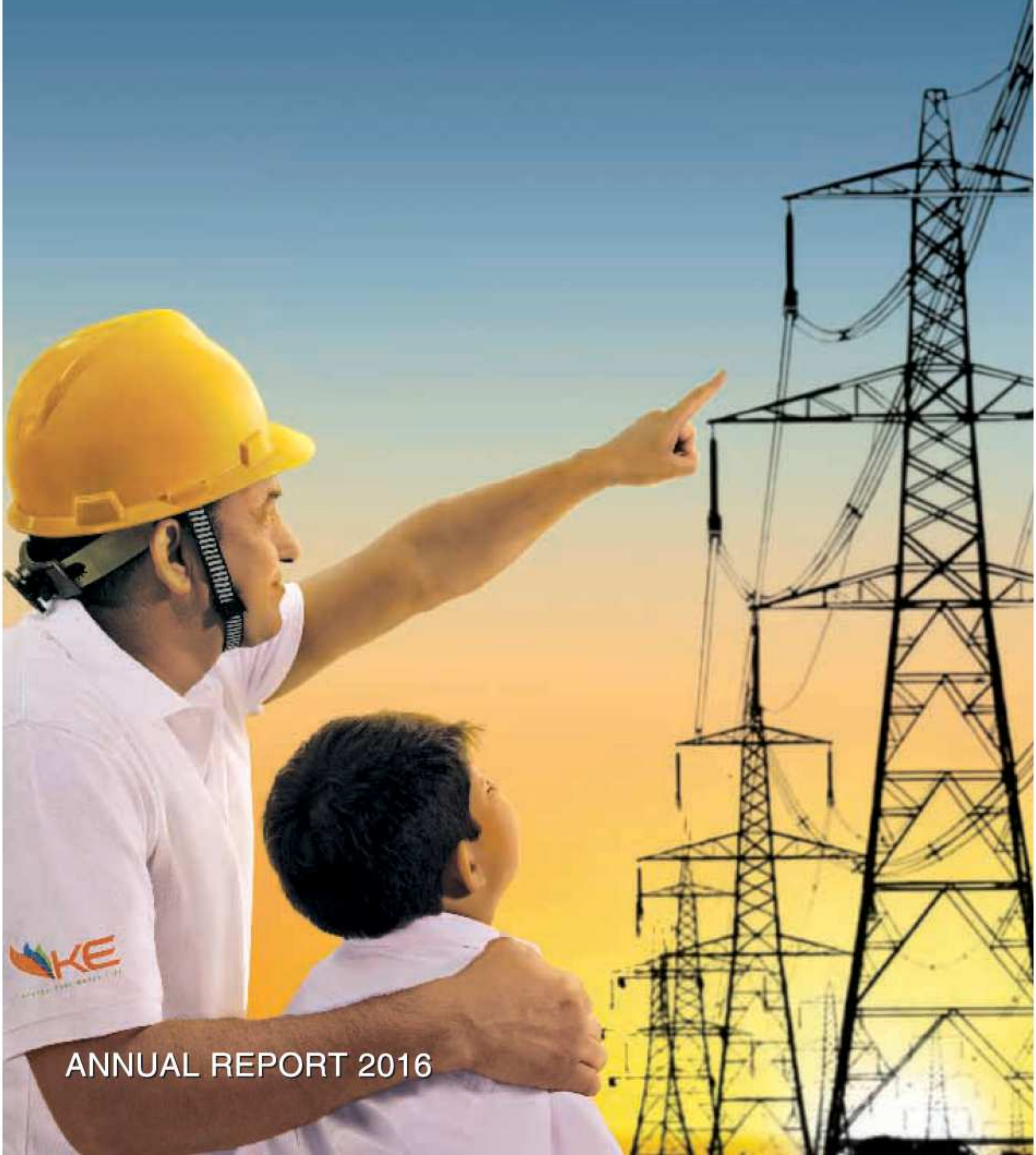
KE Energy That Moves Life



ANNUAL REPORT 2016

Energy That Moves Life

ANNUAL REPORT 2016

COMPANY PROFILE

K-Electric, formerly known as the Karachi Electric Supply Corporation, was established on September 13, 1913, to meet the power needs of Karachi. With Pakistan's Independence in 1947, the city received an immense influx of people and was soon bustling with economic activity. Businesses spawned rapidly and transformed Karachi into a commercial hub.

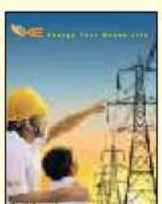
The 'City of Lights' expanded further in the 1980s and 90s, and energy demand grew faster than the supply of energy. When new management, led by the Abraaj Group, took the reins in 2009, it proved to be the advent of a new age for the organisation and Karachi. Value creation was introduced at every level of operations, including environment, social, and governance policies. The organisation posted a profit for the first time in 17 years in 2011-12, and was rebranded under its current name of K-Electric in 2014. Today, 61% of the city has become load-shed free and transmission and distribution losses have decreased by 13.7% in seven years.

Like the city it serves, K-Electric has come a long way in the past one hundred years. In our second century, we aim to become a regional leader among utilities and an example of global excellence in energy provision.

Holding Structure of the Company:

KES Power Limited KESP	66.40 %
Government of Pakistan GOP	24.36 %
Other shareholders	9.24 %

K-Electric is an integral part of Karachi, one of the most populous cities in the world. The organisation's five power plants and 29 Integrated Business Centres, which provide a one-stop solution for customer care, are spread across the city.



Cover Concept

K-Electric is determined to continue its progress, contribute further to the nation's prosperity and deliver even better services to its customers. This commitment is reflected in the cover of this report, which looks ahead to a brighter tomorrow for future generations. 'Energy That Moves Life', our corporate strapline, expresses K-Electric's purpose as an electricity provider, its wider societal impact, and also its dynamism as a progressive, forward-looking organisation.

Whilst the utility has made significant progress in the past seven years, KE remains eager to build on these foundations. In KE's second century, the global energy sector will face complex, interlinked challenges – technological, environmental, demographic – and the organisation is geared to meet them head-on to leverage a sustainable future for all its stakeholders.

KEY HIGHLIGHTS

Gross profit	PKR 58,176 million
EBITDA	PKR 43,986 million
Profit before tax	PKR 25,902 million
Coverage area	6,500 km²
Reduction in transmission & distribution losses since 2009	13.7%
Megawatts added to installed generation capacity since 2009	1,057MW
Average generation fleet efficiency	37.4%
Customer accounts	over 2.5 million
Total employees	10,809
Gas turbines / gas engine plants in the KE fleet now operating in combined cycle	100%
Planned investment in newly initiated TP-1000 project commissioned	USD 440 million

Integrated Business Centres with ISO certifications	17	Brand new fuel-efficient vehicles deployed	660
High merit graduates recruited this year as part of the Emerging Talent Programme	103	Women in management positions	300+
People impacted per annum in health, education and community development through partnerships with 15 NGOs	approx. 3.9 million	Employee retention	95%

CONTENTS

01

02 CHAIRMAN'S REVIEW & DIRECTORS' REPORT

03 GOVERNANCE & COMPLIANCE

04 FINANCIAL PERFORMANCE & STAKEHOLDERS' INFORMATION

05 DIRECTORS' REPORT IN URDU

CEO's MESSAGE

For 103 years, K-Electric has powered Karachi's progress from a small port town into a modern megacity. In recent years, we have worked relentlessly to build on this heritage, with over USD 1.4 billion injected into KE's infrastructure and services since 2009. As we look back on another year of significant progress and investment at K-Electric, we are positive about the future and the possibilities it presents.

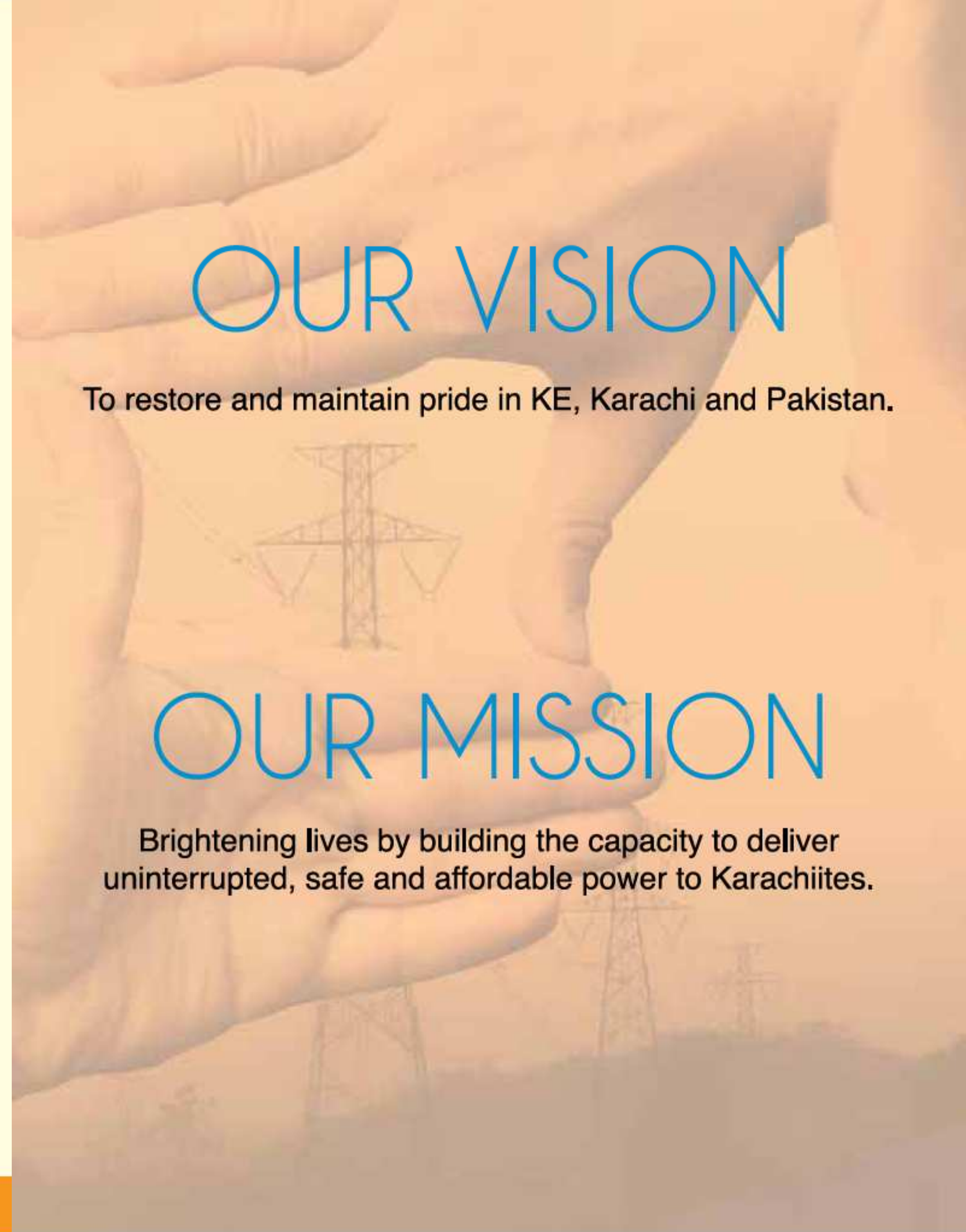
Our three core functions demonstrated KE's forward-looking approach throughout FY 2016. We rehabilitated existing generation units, while fully recognising that the growing demands of Karachi necessitate the establishment of new facilities. Developments for a 900 MW RLNG-based plant and a 700 MW coal-powered project, among others, bear testimony to our growing generation capacity. This has been coupled with increased efficiency and output at all our plants. KE remains on track in its aspiration to become a net exporter of energy to the country by 2020.

Our improving transmission network, meanwhile, will expand significantly in the coming years. The USD 440 million TP-1000 transmission enhancement plan will boost our existing transmission and distribution capacity by approximately 1000 MVA. Regarding distribution, I am pleased to share that in FY 2016 KE enhanced capacity, undertook major preventive maintenance and decreased losses right across its massive network. In addition, ground-breaking initiatives, such as Aerial Bundled Cables, Smart Grid and Mobile Meter Reading, were rolled out successfully in many areas. Through our ISO-certified Integrated Business Centres, state-of-the-art call centre and pioneering social media presence, KE continues to be even more customer-centric.

It is pertinent to mention that CSR is embedded in our business model, where we believe in contributing to the communities through environmental, social and governance, and youth development initiatives. Today KE partners with leading NGOs in the field of environment, health and education, benefitting 3.9 million people (including women and children). Our youth development programme and sports activities support football and cricket and brings the youth forward for wider societal benefit and value creation.

Ultimately, all of the organisation's achievements stem from the dedication and diligence of its people. From our field force to our executive leadership, at KE we are united and committed towards our goal of empowering lives and powering greater prosperity for Karachi and the nation. With investments to include USD 4.9 billion earmarked over the next decade, our focus is firmly fixed on improvement, enhancement and innovation – so we can better serve our customers.

Muhammad Tayyab Tareen
Chief Executive Officer



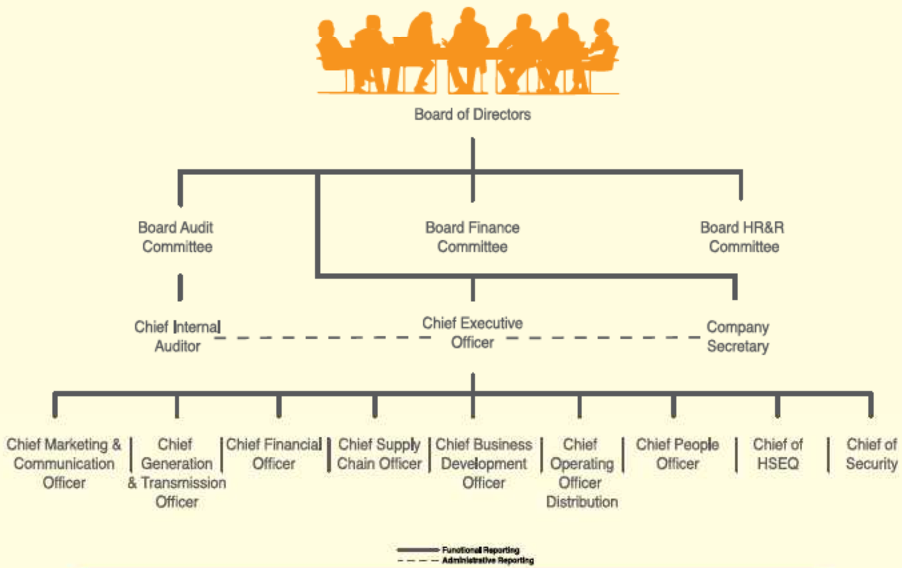
OUR VISION

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

OUR MISSION

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

BOARD STRUCTURE & PROFILE OF DIRECTORS



Waqar H. Siddique
Chairman

Mr. Siddique is a Board Member of Abraaj Holdings, Chairman of the Management Risk and Compliance Committee, serves on various management committees of The Abraaj Group (Abraaj), and is responsible for global risk management, compliance, internal audit and governance across Abraaj. Mr. Siddique is a Member of the Board of Governors of the Institute of Business Administration in Karachi, IMD's Executive Education Advisory Council, and is a Trustee of the Aman Foundation. He also represents Abraaj on the Boards of a number of its partner companies, including as the Chairman of Jordan Aircraft Maintenance Company (JorAMCo) and Stanford Marine Group (SMG).

Mr. Siddique assumed the position of Chairman, K-Electric, in May 2009 after Abraaj assumed management control of the company. During his tenure as Chairman till February 2013, Mr. Siddique's insight and guidance helped management achieve substantial progress and improvement, ultimately leading to an operational and financial turnaround of the company. He was re-appointed as the Chairman of K-Electric on October 16, 2015. Mr. Siddique holds an MBA degree and has developed a specialisation in Operations, Risk Management and Governance over the last 34 years.

Muhammad Tayyab Tareen
Chief Executive Officer

Mr. Tareen was appointed as the Chief Executive Officer by the Board of Directors on November 27, 2014. He has been on the KE Board since 2009 and has also served as the Chief Financial Officer and Chief Strategy Officer, before moving back to the parent company, The Abraaj Group, in 2013, where he had set up the Pakistan Investment Fund and was also appointed as its CEO. Mr. Tareen is a qualified Chartered Accountant from the Institute of Chartered Accountants in England and Wales. *Other Engagements: Managing Director, The Abraaj Group. Chairman, MSF Pakistan.*

Khalid Rafi
Independent Director

Mr. Rafi is an Independent Director, elected at the AGM of the company held on October 8, 2012, and also Chairman of the Board Audit Committee. Mr. Rafi was a Senior Partner at A. F. Ferguson & Co., Chartered Accountants, a member firm of Pricewaterhouse-Coopers 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.

Dr. Aamer Ahmed
Non-Executive Director (GOP Nominee)

Dr. Aamer Ahmed represents the Government of Pakistan and currently holds the position of Additional Secretary, Ministry of Water & Power, GoP. Prior to this, he worked on various positions in the federal and provincial governments, including Additional Secretary, Ministry of Commerce (2016-17); Additional Secretary, Interior Division (2015-16); and Additional Secretary, Revenue Division (2015). Dr. Aamer has also attended Senior Crisis Management Training from the University of Maryland, USA (2016).

M. Anwer Shaikh
Non-Executive Director (GOP Nominee)

Mr. Shaikh was appointed Non-Executive Director on the Board of the Company in December 2016 and represents the Government of Pakistan (GoP). He currently holds the position of Joint Secretary, Finance Division, Ministry of Finance, GoP. He holds an M.Com with distinction and has also attended leadership programmes at Harvard University, US, and the National School of Public Policy, Pakistan, among others. Previously he held the positions of Joint Secretary (Corporate Finance, 2016) and Financial Advisor (MW&P, 2015).

Muhammad Zubair Motiwala
Non-Executive Director (GOP Nominee)

Mr. Motiwala is a Non-Executive Director of the Company and represents the Government of Pakistan. An industrialist by profession, he was elected as President Karachi Chamber of Commerce & Industry from 2000-2001. Mr. Motiwala has led Pakistan's trade delegations for promoting investment in the province of Sindh to China, UAE, Russia, Turkey, Malaysia, Singapore, Korea and various other countries. He is the Honorary Consul General of the Republic of Burundi. *Other Engagements: Director: Port Qasim Authority, Inter State Gas Systems Limited, Pak Oman Investment Company Limited, Education City, Dawood University of Engineering & Technology.*

Omar Khan Lodhi
Non-Executive Director

Mr. Lodhi has been a Non-Executive Director of the Company since August 2010. Mr. Lodhi heads Asia for The Abraaj Group. With over 20 years of investing experience, he joined Abraaj in 2005 and has since led the firm's investments into several underlying businesses spanning a wide variety of sectors. Prior to joining Abraaj, Mr. Lodhi spent several years with UBS. He is based out of Singapore and is a graduate of 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

Mr. Ashary has been a Non-Executive Director of the Company since its privatisation in November 2005. He 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 currently serves on the boards of several companies in the US and the Middle East. He is a Fellow of the Institute of Chartered Accounts of England and Wales. *Other Engagements: Investment Adviser, Al-Jomaih Holding Co. (Saudi Arabia).*

Mubasher H. Sheikh
Non-Executive Director

Mr. Sheikh has been a Non-Executive Director of the company since its privatisation in November 2005. He joined the National Industries Group (Holding), Kuwait, in 2001 and is currently Chief Financial Officer. He is also a Non-Executive Board Member in Proclad Group Limited, UAE. He graduated with a degree in mathematics and statistics from the University of Punjab and is a Chartered Certified Accountant UK (FCCA).

Other Engagements: Chief Financial Officer, National Industries Group, Kuwait. Board Member: Proclad Group Limited, UAE.

Nayyer Hussain
Non-Executive Director

Mr. Hussain has been a Non-Executive Director of K-Electric and CEO, Pakistan Investment Fund, since November 2014. He was the CEO of KE from Feb 2013 to Nov 2014, and 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, Mr. Hussain worked with their franchise in Pakistan, Saudi Arabia and Russia as Head of Retail Risk Management. *Other Engagements: Managing Director The Abraaj Group.*

Frederic Sicre
Non-Executive Director

Mr. Sicre has been a Non-Executive Director since May 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 an MD in Abraaj's Global Markets team and works with leaders from all fields, including governments, the private sector, media and culture. Mr. Sicre holds an MBA from IMD, a Bachelor of Arts and Sciences from Villanova University, and is a Fellow of Stanford University. *Other Engagements: Chairman, Mustaqbali Foundation. Board Member: Dubai Cares, Education for Employment and Junior Achievement's MENA Board, UN Global Compact Business for Peace Steering Committee, WPO.*

Aziz Moolji
Non-Executive Director

Mr. Moolji has been a Non-Executive Director on the Board of the Company since September 2014. He has more than fifteen years' experience in investment banking. At Abraaj he is responsible for deal origination, structuring and execution, and portfolio management. Previously he was a VP with Merrill Lynch & Co. and a senior associate at Goldman Sachs & Co. in New York. Mr. Moolji holds an MBA from The Wharton School and dual BSc degrees in Electrical Engineering and Management Science from the Massachusetts Institute of Technology.

Other Engagements: Board Observer, Network International LLC. Board Member, Marine Hospitality Holdings Ltd.

Ch. Khaqan Saadullah Khan
Non-Executive Director

Mr. Khan joined The Abraaj Group as a Director in 2015. Prior to this, he was an Investment Officer in the International Finance Corporation. Mr. Khan has also worked as an Investment Consultant in the Board of Investment, Government of Pakistan, and as a manager in Ernst & Young's Transaction Advisory Services group based in Chicago. He has previously served on the Boards of Agritech Limited and Shakarganj Food Products Limited. Mr. Khaqan holds a BA in Economics from Northwestern University, US, and is a CFA charter holder.

Other Engagement: Director, The Abraaj Group.

LEADERSHIP

Muhammad Tayyab Tareen
Chief Executive Officer

Mr. Tareen was appointed as the Chief Executive Officer by the Board of Directors on November 27, 2014. He has been on the KE Board since 2009 and has also served as the Chief Financial Officer and Chief Strategy Officer, before moving back to the parent company The Abraaj Group in 2013, where he had set up the Pakistan Investment Fund and was also appointed as its CEO. Mr. Tareen is a qualified Chartered Accountant from the Institute of Chartered Accountants in England and Wales.

Syed Moonis Abdullah Alvi
Chief Financial Officer

Mr. Alvi holds significant experience in handling corporate and related matters. Prior to joining KE, he was associated with a bi-industrial conglomerate from 1997 to 2008 as Group Director Treasury and was involved in various significant transactions. He started his career as Deputy Manager Assurance with KPMG Taseer Hadi & Co. where he served from 1989 to 1997. Mr. Alvi is a Fellow of the Institute of Chartered Accountants of Pakistan.

Asif Saad
Chief Operating Officer Distribution

Prior to joining KE, Mr. Saad held leadership positions in various sectors including chemicals and manufacturing. Mr. Saad was previously the CEO of Lotte Chemicals Pakistan. He has worked as an Executive Director of DH Corporation and served on the board of Engro Corporation Ltd., Engro Polymer Ltd. and Engro Foods Ltd. Mr. Saad started his career at ICI Pakistan Ltd. and held key management roles in various ICI businesses. He holds an MBA from Lahore University of Management & Sciences.

Dale Sinkler
Chief Generation & Transmission Officer

Mr. Sinkler brings over 25 years of experience in the power sector, ranging from energy sector reforms to development, execution, operations and management across multiple power plants. He has worked with some of the world's largest power companies, and has served as the Co-Founder of O&M Solutions. His presence of 15 years in this part of the world is a testament to his dedication to emerging markets and particularly Pakistan.

Eram Hasan
Chief Supply Chain Officer

Mr. Hasan joined KE in 2010. He has over 25 years of international general management experience. While at The Abraaj Group, he worked on several turnaround projects in partner companies. Before joining Abraaj, he was with The Coca-Cola Company, as Chief Operating Officer for the Pakistan bottling business. He also worked at Unilever as the Head of Sales and Supply Chain and was associated with Alcoa, USA, for ten years. Mr. Hasan holds an MBA from Harvard Business School and an MS/BS in Materials Science and Engineering from MIT.

Syed Fakhar Ahmed
Chief Marketing & Communication Officer

Mr. Ahmed has over 18 years of diversified management experience in communications, media relations, corporate affairs, FMCG business, strategic planning, CSR, investor relations and international development. He has worked as the Head of CSV & Special Projects for Nestlé in the Greater China Region, and as Head of Corporate Affairs & Corporate Communications for Nestlé Pakistan, including work in Afghanistan. Mr. Ahmed holds an MBA in Marketing and an MA in Political Science.

Shoaib Baig
Chief People Officer

Mr. Baig has over 20 years of diverse international HR leadership experience across the UK, Asia-Pacific and Middle-East in the telecommunication, FMCG and pharmaceutical industries. He previously served as Chief Human Resource Officer of Telenor Pakistan for almost four years, initiating a major turnaround which earned the company the Best Employer Award. Mr. Baig holds a Bachelor's degree in Civil Engineering and an MBA from the University of Leeds.

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;

* 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. Consideration of major findings of internal investigations of activities characterized 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 the Chief Internal Auditor (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 any other issue or matter as may be assigned by the Board of Directors.

BOARD HUMAN RESOURCE & 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 for 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 Capex program 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 & 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 review and discussion of MIS reports with respect to code provisions, to ensure major variances are identified and corrective action taken in a timely manner to minimize financial losses.

H. To review Insurance Policy of the Company.

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

COMPANY INFORMATION

Board of Directors (BOD)

Waqar Hassan Siddique	Chairman
Muhammad Tayyab Tareen	CEO
Khalid Rafi	
Dr. Aamer Ahmed	
Muhammad Anwer Shaikh	
Muhammad Zubair Motiwala	
Omar Khan Lodhi	
Shan A. Ashary	
Mubasher H.Sheikh	
Nayyer Hussain	
Frederic Sicre	
Aziz Moolji	
Ch. Khaqan Saadullah Khan	

Board Audit Committee (BAC)

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

Board Human Resource & Remuneration Committee (BHR&RC)

Omar Khan Lodhi	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 & Co.
Chartered Accountants

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

Bankers
Albaraka Bank (Pakistan) Limited
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Bank of Punjab
Bank of China Limited, Shanghai Branch
Citibank N.A.
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
Industrial & 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
Standard Chartered Bank (UK)
Summit Bank Limited
United Bank Limited

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

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

ATTENDANCE IN BOARD & COMMITTEE MEETINGS

Attendance in BOD Meetings

S. No.	Name	Number of meetings held [1]	Number of meetings attended
01	Waqar Hassan Siddique[2]	3	2
02	Muhammad Tayyab Tareen	4	4
03	Tabish Gauhar[2]	1	1
04	Aziz Moolji	4	1
05	Chaudhary Khaqan Saadullah Khan	3	3
06	Frederic Sicre	4	-
07	Iftikhar Aziz[3]	1	1
08	Khalid Rafi	4	4
09	Mubasher H. Sheikh	4	3
10	Muhammad Zubair Motiwala[3]	2	1
11	Nayyer Hussain	4	4
12	Noor Ahmed	4	2
13	Omar Khan Lodhi	4	4
14	Shan A. Ashary	4	2
15	Zafar Abbas	3	2

[1] The concerned Director was on the Board in meetings held during the period
[2] Waqar Hassan Siddique replaced Tabish Gauhar in October 2015
[3] Muhammad Zubair Motiwala replaced Iftikhar Aziz in February 2016

Attendance in BAC Meetings

S. No.	Name	Number of meetings held [1]	Number of meetings attended
01	Khalid Rafi	4	4
02	Aziz Moolji	4	1
03	Mubasher H. Sheikh	4	3
04	Nayyer Hussain	4	2
05	Tabish Gauhar[2]	1	1

[1] The concerned Director was on the Committee in meetings held during the period
[2] Tabish Gauhar resigned in October 2015

Attendance in BHR&RC Meetings

S. No.	Name	Number of meetings held	Number of meetings attended
01	Omar Khan Lodhi	1	1
02	Muhammad Tayyab Tareen	1	1
03	Shan A. Ashary	1	1

Attendance in BFC Meetings

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

[1] The concerned Director was on the Committee in meetings held during the period
[2] Aziz Moolji replaced Omar Khan Lodhi in August 2015

No board meeting was held outside the country by the company during the year.

NOTICE OF 106th ANNUAL GENERAL MEETING

Notice is hereby given that the 106th Annual General Meeting (AGM) of K-Electric Limited shall be held at Pearl-Continental (PC), Grand Ball Room (Ground Floor), Club Road, Karachi on Tuesday, 19 September 2017 at 11:00 a.m. to transact the following business:

Ordinary Business

1. To confirm Minutes of the Annual General Meeting (AGM) held on 16 October 2015.

2. To consider, approve and adopt the annual audited financial statements of the Company (with the Directors' and Auditors' Reports thereon) for the year ended 30 June 2016.

3. To appoint Auditors for FY 2016-17 and to fix their remuneration.

Special Business

4. To consider and pass the following, with or without modification, as Special Resolutions to amend the Articles of Association of the Company in order to enable the e-voting mechanism, to provide video conferencing facility to the members for attending general meetings of the Company and to circulate annual audited financial statements of the Company through CD/DVD/USB as directed / notified by SECP subject to requisite approvals and specified conditions / requirements:

   RESOLVED THAT subject to necessary approvals, Articles of Association of the Company be and are hereby amended as follows:

i. **To add new article 47-A under the heading "Proxy"**
47-A: "A member may opt for e-voting in a general meeting of the Company in accordance with the provisions and requirements under the Companies (E-Voting) Regulations 2016 notified by SECP on 22 January 2016 and any other provision, condition and requirement as notified by SECP from time to time in this respect, shall be deemed to be incorporated in these Articles of Association, irrespective of other provisions of these Articles of Association and notwithstanding anything contradictory therein. Members may appoint members as well as non-members as PROXIES for the purposes of e-voting to the extent permitted under the applicable laws."

ii. **To add new article 50-A under the heading "Form of Proxy"**
50-A: "An instrument of proxy in relation to e-voting shall be in the following form or a form as near thereto as may be:
I/We ____________________ of ________________ being a member of K-Electric Limited, holder of ____ ordinary share(s) as per registered Folio/Account No._______ hereby opt for e-voting through intermediary and hereby consent the appointment of execution officer (Mr.) as my/our proxy and will exercise e-voting as per the Companies (E-voting) Regulations 2016 and hereby demand for poll for resolutions.

My secured email address is ___________, please send login details, password and electronic signature through email."

iii. **To add new article 26-A under the heading "General Meetings/Annual General Meetings"**
26-A: "The Company may provide video conference facility to its members for attending the general meetings at places other than the town where general meeting is convened subject to fulfillment of such conditions, consent and meeting the requirements relating to number of members and time limit as notified by SECP vide circular no.10 of 2014 dated 21 May 2014 and any other conditions / guidelines notified by SECP from time to time."

iv. **To add new article 94-A under the heading "Copies of Directors' Report and Balance Sheet to be sent to Members"**
94-A: The Company may, with prior consent of the member(s), circulate notices of general meetings and annual balance sheet and profit and loss account, auditors' report and Directors' report (annual audited accounts) to its member(s) through email. Further, the Company may, with consent of the members obtained in general meeting in accordance with the provisions of SECP's SRO No.470(1)/2016 dated 31 May 2016 and subject to compliance with the conditions specified therein, and any other conditions / instructions as notified by SECP from time to time in this respect, circulate the annual balance sheet and profit and loss accounts, auditors' report and Directors' report (annual audited accounts) to its members through CD/DVD/USB at their registered addresses. However, if a member prefers to receive hard copies for all the future annual audited accounts then such preference of the member shall be given to the Company in writing and thereafter the Company shall provide hard copies of all the future annual audited accounts to such member.

RESOLVED FURTHER THAT the Chief Executive Officer and/or the Company Secretary, be and are jointly or severally authorized to take such other steps, execute such other documents and make necessary corporate and other actions & statutory filings as may be necessary / expedient for the purpose of giving effect to the above resolutions and all other matters incidental or ancillary thereto.

A statement under Section 134(3) of the Companies Act 2017, relating to the aforesaid special business to be transacted at the AGM, is annexed.

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

By order of the Board
Muhammad Rizwan Dalia
Company Secretary, K-Electric Limited
Karachi, 25 August 2017

Note

i. The Share Transfer Books of the Company, for the purpose of attending AGM, will remain closed from 12 September to 19 September 2017 (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 Monday, 11 September 2017 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 the member's behalf. A proxy must be a member of the Company.

iii. Duly completed forms of proxy must be deposited with the Company Secretary at the KE Corporate Affairs Department, First Floor, Block-A, Elander Road Power House, Off I.I. Chundrigar Road, Karachi-74200 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 Computerized 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 & Exchange Commission of Pakistan.

A. For attending the meeting

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

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

B. For appointing proxies

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

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

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

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

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

(vi) 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.

Availability of audited financial statements on Company's website.

The audited financial statements of the Company for the year ended 30 June 2016 have been made available on the Company's website (www.ke.com.pk).

Mandatory submission of Computerized National Identity Card (CNIC)

Pursuant to SECP directives, the CNIC numbers are mandatory to be printed on all dividend warrants. If you have not yet submitted the copy of your CNIC, it is once again requested to provide attested clear photocopy of your valid CNIC (both sides) mentioning folio /CDC account number to Company's Share Registrar (CDC). In case of non-receipt of copy of valid CNIC, the Company may be constrained to withhold dispatch of any future dividend warrant.

Dividend Mandate

Pursuant to SECP's Circular No.18 of 2012 dated 05 June 2012, the shareholders have been given an opportunity to authorize the Company to make payment of cash dividend through direct credit to shareholder's bank account. To opt for the dividend mandate option as stated, the Dividend Mandate Form, is available from the Company's website: http://www.ke.com.pk.

Those who do not wish to avail this facility, DIVIDEND (if any) will be paid to them through dividend warrant at his / her registered address.

Deduction of Tax on Dividend – Finance Act 2017

Pursuant to the Finance Act 2017, effective from 1 July 2017, applicable rates of deduction of Income Tax under section 150 of Income Tax Ordinance 2001 on dividend payments will be as follows:

i. For those who file income tax return: 15%
ii. For those who do not file income tax return: 20%

In order to process any future dividend payments in accordance with the tax payment status, the shareholders are requested to update their tax paying status (filer / non-filer) and provide NTN number and other related information as follows:

i. CDC Investor Account Holders
to CDC Investor Account Services (IAS)

ii. CDC Sub-Account Holders
to their respective Participant

iii. Physical Shareholders
to Company's Share Registrar (viz. CDC)

iv. Shareholders who hold shares jointly are requested to provide shareholding proportions of Principal Shareholder and Joint Holder(s) in respect of shares held by them to Company's Share Registrar.

Please note that non-receipt / non-availability of above information would result in treatment of that shareholder as "non-filer" and will, therefore, be subject to deduction of 20% tax on dividend payments as and when declared by the Company.

Consent for Electronic Transmission of Audited Financial Statements – Optional

SECP through its Notification dated 08 September 2014 has permitted companies to circulate audited financial statements along with Notice of AGM to members through email. In order to avail this facility, a Standard Request Form is available at the Company's website: http://www.ke.com.pk. Soft copies of AR 2016 are being emailed to the members having opted to receive such communication through email.

Statement under section 134(3) of the Companies Act 2017

This statement is annexed to the Notice of the One Hundred Sixth (106th) Annual General Meeting of K-Electric Limited to be held on Tuesday, 19 September 2017 at which special business is to be transacted. The purpose of this statement is to set forth the material facts concerning special business.

i) E-Voting: Pursuant to SECP's "Companies (E-Voting) Regulations 2016", promulgated through SRO-43(1)/2016 dated 22 January 2016, members can also exercise their right to vote through e-voting by giving their consent to the Company in writing on the appointment of execution officer by the Intermediary as a Proxy. The members opting for e-voting shall communicate their intention at least 10 days before the date of general meeting through regular mail or electronic mail at the registered address/email of the Company. Standard Request Form for E-Voting Facility is available at Company's website: http://www.ke.com.pk.

ii) Video Conference Facility: Pursuant to SECP's Circular No.10 of 2014 dated 21 May 2014, if the members holding in aggregate 10% or more shareholding residing at geographical location, intend to participate in the meeting through video conference, shall inform the Company at least 10 days prior to the date of general meeting. The Company will arrange video conference facility in that city subject to availability of such facility in that area. Standard Request Form for Video Conference Facility is available at Company's website: http://www.ke.com.pk.

iii) Transmission of Annual Audited Financial Statements through CD/DVD/USB: The SECP has allowed companies through SRO-470(1)/2016 dated 31 May 2016 to circulate the annual audited financial statements to its members through CD/DVD/USB at their registered addresses. Printed copy of the financial statements shall be provided to such member(s) who opt for having hard copy on the Standard Request Form available on the Company's website: http://www.ke.com.pk.

In order to comply with the requirements and to give effect to SECP's aforesaid Regulations / directives, approval is being sought to amend the Articles of Association of the Company accordingly.

The Directors of the Company have no interest in the said special business.

OUR VALUES

Following a thorough employee engagement exercise, K-Electric has established a new set of corporate values which clearly reflect the organisation's identity, core principles and objectives.

C USTOMER-CENTRIC
We aim to satisfy our customers and all our stakeholders by anticipating their needs and delivering the best possible solutions and services.

A CCOUNTABLE
We take ownership, initiative & responsibility for all our actions and we are honest and fair in all our dealings.

R ESPECTFUL
We respect each other in all aspects and support our communities for societal and environmental well being.

E NERGISED
We are energised to inspire and empower our people to add real value for all stakeholders.

S AFE
We ensure that safety remains our top priority in all our operations and behaviors.

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 organization.

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 & STRATEGIES

Customer-centricity

Understanding and meeting customers' needs is critical to KE's business. In this respect, the organisation continues to explore ways to ensure the continuity of services at all times. KE is also improving the quality of power supplied to large industrial customers to minimise voltage fluctuations that may cause business losses.

KE also seeks to reduce the customer complaint response time and offers maximum facilities to customers. In addition to its 29 Integrated Business Centres (17 ISO certified), KE has established a call centre through which customers can convey their queries and complaints 24/7 via phone lines, SMS and email. The existing call centre technology has been upgraded and an end-to-end customer complaint management system has also been implemented.

Investment In Infrastructure

To benefit customers, investment in large-scale generation, transmission and distribution infrastructure is needed to bring about additional capacity, improved performance and fleet efficiency gains. This will include the capacity to provide base load power, back-up capabilities, and enhancements in the bulk transmission system, grid operations and distribution system. KE's comprehensive business plan has been developed after taking informed decisions regarding the best way to manage assets, in order to ensure that investments are targeted at the right areas and that potential assets will be flexible enough to accommodate a range of possible outcomes. The plan has been made with an awareness of changing technology, peak demands, and upgradation in the transmission and distribution network.

Process Improvement & Resource Alignment

KE is committed to increasing productivity, reducing costs and minimising environmental impact through the analysis of existing processes. By identifying potential improvements and the streamlining of processes, the organisation can release resources for other initiatives. A continuous reduction in operating costs and the minimisation of technical and non-technical losses result in an increase in stakeholders' value. Other measures include the streamlining of human resource policies and improved standard operating procedures. KE has developed a strategic workforce plan that identifies gaps in skills and competencies, and determines which new capabilities to develop internally and which to acquire externally to improve KE's competitiveness.

Knowledge Management

With the establishment of an entity-wide information system, KE has a channel which facilitates cultural change across the organisation and promotes structured sharing of information and knowledge as part of day-to-day operations.

Performance Resulting From Strategies Implemented

Annual financial targets related to profitability and capital structure are monitored against the set objectives to ensure that KE creates value and generates a market rate of return. Financial risk is kept at a minimum level through efficient cash flow management and 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 32,758 million in FY 2016. The weighted average cost of borrowings was reduced to 8% per annum from 11% in FY 2015, along with maintaining adequate liquidity for operations.

Entity's Significant Resources

KE's significant resources and assets comprise its human, financial and technological resources. KE makes continuous investments in all its resources to ensure sustained growth. By conducting comprehensive training and development programmes, KE adds 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 aims to attain business intelligence for availability of refined analytical information, which will improve relevant business decision making.

Liquidity & Capital Structure

KE's liquidity has improved as a result of the voluntary payment of expensive long-term loans with the issuance of the KE Azm Sukuk at a comparatively lower KIBOR rate. KE manages its working capital requirement through running finance facilities, short-term borrowings and internal cash generation. During FY 2016, through efficient management of working capital and effective rate negotiations with banks, the weighted average cost of borrowings was reduced to 8% per annum from 11% in FY 2015, along with maintaining adequate liquidity for operations.

During FY 2016, there was also an increase in net cash generated from operations which amounted to PKR 41,097 million. This was achieved through better utilisation of available resources, a reduction in T&D losses and an improvement in fleet efficiency. Net outflows from investing and financing activities amounted to PKR 28,654 million and PKR 10,795 million respectively. Existing capital structure is aligned with the business needs. KE continues to utilise cash generated from operations towards a timely repayment of its debt and in reducing the credit lines, which also reduces the finance costs and hence increases the profitability.

In FY 2016 KE's long-term debt to equity ratio stood at 0.21 times compared to 0.27 times in FY 2015.

Significant Changes In Financial Position

In FY 2016:

- KE purchased land to develop a 700 MW coal fired power plant. The plant will be developed by a joint venture company, Datang Pakistan Karachi Power Generation Limited (DPKPG). The land acquired will be transferred to DPKPG upon financial close. In the financial statements, this land has been disclosed as non-current asset held for sale under current assets.
- Short-term borrowing and trade and other payables has been significantly reduced due to improved profitability and cash flows generated from operations.
- KE entered into cross currency swaps with commercial banks in order to hedge the risk related with foreign obligations.

Prospects Of The Entity Including Targets From Financial & Non-financial Measures

KE filed for continuation of its Multi Year Tariff (MYT) for a 10-year period starting from 1 July 2016 with NEPRA. Subsequent to the year end, NEPRA determined the MYT for the period from 1 July 2016 to 30 June 2023. Contrary to the performance based tariff, which NEPRA determined in the previous MYT in 2009, amongst others, the fixed rate tariff does not incentivise future investment. KE filed a review petition with NEPRA and the hearing was held on 13 and 14 July 2017. KE is expecting a positive decision from NEPRA, as encouraging historical results portray that the previous MYT has benefited all stakeholders. A favourable decision on the review petition would enable KE to meet the objectives for the next control period as set out in its business plan, creating higher value for all stakeholders. The business plan addresses the challenges ahead to meet the expected growth of electricity within KE's license area. The key components of business plan are:

- Increase in capacity:
  - through equity participation with IPPs and addition in KE fleet
  - through external power producers
- Major transmission capacity enhancements facilitating the expected electricity demand
- Enhancement of distribution network by adding new feeders and overhead and underground circuits
- Loss reduction measures, significant system maintenance and installation of smart grid network
- Efficiencies in operation and maintenance cost

Non-financial measures on which KE is focusing include:

- Increasing stakeholders' engagement
- Maintaining relationships with customers and business partners
- Compliance of regulatory frameworks
- Improving corporate image
- Environmental protection
- Energy conservation
- CSR embedded in business model

Change In Performance Measures

Based on the performance in FY 2016, KE has revised its performance indicators for the next fiscal year:

- Set new and improved T&D loss target
- Set new and improved target for fleet efficiency
- Change in fuel and gas mix considering fall in fuel prices
- Reduction in borrowing cost due to expected reduction in KIBOR rates and lesser utilisation of credit lines owing to expected improvement in liquidity

Critical Performance Indicators & Non-financial Performance

The Company has set targets to achieve the following CPIs, which are periodically evaluated against the actual results:

- Improvement in fleet efficiency in generating electricity
- Reduction of T&D losses
- Growth in EBITDA
- Continued focus on employee retention and satisfaction
- Consistent corporate achievement and excellence
- Monitoring of customer complaint response time
- Reviewing of Capex expenditure and progress status against the budgeted targets
- Reduction in unplanned outages at plants

CHAIRMAN'S REVIEW & DIRECTORS' REPORT

GENERATION

K-Electric made significant investments in its generation infrastructure in FY 2016. KE's installed generation capacity currently stands at 2,267 MW.

The upgradation and maintenance of the existing network has resulted in a robust fleet with the highest ever production capacity in KE's 103-year history.

KE has also initiated a 900 MW project for a RLNG-based power plant at our Bin Qasim site at an estimated cost of USD 1 billion. The project also includes an upgrade to associated transmission infrastructure.

HIGHLIGHTS

1,057 MW
added to installed generation capacity since 2009

37.4%
average fleet efficiency in 2016

10.8%
overall increase in KE's generation from FY 2015

100%
of gas turbines / gas engine plants in the KE fleet now operate in combined cycle

700 MW
coal power project being developed in Port Qasim

Conversions to Combined Cycle

During FY 2016, conversion of the existing open cycle plants at SITE and Korangi to combined cycle plants through the installation of 10 MW steam turbines at each station was started, which was completed in January 2017. This is in addition to the installation of a 27.5 MW steam turbine at KCCPP for the conversion of two open cycle gas turbines into combined cycle. This has enabled all gas engines and gas turbine plants to operate in the extremely efficient combined cycle mode.

Increased Reliability and Efficiency

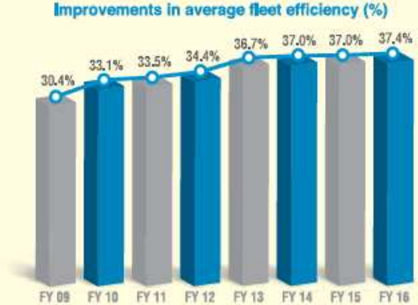
The rehabilitation of Unit 2 of BQPS-I (KE's oldest generating unit) through a long-term investment plan has resulted in an increase of 20 MW capacity and enhanced reliability. The aspiration is to increase the unit's capacity by 86 MW in five years.

During the year, Advanced Gas Path improvement was carried out in three gas turbines at BQPS-II. A heat rate reduction of 1.7%, an increase in power output by 3.4%, and a 33% increase in the maintenance life cycle is expected.

Furthermore, modifications for enabling island mode operation were successfully carried out at the BQPS-II and KCCPP plants. This will prevent trips, allowing the plants to play a vital part in network restoration.

A spare gas turbine engine has been acquired for KCCPP to ensure operational flexibility and better availability of station. The scope of the Local Fabrication Cell has been enhanced to manufacture nonmetallic parts and the refurbishing of coolers, pumps and shafts. This will inevitably lead to more efficient maintenance procedures and decrease the repair time.

Improvements in average fleet efficiency (%)



(350 x 2) MW DPKPGL Coal Power Project

K-Electric is developing a (350 x 2) MW coal power project in Port Qasim. In this regard, a Joint Development Agreement has been signed with China Datang Overseas Investment Co. Ltd (CDTO) and China Machinery Engineering Corporation (CMEC), wherein CDTO is taking 51% equity share in the project; 25% equity is being contributed by CMEC and 24% by KE. The land has been acquired and technical studies on the land have been completed by KE. A Bankable Feasibility Study has been completed by the ZheJiang Electric Power Design Institute. Additionally, a local project company, 'Datang Pakistan Karachi Power Generation Limited', has been formed. Various options are being evaluated on the financial front and negotiations for project agreements are at an advanced stage. The upfront tariff for the project was approved by NEPRA in August 2016. KE is presently working on the PPA modalities with DPKPGL along with various financing options. Financial Close is expected during FY 2018, followed by construction.

52 MW FFBL Coal Power Plant

K-Electric has entered into a strategic partnership with Fauji Fertilizer Bin Qasim Limited (FFBL) for procuring 52 MW of coal-based power. A Power Purchase Agreement between KE and FPCL (FFBL Power Company Limited) was signed in April 2017, followed by Take & Pay Tariff approved by NEPRA. The first coal power plant constructed on CFB technology was commissioned in May 2017.

Sindh Nooriabad Power Company (Gas)

Sindh Nooriabad Power Company (Pvt.) Limited (SNPC) and Sindh Nooriabad Power Company (Pvt.) Limited Phase-II (SNPC-II) are developing 50 x 2 (100) MW gas-fired power plants at Nooriabad, Sindh. Both these companies are sponsored by the Government of Sindh (GoS) and Technomen Kinetics (Pvt.) Limited. In this regard, KE has initialed Power Purchase Agreements with SNPC and SNPC-II. The transmission lines for this project are being developed by Sindh Transmission and Dispatch Company. The 100km transmission line double circuit has been constructed. The plant construction is also complete and is expected to come online in August 2017.

Engro Powergen (RLNG)

KE and Engro Powergen are in the process of developing a 450 MW RLNG-fired power plant at Port Qasim, wherein KE will be the power off-taker. A new special purpose company "Kolachi Portgen (Pvt.) Ltd." (KPL) has been established by Engro Powergen to undertake this project. Power supply from the project is expected to be available to KE from FY 2020. The expected COD of the project is by Dec 2019. KE currently has an equity option in this project for up to 24%.

Renewable Power

KE is engaged in seeking potential partners and sponsors to promote technological development, construction, operation and maintenance of solar and wind power plants within its franchise area. KE has signed its first renewable project, a 50 MW solar power plant, to be commissioned at Gharo for supply of power to KE. KE is also conducting a system study to determine its renewable energy mix and expand its renewable portfolio, mainly in wind and solar. Oursun Pakistan Limited is in the process of developing a 50 MW solar IPP, where KE will be the power off-taker once the plant is functional.

Embedded Generation

KE has already started development of embedded generation plants, up to a capacity of 500 MW. These projects will mainly be developed on dual fuel technology at the mouth of the load centres, such that energy can directly be consumed in the area through the 132 kV network. This will reduce pressure on KE's EHT network, enabling KE to expand/enhance the EHT network in due course. KE is working with Western Electric Limited to set up a 300 MW embedded power plant at Northern Bypass with COD expected by mid-2019. KE is also working with Orient Power for a 200 MW embedded power plant at Baldia under an IPP Structure and its COD is expected by end 2019. KE will also have an option of 24% equity in Orient Kolachi (Baldia).

Captive Power Plants

As a fast-track solution to bridge the demand-supply gap in the power sector, KE purchases surplus power from various small and large scale captive power plants set up by industrial-scale users. Recent development includes Lotte Chemicals Pakistan Limited that would be supplying 11-14 MWs to KE and its COD is expected within FY 2018.

Other Strategic Initiatives

K-Electric continues to expand its generation portfolio by developing projects with external developers as IPPs, by taking partial equity stake in new projects (IPPs) and through self-generation. In pursuit of its vision and continuing commitment to the people of Karachi and its adjoining areas, K-Electric has unveiled plans for a USD 1 billion, 900 MW power plant at Bin Qasim.

TRANSMISSION

K-Electric's transmission system consists of 1,253.11 km of 220kV, 132kV and 66kV EHT lines, along with 64 grid stations and 138 power transformers.

This year, KE again took major steps towards enhancing its capacity and system reliability. The transmission losses in the network have decreased significantly in recent years and in June 2016 stood at 1.32%.

HIGHLIGHTS

1,253.11 km
total length of EHT transmission lines

USD 440 Million
TP-1000 project is in progress

1,000 MVA
to be added to the network through TP-1000

1.32%
transmission losses

18
new transformers added to the network

Progress in Reliability

The capacity of the transmission network has been enhanced by 1,232 MVA since KE's turnaround began. This is due to 12 new grid stations and the enhancement of transformers in the old grids. Over the last nine years, 66.6 km of Extra High Tension (EHT) lines have been added, whereas 300 km of the old circuit have been rehabilitated. Additionally, transmission losses have been cut by 2.87%.

TP-1000: A Major Milestone in KE's Transmission Network

In FY 2016, KE initiated one of the largest transmission projects in its history: TP-1000. This is a USD 440 million transmission enhancement plan, and will add 1000 MVA to our network. The project, which is scheduled for completion in February 2019, will enable our network to transmit a further 800 MW, and bring about a much more reliable supply of power along with greater voltage stability. The consumer will benefit from fewer breakdowns and less tripping. The project will include seven new grid stations and the addition of a Disaster Recovery Centre to cope with emergency situations.

Capacity Enhancement/Restoration

In FY 2016, grids in various key areas, including Garden, Gulshan, KDA and Clifton, were enhanced through the installation of 18 power transformers across the board. Four additional transformers are in the pipeline for various areas that generally receive a higher load. Additionally, 102 (11KV) switches were installed at grid stations to ensure optimal grid performance. Further, the rehabilitation of the airport grid was also completed.

Grid & Transmission Statistics

EHT Transmission Lines		Transmission Capacity		
220kV		Auto Transformers	No.	MVA
220KV Overhead	323.30 km	220 / 132 kV	12	3,000
220KV Underground	14.714 km	132 / 66 kV	2	100
132 kV		TOTAL	14	3,100
132 kV Overhead	612.501 km	Power Transformers	No.	MVA
132KV Underground	153.2 km	132 / 11 kV	135	5,095.5
66kV		66 / 11 kV	3	69
66KV Overhead	148.70 km	TOTAL	138	5,164.5
66kV Underground	0.696 km	System Loading	2008-09	2015-16
TOTAL Length	1,253.11 km	System peak demand MW	2,462	3,195
		Base Demand MW	1,057	1,237
# of 220 / 132 /66kV Grids	64	System Load Factor	67.94%	59.07%

GIS (HV switchgear) Rehabilitation

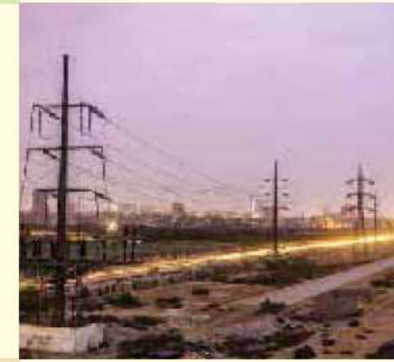
The KE GSM (Grid System Maintenance) team has launched a comprehensive initiative to rehabilitate the aged GIS (Gas Insulated Switchgear) bays across various grid locations. This project, which plans to cover 80 GIS Bays over the span of three years, will significantly increase the reliability of grid network.

EHT Line Rehabilitation

Rehabilitation efforts were carried out across various EHT locations. These included the replacement of worn-out conductors and associated hardware installations to ensure enhanced network operational capability. Additionally, a pilot project was launched to minimise trippings, whereby 100 specially designed devices were installed on lines, restricting birds from nesting and dropping PVC wires.

Enhanced SCADA Functionality

Multiple improvements were made to KE's supervisory control and data acquisition (SCADA) system, with enhanced functionality bringing about a positive impact on the performance of the transmission system.



Tele-protection of EHT Lines

Tele-protection schemes use a communication channel in tandem with distance protection relays, providing a high-speed response, helping clear internal line faults and preventing external trips. In FY 2016 tele-protection was implemented on the SITE/Baldia link as well as the 220kV transmission lines, a development that proved critical in enhancing the overall performance of the transmission network.

Annual Preventive Maintenance

More than 140 preventative maintenance drills were carried out across various grid stations in 2015-16. Additionally, the fire safety system and other safety measures ensured there were no serious incidents (there were zero 'lost-time injuries') during the year.

ISO 9001:2008 QMS Certification

In FY 2016, the Project Implementation Department, Grid System Maintenance and System Operations were certified with ISO 9001:2008 QMS certification after a thorough evaluation by external auditors.

DISTRIBUTION

K-Electric's distribution network covers around 6,500 square kilometres and serves over 2.5 million customers. Our consumer density per network kilometre is one of the highest in the country.

In FY 2016, our teams continued their progress with even greater resolve, and catered to all areas in our network through multiple projects.

HIGHLIGHTS

6,302 MVA
distribution capacity

61%
of Karachi is load-shed free

13.7%
reduction in transmission and distribution losses since 2009

29
Integrated Business Centres

27,000 km
of power lines

An Upward Trajectory

Through continuous improvement in our systems, today, 61% percent of Karachi is completely exempt from load-shed, including all major industrial areas of the city. Furthermore, transmission and distribution losses have declined steeply over the past seven years and now stand at 22.2%, registering a decrease of 13.7% since 2009.

In addition to the investments made in the existing network, initiatives such as Aerial Bundled Cables and Technical Loss Reduction will further increase customer satisfaction and extend the downward trajectory of T&D losses.

K-Electric has faced numerous challenges over the years, where the current major issues faced are illegal settlements on 'unleased' land, theft of electricity in the city's growing slum areas and the volatile law and order situation. These issues hamper the company's ability to perform and cause an environment of theft and non-payment. Despite such unique issues and challenges, our progress has been unparalleled.

Aerial Bundled Cables (ABC)

To address the rampant power theft issue, K-Electric undertook replacement of bare conductors with aerial bundled insulators specifically designed to act as a theft deterrent. Additionally, these cables protect against the humid weather of the coastal city, and result in lower fault rates, better voltage profiles and require less maintenance.

During FY 2016, KE converted around 1,200 PMTs on low tension ABC, which will contribute towards reduction in T&D losses. For more on the community benefits of ABC, please refer to the Environmental, Social & Governance section (p 41).

Mobile Meter Reading

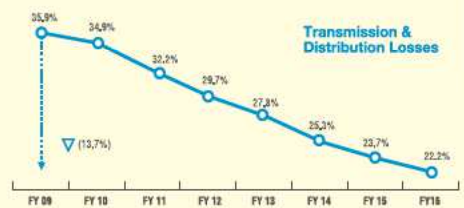
K-Electric's meter readers have been provided with a hand-held device that sends data directly to our metering and billing system. This has been implemented across KE to reduce the human error associated with manual readings. The initiative has resulted in significantly more efficient meter reading, along with reduced bill processing times. Mobile meter readers have been implemented throughout K-Electric's network.

Managing Our Network

The performance and reliability of electricity networks are tracked via two indexes – one measures the average time a customer is without power in a financial year (SAIDI) and the other measures the average number of interruptions per customer for the year (SAIFI).

Our SAIDI improved by 120.3 minutes in FY 2016, while SAIFI improved by 1.69 less interruptions per consumer.

Furthermore, we delivered our planned maintenance tasks across KE while critical areas on the HT and LT network were also catered to. A robust maintenance programme was carried out on 142 feeders, resulting in fewer trips and a stronger network. Additionally, 93 new feeders were added to our system, improving capacity and reliability.



CUSTOMER CARE

Our customers are at the heart of everything we do, and in FY 2016 KE continued its journey towards being an increasingly customer-centric organisation.

In addition to our 29 Integrated Business Centres, consumers can contact K-Electric through their phones, via SMS and on social media.

On the ground, K-Electric provides 24/7 customer support through over 800 field teams.

HIGHLIGHTS

12
more IBCs gained ISO Certification, taking the total to17

1st
ever distribution facility in Pakistan to earn an ISO 9001-2008 certificate for its Integrated Business Centres

Contact Centre

KE's customers can reach the organisation for queries and complaints 24/7 by phone (through our 118 and 99000 lines), via SMS (customers can register instantly through our 8119 service) and through social media platforms (Facebook and Twitter).

The existing Contact Centre technology was upgraded with Genesys, a state-of-the-art solution which improves the customer's experience with the call centre. Features include dedicated queues, smart voice recordings and call back.

Furthermore, this year an end-to-end customer complaints management system was implemented in the KE distribution network to bring about increased control on complaints. This system autolinks complaints at the 118 Customer Care Centre to maintenance centres of IBCs, resulting in improved customer response. The integrated solution is the first step to ensure that customer care representatives have access to distribution information faster, enabling them to provide better response to the consumers.

Other contact centre initaitives in FY 2016 included:

- SMS services, for customers to complain and receive updates through an interactive SMS service.
- Centralised Customer Profiling, to ensure validated customer data.

ISO Certification

In FY 2016, 12 IBCs gained ISO certification, taking the total number up to 17 and making KE the first ever distribution facility in Pakistan to earn an ISO 9001-2008 certificate for its Integrated Business Centres. This achievement will establish a framework for IBCs, helping them ensure that their business practices meet recognised standards.

SUPPLY CHAIN

KE's supply chain covers a broad spectrum, from IT to real estate, and fleet management to inventory.

This year the function ensured that the organisation continued its progress – all the while continuously aiming to reduce costs and improve efficiency.

HIGHLIGHTS

Over PKR 22 billion
procurement volume (excluding fuel & power purchases)

Over 6%
savings in procurement compared to last year

660
brand new fuel efficient vehicles deployed.

3,068
transformers refurbished

100
year old building renovated at Elander Road site

Procurement Group

In FY 2016, the focus remained on adding value through direct original equipment manufacturer purchasing, yearly contracts for recurring items, negotiating better commercial terms and vendor development. This year KE also extended its journey of business process re-engineering; initiatives included the automation of imports and clearance documentation, auto-generated requests for quotation and digitally-signed purchase orders to the vendor.

Information Technology Group

K-Electric continues to embrace automation and cloud utilisation in all its functions. The implementation of SAP SuccessFactors, improved automation of site inspections (SIR), and the extension of Office 365 are just some of the steps taken in this direction. Other key initiatives in FY 2016 included:

- SAP OpenText: Another step towards automation within KE to process vendor invoices, leading to increased efficiency and security.
- SuccessFactors software: IT has successfully implemented SAP SuccessFactors in the HR department to modernise recruitment, employee onboarding and the performance management system.

In FY 2016, the IT department also focused on strengthening its adoption of best practices in governance and standards of information security. On these lines, KE's IT department has completed ISO 27001 certification to address legal, physical and technical controls involved in the organisation's information risk management processes.

Fleet

The focus of the Fleet Department (FD) was on upgrading the quality of fleet, increasing overall safety standards and reducing environmental impact. This was done by replacing over 660 vehicles with brand new fuel efficient vehicles.

These included piloting state-of-the-art aerial work platform mounted vehicles, which are commonly used in developed countries. These are easy to operate, safer and provide support to the maintenance team working at site.

Also upgraded were field testing vans. Tracking to monitor driver behaviour and optimal use of vehicle was also strengthened.

Transformer and Switchgear (TSW) Workshop

In FY 2016, the focus remained on improving quality of repair and refurbishment, and developing the Switchgear repair facility. The goal continues to be to align TSW procedures with international quality standards as well as to improve management and technical standards.

Refurbishment of transformers and switchgear saved PKR 500 million. TSW is now ISO 14001 and ISO 9001 certified.

Inventory Management (IM)

Specific focus areas in FY 2016 included improved material planning, facility development and efficient material replenishment and issuance processes. During the year, the average monthly turnover rose more than 70% compared to FY 2015. IM has taken the initiative of improving inventory storage and space utilisation of its existing facilities, which includes custom-built racking systems.

Additionally, SAP-based Material Requirement Planning is now in practice. Stores were rationalised from 37 to 26.

Works and Real Estate (W&E) Department

Over the year, W&E improved efficiency and productivity through BPR automation and improved controls. Major accomplishments include:

- Centralised automated system for project management implemented.
- Renovation of the 100-year-old KE building of historical importance at Elander Road.
- Land acquisition, especially for the TP-1000 transmission project and the 700 MW coal project.
- Rented properties were brought down to 13.
- Civil Works CAPEX spending increased substantially in 2016. Actual civil cash flow for FY 2016 was PKR 661 million.
- Both W&E departments are now ISO 9001 certified.

Energy Conservation

KE undertakes various energy conservation and energy efficiency improvement programmes as part of integrated demand management as well its public service commitment to a sustainable future. This includes awareness campaigns as well as voluntary load curtailment efforts, including free-of-cost energy audits for energy intensive consumers.

In FY 2016, capacity building and engagement with multilateral agencies included International Finance Corporation Workshops, an MoU signed with USAID, and a study with the World Bank. The organisation has also embarked to implement an overarching ISO 50001 Energy Management system.

In addition, KE installed a solar roof at its Head Office. The 25 KW grid tied solar pilot project is based on thin film technology from First Solar, a leading global solar technology provider. It will save 63,000 kWh/year and PKR 1.2 million annually, achieving full payback in less than three years.

OUR PEOPLE

At K-Electric, our people are the key drivers of our success. From our leadership to field force, customer service representatives to engineers, our employees form the backbone of this organisation and power our growth.

In this spirit, K-Electric has embarked on a three-year people strategy. Its essential components include Enable, Energise and Empower. To translate this into measurable action plans, this year our leadership established 'Must Win Battles' in the areas detailed in this section.

HIGHLIGHTS

10,809
total employees, excluding trainees and apprentices

3,645
qualified technical employees

95%
retention rate

6,669
unique employees trained

1,600
students tested for the Emerging Talent Programme.
103 hired. **34%** female

Engagement & Culture

We believe in facilitating people to keep them energised and empower them to shape business performance. This year we introduced frameworks for townhalls and team days along with workplace layout principles, to boost synergy and productivity. Furthermore, initiatives such as 'Take a Break' have enabled our employees maintain a work-life balance, along with the 'Khushiyan bantnay ka AZM' programme which celebrates special occasions, such as birthdays.

Diversity & Inclusion

Diversity & Inclusion primarily develops, implements and monitors initiatives to cultivate diversity (age, gender and disability) within our organisation as a dimension of excellence. Key initiatives include: Childcare Assistance, revision of the Maternity Policy, Awareness & Inclusion Programmes and Employee Engagement & Energising sessions. We currently employ 54 persons with disability and are retrofitting our offices for accessibility.

Performance Management

The revamping of the Performance Management Framework has been another major step that brought in a highly structured process which included Goal Setting, Mid-year Dialogue and Continuous Feedback along with Assessments and Development Plans.

HR Business Partners

The HRBPs are divided by business functions, and they drive the People Strategy through identification and alignment of people capabilities with business operations. This involves performance reviews, career progression schemes, talent reviews, the nurturing of behaviours and skills for future leaders and succession planning.

People Services

People Services focuses on improving the delivery of services through re-engineering of processes and instituting SOPs. For a high level service experience, SuccessFactors modules for Talent Acquisition, Performance Management, Learning and Onboarding have been purchased.

A Talent Acquisition function has been established to ensure a talent pipeline, external talent engagement, support the diversity inclusion agenda and establish our organisation as an 'Employer of Choice'. In line with this aspiration, the Emerging Talent Programme was launched to acquire best in class talent at the entry level through the biggest campus drives, with thousands of students engaged across Pakistan. Furthermore, to promote a culture of trust and empowerment, an employee advocacy channel, Awaaz, had been launched.

Learning

The development of a Learning Framework has enabled the organisation to cultivate targeted learning initiatives in conjunction with departmental needs. Our AZM Learning Institute was made fully operational, catering to over 6,669 individuals through General Management, Leadership, Functional and Technical programmes that employ subject matter specialists from both within and outside the organisation.

During the FY 2015-16, 16,267 employees were trained in multiple non-unique sessions. Our in-house designed programmes for Semi-skilled and Skilled Linemen, Meter Inspection Officers, Apprentices and Semi-Skilled Fitters have been endorsed by the Sindh Board of Technical Education.

Rewards

The Reward function establishes and maintains consistency and equity within the organisation and aligns it with the market. With the aim of becoming the employer of choice, our reward strategy is based on performance, market competitiveness and fairness while being transparent along with consistent policies.

Industrial Relations

The Industrial Relations function operates with an aim to create harmonized working relations across all employment levels, maintaining industrial peace and achieving synergies. Primarily focused on issues pertaining to Non-Management Staff, IR continuously strives to ensure legal compliance and workers' welfare, motivating workers through different initiatives and engagement sessions.

Employee Welfare and Health Care

Benefits for employees include but are not limited to welfare loans, marriage grants, retirement grants, grants following a dependent passing away, funeral and post-funeral expenses, widow grant, educational expenses, group insurance, EOBI, social security, pilgrimage sponsorship. Health Care (previously known as Medical Services) has supported employees by adding new hospitals to the existing panel, and has also rolled out awareness sessions focusing on prevention and avoidance of illness.

HEALTH, SAFETY, ENVIRONMENT & QUALITY

Safety is our top priority at KE. We ensure that our people, our community and the environment we operate in is cared for in each and every one of our actions.

It is with this in mind that our HSEQ team works to spread awareness regarding personal, public, technical and environmental safety through all channels. These efforts proved fruitful in FY 2016, in which employee workplace accidents were 40% lower than last year.

HIGHLIGHTS

40%
reduction in employee workplace accidents

10,744
employees were provided with safety training

63,431
hours of training

38%
increase in safety initiatives

HSEQ Management System

Keeping in line with our emphasis on safety, a comprehensive Safety Management System (SMS) is duly implemented throughout the company. This system focuses on creating a culture of safety, training employees and ensuring that ownership of safety is a performance objective for all.

IMS & ISO Certifications

All five KE generation stations achieved IMS Certification for ISO 9001, ISO 14001 and OHSAS 18001:2007. This will help ensure that all these sites are updated with the latest international protocols related to plant and technical safety. In addition to this a total of 17 IBCs are now ISO 9001-2008 certified, 12 of which gained certification in FY 2016. An increase of 38% in safety initiatives this year resulted in reducing the accident rate.

Training

KE provided 10,744 employees safety training in multiple sessions in the year. This added up to 63,431 hours of training focusing on subjects such as basic safety, environmental awareness, QMS, first aid, firefighting and protocols for the peak season of summer. Additionally, more than 2,911 safety inspections were conducted by the HSEQ team, whereby safety procedures were inspected and corrective recommendations were made where required.

Emergency response plans were also drawn up for all KE sites – more than 300 emergency drills were conducted to ensure awareness regarding emergency procedures amongst all employees.

Additionally, the fire team conducted numerous sessions at the Federal Civil Defence Training School, Karachi. This year talks were delivered to more than 150 participants on Fire Prevention & Fire Fighting.

Further, all occupational accidents occurring in the year were investigated thoroughly by the HSEQ teams and due action was taken to identify their causes and prevent them from recurring.

Employee Wellness

Employee health and well-being remained a top priority this year as well. A new dimension was added to our Health and Safety vision whereby employees' families were included in our efforts via the 'We Care' programme. This was aimed at providing preventive vaccination and medication against diseases commonly prevalent in Pakistan.

Additionally, employees with fitness concerns were either provided training before partaking in high risk activities or were restricted to low-risk areas. Six-monthly health and hygiene check-ups were also organised. Cumulatively, 4,532 employees underwent check-ups and 349 workplace hygiene inspections were carried out.

Plant Safety

A state-of-the-art fire suppression system has been installed at BQPS I, and plans to install it at other units are underway.

Safety Awareness Drive

Keeping in view the significance of World Safety Day, KE initiated a 'Safety Awareness Drive' at schools, as the organisation strongly feels that a culture of safety and health should be promoted at the grassroots level. The KE team reached out to 51 Schools to convey life-saving tips on Electrical and Fire Safety, impacting 21,095 students and school staff – and, by extension, their households.

Children and teachers were further guided to report broken electric wires, or any other electricity hazard, on our website www.ke.com.pk, just by clicking the red button. The campaign was much appreciated by children and schools and enhanced KE's brand image.

ENVIRONMENTAL, SOCIAL & GOVERNANCE

K-Electric believes in contributing to the communities in which it operates; the organisation's growth is intertwined with the socio-economic development of the city and the nation. KE continues to advance its practice of sustainable management through responsible corporate governance, and makes sure that it complies with all Environmental Protection Agency rules, where applicable.

Being a responsible corporate citizen, K-Electric's ties to the people of Karachi and the nation were again visible throughout 2015-16 in the wide range of educational, health and other social projects it supported, initiated and implemented.

HIGHLIGHTS

Approx. 3.9 million
people impacted through the Social Investment Programme

95%
complaint reduction in Altaf Town, following the ABC project

45
village electrification schemes (funded by GOS/GOB) completed

100,000
tree plantation target by Dec 2017; so far approx. 65,000 trees planted

Corporate Social Responsibility

Our Social Investment Programme empowers through power. We provide free or subsidised electricity to 15 philanthropic institutions and NGOs in the city, including major hospitals. With this programme, KE impacts 3.9 million people every year in community development, health and education, providing a lifeline for the underprivileged.

SIP Partners

This year KE also demonstrated its firm commitment to raising awareness of safety measures during heat spells. The organisation planned a comprehensive 360° public service campaign for hot weather spells in collaboration with government departments and civil society organisations.

Environmental Protection Measures

In FY 2016, KE complied with all the applicable national and international environmental regulations throughout its operations. The organisation regularly conducts studies on potential environmental and societal impacts whenever it plans to develop a new project. KE recognises the impact that its activities may have on the environment and is therefore committed to high standards of environmental care.

All of KE's generation plants are certified under the Environmental Management System Standard – ISO 14001:2004. KE has also ensured complete compliance with the National Environmental Quality Standards; its activities have been carefully measured and monitored for ambient noise, ambient air, stack emissions, effluent discharge and soil contamination at all five power plants.

Plant For Pakistan

KE initiated a tree plantation drive in FY 2016 and has planted over 65,000 trees in Karachi, with a target of 100,000 by December 2017.

Emergency Response – Summer Preemptive Measures

Partnerships were created with strategic partners, including the Pakistan Medical Association, Commissioner Karachi's office, Pakistan Met Department, National Disaster Management Authority, Edhi Foundation, Aman Foundation, Karachi Relief Trust and Voice of Karachi. Support was provided to the relief operations through 500,000 half litre water bottles, 100,000 packets of ORS, 30,000 caps, and rental generators (as per need) for all main hospitals during peak summer.

Community Investment & Welfare Schemes

One of KE's key projects is community mobilisation to create 'Theft-Free Communities'. To help achieve this, KE has adopted a structured approach of partnering with communities, ensuring that our infrastructural, technological and customer-service initi atives do not stand in isolation but are part of a holistic programme of social development.

Throughout the year, free eye camps and skin camps were organised for communities who came forward to get legally connected to the KE's distribution and billing system. The organisation also held school stage plays and street theatre for community awareness about electricity theft and the benefits of Aerial Bundled Cables, which entails the replacement of bare conductors, which are highly vulnerable to theft, with bundled insulators. KE also organised clean-up drives, including clearing 150 tons of solid waste.

In FY 2016, 18 communities – impacting 200,000 people directly – were converted from 'very high loss' to 'low loss' or 'medium loss' communities. The theft-free community conversion project has proved to be a tremendous success both for the consumer and the organisation. The converted areas experience a reduction in load shed, and the fault ratio on average decreases by 95%.

Converted areas include Rehmat Chowk feeder (Orangi Town), Ranchor Lines, Lines Area (Jamshed Town), Liaquatabad, Sakhi Hassan (North Nazimabad), Neelum Colony (Clifton), Ghazdarabad (Garden), Gulshan-e-Jami (Malir), Sector 7A (Surjani Town), Gulshan-e-Mazdoor (Baldia), Altaf Town (Korangi), Bhittai Town (Korangi) and Pak Town (Korangi).

Knowledge Sharing Platform & Thought Leadership

During the year, KE signed an MoU with NED for collaboration in mutual projects and research programmes. In addition, the KE NED car secured fifth position in the Business Model category at the Formula SAE event, Italy, 2016. This was the first time a Pakistani team had reached the competition.

SPORTS

K-Electric has always had a strong affiliation with sports. In FY 2016 the Sports department continued the upward trajectory of KE's professional football and cricket teams, while also building on its major achievements in youth engagement.

The organisation is proud of its record of diverting disenfranchised young people towards positive outlets and increasing the national profile of sports, and this year saw numerous activities in this area.

Looking to the future, KE has several new initiatives in the pipeline, including forming a boxing team and organising more youth development programmes, such as cricket and football tournaments for girls and boys.

HIGHLIGHTS

1,400
children in total have now showcased their talent in KE's Lyari League

1st
position in Hino-Pak Trophy KCCA Inter Departmental Cricket Tournament

38
children have gone on to represent Pakistan at junior levels after being discovered in the Lyari League

250
employees played in the internal AZM Cricket Tournament

Lyari League

In FY 2016, KE successfully organised the fifth Lyari League, a football tournament for underprivileged youth, with the support of District Football Association and in partnership with the Anti-Narcotics Force and Pakistan Rangers. The Lyari League has so far given more than 1,400 children from Lyari a chance to perform and showcase their talent nationally and internationally.

Football and Cricket Teams

As the national champion, the KE football team participated in AFC Cup Qualifiers Playoff 2016 in Bhutan. The team achieved the position of group champions, becoming the first team in Pakistan's football history to qualify for the third tier of the AFC qualifiers. In cricket, the KE Team won the 21st Hino-Pak Trophy KCCA Inter Departmental Cricket Tournament 2016 and were finalists in the Moin Khan Corporate T20 Cup.

AZM Cricket Tournament

More than 250 colleagues participated in 12 teams in KE's AZM Cricket Tournament 2016. All levels of the organisation come together for this event, from senior management to young recruits, and it has proved a tremendous initiative for employee engagement over its five editions so far.

MARKETING & COMMUNICATIONS

Brand Marketing

The role of Brand Marketing at KE is to inculcate sustainable trust and recognition, and craft a positive image via transparent communication. This year, through tactical and 360° campaigns, KE communicated public service messages and informed the public about the organisation's progressive developments as well as customer care touchpoints. The team also undertook over 30 events in FY 2016. KE maintained its presence on key external forums and seminars, including the 1st Engineering Congress, the 2016 IEEE Symposium, MarCon 2016 and 12th CEO Summit Asia.

Corporate Communications

In FY 2016 KE expanded its corporate communications activities, and continued to build stronger links and develop clearer dialogue with internal and external stakeholders. The organisation conducted a brand tracker study through AC Nielsen in December 2015, and recorded 3.4 on the brand equity index, a rise from 3.0 in January 2015.

Media & PR

The Media and PR team remained active during the year with the clear mission to enhance KE's corporate reputation. Through a thorough stakeholder engagement approach, the PR team was able to share information with transparency and in a timely manner. More than 900 updates were sent to media during the year, including 100 press releases to print and 148 live audio/video updates to electronic media.

Digital Communications

KE's social media operations expanded in FY 2016. The organisation started maintaining an active presence on its LinkedIn, Instagram and YouTube channels, in addition to Facebook and Twitter, where it carries out 'Social Care' for its consumers. Social Care received even more traffic this year: KE's Facebook page attracted another 31,000 likes and its Twitter following almost doubled this year. KE also revamped its corporate website, which is now mobile friendly.

The Marketing and Communications function at KE continued to strengthen KE's brand image and communication platforms through proactive stakeholder engagement across key strategic, operational and social dimensions.

KE launched a corporate campaign as well as several public awareness campaigns covering topics around safety, care during hot weather spells, and energy conservation. The drive against energy theft was communicated in a 360° manner throughout the year. The USD 440 million TP-1000 project was also inaugurated through a mega event and projected via a 360° campaign across all media.

HIGHLIGHTS

3
public awareness campaigns developed

500+
collaterals developed to support business initiatives

10,000+
employees reached every month through Azm Newsletter

1.2 million
external stakeholders now receive the quarterly digital newsletter

CHAIRMAN'S REVIEW & DIRECTORS' REPORT

We are pleased to present the Company's Annual Report together with audited financial statements for the year ended 30 June 2016. During the period under review, key financial and operational indicators registered significant and sustained progress and as a result, the Company's financial results continue to show marked improvement, mainly due to sizeable reduction in Transmission and Distribution (T&D) losses. The balance sheet remains healthy, with total assets amounting to PKR 341,943 million (FY 2015: 352,914 million). For key achievements during the year under review in respective business areas of the Company, please refer to pages 26 to 43.

PKR in millions

	JULY-JUNE 2016
Revenue	189,629
Profit before taxation	25,902
Taxation - net	6,856
Net profit for the period	32,758
Earning Before Interest, Tax, Depreciation and Amortization (EBITDA)	43,986

The earning per share of your Company for the year ended 30 June 2016 is PKR 1.19 [2015: PKR.1.03].

Performance Highlights

Financial Performance

- The Company's after tax profit for the current year stood at PKR 32,758 million. This includes recognition of deferred tax asset amounting to PKR 6,165 million.
- EPS - Basic / diluted for the current year was PKR 1.19 compared to last year's EPS PKR 1.03.
- Contribution margin increased by 32% as compared to last year's.
- Marked improvement in EBITDA growth, which increased to PKR 43,986 million as compared to PKR 34,337 million last year.
- Breakup value per share (including surplus on revaluation of property, plant and equipment) increased to PKR 5.83 from PKR 4.64
- Total Capex spend of USD 1.4 billion since 2009.
- Circular debt managed by a set-off mechanism, subsidy receivable is netted off with NTDC payable.

Operational Performance

- Generation capacity enhanced by nearly 1,057 MW through the addition of four new power plants and rehabilitation of BQPS-I during the last seven years.
- 23% fleet efficiency improvements over the last seven years.
- 13.7% reduction in Transmission and Distribution (T&D) losses over the last seven years.
- 70% of the city has distribution losses of 15%.
- Zero load-shed for customers representing 61% of overall energy distributed.
- SCADA, SAP ISU and ERP — implemented across the Company.
- A comprehensive transmission project (TP-1000) is in progress. It will increase the transmission capacity by 1000 MVA.

FINANCE

Value Creation

For any growing entity, financial planning and control are critical areas of operations. KE's finance department aims to increase the Company's value through efficiency improvements and the availability of a 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.

An Upward Trajectory

KE's financial results have shown a sustained improvement over the years. The main reason is the reduction in transmission and distribution losses, which decreased to 22.2% compared to 23.7% last year, showing a reduction of 1.5%. The reduction in T&D losses together with the gains resulting from higher electricity units sent out (FY 2016: 16,545 GWh; FY 2015: 16,111 GWh) have led to an improvement in EBITDA by 28%. Finance costs were noticeably reduced due to repayments of long-term financing and revised favorable borrowing terms. Costs would have been reduced further had the circular debt issue been resolved.

Receivables from public sector consumers KWSB and CDGK stood at PKR 36 billion and PKR 9.8 billion respectively. These receivables create major liquidity issues for the Company. In addition, PKR 30.1 billion is receivable from the GoP on account of tariff differential claims. This does not include the impact of the clawback amount.

During the current year, the Company has further recognised deferred tax asset to the extent of PKR 6.2 billion only, resulting in total deferred tax asset amounts to PKR 20.8 billion.

The current ratio stood at 0.98 times in FY 16 (FY 2015: 0.88 times), indicating better working capital management. The breakup value per share has improved to PKR 5.83 (FY 2015: PKR 4.64), including revaluation surplus.

TP-1000 Transmission Project Financing

During the year, KE arranged the financing facility for the TP-1000 project from foreign and local commercial lenders. This amounted to EUR0 46.5 million, USD 91.5 million, USD 250 million and PKR 2.2 billion from Hermes, Sinosure, OPIC and Citibank respectively.

FORWARD LOOKING STATEMENT

The monumental turnaround from a loss-making entity into a profitable one in only seven years has been driven by a clear vision, solid leadership, professional management, optimal utilisation of financial, human and other resources and unflinching determination. This accomplishment is a reflection of the organisation's attitude, as it embarks upon a new era of serving one of the largest metropolitan cities in the world.

Company's Performance Against Forward Looking Disclosures Made Last Year

- In FY 2016 revenues and cost of sales were in line with the trend, and finance costs witnessed a major reduction due to lower borrowing costs.
- Land was acquired to develop a 700 MW coal fired power plant.
- The existing open cycle plants at SITE and Korangi were converted into combined cycle (completed in January 2017).
- Improvements at BQPS II resulted in a reduction in heat rate and an increase in power output.
- A major transmission capacity enhancement project, TP-1000, was initiated.
- A maintenance programme was carried out in critical areas of the distribution network. This targeted major feeders, and a sizeable numbers of feeders and substations/PMTs were added.
- KE earned ISO 9001-2008 certification for its Integrated Business Centres (total up to 17) which indicates an improvement in KE's business processes and in meeting standard practices.

KE's progress inspires and fuels our aspiration to push the boundaries further. Whether it is in 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.

Generation

The conversion of three plants – the Korangi Gas Turbine Power Station and the Korangi and SITE Gas Turbine Power Stations – from open cycle to combined cycle (completed in January 2017) and the rehabilitation of units, 1, 2, 5, and 6 at the BQPS I have enhanced capacity and increased efficiency. At our 560 MW BQPS II, the installation of the Advanced Gas Path (AGP) at three turbines has also led to an increase in efficiency and output.

While KE works to rehabilitate the existing generation units, we fully recognise that the growing demands of Karachi necessitate the establishment of new facilities. Our efforts are now focused on becoming a net exporter of energy to the country by 2020, and in pursuit of achieving this goal KE has embarked upon several medium and long-term projects for generation capacity enhancement. These include the 700 MW (350 MW x 2) coal-fired power plants at Port Qasim in collaboration with China Datang Overseas Investment Co. Ltd. and China Machinery Engineering Corporation, and also the 450 MW RLNG-fired power plant at Port Qasim with Engro Powergen, wherein KE will be the power off-taker.

K-Electric is also pursuing power off-take from a number of IPPs and CPPs. This includes a strategic partnership with Fauji Fertilizer Bin Qasim Limited for procuring 52 MW of coal-based power, and the procurement of power from 50 x 2 (100) MW gas-fired power plants at Nooriabad, Sindh. These are being developed by Nooriabad Power Company (Pvt.) Limited and Sindh Nooriabad Power Company (Pvt.) Limited Phase-II, both companies sponsored by the Government of Sindh.

Renewable energy initiatives include power off-take from a 50 MW solar IPP being developed by Oursun Pakistan Limited in KE's licensed area, and a 40 MW wind IPP in Gharo region, being developed by Burj Martifer through Burj Gharo Energy.

Other strategic initiatives include undertaking several dual-fuel projects (RLNG/FO) on self-generation and IPP modes with capacities of 200-250 MW each to be set up in Korangi, Baldia and western Karachi. Besides meeting the power supply requirements of Karachi and adjoining areas, these initiatives will play a significant role with regard to K-Electric's system stability requirements.

KE has also initiated a 900 MW project for an RLNG-based power plant at our Bin Qasim site, at an estimated cost of USD 1 billion. This will supplement the power needs of Karachi and add value to the economy through better and sustainable power to business and industry. The project, known as BQPS III, also includes an upgrade to associated transmission infrastructure, comprising the construction of four grids.

BQPS III will be comprised of two 450 MW units, running on the CCGT (2+2+2) configuration, and powered by RLNG / pipeline gas. The plant is based on F-Class machines which incorporate the latest technology for environmental compatibility, improve dry low NOX (DLN) operability, and eliminate firing temperatures suppression. The machines operate in a range of 58.8% - 60.7% in a combined cycle mode. The first phase of 450 MW is expected to be commissioned by mid-2018 and the target for the second 450 MW phase is the end of 2019.

Transmission

KE has initiated TP-1000, a comprehensive and integrated transmission project, in collaboration with M/s. Siemens (Germany and Pakistan) and M/s. Shanghai Electric (China) that will enhance our existing transmission capacity by approximately 1000 MVA. The project is expected to be completed in FY 2019 at a total cost of approximately USD 440 million. Key components of the project include seven grid stations (3 x 220 kV, 4 x 132 kV new grid stations), six new auto transformers, and an efficiency expansion programme for 20 existing grid stations.

Distribution

The importance of a reliable distribution system and regular maintenance of the infrastructure cannot be overemphasised; in this regard, KE's focus is on distribution system augmentation, expansion and improvement. As an ongoing process, KE consistently adds capacity to the distribution system and regularly undertakes preventative maintenance of Low Tension and High Tension networks to reduce faults and customer complaints and decrease losses.

In order to keep pace with upcoming capacity addition in generation and transmission, improvements in the distribution system are also top priorities. Aerial Bundled Cables, Smart Grid and Mobile Meter Reading are some of the initiatives which will be implemented in an expanded capacity over time.

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 will ultimately be settled on a net basis with similar treatment of receivables and payables without accounting for any delayed payment surcharge / interest, and this Company's narrative is duly supported by legal opinions obtained in this respect. However, being prudent, the Company has made a provision on a net basis.

Compliance with the Code of Corporate Governance

We, in our report to the shareholders, certify that:

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

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

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

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 name of persons who, at any time during FY 2016, were Directors of the Company are given at page 58.

f. The KES Power Limited, incorporated in Cayman Island, is the holding Company of K-Electric.

g. A sound internal control system is in place and is continuously monitored by Company's effective internal audit function as well as by Board Audit Committee on regular basis.

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

i. Key operating and financial highlights of the Company for the last six (06) years are given on page 68.

j. 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 1.19 (basic / diluted).

k. Statutory payments on account of taxes, duties, levies and charges outstanding as on 30 June 2016 have been disclosed in note 26 to the financial statements.

l. Significant business plans and decisions, and their impact on the environment, have been covered in the Directors' Report to the members.

m. Major business risks and their mitigation are properly described on page 64.

n. The main trends and factors likely to affect the future development, performance and positions of the Company's business are described under Forward Looking Statement at page 46.

o. The value of investments of KE Provident Fund (KEPF) is PKR 8.98 billion; whereas KE Employees Gratuity Fund (KEGF) is valued PKR 76.89 million as of June 30, 2016. The pension scheme does not exist in the Company.

p. Statement showing the number of Board and Board Committees' meetings held during the year is placed at page 15.

q. 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 good 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. Three Directors have acquired certification under Directors Training Program (DTP) offered by PICG and one Director has completed DTP at PICG and certification is under process. Registration of other Directors is underway and DTP certification will be completed according to the requirement specified under CCG.

r. The pattern of shareholding is placed at page 150.

s. All trades in the shares of the Company, carried out by its Directors, executives and their spouses and minor children during the year, have been disclosed at page 160.

t. A report on the activities undertaken by the Company in relation to corporate social responsibility during the year is placed at page 40.

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

Report On Overall Performance Of The Board By The Chairman

The Chairman expressed his satisfaction with the overall performance of the Company's Board in the reporting period. The Chairman, however, noted with concern increased challenges pertaining to KE's review motion pending NEPRA's decision. The Chairman further noted that the Company, under the Board's directives, delivered strong performance in areas such as shareholder relations, lenders relations, governance and compliance, and the Board will continue to closely monitor / evaluate current business initiatives while focusing on risk mitigation, with the core objective to proactively cater to the ever-increasing electricity demand in the long-term perspective.

Board of Directors

During the year under review, at the AGM of the Company held on 16 October 2015, thirteen (13) Directors were elected including nine (9) representing KES Power, three (3) representing GOP and one (1) independent Director. The Directors elected Mr. Waqar Hassan Siddique as Chairman of the Board in place of outgoing Chairman, Mr. Tabish Gauhar. Subsequently, during the review year, GOP replaced and substituted one of its nominees on KE BOD, Mr. Iftikhar Aziz Siddiqui, with Mr. Muhammad Zubair Motiwala.

Post balance sheet date on 30 December 2016, another GOP nominee, Mr. Noor Ahmed, was replaced by Mr. Muhammad Anwar Sheikh, Joint Secretary (CF-II), Ministry of Finance. On 9 August 2017 another GOP nominee, Mr. Zafar Abbas, was replaced by Dr Aamer Ahmed.

The Board wishes to place on record appreciation for services of outgoing Directors and welcomes the incoming Directors.

Post Balance Sheet Date Events

a. Shanghai Electric Power Company Limited (SEP), through press notification on 3 October 2016, made a Public Announcement of Intention (PAI) for acquisition of up to 66.4% shares of the Company. Subsequently a Sale and Purchase Agreement was signed as of 28 October 2016 between SEP and KES Power Limited (holding company of KE) in respect of the said transaction, subject to receipt of applicable regulatory approvals and satisfaction of other conditions precedent specified in the Agreement. On SEP's application for extension in time for making Public Announcement of Offer, SECP allowed SEP an extension till 30 June 2017. As certain regulatory and other approvals for the transaction remained outstanding, SEP notified withdrawal of its PAI on 13 June 2017 and made a fresh PAI on the very next day, 14 June 2017, reiterating that it continues to be fully committed to consummate the transaction pending receipt of regulatory and other approvals.

b. The Company filed a petition with NEPRA on 31 March 2016 for continuation of the Company's Multi Year Tariff (MYT) for 10 years, period starting from 01 July 2016. NEPRA finally determined integrated MYT determination on 20 March 2017 for a seven (07) year period from 1 July 2016 to 30 June 2023. The Company, however, had certain serious reservations and fundamental disagreements over the said MYT determination. The Company believed that some of the assumptions in the MYT determination were not reflective of ground realities and it would derail the huge progress made by the Company leading to its transformation into a viable entity after almost seventeen (17) years of heavy losses. The new MYT determination includes no incentive to continue to invest for improving power supply to the people of Karachi and would jeopardize the business plan of the Company. In order to protect the long-term interests of the business, the Company filed a review petition with NEPRA on 20 April 2017. The hearing of the said review petition was held on 13 and 14 July 2017. The final decision from NEPRA is awaited.

Auditors

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants, retire and, being eligible, have offered themselves for reappointment. BAC has recommended the re-appointment of KPMG Taseer Hadi & Co., Chartered Accountants, as auditors of the Company for the FY 2017.

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,

Waqar Hassan Siddique
Chairman

Muhammad Tayyab Tareen
Chief Executive Officer
Karachi, 9 August 2017

GOVERNANCE & COMPLIANCE

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 functions. 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 programs, 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 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 to provide strategic guidance, whereas the management and the performance of the Company are the responsibility of executives. It is management's fundamental 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 the Chairman and the 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 the 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 plans 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 & Articles of Association, General Power of Attorney and any other mandate 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

KE has a policy in place governing the conflicts of interest relating to the Board Members of the Company which 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 Company. The Director interested in any contract, agreement, appointment etc. is required to disclose his interest in writing to the Company Secretary, who circulates such disclosure to the Board. The Board ensures that the interested Director does not participate in voting / discussion on the subject and minutes of the Board meeting clearly reflects the disclosure of interest and the voting and decision making process. 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

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

Investors' Grievances Policy and Investors' Relation Section on KE's Website

KE recognises the importance of present and prospective investors of the organisation irrespective of amount invested and keeps them posted and updated on the Company's affairs. Substantial operational & financial data and future plans are provided through quarterly and annual reports as well as in shareholders meetings (AGM or EGM) and are uploaded and regularly updated on Company's website to facilitate investors and any issue or grievance is vigilantly monitored aiming at prompt resolution. Furthermore, personal, telephonic and written requests of shareholders /potential investors and letters received from SECP or PSX are given prime importance and are promptly addressed and responded.

Further, in order to facilitate the investors to have an easy access to register their grievances and requirements for any information / detail, the Company 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 and related links of SECP and Pakistan Stock Exchange to help investors lodge their complaints or post their queries.

Issues Raised in the last Annual General Meeting

In the last AGM held on 16 October 2015, in response to shareholders concern over increase in headcount, it was briefed that KE is now a fast growing organisation and its business is not restricted up to Generation but it is in Transmission and Distribution as well. It was informed that KE has recently launched a transmission project of USD 440 million with M/s. Siemens and M/s. Shanghai Electric and in order to complete these projects it obviously needs additional manpower, aiming to move the Company upward to serve our customers more efficiently, effectively and actively.

Regarding line losses and Operation Burq, it was briefed that segmented and structured load-shed regime was implemented five (5) years back. At that time only 23% of Karachi was load-shed free but today 61% of the city is free from load-shed. Line losses have now decreased to 22.2% and KE is endeavoring to improve further. Operation Burq has been a success and KE is building on these promising results.

Policy for Safety of Records

As an entity, K-Electric is over a century old. It 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 Company has been performing the function in house; however, recently it has been partly outsourced to a professional service provider to enhance performance in a cost-effective manner without compromising on service quality and confidentiality of the records.

Whistle-Blower Policy, AZM Speak Up and 'Awaaz' Advocacy Channel

KE values an open dialogue on integrity and responsibility in interactions with its employees. It created a direct communication bridge between the leadership and the employees through various communication mediums which include confidential email address, PO BOX and hotline. KE employees can directly report misconduct or any unethical practice through these mediums, for which disclosure of names is not necessary. KE also encourages its employees 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. KE investigates all alleged breaches of its code and applies appropriate measures when complaints turn out to be substantiated.

Board's Performance Evaluation

The KE Board is fully cognizant of the critical importance of its role in setting high performance standards and values as it is the Board's performance which ultimately decides the future of the Company and its position among the peers. The 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 over 20 million citizens of Karachi and the Directors have first-hand information about the Company's performance in addition to independent coverage by electronic & print media and customers' direct feedback through emails and other modes, in relation to key performance indicators such as load-shed, tripping & breakdowns and billing & customer services related issues which are used as a yardstick to judge and evaluate the Company's as well as the Board's performance.

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 & 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.

The Board while analyzing 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 via "Report on Implementation of Board's Actionable Decisions" under which the status update of previous Board's decisions/directives is presented further enabling the Board to evaluate the effectiveness of its role and take any additional actions. 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

The 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 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 the 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 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, in every meeting, reviews a report on the implementation of its earlier decisions in terms of 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). 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.

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 effectively with the 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.

REPORT OF THE BOARD AUDIT COMMITTEE

The role of the Board Audit 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 that Company's internal controls are appropriately designed, implemented and regularly reviewed.

Committee's Procedures

The Committee meets at least four times during the year to review Company's financial performance, business plans and other key performance indicators and internal audit reports. The Committee met four times during the financial year ended June 30, 2016. 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 independent 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 an annual risk-based internal audit plan approved by the BAC, 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.

The Committee on the basis of IA reports reviews the adequacy of internal controls and discusses corrective actions in the light of Management responses. This review allows the Company to improve controls and compliance in areas where weaknesses are identified.

The Committee also reviews and ensures that IA function is adequately staffed with professionals who possess the requisite internal audit training and experience to perform their duties.

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, 2016. 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.

Coordination between external and internal auditors is also enabled and encouraged to allow sharing of information in order to ensure integrity of financial reporting system and its compliance with laws and regulations.

The Committee undertakes a periodic review of the appointment of external auditors, taking into consideration 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 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

Name of the Company: K-Electric Limited
For the year ended: 30 June 2016

This statement is being presented to comply with the Code of Corporate Governance (the "CCG") contained in Regulation No.5.19 of Pakistan Stock Exchange (PSX) Rule Book 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	Name	DOA/E/RE*	DOE**
Independent Director	Khalid Rafi	16.10.15	
Executive Directors	Muhammad Tayyab Tareen, CEO	16.10.15	
Non-Executive Directors	Waqar Hassan Sidique, Chairman	16.10.15	
	Aziz Moolji	16.10.15	
	Chaudhary Khaqan Saadullah Khan	16.10.15	
	Frederic Sicre	16.10.15	
	Mubasher H. Sheikh	16.10.15	
	Nayyer Hussain	16.10.15	
	Omar Khan Lodhi	16.10.15	
	Shan A. Ashary	16.10.15	
	Muhammad Zubair Motiwala,GOP Nominee	23.02.16	
	Muhammad Anwar Shaikh, GOP Nominee	30.12.16	
	Dr. Aamer Ahmed, GOP Nominee	09.08.17	
	Iftikhar Aziz, GOP nominee	16.10.15	23.02.16
	Noor Ahmed, GOP Nominee	16.10.15	30.12.16
	Zafar Abbas, GOP Nominee	16.10.15	09.08.17

* DOA/E/RE Date of Appointment / Election / Re-Election
** DOE Date of Exit

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. A casual vacancy occurred on the Board on 23 February 2016 was filled up by the Directors within ninety (90) days.

5. The Company has prepared 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.

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

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The training of the Directors is an ongoing process and the Directors, on a regular basis, are provided with and 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. Three Directors have acquired certification under Directors Training Program (DTP) offered by Pakistan Institute of Corporate Governance (PICG) and one Director has completed DTP at PICG and certification is under process. Registration of other Directors is underway and DTP certification will be completed according to the requirement specified under CCG.

10. The Board approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. However, no fresh appointment on the said positions has been made during review year.

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 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 comprising of four (4) 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, of whom two including the Chairman are non-executive Directors.

18. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel that are involved in the internal audit function on a full time basis and are conversant with policies and procedures of the Company.

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

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

23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. 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

Khalid Rafi
Director

Karachi, 9 August 2017

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

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

Review Report to the Members on the 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 2016 to comply with the requirements of Listing Regulation No 5.19 of the Pakistan Stock Exchange 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 2016.

Date: 9 August 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF COMPLIANCE PREPARED BY MANAGEMENT

The financial arrangements, contracts and transaction, entered into by K-Electric Limited (the Company) in respect of PKR 22,000 million Sukuk-ul-Shirkah for the period from 6 February 2015 to 30 June 2016 are in compliance with the Sukuk features and Shari'ah requirements.

We are also specifically of the view that:

- The Company has established procedures and processes for all Sukuk related transactions to comply with Sukuk features and Shari'ah requirements.
- The Company has implemented and maintained such internal control and risk management systems, the management determines is necessary to mitigate the risk of non-compliances of the Sukuk features and Shari'ah requirements, whether due to fraud or error.
- The Company has a process to ensure that the management, where appropriate, those charged with governance, and personnel involved with the Company's compliance with the Sukuk related features and Shari'ah requirements are properly trained and systems are properly updated.

The Sukuk features and Shari'ah requirements shall mean the following:

- Requirements of the Fatwa (Shari'ah opinion) dated 6 February 2015 issued by Shari'ah Advisory Board.
- Company's compliance with terms of the documents listed in Fatwa dated 6 February 2015.
- Compliance with Issue of Sukuk Regulations 2015 issued by the Securities and Exchange Commission of Pakistan.

The above statements has been duly endorsed by the Board of Directors of the Company.

For and on behalf of the Board of Directors

Muhammad Tayyab Tareen
Chief Executive Officer
Karachi, 9 August 2017

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

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

Independent Reasonable Assurance Report to the Board of Directors of K-Electric Limited on the Shari'ah Compliance of PKR 22 billion Sukuk-ul-Shirkah (Sukuk)

We were engaged by the Board of Directors of K-Electric Limited ("the Company") to report on management's assessment of compliance with Sukuk features and Shari'ah requirements, as set out in the annexed Statement of Compliance ("Statement") prepared by the management for the period from 6 February 2015 to 30 June 2016, in the form of an independent reasonable assurance conclusion about whether the annexed Statement presents fairly the status of compliance with Sukuk features and Shari'ah requirements as required under Issue of Sukuk Regulations, 2015 and Fatwa issued by Shari'ah Advisory Board, in all material respects.

Board of Directors' Responsibilities

The Board of Directors of the Company are responsible for preparation of the annexed Statement and to ensure that it is free from material misstatement.

It is the responsibility of the Company's Board of Directors to ensure that all Sukuk related financial arrangements, contracts and transactions are in substance and their legal form are in compliance with Sukuk features and Shari'ah requirements as specified above.

The Company's Board of Directors are also responsible for overall compliance of the Sukuk features and Shari'ah requirements, prevention and detection of fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its Sukuk related activities and also for designing, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant records and such risk management systems the management determines is necessary to mitigate the risk of non-compliance of the Sukuk features and Shari'ah requirements whether due to fraud or error. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Company's compliance with the Sukuk features and Shari'ah requirements are properly trained and systems are properly updated.

Our Responsibilities

Our responsibility is to examine the annexed Statement and to report thereon in form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board. That standard requires that we comply with the ethical requirements, implement the quality control procedures applicable to individual engagement and plan and perform our procedures to obtain reasonable assurance about whether the annexed Statement presents fairly the status of compliance with Sukuk features and Shari'ah requirements as required under Issue of Sukuk Regulations, 2015 and Fatwa issued by Shari'ah Advisory Board, in all material respects.

The procedures selected depend on our judgment including the assessment of the risk of the Company's non-compliance with Sukuk features and Shari'ah requirements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant

to ensure compliance with Sukuk features and Shari'ah requirements, in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion as to the effectiveness of the Company's internal control over ensuring compliance with Sukuk features and Shari'ah requirements. Reasonable assurance is less than absolute assurance.

A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Sukuk features and Shari'ah requirements, and consequently cannot provide absolute assurance that the objective of compliance with Sukuk features and Shari'ah requirement, will be met. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

The procedures performed included:

- Evaluation of the systems, procedures and practices in place with respect to Sukuk related transactions against the features and Shari'ah requirements;
- Evaluation of the systems established to help ensure the Company's compliance with the systems, procedures and practices with respect to Sukuk features and Shari'ah requirements
- Test for a sample of transactions to help ensure that these are carried out in accordance with the laid down procedures and practices.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis of our conclusion.

In our opinion, the annexed Statement for the period from 6 February 2015 to 30 June 2016, presents fairly the status of compliance with Sukuk features and Shari'ah requirements as required under Issue of Sukuk Regulations, 2015 and Fatwa issued by Shari'ah Advisory Board, in all material respects.

Dated: 9 August 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

MAJOR BUSINESS RISKS & THEIR MITIGATION

Major strategic, commercial, operational and financial risks and their mitigation

KE is conducting business in a complex and challenging regulatory environment and therefore exposed to a number of external and internal risk that may present threat to its success and profitability. Every business decision taken 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. KE considers a number of risks that may substantially affect the company's ability to create long-term values and may considerably influence the stake holders' decisions. Major risks and their mitigating strategies are:

Major business risk	Mitigating factors and actions in place
Gas and fuel shortage (Raw material)	• Payment plan further renewed with SSGC to ensure minimum gas volumes separately for winter and summer month 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 (FSA) with PSO and BYCO. • Investing in alternative fuels i.e. LNG, coal and renewable energy.
Unstable plant operations	• Asset integrity strategy in place. • Balancing, modernization and replacements carried out at all the production facilities including rehabilitation of units of BQPS-1 plant, this will increase additional capacity by 86 MW and efficiency improvement by 2.2%. • Periodic maintenance and inspections.
Liquidity risk – circular debt situation	• Regular meetings and follow-ups with the concerned ministries of GOP to resolve the issue, as the circular debt situation is hampering the timely realization of claims. • Effectively managing the liquidity gaps through short term borrowings. • KE issued SUKUK certificates, this replaced the expensive long term loan creating enough liquidity and causing significant reduction in financing costs due to better debt pricing.
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 disconnection policy and regular reviews of receivable balances, and offered instalments and rebates for paying old arrear balances.
Regulatory risk	• KE engages in regular interactions/dialogues with NEPRA to implement regulatory framework in a manner that supports business viability, continued investments across the value chain and improved consumer service. • Provisioning of timely information/data to NEPRA for greater transparency and to avoid possible conflicts. • Legal opinions are sought to support KE's stance on interpretation issues with NEPRA, wherever required.
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. • Established disaster recovery / business continuity plans have been implemented at all locations and the staff is fully equipped to quickly recover from a natural disaster.
Law and order situation	• Increased security for employees at operational centers. • Operations suspended whenever the situations get worse in a particular area. • Work on off days in case of strikes and other unexpected situations.
Foreign currency exchange rate and interest rate risk	• Managed actively by hedging open positions wherever necessary.
Non–compliance of statutory requirements, company values and standard of governance	• Rigorous checks on latest updates in regulatory framework are carried out to prevent any breach of law. • Resourcing policies designed and implemented are aligned with business strategy and our vision and value statement. • An organization–wide vision and value training programme was executed for all employees at all levels. • Code of conduct is mandatory to be signed by all employees.
Loss of trained and high potential employees	• Detailed succession planning has been emphasised at all levels throughout the organization, together with culture of employee training and development • Effective management trainee programme is also in place.
IT security risk	• IT controls are in place to prevent unauthorized access to confidential information. • Regular IT audits and trainings are conducted to monitor and minimize the risk of breaches, errors or other irregularities.
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 PERFORMANCE

SIX YEAR PERFORMANCE

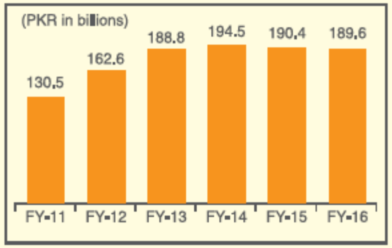
DESCRIPTION	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
OPERATIONAL PERFORMANCE			**(UNITS IN M-KWH)**			
Units Generated - Gross	7,826	8,029	8,567	8,709	9,318	10,323
Units Generated - Net	7,231	7,389	7,903	8,050	8,614	9,563
Units Purchased	7,605	7,230	7,257	7,282	7,497	6,981
Units Sent out	14,836	14,619	15,160	15,332	16,111	16,545
Units Sold	10,059	10,277	10,942	11,453	12,294	12,865
T&D loss (in percentage)	32.2%	29.7%	27.8%	25.3%	23.7%	22.2%
SUMMARY OF PROFIT & LOSS ACCOUNT			**(PKR IN MILLIONS)**			
		Restated	Restated			
Revenue	130,508	162,599	188,781	194,490	190,359	189,629
Purchase of electricty & consumption of fuel and oil	115,990	133,255	146,179	147,307	131,437	111,576
O&M Expenses	24,296	26,336	29,301	31,230	37,396	50,592
Gross Profit	36	15,616	28,602	32,200	43,264	58,176
Financial charges	5,127	7,702	13,960	11,275	9,760	5,100
Other charges / (income)	(4,851)	(6,446)	(4,661)	(4,897)	(3,311)	(3,540)
(Loss) / Profit before taxation	(10,054)	1,752	4,001	9,575	15,076	25,902
(Loss) / Profit after taxation	(9,394)	1,804	6,826	12,887	28,325	32,758
EBITDA	3,471	16,857	26,903	30,159	34,337	43,986
SUMMARY OF BALANCE SHEET			**(PKR IN MILLIONS)**			
		Restated	Restated			
Non-Current Assets	167,594	170,610	165,332	173,144	214,039	223,576
Current Assets	68,759	101,668	113,547	133,171	138,874	118,367
Total Assets	**236,353**	**272,278**	**278,879**	**306,316**	**352,914**	**341,943**
Share Capital & Reserves	26,504	41,642	53,714	70,967	128,215	160,895
Non-Current liabilities	89,179	84,308	64,505	60,376	66,164	60,532
Current liabilities	120,670	146,329	160,660	174,973	158,534	120,516
Total Equity & Liabilities	**236,353**	**272,278**	**278,879**	**306,316**	**352,914**	**341,943**
SUMMARY OF CASH FLOW STATEMENT			**(PKR IN MILLIONS)**			
		Restated	Restated			
Net cash generated from / (used in) operating activities	10,095	(9,511)	1,434	12,668	18,585	41,097
Net cash used in investing activities	(30,749)	(3,603)	(3,155)	(8,588)	(14,847)	(28,654)
Net cash generated from / (used) in financing activities	18,891	16,156	(3,034)	(329)	(7,023)	(10,795)
Net (decrease) / increase in cash and cash equivalent	**(1,762)**	**3,042**	**(4,755)**	**3,750**	**(3,285)**	**1,648**
Cash and cash equivalent at beginning of the year	(3,452)	(5,214)	(2,173)	(6,927)	(3,178)	(6,463)
Cash and cash equivalent at end of the year	**(5,214)**	**(2,173)**	**(6,927)**	**(3,178)**	**(6,463)**	**(4,815)**

KEY FINANCIAL INDICATORS

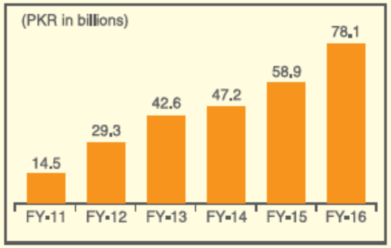
DESCRIPTION	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
PROFITABILITY RATIOS			**(IN PERCENTAGE %)**			
Gross Profit ratio	0.03%	9.6%	15.2%	16.6%	22.7%	30.7%
Net Profit to Sales	-7.2%	1.1%	3.6%	6.6%	14.9%	17.3%
EBITDA Margin to Sales	2.7%	10.4%	14.3%	15.5%	18.0%	23.2%
Pre-tax Margin	-7.7%	1.1%	2.1%	4.9%	7.9%	13.7%
Return on adjusted invested equity - Pre tax	0.0%	1.9%	3.7%	7.8%	11.0%	16.0%
LIQUIDITY RATIOS			**(IN TIMES)**			
Current ratio	0.57	0.69	0.71	0.76	0.88	0.98
Quick / Acid test ratio	0.34	0.35	0.40	0.44	0.53	0.82
Cash flow from operations to Revenue	0.08	(0.06)	0.01	0.07	0.10	0.22
ACTIVITY / TURNOVER RATIO						
Inventory Turnover Ratio			Not relevent to Business			
Inventory Turnover Days			Not relevent to Business			
Debtor Turnover Ratio						
- Including circular debt (Times)	2.45	2.16	1.98	1.76	1.54	1.54
Debtor Turnover Days						
- Including circular debt	149	169	184	208	237	238
Creditor Turnover Ratio						
- Including circular debt (Times)	2.48	2.05	2.06	2.12	1.82	1.78
Creditor Turnover Days						
- Including circular debt	147	178	177	173	201	205
Operating Cycle (No. of days)	2	(9)	7	35	35	33
INVESTMENT / MARKET RATIOS			**(IN RUPEES)**			
Earnings per Share - basic	(0.44)	0.07	0.26	0.47	1.03	1.19
Earnings per Share - diluted	(0.39)	0.07	0.26	0.47	1.03	1.19
Price earning ratio	4.87	45.29	24.00	18.19	8.21	6.79
Market Value Per Share - year end	2.15	3.24	6.22	8.49	8.42	8.06
- High during the year	3.38	4.56	7.44	8.86	10.29	8.23
- Low during the year	1.50	1.60	4.91	4.99	6.11	6.74
Price to book ratio	1.73	1.94	3.20	3.30	1.81	1.38
Breakup Value per Ordinary Share (including Surplus on Revaluation of Property, Plant & Equipment)	1.24	1.67	1.95	2.57	4.64	5.83
Breakup Value per Ordinary Share (excluding Surplus on Revaluation of Property, Plant & Equipment)	(0.11)	0.58	1.03	1.58	2.68	4.02
CAPITAL STRUCTURE RATIOS			**(IN TIMES)**			
Long-term debt to equity ratio (including revaluation surplus)	0.64	0.51	0.32	0.20	0.18	0.15
Long-term debt to equity ratio (excluding revaluation surplus)	1.05	0.75	0.47	0.30	0.27	0.21
Interest Cover ratio	(0.96)	1.23	1.29	1.85	2.54	6.08
Weighted average cost of debt	0.07	0.09	0.12	0.13	0.11	0.08
Financial Leverage Ratio (local and foreign lenders)	3.17	2.03	1.55	1.04	0.51	0.33

GRAPHICAL ANALYSIS

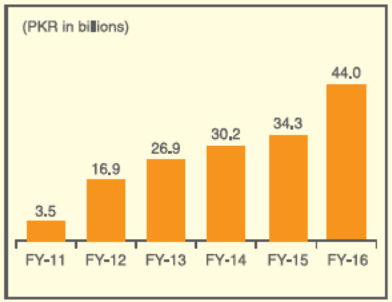
Revenue



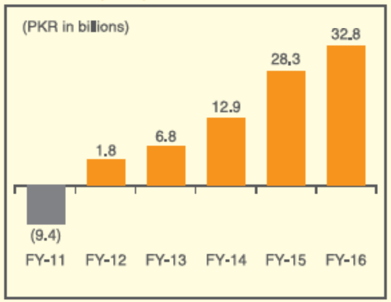
Contribution Margin



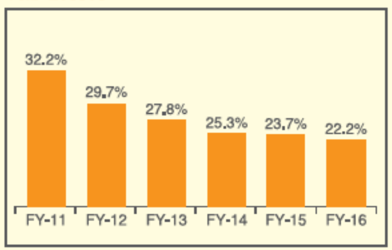
EBITDA



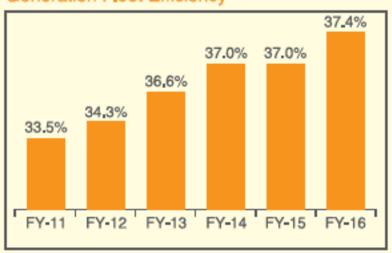
Net Profit / (Loss)



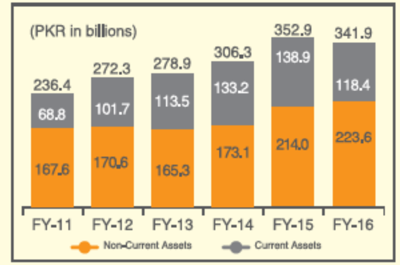
T&D Losses



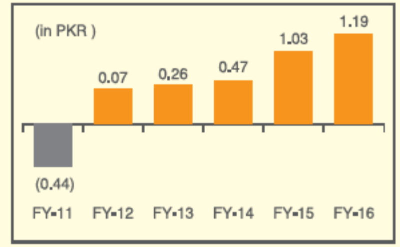
Generation Fleet Efficiency



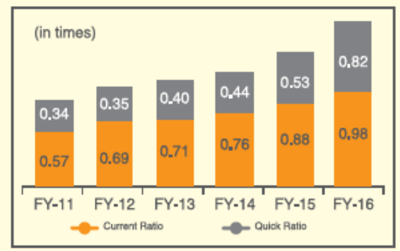
Total Assets



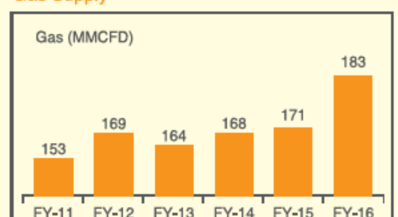
Earnings Per Share (EPS)



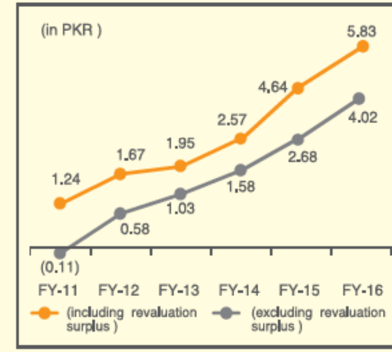
Current & Quick Ratio



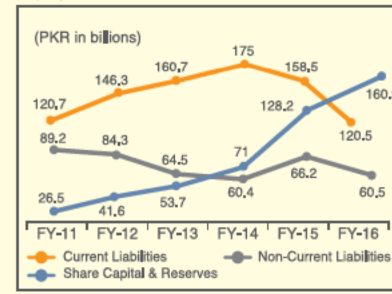
Gas Supply



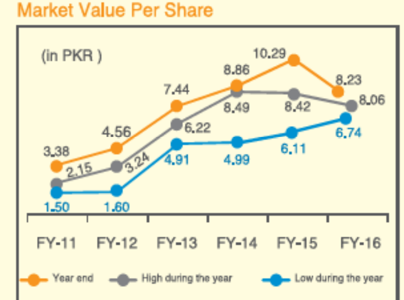
Breakup Value Per Share



Equity and Liabilities



Market Value Per Share



VERTICAL ANALYSIS

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
BALANCE SHEET						
		Restated	Restated			
NON-CURRENT ASSETS	70.9%	62.7%	59.3%	56.5%	60.6%	65.4%
CURRENT ASSETS	29.1%	37.3%	40.7%	43.5%	39.4%	34.6%
TOTAL ASSETS	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
SHARE CAPITAL & RESERVES	11.2%	15.3%	19.3%	23.2%	36.3%	47.1%
LONG-TERM LIABILITIES	37.7%	31.0%	23.1%	19.7%	18.7%	17.7%
CURRENT LIABILITIES	51.1%	53.7%	57.6%	57.1%	44.9%	35.2%
TOTAL EQUITY AND LIABILITIES	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

PROFIT & LOSS ACCOUNT	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
		Restated	Restated			
REVENUE	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
EXPENDITURE						
Purchase of electricity	-50.0%	-45.9%	-41.5%	-42.7%	-37.6%	-28.6%
Consumption of fuel and oil	-38.8%	-36.0%	-35.9%	-33.1%	-31.5%	-30.2%
	-88.9%	**-82.0%**	**-77.4%**	**-75.7%**	**-69.0%**	**-58.8%**
Expenses incurred in generation, transmission and distribution	-11.1%	-8.4%	-7.4%	-7.7%	-8.2%	-10.5%
GROSS PROFIT / (LOSS)	**0.0%**	**9.6%**	**15.2%**	**16.6%**	**22.7%**	**30.7%**
Consumers' services and administrative expenses	-7.5%	-7.8%	-8.1%	-8.4%	-11.4%	-16.2%
Other operating income	3.9%	4.5%	2.8%	3.3%	3.3%	3.5%
Other operating expenses	-0.2%	-0.6%	-0.3%	-0.8%	-1.6%	-1.6%
	-3.8%	**-3.8%**	**-5.6%**	**-5.8%**	**-9.7%**	**-14.3%**
OPERATING (LOSS / PROFIT)	**-3.8%**	**5.8%**	**9.5%**	**10.7%**	**13.0%**	**16.3%**
Finance cost	-3.9%	-4.7%	-7.4%	-5.8%	-5.1%	-2.7%
PROFIT / (LOSS) BEFORE TAXATION	**-7.7%**	**1.1%**	**2.1%**	**4.9%**	**7.9%**	**13.7%**
(LOSS)/PROFIT AFTER TAXATION	**-7.2%**	**1.1%**	**3.6%**	**6.6%**	**14.9%**	**17.3%**

HORIZONTAL ANALYSIS

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
BALANCE SHEET						
		Restated	Restated			
NON-CURRENT ASSETS	100.0%	101.8%	98.7%	103.3%	127.7%	133.4%
CURRENT ASSETS	100.0%	147.9%	165.1%	193.7%	202.0%	172.1%
TOTAL ASSETS	**100.0%**	**115.2%**	**118.0%**	**129.6%**	**149.3%**	**144.7%**
SHARE CAPITAL & RESERVES	100.0%	157.1%	202.7%	267.8%	483.8%	607.1%
LONG-TERM LIABILITIES	100.0%	94.5%	72.3%	67.7%	74.2%	67.9%
CURRENT LIABILITIES	100.0%	121.3%	133.1%	145.0%	131.4%	99.9%
TOTAL EQUITY AND LIABILITIES	**100.0%**	**115.2%**	**118.0%**	**129.6%**	**149.3%**	**144.7%**

PROFIT & LOSS ACCOUNT	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
		Restated	Restated			
REVENUE	**100.0%**	**124.6%**	**144.7%**	**149.0%**	**145.9%**	**145.3%**
EXPENDITURE						
Purchase of electricity	100.0%	114.3%	120.0%	127.1%	109.5%	83.2%
Consumption of fuel and oil	100.0%	115.6%	133.8%	126.9%	118.3%	113.0%
	100.0%	**114.9%**	**126.0%**	**127.0%**	**113.3%**	**96.2%**
Expenses incurred in generation, transmission and distribution	100.0%	94.8%	96.7%	103.5%	108.1%	137.3%
GROSS PROFIT / (LOSS)	**100.0%**	**43432.7%**	**79540.8%**	**89547.4%**	**120314.3%**	**161785.2%**
Consumers services and administrative expenses	100.0%	128.5%	155.9%	165.5%	221.5%	313.0%
Other operating income	100.0%	144.4%	104.2%	125.3%	124.3%	130.7%
Other operating expenses	100.0%	375.5%	266.6%	611.9%	1246.0%	1286.7%
	100.0%	**124.2%**	**214.4%**	**228.7%**	**371.3%**	**547.6%**
OPERATING PROFIT / (LOSS)	**100.0%**	**291.9%**	**464.6%**	**523.2%**	**604.1%**	**729.2%**
Finance cost	100.0%	150.2%	272.3%	219.9%	190.3%	99.5%
PROFIT / (LOSS) BEFORE TAXATION	**100.0%**	**117.4%**	**139.8%**	**195.2%**	**250.0%**	**357.6%**
PROFIT / (LOSS) AFTER TAXATION	**100.0%**	**119.2%**	**172.7%**	**237.2%**	**401.5%**	**448.7%**

COMMENTARY ON FINANCIAL & OPERATIONAL PERFORMANCE

Horizontal and Vertical analysis

- Share capital and reserves have increased by 607.1% over a six-year period mainly because of the issuance of ordinary shares amounting to PKR 50.5 billion, as a result of subscription of right shares by KES Power Limited (the Holding Company) amounting to PKR 30.6 billion and GOP amounting to PKR 10.5 billion. The other reasons for the increase is the profitability of the Company over a six-year period by PKR 73.2 billion and an increase of PKR 21.8 billion related to surplus on revaluation of the Company's operating assets.

- Current liabilities have shown an increase over the years, due to the prevailing circular debt situation. However, during FY 2015-16, there was a decrease in payable to power purchase and fuel suppliers from last year due to release of additional subsidy by the GoP and improved profitability resulted in internal cash generation which reduced trade payables.

- Long-term liabilities have shown a downward trend. The Company over the years acquired long-term loans from the IFC, the ADB and senior lenders to finance capital expenditure projects. In FY 2014-15, the Company carried out a major capital restructuring activity and issued AZM Sukuk certificates worth PKR 22,000 million. Through the proceeds, KE was able to prepay the expensive long-term loans of the IFC, the ADB and other senior lenders.

- Non-current assets increased due to the investment made by KE in generation, transmission and distribution projects. KE, in accordance with the IAS, revalued certain classes of fixed assets which resulted in a revaluation surplus.

- 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 KWSB and CDGK.

- Gross profit percentage increased consistently over the years mainly due to consistent reduction in T&D losses, an increase in units sent out and a marked improvement in plant efficiencies.

- The above factors also led to an increase in operating profit over the years, which increased profit before tax coupled with a lower interest burden due to the repayment of expensive long-term loans during the previous year.

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 units sent out over the six-year period.

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

Ratio analysis

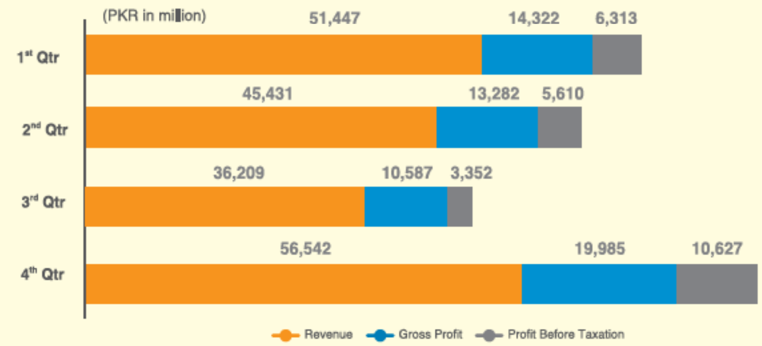
- Overall profitability ratios depict improved trends in financial health over the years owing to the factors enumerated above. The gross profit and EBITDA margin to sale ratio shows higher growth and positive trends, and return on adjusted invested equity mainly increased due to an increase in net profits.

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

- Liquidity ratios have improved over the years due to an improvement in cash flows from operations and capital restructuring that took place in FY 2015.

QUARTERLY PERFORMANCE ANALYSIS - FY2016

Quarterly Performance



Revenue	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
- PKR in millions	51,447	45,431	36,209	56,542	189,629
Composition	27.1%	24.0%	19.1%	29.8%	
T&D losses					
- Percentage	25.5%	18.3%	24.3%	20.8%	22.2%
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	14,322	13,282	10,587	19,985	58,176
- Percentage of Revenue	27.8%	29.2%	29.2%	35.3%	
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 over all mix.				

Profit before Taxation (PBT)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
- PKR in millions	6,313	5,610	3,352	10,627	25,902
- Percentage of Revenue	12.3%	12.3%	9.3%	18.8%	
Analysis	Profit increase in later quarters resulted from the reduction in T&D losses, operation of more efficient plant and lower finance cost on long term financing due to principal repayments.				

STATEMENT OF CASH FLOWS - DIRECT METHOD

	2016	2015
	(PKR in millions)	
Cash Flows From Operating Activities		
Cash receipts from customers	189,825	169,387
Tariff subsidy receipts from government	56,726	43,772
Cash paid to suppliers, service providers and employees	(200,617)	(186,486)
Cash generated from operating activities	45,934	26,673
Employee retirement benefits paid	(1,271)	(705)
Income tax paid	(490)	(461)
Receipts in deferred revenue	2,168	2,302
Finance cost paid	(5,495)	(9,575)
Interest received on bank deposits	251	351
Net cash generated from operating activities	41,097	18,586
Cash Flows From Investing Activities		
Capital expenditure incurred	(22,841)	(15,093)
Acquisition of assets held for sale	(2,999)	-
Proceeds from disposal of property, plant and equipment	186	246
Short-term investments made	(3,000)	-
Net cash used in investing activities	(28,654)	(14,847)
Cash Flows From Financing Activities		
Realization of derivative financial assets	-	1,260
Long-term diminishing musharka - net of transaction cost	-	21,527
Receipt of long-term financing - net	942	(18,547)
Payment of short-term borrowings - net	(12,654)	(12,109)
Security deposit from consumers	917	846
Net cash used in financing activities	(10,795)	(7,023)
Net increase / (decrease) in cash and cash equivalent	1,648	(3,284)
Cash and cash equivalents at beginning of the year	(6,463)	(3,178)
Cash and cash equivalents at end of the year	(4,815)	(6,463)

KPMG

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

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

Auditors' Report to the Members

We have audited the annexed balance sheet of **K-Electric Limited** ("the Company") as at 30 June 2016 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change disclosed in note 2.5 (a) with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2016 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.

Our opinion is not qualified in respect of the above matter.

Date: 9 August 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Mahmood Hussain

BALANCE SHEET

As at 30 June 2016

	Note	2016	2015
		(Rupees in '000)	
Assets			
Non-current assets			
Property, plant and equipment	4	223,478,001	213,869,249
Intangible assets	5	63,860	134,152
Long-term investment	6	-	-
Long-term loans	7	25,908	27,837
Long-term deposits	8	8,297	7,907
		223,576,066	214,039,145
Current assets			
Stores, spare parts and loose tools	9	7,946,560	6,795,900
Trade debts	10	93,234,034	83,290,562
Loans and advances	11	771,863	798,387
Trade deposits and short-term prepayments	12	1,936,357	5,771,338
Other receivables	13	5,251,763	39,451,720
Taxation - net		890,524	1,498,955
Short-term investment	14	3,000,000	-
Cash and bank balances	15	2,178,070	1,267,633
Non-current assets held for sale	16	3,157,822	-
		118,366,993	138,874,495
Total Assets		341,943,059	352,913,640
Equity and Liabilities			
Share capital and reserves			
Issued, subscribed and paid up capital	17	96,261,551	96,261,551
Reserves			
Capital reserves	18	509,172	509,172
Share premium		1,500,000	1,500,000
Revenue reserves	19	5,350,193	5,372,356
		7,359,365	7,381,528
Un-appropriated profit / (Accumulated losses)		7,306,991	(29,568,641)
		110,927,907	74,074,438
Surplus on revaluation of property, plant and equipment	20	49,966,810	54,141,026
Liabilities			
Non-current liabilities			
Long-term diminishing musharaka	21	21,526,916	21,527,233
Long-term financing	22	7,588,587	6,545,714
Long-term deposits	23	7,629,009	6,712,048
Employee retirement benefits	24	5,119,160	5,521,630
Deferred revenue	25	18,065,386	17,300,219
Deferred tax liability	43.5	602,998	8,556,948
		60,532,056	66,163,792
Current liabilities			
Current maturity of long-term financing	33	2,926,610	3,027,915
Trade and other payables	26	81,313,986	105,787,466
Accrued mark-up	27	5,469,650	5,866,849
Short-term borrowings - secured	28	23,351,923	36,743,121
Short-term deposits	29	7,444,139	7,099,055
Provisions	30	9,978	9,978
		120,516,286	158,534,384
Total Equity and Liabilities		341,943,059	352,913,640
Contingencies and Commitments	32		

The annexed notes 1 to 58 form an integral part of these financial statements.

Muhammad Tayyab Tareen	Khalid Rafi	Syed Moonis Abdullah Alvi
Chief Executive Officer	Director	Chief Financial Officer

PROFIT & LOSS ACCOUNT

For the year ended 30 June 2016

	Note	2016	2015
		(Rupees in '000)	
Revenue			
Sale of energy - net	34	166,747,750	148,514,246
Tariff adjustment	35	22,880,854	41,844,708
		189,628,604	190,358,954
Cost of Sales			
Purchase of electricity	36	(54,309,231)	(71,487,149)
Consumption of fuel and oil	37	(57,266,315)	(59,950,311)
Expenses incurred in generation, transmission and distribution	38	(19,876,732)	(15,657,684)
		(131,452,278)	(147,095,144)
Gross Profit		58,176,326	43,263,810
Consumers services and administrative expenses	39	(30,714,925)	(21,738,496)
Other operating expenses	40	(3,120,463)	(3,021,952)
Other income	41	6,660,303	6,332,850
		(27,175,085)	(18,427,598)
Profit Before Finance Cost		31,001,241	24,836,212
Finance cost	42	(5,099,520)	(9,759,729)
Profit Before Taxation		25,901,721	15,076,483
Taxation	43	6,855,908	13,248,228
Net Profit for the year		32,757,629	28,324,711
Earning Before Interest, Tax, Depreciation and Amortization (EBITDA)		43,985,524	34,337,469
		(Rupees)	
Earnings per share - Basic and Diluted	44	1.19	1.03

The annexed notes 1 to 58 form an integral part of these financial statements.

Muhammad Tayyab Tareen	Khalid Rafi	Syed Moonis Abdullah Alvi
Chief Executive Officer	Director	Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	2016	2015
	(Rupees in '000)	
Net profit for the year	32,757,629	28,324,711
Other comprehensive income		
Items that are or may be reclassified to profit and loss account		
Changes in fair value of cash flow hedges	(24,430)	-
Adjustment for amounts transferred to profit and loss account	2,267	359,552
	(22,163)	359,552
Items that will never be reclassified to profit and loss account		
Remeasurement of employee benefit obligations	(56,213)	89,099
	(78,376)	448,651
Total comprehensive income for the year	32,679,253	28,773,362

The annexed notes 1 to 58 form an integral part of these financial statements.

Muhammad Tayyab Tareen	Khalid Rafi	Syed Moonis Abdullah Alvi
Chief Executive Officer	Director	Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Issued, subscribed and paid-up capital			Reserves				(Accumulated Losses) / Un-appropriated profit	Total
				Capital reserves		Revenue reserves			
	Ordinary shares	Transaction costs	Total share capital	Capital reserves	Share premium	General reserves	Other reserves		
	(Rupees in '000)								
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	-	-	-	-	-	-	359,552	-	359,552
Remeasurement of employee benefit obligations	-	-	-	-	-	-	-	89,099	89,099
	-	-	-	-	-	-	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
Total comprehensive income for the year ended 30 June 2016									
Net profit for the year	-	-	-	-	-	-	-	32,757,629	32,757,629
Other comprehensive income									
Changes in fair value of cash flow hedges	-	-	-	-	-	-	(22,163)	-	(22,163)
Remeasurement of employee benefit obligations	-	-	-	-	-	-	-	(56,213)	(56,213)
	-	-	-	-	-	-	(22,163)	32,701,416	32,679,253
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	-	-	4,174,216	4,174,216
Balance as at 30 June 2016	96,653,179	(391,628)	96,261,551	509,172	1,500,000	5,372,356	(22,163)	7,306,991	110,927,907

The annexed notes 1 to 58 form an integral part of these financial statements.

Muhammad Tayyab Tareen
Chief Executive Officer

Khalid Rafi
Director

Syed Moonis Abdullah Alvi
Chief Financial Officer

CASH FLOW STATEMENT

For the year ended 30 June 2016

	Note	2016	2015
		(Rupees in '000)	
Cash Flows From Operating Activities			
Profit before taxation		25,901,721	15,076,483
Adjustments for non-cash charges and other items:			
Depreciation and amortization		12,984,282	9,501,257
Provision for employee retirement benefits		812,258	1,108,184
Provision for slow moving and obsolete stores, spare parts and loose tools		100,914	86,703
Provision for debts considered doubtful		15,211,165	9,268,074
Gain on sale of property, plant and equipment		(26,594)	(136,792)
Finance cost		5,099,520	9,759,729
Unwinding charges on early repayment of long term financing		-	886,644
Amortization of deferred revenue		(1,402,785)	(1,305,031)
Return on bank deposits		(250,613)	(351,067)
Operating profit before working capital changes		58,429,868	43,894,184
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(1,251,574)	(914,303)
Trade debts		(25,154,637)	(16,854,541)
Loans and advances		26,524	687,468
Trade deposits and short-term prepayments		3,834,981	(3,553,310)
Other receivables		34,199,957	4,789,278
		11,655,251	(15,845,408)
Increase / (decrease) in current liabilities			
Trade and other payables		(24,497,910)	(2,690,700)
Short-term deposits		345,084	1,215,314
		(24,152,826)	(1,475,386)
Cash generated from operations		45,932,293	26,573,390
Employee retirement benefits paid		(1,270,941)	(705,071)
Income tax paid		(489,611)	(461,031)
Receipts in deferred revenue		2,167,952	2,302,201
Finance cost paid		(5,494,769)	(9,574,927)
Interest received on bank deposits		250,613	351,067
Long-term loans		1,929	1,539
Long-term deposits		(390)	97,909
		(4,835,217)	(7,988,313)
Net cash generated from operating activities		41,097,076	18,585,077
Cash Flows From Investing Activities			
Capital expenditure incurred		(22,840,432)	(15,093,164)
Acquisition of assets held for sale		(2,999,116)	-
Proceeds from disposal of property, plant and equipment		185,578	246,345
Short-term investments made		(3,000,000)	-
Net cash used in investing activities		(28,653,970)	(14,846,819)
Cash Flows From Financing Activities			
Realization of derivative financial assets		-	1,259,554
Long-term diminishing musharaka - net off transaction cost		-	21,527,233
Long-term financing - net		941,568	(18,547,182)
Short-term borrowings - net		(12,653,936)	(12,109,008)
Security deposit from consumers		916,961	846,307
Net cash used in financing activities		(10,795,407)	(7,023,096)
Net increase / (decrease) in cash and cash equivalents		1,647,699	(3,284,838)
Cash and cash equivalents at beginning of the year		(6,462,649)	(3,177,811)
Cash and cash equivalents at end of the year	31	(4,814,950)	(6,462,649)

The annexed notes 1 to 58 form an integral part of these financial statements.

Muhammad Tayyab Tareen
Chief Executive Officer

Khalid Rafi
Director

Syed Moonis Abdullah Alvi
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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) and its shares are quoted on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at KE House, 39-B, Sunset Boulevard, Phase II, DHA, Karachi.

The Company is principally engaged in the generation, transmission and distribution of electric energy to industrial and other consumers under the Electricity Act, 1910 and NEPRA Act, 1997, as amended, to its licensed areas. KES Power Limited (the holding company) holds 66.40 percent (2015: 66.40 percent) shares in the Company.

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 (IASB) 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.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by SECP vide its circular dated 20 July 2017, these financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to the treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of fixed assets to bring it in line with the requirements of IAS 16 – Property, plant and equipment.

2.2 Basis of measurement

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 3.12 and 4.1.3;
- 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 3.8 and 26.7; and
- defined benefit obligations are stated at present value of defined benefit obligation less fair value of any plan assets in accordance with the requirements of IAS – 19 "Employee Benefits", as referred to in notes 3.15 and 24.

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 National Electric Power Regulatory Authority (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 rates of depreciation, useful lives and residual values used in the calculation of depreciation on an annual basis. The estimates of revalued amounts of leasehold land, plant and machinery and transmission grid equipments are based on a valuation carried out by professional valuers. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. Any change in these 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 Provision for impairment of trade debt and other receivables

The company assesses the recoverability of its trade debts and other receivables if there is an objective evidence that the Company will not be able to collect all the amount due according to the original terms. Judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required.

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 Provision for retirement and other service benefit obligation

The present value of these obligations depends on a number of factors and is being calculated on actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amounts of these obligations. The present values of these obligations and the underlying assumptions are disclosed in note 24.

2.4.6 Taxation

In making the estimate for income tax payable, the company takes into account the applicable laws. Deferred tax asset is recognized for all unused tax losses and available credits to the extent that it is probable that sufficient taxable temporary differences and taxable profits will be available against which such losses and credits can be utilized. Significant judgement is exercised to determine the amount of deferred tax asset to be recognized.

2.4.7 Fair values

Based on the inputs used in valuation techniques, fair values are categorised into different levels in fair value hierarchy as defined in IFRS - 13 "Fair value measurements". Information about valuation techniques and inputs used in the fair value of property, plant and equipment and derivatives is included in note 4.1.4 and 47.7 respectively.

2.4.8 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 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments to published standards and interpretations that are effective during the year

New standards and amendments to published standards became effective from financial year beginning 01 July 2015 but are not relevant to the Company except for IFRS - 13 “Fair value measurement”:

IFRS - 13 “Fair Value Measurement”, consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS - 13 did not have an impact on the financial statements of the Company, except certain additional disclosures as presented in note 4.1.4 and 47.7.

Securities and Exchange Commission of Pakistan vide circular no. 29 of 2016 “Additional Disclosure regarding Shariah Screening of Listed Companies for Islamic Equity Indexes” issued on 05 September 2016 encouraged listed companies to voluntarily disclose all Islamic related transactions and balances in their annual and half yearly financial statements. Accordingly, additional disclosures have been presented in these financial statements.

b) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2016:

Amendments to IAS - 38 “Intangible Assets” and IAS - 16 “Property, Plant and Equipment” (effective for annual periods beginning on or after 01 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company’s financial statements.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS - 10 “Consolidated Financial Statements” and IAS - 28 “Investments in Associates and Joint Ventures”) (effective for annual periods beginning on or after 01 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company’s financial statements.

Accounting for Acquisition of Interests in Joint Operations – Amendments to IFRS - 11 “Joint Arrangements” (effective for annual periods beginning on or after 01 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company’s financial statements.

Amendment to IAS - 27 “Separate Financial Statements” (effective for annual periods beginning on or after 01 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company’s financial statements.

Amendments to IAS - 12 “Income Taxes” are effective for annual periods beginning on or after 01 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Company’s financial statements.

Amendments to IAS - 7 “Statement of Cash Flows” are part of IASB’s broader disclosure initiative and are effective for annual periods beginning on or after 01 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendment will result in increase in disclosure only.

Amendments to IFRS - 2 “Share-based Payment” clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and / or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are 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 01 January 2016). The new cycle of improvements contain amendments to the following standards. The amendments are not likely to have any impact on financial statements of the Company.

IFRS - 5 “Non-current Assets Held for Sale and Discontinued Operations” 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 distribution accounting in the same way as it would cease held for sale accounting.

IFRS - 7 “Financial Instruments - Disclosures” is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by ‘Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)’ are not specifically required for inclusion in condensed interim financial statements for all interim periods.

IAS - 19 “Employee Benefits” 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” 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 the preparation of these financial statements, unless otherwise stated:

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 capitalized from the date of purchase of such spares.

Measurement

Except leasehold land, plant and machinery (owned and given under diminishing musharaka 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 musharaka 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.

Expenditure incurred to replace a component of an item of operating assets is capitalized. The carrying amount of the replaced part is derecognized. 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.

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

Depreciation

Depreciation is charged to profit and loss account, applying the straight line method whereby costs of assets, less their residual values, is written off over their estimated useful lives at rates disclosed in note 4.1. Depreciation on additions is charged from the month in which the asset is available for use up to the month preceding the disposal.

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

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

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

Disposal

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. When revalued assets are sold, the relevant remaining surplus is transferred directly by the Company to retained earning.

3.1.2 Capital work-in-progress

Capital work-in-progress are 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 and any other costs 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 recognized as property, plant and equipment when they meet the definition of property, plant and equipment as per IAS 16.

3.1.3 Assets 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 5.2.1.

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 account 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 recognized 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 Financial instruments

3.4.1 Financial assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is held for trading or is designated as such on initial recognition.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market.

c) Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity.

d) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Recognition and measurement

The Company recognises financial asset when it becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on the trade date i.e. the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Held to maturity financial assets and loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account.

Changes in fair value of available-for-sale financial assets are recognized in other comprehensive income. When available-for-sale financial assets are sold, the accumulated fair value adjustments recognized in statement of comprehensive income are included in the profit and loss account.

3.4.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of an instrument. Financial liabilities are derecognised when they are extinguished i.e. when the obligation is discharged or cancelled or expired.

3.4.3 Offsetting financial Instruments

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.

3.5 Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable within one year and the assets are available for immediate sale in their present condition. They are measured at the lower of their carrying amount and fair value less costs to sell. Assets classified as held for sale are presented separately from the other assets in the balance sheet.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised.

Assets are not depreciated or amortised while they are classified as held for sale.

3.6 Stores and spares

These are stated at moving average cost less impairment loss, if any, except items in transit, which are stated at cost. For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated realizable value.

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

3.7 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method, if applicable, less provision for impairment, if any. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and receivables are written off when considered irrecoverable.

No provision is made for trade debts due from federal / provincial Government and local bodies, as management believes that these trade debts are not impaired and will be recovered.

3.8 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.

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.

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 hedge is a hedge of the 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.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity and accumulated in the hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss.

Amounts accumulated in equity are reclassified to the profit and loss account in the periods when the hedged item affects profit and loss account i.e. when the hedged financial income or expense is recognized or when the forecast transaction occurs. Where the hedged item is the cost of a non financial asset or non financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non financial asset or liability. If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

3.9 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.

3.10 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks and short-term placements readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents also include bank overdrafts which form an integral part of the Company's cash management.

3.11 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction.

3.12 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 and SRO 45(I) / 2003 dated 13 January 2003.

- 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.

3.13 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, if any.

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.

3.14 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. 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 25).

3.15 Employee retirement and other service benefits

3.15.1 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. The most recent valuation was carried out as of 30 June 2016 using the "Projected Unit Credit Method".

The amount recognized in the balance sheet represents the present value of defined benefit obligations less fair value of any plan assets. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income with no subsequent recycling through the profit and account.

The Company operates following retirement schemes for its employees.

(a) Defined benefit gratuity scheme

The Company operates a funded gratuity scheme managed by trustees. The gratuity funded scheme covers all its regular employees. The scheme provides for an ascending scale of benefits dependent 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 dependants. Under the unfunded scheme all such employees and their dependants are entitled for such coverage for a period of 10 years and wives and minor children of retired and deceased employees for a period of 5 years starting from the date of retirement.

(c) **Electricity rebate**

The Company provides a rebate on their electricity bills to its eligible retired employees for the first five years of retirement.

3.15.2 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.

3.15.3 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. The amount recognised in the balance sheet represents the present value of the obligation based on actuarial valuation. Remeasurement gains and losses pertaining to long-term compensated absences are recognized in the profit and loss account immediately. This comprise 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 encashment is permitted. Unused leave lapses at the end of the year. Some historical balances of accumulated leave remain. These are available for encashment and leave preparatory to retirement.

3.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in the statement of comprehensive income or directly in equity. In this case the tax is also recognized in the statement of comprehensive income or directly in equity, respectively.

3.16.1 Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

3.16.2 Deferred

Deferred tax is recognized using balance sheet method, providing for all significant temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.17 Trade and other payables

Trade and other payables are recognized initially at fair value less directly attributable cost, if any, and subsequently measured at amortized cost.

3.18 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.19 Revenue recognition

3.19.1 Energy sale

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

3.19.2 Tariff adjustment

Tariff differential subsidy including claim for variation in fuel prices, cost of power purchase and operation and maintenance cost and unrecovered cost are recognized on accrual basis when the Company qualifies to receive it.

3.19.3 Late payment surcharge

Surcharge on late payment is accounted for after the due date of payment has passed. In case of Government and Local Bodies, late payment surcharge is accounted for on receipt basis.

3.19.4 Rebate on electricity duty

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

3.19.5 Meter rentals

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

3.19.6 Interest / Mark-up income

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

3.20 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.

3.21 Assets held under operating leases / Ijarah financing

Assets held under operating leases / Ijarah financing 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.

3.22 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 to the extent that hedges are effective. 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.

3.23 Appropriations to reserves

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

3.24 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.25 Related party transactions

Sales, purchases and other transactions with related parties are carried out on agreed terms and conditions.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2016	2015
		(Rupees in '000)	
Operating fixed assets	4.1	193,448,746	198,301,590
Capital work-in-progress	4.3	30,029,255	15,567,659
		223,478,001	213,869,249

4.1 Operating fixed assets

	Land		Buildings on		Plant and machinery		Others										
	Leasehold (note - 4.1.1)	Other (note - 4.1.2)	Leasehold land	Other land	Owned	Assets given under long-term diminishing musharaka sukuk (note - 4.1.5)	Transmission grid equipment	Transmission lines	Distribution networks	Renewals of mains and services	Furniture, air-conditioners and office equipment	Vehicles	Computers and related equipment	Tools and general equipment	Major spare parts	Simulator equipment	Total
	(Rupees in '000)																
As at 01 July 2014																	
Cost	9,659,531	547,769	2,743,203	4,045,157	133,773,119	-	32,547,027	16,237,658	41,210,522	2,061,958	1,157,262	203,053	653,357	1,143,405	1,846,009	67,713	247,896,743
Accumulated depreciation	(1,572,149)		(339,867)	(1,357,495)	(41,467,035)	-	(12,553,967)	(7,575,050)	(20,051,623)	(1,597,224)	(630,711)	(164,493)	(536,484)	(574,896)	(423,324)	(67,713)	(88,912,031)
Net book value	8,087,382	547,769	2,403,336	2,687,662	92,306,084	-	19,993,060	8,662,608	21,158,899	464,734	526,551	38,560	116,873	568,509	1,422,685	-	158,984,712
Year ended 30 June 2015																	
Opening net book value	8,087,382	547,769	2,403,336	2,687,662	92,306,084	-	19,993,060	8,662,608	21,158,899	464,734	526,551	38,560	116,873	568,509	1,422,685	-	158,984,712
Additions (note 4.3)	-	-	91,951	6,948	5,594,468	-	645,007	36,565	4,030,531	88,742	28,987	-	54,674	33,320	216,236	-	10,827,429
Revaluation surplus (note 4.1.3)	-	-	-	-	19,982,310	5,237,702	12,637,833	-	-	-	-	-	-	-	-	-	37,857,845
Disposals																	
Cost	-	-	-	-	(18,277)	-	(33,426)	(11,373)	(268,516)	(12,421)	(815)	(6,395)	(1,593)	(2,008)	-	-	(354,824)
Accumulated depreciation	-	-	-	-	10,043	-	21,528	7,426	184,315	12,405	566	5,653	1,568	1,767	-	-	245,271
	-	-	-	-	(8,234)	-	(11,898)	(3,947)	(84,201)	(16)	(249)	(742)	(25)	(241)	-	-	(109,553)
Inter-head reclassification																	
Cost	-	-	-	-	(39,419,267)	39,429,167	-	-	-	-	-	-	38	1,787	(11,725)	-	-
Accumulated depreciation	-	-	-	-	19,500,754	(19,501,740)	-	-	-	-	-	-	(9)	(388)	1,383	-	-
	-	-	-	-	(19,918,513)	19,927,427	-	-	-	-	-	-	29	1,399	(10,342)	-	-
Depreciation charge (note 4.1.8)	(122,280)		(93,626)	(57,284)	(4,399,423)	(711,595)	(1,304,463)	(468,769)	(1,641,507)	(138,760)	(92,495)	(8,902)	(47,565)	(95,287)	(76,907)	-	(9,258,843)
Closing net book value	7,965,102	547,769	2,401,661	2,637,326	93,556,692	24,453,534	31,969,539	8,226,467	23,463,722	414,700	462,794	28,916	123,996	507,700	1,551,672	-	198,301,590
As at 01 July 2015																	
Cost	9,659,531	547,769	2,835,154	4,052,105	119,912,353	44,666,869	45,796,441	16,262,850	44,972,537	2,138,279	1,185,434	196,658	706,476	1,176,504	2,050,520	67,713	296,227,193
Accumulated depreciation	(1,694,429)	-	(433,493)	(1,414,779)	(26,355,661)	(20,213,335)	(13,826,902)	(8,036,383)	(21,508,815)	(1,723,579)	(722,640)	(167,742)	(582,480)	(668,804)	(498,848)	(67,713)	(97,925,603)
Net book value	7,965,102	547,769	2,401,661	2,637,326	93,556,692	24,453,534	31,969,539	8,226,467	23,463,722	414,700	462,794	28,916	123,996	507,700	1,551,672	-	198,301,590
Year ended 30 June 2016																	
Opening net book value	7,965,102	547,769	2,401,661	2,637,326	93,556,692	24,453,534	31,969,539	8,226,467	23,463,722	414,700	462,794	28,916	123,996	507,700	1,551,672	-	198,301,590
Additions (note 4.3)	274,348	-	112,339	240,184	1,727,832	-	861,365	289,927	4,305,586	32,023	37,522	6,028	103,114	89,250	262,316	-	8,342,834
Disposals (note 4.2)																	
Cost	-	-	-	-	-	-	(41,074)	(10,306)	(343,581)	(3,100)	(4,522)	(1,957)	(3,111)	(5,726)	-	-	(413,377)
Accumulated depreciation	-	-	-	-	-	-	20,738	7,037	209,996	3,100	3,713	1,761	3,089	4,959	-	-	254,393
	-	-	-	-	-	-	(20,336)	(3,269)	(133,585)	-	(809)	(196)	(22)	(767)	-	-	(158,984)
Inter head reclassification																	
Cost	-	-	-	1	(181,182)	-	(109,977)	(3,536)	116,226	(3,121)	5	-	7,183	430	173,971	-	-
Accumulated depreciation	(5,140)	-	-	1	(37,123)	-	56,990	318	(17,045)	8,535	(697)	3,063	(7,602)	(4,318)	3,018	-	-
	(5,140)	-	-	2	(218,305)	-	(52,987)	(3,218)	99,181	5,414	(692)	3,063	(419)	(3,888)	176,989	-	-
Transfer to assets held for sale																	
Cost	-	-	-	-	(1,698,787)	-	-	-	-	-	-	-	-	-	-	-	(1,698,787)
Accumulated depreciation	-	-	-	-	1,540,081	-	-	-	-	-	-	-	-	-	-	-	1,540,081
	-	-	-	-	(158,706)	-	-	-	-	-	-	-	-	-	-	-	(158,706)
Depreciation charge (note 4.1.8)	(134,091)	-	(94,702)	(54,965)	(4,762,563)	(2,193,787)	(2,951,132)	(473,268)	(1,699,730)	(148,557)	(92,523)	(7,852)	(65,735)	(95,651)	(103,442)	-	(12,877,988)
Closing net book value	8,100,219	547,769	2,419,298	2,822,547	90,144,960	22,259,747	29,796,449	8,036,639	26,036,174	303,580	406,292	29,959	160,934	496,644	1,887,535	-	193,448,746
As at 30 June 2016																	
Cost	9,933,879	547,769	2,947,493	4,292,290	119,760,216	44,666,869	46,506,755	16,538,935	49,051,768	2,164,081	1,218,439	200,729	813,662	1,260,458	2,486,807	67,713	302,457,863
Accumulated depreciation	(1,833,660)	-	(528,195)	(1,469,743)	(29,615,256)	(22,407,122)	(16,710,306)	(8,502,296)	(23,015,594)	(1,860,501)	(812,147)	(170,770)	(652,728)	(763,814)	(599,272)	(67,713)	(109,009,117)
Net book value	8,100,219	547,769	2,419,298	2,822,547	90,144,960	22,259,747	29,796,449	8,036,639	26,036,174	303,580	406,292	29,959	160,934	496,644	1,887,535	-	193,448,746
Annual rate of depreciation (%)	0.17 to 3.03		2	2 to 20	2.85 to 33.33	2.85 to 33.33	3 to 10	3 to 3.33	3 to 10	20	10 to 15	20	14.33-33.33	10 to 15	3.33 to 20	14.33	

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	2016	2015
		(Rupees in '000)	
Amenity			
- Leasehold		508,522	508,520
- Freehold (mainly grid)		671	671
Leasehold land – owned	*4.1.2.1*	38,576	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 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 was as follows:

	Surplus on revaluation	Written down value
	(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, Colliers International Pakistan (Pvt) Ltd. These valuations fall under level 2 hierarchy. Techniques used for fair valuation are described in note 4.1.4.

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

During the year ended 30 June 2015, another revaluation exercise of plant and machinery and transmission grid equipment was carried out by an independent valuer, Iqbal Nanjee and Company (Private) Limited. These valuations fall under level 3 hierarchy. Techniques used for fair valuation are described in note 4.1.4.

	Surplus on revaluation	Written down value
	(Rupees in '000)	
Plant and machinery - owned	19,982,310	73,574,382
Plant and machinery - assets given under diminishing musharaka sukuk	5,237,702	19,215,833
Transmission grid equipment	12,637,833	19,321,706
	37,857,845	112,111,921

No revaluation exercise has been carried out during the year ended 30 June 2016.

4.1.3.1 Had there been no revaluation, the values of specific classes of leasehold land, plant and machinery and transmission grid equipment at 30 June 2016 would have amounted to:

	Cost	Written down value
	(Rupees in '000)	
Lease hold land	609,947	566,536
Plant and machinery - owned	87,884,048	60,684,885
Plant and machinery - assets given under diminishing musharaka sukuk	18,268,370	6,504,190
Transmission grid equipment	22,578,381	11,323,227
	129,340,746	79,078,838

4.1.4 Non financial asset fair valuation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Valuation techniques and significant unobservable inputs

Valuation techniques used in measuring the fair value of leasehold land, plant and machinery and transmission and grid equipments as well as the significant unobservable inputs used are described as under:

Leasehold land

The fair value of leasehold land was determined by obtaining market values of the properties and considering its size, nature and location, as well as the trend in the real estate and property sector. All relevant factors affecting the saleability of the asset, availability of the buyers and the assessment of its real value under prevailing economic condition were accounted for. The value of the land was assessed based on information available in current real estate market.

The estimated fair value of land would increase / (decrease) if selling prices for property of same nature in the immediate neighbourhood and adjoining areas increase / (decrease).

Transmission grid equipment

For the valuation of grid equipment, the valuers referred to current cost from various manufacturers and also considered cost as incurred by the Company and the trend of prices of raw material i.e. copper and steel.

The estimated fair value of grid equipment would increase / (decrease) if current selling prices of these equipment increase / (decrease).

Plant and machinery

The valuer approached vendors for current prices. In view of the technological developments, where costs were not up to date, indexation according to European Power Capital Cost Index (EPCCI) was considered.

The fair value of above mentioned assets would increase / (decrease) if indexation according to EPCCI increases / (decreases).

The difference between the opening and closing fair value of property, plant and equipment is the impact of depreciation, additions and disposals during the year as shown in note 4.1.

4.1.5 During the year ended 30 June 2015,the Company has issued Azm Sukuk certificates amounting to Rs. 21,509 million net of transaction cost under diminishing musharaka arrangements. As per the agreements, the Company sold musharaka 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 Sukuk. 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:

	2016	2015
	(Rupees in '000)	
Not later than one year	1,572,620	1,921,000
Later than one year and not later than five years	21,504,414	20,188,466
Later than five years but not later than ten years	4,595,723	9,790,301

4.1.6 The cost of fully depreciated assets as at 30 June 2016 is Rs. 16,573.739 million (2015: Rs. 12,221.036 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	2016	2015
		(Rupees in '000)	
Expenses incurred in generation, transmission and distribution	38	10,990,863	7,762,335
Consumers services and administrative expenses	39	1,887,125	1,496,508
		12,877,988	9,258,843

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

	Original cost	Accum-ulated depreci-ation	Written down value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyer
	(Rupees in '000)						
Trasmission							
Stay Wire, Insulators, Aluminum Conductor	1,274	879	395	709	314	Tender	Jan Gul Khan
Mechanism Box,Channel Panel, Insulators, Pts, Arrestors, Trolleys	346	346	-	143	143	Tender	Syed Ali
Line Trap, Copper Busbar	138	138	-	205	205	Tender	Syed Arshad Ali Enterprises
Disc Insulators	747	520	227	30	(197)	Tender	Naushad Metal works (pvt) Ltd.
Copper Conductor	1,011	665	346	5,111	4,765	Tender	New Delite Co. (pvt) Ltd
Optical Ground Wire	1,378	898	480	841	361	Tender	Baber Khan
Copper Bus Bar, Line Traps	1,059	1,059	-	3,741	3,741	Tender	New Delite Co. (pvt) Ltd
Power Cable 630 mm	483	319	164	739	575	Tender	Sun Metal Industries (pvt) Ltd.
Switches & Trollies	22,259	11,206	11,053	1,870	(9,183)	Tender	Sun Metal Industries (pvt) Ltd.
Over Current Distance Relays	2,697	1,889	808	50	(758)	Tender	Muhammad Faisal
Copper Bus Bar, Cu.Pg clamps	72	71	1	110	109	Tender	Abdullah Engineering works
Copper Conductor	221	198	23	2,215	2,192	Tender	New Delite Co. (pvt) Ltd
Telecom panels with cards	6,282	2,901	3,381	262	(3,119)	Tender	Muhammad Kursheed.
Copper Cable 630 mm	392	226	166	324	158	Tender	Abdullah Engineering works
Switch gears, vcb trollies	14,312	7,773	6,539	1,683	(4,856)	Tender	Baber Khan
Distribution							
EHT Breaker	7,485	4,854	2,631	80	(2,551)	Tender	SRF International
Protection Panels	2,732	477	2,255	146	(2,109)	Tender	Nauman Saeed & Co.
Lt Breakers, Cts, Pts	8,936	7,121	1,815	868	(947)	Tender	Naushad Metal works (pvt) Ltd.
Trolleys, Rmu, Pts	14,205	8,135	6,070	849	(5,221)	Tender	Syed Ali
Ht & Lt Steel Tubular Poles	790	584	206	376	170	Tender	Syed Ali
Disc Insulators	1,441	967	474	57	(417)	Tender	Naushad Metal works (pvt) Ltd.
Aluminium U/G Cable	1,083	693	390	1,767	1,377	Tender	Naushad Metal works (pvt) Ltd.
Copper Cable	5,833	3,472	2,361	5,882	3,521	Tender	Abdullah Engineering works
Aluminium Conductor Wire	5,845	1,437	4,408	3,225	(1,183)	Tender	Horizon Alloys (pvt) Ltd.
Energy Meters	36,404	24,521	11,883	8,815	(3,068)	Tender	Sun Metal Industries (pvt) Ltd.
Copper Conductor	15,795	12,041	3,754	19,975	16,221	Tender	Universal Metal (pvt) Ltd.
Copper Cable	15,199	7,714	7,485	9,661	2,176	Tender	New Delite Co. (pvt) Ltd
Aluminium Cable, Conductor, Poles	506	414	92	470	378	Tender	Baber Khan
Copper Bus Bar, Earthing Rod	212	110	102	747	645	Tender	New Delite Co. (pvt) Ltd
Aluminium Cable	760	555	205	3,057	2,852	Tender	Horizon Alloys (pvt) Ltd.
Aluminium Conductor	5,268	1,622	3,646	2,910	(736)	Tender	Horizon Alloys (pvt) Ltd.
Steel Tubular Poles	961	804	157	524	367	Tender	Baber Khan
Copper Conductor	31,056	18,585	12,471	25,974	13,503	Tender	Universal Metal (pvt) Ltd.
Energy Meters	95,365	57,870	37,495	21,691	(15,804)	Tender	Sun Metal Industries (pvt) Ltd.
Coper Cable & Leads	4,264	2,137	2,127	3,550	1,423	Tender	Abdullah Engineering works
Earthing Rods	634	288	346	967	621	Tender	Abdullah Engineering works
PMT Structures, Lactice Poles & Knife Switches	165	141	24	320	296	Tender	Ahmed Raza Khan
Aluminium U/G Cable	1,148	805	343	1,891	1,548	Tender	Horizon Alloys (pvt) Ltd.
Aluminium Conductor	4,096	1,174	2,922	1,721	(1,201)	Tender	Horizon Alloys (pvt) Ltd.
Copper Conductor	12,272	8,619	3,653	11,840	8,187	Tender	New Delite Co. (pvt) Ltd
Aluminium Conductor	11,037	2,178	8,859	4,580	(4,279)	Tender	Sun Metal Industries (pvt) Ltd.
Aluminium Cable	1,876	1,191	685	1,985	1,300	Tender	Sun Metal Industries (pvt) Ltd.
PMT Structures, D/O Cutout	119	102	17	753	736	Tender	Muhammad Bilal
Energy Meters	31,640	22,807	8,833	7,434	(1,399)	Tender	Sun Metal Industries (pvt) Ltd.
Capacitor Cells	440	206	234	8	(226)	Tender	Muhammad Ashfaq
Copper Cable & Lead	3,715	2,279	1,436	3,067	1,631	Tender	Abdullah Engineering works
Switches, Trollies, Rmus	2,696	2,518	178	317	139	Tender	Baber khan
Copper Conductor	21,786	15,521	6,265	19,487	13,222	Tender	New Delite Co. (pvt) Ltd
Computers							
PCs, Monitors, Printers Etc.	3,111	3,089	22	130	108	Tender	Muhammad Kursheed.
Furniture							
Window A.C	39	32	7	7	-	Tender	Nauman Saeed & Co.
Fridge, A.C Units	1,483	1,243	240	184	(56)	Tender	Syed Ali
Chairs & Almirahs	135	111	24	109	85	Tender	Akhter Muhammad
A.Cs / Chiller Plant	1,932	1,603	329	405	76	Tender	Jan Gul Khan
Split A.Cs	194	162	32	28	(4)	Tender	Muhammad Faisal
Chairs,Tables & Sofa	38	33	5	24	19	Tender	Jan Gul Khan
Iron Cabinet & Rack	-	-	-	3	3	Tender	Muhammad Bilal
A.Cs & Other Electrical Equipments	862	662	200	120	(80)	Tender	Naeem
Fax Machine	22	14	8	1	(7)	Tender	Muhammad Kursheed
Tools And General Equipment							
Machines & Elecrical Equipments	-	-	-	200	200	Tender	Naeem
Meter Testing Benches	4,970	4,473	497	200	(297)	Tender	Muhammad Faisal
Drill Machine	36	32	4	5	1	Tender	Naeem
Amonia Printing & Cyclostile Machine	165	149	16	7	(9)	Tender	Muhammad Kursheed
Vehicles							
Suzuki Khyber AA-4154	279	251	28	103	75	Tender	Muhammad Afzal
Suzuki Bolan CJ-8945	278	250	28	170	142	Tender	Muhammad Afzal
Suzuki Margalla Z-6675	324	292	32	112	80	Tender	Syed Ali
Suzuki Khyber W-7455	179	161	18	111	93	Tender	Izzatullah
Suzuki Khyber AAD-608	324	292	32	117	85	Tender	Izzatullah
Hundai Shehzore KM-8601	571	514	57	515	458	Tender	Saqib Nisar
30 June 2016	413,377	254,393	158,984	185,578	26,594		

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	2016	2015
	(Rupees in '000)					
Opening balance	8,330,131	1,651,010	4,494,744	1,091,774	15,567,659	11,302,258
Additions during the year (note 4.3.1)	4,877,758	9,935,099	6,255,990	1,771,585	22,840,432	15,093,165
	13,207,889	11,586,109	10,750,734	2,863,359	38,408,091	26,395,423
Transfers from CWIP	(2,050,330)	(1,667,570)	(4,466,664)	(194,272)	(8,378,836)	(10,827,764)
Balance as at year end	11,157,559	9,918,539	6,284,070	2,669,087	30,029,255	15,567,659

4.3.1 This includes borrowing costs capitalized during the year amounting to Rs. 2,260 million (2015: Rs. 664 million).

5. INTANGIBLE ASSETS

	Note	2016	2015
		(Rupees in '000)	
Computer software			
Cost	5.1	861,596	825,594
Amortization to date	5.2	(797,736)	(691,442)
		63,860	134,152
5.1 Cost			
Opening balance		825,594	825,258
Additions during the year		36,002	336
	5.3	861,596	825,594
5.2 Amortization to date			
Opening balance		(691,442)	(449,028)
Amortization during the year	5.2.2	(106,294)	(242,414)
		(797,736)	(691,442)
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	106,294	242,414

5.3 Computer software include ERP system - SAP, antivirus and other software.

6. LONG-TERM INVESTMENT

	2016	2015
Investment in Joint venture - at cost	-	-

The Company and Aman Foundation had 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 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)	2016	2015
		(Rupees in '000)			
Considered good					
Executives		-	66	66	66
Employees		1,067	32,333	33,400	37,067
		1,067	32,399	33,466	37,133
Recoverable within one year shown under current assets	7.2 & 11	(1,067)	(6,491)	(7,558)	(9,296)
		-	25,908	25,908	27,837
Considered doubtful					
Employees	7.3	4,333	-	4,333	4,333
		4,333	25,908	30,241	32,170
Provision for impairment (against loans considered doubtful)		(4,333)	-	(4,333)	(4,333)
	7.4 & 7.5	-	25,908	25,908	27,837

7.1 House building loans, carrying mark-up @ 6% per annum (2015: 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 01 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. These are not placed under any arrangement permissible under Shariah.

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. 41.467 million (2015: Rs. 46.231 million).

8. LONG-TERM DEPOSITS

	Note	2016	2015
		(Rupees in '000)	
Considered good			
Rental premises and others	8.1	8,297	7,907
Considered doubtful			
Rental premises		1,020	1,020
Provision for impairment		(1,020)	(1,020)
		-	-
		8,297	7,907

8.1 These are non-interest bearing, not placed under any arrangement permissible under Shariah and are generally on terms of one to more than five years.

9. STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2016	2015
		(Rupees in '000)	
Stores, spare parts and loose tools		8,830,970	7,579,396
Provision against slow moving and obsolete stores, spare parts and loose tools	9.1	(884,410)	(783,496)
		7,946,560	6,795,900

9.1 Provision against slow moving and obsolete stores, spare parts and loose tools

	Note	2016	2015
		(Rupees in '000)	
Opening balance		783,496	696,793
Provision recognized during the year - net		100,914	86,703
		884,410	783,496

10. TRADE DEBTS

	Note	2016	2015
Considered good			
Secured – against deposit from consumers	10.1	1,596,486	1,194,067
Unsecured	10.2	91,637,548	82,096,495
		93,234,034	83,290,562
Considered doubtful		48,593,591	36,164,740
		141,827,625	119,455,302
Provision for impairment (against debts considered doubtful)	10.3	(48,593,591)	(36,164,740)
		93,234,034	83,290,562

10.1 The Company maintains deposit from consumers, taken as security for energy dues (note 23) of Rs.7,629 million (2015: Rs. 6,712 million).

10.2 This includes gross receivable of Rs. 51,840 million (30 June 2015: Rs. 46,529 million), net of adjustment in respect of late payment surcharge, taxes, credit balance etc. from Government and autonomous bodies, which includes receivable from Karachi Water and Sewerage Board (KW&SB) and City District Government Karachi (CDGK) amounts to Rs. 36,002 million (30 June 2015: Rs. 32,971 million) and Rs. 9,815 million (30 June 2015: Rs. 8,353 million) less unrecorded late payment surcharge from them of Rs. 3,614 million (30 June 2015: Rs 3,092 million) and Rs. 1,370 million (30 June 2015: Rs. 1,151 million) respectively. It is management's contention that the calculation of late payment surcharge on Public Sector Consumers should be made on the same basis as the accrued interest on delayed payments on account of circular debt situation. If similar basis is adopted, then the above receivable amount would substantially increase. As of 31 March 2016, the Company received Rs. 7,056 million (30 June 2015: 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 against KW&SB dues.

10.3 Provision for impairment (against debts considered doubtful)

	Note	2016	2015
		(Rupees in '000)	
Opening balance		36,164,740	28,754,041
Provision made during the year	39	15,211,165	9,268,074
		51,375,905	38,022,115
Provision on debts written off during the year		(2,782,314)	(1,857,375)
		48,593,591	36,164,740

10.4 Energy sales to and purchases from PASMIC 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)							
2016 Trade debts	93,234,034	14,340,010	16,475,518	15,366,410	20,418,875	13,884,834	4,977,556	7,770,831
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

10.6 During the normal course of business, the Company supplies electricity to various government controlled entities.

10.7 During the current year, the Company has carried out a review of estimates used in provision for impairment against debts considered doubtful in order to ascertain the reasonableness of such estimates. Based on the review, the Company has revised the percentage used in calculation of impairment. The revision resulted in an increase of Rs. 2,964 million in provision for impairment (against debts considered doubtful) for the current year.

11. LOANS AND ADVANCES

	Note	2016	2015
Loans – secured		(Rupees in '000)	
Considered good			
Current portion of long term loans	7	7,558	9,296
Advances – unsecured			
Considered good			
Employees		38,196	28,725
Suppliers	11.1	726,109	760,366
		764,305	789,091
Considered doubtful			
Suppliers		130,340	130,340
	11.2	894,645	919,431
Provision for impairment (against advances - considered doubtful)		(130,340)	(130,340)
		764,305	789,091
		771,863	798,387

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

11.2 These are non-interest bearing, not placed under any arrangement permissible under Shariah and generally on terms of 3 months to 12 months.

12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2016	2015
		(Rupees in '000)	
Trade deposits			
Deposits	12.1 & 12.2	1,845,380	5,649,527
Prepayments			
Rent		10,515	23,307
Insurance and Others		80,462	98,504
	12.3	90,977	121,811
		1,936,357	5,771,338

12.1 This includes Rs. 27.193 million (2015: Rs. 15.979 million), representing margins / guarantee deposits held by commercial banks against guarantees, letter of credits and other payments.

12.2 This includes Rs. 1,788.626 million (2015: Rs. 5,606.516 million) which represents deposits under lien against settlement of letter of credits, loans and sukuk repayments with commercial banks. It carries mark up ranging from 5% to 6% per annum (2015: 5% to 6% per annum).

12.3 These are non-interest bearing, not placed under any arrangement permissible under Shariah and generally on terms of 1 month to 12 months.

13. OTHER RECEIVABLES

	Note	2016	2015
		(Rupees in '000)	
Considered good			
Sales tax - net		3,052,575	3,438,298
Due from the Government of Pakistan - net:			
- Tariff adjustments	13.1 to 13.4	30,074,720	57,532,526
- Interest receivable from GoP on demand finance liabilities		237,173	237,173
- Other adjustments	13.5	(28,258,471)	(21,871,255)
		2,053,422	35,898,444
Others	13.6	145,766	114,978
		5,251,763	39,451,720
Considered doubtful			
Sales tax		851,320	236,922
Provision for impairment	13.7	(851,320)	(236,922)
		-	-
Due from a Consortium of Suppliers of Power Plant		363,080	363,080
Provision for impairment		(363,080)	(363,080)
		-	-
Others		33,537	33,537
Provision for impairment	13.8	(33,537)	(33,537)
		-	-
		5,251,763	39,451,720

13.1 In previous years, the tariff adjustment mechanism was to pass on the effect of variation in cost of fuel and power purchase on quarterly basis. This formula capped adjustment on account of quarterly fuel price and cost of power purchase to 4% and the remaining burden or relief was to be carried forward to the next quarterly adjustment. The purpose of the said tariff adjustment structure was to pass on the effect of variation in the cost of fuel and power purchase in full within the framework of the 4% price cap. However, the adverse fuel price movements since 2005 resulted in additional costs which were not being recovered due to 4% cap and increasing burden was being placed upon the Company with respect to such unrecovered amount.

The Company, on 20 February 2006, submitted petition for revision of the above adjustment mechanism formula, which was accepted by NEPRA, and passed order to remove the above cap which was eventually notified by GoP in September 2008. However, the issue to deal with the backlog of unrecovered costs amounting to Rs. 6,037 million (verified by the Ministry of Water and Power) arising from the application of the 4% cap was not taken up by NEPRA.

The Economic Co-ordination Committee (ECC), on a summary moved by the Ministry of Water and Power, in Case No. ECC-164/16/2008 dated 14-10-2008 reviewed the matter of recovery of amounts as a result of the application of the 4% capping formula and decided that the said unrecovered cost has been incurred by the Company and NEPRA may take the amount into account in the subsequent quarterly adjustment. 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 years ended 30 June 2014, 30 June 2015 and 30 June 2016, further correspondence has been 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.

13.2 The above includes Rs. 698 million (2015: Rs. 698 million) subsidy receivable in respect of subsidized electricity supplied to certain areas of Balochistan for the period December 2012 to June 2014. In June 2014, there had been certain correspondence with Ministry of Water and Power whereby such claim for subsidy for the aforesaid period 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 Balochistan with retrospective effect from 01 January 2015, which the Company will recover accordingly.

13.3 The quarterly determination of Schedule of Tariffs have been finalized upto the quarter October - December 2015. Management has recognized tariff differential based on the petitions submitted to NEPRA in this regard.

13.4 During the year ended 30 June 2014, NEPRA reissued the quarterly tariff determination / schedule of tariff for the period from April 2012 to September 2013 whereby it upheld its earlier corrigendum determination order vide its letter no. NEPRA/TRF-133/KESC-2009/1041-10404 dated 23 November 2012 to effect retrospective and unilateral decrease in previously determined rates for tariff for certain consumer categories resulting in a decrease in tariff differential claim due to the alleged inadvertent error in calculation, the company being aggrieved filed suit in the Honourable High Court of Sindh which suspended NEPRA's impugned decision to the extent of reduction made by NEPRA. During the year, the Company filed reconsideration request to NEPRA for resolution of this matter. Subsequent to the year ended 30 June 2016, NEPRA requested the Company to submit working relating to effect of corrigendum using Ps. 5.70/kWh for gas price and Ps. 6.30/KWh for T&D losses for resolution of the matter. On 20 February 2017, NEPRA decided the corrigendum matter through tariff determination for the period October - December 2015, the net impact of which has been adjusted in these financial statements. The Company has accordingly, withdrawn the suit from Honourable High Court of Sindh.

13.5 This includes adjustment as per NEPRA determination (refer note 32.1.2).

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

13.7 This includes Rs. 610 million refunds claimed 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 remaining amount of Rs. 241 million represents other input sales tax amounts which are not claimable as per the provisons of Sales Tax Act 1990.

Movement in provision	2016	2015
	(Rupees in '000)	
Opening balance	(236,922)	(236,922)
Provision recognised during the year	(614,398)	-
	(851,320)	(236,922)

The management is of the view that the ultimate outcome of this matter will be decided in favour of the Company. However, based on prudence, the Company has made a full provision of Rs. 610 million as at 30 June 2016 (2015: Rs. 236 million).

13.8 This includes advance against equity relating to KOEL of Rs. 33.537 million (2015: Rs. 33.537 million) which has been recorded at nil carrying value, considering the current negative equity of the project (refer note 6).

14. SHORT-TERM INVESTMENT

	Note	2016	2015
		(Rupees in '000)	
Term deposit receipt	14.1	3,000,000	-

14.1 This represents term deposit receipt with a scheduled bank at a profit rate of 6.5% per annum and matures within 4 months.

15. CASH AND BANK BALANCES

	Note	2016	2015
		(Rupees in '000)	
Cash in hand		18,441	17,891
Cash at banks in:			
Conventional:			
- Current accounts		492,819	912,521
- Deposit accounts	15.1	270,274	11,710
- Collection accounts		790,213	228,061
		1,553,306	1,152,292
With Islamic banks:			
- Current accounts		22,392	89,242
- Deposit accounts		1,521	8,208
- Collection accounts		582,410	-
		606,323	97,450
		2,178,070	1,267,633

15.1 These carry mark up ranging from 2.86 % to 5.76 % per annum (2015: 5% to 8% per annum).

16. NON-CURRENT ASSETS HELD FOR SALE

	Note	2016	2015
Leasehold land	16.1	2,999,116	-
Plant and machinery - owned	16.2	158,706	-
		3,157,822	-

16.1 During the year, the Company purchased a land for development of a 700 MW (2 x 350 MW) coal-based power plant. The plant will be developed by the joint venture company "Datang Pakistan Karachi Power Generation Limited (DPKPGL)" in which the Company has 24% shareholding (refer note: 53.1). The land acquired will be transferred to the DPKPGL subsequent to year end, subject to financial close of the project.

16.2 During last quarter of year ended 30 June 2016, Management initiated a process of disposal of Company's old, obsolete, outdated, idle and decommissioned generating units 1, 3 & 4 and components of unit 2 of Korangi Thermal Power Station (KTPS). The said disposal was required to facilitate planned installation and commissioning of future plant.

17. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2016	2015		Note	2016	2015
(Number of Shares)				(Rupees in '000)	
		Authorized share capital			
32,857,142,857	32,857,142,857	Ordinary shares of Rs. 3.5 each fully paid	17.1	115,000,000	115,000,000
2,857,142,857	2,857,142,857	Redeemable Preference shares of Rs. 3.5 each fully paid	17.1	10,000,000	10,000,000
35,714,285,714	35,714,285,714			125,000,000	125,000,000
		Issued, subscribed and paid-up capital			
		Issued for cash			
45,371,105	45,371,105	Ordinary shares of Rs. 10 each fully paid		453,711	453,711
14,448,119,262	14,448,119,262	Ordinary shares of Rs. 3.5 each fully paid	17.2, 17.3 & 17.4	50,568,417	50,568,417
14,493,490,367	14,493,490,367			51,022,128	51,022,128
		Issued for consideration other than cash			
304,512,300	304,512,300	Ordinary shares of Rs. 10 each fully paid	17.5	3,045,123	3,045,123
1,783,456,000	1,783,456,000	Ordinary shares of Rs. 10 each fully paid	17.6	17,834,560	17,834,560
6,534,077,300	6,534,077,300	Ordinary shares of Rs. 10 each fully paid	17.7	65,340,773	65,340,773
4,366,782,389	4,366,782,389	Ordinary shares of Rs. 3.5 each fully paid	17.8	15,283,738	15,283,738
12,988,827,989	12,988,827,989			101,504,194	101,504,194
27,482,318,356	27,482,318,356			152,526,322	152,526,322
		Issued as bonus shares			
132,875,889	132,875,889	Ordinary shares of Rs. 10 each fully paid as bonus shares		1,328,759	1,328,759
27,615,194,245	27,615,194,245			153,855,081	153,855,081
-	-	**Reduction in capital**	17.9	(57,201,902)	(57,201,902)
27,615,194,245	27,615,194,245			96,653,179	96,653,179
-	-	Transaction costs on issuance of shares		(391,628)	(391,628)
27,615,194,245	27,615,194,245			96,261,551	96,261,551

17.1 During the year ended 30 June 2006 pursuant to a Special resolution passed in the Extra Ordinary General Meeting of the shareholders of the Company, held on 02 March 2006, the share capital of the Company was determined at Rs. 100,000 million, divided into the following categories of shares:

- Ordinary share capital of Rs. 90,000 million, divided into 25,714,285,714 Ordinary shares of Rs. 3.50 each; and

- Redeemable Preference share capital of Rs. 10,000 million, divided into 2,857,142,857 Redeemable Preference shares of Rs. 3.50 each.

The Board of Directors and the shareholders of the Company in their meetings held on 26 August 2010 and 21 October 2010, respectively, approved the increase in authorized share capital to Rs 125,000 million from existing authorized share capital of Rs. 100,000 million. All the formalities relating to increase in authorized share capital have been completed.

17.2 This represents 13,053,262,120 (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.

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

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

17.5 During the year ended 30 June 1999, the Company issued 304,512,300 Ordinary shares of Rs.10 each as a result of the conversion of overdue outstanding balance of (a) rescheduled foreign currency loan of Rs. 1,968 million and (b) cash development loan of Rs. 1,077 million, aggregating to Rs. 3,045 million at that date, into equity.

17.6 During the year ended 30 June 2002, the shareholders of the Company, by way of a Special resolution, passed in the 89th Annual General Meeting, finalized the conversion of the Company's debt servicing liabilities, aggregating to Rs.17,834.560 million, into equity. As a result of the said resolution, the Company issued 1,783,456,000 Ordinary shares of Rs. 10 each at par. The subscription finalized in this regard was entered into on 24 January 2002.

17.7 As per the decision taken in the ECC meeting, held on 16 April 2002, which was also approved by the President of Pakistan, the Ministry of Finance conveyed through its letter, dated 27 April 2002, that all the loans of GoP and GoP guaranteed loans outstanding against the Company, aggregating to Rs. 65,340.773 million, had been converted into GoP equity.

17.8 During the year ended 30 June 2005, the shareholders of the Company, by way of a Special resolution passed in the 94th Annual General Meeting of the Company, held on 02 December 2004, resolved the conversion of (a) GoP funds into equity, amounting to Rs. 6,080.738 million and (b) GoP long term loan, amounting to Rs. 9,203 million, aggregating to Rs.15,283.738 million into equity. As a result of the said resolution, the Company issued 4,366,782,390 Ordinary shares of Rs. 3.50 each at par. The subscription agreement in this regard was entered into on 20 December 2004 between the Company and the President of Pakistan on behalf of the GoP.

17.9 The shareholders of the Company during the year ended 30 June 2002, by way of a Special resolution, in an Extra Ordinary General Meeting, held on 27 May 2002, resolved the reduction of share capital of the Company, subsequent to the completion of the conversion of GoP and GoP guaranteed loans of Rs. 65,340.773 million into equity (note 17.7 above). The paid-up capital, which was lost or not represented by assets of the Company, to the extent of Rs. 6.50 per share on each of the issued Ordinary shares of the Company at such time, was reduced and a new nominal value thereof was fixed at Rs. 3.50 per share. The Company had also filed a petition in the Honourable High Court of Sindh, vide its order, dated 12 October 2002, ordered the reduction in the nominal value of share capital by Rs. 6.50 per share. The Board of Directors, in its 115th meeting held on 26 October 2002 also approved by way of a special resolution the reduction in the nominal value of share capital, amounting to Rs. 57,201.902 million.

The GoP, vide its Finance Division letter F.5(16)-CF:1/97-98/vol 25/191 dated 31 January 2003, conveyed the sanction of the President of Pakistan to write off the GoP equity in the Company. Accordingly, the reduction in share capital of Rs. 57,201.902 million was adjusted against the accumulated losses of the Company.

17.10 As specified in note 47.5 to these financial statements, profits earned by the Company during the tariff control period have all been reinvested into the business taking into account, the tariff structure under MYT determined in 2009, capital expenditure requirements, company's financial position and level of accumulated losses and requirements of lenders. Consequently, the level of adjusted invested equity in the business at the end of the tariff control period (hereinafter defined as "Adjusted Invested Equity") comprises of issued share capital, reserves (excluding surplus on revaluation of fixed assets), adjusted profits earned during the tariff control period which were retained in the business (excluding impact of deferred tax asset and incremental depreciation relating to surplus on revaluation of fixed assets) and excluding impact of accumulated losses till year ended 30 June 2011.

The reconciliation of adjusted invested equity to Shareholders equity is as follows:

	Note	2016	2015
		(Rupees in '000)	
Share Holder's equity in Balance sheet		110,927,907	74,074,438
Accumulated losses up to 30 June 2011		87,332,960	87,332,960
Deferred Tax Asset recognised on unused tax losses		(20,811,433)	(14,646,433)
Adjusted Invested Equity (excluding impact of accumulated losses up to 30 June 2011)		177,449,434	146,760,965
The Adjusted Invested Equity as at 30 June is summarised below:			
Share Capital	17	96,261,551	96,261,551
Share premium		1,500,000	1,500,000
Capital Reserves	18	509,172	509,172
Revenue Reserves	19	5,350,193	5,372,356
Profits available for distribution re-invested in the company during the tariff control period (Total comprehensive income for the year excluding the impact of deferred tax asset and incremental depreciation)			
- FY 2012		3,661,642	3,661,642
- FY 2013		8,996,514	8,996,514
- FY 2014		12,586,810	12,586,810
- FY 2015		17,872,920	17,872,920
- FY 2016		30,710,632	-
		73,828,518	43,117,886
Adjusted Invested Equity (excluding impact of accumulated losses up to 30 June 2011)		177,449,434	146,760,965

18. CAPITAL RESERVES

	Note	2016	2015
		(Rupees in '000)	
Unclaimed fractional bonus shares money	18.1	46	46
Workmen compensation reserve	18.2	700	700
Third party liability reserve	18.3	300	300
Fire and machinery breakdown insurance reserve	18.4	508,126	508,126
		509,172	509,172

18.1 Unclaimed fractional bonus shares money

This represents proceeds received by the Company from the sale of fractional bonus coupons for the period up to 1975, remaining unclaimed up to 30 June 1986.

18.2 Workmen compensation reserve

The reserve for workmen compensation was created and maintained at Rs. 0.7 million to meet any liability that may arise in respect of compensation to workmen who, whilst on duty, meet with an accident causing partial or total disability.

18.3 Third party liability reserve

This reserve has been created to meet the third party liabilities, arising due to accidents by electrocution, both fatal and non-fatal, claims for which are not accepted by the National Insurance Company, where the negligence or fault on the part of the Company is proved by the Court.

18.4 Fire and machinery breakdown insurance reserve

The Company was operating a self insurance scheme in respect of its certain fixed assets and spares to cover such hazards which were potentially less likely to occur. However, commencing the year ended 30 June 1997, the Company discontinued its policy for providing the amount under self-insurance scheme. Fixed assets, which are insured under this scheme and on which claim lodged with respect to damages to such assets is not fully acknowledged by the insurer, the shortfall is charged to the said reserve.

19. REVENUE RESERVES

	Note	2016	2015
		(Rupees in '000)	
General reserve		5,372,356	5,372,356
Other reserves	19.1	(22,163)	-
		5,350,193	5,372,356

19.1 This represents reserve in respect of cash flow hedge (refer note 26.7).

20. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

This represents revaluation surplus relating to leasehold land, plant and machinery and transmission grid equipment (refer note 4.1.4).

	2016	2015
	(Rupees in '000)	
Balance as at 01 July	77,344,407	42,193,900
Surplus arising on revaluation of plant & machinery and transmission grid equipment	-	37,857,845
	77,344,407	80,051,745
Transferred to accumulated profit / losses in respect of incremental depreciation charged during the year, net of deferred tax	(4,174,216)	(1,759,770)
Related deferred tax liability	(1,788,950)	(947,568)
	(5,963,166)	(2,707,338)
Surplus on revaluation as at 30 June	71,381,241	77,344,407
Less: Related deferred tax liability on:		
- Revaluation at the beginning of the year	(23,203,381)	(14,767,933)
- Incremental depreciation charged	1,788,950	947,568
- Effect of change of tax rate	-	1,974,338
- Surplus arising on revaluation of plant and machinery and transmission grid equipments	-	(11,357,354)
	(21,414,431)	(23,203,381)
	49,966,810	54,141,026

21. LONG-TERM DIMINISHING MUSHARAKA

	2016	2015
Diminishing musharaka - secured	21,526,916	21,527,233

During the year ended 30 June 2015, the Company issued KE AZM Sukuk certificates amounting to Rs. 22,000 million and entered into a diminishing musharaka agreement with the investment agent, Pak Brunei Investment Company (trustee on behalf of the Sukuk holders) as a co owner of the Musharaka assets. The issue resulted in cash receipts of subscription money, net of transaction costs of Rs. 21,509 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 installment amount will commence from first quarter of year ended 30 June 2018. These certificates are raised to generate funds under islamic mode of financing and are structured as long term diminishing musharaka. As discussed in note 4.1.5 under this arrangement, the Company sold the beneficial ownership of the musharaka assets mainly plant and machinery to the investment agent (for the benefit of sukuk holders) although legal title remains with the Company.

22. LONG-TERM FINANCING

	Note	2016	2015
		(Rupees in '000)	
From banking companies and financial institutions - secured			
Structured Islamic Term Financing - Musharaka	22.1	-	600,000
Medium term loan	22.2 & 22.3	3,450,000	900,000
Syndicated Loan for Rs. 7.7 billion term facility	22.4 & 22.7	6,050,000	7,700,000
Hermes Finance Facility for EURO 46.5 million	22.5 & 22.7	149,992	-
Sinosure Financing Facility for USD 91.5 million	22.6 & 22.7	838,595	-
	22.8	10,488,587	9,200,000
Current maturity shown under current liabilities	22.12	(2,900,000)	(2,654,286)
		7,588,587	6,545,714
Others - Secured			
Due to oil and gas companies	22.9	610	610
Current maturity shown under current liabilities	22.12	(610)	(610)
		-	-
Unsecured			
GoP loan for the electrification of Hub Area	22.10	26,000	26,000
Current maturity shown under current liabilities	22.12	(26,000)	(26,000)
		-	-
Gul Ahmed Energy	22.11	-	347,019
Current maturity thereof shown under current liabilities - Gul Ahmed Energy	22.12	-	(347,019)
		-	-
		7,588,587	6,545,714

22.1 This represents fully utilized portion of musharaka finance obtained under an agreement dated 22 April 2011 amounting to Rs. 3,000 million for the purpose of working capital financing. The said musharaka was payable in 5 years term with 20 equal quarterly installments. It carried mark-up at the rate 3 months KIBOR plus 2.5% per annum and was payable quarterly in arrears from the date of first drawdown. During the year, the Company has entirely repaid outstanding balance amount as per the terms of the Agreement.

22.2 This includes 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 installments. It carries mark-up at the rate 3 months KIBOR plus 2.75% per annum till 31 March 2016 and later on revised to 3 months KIBOR plus 0.5% and is payable quarterly in arrears. 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.

22.3 This includes financing facility of PKR 3,000 million (2015: NIL) availed from Allied Bank Limited for a period of 3 years at 3 months KIBOR plus 0.25%. This facility is secured against charge on specific paint and machinery with 20% margin. As per the terms of the facility, it is at the disposal of the Company to prepay the remaining outstanding amount any time after the date of disbursement, without any prior notice to the bank.

22.4 This represents fully disbursed amount 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 Musharaka 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 installments with first installment due on 31 December 2015 and repayable by 31 March 2019. Whereas, Musharaka facility will be settled in 14 quarterly installments with the first installment due on 01 January 2016 and repayable by 01 April 2019.

22.5 This represents rupee equivalent of first drawdown of EUR 1.289 million disbursed under Hermes Supported Facility agreement signed on 22 December 2015 amounting to EUR 46.5 million, with Standard Chartered Bank, London Branch. The loan will be utilized to fund the Transmission Project TP1000-04, which is supplied by Siemens AG. The loan carries mark-up at 3 month EURIBOR + 1.75%. The loan will be settled in 28 quarterly installments with first installment due on 16 March 2019 and repayable by 16 December 2025. The Company has executed cross currency swaps with a commercial bank to hedge the Company's foreign currency payment obligation under the facility together with EURIBOR interest accruing thereon.

22.6 This represents rupee equivalent of first drawdown of USD 8.009 million disbursed under Sinosure Supported Facility agreement signed on 22 December 2015 amounting to USD 91.5 million, with a syndicate of foreign commercial lenders. The Loan will be utilized to fund Transmission Project TP1000-03, which is supplied by Shanghai Electric Group Co., China. The loan carries mark-up at 3 month USD LIBOR + 3.5%. The loan will be settled in 28 quarterly installments with first installment due on 16 March 2019 and repayable by 16 December 2025. The Company has executed cross currency swaps with a commercial bank to hedge the Company's foreign currency payment obligation under the facility together with USD LIBOR interest accruing thereon.

22.7 The above facilities, discussed in notes 22.4, 22.5 and 22.6 are secured as follows:

- Plant and machinery located at Bin Qasim, SITE and Korangi.
- 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.
- Lien is created on the Accounts and Deposits by way of first pari passu charge for the benefit of facility parties.

22.8 The bifurcation of long term financing from banking companies and financial institutions under Conventional banking and Islamic banking are as follows:

	2016	2015
	(Rupees in '000)	
Conventional:		
Medium term loan	3,450,000	900,000
Syndicated Loan for Rs. 7.7 billion term facility	5,547,143	7,060,000
Hermes Finance Facility for EURO 46.5 million	149,992	-
Sinosure Financing Facility for USD 91.5 million	838,595	-
	9,985,730	7,960,000
With Islamic banks:		
Structured Islamic Term Financing - Musharaka	-	600,000
Syndicated Loan for Rs. 7.7 billion term facility	502,857	640,000
	502,857	1,240,000
	10,488,587	9,200,000

22.9 Due to the Oil and Gas Companies - unsecured

	2016	2015
	(Rupees in '000)	
Pirkoh Gas Company Limited (PGCL)	610	610
Current maturity thereof	(610)	(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.

22.10 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.

22.11 This represents fully paid amount of outstanding Non Escapable 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. Thereafter, the Company entered into an agreement with GAEL whereby it was agreed to settle this outstanding amount in 30 equal monthly settlement installments starting from September 2013.

22.12 Current maturity of long term financing is as follows:

	2016	2015
	(Rupees in '000)	
Due to banks and financial institutions	2,900,000	2,654,286
Due to oil and gas companies	610	610
Due to Gul Ahmed Energy	-	347,019
GoP loan for electrification of Hub Area	26,000	26,000
	2,926,610	3,027,915

23. LONG-TERM DEPOSITS

	Note	2016	2015
		(Rupees in '000)	
Long term deposits		7,629,009	6,712,048

These represent deposits from customers, taken as a security for energy dues. 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. These deposits are not placed under any arrangement permissible under Shariah.

24. EMPLOYEE RETIREMENT BENEFITS

	Note	2016	2015
Gratuity	*24.1*	3,867,485	4,270,711
Post retirement medical benefits	*24.1*	519,621	573,969
Post retirement electricity benefits	*24.1*	282,973	242,412
Accumulating leave payable	*24.1.14*	449,081	434,538
		5,119,160	5,521,630

24.1 Actuarial valuation of retirement benefits

In accordance with the requirements of IAS–19 "Employee Benefits", actuarial valuation was carried out as at 30 June 2016, using the "Projected Unit Credit Method". Provision has been made in the financial statements to cover obligations in accordance with the actuarial recommendations.

24.1.1 Net recognized liability

	Gratuity		Medical benefits		Electricity benefits	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Net liability at beginning of the year	4,270,711	3,973,534	573,969	635,102	242,412	337,585
Expense recognized in profit and loss account	675,938	746,689	69,201	99,732	52,576	88,620
Contributions / benefits paid during the year	(1,134,010)	(540,790)	(69,987)	(77,691)	(66,944)	(86,590)
Remeasurement recognized in other comprehensive income	54,846	91,278	(53,562)	(83,174)	54,929	(97,203)
Net liability at end of the year	3,867,485	4,270,711	519,621	573,969	282,973	242,412

24.1.2 Expense recognized in profit and loss account

	Gratuity		Medical benefits		Electricity benefits	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Current service cost	314,827	294,782	12,244	13,011	6,606	7,317
Past service, termination and settlement cost	-	-	7,058	12,579	33,542	53,000
Net Interest	361,111	451,907	49,899	74,142	12,428	28,303
Chargeable in profit and loss account	675,938	746,689	69,201	99,732	52,576	88,620

24.1.3 Remeasurement losses / (gains) recognized in other comprehensive income

	Gratuity		Medical benefits		Electricity benefits	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Remeasurement due to :						
change in demographic assumptions						
- experience obligation	88,989	98,202	(53,562)	(83,174)	54,929	(97,203)
- investment return	(34,143)	(6,924)	-	-	-	-
Chargeable in other comprehensive income	54,846	91,278	(53,562)	(83,174)	54,929	(97,203)

24.1.4 Balance sheet reconciliation

	Gratuity 2016	Gratuity 2015	Medical 2016	Medical 2015	Electricity 2016	Electricity 2015
Present value of defined benefit obligation	4,149,915	3,846,822	519,621	573,969	282,973	242,412
Fair value of plan (assets) / liabilities	(282,430)	423,889	-	-	-	-
Net liability at end of the year	3,867,485	4,270,711	519,621	573,969	282,973	242,412

24.1.5 Movement in present value of defined benefit obligations

	Gratuity 2016	Gratuity 2015	Medical 2016	Medical 2015	Electricity 2016	Electricity 2015
Present value of defined benefit obligations at beginning of the year	3,846,822	3,973,534	573,969	635,102	242,412	337,585
Current service cost	314,827	294,782	12,244	13,011	6,606	7,317
Past service cost	-	-	7,058	12,579	33,542	53,000
Interest cost	352,949	451,251	49,899	74,142	12,428	28,303
Remeasurement: Actuarial loss / (gain)	88,989	98,202	(53,562)	(83,174)	54,929	(97,203)
Benefits paid	(453,672)	(970,947)	(69,987)	(77,691)	(66,944)	(86,590)
Present value of defined benefit obligations at end of the year	4,149,915	3,846,822	519,621	573,969	282,973	242,412

24.1.6 Movement in fair value of plan assets / (liabilities)

	Gratuity 2016	Gratuity 2015	Medical 2016	Medical 2015	Electricity 2016	Electricity 2015
Beginning of the year	(423,889)	-	-	-	-	-
Interest income	(8,162)	(656)	-	-	-	-
Remeasurement (loss) / gain due to investment return	34,143	6,924	-	-	-	-
Contribution	1,134,010	540,790	-	-	-	-
Benefits paid	(453,672)	(970,947)	-	-	-	-
End of the year	282,430	(423,889)	-	-	-	-

24.1.7 Plan asset / (liability) comprise of:

	Gratuity 2016	Gratuity 2015	Medical 2016	Medical 2015	Electricity 2016	Electricity 2015
Bank deposits / (overdraft)	586,295	(3,813)	-	-	-	-
Corporate bonds	71,631	-	-	-	-	-
Benefits due	(375,496)	(420,076)	-	-	-	-
	282,430	(423,889)	-	-	-	-

24.1.7.1 Balance with bank are held with banks having credit rating of A-1+.

24.1.7.2 The corporate bonds represent term finance certificates of Pakistani entity which are quoted on Pakistan Stock Exchange and are rated AA.

24.1.8 Principal actuarial assumptions used in the actuarial valuation:

Financial assumptions	2016	2015
Discount rate	7.25%	9.75%
Salary increase	5.20%	7.75%
Medical cost trend	2.15%	4.50%
Electricity price increase	2.15%	4.50%

Demographic assumptions	2016	2015
Expected mortality rate	70% of EFU (61-66) Table	70% of EFU (61-66) Table
Expected withdrawal rate	Moderate	Moderate

24.1.9 The plans expose the Company to the actuarial risks such as:

Salary risks

The risks that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experience is different. The effect depends upon the beneficiaries' service / age distribution and the benefit.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. This is managed by formulating an investment policy and guidelines based on which investments are made after obtaining approval from trustees of funds.

24.1.10 Sensitivity analysis for actuarial assumptions

The impact of one percent movement in retirement benefit obligations in assumed assumptions would have following effects on June 30, 2016 valuation:

	30 June 2016	
	1% Increase	1% Increase
	(Rupees in '000)	
Discount rate	(318,368)	363,367
Salary increase	312,024	(278,208)
Electricity tariff increase	16,010	(14,191)
Medical cost trend	40,913	(36,042)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method i.e. present value of defined benefit obligation calculated using projected unit credit method has been applied. There has been no change in assumptions and methods used in preparing the sensitivity analysis from prior year.

24.1.11 Maturity Profile

Projected contribution / payments during each of the following year:

	Gratuity	Medical Benefits	Electrical Benefits
	(Rupees in '000)		
Contribution			
FY 2017	847,013	-	-
Benefits payments			
FY 2017	231,892	51,697	18,098
FY 2018	387,464	49,855	15,919
FY 2019	469,152	48,461	14,790
FY 2020	552,686	47,817	15,677
FY 2021	658,454	47,192	20,068
FY 2022-26	3,373,144	246,168	119,455

24.1.12 Plan Duration

	Gratuity	Medical Benefits	Electrical Benefits
	Years		
30 June 2015	7.50	7.60	4.70
30 June 2016	7.80	8.40	8.60

The weighted average of plan durations was 7.4 years on June 30, 2015 and 7.9 years on June 30, 2016.

24.1.13 Based on actuarial advice, the Company intends to charge an amount of approximately Rs. 613.266 million, Rs. 52.827 million and Rs. 29.067 million in respect of gratuity, medical benefits and electrical benefits schemes respectively in the financial statements for the year ending June 30, 2017.

24.1.14 Accumulating Leaves

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

25. DEFERRED REVENUE

	Note	2016	2015
		(Rupees in '000)	
Opening balance		17,300,219	16,303,048
Recoveries from customers during the year	25.1	2,167,952	2,302,202
		19,468,171	18,605,250
Amortization for the year	41	(1,402,740)	(1,301,543)
		18,065,431	17,303,707
Repayment to suppliers during the year	25.2	-	-
Amortization for the year	41	(45)	(3,488)
		18,065,386	17,300,219

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

25.2 This represents amount recoverable from supplier and has been adjusted from payment of monthly installments.

26. TRADE AND OTHER PAYABLES

	Note	2016	2015
Trade creditors			
Power purchases		35,355,486	53,268,608
Fuel and gas		23,396,802	31,988,876
Others		3,998,847	3,010,122
		62,751,135	88,267,606
Murabaha finance facilities	26.1 & 26.2	500,000	2,425,000
Accrued expenses	26.3	3,595,096	2,832,421
Advances / credit balances of consumers			
Energy	26.4	1,719,016	1,229,565
Others	26.5	1,712,708	1,493,365
		3,431,724	2,722,930
Other liabilities			
Unclaimed and unpaid dividend		650	650
Employee related dues		138,042	146,480
Payable to Provident Fund		50,909	11,585
Electricity duty	26.6	3,949,256	3,581,898
Tax deducted at source	26.6	86,993	334,326
PTV license fee	26.6	613,566	1,137,304
Derivative financial liabilities	26.7	24,430	-
Workers' Profit Participation Fund		3,066,454	1,732,750
Workers' Welfare Fund	26.9	1,226,580	610,742
Payable to the Managing Agent, PEA (Private) Limited		28,871	28,871
Others		1,850,280	1,954,903
		11,036,031	9,539,509
		81,313,986	105,787,466

26.1 This represents murabaha financing facility, under Islamic mode of financing, entered into during the year ended 30 June 2016 to the extent of Rs. 500 million (2015: Nil) in respect of making payments to Pakistan State Oil Company Limited, BYCO Petroleum Pakistan Limited and other suppliers. This financing facility carries profit rate of matching KIBOR plus 0.35% p.a and are secured against specific charge over grid stations of the Company.

26.2 For the year ended 2015, murabaha financing facilities under Islamic mode of financing were from different banks for retirement of import documents and working capital financing to the extent of Rs. 2,425 million. These financing facilities carried profit rate of matching KIBOR plus 0.75% to 2.0% p.a. These were secured against specific charge over grid stations and moveables and receivables of the Company.

26.3 This includes an aggregate sum of Rs. 764.15 million (2015: Rs. 616.940 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. 6,945.70 million (2015: Rs. 6,539.38 million), have not been acknowledged by the Company as debts and, hence, these have been disclosed as contingencies and commitments (note 32.3.3). Further, it also includes a penalty of Rs. 10 million, paid by the Company subsequent to the year end, imposed by the NEPRA through its decision dated 25 March 2016 pursuant to section 28 and 29 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 for alleged non compliances pertaining to the years 2013-14 & 2014-15. The Company has paid the penalty 'under protest' without admitting any charges.

26.4 This represents amount due to the consumers on account of excess payments and revision of previous bills.

26.5 This represents general deposits received from consumers, in respect of meters, mains & lines alteration, scrap sales, etc.

26.6 Electricity duty, tax deducted at source and PTV license fee are collected by the Company from the consumers on behalf of the concerned authorities.

26.7 Derivative financial liabilities

	Note	2016	2015
		(Rupees in '000)	
Cross currency swap	26.7.1	24,430	-

26.7.1 The Company entered into two Cross Currency Swaps with commercial banks as discussed in note 22.4 and 22.5 respectively. Pursuant to the agreements, the Company's foreign obligations up to USD 9.476 million (2015 : USD Nil) were converted into the hedged PKR amount and the interest rate accruing thereon is payable to the hedging bank at 3 month KIBOR plus spread ranging from negative 95 to positive 18 basis points.

26.7.2 The above hedge of exposures to variability in cash flows due to interest /currency risks were designated as cash flow hedges by the management of the Company.

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

26.9 The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2006 and 2008 are ultra-vires to the Constitution. Consequently, the Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the said judgment passed in the Civil Appeal may kindly be reviewed in the interest of justice.

The Company has consulted its advisors who are of the view that until the review petitions are decided, it cannot be determined with absolute certainty that the matter has been closed for good. In view of the above, the management has decided not to reverse provision for WWF till the decision of Supreme Court in respect of Civil Review Petitions.

27. ACCRUED MARK-UP

	Note	2016	2015
		(Rupees in '000)	
Accrued mark-up on:			
Long term financing	22	132,596	277,993
Borrowings relating to Financial Improvement Plans (FIP)		15,357	15,357
Short term borrowings	28	52,874	304,676
Financial charges on delayed payment to suppliers	27.1	5,268,823	5,268,823
		5,469,650	5,866,849

27.1 This represents financial charges accrued on net basis in respect of power purchased and gas supplied (refer note 32.1.1).

28. SHORT-TERM BORROWINGS – secured

	Note	2016	2015
		(Rupees in '000)	
From banking companies			
Bridge term finance facility	28.1	-	482,307
Bills payable	28.2	7,827,860	14,650,291
Short term running finances	28.3	6,993,020	7,730,282
Short term loan	28.4 & 28.5	345,142	2,506,740
Structured invoice financing	28.6	2,599,967	4,604,000
		17,765,989	29,973,620
From others			
KES Power Limited - holding company	28.8	45,088	45,088
KE Azm Certificates	28.9	492,456	1,680,735
KE Azm Sukuk Certificates	28.10	5,048,390	5,043,678
	28.7	23,351,923	36,743,121

28.1 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 had acquired a term finance facility of Rs. 482 million. The principal amount was repaid till 31 December 2015 and carried mark-up at 1 month KIBOR + 1% payable monthly in arrears and was secured against Standby Letters of Credit (SBLC) amounting to USD 7 million issued in favour of the Company by the Gulf International Bank (GIB).

28.2 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 pari passu charge over current assets.

28.3 The Company has arranged various facilities for short term running finances from commercial banks, on mark-up basis. These are for a period of one year and carry mark-up of 1 to 3 month KIBOR plus 0.50% to 1.50%. These finances are secured against joint pari 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.

28.4 This represents short term facility amounting to Rs. 345.14 million (2015: Nil), a rupee equivalent of USD 3.3 million, availed from Standard Chartered Bank (Pakistan) Limited at 3 month LIBOR plus 1.50%. This facility is secured against charge on specific plant and machinery with 25% margin and pari passu charge over current assets.

28.5 For the year ended 30 June 2015, amount 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 was repaid in one bullet payment at the final maturity date (six month from the date of first drawdown). The facility was so structured that the Company's transaction cost / expenses is kept at 9% p.a. The security of the facility comprised 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.

28.6 This represents utilized portion of structure working capital finance facility obtained from Standard Chartered bank (Pakistan) Limited (SCB) for financing of vendors' suppliers payments and carries mark-up rate of relevant tenure KIBOR plus 1.4%. The repayments will be made from the collection proceeds and repayment dates are maximum 180 days from each invoice financed. These are secured against charge on specific plant and machinery with 25% margin and pari passu charge over current assets.

28.7 The bifurcation of short term borrowings from banking and other companies under Conventional and Shariah Compliant are as follows:

	2016	2015
	(Rupees in '000)	
Conventional:		
Bridge term finance facility	-	482,307
Bills payable	7,827,860	14,650,291
Short term running finances	4,751,948	7,280,121
Short term loan	345,142	2,506,740
Structured invoice financing	2,599,967	4,604,000
KES Power Limited - holding company	45,088	45,088
KE Azm Certificates	492,456	1,680,735
	16,062,461	31,249,282
Shariah compliant:		
Short term running finances	2,241,072	450,161
KE Azm Sukuk Certificates	5,048,390	5,043,678
	7,289,462	5,493,839
	23,351,923	36,743,121

28.8 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.

28.9 This represents balance amount of KE Azm certificates payable to general public amounted to Rs. 492 million (2015: Rs 1,680 million) net of amortized transaction costs. The frequency of profit payment is three months at fixed rate of 15.50%. The certificates are issued for a tenure of 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' tenure. 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.

28.10 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. 5,048 million (2015: 5,043 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.

29. SHORT-TERM DEPOSITS

	Note	2016	2015
		(Rupees in '000)	
Service connection deposits	29.1	4,240,174	3,582,056
Suppliers' security deposits		90,333	114,201
Earnest money / Performance bond	29.2	3,113,632	3,402,798
		7,444,139	7,099,055

29.1 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 25).

29.2 These include non-interest bearing refundable deposits received from various contractors and not placed under any arrangement permissible under Shariah.

30. PROVISIONS

This represents provisions in respect of fatal accident cases.

31. CASH AND CASH EQUIVALENTS

	Note	2016	2015
		(Rupees in '000)	
Cash and bank balances	15	2,178,070	1,267,633
Short term running finances	28.3	(6,993,020)	(7,730,282)
		(4,814,950)	(6,462,649)

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 01 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 01 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 the 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 2016 MOF has released Rs. 350,510 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 FY 2015 has claimed an amount of Rs. 20,571 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 provision on net basis up till June 2013 which is still being maintained 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 01 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 2016 amounts to Rs. 40,709 million (July 2010 to June 2015: Rs. 31,385 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 as stated above. Further, 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 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 KW&SB 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 a provision on net basis up till June 2013 which is still been maintained in these financial statements.

32.1.2 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 and NEPRA/TRF-133/KESC-2009/8974-8977 dated 10 June 2015 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 judgment. 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 Honourable High Court of 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.

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.

The Company, despite not agreeing with the calculation of claw back formula communicated by NEPRA through various communications from time to time, for reasons including the above matters amongst others, has prudently made adjustments as per tariff mechanism as of 30 June 2016. The management is confident that no further adjustment is required in these financial statements.

32.1.3 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.

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.

32.1.4 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 intimated them that the amount, collected from consumers since 2006 for adjustments and refund on the alleged basis, 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 suit no.2123/2015 against NEPRA's impugned decision in with the Honourable High Court of Sindh. Through interim order dated 17 November 2015, NEPRA has been ordered not to take any coercive action against the Company over NEPRA's impugned review decision dated 27 October 2015 which upheld NEPRA's original decision dated 13 March 2015.

32.1.5 The Supreme Court, in its judgment dated 22 August 2014 in Civil Appeal Nos. 1540-1599/2013, declared that the levy of GIDC under Gas Infrastructure Development Cess Act, 2011 was unconstitutional and all amounts collected by the gas companies were due to be refunded back to the consumers. The Federal Government on 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, excluding GST, 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 4,672 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.

Subsequent to the year ended 30 June 2016, single bench of Sindh High Court through its judgment held the GIDC ACT 2011, GIDC Ordinance 2014 and GIDC Act 2015 to be ultra vires and un-constitutional and amount collected in pursuance of Act 2015 is liable to be refunded / adjusted in the future bills. Subsequently GoP filed an appeal before the double bench of Sindh High Court against this judgment and resultantly double bench suspended the impugned judgment.

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.

		Note	2016	2015
			(Rupees in '000)	
32.3	**Other claims not acknowledged as debts**			
32.3.1	Fatal accident cases	32.3.4	3,123,697	3,152,987
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	6,945,702	6,539,380

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

		Note	2016	2015
			(Rupees in '000)	
32.4	**Commitments**			
32.4.1	Guarantees from banks		1,105,360	228,434
32.4.2	Transmission Projects		1,869,653	1,719,250
32.4.3	Transmission Project (TP - 1000)		28,504,718	-
32.4.4	Outstanding Letters of Credit		3,174,680	2,280,788
32.4.5	Generation Projects Combined Cycle Power Plant-II		-	538,502
32.4.6	Generation Projects KGTPS-II & SGTPS-II Steam Turbines		500,057	1,649,367
32.4.7	Dividend on Preference Shares	32.4.9	1,119,453	1,119,453

32.4.8 Commitments for rentals under operating lease agreements in respects of vehicles are as follows:

	2016	2015
- not later than one year	55,523	-
- later than one year and not later than five years	222,092	-

This represents Ijarah facility obtained from a Islamic bank having a tenure of 3 to 5 years. These are secured against promissory notes.

32.4.9 The Company has not recorded any dividend on redeemable preference shares in view of certain restrictions on dividend placed under loan covenants by certain local and foreign lenders.

	Note	2016	2015
		(Rupees in '000)	
33. CURRENT MATURITY OF LONG TERM FINANCING			
Current maturity of long term financing	22.12	2,926,610	3,027,915

34. SALE OF ENERGY – net

	Note	2016	2015
Residential		77,198,935	57,185,156
Commercial		36,594,718	35,016,639
Industrial		50,973,917	56,824,957
Karachi Nuclear Power Plant		103,787	109,728
Pakistan Steel Mills Corporation (Private) Limited		869,082	1,867,781
Fuel Surcharge Adjustment	34.1	(1,715,619)	(5,742,738)
Others	34.2	2,722,930	3,252,723
		166,747,750	148,514,246

34.1 This represents monthly Fuel Surcharge Adjustment (FSA) approved by NEPRA in its monthly tariff determinations. The said amount has been / 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. 2,422.958 million (2015: Rs. 1,514.046 million) in respect of supply of energy through street lights.

34.3 The above sales is net of sales tax billed to consumers of Rs. 31,061.501 million (2015: Rs. 26,819.158 million) on account of sale of energy.

35. TARIFF ADJUSTMENT

	Note	2016	2015
		(Rupees in '000)	
Tariff adjustment due to fuel and power purchase	*35.1*	22,880,854	41,844,708

35.1 This represents tariff differential subsidy claim for variation in fuel prices, cost of power purchase and operation and maintenance cost, adjustments required as per NEPRA determination and those resulting in adjustment of tariff due from Government.

36. PURCHASE OF ELECTRICITY

	2016	2015
National Transmission and Dispatch Company	37,173,889	45,183,711
Independent Power Producers (IPPs)	14,633,984	23,467,083
Karachi Nuclear Power Plant	2,499,448	2,657,527
Pakistan Steel Mills Corporation (Private) Limited	1,910	178,828
	54,309,231	71,487,149

37. CONSUMPTION OF FUEL AND OIL

	2016	2015
Natural gas	40,109,446	30,757,512
Furnace and other oils	17,156,869	29,192,799
	57,266,315	59,950,311

38. EXPENSES INCURRED IN GENERATION, TRANSMISSION AND DISTRIBUTION

	Note	Generation expenses	Transmission and distribution expenses	2016	2015
		(Rupees in '000)			
Salaries, wages and other benefits	*38.1 & 38.2*	1,477,545	2,318,389	3,795,934	3,336,347
Stores and spares		1,125,751	160,723	1,286,474	1,108,837
Office supplies		25,763	44,637	70,400	57,894
NEPRA license fee		26,248	39,536	65,784	65,337
Repairs and maintenance		33,642	196,861	230,503	199,333
Transport expense		13,701	61,651	75,352	88,989
Rent, rates and taxes		152,047	53,545	205,592	173,981
Depreciation	*4.1.8*	7,268,025	3,722,838	10,990,863	7,762,335
Interdepartmental consumption		16,678	266,572	283,250	301,820
Provision against slow moving and obsolete stores and spares		64,991	33,676	98,667	81,452
Third Party Services		1,009,236	1,340,828	2,350,064	2,217,557
Others		349,823	74,026	423,849	263,802
		11,563,450	8,313,282	19,876,732	15,657,684

38.1 This includes a sum of Rs. 267.361 million (2015: Rs. 317.435 million) in respect of defined benefit plans, Rs. 101.253 million (2015: Rs. 91.252 million) in respect of defined contribution plan and Rs. 4.957 million (2015: Rs. 5.902 million) in respect of other long term benefits.

38.2 Free electricity benefit to employees, amounting to Rs. 43.316 million (2015: Rs. 38.044 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	2016	2015
		(Rupees in '000)			
Salaries, wages and other benefits	*39.1 & 39.2*	5,072,521	2,787,357	7,859,878	6,615,300
Bank collection charges		2,875	20,462	23,337	34,826
Transport cost	*39.4*	105,188	16,496	121,684	139,924
Depreciation and amortization	*4.1.8 & 5.2*	1,771,776	221,643	1,993,419	1,738,922
Repairs and maintenance		37,964	89,028	126,992	112,104
Rent, rates and taxes		70,938	31,210	102,148	86,970
Public relations and publicity		6,531	212,399	218,930	162,627
Legal expenses		41,817	92,573	134,390	143,410
Professional charges		3,330	299,173	302,503	24,206
Auditors' remuneration	*39.3*	-	13,391	13,391	4,923
Directors' fee		-	2,650	2,650	2,795
Provision against debts considered doubtful	*10.3*	15,211,165	-	15,211,165	9,268,074
Office supplies		136,772	137,867	274,639	224,799
Interdepartmental consumption		119,755	46,526	166,281	96,839
Third party services		2,540,265	505,956	3,046,221	2,233,784
Others		757,177	360,120	1,117,297	848,993
		25,878,074	4,836,851	30,714,925	21,738,496

39.1 This includes a sum of Rs. 530.354 million (2015: Rs. 617.606 million) in respect of defined benefit plans, Rs. 202.338 million (2015: Rs. 172.924 million) in respect of defined contribution plan and Rs. 9.585 million (2015: Rs.114.120 million) in respect of other long term benefits.

39.2 Free electricity benefit to employees, amounting to Rs. 198.286 million (2015: Rs. 141.908 million), has been included in salaries, wages and other benefits.

39.3 AUDITORS' REMUNERATION

	2016	2015
	(Rupees in '000)	
Statutory audit, half yearly review, report of compliance on Code of Corporate Governance and report on CDC reconciliation	3,750	3,500
Out of pocket expenses	310	533
Other certifications	9,331	890
	13,391	4,923

39.4 This includes Rs. 2.3 million paid towards car Ijarah rentals.

40. OTHER OPERATING EXPENSES

	Note	2016	2015
		(Rupees in '000)	
Default surcharge		-	652,671
Unwinding / breakup charges on early repayment of long term financing		-	886,644
Exchange loss - net	40.1	170,683	149,795
Workers' Profits Participation Fund		1,392,531	810,564
Workers' Welfare Fund		557,012	324,225
Donations	40.2	100,250	48,781
Listing fee		2,038	20,736
Others	40.3	897,949	128,536
		3,120,463	3,021,952

40.1 Includes exchange loss of Rs. 2.267 million (2015: Nil) relating to loss on derivative financial instruments.

40.2 This includes donation to Injaz Pakistan and Aman Foundation amounting to Rs. 5.3 million and Rs. 6.3 million respectively where Chairman and a director of the Company are on board of trustees / directors.

40.3 Does not include any interest expense and any expense from arrangements permissible under Shariah.

41. OTHER INCOME

	Note	2016	2015
Income from financial assets			
Return on bank deposits	41.1	250,613	351,067
Late payment surcharge	41.2	2,158,992	2,150,093
		2,409,605	2,501,160
Income from non-financial assets			
Liquidated damages recovered from suppliers and contractors		246,981	65,463
Scrap sale – stores and spares		120,132	166,684
Amortization of deferred revenue	25	1,402,785	1,305,031
Service connection charges		840,473	1,082,418
Collection charges - TV license fee		97,943	100,732
Rental of meters and equipments		227,171	221,685
Gain on disposal of property, plant and equipment		26,594	136,792
Others	41.3 & 41.4	1,288,619	752,885
		4,250,698	3,831,690
		6,660,303	6,332,850

41.1 Includes Rs. 0.239 million (2015: Rs. 0.403 million) return on bank deposits that are Shariah Compliant.

41.2 In accordance with the Company's policy, up to 30 June 2016, Late Payment Surcharge receivable on delayed payment of electricity bills from various Government / Government controlled entities (Public Sector Consumers, "PSCs") amounting to Rs. 6,536 million (2015: Rs. 5,628 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.

41.3 Includes reconnection / disconnection charges amounting to Rs. 499.128 million (2015: Rs. 475.265 million).

41.4 Does not include any income from arrangements permissible under Shariah.

42. FINANCE COST

	Note	2016	2015
		(Rupees in '000)	
Mark-up / interest on:			
Long term financing		2,041,960	2,473,644
Short-term borrowings		1,558,172	2,569,900
		3,600,132	5,043,544
Late payment surcharge on delayed payment to creditors		116,548	675,018
Bank charges, guarantee commission, commitment fee and other service charges		485,144	318,557
Letter of credit discounting charges		897,696	3,685,114
Cross currency swaps costs		-	37,496
		5,099,520	9,759,729

43. TAXATION

	Note	2016	2015
Current:			
- For the year	43.1	(1,098,042)	-
Deferred:			
- Due to reversal of taxable temporary differences		1,788,950	947,568
- Due to deductible temporary differences (on account of carry forward of tax losses)		6,165,000	12,300,660
		7,953,950	13,248,228
		6,855,908	13,248,228

43.1 This includes Rs. 610.09 million (2015: Nil) on account of one - time Super Tax for tax year 2016, which has been levied through Finance Act, 2016 and minimum turnover tax net of tax credit amounting to Rs. 487.953 million (2015: Nil).

43.2 The Taxation Officer passed assessment orders under section 122(A) of the Income Tax Ordinance, 2001 (the Ordinance) in respect of tax years 2010 and 2011 and made certain disallowances and additions ensuring in minimum tax liability of Rs. 543 million and Rs. 1,408 million for the tax years 2010 and 2011 respectively. Taxation Officer held that the tariff adjustment claim (subsidy) is part of Turnover and also added back total depreciation allowance instead of depreciation related to cost of sales of the Company for the purpose of computing minimum tax liability under section 113 of the Ordinance.

The Company filed appeal with CIR(A) against the said assessment orders. The appeal was rejected by CIR(A), thereby maintaining the decision of ACIR. Subsequently, the Company filed appeal before Appellate Tribunal Inland Revenue (ATIR) against orders of the Taxation Officer for tax years 2011 and 2010. ATIR has decided the case in favour of the Company vide its orders no. ITA No 274/KB/2012 dated 31 July 2012 for tax year 2011 and order no. ITA 877/KB/2011 dated 2 November 2012 for tax year 2010 respectively whereby orders of the learned CIR(A) were vacated and the order passed under section 122 (5A) by Additional 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 2010 and 2011.

The Company has reversed the minimum tax liability during the year ended 30 June 2013 based on the decision of ATIR.

43.3 The returns of income have been filed up to and including tax year 2015 (corresponding to financial year ended 30 June 2015), while the income tax assessments have been rectified / revised 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 tax at the rate of 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 and tax year 2008 whereas the decision is pending in respect of Tax Year 2006 and 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 and 2011 whereby it held that the Government Subsidy is not part of Turnover.

43.4 Relationship between tax income and accounting profit

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the Company's applicable tax rate as follows:

	Note	2016	2015
		(Rupees in '000)	
Accounting profit before taxation		25,901,721	15,076,483
Tax at the applicable tax rate of 32% (2015: 33%)		(8,288,551)	(4,975,240)
Tax effect of exempt income		7,321,873	13,808,754
Effects of:			
- super tax		(610,089)	-
- minimum turnover tax		(1,515,677)	-
- Tax credit, un-utilized tax losses and others		9,948,352	4,414,714
		6,855,908	13,248,228

43.5 Deferred tax assets / (liabilities)

	Note	2016	2015
Deferred tax asset recognised	43.5.2	20,811,433	14,646,433
Deferred tax liability on revaluation of property, plant and equipment	20	(21,414,431)	(23,203,381)
		(602,998)	(8,556,948)

43.5.1 Deferred taxation

	Note	2016	2015
		(Rupees in '000)	
Deferred tax credits:			
- accelerated tax depreciation		25,221,106	32,226,772
Deferred tax debits:			
- available tax losses		(102,233,609)	(131,636,680)
- provision for gratuity and compensated absences		(1,543,075)	(1,724,386)
- others		(15,003,094)	(13,967,505)
		(118,779,778)	(147,328,571)
Deferred tax assets		(93,558,672)	(115,101,799)

43.5.2 As at 30 June 2016, the Company had aggregate deferred tax debits amounting to Rs. 93,559 million (2015: Rs. 115,102 million) out of which deferred tax asset amounting to Rs. 20,811 million (2015: Rs. 14,646 million) has been recognized based on financial projections and remaining balance of Rs. 72,748 million remain unrecognised. As at the year end, the Company's carried forward tax losses amounted to Rs. 340,779 million (2015: Rs. 411,364 million), out of which business lossess amounting Rs. 200,414 million (2015: Rs. 239,674 million) have expiry period ranges between 2017 to 2022.

44. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2016	2015
Earning attributable to ordinary share holders (Rupees in '000)	32,757,629	28,324,711
Weighted average number of ordinary shares outstanding for basic earnings per share (Number of shares in '000)	27,615,194	27,615,194
Earnings per share - basic and diluted (In Rupees)	1.19	1.03

45. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2016			2015		
	Chief Executive Officer	Directors	Executives	Chief Executive Officers	Directors	Executives
	(Rupees in '000)					
Directors' fee (note 45.3)	-	2,650	-	-	2,795	-
Managerial remuneration	12,371	355	3,326,318	12,371	4,342	2,028,045
House rent / accommodation	4,529	145	584,796	4,529	1,742	404,995
	16,900	3,150	3,911,114	16,900	8,879	2,433,040
Number of persons	1	12	1,301	2	12	826

45.1 The Executives and Chief Executive Officer of the Company are provided medical facility. Chief Executive Officer is also provided with car facility, accommodation and relocation allowance (if applicable) .

45.2 The Company also makes contributions for Executives and Chief Executive Officer, based on actuarial calculations to gratuity funds.

45.3 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 22.24% (June 2015: 23.70%). The trend of transmission and distribution losses over the years is as follows:

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%
2015-2016	**22.24%**

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 POLICIES

Financial Risk Factors

The Company has exposure to the following risks arising from financial instruments:

- Market Risk
- Credit Risk
- Liquidity Risk

This note presents information about the Company's exposure to each of the following risks, the Company's objectives, policies and processes for measuring and managing risks and the Company's management of capital.

Risk Management Framework

The Board of Directors have the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established a Board Finance Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee regularly reports to the Board on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limit and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Company. The Audit Committee is assisted in its oversight role by the internal audit function. Internal audit undertakes both regular and 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, mainly comprise bank loans and overdrafts, trade payables, 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 and other receivables, cash and bank balances, short term deposits, etc. which arise directly from its operations.

The Company also enters 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's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

47.1 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return.

Market Risk comprise of three components - currency risk, interest rate risk and other price risk.

The Company buys and sells derivatives 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 2016

	PKR	USD	EUR	GBP	AED	*Others	Total	Off-Balance Sheet
	(Rupees in '000)							
Current Assets								
Trade deposits	1,845,380		-	-	-	-	1,845,380	-
Cash and bank balances	2,177,679	391	-	-	-	-	2,178,070	-
	4,023,059	391	-	-	-	-	4,023,450	-
Non-Current Liabilities								
Long term financing	6,599,999	838,596	149,992	-	-	-	7,588,587	-
Current Liabilities								
Current maturity of long term financing	-	-	-	-	-	-	-	-
Trade creditors	1,444,385	2,285,941	436,175	17,979	1,432	58,565,223	62,751,135	
Short-term borrowings	23,006,781	345,142	-	-	-	-	23,351,923	-
	31,051,165	3,469,679	586,167	17,979	1,432	58,565,223	93,691,645	-
Gross balance sheet exposure	27,028,106	3,469,288	586,167	17,979	1,432	58,565,223	89,668,195	-

* Other currencies include Swiss Francs (CHF), Japanese Yen (JPY) and Singaporean Dollar (SGD).

30 June 2015

	PKR	USD	EUR	GBP	AED	*Others	Total	Off-Balance Sheet
	(Rupees in '000)							
Current Assets								
Trade deposits and prepayments	5,771,147	191	-	-	-	-	5,771,338	-
Cash and bank balances	1,267,254	379	-	-	-	-	1,267,633	-
	7,038,401	570	-	-	-	-	7,038,971	-
Non-Current Liabilities					-	-		-
Long term financing	-	-	-	-	-	-	-	-
Current Liabilities								
Current Maturity of Long Term Financing	-	-	-	-	-	-	-	-
Short-term borrowings	36,717,696	25,425	-	-	-	-	36,743,121	-
	36,717,696	25,425	-	-	-	-	36,743,121	-
Gross balance sheet exposure	29,679,295	24,855	-	-	-	-	29,704,150	-

* Other currencies include Swiss Francs (CHF), Australian Dollar (AUD), Carona (SEK), Japanese Yen (JPY), Chinese currency (CNY) and Singaporean Dollar (SGD).

Significant exchange rates applied during the year were as follows:

	Average rate for the year		Spot rate as at 30 June	
	2016	2015	2016	2015
Rupees per	(Rupees)		(Rupees)	
EURO	115.42	120.98	116.08	113.57
USD	104.39	101.41	104.50	101.50
GBP	153.41	159.66	140.12	159.59
JPY	0.90	0.88	1.02	0.83
SGD	75.02	77.27	77.46	75.35

Sensitivity analysis

A five percent strengthening / (weakening) of the Rupee against Foreign Currency as at 30 June 2016 would have increased / (decreased) equity and profit and loss account by Rs. 3,103 million (2015: Rs. 13,654 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016 as in 2015.

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:

	2016	2015
Fixed Rate Instruments	(Rupees in '000)	
Financial Assets		
Deposit account	270,274	19,918
Long term loans	1,067	1,265
Short term investment	3,000,000	-
Deposit under lien against LC	1,134,517	4,703,867
	4,405,858	4,725,050
Financial Liabilities		
Short term borrowings	492,456	1,680,735
Variable Rate Instruments		
Financial Liabilities		
Long term diminishing musharaka	21,526,916	21,527,233
Long term financing	7,588,587	6,545,714
Short term borrowing	22,814,380	35,017,298
Trade and other payable	500,000	2,425,000
Current portion of long term financing	2,900,000	3,001,305
	55,329,883	68,516,550

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 affect 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. 553 million (2015: Rs. 685 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. 105,589 million (2015: Rs. 129,733 million), the financial assets which are subject to credit risk amounted to Rs. 54,823 million (2015: Rs. 49,740 million). The Company's electricity is sold to industrial and residential consumers and government organizations. Due to large number and diversity of its consumer base, concentration of credit risk with respect to trade debts is limited. Further, the Company manages its credit risk by obtaining security deposit from the consumers.

	2016		2015	
	Financial assets	Maximum exposure	Financial assets	Maximum exposure
	(Rupees in '000)			
Long term loans	25,908	25,908	27,837	27,837
Loans and advances	45,754	7,558	38,021	9,297
Long term deposits	8,297	-	7,907	-
Short term investments	3,000,000	3,000,000	-	-
Trade debts	93,234,034	47,638,701	83,290,562	42,688,559
Trade deposits	1,845,380	1,845,380	5,649,527	5,649,527
Other receivables	5,251,763	145,766	39,451,720	114,978
Cash and bank balances	2,178,070	2,159,629	1,267,633	1,249,742
	105,589,206	54,822,942	129,733,207	49,739,940

Differences in the balances as per balance sheet and maximum exposures were due to the fact that other receivables of Rs. 5,252 million (2015: Rs. 39,452 million) which mainly comprises of sales tax of Rs. 3,053 million (2015: Rs. 3,438 million) and tariff adjustment amounting to Rs. 1,816 million (2015: Rs. 35,661 million). Trade debts include due from Government and autonomous bodies amounting to Rs. 51,840 million (2015: Rs. 46,529 million).

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

	2016	2015
	(Rupees in '000)	
Ordinary Consumers	46,585,327	41,986,189
Industrial Consumers	1,053,374	702,370
	47,638,701	42,688,559

Impairment losses

The aging of trade debtors as at the balance sheet date was:

	2016		2015	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Up to 1 year	48,861,971	2,680,033	40,250,597	1,083,036
1 to 2 years	25,962,019	5,543,144	23,154,106	3,316,510
2 to 3 years	19,742,034	5,857,200	17,777,043	5,008,702
3 to 4 years	15,356,194	10,378,638	9,970,990	6,416,326
Over 4 years	31,905,407	24,134,576	28,302,566	20,340,166
	141,827,625	48,593,591	119,455,302	36,164,740

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 losses. 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	Rating Long-term
Public Sector Banks			
First Women Bank Limited	PACRA	A2	A-
National Bank of Pakistan	PACRA	A1+	AAA
	JCR-VIS	A-1+	AAA
Sindh Bank Limited	JCR-VIS	A-1+	AA
The Bank of Khyber	PACRA	A1	A
	JCR-VIS	A-1	A
The Bank of Punjab	PACRA	A1+	AA-
Specialized Banks			
SME Bank Limited	PACRA	B	B
Zarai Taraqiati Bank Limited	JCR-VIS	A-1+	AAA
Private Sector Banks			
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	PACRA JCR-VIS	A1+ A-1+	AA+ AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank Al-Habib Limited	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
	JCR-VIS	A-1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
	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
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Silk Bank 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+	AAA
Foreign Banks operating in Pakistan			
Citibank N.A.	Moody's	P-1	A1
	Standard & Poor's	A-2	BBB+
Deutsche Bank AG	Moody's	P-2	Baa2
	Fitch	F1	A-
Industrial and Commercial Bank of China	Moody's	P-1	A1
The Bank of Tokyo-Mitsubishi-UFJ, Limited	Standard & Poor's	A-1	A+
	Moody's	P-1*	A1
	Fitch	F1	A
Islamic Banks			
Albaraka Bank (Pakistan) Limited	PACRA	A1	A
	JCR-VIS	A-1	A
BankIslami Pakistan Limited	PACRA	A1	A+
	JCR-VIS	A-2	BBB+
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	A+
Burj Bank Limited	JCR-VIS	A-2	BBB+
Meezan Bank Limited	JCR-VIS	A-1+	AA
MCB Islamic Bank Limited	PACRA	A1	A
Development Finance Institutions			
Pak Brunei Investment Company Limited	PACRA	A1+	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-
PAIR Investment Company	PACRA	A1+	AA
Saudi Pak Industrial & Agricultural Investment Company 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	JCR-VIS	A-1	A+
	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:

2016

	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to Five years	More than five years
Non-Derivative	(Rupees in '000)					
Financial liabilities						
Long term financing	10,515,197	(11,321,053)	(1,614,907)	(1,779,743)	(7,926,403)	-
Long term diminishing musharaka	21,526,916	(27,672,757)	(786,310)	(786,310)	(26,100,137)	
Long-term deposits	7,629,009	(7,629,009)	-	-	-	(7,629,009)
Trade and other payables	76,933,959	(76,933,959)	(76,933,959)	-	-	-
Accrued mark-up	5,469,650	(5,469,650)	(5,469,650)	-	-	-
Short-term borrowings	23,351,923	(24,269,512)	(23,977,475)	(292,037)	-	-
Short-term deposits	7,444,139	(7,444,139)	(7,444,139)	-	-	-
	152,870,793	(160,740,079)	(116,226,440)	(2,858,090)	(34,026,540)	(7,629,009)

2015

	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to Five years	More than five years
Non-Derivative	(Rupees in '000)					
Financial liabilities						
Long term financing	9,573,629	(12,288,339)	(2,465,461)	(2,128,308)	(7,694,570)	-
Long term diminishing musharaka	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)

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 2016 (and includes both principal and interest payable thereon). The rates of mark-up have been disclosed in notes 21, 22 and 28 to these financial statements.

47.4 Hedging Activities and Derivatives

The Company uses foreign currency denominated borrowings to manage some of its transactions exposures. These include 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 3.8).

Cash flow hedges

During the year, the Company had held cross currency swaps with commercial banks, designated as cash flow hedges of expected future principal repayments of loan from foreign lenders. The cross currency swaps were being used to hedge the currency risk and interest rate risk in respect of long- term financing as stated in notes 22.5 and 22.6 to these financial statements.

The critical terms of the cross currency swap contracts have been negotiated to match the terms of the aforementioned financial liability (note 26.7).

47.5 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 2016.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. Investment and financing decisions are made after taking into account the tariff structure under MYT determined in 2009, the company's financial position and level of accumulated losses and requirements of lenders. This necessitated injection of new equity as well as re-investment of profits to strengthen the Company's financial position to comply with requirements of lenders as well as to fund new projects. Details of adjusted invested equity as at the balance sheet date are given in note 17.10.

The Company monitors capital using debt to equity ratios. During the year, the Company's strategy was to maintain leveraged gearing. The long-term debt to equity ratio as at 30 June is as follows:

	Note	2016	2015
		(Rupees in '000)	
Long-term diminishing musharaka	21	21,526,916	21,527,233
Long-term financing	22	7,588,587	6,545,714
Long-term debt		29,115,503	28,072,947
Total equity		110,927,907	74,074,438
Cash flow hedge		22,163	-
Total capital		140,065,573	102,147,385
Long-term debt to equity		0.21	0.27

47.6 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 2016 and 30 June 2015 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 held by the Company are disclosed in respective notes to these financial statements.

47.7 Financial instruments by category

	2016	2015
	(Rupees in '000)	
Financial assets measured at amortized cost		
Long-term loans	25,908	27,837
Long-term deposits	8,297	7,907
Trade debts	93,234,034	83,290,562
Short term investments	3,000,000	-
Loans and advances	45,754	38,021
Trade deposits	1,845,380	5,649,527
Cash and bank balances	2,178,070	1,267,633
	100,337,443	90,281,487
Financial liabilities measured at amortized cost		
Long-term diminishing musharaka	21,526,916	21,527,233
Long-term financing	7,588,587	6,545,714
Long-term deposits	7,629,009	6,712,048
Current maturity of long-term financing	2,926,610	3,027,915
Trade and other payables	76,933,959	105,787,466
Accrued mark-up	5,469,650	5,866,849
Short-term borrowings	23,351,923	36,743,121
Short-term deposits	7,444,139	7,099,055
	152,870,793	193,309,401
Financial liabilities measured at fair value		
Derivative financial liabilities	24,430	-

Derivative financial liabilities have been classified into Level 2 fair value measurement hierarchy and are calculated as the present value of estimated future cash flows based on observable yield.

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:

	2016	2015
	(Rupees in '000)	
48.1 KES Power Limited, Parent Company		
Short term loan payable	45,088	45,088
48.2 OMS (Private) Limited, Associated Undertaking		
Amount Payable included in creditors	11,349	-

48.3 Government Related Entities

The Company has availed the exemption available to it under its reporting framework, and therefore has not provided detailed disclosures of its transactions with government related entities except for transactions stated below, which the Company considers to be significant.

	2016	2015
48.3.1 National Transmission and Dispatch Company		
	(Rupees in '000)	
Purchases	37,173,889	45,183,711
Amount payable included in creditors	30,821,726	46,904,694
48.3.2 Pakistan State Oil Company Limited		
Purchases	15,977,734	22,849,337
Late payment surcharge	75,370	374,169
Amount payable included in creditors	1,165,084	4,053,658
48.3.3 Sui Southern Gas Company Limited		
Purchases	40,109,446	30,757,512
Amount payable included in creditors	21,979,552	26,209,967
48.4 BYCO Petroleum Pakistan Limited		
Amount payable included in creditors	252,166	1,725,250
Purchases	891,587	6,598,095
Late Payment Surcharge	27,400	212,889
48.5 Key management personnel		
Managerial Remuneration	229,013	148,372
Housing and utilities	125,815	81,604
Other allowances and benefits	238,516	117,742
Retirement Benefits	123,126	26,175
Leave encashment	703	-
48.6 Provident Fund		
Contribution to provident fund	607,182	528,352
Payable to provident fund	50,909	11,585

48.7 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 11 to these financial statements) are determined in accordance with the terms of their employment.

49. PROVIDENT FUND DISCLOSURE

The Company operates approved funded contributory provident fund for both its management and non-management employees. Detail of net assets and investments of the fund is as follows:

	2016	2015
	(Rupees in '000) (Audited)	
Size of the fund - Net assets	8,764,985	8,364,040
Cost of the investment made	6,004,927	5,837,903
Percentage of the investment made	68.51%	69.80%
Fair value of the investment made	8,982,432	8,656,561

The break up of fair value of the investment is:

	2016		2015	
	(Rupees in '000) (Audited)	%	(Rupees in '000) (Audited)	%
Government securities	4,995,880	55.62%	4,482,861	51.79%
Sukuk	88,351	0.98%	16,826	0.19%
Debt securities	93,286	1.04%	246,955	2.85%
Mutual funds	3,662,311	40.77%	3,672,940	42.43%
Bank Balances	142,604	1.59%	236,979	2.74%
	8,982,432		8,656,561	

The management, 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.

50. CAPACITY AND PRODUCTION

The actual production during the year was 10,323 Gwh (2015 : 9,318 Gwh). The gross dependable capacity in FY 16 was 1,855 MW as compared to 1,670 MW in FY-15.

51. 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 2016 are located in Pakistan.

52. **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 needs to be accounted for by the covered entities, including the company, under the provisions of amended International Financial Reporting Standard 2 "Share Based Payments" (IFRS - 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities and Exchange Commission of Pakistan on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan vide their letter number CAIDTS/PS& TAC/2011-2036 dated 02 February 2011 has granted exemption to such entities from the application of IFRS 2 to the Scheme vide SRO 587 (I)/2011 dated 07 June 2011.

Had the exemption not been granted, the staff costs of the Company for the year would have been lower by Rs. 63.625 million (2015: Rs. 13.608 million), profit after taxation would have been higher by Rs. 61.716 million (2015: Rs. 13.608 million), accumulated profit / (losses) would have been lower by Rs. 1,361 million (2015: higher by Rs. 1,554 million), earnings per share would have been higher by Rs. 0.002 (2015: Rs. 0.0005) and reserves would have been lower by Rs. 1,361 million (2015: Rs. 1,554 million). The expense reflects change in the market price of shares. Since market price fell during these two years, expense is negative for both years. However, various formalities relating to the finalization of the Scheme such as Trust Deed, vesting period, etc., are yet to be finalized. The liability of BESOS for the Company's employees is a liability of the Fund and Company has no liability towards these payments. Moreover, due to certain administrative issues, Trust Fund has not yet been created by GoP.

53. **OTHER INFORMATION**

53.1 During the year, the Company entered into the Shareholders' Agreement, dated May 20, 2016, for incorporation of company "Datang Pakistan Karachi Power Generation Limited (DPKPG)" with China Datang Overseas Investment Company Limited (CDTO) having 51% shareholding, China Machinery Engineering Corporation (CMEC) having 25% shareholding and the Company having 24% shareholding. The principal operations of DPKPG will be to carry out the business of power generation, distribution, transmission and sale of electricity by development of a 700 MW (2 x 350 MW) coal-based power plant at Port Qasim, Karachi. Total cost of the project is estimated at USD 1,070 million, which would be financed through equity injection of USD 321 million and debt portion of USD 749 million. Debt portion would be a mix of local and foreign financing.

54. **CORRESPONDING FIGURES**

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

FROM	TO	(Rupees in '000)
Deferred tax asset	Deferred tax liability	14,646,433

55. **NUMBER OF EMPLOYEES**

The average number of employees for the year ended 30 June 2016 were 10,487 (2015: 10,473) and number of employees as at 30 June 2016 were 10,761 (2015: 10,443).

56. **EVENTS AFTER BALANCE SHEET DATE**

56.1 The Multi Year Tariff (MYT) which was determined in 2009 for a seven year period has expired on 30 June 2016. On 31 March 2016, the Company has filed tariff petition with NEPRA for continuation of the MYT for 10 year period starting from 01 July 2016 along with certain modifications in the tariff.

Subsequent to the year ended 30 June 2016, NEPRA vide its determination on 20 March 2017, determined the MYT for the period commencing from 01 July 2016 till 30 June 2023. The Company is of the view that some of the assumptions in MYT determination are not reflective of ground realities and will be detrimental to long term investment plan and operations of the Company. Therefore, in order to protect long term interest of the business, the Company has filed a review motion with NEPRA on 20 April 2017 and the hearing in this regard was held on 13 & 14 July 2017. The final decision of NEPRA in this regard is awaited to-date.

56.2 Subsequent to the year ended 30 June 2016, as notified on Pakistan Stock Exchange dated 28 October 2016, Shanghai Electric Power Company Limited has entered into a Sale and Purchase Agreement (SPA) with KES Power Limited (current holding company) to acquire up to 66.4 per cent of the shares in the Company. The completion of the transaction contemplated by SPA is subject to receipt of applicable regulatory approvals and satisfaction of other conditions precedent specified therein.

57. **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 09 August 2017, by the Board of Directors of the Company.

58. **GENERAL**

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

Muhammad Tayyab Tareen	Khalid Rafi	Syed Moonis Abdullah Alvi
Chief Executive Officer	Director	Chief Financial Officer

PATTERN OF SHAREHOLDING

as of June 30, 2016

# of Shareholders	Shareholdings Slab			Total Shares Held
6032	1	to	100	170,969
3578	101	to	500	1,105,953
2269	501	to	1000	2,033,305
4619	1001	to	5000	13,501,905
1812	5001	to	10000	15,023,788
738	10001	to	15000	9,638,512
552	15001	to	20000	10,412,430
429	20001	to	25000	10,234,051
265	25001	to	30000	7,638,697
148	30001	to	35000	4,949,717
156	35001	to	40000	6,106,856
79	40001	to	45000	3,445,919
341	45001	to	50000	16,946,646
80	50001	to	55000	4,276,389
76	55001	to	60000	4,502,501
40	60001	to	65000	2,539,129
51	65001	to	70000	3,515,781
62	70001	to	75000	4,612,567
35	75001	to	80000	2,754,750
15	80001	to	85000	1,255,000
33	85001	to	90000	2,943,637
19	90001	to	95000	1,779,415
238	95001	to	100000	23,767,104
23	100001	to	105000	2,374,196
30	105001	to	110000	3,269,910
17	110001	to	115000	1,922,566
25	115001	to	120000	2,975,336
24	120001	to	125000	2,979,540
13	125001	to	130000	1,680,326
12	130001	to	135000	1,613,000
17	135001	to	140000	2,357,000
7	140001	to	145000	1,007,890
53	145001	to	150000	7,940,500

# of Shareholders	Shareholdings Slab			Total Shares Held
4	150001	to	155000	607,580
11	155001	to	160000	1,756,000
8	160001	to	165000	1,313,500
9	165001	to	170000	1,522,000
16	170001	to	175000	2,782,038
8	175001	to	180000	1,436,000
4	180001	to	185000	732,000
8	185001	to	190000	1,518,500
2	190001	to	195000	390,000
91	195001	to	200000	18,181,625
6	200001	to	205000	1,222,579
7	205001	to	210000	1,468,700
4	210001	to	215000	856,000
4	215001	to	220000	877,000
15	220001	to	225000	3,362,000
2	225001	to	230000	460,000
1	230001	to	235000	233,000
7	235001	to	240000	1,672,000
5	240001	to	245000	1,217,000
24	245001	to	250000	5,994,500
8	250001	to	255000	2,021,027
7	255001	to	260000	1,809,500
5	260001	to	265000	1,321,500
5	265001	to	270000	1,343,187
5	270001	to	275000	1,367,825
1	275001	to	280000	278,000
1	280001	to	285000	284,000
5	285001	to	290000	1,437,500
3	290001	to	295000	883,000
40	295001	to	300000	11,994,838
2	300001	to	305000	605,028
7	305001	to	310000	2,167,764
1	310001	to	315000	311,000
8	315001	to	320000	2,544,246
1	320001	to	325000	325,000
5	330001	to	335000	1,670,405
3	335001	to	340000	1,013,349

# of Shareholders	Shareholdings Slab			Total Shares Held
1	340001	to	345000	345,000
10	345001	to	350000	3,497,000
3	350001	to	355000	1,058,158
2	365001	to	370000	736,000
3	370001	to	375000	1,125,000
2	375001	to	380000	756,000
1	380001	to	385000	384,000
1	385001	to	390000	385,548
20	395001	to	400000	7,997,000
4	405001	to	410000	1,629,464
2	410001	to	415000	829,500
5	420001	to	425000	2,125,000
1	425001	to	430000	427,000
3	430001	to	435000	1,298,340
1	435001	to	440000	440,000
1	440001	to	445000	444,000
13	445001	to	450000	5,846,000
1	460001	to	465000	465,000
1	465001	to	470000	468,500
1	470001	to	475000	475,000
1	480001	to	485000	484,000
1	485001	to	490000	485,500
1	490001	to	495000	495,000
42	495001	to	500000	21,000,000
3	500001	to	505000	1,512,960
1	505001	to	510000	508,500
5	520001	to	525000	2,621,500
2	525001	to	530000	1,060,000
1	535001	to	540000	536,500
8	545001	to	550000	4,391,000
1	550001	to	555000	551,000
3	555001	to	560000	1,672,334
1	560001	to	565000	564,000
1	565001	to	570000	570,000
2	575001	to	580000	1,154,000
1	580001	to	585000	583,500
1	585001	to	590000	588,500

# of Shareholders	Shareholdings Slab			Total Shares Held
9	595001	to	600000	5,399,500
1	600001	to	605000	604,500
1	605001	to	610000	609,200
1	610001	to	615000	614,148
4	620001	to	625000	2,499,000
1	630001	to	635000	635,000
1	640001	to	645000	641,500
4	645001	to	650000	2,596,000
2	655001	to	660000	1,318,000
1	660001	to	665000	661,000
2	665001	to	670000	1,337,500
1	685001	to	690000	688,000
5	695001	to	700000	3,500,000
2	700001	to	705000	1,406,316
1	705001	to	710000	707,413
1	725001	to	730000	725,500
1	730001	to	735000	733,000
2	735001	to	740000	1,476,700
3	745001	to	750000	2,250,000
1	750001	to	755000	750,050
1	765001	to	770000	770,000
1	770001	to	775000	774,600
1	780001	to	785000	780,500
4	795001	to	800000	3,200,000
2	845001	to	850000	1,700,000
1	855001	to	860000	860,000
2	860001	to	865000	1,725,500
1	865001	to	870000	870,000
1	880001	to	885000	885,000
3	895001	to	900000	2,696,500
1	905001	to	910000	910,000
1	910001	to	915000	912,500
3	915001	to	920000	2,753,964
1	925001	to	930000	925,200
1	945001	to	950000	950,000
1	950001	to	955000	950,509
2	985001	to	990000	1,975,500

# of Shareholders	Shareholdings Slab			Total Shares Held
25	995001	to	1000000	25,000,000
1	1000001	to	1005000	1,003,500
1	1015001	to	1020000	1,015,500
1	1020001	to	1025000	1,023,500
1	1025001	to	1030000	1,030,000
1	1045001	to	1050000	1,048,000
2	1050001	to	1055000	2,109,500
1	1125001	to	1130000	1,128,731
2	1145001	to	1150000	2,300,000
1	1165001	to	1170000	1,167,800
1	1170001	to	1175000	1,175,000
3	1195001	to	1200000	3,600,000
1	1220001	to	1225000	1,225,000
1	1225001	to	1230000	1,230,000
2	1245001	to	1250000	2,500,000
1	1270001	to	1275000	1,275,000
1	1275001	to	1280000	1,279,500
1	1295001	to	1300000	1,300,000
1	1370001	to	1375000	1,373,353
1	1375001	to	1380000	1,377,500
1	1395001	to	1400000	1,400,000
3	1495001	to	1500000	4,500,000
1	1515001	to	1520000	1,518,000
2	1545001	to	1550000	3,100,000
1	1585001	to	1590000	1,589,500
2	1595001	to	1600000	3,198,500
1	1615001	to	1620000	1,620,000
1	1640001	to	1645000	1,640,702
1	1695001	to	1700000	1,700,000
1	1715001	to	1720000	1,716,000
2	1735001	to	1740000	3,475,500
1	1750001	to	1755000	1,751,500
1	1755001	to	1760000	1,757,639
1	1765001	to	1770000	1,769,500
1	1785001	to	1790000	1,788,000
1	1795001	to	1800000	1,800,000
1	1840001	to	1845000	1,845,000

# of Shareholders	Shareholdings Slab			Total Shares Held
2	1845001	to	1850000	3,699,200
1	1870001	to	1875000	1,875,000
1	1925001	to	1930000	1,925,630
1	1945001	to	1950000	1,950,000
1	1985001	to	1990000	1,989,000
1	1990001	to	1995000	1,994,700
6	1995001	to	2000000	12,000,000
1	2035001	to	2040000	2,038,000
1	2090001	to	2095000	2,091,500
1	2095001	to	2100000	2,100,000
1	2110001	to	2115000	2,115,000
1	2195001	to	2200000	2,200,000
3	2295001	to	2300000	6,900,000
1	2345001	to	2350000	2,350,000
1	2395001	to	2400000	2,400,000
1	2425001	to	2430000	2,429,250
1	2475001	to	2480000	2,478,500
4	2495001	to	2500000	10,000,000
1	2570001	to	2575000	2,573,500
1	2585001	to	2590000	2,588,000
1	2610001	to	2615000	2,612,500
1	2655001	to	2660000	2,658,500
2	2795001	to	2800000	5,600,000
2	2820001	to	2825000	5,649,500
1	2860001	to	2865000	2,862,500
1	2895001	to	2900000	2,900,000
1	2910001	to	2915000	2,912,237
1	2920001	to	2925000	2,924,653
1	2930001	to	2935000	2,934,000
1	2945001	to	2950000	2,950,000
2	2995001	to	3000000	6,000,000
1	3065001	to	3070000	3,067,500
1	3120001	to	3125000	3,123,456
1	3125001	to	3130000	3,129,500
1	3250001	to	3255000	3,252,500
1	3305001	to	3310000	3,308,000
1	3435001	to	3440000	3,437,676

# of Shareholders	Shareholdings Slab			Total Shares Held
1	3495001	to	3500000	3,500,000
1	3645001	to	3650000	3,650,000
2	3695001	to	3700000	7,397,000
1	3765001	to	3770000	3,767,428
1	3800001	to	3805000	3,800,500
1	3895001	to	3900000	3,900,000
1	3945001	to	3950000	3,950,000
1	3995001	to	4000000	4,000,000
1	4220001	to	4225000	4,221,387
1	4225001	to	4230000	4,228,500
1	4270001	to	4275000	4,272,000
1	4315001	to	4320000	4,319,500
1	4425001	to	4430000	4,425,500
1	4435001	to	4440000	4,439,500
1	4490001	to	4495000	4,490,892
1	4495001	to	4500000	4,500,000
1	4500001	to	4505000	4,503,000
2	4550001	to	4555000	9,103,000
1	4560001	to	4565000	4,562,760
1	4600001	to	4605000	4,604,000
1	4645001	to	4650000	4,650,000
1	4670001	to	4675000	4,673,775
2	4745001	to	4750000	9,500,000
1	4755001	to	4760000	4,757,500
4	4995001	to	5000000	20,000,000
1	5035001	to	5040000	5,039,500
1	5120001	to	5125000	5,123,000
1	5130001	to	5135000	5,130,500
1	5145001	to	5150000	5,150,000
1	5195001	to	5200000	5,197,500
1	5645001	to	5650000	5,647,500
1	5845001	to	5850000	5,850,000
4	5995001	to	6000000	24,000,000
1	6260001	to	6265000	6,260,500
1	6355001	to	6360000	6,356,170
1	6425001	to	6430000	6,429,000
1	6745001	to	6750000	6,750,000

# of Shareholders	Shareholdings Slab			Total Shares Held
1	6895001	to	6900000	6,900,000
1	6995001	to	7000000	7,000,000
1	7120001	to	7125000	7,120,594
1	7175001	to	7180000	7,178,100
1	7495001	to	7500000	7,500,000
1	8350001	to	8355000	8,353,000
1	8430001	to	8435000	8,430,931
1	8465001	to	8470000	8,466,500
1	8995001	to	9000000	9,000,000
1	9620001	to	9625000	9,625,000
1	9705001	to	9710000	9,706,969
2	9995001	to	10000000	20,000,000
1	10195001	to	10200000	10,200,000
1	10510001	to	10515000	10,511,000
1	10795001	to	10800000	10,800,000
1	11020001	to	11025000	11,025,000
1	11065001	to	11070000	11,068,500
1	11255001	to	11260000	11,256,500
1	11490001	to	11495000	11,495,000
1	11620001	to	11625000	11,625,000
1	11805001	to	11810000	11,809,000
1	11870001	to	11875000	11,870,500
1	11995001	to	12000000	11,999,500
1	12590001	to	12595000	12,592,500
1	12710001	to	12715000	12,715,000
1	13180001	to	13185000	13,181,500
1	13220001	to	13225000	13,222,500
1	13720001	to	13725000	13,720,500
1	13905001	to	13910000	13,910,000
1	14340001	to	14345000	14,344,500
1	14395001	to	14400000	14,400,000
1	14400001	to	14405000	14,402,500
1	14510001	to	14515000	14,515,000
1	14565001	to	14570000	14,570,000
1	15675001	to	15680000	15,676,500
2	15795001	to	15800000	31,600,000
1	16965001	to	16970000	16,969,069

# of Shareholders	Shareholdings Slab			Total Shares Held
1	17395001	to	17400000	17,399,000
1	17725001	to	17730000	17,729,500
1	17770001	to	17775000	17,773,500
1	18530001	to	18535000	18,534,000
1	19580001	to	19585000	19,583,042
1	19810001	to	19815000	19,811,000
1	19995001	to	20000000	20,000,000
1	20350001	to	20355000	20,354,000
1	22405001	to	22410000	22,409,514
1	22585001	to	22590000	22,590,000
1	24935001	to	24940000	24,936,736
1	26830001	to	26835000	26,832,500
1	31755001	to	31760000	31,757,500
1	32860001	to	32865000	32,861,600
1	32915001	to	32920000	32,917,688
1	38195001	to	38200000	38,200,000
1	44470001	to	44475000	44,472,264
1	44915001	to	44920000	44,917,000
1	44995001	to	45000000	45,000,000
1	48795001	to	48800000	48,796,000
1	52225001	to	52230000	52,226,650
1	71195001	to	71200000	71,197,000
1	120780001	to	120785000	120,782,500
1	137615001	to	137620000	137,615,700
1	142865001	to	142870000	142,865,900
1	191355001	to	191360000	191,358,214
1	6726910001	to	6726915000	6,726,912,278
1	18335540001	to	18335545000	18,335,542,678
22,688				**27,615,194,246**

CATEGORIES OF SHAREHOLDERS

As of 30 June 2016 Ordinary Shares

Categories of Shareholders	Total		
	Number	Shares	%age
Associated Companies, Undertakings and related parties	-	-	-
AND / OR			
Shareholders holding five percent or more voting rights in the Company			
KES Power Limited (Holding Company)	1	18,335,542,678	66.40
President of the Islamic Republic of Pakistan (GOP)	1	6,726,912,278	24.36
Mutual Funds			
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	26,832,500	0.10
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	1,925,630	0.01
GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	18,534,000	0.07
CDC - TRUSTEE PICIC INVESTMENT FUND	1	2,100,000	0.01
CDC - TRUSTEE PICIC GROWTH FUND	1	3,900,000	0.01
CDC - TRUSTEE MCB PAKISTAN ISLAMIC STOCK FUND	1	5,130,500	0.02
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	7,000,000	0.03
CDC - TRUSTEE MEEZAN BALANCED FUND	1	11,625,000	0.04
CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	1	450,000	0.00
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	614,148	0.00
CDC - TRUSTEE PICIC ENERGY FUND	1	5,150,000	0.02
CDC - TRUSTEE AKD OPPORTUNITY FUND	1	14,400,000	0.05
CDC - TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND	1	4,490,892	0.02
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	20,354,000	0.07
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	120,782,500	0.44
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	17,399,000	0.06
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	3,800,500	0.01
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1	24,936,736	0.09
CDC - TRUSTEE MCB DCF INCOME FUND	1	625,000	0.00
CDC - TRUSTEE FIRST HABIB INCOME FUND	1	366,000	0.00
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	1	800,000	0.00
CDC - TRUSTEE DAWOOD ISLAMIC FUND	1	450,000	0.00
CDC - TRUSTEE HBL - STOCK FUND	1	14,515,000	0.05
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	1	5,123,000	0.02
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	2,800,000	0.01
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1	4,439,500	0.02
CDC - TRUSTEE ABL STOCK FUND	1	4,425,500	0.02
M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	1	550,000	0.00
CDC - TRUSTEE LAKSON EQUITY FUND	1	11,809,000	0.04
CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	1	3,067,500	0.01
CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND - MT	1	125,000	0.00
CDC - TRUSTEE PICIC INCOME FUND - MT	1	6,750,000	0.02
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1	2,900,000	0.01
CDC - TRUSTEE PICIC STOCK FUND	1	101,000	0.00
CDC - TRUSTEE ASKARI EQUITY FUND	1	950,000	0.00
CDC - TRUSTEE KSE MEEZAN INDEX FUND	1	2,924,653	0.01
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	1	650,000	0.00
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	1	650,000	0.00
CDC - TRUSTEE LAKSON INCOME FUND - MT	1	725,500	0.00
CDC-TRUSTEE FIRST HABIB ISLAMIC BALANCED FUND	1	72,500	0.00
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1	3,129,500	0.01
CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND	1	100,000	0.00
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	308,500	0.00
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	1	4,604,000	0.02
CDC - TRUSTEE NIT INCOME FUND - MT	1	4,503,000	0.02
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	1	11,870,500	0.04
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	1	6,900,000	0.02

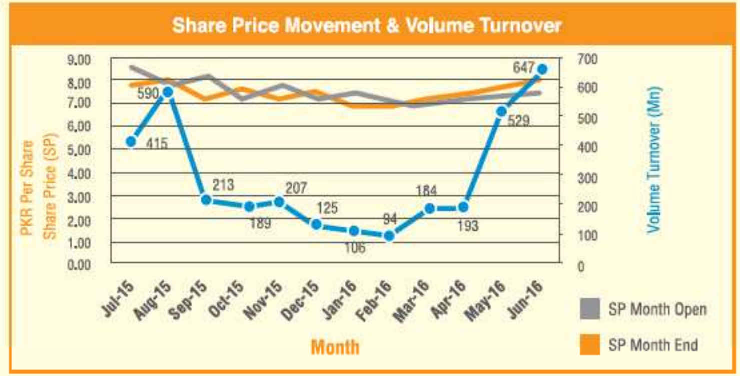
Categories of Shareholders		Total Number	Total Shares	Total %age
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST		1	4,673,775	0.02
CDC - TRUSTEE PICIC ISLAMIC STOCK FUND		1	578,000	0.00
CDC - TRUSTEE ASKARI HIGH YIELD SCHEME - MT		1	3,308,000	0.01
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND		1	2,478,500	0.01
CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT		1	2,825,000	0.01
CDC - TRUSTEE HBL MUSTAHEKUM SARMAYA FUND 1		1	1,230,000	0.00
MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND		1	400,000	0.00
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND		1	44,472,264	0.16
CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND		1	3,252,500	0.01
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND		1	1,740,000	0.01
CDC - TRUSTEE FAYSAL MTS FUND - MT		1	1,788,000	0.01
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND		1	1,175,000	0.00
CDC - TRUSTEE NAFA ISLAMIC ENERGY FUND		1	6,429,000	0.02
CDC - TRUSTEE LAKSON TACTICAL FUND		1	1,373,353	0.00
Directors, CEO & their Spouse and Minor Children		1	500	0.00
Executives		4	405,100	0.00
Public Sector Companies and corporations		15	35,017,760	0.13
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds				
Banks, Financial Institutions		37	168,647,369	0.61
Investment Companies		3	3,412	0.00
Insurance Companies		23	28,272,340	0.10
Joint Stock Companies		194	208,553,807	0.76
Modarabah Management Companies		3	19,001	0.00
Modarabas		15	2,536,835	0.01
Charitable Trusts		19	1,297,013	0.00
Leasing Companies		-	-	-
General Public - Local		22,162	743,458,452	2.69
Foreign Shareholders		101	854,127,534	3.09
International Finance Corporation (IFC)	191,358,214			
Asian Development Bank (ADB)	3,767,428			
Others	659,001,892			
	854,127,534			
Others		48	49,016,716	0.18
		22,688	27,615,194,246	100.00

ADDITIONAL INFORMATION

Trading in Shares of the Company during the year	Purchase	Sale
- Executive		
Jamil Afzal Bajwa	5,000	-

SHARE PRICE SENSITIVITY ANALYSIS

Like all listed companies, KE's share price is impacted by a host of internal and external factors. Internal factors include relative improvements in operational and financial performance, standards of corporate governance and adherence to best practices, internal controls, business strategy and future business plans.



External factors include the following:

- Continuous fuel supply at economic rates.
- The furnace oil to gas ratio (and price differential).
- Timely tariff determination and notification by NEPRA, taking into account the cost of doing business and adequate return on investment.
- Settlement of the circular debt issue in a fair and equitable manner.
- Timely settlement of Tariff Differential Claims by the Government, and recovery of huge electricity arrears outstanding against government-related entities (KWSB in particular).
- The prevailing law and order situation in Karachi and Pakistan.
- Interest rates and the PKR: USD exchange rate impact, financing costs and the debt profile of the Company.
- The overall national economic performance and continuity of government policies.
- Stock market dynamics and investor sentiment in the wake of national and international developments.

The concerted efforts, professional management, shareholders' support and effective business strategy, have been able to steer the Company out of difficult circumstances and restore operational and financial viability. This has therefore enhanced value for shareholders, and is reflected in KE's share price. Efforts are underway to sustain and improve performance.

STAKEHOLDERS' ENGAGEMENT

Institutional and other Investors

The Company respects and recognises the role and importance of institutional and retail investors, present and prospective. A number of leading national and international financial and other institutions, including the Asian Development Bank (ADB) and International Finance Corporation (IFC), are among KE's shareholders. In order to facilitate institutional investors in particular, KE ensures that all Company-related information and key operational and financial data are uploaded on its website and updated on a regular basis. Contact persons are notified to deal with 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 KE's performance to benefit all stakeholders.

Industrial Relations: Industries and Trade Associations

The Company remains in direct dialogue with all key trade associations and industries in order to keep them informed about the real-time challenges faced by KE. They are engaged through various trade association platforms on various power sector issues, including fuel shortages, energy efficiency and tariff hikes. Their advice is solicited in advance for any issue that will have an effect on their performance.

Customers & 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 and developing efficient platforms and alternate channels.

The Company has expanded its state-of-the-art call centres and streamlined the call handling capabilities to attend consumer complaints. Alternate channels, such as email, social media, the website and SMS, have empowered customers by making complaint registration and feedback more effective, with proactive communication on major developments such as shutdowns, faults and load-shed schedules. The introduction of SAP has allowed seamless integration with business operations, enabling quick turnaround 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 open, transparent communication. The Company's Treasury department engages with banks and other lenders frequently to explore financing options as well as to keep them apprised on progress of various ongoing and upcoming projects and strategic initiatives. Further, 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 an important stakeholder and takes necessary steps to ensure that a healthy working relationship is maintained on mutual respect and that lenders feel comfortable with respect to the Company's affairs.

Media

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

Regulators

KE, being an organisation registered under Companies Ordinance 1984 (the ordinance) and listed on the Pakistan Stock Exchange, abides primarily by a number of acts and ordinances, including Companies Ordinance 1984, Securities Act 2015, Code of Corporate Governance (CCG), PSX Rule Book, CDC Act 1997 and others. As part of the regulatory regime, KE reports to the apex corporate regulatory body of the country, Securities & Exchange Commission of Pakistan (SECP) in addition to the Pakistan Stock Exchange & CDC. Whereas, KE being the only vertically integrated utility involved in generation, transmission and distribution and possessing business licenses for each respective area, is also regulated by National Electric Power Regulatory Authority (NEPRA) for power generation, transmission, distribution and tariff-related issues.

Recognition of Stakeholders' Rights

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

Analysts

The management realises the significance of analysts' views on the future outlook of the Company. The value that analysts create through their skilful contribution in guiding the investors to maximize their wealth is of paramount importance. In order to facilitate analysts making an informed decision, the management conducts a yearly analyst briefing containing forward-looking statements including timelines, strategies and future plans. A large number of analysts attend the briefing which substantiates the importance of the management's initiative to promote transparency and engage analysts in active and meaningful participation. Furthermore, an 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 analysts with up-to-date information, enabling them to better analyze the past and future prospects of the Company.

CALENDAR OF NOTABLE EVENTS

June 2016

Formula One SAE car designed by NED University students unveiled at Governor House.

April 2016

Fifth annual Lyari League.

March 2016

New Criminal Law (Amendment) Act 2016 welcomed.

MoU to provide new connections and install new meters at the Saddar Cooperative Market.

February 2016

Tree plantation campaign for a greener Karachi inaugurated with WWF.

January 2016

Land at Port Qasim for 700 MW project acquired.

ABC project in Baldia's Gulshan-e-Mazdoor installed.

Accord with Attock Cement for additional supply of 16 MW.

December 2015

Principle understanding on PPA with SNPCL for indigenous gas based power supply of 100 MW.

TP-1000 project inaugurated.

Two finance agreements (USD 91.5m and USD 46.5m) structured by Standard Chartered Bank executed.

October 2015

Commitment letter for a USD 250 million, 10-year financing executed.

JD agreement with CDTO & CMEC for 700 MW project.

Electronic payment channel with Easy Paisa to speed up payment process for new connections.

September 2015

MoU with Kashif Iqbal Thalassemia Care Centre to provide free electricity.

Annual General Meeting.

Partnership with Indus Hospital and Aman Foundation to raise awareness of summer spells.

AWARDS

Environmental Risk Assessments (Impact Assessment) Award at the 2nd International Summit for Environment, Health, Safety and Security, for the second consecutive year.

ICAP Professional Excellence Award (second position) for raising USD 415 million in financing for the TP-1000 transmission project and for strategic initiatives resulting in loss reduction and efficiency enhancement in distribution.

Health and Safety Risk Assessment and Control Award for the second consecutive year at the International Summit for Environment, Health, Safety and Security.

National Fire and Safety Award for the fifth consecutive year, awarded by the National Forum for Environment and Health and Fire Protection Association of Pakistan for exhibiting the best fire prevention and safety practices.

Best Presented Annual Report Awards 2014 in the Service Sector Category of the South Asian Federation of Accountants (SAFA). This award is a recognition for the commendable efforts put in by dedicated teams from financial reporting, corporate affairs and marketing & communication.

Environment Excellence Award for the seventh consecutive year, in recognition of KE's vision towards environmental protection and outstanding contribution towards sustainable development.

KE was recognised at the 11th Employers' Federation of Pakistan / ILO-Occupational Health, Safety & Environment awards, attaining third position in the Overall Category. This is the first time KE has been recognised in this category, and is a significant milestone as the organisation continues its improvements in the fields of occupational health, safety and environment.

Second position in the fuel and energy sector at the Best Corporate and Sustainability Report Awards 2015, organised by the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan.

GLOSSARY OF TERMS

Abbreviation	Description
AA	Amendment Agreement
ABC	Aerial Bundled Cables
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
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
CDTO	China Datang Overseas Investment Company
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGTO	Chief Generation & Transmission Officer
CMEC	China Machinery Engineering Company
COOD	Chief Operating Officer Distribution
CSA	Contractual Service Agreement
CSCO	Chief Supply Chain Officer
CSO	Chief Strategy Officer
CSR	Corporate Social Responsibility
DPKPG	Datang Pakistan Karachi Power Generation (Pvt) Ltd
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
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 & Quality
IA	Implementation Agreement
IAS	International Accounting Standards
IBC	Integrated Business Centre
ICAP	Institute of Chartered Accountants of Pakistan
IFAC	International Federation of Accountants
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IPO	Initial Public Offer
IPP	Independent Power Producer
ISO	International Organization for Standardization
JDA	Joint Development Agreement
KEL / KE	K-Electric Limited
KESP	KES Power Limited
KGTPS	Korangi Gas Turbine Power Station
KOEL	Karachi Organic Energy (Pvt) Ltd.
KW&SB	Karachi Water & Sewerage Board
L&OD	Learning & Organization Development
MMCFD	Millions Cubic Feet Per Day
MW	Mega Watt
NEPRA	National Electric Power Regulatory Authority
NEQS	National Environmental Quality Standards
NIFT	National Institutional Facilitation Technologies
NTDC	National Transmission & Dispatch Company
OGDC	Oil & Gas Development Company Ltd.
OGRA	Oil & Gas Regulatory Authority
OHSAS	Occupational Health & Safety Assessment System
PMT	Pole Mounted Transformer
PPA	Power Purchase Agreement
PPL	Pakistan Petroleum Limited
PSC	Public Sector Consumers
PSX	Pakistan Stock Exchange Limited
PUCARS	Pakistan Unified Corporate Actions Reporting System
SAP	System Application Products in Data Processing
SCADA	Supervisory Control And Data Acquisition
SECP	Securities & Exchange Commission of Pakistan
SGTPS	SITE Gas Turbine Power Station
SIP	Social Investment Program
SNPCL	Sind Nooriabad Power Company (Pvt.) Limited
SSGC	Sui Southern Gas Company Limited
TFC	Term Finance Certificate
TP-1000	Transmission Project
T&D	Transmission & Distribution
VIBC	Virtual Integrated Business Centre

CHAIRMAN'S REVIEW & DIRECTORS' REPORT

IN URDU

آڈیٹرز کے مشاہدات

اراکین کو اپنی رپورٹ میں آڈیٹرز کے مشاہدات کے حوالے سے، یہ مطلع کیا جاتا ہے کہ:

i۔ مالیاتی گوشواروں کے نوٹ 32.1.1 میں دی گئی وضاحت کے مطابق، تاخیر سے ادائیگی پر تاخیر سے ادائیگی کے سرچارج / سود (interest) کا معاملہ، بغیر کسی تاخیری ادائیگی سرچارج / سود واجبات اور ادائیگیوں کے یکساں برتاؤ کے ساتھ صافی (Net) بنیادوں پر طے کیا جائے گا اور اس حوالے سے حاصل کی جانے والی قانونی آراء، کمپنی کے بیان کی باضابطہ معاونت کرتی ہیں۔ ہر چند یہ کہ کمپنی نے احتیاطی طور پر صافی (Net) بنیادوں کے حوالے سے ایک شرط طے کی ہوئی ہے۔

کارپوریٹ ضابطۂ اخلاق کی تعمیل

ہم حصص یافتگان (شیئر ہولڈرز) کو دی جانے والی اپنی رپورٹ میں، تصدیق کرتے ہیں کہ:

a۔ کمپنی کے مالی گوشوارے کمپنیز آرڈیننس 1984 کی شرائط سے مطابقت رکھ کر تیار کئے گئے ہیں اور اس کے معاملات و حالات، کام کے نتائج، زرنقد کی ترسیل اور ایکویٹی میں تبدیلی کو شفاف طریقے سے پیش کیا گیا ہے۔

b۔ کمپنی کے کھاتوں (اکاؤنٹس) کی کتب (بکس) باقاعدگی سے تیار کی گئی ہیں۔

c۔ مالی گوشواروں کی تیاری میں مخصوص اکاؤنٹنگ پالیسیز کا مسلسل اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات موزوں اور محتاط تصفیہ کی بنیاد پر ہیں۔

d۔ مالی گوشواروں کی تیاری میں، پاکستان میں لاگو انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IFRS) کی کلی طور پر تقلید کی گئی ہے اور اس میں سے کسی بھی قسم کے انخلاء کو موزوں طور پر منکشف اور واضح کیا گیا ہے۔

e۔ مالی سال 2016 کے دوران کسی بھی وقت کمپنی میں بطور ڈائریکٹرز تعینات رہنے والے اشخاص کے نام صفحہ نمبر 58 پر دیئے گئے ہیں۔

f۔ Cayman آئی لینڈ میں قائم شدہ، KES پاور لمیٹڈ، کے۔الیکٹرک کی ہولڈنگ کمپنی ہے۔

g۔ ادارے میں ایک مستحکم اندرونی نظام قائم ہے اور کمپنی کے مؤثر اندرونی آڈٹ فنکشن اور بورڈ آڈٹ کمیٹی کی جانب سے باقاعدہ بنیاد پر اس کی مسلسل نگرانی کی جاتی ہے۔

h۔ کمپنی کے جاری رہنے کے حوالے سے اس کی صلاحیت پر کسی نوعیت کے شکوک وشبہات نہیں ہیں۔

i۔ گزشتہ چھ (06) سالوں کے کمپنی کے اہم امور اور مالیاتی نکات صفحہ نمبر 68 پر دیئے گئے ہیں۔

j۔ کمپنی استحکام اور دوبارہ تعمیر کے مراحل میں ہے تا کہ مجموعی نقصان کو ختم کر سکے۔ اسی لئے کمپنی نے منافع منقسمہ / بونس حصص (شیئرز) کا اعلان نہیں کیا ہے۔ زیر نظر سال کے حوالے سے فی حصص آمدن (EPS) پاکستانی 1.19 روپے (بنیادی / رقیق مرکز) ہے۔

k۔ 30 جون، 2016 تک واجب الادا ٹیکسز، ڈیوٹیز، لیویز اور چارجز کے حوالے سے قانونی ادائیگیاں مالی گوشواروں کے نوٹ 26 میں واضح کر دی گئی ہیں۔

l۔ اراکین کو دی جانے والی ڈائریکٹرز رپورٹ میں اہم کاروباری منصوبے اور فیصلے نیز ان کے ماحول پر اثرات کا احاطہ کیا گیا ہے۔

m۔ بڑے کاروباری خطرات اور ان میں تخفیف کی تفصیل صفحہ نمبر 64 پر درج ہے۔

n۔ کمپنی کے کاروبار کے مستقبل میں ہونے والے ارتقاء، کارکردگی اور صورت حال کو متاثر کرنے کے متوقع اہم رجحانات اور عوامل کو صفحہ نمبر 46 پر پیش بینی بیان میں واضح کیا گیا ہے۔

o۔ 30 جون، 2016 کو KE پراویڈنٹ فنڈ (KEPF) کی سرمایہ کاری کی مالیت پاکستانی 8.98 بلین روپے ہے؛ جبکہ KE ایمپلائیز گریجویٹی فنڈ (KEGF) کی مالیت پاکستانی 76.89 ملین روپے ہے۔ کمپنی میں پنشن اسکیم موجود نہیں ہے۔

p۔ دوران سال بورڈ اور منعقدہ بورڈ کمیٹی کے اجلاس کی تعداد ظاہر کرنے والا گوشوارہ صفحہ نمبر 15 پر موجود ہے۔

q۔ ڈائریکٹرز کی تربیت ایک جاری رہنے والا عمل ہے اور ڈائریکٹرز کو باقاعدہ بنیاد پر متعلقہ قوانین، ضابطوں اور بہترین ضابطہ اخلاق پر مبنی رہنما اصولوں سے متعلق معلومات بہم فراہم کی جاتی ہیں۔ زیادہ تر ڈائریکٹرز پیشہ ور مہارت کے حامل اور قومی اور بین الاقوامی سطح پر سینئر ایگزیکٹوز کی حیثیت سے کام کے تجربے کے حامل ہیں اور اپنے فرائض اور ذمہ داریوں سے بخوبی واقف ہیں۔ PICG کی جانب سے پیش کردہ ڈائریکٹرز ٹریننگ پروگرام (DTP) کے تحت تین ڈائریکٹرز نے سرٹیفیکیشن حاصل کی ہے، جبکہ PICG سے ایک ڈائریکٹر نے DTP مکمل کیا ہے تاہم ان کی سرٹیفیکیشن تکمیل کے مراحل میں ہے۔ دیگر ڈائریکٹرز کی رجسٹریشن کا عمل جاری ہے اور CCG کو مطلوب مخصوص اہلیت کے مطابق ان کی DTP سرٹیفیکیشن مکمل ہو جائے گی۔

r۔ شیئر ہولڈنگ کا نمونہ صفحہ نمبر 150 پر موجود ہے۔

s۔ سالِ رواں کے دوران ڈائریکٹرز، ایگزیکٹیوز اور ان کے اہلِ خانہ اور چھوٹے بچوں کی جانب سے کمپنی کے حصص (شیئرز) میں ہونے والی تمام تجارتی سرگرمیاں صفحہ نمبر 160 پر ظاہر کر دی گئی ہیں۔

t۔ سالِ رواں کے دوران سماجی ذمہ داریوں کی ادائیگی سے متعلق کمپنی کی جانب سے کی جانے والی سرگرمیوں کی ایک رپورٹ صفحہ نمبر 40 پر موجود ہے۔

u۔ مندرجہ قواعد میں دی گئی تفصیلات کے مطابق ضابطہ اخلاق کے بہترین کاموں میں سے کسی میٹیریل کا انخلاء وقوع پذیر نہیں ہوا ہے۔

چیئرمین کی جانب سے بورڈ کی مجموعی کارکردگی پر رپورٹ

کمپنی کے بورڈ کی کارکردگی مجموعی طور پر مثبت تھی چیلنجز کی سطح بالخصوص نیو ملٹی ایئر ٹیرف (MYT) کے نیپرا کے ساتھ معاملات میں مزید اضافہ ہوا تھا بخصوص استحکام کے حلقوں میں حصص یافتگان (شیئر ہولڈرز) کے ساتھ تعلقات، قرض خواہان کے ساتھ تعلقات، نگرانی اور کمپلائنس شامل ہیں۔ پیش قدمی کرتے ہوئے بورڈ کی توجہ کاروباری حکمت عملی کے ارتقاء، فعال طرز پر منصوبہ سازی اور طویل المدت نقطہ نظر پر مرکوز رہے گی تا کہ شہر میں بجلی کی بڑھتی ہوئی طلب کو پورا کرتے ہوئے نقصان میں کمی کی پالیسی کے لئے حکمت عملی اور موجودہ کاروباری اقدامات کی نگرانی کی جاسکے۔

بورڈ آف ڈائریکٹرز

زیر نظر سال کے دوران، مورخہ 16 اکتوبر، 2015 کو منعقد ہونے والی کمپنی کی اے جی ایم میں تیرہ (13) ڈائریکٹرز کا انتخاب عمل میں آیا۔ جن میں KES پاور کی نمائندگی کرنے والے نو (09)، GOP کی نمائندگی کرنے والے تین (03) اور ایک (01) آزاد ڈائریکٹر شامل ہیں۔ ڈائریکٹرز نے جناب وقار حسن صدیقی کو رخصت ہونے والے چیئرمین، جناب تابش گوہر کی جگہ بطور چیئرمین منتخب کیا۔ اسی طرح زیر نظر سال کے دوران، GOP نے جناب افتخار عزیز صدیقی کو تبدیل کر دیا اور نامزد امیدواروں میں سے ایک، جناب محمد زبیر موتی والا کو KE BOD پر بطور متبادل مقرر کر دیا۔

30 دسمبر، 2016 کو پوسٹ بیلنس شیٹ کی تاریخ پر، ایک دوسرے GOP امیدوار جناب نور احمد کو جناب محمد انور شیخ، جوائنٹ سیکریٹری (CF-II) وزارت خزانہ سے تبدیل کر دیا گیا۔ مورخہ 09 اگست، 2017 کو ایک اور GOP امیدوار جناب ظفر عباس کو ڈاکٹر عامر احمد سے تبدیل کر دیا گیا۔

بورڈ رخصت ہونے والے ڈائریکٹرز کی خدمات کو سراہتے ہوئے، آنے والے ڈائریکٹرز کو خوش آمدید کہتا ہے۔

بعد از بیلنس شیٹ ڈیٹ ایونٹس

a۔ شنگھائی الیکٹرک پاور کمپنی لمیٹڈ (SEP) نے مورخہ 03 اکتوبر، 2016 کو اخبارات میں شائع اعلان کے ذریعے کمپنی کے 66.4% حصص (شیئرز) تک کی خرید (حصول) کے رجحان کے حوالے سے اطلاع عام (PAI) شائع کی اور اسی تسلسل میں مورخہ 28 اکتوبر، 2016 کو SEP اور KES پاور لمیٹڈ (KE کی ہولڈنگ کمپنی) کے درمیان، مذکورہ لین دین کے حوالے سے خرید وفروخت کا ایک معاہدہ دستخط کیا گیا، جو کہ لاگو قواعد کی منظوری، معاہدے میں دی گئی مخصوص دیگر شرائط پر اطمینان کی شرائط سے مطابقت رکھنے سے مشروط ہے۔ پیشکش کے حوالے سے اطلاع عام کی اشاعت کے حوالے سے وقت کی توسیع کے SEP کی درخواست پر، SECP نے SEP کو مورخہ 30 جون، 2017 تک پیشکش کی اطلاع عام کی اشاعت کی اجازت دے دی۔ اس عمل میں مخصوص ضابطوں کی کارروائیاں اور دیگر منظوریاں واجب (باقی) رہ گئیں۔ SEP نے مورخہ 13 جون، 2017 کو اپنے PAI سے دستبرداری کا اعلان کیا اور اگلے دن یعنی 14 جون، 2017 کو ایک تازہ ترین PAI تیار کر لیا۔ جس کے ذریعے یہ یقین دہانی کرائی گئی کہ وہ ضابطوں کی کارروائیوں اور دیگر منظوریوں کی قابل وصول ٹرانزیکشن کی تکمیل کے لئے کوشاں ہے۔

b۔ کمپنی نے مورخہ 31 مارچ، 2016 کو نیپرا کے پاس کمپنی کے ملٹی ایئر ٹیرف (MYT) کو یکم جولائی، 2016 سے شروع ہونے والی 10 سال کی مدت کے لیے مسلسل جاری رکھنے کے حوالے سے ایک درخواست جمع کرائی۔ بالآخر نیپرا نے مورخہ 20 مارچ، 2017 کو KE کے لئے مربوط MYT کے فیصلے کے لئے یکم جولائی، 2016 سے 30 جون، 2023 تک کی سات (07) سالہ مدت کے لئے فیصلہ دیا۔ ہر چند یہ کہ کمپنی کو نیپرا کی جانب سے مذکورہ MYT کے فیصلے پر شدید تحفظات اور بنیادی اعتراضات تھے۔ کمپنی کا یہ یقین تھا کہ MYT کے فیصلے میں چند مفروضات، حقائق کی کسی طور پر عکاسی نہیں کرتے ہیں اور یہ کمپنی کی جانب سے تقریباً سترہ (17) سالوں کے نقصان کے بعد اس کی قابل عمل ادارے میں تبدیلی کے لئے بڑے پیمانے پر کی جانے والی ارتقائی کاوشوں کو نقصان پہنچانے کا باعث ہوگی۔ نئے MYT کے فیصلے میں کراچی کے لوگوں کو بجلی کی فراہمی کو بہتر بنانے کے لئے کی جانے والی سرمایہ کاری کو جاری رکھنے پر کوئی فائدہ شامل نہیں ہے اور یہ کمپنی کے کاروباری منصوبے کو خطرے میں ڈال دے گا۔ کاروبار میں طویل المدت دلچسپی کو تحفظ دینے کے لئے کمپنی نے مورخہ 20 اپریل، 2017 کو نیپرا کے پاس ایک نظر ثانی کی درخواست دائر کی۔ مذکورہ نظر ثانی کی درخواست کی سماعت مورخہ 13 اور 14 جولائی، 2017 کو ہوئی۔ نیپرا کے حتمی فیصلے کا انتظار ہے۔

آڈیٹرز

موجودہ آڈیٹرز، KPMG تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، سبکدوش ہو چکے ہیں اور اہلیت کے حامل ہیں، نے خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔ BAC نے KPMG تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی مالی سال 2017 کے لئے کمپنی کے آڈیٹرز کے طور پر دوبارہ تقرری کی اجازت دے دی ہے۔

اظہار تشکر

بورڈ، حکومت پاکستان (GOP)، کمپنی کے حصص یافتگان (شیئر ہولڈرز) اور صارفین کا، ان کے تعاون اور معاونت پر تہہ دل سے شکریہ ادا کرتا ہے اور ساتھ ہی کمپنی کے ملازمین کی کاوشوں کو بھی قدر کی نگاہ سے دیکھتا ہے۔

منجانب بورڈ

وقار حسن صدیقی
چیئرمین

محمد طیب ترین
چیف ایگزیکیٹو آفیسر

کراچی، 9 اگست 2017

مستقبل بینی کے حوالے سے بیان

صرف سات سال کی مدت میں ایک نقصان زدہ ادارے سے ایک نفع بخش ادارے کی جانب یادگار پیش قدمی، دراصل ایک واضح نظریے، مستحکم رہنمائی، پیشہ ورانتظامیہ، مالیات، افرادی قوت اور وسائل کے بہترین استعمال اور غیر متزلزل عزم کے ذریعے ممکن ہوئی ہے۔ یہ کامیابی ادارے کے رویے کی عکاس ہے، جو دنیا کے سب سے بڑے میٹروپولیٹن شہروں میں سے ایک کو خدمات کی فراہمی کے ایک نئے دور کا آغاز ہے۔

کمپنی کی کارکردگی کے حوالے سے گزشتہ سال طے کئے گئے مستقبل بینی کے انکشافات

- مالی سال 2016 میں آمدن اور فروخت کی لاگت جاری رجحان کے ساتھ تھے اور کم ترین قرضوں کی لاگت کی وجہ سے مالیاتی لاگت میں قابل قدر کمی مشاہدے میں آئی
- 700 میگاواٹ کے کول فائرڈ پاور پلانٹ کی تعمیر کے لئے زمین حاصل کی گئی
- سائٹ اور کورنگی میں واقع موجودہ اوپن سائیکل پلانٹس کو کمبائنڈ سائیکل میں تبدیل کردیا گیا (جنوری 2017 میں مکمل شدہ)
- BQPS-II میں ہونے والے بہتری کے نتیجے میں کم ہائش کی شرح میں کمی اور بجلی کی پیداوار میں اضافہ ہوا
- ٹرانسمیشن کی گنجائش میں اضافے کے حوالے سے اہم پروجیکٹ، TP-1000 کا آغاز ہوا
- ڈسٹری بیوشن نیٹ ورک کے پیچیدہ علاقوں میں ایک مرمتی (مینٹیننس) پروگرام کا آغاز کیا گیا۔ اس کے اہداف میں اہم فیڈرز ہیں جبکہ فیڈرز اور سب اسٹیشنز پر پی ایم ٹیز کی ایک بڑی تعداد شامل کی گئی تھی
- KE کو اس کے انٹیگریٹڈ بزنس سینٹرز (کل 17 عدد تک) کے حوالے سے ISO 9001-2008 کی سند سے نوازا گیا، جو KE کے کاروباری عمل میں بہتری اور اعلیٰ معیار پر پورا اترنے کی عکاسی کرتا ہے

KE کی ترقی کے انہی سلسلوں سے ہمیں اسے مزید آگے بڑھانے کے لئے ہمارے حوصلوں کو تقویت ملی۔ خواہ بات جنریشن، ٹرانسمیشن یا ڈسٹری بیوشن کی ہو، KE اپنے موجودہ انفرااسٹرکچر کی کارکردگی کو بہتر بنانے اور دنیا بھر میں موجود بانی اداروں کے ساتھ حکمت عملی کے تحت شراکت داری اور سرمایہ کاری کے ذریعے اس کو مستحکم کرنے میں کوئی کسر نہیں چھوڑتا ہے۔

پیداوار (جنریشن)

کورنگی گیس ٹربائن پاور اسٹیشن نیز کورنگی اور سائٹ گیس ٹربائن اسٹیشنز کے تینوں پلانٹس کی اوپن سائیکل سے کمبائنڈ سائیکل میں تبدیلی اور BQPS-I پر یونٹس 1، 2، 5 اور 6 کی بحالی سے گنجائش میں اضافہ اور کارکردگی میں بہتری آئی ہے۔ ہمارے BQPS-II 560 MW کے تین ٹربائنز پر ایڈوانس گیس پاتھ (AGP) کی تنصیب سے بھی کارکردگی اور پیداوار میں بہتری آئی ہے۔

KE کی جانب سے موجودہ پیداواری (جنریشن) یونٹس کی بحالی پر کام کئے جانے کے ساتھ ساتھ ہم مکمل طور پر آگاہ ہیں کہ کراچی کی بڑھتی ہوئی بجلی کی طلب نئی سہولیات کی متقاضی ہے۔ اب ہماری کوششوں کا مرکز سال 2020 تک ملک کو توانائی کا برآمد کنندہ بنانا ہے اور اس مقصد کے حصول کے تسلسل میں KE نے پیداواری صلاحیت میں اضافے کے لیے مختلف ذرائع اور طویل المدت پروجیکٹس کا آغاز کردیا ہے۔ ان میں چائنا داتانگ اوورسیز انویسٹمنٹ کمپنی لمیٹڈ اور چائنا مشینری انجینئرنگ کارپوریشن کے اشتراک سے پورٹ قاسم پر 700 میگاواٹ (350 MWx2) کول فائرڈ پاور پلانٹس اور اینگرو پاور جن کے اشتراک سے پورٹ قاسم پر 450 میگاواٹ RLNG فائرڈ پاور پلانٹ بھی شامل ہیں، جن میں KE بجلی کا وصول کنندہ ہوگا۔

کے۔ الیکٹرک IPPs اور CPPs کی ایک بڑی تعداد سے بجلی کی حصول کا کام بھی جاری رکھے ہوئے ہے۔ جس میں فوجی فرٹیلائیزر بن قاسم لمیٹڈ کے ساتھ اسٹریٹیجک شراکت داری کے ذریعے کوئلے سے بننے والی بجلی کے 52 میگاواٹ اور نوری آباد، سندھ میں گیس فائر سے بننے والے (100) 50x2 میگاواٹ شامل ہیں۔ ان کی تعمیر نوری آباد پاور کمپنی (پرائیویٹ) لمیٹڈ اور سندھ نوری آباد پاور کمپنی (پرائیویٹ) لمیٹڈ فیز۔II کی جانب سے کی جارہی ہے اور ان دونوں کمپنیز کو حکومت سندھ اسپانسر (معاونت) کرتی ہے۔

قابل تجدید توانائی کے اقدامات میں 50 میگاواٹ سولر IPP سے، جو KE کے لائسنس یافتہ علاقے میں آورسن پاکستان لمیٹڈ کی جانب سے تیار کیا جارہا ہے اور ساتھ ہی گھارو کے حلقے میں 40 میگاواٹ ونڈ IPP، جسے برج گھارو انرجی کے ذریعے Burj Martifer کی جانب سے تعمیر کیا جارہا ہے، سے بجلی کا حصول شامل ہے۔

حکمت عملی کے تحت کئے جانے والے دیگر اقدامات میں کورنگی، بلدیہ اور کراچی غربی میں قائم کرنے کے لئے 200 سے 250 میگاواٹ فی یونٹ کی پیداواری صلاحیت کے حامل سیلف جنریشن اور IPP موڈز پر مختلف دوہرے ایندھن کے پروجیکٹس (RLNG/FO) کی ذمہ داری شامل ہے۔ کراچی اور اس سے ملحقہ علاقوں کی بجلی کی فراہمی کی ضرورت کو پورا کرنے کے علاوہ، یہ اقدامات، کے۔ الیکٹرک کے استحکام کے حوالے سے بھی کلیدی کردار ادا کریں گے۔

KE نے اپنے بن قاسم سائٹ پر ایک RLNG بیسڈ پاور پلانٹ کے لئے 01 بلین امریکی ڈالر کی تخمینی لاگت سے 900 میگاواٹ پروجیکٹ کا بھی آغاز کیا ہے۔ یہ نہ صرف کراچی کی بجلی کی ضروریات میں معاون و مددگار ہوگا بلکہ کاروبار اور صنعت کو بہتر اور مسلسل بجلی کی فراہمی کے ذریعے معیشت میں بھی اضافہ کرے گا۔ BQPS-III کے نام سے موسوم کئے جانے والے اس پروجیکٹ میں چار گرڈز کی تعمیر پر مشتمل معاون ٹرانسمیشن انفرااسٹرکچر کو بھی شامل کیا گیا ہے۔

BQPS-III دو عدد 450 میگاواٹ یونٹس، جو کہ CCGT(2+2+2) کنفیگریشن پر چلتے ہیں اور RLNG/پائپ لائن گیس سے لیس ہیں، پر مشتمل ہوگا۔ پلانٹ ایف۔ کلاس مشین کی بنیاد پر ہے، جس میں ماحولیاتی مطابقت، بہتر طور پر خشک کم NOX(DLN) کی عملیت اور آگ کے درجہ حرارت کے دباؤ کو کم کرنے کے لئے جدید ٹیکنالوجی شامل کی گئی ہے۔ یہ مشینیں کمبائنڈ سائیکل موڈ میں 58.8% سے 60.7% کی رینج میں چلائی جاتی ہیں۔ 450 میگاواٹ کے پہلے مرحلے کا آغاز 2018 کے وسط تک متوقع ہے اور 450 میگاواٹ کے دوسرے مرحلے کا ہدف سال 2019 کا اختتام ہے۔

ترسیل (ٹرانسمیشن)

KE نے میسرز سیمنز (جرمنی اور پاکستان) اور میسرز شنگھائی الیکٹرک (چائنا) کے اشتراک سے ایک جامع اور مربوط ٹرانسمیشن پروجیکٹ، TP-1000 کا آغاز کیا ہے۔ جو ہماری صلاحیت میں تقریباً 30% اضافہ کرتے ہوئے، ہماری موجودہ ٹرانسمیشن کی صلاحیت کو تقریباً 1000MVA تک بڑھادے گا۔ تقریباً 440 ملین امریکی ڈالر کی مجموعی لاگت کے اس پروجیکٹ کی تکمیل مالی سال 2019 تک متوقع ہے۔ اس پروجیکٹ کے اہم جزئیات میں سات گرڈ اسٹیشنز (3x220kV, 4x132 kV نئے گرڈ اسٹیشنز)، چھ نئے خودکار ٹرانسفارمرز اور 20 موجودہ گرڈ اسٹیشنز کی کارکردگی کو بڑھانے کا ایک پروگرام شامل ہے۔

تقسیم (ڈسٹری بیوشن)

ایک قابل بھروسہ تقسیم (ڈسٹری بیوشن) کے نظام اور انفرااسٹرکچر کی باقاعدگی کے مرمت (مینٹیننس) کی اہمیت کو قطعی طور پر نظر انداز نہیں کیا جاسکتا ہے۔ KE کی توجہ اپنے ڈسٹری بیوشن کے نظام کی افزائش، توسیع اور بہتری پر مرکوز رہتی ہے۔ بدستور موجودہ طریقہ کار کے طور پر KE اپنے ڈسٹری بیوشن کے نظام کی صلاحیت میں مسلسل اضافہ کرتی ہے اور نقائص (فالٹس)، صارف کی شکایات نیز نقصانات کو کم کرنے کے لئے High Tension اور Low Tension نیٹ ورکس کا احتیاطی مرمتی کام باقاعدگی سے انجام دیتی ہے۔

جنریشن اور ٹرانسمیشن میں ہونے والے اضافے کو ہم رفتار رکھنے کی غرض سے ڈسٹری بیوشن کے نظام میں بہتری بھی ہماری اولین ترجیحات میں شامل ہیں۔ ایریل بنڈلڈ کیبلز، اسمارٹ گرڈ اور موبائل میٹر ریڈنگ ان چند اقدامات میں سے ہیں جن پر وقت کے ساتھ ساتھ بڑھتی ہوئی گنجائش کے ساتھ عمل کیا جائے گا۔

چیئرمین کا تبصرہ اور ڈائریکٹرز کی رپورٹ

ہم، سال مختتمہ 30 جون 2016 کے حوالے سے کمپنی کی سالانہ رپورٹ اور اس کے ساتھ آڈٹ شدہ مالی گوشوارے فخریہ طور پر پیش کرتے ہیں۔ مذکورہ مدت کے دوران اہم مالیاتی اور عملیاتی (کام کے حوالے سے) نکات نے کلیدی اور مستقل ارتقاء کو ظاہر کیا، جس کے نتیجے میں کمپنی کے مالیاتی نتائج میں نمایاں بہتری رونما ہونا شروع ہوئی، جس کی بنیادی وجہ ترسیل (ٹرانسمیشن) اور تقسیم (ڈسٹری بیوشن) (T&D) کے نقصانات میں واضح کمی تھی۔ پاکستانی 341,943 ملین روپے (مالی سال 2015: 352,914 ملین) کے مجموعی اثاثہ جات کے ساتھ بیلنس شیٹ کا صحت مندانہ طرزِ عمل بدستور جاری رہا۔ کمپنی کے متعلقہ کاروباری شعبہ جات میں زیرِ غور سال کے دوران اہم کامیابیوں کے حوالے سے صفحہ نمبر 26 تا 43 ملاحظہ کیجئے۔

	پاکستانی ملین روپے
آمدن	189,629
قبل از محصول (ٹیکس) منافع	25,902
محصول (ٹیکس)	6,856
مدت کے حوالے سے صافی (خالص) منافع	32,758
قبل از سود آمدن، محصول (ٹیکس)، قدر میں کمی اور ادائیگی (EBITDA)	43,986

سال مختتمہ 30 جون، 2016 کے حوالے سے آپ کی کمپنی کی فی حصص آمدن (کمائی) 1.19 روپے ہے (سال 2015: 1.03 روپے)

کارکردگی کے حوالے سے اہم نکات

مالیاتی کارکردگی:

- رواں سال کے حوالے سے کمپنی کا بعد از محصول (ٹیکس) نفع، پاکستانی 32,758 ملین روپے ہے۔ اس میں پاکستانی 6,165 ملین روپے کی رقم کے ملتوی شدہ محصولی (ٹیکس) اثاثے کی قدر افزائی شامل ہے۔
- گزشتہ سال کے EPS، جو کہ پاکستانی 1.03 روپے تھا، کے مقابلے میں رواں سال بنیادی / غیر مرتکز EPS، پاکستانی 1.19 روپے ہے۔
- گزشتہ سال کے مقابلے میں شراکتی مجموعی نفع میں 32% تک اضافہ ہوا۔
- EBITDA کے ارتقائی عمل میں نمایاں بہتری ہوئی، جو کہ گزشتہ سال کے مقابلے میں، پاکستانی 34,337 ملین روپے سے بڑھ کر پاکستانی 43,986 ملین روپے ہو گیا۔
- فی حصص تجزیاتی لاگت (بشمول جائیداد، پلانٹ اور ایکوپمنٹ کی قدر و قیمت میں اضافہ) پاکستانی 4.64 روپے سے بڑھ کر 5.83 روپے ہو گئی۔
- 2009 سے اب تک مجموعی مصارفِ اصل (Capex) پر 1.4 بلین امریکی ڈالر خرچ ہوئے۔
- طے شدہ طریقہ کار کے ذریعے گردشی قرضہ جات (سرکلر ڈیٹ)، امدادی (سبسڈی) وصولیوں کو NTDC واجبات کے ساتھ منسلک کر دیا گیا ہے۔

عملیاتی (آپریشنل) کارکردگی:

- پیداواری گنجائش میں گزشتہ سات سالوں کے دوران 4 نئے پاور پلانٹس کے اضافے اور BQPS-I کی بحالی سے تقریباً 1,057 میگاواٹ کا اضافہ کیا گیا
- گزشتہ سات سالوں میں فلیٹ کی کارکردگی میں 23% اضافہ ہوا
- گزشتہ سات سالوں میں ٹرانسمیشن اور ڈسٹری بیوشن (T&D) کے نقصانات میں 13.7% کمی ہوئی
- شہر کے 70% حصے 15% ڈسٹری بیوشن کے نقصانات کے حامل ہیں
- مجموعی طور پر تقسیم کی جانے والی بجلی کے 61% صارفین کو بلاتعطل بجلی کی فراہم کی جاتی ہے
- SCADA، SAP، ISU اور ERP کا پوری کمپنی میں اطلاق ہوا
- ایک جامع ٹرانسمیشن پروجیکٹ (TP-1000) تیاری کے مراحل میں ہے، جس سے ٹرانسمیشن کی گنجائش میں 1000 MVA تک کا اضافہ ہوگا

مالیات (فنانس)

قدر و قیمت کا قیام:

کسی بھی ترقی پذیر ادارے کے لئے مالیاتی منصوبہ سازی اور کنٹرول آپریشنز کے پیچیدہ حصے کے طور پر جانے جاتے ہیں۔ KE کے فنانس ڈپارٹمنٹ کا بنیادی مقصد مؤثر فیصلہ سازی اور طویل المدت منصوبہ بندی کے لئے کارکردگی کو بہتر بناتے ہوئے اور مینجمنٹ انفارمیشن سسٹم (MIS) کی دستیابی کے ذریعے کمپنی کی قدر و قیمت میں اضافہ کرنا ہے۔ فہرست میں درج شدہ اداروں کی جانب سے متوقع تمام بیرونی اور مقامی معیارات کی تعمیل کے ساتھ، فنانس ڈپارٹمنٹ اپنے تمام مالی معاملات میں شفافیت اور کنٹرول کو یقینی بناتا ہے۔

ترقی کا راستہ

KE کے مالیاتی نتائج سالوں پر محیط مسلسل ترقی کی عکاسی کرتے ہیں۔ اس کی بنیادی وجہ ٹرانسمیشن اور ڈسٹری بیوشن کے نقصانات میں ہونے والی کمی ہے، جو 1.5% کی کمی کے ساتھ گزشتہ سال کے مقابلے میں 23.7% سے کم ہو کر 22.2% ہو گئی۔ ٹرانسمیشن اور ڈسٹری بیوشن (T&D) کے نقصانات میں کمی اور ساتھ ہی زیادہ یونٹس کی فراہمی کے نتیجے میں ہونے والے فائدے (مالی سال 2016: 16,545GWh؛ مالی سال 2015: 16,111GWh) سے EBITDA میں 28% تک بہتری آئی۔ طویل المدت مالیاتی ادائیگیوں اور قرضوں کی نظرثانی شدہ موافق شرائط کی وجہ سے مالیاتی لاگت میں قابلِ غور حد تک کمی واقع ہوئی۔ گردشی قرضے (سرکلر ڈیٹ) کا مسئلہ حل ہونے سے لاگت میں مزید کمی واقع ہوگی۔

عوامی شعبے سے منسلک صارفین KWSB اور CDGK سے واجبات بالترتیب پاکستانی 36 بلین روپے اور پاکستانی 9.8 بلین روپے تھے۔ ان واجبات سے کمپنی کے لئے زرنقد کے اہم مسائل جنم لیتے ہیں۔ اس کے علاوہ حکومت پاکستان سے نرخ کے امتیازی دعوؤں کے عوض پاکستانی 30.1 بلین روپے واجب الوصول ہیں۔ اس میں Clawback کا اماؤنٹ شامل نہیں ہے۔

رواں سال کے دوران کمپنی نے مجموعی طور پر ملتوی شدہ محصولی اثاثے کی رقوم جو کہ پاکستانی 20.8 بلین روپے ہے، کے نتیجے میں صرف پاکستانی 6.2 بلین روپے کی حد تک ملتوی شدہ محصولی اثاثوں کی مزید شناخت کی ہے۔

مالی سال 2016 میں موجودہ تناسب 0.98 گنا ہے (مالی سال 2015: 0.88 گنا)، جو کہ ورکنگ کیپٹل کے بہتر انتظام و انصرام کو ظاہر کرتا ہے۔ فی حصص تجزیاتی لاگت بشمول اضافی قیمت پاکستانی 5.83 روپے (مالی سال 2015: پاکستانی 4.64 روپے) تک بہتر ہوئی ہے۔

TP-1000 ٹرانسمیشن پراجیکٹ فنانسنگ

دورانِ سال KE نے غیر ملکی اور مقامی تجارتی قرض خواہان سے TP-1000 پروجیکٹ کے لئے فنانسنگ کی سہولت حاصل کی۔ یہ رقوم Hermes، Sinosure، OPIC اور ورلڈ بینک سے بالترتیب 46.5 ملین یورو، 91.5 ملین امریکی ڈالر، 250 ملین امریکی ڈالر اور پاکستانی 2.2 بلین روپے تھی۔

پراکسی فارم

106واں سالانہ اجلاسِ عام

میں/ہم ______ ساکن

______ بحیثیت ممبر کے-الیکٹرک لمیٹڈ

مسمی/مسمات ______ ساکن ______

______ یا غیر حاضری کی صورت میں مسمی/مسمات

______ ساکن ______ کو بطور مختار (پراکسی) مقرر

کرتا/کرتی ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے سالانہ اجلاس عام میں جو بروز منگل 19 ستمبر 2017 بوقت 11 بجے صبح پرل کونٹی نینٹل (پی سی)، گرینڈ بال روم (گراؤنڈ فلور) کلب روڈ، کراچی میں منعقد ہو رہا ہے یا اس کے ملتوی شدہ اجلاس میں شرکت کر سکیں اور ووٹ ڈال سکیں۔

دستخط ______ بروز ______ بتاریخ ___/___ 2017

حصص کی تعداد ______

شیئر ہولڈر کا فولیو/اکاؤنٹ نمبر ______

شناختی کارڈ نمبر ______

دستخط ______

رسیدی ٹکٹ
RS 5

دستخط کمپنی میں رجسٹرڈ نمونے کے مطابق ہونا ضروری ہے

حامل پراکسی کا فولیو/اکاؤنٹ نمبر ______

حامل پراکسی کا شناختی کارڈ نمبر ______

دستخط ______

گواہان

دستخط	______	دستخط	______
نام گواہ	______	نام گواہ	______
شناختی کارڈ نمبر	______	شناختی کارڈ نمبر	______
پتہ	______	پتہ	______

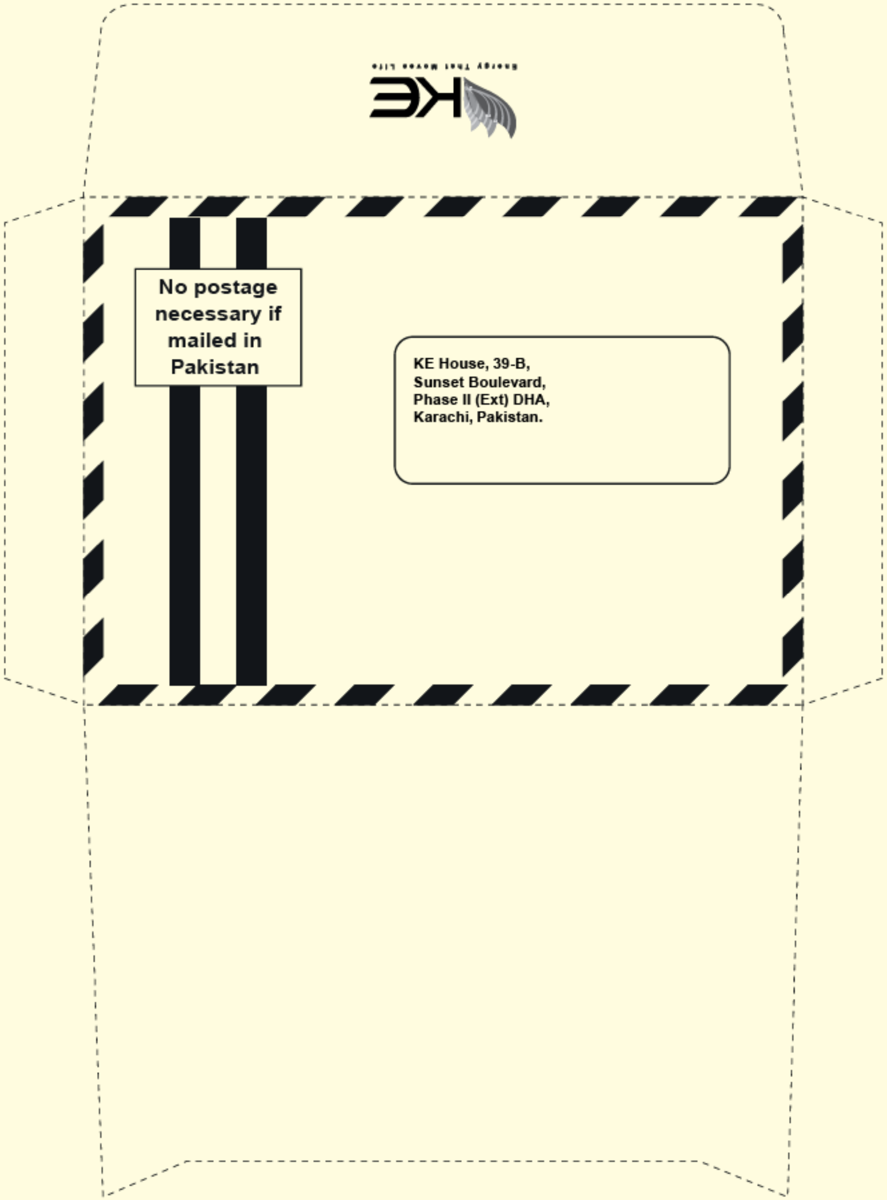
نوٹ

1- نمائندے کو فعال بنانے کے لئے نامزدگی کا فارم میٹنگ کے مقررہ وقت سے کم از کم 48 گھنٹے قبل کمپنی سیکریٹری کو کارپوریٹ افیئرز ڈیپارٹمنٹ، فرسٹ فلور، بلاک A، بلڈنگ، پاور ہاؤس، ایلینڈر روڈ کراچی پر موصول ہو جانا چاہیے۔

2- حامل پراکسی کمپنی کا ممبر ہونا ضروری ہے لیکن اگر کوئی کمپنی اپنے کسی ملازم کو پراکسی دینا چاہے تو اس کے لئے پاور آف اٹارنی اور/یا بورڈ ریزولوشن کی تصدیق شدہ کاپی منسلک کرنی ہوگی۔

3- اگر حامل پراکسی CDC کا ممبر ہے تو اس کے شناختی کارڈ/پاسپورٹ کی تصدیق شدہ کاپی لازمی منسلک ہونی چاہیے۔

4- اجلاس میں شرکت کے وقت پراکسی کو اپنا اصل شناختی کارڈ یا اصل پاسپورٹ پیش کرنا لازمی ہے۔



FORM OF PROXY

106th Annual General Meeting

I / we ______________________ of ______________________ being a member(s) of the **K-Electric Limited**, hereby appoint Mr.______________________ of ______________________, or failing him / her Mr.______________________ 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 **Pearl Continental (PC), Grand Ballroom (ground floor), Club Road, Karachi** on Tuesday, 19 September 2017 at 11:00 a.m. or at any adjournment thereof.

As witnessed given under my / our hand(s) this __________ day of September 2017.

Shares held ______________________

Shareholder's Folio / Account # ______________________

CNIC # ______________________

Revenue Stamp of Rs.5

Signature ______________________

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

Proxy Holder's Folio / Account # ______________________

Proxy Holder's CNIC # ______________________

Signature ______________________

1. Witness: ______________
Signature: ______________
Name: ______________
CNIC: ______________
Address: ______________

2. Witness: ______________
Signature: ______________
Name: ______________
CNIC: ______________
Address: ______________

Note:

1. Duly completed Form of Proxy must be deposited to the Company Secretary at Corporate Affairs Department, 1st Floor, Block A, Power House, Elander Road, Karachi no later than 48 hours before the time fixed for the meeting.
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. 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.