ANNUAL REPORT
2015

Energising Karachi – Empowering Lives

Entire industry exempted from load shed for the past
6 years

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

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

SMS 8119

24 HOURS 118 RESPONSE CENTRE

99000 CUSTOMER CARE

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

KE
Energy That Moves Life

ANNUAL REPORT 2015

Energy That Moves Life

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KE works relentlessly to become a more customer-centric organisation. It continues to serve and improve its service with a professional and positive attitude.

KE implements highest performance standards in its generation, transmission and distribution businesses, while maintaining a close and interactive relationship with its valued customers and a diverse stakeholder universe.

KE is deeply ingrained in the fabric of Karachi, and its growth is linked to the social, economic, and environmental sustainability of the city. With this in view, KE also provides free of cost uninterrupted power to some of the leading institutions of Pakistan in the health and education sectors.

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Tabish Gauhar
Chairman

Chairman's Message

The last one year has been one of the fastest periods of our growth. Despite occasional hiccups, we continued to invest in and enhance our generation, transmission and distribution infrastructure, and reduce our distribution line losses, leading to a marked overall improvement in the quality and capacity of our customer delivery. To sustain this progress and meet our projected targets, we have initiated an all-encompassing strategy to streamline power supply and secure fairer usage of electricity. For instance, the ongoing Smart Grid Project will enable exact monitoring of electricity supply across the system, generate more accurate billing and further curtail commercial and technical losses. Another technological advancement, GIS, which is in its pilot phase, will further optimise our existing distribution network and increase our capability to monitor faults in the network.

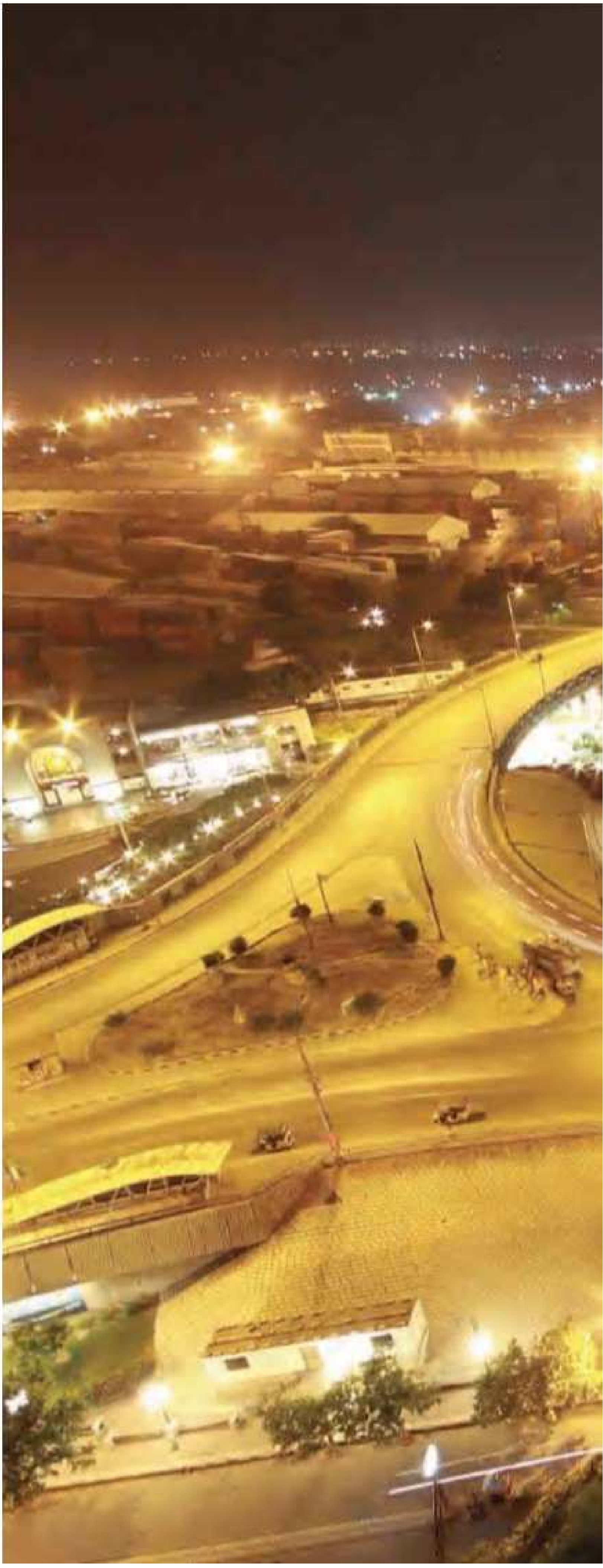
Alongside building our infrastructure and processes as per international standards, we have tried to foster a customer-centric culture within the organisation to prepare ourselves for future deregulation in the industry and in our space. For example, our Integrated Business and 118 Call Centres continue to play a vital front-facing role in providing customer support across our 6,500 sq km network and in transforming public perception of KE.

In order to meet the growing electricity needs of the city, and beyond, and in the backdrop of gas shortages, circular debt and rising electricity tariff, we need to steadfastly continue with our various initiatives to improve our energy mix through Combined Cycle, LNG-to-Power, Coal-Conversion, new Coal-fired power, and Renewable Energy (in line with our 2013 Climate Change Policy) projects. These critical projects, should enable us to be self-sufficient by 2020 and lay the foundation of restoring our past glory as a net exporter of energy to the rest of Pakistan.

We have worked extremely hard to reach the stage where around 60% of our network (including 100% of the industrial zones) is exempt from scheduled load shedding as a matter of corporate policy. This cannot be taken for granted and we need to redouble our efforts to sustain and improve this track record. Our goal remains to provide safe, uninterrupted, and affordable electricity to all of the 23 million people of Karachi and its adjoining areas in a socially responsible and sustainable manner. Our social compact with our customers need to be further strengthened.

At the end of the day, however, we are not operating in a vacuum - and need the full support and understanding of all key stakeholders, particularly the federal and provincial governments and the regulator. It is therefore critical that the state adopts a holistic approach toward KE so that it continues to stand out as a privatisation success story and acts as a catalyst and platform for attracting further domestic and foreign private investment in the country's energy sector. KE and the Government are natural allies in achieving this objective in the overall national interest.

I also look forward to the day when KE would carry Pakistan's flag internationally and make us all proud. We also need to proactively embrace internal and external change because that is the only constant in life! Here I would like to especially acknowledge the tremendous efforts of the KE team that took over a broken company in 2009 and transformed it. With unwavering commitment, passion to excel, and unqualified support of all KE employees, there is no reason to doubt that the best is yet to come.




Picture from PNSC Building

Our Vision, Mission and Values

Vision - ہماری منزل

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

Mission - ہمارا عمل

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

Values - ہماری اقدار

We Believe

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

We Are Trustworthy

We speak simply, but never patronize. 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 our customers' trust and respect. We always ask for their involvement, never demand it.

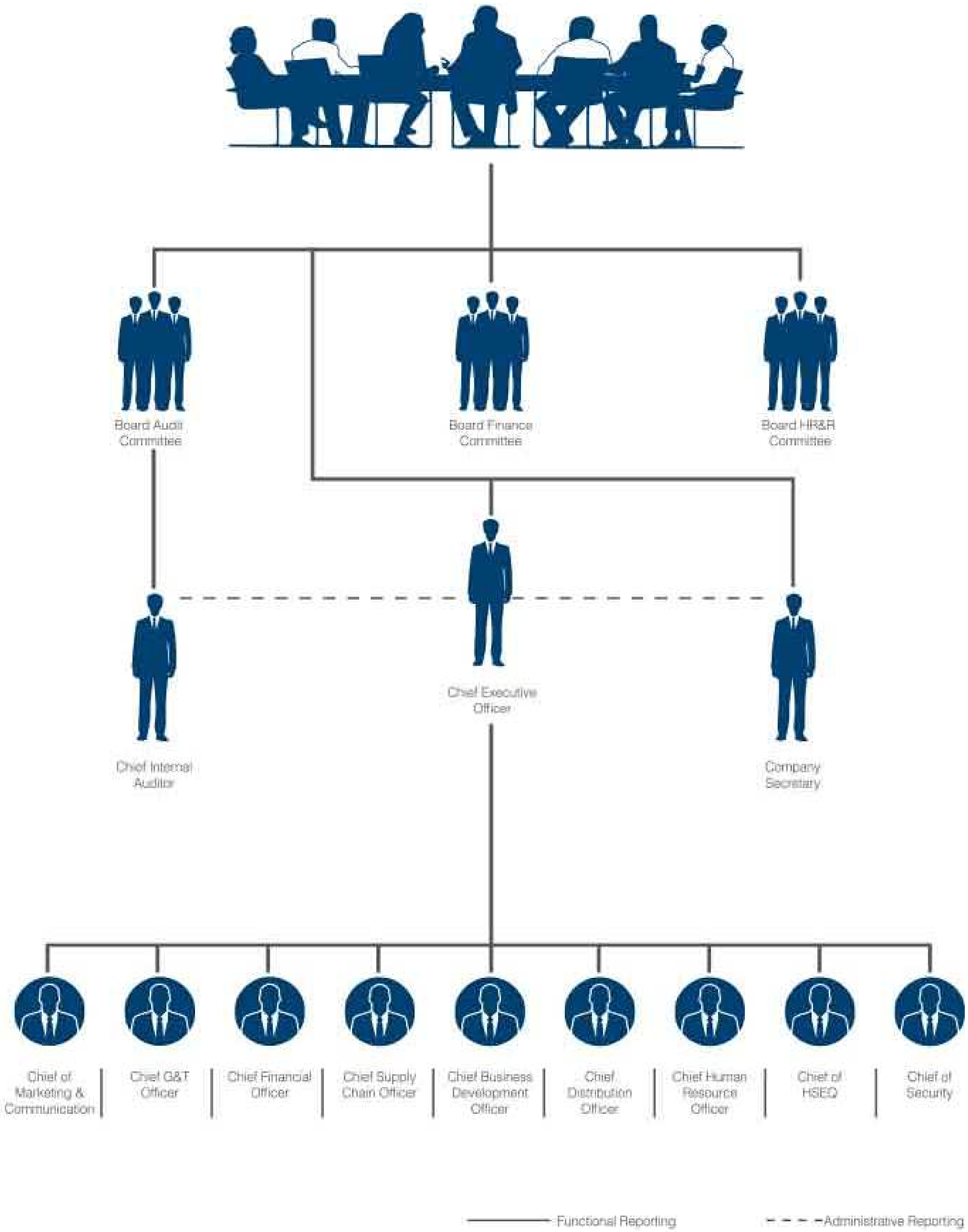
We Are Dependable

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.

Board of Directors



Company Information

Board of Directors (BoD)

Tabish Gauhar	Chairman
Muhammad Tayyab Tareen	CEO
Syed Arshad Masood Zahidi	
Aziz Moolji	
Frederic Sicre	
Khalid Rafi	
Khaqan Murtaza	
Mubasher H. Sheikh	
M. Zargham Eshaq Khan	
Nayyer Hussain	
Noor Ahmed	
Omar Khan Lodhi	
Shan A. Ashary	

Board Audit Committee (BAC)

Khalid Rafi	Chairman
Aziz Moolji	Member
Mubasher H. Sheikh	Member
Nayyer Hussain	Member
Tabish Gauhar	Member

Board Human Resource & Remuneration Committee (BHR&RC)

Tabish Gauhar	Chairman
Muhammad Tayyab Tareen	Member
Shan A. Ashary	Member

Board Finance Committee (BFC)

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

Chief Financial Officer
Syed Moonis Abdullah Alvi

Company Secretary
Muhammad Rizwan Dalia

Chief Internal Auditor
Khalilullah Shaikh

Legal Adviser
Abid S. Zuberi & Co.

External Auditors
KPMG Taseer Hadi & Company,
Chartered Accountants

Share Registrar
Central Depository Company of Pakistan Limited
CDC House, 99-B, Block "B", S.M.C.H.S., Main
Shahrah-e-Faisal, Karachi. Office: 111-111-500

Bankers
Albaraka Bank (Pakistan) Limited
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Burj Bank Limited
Citibank N.A.
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
Industrial and Commercial Bank of China Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Samba Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
United Bank Limited

Registered Office
KE House, 39-B, Sunset Boulevard, Phase-II,
Defence Housing Authority, Karachi, Pakistan

Follow Us
www.ke.com.pk
UAN: 111-537-211
KElectricPk @KElectricPk

Notice of Annual General Meeting

Notice is hereby given that the 105th Annual General Meeting (AGM) of the K-Electric Limited will be held at Navy Welfare Centre, Liaquat Barracks, Karachi on Friday, 16 October 2015 at 11:00 a.m. to transact the following business:

Ordinary Business

1. To confirm Minutes of the Annual General Meeting (AGM) held on 23 October 2014.

2. To receive and adopt the annual audited financial statements of the Company (with the Directors' Report and Auditors' Report) for the year ended 30 June 2015.

3. To elect directors in place of retiring directors.
   The Board of Directors has fixed the number of directors to be elected under Section 178 (1) of the Companies Ordinance 1984 at thirteen (13). The retiring directors are:-

   1. Tabish Gauhar (Chairman)
   2. Muhammad Tayyab Tareen (CEO)
   3. Syed Arshad Masood Zahidi
   4. Aziz Moolji
   5. Frederic Sicre
   6. Khalid Rafi
   7. Khaqan Murtaza
   8. Mubasher H. Sheikh
   9. Muhammad Zargham Eshaq Khan
   10. Noor Ahmed
   11. Nayyer Hussain
   12. Omar Khan Lodhi
   13. Shan A. Ashary

4. To appoint Auditors for FY 2015-16 and to fix their remuneration.

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

By Order of the Board
Muhammad Rizwan Dalia
Company Secretary
K-Electric Limited
Karachi, 22 September 2015

N.B.

(i) The Share Transfer Books of the Company, for the purpose of attending AGM, will remain closed from 09 October to 16 October 2015 (both days inclusive). Transfer received at CDC Share Registrar Department, Central Depository Company of Pakistan Limited, CDC House 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 by the close of business on Thursday, 08 October 2015 will be treated in time.

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

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

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

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

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

A. For attending the meeting

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

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

B. For appointing proxies

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

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

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

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

Election of directors:

Any person seeking to contest the election to the office of director, whether he / she is a retiring director or otherwise, shall file the following documents with the Company at its Registered Office, no later than fourteen (14) days before the above-said meeting:-

a. Intention to offer himself or herself for election as a director in accordance with the provisions of Companies Ordinance 1984.
b. Consent to act as director in Form-28, duly completed, as required under Section 184 of the Companies Ordinance 1984.
c. Detailed profile along with office address for placement onto the Company's website seven (7) days prior to the date of election in terms of SRO 25 (1) 2012 of 16 January 2012; and
d. signed declarations in respect of being compliant with the requirements of the Code of Corporate Governance 2012 and the eligibility criteria as set out in the Companies Ordinance 1984 to act as director of a listed company.

Circulation of Annual Financial Statements through email

The SECP, through its notification SRO 787 (1) / 2014 dated 8 September 2014 has allowed the companies to circulate their annual (audited) financial statements and notice of meeting to its members through email. If you wish to get the financial statements of the Company through email, please **FILL IN** the **REQUEST / CONSENT FORM** available in the Annual Report (page 204) mentioning your valid email address as your consent for the purpose of receiving the annual reports and notice of meetings electronically in future. The REQUEST FORM / CONSENT FORM is also available on the Company's website: www.ke.com.pk

Please note that the Company shall continue to dispatch printed annual (audited) financial statements by post to the shareholders who do not opt for transmission through email and to email-opting shareholders on demand.

Availability of audited financial statements on company's website:

The audited financial statements of the Company for the year ended 30 June 2015 have been made available on the Company's website (www.ke.com.pk).

Code of Conduct

Following are the salient features of the Code of Conduct (Code) of K-Electric Limited intended to assist its Board members and employees in meeting the standards of professional and personal integrity expected and required of them. Compliance with the Code is mandatory for all KE Board members and employees and deemed to be a part of the employment contracts / appointment letters for all Board members / employees of the Company. Contravention of the Code is regarded as misconduct and forms the basis for termination of the Board member / employee's association with the Company.

Salient features of the Code:

1. Conflict of Interest

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

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

2. Confidentiality

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

3. Contributions

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

4. Inducement Payments

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

KE Board members / employees shall neither ask for nor receive money or any personal benefit (material or non-material) from a supplier or contractor in exchange for an order for goods or services.

5. Health and Safety

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

6. Trading in Company's Shares

Certain restrictions / reporting requirements are applied on the Directors / employees regarding trading in Company's shares. They shall make sure that they remain compliant with these statutory requirements.

7. Workplace Harassment

KE Board members / employees will maintain an environment that is free from harassment of any kind and in which all Board members / employees are equally respected.

8. Compliance with the Code

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

Objectives and Strategies

KE's main objective is to contribute to the well-being of its customers by ensuring uninterrupted supply of affordable and safe electric power. KE is committed to increasing the stakeholders' value through continuous reduction in operating costs and minimising technical and non-technical losses. This is being achieved by increasing the generation capacity and upgrading the transmission and distribution infrastructure.

KE has taken initiatives to develop new generation facilities based on a diverse fuel mix. Projects in the pipeline are based on LNG, coal (both indigenous and imported), solar and wind resources.

Other measures include streamlining human resource policies and improved standard operating procedures. Annual financial targets relating to profitability and capital structure are monitored to ensure that KE creates value and generates a market rate of return. Financial risk is kept at a minimum level through efficient capital structuring.

KE's bottom line has shown a marked improvement: from a loss of PKR 14,641 million in FY-2010 to a profit of PKR 28,325 million in FY- 2015.

Entity's significant resources

KE's significant resources and assets comprise its human resource, financial resource and technological resource. KE makes continuous investments in all its resources to ensure sustained growth. By conducting comprehensive training and development programmes KE is adding value to its human resource base. The Company is aggressively pursuing investments in expansion of its generation capacity and T&D infrastructure. The company also aims to improve and further strengthen its communication infrastructure. It targets to attain business intelligence for availability of refined analytical information for improving relevant business decision making.

Cash flow management and capital structure

KE manages its working capital requirement through running finance facilities, short-term borrowings and internal cash generation. During FY 2015, through efficient management of working capital, the weighted average cost of borrowings was reduced to 10% per annum from 12% in FY 2014 while maintaining adequate liquidity for operations.

During FY 2015, there is also an increase in net cash generated from operations which amounted to PKR 18,585 million, whereas net outflows from investing and financing activities amounted to PKR 14,847 million and PKR 7,023 million respectively. During FY 2015, a significant capital restructuring activity took place. KE issued Azm Sukuk certificates of PKR 22,000 million. Through the Azm Sukuk certificates proceeds, KE was able to prepay the existing expensive long-term loans of IFC, ADB and other senior lenders of approximately PKR 18,000 million.

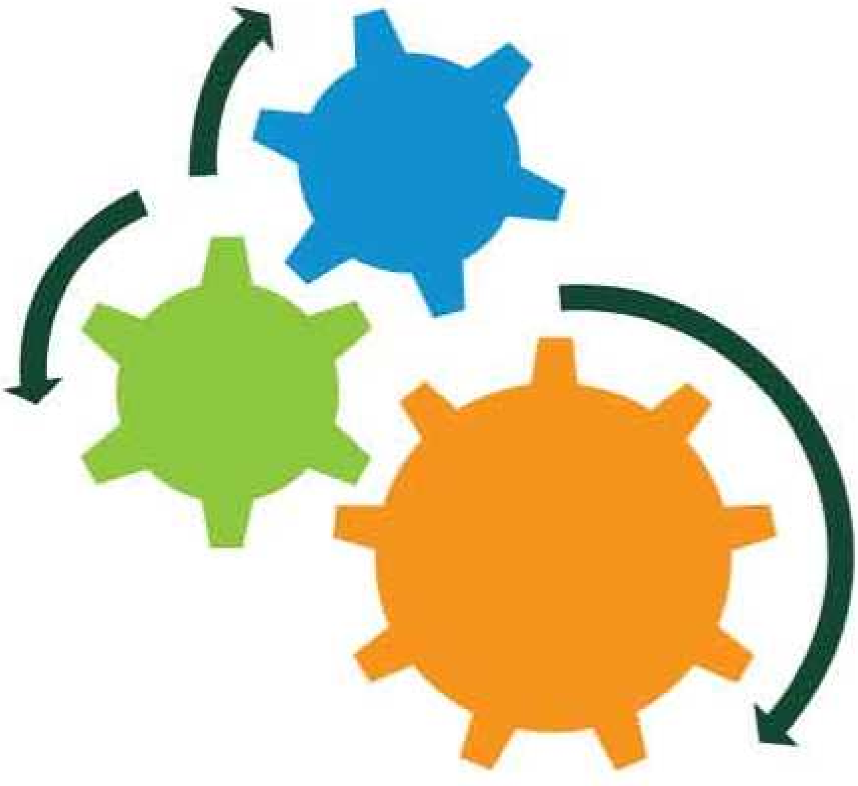
KE's cash recoveries from public sector consumers remain under stress resultantly increasing the need for short-term borrowings. In FY 2015 KE's long-term debt to equity ratio (excluding surplus on revaluation) stood at 0.42 times compared to 0.65 times in FY 2014.

Critical performance indicators (CPIs) and non-financial performance

The company has set targets to achieve the following CPIs and these CPIs are periodically evaluated against the actual results:

- Improvement in fleet efficiency in generating electricity
- Reduction of T&D losses
- Growth in EBITDA
- Employee retention and satisfaction
- Consistent corporate achievement and excellence

KE operates as a single segment which is consistent with the internal reporting.



Company Profile

Over a century ago, on 13th September 1913, a small power company named Karachi Electric Supply Corporation Limited was established in the port city of Karachi. With a total generation capacity of 2.5 megawatts, it started serving Karachi, a town with a population of less than 100,000 at that time.

In 1948, it rushed to accommodate the demands of the increasing numbers of migrants. In 1952, the company was nationalised by the Government of Pakistan. Three decades later, in 1984, the company was taken over by WAPDA, only to be handed over to the Pakistan Army in 1999. Six years later, in 2005 the company was once again privatised. Al-Jomaih Group and Siemens jointly managed it for the next three years. In 2008, Abraaj Group assumed control over the Company, and has turned the company around from a loss-making public sector entity to a profitable private company and the best performing public utility in the country.

It took immense amount of collective effort to bring the company to a position from where it can realise its full potential. After years of struggle, KESC posted its first profit in 2012 and has gone on to show continuous bottom line growth in subsequent years. In terms of service, almost 60% consumers are exempt from load shedding. This is in comparison with only 24% exemption in 2009. To mark a new era in the history of the company, it underwent a complete internal turnaround as well, adopting a new name – K-Electric (KE) – and a renewed focus as a progressive and professional entity.

From the small port city in 1913 to the bustling metropolis of over 22 million consumers today, it has been company's resolve to provide the best facilities for its consumers. K-Electric is an integral part of the fabric of Karachi, and its responsibility is at the core of company's objectives.

Today, KE is among the few remaining vertically integrated power utilities in the world and the only one in Pakistan, with a licensed area spanning around 6,500 square kilometres from Sindh to Uthal, Bela, Hub and Vinder in Balochistan. KE is among the largest industrial entities in the country providing employment to nearly 11,000 people, all of whom work tirelessly to contribute to the continuous progress of the city, its industry, and its people.

Over the last few years, KE has demonstrated its ability to bring about a sustainable change by pursuing a path of growth and transformation. This has positioned it amongst the most dynamic, professionally managed and forward-looking institutions in Pakistan and in the region.

KE continues to explore opportunities for improvement, keeping pace with the development and growth of the city. Its focus is on developing sustainable operations while providing uninterrupted, safe, and affordable power supply to all its consumers.

Holding Structure

•	KES Power Limited (KESP)	66.40 %
•	Government of Pakistan (GoP)	24.36 %
•	Asian Development Bank (ADB)	01.70 %
•	International Finance Corporation (IFC)	00.87 %
•	Other Shareholders	06.67 %
		100.00%

Holding Structure

KE's Karachi

Region 1

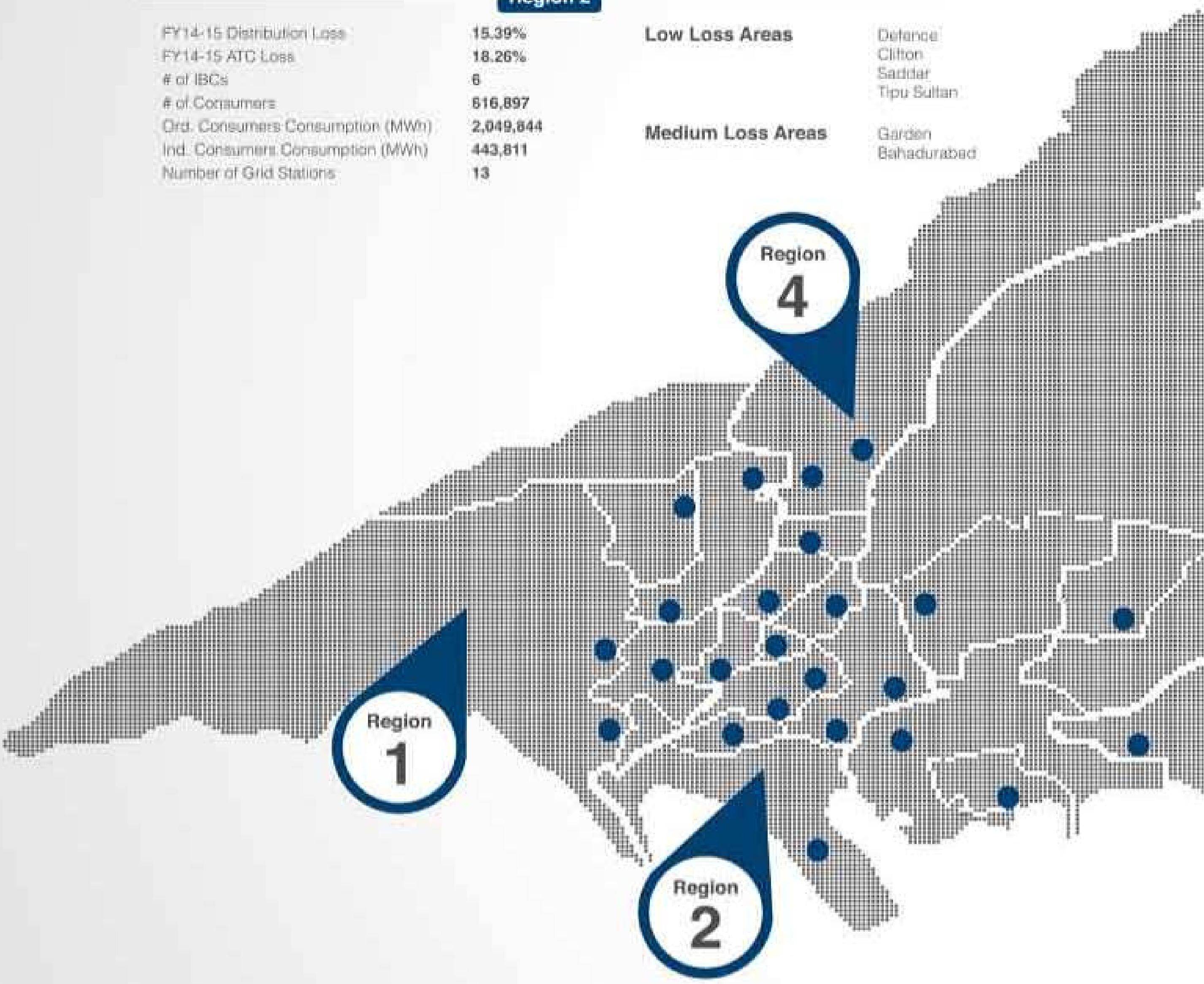
FY14-15 Distribution Loss*	**26.12%**
FY14-15 ATC Loss*	**33.83%**
# of IBCs	**7**
# of Consumers	**586,795**
Ord. Consumers' Consumption (MWh)	**1,097,178**
Ind. Consumers' Consumption (MWh)	**1,676,347**
Number of Grid Stations	**13**

Low Loss Areas	SITE Uthal
Medium Loss Areas	Lyari I
High Loss Areas	Baldia Orangi I Orangi II Lyari II

Region 2

FY14-15 Distribution Loss	**15.39%**
FY14-15 ATC Loss	**18.26%**
# of IBCs	**6**
# of Consumers	**616,897**
Ord. Consumers Consumption (MWh)	**2,049,844**
Ind. Consumers Consumption (MWh)	**443,811**
Number of Grid Stations	**13**

Low Loss Areas	Defence Clifton Saddar Tipu Sultan
Medium Loss Areas	Garden Bahadurabad



Nature of Business

The principal business of the Company is generation, transmission and distribution of electric energy to serve industrial, commercial, agricultural and residential consumers within its licensed area extending beyond Karachi and its suburbs to Dhabeji and Gharo in Sindh, and Hub, Uthal, Vindar and Bela in Balochistan. (Details of generation, transmission and distribution capacity network and infrastructure are included in this report).

Region 3

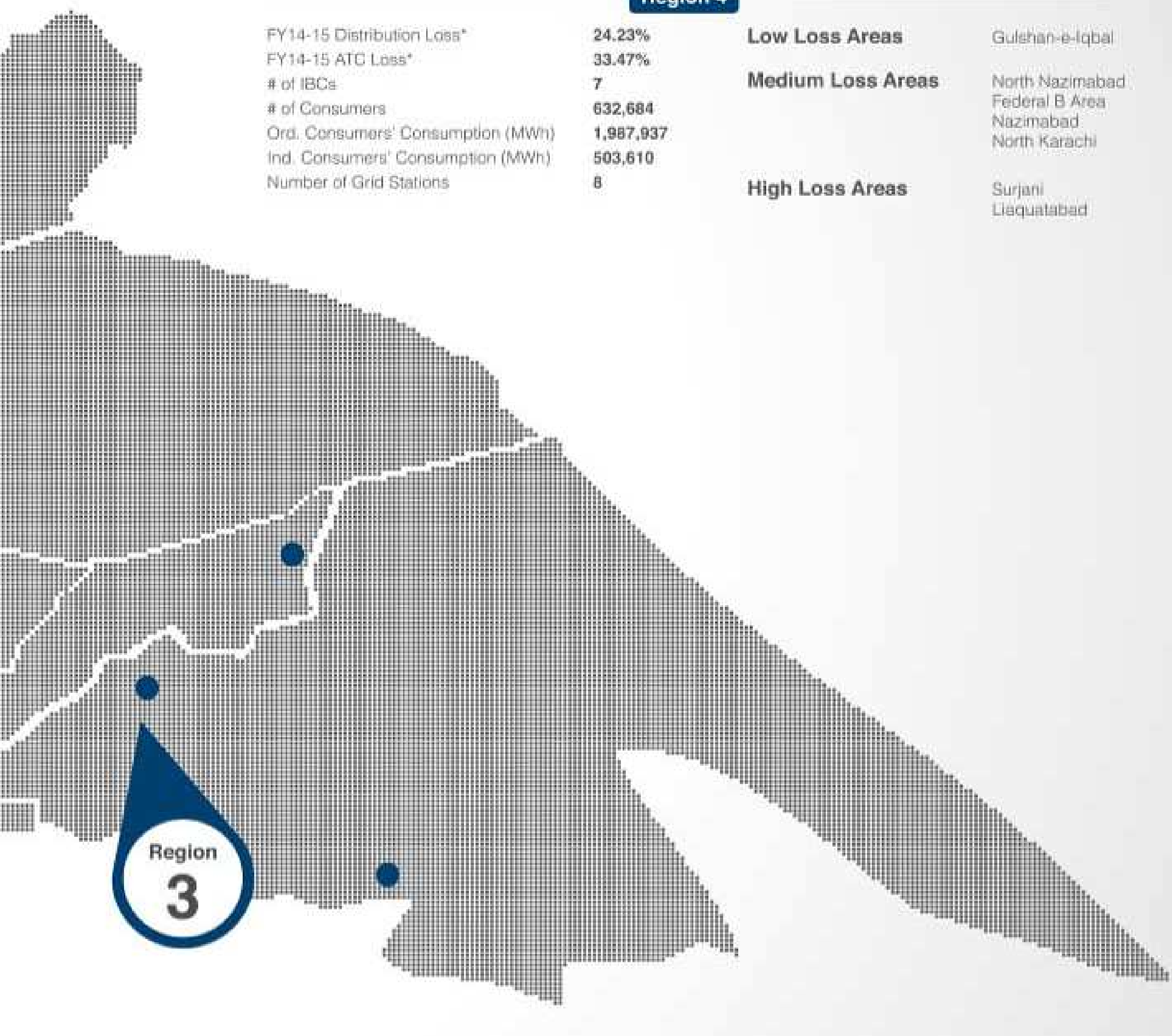
FY14-15 Distribution Loss*	**23.57%**
FY14-15 ATC Loss*	**30.06%**
# of IBCs	**8**
# of Consumers	**631,164**
Ord. Consumers' Consumption (MWh)	**1,665,422**
Ind. Consumers' Consumption (MWh)	**1,351,182**
Number of Grid Stations	**25**

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

Region 4

FY14-15 Distribution Loss*	**24.23%**
FY14-15 ATC Loss*	**33.47%**
# of IBCs	**7**
# of Consumers	**632,684**
Ord. Consumers' Consumption (MWh)	**1,987,937**
Ind. Consumers' Consumption (MWh)	**503,610**
Number of Grid Stations	**8**

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



6,500 Square Kilometres Area Covered

KE is a public-listed, fully integrated power utility involved in generation, transmission and distribution, energising Karachi and parts of Sindh and Balochistan for over a century.

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

The organisation employs over 9,932 workers in different capacities.

Board Structure and Profile of Directors

The Board of Directors of the Company comprises 13 members elected / appointed by the shareholders. Nine (9) members represent KES Power Limited, the holding company, while three (3) members are GoP nominees and one (1) Independent Director. Out of the total thirteen (13) directors, one (1) is executive director, eleven (11) are non-executive directors, and one (1) is independent director. The number of executive directors on the Board is less than one-third. Brief profile of the Directors is illustrated following:

Tabish Gauhar
Chairman

Tabish Gauhar has over 20 years of professional experience in private equity and energy sector across the emerging markets. He is a Partner and Global Head of Energy Infrastructure at The Abraaj Group, having joined this USD 9 billion alternative asset manager in late 2006. Whilst at Abraaj, Mr. Gauhar also served as CEO of K-Electric between late 2009 and early 2013 (non-executive Chairman since then) to successfully lead the turnaround of this USD 3 billion utility company, a feat recognised, among others, by a Harvard Business School case study. Prior to joining Abraaj, he was the Regional CFO at AES Corporation responsible for a USD 5 billion power and water infrastructure portfolio in Europe / Middle East / Africa across 16 businesses in 12 countries. His key achievements at AES between 2000 and 2006 included, inter alia, closing two IWPP deals in Qatar and Oman worth USD 1.2 billion; six project finance deals raising USD 1.3 billion of non-recourse debt in aggregate; and successful IPO of sponsor shares of a project company in Oman where he also served as Chairman. Earlier, he worked on International Power's USD 1.5 billion Hub Power Project in Pakistan between 1994 and 1999 in various capacities across the development, financing, construction, and operation phases of the project (last position held: Deputy Treasurer). Mr. Gauhar started his career at Exxon / Engro Chemical in early 1993 as a Systems Analyst. During the last 5 years alone, he has played a key role in the development of the energy sector in Pakistan through USD 1.75 billion of investment in K-Electric (including 1000 MW of incremental power generation capacity) and Byco (the country's largest oil refinery complex with an aggregate capacity of 150,000 barrels per day). Mr. Gauhar graduated with a First Class Honours degree in Electrical Engineering from King's College London (Chevening / ICI Scholar), and also holds an MBA (Finance) degree from the Institute of Business Administration in Pakistan (the oldest business school outside North America established in 1955 in collaboration with the Wharton School of Finance, University of Pennsylvania and University of Southern California).

Other Engagement:

Director:

1. Byco Industries Inc. (Mauritius)
2. KES Power Limited

Muhammad Tayyab Tareen
Chief Executive Officer

Muhammad Tayyab Tareen has been the CEO of the Company since 27 November 2014. He was an Executive Director of the Company between May 2009 and June 2013, having previously held the position of Chief Financial Officer and Chief Strategy Officer. From July 2013 to November 2014, he was a Non-Executive Director of the Company.

Mr. Tareen is also a Managing Director with The Abraaj Group. His experience spans 21 years, primarily covering areas of business turnarounds, financial management, planning and business acquisitions with multinational companies. Prior to joining The Abraaj Group, he was the Chief Financial Officer (CFO) of the Coca-Cola Company managed bottler in the UAE and Oman in 1996, where he oversaw a successful turnaround from losses to sustained profitability within two years. From 1997 to 2001, he served as the CFO and Company Secretary of Coca-Cola Beverages Pakistan.

His career began in 1995 as Manager Project Financing with Packages Limited in Pakistan, 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.

Other Engagement:
Managing Director [The Abraaj Group]
Chairman, MSF (Pakistan)

Khalid Rafi
Independent Director

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

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

Other Engagement:
Chairman FAMCO

Syyed Arshad Masood Zahidi
Non-Executive Director

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

He joined The Abraaj Group in 2008 and managed industrial portfolios, Byco Petroleum, Pakistan and Mannan Shahid Forging, Pakistan as an industrial specialist. As a member of The Abraaj Investment Team, he carried out due diligence, developed an investment case and acquired management control of KE in May 2009. He remained an Executive Director on the Board from 03 September 2009 to 05 August 2015, and headed the Generation and Transmission side of the power utility as the Chief Generation and Transmission Officer. Concurrently, he spearheaded the development and construction of five power plants with a combined capacity of 1,000 MW and eleven 132 kV grid stations adding more than 750 MVA of transmission capability.

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

Other Engagement:
Director: The Abraaj Group

Frederic Sicre
Non-Executive Director

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

Mr. Sicre has over 20 years of experience in engaging the private sector on global issues, regional development agendas and community building. He is a Managing Director in the Global Markets team and works with leaders from all fields, including governments, private sector, media and culture.

Prior to joining the Group, Mr. Sicre spent 16 years as Managing Director and Member of the Executive Board at the World Economic Forum where he first established the Forum's activities in Africa and the Middle East. Mr. Sicre was made responsible for the Center for Regional Strategies, with a particular focus on global growth markets and the Annual Meeting in Davos. He also acted as the Editor of South Africa at Ten, a book celebrating the first ten years of democracy in the country.

Mr. Sicre is the Chairman of the Mustaqbali Foundation and serves on the board of Dubai Cares, Education for Employment and Junior Achievement's MENA Board. He is also a member of the United Nations Global Compact Business For Peace Steering Committee and a member of the World Presidents' Organization.

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 Engagement:

Chairman, Mustaqbali Foundation

Board Member:

1. Dubai Cares
2. Education for Employment and Junior Achievement's MENA Board
3. United Nations Global Compact Business for Peace Steering Committee
4. World Presidents' Organization

Mubasher H. Sheikh
Non-Executive Director

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

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

Prior to joining NIG, Mr. Sheikh was an audit manager at Grant Thornton International, Kuwait, where he had worked since 1996. He was a Board Member of National Combined Industries Holding Company for Energy, Kuwait. He graduated with a degree in mathematics and statistics from The University of Punjab, Pakistan and is a Chartered Certified Accountant UK (FCCA).

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

Other Engagement:
Group Financial Controller, National Industries Group, Kuwait
Board Member: Proclad Group Limited, UAE

Nayyer Hussain
Non-Executive Director

Nayyer Hussain has been a Non-Executive Director of K-Electric and CEO, Pakistan Investment Fund since 27 November 2014. He was the CEO of the Company from February 2013 to November 2014. He was an Executive Director of the Company and Chief Distribution Officer between November 2009 and February 2013.

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

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

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

Other Engagement:
Director: The Abraaj Group

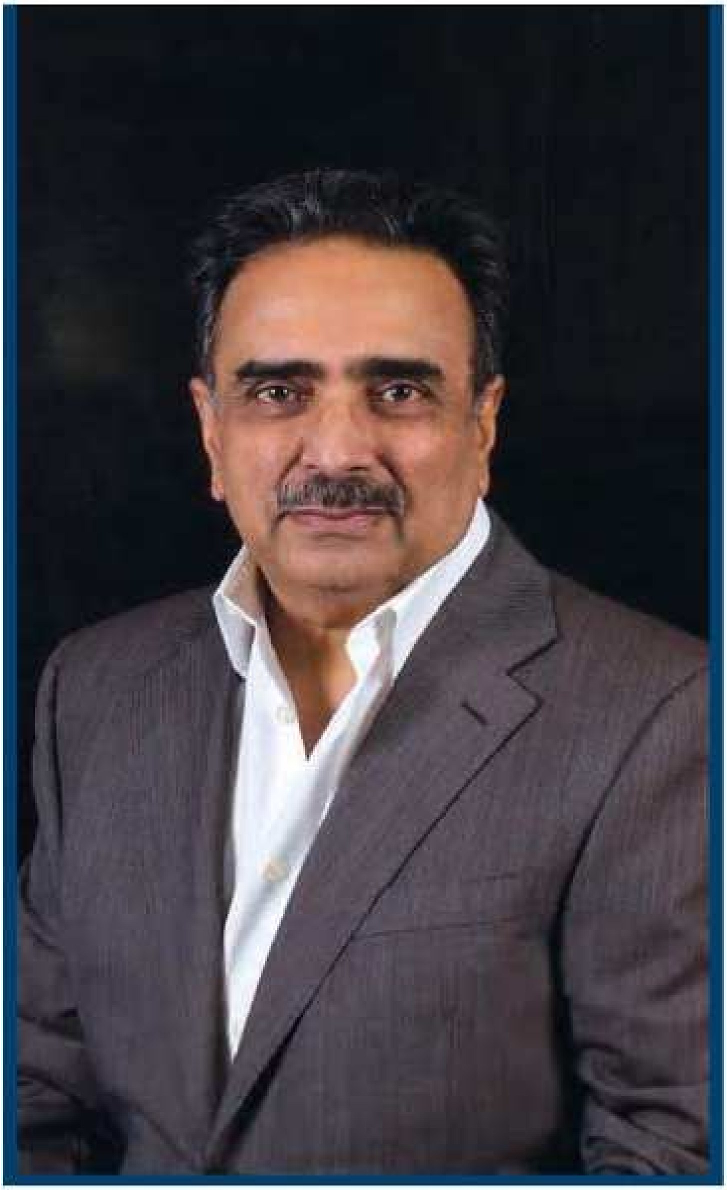
Omar Khan Lodhi
Non-Executive Director

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

Mr. Lodhi heads Asia for the Abraaj Group, a global growth markets private equity investor with USD 9 billion under management. With over 20 years of investing experience, He joined Abraaj in 2005 and has since lead the firms investments into several underlying businesses spanning a wide variety of sectors including consumer downstream, education, health care, industrials and oil and gas services.

Prior to joining Abraaj, Mr. Lodhi spent several years with UBS in both Hong Kong and London. He is based out of Singapore and is a graduate of both the London School of Economics and the Harvard Business School.

Other Engagement:
Partner and Regional Head
The Abraaj Group



Shan A. Ashary
Non-Executive Director

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

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

Mr. Ashary 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 Engagement:
Investment Adviser, Al-Jomaih Holding Co. (Saudi Arabia).

Aziz Moolji
Non-Executive Director

Aziz Moolji has been a Non-Executive Director on the Board of the Company since September 29, 2014.

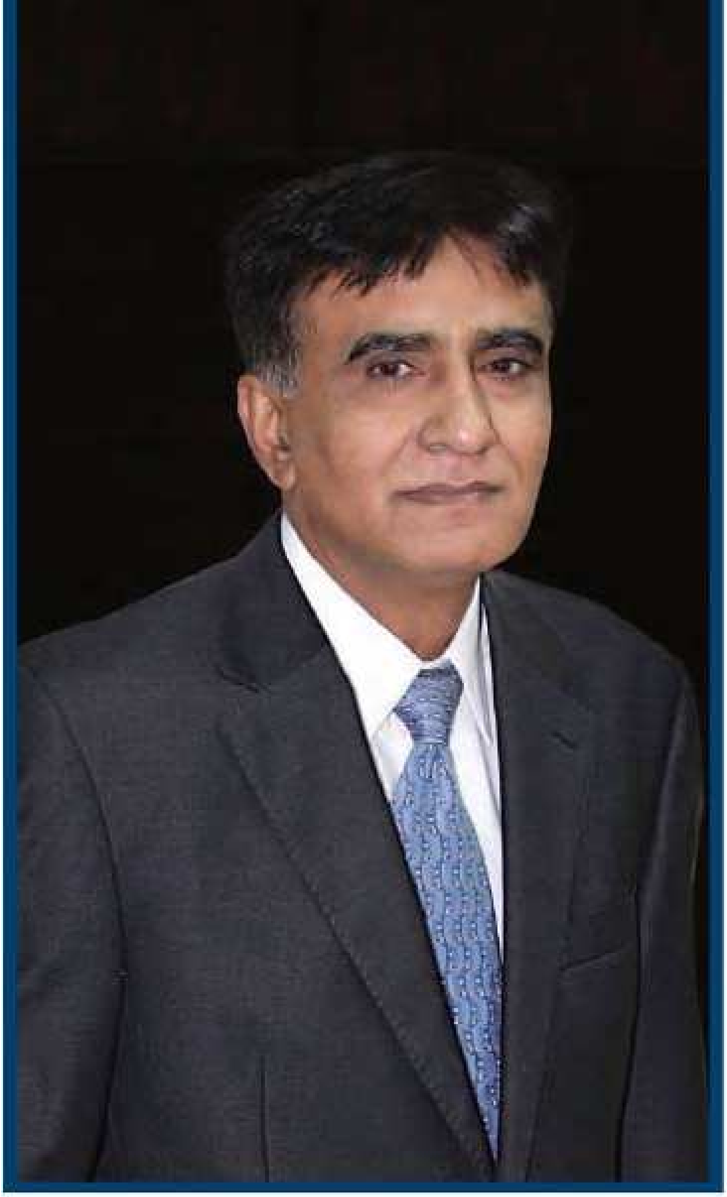
Mr. Moolji has more than fifteen years experience in investment banking, primarily in New York. At Abraaj he is responsible for deal origination, structuring and execution, and portfolio management. Before joining Abraaj, he was a Vice President with Merrill Lynch & Co. in the Financial Sponsors Group in New York with joint coverage and execution responsibility for leading private equity firms and hedge funds, including KKR, Harbinger, New Mountain Capital and Oaktree Capital.

Previously he was a senior associate at Goldman Sachs & Co. in the Mergers and Acquisitions Group in New York where his responsibilities included origination and execution of corporate M&A transactions. Over the course of his career, Mr. Moolji has been involved in the execution of more than 25 transactions, including Sell-side M&A, Buy-side M&A, equity offerings, and bank and bond financing.

Mr. Moolji holds a Masters in Business Administration from The Wharton School and dual Bachelor of Science degrees in Electrical Engineering and Management Science from Massachusetts Institute of Technology.

Other Engagement:

1. Board Observer, Network International LLC.
2. Board Member, Marine Hospitality Holdings Ltd.



Noor Ahmed

Non-Executive Director (GoP nominee)

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

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

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

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

Other Engagement:

Director:

1. PHPL
2. GHPL
3. IESCO
4. FESCO
5. PARCO

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

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

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

Other Engagement:

Director:

1. GENCO III
2. PEPCO
3. GEPCO

Khaqan Murtaza
Non-Executive Director
(GoP nominee)

Khaqan Murtaza has been a Non-Executive Director on the Board of the Company since November 27, 2014.

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

Other Engagement:

Director, PEPCO

Board Committees TORs

Board Audit Committee (BAC) - Terms of Reference

A. Determination of appropriate measures to safeguard the listed company's assets

B. Review of preliminary announcements of results prior to publication

C. Review of quarterly, half-yearly and annual financial statements of the listed company, prior to their approval by the Board of Directors, focusing on:
- major judgemental areas;
- significant adjustments resulting from the audit;
- the going concern assumption;
- any changes in accounting policies and practices;
- compliance with applicable accounting standards; and
- compliance with listing regulations and other statutory and regulatory requirements.
- significant related party transaction.

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

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

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

G. Ensuring coordination between the internal and external auditors of the listed company

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

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

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

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

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

M. Determination of compliance with relevant statutory requirements

N. To monitor compliance with the best practices of corporate governance and identification of significant violations thereof

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

P. To review and approve Internal Audit Charter of the company

Q. To consider of any other issue or matter as may be assigned by the Board of Directors

Board Human Resource and Remuneration Committee (BHR&RC) - Terms of Reference

A. To review and recommend for approval to the Board:

- all proposals requiring mandatory statutory approval of the Board of Directors

- all proposals on development, revision, modification and / or interpretation of Human Resources policies

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

C. To review and recommend for approval to the Board, the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit

D. To consider and approve on recommendations of CEO, such matters or key management positions who report directly to CEO or COO

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

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

Board Finance Committee (BFC) - Terms of Reference

A. To review and discuss on an ongoing basis an effective system for managing the financial risks faced by KE

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

C. To review and discuss the Capex programme together with financial commitment and financing strategy

D. To review financial policies and transactions which have material financial impact such as tariff, cost of fuel, etc

E. To review and discuss treasury management to ensure efficient management of cash to reduce financial cost (i.e. Effective management of Balance Sheet and Profit and Loss items)

F. To review and discuss annual financing plan and requirements with respect to:
- running finance
- short-term, medium-term facility and
- l / c facilities and bank guarantees etc

G. To carry out monthly / quarterly reviews and discussion of misreports with respect to code provisions, to ensure major variances are identified and corrective action taken in a timely manner to minimise financial losses

H. To review insurance policy of the company

I. To undertake any other assignment entrusted by the Board of Directors

Attendance in Board and Committees Meetings

Attendance in BoD Meetings

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

1. Meetings held during the period, concerned director was on the Board.
2. Aziz Moolji replaced Wahid Hamid in September 2014.
3. Khaqan Murtaza replaced Sohail Akber Shah in November 2014.

Attendance in BAC Meetings

S. No.	Name	No. of meetings held[1]	No. of meetings attended
01	Khalid Rafi	5	5
02	Aziz Moolji[3]	4	-
03	Mubasher H. Sheikh	5	3
04	Nayyer Hussain[2]	2	2
05	Tabish Gauhar	5	3
06	Muhammad Tayyab Tareen[2]	3	3
07	Wahid Hamid[3]	1	-

1. Meetings held during the period, concerned director was on the Committee.
2. Nayyer Hussain replaced Muhammad Tayyab Tareen in November 2014.
3. Aziz Moolji replaced Wahid Hamid in September 2014.

Attendance in BHR&RC Meetings

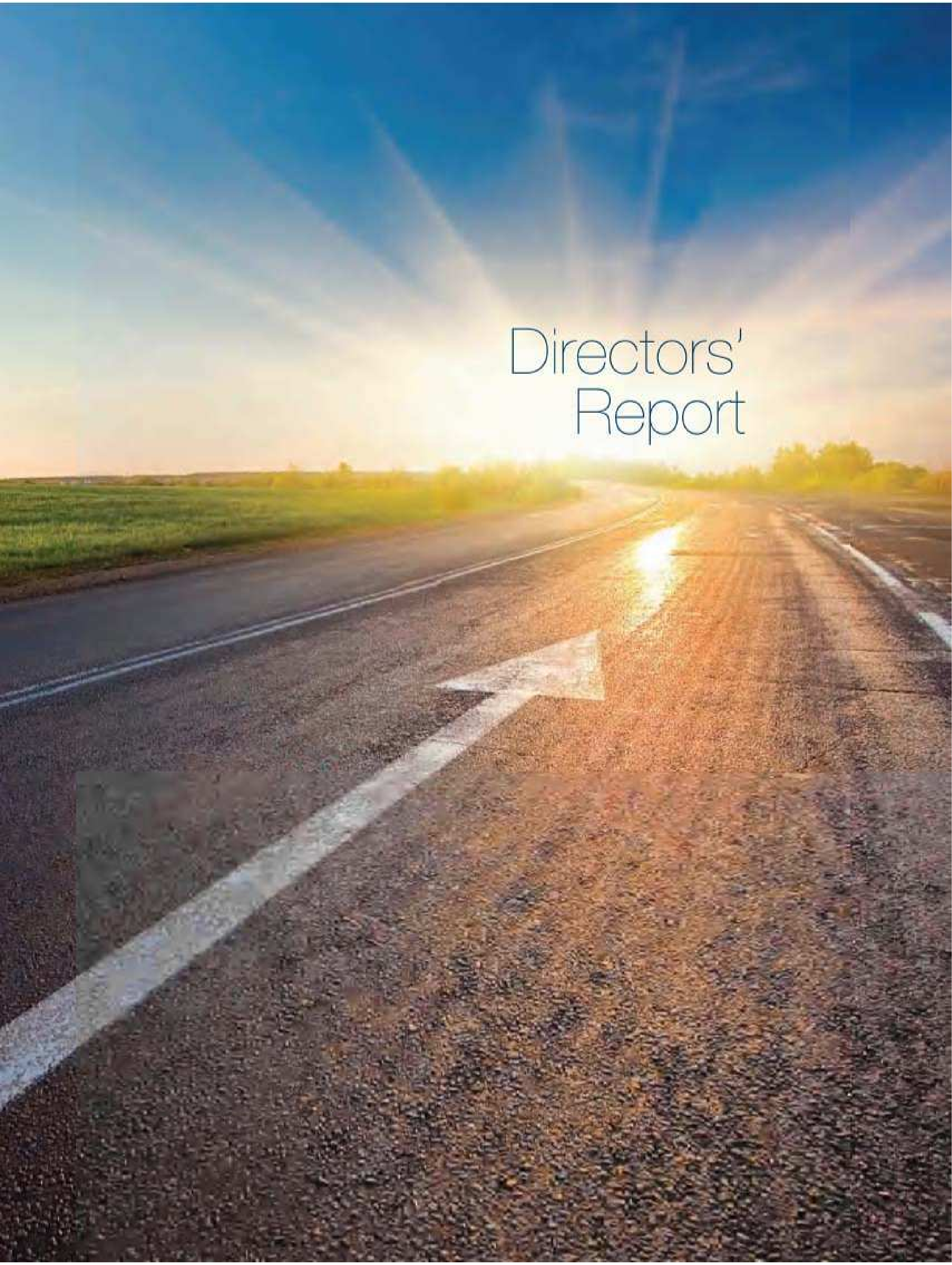
S. No.	Name	No. of meetings held	No. of meetings attended
01	Tabish Gauhar	3	3
02	Shan A. Ashary	3	1
03	Muhammad Tayyab Tareen	3	3

Attendance in BFC Meetings

S. No.	Name	No. of meetings held[1]	No. of meetings attended
01	Shan A. Ashary[2]	2	2
02	Muhammad Tayyab Tareen[2]	2	1
03	Nayyer Hussain	2	2
04	Omar Khan Lodhi	2	-

1. Meetings held during the period, concerned director was on the Committee.
2. Shan A. Ashary replaced Muhammad Tayyab Tareen in February 2015

No Board Meeting was held outside the Country by the Company during the year.



Directors' Report

Muhammad Tayyab Tareen
Chief Executive Officer

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

CEO's Message

It is extremely heartening, and a source of pride to look over what we have achieved over the past year. We are not simply in the business of providing energy to the city of Karachi and parts of Sindh and Balochistan, but are energising the hopes and dreams of over 20 million lives. People are eager to break through the stagnancy and join us on a journey of continuous progress where care, loyalty, and a sense of responsibility prevail. Karachi, in turn, is the source from which we draw inspiration for our company's future.

In the past 6 years, we have been successful in exempting around 60% of the city from load shedding. To achieve this, we carry on efforts to improve our processes and make strategic investments in our infrastructure, while re-engineering our operations to deliver quality and reliable service to our customers. We are constantly engaged with our customers, who can interact with us through social media, email, SMS, and our website in addition to our call centres. Our on ground presence has also been enhanced with the addition of 28 Integrated Business Centres. This has enabled customers to resolve complaints and avail other services under one window.

We have also made significant headway in our core functions, raising our capacity in generation, transmission and distribution. Being a world class utility, we have accomplished the implementation of international safety best practices which have significantly reduced accidents in internal and external operations.

In the past year, we have also undertaken projects to aggressively curtail power theft. Operation Burq leveraged the support of our loyal customers in identifying unscrupulous electricity usage and reducing pilferage. The Smart Grid project, currently in its pilot phase, is also showing promise in improving energy management and enables us to reduce aggregate technical and commercial losses as it is slowly rolled across the city. With the introduction of mobile meter reading project, we hope to considerably reduce human error and raise the bar on our services.

During the year KE issued the largest Sukuk in Pakistan's corporate history, worth PKR 22 billion with a green shoe option of PKR 2 billion. The fact that the instrument was fully subscribed within an hour of its institutional launch is a testament to the growing trust our subscribers have placed in us.

As we move into the new fiscal year, our Azm is to now become a net exporter of energy to the country. In this regard, we continue to actively explore opportunities to diversify our fuel mix by incorporating coal, Liquefied Natural Gas (LNG), and also renewable sources. We are actively engaged with international partners to develop a 700 MW coal-fired power project in Port Qasim area. An LNG-based power project of at least 225 MW is also in the works. Both these projects are expected to be completed by 2018 / 2019. We have also signed a Memorandum of Understanding with Sindh Engro Coal Mining Company to acquire 700 MW from the mine mouth power plant at Thar Block II.

KE is a vital part of the city of Karachi, and we believe in fostering a healthy relationship with the society we serve. Our Social Investment Programme has enabled us to facilitate treatment for over 8 million consumers across 13 social welfare organisations through free, subsidised and uninterrupted electricity supply.

We will continue with the same level of enthusiasm and determination in the coming years. Our eyes are set on the goal of becoming one of the world's leading power utilities. Given the symbiotic relationship between KE and Karachi, we hope to raise our city's honour to new heights as well.

Pakistan Zindabad.

Muhammad Tayyab Tareen
Chief Executive Officer

Performance Snapshot

Financial Snapshot - Key Numbers FY 2015

Revenue	190,359
EBITDA (PKR in millions)	34,337
Net Profit for the year (PKR in millions)	28,325
Total Assets (PKR in millions)	367,560
Shareholders' Equity (PKR in millions)	128,215
Earnings per Share - Basics / Diluted (in PKR)	1.03
Breakup Value per share (in PKR)	4.64
Current ratio (Times)	0.88
Price Earning Ratio (Times)	8.21
Return on Capital Employed	16.1%

Year in Brief

Financial Performance

- The Company's after tax profit for the current year stood at PKR 28,325 million. This includes recognition of deferred tax asset amounting to PKR 12,301 million.
- EPS - Basic / diluted for the current year was PKR 1.03 compared to last year's EPS PKR 0.47.
- Contribution margin increased by 25% as compared to last year's.
- Marked improvement in EBITDA growth, which increased to PKR 34,337 million as compared to PKR 30,159 million last year.
- Breakup value per share increased to PKR 4.64 from PKR 2.57.
- Total Capex spend of USD 1.2 billion over the last five years
- Circular debt managed by a set-off mechanism, subsidy receivable is netted off with NTDC payable.
- During the year, KE issued Azm Sukuk certificates of PKR 22,000 million, proceeds received were utilised to prepay expensive long-term loans of IFC, ADB and senior lenders.

Operational Performance

- Generation capacity enhanced by nearly 1,037 MW through the addition of 4 new power plants and a steam turbine at KCCPP, during the last six years.
- 21.7% fleet efficiency gains over the last six years.
- 12.2% reduction in Transmission and Distribution (T&D) losses over the last six years
- Additional generation capacity to be added in near future comprises:
  - 20 MW for Site and Korangi GE JB projects.
  - 86 MW for BQPS 1 plant under Generation long-term investment plan.
- 70% of the city has distribution losses of 15%
- Zero load shed for customers representing 60% of overall energy distributed
- SCADA, SAP ISU and ERP — implemented across the Company
- A comprehensive Transmission project (TP 1000) has been commissioned, the project will increase the transmission capacity by 1000 MVA.

Accomplishments (2009 - 2015)

1,037 MW added to installed generation capacity

Around **60%** of Karachi exempted from load shed

Serving around **23 million** people under residential, commercial and industrial segments

USD **1.2 billion** invested in generation, transmission and distribution infrastructure

28 Integrated Business Centres established to provide 24/7 customer support

12 new grid stations built and 20 existing ones rehabilitated

768 MVA added to the transmission capacity

Future projects (2015 - 2020) USD 2 billion investment roadmap

GENERATION

Development of a
700 MW
coal-fired power project
at Port Qasim

Development of around
500 MW
alternate fuel-based power generation
(LNG and renewables)

Conversion of two units of
420 MW (2 x 210 MW) of BQPS 1 to coal

TRANSMISSION

TP-1000
expansion of transmission
infrastructure capacity by
1000 MVA

DISTRIBUTION

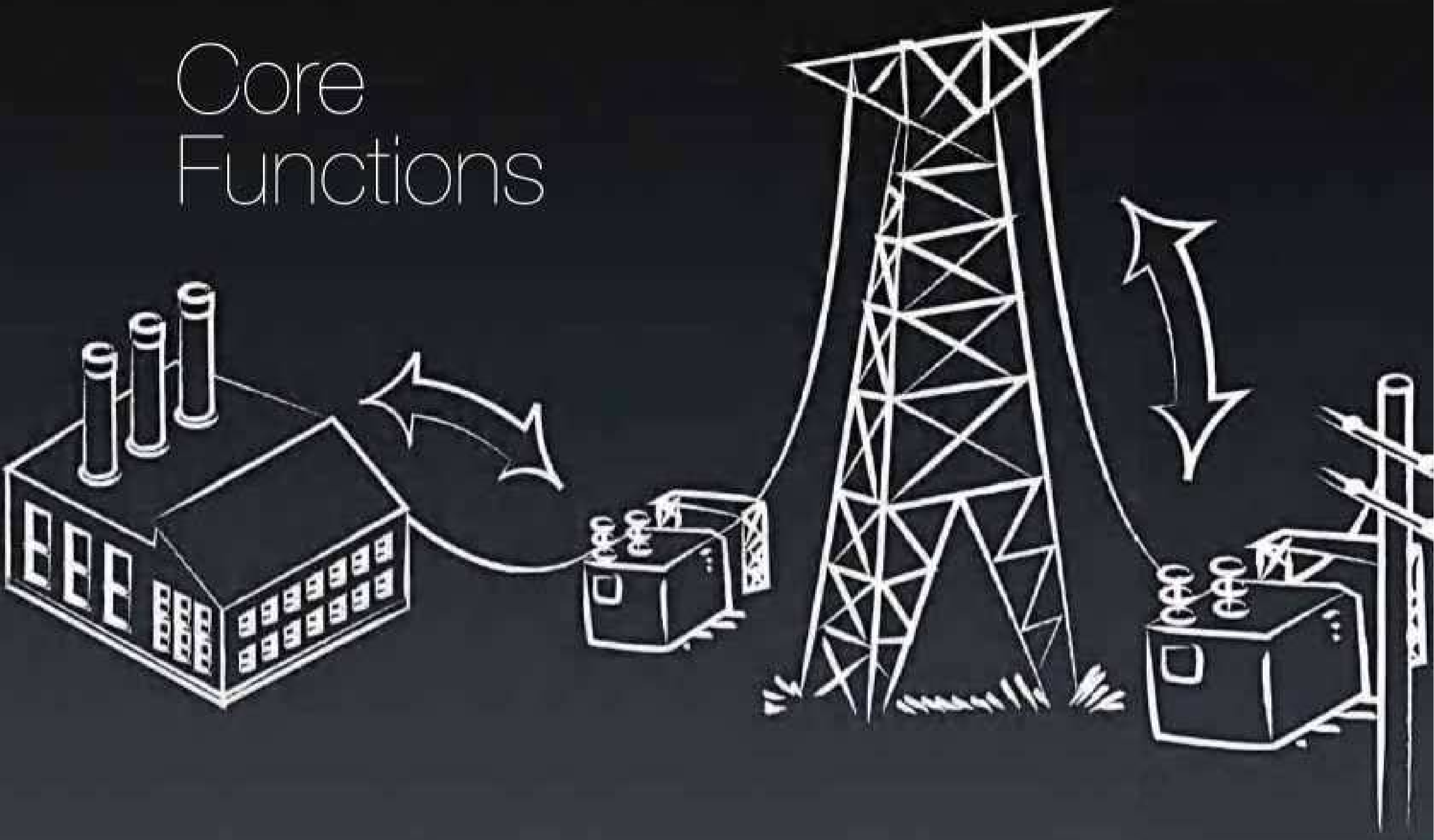
Projects mainly include:

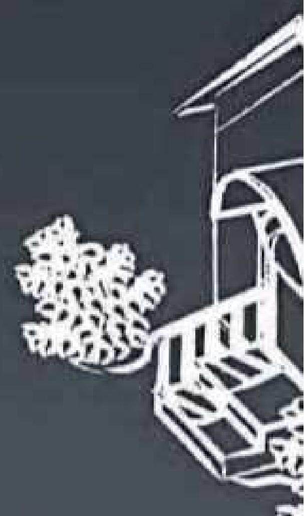
Smart Grid

Installation of
Aerial Bundled Cables

Technical Loss Reduction Project

Core Functions





Generation

Operational Situation

- Generation capacity enhanced by nearly **1,037 MW,** through the addition of **four new power plants, installation of new Steam Turbine at an existing plant and rehabilitation of old plants**
- Average fleet efficiency increased from **30.4% to 37.0% (FY-09 vs. FY-15)**
- Commissioning of a new 27.5 MW steam turbine at Korangi Combined Cycle Project
- Projects in progress for the conversion of two existing open cycle plants (S&K) to combined cycle; **adding 20 MW of capacity and increased efficiency**

Total Gross Dependable Capacity of 1,670 MW (as of Jun '15)

840 MW Bin Qasim Power Station 1 (BQPS 1)

Capacity	840 MW (4 units)
GDC (Jun-15)	770 MW (4 units) (1)
Year	1983 – 1997
Fuel	HFO / Gas(2)
Efficiency (FY15)	32.3%
Supplier	Hitachi, Ansaldo – Steam Turbines

Major rehabilitation in the last 5 years – resulting in the recovery of 50 MW – Another Rehab Plan in place to increase capacity by about 86 MW and efficiency by 2.2%

(1) Two units are currently dedicated for coal conversion project

247 MW Korangi CCPP

Capacity	247 MW (4 GTs & 02 ST)
GDC (Jun-15)	219 MW
Year	2008 – 2009
Fuel	Gas
Efficiency (FY15)	40.3%
Supplier	General Electric – LM 6000 GT

A case of a successful turnaround by the Abraaj led management – conversion of 2 GTs to combined cycle completed (2 GTs are already in combined cycle)

560 MW CCPP (BQPS 2)

Capacity	560 MW (3 GTs & 01 ST)
GDC (Jun '15)	517 MW
Year	2012
Fuel	HSDO / Gas
Efficiency (FY15)	42.7%
Supplier	General Electric – Frame 9E GT

"Largest and Most Efficient Combined Cycle Power Plant in Pakistan"

90 MW GE Jenbacher (SITE) & 90 MW GE Jenbacher (Korangi)

Capacity	180 MW (64 Gas Engines)
GDC (Jun-15)	164 MW
Year	2009
Fuel	Gas
Efficiency (FY15)	35.7%/36.0% (S / K)
Supplier	GE Jenbacher – Gas Engines

"Best Fast Track Project (Silver Award)" and "Best Plant in the Region" by Asian Power Magazine – combined cycle conversion completed by Jan 2015

Generation-Performance Improvement Snapshot

The generation capacity has been enhanced by 1,037 MW and overall efficiency has been improved from 30.4% to 37% between FY 2009 and FY 2015; (in January 2015, maximum efficiency of 39.1% was achieved).

Generation Timeline

Capacity Addition & Enhanced Fleet Efficiency

- **1,037 MW increase in installed generation capacity** achieved - added through completion of 5 major projects and recovery of 50 MW from existing plants, currently 46% of the capacity is less than six years old
- Added 27.5 MW through closing cycle on 2 GTs at KCCPP in May 2015; Cycle Closing at K&S is under implementation. With the completion of these three projects, the fleet capacity will increase by 47 MW and increase in fleet efficiency by 1%.
- **21.7% increase in average fleet efficiency** through the addition of new efficient plants and enhancing performance at BQPS 1 through effective annual maintenance

Aggreko rental was established for a two-year period; (2) Includes 50 MW recovery from the rehabilitation of BQPS 1

Generation Capacity and Efficiency Enhancement

The generation capacity has been enhanced by 1037 MW improving overall efficiency by 20.2% (Jan-Jun 2008 vs. Jan-Jun 2015)

New projects for adding 20 MW capacity are in process and will be completed in September 2015 and October 2015.

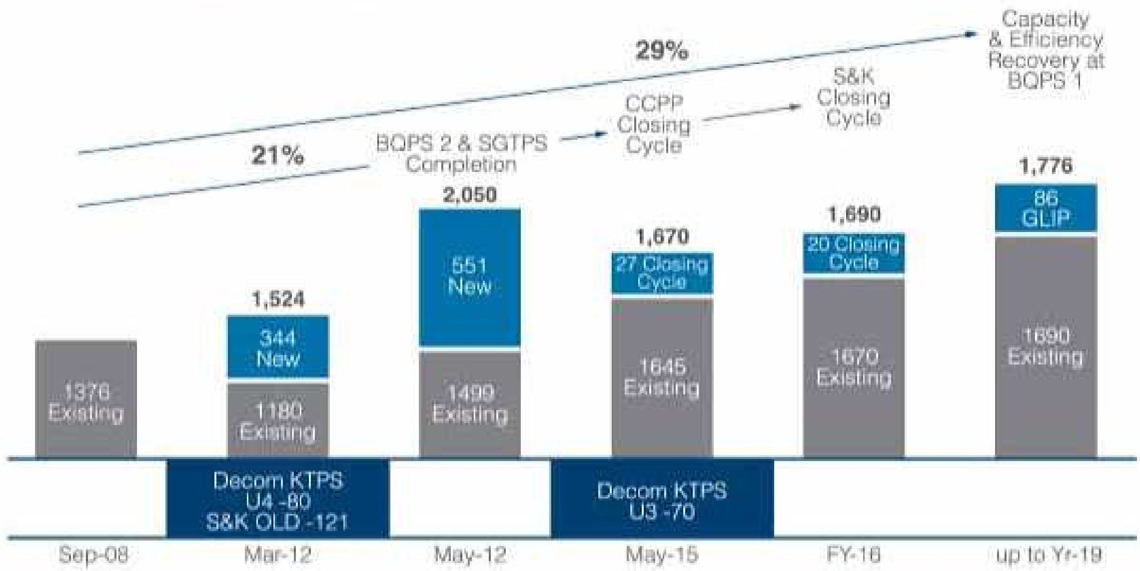
<u>New Capacity already Added</u>

- 247 MW CCPP Korangi
- 180 MW GEJB Korangi & SITE
- 50 MW Aggreko (rental) / Rehab of old Plant
- 560 MW BQPS 2

<u>Capacity Addition with Committed Future Projects</u>

- 20 MW S&K Projects.
- 86 MW GLIP at BQPS 1

Gross Dependable Capacity (MW)



1037 MW ADDED TO DATE

Key Business Initiatives: Generation and Transmission

EH&S Initiatives

- In 2015, KGTPS and SGTPS achieved QMS ISO-9001 certification. Now all KE generating stations are certified with OHSAS 18001, ISO 14001:2004 and QMS ISO 9001.

Reliability and Efficiency Increment Projects:

- A five-year USD 46.5 million Generation Long-Term Investment Plan (GLIP) for BQPS 1 Units 1, 2, 5 and 6 had been approved by the management and is in place. (Expected increase in capacity 86 MW, efficiency 2.2%).
- Performance and Reliability improvement initiative (additional USD 8 million) was taken at 560 MW BQPS 2 plant: Contractual Service Agreement (CSA) with GE was amended / extended to install the Advanced Gas Path (AGP) improvement in three Gas Turbines, implemented for the first time in the region. AGP would increase the Gas Turbine efficiency by 1.7% and output by 3.7%. Increased maintenance interval will be an added advantage.
- Brackish Water Reverse Osmosis (BWRO) Plant project (USD 1.1 million was conceived and planned in the half year Jul-Dec 2014. This project was completed on a fast track basis that allows efficient utilisation of KWSB raw water and ensures enough water availability for the whole complex operation during the summer season.

Process Optimisation:

- Final negotiations are underway for "Online Performance Monitoring" system that will equip our power plants with real time monitoring and analysis tools for timely decisions. The implementation will take six months' time.
- Improved the work permit system by adding various features in SAP and creation of equipment standard isolations.
- SAP – Work Clearance Management implemented and executed on all power stations.

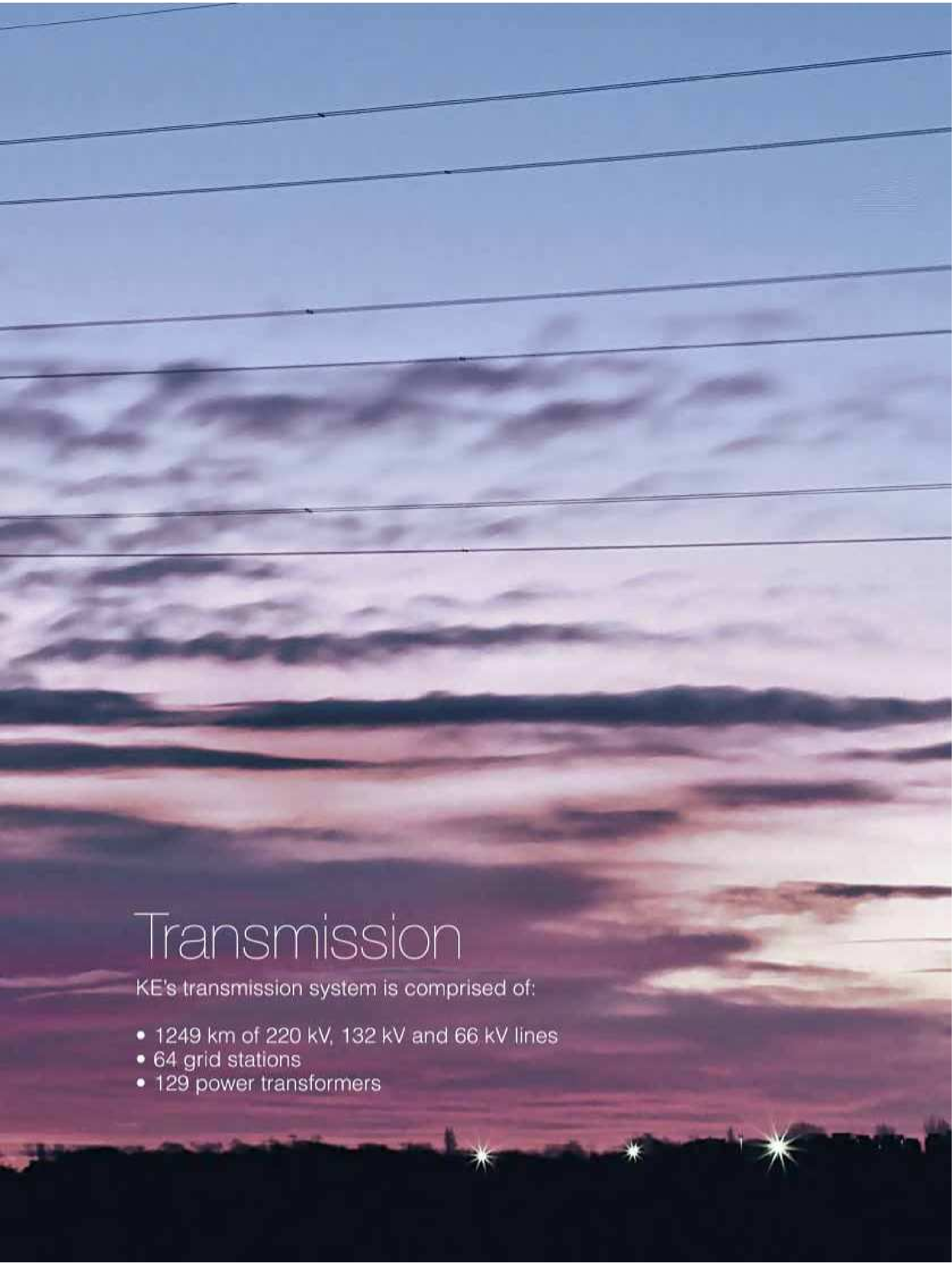
Local Fabrication Cell

- Initiative for the substitution of obsolete or costly imports of parts / spares through local resources is progressing at an accelerated pace now. State-of-the-art technology put in use for preparation of drawings, 3D models, scanning / prototype building and testing of identified components. During the last calendar year, it helped to save PKR 199.45 million against a target of PKR 150 million.

Future Initiatives – Generation

Increased efficiency / capacity from converting two existing fully operational open cycle plants (90 x 2 = 180 MW GE JB) to combined cycle

- The project to convert open cycle Gas Engine plants at KTGPS and SGTPS into combined cycle by installation of 32 HRSGs and one steam turbine at each station was negotiated and concluded with M/s Descon Engineering Ltd. EPC Contract for the project (USD 53.5 million) was signed on 12 October 2013, incorporating additional 5 bays for the new Grid. The commercial operation date (COD) for KGTPS is expected in September 2015 whereas at SGTPS, it is expected in October 2015.



Transmission

KE's transmission system is comprised of:

- 1249 km of 220 kV, 132 kV and 66 kV lines
- 64 grid stations
- 129 power transformers

Progress in Reliability: (2009-2015)

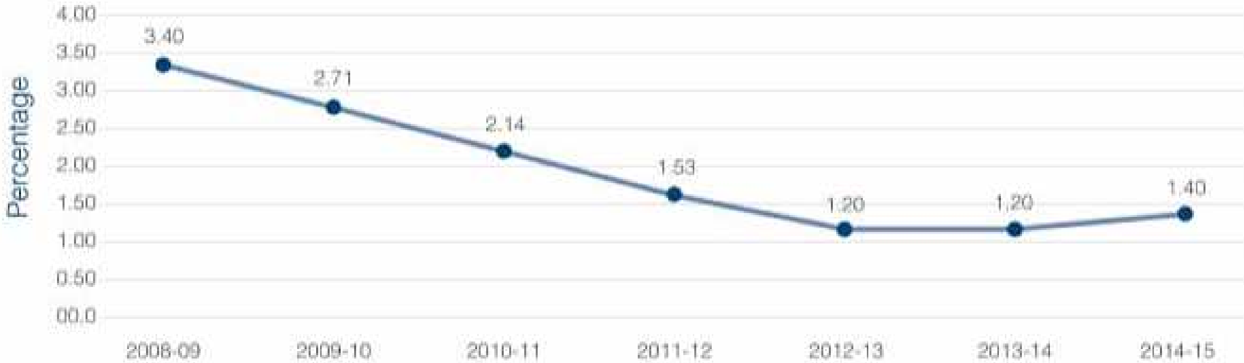
Capacity Addition: 768 MVA; > Through **12 new grid stations** and enhancement of existing grid transformers.

Loss Reduction: 189 kilometres circuit length rehabilitated; **63 kilometres** of new EHT lines installed and transmission losses reduced by **2.0** percentage points coming down from 3.4% in FY 2009 to 1.40% in FY 2015.

System Reliability: 64% reduction in transformer tripping and **39%** reduction in transmission line trips since 2009; **42%** and **43%** reductions in unserved energy through improved fault response on power transformers and transmission lines, respectively.

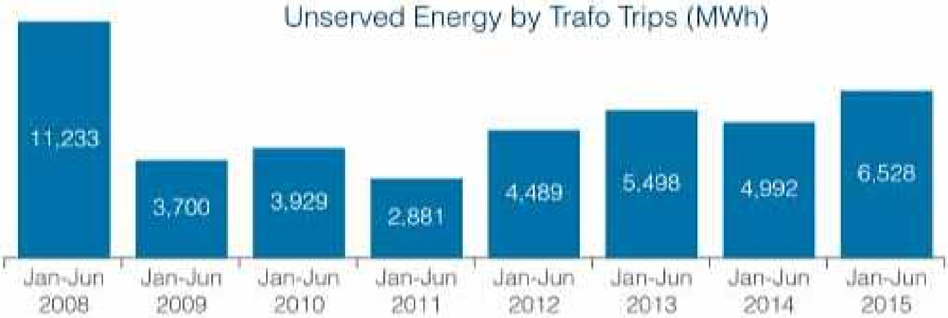
Timeline of New 132 kV Grids

Reduction in Transmission Losses

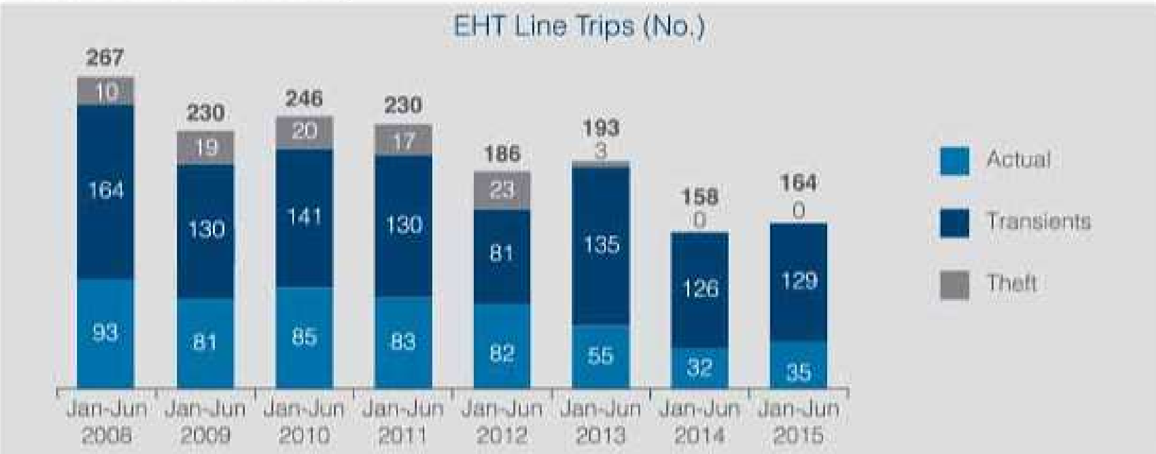


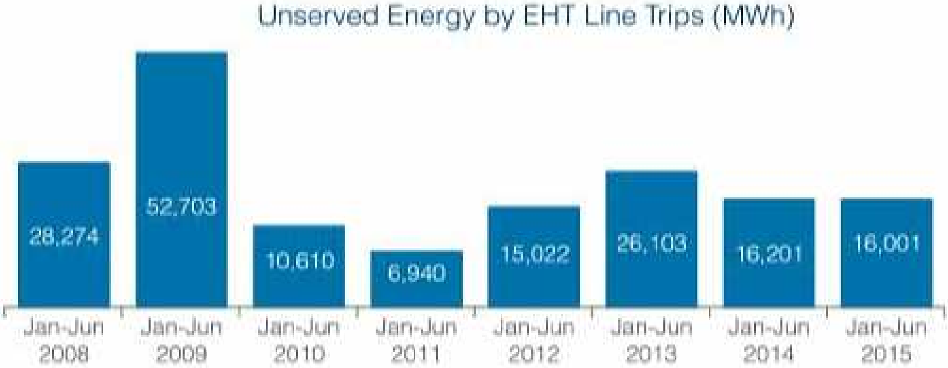
- 2.0% reduction in Transmission Losses
- 189 km old EHT circuits rehabilitated
- Additional 63 km EHT Lines installed
- 42% and 43% reductions in Unserved Energy on power transformers and EHT lines respectively.

Power Transformer Reliability



Transmission Line Reliability





Grid & Transmission Statistics as on 30th June 2015				
EHT Transmission Lines		**Transmission Capacity**		
220 kV		Auto Transformers	No.	MVA
220 kV Overhead	323.30 km	220 / 132 kV	12	3000
220 kV Underground	14.714 km	132 / 66 kV	2	100
132 kV		**TOTAL**	**14**	**3100**
132 kV Overhead	611.205 km	Power Transformers	No.	MVA
132 kV Underground	150.697 km	132 / 11 kV	126	4631.5
66 kV		66 / 11 kV	3	69
66 kV Overhead	149.40 km	**TOTAL**	**129**	**4700.5**
66 kV Underground	0 km	System Loading	2008-09	2014-15
TOTAL Length	**1249.32 km**	System peak demand MW	2462	3056
		Base Demand MW	1057	1170
# of 220 / 132 / 66 kV Grids	**64**	System Load Factor	67.94%	60.25%

Annual Report 2015

Key Initiatives in FY 2014-2015:

Capacity Enhancement / Restoration:

- Repair and installation of new power transformers were carried out at various locations. The task included replacements of damaged Trafos as well as new additions to help curb overloading in the respective localities.

    - Hospital Grid: 30 MVA – July 2014
    - Malir Grid: 40 MVA – December 2014
    - Hub Chowki Grid: 40 MVA – December 2014
    - Clifton Grid: 40 MVA – March 2015
    - Surjani Grid: 40 MVA – April 2015

Furthermore, 8 new Trafos are in pipeline which will enhance the transformation capacity in multiple high-load areas.

- More than **214** 11 kV switch installations have been carried out since the start of 2014, across various grid stations as part of a comprehensive effort to replace damaged or obsolete grid equipment to ensure optimal performance.

- Installation of new 60 kVA standby generators was carried out, bringing it at a total of **12** key locations, whereas seven more generators are currently under procurement. These preventive measures are being taken to ensure quick recovery of the most crucial grid stations in case of forced outage situations.

Grid / EHT Line Rehabilitation:

- Major rehabilitation work was also carried out at **Bela, Gharo, Hub Chowki, Dhabeji, and Korangi West** and **Federal-B** Grids.

- In March 2015, a major fault developed in the 132 kV circuit breaker compartment of the GIS (Gas Insulated Switchgear) bay of SITE-1 circuit at Baldia Grid, resulting in reduced system capability. The GSM department took this challenge head-on, and for the first time in Pakistan, a GIS breaker was repaired by an In-House Team, resulting in savings of millions of Rupees.

EHT Line Rehabilitation:

- Rehabilitation efforts were carried out across various EHT transmission line locations, whereby old / damaged conductors and associated hardware installations were promptly replaced to ensure smooth network operational capability.

- Replacement of conductor spans **at** 14 locations of **220 kV CCP-KCR** circuit was performed (21 km).

- Temporary rerouting of 220 kV BQPS-KCR and CCPP-KCR circuits during the repairing of UG joints at KCR.

Aga Khan Grid:

KE signed a joint venture with Aga Khan Hospital and Medical College Foundation (AKHMCF) in February 2013 to set up a 132 kV grid station. The grid was successfully energised in March 2015, thus providing a dedicated supply to one of the biggest hospitals of the city. Moreover, phase II of the project dedicated to KE is underway which will further facilitate electricity supply to the adjoining areas as well.

Enhanced SCADA Functionality:

SCADA has been enhanced to monitor 3 phase values for current and 220 kV transmission lines and auto-transformer bays. This has further strengthened the system reliability and aided the System Operation Engineers in prompt decision-making for swift restoration of transmission network.

Tele-protection of EHT Lines:

Tele-protection schemes use a communications channel in tandem with distance protection relays, providing high-speed response for simultaneous clearing of all internal line faults and prevention of external trippings. Telecom department has deployed tele-protection schemes on various strategic circuits ensuring optimal protection of the network. These circuits include:

- 220 kV Mauripur / Baldia Circuits #1 & 2
- 132 kV Mauripur / Haroonabad Circuits #1 & 2
- 132 kV Baldia / SGT
- 132 kV West Wharf / Old Town
- 132 kV West Wharf / Lyari

ISO 9001:2008 QMS Certification:

In accordance with the core values and business commitment of K-Electric, various Transmission Network departments participated in a concerted effort to acquire the ISO 9001:2008 Quality Management System certification. Project Implementation Department became ISO certified in June 2015, after rigorous evaluation by the external quality advisor, Bureau Veritas.

Transmission Expansion Project:

Scope:

TP-1000 is a comprehensive and integrated project conceived to meet the growing load demand of the city of Karachi by upgrading the existing transmission network. The project will increase the transmission capability by an additional 1000 MVA through the EHT network post 2018, an increase of almost 30%.

Key components of the currently envisaged project include:

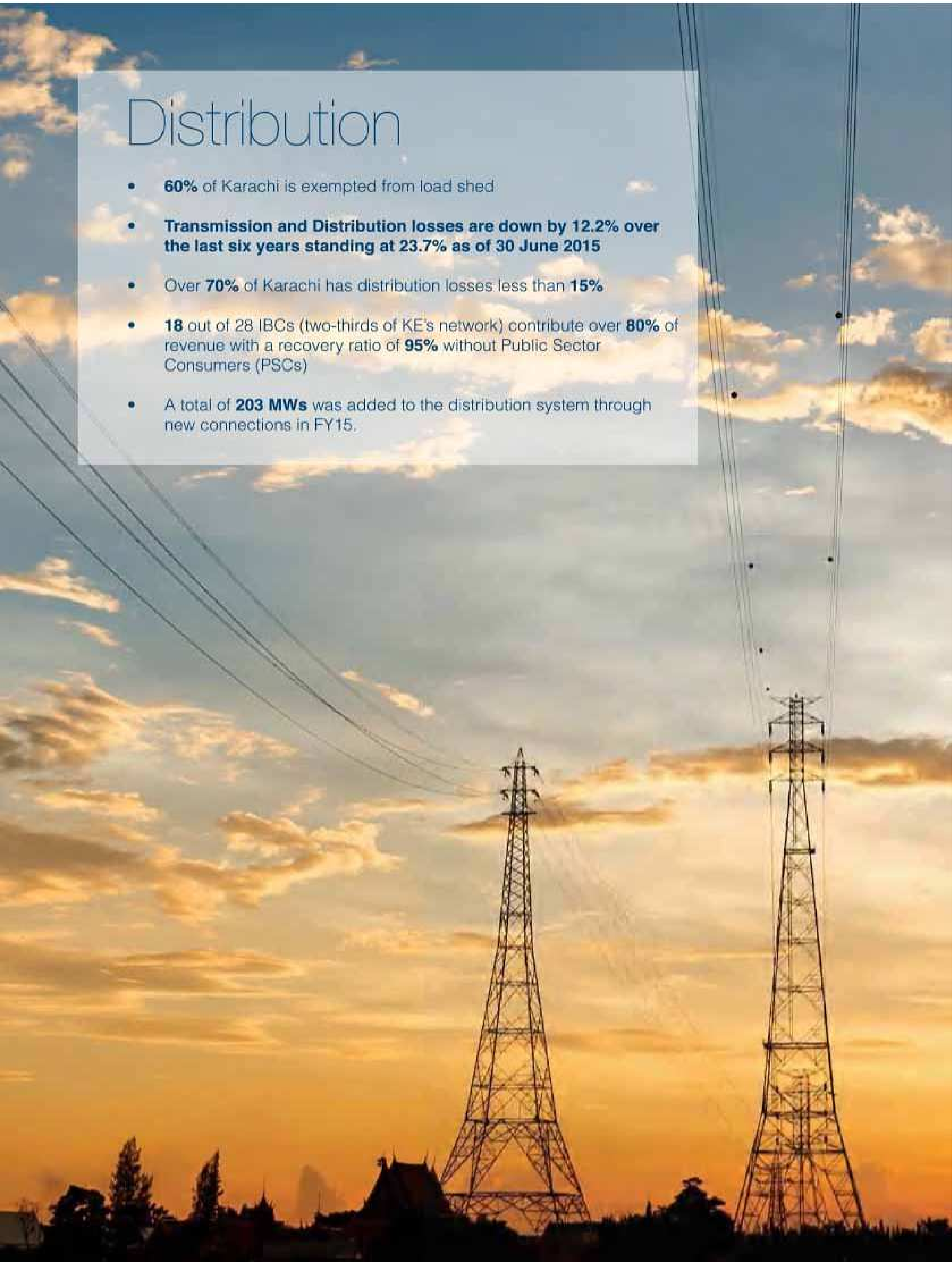
- Eight (08) new grid stations comprising 220 kV and 132 kV grid stations, bay extensions and 06 New Auto transformers
- Twenty One (21) Existing Grid Stations upgraded through an efficiency expansion programme which includes an addition of (34) power transformers and (400+) 11 kV Feeders for the growth of the grid.
- Ten (10) new 220 kV and 132 kV double and single circuit transmission lines (+130 km)
- Rehabilitation of three (03) existing 220 kV and 132 kV transmission circuits to increase the current carrying capacity and reliability (+30 km).
- Addition of a Disaster Recovery Centre to cope up with emergency conditions.

Impact on The KE System:

TP-1000 is a major step towards meeting the growing demand of our rapidly expanding city. It will be vital towards enhancing the operational flexibility of KE's transmission network. This venture will serve to relieve a majority of the overloaded EHT circuits. It will aid the overly saturated 220 kV Baldia and Mauripur Grids and improve power quality at the overloaded portions of KDA / Gulshan, KDA / Johar, and KDA / Maymar. Overall, this endeavour will result in better load management across the entire city.

Distribution

- **60%** of Karachi is exempted from load shed
- **Transmission and Distribution losses are down by 12.2% over the last six years standing at 23.7% as of 30 June 2015**
- Over **70%** of Karachi has distribution losses less than **15%**
- **18** out of 28 IBCs (two-thirds of KE's network) contribute over **80%** of revenue with a recovery ratio of **95%** without Public Sector Consumers (PSCs)
- A total of **203 MWs** was added to the distribution system through new connections in FY15.



Anti-theft Drive

In May 2015, K-Electric launched OPERATION BURQ (OPB), the largest-ever electricity theft and defaulters crackdown campaign in Pakistan, in collaboration with law enforcement agencies.

This was a 360-degree campaign, encompassing all ATL, BTL and digital media. Through this operation, we reiterated our commitment to our honest consumers and resolved to eliminate two major obstacles in our way to superior service provision. The project was an instant success with record number of power thefts caught along with a huge amount of dues recovered from chronic defaulters.

Capex / Loss reduction initiatives

Aerial Bundle Cable Project (ABC):

To address the rampant power theft issue in high loss areas, KE undertook the replacement of bare copper conductors, highly vulnerable to theft, with aerial bundle insulators specifically designed to act as a major theft deterrent. During last year alone, the company managed to convert 160 PMTs raising the total count to 300 PMTs, benefiting around 560,000 residents. Compared with conventional bare conductor overhead systems, ABC's theft deterrent characteristics promise to be a cheaper, safer, and more reliable alternative, requiring less tree clearing and pruning, and less maintenance. What this means for the consumer is better voltage profiles and lesser faults. Furthermore, subsequent to the conversion, these PMTs / Feeders have been shifted to a lower loss category thus reducing the overall load shed in these areas. The overall losses of the PMTs where ABC has been installed have been reduced from mid thirties to low teens.

Smart Grid:

Smart Grid is aimed at establishing K-Electric as a commercially feasible, best in class utility, serving as a role model for all the utilities in the country and the region. With key objectives of providing greater billing accuracy along with the reduction of commercial and technical loss through increased level of information. Effective outage management combined through GIS based digitised network combined with fault information through meters and devices will lead to optimisation of the existing distribution network. Other benefits include greater customer information, improved network planning, better and faster outage management, load management, improved recovery and enhanced productivity. The pilot phase of Smart Grid Project includes the installation of smart meters to over 10,000 consumers (12 distribution feeders).

Technical Loss Reduction - TLR

Technical Loss Reduction project has been started with the aim to reduce technical loss on the HT / LT network, improve the power quality and reducing faults / tripping by managing distribution transformers and network reconductoring. The management of distribution transformers includes relocation of transformers at load centre, addition / augmentation / splitting of transformers, improving joints and connections among many other factors.

With 31 feeders having completed process during FY 2015, significant reduction in technical losses was observed including improvement in the overall voltage profile, positively affecting the reliability of the power supply to consumers and better network health. The company aims to go through at least 100 more feeders in the upcoming year.

Low Cost Meter Project:

With a vision to contribute towards social welfare, KE's realisation of its social responsibility has led to the installation of low-cost meters provided on easy instalments to consumers residing in underprivileged communities. The initiative gave residents in these areas, where illegal connections or "kundas" were abundant, an opportunity to get legal electricity connections at a low cost.

The drive involves community engagement and support and thus opportunity for these communities to get better service from KE and to use electricity through a legal metered connection. Around 18,000 illegal connections were regularised through this scheme with more to follow.

Recovery Management

Door Knocking Project

Door Knocking Project was initiated to bring on a disciplined approach to our recovery process wherein a systematic warning system was created for fresh defaulters. Under this project, competent individuals would visit consumers' premises and give a soft reminder to them for clearing their dues. The objective of this project is to target maximum number of consumers in a cost effective way, prevent fresh defaulters from turning into habitual defaulters and capturing consumer contact details.

Cash Desk at Integrated Business Centres (IBCs)

The cash desk set-up is another custumer-centric initiative that was started at the beginning of this year. It entails setting up bank booths within the IBC premises, whereby walk-in consumers were given the option of paying their electricity bills. Initially set up at **4 locations**, the Cash Desks have drawn tremendous appreciation from consumers. These cash desks have positively contributed in boosting our recovery and have provided enormous convenience to walk-in consumers, as it saves them time and frees them from the hassle to look outside the IBC for a bank branch. We plan to extend these cash desks to other IBCs in the coming year.

E-Bill Payment Solutions:

In order to provide a wide range of accessibility options to consumers, KE launched e-Bill payment solutions. At present, fifteen Banks including branchless Banking and Alternate Delivery Channels (ADC) are providing this facilitation. Further, collaboration was attained and bill payments were introduced through channels like internet banking, 1link, Easypaisa, Omni, Upaisa; adding a new dimension for KE consumers in terms of payment solution at thousands of retail payment points across Pakistan to provide convenience to consumers to make 24 / 7 online payments.

Business Process Improvement

ISO Certification:

KE's approach has always centred on customer care and enhancing customer interaction. This has enabled the company to become the first ever distribution facility in Pakistan to earn an ISO 9001-2008 certification for its Integrated Business Centres (IBCs). The achievement has established a framework for IBCs on how to manage the businesses' key processes and to ensure that the processes meet recognised standards.

This journey of adding more IBCs under the ISO banner continues with 6 IBCs completed during this year.

Mobile Meter Reading:

To eliminate manual meter reading with the intent of reducing human errors, meter readers were given a hand-held device with capabilities of recording and direct wireless uploading to billing server via GPRS functionality. This initiative not only reduced the error rate but also shortened bill processing time.

More than one million meters are read through hand-held units while the mobile application is also equipped to take pictures of discrepancies, thus allowing the company to resolve them in a timely manner.

Strategy and Business Development

Strategic Initiatives

Coal Conversion of BQPS 1

In pursuance of its fuel diversification strategy, KE is in the process of converting two furnace oil-based units (2 x 210 MW) out of six units of its 1,260 MW BQPS 1 to coal in Phase 1. An IPP has already been formed for this project by the name of K-Energy (Pvt.) Ltd., to which KE plans to lease out units 3 and 4 of BQPS 1.

K-Energy has entered into an EPC contract with a reputable Chinese company, Harbin Electric International (HEI), for the engineering, procurement and construction of new machinery which will also include overhauling and rehabilitation of existing equipment. The boiler being designed is based on coal specifications also suitable to accommodate Thar coal as and when available. Coal will be procured from a dedicated mine in Indonesia. Additionally, K-Energy has secured land for the coal yard, obtained environmental approvals from Sindh Environmental and Protection Agency (SEPA) and has been granted the Generation License by NEPRA. Currently, K-Energy is pursuing NEPRA for tariff determination.

This project is expected to come online by the third quarter of 2018 and will save around USD 7 billion in foreign exchange over a period of 20 years.

700 MW Coal Power Project

KE is developing a coal power project (2 x 350 MW) at Port Qasim, for which it has signed a Joint Development Agreement (JDA) with China Datang Overseas Investment Co. Ltd (CDTO) and China Machinery Engineering Corporation (CMEC).

KE is currently engaged in the process of land acquisition for the project. Bankable Feasibility Study (BFS) is expected to be completed after the acquisition of land, after which the financing process from Sinosure and Chinese banks shall begin. Furthermore, the parties are making efforts to bring this project on the China-Pak Economic Corridor (CPEC) list, which would fast-track its implementation. Financial Close of this project is expected by the second quarter of 2016.

FFBL Coal Power Plant

KE and Fauji Fertilizer Bin Qasim Limited (FFBL) through its subsidiary FFBL Power Company (FPCL) are engaged in the process for sale and purchase of 52 MW of power from the coal-based power plant being established adjacent to their fertilizer plant. Subsequent to signing of a term sheet, KE has filed Power Acquisition Request (PAR) with NEPRA, for which public hearing has been held and subsequently NEPRA's approval is awaited. KE and (FPCL) are currently engaged in finalising the Power Purchase terms to formulate the basis of a power purchase agreement to be signed after NEPRA's approval on the tariff. Construction work is underway. The plant is expected to come online by the first quarter of 2017.

Nooriabad Power Project

K-Electric has been engaged with Sindh Nooriabad Power Company (Pvt.) Limited (SNPCL), a company sponsored by the Government of Sindh (GoS) and Technomen Kinetics (Pvt.) Limited, to establish a 100 MW (2 X 50 MW) gas-fired power project at Nooriabad, Sindh. The project has reached the advance stage of development with construction work underway. The power will be transmitted through an 85 km power line being laid by Sindh Transmission and Despatch Company (STDC). KE has signed a term sheet with SNPCL and has subsequently filed the relevant documents with NEPRA. Upon obtaining NEPRA's approval, KE will enter into a power purchase agreement with SNPCL. The plant is expected to come online by the second quarter of 2016.

Thar Coal Mine-Mouth Power Plant

KE is strategically engaged with major developers of integrated mine and power plant projects at Thar, including Sindh Engro Coal Mining Company (SECMC), Oracle Coalfields and Sino Sindh Resources.

KE is working with the UK-based firm Oracle Coalfields for the development of 660 MW mine-mouth power plant at Thar Block VI. The power company incorporated for the project is in the process of concluding the EPC contract for the power projects (220 MW x 3). KE is working on a Joint Development Agreement (JDA) to be signed with Oracle and the power company. A Power Purchase Agreement (PPA) will be signed for the supply of power to KE's system which will be wheeled through NTDC's network.

LNG Initiatives

Engro Powergen is developing a utility-scale 450 MW LNG-fired power generation plant at Port Qasim. An MoU has been signed between KE and Engro Powergen for the sale and purchase of electricity from this plant. Feasibility studies of the power plant are nearing completion. Engro Powergen is in discussions with GE and Siemens for the selection of machines. Financial close is anticipated in the second quarter of 2016 and commercial operations in last quarter of 2018.

Waste-to-Energy Initiatives

KE has identified an opportunity of setting up a Solid Waste-to-Energy Power Plant by utilising the municipal solid waste being deposited at landfill sites within the region of Karachi. Through a modular approach, the first phase of the project is expected to generate up to 10 MW of electricity. The project shall be structured under an IPP mode. KE is approaching local and foreign investors to explore their interest in establishing this power plant. KE is currently engaged in discussions with Sindh Solid Waste Management Board (SSWMB) for the allocation of land, feedstock supply and establishing possible synergies.

Wind Initiatives

In an effort to add nearly 50-100 MW of wind power into the KE system, KE is engaged with several wind project developers to discuss the power offtake option. In this regard, KE is currently engaged with Al-Wardah, a company that owns approximately 1,100 acres of land in the Gharo-Keti Bander Wind Corridor in Sindh. KE and Al-Wardah are interested in developing a 100 MW wind power plant at this site, for which wind data is available and topographic study has been completed, while bids are being evaluated for the feasibility study.

Solar Initiatives

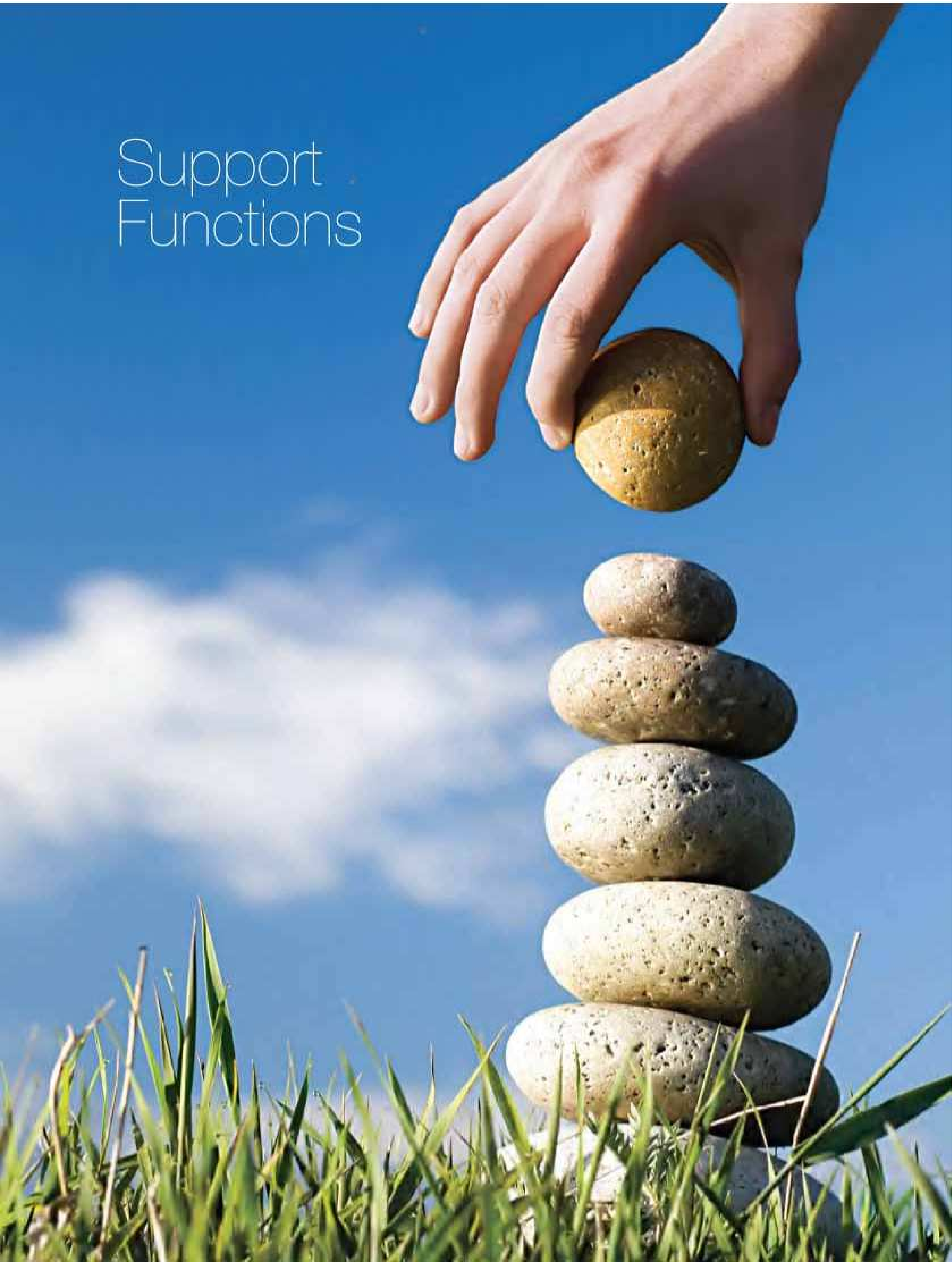
KE is engaged with several reputable solar power project developers for setting up 100-150 MW solar power plants under IPP structure in its licensed area. The Meeco Group, headquartered in Switzerland, through its local subsidiary Oursun Solar, is interested in developing a 50 MWp Solar IPP in KE's licensed area, wherein KE will be the power purchaser. In this regard, a Term Sheet has been signed between KE and Oursun Solar, and the parties are now entering into the process of obtaining desired approvals from NEPRA. KE is also engaged with other leading solar power developers from across the globe including First Solar, Fotowatio Renewable Ventures (FRV), ZTE Corporation, and Gransolar.

Other Strategic Initiatives – Unbundling

KE has been evaluating strategic options with regards to potential unbundling into independent entities for electricity generation, transmission and distribution. This is in line with KE's vision of developing the best possible mode of functioning in the greater interest of our customers and various other stakeholders. KE's management believes that unbundling of KE's core functions will provide independent entities with ample opportunities to utilise optimum potential of each unit for efficiency enhancement and value creation through a shift from the vertically integrated utility model.

Moreover, KE's unbundling would enhance the manageability of each business entity and add value for all stakeholders. Unbundling may provide synergies by eliminating cost redundancies, result in better allocation of resources, foster higher accountability and cultivate improved customer relationship management.

Support Functions



Finance

For any profit-making entity, financial planning and control are the most critical areas of operations. Our finance department aims to increase the Company's value through efficiency improvements, availability of Management Information System (MIS) for effective decision-making and long-term planning. In compliance with all the foreign and local standards expected of listed entities, the department ensures transparency and control in all our financial dealing.

The financial results are summarised in the following table:

Financial Highlights	2015	2014
	PKR in millions	
Revenue	190,358	194,490
Gross profit	43,264	32,200
Profit before tax	15,076	9,575
Net profit after tax	28,325	12,887
Earning per share - Basic / Diluted (Rupees)	1.03	0.47
Earning before interest, tax, depreciation and amortisation (EBITDA)	34,337	30,159

K-Electric Limited financial results have shown marked improvements as compared to last year. The main reason is the reduction in transmission and distribution losses which decreased to 23.7% as compared to 25.3% last year showing a reduction of 1.6%. The reduction in T&D losses, together with the gains resulted from higher electricity units sent out during the current year as compared to last year (FY 2015; 16,111 GWh, FY 2014: 15,332 GWh), has led to the improvement in EBITDA by 14%. Finance cost was noticeably reduced due to repayments of long-term financing and revised favourable borrowing terms. The cost could further be reduced if circular debt issue were resolved.

Receivables from public sector consumers mainly KW&SB and CDGK rose to PKR 38.3 billion and PKR 8.3 billion respectively. These receivables create liquidity issues for the Company. In addition, an amount of PKR 35.6 (net of tariff adjustments) billion is receivable from GoP on account of tariff differential claims.

During the current year, the Company has recognised deferred tax asset amounting to PKR 12.30 billion indicating the availability of future taxable profits, against which the asset is estimated to be realised.

The balance sheet remains healthy with total assets amounting to PKR 367.560 billion in FY 2015 (FY 2014: 306.316 billion). Current ratio stood at 0.88 times in FY 15 (FY 2014: 0.76 times) indicating better working capital management. The breakup value per share has improved to PKR 4.64 (in FY 2014; PKR 2.57) including revaluation surplus.

Sukuk

During the year, KE issued Azm Sukuk certificates of PKR 22 billion, including a green shoe option of PKR 2 billion. The Sukuk has a tenor of 7 years and is rated AA+ by JCR-VIS Credit Rating Agency Limited. It is the largest listed Sukuk issue in Pakistan's corporate history. The issue is comprised of Pre-IPO portion of PKR 15 billion and public offering of PKR 7 billion, including green shoe option of PKR 2 billion.

Proceeds from KE Azm SUKUK certificates enabled the Company to prepay the expensive long-term loans of International Finance Corporation (IFC) and Asian Development Bank (ADB) and other senior lenders amounting to approximately PKR 18 billion. This resulted in significant reduction in financing cost due to improved debt pricing with a positive impact on Company's profitability and created much needed room in cash flow resulting from extended debt maturity profile. This will help execute long-term business strategy and future investment plans of the Company, essentially based on generation capacity addition and efficiency improvement, transmission and distribution network augmentation, system reliability and execution of loss reduction projects.

An independent Sharia Advisory Board was formed solely for the purpose of the Sukuk issue. The board that comprised eminent scholars in the field of Islamic Fiqh and Sharia from all over the world reviewed and approved the Sukuk structure and the underlying transactions.

Human Resource

We believe that our employees are the driving force behind our success. We foster a culture of respect, integrity and fairness, and provide our employees with opportunities to grow and excel in their careers.

We provide transparent HR policies including succession planning, hiring, developing and retaining the best talent, and take all the necessary steps to ensure apt orientation of merit while inducting individuals in the organisation as our employees.

Being a power utility company, we also ensure to provide a safe and healthy working environment for our employees and make sure that employees observe safety guidelines while performing their duties.

As of June 2015, the management headcount stands at 5,468 and non-management strength at 4,975.

Our Learning and Organisational Development department has been instrumental in aligning employees' outlook with organisation's vision. L&OD successfully designed and delivered interventions that aligned business strategy with corporate culture and allowed all employees to develop skills and knowledge within and outside their domains. The department works in close contact with business to develop employees so that they are equipped with the right tools to implement best practices, improve existing systems and structures, and enhance the effectiveness of the organisation. AZM Learning Institute (ALI) has been extensively refurbished and its seating capacity for training enhanced, from approximately 200 to 500, to make sure that more employees get the opportunity to develop their skills.

Training details of the FY 2015:

- 148 learning events
- 7,982 participants trained
- 187,288 training man-hours

A comprehensive training calendar was rolled out keeping Personal Learning Development Plan (PLDP) requests and business requirements in mind to meet the training needs through technical and professional management skills development programmes. A structured evaluation and tracking mechanism has been introduced to gauge the impact of these interventions on a long-term basis. On the technical side, an extensive career progression programme has been conducted to promote Karkuns to the next technical level. Through 27 interventions, 1,046 employees have been trained and promoted.

Apprenticeship Programme for Distribution and Generation has been introduced which would fulfil technical officers' requirements for different departments. Other initiatives taken for the technical skills development of management staff included Vibration Analysis, CTO Meters, training, theft detection techniques, workplace ethics and inventory management. The testing process has also been revamped with the introduction of an automated recruitment assessment portal.

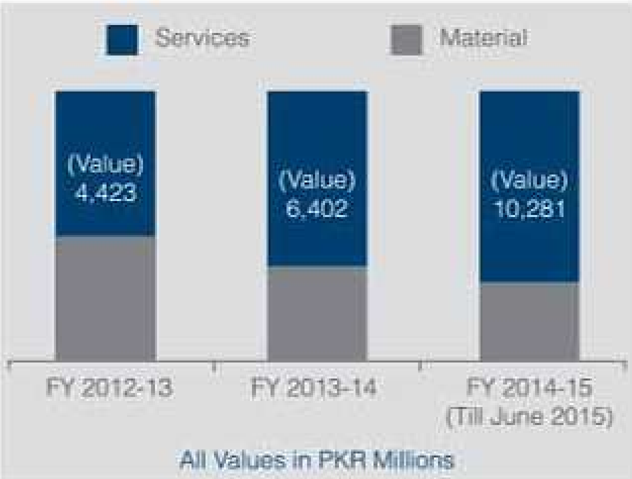
HR, this year, has also embarked on an accelerated IT adoption plan. The automation spans all areas including online testing assessment for recruitment, digitisation of employee personnel files and development of an HR dashboard for clear visibility of HR statistics.

Another major achievement has been the successful completion of the sixth round of Annual Performance Appraisal (APA). As many as 9,533 employees have been appraised both in management and non-management cadre. In addition, 634 employees have been promoted in this performance cycle mainly in middle and lower ranks of the organisation. To acknowledge the talent of out exisitnig human capital, opportunities were provided to employees to internally apply for the vacant positions through internal job postings which resulted in the promotion of 21 employees. The concept of broad bending was also introduced in this year's APA and employees (managers and above) were promoted horizontally.

Supply Chain

Procurement Group

Procurement volume was over PKR 15 billion (excluding fuel and power purchases for the year) and a saving of over 7.1% was achieved. This is a 60% increase in material and 50% increase in services buy as compared to last year. The vendor universe increased by 12% to 3,266.



Focus remained on adding value to the organisation through vendor development, direct OEM purchasing and negotiating favourable commercial terms.

Procurement Department continued its journey of automation and re-engineering. Projects in this regard included Purchase Order Release Strategy (all online approvals); introduction of "Service Master" to standardise recurring service buys and tracking visibility of piece-meal buying. The department introduced concept of "Centralised Contract Management" and transferring "Release Order" rights to user departments.

Information Technology Group

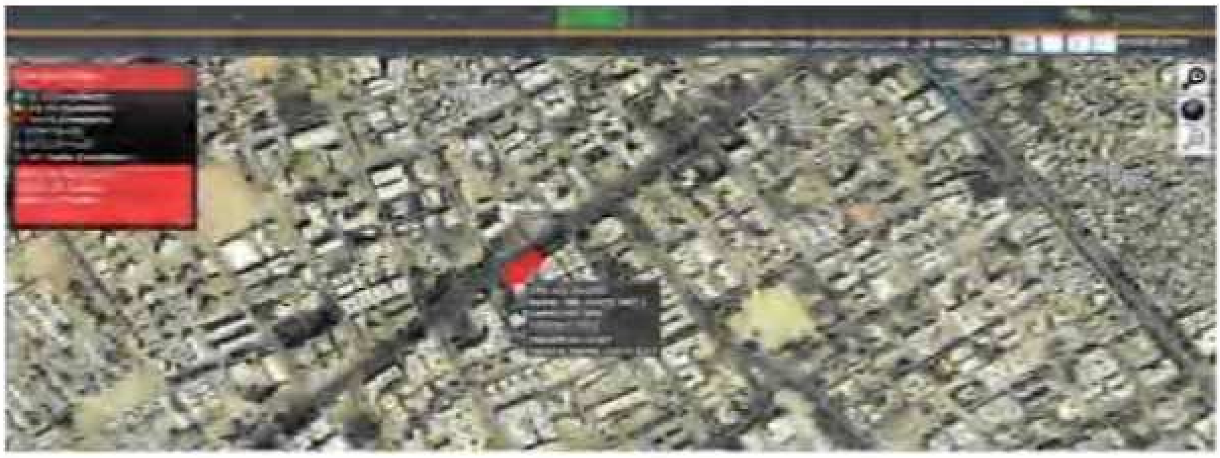
With SAP implementation, the focus has shifted to analytics. Current and historical data is being analysed using dashboards to provide visibility into operations, identify bottlenecks, realise efficiencies and improve resource utilisation.

This year, the SAP infrastructure has been upgraded to support the increasing demand on IT Systems enabling an overall improvement in SAP performance by 60%. This infrastructure upgrade resulted in quicker MIS for management and reduced time for bill generation at IBCs amongst other things.

Consolidating K-Electric's position as the top IT-enabled utility company of Pakistan, the foundations are being strengthened by following internationally recognised best practices of IT Governance. A gap-closure exercise against industry standard best practices based on ITIL/ITSM, ISMS, PMBOK and COBIT was initiated to align company's IT processes with ISO-20000 and ISO-27001 standards.

The Call Centre and CRM applications were enhanced to empower call agents with real time information related to the distribution (HT and LT) network allowing better customer service on outages.

K-Electric aims to bring the spatial information to a higher level by integrating it with SAP while implementing its Smart Grid initiative. These systems will ultimately help the company reduce the commercial and technical losses further. GIS and SAP-CRM were integrated on the Web GIS Dashboard; this new module provides visibility as "Hot Spots" of HT and LT faults in the city.



Additional functionality is being incorporated in existing Mobile Meter Reading application, updating its database with customer geo-coordinates. This will reduce turn-around time of complaint resolution. The exercise is expected to complete by the end of 2015.

Fleet Department

The overall vendor fleet efficiency improved to 95%. 361 new vehicles were inducted as replacement in order to refresh the KE fleet. Vehicle Complaint Portal was introduced to monitor vendor performance. An incentive scheme has been introduced to encourage transporters and create a competitive environment.

KE's entire fleet was equipped with HSEQ approved ladders, fire extinguishers, safety cones, first aid kits in compliance with international safety standards.

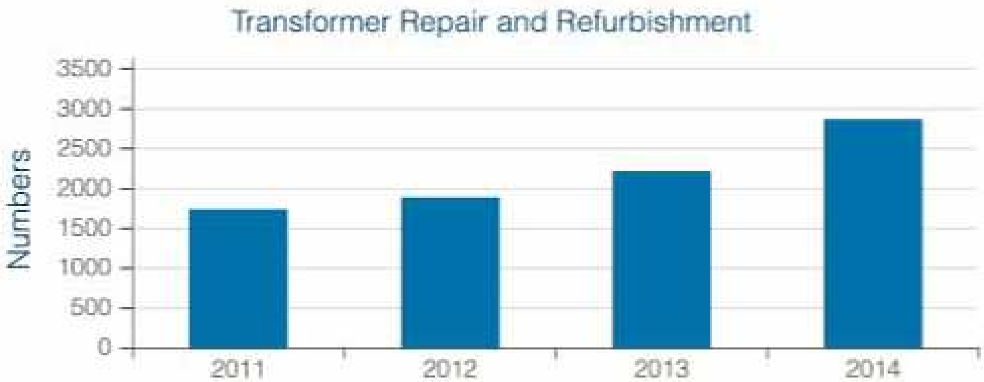
Work is in progress to provide complete visibility and ticket assigning solution via navigation devices fitted in the vehicles to schedule maintenance faults on the move to further improve KE services to all the consumers across the city.

Transformer and Switchgear Workshop (TSW)

During FY 2015, the Company continued its focus on improving product quality and productivity. TSW Operations are now being managed through SAP. The implementation of ISO 14001 is in progress and targeted to be completed in FY 2015.

Intotal, 2,879 transformers were refurbished with a saving of PKR 651 million at an average saving of 66% of new transformer cost. In addition 1178 MCCBs, 164 OCBs, 74 VCBs, 134 isolators and 9 RMUs were refurbished, resulting in a cost saving of PKR 22.3 million.

This resulted in fulfilling the entire requirements of field maintenance for distribution transformers and switchgears.



Customer Care Department

K-Electric registered 200,000 and over 26,000 customers on Facebook and Twitter respectively. Customer Services launched a revised SMS project, which enabled KE to engage with its customers. Call Centre capacity was increased from 100 to 150 seats. The call centre technology is being upgraded and the Alternate Channel facility being beefed up.

Inventory Management Department

Material receiving and inspection process was improved through the implementation of SAP Quality Management System (QMS) module, enabling the management to keep an eye on processes and documentation thereby improving quality.

Works and Real Estate Department

Work continued to improve the working environment at KE for its customers and employees. In excess of 12 buildings were refurbished to high professional standards. Some of the major projects delivered in the year included IBC Federal B Area, AZM learning Institute and the Central Stores.

Efforts are in progress to obtain ISO-9001 certification for the group.

Energy Conservation

Keeping in view the importance of energy conservation and to make users understand the operation of various equipment such as, power factor improvement plant (PFIP) ensuring energy efficiency, reliability and improving the quality of power supply with bare minimum interruptions, ECD took the following initiatives during the year for the enhancement of energy efficiency in the existing system correlating with reduction of Carbon Emission on sustainable basis besides financial gains to both the company and the end users:

PFIP

- **1826** cases surveyed
- **70.49 MVA** released

Energy Audits

- **74** audits conducted
- **5.365 MW** load optimised
- **15.87 Mn** kWh / annum units saved

Mass awareness activities (ATL, BTL, interactive sessions and others)

- **156** activities
- **78,835** consumers tapped
- **4.7 MW** load optimised

Environment and compliance zone

- **13** Successful Transformation
- **0.5 MW** load optimised

Plantation

- **12** activities
- **4,325** soil-friendly saplings (Palm, Neem, Paras Pupil, Mangrove, etc.) planted

Climate Change mitigation

- **47,654** metric tons / annum reduction in Carbon Footprint

Recognition received by ECD

- Shield for the best topic of presentation **"Demand Side Management"** in regard to KE's efforts towards energy efficiency and conservation practices at the **Pakistan Oil Gas and Energy Exhibition 2015** conference at Expo Center Karachi

- Formed **EIC** (Energy Incubation Centre) in collaboration with NED University and DICE **(Distinguished Innovations Collaborations and Entrepreneurship)** Foundation – Michigan, USA – at the **DICE Energy 2014** event

- Shield on conducting a joint seminar **"BRESL-MEPS (Minimum Energy Performing Standards)"** by UNDP

Continuous research and development work in collaboration with NED University, Enercon, AEDB, UNDP, PSQCA and other in the below-mentioned fields for Sustainable Energy Development and creating a positive social impact through energy efficiency improvement projects

- Energy efficient Cooling systems (inverter based)
- Energy efficient ATM cabins of different banks
- Counselling and implementation of Building Codes envelop both in-house and Outreach
- Energy-efficient fan motors
- Real time mapping of KE's network data

HSEQ

Focus on improved performance in areas of HSEQ has resulted in lower employee fatalities, non-fatal accidents and public fatalities. KE's transformation in HSEQ areas is widely recognised by local and international agencies.

HSEQ at KE

KE's commitment to excellence in HSEQ has been noticed by its peers and market leaders. KE earned the prestigious "ACCA-WWF" award this year and NFEH Environmental Excellence Award and National Level Safety and Fire Prevention Award for the sixth consecutive year. In 2014, KE also won the Employers' Federation of Pakistan - Health & Safety Award. On the national level, KE is also actively participating along with Pakistan Engineering Council in the development of National Electric Safety Code (NESC) for power and telecom sectors. International recognition has also come about from USAID which has requested KE for guidance in implementing Sustainable Safety System in other utilities of Pakistan.

Corporate responsibility at KE begins with safe operations, while everyone is made responsible for their own safety and that of their peers and assets alike. Safety audits are being conducted regularly and safety promotion activities are being encouraged through cash awards and citations. The safety system is now embedded in all operations and has led to a year-on-year reduction of employees' accidents by 5% and public accidents by 17%.

Rain Emergency Plan 2015: This year a thoroughly coordinated Rain Emergency Plan was prepared covering all key elements of operational and supervisory control, where focus was on effective central coordination, critical material availability, manpower allocation and internal resource support. The objective of this plan was to minimise fault recovery time

(SAIDI) and manage sudden and heavy increase in workload.

Preventive Maintenance (HT & LT - Distribution) - Preventive Maintenance (PM) on 11 kV Feeders in 2014-15 showed an impressive **reduction of 35% in tripping** and PM in Low Tension (LT) Network was conducted on 1552 PMTs in 2014-15, **resulting in 61% fault reduction.**

Customer Focus - Quality Enhancement - ISO:9001 (Quality Management System Certification) has been completed for six IBCs and two department till date. Moreover, 11 additional IBCs and 01 more department are currently in process of receiving ISO:9001 certification by the end of this year.

Employee Safety

To build a safe and healthy environment, a direct safety message by CEO and top leadership to front end workers (3156) was carried out in intervals through **"Voice Safety Messaging System"**.

CEO Safety Message

اسلام وعلیکم، میں K-Electric کا CEO طیب ترین آپ سے مخاطب ہوں۔ آپ اس ادارے کا انتہائی اہم سرمایہ ہیں اور آپ کی زندگی ہمارے اور آپ کے خاندان کے لئے بے پناہ قیمتی ہے۔ اس پیغام کے ذریعے میں آپ سے درخواست کرنا چاہتا ہوں کہ آپ اپنے روزمرہ کے فرائض کی انجام دہی کے دوران حفاظتی اقدامات کو پیش نظر رکھیے اور کوئی بھی کام غیر محفوظ طریقے سے نہ کریں۔ یاد رکھیں، آپ کی احتیاط سے کام کرنے کی عادت آپ کی حفاظت کی ضامن ہے۔ اللہ ہم سب کو اپنے حفظ و امان میں رکھے۔

(آمین)

The leadership,s commitment towards safety is also evident from CEO's employee engagement programme that is regularly being conducted with field staff. Along with this, a **Safety Action Group** (ONE platform) for HSE discussion was developed, where all safety coordinators, the HSEQ team, the top management and CEO can discuss safety matters and share safety suggestions online.

Regular vaccination projects are undertaken, providing employees and their families with comprehensive health care. 2257 vaccinations were administered in FY 2015, resulting in a reduction of hepatitis B cases by 38%.

Under the umbrella of the "Nobody Gets Hurt" philosophy, a safety caution board was introduced and placed on poles drawing supply coming from two or more feeders to forewarn workers so that adequate precautions were undertaken before the commencement of work.

Sustained HSEQ Training Programme

Training has been an integral part of our overall safety programme. To this effect, sustained HSEQ training programmes were developed, and both formal and informal training sessions were delivered. As many as **10,141** employees have been provided with training on subjects ranging from basic safety, toolbox usage, environmental awareness, first aid, firefighting, and summer and monsoon preparedness, etc.

Safety Oversight

To monitor and measure effectiveness of the safety management system in KE's licensed area of 6,500 square kilometres, spot checks and random safety audits of field activities across the KE network are conducted. This year, more than 1,489 safety and hygiene inspections were conducted by Corporate HSEQ teams. This is a 42% increase compared to last year. Upon completion, recommended corrective measures were implemented by the concerned departments.

Public Safety

Various marketing awareness campaigns on general public safety are conducted on a regular basis, especially during the monsoon season, through extensive coverage in electronic, print and outdoor media. Our ceaseless initiatives include various measures for public safety such as, pasting safety warning stickers on poles, safety campaigns and safety hazard reporting button on the KE website for reporting electricity hazards in their vicinity. There has been an increase of 11% (548 to 610) in hazard reporting and 17% reduction (6 to 5) in public accidents with reference to last year.

Safety Reward

Safe behaviour is acknowledged regularly, whereas zero tolerance for violations is demonstrated through reprimands. The tiered system of rewards includes cash and recognition for "Safety Man" and "Safety Team" on monthly basis.

Annual Safety Leaders Awards

Annual Safety Leaders Awards plays a major role in enhancing organisation-wide buy-in of safety responsibilities by the departments. The fifth edition of KE's Annual Safety Leader Award was held to acknowledge departments which had outperformed others in achieving safe working conditions for employees at the workplace. The award is in line with the company policy to promote a safe culture and move towards its vision of "zero fatalities".

Fire Safety and Housekeeping – Enhanced Focus

All of KE's 76 locations are being inspected and graded on defined Fire Safety and Housekeeping parameters by the Corporate HSEQ Fire Safety Team. These inspections are bringing about a noticeable change in the upkeep of KE locations.

Sustained Social Impact

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

KE strongly believes that business can prosper only when the society within which it operates remains healthy. Through its wide range of CSR activities, the Company aims to help build a better society for all. To enable social uplift, the Company is operating programmes in the areas of health, education, skill development, environmental protection and energy conservation. KE regularly conducts studies on potential environmental and societal impacts whenever it plans to develop a new project. KE ensures that its new projects not only serve lives through provision of uninterrupted quality power but also contribute towards the progress of the community.

Social Investment Programme:

The impact created by our Social Investment Programme is immense. The umbrella programme undertakes all initiatives that facilitate lifeline welfare organisations and entities that directly impact the quality of life of the consumers by facilitating them with provision of their basic needs. Our approach leverages our operational capabilities and the experience of our workforce.

Under this programme, we also cover unforeseen calamities and emergencies and support the victims through relief up to six months on their electricity bills.

Empowering Through Power

The Empowerment Programme provides relief to social welfare organisations in health care and education sectors. So far, under this initiative, agreements for provision of subsidised or 100 per cent free electricity have been signed with 13 major lifeline health and education institutions of the city. These organisations act as a life support for the underprivileged and masses and have huge impact on millions of lives in the city.

IMPACT: Over 3.4 million individuals annually

Our TOTAL SPEND IN TWO YEARS: approximately PKR 70 million

System Enhancement Programme

KE provides capacity enhancement through investment in the overall electrical system in order to either enhance the quality of power or to increase the system capacity for extended reach and coverage. Investments in the systems are mostly made to ensure fault-free power supply to all strategic hospitals of the city or in order to support the expansion of a specific strategic facility. System enhancements have been implemented for three major hospitals, namely Indus Hospital, LRBT and SIUT, all of which are our existing empowerment partners.

Vital Organs Programme

Under this initiative, KE provides uninterrupted supply of electricity to 23 major hospitals and educational institutions in the city which provide services to nearly 80% of Karachi.

IMPACT: 6 million individuals annually

Employee volunteering

KE held two blood donation camps in collaboration with Fatimid Foundation and The Indus Hospital at various KE installations. Employees from management and non-management levels were requested to donate at the camp. Over 3000 hours have been volunteered over the last two years, bringing the total so far up to 153,000 hours.

Emergency Response Initiative:

Calamity

KE has always stepped forward to provide support to victims of these tragic events and has created an example for others to follow. We supported the victims of the **Kharadar fire incident, Abbas Town, Baldia industrial fire incident** and most recently supported the victims of the **Timber Market fire incident.** Monthly electricity bills for the then current and next six months were waived for the affectees of the tragedies.

KE – TCF School

The newly constructed TCF School has become one of the flagship campuses of TCF in Karachi. Built on 5000 yards of land donated by KE within the KE employee residential colony, the campus is dedicated to the service of the Bin Qasim area. With vast sports grounds and airy classrooms, the school has a capacity of 1000 students. The current initial strength of the campus is 200 students with around 100 students belonging to KE residential colony.

Youth Engagement Platform

Since the inception of the Youth Engagement Platform, 34 sessions have been conducted in terms of technical visits and lectures, reaching out to 3200 Engineerining students primarily from engineering universities.

PSSE Sponsorship and PhD Facilitation

KE has recently invested in NED University's PhD programme as a facilitation partner. KE has entered into an MoU for mutual knowledge sharing with NED. PKR 1.8 million have been invested under this initiative to benefit both the undergraduate and postgraduate students of NED.

PAKATHON – Data Design and Connect – Competition

KE was the only corporate entity that volunteered the use of actual data for designing solutions. The competition provided challenges to these students so that fresh solutions to load-shed and theft could be sought. The team with the best solution was awarded the prize, which was PKR 200,000 by K-Electric.

Altaf Town, the Model Theft-Free Community

Altaf Town is an underprivileged neighbourhood in the Korangi area of Karachi and houses **2,100 regularised housing units.** The area posed great difficulties for KE as **1,100 consumers** of the town were drawing **illegal power** from our system through kunda and theft.

A massive clean-up operation was planned in continuation of the community engagement initiatives. The area was cleaned and leveled promising the residents a healthy and clean environment. The 1.5 km belt was transformed to an unpaved, leveled road which had never existed before.

KE also organised a free eye and skin care camp for the locals to provide them with quality ophthalmic and derma care on their doorstep.

Ramadan Relief Camps

KE, in partnership with Aman Foundation, launched Ramadan relief camps at six focal points of Karachi. The camps were set up to provide relief to the heatstroke victims and the ever-increasing numbers of these patients in local hospitals.

Through these camps, KE distributed Iftar meals to the surrounding communities along with water and ORS packets. First aid medical emergency services were also made available at these camps. In total, 50,000 iftar meals along with mineral water bottles and ORS packets were distributed to benefit masses during the heatwave and the holy month of Ramadan.

Marketing and Communications

Stakeholder Engagement 2014 - 2015

Brand Marketing

Tactical Communication

Today, KE is a far more accessible utility than it had been for a long time. Our communication spans electronic, print, digital, out of house advertising and various innovative mediums to reach a vast customer-base in Karachi and beyond.

We celebrated national and international events through various communication platforms. On Pakistan Resolution Day, KE published a commemoratory ad in leading papers. We followed this with print ads on Earth Day, World Safety Day and World Environment Day.

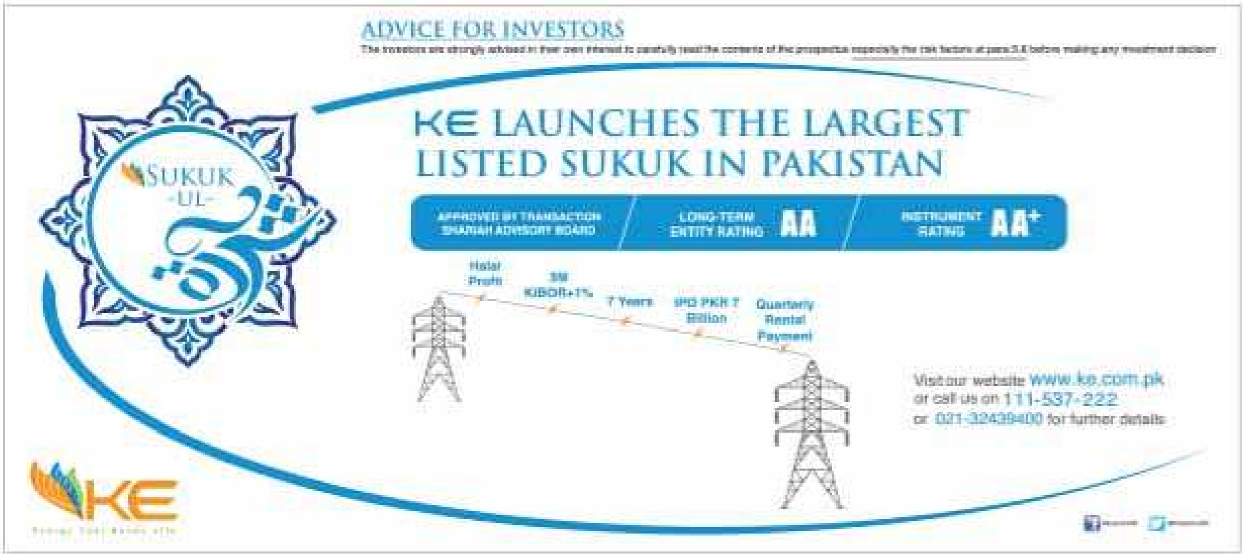
Towards the end of the last fiscal year, the company had to experience some of the harshest calamities in the history of Karachi; first, a record heatwave that left hundreds of casualties and then outages due to monsoon rains. Apology ads were issued in an effort to connect with the people and inform consumers of the issues.

Sukuk ul Shirka

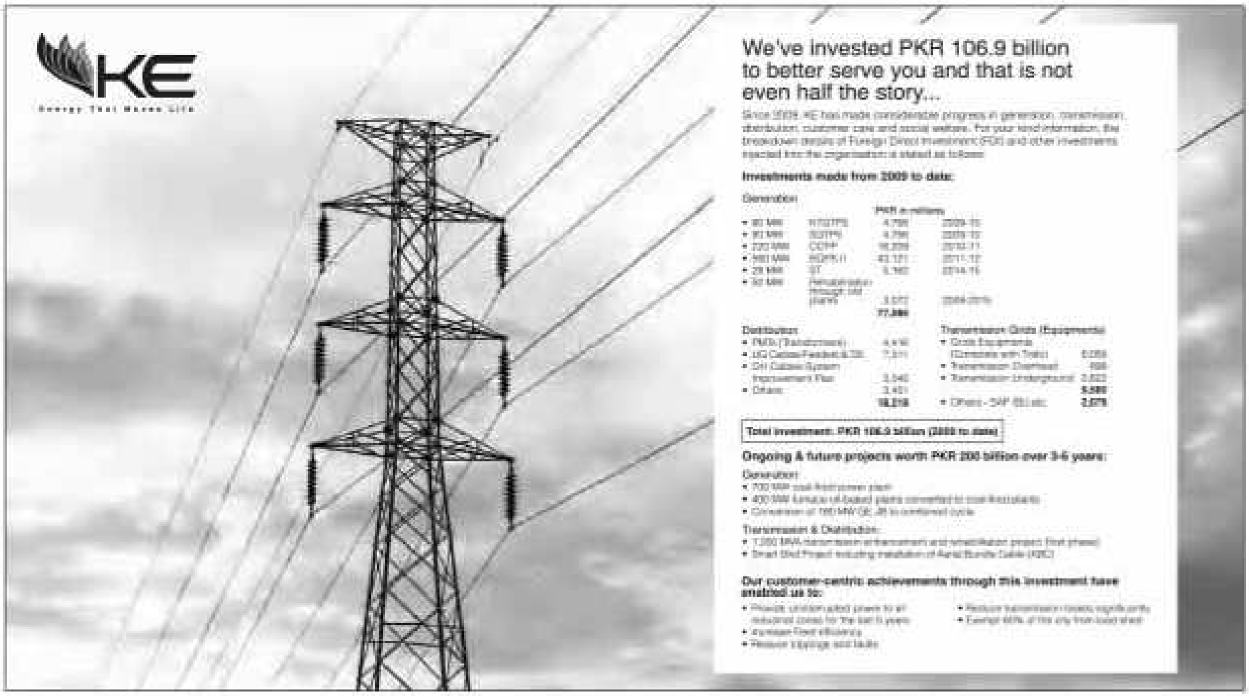
The tremendous success of the 1st listed AZM Sukuk encouraged KE to provide Halal investment opportunities to its stakeholders, therefore, Sukuk of PKR 22 billion being the largest ever listed Sukuk namely 'Sukuk ul Shirka' was launched through a massive print, digital and outdoor campaign that once again received an overwhelming response evidenced by its full subscription. This success itself is a testament to the trust reposed in us consistently.

Partnership — KE model being adopted by WAPDA

KE is the first and only utility to successfully implement Enterprise Resource Programme (ERP). A short video was made in collaboration with the power sector team of US-AID to shed the negative myths associated with this initiative. This will be shown across all other power utilities of Pakistan .



ADVICE FOR INVESTORS
SUKUK -UL-
KE LAUNCHES THE LARGEST LISTED SUKUK IN PAKISTAN
LONG-TERM ENTITY RATING AA
INSTRUMENT RATING AA+
Halal Profit
3M KIBOR+1%
7 Years
IPO PKR 7 Billion
Quarterly Rental Payment
Visit our website www.ke.com.pk
or call us on 111-537-222
or 021-32439400 for further details
KE



KE
We've invested PKR 106.9 billion to better serve you and that is not even half the story...
Investments made from 2009 to date:
Generation
Distribution
Transmission Grids (Equipments)
Total investment: PKR 106.9 billion (2009 to date)
Ongoing & future projects worth PKR 200 billion over 3-6 years:
Generation
Transmission & Distribution
Our customer-centric achievements through this investment have enabled us to:

Customer Service
Now Just An SMS Away
KE proudly introduces its short code SMS facility for the citizens of Karachi!
Complaints
Power Outage Notifications
Report Safety Hazards
KE

Powering Karachi, Empowering the Nation
KE

Operation Burq

Our society is confronted with challenges that have long been overcome elsewhere in the world. One such problem is the Illegal usage of electricity which is rampant in cities across the country and Karachi is no exception. Unfortunately, decades of tampering with the system has made us believe that robbing institutions is an acceptable practice. Reducing power theft requires an integrated approach that works both in the short-term to provide relief to the honest, bill paying consumers as well as long-term. KE is committed to inculcating more responsible values into the culture of the city influencing a positive effect on people's mindset and promoting a conducive environment for energy consumption and conservation. It is necessary to bring power-stealing back into the realm of theft as it is a non-bailable and serious offence that has a significant and direct impact on the livelihood of our consumers and the economy of Pakistan.

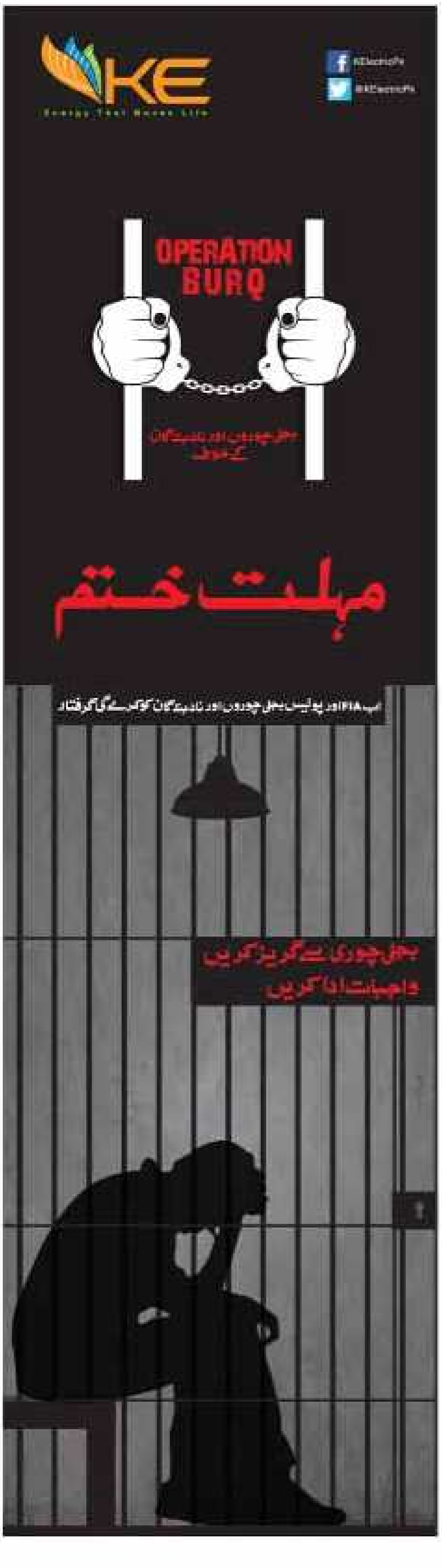
During the current year, KE has taken some huge steps in this regard. Operation Burq, supported by a newly introduced law to curb power theft, was launched last year. The operation made significant inroads into the high loss areas where illegal use of electricity had been a norm. All along this rigorous exercise, the Company also launched a reward programme for our loyal customers who were regular bill payers and combined to form a model worth emulation for other parts of the city.

An effective strategy was a formidable challenge as power theft was considered a normal practice and not a very serious crime. As operations against terrorists on the northwestern border and in the city of Karachi were in full flow, Operation Burq capitalised on the element of fear among the miscreants. The purpose of instilling caution into the target audience was to convey the seriousness of the problem.

The main aim of the campaign was to activate people to pay their dues and refrain from stealing electricity. The campaign had a few on-ground objectives: to expose cases of power-theft and individuals responsible behind them, and to appreciate our loyal customers who paid their bills regularly. Another major objective of the campaign was to mobilise the government's machinery and law enforcement agencies to take serious measures against power thieves.

The campaign was launched on all mediums of communication, including electronic, print, out of house and BTL. During the last few months, OPB has proved to be a successful way forward. The operation has exposed long-time power miscreants and brought them to justice with the help of authorities. To date, **OPB has eliminated 22,000 kunda (illegal**

connections) and secured fair usage of electricity in high loss areas. It has indeed given way to a better informed customer-base that is well-versant with our spirit. With the progress made in a few months, we strongly believe that OPB will cause noticeable reduction in illegal use of electricity.



OPERATION BURQ

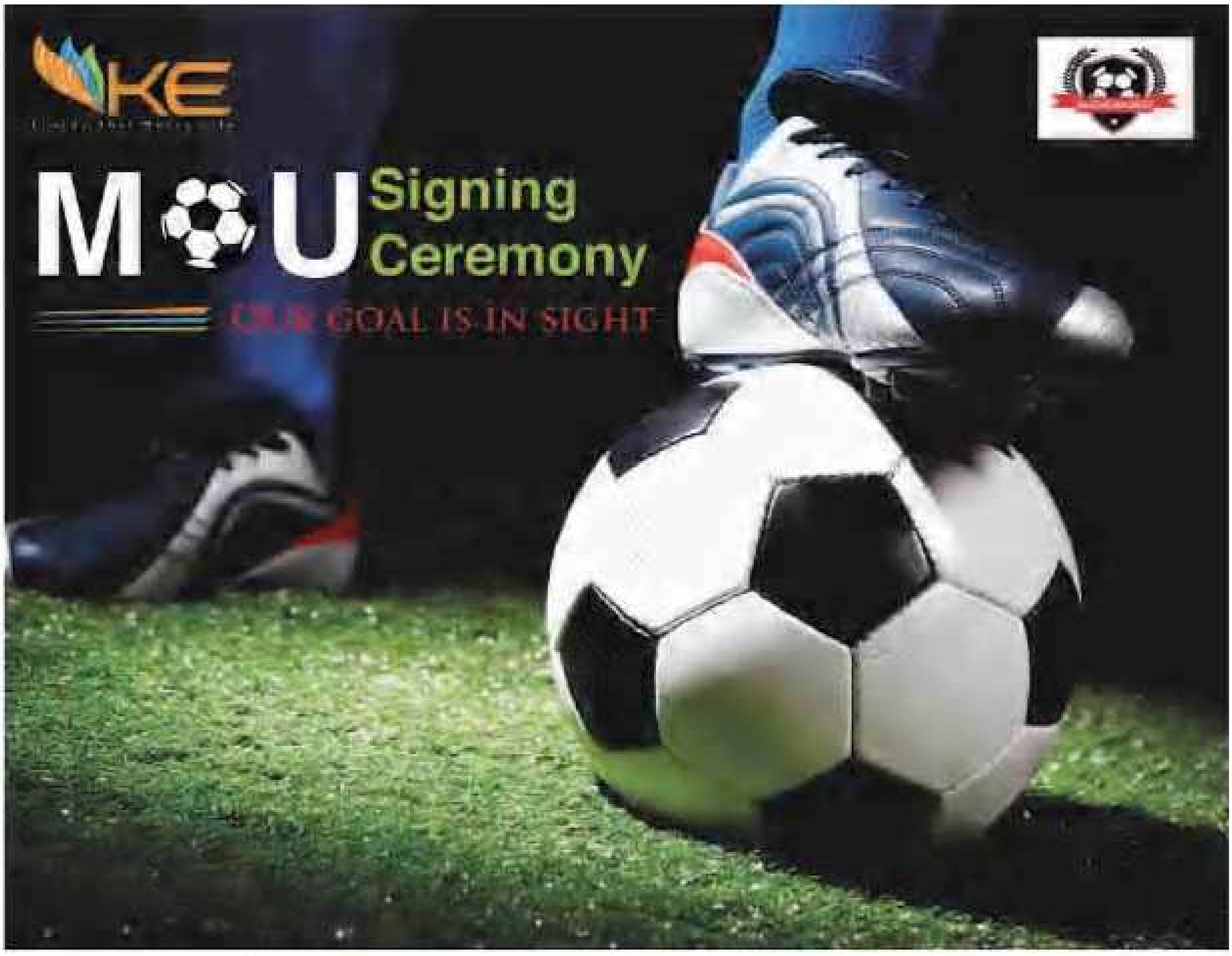
Town Hall

On Ground

Sports Marketing

Empowering Balochistan United

KE believes in supporting women through sports. In this regard, we sponsored Balochistan Women's Football Club that has players from Lyari and also other areas of Pakistan. The club is also currently the National Women's Champions of Pakistan.



Inter-Department Cricket Tournament

KE believes in employee engagement through sports. Every year, we hold a tape-ball cricket tournament to bring all our employees together. The beauty of this tournament is that all employees are encouraged to participate, be it a lineman or the CEO.

I AM KARACHI

I Am Karachi and KE held the third Lyari League and the first KE Cricket League. These Leagues are being conducted in order to provide a platform to the younger generation.

These tournaments are held to prevent the youth from indulging in negative activities that sadly infest the underprivileged areas of our society. We look forward to holding these tournaments every year.

Pakistan Premier Football League (PPFL)

It is indeed a moment to rejoice as K-Electric has become the first ever Karachi-based side to win the **Pakistan Premier Football League (PPFL)** title. This is a historical achievement for KE as after a wait of four years, it has won a major football tournament title. K-Electric has been crowned champions for the first time after failing to take the trophy in the previous three seasons, despite coming very close in the previous two editions ending up as runners up. Never in 11 years has any team from Karachi managed to win this prestigious title. The premier league which was organised by Pakistan Football Federation and contested by 12 teams from all over Pakistan is a league based tournament with matches played at various venues throughout the country.

Bhutan - AFC Cup 2015

Corporate Communications

AZM, our monthly internal Urdu newsletter, helped unite our community of over 11,000 employees by keeping them abreast with latest activities and developments taking place within the organisation. AZM also focused on showcasing the achievements of our personnel. It acted as an effective motivational and employee engagement catalyst.

Similarly, UMEED, K-Electric's external electronic newsletter, was broadcast to 900,000 stakeholders via email on a quarterly basis. The publication served as the face of the organisation to all external stakeholders. It covered major updates and events for the period, apprising the citizens of Karachi of issues and developments pertaining to the energy sector and K-Electric.

Corporate Communications remains active and has broadcast over nine million emails to keep customers updated on the organisation's progress across multiple aspects.
KE's official website ke.com.pk was maintained periodically to update consumers on the latest information and tools for their facilitation. In line with the Company's vision of becoming more consumer-centric, KE has future plans to integrate KE's back-end systems into the website's skeleton, and develop exclusive portals for customer and corporate care. By enabling customers to lodge technical and billing complaints, view their billing history and track new connection status, the website's facelift will bring it closer to the best industry practices in digital communication. This will substantially improve the customer experience and create true value by providing a transparent, uniform service for consumers.

To engage employees during the launch of Operation Burq, K-Electric's first large-scale crackdown on electricity thieves and chronic defaulters in five years, Corporate Communications organised four Town Hall sessions for over 2,200 field staff members. Employees ranging from linemen to meter readers, inspectors, collection team staff and others were briefed on the campaign and motivated through these high-energy and inspiring events.

Media and PR

The year 2014-15 was a challenging one for the Media and PR team, who worked aggressively to ensure that a positive media presence was maintained for the company in print, electronic and digital media alike. As KE's official mouthpiece, it was department's responsibility to immediately respond to any unsubstantiated claims circulating in the media and inform consumers of the company's stance and involvement at all times.

Interactive dialogues were held on a regular basis with media personnel over the course of the year, placing KE's voice more than 7500 times on the media in the form of tickers, reports, talk show appearances, interviews, SOTs (Sound on Tape) and beepers on national and regional channels combined. 60% of the coverage received was positive or neutral, which was a challenging number to maintain given the onslaught of criticism that the company was constantly subjected to. Despite this, any report that did not cover KE's stance was eventually rebutted. KE also actively developed relations with new channels to secure media coverage through these channels.

As in previous years, we published hundreds of press releases and rebuttals in the news, a significant increase from the previous year. The rebuttals covered various unsubstantiated allegations made by institutions, ministers, ministries and general public and the most heated issue at the start of the year remained the supply of 650 MW from the National Grid. It was of absolute importance that KE declared its stance and showed how important this supply from the NTDC was for Karachi and its economy. Misperceptions which were being created by some federal ministers were instantly rebutted via digital, print and electronic media on a daily basis. Other major issues which loomed were related to KWSB, which has been a chronic defaulter of K-Electric for the past few years.

The single biggest highlight of the year was Media and PR's extensive coverage of Operation Burq, the company's largest drive against electricity theft and default. Aggressive media campaigns were held via print, electronic and digital and closer ties were created with beat reporters, editors and channels, chiefs so that adequate and daily coverage could be given to KE's Operation against theft and defaulters. The Media and PR team was on ground during such raids, in which political members were also targeted and resistance was shown to the teams. This also showed that there was no discrimination against defaulters and power thieves. During the Amnesty period in May, the department started to issue daily updates across multiple print avenues apprising consumers of the impact of the operation and daily raid details were provided to print, electronic and digital media.

Media and PR fulfilled its responsibility of taking its consumers into confidence during the breakdowns of the summer season and during the monsoon rains. It was ensured that the Media and PR team worked 24 / 7 during Ramadan and the weeks that followed so that all incoming queries could be handled in the shortest possible time. Nearly 2000 complaints in this regard were resolved.

The team proactively released tickers apprising consumers of the situation and issuing updates on a periodic basis to assure them of the progress. In the face of heavy criticism and several baseless rumours springing up, the department stood its ground and pushed the company's narrative as far and wide as possible through all mediums.

Besides these moments of crisis, KE's team also promoted the company's efforts in ESG and other areas. Accords signed on generation and transmission were broadcast just as fervently as agreements to provide free energy to social welfare institutions. Sports events such as, the Lyari League and the Under-19 Cricket tournament were also given due coverage.

A few campaigns were also conducted and monitored by the Media and PR team on a seasonal basis.

Campaigns

Electronic:

- Energy Conservation
- Operation Burq

Print:

- Sukuk Ul Shirkah
- Operation Burq
- Strategic Investment Details

KE Social Media

Social Media Statistics (as of June 2015)	
Twitter Followers	**28,093**
Facebook Followers	**204,442**
LinkedIn Followers	**17,193**

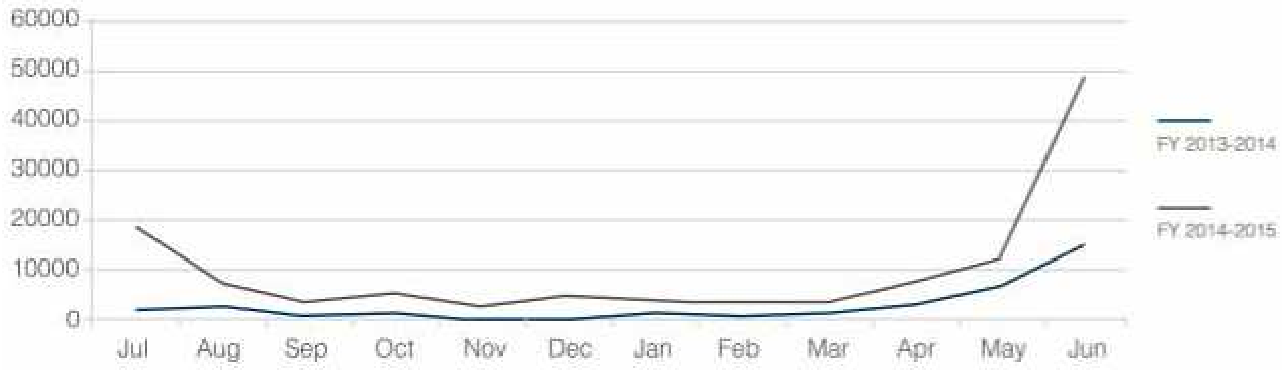
Twitter Traffic Levels

300% increase in traffic compared to FY 2013 - 2014.

Over **128,000** Incoming Queries (mentions)

Top mentioned account in Pakistan on 21st June 2015

Second most mentioned account in Pakistan on 23rd June 2015



Graph: Twitter incoming traffic

KE further built on its presence on social media platforms this year. In addition to providing regular updates to consumers on their concerns, a new set of services named **KE Social Care** was launched, making KE the first-ever power utility in Pakistan to offer a Complaint Ticket Generator on its Social Media network. It made possible by integrating KE Social Media with SAP-CRM. This enabled the company to lodge complaints for consumers and provide them with accurate and updated reports on the status of their issues.

During the last one year, the company's Facebook page has accumulated over 200,000 likes. KE's presence on social media has resulted in an average response rate of over 95% and a minimal response time. Through this development, the Company has become one of the most dynamic corporate brands on social media.

With the launch of KE's 360-degree campaign titled Operation Burq, an online campaign was planned and executed in multiple phases on Twitter, Facebook, and Linkedin. The first phase highlighted, via countdown, the amnesty period granted to consumers for penalty-free rectification of their dues. Once the operation kicked into gear, daily updates on the progress were released via Facebook and through live tweets on Twitter to keep the public informed.

Social media even went beyond its role of resolving consumer complaints when it rescued a kite which had become tangled in the EHT wires near Boat Basin. Acting on the report of a consumer in the area, KE quickly deployed teams to rescue the stranded bird. The kite, affectionately named Bijlee, was nursed back to health by a veterinarian. Later on, the bird was handed over in the care of Pakistan Animal Welfare Association. This small yet important act demonstrated KE's commitment to community and social responsibility.


KE
SPEAKUP
JUL 2015
A TOTAL OF 862 THEFT REPORTS WERE RECEIVED
OF WHICH 745 HAVE BEEN RESOLVED
GENUINE REPORTS: 667
FALSE REPORTS: 78
HIT RATIO: 77%
KUNDA CONNECTIONS
RESIDENTIAL: 758
COMMERCIAL: 82
INDUSTRIAL: 8
METER TAMPERING
RESIDENTIAL: 14
BECAUSE OF YOUR REPORTS THEFT WORTH RS. 21.5 MILLION WAS CAUGHT


HEAD TO HEAD
KE
KE's Own
Sarfraz Ahmed
Scored 49 Runs and took 6 Catches


KE
KE CONDUCTED 5TH
"ANNUAL SAFETY LEADER AWARD"
CEREMONY
Awards were conferred to departments depicting a sustained Safety Performance to promote a positive safety culture in the company

Corporate Governance

The Board of Directors' Role

The Board comprising thirteen (13) directors is appointed by the shareholders and is therefore accountable to the shareholders for the discharge of its fiduciary function. The Board recognises its fundamental responsibility to safeguard and enhance shareholders' value and stewardship of the Company's assets and sets its principal focus on strategic direction, key policy framework, provides oversight in the governance, management and control of the Company's long-term business plan, setting the goals, objectives and formulating policies and guidelines towards achieving those goals and objectives, and adoption of best practices of good 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, internal controls, governance and compliance framework. The Board is fully aware of its role in between the responsibility and authority matrices of the management and the shareholders; the delicate balance is kept intact by way of not involving in day to day management of the Company and simultaneously obtaining all shareholders related statutory approvals in a timely manner. The directors exercise managerial oversight and provide strategic guidance, whereas the management and the performance of the Company are the responsibility of executives. It is management's fundamentally responsibility to implement the policies, guidelines and strategic direction laid down by the Board aiming to achieve short and long-term objectives of the Company. By adopting this balanced and prudent approach, the Board not only avoids overlaps, controversies and auditors' and regulators' questions but also places itself in a much better position to build and improve shareholders value, key performance indicators, governance and Company's image.

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

As a matter of policy, the Board ensures that the positions of Chairman and CEO are entrusted in separate persons. The roles and responsibilities of Chairman and CEO are distinct and clearly defined.

The Chairman is a non-executive director and provides leadership to the Board, chairs the Board meetings and ensures that the directors are kept properly informed and all the issues which are required to be considered at the Board level are presented to the Board and Board's decisions are implemented in a timely manner and that the views of the shareholders are known to the Board. The Chairman evaluates the performance of individual directors on the basis of attendance in Board and Board's committees meetings, level of participation and value addition through suggestions and recommendations. The Chairman meets and consults the directors especially non-executive and independent ones on a regular basis to discuss corporate governance issues, performance of the Company and conducive environment enabling the directors to fulfil their fiduciary duties.

The CEO has the ultimate responsibility of leading the management, operational performance of the Company, handling the day-to-day affairs and implementing the policies, strategies and business plan approved by the Board and risk management alongside custody and maintenance of Company's properties, assets, records and accounts in accordance with set out policies, statutes, guidelines and standards. CEO exercises powers vested in him through the Companies Ordinance 1984, KE Memorandum and Articles of Association, General Power of Attorney and any other mandates given by the Board from time to time. The CEO is also responsible for the smooth functioning of the business with optimum utilisation of the Company's resources and effective implementation of internal controls.

Conflict of Interest Policy

The policy governing the conflicts of interest, actual and perceived, relating to the Board members of the Company has been in place for the last many years and is observed in letter and spirit. The policy framework is fundamentally based on the enabling mechanism specified under the provisions of Companies Ordinance 1984 and further augmented through the Code of Conduct implemented by the Board of Directors and is essentially designed to manage and monitor such conflict of interest upholding the interest of the Company. The policy in the first instance requires every director to disclose in writing to the Company Secretary about his / her interest in any contract, agreement, appointment etc. All these disclosures are circulated to the Board and it is ensured that the interested director does not participate in voting / discussion on the subject and minutes of the Board meeting clearly reflect the disclosure of interest and the voting and decision-making process. Alongside, all such conflicts of interest are recorded in statutory register maintained for the purpose, whereas, all transactions with related parties are fully disclosed in the financial statements of the Company.

Standards of Business Conduct

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

Investors' Grievances Policy

KE's policy to address queries and concerns of existing and prospective investors is principally based on a proactive approach to provide complete information and details of Company's operations, affairs, projects and plans to facilitate the process of acquiring updates to save their time and efforts. Substantial operational and financial data and statements are uploaded and regularly updated on Company's website. In addition, the policy mechanism and responsibility structure are properly defined to provide additional information and address any query or investor's grievance through a dedicated team which is duly notified on KE website. The management of any Investor's grievances is effected in a centralised manner by the Corporate Affairs Department. Delivery strategy and redressal mechanism are properly developed and vigilantly monitored aiming at prompt resolution of investors' grievances. Alongside, personal, telephonic and written requests of shareholders / potential investors and letters forwarded by SECP or Stock Exchanges are given prime importance and are promptly addressed and responded.

Issues Raised in the last Annual General Meeting

Company's shareholders raised a concern in the last Annual General Meeting of the Company on major power breakdowns / blackouts in industrial areas. It was stated that as a result of continuous system maintenance and cable cleaning, the tripping of KE transmission lines has significantly reduced during last two (2) years. With power generators of 90 MW each at SITE and Korangi industrial areas, the plants are working efficiently and in case of any major faults, these plants help re-energize the KE system and restore power supply in a short time period. System integration and modernisation are among the key priority areas and efforts are underway to enhance and improve SCADA performance in order to more effectively handle any such situation in future.

Responding to a question, it was stated that segmented and structured load shed regime was implemented about three years back and the practice has been appreciated by customers, institutions and media, and has produced encouraging results. Regarding dependable capacity and maximum peak demand, the Company is in the process of capacity addition through conversion of three open cycle gas turbines to combined cycle and rehabilitation of two units at BQPS 1 which would bring efficiency improvement this year.

Policy for Safety of Records

KE, being a century old entity, carries volumes of historical and valuable records comprising legal, corporate, property title documents and original contracts / agreements, financial statements, share certificates, policy decisions in relation to Board of Directors and shareholders meetings and others. KE's policy for safety of records is primarily formed to preserve the essential documents for periods beyond the statutory time limits specified under Companies (Registration Offices) Regulations 2003. Essential documents are classified on the basis of valuation, importance and validity and are accordingly earmarked for storage facility. Valuable original property title documents and key agreements are prioritised for safe custody in fireproof cabinets. A computerised database of all records in safe custody is in place with the procedure and authority levels for putting in and taking out any essential document in addition to periodical checks and internal control mechanism. The function is presently performed in-house, however, the Company is contemplating outsourcing the assignment to a professional service provider to excel the performance in a cost-effective manner without compromising on service quality and confidentiality of the records.

Investors' Relations Section on KE's Website

The Company, in order to facilitate the existing and potential investors to have an easy access to register their grievances and requirements for any info / detail, maintains a comprehensive website showcasing all Company-related information with a specific link / section named "Investors' Relations" containing therein all financial highlights, investor information and other data which are updated on regular basis. The segment also contains related corporate information, contact details, focal persons, email addresses and telephone numbers.

AZM Speak Up – Whistle-Blower Policy

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

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

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

Board's Performance Evaluation

KE's Board of Directors (Board) is comprised of professionals from both private and public sectors possessing extensive national and international work experience and exposure. The Board is fully cognizant of the critical importance of its role in setting high performance standards and values as it is Board's performance which ultimately decides the future of the Company and its position among the peers. The Board's performance has a direct impact and correlation with the overall performance of the Company. The Board recognises the need and importance of its performance evaluation as it would have cascading positive impact down the line all along. Board's performance evaluation is essentially based on effectively and efficiently discharging its fundamental responsibility to safeguarding and enhancing shareholders' value, setting policy framework, strategic direction, oversight, control and good corporate governance. Incidentally, KE is a public utility in the private sector and therefore remains under active focus of 22 million citizens of Karachi and the directors have first-hand information about Company's performance in addition to independent coverage by electronic and print media and customers' direct feedback through emails and other modes, in relation to key performance indicators such as, load shed, tripping and breakdowns and billing, and customer services related issues which are used as a yardstick to judge and evaluate Company's as well as Board's performances.

Apart from this, there is an informal performance evaluation mechanism in place with the meaningful participation and input of executive, non-executive and independent directors. 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 and achievement of budget targets and key performance indicators. In every meeting, the Board takes stock of successful achievements of the strategic and business objectives of the company vis-à-vis set targets, continued compliance with regulatory requirements and best practices of good corporate governance with added focus on its sustainability strategy based on Corporate Social Responsibility (CSR), social and environmental initiatives. Detailed presentations are made by Group Heads envisaging performance in their respective business areas reflecting achievements in relation to set targets and variance analysis. The Board while analysing segmented performance of the Company also reviews reports and recommendations of related committees and takes decisions to address any inefficiency / delay and sets timelines for corrective measures. The Board further ensures that all of its decisions and guidelines are observed in letter and spirit and there is a standing discussion point for every Board meeting as "Report on Implementation of Board's Actionable Decisions" under which the status update of previous Board's decisions / directives is presented which enables the Board to evaluate the effectiveness of its role and take any additional actions. The Board as an integral part of its evaluation strategy / technique remains posted of developments in the corporate governance framework. The Board ensures that the Company remains aligned with international best practices of good corporate governance. This compliance among other things ensures that meetings of Board's committees including the BAC, BHR&RC and BFC are held in accordance with the requirements of CCG and recommendations / reports of these committees are regularly circulated / presented to the Board and discussed and acted upon. The Chairman consults the directors, especially non-executive and independent ones on policy and governance related issues and performance of the Company and effectiveness of Board's role and suggestions for further improvement. The Board gives special attention to the report of external auditors on six monthly and annual financial statements of the Company and the points raised and issues highlighted by them are discussed in every detail by the Board Audit Committee as well as by the Board itself. The Board considers these observations and reports as an independent assessment of the Board's performance and utilises their input / recommendation in making Board's role more effective towards successful achievement of strategic objectives and implementing long-term business plan of the Company.

CEO's Performance Review by the Board

CEO is a representative on site of the Board, leads the management team upfront and ensures that operational management of the Company is conducted in a professional manner conforming to policies approved by the Board and leading to the achievement of objectives set out by the Board. Smooth functioning of the business with optimal utilisation of the Company's resources and effective implementation of internal controls and improving the operational and financial performance of the Company are among key responsibilities of CEO and ultimately determine his performance level.

The CEO is appointed, on Board Human Resource & Remuneration Committee's recommendation, by the Board of the Company for a three-year term. The Board sets key operational and financial objectives at the time of approval of the Annual Budget of the Company. The CEO leads the management team in achieving the objectives and presents to the Board a quarterly report showing the level of achievement in relation to key budget targets and an objective comparison of actual performance with the budget as well as with last year's performance along with variance analysis / justifications. Moreover, in every Board meeting the CEO and group heads present to the Board a detailed business update envisaging the operational and financial performance of the Company and key issues, opportunities and challenges facing the Company, suggesting the way forward and seeking the Board's guidance to address the issues in the best interest of the Company. The Board invariably reviews in every Board meeting a report on the implementation of its earlier decisions in terms of set timelines, cost estimates and benefits to the Company which, in effect, is CEO's performance review. Alongside, CEO's performance evaluation by the Board provides constructive support to the management actions, enhances trust level, transparency and inculcates a collective decision making process to improve Company's performance and value addition for all the stakeholders. In addition, a comprehensive annual CEO's performance review is undertaken by the Board at the time of review and approval of Company's annual audited financial statements against preset strategic, operational and financial goals, and effective implementation of strategic decisions and policies of the Board. Moreover, observations and findings of BAC and report of external auditors on financial statements also provide sufficient details on Company's overall performance, governance structure and control environment reflecting the level and effectiveness of CEO's performance and assist the Board in conducting a performance review.

Risk Management and Business Continuity Plan

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

Due to the nature of KE's operations involving generation, transmission and distribution of electricity, Any discontinuity of business operations affects the organisation as well as the general public; a fact than 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 the BCP, the organisation plans to reduce the impact of disasters by adopting suitable disaster mitigation strategies catering to the business units and their support functions. These specialised plans would benefit KE in the following ways:

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

Disaster Management Plan

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

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

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

Auditors' observations

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

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

Compliance with the Code of Corporate Governance

The Directors, 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. Key operating and financial data of the Company for the last six (06) years is given on page 117.

h. The Company is in the process of consolidation and restructuring to extinguish the accumulated loss and therefore has not declared dividend / bonus shares. Earnings Per Share (EPS) for the year under review is PKR 1.03 (basic / diluted).

i. Statutory payments on account of taxes, duties, levies and charges outstanding as on 30 June 2015 have been disclosed in note 25 to the financial statements.

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

k. The value of investments of KE Provident Fund (KEPF) is PKR 8.5 billion as on June 30, 2015 whereas of KE Employees Gratuity Fund (KEGF) is NIL as on June 30, 2015. The pension scheme does not exist in the Company.

l. Statement showing the number of Board and Board Committees' meetings held during the year is given on page 36.

m. The training of the directors is an ongoing process and the directors, on a regular basis, are provided with and updated on relevant laws, codes, and guidelines on best practices of corporate governance. Most of the directors are professionals and senior executives having national and international exposure and experience and are fully aware of their duties and responsibilities. One director has acquired certification under Directors Training Program (DTP) offered by PICG and two directors have completed DTP at PICG and their certification is under process. Whereas, the remaining directors shall acquire certification and complete the process by 30 June 2016 as required under CCG.

n. The pattern of shareholding is given on page 187.

o. No trade in the shares of the Company has been carried out by its directors, executives and their spouses and minor children during the year.

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

Board of Directors

During the period under review, Muhammad Tayyab Tareen, effective from 27 November 2014, assumed the position of Chief Executive Officer (CEO) of the Company in place of Nayyer Hussain. Nayyer Hussain continues to be a non-executive director on KE BoD. Aziz Moolji, a KES Power (KESP) nominee, replaced and substituted Wahid Hamid on KE BoD and Khaqan Murtaza was nominated by GoP in place of Sohail Akber Shah to act as one of the three GoP nominated directors on KE BoD. The Board appreciates services of the outgoing CEO and directors and welcomes the new CEO and incoming directors of the Company.

Auditors

The present auditors, KPMG Taseer Hadi & Company, Chartered Accountants, retire and, being eligible, have offered themselves for reappointment. BAC has recommended the reappointment of Messrs KPMG Taseer Hadi & Company, Chartered Accountants, as auditors of the Company for the FY 2016.

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 for the employees of the Company.

For and on behalf of the Board,

Muhammad Tayyab Tareen
Chief Executive Officer
Karachi, 22 September 2015

Forward Looking Statement

A clear vision; solid leadership; unflinching determination, and concerted efforts – these were the ingredients that catapulted the Company to undergo a monumental turnaround from a loss making entity into a profitable one. Achieving this feat in the short span of six years is a phenomenal accomplishment and is a reflection of the attitude the company adheres to as it embarks upon a new era of serving one of the largest metropolitan cities in the world.

The rapid and exponential progress achieved by KE only fuels its desire to push the boundaries further. Whether it is generation, transmission, or distribution, KE is leaving no stone unturned in its pursuit of improving the efficiency of its existing infrastructure, and bolstering it through strategic partnerships and investments with pioneering organisations around the world.

Our plants at Korangi Gas Turbine Power Station and SITE Gas Turbine Power Station are undergoing a conversion from open cycle to combined cycle, which will result in the addition of 20 MW in capacity and 5% improvement in efficiency. Bin Qasim Power Station 1 (BQPS 1) units 1, 2, 5, and 6 have also been scheduled for rehabilitation, which will enhance the capacity of these plants by 86 MW with a 2.2% increase in efficiency. A simultaneous exercise is planned at our 560 MW BQPS 2, where the installation of the Advanced Gas Path (AGP) at three turbines will lead to an increase in efficiency by 1.7% and output by 3.7%

While KE works to rehabilitate the existing generation units, we recognise that the growing demands of Karachi necessitate the establishment of new facilities. In an effort to become a net exporter of energy to the country by 2020, KE has embarked upon several medium and long-term projects for generation. These initiatives include:

- 700 MW (350 MW x 2) coal-fired power plants at Port Qasim, in collaboration with China Datang Overseas Investment Co. Ltd. (CDTO) and China Machinery Engineering Corporation (CMEC).
- 660 MW (220 MW x 3) Coal Mine-Mouth Power Plant at Thar Block II, with Sindh Engro Coal Mining Company (SECMC), Oracle Coalfields, and Sino Sindh Resources
- 450 MW LNG-fired power plant at Port Qasim with Engro Powergen
- 420 MW (210 MW x 2) coal conversion of units 3 and 4 of BQPS 1

KE also actively explores opportunities to generate power from alternative fuel sources. In this regard, the Company looks to add wind and solar power, additionally looking to set up a Waste-to-Energy power plant. Power offtake from a number of IPPS and CPPs such as, FFBL (Coal Power Plant), Nooriabad (gas-fired power plant) is also under consideration.

Unbundling of core functions into independent entities for electricity generation, transmission and distribution is a strategic decision which is being evaluated by KE. The independent entities will provide ample opportunities to utilise optimum potential of each unit.

In the area of transmission, KE has initiated a massive transmission package entitled TP-1000, in collaboration with M/s. Siemens (Germany and Pakistan) and M/s. Shanghai Electric (China). This project will enhance our existing transmission capacity by approximately 1000 MVA, which is an approximately 30% increase in the capacity, and entails setting up:

- 08 new 220 kV and 132 kV grid stations at strategic locations
- 21 existing grid stations
- 34 new power transformers and 06 auto-transformers
- 160 kilometres of new 220 kV and 132 kV transmission lines.

The project will enhance KE's transmission system capacity, improve reliability and stability of transmission infrastructure, reduce transmission losses and help address future load growth of the city. The project will be completed in a period of three (3) years in a phased manner at a total cost of approximately USD 400 million.

KE is fully cognizant of the importance of a strong distribution system and in the regular maintenance of the distribution infrastructure. As an ongoing process, the Company consistently adds capacity to the distribution system and regularly undertakes preventative maintenance of our Low Tension and High Tension networks to reduce the incidence of faults and decrease losses. In the wake of enhanced generation and transmission capacity, improvements in the distribution system are also being kept on top priority. Aerial Bundled Cables (ABCs) and network optimisation on feeder levels are some of the initiatives which will be implemented in expanded capacity over time. The Smart Grid, currently in its pilot phase, will also allow closer monitoring and regulation of power supply to consumers, enabling a decrease in the aggregate technical and commercial losses.

The Company continues to push its consumer-facing units to aspire to the highest standards of service. To date, six Integrated Business Centres (IBCs) and two departments (GSM and PID) have achieved the ISO 9001-2008 certification, with another 11 IBCs lined up to receive the certification in the near future. In an effort to facilitate customers, KE actively seeks out methods to make bill payments easier for consumers, whether through partnerships with banks or setting up cash desks at the facilities for on-spot payment. The Company website is also being revamped to include a virtual one-stop shop where consumers can individually lodge and track the status of complaints, make payments, and seamlessly develop a relationship with KE.

There is also a strong emphasis on finding new ways of financing and restructuring the Company's debt profile. KE's Sukuk issue of PKR 22 billion, including a green shoe option of PKR 2 billion, was floated having a tenor of 7 years. The instrument received a rating of AA+ by JCR-VIS Credit Rating Agency Limited, and retains the honour of being the largest listed Sukuk issue in Pakistan's corporate history. The proceeds enabled the Company to prepay expensive long-term loans worth approximately PKR 18 billion, owed to International Finance Corporation and the Asian Development Bank, along with other lenders. This strategic initiative has the added advantage of significantly reducing financing cost to improve debt pricing, and extend the company's cash flow resulting from an extended debt maturity profile. It will be pivotal in executing a long-term business strategy and future investment plans of the Company essentially based on generation capacity addition and efficiency improvement and transmission and distribution network augmentation, system reliability and execution of loss reduction projects.

As a socially responsible corporate entity, KE continually pursues CSR initiatives to serve the community across a broad spectrum covering education, environment, and health care. Through the provision of free or subsidised electricity, we provide the impetus for communities to realise their full potential.

The future is brimming with possibilities, and KE's dynamic and proactive attitude will always seek new opportunities to raise its quality to the next level. Our objective is to sustain the momentum we have built and let it guide us to newer and better prospects. With an unwavering resolve and with the support of our stakeholders, we hope this journey of success will allow us to succeed in restoring and maintaining pride in KE, Karachi, and Pakistan.

Report of the Board Audit Committee

The role of the Audit Board Committee (BAC) in the context of Board's broader governance framework is to monitor the integrity of financial information and provide comfort to the Board so that Company's internal controls are appropriately designed and regularly reviewed.

BAC comprises four non-executive directors and an independent director who is also the Chairman of the Committee. The members of the Committee have an in-depth knowledge and experience of finance, economics and power industry which proves particularly valuable to our deliberations at both Committee and Board levels.

Committee's Procedures

The Committee meets at least four times during the year to review KE's financial performance, business growth and development plans and other key performance indicators. The committee met five times during the financial year ended June 30, 2015. In compliance with the corporate governance guidelines, the Committee meets external and internal auditors at least once in a year without the management team. The terms of reference of the Committee are duly approved by the Board and are available in the annual report.

Internal Audit

KE treats Internal Audit (IA) as an autonomous, objective assurance and consulting activity designed to add value and improve its operations. KE's Internal Audit Department (IAD) is independent of the activities being audited and the Chief Internal Auditor reports directly to the Board Audit Committee. The IAD is governed by an IA charter duly approved by the Committee, which describes the purpose, authority, responsibility and reporting relationship of IAD.

All assurance activities are performed in accordance with risk-based internal audit plan, annually approved by the Board Audit Committee, whereas consulting activities are based on the services requested by the management, with agreed objectives, scope and reporting.

IAD also performs a regular consulting activity with dedicated CEO – IA task force, established under the umbrella of KE's Whistle-Blowing Policy which encourages employees and other stakeholders to report concerns about internal controls, operational matters, compliance of applicable regulations or any other practice which appears to be unreasonable.

In order to automate the internal audit processes, IAD has implemented an automated Audit Management System – 'E-Audit' that has increased the efficiency of the entire audit process, including risk assessment, scheduling, planning, execution, review and report generation.

External Audit

The statutory auditors of the Company, KPMG Taseer Hadi & Co., Chartered Accountants, have completed their audit of the Company's Financial Statements and Statement of Compliance with Code of Corporate Governance for the financial year ended June 30, 2015. The Committee has reviewed and discussed audit observations with external auditors and they have been allowed direct access to the Committee to ensure their independence and objectivity. The Committee also met with the external auditors without the management team.

The Committee undertakes a periodic review of the appointment of external auditors, taking into consideration a number of factors such as, assessment of past performance, quality of ongoing discussions and the length of time the firm has been engaged for. Based upon the results of evaluation, the Committee has recommended the reappointment of the current external auditors to the Board.

Mr. Khalid Rafi
Chairman, Board Audit Committee

Statement of Compliance with the Code of Corporate Governance

for the year ended 30 June 2015

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of Independent Non-Executive Directors and Directors representing minority interests on its Board of Directors. At present, the Board includes:

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

The Independent Director meets the criteria of independence under clause 5.19.1 (b) of the CCG.

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 broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Casual vacancies occurred on the Board on 29 September 2014 and 27 November 2014 were filled up by the Directors within ninety (90) days.

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

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive Directors 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 updated on relevant laws, codes, and guidelines on best practices of corporate governance. Most of the Directors are professionals and senior executives having national and international exposure and experience and are fully aware of their duties and responsibilities. One Director has acquired certification under Directors Training Program (DTP) offered by PIGC and two Directors have completed DTP at PICG and their certification is under process. Whereas, the remaining Directors shall acquire certification and complete the process by 30 June 2016 as required under CCG.

10. The Board, during the review year, has approved the appointment of Chief Executive Officer, including his remuneration and terms and conditions of employment.

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

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

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

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

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

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

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

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

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

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

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

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

23. We confirm that all other material principles enshrined in the CCG have been fully complied with.

For and on behalf of the Board of Directors

Muhammad Tayyab Tareen
Chief Executive Officer
Karachi, 22 September 2015

Review Report of Auditors on Compliance with CCG

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

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Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of K-Electric Limited ("the Company") for the year ended 30 June 2015 to comply with the requirements of Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2015.

KPMG T-H

Date: 22 September 2015

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Major Business Risks and their Mitigation

KE is conducting business in a complex and challenging environment and therefore exposed to a number of external and internal risk factors that may present a threat to its success and profitability. This risk is further increased with the ever-increasing involvement of regulators and their unilateral actions. Every business decision made is based on the underlying risk against rewarding opportunities.

Risk management is one of the essential elements of the Company's corporate governance and creates a balance between entrepreneurial attitude and risks levels associated with the business opportunities. We have planned a review of our enterprise-wide risk management framework which will be implemented over the course of the next financial year, major risks and their mitigant actions are:

Major business risk	Mitigating factors and actions in place
Gas and fuel shortage (Raw material)	Payment plan agreed with SSGC to ensure minimum gas volumes separately for winter and summer months consumption to keep efficient plants in operations.
	Active collaboration with GoP and SSGC for adherence to gas allocation policy and for the signing of long-term Gas Supply Agreement (GSA).
	Fuel supply agreement with (FSA) with PSO and BYCO.
	Plan in place to move towards alternative fuels i.e. LNG, coal and renewable energy.
Safety and climate risk	KE 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 OHAS 18000.
	Comprehensive business insurance is in place to cover monetary risk.
	Climate change policy is in place.
Foreign currency exchange rate and interest rate risk	Managed actively by hedging open positions wherever necessary.
Unstable plant operations	Asset integrity strategy in place.
	Rehabilitation of old units in the fleet.
	Periodic maintenance and inspections.

Major business risk	Mitigating factors and actions in place
Non-compliance of statutory requirements, company values and standard of governance	New resourcing policies designed and implemented are aligned with business strategy and our vision and value statement. Based on best market practices and processes, these strategies utilise modern resourcing tools and techniques, in partnership with line management, ensuring adherence to the principles and processes.
	An organisation-wide vision and value training programme executed last year for all employees at all levels.
	It is mandatory for all employees to sign the Code of conduct.
Loss of trained and high potential employees	The largest management trainee programme is in place. Also succession planning has been emphasised at all levels throughout the organisation.
Law and order situation	Increased security for employees at operational centres.
	Operations suspended whenever the situations get worse in a particular area.
	Work on off days in case of strikes and other unexpected situations
Liquidity risk – considering the prevailing circular debt situation	Meetings and follow-ups with the concerned ministries of GoP to resolve the issues, as the circular debt situation is hampering the timely realisation of claims.
	Effectively managing the liquidity gaps through short term borrowings.
Credit risk is the risk of financial loss to the Company, if a customer fails to meet its credit obligations and arises mainly from the company's receivable from consumers	To meet exposure to credit risk, KE has implemented connection and disconnection policy and regular reviews of receivable balances, and offered instalments and rebates for paying old arrear balances.
Internal control risk	A robust internal control system is in place and is continuously monitored by the Company's effective Internal Audit Function and through other monitoring procedures. The process of monitoring internal controls is an ongoing process with the objective to further strengthen the controls and bring improvements in the system. The controls in place also cover areas ranging from safeguarding of assets, compliance with laws and regulations and accuracy and reliability of records and financial reporting.

Financial Highlights

Six Years' Performance

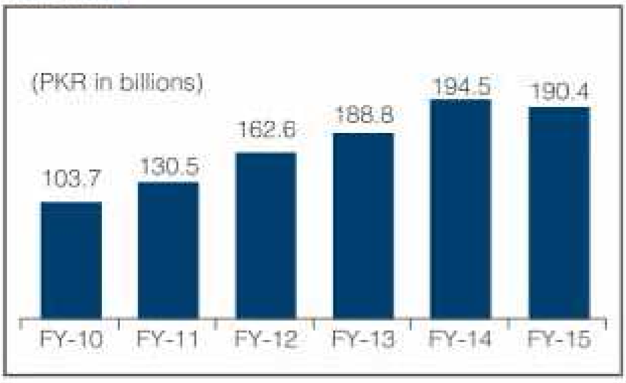
DESCRIPTION	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
OPERATIONAL PERFORMANCE						
Units generated (million units)-Gross	7,964	7,826	8,029	8,567	8,709	9,318
Units generated (million units)-Net	7,373	7,231	7,389	7,903	8,050	8,614
Units purchased (million units)	7,842	7,605	7,230	7,257	7,282	7,497
Units sent out (million units)	15,215	14,836	14,619	15,160	15,332	16,111
Units sold (million units)	9,905	10,059	10,277	10,942	11,453	12,294
T&D loss	34.9%	32.2%	29.7%	27.8%	25.3%	23.7%
SUMMARY OF PROFIT & LOSS ACCOUNT			(PKR IN MILLIONS)			
			Restated	Restated		
Revenue	103,728	130,508	162,599	188,781	194,490	190,359
Purchase of electricity and consumption of fuel and oil	97,062	115,990	133,255	146,179	147,307	131,437
Gross Profit / (Loss)	(4,260)	36	16,043	28,602	32,200	43,264
O&M expenses	19,305	24,296	26,334	29,301	31,230	37,396
Financial charges	6,824	5,127	7,702	13,960	11,275	9,760
Other charges / (Income)	(4,725)	(4,851)	(6,446)	(4,661)	(4,897)	(3,311)
Profit / (Loss) before taxation	(14,737)	(10,054)	1,754	4,001	9,575	15,076
Profit / (Loss) after taxation	(14,641)	(9,394)	1,805	6,826	12,887	28,325
EBITDA	(3,840)	3,471	17,079	26,903	30,159	34,337
SUMMARY OF BALANCE SHEET						
			Restated	Restated		
Non-current assets	141,726	167,594	170,610	165,332	173,144	228,686
Current assets	65,903	68,759	101,668	113,547	133,171	138,874
Total assets	**207,629**	**236,353**	**272,278**	**278,879**	**306,316**	**367,560**
Share capital and reserves	31,301	26,504	41,642	53,714	70,967	128,215
Non-current liabilities	82,832	89,179	84,308	64,505	60,376	80,836
Current liabilities	93,497	120,670	146,329	160,660	174,973	158,508
Total equity and liabilities	**207,629**	**236,353**	**272,278**	**278,879**	**306,316**	**367,560**
SUMMARY OF CASH FLOW STATEMENT						
			Restated	Restated		
Net cash generated from / (used in) operating activities	2,786	10,095	(9,511)	1,434	12,668	18,585
Net cash used in investing activities	(13,768)	(30,749)	(3,603)	(3,155)	(8,588)	(14,847)
Net cash generated from / (used in) financing activities	11,901	18,891	16,156	(3,034)	(329)	(7,023)
Net (decrease) / increase in cash and cash equivalent	**919**	**(1,762)**	**3,042**	**(4,755)**	**3,750**	**(3,285)**
Cash and cash equivalent at the beginning of the year	(4,371)	(3,452)	(5,214)	(2,173)	(6,927)	(3,178)
Cash and cash equivalent at the end of the year	**(3,452)**	**(5,214)**	**(2,173)**	**(6,927)**	**(3,178)**	**(6,463)**

Key Financial Indicators

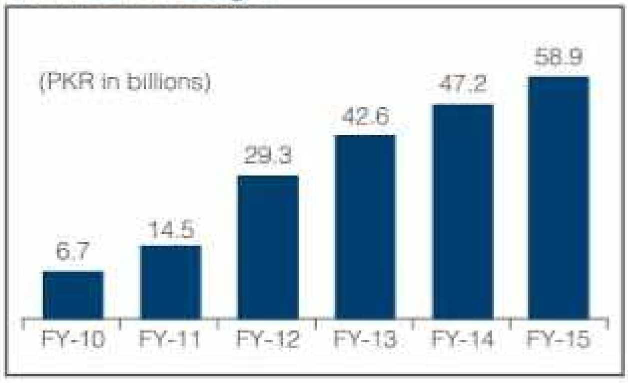
DESCRIPTION	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
PROFITABILITY RATIOS						
Gross Profit / (Loss) ratio	-4.1%	0.0%	9.6%	15.2%	16.6%	22.7%
Net profit to sales	-14.1%	-7.2%	1.1%	3.6%	6.6%	14.9%
EBITDA margin to sales	-3.7%	2.7%	10.5%	14.3%	15.5%	18.0%
Return on equity	-46.8%	-45.8%	4.3%	12.7%	18.2%	22.1%
Return on capital employed	-16.3%	-8.7%	1.5%	5.2%	9.0%	16.1%
LIQUIDITY RATIOS			(IN TIMES)			
Current ratio	0.70	0.57	0.69	0.71	0.76	0.88
Quick / Acid test ratio	0.32	0.34	0.35	0.40	0.44	0.53
Cash flow from operations to revenue	0.03	0.08	(0.06)	0.01	0.07	0.10
ACTIVITY / TURNOVER RATIO						
Inventory turnover ratio	Not relevant to business					
Inventory turnover days	Not relevant to business					
Debtor turnover ratio						
- including circular debt (Times)	2.27	2.45	2.16	1.98	1.76	1.54
Debtor turnover days						
- including circular debt	161	149	169	184	208	237
Creditor turnover ratio						
- including circular debt (Times)	3.00	2.18	1.85	1.88	1.92	1.66
Creditor turnover days						
- including circular debt	122	168	197	194	190	219
Operating cycle (No. of days)	39	(18)	(28)	(10)	18	17
INVESTMENT / MARKET RATIOS			(IN RUPEES)			
Earnings per share - basic	(0.74)	(0.44)	0.07	0.26	0.47	1.03
Earnings per share - diluted	(0.66)	(0.39)	0.07	0.26	0.47	1.03
Price earning ratio	3.01	4.87	45.29	24.00	18.19	8.21
Market value per share - year end	2.23	2.15	3.24	6.22	8.49	8.42
- High during the year	3.65	3.38	4.56	7.44	8.86	10.29
- Low during the year	1.98	1.50	1.60	4.91	4.99	6.11
Breakup value per ordinary share (including revaluation surplus)	1.58	1.24	1.67	1.95	2.57	4.64
Breakup value per ordinary share (excluding revaluation surplus)	(0.03)	(0.11)	0.58	1.03	1.58	2.68
CAPITAL STRUCTURE RATIOS			(IN TIMES)			
Long-term debt to equity ratio (including revaluation surplus)	1.77	2.18	1.38	0.74	0.40	0.24
Long-term debt to equity ratio (excluding revaluation surplus)	(105.67)	(23.54)	3.95	1.40	0.65	0.42
Interest cover ratio	(1.16)	(0.96)	1.23	1.29	1.85	2.54
Weighted average cost of debt	0.05	0.07	0.09	0.12	0.12	0.10
Financial leverage ratio	2.35	3.17	2.03	1.55	1.11	0.57

Graphical Analysis

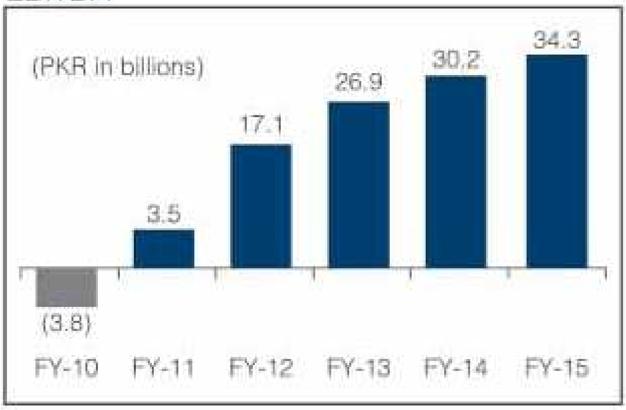
Revenue



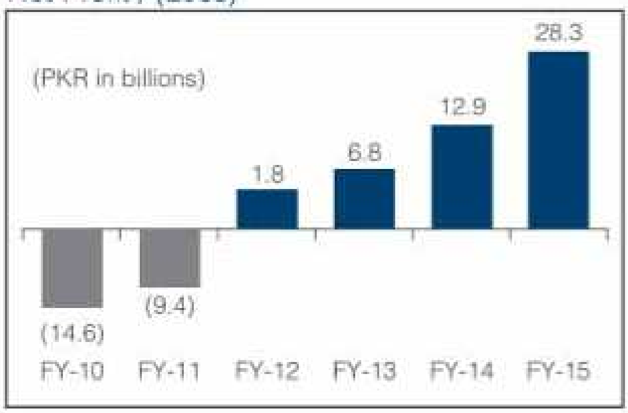
Contribution Margin



EBITDA

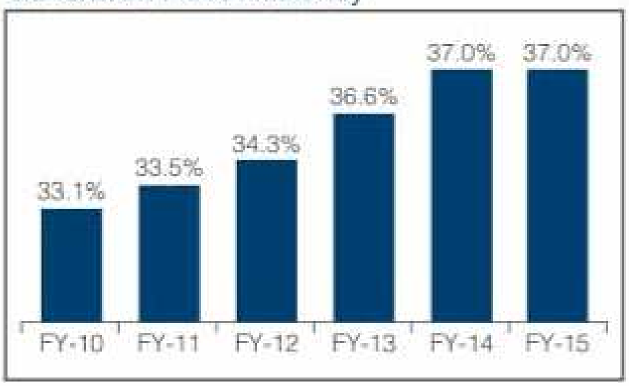


Net Profit / (Loss)

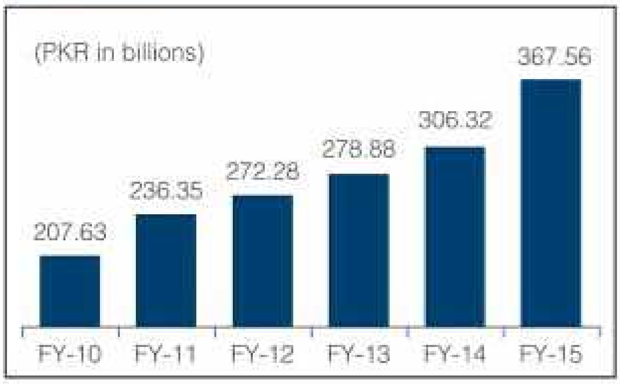


T&D Losses

Generation Fleet Efficiency



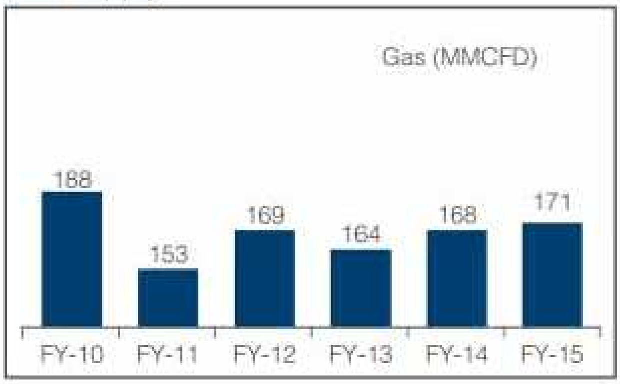
Total Assets



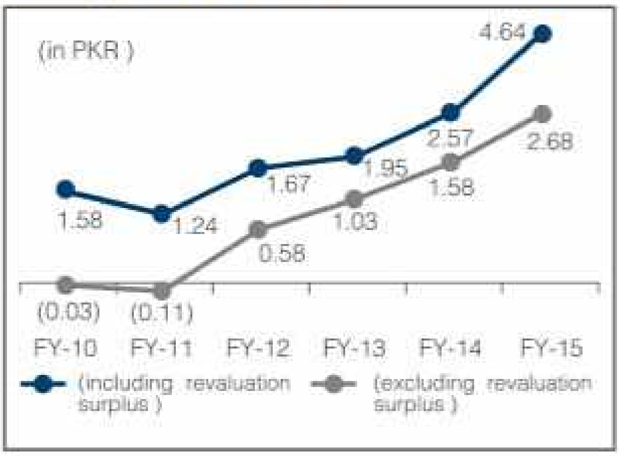
Earnings Per Share (EPS)

Current Ratio

Gas Supply



Breakup Value Per Share



Equity and Liabilities

Market Value Per Share

Vertical Analysis

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
BALANCE SHEET						
			Restated	Restated		
Non-current assets	68.3%	70.9%	62.7%	59.3%	56.5%	62.2%
Current assets	31.7%	29.1%	37.3%	40.7%	43.5%	37.8%
TOTAL ASSETS	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Share capital & reserves	15.1%	11.2%	15.3%	19.3%	23.2%	34.9%
Non-current liabilities	39.9%	37.7%	31.0%	23.1%	19.7%	22.0%
Current liabilities	45.0%	51.1%	53.7%	57.6%	57.1%	43.1%
TOTAL EQUITY AND LIABILITIES	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
PROFIT & LOSS ACCOUNT						
			Restated	Restated		
REVENUE	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
EXPENDITURE						
Purchase of electricity	-57.7%	-50.0%	-45.9%	-41.5%	-42.7%	-37.6%
Consumption of fuel and oil	-35.8%	-38.8%	-36.0%	-35.9%	-33.1%	-31.5%
	-93.6%	**-88.9%**	**-82.0%**	**-77.4%**	**-75.7%**	**-69.0%**
Expenses incurred in generation, transmission and distribution	-10.5%	-11.1%	-8.4%	-7.4%	-7.7%	-8.2%
GROSS PROFIT / (LOSS)	**-4.1%**	**0.0%**	**9.6%**	**15.2%**	**16.6%**	**22.7%**
Consumers' services and administrative expenses	-8.1%	-7.5%	-7.8%	-8.1%	-8.4%	-11.4%
Other operating income	4.8%	3.9%	4.5%	2.8%	3.3%	3.3%
Other operating expenses	-0.2%	-0.2%	-0.6%	-0.3%	-0.8%	-1.6%
	-3.5%	**-3.8%**	**-3.8%**	**-5.6%**	**-5.8%**	**-9.7%**
OPERATING PROFIT / (LOSS)	**-7.6%**	**-3.8%**	**5.8%**	**9.5%**	**10.7%**	**13.0%**
Finance cost	-6.6%	-3.9%	-4.7%	-7.4%	-5.8%	-5.1%
PROFIT / (LOSS) BEFORE TAXATION	**-14.2%**	**-7.7%**	**1.1%**	**2.1%**	**4.9%**	**7.9%**
PROFIT / (LOSS) AFTER TAXATION	**-14.1%**	**-7.2%**	**1.1%**	**3.6%**	**6.6%**	**14.9%**

Horizontal Analysis

BALANCE SHEET	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
			Restated	Restated		
Non-current assets	100.0%	118.3%	120.4%	116.7%	122.2%	161.4%
Current assets	100.0%	104.3%	154.3%	172.3%	202.1%	210.7%
TOTAL ASSETS	**100.0%**	**113.8%**	**131.1%**	**134.3%**	**147.5%**	**177.0%**
Share capital & reserves	100.0%	-84.7%	133.0%	171.6%	226.7%	409.6%
Non-current liabilities	100.0%	107.7%	101.8%	77.9%	72.9%	97.6%
Current liabilities	100.0%	129.1%	156.5%	171.8%	187.1%	169.5%
TOTAL EQUITY AND LIABILITIES	**100.0%**	**113.8%**	**131.1%**	**134.3%**	**147.5%**	**177.0%**

PROFIT & LOSS ACCOUNT	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
			Restated	Restated		
REVENUE	**100.0%**	**125.8%**	**156.8%**	**182.0%**	**187.5%**	**183.5%**
EXPENDITURE						
Purchase of electricity	100.0%	109.0%	124.7%	130.9%	138.6%	119.4%
Consumption of fuel and oil	100.0%	136.3%	157.6%	182.4%	173.0%	161.2%
	100.0%	**119.5%**	**137.3%**	**150.6%**	**151.8%**	**135.4%**
Expenses incurred in generation, transmission and distribution	100.0%	132.6%	125.6%	128.1%	137.1%	143.3%
GROSS PROFIT / (LOSS)	**100.0%**	**100.8%**	**466.8%**	**771.8%**	**856.3%**	**1116.1%**
Consumers services and administrative expenses	100.0%	117.1%	150.5%	182.6%	193.9%	259.4%
Other operating income	100.0%	102.7%	148.3%	107.0%	128.6%	127.7%
Other operating expenses	100.0%	103.2%	387.5%	275.1%	631.5%	1285.9%
	100.0%	**135.8%**	**168.6%**	**291.2%**	**310.6%**	**504.3%**
OPERATING LOSS / PROFIT	**100.0%**	**62.3%**	**219.5%**	**327.0%**	**363.5%**	**413.9%**
Finance cost	100.0%	75.1%	112.9%	204.6%	165.2%	143.0%
PROFIT / (LOSS) BEFORE TAXATION	**100.0%**	**31.8%**	**111.9%**	**127.2%**	**165.0%**	**202.3%**
PROFIT / (LOSS) AFTER TAXATION	**100.0%**	**35.8%**	**112.3%**	**146.6%**	**188.0%**	**293.5%**

Commentary on Financial and Operational Performance

Horizontal and Vertical analyses

- Share capital and reserves have increased by 409.6% over six years period mainly because of issuance of ordinary shares amounting to PKR 50.5 billion. This included an investment by KES Power Limited (the holding company) amounting to PKR 30.6 billion (USD 361 million) and GoP amounting to PKR 10.5 billion. The other reason for increase is the profitability of the company over six years period, the Company registered a profit in the FY-2012 of PKR 1.8 billion, which increased to PKR 28.3 billion in FY-2015.

- Current liabilities have shown an increase over the years, due to the prevailing circular debt situation.

- Non-current assets increased due to the investment made by KE in Generation and T&D projects. KE in accordance with the IAS revalued certain classes of fixed asset, revaluation surplus arising as a result of revaluation exercise also increased the non-current assets balance.

- Trade debts included in the current assets have shown an increase over the years. This increase was mainly due to a significant increase in receivable balances of public sector consumers including KW&SB and CDGK.

- Gross profit percentage increased from 9.6% in FY-12 to 22.7% in FY-2015 due to consistent reduction in T & D losses, increase in unit sent out and marked improvement in plant efficiencies.

- The above factors also led the increase in operating profit which rose, from 5.8 % in the FY-2012 to 13% in the FY-2015.

Cash flow statement

- Cash flows from operating activities show an increasing trend due to improvement in profitability on account of reduction in T&D losses, better plant efficiencies and higher sent out over the six years period.

- Net cash used in investing activities shows consistent trend and also registering the fact that the Company incurred capital expenditure over the years on a continuous basis on new generation capacity enhancement and rehabilitation of T&D structure.

- KE over the years acquired long-term loans from IFC, ADB and senior lenders to finance capital expenditure projects, issued KE AZM certificates and AZM Sukuk certificates to general public and entities to finance working capital need. The company during the FY-2015 has carried out a major capital restructuring activity. KE issued AZM Sukuk certificates of PKR 22,000 million, through the proceeds KE was able to prepay the expensive long-term loans of IFC, ADB and other senior lenders.

Ratio analysis

- Overall profitability ratios depict improved trends in financial health over the years owing to the factors enumerated above, the gross profit and EBITDA margin to sale ratio shown higher growth and positive trends, return on shareholder's equity mainly increased due to increase in net profits.

- Interest cover ratio has improved over the years due to decline in finance cost because of repayment of expensive long term loans and renegotiation of borrowing terms on reduced rates.

- Number of days in operating cycle has reduced over the years due to repayment of short-term borrowing and other liabilities settlements on account of internal cash generation and utilisation of SUKUK AZM certificate proceeds.

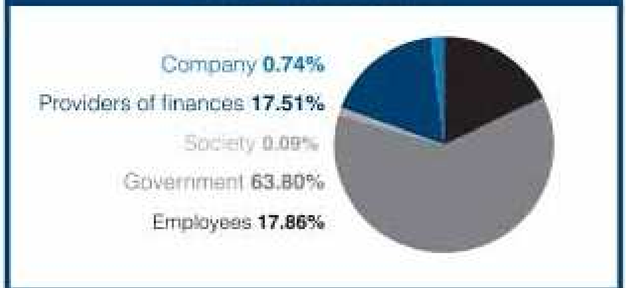
- Liquidity ratios have improved in comparison to FY-2014 due to improvement in cash flows from operations and capital restructuring that took place in FY-2015.

Value Addition Statement and DuPont Analysis

Value Addition and its Distribution

	2015 PKR in millions	%	2014 PKR in millions	%
Wealth Generated				
Total revenue inclusive of all taxes and other income	229,222		232,119	
Electricity purchase, consumption of fuel and oil, service and other costs	(173,498)		(176,590)	
	55,724	100.00%	55,529	100.00%
Wealth Distribution				
To Employees				
Salaries, benefits and other costs	9,951	17.86%	8,656	15.59%
To Government				
Income tax, sales tax and others	35,551	63.80%	34,743	62.57%
To Society				
Donations	49	0.09%	29	0.05%
To Providers of Finances				
Financial charges	9,760	17.51%	11,275	20.30%
To Company				
Retained within the business	413	0.74%	826	1.49%
	55,724	100.00%	55,529	100.00%

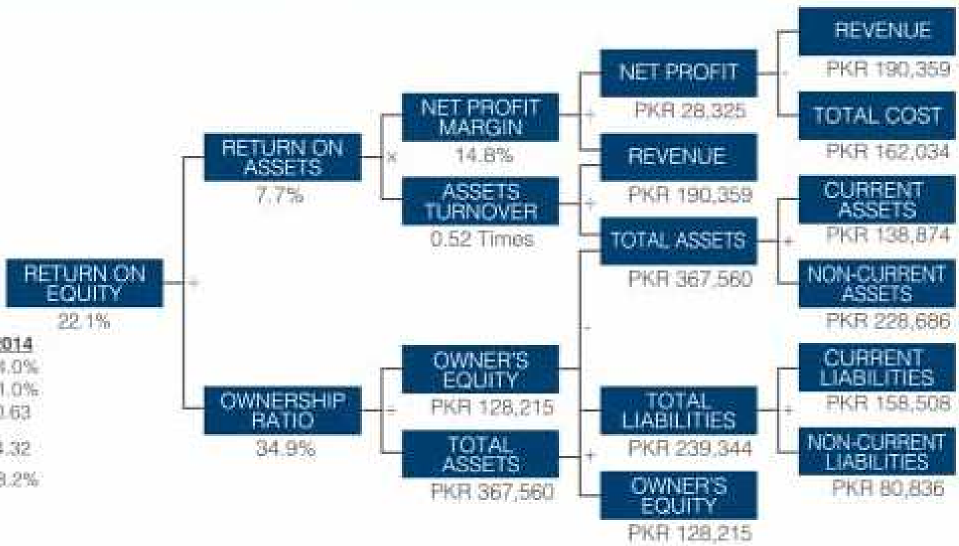
Wealth Distribution 2015



Wealth Distribution 2014

DuPont Analysis

(PKR in millions)



DuPont Analysis	2015	2014
Interest burden	39.0%	54.0%
EBIT margin	13.0%	11.0%
Assets Turnover (times)	0.52	0.63
Financial Leverage (times) (Incl. revaluation surplus)	2.87	4.32
Return on Equity	22.1%	18.2%

Quarterly Performance Analysis

Quarterly Performance

Revenue	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
- PKR in millions	55,806	44,889	38,656	51,009	190,359
Composition	29.3%	23.6%	20.3%	26.8%	
T&D losses					
- %	30.0%	19.8%	22.3%	24.5%	23.7%

Analysis

Revenue was higher in the first and fourth quarters due to higher units sent out.

Gross Profit	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
- PKR in millions	9,827	11,943	9,955	11,539	43,264
- Percentage of Revenue	17.6%	26.6%	25.8%	22.6%	

Analysis

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

Profit before Taxation (PBT)	Quarter 1	Quarter2	Quarter 3	Quarter 4	Total
- PKR in millions	2,905	5,103	2,770	4,299	15,076
- Percentage of Revenue	5.2%	11.4%	7.2%	8.4%	

Analysis

PBT increase in second quarter was due to lower T&D losses.

PBT increase in the fourth quarter resulted from higher sent out, operation of more efficient plant and lower finance cost on long-term financing due to principal repayments.

Statement of Cash Flows-Direct Method

	2015	2014
	(PKR in millions)	
Cash flows from operating activities		
Tariff adjustment	43,772	53,200
Cash receipts from customers	169,387	151,365
Cash paid to suppliers, employees and others	(186,586)	(181,690)
Cash generated from operations	26,573	22,875
Employee retirement benefits paid	(705)	(979)
Income tax paid	(461)	(227)
Receipts in deferred revenue	2,302	1,902
Finance cost paid	(9,575)	(11,238)
Interest received on bank deposits	351	324
Long-term loans	2	12
Long-term deposits	98	(1)
Net cash generated from operating activities	18,585	12,668
Cash flows from investing activities		
Capital expenditure incurred	(15,093)	(8,831)
Proceed from disposal of fixed assets	246	243
Net cash used in investing activities	(14,847)	(8,588)
Cash flows from financing activities		
Realisation of derivative financial assets	1,260	-
Long-term diminishing musharka net of transaction cost	21,527	-
Payment of long-term financing - net	(18,547)	(12,311)
KESC Azm Certificates (payment) / receipts	-	(263)
KE Azm Sukuk Certificates receipts net off transaction cost	-	5,682
Short-term borrowing (repaid) / acquired	(12,109)	5,812
Security deposit from consumers	846	751
Net cash used in financing activities	(7,023)	(329)
Net (decrease) / increase in cash and cash equivalent	(3,285)	3,750
Cash and cash equivalent at the beginning of the year	(3,178)	(6,927)
Cash and cash equivalent at the end of the year	(6,463)	(3,178)

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Chartered Accountants
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Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed balance sheet of **K-Electric Limited** ("the Company") as at 30 June 2015 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 2015 and of the profit, its cash flows and changes in equity for the year then ended; and

KPMG Taseer Hadi & Co.

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

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

Our opinion is not qualified in respect of above matter.

KPMG

Date: 20 August 2015

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Mahmood Hussain

K-Electric Limited
Balance Sheet

As at 30 June 2015

	Note	2015	2014
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	213,869,249	170,286,970
Intangible assets	5	134,152	376,230
		214,003,401	170,663,200
Long-term investment	6	-	-
Long-term loans	7	27,837	29,376
Long-term deposits and prepayments	8	7,907	105,816
Deferred tax assets	43.3	14,646,433	2,345,773
		228,685,578	173,144,165
CURRENT ASSETS			
Stores, spare parts and loose tools	9	6,795,900	5,968,300
Trade debts	10	83,290,562	75,704,095
Loans and advances	11	798,387	1,485,855
Trade deposits and short term prepayments	12	5,771,338	2,218,028
Other receivables	13	39,451,720	44,240,998
Derivative financial assets	14	-	1,862,728
Taxation - net	29	1,498,955	1,037,924
Cash and bank balances	15	1,267,633	653,473
		138,874,495	133,171,401
TOTAL ASSETS		367,560,073	306,315,566
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid up capital	16	96,261,551	96,261,551
Reserves			
Capital reserves	17	509,172	509,172
Share premium		1,500,000	1,500,000
Revenue reserves	18	5,372,356	5,372,356
Other reserve		-	(359,552)
		7,381,528	7,021,976
Accumulated losses		(29,568,641)	(59,742,221)
		74,074,438	43,541,306
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	19	54,141,026	27,425,967
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term diminishing musharka	20	21,527,233	-
Long-term financing	21	6,571,714	18,231,391
Long-term deposits	22	6,712,048	5,865,741
Employee retirement benefits	23	5,521,630	5,207,615
Deferred revenue	24	17,300,219	16,303,048
Deferred tax liability	19	23,203,381	14,767,933
		80,836,225	60,375,728
CURRENT LIABILITIES			
Current maturity of long term financing	33	3,001,915	9,928,007
Trade and other payables	25	105,787,466	108,478,166
Accrued mark-up	26	5,866,849	5,719,543
Short term borrowings - secured	27	36,743,121	44,953,130
Short term deposits	28	7,099,055	5,883,741
Provisions	30	9,978	9,978
		158,508,384	174,972,565
TOTAL EQUITY AND LIABILITIES		367,560,073	306,315,566
CONTINGENCIES AND COMMITMENTS	32		

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

Muhammad Tayyab Tareen
Chief Executive Officer

Khalid Rafi
Director

K-Electric Limited
Profit and Loss Account

For the year ended 30 June 2015

	Note	2015	2014
		(Rupees in '000)	
REVENUE			
Sale of energy – net	34	148,514,246	139,112,606
Tariff adjustment	35	41,844,708	55,377,622
		190,358,954	194,490,228
EXPENDITURE			
Purchase of electricity	36	(71,487,149)	(82,970,897)
Consumption of fuel and oil	37	(59,950,311)	(64,335,938)
		(131,437,460)	(147,306,835)
Expenses incurred in generation, transmission and distribution	38	(15,657,684)	(14,983,057)
GROSS PROFIT		43,263,810	32,200,336
Consumers services and administrative expenses	39	(21,738,496)	(16,247,074)
Other operating expenses	40	(3,021,952)	(1,483,990)
Other income	41	6,332,850	6,381,026
		(18,427,598)	(11,350,038)
PROFIT BEFORE FINANCE COST		24,836,212	20,850,298
Finance cost	42	(9,759,729)	(11,275,212)
PROFIT BEFORE TAXATION		15,076,483	9,575,086
Taxation	43	13,248,228	3,312,149
NET PROFIT FOR THE YEAR		28,324,711	12,887,235
Earning Before Interest, Tax, Depreciation and Amortization (EBITDA)		34,337,469	30,158,619
		(Rupees)	
EARNING PER SHARE - BASIC / DILUTED	44	1.03	0.47

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

Muhammad Tayyab Tareen
Chief Executive Officer

Khalid Rafi
Director

K-Electric Limited
Statement of Comprehensive Income

For the year ended 30 June 2015

	2015	2014
	(Rupees in '000)	
Net profit for the year	28,324,711	12,887,235
Items that are or may be reclassified to profit and loss account		
Net changes in fair value of cash flow hedges reclassified to profit and loss account	359,552	130,908
Items that will never be reclassified to profit and loss account		
Remeasurement of employee benefit liabilities (actuarial gains and losses)	89,099	250,455
Total comprehensive income for the year	28,773,362	13,268,598

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

Muhammad Tayyab Tareen
Chief Executive Officer

Khalid Rafi
Director

K-Electric Limited
Statement of Changes in Equity

For the year ended 30 June 2015

	Issued, Subscribed and Paid-up Capital			Reserves					
				Capital reserves		Revenue reserves			
	Ordinary Shares	Transaction Costs	Total share Capital	Capital reserves	Share premium	Revenue reserves	Other reserves	Accumulated Losses	Total
	(Rupees in '000)								
Balance as at 30 June 2013	96,653,179	(391,628)	96,261,551	509,172	1,500,000	5,372,356	(490,460)	(74,674,804)	28,477,815
Total comprehensive income for the year ended 30 June 2014									
Net profit for the year	-	-	-	-	-	-	-	12,887,235	12,887,235
Other comprehensive income									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	130,908	-	130,908
Remeasurements of defined benefit liabilities	-	-	-	-	-	-	-	250,455	250,455
Total comprehensive income for the year	-	-	-	-	-	-	130,908	13,137,690	13,268,598
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	-	-	1,794,893	1,794,893
Balance as at 30 June 2014	96,653,179	(391,628)	96,261,551	509,172	1,500,000	5,372,356	(359,552)	(59,742,221)	43,541,306
Total comprehensive income for the year ended 30 June 2015									
Net profit for the year	-	-	-	-	-	-	-	28,324,711	28,324,711
Other comprehensive income									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	359,552	-	359,552
Remeasurements of defined benefit liabilities	-	-	-	-	-	-	-	89,099	89,099
Total comprehensive income for the year	-	-	-	-	-	-	359,552	28,413,810	28,773,362
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	-	-	1,759,770	1,759,770
Balance as at 30 June 2015	**96,653,179**	**(391,628)**	**96,261,551**	**509,172**	**1,500,000**	**5,372,356**	**-**	**(29,568,641)**	**74,074,438**

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

Muhammad Tayyab Tareen
Chief Executive Officer

Khalid Rafi
Director

K-Electric Limited
Cash Flow Statement

For the year ended 30 June 2015

	Note	2015	2014
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		15,076,483	9,575,086
Adjustments for non-cash charges and other items:			
Depreciation and amortization		9,501,257	9,308,323
Provision for employee retirement benefits		1,108,184	876,857
Provision for slow moving stores, spare parts and loose tools		86,703	130,929
Provision for debts considered doubtful		9,268,074	6,689,225
Gain on sale of fixed assets		(136,792)	(100,016)
Finance costs		9,759,729	11,275,212
Fixed asset written-off		-	32,910
Unwinding charges on early repayment of long term financing		886,644	-
Amortization of deferred revenue		(1,305,031)	(1,199,103)
Return on bank deposits		(351,067)	(323,573)
Operating profit before working capital changes		43,894,184	36,265,850
Working capital changes			
(Increase) / decrease in current assets			
Stores, spares parts and loose tools		(914,303)	(1,492,186)
Trade debts		(16,854,541)	(19,549,672)
Loans and advances		687,468	(1,066,876)
Trade deposits and short term prepayments		(3,553,310)	518,467
Due from the Government		-	317,140
Other receivables		4,789,278	(5,741,535)
		(15,845,408)	(27,014,662)
Increase / (decrease) in current liabilities			
Trade and other payables		(2,690,700)	13,826,070
Short-term deposits		1,215,314	(201,958)
		(1,475,386)	13,624,112
Cash generated from operations		26,573,390	22,875,300
Employee retirement benefits paid		(705,071)	(979,243)
Income tax paid		(461,031)	(226,967)
Receipts in deferred revenue		2,302,201	1,901,965
Finance cost paid		(9,574,927)	(11,237,711)
Interest received on bank deposits		351,067	323,573
Long term loans		1,539	11,844
Long-term deposits		97,909	(1,222)
		(7,988,313)	(10,207,761)
Net cash generated from operating activities		18,585,077	12,667,539
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(15,093,164)	(8,831,040)
Proceed from disposal of fixed assets		246,345	242,591
Net cash used in investing activities		(14,846,819)	(8,588,449)
CASH FLOWS FROM FINANCING ACTIVITIES			
Realization of derivative financial assets		1,259,554	-
Long term diminishing musharka-net off transaction cost		21,527,233	-
Payment of long term financing-net		(18,547,182)	(12,311,487)
KESC Azm Certificates payment		-	(263,083)
KE Azm Sukuk Certificates receipts-net off transaction cost		-	5,682,133
Short term borrowing (repaid) / acquired		(12,109,008)	5,812,186
Security deposit from consumers		846,307	750,829
Net cash used in financing activities		(7,023,096)	(329,422)
Net (decrease) / increase in cash and cash equivalent		(3,284,838)	3,749,668
Cash and cash equivalent at beginning of the year		(3,177,811)	(6,927,479)
Cash and cash equivalent at end of the year	31	(6,462,649)	(3,177,811)

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

Muhammad Tayyab Tareen
Chief Executive Officer

Khalid Rafi
Director

1. THE COMPANY AND ITS OPERATIONS

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

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

The registered office of the Company is situated at KE House, 39-B, Sunset Boulevard, Phase II, DHA, Karachi. KES Power Limited (the holding company) holds 66.40 percent (30 June 2014: 69.20 percent) shares in the Company. KES Power Limited divested 774.639 million ordinary shares during the period.

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 3.23 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 3.13 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 3.14 and 23.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

2.4.1 Tariff adjustment determination

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

2.4.2 Property, plant and equipment

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

2.4.3 Trade debts

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

2.4.4 Stores, spare parts and loose tools

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

2.4.5 Employees retirement benefits

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

2.4.6 Taxation

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

2.4.7 Derivatives

The Company has entered into Cross Currency Swap and Interest Rate Swap arrangements. The calculation involves the use of estimates with regard to interest rates and foreign currency exchange rates which fluctuate 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 2015:

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

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has right to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. These amendments are not likely to have an impact on Company's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets / operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and / or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Agriculture: Bearer plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 property, plant and equipment for measurement and disclosure purposes. Therefore a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.

- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distributionaccounting in the same way as it would cease held for sale accounting.

  - IFRS 7 'Financial Instruments - Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

  - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

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 Property, plant and equipment

3.1.1 Operating fixed assets

Initial recognition

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

Measurement

Except leasehold land, plant and machinery (owned and given under diminishing musharka sukuk), and transmission grid equipment, 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 spares held by the company for replacement of major items of plant and machinery are stated at cost less accumulated depreciation and impairment losses if any.

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

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

Depreciation

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

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

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

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

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

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

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

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

3.1.2 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. Spare parts, stand by equipments and servicing equipment are recognised as property, plant and equipments when they meet the definition of property, plant and equipment as per IAS 16.

3.1.3 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 Investment in associates and joint venture

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

3.4 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 added to the cost of those asset, during the period of time that is required to complete and prepare the asset for its intended use.

3.5 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 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.

3.6 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.

3.7 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.

3.8 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.

3.9 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.

3.10 Surplus on revaluation of property, plant and equipment

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of property, plant and equipment" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation, and depreciation charge for the year is taken to the profit and loss account; and
- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of property, plant and equipment" to accumulated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

3.11 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.

3.12 Deferred revenue

Deferred revenue represents amounts received from consumers as contribution towards the cost of supplying and laying service connections, extension of mains and street lights along with the Transfer from Specific Grants. Amortization of deferred revenue commences upon completion of related work, with 5% of completed jobs taken to the profit and loss account each year corresponding to the depreciation charge for the year (note 24).

3.13 Employee retirement and other service benefits

3.13.1 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 2015 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).

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income with no subsequent recycling through the profit and loss account.

Remeasurement gains and losses pertaining to long term compensated absences are recognised in the profit and loss account immediately.

The company operates following retirement schemes for its employees.

(a) Defined benefit gratuity scheme

During the current period, the defined benefit gratuity scheme became funded and now the company operates a funded gratuity scheme covering managed by trustees for all its eligible employees. The gratuity funded scheme covering all its regular employees. The scheme provides for an ascending scale of benefits dependant on the length of service of employees or terminal dates subject to completion of minimum qualifying period of service. Gratuity is based on employee's last drawn salary. Contributions are made in accordance with the actuarial recommendations. Actuarial valuations are conducted by an independent actuary using projected unit credit method. The obligation at the balance sheet date is measured at the present value of the estimated future cash flows, the amount of the expected rate of return on the plan assets is calculated using the expected rate of return for the year and the market - related values at the beginning of the year. Calculations are sensitive to changes in the underlying assumptions.

(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.

3.13.2 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.

3.13.3 Earned Leave

The Company allows leave preparatory to retirement (LPR) for staff and eligible officers. The liabilities for earned leave relate to earned leave that employee will use and encash in future. This is a book reserve plan and comprising of staff and officers as follows:

(a) Staff

Employees earn 42 days leaves each year. Accumulation is limited to a maximum of 365 days' earned leave, no encashment is permitted.

(b) Officer

Employees earn 30 days leave each year .No accumulation or encahment is permitted. Unused leave lapses at the end of the year. Some historical balances of accumulated leave remain. These are available for encashment and LPR.

3.14 Actuarial gains and losses

Remeasurement gains / losses and actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions are recognized in other comprehensive income when they occur.

3.15 Taxation

3.15.1 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.

3.15.2 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.

3.16 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.

3.17 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.

3.18 Revenue recognition

3.18.1 Energy sale

Revenue is recognized on supply of electricity to consumers based on meter readings at the rates notified by the Government from time to time, except for Karachi Nuclear Power Plant and certain meter connection of Pakistan Steel Mills Corporation (Private) Limited where tariff is applied as per agreements with these entities.

3.18.2 Tariff adjustment

Tariff adjustment for variation in fuel prices, cost of power purchase, operation and maintenance cost and unrecovered cost is recognized on accrual basis when the Company qualifies to receive it.

3.18.3 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.

3.18.4 Rebate on electricity duty

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

3.18.5 Meter rentals

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

3.18.6 Interest / Mark-up income

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

3.18.7 Grant from Government

Grant from the GoP is the specific grant for Financial Implementation Plan (FIP) which is recognized in profit and loss account on a systematic and rational basis over the useful life of corresponding assets.

3.19 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.

3.20 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.

3.21 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.

3.22 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.

3.23 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 hedge is a hedge of 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 account.

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.

3.24 Appropriations to reserves

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

3.25 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. PROPERTY, PLANT AND EQUIPMENT

	Note	2015	2014
		(Rupees in '000)	
Operating fixed assets	4.1	**198,301,590**	158,984,712
Capital work-in-progress	4.3	**15,567,659**	11,302,258
		213,869,249	170,286,970

4.1 Operating fixed assets

2015

	Note	COST / REVALUATION					ACCUMULATED DEPRECIATION					WRITTEN DOWN VALUE	Annual rate of depreciation %
		As at 01 July 2014	Additions / revaluation surplus*	Disposals	Adjustments*	As at 30 June 2015	As at 01 July 2014	Charge for the year	On Disposal	Adjustments*	As at 30 June 2015	As at 30 June 2015	
		(Rupees in '000)											
Owned Assets													
Land:													
Leasehold land	4.1.1	9,659,531	-			9,659,531	1,572,149	122,280			1,694,429	7,965,102	1.3 to 33.3
Other land	4.1.2	547,769	-			547,769	-				-	547,769	-
Buildings on:													
Leasehold land		2,743,203	91,951			2,835,154	339,867	93,626			433,493	2,401,661	2
Other land		4,045,157	6,948			4,052,105	1,357,495	57,284			1,414,779	2,637,326	2
Plant and machinery		133,773,119	5,594,468 *19,982,310	(18,277)	9,900 (39,429,167)	119,912,353	41,467,035	4,399,423	(10,043)	986 (19,501,740)	26,355,661	93,556,692	2.85 to 33.33
Transmission grid equipment	4.1.3	32,547,027	645,007 *12,637,833	(33,426)		45,796,441	12,553,967	1,304,463	(21,528)		13,836,902	31,959,539	3 to 10
Transmission lines		16,237,658	36,565	(11,373)		16,262,850	7,575,050	468,759	(7,426)		8,036,383	8,226,467	3 to 10
Distribution networks		41,210,522	4,030,531	(268,516)		44,972,537	20,051,623	1,641,507	(184,315)		21,508,815	23,463,722	3 to 10
Renewals of mains and services		2,061,958	88,742	(12,421)		2,138,279	1,597,224	138,760	(12,405)		1,723,579	414,700	20
Furniture, air-conditioners and office equipment		1,157,262	28,987	(815)		1,185,434	630,711	92,495	(566)		722,640	462,794	10 to 15
Vehicles		203,053	-	(6,395)		196,658	164,493	8,902	(5,653)		167,742	28,916	15 to 20
Computers and related equipment		653,357	54,674	(1,593)	38	706,476	536,484	47,555	(1,568)	9	582,480	123,996	14.33-33.33
Tools and general equipment		1,143,405	33,320	(2,008)	1,787	1,176,504	574,896	95,287	(1,767)	388	668,804	507,700	10 to 15
Major spare parts		1,846,009	216,236		(11,725)	2,050,520	423,324	76,907	-	(1,383)	498,848	1,551,672	3.33 to 20
Simulator equipment		67,713	-			67,713	67,713	-	-		67,713	-	14.33
Assets given under long term diminishing musharka sukuk													
Plant and machinery	4.1.5		*5,237,702		39,429,167	44,666,869		711,595		19,501,740	20,213,335	24,453,534	
		247,896,743	48,685,274	(354,824)	-	296,227,193	88,912,031	9,258,843	(245,271)	-	97,925,603	198,301,590	

- Additions of Rs.10,827.428 million (excluding revaluation surplus of Rs 37,857.845 million), as shown above, represent transfer from capital work-in-progress during the current year.

		2014											
		COST / REVALUATION					ACCUMULATED DEPRECIATION					WRITTEN DOWN VALUE	Annual rate of depreciation %
	Note	As at 01 July 2013	Additions / revaluation surplus*	Disposals	Adjustments*	As at 30 June 2014	As at 01 July 2013	Charge for the year	On Disposal	Adjustments*	As at 30 June 2014	As at 30 June 2014	
		(Rupees in '000)											
Owned Assets													
Land:													
Leasehold land	4.1.1	3,661,972	6,129,743	-	(132,184)	9,659,531	1,385,563	186,586	-	-	1,572,149	8,087,382	1.3 to 33.3
Other land	4.1.2	415,585	-	-	132,184	547,769	-	-	-	-	-	547,769	-
Buildings on:													
Leasehold land		2,641,759	101,444	-	-	2,743,203	249,039	90,828	-	-	339,867	2,403,336	2
Other land		4,063,601	42,699	-	(61,143)	4,045,157	1,350,331	62,036	-	(54,872)	1,357,495	2,687,662	2
Plant and machinery		132,373,433	1,411,775	(12,089)	-	133,773,119	36,321,070	5,148,130	(2,165)	-	41,467,035	92,306,084	2.85 to 20
Transmission grid equipment	4.1.3	31,908,668	671,408	(11,113)	(21,936)	32,547,027	11,272,430	1,287,943	(6,132)	(274)	12,553,967	19,993,060	3 to 10
Transmission lines		15,847,395	404,623	(14,360)	-	16,237,658	7,121,135	461,102	(7,187)	-	7,575,050	8,662,608	3 to 10
Distribution networks		38,001,897	3,566,781	(348,881)	(9,275)	41,210,522	18,871,524	1,415,239	(230,843)	(4,297)	20,051,623	21,158,899	3 to 10
Renewals of mains and services		1,811,923	264,792	(14,757)	-	2,061,958	1,493,208	118,773	(14,757)	-	1,597,224	464,734	20
Furniture, air-conditioners and office equipment		1,127,621	30,627	(986)	-	1,157,262	541,932	89,611	(832)	-	630,711	526,551	10 to 15
Vehicles		224,479	-	(21,426)	-	203,053	174,555	9,220	(19,282)	-	164,493	38,560	15 to 20
Computers and related equipment		614,353	42,951	(3,947)	-	653,357	478,137	62,136	(3,789)	-	536,484	116,873	14.33-33.33
Tools and general equipment		1,037,564	105,873	(32)	-	1,143,405	486,891	88,034	(29)	-	574,896	568,509	10 to 15
Major spare parts		1,629,704	216,305	-	-	1,846,009	353,924	69,400	-	-	423,324	1,422,685	3.33 to 20
Simulator equipment		67,713	-	-	-	67,713	67,713	-	-	-	67,713	-	14.33
		235,427,667	12,989,021	(427,591)	(92,354)	247,896,743	80,167,452	9,089,038	(285,016)	(59,443)	88,912,031	158,984,712	

- Additions of Rs.6,859.276 million (excluding revaluation surplus of Rs. 6,129.474 million), as shown above, represent transfer from capital work-in-progress during the current year, as shown under capital work-in-progress in note 4.3.

- During the year, fixed assets having a written down value Rs. 32.910 million were written off to reconcile the result of physical verification of fixed assets by TAG and internal assets verification, such written off made in accordance with the approval of Board of Directors.

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	2015	2014
		(Rupees in '000)	
Amenity			
- Leasehold		508,520	508,520
- Freehold (mainly grid)		671	671
- Leasehold land – owned	4.1.2.1	38,578	38,578
		547,769	547,769

4.1.2.1 This represents leasehold land in respect of which lease renewals are in the process.

4.1.3 The Company had entered into a sale and leaseback Ijara financing arrangement with Standard Chartered Modaraba Limited (SCML). The asset sold and leased back under the said arrangement, being already under hypothecation charge over the Company's long term debts, comprised of grid station with carrying value of Rs. 322.616 million. As per requirements of IFAS 2 the sale and leaseback of above mentioned assets under Ijara financing had been treated as an operating lease and accordingly had been derecognised from the books, as disposal of fixed assets.

Subsequently, in financial year ended 30 June 2014, the Company entered into an agreement with SCML under which SCML gifted to the Company the asset mentioned above to the use of the Company with all legal and beneficial interest therein and thereafter gave the possession of the subject asset to the unrestricted use of the Company. Consequently, the Company became the absolute and exclusive owner of the subject asset having all rights, transfer and interest.

The total of lease payments after the recognition of assets are as follows:

	2015	2014
	(Rupees in '000)	
Not later than one year	-	71,741
Later than one year and not later than 5 year	-	143,148

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.

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 equipment	11,290,541	11,399,461
	49,238,172	43,653,202

During the year ended 30 June 2014, revaluation exercise of Lands was carried out by an independent valuer, Collier's International Pakistan (Pvt) Ltd. The fair values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, adjusted for any difference in nature, location or condition of the specific property.

	Surplus on revaluation	Written down values
	(Rupees in '000)	
Leasehold land	6,129,743	1,957,639

During the current year, another revaluation exercise of plant and machinery, transmission and grid equipments was carried out by an independent valuer, Iqbal Nanjee and Company (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	Written down values
	(Rupees in '000)	
Plant and machinery - owned	19,982,310	73,574,382
Plant and machinery - assets given under diminishing musharka sukuk	5,237,702	19,215,833
Transmission grid equipment	12,637,833	19,321,706
	37,857,845	112,111,921

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 2015 would have amounted to:

	Cost	Written down value
	(Rupees in '000)	
Lease hold land	335,599	283,201
Plant and machinery - owned	86,311,612	62,047,497
Plant and machinery - assets given under diminishing musharka sukuk	18,268,370	7,014,111
Transmission grid equipments	21,868,067	11,245,650
	126,783,648	80,590,459

4.1.5 The Company has issued Azm Sukkuk certificates amounting to Rs 21,527 million net of transaction cost under diminishing musharka arrangements. As per the agreements the Company sold musharka assets mainly plant and machinery to the investment agent (for the benefit of the Sukuk holder) at an aggregate price of Rs 22,000 million. The purchase price was paid to the Company by investment agent from time to time upon subscription of the Sukkuk. The Company continues to retain legal title of such assets.

The expected amount of rentals to be paid under this arrangement become due as follows:

	Note	2015	2014
		(Rupees in '000)	
Not later than one year		1,921,000	-
Later than one year and not later than five years		20,188,466	-
later than five years but not later than ten years		9,790,301	-

4.1.6 The cost of fully depreciated assets as at 30 June 2015 is Rs.12,221.036 million (2014: Rs. 12,718.624 million).

4.1.7 Due to nature of Company's operations, certain assets included in transmission and distribution network are not in possession of the Company. In view of large number of consumers, the management considers it impracticable to disclose particulars of assets not in the possession or control of the Company as required under Fourth Schedule to the Companies Ordinance, 1984.

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

	Note	2015	2014
Expenses incurred in generation, transmission and distribution	38	7,762,335	8,226,400
Consumers services and administrative expenses	39	1,496,508	862,638
		9,258,843	9,089,038

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

	Original Cost	Accumulated Depreciation	Written Down Value	Sales proceeds	Gain/ (Loss) on Disposal	Mode of Disposal	Particulars of Buyer
	(Rupees in '000)						
Generation							
Battery bank	15,298	8,362	6,936	522	(6,414)	Tender	Mushtaq Ahmed
Radiators, Hyd. Coolers	2,860	1,621	1,239	1,150	(89)	Tender	Rajput Industries
Telephone exchange	119	60	59	116	57	Tender	Muhammad Kursheed
Transmission							
Bushing & Isolators	20	17	3	550	548	Tender	JS International
Copper PG clamps	106	106	-	118	118	Tender	Muhammad Khalid
Tower braces	69	15	54	678	624	Tender	Jan Gul Khan
Aluminium conductor	1,272	431	841	866	25	Tender	Universal Metal
CTs, PTs, Lighting Arrestor, CB Energy Invest, Isolator	1,554	1,463	91	145	54	Tender	Muhammad Faisal
Copper conductor	383	383	-	3,034	3,034	Tender	New Delite Co.pvt Ltd
Capacitor cells	14	14	-	41	41	Tender	Muhammad Faisal
Electrical equipments Telecom	3,583	3,084	498	203	(296)	Tender	Muhammad Faisal
Capacitor cells	326	326	-	47	47	Tender	Abdul Rahim
Electrical equipments Telecom	8,709	5,003	3,706	684	(3,022)	Tender	Muhammad Khursheed
Battery bank	953	582	371	57	(314)	Tender	Brothers Metals Works
Al.conductor, Insulator, tubular poles	264	264	-	107	107	Tender	Abdul Razzak Lasi
Disc Insulators-(80,120,160) KN	235	235	-	240	240	Tender	M.Ashfaq
Disc Insulators-80 KN	54	54	-	726	726	Tender	Abdul Razzak Lassi
Steel tubular poles	173	173	-	64	64	Tender	Muhammad Faisal
Electrical equipment	974	876	97	949	852	Tender	Muhammad Khursheed
Trollies,PTs,LT panels	2,737	2,390	347	398	50	Tender	Anwar Traders
SF6,OCB trollies	497	497	-	370	370	Tender	Muhammad Furqan
VCB outgoing panels & trollies	5,331	3,527	1,804	5,636	3,832	Insurance Claim	AICJGI, EFU, Alfalah, Askari
Control cables	818	112	705	864	159	Insurance Claim	AICJGI, EFU, Alfalah, Askari
Long rod insulators	4,036	2,739	1,296	58	(1,238)	Tender	Global Traders
Optical ground wire	121	30	91	105	14	Tender	Muhammad Bilal
ETI panels	964	251	713	514	(199)	Tender	Rasheed Ghulam Nabi
Copper XLPE Cable	942	777	165	3,002	2,836	Tender	Naushad Metal Works (Pvt) Ltd.
Bushing & isolators	471	467	4	113	109	Tender	Muhammad Furqan
Wave trap	1,631	1,498	133	698	565	Tender	Naushad Metal Works (Pvt) Ltd.
Wall bushings, OCB, VCB trollies	693	677	16	280	264	Tender	Anwar Traders
Cu.busbar, VCB trollies	594	594	-	246	246	Tender	Naushad Metal Works (Pvt) Ltd.
PT's, switch gears	8,772	5,623	3,148	200	(2,948)	Tender	Umer & Co.
Capacitor, CT's, PT,s	23	4	20	255	235	Tender	Rasheed Ghulam Nabi
Copper XLPE Cable	45	38	7	290	283	Tender	Rasheed Ghulam Nabi
Battery cell bank	953	611	343	7	(336)	Tender	Muhammad Faisal
Breakers, mechanism, lighting arrestor, PT's, CT's	814	814	-	116	116	Tender	Brothers Metal Works
132 kv breaker poles	534	459	74	314	240	Tender	Syed Arshad Ali Enterprises
Copper cable	180	143	38	316	279	Tender	Naushad Metal Works (Pvt) Ltd.
Copper conductor	5,794	4,566	1,228	36,317	35,089	Tender	New Delite Co. Pvt Ltd.
Distribution							
Aluminium cable	1,206	811	395	1,536	1,141	Tender	Muhammad Faisal
Capacitor, D/O cutout,knife switch	173	156	17	35	17	Tender	SINCO Steel
Copper conductor	6,253	3,961	2,291	12,674	10,383	Tender	Universal Metal (Pvt) Ltd.
Copper conductor	12,245	9,524	2,721	20,909	18,188	Tender	New Delite Co. Pvt Ltd.
Energy meters	8,034	6,552	1,482	3,370	1,888	Tender	Sun Metal Pvt Ltd.
Energy meters	11,933	9,153	2,779	4,770	1,991	Tender	Gujranwala Cables Pvt Ltd.
Copper cable	1,551	955	597	2,907	2,310	Tender	Faisal Impex
Aluminium conductor	6,529	1,881	4,648	4,445	(203)	Tender	Universal Metal
Switch gear, LT panel, transformer 750 kva	1,019	827	193	193	-	Insurance Claim	AICL
Steel poles, fire extinguishers	702	632	70	80	10	Tender	Rajput Industries
Aluminium conductor	5,522	1,976	3,546	2,885	(661)	Tender	Sun Metal Industries
Transformers	787	631	156	1,155	999	Tender	Muhammad Furqan
Energy meters	19,975	16,556	3,419	8,340	4,921	Tender	Abdullah Engineering
Copper conductor	14,652	10,020	4,632	18,608	13,977	Tender	Universal Metal (Pvt) Ltd.
EHT steel tubular poles	626	527	100	1,657	1,558	Tender	Wajid Ali Khan

	Original Cost	Accumulated Depreciation	Written Down Value	Sales proceeds	Gain/ (Loss) on Disposal	Mode of Disposal	Particulars of Buyer
	(Rupees in '000)						
Copper cable	10,157	6,329	3,828	9,362	5,534	Tender	Universal Metal (Pvt) Ltd.
Trollies, PTs, LT panels	2,674	2,664	10	211	201	Tender	Anwar Traders
Aluminium underground cable	1,062	684	377	1,483	1,105	Tender	Anwar Traders
Energy meters	25,881	20,694	5,187	7,171	1,984	Tender	Sun Metal Industries
Aluminium underground cable	15	13	1	22	21	Tender	Akhter Muhammad
D/O cutout, sherouds, PMT structures	1,147	775	372	650	278	Tender	Muhammad Bilal
Disc insulators	1,372	814	559	42	(516)	Tender	Rasheed Ghulam Nabi
Bushing & isolators	122	110	12	30	17	Tender	Muhammad Furqan
Aluminium cable	933	577	356	1,346	990	Tender	Sun Metal Industries
Tubular poles	1,510	1,057	452	980	528	Tender	Baber Khan
Copper cable & leads	8,152	5,013	3,140	8,564	5,424	Tender	Naushad Metal Works (Pvt) Ltd.
Copper busbar	63	57	6	107	100	Tender	Naushad Metal Works (Pvt) Ltd.
Energy meters	47	42	5	80	75	Tender	Rasheed Ghulam Nabi
Oil filled cable 800mm2	276	220	56	680	624	Tender	Muhammad Bilal
Breakers, CT's, PT's	5,990	3,106	2,884	1,175	(1,708)	Tender	Syed Ali
Tubular poles	1,373	1,058	315	589	274	Tender	Baber Khan
Copper bus bar	844	476	367	1,264	897	Tender	Brothers Metal Works
HT tubular poles	437	303	134	320	186	Tender	Rafiq Ahmed Memon
Aluminium conductor	17,385	6,242	11,143	8,420	(2,723)	Tender	Universal Metal (Pvt) Ltd.
Energy meters	57,577	43,776	13,801	14,755	954	Tender	Sun Metal Industries
Copper cable	12,040	6,920	5,120	7,223	2,103	Tender	Abdullah Engineering
Switches & Trolleys,Transformer 50 kva	6,002	4,624	1,378	900	(478)	Tender	Anwar Traders
Aluminium U/G cable	2,758	1,960	799	4,767	3,968	Tender	Sun Metal Industries
Copper conductor	23,745	16,659	7,086	25,027	17,941	Tender	Universal Metal (Pvt) Ltd.
Computers							
CPUs	40	40	-	8	8	Tender	SINCO Steel
Moniters	77	72	5	75	70	Tender	Muhammad Kursheed
IT equipments	1,372	1,357	15	415	401	Tender	Rasheed Ghulam Nabi
Furniture							
Sofa, almirahs, cabinets, chair, tables, rack	35	28	6	8	2	Tender	Mushtaq Ahmed
A.Cs - split & wall standing	695	476	219	246	27	Tender	Mushtaq Ahmed
Almirah,door,cabinet,steel shelf	15	11	4	9	5	Tender	Muhammad Bilal
Tables, chairs, sofa set	34	21	14	21	7	Tender	Mushtaq Ahmed
Tools and General Equipment							
Power master & digital multimedia meter	56	10	45	38	(7)	Tender	SINCO Steel
Walkie talkie, pumps & motors	221	199	22	216	194	Tender	Muhammad Kursheed
Generators, rular print machine	154	148	6	335	329	Tender	Baboo
Fax machine	44	32	12	13	1	Tender	Rasheed Ghulam Nabi
Vehicles							
Suzuki Pick-Up CN8412	280	252	28	258	230	Tender	Sun Metal Industries
Suzuki Pick-Up CN0134	271	244	27	245	218	Tender	-- do --
Suzuki Pick-Up CN0136	271	244	27	239	212	Tender	-- do --
Suzuki Bolan CJ-8768	260	234	26	219	193	Tender	-- do --
Mazda T-3500 JX-6672	750	675	75	690	615	Tender	-- do --
Hyundai Shehzore KM-8549	571	514	57	360	303	Tender	Malik Munawer Hussain
Toyota Hiace CE-5265	464	417	46	495	449	Tender	-- do --
Suzuki Bolan CJ-0592	135	122	13	182	169	Tender	Syed Ali
Suzuki Bolan CJ-8650	260	234	26	210	184	Tender	-- do --
Suzuki Bolan CJ-9312	260	234	26	220	194	Tender	Mushtaq Ahmed
Toyota Corola AQH-162	1,005	905	100	1,000	900	Insurance Claim	AIC
Toyota Corola AHV-215	842	695	147	853	706	Buyback Policy	Aqeel Abbas Zaidi
Suzuki Mehran ANY-803	265	219	46	225	179	Buyback Policy	Shahnaz Ali
Suzuki Mehran ANY-204	265	218	47	221	174	Buyback Policy	Mohsin Abbas
Suzuki Bolan CJ-6752	235	212	23	204	180	Buyback Policy	Rashid Ali Khan
Suzuki Bolan CJ-8939	261	235	26	213	188	Buyback Policy	Sikandar Baloch
30 June 2015	**354,824**	**245,271**	**109,553**	**246,345**	**136,792**		

4.3 CAPITAL WORK-IN-PROGRESS

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

	Plant and machinery	Transmission system	Distribution system	Others	Major spare parts	Total
	(Rupees in '000)					
Opening balance as at 1 July 2014	5,757,035	1,015,784	3,839,842	397,408	292,189	11,302,258
Additions during the year:	8,310,312	1,339,150	4,785,390	503,899	154,414	15,093,165
	14,067,347	2,354,934	8,625,232	901,307	446,603	26,395,423
Transferred to the:						
Operating fixed assets	5,737,216	703,924	4,130,488	255,800	-	10,827,428
Intangible assets	-	-	-	336	-	336
	5,737,216	703,924	4,130,488	256,136	-	10,827,764
Balance as at 30 June 2015	8,330,131	1,651,010	4,494,744	645,171	446,603	15,567,659

The Company started construction and installation of steam turbines at SGTP, KGTP and at two units of CCPP-I and cost incurred upto 30 June 2015 amounted to Rs 10,661.448 million (30 June 2014: Rs 4,594.108 million). Upon commercial operation of Combined Cycle Power Plant (28 MW), asset amounting to Rs 5,146 million were added to operating fixed assets. Included in capitalized borrowing costs relating to the construction of plant and machinery amounting to Rs. 916.082 million (30 June 2014: Rs 252.366 million), calculated using a capitalization rate of 10.5% (30 June 2014: 13%).

	Plant and machinery	Transmission system	Distribution system	Others	Major spare parts	Total
	(Restated)					
	(Rupees in '000)					
Opening balance as at 1 July 2013	1,997,911	2,007,084	4,552,760	469,548	393,883	9,421,186
Additions during the year:	5,195,201	272,037	3,044,433	204,758	114,611	8,831,040
	7,193,112	2,279,121	7,597,193	674,306	508,494	18,252,226
Transferred to the:						
Operating fixed assets	1,436,077	1,263,337	3,757,351	186,206	216,305	6,859,276
Intangible assets	-	-	-	90,692	-	90,692
	1,436,077	1,263,337	3,757,351	276,898	216,305	6,949,968
Balance as at 30 June 2014	5,757,035	1,015,784	3,839,842	397,408	292,189	11,302,258

5. INTANGIBLE ASSETS

	Note	2015	2014
		(Rupees in '000)	
Computer softwares			
Cost	5.1	825,594	825,258
Amortization to date	5.2	(691,442)	(449,028)
		134,152	376,230

5.1 Cost

	Note	2015	2014
Opening balance		825,258	734,566
Additions during the year	4.3	336	90,692
	5.3	825,594	825,258

5.2 Amortization to-date

	Note	2015	2014
		(Rupees in '000)	
Opening balance		(449,028)	(229,743)
Amortization during the year	5.2.2	(242,414)	(219,285)
		(691,442)	(449,028)
5.2.1 Useful Life		3 years	3 years
5.2.2 Amortization charge for the year has been allocated to consumers services and administrative expenses	39	242,414	219,285

5.3 Computer softwares include ERP system - SAP, antivirus and other softwares. Included in additions are mainly computer software.

6. LONG-TERM INVESTMENT

Investment Joint venture - at cost	-	-

The Company and The Aman Foundation have started a project of Karachi Organic Energy (Pvt.) Ltd. (KOEL) incorporated for set up and operation of a biogas project. During the year ended 30 June 2014 by way of allotment of shares by KOEL, the Company owns 50% of the total share capital of KOEL by virtue of investment in 1,010,790 ordinary shares (2014: 1,010,790) having a face value of Rs 10 each which amounts to total investment of Rs 10.108 million. KOEL is yet to commence operations and due to initial preliminary expenses currently has a negative equity. Accordingly, it has been recorded at NIL value.

7. LONG-TERM LOANS

	Note	Secured House building loans (note 7.1)	Unsecured Festival Loans (note 7.2)	2015	2014
		(Rupees in '000)			
Considered good					
Executives		-	66	66	66
Employees		1,265	35,802	37,067	41,832
		1,265	35,868	37,133	41,898
Recoverable within one year shown under current assets	7.2 & 11	(1,265)	(8,031)	(9,296)	(12,522)
		-	27,837	27,837	29,376
Considered doubtful					
Employees	7.3	4,333	-	4,333	4,333
		4,333	27,837	32,170	33,709
Provision for impairment (against loans considered doubtful)		(4,333)	-	(4,333)	(4,333)
		-	27,837	27,837	29,376

7.1 House building loans, carrying mark-up @ 6% per annum (2014: 6% per annum), are recoverable over a period of sixteen years. These are secured against equitable mortgage of relevant properties.

7.2 These are non-interest bearing loans and have been granted to the employees of the Company. The Board of Directors in their meeting held on 1 February 2003 approved the deferment of the recovery of these loans in instalments and decided that the said loans would be recovered against the final settlement of the employees at the time of their retirement. The amount disclosed as recoverable within one year is receivable from employees expected to retire within one year.

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

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

7.5 The maximum aggregate amount of loans due from the executives and employees of the Company at the end of any month during the year was Rs. 46.231 million (2014: Rs. 52.834 million).

8. LONG-TERM DEPOSITS AND PREPAYMENTS

	Note	2015	2014
		(Rupees in '000)	
Considered good			
Rental premises and others	8.1	7,907	5,816
Ijarah financing deposit		-	100,000
		7,907	105,816
Considered doubtful			
Rental premises		1,020	1,020
Provision for impairment		(1,020)	(1,020)
		-	-
		7,907	105,816

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

9. STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2015	2014
Stores and spares		7,579,396	6,665,093
Provision against slow moving and obsolete stores and spares	9.1	(783,496)	(696,793)
		6,795,900	5,968,300

9.1 Provision against slow moving and obsolete stores and spares

	2015	2014
Opening balance	696,793	565,864
Provision during the year	86,703	130,929
	783,496	696,793

10. TRADE DEBTS

	Note	2015	2014
Considered good			
Secured – against deposits from consumers	10.1	1,194,067	1,066,956
Unsecured		82,096,495	74,637,139
	10.2	83,290,562	75,704,095
Considered doubtful		36,164,740	28,754,041
		119,455,302	104,458,136
Provision for impairment (against debts considered doubtful)	10.3	(36,164,740)	(28,754,041)
		83,290,562	75,704,095

10.1 The Company maintains deposit from customers, taken as security for energy dues (note 22) of Rs. 6,712 million (2014:Rs. 5,866 million).

10.2 This includes gross receivable of Rs. 46,529 million net of adjustment (30 June 2014: Rs.42,289 million), due from Government and autonomous bodies, including Karachi Water and Sewerage Board (KW&SB) and City District Government Karachi amounting to Rs. 38,263 million (30 June 2014: Rs. 30,244 million) and Rs. 8,353 million (30 June 2014: Rs.7,797 million) less unrecorded late payment surcharge from them of Rs. 3,058 million (30 June 2014: Rs 2,488 million) and Rs. 1,291 million (30 June 2014: Rs. 1,070 million) respectively (refer note 41.1). It is Management's contention that the calculation of late payment surcharge on Public Sector Consumers should be made on the same basis. as the accrued interest on delayed payments on account of circular debt situation. If similar basis is adopted, then the above receivable amount would substantially increase. Further, during the year Company received Rs.5,292 million from Government of Sindh in the form of adjustment of electricity duty liability of the Company against receivable from KW&SB. Accordingly, the Company has adjusted its liability, however, the allocation of this amount against KW&SB has been disputed by the Company, as in view of management the amount should be prorated against all PSC dues.

10.3 Provision for impairment (against debts considered doubtful)

	Note	2015	2014
Opening balance		28,754,041	23,150,546
Provision made during the year	39	9,268,074	6,689,225
		38,022,115	29,839,771
Provision on debts written off during the year		(1,857,375)	(1,085,730)
		36,164,740	28,754,041

10.4 Energy sales to and purchases from NTDC and KANUPP are recorded through their respective payable accounts to facilitate recovery of energy dues by offsetting receivables against liabilities for purchase of energy.

10.5 The age analysis of trade debts as at the reporting date that are not impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired: > 30 days up to 6 months	>6 months upto 1 years	1-2 years	2-3 years	3-4 years	4 years and above
	(Rupees in '000)							
2015								
Trade debts	83,290,562	10,247,326	13,113,448	15,806,786	19,837,596	12,768,341	3,554,664	7,962,401
2014								
Trade debts	75,704,095	10,563,998	12,929,119	12,601,914	17,786,872	8,372,179	3,953,127	9,496,886

11. LOANS AND ADVANCES

	Note	2015	2014
		(Rupees in '000)	
Loans – secured			
Considered good			
Current portion of long term loans	7	9,296	12,522
Advances – unsecured			
Considered good			
Employees		28,725	25,064
Suppliers	11.1	760,366	1,448,269
		789,091	1,473,333
Considered doubtful			
Suppliers		130,340	130,340
		919,430	1,603,673
Provision for impairment (against advances - considered doubtful)		(130,340)	(130,340)
	11.2	789,090	1,473,333
		798,387	1,485,855

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	2015	2014
Trade deposits			
Deposits	12.1 & 12.2	5,649,527	2,161,812
Prepayments			
Rent		23,307	14,492
Insurance and Others		98,504	41,724
	12.3	121,811	56,216
		5,771,338	2,218,028

12.1 This includes Rs. 15.979 million (2014: Rs. 142.918 million), representing margins / guarantee deposits held by commercial banks against guarantees, letter of credits and other payments.

12.2 This includes Rs. 5,606.516 million (2014: Rs. 1,999.110 million) which represents deposits under lien against for settlement of letter of credits, Loan and Sukkuk repayments with commercial banks. It carries mark up ranging from per annum 5% to 6% (2014: 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	2015	2014
		(Rupees in '000)	
Considered good			
Sales tax - net	13.1 & 13.2	3,438,298	6,351,122
Due from the Government of Pakistan in respect of:			
- Tariff adjustment and Others	13.3 to 13.5	35,661,271	37,558,427
- Interest receivable from GOP on demand finance liabilities		237,173	237,173
		35,898,444	37,795,600
Others	13.7	114,978	94,276
	13.6	39,451,720	44,240,998
Considered doubtful			
Sales tax	13.1	236,922	236,922
Provision for impairment	13.1	(236,922)	(236,922)
		-	-
Due from a Consortium of Suppliers of Power Plant		363,080	363,080
Provision for impairment		(363,080)	(363,080)
		-	-
		39,451,720	44,240,998

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

13.2 Upto the current year end tax department had disallowed input tax claims amounting to Rs. 757.867 million while 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 (CIRA) 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 20, 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. However, 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 (GoP) whereby this stance was communicated that the unrecovered costs of the Company were pending due to non availability of mechanism with NEPRA although it has already been acknowledged by ECC that GoP owes this amount to the Company, and therefore this unrecovered cost of Rs. 6,037 million to be settled as per the options available with GoP to resolve this issue.

In view of the above situation the Management considered it certain that the unrecovered costs of Rs. 6,037 million would be recovered. Accordingly, the entire amount of Rs. 6,037 million was recognized as tariff adjustment subsidy receivable from Government of Pakistan.

During the year ended 30 June 2014 and 30 June 2015, further correspondence was made by the Company with the Ministry of Finance and Ministry of Water and Power for early settlement of such outstanding amount. The Company continues to pursue an early settlement of long outstanding receivable from Government of Pakistan on account of 4% capping and is confident that the same will be recovered in due course of time.

13.4 The above includes Rs. 698 million (2014: Rs. 698 million) subsidy receivable in respect of subsidized electricity supplied to certain areas of Baluchistan. During the year ended 30 June 2014, there had been certain correspondence with Ministry of Water and Power whereby such claim for subsidy for the period December 2012 to June 2014 has been denied considering that the subsidized electricity is not applicable for the Company rather its only for Quetta Electric Supply Company Limited that supplied electricity in similar areas. The Company is of the view that the subsidized portion will be recovered from consumers in the event that it is not recovered from Government. The Government issued notification on 02 July 2015 which restored the subsidy for agriculture and tube well consumers in Baluchistan with retrospective effect from 01 January 2015, the Company will recover it in future subsidy claims.

13.5 The quarterly determination of Schedule of Tariffs have been finalised upto the quarter October - December 2014 except for the matter as discussed in detail in note 32.1.2. Management has recognised tariff differential based on the petitions submitted to NEPRA in this regard.

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

13.7 This includes advance against equity relating to KOEL of Rs. 33.537 million (2014: Rs. 33.537 million) which has been recorded at nil carrying value considering the current negative equity of the project (refer note 6).

14. DERIVATIVE FINANCIAL ASSETS

	Note	**2015**	2014
		(Rupees in '000)	
Cross currency swap	14.1	-	1,905,437
Interest rate swap	14.2	-	(42,709)
	14.3	-	1,862,728

14.1 The Company entered into various Cross Currency Swaps with commercial banks as discussed in note 21.1, 21.3 and 21.4 respectively. Pursuant to the agreements, the Company's foreign obligations up to USD Nil (2014 : USD 133 million) were 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. The foreign currency loans mentioned in 21.1, 21.3, and 21.4 were repaid during the year accordingly the associated derivative instruments were also settled.

14.2 The Company had entered into an interest rate swap arrangement whereby the Company converted the Pakistan Rupee floating rate liability as discussed in note 21.2 into fixed rate liability. The amortizing notional of the amount hedged against interest rate risk amounted to Rs.1,000 million. The local currency loan mentioned in 21.2 was repaid during the year accordingly the associated derivative instruments were also settled.

14.3 The above hedging exposures to variability in cash flows due to interest / currency risks were designated as cash flow hedges by the Management of the Company.

15. CASH AND BANK BALANCES

	Note	**2015**	2014
Cash in hand		**17,891**	13,951
Cash at banks in:			
Current accounts		**1,001,763**	466,866
Deposit accounts	15.1	**19,918**	32,276
Collection accounts		**228,061**	140,380
		1,249,742	639,522
		1,267,633	653,473

15.1 These carry mark up ranging from 5 % to 8 % per annum (2014: 5% to 8% per annum).

16. SHARE CAPITAL

2015 (Number of Shares)	2014 (Number of Shares)		Note	2015 (Rupees in '000)	2014 (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	14,448,119,262	Ordinary shares of Rs. 3.5 each fully paid	16.2, 16.3 & 16.4	**50,568,417**	50,568,417
14,493,490,367	14,493,490,367			**51,022,128**	51,022,128
		Issued for consideration other than cash			
304,512,300	304,512,300	Ordinary shares of Rs. 10 each fully paid	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. 3.5 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	27,482,318,356			**152,526,322**	152,526,322
		Issued as bonus shares			
132,875,889	132,875,889	Ordinary shares of Rs. 10 each fully paid as bonus shares		**1,328,759**	1,328,759
27,615,194,245	27,615,194,245			**153,855,081**	153,855,081
-	-	Reduction in capital	16.9	**(57,201,902)**	(57,201,902)
27,615,194,245	27,615,194,245			**96,653,179**	96,653,179
-	-	Transaction costs on issuance of shares		**(391,628)**	(391,628)
27,615,194,245	27,615,194,245			**96,261,551**	96,261,551

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 (2014: 13,053,262,120) ordinary shares issued at Rs. 3.5 each. KES Power Limited (the Holding Company) has subscribed for its share of right issue and also subscribed the unsubscribed minority shares. The Government of Pakistan has also subscribed for its share in the right issue. The transaction cost incurred on issue of these shares are amounted to Rs. 341.560 million (2014: Rs. 341.560 million).

16.3 During the year ended 30 June 2013, the shareholders of the Company, by way of a special resolution passed in the extraordinary general meeting of the Company, held on 08 October 2012, resolved the issuance of additional share capital to International Finance Corporation and Asian Development Bank. As a result of the said resolution, the Company issued 698,071,428 ordinary shares and 696,785,714 ordinary shares having a face value of Rs. 3.5 each to International Finance Corporation and Asian Development Bank respectively. The issuance of shares was made pursuant to terms of the amended subscription agreement dated 05 May 2010 whereby the Senior Lenders exercised their right to convert their debt of USD 25 million each into ordinary shares of the Company.

16.4 During the year ended 30 June 2013, the Company converted its redeemable preference shares into ordinary shares of the Company. The conversion of redeemable preference shares to ordinary shares was executed as per the resolution passed by the Board of Directors in their meeting dated 31 October 2012 and in accordance with Article 4 of the Subscription Agreement dated 14 November 2005 which required the Company to convert all its remaining redeemable preference shares to ordinary shares in case the Company is not able to redeem the full amount of redeemable preference shares by the redemption date. As per the terms of conversion, each redeemable preference shareholder shall become the holder of three ordinary shares for every four redeemable preference share held. Consequently, the Company converted 1,714,285,713 redeemable preference shares having face value of Rs. 3.5 each which amount to Rs. 6,000 million into 1,285,714,284 ordinary shares having face value of Rs. 3.5 each which amounts to Rs. 4,500 million resulting in a share premium of Rs. 1,500 million.

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.65,340.773 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.

17. CAPITAL RESERVES

	Note	2015	2014
		(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.

18. REVENUE RESERVES

	2015	2014
	(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).

	2015	2014
Balance as at 01 July	**42,193,900**	38,825,426
Surplus arising on revaluation of leasehold land	**-**	6,129,743
Surplus arising on revaluation of plant & machinery and transmission grid equipments	**37,857,845**	-
	80,051,745	44,955,169
Transferred to accumulated losses in respect of incremental depreciation / amortisation charged during the year, net of deferred tax	**1,759,770**	1,794,893
Related deferred tax liability	**947,568**	966,376
	2,707,338	2,761,269
Surplus on revaluation as at 30 June	**77,344,407**	42,193,900
Less: Related deferred tax liability on:		
- Revaluation at the beginning of the year	**14,767,933**	13,588,899
- Surplus arising on revaluation of leasehold land	**-**	2,145,410
- Incremental depreciation charged	**(947,568)**	(966,376)
- Effect of change of tax rate	**(1,974,338)**	-
- Surplus arising on revaluation of Plant & Machinery and Transmission grid equipments	**11,357,354**	-
	23,203,381	14,767,933
	54,141,026	27,425,967

20. LONG TERM DIMINISHING MUSHARKA

	2015	2014
	(Rupees in '000)	
Diminishing musharka	21,527,233	-

During the current year, the Company issued KE AZM Sukuk certificates amounting to Rs. 22,000 million and entered into a diminshing musharka agreement with the investment agent, Pak Brunei Investment Company (trustee on behalf of the Sukuk holders) as a co-owner of the Musharka assets. The issue resulted in cash receipts of subscription money, net of amortized transaction costs of Rs. 21,527 million. The Sukuk certificates carry profit at the rate of 3 month Kibor + 1% and with quarterly rental payments. These certificates are issued for a tenure of seven years from the closing date and are structured in such a way that first principal repayment instalment amount will commence from the tenth instalment. These certificates are raised to generate funds under islamic mode of financing and are structured as long term diminishing musharka. As discussed in note 4.1.5 under this arrangement, the Company sold the beneficial ownership of the musharka assets mainly plant and machinery to the investment agent (for the benefit of sukuk holders) although legal title remains with the Company.

21. LONG-TERM FINANCING

	Note	2015	2014
		(Rupees in '000)	
From banking companies and financial institutions - Secured			
International Finance Corporation (IFC)	21.1	-	5,641,821
Syndicate term loan	21.2	-	2,560,000
Asian Development Bank (ADB)	21.3	-	7,190,366
Foreign currency term loan	21.4	-	256,505
Syndicated commercial facility	21.5	-	236,111
Syndicated structured term finance facility	21.6	-	5,100,000
Structured Islamic Term Financing - Musharka	21.7	600,000	1,200,000
Faysal Bank Limited - medium term loan	21.8	900,000	1,350,000
Syndicated Loan for PKR 7.7 bn term facility	21.9	7,700,000	2,271,175
		9,200,000	25,805,978
Current maturity shown under current liabilities	21.15	(2,654,286)	(7,947,606)
		6,545,714	17,858,372
Others - Secured			
Due to oil and gas companies	21.10	610	125,610
Current maturity shown under current liabilities	21.15	(610)	(125,610)
		-	-
Unsecured			
GoP loan for the electrification of Hub Area	21.11	26,000	26,000
Karachi Nuclear Power Plant	21.12	-	389,263
Gul Ahmed Energy	21.13	347,019	867,547
		347,019	1,256,810
Current maturity thereof shown under current liabilities			
Due to Karachi Nuclear Power Plant	21.15	-	(389,263)
Due to Gul Ahmed Energy	21.15	(347,019)	(520,528)
		(347,019)	(909,791)
Due to the Government and autonomous bodies - related parties	21.14	-	945,000
Current maturity thereof shown under current liabilities	21.15	-	(945,000)
		-	-
		6,571,714	18,231,391

21.1 This represents fully utilised loan arranged by the Company amounting to USD 125 million obtained under an agreement dated 22 March 2007, as amended by an Amendment Agreement dated 5 May 2010 with International Finance Corporation (IFC) for 220 MW Korangi Power Generation Project and 560 MW Bin Qasim Power Generation Project. Under the Amended Loan Agreement the loan was divided in three tranches namely Tranche A, Tranche B1 and Tranche B2. Tranche A was 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 carried interest at 3 months LIBOR + 2.85% up to the project completion date and 3 months LIBOR + 2.5% thereafter and was payable quarterly in arrears from the effective date of the agreement. Tranche B1 carried interest at 3 months LIBOR + 4.25% up to the project completion date and 3 months LIBOR + 3.25% thereafter and was 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 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 current year Company after two quarterly scheduled repayment has voluntary prepaid the entire outstanding loan balance of USD 49.628 million as of 13 February 2015 (2014: USD 14.677 million) through a combination of Pre Initial Public offer (IPO) placement amounting to Rs 15,000 million out of 7 year Sukuk issue of Rs 22,000 million and bridge facility from HBL amounting to Rs. 3,000 million repaid through proceeds of IPO.

21.2 This represents fully utilised loan arranged by the Company aggregating to Rs. 8,000 million, with a Syndicate of local commercial banks, for the purposes of capital expenditure for 220 MW Korangi Generation Project and 560 MW Bin Qasim Power Generation Project. The said loan was 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 was payable in 25 equal quarterly instalments after the expiry of 3 year grace period with first instalment due on 15 June 2010. It carried mark-up at the rate of 6 months KIBOR + 3% and was payable quarterly in arrears from the effective date of the agreement.

Further, during the current year Company, after two quarterly scheduled repayment, has voluntary prepaid the entire outstanding loan balance of PKR 19,200 million as of 13 February 2015 (2014: PKR 12,800 million) through a combination of Pre IPO placement amounting to Rs 15,000 million out of 7 year SUKUK issue of Rs 22,000 million and bridge facility from HBL amounting to Rs. 3,000 million repaid through proceeds of IPO.

21.3 This represents fully utilised loan amounting to USD 150 million under an agreement dated 4 June 2007, as amended by an Amendment Agreement dated 5 May 2010 with the Asian Development Bank (ADB) for the purposes of capital expenditure for 220 MW Korangi Power Generation Project and 560 MW Bin Qasim Power Generation Project. Under the Amended Loan Agreement the loan was divided in three tranches namely Tranche A, Tranche B1 and Tranche B2. Tranche A was 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 carried interest rate at 3 months LIBOR + 2.85% up to the project completion date and 3 months LIBOR + 2.5% thereafter and was payable quarterly in arrears from the effective date of the agreement. Tranche B1 carried interest rate at 3 months LIBOR + 4.25% up to the project completion date and 3 months LIBOR + 3.25% thereafter and was 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 was 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.

During the year the current year the Company, after two quarterly scheduled payment, has voluntary prepaid the entire outstanding loan balance of USD 63.366 million as of 13 February 2015 (2014: USD 18.847 million), through a combination of Pre IPO placement amounting to Rs 15,000 million out of 7 year SUKUK issue of Rs 22,000 million and bridge facility from HBL amounting to Rs. 3,000 million repaid through proceeds of IPO.

21.4 This represents fully utilized foreign currency loan arranged by the Company amounting to USD 23.378 million under an agreement dated 5 May 2010 with Citibank Europe plc and Bank Alfalah Kabul for purchase of Gas engines in relation to Jenbacher Project expansion. The loan was under Political risk insurance from OeKB (Oesterreichische Kontrol bank AG) - ECA Austria. It was repayable in 18 equal quarterly instalments with first instalment paid on 5 August 2010 and final instalment due on 5 November 2014. It carried interest at 3 month LIBOR + 1.7% per annum payable quarterly in arrears from the date of signing of the agreement. During the year the Company has entirely repaid outstanding balance amount of USD 2.597 million (2014: USD 5.195 million) as per the terms of the Agreement.

21.5 This represents utilized portion of syndicated mark-up facility aggregating to Rs. 2,125 million arranged by the Company under an agreement dated 5 May 2010 with a Syndicate of local commercial banks, for purchase of power generators and related equipment in relation to Jenbacher Project expansion. It was repayable in 18 equal quarterly instalments with first instalment paid on 5 August 2010 and final instalment due on 5 November 2014. It carried interest at 3 month KIBOR plus 3% per annum payable quarterly in arrears from the date of signing of the agreement. The outstanding balance amount is entirely repaid as per the terms of the agreement.

21.6 This represents fully utilized loan obtained under an agreement dated 29 June 2010, aggregating to Rs. 8,500 million, with a syndicate of local commercial banks, for the purpose of expansion of 560 MW Bin Qasim Power Generation Project. The said loan was 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 was payable in 20 equal quarterly instalments after the expiry of two year grace period with first instalment due on 17 September 2012. Further, during the current year the Company, after two quarterly scheduled repayments, has voluntary prepaid the entire outstanding loan balance of Rs. 4,250 million (2014: 1,700 million) as of 13 February 2015, through a combination of Pre-initial Public offer (IPO) placement amounting to Rs 15,000 million out of 7 year SUKUK issue of Rs 22,000 million and bridge facility from HBL amounting to Rs. 3,000 million repaid through proceeds of IPO.

21.7 This represents fully utilized portion of musharka finance obtained under an agreement dated 22 April 2011 amounting to Rs.3,000 million for the purpose of working capital financing. The said musharka is payable in 5 years term with 20 equal quarterly instalments, with first instalment due on 28 July 2011. It carries mark-up at the rate 3 months KIBOR plus 2.5% per annum and is payable quarterly in arrears from the date of first drawdown. The facility is secured as follows:

- an exclusive hypothecation over all receivables from specified customers of the Company and first charge over certain grid stations as selected by the lender.

- 1st charge hypothecation over specific grid stations.

21.8 This represents medium term loan obtained from Faysal Bank Limited under an agreement dated 29 May 2012 amounting to Rs. 2,000 million to convert short term finance facility of Rs. 1,500 million into a medium term loan. The said loan is payable in 5 years term with stepped up repayments in quarterly instalments. It carries mark-up at the rate 3 months KIBOR plus 2.75 % per annum and is payable quarterly in arrears from the date of first drawdown. The facility is secured as follows:

- Exclusive hypothecation charge over Company's specific network fixed assets of the Company for Rs. 2,703 million.

- Exclusive assignment of GPO collection placed under Faysal Bank's Lien through letter of lien and set off.

21.9 This represents amount fully disbursed under syndicate loan agreement signed on 28 March 2014 amounting to Rs. 5,700 million, term finance facility for an aggregate amount of Rs 1,360 million and Musharka facility amounting to Rs. 640 million, from banking companies. The loan will be utilized for the procurement and services required to increase output and efficiency of 90 MW GE jenbacher engines at SITE and KORANGI and to convert single cycle operation to combined cycle operation. The loan carries mark-up at 3 month Kibor + 2.5%. The syndicate facility and term finance facility will be settled in 14 quarterly instalments with first instalment due on 31 December 2015 and repayable by 31 March 2019. Whereas, Musharka facility will be settled in 14 quarterly installments with the first instalment due on 01 January 2016 and repayable by 01 April 2019.

The loan is secured as follows;

- Plant and machinery located at Bin Qasim, Site, Korangi SITE, Korangi Gas Plant

- Hypothecation over excess amount of certain specific receivable whereof first charge by way of hypothecation over the Hypothecated Receivables and Account in favour of the Security Trustee for the benefit of the facility Parties;

21.10 Due to the Oil and Gas Companies - unsecured

	2015	2014
	(Rupees in '000)	
Pirkoh Gas Company Limited (PGCL)	610	125,610
Current maturity thereof	(610)	(125,610)
	-	-

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.

21.11 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.

During the year ended 30 June 2014, an amount of Rs.125 million was paid to PGCL, which were received from GoP.

21.12 The Company entered into an agreement with Karachi Nuclear Power Plant in respect of payment of outstanding adjusted balance as of 30 June 2011 amounting to Rs.2,089.263 million. As per agreement the Company would pay outstanding amount in 37 equal monthly instalments of Rs. 50.00 million each starting from January 2011.

21.13 This represents remaining amount of outstanding Non Esclable Capacity Purchase Price Component (NEC FEI outstanding amount) under schedule 6 of Power Purchase Agreement payable to Gul Ahmed Energy Limited (GAEL), the Company earlier disputed its obligation under PPA to pay this amount to GAEL by raising dispute invoice notices. The Company during the current year by entered into an agreement with GAEL whereby it was agreed to settle this outstanding amount in 30 equal monthly settlement instalments starting from September 2013.

21.14 Due to the Government and autonomous bodies - unsecured	Note	**2015**	2014
		(Rupees in '000)	
National transmission and dispatch Company (NTDC)	21.14.1	-	945,000
Current maturity thereof shown under current liabilities		-	(945,000)
		-	-

21.14.1 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 32.1.1, effective from 1 July 2009 the Company has discontinued accruing interest payable to NTDC. The Company has repaid the entire amount of the long term loan during the current year.

21.15 Current maturity of long term financing is as follows:

	2015	2014
	(Rupees in '000)	
Due to Banks and Financial Institutions	**2,654,286**	7,947,606
Due to Oil and Gas Companies	**610**	125,610
Due to Karachi Nuclear Power Plant	-	389,263
Due to Gul Ahmed Energy	**347,019**	520,528
Due to Government and Autonomous bodies	-	945,000
	3,001,915	9,928,007

22. LONG TERM DEPOSITS

Long term deposits	**6,712,048**	5,865,741

These represent deposits from customers, taken as a security for energy dues (note 12.1). Such deposits are repayable at the time when electricity connection of consumer is permanently disconnected after adjustment thereof against any amount receivable from the consumer at the time of disconnection. Such deposits do not carry any mark up. The Company has obtained a legal opinion whereby the lawyer confirms that there appears to be no legal obligation on the Company to pay any mark-up / return on the security deposits of the Company.

23. EMPLOYEE RETIREMENT BENEFITS

	Note	2015	2014
		(Rupees in '000)	
Gratuity	23.1	4,270,711	3,973,534
Post retirement medical benefits	23.1	573,969	635,102
Post retirement electricity benefits	23.1	242,412	337,585
Accumulating Leave Payable	23.1.12	434,538	261,394
		5,521,630	5,207,615

23.1 Actuarial valuation of retirement benefits

In accordance with the requirements of IAS - 19 "Employee Benefits", actuarial valuation was carried out as at 30 June 2015, 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:

	2015	2014
Discount rate	9.75%	13.00%
Salary increase	7.75%	10.75%
Medical cost trend	4.50%	7.50%
Electricity price increase	4.50%	7.50%

23.1.1 The amount recognized in the profit and loss account and other comprehensive income (OCI) is determined as follows:

	2015			
	Gratuity	Medical benefits	Electricity benefits	Total
	(Rupees in '000)			
Current service cost	294,782	13,011	7,317	315,110
Past service, termination and settlement cost	-	12,579	53,000	65,579
Net interest	451,907	74,142	28,303	554,352
Chargeable in profit and loss account	746,689	99,732	88,620	935,041
Remeasurement due to :				
Change in demographic assumptions				
- experience obligation	98,202	(83,174)	(97,203)	(82,175)
- investment return	(6,924)	-	-	(6,924)
Chargeable in OCI	91,278	(83,174)	(97,203)	(89,099)
Total Cost	837,967	16,558	(8,583)	845,942

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

	Gratuity	Medical benefits	Electricity benefits	Total
Provision at 1 July 2014	3,973,534	635,102	337,585	4,946,221
Charge for the year	837,967	16,558	(8,583)	845,942
Benefits paid	(540,790)	(77,691)	(86,590)	(705,071)
Provision as at 30 June 2015	4,270,711	573,969	242,412	5,087,092

23.1.3 Reconciliation as of 30 June 2015

	Gratuity	Medical benefits	Electricity benefits	Total
Present value of defined benefit obligation	3,846,822	-	-	-
Add: Fair value of plan liabilities	423,889	-	-	-
	4,270,711	-	-	-

23.1.4 Movement in defined benefit obligation

	Gratuity	Medical benefits	Electricity benefits	Total
Obligation at beginning of the year	3,973,534	635,102	337,585	4,946,221
Current service cost	294,782	13,011	7,317	315,110
Past service cost	-	12,579	53,000	65,579
Interest cost	451,251	74,142	28,303	553,696
Remeasurement loss (gain) due to experience	98,202	(83,174)	(97,203)	(82,175)
Benefits paid	(970,947)	(77,691)	(86,590)	(1,135,228)
Obligation end of the year	3,846,822	573,969	242,412	4,663,203

23.1.5 Plan asset / (liability)

	2015			
	Gratuity	**Medical benefits**	**Electricity benefits**	**Total**
	(Rupees in '000)			
Beginning of the year				
Interest income	**(656)**	**-**	**-**	**(656)**
Remeasurement (loss) / gain due to investment return	**6,924**	**-**	**-**	**6,924**
Contribution	**540,790**	**-**	**-**	**540,790**
Benefits paid	**(970,947)**	**-**	**-**	**(970,947)**
End of the year	**(423,889)**	**-**	**-**	**(423,889)**

23.1.6 Plan asset / (liability) comprise of

Bank Overdraft	**(3,813)**	**-**	**-**	**(3,813)**
Benefits due	**(420,076)**	**-**	**-**	**(420,076)**
	(423,889)	**-**	**-**	**(423,889)**

The fund has a negative balance whereby the amount of cheques issued before 30 June 2015 exceed the balance on that date.

23.1.7 The amount recognized in the profit and loss account and other comprehensive income (OCI) is determined as follows:

	2014			
	Gratuity	Medical benefits	Electricity benefits	Total
	(Rupees in '000)			
Current service cost	279,347	23,455	9,037	311,839
Past service, termination and settlement cost	-	(6,168)	91,673	85,505
Net Interest	386,514	71,617	21,382	479,513
Chargeable in profit and loss account	665,861	88,904	122,092	876,857
Remeasurement due to :				
change in demographic assumptions				
experience obligation	(159,456)	(102,708)	11,709	(250,455)
Chargeable in OCI	(159,456)	(102,708)	11,709	(250,455)
Total Cost	506,405	(13,804)	133,801	626,402

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

Provision at 1 July 2013	4,219,329	729,113	350,620	5,299,062
Charge for the year	506,405	(13,804)	133,801	626,402
Benefits paid	(752,200)	(80,207)	(146,836)	(979,243)
Provision as at 30 June 2014	3,973,534	635,102	337,585	4,946,221

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

Obligation beginning of the year	4,219,329	729,113	350,620	5,299,062
Current service cost	279,347	23,455	9,037	311,839
Past service cost	-	(6,168)	91,673	85,505
Net Interest	386,514	71,617	21,382	479,513
Remeasurement due to :				
change in demographic assumptions	-	-	-	-
experience obligation	(159,456)	(102,708)	11,709	(250,455)
Benefits paid	(752,200)	(80,207)	(146,836)	(979,243)
Obligation end of the year	3,973,534	635,102	337,585	4,946,221

23.1.10 The impact of one percent movement in retirement benefit obligations in assumed assumptions would have following effects on 30 June 2015 valuation:

	30 June 2015	
	1 % Increase	1 % Decrease
	(Rupees in '000)	
Discount rate	(288,184)	326,537
Salary increase	277,655	(249,422)
Electricity tariff increase	11,011	(9,818)
Medical cost trend	43,039	(38,102)

Projected contribution / payments during each of the following year:

	Gratuity	Medical benefits	Electricity benefits
	(Rupees in '000)		
Contribution			
FY 2016	848,662	-	-
Benefits payments			
FY 2016	215,286	90,322	116,362
FY 2017	429,037	57,559	15,011
FY 2018	403,133	55,841	14,069
FY 2019	494,164	54,601	14,475
FY 2020	568,072	53,929	14,909
FY 2021-25	3,707,969	269,278	100,015

23.1.11 Plan Duration

	Gratuity	Medical benefits	Electricity benefits
30 June 2014	7.50	7.90	6.10
30 June 2015	7.50	7.60	4.70

The weighted average of plan durations was 7.5 years on June 30, 2014 and 7.4 years on June 30, 2015.

23.1.12 Accumulating Leaves

This represent liabilities for employees accumulating earned leave in respect of outstanding leave encashment payments.

24. DEFERRED REVENUE

	Note	2015	2014
		(Rupees in '000)	
Opening balance		16,303,048	15,600,186
Additions during the year:			
Recoveries from customers during the year	24.1	2,302,202	1,903,916
		18,605,250	17,504,102
Amortisation for the year	41	(1,301,543)	(1,192,865)
		17,303,707	16,311,237
Repayment to suppliers during the year		-	(1,951)
Amortisation for the year	24.2 & 41	(3,488)	(6,238)
		17,300,219	16,303,048

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

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

25. TRADE AND OTHER PAYABLES

	Note	2015	2014
		(Rupees in '000)	
Trade creditors			
Power purchases		53,268,608	46,133,765
Fuel and gas		31,988,876	37,438,980
Others		3,010,122	3,858,641
		88,267,606	87,431,386
Murabaha finance facilities	25.1	2,425,000	1,970,000
Accrued expenses	25.2	2,832,421	1,862,869
Advances / credit balances of consumers			
Energy	25.3	1,229,565	662,029
Others	25.4	1,493,365	633,646
		2,722,930	1,295,675
Other liabilities			
Unclaimed and unpaid dividend		650	650
Employee related dues		146,480	129,243
Payable to Provident Fund		11,585	29,164
Electricity duty	25.5	3,581,898	6,991,707
Tax deducted at source	25.5	334,326	5,450,103
PTV license fee	25.5	1,137,304	811,664
Workers' Profit Participation Fund		1,732,750	909,187
Workers' Welfare Fund		610,742	299,515
Payable to the then Managing Agent, PEA (Private) Limited		28,871	28,871
Others		1,954,903	1,268,132
		9,539,509	15,918,236
		105,787,466	108,478,166

25.1 This represents murabaha financing facilities under Islamic mode of financing from different banks for retirement of import documents and working capital financing to the extent of Rs. 2,425 million (2014: 1,970 million). These financing facilities carries profit rate of matching KIBOR plus 0.75 % to 2.0 % p.a. These are secured against specific charge over grid stations and moveables and receivables of the Company.

25.2 This includes an aggregate sum of Rs. 616.940 million (2014: Rs. 687.16 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. 6,539.38 million (2014: Rs. 6,380.14 million), have not been acknowledged by the Company as debts and, hence, these have been disclosed as contingencies and commitments (note 32.3.3).

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

25.4 This include Rs.1,493.365 million (2014: Rs. 633.364 million) which represent general deposits received from consumers, in respect of meters, mains & lines alteration, scrap sales, etc.

25.5 Electricity duty, tax deducted at source and PTV license fee are collected by the Company from the consumers on behalf of the concerned authorities. Payments are made thereto upon receipt of these dues from the consumers after deducting Company's rebate / commission thereon, where applicable.

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

26. ACCRUED MARK-UP

	Note	2015	2014
		(Rupees in '000)	
Accrued mark-up on:			
Long term financing	21	277,993	172,818
Borrowings relating to Financial Improvement Plans (FIP)		15,357	15,357
Short term borrowing	27	8,456	27,293
Short term running finance	27	296,220	235,252
Financial charges on delayed payment to suppliers	26.1	5,268,823	5,268,823
		5,866,849	5,719,543

26.1 This includes Rs 2,381.658 million (2014: Rs. 2,381.658 million) representing financial charges accrued in respect of Sui Southern Gas Company Limited and Rs. 619.152 million (2014: Rs. 619.152 million) representing financial charges accrued in respect of National Transmission and Dispatch Company. This also includes the provision made by the Company on net basis (refer note 32.1.1).

27. SHORT-TERM BORROWINGS – Secured

	Note	2015	2014
		(Rupees in '000)	
From banking companies			
Bridge term finance facility	27.1	**482,307**	1,435,543
Bills payable	27.2	**14,650,291**	29,254,672
Short term running finances	27.3	**7,730,282**	3,831,284
Short term loan	27.4	**2,506,740**	1,666,680
Structured invoice financing	27.5	**4,604,000**	1,375,000
From others			
KES Power Limited - holding company	27.6	**45,088**	45,088
KE Azm Certificates	27.7	**1,680,735**	1,662,730
KE Azm Sukuk Certificates	27.8	**5,043,678**	5,682,133
		36,743,121	44,953,130

27.1 This represents a bridge term finance facility under Bridge Term Finance Agreement dated 12 February 2015 and extended up to 31 December 2015, executed between the Company and a Consortium of local commercial banks to meet short term funding requirement. Under the terms of the said agreement, the Company has acquired a term finance facility of Rs. 482 million (2014: Rs. 1,436 million). The principal amount is to be repaid till 31 December 2015 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 7 million issued in favour of the Company by the Gulf International Bank (GIB).

27.2 These are payable to various local commercial banks at a maturity of 90 days from the date of discounting in respect of making payments to Sui Southern Gas Company Limited, Pakistan State Oil Company Limited, BYCO Petroleum Pakistan Limited and Independent Power Purchasers IPPs and are secured against Hypothecation and Joint parri passu charge over current assets.

27.3 The Company has arranged various facilities for short term running finances from commercial banks, on mark-up basis to the extent of Rs. 7,730 million (2014: Rs. 3,831 million). These are for a period of one year and carry mark-up of 1 to 3 month KIBOR plus 0.50% to 3.00%. These finances are secured against joint parri passu charge over current assets and first charge over specific grid stations. In addition, demand promissory notes in respect of the above mentioned facilities have also been furnished by the Company.

27.4 This represents structured short term finance facility up to equivalent USD 25 million obtained from Standard Chartered bank to refinance the earlier sanctioned working capital facility, this facility is to be repaid in one bullet payment at the final maturity date (six month from the date of first drawdown). The facility is so structured that the Company's transaction cost / expenses is kept at 9% p.a, the security of the facility is comprises of lien and right of set-off over specific collection account, irrevocable standing instruction to UBL to credit consumers collection in SCB bank account on daily basis and 1st charge on fixed asset with 25 % margin.

27.5 This represents utilized portion of structure working capital finance facility obtained from Standard Chartered bank (Pakistan) Limited (SCB) for financing of vendors' suppliers payments to the extent of Rs. 4,604 million (2014: 1,375 million) and carries mark-up rate of relevant tenor KIBOR plus 1.00 - 1.75%. The repayments will be made from the collection proceeds and repayment dates are maximum 180 days from each invoice financed. These are secured against irrevocable standing instructions to banks to deposit all consumer bill collection received, lien and right of set off over the collection account, charge on specific plant and machinery with 25 % margin and parri passu charge over current assets.

27.6 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.

27.7 This represent balance amount of KE Azm certificates payable to general public amounted to Rs 1,680 million (2014: Rs 1,662 million) net of amortized transaction costs. The frequency of profit payment ranging from one to three months at fixed rate from 14.75% to 15.50%. The certificates are issued for a tenure of thirteen months to sixty months and are structured to redeem 100% of the principal amount in accordance with the above tenure from the date of issue. The certificate holder, however, may ask the Company for early redemption at any time from the date of investment subject to the service charges. The rates are varied according to the certificates' tenor. The certificates are secured by way of exclusive hypothecation over certain specific consumers receivables and specific fixed assets of the Company consisting of Grid Stations and relevant insurance rights of total value of Rs. 2,267 million.

27.8 During the year ended 30 June 2014, the Company offered Azm Sukuk certificates to general public amounting to Rs. 6,000 million. The issue was fully subscribed and the balance amount of Rs. 5,043 million (2014: 5,682 million) represents amount payable to general public net off amortized transaction costs. The frequency of profit payment of these certificates is ranging from one to three months at 1 month Kibor + 100 bps per annum to 3 month Kibor + 275 bps per annum. These certificates are issued for a tenure from thirty six to sixty months and are structured in such a way to redeem 100% of the principal amount at the end of the respective tenures. The Sukuk holders, however, may ask the Company for Early Purchase Option after 26 December, 2014. In that case, the certificates shall be redeemed in accordance with the discount rates on face value, varied according to the terms of the respective certificates' tenure. These certificates are secured by way of exclusive hypothecation charge on the unencumbered grid stations of total value of Rs 8,103 million and relevant insurance rights.

28. SHORT-TERM DEPOSITS

	Note	2015	2014
		(Rupees in '000)	
Service connection deposits	28.1	**3,582,056**	3,062,402
Suppliers' security deposits		**114,201**	212,528
Earnest money / Performance bond	28.2	**3,402,798**	2,608,811
		7,099,055	5,883,741

28.1 These include non-interest bearing amounts contributed by consumers in respect of service connections, extension of mains and streetlights. The same is refundable if concerned work is not completed. Upon completion of work, these deposits are transferred to deferred revenue (note 24).

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

29. TAXATION -net

	2015	2014
	(Rupees in '000)	
Advance income tax	**3,515,974**	3,054,943
Provision for taxation	**(2,017,019)**	(2,017,019)
	1,498,955	1,037,924

30. PROVISIONS

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

	2015	2014
Provisions	**9,978**	9,978

31. CASH AND CASH EQUIVALENT

	Note	2015	2014
Cash and bank balances	15	**1,267,633**	653,473
Short term running finances	27.3	**(7,730,282)**	(3,831,284)
		(6,462,649)	(3,177,811)

32. CONTINGENCIES AND COMMITMENTS

32.1 Contingencies

32.1.1 In respect of mark-up on the arrears payable to National Transmission and Dispatch Company (NTDC), a major government owned power supplier, the Company has reversed the mark-up accrued for the period from 1 July 2009 to 31 March 2010 amounting to Rs. 1,432 million during the year ended 30 June 2010 and has also not accrued mark-up amounting to Rs. 6,931 million for the period from 1 April 2010 to 30 June 2015 with the exception as mentioned below. Further, the Company has not accrued any mark-up on the overdue balances as per the 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 2015 MOF has released Rs. 293,882 million directly to NTDC from time to time since the date of signing of PPA on account of Company's tariff differential receivables. Management believes that overdue amount has 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 upto the year 2014-15 has claimed an amount of Rs. 17,765 million on account of mark-up on arrears and delayed payments under PPA. The Management has not acknowledged these claims as debts and 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 decided not to account for / discontinue 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 30 June 2015 amounts to Rs. 31,573 million (July 2010 to June 2014: Rs. 22,970 million) which is disputed by the management. In management's view the Company is not liable and will not pay any interest on the amount payable to SSGC 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 year ended 30 June 2013, SSGC filed a Suit bearing number 1641/2012 in the Honourable High Court of Sindh at Karachi for recovery and damages amounting to Rs. 55,700 million including the alleged outstanding balance of approximately Rs. 45,700 million on account of alleged unpaid gas consumption charges and interest. The said suit is being contested on merits and the Company has disputed liability to pay any amounts of interest / late payment surcharge to SSGC on the ground that the Company's inability to charge interest / mark-up against KW&SB and other Government owned entities receivables on similar basis is unreasonable in light of interest / mark-up obligation on payables to SSGC and others.

The Company also filed a suit bearing number 91/2013 against SSGC in the Honourable High Court of Sindh at Karachi for recovery of damages / losses of Rs. 59,600 million resulting from SSGC's failure to comply with their legal obligation to allocate and supply the committed quantity of 276 MMCFD of natural gas to the Company.

The above suits no. 1641/2012, 91/2013 and 1389/2012 are all pending adjudication and are being rigorously pursued and contested on merits by legal counsel.

The Company has also obtained legal opinions in this respect which support the Company's position. The main arguments in the legal opinions supporting the Company's contentions are summarized below:

- The lawyer contends that they are confident that the Company will not be held liable by a competent court to the extent of amount due from KW&SB and other Government entities not received by the Company. The legal opinion effectively recognizes a right of set off based on various meetings with Government of Pakistan (GoP) and decisions taken in meetings with GoP on circular debt issue. In other words in view of involvement of the GoP, who is indirectly liable to pay the amounts due from KW&SB, etc., to the Company and entitled to receive the amount payable by the Company to SSGC (as the majority owner in SSGC), the Company would be legally entitled to the same treatment in respect of its receivables and payables.

- Another legal advisor contends that:

  a. The Company's inability to charge interest / mark-up against KW&SB and other Government owned entities receivables on similar basis is unreasonable in light of interest / mark-up obligation on payables to SSGC. The lawyer also contends that in a court of law the Company's non-accrual of interest on payments to SSGC due to frustration of contract dated 30 June 2009 and recoverability of any interest / damages from the Federal Government is justifiable and the Company has good prospects of success on these grounds. Further, the lawyer contends that SSGC values its claims against the Company on a much higher basis based on inclusion of disputed interest upon interest as it is evident from the total amount claimed by SSGC in its recovery suit number 1641 of 2012 SSGC Vs KESC.

  b. In case of NTDC under the power purchase agreement interest can only become applicable if the party claiming interest can demonstrate that the defaulting party has breached the payment mechanism. Under the current mechanism the Company is only responsible directly to pay to NTDC if the NTDC invoice (for any billing period) is higher than the amount of Company's tariff adjustment claim (subsidy). NTDC being a company wholly owned and controlled by GoP is only an extension of GoP and accordingly GoP will also be bound by the payment mechanism provided under the power purchase agreement and will therefore be liable for any interest on delayed current monthly payment. Further, for mark-up on the outstanding principal reconciled arrears, the Company's liability will be subject to adjustment of KWSB receivables and the Company's claim against the GoP for losses sustained by the Company as a result of non-payment or delayed payment of tariff differential.

Based on the above facts, the Management believes that the circular debt issue will ultimately be settled on net basis without accounting for any delayed payment surcharge / interest. However, being prudent, the Company has made due provision on net basis in these financial statements.

32.1.2 During the year ended 30 June 2013, National Electric Power Regulatory Authority (NEPRA) issued a corrigendum vide its letter no. NEPRA/TRF-133/KESC-2009/10401-10404 dated 23 November 2012 whereby Schedule of Tariff (SoT) for the period July 2009 to March 2010 had to be adjusted by Rs. 2.79/kWh, an increase for all the categories of consumer uniformly (except for life line consumers). However, NEPRA believes, due to error, the SoT was inadvertently adjusted for four consumer categories and the effect of the error was carried forward in the subsequent determined SoTs up to quarter January 2012 – March 2012. Accordingly, NEPRA has issued a revised SoT which resulted in decrease of approximately Paisa 14/kWh in the determined tariff. The said corrigendum resulted in retrospective and unilateral decrease in previously determined rates of tariff for certain consumer categories resulting in a decrease in tariff differential claim amounting to Rs. 7,982 million from MoW&P for the relevant period up till 30 June 2015.

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 result 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.

On 31 March 2014, NEPRA issued a decision in the matter of review of SoT attached with the quarterly adjustment decision for the period July 2009 to March 2012 in the matter of the Company. In the decision NEPRA upheld its original corrigendum after hearing the Company's contention and adjusted the SoT for the period July 2009 to March 2010 by Rs. 2.79/kWh for all the consumer categories uniformly (except for life line consumers), thereby reducing the tariff by Paisa 14/kWh.

The Company being aggrieved of the NEPRA's order as the contentions of the Company were rejected without any proper justification and basis filed a suit No. 556/2014 in Honourable High Court of Sindh at Karachi to set-aside the impugned decision dated March 31, 2014 as the same was not made in accordance with the law. The Honourable High Court of Sindh on 7 April 2014 passed an interim order whereby the impugned decision / determination was suspended to the extent of reduction made by NEPRA through the impugned decision in all tariff determinations / schedule of tariff from July 2009 till September 2013. On 15 April 2014, Honourable High Court of Sindh further ordered that NEPRA should act in accordance with law and shall not effect the issuance of Schedule of Tariff in compliance with the earlier order dated 7 April 2014. After the issuance of ad interim order dated 7 April 2014, the Company wrote a letter to NEPRA for the re-issuance / notifications of all the determinations / SoTs for the period from April 2012 to September 2013 in supersession of the NEPRA's letter dated 31 March 2014, as a consequence of the said court order dated 7 April 2014.

Further, NEPRA issued quarterly Schedule of Tariff (SoT) orders from the quarter ended December 2013 to the quarter ended 31 December 2014. In the said SoT, considering the above suit filed by the Company in Honourable High Court of Sindh and the Court's interim order dated 7 April 2014 and 15 April 2014, NEPRA excluded the reductions in respect of corrigendum till the final decision of the Honourable High Court of Sindh and worked out quarterly tariff adjustments after excluding the impact of reductions.

Based on opinion from legal advisor, management believes that the matter will ultimately be settled in favour of the Company.

32.1.3 The multi year tariff (MYT) applicable to the Company outlines a mechanism whereby the Company is required to share a portion of its profits with consumers when such profits exceed the stipulated thresholds. NEPRA vide its determination order No. NEPRA/TRF-133/KESC-2009/12889-12892 dated 17 October 2014 has adjusted the rates to effect the sharing of profits of Rs. 11,022 million in respect of earnings for the financial year ended 30 June 2012, 30 June 2013 and 30 June 2014 to be shared as per their own calculation significantly higher than the management's own calculation.

The Company not agreeing with the calculation of claw back formula carried out by NEPRA, filed a suit 2138/ 2014 in Honourable Sindh High Court. In the suit, the Company petitioned that in making determination by NEPRA in respect of claw back for the years 2011-12 and 2012-13, NEPRA has misapplied the claw back formula as prescribed under Annexure -D of the MYT determination dated 23 December 2009, amongst others it has unlawfully calculated 'accumulated losses' as part of reserve and failed to take into account "surplus on revaluation of fixed asset". On the hearings upto 01 December 2014, the Honourable Sindh High Court extended the previously issued ad interim order thereby restraining

Government of Pakistan from issuing / notifying the above mentioned NEPRA's determination and reserved its judgement. On 19 June 2015, learned single judge of the High Court of Sindh passed an order against the Company's contention and the method adopted by the NEPRA was accepted.

The Company, being aggrieved with the order, filed an appeal HCA no.208/2015 before the learned double bench of High Court Sindh. On hearing the Company's plea, the learned double bench suspended the impugned order passed by the learned single judge and notices were issued to the respondents for further proceedings.The double bench adjourned the case till next date of hearing. Being prudent, the Company has made provision in the books of accounts.

Considering the above proceedings and the legal opinion received, management considers that the Company has a good case and expects favourable outcome of the case.

32.1.4 On 22 January 2015, NEPRA issued an order after issuing show cause notice under rule 4(8) and 4(9) of the NEPRA (Fines) Rules, 2002 regarding charging of meter rent by the Company. NEPRA, in its order, issued directives to stop charging meter rent and refund total amount collected to the consumers and also imposed a fine of Rs.10 million.

The Company being aggrieved with the decision, filed an application for review in NEPRA under Rule (5) of the NEPRA (Fine) Rules 2002 against the decision of NEPRA and challenged the order on various grounds including that the direction issued by NEPRA are ultravires. Further, NEPRA has ignored certain provisions of its own rules and regulations which allows the Company to charge meter rent. Based on the grounds above, the Company expects that NEPRA will set-aside the fine and direction imposed on the Company.

The review filed by the Company with NEPRA was dismissed in April 2015. The Company being aggrieved, filed CP No. 2256/2015 with the Honourable High Court of Sindh. The Court granted stay against any coercive action by NEPRA in this matter. In consultation with its lawyer, management is confident that the matter will be decided in Company's favour.

32.1.5 On 13 March 2015, NEPRA issued a decision regarding bank collection charges charged by the Company in its monthly electricity bill to consumers. Through this order, NEPRA directed the Company to stop charging bank collection charges and intimate them the amount collected from consumers since 2006 for adjustments and refund on the basis that it is included in MYT as operation and maintenance cost.

The Company has refuted the above NEPRA's claim and filed review petition in response to above NEPRA's decision. The Company stated that MYT was determined by the Authority in 2002 and when the said tariff was again re-determined in 2009, no such issues were raised at that time. Bank charges are being collected as per the directives of State Bank of Pakistan and as per NEPRA's previous decision allowing Company to charge bank collection charges. NEPRA's previous judgment is in agreement with the decision of Honourable Supreme Court on the matter. The Company filed a review petition against the NEPRA's decision, the order from NEPRA is pending. Based on these grounds, the Company expects that NEPRA will review its order and set aside its impugned decision.

32.1.6 The Supreme Court, in its judgment dated 22 August 2014 in Civil Appeal Nos.1540 - 1599/2013, that the levy of GIDC under Gas Infrastructure Development Cess Act, 2011 was unconstitutional and all amounts collected by the gas companies were due to be refunded back to the consumers. The Federal Government on 24 September 2014, promulgated Gas Infrastructure Development Cess (GIDC) Ordinance, 2014. Under that Ordinance, the Federal Government again levied GIDC chargeable on gas consumers (both power sector and industrial) other than domestic consumers and also fixed the responsibility of charging and collection of GIDC on gas companies. This ordinance retrospectively validated the cess collected / levied or paid under the previous Gas Infrastructure Development Cess Act, 2011 which had been held illegal by the Supreme Court.

In October 2014, SSGC in its monthly bills issued to the Company, claimed GIDC amounting to Rs. 1,924 million for the period July to September 2014. The Company filed a fresh legal suit before the Honourable High Court of Sindh. The Honourable Sindh High Court through its order dated 21 October 2014, granted stay and restrained the Federal Government and SSGC from raising any demand which continues till date. The GIDC Ordinance lapsed on 24 January 2015, and therefore all amounts previously paid by the Company to SSGC amounting to Rs 5,354 million in respect of GIDC became immediately due and recoverable from SSGC.

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

32.1.7 Subsequent to the year end, on 24 July 2015, the Company received show cause notice from NEPRA under sections 28 and 29 of the regulation of Generation, Transmission and Distribution of Electric Power Act 1997. The show cause has been issued in respect of several alleged non compliances with section

21(2)(b) of the NEPRA Act, rule 10 (b) (ii) of the NEPRA Licensing (Distribution) rules, 1999 and other rules asking the Company to submit its explanations. As per the show cause notice NEPRA may take action against the Company as outlined in section 28 and 29 of the regulation of Generation, Transmission and Distribution of Electric Power Act 1997.

The Company has filed a plaint in Honourable Sindh High Court challenging various contents of the impugned notice and clarified its stance and pleaded to the court to grant stay against the notice. The Court admitted the plaint and restrained NEPRA from taking any coersive action against the Company.

32.2 Claims not acknowledged as debts

A claim, amounting to Rs. 73.161 million, was lodged by Pakistan Steel Mills Corporation (PASMIC) 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 PASMIC's aforestated claim and stated in its letter that as per Section 12 and Section 51 of the Electricity Act, 1910, any licensee is permitted to lay down or place electric supply lines with permission of local authority or the occupier of that land, subject to conferment of powers under Part III, of the Telegraph Act, 1885. Moreover public utility is also barred from payment of annual rentals to any authority under the sections mentioned above and the claim is time barred. Furthermore, the Company was issued license from Provincial Government and all concessions and the permissions for such exemptions are provided in the license. Based on the above mentioned facts, the Company is not liable to pay any amount whatsoever in this regard and does not acknowledge the said claim as debt.

32.3 Others claim not acknowledged as debts

		Note	2015	2014
			(Rupees in '000)	
32.3.1	Fatal accident cases	32.3.4	**3,152,987**	761,883
32.3.2	Architect's fee in respect of the Head office project	32.3.4	**50,868**	50,868
32.3.3	Outstanding dues of property tax, water charges, ground rent and occupancy value	32.3.4	**6,539,380**	6,380,145

32.3.4 The Company is party to number of cases in respect of fatal injuries and billing disputes in relation to property tax, water charges and occupancy charges, ground rent and rent of electric poles and cable, etc. Based on the opinion of Company's lawyers, the management is confident that the outcome of the cases will be in favour of the Company. Accordingly, no provision has been made in respect of those cases in these financial statements.

32.4 Commitments

		Note	2015	2014
32.4.1	Guarantees from banks		**228,434**	223,674
32.4.2	Transmission Projects		**1,719,250**	1,635,640
32.4.3	Outstanding Letters of Credit		**2,280,788**	2,686,000
32.4.4	Extension of Generation Projects Combined Cycle Power Plant-II		**538,502**	782,508
32.4.5	Service agreement for Combined Cycle Power Plant-I		**-**	15,000
32.4.6	Contract in respect of maintenance of combined cycle power plant (220 MW)		**-**	348,434
32.4.7	Generation Projects KGTP-II & SGTPS-II Steam Turbines		**1,649,367**	4,416,734
32.4.8	Dividend on Preference Shares	32.4.9	**1,119,453**	1,119,453

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

33. CURRENT MATURITY OF LONG TERM FINANCING

	2015	2014
Current maturity of long term financing	**3,001,915**	9,928,007

34. SALE OF ENERGY – net

	Note	2015	2014
		(Rupees in '000)	
Residential		**57,185,156**	49,506,125
Commercial		**35,016,639**	32,376,814
Industrial		**56,824,957**	52,527,714
Karachi Nuclear Power Plant		**109,728**	122,357
Pakistan Steel Mills Corporation (Private) Limited		**1,867,781**	1,938,178
Fuel Surcharge Adjustment	34.1	**(5,742,738)**	(60,824)
Others	34.2	**3,252,723**	2,702,242
		148,514,246	139,112,606

34.1 This represents monthly Fuel Surcharge Adjustment (FSA) approved by NEPRA in its monthly tariff determinations. The said amount will be charged to the consumers subsequently as per notification by Ministry of Water and Power, Government of Pakistan.

34.2 This includes, a sum of Rs. 1,514.056 million (2014: Rs. 1,468.807 million) in respect of supply of energy through street lights.

34.3 The above sales is net of sales tax billed to consumer of Rs. 26,819.158 million (2014: Rs. 24,769.087 million) on account of sale of energy.

35. TARIFF ADJUSTMENT

	Note	2015	2014
Tariff adjustment due to fuel and power purchase	35.1	**41,844,708**	55,377,622

35.1 This represents tariff adjustment (subsidy) claim for variation in fuel prices, cost of power purchase and operation and maintenance cost and includes adjustments required as per NEPRA determination.

36. PURCHASE OF ELECTRICITY

	2015	2014
National Transmission and Dispatch Company	**45,183,711**	53,640,675
Independent Power Producers (IPPs)	**23,467,083**	26,728,048
Karachi Nuclear Power Plant	**2,657,527**	2,510,695
Pakistan Steel Mills Corporation (Private) Limited	**178,828**	91,479
	71,487,149	82,970,897

37. CONSUMPTION OF FUEL AND OIL

	2015	2014
Natural gas	**30,757,512**	31,552,581
Furnace and other oils	**29,192,799**	32,783,357
	59,950,311	64,335,938

38. EXPENSES INCURRED IN GENERATION, TRANSMISSION AND DISTRIBUTION

	Note	Generation expenses	Transmission and distribution expenses	2015	2014
		(Rupees in '000)			
Salaries, wages and other benefits	38.1 & 38.2	1,426,033	1,910,314	**3,336,347**	3,025,137
Stores and spares		922,184	186,653	**1,108,837**	849,056
Office supplies		18,319	39,575	**57,894**	79,850
NEPRA license fee		31,385	33,952	**65,337**	55,750
Repairs and maintenance		45,551	153,782	**199,333**	170,804
Transport expense		11,973	77,016	**88,989**	105,358
Rent, rates and taxes		141,146	32,835	**173,981**	27,946
Depreciation	4.1.8	5,443,916	2,318,419	**7,762,335**	8,226,400
Interdepartmental consumption		-	301,820	**301,820**	235,006
Provision against slow moving and obsolete stores and spares		76,449	5,003	**81,452**	122,998
Third Party Services		1,196,134	1,021,423	**2,217,557**	1,849,355
Others		234,072	29,730	**263,802**	235,397
		9,547,162	6,110,522	**15,657,684**	14,983,057

38.1 This includes a sum of Rs. 376.460 million (2014: Rs. 311.734 million) in respect of staff retirement benefits.

38.2 Free electricity benefit to employees, amounting to Rs. 38.044 million (2014: Rs. 55.089 million), has been included in salaries, wages and other benefits.

39. CONSUMERS SERVICES AND ADMINISTRATIVE EXPENSES

	Note	Consumer Services and Billing Expenses	Administrative and General Expenses	2015	2014
		(Rupees in '000)			
Salaries, wages and other benefits	39.1 & 39.2	4,657,196	1,958,104	**6,615,300**	5,631,165
Bank collection charges		-	34,826	**34,826**	15,399
Transport cost		123,424	16,500	**139,924**	151,474
Depreciation and amortization	4.1.8 & 5	1,383,175	355,747	**1,738,922**	1,081,923
Repairs and maintenance		44,066	68,038	**112,104**	133,635
Rent, rates and taxes		60,521	26,449	**86,970**	65,065
Public relations and publicity		390	162,237	**162,627**	193,465
Legal expenses		7,398	136,012	**143,410**	124,807
Professional charges		292	23,914	**24,206**	57,354
Auditors' remuneration	39.3	-	4,923	**4,923**	3,910
Directors fee		-	2,795	**2,795**	520
Provision against debts considered doubtful	10.3	9,268,074	-	**9,268,074**	6,689,225
Office supplies		114,392	110,407	**224,799**	177,926
Other expenses		53,898	72,370	**126,268**	65,188
Interdepartmental consumption		78,236	18,603	**96,839**	92,832
Third Party Services		1,804,690	429,094	**2,233,784**	1,384,209
Others		506,090	216,635	**722,725**	378,977
		18,101,842	3,636,654	**21,738,496**	16,247,074

39.1 This includes a sum of Rs. 731.727 million (2014: Rs. 565.123 million) in respect of staff retirement benefits.

39.2 Free electricity benefit to employees, amounting to Rs.141.908 million (2014: Rs. 134.379 million), has been included in salaries, wages and other benefits.

39.3 AUDITORS' REMUNERATION

	Note	2015	2014
		(Rupees in '000)	
Statutory audit, half yearly review and report of compliance on Code of Corporate Governance		**3,500**	3,200
Out of pocket expenses		**533**	130
Other certifications		**890**	580
		4,923	3,910

40. OTHER OPERATING EXPENSES

	Note	2015	2014
Default surcharge		**652,671**	674,354
Unwinding / breakup charges on early repayment of long term financing		**886,644**	-
Exchange loss		**149,795**	14,389
Workers' Profits Participation Fund		**810,564**	514,790
Workers' Welfare Fund		**324,225**	205,915
Donations	40.1	**48,781**	29,836
Listing fee		**20,736**	1,688
Fixed asset written-off		**-**	32,910
Impairment in Joint venture		**-**	10,108
Others		**128,536**	-
		3,021,952	1,483,990

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

41. OTHER INCOME

	Note	2015	2014
Return on bank deposits		**351,067**	323,573
Late payment surcharge	41.1	**2,150,093**	2,011,887
Amortisation of deferred revenue	24	**1,305,031**	1,199,103
Gain on disposal of property, plant and equipment		**136,792**	100,016
Scrap sale – stores and spares		**166,684**	205,453
Collection charges TV licence fee		**100,732**	87,014
Liquidated damages recovered from suppliers and contractors		**65,463**	21,748
Service connection charges		**1,082,418**	1,388,232
Rental of meters and equipments		**221,685**	218,087
Others		**752,885**	825,913
		6,332,850	6,381,026

41.1 In accordance with the Company's policy, up to 30 June 2015, Late Payment Surcharge receivable on delayed payment of electricity bills from various Government / Government controlled entities (Public Sector Consumers, "PSCs") amounting to Rs. 5,440 million (2014: Rs. 4,442 million) has not been recorded in these financial statements and will be accounted for on receipt basis. It is Management's contention that the calculation of Late Payment Surcharge on PSCs should be made on the same basis as the accrued interest on delayed payments on account of circular debt situation. If similar basis is adopted, then the above income amount would substantially increase.

42. FINANCE COST

	2015	2014
	(Rupees in '000)	
Mark-up / interest on:		
Long term financing	2,473,644	3,586,212
Short-term borrowings	104,674	204,004
Short-term running finance	2,465,226	1,819,472
	5,043,544	5,609,688
Late payment surcharge on delayed payment to creditors	675,018	1,620,606
Bank charges, guarantee commission, commitment fee and other service charges	318,557	397,600
Letter of credit discounting charges	3,685,114	3,552,945
Cross currency swaps costs	37,496	94,373
	9,759,729	11,275,212

43. TAXATION

	2015	2014
For the year:		
Prior	-	-
Deferred		
Due to reversal of taxable temporary differences	947,568	966,376
Due to deductible temporary differences (mainly on account of carry forward of tax losses)	12,300,660	2,345,773
	13,248,228	3,312,149

43.1 The Taxation Officer passed assessment orders under section 122(A) of the Income Tax Ordinance, 2001 (the Ordinance) in respect of tax years 2010 and 2011 and made certain disallowances and additions 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 the part of turnover. The Department, however, has approached Honourable High Court against the decision of ATIR in tax year 2011 and has also filed Miscellaneous Application in ATIR in tax year 2010.

The Company has reversed the minimum tax liability during the year ended 30 June 2013 based on the decision of ATIR.

43.2 The returns of income have been filed up to and including tax year 2014 (corresponding to financial year ended 30 June 2014), while the income tax assessments have been finalized up to and including tax year 2011.

During the year ended 30 June 2009, the Taxation Officer passed order under section 161 and 205 read with 152(5) of the Income Tax Ordinance, 2001 raised tax demand of Rs. 22.368 million for withholding income tax on payments of rentals of power plant to a non-resident company at the rate of 12.5% instead of 30% under section 152 of the Ordinance. Management considers that under Article 12 of the double taxation treaty between Pakistan and UK, such rentals are subject to 12.5% and therefore, no provision in these financial statements have been made in this regard. An appeal has been filed before Appellate Tribunal Inland Revenue subsequent to the Commissioner Inland Revenue (Appeals) decision confirming the order of the taxation officer.

The Tax Department has revised the assessment orders for the tax year 2004, 2005, 2006, 2007 & 2008 raising tax demand of Rs. 51.437 million, Rs. 65.338 million, Rs. 95.150 million, Rs. 76.860 million, and Rs. 109.837 million respectively, on account of levy of minimum tax at the rate of 0.5% of turnover on "other income" and "tariff adjustment" subsidy from Government of Pakistan.

The Commissioner Inland Revenue has given decision in respect of tax Year 2004, tax year 2005, & tax year 2008 whereas the decision is pending in respect of Tax Year 2006 & 2007. However, the Minimum tax related issues were not adjudicated in Commissioner Inland Revenue order. Accordingly, rectification letters have been filed against this omission in orders and appeals with Income Tax Appellate Tribunal (ITAT) with regard to tax year 2004, 2005 and 2008 have also been filed.

The management based on advice of its tax consultants is of the view that the tax demand is unjustified and not in accordance with true interpretation of law. As such, the ultimate outcome will be in favour of the Company. The Company's contention is further strengthened by the decision of Appellate Tribunal in tax years 2010 & 2011 whereby it held that the Government Subsidy is not the part of Turnover.

43.3 Deferred taxation

	2015	2014
	(Rupees in '000)	
Deferred credits:		
- accelerated tax depreciation	32,226,772	25,389,395
Deferred tax debits:		
- available tax losses	(131,636,680)	(146,955,911)
- provision for gratuity and compensated absences	(1,724,386)	(1,731,177)
- others	(13,967,505)	(10,565,286)
	(147,328,571)	(159,252,374)
	(115,101,799)	(133,862,979)

43.3.1 Deferred tax debit, amounted to Rs. 115,102 million (2014: Rs. 133,862 million) out of which deferred tax asset amounting to Rs. 14,646 million (2014: 2,345 million) has been recognised based on financial projections of future 3 years which indicate availability of taxable profits against which this asset is estimated to be realised, however, the balance amount will be recognised in future years to the extent and based on financial projections indicating availability of taxable profits. At the year end, the Company's tax losses amounted to Rs. 411,364 million (2014: Rs. 419,874 million).

44. EARNING PER SHARE - BASIC / DILUTED

	2015	2014
Earning attributable to ordinary share holders (Rupees in '000)	28,324,711	12,887,235
Weighted average number of ordinary shares outstanding for basic earning per share (Number of shares in '000)	27,615,194	27,615,194
Earning per share - Basic (In Rupees)	1.03	0.47
Earning attributable to ordinary share holders net of dilution effect (Rupees in '000)	28,324,711	12,887,235
Weighted average number of ordinary shares outstanding net of dilution effect (Number of shares in '000)	27,615,194	27,615,194
Earning per share - Diluted (In Rupees)	1.03	0.47

45 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

		2015			2014		
	Note	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
		(Rupees in '000)					
Directors' fee	45.2	-	2,795	-	-	520	-
Managerial remuneration		12,371	4,342	2,028,045	12,371	4,434	1,653,488
House rent / accommodation		4,529	1,742	404,995	4,529	1,742	344,625
		16,900	8,879	2,433,040	16,900	6,696	1,998,113
Number of persons		2	12	826	1	12	693

45.1 The Executives and Chief Executive Officer 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 was the remuneration of other CEO who worked part of the year during the year ended 30 June 2015.

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

46 TRANSMISSION AND DISTRIBUTION LOSSES

46.1 The transmission and distribution losses were 23.70% (June 2014: 25.30%). The trend of transmission and distribution losses over the years is as follows:

2003-2004	37.84%
2004-2005	34.23%
2005-2006	34.43%
2006-2007	34.23%
2007-2008	34.12%
2008-2009	35.85%
2009-2010	34.89%
2010-2011	32.20%
2011-2012	29.70%
2012-2013	27.82%
2013-2014	25.30%
2014-2015	23.70%

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. This affects the profitability of the Company.

47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

Financial Risk Factors

The Company has exposure to the following risks arising from financial instruments:

- Market Risk
- Credit Risk
- Liquidity Risk

This note presents information about the Company's exposure to each of the following risks, the Company's objectives, policies and processes for measuring and managing risks and the Company's management of capital.

Risk Management Framework

The Board of Directors have the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established a Board Finance Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee regularly reports to the Board on its activities. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limit and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Company. The Audit Committee is assisted in its oversight role by the internal audit function. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures the results of which are reported to the Audit committee.

The Company's principal financial liabilities other than derivatives, comprise bank loans and overdrafts, trade payables and etc. The main purpose of these financial liabilities is to raise finance for Company's operations. The Company has various financial assets such as trade receivables, cash, short term deposits etc. which arise directly from its operations.

The Company also entered into derivative transactions, primarily cross currency and interest rate swap contracts. The purpose is to manage currency and interest rate risk from Company's operation and its source of finance. It is the Company policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. Market Risk comprise of three components - the currency risk, interest rate risk and other price risk. The Company buys and sells derivatives and also incurs financial liabilities in order to manage market risks. All such transactions are carried out within guidelines set by the Board Finance Committee. Generally the Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

47.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company is exposed to foreign currency risk on purchase and borrowings that are denominated in a currency other than Pak Rupees. As the Company imports items of operating fixed assets and stores and spares for generation plants accordingly it is exposed to currency risk, primarily with respect to liabilities denominated in US Dollars.

The Company has hedged 100% of its long term financing denominated in its foreign currency. The company uses cross currency swaps to hedge its currency risk, with a maturity of more than one year from the reporting date. Such contracts are generally designated as cash flow hedge.

Exposure to Currency Risk

The summary of the quantitative data about the Company's exposure to foreign currency risk is as follows:

	30 June 2015							
	PKR	**USD**	**EUP**	**GBP**	**AED**	***Others**	**Total**	**Off-Balance Sheet**
				(Rupees in '000)				
Current Assets								
Loans and Advances	500,068	221,805	55,304	12,639	1,951	6,620	798,387	-
Derivative financial assets	-						-	
Trade deposits and prepayments	5,771,147	191	-	-	-	-	5,771,338	-
Cash and bank balances	1,267,254	379	-	-	-	-	1,267,633	-
	7,538,469	222,375	55,304	12,639	1,951	6,620	7,837,358	-
Non-Current Liabilities								
Long term financing	-	-	-	-	-	-	-	-
Long term diminishing musharka	-	-	-	-	-	-	-	
Current Liabilities								
Current Maturity of Long Term Financing	-	-	-	-	-	-	-	-
Short-term borrowings	36,717,696	25,425	-	-	-	-	36,743,121	
Accrued mark-up on loans	-	-	-	-	-	-	-	
	36,717,696	25,425	-	-	-	-	36,743,121	-
Gross balance sheet exposure	29,179,227	(196,950)	(55,304)	(12,639)	(1,951)	(6,620)	28,905,763	-

* Other currencies include Swiss Francs (CHF), Australian Dollar (AUD), Carona (SEK), Japanese Yen (JPY), Chinese currency (CNY) and Singaporean Dollar (SGD).

	30 June 2014							
	PKR	USD	EUP	GBP	AED	*Others	Total	Off-Balance Sheet
				(Rupees in '000)				
Current Assets								
Loans and Advances	544,549	864,299	51,171	12,451	1,552	11,833	1,486,855	-
Derivative financial assets	1,862,728	-	-	-	-	-	1,862,728	13,088,692
Trade deposits and prepayments	2,217,837	191	-	-	-	-	2,218,028	-
Cash and bank balances	653,297	176	-	-	-	-	653,473	-
	5,278,411	864,666	51,171	12,451	1,552	11,833	6,220,084	13,088,692
Non-Current Liabilities								
Long term financing	8,824,194	9,407,197	-	-	-	-	18,231,391	-
Current Liabilities								
Current Maturity of Long Term Financing	6,246,512	3,681,495	-	-	-	-	9,928,007	-
Short-term borrowings	44,928,492	24,638	-	-	-	-	44,953,130	-
Accrued mark-up on loans	5,654,843	64,700	-	-	-	-	5,719,543	-
	65,654,041	13,178,030	-	-	-	-	78,832,071	-
Gross balance sheet exposure	60,375,630	12,313,364	(51,171)	(12,451)	(1,552)	(11,833)	72,611,987	(13,088,692)

* Other currencies include Swiss Francs (CHF), Hongkong Dollar (HKD), Japanese Yen (JPY), Singaporean Dollar (SGD) and Renminbi (RMB), Singapore Dollar (SGD).

Significant exchange rates applied during the year were as follows:

	Average rate for the year		Spot rate as at 30 June	
	2015	2014	**2015**	2014
Rupees per	(Rupees)		(Rupees)	
EURO	**120.98**	140.20	**113.57**	134.46
USD	**101.41**	103.05	**101.50**	98.55
GBP	**159.66**	168.44	**159.59**	167.79
JPY	**0.88**	1.02	**0.83**	0.97
SGD	**77.27**	81.72	**75.35**	78.90

Sensitivity analysis

A five percent strengthening / (weakening) of the Rupee against Foreign Currency as at 30 June 2015 would have increased / (decreased) equity and profit and loss account by Rs.13,654 million (2014: Rs. 611.819 million). This analysis assumes that all other variables, in particular interest rates, remaining constant. The analysis is performed on the same basis for 2015 as in 2014.

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 had 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:

	2015	2014
Fixed Rate Instruments	**(Rupees in '000)**	
Financial Assets		
Deposit account	**19,918**	32,276
Long term loans	**1,265**	1,654
Deposit under lien against LC	**4,703,867**	578,477
	4,725,050	612,407
Financial Liabilities		
Short term borrowings	**1,680,735**	1,662,730
Variable Rate Instruments		
Financial Assets		
Derivative financial assets	**-**	1,862,728
Financial Liabilities		
Long term diminishing musharka	**21,527,233**	-
Long term financing	**6,545,714**	18,205,391
Short term borrowing	**35,017,298**	41,578,632
Trade and other payable	**2,425,000**	3,636,680
Current portion of long term financing	**3,001,305**	9,413,134
	68,516,550	72,833,837

Fair value sensitivity analysis

The Company does not account for 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. 685 million (2014: Rs. 380 million).

47.1.3 Other Price Risk

Other Price Risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future value of investments securities. As at balance sheet date, the Company is not exposed to equity price risk.

47.2 Credit Risk

Credit Risk is the risk of financial loss to the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligation, and arises principally from the Company's receivables from customers and balances held with banks.

Exposure to Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk are trade debts. Out of the total financial assets of Rs. 144,372 million (2014: Rs. 124,796,million), the financial assets which are subject to credit risk amounted to Rs. 49,740 million (2014: Rs. 43,391million). 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.

	2015		2014	
	Financial assets	**Maximum exposure**	Financial assets	Maximum exposure
	(Rupees in '000)			
Long term loans	**27,837**	**27,837**	29,376	29,376
Loans and advances	**38,021**	**9,297**	37,586	12,522
Long term deposits and prepayments	**7,907**	**-**	105,816	-
Trade debts	**83,290,562**	**42,688,559**	75,704,095	38,591,046
Trade deposits	**5,649,527**	**5,649,527**	2,161,812	2,161,812
Other receivables	**39,451,720**	**114,978**	44,240,998	94,276
Cash and bank balances	**1,267,633**	**1,249,742**	653,473	639,522
Derivative Financial Assets	**-**	**-**	1,862,728	1,862,728
	129,733,207	**49,739,940**	124,795,884	43,391,282

Differences in the balances as per balance sheet and maximum exposures were due to the fact that other receivables of Rs. 39,452 million (2014: Rs. 44,241 million) which mainly comprises of sales tax of Rs. 3,438 million (2014: Rs. 6,351 million) and tariff adjustment amounting to Rs. 35,661 million (2014: Rs. 37,558 million). Trade debts includes due from Government and autonomous bodies amounting to Rs. 46,529 million (2014: Rs. 42,289 million).

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

	2015	2014
	(Rupees in '000)	
Ordinary Consumers	**41,986,189**	37,164,323
Industrial Consumers	**702,370**	1,426,723
	42,688,559	38,591,046

Impairment losses

The aging of trade debtors as at the balance sheet date was:

	2015		2014	
	Gross	**Impairment**	Gross	Impairment
	(Rupees in '000)			
Up to 1 year	**40,250,597**	**1,083,036**	36,972,980	877,949
1 to 2 years	**23,154,106**	**3,316,510**	21,127,517	3,340,645
2 to 3 years	**17,777,043**	**5,008,702**	11,299,398	2,927,218
3 to 4 years	**9,970,990**	**6,416,326**	8,988,665	5,035,538
Over 4 years	**28,302,566**	**20,340,166**	26,069,577	16,572,691
	119,455,302	**36,164,740**	104,458,137	28,754,041

47.2.1 The credit quality of the receivables can be assessed with reference to the historical performance with no or some defaults in recent history, however, no loses. The credit quality of Company's bank balances can be assessed with reference to external credit rating as follows:

Company Name	Rating agency	Rating	
		Short-term	Long-term
Public Sector Banks			
First Women Bank Limited	PACRA	A2	BBB+
National Bank of Pakistan	PACRA	A1+	AAA
Sindh Bank Limited	JCR-VIS	A-1+	AA
The Bank of Khyber	PACRA	A1	A
The Bank of Punjab	PACRA	A1+	AA-
Specialized Banks			
SME Bank Limited	PACRA	B	BB
Zarai Taraqiati Bank Limited	JCR-VIS	A-1+	AAA
Private Sector Banks			
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	JCR-VIS	A-1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank Al-Habib Limited	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1+	A+
MCB Bank Limited	PACRA	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA
SilkBank Limited	JCR-VIS	A-2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A-1	A
United Bank Limited	JCR-VIS	A-1+	AA+
Foreign Banks operating in Pakistan			
Citibank N.A.	Moody's	P-1	A2
Deutsche Bank AG	Standard & Poor's	A-2	BBB+
Industrial and Commercial Bank of China	Moody's	P-1	A1
HSBC Oman Bank	Fitch	F1	A+
The Bank of Tokyo-Mitsubishi-UFJ, Limited	Standard & Poor's	A-1	A+
Islamic Banks			
Albaraka Bank (Pakistan) Limited	PACRA	A1	A
BankIslami Pakistan Limited	PACRA	A1	A+
Burj Bank Limited	JCR-VIS	A-2	A-
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	A+
Meezan Bank Limited	JCR-VIS	A-1+	AA
Development Finance Institutions			
Pak Brunei Investment Company Limited	JCR-VIS	A-1+	AA+
Pak China Investment Company Limited	JCR-VIS	A-1+	AAA
Pak Kuwait Investment Company	PACRA	A1+	AAA
Pak Libya Holding Company (Pvt.) Limited	PACRA	A1+	AA-
Pak Oman Investment Company	JCR-VIS	A-1+	AA+
PAIR Investment Company	PACRA	A1+	AA
Saudi Pak Industrial & Agricultural Investment Corporation (Pvt.) Limited	JCR-VIS	A-1+	AA+
Microfinance Banks			
Advans Microfinance Bank Limited	JCR-VIS	A-3	BBB+
Apna Microfinance Bank Limited	PACRA	A3	BBB+
FINCA Microfinance Bank Limited	JCR-VIS	A-2	A-
Khushhali Bank Limited	JCR-VIS	A-1	A+
NRSP Microfinance Bank Limited	JCR-VIS	A-2	A-
Pak Oman Microfinance Bank Limited	JCR-VIS	A-3	BBB+
Tameer Microfinance Bank Limited	PACRA	A-1	A+
The First Microfinance Bank Limited	JCR-VIS	A-1	A
Waseela Microfinance Bank Limited	PACRA	A2	A-
U Microfinance Bank Limited	JCR-VIS	A-2	A-

47.3 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

	2015					
Non-Derivative Financial liabilities	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to Five years	More than five years
	(Rupees in '000)					
Long term financing	9,573,629	(12,288,339)	(2,465,461)	(2,128,308)	(7,694,570)	-
Long term diminishing musharka	21,527,233	(31,899,867)	(928,388)	(992,712)	(20,188,466)	(9,790,301)
Long-term deposits	6,712,048	(6,712,048)	-	-	-	(6,712,048)
Trade and other payables	105,787,466	(105,787,466)	(105,787,466)	-	-	-
Accrued mark-up	5,866,849	(5,866,849)	(5,866,849)	-	-	-
Short-term borrowings	36,743,121	(36,743,121)	(36,743,121)	-	-	-
Short-term deposits	7,099,055	(7,099,055)	(7,099,055)	-	-	-
	193,309,401	(206,396,745)	(158,890,340)	(3,121,020)	(27,883,036)	(16,502,349)

	2014					
Non-Derivative Financial liabilities	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to Five years	More than five years
	(Rupees in '000)					
Long term financing	28,159,398	(31,951,943)	(6,941,834)	(4,982,236)	(20,027,873)	-
Long-term deposits	5,865,741	(5,865,741)	-	-	-	(5,865,741)
Trade and other payables	108,478,166	(108,478,166)	(108,478,166)	-	-	-
Accrued mark-up	5,719,543	(5,719,543)	(5,719,543)	-	-	-
Short-term borrowings	44,953,130	(44,953,130)	(44,953,130)	-	-	-
Short-term deposits	5,883,741	(5,883,741)	(5,883,741)	-	-	-
	199,059,719	(202,852,264)	(171,976,414)	(4,982,236)	(20,027,873)	(5,865,741)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June (and includes both principal and interest payable thereon). The rates of mark-up have been disclosed in notes 21 and 27 to these financial statements.

As disclosed in note 21 of these financial statements, the Company has multiple secured bank loans which contain debt covenants. The breach of these covenants may require the Company to repay the loan earlier than indicated in the above table. As disclosed in note 21, convertible loans become payable on demand if the Company's short term debt and excess payables to GoP exceeds the set limit of Rs. 30,000 million from 01 January 2013 to 30 March 2014 Rs. 27,000 million from 31 March 2014 till 29 June 2014, Rs 24,000 million from 30 June 2014 to 29 September 2014 and Rs 16,000 million from 30 September 2014 onwards. The interest rate payments on variable rate loans and short term borrowings in the table above reflect market rates at the period end and the amounts may differ as market interest rates change. The future cash flows on derivative instruments may be different from the amount in the above table as interest rates and exchange rates or the relevant conditions underlying the contingency change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

47.4 Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. The carrying amounts of all the financial instruments reflected in these financial statements approximate to their fair value.

47.5 Hedging Activities and Derivatives

The Company uses foreign currency denominated borrowings to manage some of its transactions exposures. These carry cross currency swaps which are designated as cash flow hedge and are dealt in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". Such derivatives qualify for hedge accounting (note 3.23).

Cash flow hedges

During the year, the Company had 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 were being used to hedge the interest / currency risk in respect of long- term financing as stated in notes 21.1, 21.3 and 21.4 to these financial statements. The Company has prepaid such long term financing and as a result cross currency and interest rate swaps were also settled on the date of prepayment.

Fair value	Note	2015	2014
		(Rupees in '000)	
Cross Currency Swaps	14.1	-	1,905,437
Interest Rate Swap	14.2	-	(42,709)

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 2015.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions.

The Company monitors capital using the net debt to adjusted equity ratio, which is total debt of the Company as reduced by cash and cash equivalents, divided by total capital plus the net debt. Equity comprises of share capital, capital and revenue reserves. During the year, the Company's strategy was to maintain leveraged gearing. The net debt to equity ratio as at 30 June 2015 and 30 June 2014 were as follows:

	Note	2015	2014
		(Rupees in '000)	
Long term diminishing musharka	20	21,527,233	-
Long-term financing	21	6,571,714	18,231,391
Long-term deposits	22	6,712,048	5,865,741
Trade and other payables	25	105,787,466	108,478,166
Accrued mark-up	26	5,866,849	5,719,543
Short-term borrowings	27	36,743,121	44,953,130
Short-term deposits	28	7,099,055	5,883,741
Current maturity of non-current liabilities	33	3,001,915	9,928,007
Total debt		193,309,401	199,059,719
Cash and bank balance	15	(1,267,633)	(653,473)
Net debt		192,041,768	198,406,246
Total equity		74,074,438	43,541,306
Cash flow hedge		-	359,552
Total capital		266,116,206	242,307,104
Net debt to adjusted equity		0.72	0.82

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 2015 and 30 June 2014 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	27,837	-	-	27,837	27,837
Long-term deposits	7,907	-	-	7,907	7,907
Trade debts	83,290,562	-	-	83,290,562	83,290,562
Loans and advances	38,021	-	-	38,021	38,021
Trade deposits	5,649,527	-	-	5,649,527	5,649,527
Derivative financial asset	-	-	-	-	-
Cash and bank balances	1,267,633	-	-	1,267,633	1,267,633
Financial Liabilities					
Long-term diminishing musharka	-	-	21,527,233	21,527,233	21,527,233
Long-term financing	-	-	6,571,714	6,571,714	6,571,714
Long-term deposits	-	-	6,712,048	6,712,048	6,712,048
Current maturity of long-term financing	-	-	3,001,915	3,001,915	3,001,915
Trade and other payables	-	-	105,787,466	105,787,466	105,787,466
Accrued mark-up	-	-	5,866,849	5,866,849	5,866,849
Short-term borrowings	-	-	36,743,121	36,743,121	36,743,121
Short-term deposits	-	-	7,099,055	7,099,055	7,099,055

Fair value hierarchy

Financial instruments carried at fair value are analysed 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).

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:

48.1 KES Power Limited, Parent Company

	2015	2014
	(Rupees in '000)	
Short term loan payable	45,088	45,088

48.2 Government Related Entities

	2015	2014
	(Rupees in '000)	
48.2.1 National Transmission and Dispatch Company		
Purchases	45,183,711	53,640,675
Amount payable included in creditors	46,904,694	37,904,027
Amount payable included in long term financing	-	945,000
48.2.2 Pakistan State Oil Company Limited		
Purchases	22,849,337	24,866,365
Late payment surcharge	374,169	900,487
Amount payable included in creditors	4,053,658	5,323,836
48.2.3 Sui Southern Gas Company Limited		
Purchases	30,757,512	31,552,581
Amount payable included in creditors	26,209,967	29,370,726
48.3 BYCO Petroleum Pakistan Limited		
Amount payable included in creditors	1,725,250	2,744,418
Purchases	6,598,095	8,300,306
Financial Charges / Late Payment Surcharge	212,889	366,518
48.4 Key management personnel		
Managerial Remuneration	148,372	142,358
Housing and utilities	81,604	78,297
Other allowances and benefits	117,742	94,869
Retirement Benefits	26,175	45,692
Leave encashment	-	1,190
48.5 Provident Fund		
Contribution to provident fund	528,352	492,030
Payable to provident fund	11,585	29,164

48.6 Remuneration to the executive officers of the Company (disclosed in note 45 to these financial statements) and loans and advances to them (disclosed in note 7 to these financial statements) are determined in accordance with the terms of their employment.

49 DIVIDEND DISTRIBUTION

The Company has decided not to record any dividend on redeemable preference shares in view of accumulated losses and restriction on dividend placed by local commercial banks 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:

	2015	2014
	(Rupees in '000)	
	(Un-audited)	
Size of the fund - Net assets	8,364,630	7,767,226
Cost of the investment made	5,600,924	5,130,275
Percentage of the investment made	67%	66%
Fair value of the investment made	8,517,417	7,827,650

The break up of fair value of the investment is:

	2015		2014	
	(Rupees in '000)	%	(Rupees in '000)	%
Term deposit receipts	-	0.00%	316,498	4.04%
Government securities	4,580,696	53.78%	3,914,042	50.00%
Sukuk	16,826	0.20%	-	0.00%
Debt securities	246,955	2.90%	278,867	3.56%
Mutual funds	3,672,940	43.12%	3,318,243	42.39%
	8,517,417		7,827,650	

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 9,318 Gwh (2014: 8,709 Gwh), at BQPS - I Unit 3 & 4 have been earmarked for coal conversion project.

The gross dependable capacity in the year FY15 was 1,670 MW compared to 1,652 MW in FY14.

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 2015 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, except for

- Accumulating leave payable amounting to Rs. 261.394 million as of 30 June 2014 previously shown under trade and other payables has been reclassified and shown under the head employee retirement benefit non-current liabilities.

- Rental of meters & equipment amounting to Rs. 218.087 million for the year ended 30 June 2014 previously shown as part of revenue has been reclassified and now shown under the head Other Income.

- A balance Murhaba financing of Rs.1,666.680 million as of 30 June 2014 has been been reclassified from trade and other payables to short term financing.

55 NUMBER OF EMPLOYEES

The average number of employees for the year ended 30 June 2015 were 10,473 (2014: 10,509) and number of employees as at 30 June 2015 were 10,443 (2014: 10,242).

56 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 20 August 2015 by the Board of Directors of the Company.

57 GENERAL

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

Muhammad Tayyab Tareen	Khalid Rafi
Chief Executive Officer	Director

Pattern of Shareholdings

As of 30 June 2015 Ordinary Shares

# of Shareholders	Shareholdings' Slab			Total Shares Held
5899	1	to	100	1 70,185
3708	101	to	500	1,162,991
2428	501	to	1000	2,188,217
5439	1001	to	5000	16,186,153
2289	5001	to	10000	19,294,706
877	10001	to	15000	11,514,924
709	15001	to	20000	13,496,299
510	20001	to	25000	12,244,369
322	25001	to	30000	9,317,491
193	30001	to	35000	6,494,273
184	35001	to	40000	7,164,889
95	40001	to	45000	4,156,079
378	45001	to	50000	18,814,758
81	50001	to	55000	4,310,335
87	55001	to	60000	5,159,309
48	60001	to	65000	3,058,210
61	65001	to	70000	4,210,219
82	70001	to	75000	6,103,117
43	75001	to	80000	3,409,952
31	80001	to	85000	2,589,000
36	85001	to	90000	3,191,494
18	90001	to	95000	1,679,989
278	95001	to	100000	27,772,137
30	100001	to	105000	3,096,796
27	105001	to	110000	2,946,888
14	110001	to	115000	1,583,152
20	115001	to	120000	2,378,168
26	120001	to	125000	3,235,929
18	125001	to	130000	2,321,826
8	130001	to	135000	1,072,168
18	135001	to	140000	2,499,970
7	140001	to	145000	1,008,190
64	145001	to	150000	9,592,000
5	150001	to	155000	7 69,000
11	155001	to	160000	1,750,500
8	160001	to	165000	1,305,500
6	165001	to	170000	1,012,000
14	170001	to	175000	2,437,538

# of Shareholders	Shareholdings' Slab			Total Shares Held
9	175001	to	180000	1,613,000
6	180001	to	185000	1,107,000
5	185001	to	190000	9 50,000
5	190001	to	195000	9 61,892
89	195001	to	200000	17,796,756
4	200001	to	205000	8 17,500
6	205001	to	210000	1,256,200
3	210001	to	215000	6 45,000
2	215001	to	220000	4 40,000
8	220001	to	225000	1,797,500
1	225001	to	230000	2 30,000
5	230001	to	235000	1,169,000
7	235001	to	240000	1,671,500
6	240001	to	245000	1,465,000
36	245001	to	250000	8,993,720
5	250001	to	255000	1,264,000
8	255001	to	260000	2,073,500
8	260001	to	265000	2,111,500
4	265001	to	270000	1,075,687
9	270001	to	275000	2,468,500
4	275001	to	280000	1,115,500
2	280001	to	285000	5 66,000
3	285001	to	290000	8 66,000
5	290001	to	295000	1,469,736
52	295001	to	300000	15,593,838
4	300001	to	305000	1,210,528
4	305001	to	310000	1,236,264
1	310001	to	315000	3 11,746
4	315001	to	320000	1,270,000
11	320001	to	325000	3,575,000
2	325001	to	330000	6 55,657
5	330001	to	335000	1,665,500
1	335001	to	340000	3 35,349
1	340001	to	345000	3 42,000
8	345001	to	350000	2,792,500
4	350001	to	355000	1,414,000
1	365001	to	370000	3 69,000
5	370001	to	375000	1,875,000
2	375001	to	380000	7 58,000
2	380001	to	385000	7 67,000
2	385001	to	390000	7 75,548
2	390001	to	395000	7 88,000
21	395001	to	400000	8,395,500
5	405001	to	410000	2,044,964
1	410001	to	415000	4 15,000
1	415001	to	420000	4 15,464
1	420001	to	425000	4 25,000
2	425001	to	430000	8 55,754

# of Shareholders	Shareholdings' Slab			Total Shares Held
3	430001	to	435000	1,298,840
1	440001	to	445000	4 42,000
9	445001	to	450000	4,050,000
1	450001	to	455000	4 52,500
1	455001	to	460000	4 56,500
2	460001	to	465000	9 29,000
1	465001	to	470000	4 66,000
2	470001	to	475000	9 50,000
1	480001	to	485000	4 81,000
49	495001	to	500000	24,499,000
2	500001	to	505000	1,010,000
1	505001	to	510000	5 06,500
1	510001	to	515000	5 15,000
3	515001	to	520000	1,557,000
3	520001	to	525000	1,572,000
1	540001	to	545000	5 45,000
9	545001	to	550000	4,943,000
2	555001	to	560000	1,115,834
1	580001	to	585000	5 83,500
1	585001	to	590000	5 90,000
1	590001	to	595000	5 93,148
6	595001	to	600000	3,600,000
1	600001	to	605000	6 01,000
2	620001	to	625000	1,250,000
1	625001	to	630000	6 26,000
2	635001	to	640000	1,277,000
3	645001	to	650000	1,950,000
2	650001	to	655000	1,310,000
1	655001	to	660000	6 58,000
1	660001	to	665000	6 61,000
2	670001	to	675000	1,346,600
1	675001	to	680000	6 76,935
1	690001	to	695000	6 92,500
3	695001	to	700000	2,100,000
1	735001	to	740000	7 40,000
4	745001	to	750000	3,000,000
1	765001	to	770000	7 70,000
1	790001	to	795000	7 92,000
8	795001	to	800000	6,396,500
1	800001	to	805000	8 01,700
1	805001	to	810000	8 10,000
4	845001	to	850000	3,400,000
1	850001	to	855000	8 55,000
1	855001	to	860000	8 57,400
1	870001	to	875000	8 75,000
1	875001	to	880000	8 79,000
5	895001	to	900000	4,500,000
1	900001	to	905000	9 05,000

# of Shareholders	Shareholdings' Slab			Total Shares Held
1	920001	to	925000	9 25,000
2	930001	to	935000	1,870,000
1	940001	to	945000	9 40,500
3	945001	to	950000	2,849,000
1	950001	to	955000	9 50,509
1	990001	to	995000	9 91,000
21	995001	to	1000000	20,998,000
1	1000001	to	1005000	1,002,500
3	1095001	to	1100000	3,300,000
1	1130001	to	1135000	1,135,000
1	1160001	to	1165000	1,162,500
4	1195001	to	1200000	4,800,000
1	1200001	to	1205000	1,202,000
1	1220001	to	1225000	1,225,000
1	1225001	to	1230000	1,230,000
1	1270001	to	1275000	1,272,500
1	1275001	to	1280000	1,279,500
1	1295001	to	1300000	1,300,000
1	1300001	to	1305000	1,300,727
1	1310001	to	1315000	1,312,500
1	1315001	to	1320000	1,318,000
2	1395001	to	1400000	2,799,752
1	1420001	to	1425000	1,425,000
1	1445001	to	1450000	1,450,000
1	1470001	to	1475000	1,475,000
1	1485001	to	1490000	1,490,000
5	1495001	to	1500000	7,500,000
1	1535001	to	1540000	1,540,000
1	1570001	to	1575000	1,575,000
1	1590001	to	1595000	1,595,000
2	1595001	to	1600000	3,198,500
1	1650001	to	1655000	1,652,000
1	1690001	to	1695000	1,690,500
1	1725001	to	1730000	1,726,700
1	1745001	to	1750000	1,750,000
2	1795001	to	1800000	3,600,000
1	1805001	to	1810000	1,807,500
1	1845001	to	1850000	1,850,000
1	1855001	to	1860000	1,859,000
2	1895001	to	1900000	3,800,000
1	1945001	to	1950000	1,950,000
1	1965001	to	1970000	1,967,000
1	1970001	to	1975000	1,972,731
6	1995001	to	2000000	12,000,000
1	2035001	to	2040000	2,038,000
1	2090001	to	2095000	2,091,000
2	2095001	to	2100000	4,200,000
1	2115001	to	2120000	2,116,750

# of Shareholders	Shareholdings' Slab		Total Shares Held
1	2185001	to 2190000	2,185,500
1	2200001	to 2205000	2,204,500
1	2220001	to 2225000	2,223,000
1	2255001	to 2260000	2,256,500
1	2300001	to 2305000	2,300,500
1	2315001	to 2320000	2,319,500
1	2400001	to 2405000	2,404,000
1	2435001	to 2440000	2,440,000
3	2495001	to 2500000	7,500,000
1	2510001	to 2515000	2,515,000
1	2670001	to 2675000	2,675,000
1	2695001	to 2700000	2,700,000
1	2720001	to 2725000	2,721,000
1	2745001	to 2750000	2,750,000
1	2785001	to 2790000	2,789,000
3	2995001	to 3000000	9,000,000
1	3000001	to 3005000	3,001,000
1	3095001	to 3100000	3,100,000
1	3185001	to 3190000	3,186,237
1	3220001	to 3225000	3,224,500
1	3295001	to 3300000	3,300,000
1	3435001	to 3440000	3,437,676
1	3495001	to 3500000	3,500,000
1	3570001	to 3575000	3,574,000
1	3665001	to 3670000	3,668,000
2	3695001	to 3700000	7,400,000
1	3920001	to 3925000	3,924,500
2	3945001	to 3950000	7,893,387
1	3990001	to 3995000	3,995,000
1	3995001	to 4000000	4,000,000
1	4020001	to 4025000	4,020,600
1	4025001	to 4030000	4,027,653
1	4095001	to 4100000	4,100,000
1	4270001	to 4275000	4,272,000
1	4320001	to 4325000	4,325,000
1	4450001	to 4455000	4,452,260
1	4470001	to 4475000	4,472,500
1	4475001	to 4480000	4,478,500
1	4480001	to 4485000	4,481,500
1	4735001	to 4740000	4,736,500
1	4775001	to 4780000	4,778,000
1	4845001	to 4850000	4,850,000
1	4875001	to 4880000	4,876,815
1	4895001	to 4900000	4,896,600
3	4995001	to 5000000	15,000,000
1	5055001	to 5060000	5,060,000
1	5070001	to 5075000	5,073,775
1	5115001	to 5120000	5,116,500

# of Shareholders	Shareholdings' Slab			Total Shares Held
1	5120001	to	5125000	5,125,000
1	5295001	to	5300000	5,300,000
1	5495001	to	5500000	5,500,000
4	5995001	to	6000000	24,000,000
1	6335001	to	6340000	6,340,000
1	6575001	to	6580000	6,577,500
1	6675001	to	6680000	6,675,956
1	6995001	to	7000000	7,000,000
1	7545001	to	7550000	7,546,500
1	8465001	to	8470000	8,466,500
1	8495001	to	8500000	8,500,000
1	8685001	to	8690000	8,688,500
1	9195001	to	9200000	9,196,985
1	9325001	to	9330000	9,327,594
1	9705001	to	9710000	9,706,969
2	9995001	to	10000000	20,000,000
1	10045001	to	10050000	10,046,500
1	10565001	to	10570000	10,568,500
4	10995001	to	11000000	44,000,000
1	11145001	to	11150000	11,150,000
1	11275001	to	11280000	11,279,500
1	11385001	to	11390000	11,389,500
1	14150001	to	14155000	14,153,700
1	14995001	to	15000000	15,000,000
1	17885001	to	17890000	17,888,000
1	19165001	to	19170000	19,165,500
1	19485001	to	19490000	19,487,500
1	19580001	to	19585000	19,583,042
1	19620001	to	19625000	19,621,037
1	19740001	to	19745000	19,740,411
1	19995001	to	20000000	20,000,000
1	20465001	to	20470000	20,466,000
1	20995001	to	21000000	21,000,000
1	22585001	to	22590000	22,590,000
1	23895001	to	23900000	23,900,000
1	25440001	to	25445000	25,441,500
1	27645001	to	27650000	27,650,000
1	32915001	to	32920000	32,917,688
1	34195001	to	34200000	34,197,000
1	40310001	to	40315000	40,311,000
1	44995001	to	45000000	45,000,000
1	45590001	to	45595000	45,595,000
1	47060001	to	47065000	47,062,500
4	50005000	to	223236500	3 09,336,813
2	223236500	to	1708162000	7 07,761,142
1	6726910001	to	6726915000	6,726,912,278
1	18335540001	to	18335545000	18,335,542,678
24810				**27,615,194,246**

Annual Report 2015

Categories of Shareholders

As of 30 June 2015 Ordinary Shares

Categories of Shareholders	Number	Total Shares	Percentage
Associated Companies, Undertakings and Related Parties	-	-	-
AND / OR			
Shareholders holding five per cent or more voting rights in the Company			
KES Power Limited (Holding Company)	1	18,335,542,678	66.40
President of the Islamic Republic of Pakistan (GoP)	1	6,726,912,278	24.36
Mutual Funds			
Trustee Pak Qatar Family Takaful Limited Balance Fund (BF)	1	500,000	0.00
Trustee Pak Qatar Family Takaful Limited Aggressive Fund	1	500,000	0.00
CDC - Trustee Pakistan Capital Market Fund	1	630	0.00
Golden Arrow Selected Stocks Fund Limited	1	17,888,000	0.06
CDC - Trustee Atlas Stock Market Fund	1	1,500,000	0.01
CDC - Trustee Meezan Balanced Fund	1	2,440,000	0.01
CDC - Trustee First Dawood Mutual Fund	1	500	0.00
CDC - Trustee AKD Index Tracker Fund	1	593,148	0.00
CDC - Trustee AKD Opportunity Fund	1	11,150,000	0.04
CDC - Trustee Pak. Int. Element Islamic Asset Allocation Fund	1	190,892	0.00
CDC - Trustee Al Meezan Mutual Fund	1	3,995,000	0.01
CDC - Trustee Meezan Islamic Fund	1	40,311,000	0.15
CDC - Trustee UBL Stock Advantage Fund	1	8,688,500	0.03
CDC - Trustee Atlas Islamic Stock Fund	1	2,000,000	0.01
CDC - Trustee Al-Ameen Shariah Stock Fund	1	27,650,000	0.10
CDC - Trustee Nafa Multi Asset Fund	1	5,000	0.00
CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	1	6,340,000	0.02
CDC - Trustee HBL- Stock Fund	1	19,740,411	0.07
CDC - Trustee Nafa Islamic Asset Allocation Fund	1	655,000	0.00
CDC - Trustee HBL Multi - Asset Fund	1	2,256,500	0.01
CDC - Trustee First Habib Stock Fund	1	275,000	0.00
CDC - Trustee Lakson Equity Fund	1	11,389,500	0.04
CDC - Trustee Nafa Asset Allocation Fund	1	1,490,000	0.01
CDC - Trustee PICIC Income Fund - MT	1	192,000	0.00
CDC - Trustee HBL Islamic Stock Fund	1	3,001,000	0.01
CDC - Trustee HBL LPF Equity Sub Fund	1	935,000	0.00
CDC - Trustee HBL PF Equity Sub Fund	1	465,000	0.00
CDC - Trustee KSE Meezan Index Fund	1	4,027,653	0.01
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	1	1,000,000	0.00
MCBFSL - Trustee Pak Oman Islamic Asset Allocation Fund	1	1,200,000	0.00
CDC - Trustee First Habib Islamic Balanced Fund	1	150,000	0.00
CDC - Trustee UBL Asset Allocation Fund	1	3,224,500	0.01
CDC - Trustee PIML Strategic Multi Asset Fund	1	350,000	0.00
CDC - Trustee First Capital Mutual Fund	1	150,000	0.00
CDC - Trustee Al-Ameen Islamic Asset Allocation Fund	1	1,859,000	0.01
CDC - Trustee Nafa Islamic Principal Protected Fund - I	1	900,000	0.00

Categories of Shareholders			Total Number	Total Shares	Total Percentage
CDC - Trustee PIML Islamic Equity Fund			1	380,000	0.00
CDC - Trustee Faysal Asset Allocation Fund - MT			1	991,000	0.00
CDC - Trustee Faysal Savings Growth Fund - MT			1	3,574,000	0.01
CDC - Trustee Faysal Income & Growth Fund - MT			1	2,223,000	0.01
CDC - Trustee Al-Ameen Islamic Ret. Sav. Fund-equity Sub Fund			1	3,668,000	0.01
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund			1	2,100,000	0.01
CDC - Trustee National Investment (Unit) Trust			1	5,073,775	0.02
CDC - Trustee Nafa Islamic Principal Protected Fund - IL			1	255,000	0.00
CDC - Trustee Askari High Yield Scheme - MT			1	12,500	0.00
CDC - Trustee Nafa Islamic Stock Fund			1	500,000	0.00
CDC - Trustee PIML Value Equity Fund			1	355,000	0.00
CDC - Trustee First Habib Income Fund - MT			1	4,020,600	0.01
CDC - Trustee HBL Mustahekum Sarmaya Fund - I			1	935,000	0.00
Directors, CEO & their Spouses and Minor Children			1	500	0.00
Executives			3	93,100	0.00
Public Sector Companies and corporations			13	34,052,112	0.12
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds					
Banks, Financial Institutions			25	112,926,557	0.41
Investment Companies			7	1,312,699	0.00
Insurance Companies			21	15,897,636	0.06
Joint Stock Companies			194	239,746,325	0.87
Modarabah Management Companies			2	10,001	0.00
Modarabas			16	2,265,835	0.01
Charitable Trusts			19	2,222,538	0.01
Leasing Companies			-	-	-
General Public - Local			24,315	748,243,925	2.71
Foreign Shareholders			91	1,178,545,490	4.27
Institutions					
Asian Development Bank (ADB)	468,302,928	1.70			
International Finance Corporation (IFC)	239,458,214	0.87			
Others	469,800,196	1.70			
General Public	984,152	0.00			
Others			52	16,321,463	0.06
			24,810	27,615,194,246	100.00

Stakeholders' Engagement

Institutional and other Investors

The Company respects and recognises the role and importance of institutional and retail investors, both present and prospective. A number of leading national and international financial and other institutions, including Asian Development Bank (ADB) and International Finance Corporation (IFC), are among KE's shareholders. In order to facilitate institutional investors, it is ensured that all Company related information and key operational and financial data are uploaded on KE's website and updated on regular basis. Contact persons are notified to entertain any request for further details. The Company as a matter of policy encourages active and meaningful participation of institutional and retail investors in the General Meetings of the Company and values their views and suggestions to further improve Company's performance to benefit all the stakeholders.

Customers and Suppliers

Customer service is at the forefront of KE and the Company has been constantly investing in improving the customer experience by making processes simpler, developing efficient platforms and alternate channels further. These touch-points have been reinforced through a pure transition from a clutter of people to an assembly of skilled and intelligent resources; thus the implementation of an entirely new structure on Customer Service was introduced.

The Company has expanded its state-of-the-art call centres and streamlined the call handling capabilities to attend the flow of consumers' complaints. The advent of alternate channels such as, email, social media, website and SMS has empowered the customers by making complaint registration and feedback more effective along with proactive communication on major developments like shutdowns, faults and load shed schedules. The introduction of SAP has allowed seamless integration with business operations enabling quick resolve of consumer complaints. The Company also revamped the customer service segment at all of its local business centres resulting in reduced waiting time and faster resolution of complaints.

Our continuous and sustainable growth is also attributable to engaging reputed and dependable suppliers as business partners for supply of raw material inputs, equipment and machinery, and other supplies.

Banks and other lenders

KE believes in openness of communication and complete transparency. The treasury department of KE engages with banks and other lenders frequently to explore financing options as well as to keep them apprised of the progress on various ongoing and upcoming projects and strategic initiatives. Furthermore, financial and other relevant information is shared with lenders as per their reporting requirements and on a need-to-know basis. KE perceives banks and lenders as important stakeholders and takes necessary steps to ensure that a healthy working relationship is maintained on mutual respect and that lenders feel comfortable with respect to affairs of the Company.

Media

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

Regulators

KE is a joint stock public limited company listed at all three (3) stock exchanges of the country and governed under the provisions of Companies Ordinance 1984 and rules and regulations framed thereunder in addition to Listing Regulations of Karachi, Lahore and Islamabad stock exchanges and Code of Corporate Governance (CCG). The Company is primarily regulated by Securities and Exchange Commission of Pakistan (SECP) and also falls under the regulatory framework of the above three (3) Stock Exchanges and Central Depository Company of Pakistan (CDC) in relation to CDC Act 1997. Furthermore, KE, being a public utility in the private sector engaged in the business of generation, transmission and distribution of electricity in its licensed area, is regulated by National Electric Power Regulatory Authority (NEPRA) under the provisions of NEPRA Act 1997 and rules framed thereunder in relation to power generation, transmission, distribution, customer service and tariff related issues.

The guiding principle of KE's policy for relationship and engagement with all the regulators is based on mutual respect, legal compliance in letter and spirit and disclosure and dissemination of material information in a timely manner. Interaction and engagement with SECP and stock exchanges are quite frequent primarily in relation to the announcement of financial results, corporate actions, changes in the Board of Directors and management, disclosure of material and price sensitive information and filing of statutory returns etc. Moreover, the Company gives due importance to any request for additional information / document or query initiated by or routed through the said regulators and promptly responds. Whereas, the scope of NEPRA's engagement is wide enough to encompass public hearing on tariff and licensing related issues in addition to bilateral communications, discussions and meetings.

Analysts

The management realises the significance of analysts' view on the future outlook of the Company. The value that the analysts create through their skilful contribution in guiding the investors to maximise their wealth is of paramount importance. In order to assist the analysts in making an informed decision, the management on a yearly basis conducts analyst briefing containing forward-looking statements including timelines, strategies and plans going forward. A large number of analysts attends the briefing which substantiates the importance of the management's initiative to promote transparency and engage analysts in active and meaningful participation. Furthermore, investor presentation is updated on KE's website on a regular basis containing all Company related information and key operational and financial data in order to inform the analysts of up to date information enabling them to better analyse the past and future prospects of the company.

Share Price Sensitivity Analysis

The share price of the Company is closely linked with the performance of the Company. The Board of Directors has 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 key factors which directly and indirectly affect the share price of the company are discussed below. In addition to these factors, the major risk factors are separately discussed and disclosed in the financial statements of the Company.

Fuel / Gas Supply

The cost of electricity generation through furnace oil is approximately 3.2 times higher than the cost of generation through gas. Reduced cost of generation can be a major driver for sustainable development. A key issue for KE is the supply of the right fuel for its generating units, which in turn affects its financial performance.

Circular Debt

The circular debt issue across the entire energy sector needs an early resolution in a fair and equitable manner in order to strengthen the balance-sheet and ease cash flow difficulties faced by the company; share prices would positively respond to the resolution.

Government Decision

Government decisions related to changes of price in the Oil and Gas sector / increase in tariff affect the share price of the Company

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.

Exchange Rate Fluctuations

Fluctuation in foreign exchange rate leads to the fluctuation in repayment of Foreign Currency Loans as well as the payment of imported items of operating fixed assets and stores and spares for generation plants.

Interest Rate variation

The fluctuation in interest rate affects the position of financial charges which impacts the earning EPS of the Company.

Law and Order Situation

Unstable law and order situation often results in disruption of business activities. Transportation strikes and mob attacks on KE vehicles causing prolonged power shutdowns negatively impact Company's performance.

Calender of Notable Events

July 2014	In line with our focus on promoting energy conservation, KE launched the "I Power Karachi" initiative, with the goal of educating the citizens of Karachi to lead an energy-efficient lifestyle for a better tomorrow.
	KE signed an MoU with NED University for Technical Learning Collaboration.
September 2014	As a part of Empowerment Programme, KE signed an MoU with APWA for the provision 100% free electricity to the non-profit organisation.
	KE signed an MoU with Baloch United Women's Football Club and became the first corporate organisation to sponsor women's football in Pakistan.
October 2014	KE convened Annual General Meeting of the Company.
	GE announced the strengthening of its partnership with K-Electric by supporting the Company's Bin Qasim Power Plant station 2 with its high-performance AGP solution aimed at boosting the output and fuel efficiency.
	K-Electric signed MoUs with leading banks of Pakistan. Under the agreement, customers of these banks will be able to pay their electricity bills through an advanced mechanism known as Utility Bills Payment Solutions (UBPS). The banks which have reached an agreement with KE are: UBL, MCB, HBL, NIB and Faysal Bank.
December 2014	KE and NADRA signed an MoU on multiple value added initiatives to promote sharing of mutual benefits to enhance business of both companies and facilitate customers.
	K-Electric and Engro signed an accord to boost power generation. K-Electric signed two separate MoUs with Engro with the objective of increasing power supply to the city and its adjoining areas using LNG as fuel for new power generation.
	JCR-VIS upgraded ratings of K-Electric from "A+/A-2" (Single A Plus/A-Two) to "AA/A-1" (Double A/A-One).
January 2015	KE became the first ever Karachi-based side to win the Pakistan Premier Football League (PPFL) 2015.
	KE, China Datang Overseas Investment Corporation (CDTO) and China Machinery Engineering Corporation (CMEC) entered into Joint Development Agreement to develop of coal-based power plants (2 x 350 MW) at Port Qasim, Karachi.
March 2015	KE celebrated Earth Hour 2015 which is observed by over 165 countries across the world every year.
	KE signed an MoU with Bahria Town to set up an LNG-based power generation project of around 200 MW at Super Highway and a coal-fired project of approximately 330 MW at a mutually agreed location in Karachi.

April 2015	KE celebrated The World Day for Safety and Health at Work, celebrated globally on 28th April every year.
	K-Electric and Aga Khan University (AKU) jointly inaugurated a 132 kV grid station installed at the Aga Khan Hospital and University premises.
	Under the umbrella of its Corporate Social Responsibility initiative, KE signed an MoU with Family Educational Services Foundation (FESF) to provide 100% free electricity to all FESF schools and technical training centres specialised for the deaf niche of the community.
	K-Electric and DG Cement Ltd entered into an agreement for the provision of 40 MW of electricity to DG Cement for their new cement plant in Hub.
	KE became the first ever power utility in Pakistan to offer Complaint Ticket Generation on its social media network by integrating SAP-CRM into social media.
	K-Electric successfully concluded Under-16 Lyari Football League, organised in collaboration with I Am Karachi and Sindh Football Federation.
May 2015	KE launched OPERATION BURQ in collaboration with FIA and Police to curb theft and reduce / eliminate load shedding.
	KE launched Pakistan's largest listed Sukuk worth PKR 22 billion. The issue which was offered to institutional investors fully subscribed on the first day of subscription.
	KE signed an accord with I Am Karachi to enhance public awareness and advocacy through different socio-cultural activities. Through this accord, K-Electric and I Am Karachi will collaborate on KE's Lyari League and KE's Cricket Tournament.
	K-Electric's Under-19 Cricket Tournament was organised by K-Electric in collaboration with I AM Karachi and Karachi City Cricket Association (KCCA).
June 2015	KE celebrated World Environment Day, which is globally celebrated every year on 5 June, for positive environmental action to protect nature and the planet Earth.

Rewards

August 2014	KE became the first ever distribution facility in Pakistan to receive an ISO 9001-2008 certification for its SITE IBC's management systems.
September 2014	KE was awarded the 11th Annual Environment Excellence Award 2014 for not only meeting but also surpassing the environment compliance requirement and demonstrating a commitment towards the environment and safety excellence.
	KE was awarded the 2nd FPCCI Achievement Award 2013 for its unprecedented investment of USD one billion in power generation along with introducing efficient and effective policies to overcome the power crisis in the city.
January 2015	KE earned Corporate Social Responsibility Business Excellence Award for the third consecutive year at the seventh International CSR summit.
	IBC KIMZ, IBC Defence, IBC Clifton and IBC Gulshan-e-Iqbal became ISO 9001 certified distribution facility in Pakistan. The certification is given to organisations in recognition of their improved performance and operations.
	K-Electric is honoured to have received its fourth International Corporate Social Responsibility Summit Award for its involvement in community service.
February 2015	NEPRA – Regulator of Power Sector in Pakistan awarded 2nd Rank to KE amongst all the DISCOs in Pakistan after IESCO in respect of Distribution Performance of last four years i.e. from 2010 to 2014.
March 2015	KE was awarded the National Fire and Safety Award 2014 for demonstrating an effective Fire and Safety Management System in line with Company's vision.
	AZM Sukuk received ICAP PROFESSIONAL EXCELLENCE AWARD 2015
April 2015	Employers' Federation of Pakistan / ILO Occupational Health, Safety & Environment (OHS&E) awarded 1st Position to KE in the category of Oil, Gas and Energy Section of the 10th EFP-OHS&E Awards for the year 2014.
June 2015	KE wins the first International Environmental Risk Assessments Award (Impact Assessment). KE received the ACCA-WWF award for BEST ENVIRONMENTAL REPORTING. The award was given in recognition of KE's reported environmental initiatives.

Glossary of Terms

Abbreviation	Description
AA	Amendment Agreement
ACCA	Association of Chartered Certified Accountants
ADB	Asian Development Bank
AEDB	Alternative Energy Development Board
AKHMCF	Aga Khan Hospital & Medical College Foundation
APM	Annual Preventive Maintenance
BAC	Board Audit Committee
BCP	Business Continuity Plan
BEC	Business Ethics Committee
BFC	Board Finance Committee
BHR&RC	Board Human Resource & Remuneration Committee
BOC	Business Operation Centre
BQPS	Bin Qasim Power Station
CAPEX	Capital Expenditure
CBDO	Chief Business Development Officer
CCG	Code of Corporate Governance
CCPP	Combined Cycle Power Plant
CD	Circular Debt
CDGK	City District Government Karachi
CDO	Chief Distribution Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGTO	Chief Generation & Transmission Officer
CHRO	Chief Human Resource Officer
CSA	Contractual Service Agreement
CSCO	Chief Supply Chain Officer
CSO	Chief Strategy Officer
CSR	Corporate Social Responsibility
C&A	Controlling & Accounts
DSP	Distribution Service Provider
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ECC	Economic Co-ordination Committee
BF	Business Finance
FBR	Federal Board of Revenue
FIP	Financial Improvement Plan
FO	Furnace Oil
FSA	Fuel Surcharge Adjustment
GIDC	Gas Infrastructure and Development Cess
GoP	Government of Pakistan
GoS	Government of Sindh
HRSG	Heat Recovery Steam Generator
HSEQ	Health, Safety, Environment and Quality
IA	Implementation Agreement
IAS	International Accounting Standards
IBC	Integrated Business Centre
ICAP	Institute of Chartered Accountants of Pakistan

Abbreviation	Description
IFAC	International Federation of Accountants
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IPO	Initial Public Offer
IPP	Independent Power Producer
ISE	Islamabad Stock Exchange Limited
ISO	International Organisation for Standardization
KEL / KE	K-Electric Limited
KESP	KES Power Limited
KGTPS	Korangi Gas Turbine Power Station
KSE	Karachi Stock Exchange Limited
KW&SB	Karachi Water and Sewerage Board
L&OD	Learning and Organization Development
LSE	Lahore Stock Exchange Limited
MMCFD	Millions Cubic Feet Per Day
MW	Megawatt
NEPRA	National Electric Power Regulatory Authority
NEQS	National Environmental Quality Standards
NIFT	National Institutional Facilitation Technologies
NTDC	National Transmission & Despatch Company
OGDCL	Oil and Gas Development Company Limited
OGRA	Oil and Gas Regulatory Authority
OHSAS	Occupational Health and Safety Assessment System
PMT	Pole Mounted Transformer
PPA	Power Purchase Agreement
PPL	Pakistan Petroleum Limited
PSC	Public Sector Companies
PUCARS	Pakistan Unified Corporate Actions Reporting System
RA&SP	Regulatory Affairs & Special Projects
SAP	System Application Products in Data Processing
SCADA	Supervisory Control And Data Acquisition
SECP	Securities and Exchange Commission of Pakistan
SGTPS	SITE Gas Turbine Power Station
SIP	Social Investment Programme
SNPCL	Sindh Nooriabad Power Company (Pvt.) Limited
SSGCL	Sui Southern Gas Company Limited
TFC	Term Finance Certificate
T&D	Transmission and Distribution
VIBC	Virtual Integrated Business Centre

Date: ________________

The Share Registrar
K-Electric Limited
Shares Registrar Department
Central Depository Company of Pakistan Limited
CDC House, 99 - B, Block - B
S.M.C.H.S., Main Shahrah-e-Faisal
Karachi-74400.
Tel: (92-021) 111-111-500

REQUEST / CONSENT FORM for obtaining Annual Report and Notice of General Meetings via Email

Date: _________________

In terms, of SECP's notification no. SRO 787 (1) / 2014 dated 08 September 2014, I / we, __________________________, Folio Number / CDC Account Number _____________ holding _____________ number of shares of K-Electric Limited, do hereby give my / our consent to receive all future annual reports and notice of meetings etc. through emails, at my / our email address(es) mentioned below:

Folio / CDC Account Number	
Name of Shareholder	
Valid Email Address	
Contact Number	
CNIC Number	
Signature	

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Form of Proxy

105th Annual General Meeting

I / we ____________________ of ____________________ ____________________ being a member(s) of the **K-Electric 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 Friday, 16 October 2015 at 11:00 a.m. or at any adjournment thereof.

As witnessed given under my / our hand(s) this ____________ day of _____ October 2015.

Shares held ____________________

Shareholder's Folio / Account # ____________________

CNIC # ☐☐☐☐☐ ■ ☐☐☐☐☐☐☐ ■ ☐

Signature ____________________

The signature should agree with specimen signature registered with the Company

Revenue Stamp of appropriate value

Proxy Holder's Folio / Account # ____________________

Proxy Holder's CNIC # ☐☐☐☐☐ ■ ☐☐☐☐☐☐☐ ■ ☐

1.		2.	
Witness:	____________	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 employee for which certified true copy of Power of Attorney and / or Board Resolution with regard to appointment of 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**.

No postage necessary if mailed in Pakistan

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

SINCE 1913

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