - "Fire & Safety Award 2012" for the second consecutive year awarded by NFEH and FPAP.

OHS-AS certification 18001-2007 achieved for all generating stations.

Environmental Stewardship

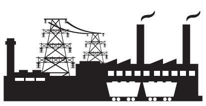
KESC's Environmental Management System is ISO 14001 compliant, the international standard for environmental management.

Compliant with the National Environmental Quality Standards of Pakistan for stack emissions and effluent discharge.

Compliant with the IFC/ADB guidelines and National Environmental Quality Standards of Pakistan for Noise Pollution.

Recognised by ACCA-WWF for HSE practices.

Generation



ISO 9001 certification of Korangi CCPP.

Finance

Association of Chartered Certified Accountants (ACCA) Achievement Award - Individual award won by employee.

Gold Employer Status – ACCA.

Approved Training Employers - ICAEW.

Directors' Report to the Members

Auditors' Observations

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

i. The actions being taken by the company for operational and infrastructure rehabilitation programme with the commitment and support of the sponsors of the company aiming to convert the company into a profitable entity, have been fully explained in note 1.2 of the financial statements. Furthermore, during the year, International Finance Corporation (IFC) and Asian Development Bank (ADB) have exercised their options to convert a certain portion of their debt (US$ 25 million each) into ordinary shares pursuant to subscription agreement. 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.

ii. As explained in note 31.1.1 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 provisions 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 judgement.

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 are given on page-103.

i. The company is in the process of consolidation and restructuring to extinguish the accumulated loss and stage a turnaround and has therefore not declared dividend/bonus shares. Earning Per Share (EPS) for the year under review is PKR 0.26 (basic) and PKR 0.26 (diluted).

j. Statutory payment on account of taxes, duties, levies and charges outstanding as on 30 June 2013 have been disclosed in note 24 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 value of the investments of KESC Provident Fund is PKR 6.831 billion as on June 30, 2013, whereas gratuity scheme of the company is not funded and a pension scheme does not exist.

m. Statement showing the number of Board and Board Committees' meetings held during the year is placed on page-26.

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, guidelines on best practices of corporate governance.

o. The pattern of shareholding is placed on page-184.

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-187.

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

Board of Directors

The three (3) year term of KESC BoD expired and thirteen (13) Directors were elected/re-elected at the AGM of the company held on October 8, 2012. Mr. Khalid Rafi, a senior professional Chartered Accountant of high repute, was elected as an Independent Director and appointed as Chairman, Board Audit Committee (BAC). Whereas a KESP nominee, Mr. Wahid Hamid was elected as a Director of the company and one of the three (3) GoP nominees on KESC's BoD Mr. Imtiaz Kazi was replaced and substituted by the new Secretary, Ministry of Water and Power, GoP. Mr. Waqar H. Siddique resigned from the position of Director and Chairman and Mr. Tabish Gauhar from the position of Chief Executive Officer of the company effective from February 11, 2013. The Board appointed Mr. Tabish Gauhar as Chairman and Mr. Nayyer Hussain as Chief Executive Officer effective from February 12, 2013. 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, retire and, being eligible, have offered themselves for reappointment. BAC has recommended reappointment of Messrs KPMG Taseer Hadi & Company, Chartered Accountants, as auditors of the company for FY14.

Acknowledgements

The Board wishes to extend its gratitude to the Government of Pakistan (GoP), 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, September 10, 2013

Statement of Compliance with the Code of Corporate Governance (For the Year Ended June 30, 2013)

This statement is being presented to comply with the Code of Corporate Governance (the "Code") 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 Code in the following manner:

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

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

The Independent Director meets the criteria of independence under clause 1(b) of the Code.

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. A casual vacancy occurred on the Board on February 11, 2013 was filled by the Director 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, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in 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. Directors' certification process under "Corporate Governance Leadership Skills (CGLS) – Directors' Training Programme (DTP)" of the Pakistan Institute of Corporate Governance (PICG), was initiated in accordance with the requirement of the Code. A Director of the company was registered with PICG for the purpose, however, after restructuring of the Board subsequent to the election of Directors in October 2012, the number of Executive Directors has reduced to just two (2), whereas most of the Non-Executive Directors are foreign-based. The two Executive Directors are overburdened in managing day-to-day affairs of the company due to the nature of the business being a utility company, especially due to cash flow constraints and fuel supply difficulties amongst others. Due to critical work exigencies, the scheduled training programme had to be postponed, it is expected that the said certification will be obtained during the current year.

10. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

12. 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.

13. The Company has complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed an Audit Committee (BAC). It comprises four (4) members, all of whom are Non-Executive Directors. The Chairman of the committee is an Independent Director.

15. The meetings of the BAC were held at least once every quarter prior to the approval of the interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

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

17. The Board has set up an effective internal audit function for the company, which was fully operational during the year.

18. 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 International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by the ICAP.

19. 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.

20. 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.

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

22. We confirm that all other material principles enshrined in the Code have been fully complied with, except for the Directors' Certification under CGLS, towards which reasonable progress is being made by the company to seek compliance by the end of the next accounting year.

For and on behalf of the Board,

Nayyer Hussain
Chief Executive Officer

Karachi, September 10, 2013

Review Report of Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Review report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance ("Statement of Compliance") prepared by the Board of Directors of **Karachi Electric Supply Company Limited** ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's 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.

Further, sub-regulation (x) of Listing Regulations No. 35 notified by the Karachi, Lahore and Islamabad stock exchanges requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

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.

KPMG Taseer Hadi

Date: 10 September 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Economic Sustainability

Sustainability at KESC is anchored in a sense of reform and transition that positions the organisation against its heavy heritage. In 2008, The Abraaj Group decided to take up an equity stake in the organisation, injecting new capital into its operations and taking over its management.

Since then the new management has established many future goals 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, and manifested in KESC's ability to attract over US$ 1 billion in debt and equity from very credible financial institutions, including IFC, ADB and OeKB, as well as to earn many awards in the fields of Safety, Corporate Social Responsibility, improved management performance, and environmental performance. KESC's credibility is well established in these areas and it now trains and guides other companies on how to tackle environmental issues.

Our 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 – all of whom have a role to play in building a sustainable energy system.
- We will ensure open and transparent communication 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 will respect the universal declaration of human rights and international labour organisation's fundamental conventions on core standards and operate as an equal opportunity employer.
- We shall encourage our business partners to adopt responsible business practices, strong business ethics and the highest standards of an honest code of conduct.
- We will continue to serve our communities by implementing sustainable community development programmes through public/private partnerships in and around our core areas of operation.

Our Economic Investments Strategy

KESC is undoubtedly at the epicentre of social, commercial and industrial life in Karachi, the largest metropolis of the country and one of the largest cities in the world. We remind ourselves every day of the great responsibility that we have on our shoulders to provide for the socio-economic development of over 20 million individuals, thousands of commercial entities and some 60 thousand industrial units. We are, and will always be, driven by this sense of responsibility and the opportunity to make a difference by improving our performance across the whole spectrum of dependable and sustainable investments.

Our operations have a direct impact on the socio-economic development of Pakistan; hence, we understand the long-term impact of our actions towards the sustainable development of the country. Sustainability helps govern the way we develop new projects and try to improvise our facilities, how we manage our distribution network, our customer service delivery and, above all, how we share benefits with our 20 million stakeholders in Karachi. As an organisation, we are cognizant of our social, economic, environmental and governance responsibilities and we attach very high value to responsible policies and actions in these areas.

The relationship between our heavy heritage and our future commitments and plans plays an equally important role in determining our policies. In this regard, we are proud to say that in over four years, we have managed to create a platform for sustainability planning and policy setting out of a completely unsustainable mess. During this period, our primary focus was to mend the situation that we inherited by increasing our operational efficiencies, enhancing our management system, and saving our generation and distribution processes from the decay that they were suffering. Our policies were thus tailored to this end, which left little room for anything else. Now that we have managed to reform and expand our respective capacities, we are adopting increasingly forward-looking policies and are engaged in seeking state-of-the-art operations.

In the coming period, KESC is planning not only to complete its reform process, and continue what it started over four years ago, but also to engage in mega projects that will bring both the country and the power sector in Pakistan up-to-date with global best practices. We believe that during the past few years we have managed to lay the foundation that enables us to seek nothing less than redefining the future fuel strategy of the energy sector of Pakistan. This way we can begin exploring and investing in fuel options that are reliable, affordable, have low carbon impact, and move from bio-fuel to coal.

In policy terms, these initiatives mark KESC's entry into its second reform stage: instigating a forward-looking future after spending over four years undoing the ruins of the past. In doing so, KESC will honour its great responsibility while also providing thought leadership to the entire Pakistani power sector, which can emulate this model and find long-term sustainable solutions to the power crisis in the country.

Climate Change Commitment

KESC is committed to providing clean, reliable and affordable energy for the sustainable development of Karachi. We work on improving the energy infrastructure and mitigating the effect of GHG emissions in four ways: first, we are increasing the efficiency of and reducing the GHG emissions in our existing critical infrastructure through various technically sustainable solutions. Second, we work extensively on developing and promoting renewable energy infrastructure. Third, we actively advocate energy conservation and efficiency practices amongst various consumer segments, employees, and other stakeholders. Four, we continue to implement emission-monitoring systems, material handling and waste material management systems in compliance with international environmental standards.

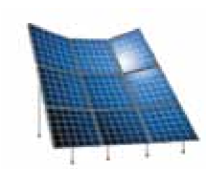
KESC has adopted a balanced and responsible approach in carrying out its core business operations, reducing carbon emissions and ensuring social and environmental gains. We aim to expand our current generation portfolio by 15% through renewable energy and various energy efficiency initiatives over the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

KESC has 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 climate change policy also strengthens our commitment towards the usage of renewable, hydro and low carbon impact fuels which are the focus of the following commitments based on five years:

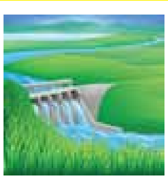
KOEL
KARACHI ORGANIC ENERGY (PVT) LIMITED

A waste-to-energy project utilising biodegradable matter to generate up to 22 MW of electricity and organic fertiliser.

Addition of 50-100 MW wind power in the overall generation mix through offtake agreements.



10 MW in aggregate of off-grid solar-based projects in far-flung areas within the KESC licensed domain to be explored.



Addition of hydroelectric power to KESC's overall generation mix through offtake agreements with independent developers.

KESC's Investments, Strategies and Their Impact - Lighting the Way

- US$ 1 billion fresh debt/equity injected from 2008 to 2013.
- State-of-the-art 560 MW BQPS-2 plant.
- 1,010 MW new generation capacity - 23% efficiency gain.
- Load shedding duration significantly reduced - 60% of our network experiences either no or maximum 3 hours of load shed.
- Increased reliability of transmission network and significant reduction in transmission capacity enhancement: 10 new grid stations and 249 new 11 KVA feeders added.
- KPI-driven initiatives undertaken in distribution business management processes:
  - Supply Management.
  - Use of Information Systems – SAP IS-U.
  - Technical Solutions.
  - Distribution Service Provider (DSP) Model.
  - Customer Service Infrastructure.
- T&D losses at an 18-year low of 27.8% (2012-13).
- Differentiated service based on aggregate technical and commercial (AT&C) loss; rewarding communities that use electricity honestly and pay their bills responsibly.
- No load shed in industrial zones – resulting in economic value addition of US$ 1-2 billion per annum and a positive impact on job creation.

Risks and Mitigating Actions

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.

Risk	Mitigating Actions
Gas and fuel shortage	• Active collaborations with the GoP for the implementation of Gas Supply Agreement (GSA). • Implementation of the coal conversion project, initiation of the biogas project and support to LNG import initiative through offtake commitment.
Safety risk	• 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 is also in place to mitigate any monetary impact.
Climate change risk	• KESC is the first power sector company in Pakistan to publicly announce and adopt a comprehensive Climate Change Policy.
Exchange rate risk	• Managed actively by hedging open positions whenever necessary.
Unstable plant operations	• Asset integrity strategy is in place. • Periodic maintenance and inspection strategies are in place across all facilities.
Loss of trained and high potential employees	• The largest management-trainee programme of the country is in place. There is emphasis laid on succession planning at all levels throughout the organisation. • KESC's own AZM Learning and Development Institute is actively engaged in designing and delivering both technical and soft skills based programmes on a regular basis.
Non-compliance to company values and standards of governance	• New resourcing policies have been designed and implemented that are aligned with business strategy and our vision and values statements. Based on best market practices and processes, these strategies utilise modern resourcing tools and techniques, in partnership with line management, ensuring adherence to the adopted principles and processes. • An organisation-wide vision and values training programme has been executed last year for all employees at all levels.
Law and order situation	• Increased security for our employees at all operational centres. • Operations are suspended in a particular area whenever the situation gets sensitive. • Work on off days in case of strikes and other undue situations to make up for lost time. • Our security team maintains a close liaison with law enforcement agencies at operational and strategic levels.
Increase in interest rates	• An effective financial market analysis is in place to enable the timely implementation of hedging strategies.

SWOT Analysis of the Organisation:

Strengths

1. In line with its vision to deliver uninterrupted, safe and affordable power to its consumers, KESC, over the last four years, has added 1,010 MW of fresh generation capacity that represents a 49% increase in its capacity and results in 23% improvement in its fleet efficiency. That not only augmented the supply capability but has also allowed KESC to sanction 400 MW of load to over 200,000 new applications. Major enhancement of the transmission and distribution capacities significantly improved the reliability of KESC's system.

2. State-of-the-art 560 MW BPQS-2 power plant.

3. For the first time in 17 years, and seven years after its privatisation, KESC, a unique public-private partnership model in the energy sector, declared a profit for the year 2011-12. This trend is continuing in 2012-13.

4. PKR 172 billion market capitalisation.

5. Being a monopoly, KESC has a base of 2.5 million customers, which includes the biggest industrial base of customers in the country.

6. Declining transmission and distribution losses. T&D losses down to 27.8%.

7. Enhanced brand image, positive gain in brand equity. KESC is now within the healthy brand zone as per AC Nielsen's Brand Tracker.

8. Restored relationship with all key stakeholders and open communication platforms.

9. KESC's management is recognised amongst the best in the country. The transformation of KESC into a progressive and dynamic entity has been recognised by all major stakeholders including the government, academia and the corporate and industrial sectors. Harvard has done a case study on KESC recently and the transformation case is being taught at all leading business schools in Pakistan. The focus of this transformation was on efficiency gains through new generation capacity, improved transmission and distribution networks, reduction in technical and distribution losses and inculcation of a corporate culture fully geared to deliver the desired level of service and quality. It was the resolve of the management that an ESG-driven value creation approach would realise the desired economic gains.

10. Ideal administrative capacity, reached though right-sizing and putting the right person at the right job, has increased the overall efficiency of the organisation.

11. Strong management control and cultural transformation towards a value-driven organisation.

12. One of the largest distribution networks in the region, spread over 6,500 kilometres.

13. Investment in Information Technology has enabled KESC to efficiently manage the flow of information, leading to better decision-making and service delivery capability.

Weaknesses

1. Electricity theft still plagues the entire city - with one-third of Karachi having AT&C losses of over 60%.

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 and other unforeseen weather-related problems still make it a challenge for us to maintain optimum levels of service despite regular maintenance and system up-gradations.

3. Despite the incredible progress shown by KESC in terms of service and load shed management, the negative brand equity of the past continues to overshadow the perception of the customers. Although we have shown progress in terms of brand equity gains, the mindset change is not reflective of our progress.

4. Recoveries from state-owned organisations.

5. Over the last four years, a unique corporate culture within KESC has evolved through the amalgamation of old and new mindsets. Although, through trainings and policy implementations, most of the old employees are now at par with the values and vision of the organisation, there is still a small minority struggling to overcome the slackened public sector mindset.

Opportunities

1. Growing base of customers and latent demand potential within good customer segments.
2. Thar coal, LNG import and other cost-effective fuel options.
3. Renewable energy projects.
4. Energy sector restructuring and policy alignment by the government.
5. Gas prioritisation for the energy sector. Gas Supply Agreement to be signed.
6. Resolution of Circular Debt by the government.
7. Right fuel mix for our power generation units, bringing down the cost of generation.
8. Efficiency-driven projects across generation, transmission and distribution.
9. Continued focus on organisational development.

Threats

1. Law and order situation and undue strikes result in less operational days, affecting the recovery ratio and service delivery capability of the organisation.

2. Law and order situation also directly impacts the organisation as KESC offices and employees are attacked in case of prolonged outage or theft/hook connection (kunda) removal exercise.

3. Weak legislation and ineffective law enforcement to combat electricity theft and non-payment.

4. The Circular Debt issue adversely affects KESC's cash flow management, which hampers our fuel management capacity and, hence, the overall organisational efficiency gets affected.

5. The sector-wise non-alignment for gas prioritisation by the government results in regular gas shortages. Gas shortages and resulting dependence on furnace oil affects the optimal fuel mix and plant efficiency. It also puts undue cash flow constraints on the organisation.

6. Increase in fuel prices has a direct impact on our cash flow and cost of generation.

7. The periodic increases in electricity tariff structure regulated by NEPRA, the state-owned regulator, directly affects the affordability of the common man, which in turn puts pressure on our recovery ratio and encourages electricity theft ratio.

8. Lack of discipline and accountability among state-owned enterprises vis-à-vis payment of electricity dues.

Share Price Sensitivity

Circular Debt

- An early resolution of Circular Debt across the entire energy sector of the country in a fair and equitable manner would strengthen the balance sheet and ease cash flow difficulties faced by the company; share prices would positively respond to the resolution.

Law and Order Situation

- Unstable law and order situation often results in the disruption of business activities, transportation strikes, mob attacks on KESC vehicles and employees causing long and delayed power shutdowns that negatively impact the company's performance.

Exchange Rate Fluctuations

- Due to reliance on imported furnace oil, the company is affected by fluctuations in foreign currency market. During the current year, the Pakistani Rupee deterred by 9% against the US Dollar, which adversely affected financial performance.

Plant Operations

- Stable plant operations lead to higher production and better production efficiencies. Issues at production facilities negatively affect the financial performance of the company and, therefore, may also affect the share price.

Interest Rates

- Interest rate variation impacts the quantum of financial charges on bank borrowings of the company and positively or negatively contribute to reflect on the company's share price.

Government Actions

- Government decisions on gas allocation are very critical. KESC heavily relies on government actions and strategies in all aspects, including the timely settlement of tariff differential claims.

Fuel/Gas Supply

- Reduced cost of generation can be a major driver for sustainable development. A key issue for KESC is the supply of the right fuel for its generating units, which in turn affects its financial performance.

Other Factors

- Uninterrupted power supply of 650 MW to KESC by NTDC under the Power Purchase Agreement;

- Contract signing and commissioning of new, efficient and economic generation projects and;

- Augmenting transmission and distribution infrastructure and electricity theft reduction projects.

Our People

Human resource management was one of the biggest challenges that the organisation had to address after the takeover. KESC's goal has been to establish a leaner, more efficient organisation that focuses on personal development and transparent career advancement. During the last year, we have worked hard to develop the capabilities of our employees through our learning and development interventions. Our focus has been to increase the efficiencies of our core functions that act as the backbone of the organisation: Generation, Transmission and Distribution.

Employee Engagement and Personal Growth Opportunities

AZM – Transformation Through Employee Involvement: Our successful AZM – change management programme was designed to build strong communication links with employees, develop deeper employee insights, clear doubts and reinforce a common vision and shared values.

Career Progression Opportunities – Internal Job Postings (IJP): IJPs have been successful in motivating existing employees by giving them the opportunity to build their careers within KESC at positions that match their skill sets and career aspirations.

Training: Our training programmes are designed to enhance the skills of our workforce, improve organisational effectiveness and drive people-development through soft skills and technical trainings leveraging our internal capabilities.

No. of Training Sessions	**326**
Total Training Hours	**8,17,783**
Hrs/Employee	**81.36 hrs/employee**

Compensation and Benefits/Accountability

Our reforms have rested quite deliberately on rewarding talent, performance and, most importantly, conducting the latter transparently.

Performance Appraisal System: An emphasis on performance, reinforced through the implementation of our performance appraisal system, has led to motivation and career growth orientation.

Retirement Benefits: We offer two schemes: Post-retirement medical benefits and Gratuity scheme.

- **Gratuity scheme:** Provides a graduated scale of benefits, dependent upon the length of service.
- **Post-retirement medical benefits:** Employees and their dependents are entitled to coverage for a period of 10 years and 5 years respectively.

  The company also provides leave entitlements and generous medical facilities. Upon retirement employees are also entitled to avail pension benefits under the EOBI scheme.

Employee Welfare and Support: The Employee Welfare Department is dedicated to the facilitation of our employees through subsidised meals, residential colonies, and educational and medical facilities.

KESC House

Celebrating100 years of ENERGY

Bin Qasim Power Plant 1&2

F.B. Area

Clifton

Civic Centre

Elander House

Power House

Hyderi

Welfare I. B. (IR)			
Summary showing the facilities provided to our NMS			
From July 1, 2012 to June 30, 2013			
S. No.	Description	No. of Employees Facilitated	Amount Involved (PKR)
1	Welfare loan @ PKR 36,000/= and PKR 18,000/= per employee.	2,508.00	69,336,000.00
2	Delivery cases @ PKR 5,000/= and PKR 4,000/= per case.	139.00	657,763.00
3	Grant of financial aid being cost of blood and granting full cost of blood transfused during delivery.	-	-
4	IOL aid cases @ PKR 4,125/= per case (one I.O.L.).	38.00	172,875.00
5	Sewing machines gifted to KESC employees' widows.	20.00	114,600.00
6	Hearing aid cases @ PKR 7,500/= per case.	-	-
7	Dependent's death cases @ PKR 2,000/= per case.	36.00	72,000.00
8	Marriage grant cases @ PKR 15,000/= per case.	71.00	1,065,000.00
9	Retirement grant @ PKR 10,000/= per case.	280.00	2,800,000.00
10	Funeral expenses @ PKR 20,000/= per case.	17.00	340,000.00
11	Widow grant @ PKR 20,000/= per case.	17.00	340,000.00
12	Transportation of dead body (in case of body transfer from Karachi to native places) on account of fatal accident.	-	-
13	Post funeral expenses to deceased family. PKR 50,000/= (in case of fatal accident).	2.00	100,000.00
14	Educational scholarship @ PKR 7,200/= per case (per year).	4.00	28,800.00
15	Immediate cash payment to employees suffering serious/major injury due to industrial accident @ PKR 20,000/= per case.	-	-
16	Payment of monthly stipend to Pesh Imam and Moazzan of KESC mosque @ PKR 9,000/= and PKR 7,000/= respectively.	108.00	1,001,000.00
17	Grant of financial aid for the education of mentally retarded children of KESC NMS @ PKR 3,000/= per month (initially for six months).	2.00	36,000.00
18	If an employee has taken a house building loan from KESC and he dies during the course of employment then the recovery of the loan with interest outstanding against him may be paid from the KESC staff welfare fund.	-	-
19	If an employee has drawn a welfare loan from the KESC S.W.A. and he expires during the course of his employment, the outstanding loan with service charges against him may be waived off.		
	Total PKR		**6,070,275.00**

Non-Management Staff: As part of our 100-year celebrations, all non-management staff have been awarded PKR 1200/= per employee per month, for the period between January–December 2013. During this year, 509 workmen are being promoted on the basis of their performance ratings and performances in the training programmes.

Accountability and Disciplinary Action

1,022 employees have been dismissed since the inception of the disciplinary committee in 2010.

Equal Opportunity Employer and Diversity of Workforce

KESC believes in equality and non-discrimination. Accordingly, job grades and salary ranges are the same across all job levels, regardless of gender or ethnicity. The present differential in pay for men and women is expected to equalise over time as our new female hires accumulate experience and performance-related capacities.

PAY DIFFERENCES ACROSS GENDERS

	Average Remuneration of Men to Women
Deputy General Manager	1:1.1
Manager	1:1
Deputy Manager	1:01
Assistant Manager	1:1.1
Senior Officer	1:1.1
Officer	1:1.11
Junior Officer	1:1.01
Non-Management	1:1.13

Celebrating Diversity

Towards a Diverse, Harmonised Culture – Supporting People with Disability: Today KESC's face is changing. It has built a more diverse, inclusive and open culture. We currently employ 19 special needs employees in the organisation.

Women at the Workplace: Our female workforce is rising, especially in the management cadre. Although the numbers are still very small (202 out of 10,603), we hope to achieve a healthy ratio and balance out our human resources.

Rate of New Hires by Age and Gender: Due to the nature of our industry and our community, most of our hires are male; however, we have now started recruiting female engineers within our core functions as well, where they can contribute on technical assignments at relevant stages of the project life cycle. In other support functions and departments, we are consciously driven by our diversity goals.

Age Group	2012	2013 (as of June 2013)
20-30	77%	83.4%
31-40	12%	10%
41-50	9%	5.6%
51-60	2%	1%
Gender		
Male	90%	93%
Female	10%	7%

Labour Laws and Code of Conduct and Standard Guiding HR Policies

Our code of conduct is designed to protect our employees, creating a comfortable work culture. The existing open-door policy at KESC allows for any employee to contact senior management freely regarding any issues related to the working conditions and environment.

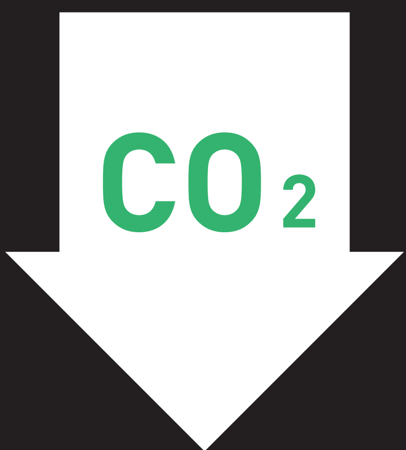
Organisational Resourcing

Our hiring philosophy involves:

- Recruiting the best-in-class talent at all levels (entry, middle and senior).
- Entry-level induction from top-tier institutions.
- Middle/Senior level: From power and energy, engineering, FMCG and financial sectors with relevant experience.

Towards a Low Carbon Future

Some of KESC's greatest sustainability risks and opportunities are tied to its environmental footprint. Our goal is to ensure reliable and cost-effective energy supply with minimal environmental impact. This has pushed us to pursue plans to use low carbon and clean fuels: coal, natural gas and renewable forms of energy, and to focus on energy efficiency and conservation as the other side of the coin, to cut down on fuel consumption as well as monitor our emissions. To do so, KESC has had to reinvent its environmental management systems by devising different operating procedures that govern the organisation's environmental performance and introduce the required technical changes in our generation and distribution processes.



Waste Management/Material Handling/Noise Monitoring

We have also developed detailed plans to manage waste and noise produced from generating power. KESC is conscious of careful handling of materials to eliminate spills and contamination.

Reducing Greenhouse Gas Emissions

We continue to advance policies designed towards reducing greenhouse gas emissions while minimising economic and social disruption to our customers. Our environmental performance has improved through firmly embedding the "Go Green" vision, which is the driving force of our Environment Management System (EMS). The EMS not only meets the legal requirements but it is also fully compliant with ISO 14001.

KESC's Internal/External Environment

The constructed environment is an aspect of our estate which has impacts and benefits both externally (visual impacts) and internally (thermal comfort; indoor air quality and overall amenity). We are running refurbishment programmes to improve our architecture and to ensure a more comfortable environment for all stakeholders.

Energy Conservation

KESC's energy conservation department is committed to bringing stakeholders together at the state-level to foster discussions, decision-making, and commitments necessary to take energy-efficiency to a new level. The department has reached 2.5 million consumers through various outreach channels and has participated in 114 interactive events. Besides this, several interactive sessions with universities and colleges have been carried out. KESC's energy conservation department has signed numerous MoUs, partnering with organisations to spread the green message.

Environmental Monitoring Update

All our activities impacting the environment have been carefully measured and monitored for stack emissions, ambient air, noise, effluent discharge and soil contamination at all our power plants. This has ensured that we meet the environmental standards, following which KESC has now registered itself with the Self-Monitoring and Reporting Tool (SMART) with the Environmental Protection Agency (EPA).

We are in complete compliance with the NEQS of Pakistan for stack emissions and effluent discharge control. Regular reports are sent to the EPA, IFC and ADB.

Environmental Performance 2013

Our environmental system measures/records our emissions, effluents, and solid waste. KESC's discharges lie well below what is stipulated by national standards. The figures below show that we are operating within the NEQS set by the Government of Pakistan. The organisation disposes of its waste (hazardous and non-hazardous) to EPA-certified contractors, who further dispose it off according to the waste disposal standards.

The following tables indicate the quantities of waste (of both types) disposed of in the year 2013.

Emissions in the Year 2013 (Jan-Jun)				
	NEQS for Gas Fired	Values of All Gas Fired PP (mg/Nm3)	NEQS for Oil Fired	BQPS mg/Nm3
CO	800	148	800	93
NOx	400	74	600	178
SO2	-	18	1700	984
PM	300	59	300	105

Effluent Results of the Year 2013 (Jan-Jun)			
	NEQS	Unit	Values
Flow rate		m3/hr	220655
Temperature	40=<4	0C	29.338
pH value	6-9		7.499
BOD5	250	mg/l	132.6175
COD	400	mg/l	327.735
Oil and Grease	10	mg/l	2.56
TDS	3500	mg/l	18140
TSS	200	mg/l	60

SEEDS: Stakeholder Engagement and Enrichment Drives for Sustainability

We firmly believe that KESC's own turnaround and sustainability are fundamentally linked to the economic, social and environmental values that we create for a diverse set of stakeholders who we serve and engage with 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 – ESG Initiatives, Social Investment Programmes, Stakeholder Engagement and Thought Leadership.

- Stakeholder Engagement
- Social Investment Programmes
- **KESC's SEEDS**
- ESG Initiatives
- Thought Leadership Programme

KESC's SEEDS

Stakeholder Engagement and Enrichment Drives for Sustainability

Stakeholder Engagement

Regular, open and transparent communication with our diverse stakeholder groups has been the main focus of our engagement strategy. We have deployed a multi-channel approach to reach out and further strengthen our linkages with our stakeholders.

Brand Management

The brand management function at KESC is entrusted with the goal to educate our consumers, change perceptions and bring about a positive behavioural change vis-à-vis key business priorities, e.g., safety, elimination of electricity theft and energy conservation. By employing a multi-channel communication strategy, KESC has achieved visible success in these areas. While conventional media has been used for mass targeting, electronic, digital and social media platforms are also being used effectively for greater impact. Our goal, going forward, is to continue to create business value and consistently enhance KESC's brand equity.

This year, our focus, other than our key communication themes, was to implement internal branding based on our AZM theme. Our vision, mission and values were transformed into multiple creative executions and placed at all key workplaces.

Digital Marketing

Digital marketing has proven to be an effective tool for engaging our stakeholders and keeping them posted on all major developments. This year again, we have utilised these channels and sent out over 7.9 million email messages and 8.5 million text messages on multiple themes. KESC has also embarked on a text-based communication channel which will enable us to communicate with our customers in a targeted manner once their mobile numbers are mapped with our network data. The mapping exercise is underway and so far around 250,000 customers' data has been integrated into the system.

Social Media

KESC is actively present on key social media platforms including Facebook, Twitter and LinkedIn. Our presence on social media allows us to engage with our stakeholders on real-time basis and also provides a customer service window to this important segment. We have been acknowledged and admired for being the first utility in the country to have such an active presence on a new engagement channel that is rapidly growing in size and importance. Our goal, going forward, is to integrate it with the customer service infrastructure so that we could transform it into an effective service delivery channel alongside 118.

Brand Tracker Study

KESC's Brand Equity Index has consistently shown a positive growth trend. We have steadily progressed from a very weak brand to a moderately healthy one over the last four years, reflecting a positive change across all perceptual and operational indicators.

Media Engagement

We have consistently worked on our policy to step up our media engagements through a multi-tier relationship strategy that is based on proactive, open and regular information-sharing with all media contacts. This ensures that KESC's point of view, on all key issues and subjects, is effectively and accurately portrayed across all media. Over the last few years, we have been playing an active role in educating media personnel about the energy sector dynamics, the real-life challenges it is faced with and opportunities it offers for sustainable socio-economic development. Active and continuous dialogue with the media has given us positive results and we aim to continue to build on this ethos of meaningful media relationships in the future.

Media Management

We have strengthened contacts with the media from different tiers. This ensures that KESC's stance on all issues is portrayed accurately. We maintain an open, accessible and transparent relationship. Over the last few years, we have been playing an active role in educating the media about the real-time challenges and problems faced by the energy sector. We have continued to hold interactive dialogues and sessions. As a result, the media's role in the power sector has evolved into becoming more critical and responsible.

183 news items about load shedding and power breakdowns, including KESC's point of view
90 statements about political parties, industry, business and trade associations
115 letters to editors/articles/editorials containing positive suggestions and critical analysis
145 articles showcasing KESC's point of view

External Stakeholders

The Movers and Shakers of the Energy Sector

KESC'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 focus on critical policy issues of the overall power sector. We have requested and initiated a review of the NEPRA Act, and a review of the Electricity Act, and have also raised issues of inconsistencies between these two. Electricity theft, electricity conservation, fuel supply constraints, tariff rationalisation and Circular Debt are issues brought forward for the first time by KESC. KESC is the only power sector organisation which is on the Prime Minister's Commission, constituted through the Ministry of Water and Power on the elimination of subsidy and finding solutions to the power crisis in the country.

Industries and Trade Associations

Our regional heads and CEO secretariat are in direct dialogue with all key trade associations and industries in order to keep them informed about the real-time challenges and problems faced by KESC. They are engaged through various trade association platforms on different power sector issues like fuel shortages, energy efficiency and tariff hikes, etc. Their advice is sought in advance for any issue that will have an effect on their performance.

Shareholders

Annual and quarterly financial reports are printed regularly for the shareholders and the overall stakeholder universe. This report is our initiative to report in detail the economic, social and environmental initiatives of our organisation. By providing a more detailed perspective of our operations to our stakeholders, we feel that we are fulfilling our promise of open and transparent communication. An annual general body meeting is held to address and clarify developments and conflicts of interest.

Key Stakeholder Database

To encourage the sharing of complete information, an extensive database comprising key stakeholders across the spectrum has been developed to inform them of the key initiatives taken by the company on a timely basis. It is also used as a method to communicate important developments related to the organisation. Over the last fiscal year, some 16 million emails have been sent.

External Newsletter

UMEED, our external electronic newsletter reaches over 300,000 stakeholders on a monthly basis via email. It covers major events and updates for the month. The objective is to communicate all energy sector and KESC-related issues and developments to the citizens of Karachi.

Website

Our website, www.kesc.com.pk, showcases our operational, environmental and social investments and provides updated reported information. It is also a major facilitation tool for customers to download their bills, get new connection-related information and register their complaints.

Internal Stakeholders

Emails are a general mode of communication that the KESC management uses to interact with all employees. Any general information, development, announcement or issue is communicated through email memos in English and Urdu. The employees can also address the KESC management through this medium to express their views, air grievances and give feedback.

Intranet

The company's intranet serves as a communication platform for the employees. The purpose of the portal is to keep business units updated on the most recent activities taking place within the organisation, along with providing a secure place to share and access data when required.

AZM – Internal Newsletter

AZM is our monthly internal newsletter in Urdu, which updates and unites the community of our 10,000 plus employees and keeps them abreast of all recent developments. AZM focuses on real life events and showcases the achievements of our employees and acts as a motivational tool as well.

Different programmes and events were held throughout the year to interact with all tiers of employees in meaningful ways:

AZM – Culture Change Drive

Driving productivity through people, AZM is perhaps the largest change management programme in the corporate history of Pakistan, covering our top leadership, middle management and our non-management staff by holding sessions to instill uniform and responsible values in all our employees while strengthening management-employee relationships. In total, almost 11,000 employees have been reached through this initiative. In the last fiscal year, we covered our non-management staff and our middle management.

AZM Husn-e-Naat Khwani

In the holy month of Ramzan, a company-wide Naat contest was arranged and conducted, starting with auditions and short listing. Twenty contestants took part in the finale where they were assessed by a panel of expert judges from Q-TV and ranked accordingly.

Town Hall Meeting

A town hall meeting was organised with the intention of providing a platform for employees to express their views and be apprised of where the organisation stands, and where it is heading. The occasion was also used to celebrate the careers of some of our longest-serving employees with mementos being presented to a number of our most loyal staff members.

ESG Initiatives

In line with global ESG values, we have made a conscious effort to not only encourage the best environmental, social and governance practices, but to also ensure that they are implemented by adhering to various international standards, in the process having achieved several honours, certifications and awards. Through transparent reporting, we are striving towards a model of sustainability and ethical standards via multiple and regular interaction with all concerned stakeholders, implementing the best global practices with our 'Holistic Compliance and Governance Framework'.

Sustainability Report

In our determination to transform KESC into a recognised economic and social entity, and in order to comply with the world-recognised **Global Reporting Initiative (GRI) G3.1 Standards** of reporting, we completed work on an extensive sustainability report that tracks the recent evolution of KESC into what can be considered a responsible member of society and a financially stable organisation. Upon the submission of the report to GRI, we were awarded an 'A' rating, making KESC the first utility sector organisation in Pakistan to accomplish this feat, while also placing KESC amongst one of the very few organisations that have been rated 'A' by GRI in the very first attempt, globally.

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Clinton Global Initiative Commitment

KESC has signed the Clinton Global Initiative whereby we have made commitments to increase the number of people benefitting from our various outreach programmes to 10 million. We plan to sign on more major hospitals and NGOs in healthcare and education sectors to our different social investment programmes while, at the same time, investing further in youth-based sports initiatives.

Thought Leadership

KESC's aim with these initiatives is to bring progressive minds together and promote enlightened thoughts aimed at sustainable development. To this end, we have created platforms that facilitate the spreading of intellectual opinions.

Thought Leadership Forum

In September 2012, on the 99th anniversary of KESC, the first Thought Leadership Forum was held with Dr. Ishrat Husain as the keynote speaker. He spoke on 'The Impact of Privatisation on Sustainable Development'. The event was attended by several high profile professionals and dignitaries.

The follow-up event took place in December 2012, focusing on 'Social Entrepreneurship and its Impact on Sustainable Development', graced by the presence of Dr. Abdul Bari Khan, CEO of Indus Hospital, Mr. Mushtaq K. Chhapra, Founder and Director of The Citizens Foundation (TCF) and our keynote speaker for the event, Dr. Adib Rizvi, Founder and Director of the Sindh Institute of Urology and Transplantation (SIUT).

Knowledge Sharing

In order to create strategic links with academic institutions for mutual value creation, long-term partnerships have been created with major educational institutes of Karachi, sensitising the youth, specifically engineering and business students, with the issues faced by the power sector. Our leadership and experts have conducted a number of guest speaker sessions at schools and universities including KSBL, NED and the Beaconhouse School Systems. Several field trips to our generation plants for students have also been arranged, involving students from TCF and those from engineering backgrounds including NED and the Quaid-e-Awam University in Nawabshah. Some 3,042 students have been engaged using these platforms.

3,042 students sensitised through the knowledge sharing sessions

Social Investment Programme

Our Guiding Principles

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

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

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

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

Empowerment Programme
Aiming to provide relief to social welfare organisations in the health and education sectors, KESC, under this ongoing initiative, bears the electricity costs, either up to a certain percentage or in their entirety, for charitable organisations that meet an eligibility criterion. Our aim with this initiative is to facilitate deserving NGOs that are working tirelessly for the betterment of the people of Karachi and Pakistan and are essentially responsible for maintaining the social fabric of our country.

Direct impact on 2.2 million individuals through this initiative and adding more

So far agreements have been signed with the Layton-Rahmatulla Benevolent Trust, the Marie Adelaide Leprosy Centre, TCF, Indus Hospital, SIUT and Karwan-e-Hayat. Currently we reach almost 2.2 million individuals through this initiative and hope to keep building on this figure.

On top of providing reimbursement for electricity, KESC also covers costs incurred towards up-gradation of electrical infrastructure and any new connections required by their facilities to function smoothly. So far, new connections have been installed to complement the expansion plans of SIUT and Indus Hospital.

We also try and assist our partners in their different endeavours to the best of our ability by running joint initiatives, providing support to their existing programmes via donations or employee involvement and highlighting their achievements and campaigns through different mediums.

We are constantly in the process of vetting organisations, either at their own request or proactively, to assess their case for inclusion in this programme. Applicants have to fulfill a strict yet very reasonable set of requirements to pass initial screening to ensure that we only consider NGOs that have a significant impact in their respective fields and at the same time are well respected and reputable entities. In the upcoming year, we plan to work aggressively towards adding more NGOs to this programme and trying to maximise our reach, subsequently providing some much-needed help to the social sector of Pakistan.

Vital Organs – 24-hour Load Shed Exemption and System Up-gradation

KESC has undertaken various initiatives to provide uninterrupted power supply to some of Karachi's major hospitals. Some of them have even been assigned dedicated feeders and PMTs in order to ensure quality of supply to these entities, while others are completely exempted from load shedding to ensure immaculate health services. KESC has also ensured the provision of generators to major hospitals, in cases where there are technical constraints. Very recently, a number of educational institutions have also been added to the list of vital organs, increasing the total number of organisations benefitting from this initiative to 23.

Other key initiatives over the last fiscal year

TCF Land Agreement

KESC has entered into a strategic alliance with TCF under which the utility will make available pieces of land for the construction of non-profit primary and secondary schools in the neglected areas of the city. KESC has already lent the first piece of land in Gulshan-e-Hadeed.

D-Light Project Launch

In yet another effort to promote education, while encouraging the use of renewable sources of energy, KESC acquired 750 solar lamps from Dawood-Lawrencepur and distributed them to TCF students. We hope that this will not only help the students with their studies but will also lead to an increase in awareness about solar energy and its benefits amongst the students and their families.

PMT Donation to Edhi Mortuary Sohrab Goth

A PMT worth PKR 2,049,621 was donated to the Edhi Mortuary located in Sohrab Goth. The project, from submission of the application to completion of execution work, was accomplished in a record time of four days.

Exemption from New Connection Charges to The Hub School

Exemptions from new connection charges were provided to The Hub School. The school is planned to be a state-of-the-art boarding facility following the Cambridge International Examinations System. They are a not-for-profit organisation and, using donations, will be providing a valuable service to the locality and society in general by providing quality education and extra-curricular facilities, while also creating job opportunities for the community.

Employee Support Fund

Under this fund, need-based grants are given to deserving employees to help with occasions such as weddings of children. These grants are used to buy furniture and electronic appliances for a small household. Close to 35 such cases have been processed over the last year.

KESC AZM School Renovation

With the intention to provide a more conducive environment to its students, general repairs and renovation work has been conducted at the KESC AZM School located in the KESC Colony in Gulshan-e-Hadeed.

Emergency Response Initiatives

Relief for Abbas Town Tragedy Victims

Following the horrific blast in Abbas Town, KESC stepped up efforts to support the city in a time of need. KESC provided relief to those affected by the tragedy in the form of exemptions from all outstanding electricity dues, including dues for the next six months.

Relief for Baldia Town Industrial Fire Victims

Considered one of the most devastating and deadly industrial accidents in the history of our country, the Baldia Town Industrial Fire on September 11, 2012 claimed close to 200 lives, directly and indirectly affecting many more. On purely humanitarian grounds, KESC announced that it would waive all existing and outstanding electricity bills of the affected families. The bereaved families have also been given an extended 'Electricity Bill Payment Exemption' for the following six months.

Relief package equivalent to PKR 94 million extended to the victims' families of both tragic incidents.

Power Up: Employee Involvement Initiatives

In order to inculcate a sense of community within our employees, KESC, since the recent management change, has made a conscious effort to involve the workforce more actively in various sustainable causes by developing a culture of giving back and we are happy and proud of the fact that our employees have whole-heartedly risen to the occasion whenever called upon.

Blood Donation Drive in Collaboration with Fatimid Foundation

KESC organised a blood donation drive in collaboration with Fatimid Foundation. Camps were set up at the KESC Head Office and our offices at Civic Centre, Technology Park and Bin Qasim Power Station Complex. Close to 300 employees from various departments participated in this noble cause. The beneficiaries of this drive are children currently under the care of Fatimid Foundation, suffering from diseases including thalassemia, haemophilia and blood cancer.

Mentoring Programmes

In collaboration with our partner organisations, INJAZ and TCF, KESC employees enthusiastically participate in programmes to mentor the youth.

TCF Rahbar Youth Mentoring Programme – 4,000 hours invested

Partnership with INJAZ Pakistan – 320 hours invested

Sports Engagement Platforms

KESC has historically had a strong affiliation with sports in Pakistan, having provided a platform to some of our country's most renowned athletes in various disciplines. Since The Abraaj Group's takeover, we have realised that we must expand our reach to the youth through the creation of powerful platforms and promote sports in a manner that would further inspire future sportsmen at a younger age. This approach demanded adequate resources and sufficient management time in order for us to justify our presence in this domain and execute our plans with total professionalism. Keeping that direction in mind, we decided to limit our interests to two sports, football and cricket, to avoid spreading ourselves too thin.

Shake the Net: Global Youth Football Project

Following the success of the KESC Lyari League which led to the unearthing of 11 gifted youngsters who have since gone on to earn great success in various national team setups, our parent company looked to initiate similar projects globally. This project, under the name 'Shake the Net', was taken to Cairo, Egypt in the Ain-el-Sira district to start off with. It was based on the findings and outcomes of KESC's youth development programme in Lyari and implemented under the supervision of a KESC employee. Since then, The Abraaj Group has rolled out this programme to its other concerns in various countries.

Pakistan Premier Football League

The league was held from September 5, 2012 to January 15, 2013 in different cities. KESC was the runner-up of the league and received silver medals along with a trophy. The team played 30 matches in the league, out of which 15 were home and 15 away. KESC won 18 games, drew 8 and lost 4 in the league with the 2nd best goal average of +33.

National Football Challenge Cup

The National Football Challenge Cup was held in Bahawalpur from May 15 to May 26, 2013. The KESC Football Team won the 2nd position trophy and silver medals. KESC reached the final of this tournament for a record third consecutive time.

KESC is the first Karachi-based team in the history of the Premier League to have won 2nd position.

PCB Patron's Trophy (Grade II)

The Patron's Trophy was held from April 3 to April 29, 2013 in different cities of Pakistan. The final was played in Mirpur, Azad Kashmir. KESC lost the game after a close competition to once again end as the runner-up. Four of our players captured four top individual awards in the Patron's Trophy:

Bismillah Khan - Man of the Final Match
Akbar-ur-Rehman - Best Batsman for Scoring 720 Runs
Mohammad Waqas - Best Fielder of the Tournament
Javed Mansoor - Best Wicketkeeper with 29 Catches and 1 Stumping

FINANCIAL HIGHLIGHTS

SIX YEARS' PERFORMANCE

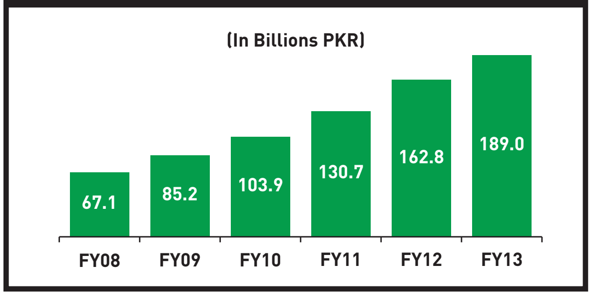
Description	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
OPERATIONAL PERFORMANCE						
Units Generated (million units)	8,662	8,262	7,964	7,826	8,029	8,567
Units Purchased (million units)	6,527	7,005	7,842	7,605	7,230	7,257
Units Sold (million units)	9,569	9,396	9,905	10,059	10,277	10,942
T&D Loss	34.1%	35.9%	34.9%	32.2%	29.7%	27.8%
SUMMARY OF PROFIT & LOSS ACCOUNT						**(Rupees in Millions)**
Revenue	67,091	85,224	103,937	130,722	162,816	188,999
Fuel & Oil and Power Purchase Cost	68,745	82,372	97,062	115,990	133,255	146,179
Gross (Loss)/Profit	(10,888)	(6,632)	(4,052)	249	16,260	28,821
O&M Expenses	14,192	14,854	19,304	24,296	25,519	29,398
Financial Charges	1,875	5,590	6,824	5,127	7,702	13,960
Other Charges/(Income)	(1,969)	(2,141)	(4,516)	(4,637)	(6,229)	(4,444)
(Loss)/Profit Before Taxation	(15,752)	(15,451)	(14,737)	(10,054)	2,569	3,904
(Loss)/Profit After Taxation	(16,072)	(15,485)	(14,641)	(9,393)	2,620	6,729
SUMMARY OF BALANCE SHEET						
Non-Current Assets	64,977	83,018	141,726	167,594	169,218	163,662
Current Assets	27,999	48,918	65,903	68,759	103,357	115,571
Total Assets	**92,976**	**131,936**	**207,629**	**236,353**	**272,576**	**279,233**
Share Capital & Reserves	6,919	(82)	31,301	26,504	42,458	54,122
Long-term Liabilities	32,945	71,757	82,832	89,179	83,789	64,451
Current Liabilities	53,111	60,261	93,497	120,670	146,329	160,660
Total Equity & Liabilities	**92,976**	**131,936**	**207,629**	**236,353**	**272,576**	**279,233**
SUMMARY OF CASHFLOW STATEMENT						
Net cash generated from/(used in) operating activities	(111)	2,218	2,541	10,077	(9,427)	1,412
Net cash used in investing activities	(16,248)	(20,922)	(13,523)	(30,731)	(3,688)	(3,133)
Net cash generated from/(used in) financing activities	14,966	16,385	10,473	20,320	16,156	(3,034)
Net (decrease)/increase in cash and cash equivalent	**(1,394)**	**(2,318)**	**(509)**	**(334)**	**3,042**	**(4,755)**
Cash and cash equivalent at beginning of the period	(659)	(2,053)	(4,371)	(4,880)	(5,214)	(2,173)
Cash and cash equivalent at end of the period	**(2,053)**	**(4,371)**	**(4,880)**	**(5,214)**	**(2,173)**	**(6,927)**

KEY FINANCIAL INDICATORS

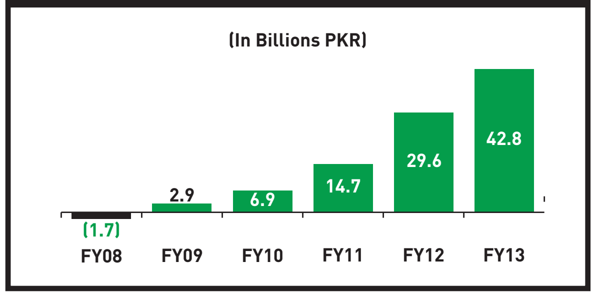
Description	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Profitability Ratios						
Gross Profit/(Loss) Ratio	-16.3%	-7.8%	-3.9%	0.2%	10.0%	15.3%
Net Profit to Sales	-24.0%	-18.2%	-14.1%	-7.2%	1.6%	3.6%
EBITDA Margin to Sales	-15.5%	-8.1%	-3.7%	2.7%	10.7%	14.2%
Return on Capital Employed	-56.5%	-41.8%	-23.2%	-13.1%	3.0%	4.5%
Liquidity Ratios						**(In Times)**
Current Ratio	0.53	0.81	0.70	0.57	0.71	0.72
Quick/Acid Test Ratio	0.28	0.34	0.32	0.34	0.35	0.40
Cash to Current Liabilities	0.04	0.02	0.01	0.01	0.01	0.00
Activity/Turnover ratio						**(In Days)**
Inventory Turnover Days	25	21	18	17	17	16
Debtor Turnover Days - Including circular debt	64	92	111	109	132	154
Creditor Turnover Days - Including circular debt	123	110	118	161	189	186
Investment/Market Ratios						**(In Rupees)**
Earnings per Share	(1.22)	(1.18)	(0.74)	(0.44)	0.11	0.26
Earnings per Share - Diluted	(1.11)	(0.98)	(0.66)	(0.39)	0.11	0.26
Market Value per Share - year end	5.47	2.65	2.23	2.15	3.24	6.22
- High during the year	5.80	3.96	3.65	3.38	4.56	7.44
- Low during the year	1.82	1.80	1.98	1.50	1.60	4.91
Breakup Value per Ordinary Share (including Surplus on Revaluation of Property, Plant & Equipment)	0.53	(0.01)	1.58	1.24	1.70	1.96
Breakup Value per Ordinary Share (excluding Surplus on Revaluation of Property, Plant & Equipment)	0.53	(0.04)	(0.02)	(0.12)	0.62	1.05
Capital Structure Ratios						**(In Times)**
Debt to Equity ratio	0.91	1.00	0.81	0.87	0.82	0.78
Interest Cover ratio	(7.31)	(1.76)	(1.16)	(0.96)	1.33	1.28

GRAPHICAL ANALYSIS

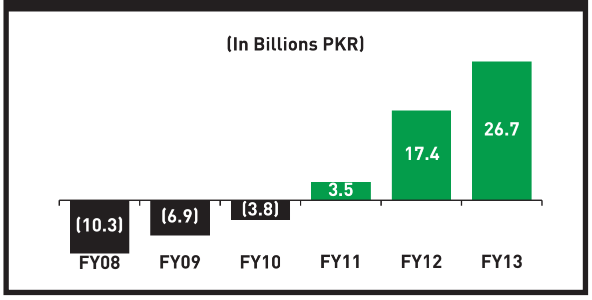
Revenue



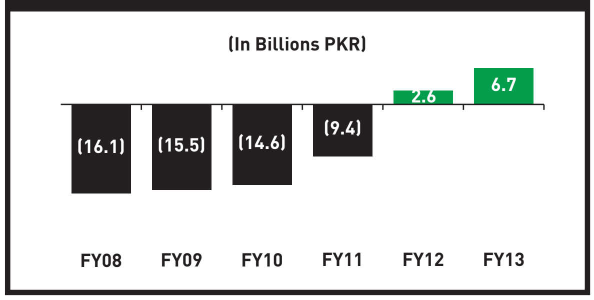
Contribution Margin



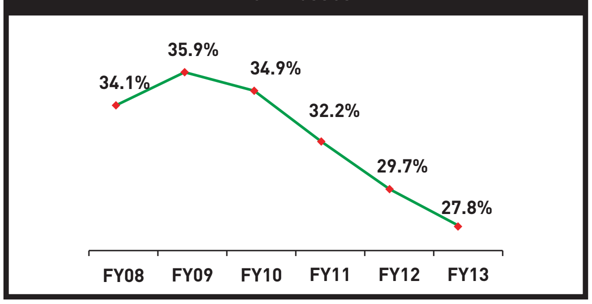
EBITDA



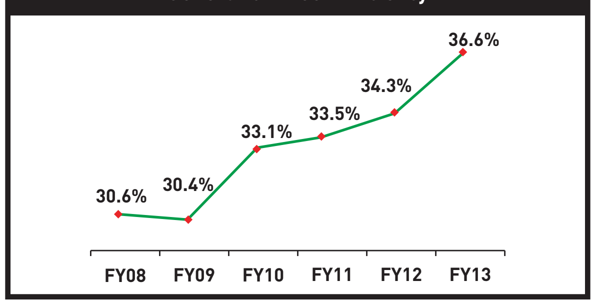
Net Profit/(Loss)

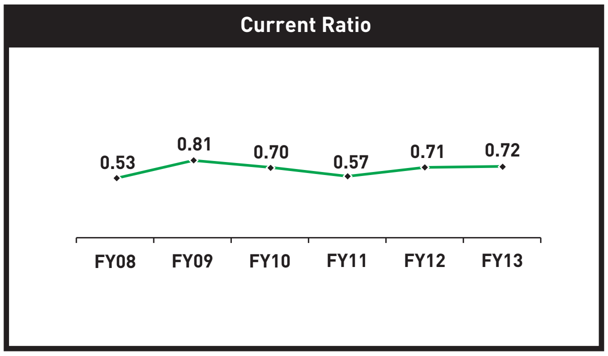


T&D Losses

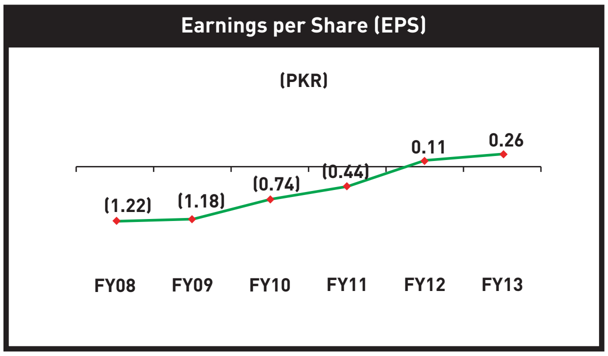


Generation Fleet Efficiency

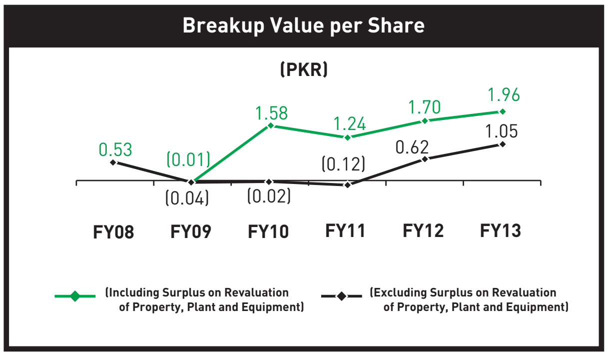




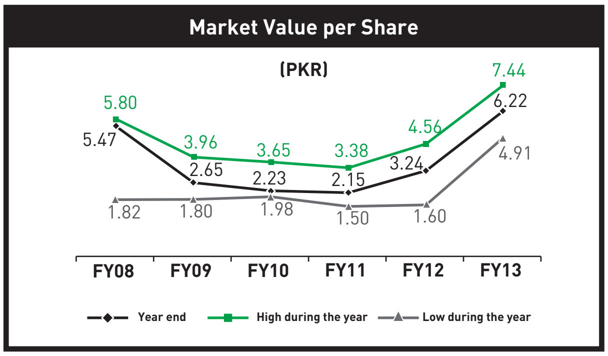
Current Ratio
0.53
0.81
0.70
0.57
0.71
0.72
FY08 FY09 FY10 FY11 FY12 FY13



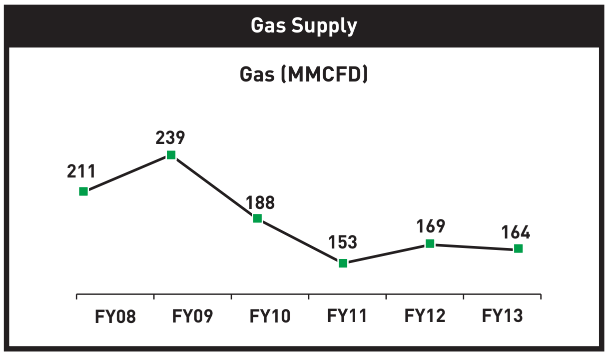
Earnings per Share (EPS)
(PKR)
(1.22)
(1.18)
(0.74)
(0.44)
0.11
0.26
FY08 FY09 FY10 FY11 FY12 FY13



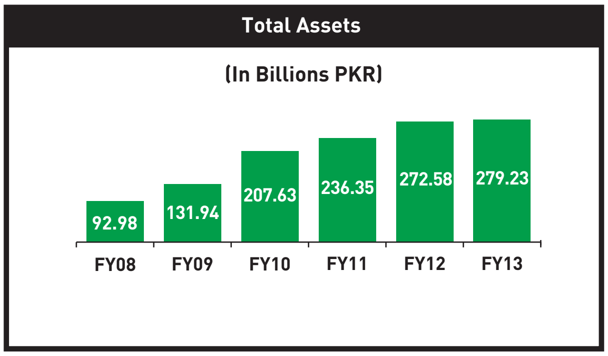
Breakup Value per Share
(PKR)
0.53
(0.01)
1.58
1.24
1.70
1.96
(0.04)
(0.02)
(0.12)
0.62
1.05
FY08 FY09 FY10 FY11 FY12 FY13
(Including Surplus on Revaluation of Property, Plant and Equipment)
(Excluding Surplus on Revaluation of Property, Plant and Equipment)



Market Value per Share
(PKR)
5.80
3.96
3.65
3.38
4.56
7.44
5.47
2.65
2.23
2.15
3.24
6.22
1.82
1.80
1.98
1.50
1.60
4.91
FY08 FY09 FY10 FY11 FY12 FY13
Year end
High during the year
Low during the year



Gas Supply
Gas (MMCFD)
211
239
188
153
169
164
FY08 FY09 FY10 FY11 FY12 FY13



Total Assets
(In Billions PKR)
92.98
131.94
207.63
236.35
272.58
279.23
FY08 FY09 FY10 FY11 FY12 FY13

VERTICAL ANALYSIS

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
BALANCE SHEET						
NON-CURRENT ASSETS	69.9%	62.9%	68.3%	70.9%	62.1%	58.6%
CURRENT ASSETS	30.1%	37.1%	31.7%	29.1%	37.9%	41.4%
TOTAL ASSETS	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
SHARE CAPITAL & RESERVES	7.4%	-0.1%	15.1%	11.2%	15.6%	19.4%
LONG-TERM LIABILITIES	35.4%	54.4%	39.9%	37.7%	30.7%	23.1%
CURRENT LIABILITIES	57.1%	45.7%	45.0%	51.1%	53.7%	57.5%
TOTAL EQUITY AND LIABILITIES	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

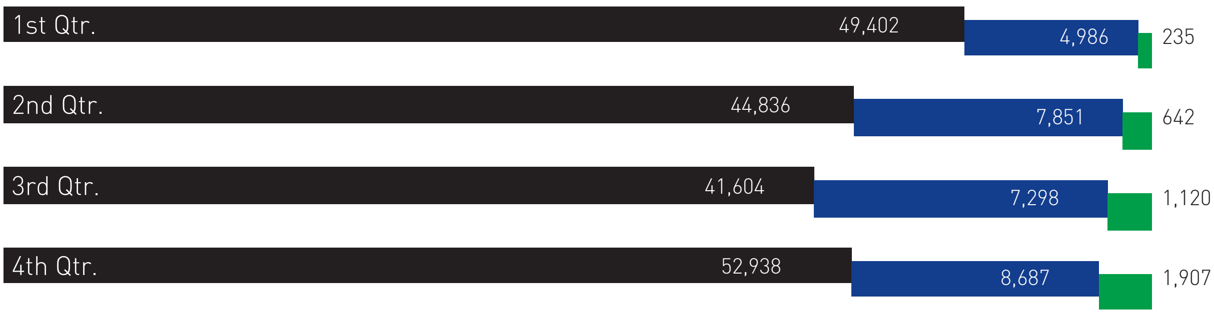
PROFIT & LOSS ACCOUNT	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
REVENUE	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
EXPENDITURE						
Purchase of electricity	-49.0%	-52.7%	-57.6%	-50.0%	-45.9%	-41.5%
Consumption of fuel and oil	-53.5%	-43.9%	-35.8%	-38.8%	-36.0%	-35.9%
	-102.5%	**-96.7%**	**-93.4%**	**-88.7%**	**-81.8%**	**-77.3%**
Expenses incurred in generation, transmission and distribution	-13.8%	-11.1%	-10.5%	-11.1%	-8.2%	-7.4%
GROSS PROFIT/(LOSS)	-16.2%	-7.8%	-3.9%	0.2%	10.0%	15.2%
Consumer services and administrative expenses	-7.4%	-6.3%	-8.1%	-7.5%	-7.5%	-8.1%
Other operating income	4.2%	2.9%	4.6%	3.7%	4.4%	2.7%
Other operating expenses	-1.2%	-0.4%	-0.2%	-0.2%	-0.6%	-0.3%
	-4.4%	**-3.8%**	**-3.7%**	**-4.0%**	**-3.7%**	**-5.8%**
OPERATING PROFIT/(LOSS)	-20.7%	-11.6%	-7.6%	-3.8%	6.3%	9.5%
Finance cost	-2.8%	-6.6%	-6.6%	-3.9%	-4.7%	-7.4%
PROFIT/(LOSS) BEFORE TAXATION	**-23.5%**	**-18.1%**	**-14.2%**	**-7.7%**	**1.6%**	**2.1%**
Taxation	-0.5%	0.0%	0.1%	0.5%	0.0%	1.5%
PROFIT/(LOSS) AFTER TAXATION	**-24.0%**	**-18.2%**	**-14.1%**	**-7.2%**	**1.6%**	**3.6%**

HORIZONTAL ANALYSIS

HORIZONTAL ANALYSIS	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
BALANCE SHEET						
NON-CURRENT ASSETS	100.0%	127.8%	218.1%	257.9%	260.4%	251.9%
CURRENT ASSETS	100.0%	174.7%	235.4%	245.6%	369.2%	412.8%
TOTAL ASSETS	**100.0%**	**141.9%**	**223.3%**	**254.2%**	**293.2%**	**300.3%**
SHARE CAPITAL & RESERVES	100.0%	-101.2%	452.4%	383.0%	613.6%	782.2%
LONG-TERM LIABILITIES	100.0%	217.8%	251.4%	270.7%	254.3%	195.6%
CURRENT LIABILITIES	100.0%	113.5%	176.0%	227.2%	275.5%	302.5%
TOTAL EQUITY AND LIABILITIES	**100.0%**	**141.9%**	**223.3%**	**254.2%**	**293.2%**	**300.3%**
PROFIT & LOSS ACCOUNT	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
REVENUE	100.0%	127.0%	154.9%	194.8%	242.7%	281.7%
EXPENDITURE						
Purchase of electricity	100.0%	136.7%	182.2%	198.7%	227.2%	238.5%
Consumption of fuel and oil	100.0%	104.4%	103.6%	141.3%	163.3%	189.0%
	100.0%	**119.8%**	**141.2%**	**168.7%**	**193.8%**	**212.6%**
Expenses incurred in generation, transmission and distribution	100.0%	102.7%	118.3%	156.8%	144.1%	151.6%
GROSS (LOSS)/PROFIT	**100.0%**	**-60.9%**	**-37.2%**	**102.3%**	**249.3%**	**364.7%**
Consumer services and administrative expenses	100.0%	108.3%	168.9%	197.9%	246.4%	310.5%
Other operating income	100.0%	88.8%	169.9%	174.5%	255.2%	182.0%
Other operating expenses	100.0%	42.5%	29.1%	30.0%	112.7%	80.0%
	100.0%	**108.7%**	**130.1%**	**174.3%**	**201.7%**	**368.9%**
OPERATING (LOSS)/PROFIT	**100.0%**	**-71.2%**	**-57.1%**	**-35.6%**	**174.1%**	**228.9%**
Finance cost	100.0%	295.0%	360.1%	270.6%	406.5%	736.8%
(LOSS)/PROFIT BEFORE TAXATION	**100.0%**	**-98.1%**	**-93.6%**	**-63.8%**	**116.3%**	**124.8%**
Taxation	100.0%	10.6%	130.1%	306.6%	116.2%	983.0%
(LOSS)/PROFIT AFTER TAXATION	**100.0%**	**-96.3%**	**-91.1%**	**-58.4%**	**116.3%**	**141.9%**

Quarterly Performance Review

(PKR in Millions)



Revenue	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
- PKR in millions	49,402	44,836	41,604	52,938	188,780
- Composition	26.2%	23.8%	22.0%	28.0%	

T&D Losses

-%	31.5%	25.0%	26.0%	27.9%	27.8%

Analysis

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

Gross Profit	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
- PKR in millions	4,986	7,851	7,298	8,687	28,822
- Percentage of revenue	10.1%	17.5%	17.5%	16.4%	

Analysis

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

Profit Before Taxation	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
- PKR in millions	235	642	1,120	1,907	3,904
- Percentage of revenue	0.5%	1.4%	2.7%	3.6%	

Analysis

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

AUDITOR'S REPORT TO THE MEMBERS

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed balance sheet of **Karachi Electric Supply Company Limited** ("the Company") as at 30 June 2013 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;

   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 2013 and of the profits, its cash flows and changes in equity for the year then ended: and

KPMG Taseer Hadi & Co.

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention to:

i) note 1.2 to the accompanying financial statements which describes in detail the measures that the Company has taken which have resulted in improved financial performance and declining trend of transmission and distribution losses; and

ii) note 31.1.1 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 matters.

KPMG Taseer Hadi & Co.

Date: **10 September 2013**

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

Karachi Electric Supply Company Limited
Balance Sheet
As at 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
ASSETS			
Operating fixed assets	4	163,011,738	169,031,230
Intangible assets	5	504,823	19,117
		163,516,561	169,050,347
Long-term loans and advances	6	41,220	49,234
Long-term deposits and prepayments	7	104,594	118,701
		163,662,375	169,218,282
CURRENT ASSETS			
Due from the Government	8	317,750	317,750
Stores, spare parts and loose tools	9	6,630,630	6,104,686
Trade debts	10	62,843,648	49,381,277
Loans and advances	11	418,979	501,007
Trade deposits and short term prepayments	12	2,736,495	2,214,629
Other receivables	13	38,498,853	41,519,735
Derivative financial assets	14	2,523,006	2,135,048
Taxation-net	28	810,957	-
Cash and bank balances	15	790,396	1,183,765
		115,570,714	103,357,897
TOTAL ASSETS		279,233,089	272,576,179
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	96,261,551	92,957,949
Reserves			
Capital reserves	17	509,172	509,172
Share premium		1,500,000	-
Revenue reserves	18	5,372,356	5,372,356
Accumulated losses		(74,267,606)	(82,854,799)
Other reserve		(490,460)	(621,373)
		(67,376,538)	(77,594,644)
TOTAL EQUITY		28,885,013	15,363,305
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	19	25,236,527	27,095,083
		54,121,540	42,458,388
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	20	24,901,343	43,183,473
Long term deposits	21	5,114,912	4,754,318
Deferred liabilities	22	5,245,788	5,158,406
Deferred revenue	23	15,600,186	16,103,412
Deferred tax liability	19	13,588,899	14,589,659
		64,451,128	83,789,268
CURRENT LIABILITIES			
Current maturity of long term financing	32	14,965,034	14,217,317
Trade and other payables	24	96,214,810	98,892,023
Accrued mark-up	25	5,776,415	3,739,614
Short term borrowings	26	37,608,485	23,420,575
Short term deposits	27	6,085,699	5,387,090
Current tax liability	28	-	661,926
Provisions	29	9,978	9,978
		160,660,421	146,328,523
CONTINGENCIES AND COMMITMENTS	31		
TOTAL EQUITY AND LIABILITIES		279,233,089	272,576,179

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

Nayyer Hussain
Chief Executive Officer

Shan A. Ashary
Director

Karachi Electric Supply Company Limited

Profit and Loss Account

For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
REVENUE			
Sale of energy – net	33	112,165,872	92,569,725
Tariff adjustment	34	76,615,185	70,029,156
Rental of meters and equipment		217,591	216,748
		188,998,648	162,815,629
EXPENDITURE			
Purchase of electricity	35	(78,371,645)	(74,657,982)
Consumption of fuel and oil	36	(67,807,844)	(58,596,694)
		(146,179,489)	(133,254,676)
Expenses incurred in generation, transmission and distribution	37	(13,997,872)	(13,301,239)
GROSS PROFIT		28,821,287	16,259,714
Consumers services and administrative expenses	38	(15,400,354)	(12,218,247)
Other operating expenses	39	(646,507)	(910,557)
Other operating income	40	5,090,344	7,140,066
		(10,956,517)	(5,988,738)
OPERATING PROFIT		17,864,770	10,270,976
Finance costs	41	(13,960,441)	(7,702,419)
PROFIT BEFORE TAXATION		3,904,329	2,568,557
Taxation -			
- Current	42	-	(948,584)
- Prior	42	1,823,548	-
- Deferred	42	1,000,760	1,000,366
		2,824,308	51,782
NET PROFIT FOR THE YEAR		6,728,637	2,620,339
		(Rupees)	
EARNING PER SHARE - BASIC / DILUTED	43	0.26	0.11
		(Rupees in '000)	
Earning Before Interest, Tax, Depreciation and Amortization (EBITDA)		26,749,902	17,376,005

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

Nayyer Hussain
Chief Executive Officer

Shan A. Ashary
Director

Karachi Electric Supply Company Limited

Statement of Comprehensive Income

For the year ended 30 June 2013

	2013	2012
	(Rupees in '000)	
Net profit for the year	6,728,637	2,620,339
Effective portion of changes in fair value of cash flow hedges	-	(106,207)
Net changes in fair value of cash flow hedges reclassified to profit and loss account	130,913	818,180
	130,913	711,973
Total comprehensive income for the year	6,859,550	3,332,312

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

Nayyer Hussain
Chief Executive Officer

Shan A. Ashary
Director

Karachi Electric Supply Company Limited

Statement of Changes in Equity

For the year ended 30 June 2013

	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 2011	74,516,236	6,000,000	(180,746)	80,335,490	509,172	-	5,372,356	(87,332,960)	(1,333,346)	(82,784,778)	(2,449,288)
Total comprehensive income for the year ended 30 June 2012											
Net profit for the year	-	-	-	-	-	-	-	2,620,339	-	2,620,339	2,620,339
Other comprehensive income											
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	-	-	711,973	711,973	711,973
Total comprehensive income for the year	-	-	-	-	-	-	-	2,620,339	711,973	3,332,312	3,332,312
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	-	-	1,857,822	-	1,857,822	1,857,822
Transaction with owners recorded directly in equity											
Issuance of 3,644,269,737 ordinary shares @ Rs 3.5 each	12,754,942	-	(132,483)	12,622,459	-	-	-	-	-	-	12,622,459
Balance as at 30 June 2012	87,271,178	6,000,000	(313,229)	92,957,949	509,172	-	5,372,356	(82,854,799)	(621,373)	(77,594,644)	15,363,305
Total comprehensive income for the year ended 30 June 2013											
Net profit for the year	-	-	-	-	-	-	-	6,728,637	-	6,728,637	6,728,637
Other comprehensive income											
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	-	-	130,913	130,913	130,913
Total comprehensive income for the year	-	-	-	-	-	-	-	6,728,637	130,913	6,859,550	6,859,550
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 16.3)	4,882,001	-	(33,477)	4,848,524	-	-	-	-	-	-	4,848,524
Cancellation of 1,714,285,713 redeemable preference shares (refer note 16.4)	-	(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 16.4)	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	96,653,179	-	(391,628)	96,261,551	509,172	1,500,000	5,372,356	(74,267,606)	(490,460)	(67,376,538)	28,885,013

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

Nayyer Hussain
Chief Executive Officer

Shan A. Ashary
Director

Karachi Electric Supply Company Limited
Cash Flow Statement
For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	44	12,983,359	3,103,181
Deferred liabilities paid		(1,238,024)	(1,411,852)
Income tax paid / adjusted		350,665	(552,681)
Receipts in deferred revenue		671,501	762,273
Finance cost paid		(11,690,974)	(11,655,148)
Interest received on bank deposits		335,242	327,493
Net cash from / (used in) operating activities		1,411,769	(9,426,734)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(3,442,636)	(4,735,190)
Proceed from disposal of fixed assets		287,397	814,845
Receipt from GOP - PSO and PIRKOH		-	317,000
Long term loans		8,014	15,920
Long term deposits		14,107	(100,265)
Net cash used in investing activities		(3,133,118)	(3,687,690)
CASH FLOWS FROM FINANCING ACTIVITIES			
Subscription of right shares		4,882,000	12,754,944
Payment of long term financing - net		(18,024,125)	(2,061,039)
Transaction cost incurred on right issue		(78,399)	(132,488)
Short term borrowing repaid / acquired - net		9,558,341	3,515,152
KESC Azm certificates receipts - net		267,968	1,657,845
Security deposit from consumers		360,594	421,668
Net cash (used in) / generated from financing activities		(3,033,621)	16,156,082
Net (decrease) / increase in cash and cash equivalent		(4,754,970)	3,041,658
Cash and cash equivalent at beginning of the year		(2,172,509)	(5,214,167)
Cash and cash equivalent at end of the year	30	(6,927,479)	(2,172,509)

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

Nayyer Hussain
Chief Executive Officer

Shan A. Ashary
Director

1. THE COMPANY AND ITS OPERATIONS

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

The Company is principally engaged in the generation, transmission and distribution of electric energy to industrial and other consumers under the Electricity Act, 1910 and Nepra Act, 1997, as amended, to its licensed areas.

The registered office of the Company is situated at KESC House, 39-B, Sunset Boulevard, Phase II, DHA, Karachi. KES Power Limited (the holding company) holds 69.20 percent (30 June 2012: 72.82 percent) shares in the Company.

1.2 During the year, the Company has registered a profit of Rs. 6,729 million (2012: Rs. 2,620 million), resulting in accumulated losses of Rs. 74,268 million (2012: Rs. 82,855 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) The second combine cycle power plant (BQPS – II) having ISO capacity of 560 MW, has been set-up at Bin Qasim. The contract for setting up the plant was awarded in June 2008. The three gas turbines started commercial operation in May 2012 whereas the steam turbine started commercial operation in June 2012. The plant has significant impact on the overall fuel efficiency and profit margins of the Company.

b) Other operational and financial measures taken in prior years will be taken in next two to three years for expansion, rehabilitation of generation capacity and addressing fuel mix issue included:

- Commission of first fast track plant of 90 MW capacity at site in June 2009.
- Commission of second fast track power plant of 90 MW capacity at Korangi 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.
- Converting 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.

Furthermore, during the year International Finance Corporation (IFC) and Asian Development Bank (ADB) have 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 3.1.1 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 3.22 and 14; and
- defined benefits obligations are stated at present value in accordance with the requirements of IAS – 19 "Employee Benefits", as referred to in notes 3.12 and 22.

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 for 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 22 to the financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized 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 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial losses amounting to Rs. 53.274 million at 30 June 2013 would need to be recognized in other comprehensive income.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- 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.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. Management is currently undertaking a comprehensive exercise to assess the spares, standby equipment and servicing equipment that would qualify for recognition as property, plant and equipment. The amount of reclassification of stores and spares to property, plant and equipment has not been quantified to date.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

Except for the effect of amendment in IAS 16 that has not yet been quantified, the other amendments have no impact on financial statements of the Company.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

- 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.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow- scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Operating fixed assets

3.1.1 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.

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.

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. 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.

3.1.2 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.

3.1.3 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.

3.2 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.

3.3 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.

3.4 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.

3.5 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.

3.6 Stores and spares

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.

3.7 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.

3.8 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.

3.9 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.

3.10 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.

3.11 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 23).

3.12 Employee retirement and other service benefits

3.12.1 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 2013 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).

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceed 10% of present value of the Company's obligations are amortized over the expected service of current members. The Company operates the 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 graduated 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.

3.12.2 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.

3.12.3 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.

3.13 Actuarial gains and losses

Actuarial gains and losses are recognized in profit and loss account when the cumulative unrecognized actuarial gains or losses exceed 10% of the defined benefit obligation. These gains or losses are recognized over the expected service of current members.

3.14 Taxation

3.14.1 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.

3.14.2 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.

3.15 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.

3.16 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.

3.17 Revenue recognition

3.17.1 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 National Transmission and Dispatch Company, Karachi Nuclear Power Plant and Pakistan Steel Mills Corporation (Private) Limited where tariff is applied as per agreements with these entities.

3.17.2 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.

3.17.3 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.

3.17.4 Rebate on electricity duty

Rebate on electricity duty is recognized at the rates specified by the Government and is recognized on electricity duty collected.

3.17.5 Meter rentals

Meter rentals are recognized monthly, on the basis of specified rates for various categories of consumers.

3.17.6 Interest / Mark-up income

The Company recognizes interest income / mark-up on short term deposits and interest bearing advances on time proportion basis.

3.17.7 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.

3.18 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.

3.19 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.

3.20 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.

3.21 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.

3.22 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.

3.23 Appropriations to reserves

Appropriations to reserves are recognized in the financial statements in the period in which these are approved.

3.24 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	2013	2012
		(Rupees in '000)	
Property, plant and equipment	*4.1*	153,984,435	158,501,340
Capital work-in-progress	*4.2*	9,027,303	10,529,890
		163,011,738	169,031,230

4.1 Property, plant and equipment

	Note	COST / REVALUATION					ACCUMULATED DEPRECIATION					WRITTEN DOWN VALUE	*Annual rate of depreciation*
		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	1,335,274	(73,192)	-	18,871,524	19,130,373	*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*
Simulator equipment		67,713	-	-	-	67,713	67,713	-	-	-	67,713	-	*14.33*
		229,804,835	**4,311,291**	**(261,471)**	**(56,692)**	**233,797,963**	**71,303,495**	**8,736,910**	**(187,543)**	**(39,334)**	**79,813,528**	**153,984,435**	

* 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. 4,311.291 million, as shown above, represent transfer from capital work-in-progress during the current year, as shown under capital work-in-progress in note 4.2.

	Note	COST / REVALUATION				ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE	*Annual rate of depreciation*
		As at 01 July 2011	Additions	Disposals	As at 30 June 2012	As at 01 July 2011	Charge for the year	On Disposal	As at 30 June 2012	As at 30 June 2012	*%*
		(Rupees in '000)									
Owned Assets											
Land:											
Leasehold land	*4.1.1*	3,661,972	-	-	3,661,972	690,885	411,369	-	1,102,254	2,559,718	*1.3 to 33.3*
Other land	*4.1.2*	415,585	-	-	415,585	-	-	-	-	415,585	-
Buildings on:											
Leasehold land		1,028,293	1,358,504	-	2,386,797	98,774	61,522	-	160,296	2,226,501	*2*
Other land		3,927,616	118,542	-	4,046,158	1,220,752	64,110	-	1,284,862	2,761,296	*2*
Plant and machinery		90,155,659	41,390,756	-	131,546,415	27,970,414	3,440,048	-	31,410,462	100,135,953	*2.85 to 20*
Transmission grid equipments	*4.1.3*	31,282,890	487,900	(343,715)	31,427,075	8,817,180	1,223,427	(21,098)	10,019,509	21,407,566	*3 to 10*
Transmission lines		14,114,966	1,684,757	(22,478)	15,777,245	6,304,041	441,858	(20,230)	6,725,669	9,051,576	*3 to 10*
Distribution networks		33,476,530	2,407,024	(52,075)	35,831,479	16,430,574	1,225,736	(46,868)	17,609,442	18,222,037	*3 to 10*
Renewals of mains and services		1,545,076	161,979	(37,118)	1,669,937	1,390,016	70,345	(37,118)	1,423,243	246,694	*20*
Furniture, air-conditioners and office equipment		646,836	460,911	-	1,107,747	426,290	32,431	-	458,721	649,026	*10 to 15*
Vehicles		359,149	38,303	(137,112)	260,340	304,803	12,132	(123,094)	193,841	66,499	*15 to 20*
Computers and related equipment		602,916	20,396	-	623,312	359,777	73,046	-	432,823	190,489	*14.33-33.33*
Tools and general equipment		573,334	412,878	(3,152)	983,060	385,742	30,577	(1,659)	414,660	568,400	*10 to 15*
Simulator equipment		67,713	-	-	67,713	67,713	-	-	67,713	-	*14.33*
		181,858,535	48,541,950	(595,650)	229,804,835	64,466,961	7,086,601	(250,067)	71,303,495	158,501,340	

Additions of Rs. 48,541.950 million, as shown above, represent transfer from capital work-in-progress during last year. Included in the above transfer mainly is the capitalization of second combined cycle power plant having capacity of 560 MW which has been setup at Bin Qasim (BQPS II).

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	2013	2012
		(Rupees in '000)	
Amenity:			
- Leasehold		364,348	364,348
- Freehold		9,271	9,271
Leasehold land – owned	4.1.2.1	41,966	41,966
		415,585	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 has 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 the following:

- Grid Station at DHA Creek City situated at CC GS-1,16th street, DHA Phase VIII, Karachi. Carrying value at the time of such arrangement was Rs. 67.978 million.

- Grid Station at 132 KV DHA-1, situated at 76-B, Khayaban-e-Ghalib, DHA Phase VIII, Karachi. Carrying value at the time of such arrangement was Rs. 254.638 million.

As per the requirements of IFAS 2 the sale and leaseback of the above mentioned assets under Ijarah financing have been treated as an operating lease and accordingly 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. 449.615 Million , and are payable in 20 equal quarterly instalments and payable latest by 29 June 2017.

The total of lease payments during which they fall due are as follows:

	2013	2012
	(Rupees in '000)	
Not later than one year	85,641	107,051
Later than one year and not later than five years	256,923	342,564

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

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 2013 would have amounted to:

	Cost	Written down value
	(Rupees in '000)	
Lease hold land	467,783	450,046
Plant and machinery	97,619,992	68,381,136
Transmission grid equipments	20,618,126	11,308,402
	118,705,901	80,139,584

4.1.5 The cost of fully depreciated assets as at 30 June 2013 is Rs. 11,979.171 million (2012: Rs. 11,468.579 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 Para 5 of Part I of the Fourth Schedule to the Companies Ordinance, 1984.

4.1.7 Depreciation charge for the year has been allocated as follows:

	Note	2013	2012
		(Rupees in '000)	
Expenses incurred in generation, transmission and distribution	*37*	8,193,693	6,537,142
Consumers services and administrative expenses	*38*	543,217	549,459
		8,736,910	7,086,601

4.1.8 The details of operating fixed assets disposed off during the year are as follows:

	Original Cost	Accumulated Depreciation	Written Down Value (Rupees in '000)	Sales proceeds	Gain/ (Loss) on Disposal	Mode of Disposal	Particulars of Buyer
<u>Generation</u>							
Auxiliary Transformers	2,401	2,161	240	7,500	7,260	Tender	Aslam Metal
Control Panel Feeders, Isolators	2,234	1,824	410	1,905	1,495	Insurance claim	National Insurance Company Limited
Breaker Feeders	4,110	427	3,683	17,095	13,412	Insurance claim	National Insurance Company Limited
<u>Transmission</u>							
Overhead Lines - Aluminium Cable and Joint	6,130	6,130	-	7,764	7,764	Tender	Universal Metal (Private) Limited
Overhead Lines - Copper Conductor	226	226	-	718	718	Tender	Universal Metal (Private) Limited
Underground Cables	1,101	991	110	4,681	4,571	Tender	Chodhri Sher Muhammad & Co.
Underground Cables - 132 KV	114,096	58,531	55,565	62,450	6,885	Tender	New Delite Company (Private) Limited
<u>Distribution</u>							
Underground Lines - Copper Cable and Joints	5,472	4,925	547	11,006	10,459	Tender	New Delite Company (Private) Limited
Meters	21,100	18,990	2,110	41,939	39,829	Tender	Faisal Impex
Transformers	20,295	18,265	2,030	56,600	54,570	Tender	Aslam Metal
Transformers	2,564	2,304	260	3,519	3,259	Insurance claim	National Insurance Company Limited
VCB Switches, LT Panels	2,249	2,024	225	2,305	2,080	Insurance claim	National Insurance Company Limited
Overhead Lines - Copper Conductor	4,384	3,946	438	13,919	13,481	Tender	Universal Metal (Private) Limited
Overhead Lines - Disc Insulators, Capacitor Cells, Bushing and Isolators	20,515	18,463	2,052	4,560	2,508	Tender	M/s Muhammad Akber & Brothers
Overhead Lines - Copper Conductor	4,748	4,273	475	14,861	14,386	Tender	M/s Universal Metal
<u>General and Office Equipments</u>							
Mixed Tools	13,696	12,326	1,370	429	(941)	Tender	Al Kabeer Traders
Photocopy Machines (02 Nos)	230	197	33	7	(26)	Tender	M/s Abdul Rahim
<u>Furniture</u>							
Almirahs, Chairs, Tables, etc.	63	47	16	215	199	Tender	M/s Habib Ullah
<u>Vehicles:</u>							
Suzuki Bolan - CE 5212	92	83	9	102	93	Tender	M/s Azeem Motors
Suzuki Bolan - CJ 0579	135	122	13	149	136	Tender	M/s Azeem Motors
Suzuki Bolan - CJ 6311	190	171	19	210	191	Tender	M/s Azeem Motors
Suzuki Bolan - CJ 6316	190	171	19	210	191	Tender	M/s Azeem Motors
Suzuki Bolan - CJ 6319	190	171	19	210	191	Tender	M/s Azeem Motors
Suzuki Ravi - CD 4227	94	85	9	162	153	Tender	M/s Azeem Motors
Suzuki Ravi - CJ 4414	116	104	12	200	188	Tender	M/s Azeem Motors
Suzuki Ravi - CJ 4430	116	104	12	200	188	Tender	M/s Azeem Motors
Suzuki SJ-410 - BA 6216	91	82	9	129	120	Tender	M/s Muhammad Tahir
Suzuki SJ-410 - BA 6240	96	86	10	136	126	Tender	M/s Muhammad Tahir
Suzuki SJ-410 - BA 6246	100	90	10	141	131	Tender	M/s Muhammad Tahir
Suzuki SJ-410 - BA 6267	138	124	14	195	181	Tender	M/s Muhammad Tahir
Suzuki Alto - 280-582	-	-	-	33	33	Tender	M/s Abdul Razzak
Suzuki Alto - 287-124	-	-	-	33	33	Tender	M/s Abdul Razzak
Suzuki Mehran - U 4359	121	106	15	60	45	Tender	M/s Muhammad Younus Baloch
Suzuki Khyber - Z 7742	254	229	25	127	102	Tender	M/s Muhammad Younus Baloch
Suzuki Khyber - Z 7746	254	229	25	127	102	Tender	M/s Muhammad Younus Baloch
Suzuki Margala - Z 9871	325	293	32	162	130	Tender	M/s Muhammad Younus Baloch
Suzuki Mehran - AB 5462	238	214	24	138	114	Tender	M/s Muhammad Younus Baloch
Suzuki Mehran - AB 8863	238	214	24	138	114	Tender	M/s Muhammad Younus Baloch
Suzuki Ravi - CN 0226	271	244	27	267	240	Tender	M/s Muhammad Younus Baloch
Suzuki Ravi - CN 1275	271	244	27	267	240	Tender	M/s Muhammad Younus Baloch
Suzuki Ravi - KG 2568	225	203	22	222	200	Tender	M/s Muhammad Younus Baloch
Suzuki Bolan - CJ 8943	260	234	26	284	258	Tender	M/s Muhammad Younus Baloch
Suzuki Bolan - CE 5213	92	83	9	101	92	Tender	M/s Muhammad Younus Baloch
Suzuki Bolan - CD 2136	135	122	13	148	135	Tender	M/s Muhammad Younus Baloch
Suzuki Bolan - CD 3354	-	-	-	148	148	Tender	M/s Muhammad Younus Baloch
Toyota Corolla - AA 4018	600	537	63	351	288	Tender	M/s Muhammad Younus Pasta
Suzuki Ravi - CJ 4425	116	104	12	122	110	Tender	M/s Azeem Khan
Suzuki Ravi - CN 0140	271	244	27	286	259	Tender	M/s Azeem Khan
Suzuki Ravi - CN 0142	271	244	27	286	259	Tender	M/s Azeem Khan
Suzuki SJ-410 - BA 6210	86	77	9	99	90	Tender	M/s Mumtaz Ali
Suzuki SJ-410 - BA 6272	138	124	14	159	145	Tender	M/s Mumtaz Ali
Suzuki Potohar BC 0790	210	189	21	242	221	Tender	M/s Mumtaz Ali
Suzuki Bolan - CJ 6121	190	171	19	177	158	Tender	M/s Abdul Rahim Shershah
Suzuki Bolan - CE 5221	92	83	9	86	77	Tender	M/s Abdul Rahim Shershah
Suzuki Bolan - CJ 0564	135	122	13	126	113	Tender	M/s Abdul Rahim Shershah
Suzuki Bolan - CJ 4390	174	157	17	162	145	Tender	M/s Abdul Rahim Shershah
Toyota Hiace - CE 5251	320	288	32	381	349	Tender	M/s Muhammad Tahir
Toyota Hiace - CE 5254	320	288	32	381	349	Tender	M/s Muhammad Tahir
Toyota Hiace - CE 5255	430	387	43	513	470	Tender	M/s Muhammad Tahir
Toyota Hiace - CE 5266	464	415	49	551	502	Tender	M/s Muhammad Tahir
Mazda Sohni - CJ 6329	609	548	61	726	665	Tender	M/s Muhammad Tahir
Mitsubishi Van - EA 0464	415	374	41	495	454	Tender	M/s Muhammad Tahir
Mitsubishi Van - EA 0469	419	377	42	214	172	Tender	M/s Abdul Razzak
Mitsubishi Van - EA 0470	419	377	42	214	172	Tender	M/s Abdul Razzak

	Original Cost	Accumulated Depreciation	Written Down Value (Rupees in '000)	Sales proceeds	Gain/ (Loss) on Disposal	Mode of Disposal	Particulars of Buyer
Hyundai Shehzore - KM 6236	512	461	51	503	452	Tender	M/s Muhammad Tahir
Hyundai Shehzore - KM 7595	571	514	57	561	504	Tender	M/s Muhammad Tahir
Hyundai Shehzore - KM 6234	512	461	51	329	278	Tender	M/s Abdul Razzak
Hyundai Shehzore - KM 7582	571	514	57	367	310	Tender	M/s Abdul Razzak
Hyundai Shehzore - KM 7596	571	514	57	367	310	Tender	M/s Abdul Razzak
Hyundai Shehzore - KM 7605	571	514	57	367	310	Tender	M/s Abdul Razzak
Hyundai Shehzore - KM 7609	571	514	57	367	310	Tender	M/s Abdul Razzak
Hyundai Shehzore - KM 8591	571	514	57	367	310	Tender	M/s Abdul Razzak
Hyundai Shehzore - KM 8729	571	514	57	367	310	Tender	M/s Abdul Razzak
Mazda T-3500 - JX 5203	295	266	29	290	261	Tender	M/s Muhammad Tahir
Mazda T-3500 - JX 5762	315	284	31	309	278	Tender	M/s Muhammad Tahir
Mazda T-3500 - JX 8713	750	675	75	736	661	Tender	M/s Muhammad Tahir
Fork Lifter - KD 1483	326	294	32	143	111	Tender	M/s Abdul Rahim
Fork Lifter - KD 1485	517	466	51	227	176	Tender	M/s Abdul Rahim
Mitsubishi Van - CP 1589	419	377	42	338	296	Tender	M/s Abdul Aziz Jumma
Bedford Truck - JT 6946	245	220	25	350	325	Tender	M/s Abdul Aziz Jumma
Nissan Truck - JT 6972	330	297	33	350	317	Tender	M/s Abdul Aziz Jumma
Mazda T-3500 JX 6295	482	434	48	633	585	Tender	M/s Muhammad Younus pasta
Mazda T-3500 JX 6352	612	551	61	527	466	Tender	M/s Abdul Rahim Shershah
Mazda T-3500 JX 5764	315	284	31	534	503	Tender	M/s Muhammad Tahir
Mazda T-3500 JX 5569	339	305	34	557	523	Tender	M/s Muhammad Tahir
Mazda T-3500 JX 6294	482	434	48	619	571	Tender	M/s Muhammad Tahir
Mazda T-3500 JX 5211	295	266	29	534	505	Tender	M/s Muhammad Tahir
K.W. Dart - JT 6969	793	711	82	924	842	Tender	M/s Abdul Aziz Jumma
Suzuki Bolan CJ 0587	135	122	13	182	169	Tender	M/s Abdul Rahim Shershah
Suzuki Bolan CJ 7941	235	212	23	210	187	Tender	M/s Muhammad Tahir
Suzuki Bolan CE 5233	12	10	2	95	93	Tender	M/s Muhammad Tahir
Suzuki Bolan CJ 8767	260	234	26	200	174	Tender	M/s Abdul Aziz Jumma
Mazda T-3000 JX 5033	315	284	31	590	559	Tender	M/s Abdul Aziz Jumma
Mazda T-3000 JX 5758	315	284	31	590	559	Tender	M/s Abdul Aziz Jumma
Hyundai Shehzore - KM 8513	571	514	57	486	429	Tender	M/s Azeem Khan
Hyundai Shehzore - KM 8435	571	514	57	370	313	Tender	M/s Chohan Brothers
Suzuki Bolan CE 5235	115	104	11	207	196	Tender	M/s Azeem Khan
Suzuki Bolan CJ 8942	260	234	26	222	196	Tender	M/s Azeem Khan
Suzuki Bolan AB 2180	238	214	24	132	108	Tender	M/s Azeem Khan
Suzuki Jeep SJ-410 BA 6279	155	140	15	203	188	Tender	M/s Muhammad Tahir
Suzuki Jeep SJ-410 BA 6280	155	140	15	179	164	Tender	M/s Muhammad Tahir
Aerail Elbow Crane JT 6992	455	410	45	776	731	Tender	M/s Naseem Bali
Motorcycle Honda 70 KAP 1347	66	59	7	28	21	Tender	M/s Fahad Khan & Co.
Motorcycle Honda 70 KCT 9303	69	62	7	28	21	Tender	M/s Fahad Khan & Co.
Motorcycle Honda 70 KCT 9305	69	62	7	28	21	Tender	M/s Fahad Khan & Co.
Motorcycle Honda 70 KCT 9308	69	62	7	28	21	Tender	M/s Fahad Khan & Co.
Motorcycle Honda 70 KCT 9309	69	62	7	28	21	Tender	M/s Fahad Khan & Co.
Mazda T-3000 JX 5032	315	284	31	420	389	As per sale agreement	M/s Perfect Transport Network
Mazda T-3000 JX 5147	-	-	-	420	420	As per sale agreement	M/s Perfect Transport Network
Mazda T-3000 JX 6365	612	551	61	420	359	As per sale agreement	M/s Perfect Transport Network
Mazda T-3000 JX 8721	750	675	75	420	345	As per sale agreement	M/s Perfect Transport Network
Mazda T-3000 JX 8725	750	675	75	420	345	As per sale agreement	M/s Perfect Transport Network
Mazda T-3000 JX 5919	315	284	31	420	389	As per sale agreement	M/s Perfect Transport Network
Mazda T-3000 JX 6393	612	551	61	420	359	As per sale agreement	M/s Perfect Transport Network
Hyundai Shehzore - KM 7747	571	514	57	420	363	As per sale agreement	M/s Perfect Transport Network
Hyundai Shehzore - KM 8453	571	514	57	420	363	As per sale agreement	M/s Perfect Transport Network
Hyundai Shehzore - JX 1268	306	275	31	420	389	As per sale agreement	M/s Perfect Transport Network
Mazda T-3000 JX 5045	315	284	31	504	473	As per sale agreement	M/s DLI Logistic Limited
Mazda T-3000 JX 6406	612	551	61	504	443	As per sale agreement	M/s DLI Logistic Limited
Mazda T-3000 JX 5760	315	284	31	504	473	As per sale agreement	M/s DLI Logistic Limited
Mazda T-3000 JX 5568	339	305	34	504	470	As per sale agreement	M/s DLI Logistic Limited
Mazda T-3000 JX 1244	190	171	19	504	485	As per sale agreement	M/s DLI Logistic Limited
Mazda T-3000 JX 8722	750	675	75	504	429	As per sale agreement	M/s DLI Logistic Limited
Mazda T-3000 JX 1266	167	150	17	504	487	As per sale agreement	M/s DLI Logistic Limited
Hyundai Shehzore - JX 5049	315	284	31	504	473	As per sale agreement	M/s DLI Logistic Limited
Hyundai Shehzore - JX 5572	295	266	29	504	475	As per sale agreement	M/s DLI Logistic Limited
Hyundai Shehzore - JX 1304	221	199	22	504	482	As per sale agreement	M/s DLI Logistic Limited
Suzuki Ravi - CR 1336	312	281	31	295	264	Insurance claim	National Insurance Company Limited
Suzuki Cultus ANL 654	555	117	438	550	112	As per employee buy back policy	Ayaz Mirza
Suzuki Mehran AFQ 592	258	232	26	221	195	As per employee buy back policy	Sultan Ahmed Khawaja
Motorcycle Honda 125 - KEI 1366	83	35	48	50	2	As per sale agreement	Wings Security (Private) Limited
Motorcycle Honda 125 - KEI 1367	83	35	48	50	2	As per sale agreement	Wings Security (Private) Limited
Motorcycle Honda 125 - KEI 1428	83	35	48	50	2	As per sale agreement	Wings Security (Private) Limited
Motorcycle Honda 125 - KEI 1429	83	35	48	50	2	As per sale agreement	Wings Security (Private) Limited
Motorcycle Honda 125 - KEI 1698	83	35	48	50	2	As per sale agreement	Wings Security (Private) Limited
Motorcycle Honda 125 - KEI 1498	83	35	48	50	2	As per sale agreement	Front Line Security (Private) Limited
Motorcycle Honda 125 - KEI 1499	83	35	48	50	2	As per sale agreement	Front Line Security (Private) Limited
Motorcycle Honda 125 - KEI 1699	83	35	48	50	2	As per sale agreement	Front Line Security (Private) Limited
Motorcycle Honda 125 - KEI 1263	83	35	48	50	2	As per sale agreement	Front Line Security (Private) Limited
Motorcycle Honda 125 - KEI 1265	83	35	48	50	2	As per sale agreement	Front Line Security (Private) Limited
30 June 2013	261,471	187,543	73,928	287,397	213,469		

4.2 CAPITAL WORK-IN-PROGRESS

The movement of capital work-in-progress during the year is as follows:

	Note	Plant and machinery	Transmission system	Distribution system	Others	Total
		(Rupees in '000)				
Opening balance as at 1 July 2012		1,836,516	2,684,929	4,985,655	1,022,790	10,529,890
Additions during the year:						
28 MW Power Plant (CCPP extension)		524,767	-	-	-	524,767
Others		556,405	65,182	2,149,427	146,852	2,917,866
		1,081,172	65,182	2,149,427	146,852	3,442,633
		2,917,688	2,750,111	7,135,082	1,169,642	13,972,523
Transferred to the:						
Operating fixed assets		919,777	743,027	2,582,322	66,165	4,311,291
Intangible assets	5.1	-	-	-	633,929	633,929
		919,777	743,027	2,582,322	700,094	4,945,220
Balance as at 30 June 2013		1,997,911	2,007,084	4,552,760	469,548	9,027,303
30 June 2012		1,836,516	2,684,929	4,985,655	1,022,790	10,529,890

5. INTANGIBLE ASSETS

	Note	2013	2012
		(Rupees in '000)	
Computer softwares			
Cost	5.1	734,566	100,637
Amortization to date	5.2	(229,743)	(81,520)
		504,823	19,117

5.1 Cost

	Note	2013	2012
Opening balance		100,637	86,019
Additions during the year	4.2	633,929	14,618
	5.3	734,566	100,637

5.2 Amortization to-date

	Note	2013	2012
Opening balance		(81,520)	(63,092)
Amortization during the year	5.2.2	(148,223)	(18,428)
		(229,743)	(81,520)

	Note	2013	2012
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	38	148,223	18,428

5.3 Computer softwares include ERP system - SAP, antivirus and other softwares. Included in additions are mainly licensing costs of SAP which has been implemented at various integrated business centers.

6. LONG-TERM LOANS AND ADVANCES

		Secured: House building loans (note 6.1)	Unsecured: Festival Loans (note 6.2)	2013	2012
		(Rupees in '000)			
Considered good					
Executives	*6.6*	-	66	66	155
Employees		1,724	47,444	49,168	58,723
		1,724	47,510	49,234	58,878
Recoverable within one year shown under current assets	*6.2 & 11*	(1,724)	(6,290)	(8,014)	(9,644)
		-	41,220	41,220	49,234
Considered doubtful					
Employees	*6.3*	4,333	-	4,333	4,333
		4,333	41,220	45,553	53,567
Provision for impairment (against loans considered doubtful)		(4,333)	-	(4,333)	(4,333)
		-	41,220	41,220	49,234

6.1 House building loans, carrying mark-up @ 6% per annum (2012: 6% per annum), are recoverable over a period of sixteen years. These are secured against equitable mortgage of relevant properties.

6.2 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.

6.3 These balances pertain to the ex-employees of the Company with whom legal proceedings have been initiated for the purpose of recovery.

6.4 Long-term loans have not been discounted to their present value as the financial impact thereof is not considered material by the Management.

6.5 The maximum aggregate amount of loans due from the executives and employees of the Company at the end of any month during the year was Rs. 62.280 million (2012: Rs. 77.937 million).

6.6 Reconciliation of carrying amount of loans to executives

	2013	2012
	(Rupees in '000)	
Balance at beginning of the year	155	192
Less: Repayments	(89)	(37)
Balance at end of the year	66	155

7. LONG-TERM DEPOSITS AND PREPAYMENTS

	Note	2013	2012
		(Rupees in '000)	
Considered good			
Rental premises and others	7.1	4,594	18,701
Ijarah financing deposit	4.1.3	100,000	100,000
		104,594	118,701
Considered doubtful			
Rental premises		1,020	1,020
Provision for impairment		(1,020)	(1,020)
		-	-
		104,594	118,701

7.1 These are non-interest bearing and are generally on terms of one to more than five years.

8. DUE FROM THE GOVERNMENT

	Note	2013	2012
Amount due from the Government of Pakistan (GoP)	8.1	317,750	317,750

8.1 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 20.10.

9. STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2013	2012
Stores and spares		7,196,494	6,516,657
Provision against slow moving and obsolete stores and spares	9.1	(565,864)	(411,971)
		6,630,630	6,104,686

9.1 Provision against slow moving and obsolete stores and spares

	2013	2012
Opening balance	411,971	332,420
Provision during the year	153,893	79,551
	565,864	411,971

10. TRADE DEBTS

	Note	2013	2012
Considered good			
Secured – against deposits from consumers	10.1	629,323	732,492
Unsecured		62,214,325	48,648,785
	10.2 &10.5	62,843,648	49,381,277
Considered doubtful	10.4	23,150,546	17,682,730
		85,994,194	67,064,007
Provision for impairment (against debts considered doubtful)	10.3& 10.4	(23,150,546)	(17,682,730)
		62,843,648	49,381,277

10.1 The Company maintains deposit from customers, taken as security for energy dues (note 21) of Rs. 5,115 million (2012: Rs. 4,754 million).

10.2 This includes gross receivable of Rs. 33,127 million (30 June 2012: Rs. 22,790 million) due from Government and autonomous bodies, including Karachi Water and Sewerage Board and City District Government Karachi amounting to Rs. 23,047 million (30 June 2012: Rs. 18,110 million) and Rs. 6,064 million (30 June 2012 : Rs. 4,730 million) less unrecorded late payment surcharge from them of Rs. 1,950 million (30 June 2012: Rs 1,552 million) and Rs. 857 million (30 June 2012: Rs. 676 million) respectively (refer note 40.1). 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.

10.3 Provision for impairment (against debts considered doubtful)

	Note	2013	2012
		(Rupees in '000)	
Opening balance		17,682,730	16,530,649
Provision made during the year	38 & 10.4	6,155,460	2,461,753
		23,838,190	18,992,402
Provision on debts written off during the year		(687,644)	(1,309,672)
		23,150,546	17,682,730

10.4 During the year, the Company has carried out a review of its estimates used in provision for impairment against debts considered doubtful. Based on the review, the Company has revised the percentages used in calculation of impairment in different consumer ageing brackets to reflect the recent recovery patterns. The revision has resulted in an increase in provision for impairment (against debts considered doubtful) by approximately Rs. 1,755 million during the current financial year. The impact of change in estimates on future periods cannot be determined.

10.5 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.

10.6 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				
2013			> 30 days up to 1 years	1-2 years	2-3 years	3-4 years	4 years and above
	(Rupees in '000)						
Trade debts	62,843,648	10,010,467	24,151,627	11,452,654	7,571,526	2,799,464	6,857,910
2012							
Trade debts	49,381,277	8,315,190	17,324,239	10,011,099	5,374,269	3,025,647	5,330,833

11. LOANS AND ADVANCES

	Note	2013	2012
Loans – secured		(Rupees in '000)	
Considered good			
Current portion of long term loans	6	8,014	9,644
Advances – unsecured			
Considered good			
Employees		27,427	31,090
Suppliers	11.1	383,538	460,273
		410,965	491,363
Considered doubtful			
Suppliers		130,340	130,340
		541,305	621,703
Provision for impairment (against advances - considered doubtful)		(130,340)	(130,340)
	11.2	410,965	491,363
		418,979	501,007

11.1 These represent advances to suppliers for purchase of stores and spares and providing services.

11.2 These are non-interest bearing and generally on terms of 3 months to 12 months.

12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2013	2012
		(Rupees in '000)	
Trade deposits			
Deposits	12.1 & 12.2	2,678,023	2,072,709
Prepayments			
Rent		10,896	1,540
Insurance		46,723	53,511
Others		853	86,869
	12.3	58,472	141,920
		2,736,495	2,214,629

12.1 This includes Rs. 81.241 million (2012: Rs. 85.219 million), representing margins / guarantee deposits held by commercial banks against guarantees, letter of credits and other payments.

12.2 This includes Rs. 2,563.429 million (2012: Rs. 1,975.254 million) which represents deposits under lien against letter of credits with commercial banks. It carries mark up ranging from per annum 5% to 6% (2012: 5% to 6% per annum).

12.3 These are non-interest bearing and generally on terms of 1 month to 12 months.

13. OTHER RECEIVABLES

	Note	2013	2012
		(Rupees in '000)	
Considered good			
Sales tax - net	13.1 & 13.2	5,431,920	6,302,018
Due from the Government of Pakistan in respect of:			
- Tariff adjustment and Others	13.3 & 13.4	32,704,935	34,732,462
- Interest receivable from GOP on demand finance liabilities		237,173	237,173
		32,942,108	34,969,635
Receivable from Provident Fund		-	77,404
Others		124,825	170,678
	13.5	38,498,853	41,519,735
Considered doubtful			
Sales tax	13.1	232,050	232,050
Provision for impairment	13.1	(232,050)	(232,050)
		-	-
Due from a Consortium of Suppliers of Power Plant		363,080	363,080
Provision for impairment		(363,080)	(363,080)
		-	-
		38,498,853	41,519,735

13.1 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. 232.050 million in prior years, against above refundable balance of Rs. 610.459 million.

13.2 Upto the current year tax department has disallowed input tax claims amounting to Rs.733.47 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.

13.3 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 February 20th, 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 the NEPRA is 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.

During last year, 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.

13.4 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.

13.5 These are non-interest bearing and generally on terms of 1 month to 12 months.

14. DERIVATIVE FINANCIAL ASSETS

	Note	2013	2012
		(Rupees in '000)	
Cross currency swap	*14.1*	2,627,752	2,203,810
Interest rate swap	*14.2*	(104,746)	(68,762)
		2,523,006	2,135,048

14.1 The Company has entered into various Cross Currency Swaps with commercial banks as discussed in note 20.1, 20.3 and 20.4 respectively. Pursuant to the agreements, the Company's foreign obligations up to USD 171 million (2012 : USD 257 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.

14.2 The Company had entered into an interest rate swap arrangement whereby the Company has converted the PKR floating rate liability as discussed in note 20.2 into fixed rate liability. The amortizing notional amount hedged against interest rate risk was amounted to Rs. 1,400 million.

14.3 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.

15. CASH AND BANK BALANCES

	Note	2013	2012
		(Rupees in '000)	
Cash in hand		15,043	15,943
Cash at banks in:			
Current accounts		133,668	16,000
Deposit accounts	*15.1*	9,085	413,399
Collection accounts		632,600	738,423
		775,353	1,167,822
		790,396	1,183,765

15.1 These carry mark up ranging from per annum 5% to 8% (2012: 5% to 12% per annum).

16. SHARE CAPITAL

2013	2012		Note	2013	2012
(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	*16.1*	115,000,000	115,000,000
2,857,142,857	2,857,142,857	Redeemable Preference shares of Rs. 3.5 each fully paid	*16.1*	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	11,767,547,836	Ordinary shares of Rs. 3.5 each fully paid	*16.2, 16.3 & 16.4*	50,568,417	41,186,417
-	1,714,285,713	Redeemable Preference shares of Rs. 3.5 each fully paid - net	*16.10 & 16.11*	-	6,000,000
14,493,490,367	13,527,204,654			51,022,128	47,640,128
		Issued for consideration other than cash			
304,512,300	304,512,300	Ordinary shares of Rs. 10 each fully paid	*16.5*	3,045,123	3,045,123
1,783,456,000	1,783,456,000	Ordinary shares of Rs. 10 each fully paid	*16.6*	17,834,560	17,834,560
6,534,077,300	6,534,077,300	Ordinary shares of Rs. 10 each fully paid	*16.7*	65,340,773	65,340,773
4,366,782,389	4,366,782,389	Ordinary shares of Rs. 3.50 each fully paid	*16.8*	15,283,738	15,283,738
12,988,827,989	12,988,827,989			101,504,194	101,504,194
27,482,318,356	26,516,032,643			152,526,322	149,144,322
		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	26,648,908,532			153,855,081	150,473,081
-	-	Reduction in capital	*16.9*	(57,201,902)	(57,201,902)
27,615,194,245	26,648,908,532			96,653,179	93,271,179
-	-	Transaction costs on issuance of shares		(391,628)	(313,230)
27,615,194,245	26,648,908,532			96,261,551	92,957,949

16.1 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.

16.2 This represents 13,053,262,120 (2012: 11,767,547,836) 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 (2012: Rs. 296.640 million).

16.3 During the year, 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.

16.4 During the year, the Company has converted its redeemable preference shares (refer note 16.10) 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.

16.5 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.

16.6 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.

16.7 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.

16.8 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.

16.9 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. 65,341 million into equity (note 16.7 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.

16.10 As part of the process of the Company's privatization, the GoP and the new Owners agreed to inject additional equity by issuing Redeemable Preference Shares (RPS) in the aggregate value of Rs. 6,000 million. In this respect, a Subscription Agreement was executed between the President of Pakistan, on behalf of the GoP, the Company and the KES Power Limited on 14 November 2005 to issue the RPS, amounting to Rs. 6,000 million, divided into 1,714,285,713 Preference shares of Rs. 3.50 each as right to the existing ordinary shareholders of the Company. The issue of Redeemable Preference Shares was finalized by the Board of Directors of the Company and NOC was obtained from the Securities and Exchange Commission of Pakistan, vide letter No. EMD/CI/16/2004-4417, dated 07 November 2005. During the year ended 30 June 2007, out of the 1,714,285,713 preference shares, 1,291,944,992 preference shares were allotted to the existing shareholders, aggregating to Rs. 4,509.302 million. During the year ended 30 June 2008, further 422,340,725 preference shares were issued against advance received in respect of these shares (note 16.11).

The issue of Redeemable Preference shares by way of right, offered to the minority shareholders of the Company, was under subscribed by 18.980 million shares, amounting to Rs. 66.432 million. Under the terms of the Redeemable Preference Share Subscription Agreement, in case of under subscription, the balance of Redeemable Preference shares were required to be subscribed by the Ultimate Parent Company of the Company, KES Power Limited. The said undersubscribed shares were, thereafter, subscribed by the KES Power Limited. During the current year the Company has converted redeemable preference share into ordinary shares of the Company.

16.11 These included 422,340,723 Redeemable Preference shares of Rs. 3.50 each, aggregating to Rs. 1,478.193 million, issued during the year ended 30 June 2008 against advance received in respect of these shares during the year ended 30 June 2007. These are cumulative Redeemable Preference shares, issued by way of right issue to the existing shareholders, carrying a dividend of 3 percent per financial year, to be declared on the face value of Rs. 3.50 per Redeemable Preference share and are redeemable within a period of 90 days from 7 years after 28 November 2005. The Preference shareholders are only entitled to receive Preferential Dividend and are not entitled to share in any other dividend, whether in cash or specie, entitlement or benefit, including, without limitation, right shares and bonus shares, to which the holders of Ordinary Shares may be entitled.

If preferential dividend is not declared in whole or in part by the Company for any financial year, such whole or remainder amount of the Preferential Dividend shall be carried over for payment to Redeemable Preference Shareholders in the next financial year(s) and so on, until the Preferential Dividend has been paid in full, the whole or part of any preferential dividend automatically becomes cumulative to the extent that it has not been declared and paid. The cumulative preference dividend does not bear any interest or mark-up.

These shares shall be redeemed by the Company at the Redemption Price on the respective redemption dates from the profits of the Company as are available for distribution as dividends under the Laws of Pakistan but not from the proceeds resulting from the issuance of any new shares by the Company. The shareholders, interalia, have the right to convert these into Ordinary shares in the ratio of 3 Ordinary shares for every 4 Preference shares held, if the Company fails to redeem these shares.

17. CAPITAL RESERVES

	Note	2013	2012
		(Rupees in '000)	
Unclaimed fractional bonus shares money	*17.1*	46	46
Workmen compensation reserve	*17.2*	700	700
Third party liability reserve	*17.3*	300	300
Fire and machinery breakdown insurance reserve	*17.4*	508,126	508,126
		509,172	509,172

17.1 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.

17.2 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.

17.3 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.

17.4 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.

	2013	2012
18. REVENUE RESERVES	(Rupees in '000)	
General Reserve	5,372,356	5,372,356

19. 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).

	Note	2013	2012
		(Rupees in '000)	
Balance as at 01 July		41,684,742	44,542,930
Transferred to accumulated losses in respect of incremental depreciation / amortisation charged during the year, net of deferred tax		1,858,556	1,857,822
Related deferred tax liability		1,000,760	1,000,366
		2,859,316	2,858,188
Surplus on revaluation as at 30 June		38,825,426	41,684,742
Less: Related deferred tax liability on:			
- Revaluation at the beginning of the year		14,589,659	15,590,025
- Incremental depreciation charged during the year		(1,000,760)	(1,000,366)
		13,588,899	14,589,659
		25,236,527	27,095,083

20. LONG-TERM FINANCING

	Note	2013	2012
		(Rupees in '000)	
From banking companies and financial institutions - Secured			
International Finance Corporation (IFC)	*20.1 & 20.7*	7,094,755	10,429,462
Syndicate term loan	*20.2 & 20.7*	3,840,000	5,120,000
Asian Development Bank (ADB)	*20.3 & 20.7*	9,016,526	12,590,484
Foreign currency term loan	*20.4 & 20.7*	769,904	1,223,429
Syndicated commercial facility	*20.5 & 20.7*	708,333	1,180,556
Syndicated structured term finance facility	*20.6 & 20.7*	6,800,000	8,500,000
Structured Islamic Term Financing - Musharakah	*20.8*	1,800,000	2,400,000
Faysal Bank Limited - medium term loan	*20.9*	1,800,000	2,000,000
		31,829,518	43,443,931
Current maturity shown under current liabilities	*20.15*	(8,288,096)	(7,690,379)
		23,541,422	35,753,552
Others - Secured			
Due to oil and gas companies	*20.10*	606,938	606,938
Current maturity shown under current liabilities	*20.15*	(606,938)	(606,938)
		-	-
Unsecured			
GoP loan for the electrification of Hub Area	*20.11*	26,000	26,000
Karachi Nuclear Power Plant	*20.12*	989,263	1,589,263
BYCO Petroleum Pakistan limited	*20.13*	669,658	1,189,658
		1,658,921	2,778,921
Current maturity thereof shown under current liabilities			
Due to Karachi Nuclear Power Plant	*20.15*	(600,000)	(600,000)
Due to BYCO Petroleum Pakistan Limited	*20.15*	(670,000)	(520,000)
		(1,270,000)	(1,120,000)
Due to the Government and autonomous bodies - related parties	*20.14*	5,745,000	10,545,000
Current maturity thereof shown under current liabilities	*20.15*	(4,800,000)	(4,800,000)
		945,000	5,745,000
		24,901,343	43,183,473

20.1 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 16.3. Further, during the year the Company has repaid USD 13.907 million (2012: USD 8.077 million) as per the terms of the agreement. The Company pays commitment fee at the rate of 0.5% per annum quarterly in arrears on the undrawn balance of the said facility.

In the event of default in payments, the Company shall pay liquidated damages at the rate of 2 percent 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 IFC up to USD 71.809 million (2012: USD 108.216 million) together with LIBOR interest accruing thereon (note 14.1).

20.2 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. 1,400 million (2012: Rs. 1,800 million).

20.3 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 16.3.

Further, during the year the Company has repaid USD 17.397 million (2012: USD 9.447 million) as per the terms of the Loan Agreement. The Company pays commitment fee at the rate of 0.5% per annum quarterly in arrears on the undrawn balance of the said facility. 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 91.260 million (2012: USD 131.157 million) together with LIBOR interest accruing thereon (note 14.1).

20.4 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. The Company pays commitment fees at the rate of 0.5% payable quarterly in arrears on the undrawn balance. 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 (2012: USD 5.195 million) as per the terms of the Agreement.

20.5 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. The Company pays commitment fees at the rate of 0.5% payable quarterly in arrears on the undrawn balance. In the event of default in payments, the Company shall pay 2% per annum over the relevant interest rate on any overdue payment.

20.6 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. It carries mark-up at the rate of 3 months KIBOR plus 3% per annum and is payable quarterly in arrears from the date of first drawdown. The Company pays commitment fees at the rate of 1% per annum payable quarterly in arrears on the undrawn balance, if any.

20.7 The above facilities, discussed in notes 20.1, 20.2, 20.3, 20.4, 20.5 and 20.6 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 and the Korangi 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.

20.8 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.

- hypothecation over all movable fixed assets mainly consisting of but not limited to transformers and switch gears whether now or at any time in the future located at Baldia, KDA (132 KV), KDA (220KV), Korangi South, Lalazar, Korangi Creek and Mauripur Grid Stations.

20.9 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' 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.

20.10 Due to the Oil and Gas Companies - unsecured	2013	2012
	(Rupees in '000)	
Pirkoh Gas Company Limited (PGCL)	606,938	606,938
Current maturity thereof, including overdue instalments of Rs. 606.938 million (2012: Rs.606.938 million)	(606,938)	(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. Refer note 8.1 in respect of the amount accrued by the Company from the GoP in this regard.

20.11 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.

20.12 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.

20.13 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.

20.14 Due to the Government and autonomous bodies - unsecured	Note	2013	2012
		(Rupees in '000)	
National transmission and dispatch Company (NTDC)	*20.14.1*	5,745,000	10,545,000
Current maturity thereof shown under current liabilities		(4,800,000)	(4,800,000)
		945,000	5,745,000

20.14.1 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 31.1.1, effective from 1 July 2009 the Company has discontinued accruing interest payable to NTDC.

20.15 Current maturity of long term financing is as follows:

	2013	2012
	(Rupees in '000)	
Due to Banks and Financial Institutions	8,288,096	7,690,379
Due to Oil and Gas Companies	606,938	606,938
Due to Karachi Nuclear Power Plant	600,000	600,000
Due to BYCO Petroleum Pakistan limited	670,000	520,000
Due to Government and Autonomous bodies	4,800,000	4,800,000
	14,965,034	14,217,317

21. LONG TERM DEPOSITS

Long term deposits	5,114,912	4,754,318

These represent deposits from customers, taken as a security for energy dues (note 10.1). 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.

22. DEFERRED LIABILITIES

	Note	2013	2012
		(Rupees in '000)	
Gratuity	*22.1*	3,879,895	3,811,498
Post retirement medical benefits	*22.1*	1,058,868	1,013,082
Post retirement electricity benefits	*22.1*	307,025	333,826
		5,245,788	5,158,406

22.1 Actuarial valuation of retirement benefits

In accordance with the requirements of IAS–19 "Employee Benefits", actuarial valuation was carried out as at 30 June 2013, 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:

	2013	2012
Discount rate	10.75%	13.25%
Salary increase	8.75%	11.00%
Medical cost trend	5.50%	7.75%
Electricity price increase	5.50%	7.75%

22.1.1 The amount recognized in the profit and loss account is determined as follows:

	2013			
	Gratuity	Medical benefits	Electricity benefits	Total
	(Rupees in '000)			
Current service cost	256,862	14,452	9,097	280,411
Interest cost	487,709	97,437	23,332	608,478
Past service cost	79,623	37,425	11,326	128,374
Settlement cost	-	-	19,034	19,034
Termination cost	-	36,226	100,014	136,240
Recognised actuarial (gains) / losses	178,431	(27,804)	2,242	152,869
Expense recognised during the year	1,002,625	157,736	165,045	1,325,406

22.1.2 Movement in the liability recognized in the balance sheet is as follows:

Provision at 1 July 2012	3,811,498	1,013,082	333,826	5,158,406
Charge for the year	1,002,625	157,736	165,045	1,325,406
Benefits paid	(934,228)	(111,950)	(191,846)	(1,238,024)
Provision as at 30 June 2013	3,879,895	1,058,868	307,025	5,245,788

22.1.3 The amount recognized in the balance sheet is as follows:

Obligation under defined benefit plan	4,219,329	729,113	350,620	5,299,062
Un recognised actuarial (losses) / gains	(339,434)	329,755	(43,595)	(53,274)
Provision as at 30 June 2013	3,879,895	1,058,868	307,025	5,245,788

22.1.4 The amount recognized in the profit and loss account is determined as follows:

	2012			
	Gratuity	Medical benefits	Electricity benefits	Total
	(Rupees in '000)			
Current service cost	275,981	46,184	11,841	334,006
Interest cost	553,770	103,871	31,712	689,353
Past service cost	115,340	-	-	115,340
Curtailment	-	(201,102)	(99,675)	(300,777)
Recognised actuarial (gains) / losses	144,504	(27,779)	9,821	126,546
Expense recognised during the year	1,089,595	(78,826)	(46,301)	964,468

22.1.5 Movement in the liability recognized in the balance sheet is as follows:

Provision at 1 July 2011	4,010,930	1,183,939	410,921	5,605,790
Charge for the year	1,089,595	(78,826)	(46,301)	964,468
Benefits paid	(1,289,027)	(92,031)	(30,794)	(1,411,852)
Provision as at 30 June 2012	3,811,498	1,013,082	333,826	5,158,406

22.1.6 The amount recognized in the balance sheet is as follows:

Obligation under defined benefit plan	4,556,652	774,127	346,178	5,676,957
Un recognised actuarial (losses) / gains	(745,154)	238,955	(12,352)	(518,551)
Provision as at 30 June 2012	3,811,498	1,013,082	333,826	5,158,406

22.1.7 Amounts for the current and previous four years are as follows:

Comparison for five years	2013	2012	2011	2010	2009
	(Rupees in '000)				
Present value of defined benefit obligation	5,299,062	5,676,957	6,496,339	6,951,786	5,728,035
Percentage of experience adjustments on plan liabilities	(6%)	(4%)	(1%)	12%	(13%)

22.1.8 The effect of one percent movement in assumed medical cost trend rates would have following effects on 30 June 2013:

	30 June 2013 Increase	30 June 2013 Decrease
	(Rupees in '000)	
Effect on the aggregate of current service and interest costs	9,430	8,178
Effect on the defined benefit obligation	52,586	46,764

23. DEFERRED REVENUE

	Note	2013	2012
		(Rupees in '000)	
Opening balance		16,103,412	16,144,963
Additions during the year:			
Recoveries from consumers	*23.1*	671,501	750,169
Transfer from specific grant from the Government of Pakistan for Financial Improvement Plan (FIP)	*23.3*	-	348,606
		671,501	1,098,775
		16,774,913	17,243,738
Amortisation for the year	*40*	(1,164,112)	(1,152,430)
		15,610,801	16,091,308
Recoverable from suppliers during the year		-	19,617
Amount transferred to income	*40*	(10,615)	(7,513)
	23.2	(10,615)	12,104
		15,600,186	16,103,412

23.1 This represents non-interest bearing recoveries from the consumers towards the cost of service connection, extension of mains and streetlights.

23.2 This represents amounts recoverable from supplier and has been adjusted from payment of monthly instalments.

23.3 This represents a demand finance facility arranged by the Company under the Syndicated Finance Agreement, executed between the Company and a Consortium of local commercial banks, on 24 September 2005. Under the terms of the said agreement, the Company had acquired a demand finance facility of Rs. 3,000 million for the improvement of network and reduction in transmission and distribution losses under the Financial Improvement Plan (FIP). The rate of mark-up on the said facility was 6 month KIBOR + 0.5 to 1.0 % and was payable on semi-annual basis from the first disbursement date. The Government of Pakistan irrevocably and unconditionally guaranteed the repayment of principal and mark-up accruing in respect thereof, through guarantee No. F.5 (12) BR III / 2005, dated 29 September 2006. Moreover, The Ministry of Finance also provided an undertaking, dated 1 October 2005, to repay the amount borrowed. In this respect, a letter was issued by GoP whereby the said loan was not to be treated as the liability of the Company towards Consortium of banks. As a result thereof, the same was recorded as a specific grant from the GoP. During the year ended 30 June 2010 the demand finance facility were repaid completely. During the year ended 30 June 2012 the above grant was transferred to deferred revenue.

24. TRADE AND OTHER PAYABLES

	Note	2013	2012
		(Rupees in '000)	
Trade creditors			
Power purchases		31,161,135	49,365,405
Fuel and gas		47,715,353	36,295,333
Others		3,538,889	3,588,710
		82,415,377	89,249,448
Murabaha finance facilities	24.1	1,500,000	-
Accrued expenses	24.2	2,059,114	1,968,919
Advances / credit balances of consumers			
Energy	24.3	646,923	410,302
Others	24.4	1,142,066	717,190
		1,788,989	1,127,492
Other liabilities			
Unclaimed and unpaid dividend		650	650
Employee related dues		112,791	143,923
Payable to Provident Fund		79,143	-
Electricity duty	24.5	5,236,164	3,847,441
Tax deducted at source	24.5	1,417,511	1,220,937
PTV license fee	24.5	506,096	333,555
Workers' Profit Participation Fund		359,631	138,094
Workers' Welfare Fund		128,367	55,237
Payable to the then Managing Agent, PEA (Private) Limited		28,871	28,896
Others		582,106	777,431
		8,451,330	6,546,164
		96,214,810	98,892,023

24.1 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. 2,500 million (2012: Nil). These financing facilities carries profit rate of matching KIBOR plus 1.70 to 1.75 % p.a. These are secured against specific charge over grid stations and moveables and receivables of the company.

24.2 This includes an aggregate sum of Rs. 638.64 million (2012: Rs. 583.369 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. 6,182.570 million (2012: Rs. 6,234.260 million), have not been acknowledged by the Company as debts and, hence, these have been disclosed as contingencies and commitments (note 31.3.3).

24.3 Represents amount due to the consumers on account of excess payments and revision of previous bills.

24.4 This include Rs. 1,142.066 million (2012: Rs. 705.719 million) which represent general deposits received from consumers, in respect of meters, mains & lines alteration, scrap sales, etc.

24.5 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.

24.6 Trade Payable and other payable are generally payable on 30 to 60 days term and 3 months to 12 months term respectively.

25. ACCRUED MARK-UP

	Note	2013	2012
		(Rupees in '000)	
Accrued mark-up on:			
Long term financing	*20*	216,328	426,539
Borrowings relating to Financial Improvement Plans (FIP)	*23.3*	15,357	15,357
Short term borrowing	*26*	32,180	134,799
Short term running finance	*26*	243,727	162,109
Financial charges on delayed payment to suppliers	*25.1*	5,268,823	3,000,810
		5,776,415	3,739,614

25.1 This includes Rs. 2,381.658 million (2012: Rs. 2,381.658 million) representing financial charges accrued in respect of Sui Southern Gas Company Limited and Rs. 619.152 million (2012: 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 31.1.1).

26. SHORT-TERM BORROWINGS – Secured

	Note	2013	2012
		(Rupees in '000)	
From banking companies			
Bridge term finance facility	*26.1*	2,032,922	2,171,374
Bills payable	*26.2*	20,886,303	15,966,960
Short term running finances	*26.3*	7,717,875	3,356,274
Short term loan	*26.4*	2,500,000	221,121
Structured invoice financing	*26.5*	2,500,000	-
From others			
KES Power Limited - holding company	*26.6*	45,572	47,001
KESC Azm Certificates	*26.7*	1,925,813	1,657,845
		37,608,485	23,420,575

26.1 This represents a bridge term finance facility under Bridge Term Finance Agreement dated 20 January 2012 and extended up to January 2014, 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. 2,033 million (2012: Rs. 2,171 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 14 million and USD 7.6 million, issued in favour of the Company by the Gulf International Bank (GIB) and HSBC Bank Middle East Limited, respectively.

26.2 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.

26.3 The Company has arranged various facilities for short term running finances from commercial banks, on mark-up basis to the extent of Rs. 7,717 million (2012: Rs. 5,087 million). These are for a period of one year and carry mark-up of 1 to 3 month KIBOR plus 1.5% to 3.00%. These finances are secured against joint parri passu charge over current assets, aggregating to Rs. 46,200 million (2012: Rs. 32,867 million) In addition, demand promissory notes in respect of the above mentioned facilities have also been furnished by the Company.

26.4 This represents various loans obtained by the Company from different banks for working capital requirement on mark up basis to the extent of Rs. 2,500 million (2012: Nil). These loan carries mark-up at the rate of relevant tenor KIBOR plus 1.7 - 2.5 % per annum. These are secured against first parri passu hypothecation charge over current assets of the company.

26.5 This represents structure working capital finance facility obtained from Standard Chartered bank (Pakistan) Limited (SCB) to the extent of Rs. 2,500 million (2012: Nil) and carries mark-up at the base rate + 2.50 %. Base rate is the average rate ask side of the relevant period KIBOR.

This facility is utilised in financing payments to suppliers / vendors and it is secured against exclusive hypothecation charge over company's network and grid stations. Further, specific charge over plant and machinery with 25% margin.

26.6 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.

26.7 During the year, the Company issued remaining AZM certificates to general public and the total subscription money received there against amounted to Rs. 1,926 million net of transaction costs (30 June 2012: Rs. 1,658 million). The frequency of profit payment ranging from one to three months at fixed rate from 13.0% 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. 2,666 million.

27. SHORT-TERM DEPOSITS

	Note	2013	2012
		(Rupees in '000)	
Service connection deposits	*27.1*	3,736,334	2,987,553
Suppliers' security deposits		220,562	306,739
Earnest money / Performance bond	*27.2*	2,128,803	2,092,798
		6,085,699	5,387,090

27.1 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 23).

27.2 These include non-interest bearing refundable deposits received from various contractors.

28. TAXATION -net

	Note	2013	2012
		(Rupees in '000)	
Provision for taxation		2,017,019	3,395,717
Advance income tax		(2,827,976)	(2,733,791)
		(810,957)	661,926

29. PROVISIONS

This represent provisions in respect of contingencies relating to fatal accident cases.

	Note	2013	2012
		(Rupees in '000)	
Provisions		9,978	9,978

30. CASH AND CASH EQUIVALENT

	Note	2013	2012
Cash and bank balances	*15*	790,396	1,183,765
Short term running finances	*26.3*	(7,717,875)	(3,356,274)
		(6,927,479)	(2,172,509)

31. CONTINGENCIES AND COMMITMENTS

31.1 Contingencies

31.1.1 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. 6,510 million for the period from 1 April 2010 to 30 June 2013 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 2013 MOF has released Rs. 200,149 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 10.2) 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 2013 amounts to 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 10.2) by Government Entities, have a direct impact on the liquidity of the Company.

During the current year, SSGC has 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.

In addition, Company has 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 the Company's tariff differential 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.

31.1.2 During the year, National Electric Power Regulatory Authority (NEPRA) has issued a corrigendum vide its letter no. NEPRA/TRF-133/KESC-2009/10401-10404 dated 23 November 2012 whereby determination of 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, 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. 4,786 million from MoW&P for the relevant period ended 30 June 2013.

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.

31.1.3 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 2010, 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.

The matter of applicability of receiving Rs. 73 per MMBTU is pending with the competent court. The amount of differential of GID Cess of Rs. 73 per MMBTU from 10 October 2012 to 30 June 2013 amounts to Rs. 2,695 million. In case GID Cess is made applicable the same is recoverable through tariff adjustment claim from GoP.

31.2 Claims not acknowledged as debts

A claim, amounting to Rs. 73.161 million, was lodged by Pakistan Steel Mills Corporation (Private) Limited 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.

		Note	2013	2012
31.3	Others claim not acknowledged as debts		(Rupees in '000)	
31.3.1	Fatal accident cases	*31.3.4*	754,683	776,987
31.3.2	Architect's fee in respect of the Head office project	*31.3.4*	50,868	50,868
31.3.3	Outstanding dues of property tax, water charges, ground rent and occupancy value	*31.3.4*	6,182,571	6,234,260

31.3.4 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.

		Note	2013	2012
31.4	Commitments		(Rupees in '000)	
31.4.1	Guarantees from banks		49,611	47,182
31.4.2	Contracts with respect to Transmission and Distribution Projects		1,479,378	1,011,904
31.4.3	Outstanding Letters of Credit		1,683,962	1,255,612
31.4.4	Payment in respect of maintenance of Combined Cycle PP 220MW		197,599	376,517
31.4.5	Payment in respect of extension of Combined Cycle Power Plant (90 MW)		1,187,374	-
31.4.6	Dividend on Preference Shares	*31.4.7*	1,119,453	1,034,516

31.4.7 The Company has not recorded any dividend on redeemable preference shares in view of accumulated losses and restriction on dividend placed by Senior lenders which are part of loan covenants.

32. CURRENT MATURITY OF LONG TERM FINANCING

	2013	2012
Current maturity of long term financing	14,965,034	14,217,317

33. SALE OF ENERGY – net

	Note	2013	2012
		(Rupees in '000)	
Residential		44,854,735	35,090,305
Commercial		26,325,661	15,048,783
Industrial		34,626,671	37,588,502
Karachi Nuclear Power Plant		39,774	91,599
Pakistan Steel Mills Corporation (Private) Limited		2,039,584	1,759,432
Fuel Surcharge Adjustment	*33.1*	2,121,577	1,405,179
Others	*33.2*	2,157,870	1,585,925
		112,165,872	92,569,725

33.1 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.

33.2 This includes, a sum of Rs.1,448.248 million (2012: Rs. 1,449.350 million) in respect of supply of energy through street lights.

33.3 The above sales is net of sales tax billed to consumer of Rs. 18,686.484 million (2012: Rs. 14,759.218 million) on account of sale of energy.

34. TARIFF ADJUSTMENT

	Note	2013	2012
Tariff adjustment due to fuel and power purchase	*34.1*	76,615,185	70,029,156

34.1 This represents tariff adjustment (subsidy) claim for variation in fuel prices, cost of power purchase and operation and maintenance cost.

35. PURCHASE OF ELECTRICITY

	2013	2012
National Transmission and Dispatch Company	51,812,491	52,275,059
Independent Power Producers (IPPs)	21,544,903	18,398,137
Karachi Nuclear Power Plant	4,969,904	3,901,752
Pakistan Steel Mills Corporation (Private) Limited	44,347	83,034
	78,371,645	74,657,982

36. CONSUMPTION OF FUEL AND OIL

	2013	2012
Natural gas	29,336,017	27,074,299
Furnace and other oils	38,471,827	31,522,395
	67,807,844	58,596,694

37. EXPENSES INCURRED IN GENERATION, TRANSMISSION AND DISTRIBUTION	Note	Generation expenses	Transmission and distribution expenses	2013	2012
		------ (Rupees in '000) ------			
Salaries, wages and other benefits	*37.1,37.2 & 37.3*	1,080,863	2,071,949	3,152,812	4,454,147
Stores and spares		385,072	132,483	517,555	574,970
Office supplies		17,683	39,486	57,169	73,742
NEPRA license fee		19,984	24,613	44,597	39,489
Repairs and maintenance		49,731	98,864	148,595	219,638
Transport expense		7,366	91,891	99,257	84,724
Rent, rates and taxes		78,062	14,725	92,787	133,154
Depreciation	*4.1.7*	5,138,603	3,055,090	8,193,693	6,537,142
Interdepartmental consumption		-	194,745	194,745	185,549
Provision against slow moving and obsolete stores and spares		82,795	71,098	153,893	79,551
Operation and management fee		-	-	-	45,862
Third Party Services		408,979	629,932	1,038,911	768,731
Others		298,905	4,953	303,858	104,540
		7,568,043	6,429,829	13,997,872	13,301,239

37.1 This includes a sum of Rs. 521.060 million (2012: Rs. 413.169 million) in respect of staff retirement benefits.

37.2 Free electricity benefit to employees, amounting to Rs. 33.858 million (2012: Rs. 408.681 million), has been included in salaries, wages and other benefits.

37.3 This includes Rs.64.073 million (2012: 481.592) relating to staff Voluntary Separation Scheme.

38. CONSUMERS SERVICES AND ADMINISTRATIVE EXPENSES	Note	Consumer Services and Billing Expenses	Administrative and General Expenses	2013	2012
		------ (Rupees in '000) ------			
Salaries, wages and other benefits	*38.1,38.2 & 38.3*	4,153,382	1,534,414	5,687,796	6,433,097
Bank collection charges		-	31,212	31,212	13,969
Transport cost		100,882	19,334	120,216	126,733
Depreciation and amortization	*4.1.8 & 5.2.1*	183,981	507,459	691,440	567,886
Repairs and maintenance		31,471	62,834	94,305	73,605
Rent, rates and taxes		41,573	76,193	117,766	85,501
Public relations and publicity		163	66,146	66,309	65,449
Legal expenses		6,161	104,052	110,213	97,428
Professional charges		19,697	21,671	41,368	99,217
Auditors' remuneration	*38.4*	-	3,598	3,598	2,803
Directors fee		-	320	320	300
Provision against debts considered doubtful	*10.3*	6,155,460	-	6,155,460	2,461,753
Office supplies		63,249	105,629	168,878	170,412
Other expenses		9,191	61,101	70,292	41,919
Interdepartmental consumption		72,479	12,856	85,335	171,700
Third Party Services		967,526	672,824	1,640,350	1,552,857
Others		178,637	136,859	315,496	253,618
		11,983,852	3,416,502	15,400,354	12,218,247

38.1 This includes a sum of Rs. 804.346 million (2012: Rs. 551.299 million) in respect of staff retirement benefits.

38.2 Free electricity benefit to employees, amounting to Rs. 75.932 million (2012: Rs. 455.653 million), has been included in salaries, wages and other benefits.

38.3 This includes Rs. 115.011 million (2012: Rs. 810.007 million) relating to staff Voluntary Separation Scheme.

		Note	2013	2012
38.4	Auditors' remuneration		(Rupees in '000)	
	Statutory audit, half yearly review and report of compliance on Code of Corporate Governance		2,800	2,400
	Out of pocket expenses		130	193
	Other certifications		668	210
			3,598	2,803

39. OTHER OPERATING EXPENSES

	Note	2013	2012
Default surcharge		138,012	373,562
Exchange loss -net		162,207	328,035
Workers' Profits Participation Fund		210,475	138,095
Workers' Welfare Fund		84,190	55,238
Donations	*39.1*	32,216	11,613
Listing fee		2,049	2,514
Fixed asset written-off		17,358	-
Others		-	1,500
		646,507	910,557

39.1 Donations do not include any donee in whom any director or his spouse has any interest.

40. OTHER OPERATING INCOME

	Note	2013	2012
Return on bank deposits		335,242	327,493
Late payment surcharge	*40.1*	2,059,860	1,528,311
Amortisation of deferred revenue	*23*	1,174,727	1,159,943
Gain on disposal of property, plant and equipment		213,469	469,262
Scrap sale – stores and spares		164,438	147,117
Collection charges TV licence fee		81,725	68,669
Liquidated damages recovered from suppliers and contractors		23,648	29,002
Fair value of Grid Stations and transmission lines received		-	180,209
Service connection charges		310,536	543,549
Reversal of accrued liability of mark up on customer security deposits		-	1,064,214
Others		726,699	1,622,297
		5,090,344	7,140,066

40.1 In accordance with the Company's policy, up to 30 June 2013, Late Payment Surcharge receivable on delayed payment of electricity bills from various Government / Government controlled entities (Public Sector Consumers, "PSCs") amounting to Rs. 3,442 million (2012: Rs. 2,637 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 receivable amount would substantially increase.

41. FINANCE COSTS

	Note	2013	2012
		(Rupees in '000)	
Mark-up / interest on:			
long term financing		4,893,264	2,200,715
short-term borrowings		157,700	313,529
short-term running finance		1,064,678	1,418,161
		6,115,642	3,932,405
Late payment surcharge on delayed payment to creditors		3,927,254	827,480
Bank charges, guarantee commission, commitment fee and other service charges		239,016	88,986
Letter of credit discounting charges		3,445,863	2,430,963
Cross currency swaps costs		232,666	422,585
		13,960,441	7,702,419

42. TAXATION

	Note	2013	2012
For the year:			
- Current	*42.1*	-	(948,584)
- Prior	*42.2*	1,823,548	-
- Deferred		1,000,760	1,000,366
		2,824,308	51,782

42.1 This represents Rs. Nil (2012: Rs. 948.584 million) charged in respect of minimum tax @ 1% under section 113 of the Income Tax Ordinance, 2001. Provision during the current year has not been made considering the ATIR decision in company's favour as discussed in note 42.2.

42.2 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 ensuing in minimum tax liability of Rs. 543 million and Rs. 1,408 million for the tax year 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 year 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 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 based on the orders passed by ATIR has reversed, the provision for minimum tax liability amounting to Rs. 874 million for tax year 2011. Further, keeping in view of the similarity of the issue involved in tax year 2012, the Company has also reversed, during the current year, the provision against minimum tax liability amounting to Rs. 948 million for the tax year 2012 in these financial statements.

42.3 The returns of income have been filed up to and including tax year 2012 (corresponding to financial year ended 30 June 2012), 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.

The Tax Department has also raised tax demands during the year 2012 of Rs. 58.317 & Rs. 164.081 million on account of default Surcharge under section 205 of Income Tax Ordinance, 2001 for the year 2010 and 2011 respectively for failure to deposit advance income tax (minimum tax) under section 147 of Income Tax Ordinance, 2001. Management contends that in terms of proviso to section 113, the Company was not required to pay minimum tax under section 113 for the tax years 2010 and 2011; and therefore, the demand raised by the tax department is illegal. Further, the Appellate Tribunal has already given decision in favour of the Company in Tax year 2010 and 2011 as described in note 42.2 above. As the assessment orders under section 122(5A) have been cancelled by the ATIR in both years and after nullification of principal demand, there is strong likelihood that the above mentioned tax demands pending to be heard in Appellate Tribunal Inland Revenue will also be vacated. Simultaneously, the Company has also filed a writ petition with the High Court of Sindh who has granted the stay and maintained the case "Status quo".

During the current year the Tax Department has also raised the tax demands of Rs 53.766 million & Rs.64.524 million under section 205 as default surcharge for delayed depositing of withholding tax under section 235 during tax year 2013. Management contends that the demands are illegal and against natural justice as the delay was caused due to pendency of substantially high GST refunds which were available with the tax department. Appeals filed by the Company are pending for decision before the Commissioner Inland Revenue Appeals. Simultaneously, the Company has also filed writ petitions with the High Court of Sindh which has granted stay and maintained status quo in this regard.

42.4 Deferred taxation	2013	2012
	(Rupees in '000)	
Deferred credits:		
- accelerated tax depreciation	26,703,650	24,522,720
Deferred tax debits:		
- available tax losses	(133,206,051)	(112,444,576)
- provision for gratuity and compensated absences	(1,836,026)	(1,805,442)
- others	(8,535,534)	(6,588,933)
	(143,577,611)	(120,838,951)
	(116,873,961)	(96,316,231)

42.4.1 Deferred tax asset, amounting to Rs. 116,874 million (2012: Rs. 96,316 million), has not been recognized in these financial statements as the Company is of the prudent view that it is not probable that sufficient taxable profit will be available in the foreseeable future against which deductible temporary differences, unused tax losses and unused tax credits can be utilized. At the year end, the Company's tax losses amounted to Rs. 380,589 million (2012: Rs. 327,808 million).

43. EARNING / (LOSS) PER SHARE

	2013	2012
Earning attributable to ordinary share holders (Rupees in '000)	6,728,637	2,440,339
Weighted average number of ordinary shares outstanding for basic earning per share (Number of shares in '000)	26,337,931	22,140,714
Earning per share - Basic (In Rupees)	0.26	0.11
Earning attributable to ordinary share holders net of dilution effect (Rupees in '000)	6,728,637	2,542,973
Weighted average number of ordinary shares outstanding - net of dilution effect (Number of shares in '000)	26,337,931	23,440,714
Earning per share - Diluted (In Rupees)	0.26	0.11

44. CASH GENERATED FROM OPERATIONS

	Note	2013	2012
		(Rupees in '000)	
Profit before taxation		3,904,329	2,568,557
Adjustments for non-cash charges and other items:			
Depreciation and amortisation	*4.1.7 & 5.2*	8,885,133	7,105,028
Provision for deferred liabilities	*22.1.1*	1,325,406	964,468
Amortization / transfer of deferred revenue	*23*	(1,174,727)	(1,159,943)
Provision for debts considered doubtful - net	*10.3*	6,155,460	2,461,753
Gain on disposal of fixed assets	*40*	(213,469)	(469,262)
Fixed asset written-off	*39*	17,358	-
Interest on consumer deposits		-	(1,138,371)
Provision against stores and spares	*9*	153,893	79,551
Finance costs	*41*	13,960,439	7,702,419
Return on bank deposits	*40*	(335,242)	(327,493)
Working capital changes	*44.1*	(19,695,221)	(14,683,526)
		12,983,359	3,103,181

44.1 Working capital changes

	2013	2012
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(679,837)	(43,991)
Trade debts	(19,617,831)	(12,486,733)
Loans and advances	82,028	(41,563)
Trade deposits and prepayments	(521,866)	784,463
Other receivables	3,020,882	(23,659,689)
	(17,716,624)	(35,447,513)
Increase / (decrease) in current liabilities		
Trade and other payables	(2,677,206)	23,592,571
Short-term deposits	698,609	(2,828,584)
	(19,695,221)	(14,683,526)

45. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Note	2013			2012		
		Chief Executive Officer	Directors	Executives	Chief Executive Officers	Directors	Executives
		(Rupees in '000)					
Directors' fee	*45.2*	-	320	-	-	300	-
Managerial remuneration		12,371	11,048	1,521,160	12,371	13,312	1,379,134
House rent / accommodation		4,529	4,408	341,722	4,529	5,370	314,602
		16,900	15,776	1,862,882	16,900	18,982	1,693,736
Number of persons		2	11	678	1	11	627

45.1 The Executives and Chief Executive Officer (CEO) of the Company are provided medical facility. Chief Executive officer is also provided with car facility and accommodation. Included in Chief Executive Officer's remuneration is the remuneration of other CEO who worked part of the year.

45.2 Non-executive directors have been paid director fees with no other remuneration.

45.3 During the year, remuneration and other benefits amounting to Rs. 389.502 million (2012 : 398.652 million) have been provided to Key Management Personnel.

46. TRANSMISSION AND DISTRIBUTION LOSSES

46.1 The transmission and distribution losses were 27.82 % (June 2012: 29.70%). 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%

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 analyze 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 adhoc 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:

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 3 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 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	11,806,019	13,095,324	-	-	-	-	24,901,343	-
Current Liabilities								
Current Maturity of Long Term Financing	11,179,160	3,785,874	-	-	-	-	14,965,034	-
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	72,635,496	17,057,462	19,267	4,954	1,013	1,961	89,720,153	16,881,185

	30 June 2012							
	PKR	USD	EUR	GBP	AED	*Others	Total	Off-Balance Sheet
	---(Rupees in '000)--							
Current Assets								
Loans and Advances	390,975	90,732	17,611	1,796	1,269	2,418	504,801	-
Derivative financial assets	2,135,048	-	-	-	-	-	2,135,048	24,150,916
Trade deposits and prepayments	2,209,280	5,349	-	-	-	-	2,214,629	
Cash and bank balances	1,167,573	16,192	-	-	-	-	1,183,765	-
	5,902,876	112,273	17,611	1,796	1,269	2,418	6,038,243	24,150,916
Non-Current Liabilities					-	-		-
Long term financing	22,378,243	20,805,230	-	-	-	-	43,183,473	-
Current Liabilities							-	-
Current Maturity of Long Term Financing	10,779,153	3,438,164	-	-	-	-	14,217,317	-
Short-term borrowings	23,396,562	24,013	-	-	-	-	23,420,575	-
Accrued mark-up on loans	3,698,722	40,892	-	-	-	-	3,739,614	-
	60,252,680	24,308,299	-	-	-	-	84,560,979	-
Gross balance sheet exposure	66,155,556	24,420,572	17,611	1,796	1,269	2,418	90,599,222	24,150,916

*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	
	2013	2012	2013	2012
	(Rupees)		(Rupees)	
Rupees per				
EURO	124.98	119.84	129.11	120.35
USD	96.53	89.72	98.80	95.88
GBP	151.57	141.93	150.87	149.40
JPY	1.11	1.14	1.00	1.19
SGD	77.99	71.21	78.11	74.90

Sensitivity analysis

A five percent strengthening / (weakening) of the Rupee against Foreign Currency as at 30 June 2013 would have increased / (decreased) equity and profit and loss account by Rs. 3,846 million (2012: Rs. Nil). This analysis assumes that all other variables, in particular interest rates, remaining constant. The analysis is performed on the same basis for 2013 as in 2012.

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:

	2013	2012
Fixed Rate Instruments	(Rupees in '000)	
Financial Assets		
Deposit account	9,085	413,399
Long term loans	1,724	1,831
Deposit under lien against LC	2,563,430	1,975,254
	2,574,239	2,390,484
Financial Liabilities		
Long term deposits	-	-
Variable Rate Instruments		
Financial Assets		
Derivative financial assets	2,523,006	2,135,048
Financial Liabilities		
Long term financing	24,875,343	43,157,473
Short term borrowing	37,562,913	23,373,574
Current portion of long term financing	14,358,096	13,610,379
	76,796,352	80,141,426

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. 466 million (2012: Rs. 347 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 th 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. 107,515 million (2012: Rs. 96,501 million), the financial assets which are subject to credit risk amounted to Rs. 39,618 million (2012: Rs. 32,274 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.

	2013		2012	
	Financial assets	Maximum exposure	Financial assets	Maximum exposure
	(Rupees in '000)			
Long term loans	41,220	41,220	49,234	49,234
Loans and advances	35,441	8,014	40,734	9,644
Long term deposits and prepayments	104,594	-	118,701	-
Trade debts	62,843,648	33,468,040	49,381,277	26,591,277
Trade deposits	2,678,023	2,678,023	2,072,709	2,072,709
Other receivables	38,498,853	124,825	41,519,735	248,082
Cash and bank balances	790,396	775,353	1,183,765	1,167,822
Derivative Financial Assets	2,523,006	2,523,006	2,135,048	2,135,048
	107,515,181	39,618,481	96,501,203	32,273,816

Differences in the balances as per balance sheet and maximum exposures were due to the fact that other receivables of Rs. 38,499 million (2012: Rs. 41,520 million) which mainly comprises of sales tax of Rs. 5,432 million (2012: Rs. 6,302 million) and tariff adjustment amounting to Rs. 32,705 million (2012: Rs. 34,732 million). Trade debts includes due from Government and autonomous bodies amounting to Rs. 33,127 million (2012 Rs. 22,790 million).

The maximum exposure to credit risk for trade receivables at the reporting dates by type of counter party was as follows:

	2013	2012
	(Rupees in '000)	
Ordinary Consumers	31,442,015	24,999,104
Industrial Consumers	2,026,025	1,592,173
	33,468,040	26,591,277

Impairment losses

The aging of trade debtors and long term loans as at the balance sheet date was:

	2013		2012	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Up to 1 year	35,270,855	1,108,762	25,639,429	-
1 to 2 years	13,326,068	1,873,414	11,264,795	1,253,696
2 to 3 years	9,802,058	2,230,531	6,748,275	1,374,006
3 to 4 years	5,994,098	3,194,634	4,883,113	1,857,466
Over 4 years	21,601,113	14,743,203	18,528,395	13,197,562
	85,994,192	23,150,544	67,064,007	17,682,730

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:

Bank	Rating agency	Rating	
		Short-term	Long-term
Public sector commercial banks			
First Women Bank Limited	PACRA	A2	A-
National Bank of Pakistan	JCR-VIS	A-1+	AAA
The Bank of Khyber	PACRA	A2	A-
The Bank of Punjab	PACRA	A1+	AA-
SME Bank Limited	JCR-VIS	A-3	BBB
Sindh Bank Limited	JCR-VIS	A-1	AA-
Private sector commercial banks			
Allied Bank Limited	JCR-VIS	A1+	AA
Summit Bank Limited (formerly Arif Habib Bank Limited)	JCR-VIS	A-2	A-
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+	AA+
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1	A+
KASB Bank Limited	PACRA	A3	BBB
MCB Bank Limited	PACRA	A1+	AA+
NIB Bank Limited	PACRA	A1+	AA+
Silkbank Limited	JCR-VIS	A-2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+
Foreign Banks Operating In Pakistan			
Al-Baraka Islamic Bank	JCR-VIS	A-1	A
Bank of Tokyo-Mitsubishi UFJ Limited	STANDARD & POORS	A-1	A+
Barclays Bank PLC	STANDARD & POORS	A-1	A+
Citibank N.A.	MOODY'S	P-1	A2
Deutsche Bank AG	STANDARD & POORS	A-1	A+
HSBC Bank Middle East Limited	MOODY'S	P-1	A1
Oman International Bank SAOG	JCR-VIS	A-2	BBB
Development Financial Institutions			
Burj Bank Limited (formerly Dawood Islami 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+
BankIslami Pakistan Limited	PACRA	A1	A
Micro Finance Banks			
Zarai Taraqiti Bank Limited	JCR-VIS	A-1+	AAA
Tameer Micro Finance Bank	JCR-VIS	A-1	A
Network Micro Finance Bank Limited	PACRA	A3	BBB

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:

	2013					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to Five years	More than five years
Non-Derivative Financial liabilities	(Rupees in '000)					
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)

	2012					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to Five years	More than five years
Non-Derivative Financial liabilities	(Rupees in '000)					
Long term financing	57,400,790	(67,836,255)	(9,698,216)	(8,433,311)	(43,387,618)	(6,317,110)
Long-term deposits	4,754,318	(4,754,318)	-	-	-	(4,754,318)
Trade and other payables	93,750,399	(93,750,399)	(93,750,399)	-	-	-
Accrued mark-up	3,739,614	(3,739,614)	(3,739,614)	-	-	-
Short-term borrowings	23,420,575	(23,420,575)	(23,420,575)	-	-	-
Short-term deposits	5,387,090	(5,387,090)	(5,387,090)	-	-	-
	188,452,786	(198,888,251)	(135,995,894)	(8,433,311)	(43,387,618)	(11,071,428

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 20 to these financial statements.

As disclosed in note 20 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 20, 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 and Rs. 27,000 million from 31 March 2014 till 29 June 2014. 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 3.21).

Cash flow hedges

As at 30 June 2013, 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 20.1 and 20.3 to these financial statements.

Fair value	*Note*	2013	2012
		(Rupees in '000)	
Cross Currency Swaps	*14*	2,627,752	2,203,810
Interest Rate Swap	*14*	(104,746)	(68,762)

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 14).

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 2013.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company during the year has issued right shares amounting to Rs. 9,304 million (note 1.2.4).

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 2013 and 30 June 2012 were as follows:

	Note	2013	2012
		(Rupees in '000)	
Long term financing	*20*	24,901,343	43,183,473
Long-term deposits	*21*	5,114,912	4,754,318
Trade and other payables	*24*	96,214,810	98,892,023
Accrued mark-up	*25*	5,776,415	3,739,614
Short-term borrowings	*26*	37,608,485	23,420,575
Short-term deposits	*27*	6,085,699	5,387,090
Current maturity of non-current liabilities	*32*	14,965,034	14,217,317
Total debt		190,666,698	193,594,410
Cash and bank balance	*15*	(790,396)	(1,183,765)
Net debt		189,876,302	192,410,645
Total equity		28,885,013	15,363,305
Cash flow hedge		490,460	621,373
Total capital		219,251,775	208,395,323
Net debt to adjusted equity		0.87	0.92

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 2013 and 30 June 2012 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	41,220	-	-	41,220	41,220
Long-term deposits	104,594	-	-	104,594	104,594
Trade debts	62,843,648	-	-	62,843,648	62,843,648
Loans and advances	35,441	-	-	35,441	35,441
Trade deposits	2,678,023	-	-	2,678,023	2,678,023
Derivative financial asset	-	2,523,006	-	2,523,006	2,523,006
Cash and bank balances	790,396	-	-	790,396	790,396
Financial Liabilities				-	-
Long-term financing	-	-	39,866,377	39,866,377	39,866,377
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

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:

		2013	2012
		(Rupees in '000)	
48.1	KES Power Limited, Parent Company		
	Short term loan payable	45,572	47,001
	Accrued mark-up payable	-	80,346
48.2	Byco Petroleum Pakistan Limited, Associated Company		
	Amount payable included in long term financing	669,658	1,189,658
	Amount payable included in creditors	2,705,331	1,524,014
	Purchases	10,361,484	3,175,190
	Financial charges / late payment surcharge	409,099	107,773
48.3	Government Related Entities		
48.3.1	National Transmission and Dispatch Company		
	Purchases	51,812,491	52,275,059
	Amount payable included in creditors	20,726,349	41,522,872
	Amount payable included in long term financing	5,745,000	10,545,000
48.3.2	Pakistan State Oil Company Limited		
	Purchases	28,137,088	33,101,501
	Late payment surcharge	438,078	364,062
	Amount payable included in creditors	12,089,435	3,759,722
48.3.3	Sui Southern Gas Company Limited		
	Purchases	29,336,017	27,074,299
	Amount payable included in creditors	32,920,587	31,011,597
48.4	Provident Fund		
	Contribution to provident fund	491,213	494,194
	(Payable) to / receivable from provident fund	(79,143)	77,404

48.5 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 6 to these financial statements) are determined in accordance with the terms of their employment.

48.6 The Company holds 50% of the total share capital of Karachi Organic Energy (Private) Limited (KOEL) by virtue of investment in 2 ordinary shares having face value of Rs. 10 each which amounts to total investment of Rs. 20. KOEL has been incorporated for set up and operation of a biogas project.

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:

	2013	2012
	(Rupees in '000)	
Size of the fund - Net assets	6,883,507	6,399,732
Cost of the investment made	5,115,236	5,334,539
Percentage of the investment made	74%	83%
Fair value of the investment made	6,866,050	6,411,872

The break up of fair value of the investment is :

	2013		2012	
	(Rupees in '000)	%	(Rupees in '000)	%
Term deposit receipts	1,373,497	20.00%	803,596	12.53%
Government securities	2,735,578	39.84%	3,791,300	59.13%
Debt securities	565,760	8.24%	387,696	6.05%
Mutual funds	2,191,215	31.91%	1,429,280	22.29%
	6,866,050		6,411,872	

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 8,567 GWH (2012: 8,020 GWH). Units 3 & 4 at BQPS-1 remained out of operation most of the time during the year (dedicated for Coal Conversion Project). Similarly, Unit-3 at KTPS plant has not been operated due to its lower efficiency and unreliable operations. Therefore, Gross Dependable Capacity has reduced from 2050 MW to 1643 MW as compared to last year.

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 2013 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 "SRO587 (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 30 June 2013 were 10,936 (2012: 12,747) and number of employees as at 30 June 2013 were 10,594 (2012: 11,326).

56. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 10 September 2013 by the Board of Directors of the Company.

57. GENERAL

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

Nayyer Hussain Chief Executive Officer	Shan A. Ashary Director

PATTERN OF SHAREHOLDING

As of June 30, 2013

# of Shareholders	Shareholdings' Slab			Total Shares Held
5695	1	to	100	170,546
3391	101	to	500	974,735
1885	501	to	1000	1,626,777
3724	1001	to	5000	10,682,830
1274	5001	to	10000	10,561,633
486	10001	to	15000	6,277,228
309	15001	to	20000	5,803,485
219	20001	to	25000	5,212,073
133	25001	to	30000	3,809,564
80	30001	to	35000	2,657,095
68	35001	to	40000	2,641,436
36	40001	to	45000	1,557,914
136	45001	to	50000	6,760,598
40	50001	to	55000	2,131,745
39	55001	to	60000	2,298,825
24	60001	to	65000	1,505,962
21	65001	to	70000	1,445,072
29	70001	to	75000	2,151,330
15	75001	to	80000	1,184,579
9	80001	to	85000	753,540
16	85001	to	90000	1,419,437
8	90001	to	95000	737,966
91	95001	to	100000	9,089,330
13	100001	to	105000	1,323,595
8	105001	to	110000	879,528
5	110001	to	115000	567,086
10	115001	to	120000	1,193,014
8	120001	to	125000	992,542
6	125001	to	130000	771,326
3	130001	to	135000	394,668
2	135001	to	140000	277,205
2	140001	to	145000	289,190
22	145001	to	150000	3,292,500
5	150001	to	155000	768,658
2	155001	to	160000	320,000
5	160001	to	165000	816,500
5	165001	to	170000	841,746
4	170001	to	175000	695,492
4	175001	to	180000	720,000
2	180001	to	185000	370,000
3	185001	to	190000	567,500
29	195001	to	200000	5,799,756

# of Shareholders	Shareholdings' Slab			Total Shares Held
1	200001	to	205000	202,209
4	205001	to	210000	837,200
2	210001	to	215000	425,500
1	215001	to	220000	220,000
2	220001	to	225000	448,500
1	225001	to	230000	230,000
1	230001	to	235000	230,500
1	240001	to	245000	244,500
7	245001	to	250000	1,747,500
4	250001	to	255000	1,011,600
1	255001	to	260000	260,000
2	260001	to	265000	529,254
1	265001	to	270000	265,687
2	275001	to	280000	560,000
2	280001	to	285000	561,566
1	290001	to	295000	293,500
7	295001	to	300000	2,100,000
2	300001	to	305000	605,028
1	305001	to	310000	309,764
6	315001	to	320000	1,899,181
1	330001	to	335000	335,000
1	335001	to	340000	335,349
4	345001	to	350000	1,397,911
1	365001	to	370000	366,000
1	370001	to	375000	373,000
1	375001	to	380000	375,500
1	385001	to	390000	385,548
6	395001	to	400000	2,400,000
1	400001	to	405000	403,000
1	405001	to	410000	409,764
2	425001	to	430000	858,500
1	430001	to	435000	431,340
2	435001	to	440000	878,500
1	445001	to	450000	450,000
1	450001	to	455000	451,500
1	460001	to	465000	465,000
4	495001	to	500000	2,000,000
1	525001	to	530000	529,938
3	545001	to	550000	1,650,000
1	555001	to	560000	556,334
1	590001	to	595000	595,000
1	595001	to	600000	600,000
1	655001	to	660000	655,200
1	660001	to	665000	661,148
1	685001	to	690000	687,000

# of Shareholders	Shareholdings' Slab			Total Shares Held
3	695001	to	700000	2,100,000
2	745001	to	750000	1,500,000
1	755001	to	760000	759,500
1	765001	to	770000	769,500
1	780001	to	785000	781,520
3	795001	to	800000	2,399,152
1	820001	to	825000	823,234
1	840001	to	845000	845,000
2	945001	to	950000	1,900,000
1	950001	to	955000	950,509
3	995001	to	1000000	3,000,000
1	1005001	to	1010000	1,010,000
1	1045001	to	1050000	1,050,000
1	1055001	to	1060000	1,059,784
2	1095001	to	1100000	2,197,645
1	1105001	to	1110000	1,107,000
1	1195001	to	1200000	1,200,000
1	1215001	to	1220000	1,215,500
1	1395001	to	1400000	1,400,000
1	1420001	to	1425000	1,422,500
1	1470001	to	1475000	1,475,000
1	1495001	to	1500000	1,500,000
1	1610001	to	1615000	1,613,000
1	1850001	to	1855000	1,850,500
1	2995001	to	3000000	3,000,000
1	3435001	to	3440000	3,437,676
1	4090001	to	4095000	4,094,000
1	4895001	to	4900000	4,899,100
1	5205001	to	5210000	5,208,500
1	7595001	to	7600000	7,600,000
1	7995001	to	8000000	8,000,000
1	9545001	to	9550000	9,549,000
1	9705001	to	9710000	9,706,969
1	11095001	to	11100000	11,098,775
1	19580001	to	19585000	19,583,042
1	22295001	to	22300000	22,297,965
1	32915001	to	32920000	32,917,688
1	84125001	to	84130000	84,126,650
1	687010001	to	687015000	687,013,714
1	698070001	to	698075000	698,071,428
1	6726910001	to	6726915000	6,726,912,278
1	19110180001	to	19110185000	19,110,182,090
18,006				**27,615,194,246**

CATEGORIES OF SHAREHOLDERS

AS ON JUNE 30, 2013
ORDINARY SHARES

Categories of Shareholders	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	69.202
President of the Islamic Republic of Pakistan (GoP)	1	6,726,912,278	24.359
Mutual Funds			
CDC - Trustee AKD Index Tracker Fund	1	661,148	0.002
B.R.R. Guardian Modaraba	1	165,746	0.001
CDC - Trustee First Habib Stock Fund	1	200,000	0.001
MCBFSL - Trustee Namco Balanced Fund	1	7,600,000	0.028
CDC Trustee KSE Meezan Index Fund	1	4,899,100	0.018
CDC - Trustee First Habib Islamic Balanced Fund	1	100,000	0.000
Pak Asian Fund Limited	1	5,000	0.000
Directors, CEO & their Spouse and Minor Children			
Khalid Rafi, Director	1	500	0.000
Executives (means CFO, COO, CIA, Company Secretary and employees of the Company whose basic salary exceeds one million rupees in a financial year)	4	123,462	0.000
Public Sector Companies and Corporations	11	11,624,752	0.042
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	44	5,436,069	0.020
General Public - Local	17,697	188,230,070	0.682
General Public - Foreign	64	1,410,193,340	5.107
* Internal Finance Corporation 687,013,714 2.49%			
* Asian Development Bank 698,071,428 2.53%			
* Others 25,108,198 0.09%			
*** Total 1,410,193,340 5.11%**			
Others	176	148,860,691	0.539
	18,006	**27,615,194,246**	**100.000**
ADDITIONAL INFORMATION		**Purchase**	**Sale**
Trading in shares of the Company			
Directors		-	-
Executives			
Wahid Asghar		-	192,000
Ubaid Akhtar		68,000	7,000
Anoop Lal		45,000	-

GLOSSARY OF TERMS

Abbreviation	Description	Abbreviation	Description
AA	Amendment Agreement	ICMAP	Institute of Cost & Management Accountants
ABC	Aerial Bundled Cabling		of Pakistan
ACCA	Association of Chartered Certified Accountants	IFC	International Finance Corporation
ADB	Asian Development Bank	IFRS	International Financial Reporting Standards
AKHMCF	Aga Khan Hospital & Medical College Foundation	ISE	Islamabad Stock Exchange Limited
AT&C	Aggregate Technical & Commercial	ISO	International Organisation for Standardisation
BAC	Board Audit Committee	IT	Information Technology
BFC	Board Finance Committee	KESC	Karachi Electric Supply Company Limited
BHR&RC	Board Human Resource & Remuneration Committee	KESP	KES Power Limited
BOC	Business Operation Centre	KGTPS	Korangi Gas Turbine Power Station
BOD	Board of Directors	KM	Kilometre
BQPS	Bin Qasim Power Station	KSE	Karachi Stock Exchange Limited
CAPEX	Capital Expenditure	KW&SB	Karachi Water & Sewerage Board
CBDO	Chief Business Development Officer	L&OD	Learning & Organisation Development
CCG	Code of Corporate Governance	LSE	Lahore Stock Exchange Limited
CCPP	Combined Cycle Power Plant	MMCFD	Million Cubic Feet pter Day
CD	Circular Debt	MW	Mega Watt
CDCPL	Central Depository Company of Pakistan Limited	NBFI	Non Banking Financial Institution
CDGK	City District Government Karachi	NBP	National Bank of Pakistan
CDO	Chief Distribution Officer	NEPRA	National Electric Power Regulatory Authority
CEO	Chief Executive Officer	NIFT	National Institutional Facilitation Technologies
CFO	Chief Financial Officer	NTDC	National Transmission & Dispatch Company
CGTO	Chief Generation & Transmission Officer	OGDC	Oil & Gas Development Company Ltd.
CHRO	Chief Human Resource Officer	OGRA	Oil & Gas Regulatory Authority
CO1984	Companies Ordinance 1984	OHSAS	Occupational Health & Safety Assessment System
CSCO	Chief Supply Chain Officer	PKR	Pak Rupees
CSO	Chief Strategy Officer	PMT	Pole Mounted Transformer
CSR	Corporate Social Responsibility	PO	Purchase Order
C&A	Controlling & Accounts	PPA	Power Purchase Agreement
DSP	Distribution Service Provider	PPL	Pakistan Petroleum Limited
EBITDA	Earnings Before Interest, Tax,	PMT	Pole Mounted Transformers
	Depreciation and Amortization	PSC	Public Sector Consumers
EHT	Extra High Tension	PSO	Pakistan State Oil
EOI	Expression of Interest	RA&SP	Regulatory Affairs & Special Projects
EPS	Earnings Per Share	SAP	System Application Products in Data Processing
FBA	Finance & Business Administration	SCADA	Supervisory Control And Data Acquisition
FBR	Federal Board of Revenue	SCBL	Standard Chartered Bank (Pak) Limited
FO	Furnace Oil	SECP	Securities & Exchange Commission of Pakistan
FSA	Fuel Surcharge Adjustment	SGTPS	SITE Gas Turbine Power Station
GOP	Government of Pakistan	SIP	Social Investment Plan
HBL	Habib Bank Limited	SSGC	Sui Southern Gas Company Limited
HSEQ	Health, Safety, Environment & Quality	TCF	The Citizens Foundation
IA	Implementation Agreement	TFC	Term Finance Certificate
IAS	International Accounting Standards	T&D	Transmission & Distribution
IBC	Integrated Business Centre	UBL	United Bank Limited
ICAP	Institute of Chartered Accountants of Pakistan		

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KARACHI ELECTRIC SUPPLY COMPANY

FORM OF PROXY

103RD ANNUAL GENERAL MEETING

I/We ____ of ____ ______________________________ being a member of the Karachi Electric Supply Company Limited, hereby appoint ___________________________ of _________________________________ or failing him/her _______________________ of ___________________________ as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Navy Welfare Centre, Liaquat Barracks, Karachi on Tuesday, October 29, 2013 at 10:30 a.m. or at any adjournment thereof.

As witnessed given under my / our hand(s) this ______________ day of October, 2013.

Shares held ____

Shareholder's Folio/Account # ____

CNIC # ☐☐☐☐☐■☐☐☐☐☐☐☐■☐

Revenue Stamp of appropriate value

Signature ____

The signature should agree with the specimen signature registered with the Company.

Proxy Holder's Folio/Account # ____

Proxy Holder's CNIC # ☐☐☐☐☐■☐☐☐☐☐☐☐■☐

Proxy Holder's signature ____

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 the Power of Attorney and/or Board Resolution with regards 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.

KARACHI ELECTRIC
SUPPLY COMPANY

No postage necessary if mailed in Pakistan

KESC House, 39-B,
Sunset Boulevard,
Phase 2, DHA,
Karachi.

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