



# Powering Possibilities

Annual Report 2023

# ABOUT THE REPORT

In a year that has been challenging for the power sector, our vision to empower customers with reliable and sustainable sources of energy remained a key area of focus. The theme for this Annual Report, "Powering Possibilities" encapsulates commitments reflected in the Investment Plan and Power Acquisition Plan submitted to NEPRA for approval. These plans highlight a vision to bring 30% renewable energy in the mix, so customers may access affordable and reliable power with ease. As we reflect on a year that has just concluded, and embrace another where the competitive landscape is set to open up, through this Report we invite you to witness the journey of powering through and onwards to more sustainable possibilities.

Link to the Report: <https://www.ke.com.pk/coporate/financial-data/>

CEO K-Electric speaks about the  
Company's annual financial performance



Scan QR code  
to view under Material Information/Announcements



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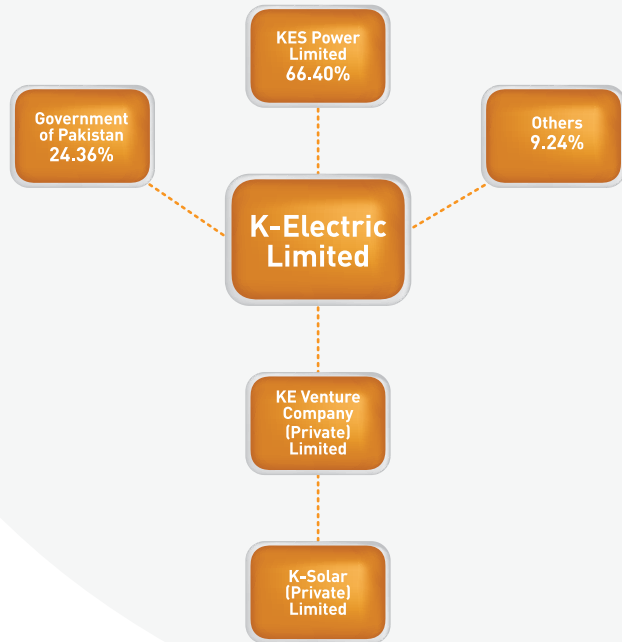
# Organisational Overview

# About Us

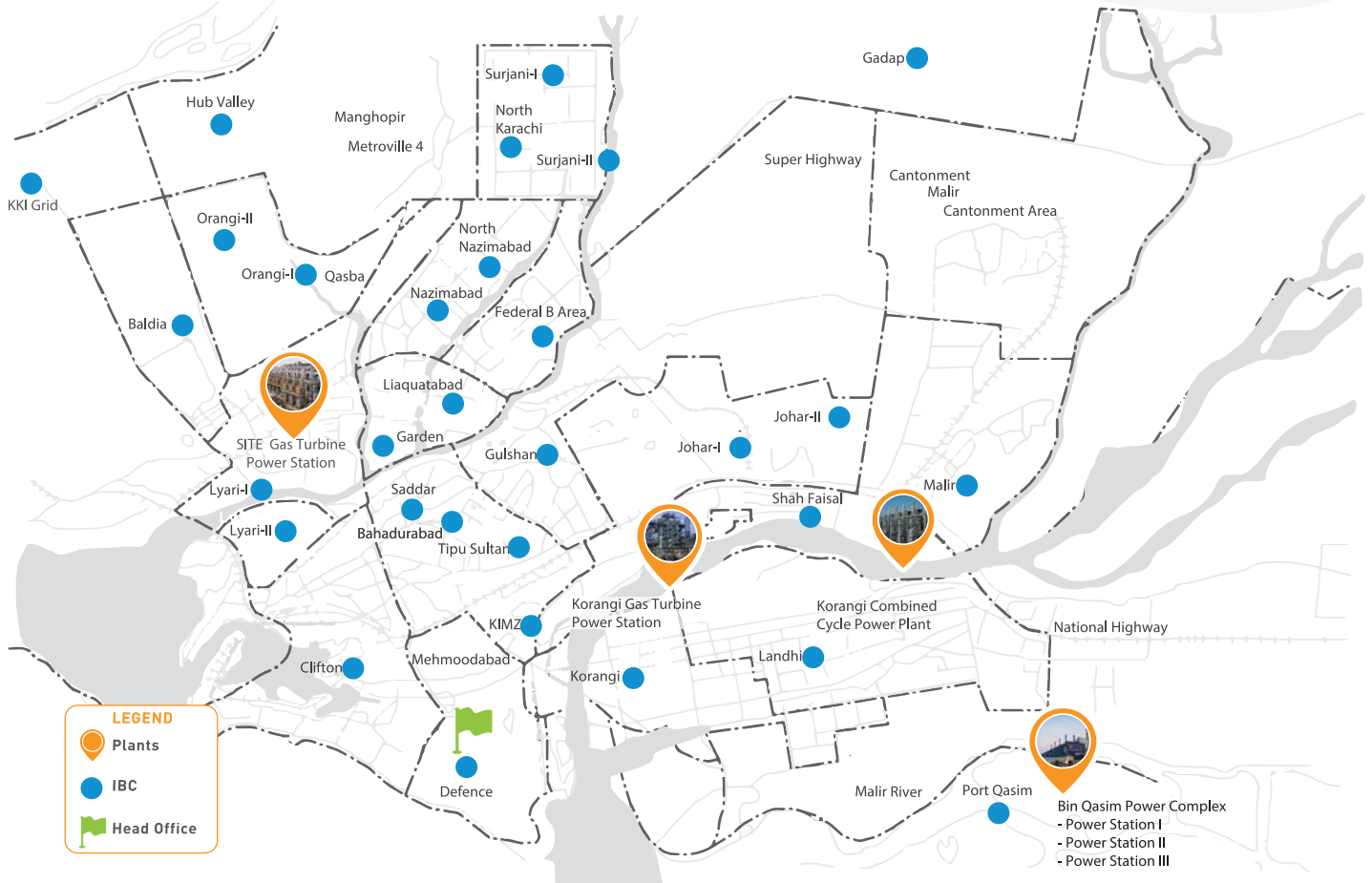
## COMPANY PROFILE

As the only vertically integrated utility in the power sector, KE has witnessed a remarkable journey of transformation since privatisation in 2005. An investment of USD 4.4 billion has enabled the Utility to double its customer base and infrastructure, while halving T&D losses. Today, the Utility serves power to a steadily growing base of customers, across Karachi, Uthal, Bela, Vinder, Gharo, Hub and Dhabeji. The vision to brighten lives is enabled by the spirit of innovation and digitisation that is at the core of KE's Generation, Transmission, Distribution as well as enabling functions. Through the Investment Plan and Power Acquisition Plan submitted to NEPRA for approval, KE looks forward to continuing its transformative journey of growth in a competitive arena.

## COMPANY HOLDING STRUCTURE



## OUR SERVICE AREA



# A Rich Heritage

1913

Karachi Electric Supply Corporation formed to meet the power needs of Karachi, a small port town

1947-51

Surge in city's population causes rapid increase in power demand

1952

Government nationalizes KESC

1983-97

Bin Qasim Power Station (BQPS-I) added to generation fleet

2005

KESC privatized with majority shareholding transferred to a consortium led by KES Power

2008-12

Addition of c. 1,000 MW of efficient generation to own generation fleet

2013-14

Rebranding of KESC to K-Electric Limited and 100-year celebrations

2020

Over 10,000 PMTs converted to Aerial Bundled Cable (ABC)

2022

AT&C losses halved as compared to pre-privatization

2023

Commissioning of 900 MW Power Plant (BQPS-III)

And the story continues...



Every Call, Every Customer: Our Dynamic Customer Experience Team

## 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.

## Our Values

At K-Electric, our corporate values form the cornerstone of our operations, reflecting our commitment to excellence, integrity, and sustainable progress. We believe that by upholding the KE CARES values, we create an environment that fosters innovation, empowers our employees, and enables us to serve our stakeholders with unwavering dedication.

### C Customer-centric

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

### A Accountable

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

### R Respectful

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

### E Energised

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

### S Safe

We ensure that safety remains our top priority in all our operations and behaviours.

## Culture and Ethics

K-Electric inculcates a positive environment and culture for all of its employees, through the embodiment of its core values, competencies and principles. Our emphasis is on ensuring the highest standards of transparency and integrity to maximise stakeholders' values, in accordance to the best practices in the industry. The Management ensures strict compliance against the set standards and guidelines of the organization and focuses on instilling accountability within each individual for adherence to cultural norms.

# Company Information

as at September 15, 2023

## Board of Directors (BOD)

|                           |                         |
|---------------------------|-------------------------|
| Mark Gerard Skelton       | Chairman                |
| Syed Moonis Abdullah Alvi | Chief Executive Officer |
| Adeeb Ahmad               |                         |
| Arshad Majeed Mohmand     |                         |
| Dr Imran Ullah Khan       |                         |
| Mubasher H. Sheikh        |                         |
| Muhammad Kamran Kamal     |                         |
| Muhammad Zubair Motiwala  |                         |
| Saad Amanullah Khan       |                         |
| Shan A. Ashary            |                         |

## Board Audit Committee (BAC)

|                     |          |
|---------------------|----------|
| Saad Amanullah Khan | Chairman |
| Dr Imran Ullah Khan | Member   |
| Mark Gerard Skelton | Member   |
| Mubasher H. Sheikh  | Member   |

## Board Human Resource & Remuneration Committee (BHR&RC)

|                                |          |
|--------------------------------|----------|
| Saad Amanullah Khan            | Chairman |
| Mark Gerard Skelton            | Member   |
| Muhammad Zubair Motiwala       | Member   |
| Shan A. Ashary                 | Member   |
| Muhammad Kamran Kamal          | Member   |
| Syed Moonis Abdullah Alvi, CEO | Member   |

## Board Finance Committee (BFC)

|                       |          |
|-----------------------|----------|
| Mark Gerard Skelton   | Chairman |
| Adeeb Ahmad           | Member   |
| Mubasher H. Sheikh    | Member   |
| Muhammad Kamran Kamal | Member   |

## Board Strategy & Projects Committee (BS&PC)

|                                |          |
|--------------------------------|----------|
| Adeeb Ahmad                    | Chairman |
| Arshad Majeed Mohmand          | Member   |
| Mark Gerard Skelton            | Member   |
| Mubasher H. Sheikh             | Member   |
| Muhammad Kamran Kamal          | Member   |
| Shan A. Ashary                 | Member   |
| Syed Moonis Abdullah Alvi, CEO | Member   |

## Chief Financial Officer

Muhammad Aamir Ghaziani

## Chief Risk Officer & Company Secretary

Rizwan Pesnani

## Chief Internal Auditor

Kamran Akhtar Hashmi

## Legal Adviser

Messrs Abid S. Zuberi & Co.

## External Auditors

Messrs A.F. Ferguson & Co.

## Share Registrar

CDC Share Registrar Services Limited (CDCSRSL)  
CDC House, 99-B, Block "B", SMCHS, Main Shahrah-e-Faisal, Karachi.  
Office: 111-111-500

## Bankers

AKA Ausfuhrkredit-Gesellschaft m.b.H.  
Al Baraka Bank (Pakistan) Limited  
Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Islami Pakistan Limited  
Bank of China Limited, Shanghai Branch  
Bank of Punjab  
China Bohai Bank co., Ltd. Tianjin Branch  
China Citic Bank Corporation Limited, Harbin Branch  
China Construction Bank Corporation, Heilongjiang Branch (CCB Heilongjiang)  
Credit Suisse AG  
Deutsche Bank AG  
Deutsche Bank Aktiengesellschaft, Filiale Hong Kong  
Dubai Islamic Bank Pakistan Limited  
Faysal Bank Limited  
First Women Bank Limited  
Habib Bank Limited  
Industrial & Commercial Bank of China  
MCB Bank Limited  
MCB Islamic Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.  
Pak Brunei Investment Company Limited  
Pak China Investment Company Limited  
Pak Kuwait Investment Company Limited  
Samba Bank Limited  
Société de Promotion et de Participation pour la Coopération Economique  
Soneri Bank Limited  
Standard Chartered Bank (Dubai International Financial Centre Branch)  
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](http://www.ke.com.pk)

UAN: 111-537-211



K-Electric



KElectricPK



@KElectricPK



KElectricPK



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[www.ke.com.pk](http://www.ke.com.pk)



KE Live



0348-0000118



# Key Highlights



Added to installed generation capacity since Privatisation

**1,957 MW**



Invested across the Power Value Chain since Privatisation

**USD 4.4 Billion**



Gross Profit

**PKR 53 Billion**



EBITDA

**PKR 16 Billion**



Generation Fleet Efficiency Improvement since Privatisation

**41%**



Total number of Regular Employees

**9,589**



BQPS-III Power Plant commissioned during the year

**900 MW**



New Connections (low-cost meters installed)

**164,500**



Our flagship 900 MW BQPS-III plant was commissioned at BQPS Complex this year

## Awards

- SAFA BPA Award 2021 - Gold for the category of "Power and Energy Sector".
- HSE Excellence Awards 2022 by NEPRA
- PIDG Safety Award 2022 by GuarantCo. Ltd.
- SDC Supply Chain Pros to Know Award
- Diamond Employers Recognition Award by Employer's Federation Pakistan and International Labour Organization.
- Silver Award at NEPRA CSR Awards Ceremony
- Community Impact Award at 12<sup>th</sup> CSR Summit, registered with the IPO, Government of Pakistan and held by the Professional's Network.



Behind every award, there's a team that makes it happen

## Certifications

### Supply Chain Certifications

ISO 9001 for Inventory Management Stores at Federal B Area, Central Store, Johar and Landhi Cable Yard.

### Certifications for Stations

ISO 14001:2015 for Environment at BQPS-I, BQPS-II, KCCPP, SGTPS and KGTPS.

ISO 9001:2015 for Quality Management system at BQPS-I, BQPS-II, KCCPP, SGTPS and KGTPS.

ISO-50001 for Energy Management System at BQPS-II, KCCPP, SGTPS and KGTPS.

ISO-45001 for Health & Safety Management System - Transition from OHSAS-18001:2007 (Occupational Health & Safety Assessment Series) at BQPS-I, BQPS-II, KCCPP, SGTPS and KGTPS.

ISO 55001 for Asset Management System at BQPS-I, BQPS-II, KCCPP, SGTPS and KGTPS.

### Certifications for Green Infrastructure

WWF Green Office Certification at BQPS-II, KCCPP, SGTPS and KGTPS.

### Alignment with UN Sustainable Development Goals

Member of the Global Compact Network, Pakistan.

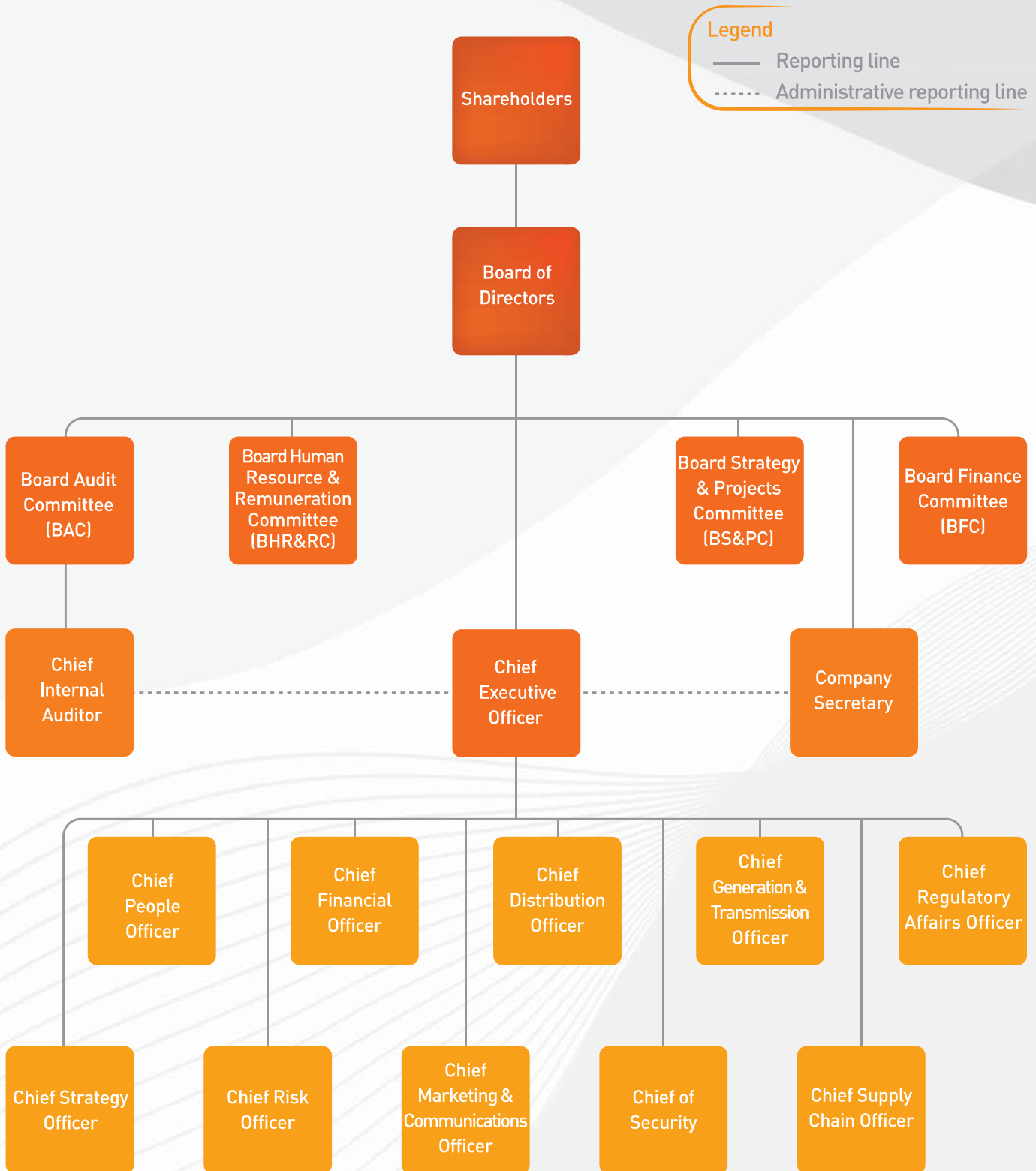
### IT Certification

ISO 27001 in Technology Governance and Security Management.



**Governance**

# Organisational Structure



# Messages

## Chairman's Review

On behalf of the Board of Directors, I am pleased to present to you K-Electric's Annual Report for FY 2023.

During the year under review, Pakistan's macroeconomic uncertainty has resulted in lowered energy demand and strained payment propensity, adversely impacting the Company's profitability. In these testing times our commitment to serve our customers remains firm, with a sharpened focus on investments that will ensure power affordability, reliability and sustainability. During the year, we undertook various operational excellence initiatives to optimize both cost and performance efficiency. The recent commissioning of BQPS-III, one of Pakistan's most efficient power plants, accelerated progress on the 220kV Dhabeji Interconnection, and groundbreaking of the KANNUP-Karachi Interconnection Grid - KE's first 500 kV grid to off-take additional power from the National Grid, are in line with this vision.

The Company's Investment Plan 2030, submitted to NEPRA for approval, aims to grow KE's share of renewable energy to 30%, in addition to investments of PKR 484 billion across the transmission and distribution value chain. At the same time, there are ongoing efforts to reduce dependence on imported fuels by adding indigenous fuel to the generation capacity which will benefit the country through improved foreign reserves and job creation.

Through ongoing engagements with the Government, positive developments were achieved for settlement of outstanding dues from various government entities and agreement on power purchase from National Grid. The draft Mediation Agreement along with agreements for power supply and timely processing of KE's Tariff Differential Subsidy claims have been initialed and KE looks forward to completing this with the support of the Federal Cabinet.

During the year, a total of nine (09) meetings of the Board were held. In addition, several resolutions on critical matters, requiring urgent attention or action, were passed by the Board through circulation. Moreover, several meetings of the Board's constituted committees were held according to their respective mandates.

I appreciate the KE team for their efforts to serve customers and maintain reliable operations in the face of unique challenges, and also commend the Board for their effective stewardship and strategic oversight. I am optimistic that KE's resilience and determination will accelerate the Company's journey towards sustainable and innovative frontiers. Thank you for your continued trust and support.



*Mark Skelton*  
Mark Gerard Skelton  
Chairman, K-Electric Limited  
September 15, 2023  
Karachi



## CEO's Review

A thriving energy sector addresses the energy trilemma of affordable, accessible, and sustainable power and underpins economic growth. Unfortunately, socio-economic shifts of the last year have tested the resilience of Pakistan's power sector. Rising energy tariffs, triggered by urgency to address a PKR 2.3 Trillion circular debt, have sharply contracted energy consumption and challenged affordability for customers at large, also impacting KE's financial and operational performance.

Navigating these uncharted circumstances requires bold course-setting. KE, with our unique status as the nation's singular privatized utility, is driving the power sector's push towards growth, innovation, and sustainability, sharing insights and learnings with stakeholders. During FY 2023, we applied for a non-exclusive distribution license, leading the way to Pakistan's first competitive power market, and underscoring our determination to be customer driven. KE's 2030 Investment Plan, submitted to NEPRA in January and pending approval, prioritises energy affordability and strengthened customer experience, with the vision of serving 5,000 MW to 5 million customers across the country. Commissioning of the 900 MW BQPS-III has further enabled reliable and affordable power supply to Karachi, while transmission augmentations such as our first flagship 500 kV KANUPP - Karachi Interconnection (KKI) Grid and our 220 kV Dhabeji Interconnection Grid are underway to strengthen access to affordable generation. Across the power value chain, we continue to embrace digitalization for greater agility, governance, and efficiency.

Timely stakeholder support is vital to unlock the power sector's full potential. Our ongoing dialogue with the Government of Pakistan focuses on reconciliation of outstanding matters and pushes the national imperative to curb power theft through strict legal enforcements. We also understand that there is an active push for vesting control of DISCOs in some form or the other. We believe that power sector's circular debt can only be controlled if downstream distribution is handed over to private sector. We are fully committed to working with all stakeholders to find a solution to this.

On behalf of the Management, I thank our stakeholders and teams for staying true to our purpose during this difficult chapter in Pakistan's economic journey; I look forward to continued optimism and tenacity as we advance towards redefining Pakistan's power narrative.

*Syed Moonis Abdullah Alvi*  
Syed Moonis Abdullah Alvi  
Chief Executive Officer, K-Electric Limited  
September 15, 2023  
Karachi

## Board of Directors' Profiles



**MARK GERARD SKELTON**  
Chairman

Mr. Mark Skelton is a Managing Director with Alvarez & Marsal's (A&M) Advisory practice in London. He brings more than 20 years of experience in corporate finance and advisory. His primary areas of concentration are cross border assignments crossing different legal jurisdictions and waterfall classes. Mr. Skelton has undertaken senior roles on numerous major UK, US, European, Emerging Markets, and Australian projects. Prior to joining A&M, Mr. Skelton held senior positions in a leading independent restructuring advisory and a Big 4 firm. Mr. Skelton is a member of the Institute of Chartered Accountants of Australia and New Zealand (CAANZ).



**SYED MOONIS ABDULLAH ALVI**  
Chief Executive Officer

Joining KE in 2008, Syed Moonis Alvi held key roles in the Organisation as CFO, Company Secretary and Head of Treasury prior to his appointment as CEO in 2018. He brings to the helm 30 years of diversified financial experience and has led the creation of a future-ready entity by emphasizing digitisation, customer centricity and investments across the energy value chain. He has championed numerous diversity initiatives including the global award-winning Roshni Bajji program at KE and is a Fellow member of ICAP.



**ADEEB AHMAD**  
Non-Executive Director

Mr. Adeb Ahmad's career spans 34 years including C-suite roles. He has been involved in managing private equity funds, M&A and transformation focused on energy and other infrastructure sectors across MENA, Turkey, CIS, Southeast Asia, and Pakistan. He has been engaged with investment banking institutions in the GCC and Pakistan leading several M&A, privatization and capital raising assignments. He recently served as the CEO of Hascol Petroleum Limited. He has also served as Senior Advisor to the CEO and Deputy CEO-Designate at Islamic Corporation for the Development of the Private Sector (ICD) in Saudi Arabia. He holds an M.Sc. from the LSE, UK, and an MBA from IBA, Karachi.



**ARSHAD MAJEED MOHMAND**  
Non-Executive Director

Mr. Arshad Majeed was elected to the KE Board of Directors on 29 July 2022. He is a civil servant and currently posted as Additional Secretary, Power Division, Ministry of Energy, Government of Pakistan. He is also serving on the Board of Directors of National Power Parks Management Company (Private) Limited. He carries 25 years of experience and knowledge in public policy formulation and implementation. He completed his Masters' in Political Science.



**DR IMRAN ULLAH KHAN**  
Non-Executive Director

Dr Imran Ullah Khan is currently serving as Joint Secretary (Corporate Finance), Finance Division, Government of Pakistan. During his career in national civil service since 2001, he has remained Deputy Secretary Finance Division, Deputy Secretary Ministry of Textile Industry and Deputy Secretary (Education). His Doctorate is in International Development Studies from National Graduate Institute for Policy Studies, Tokyo. His master's degree is in International Development Studies from National Graduate Institute for Policy Studies, Tokyo. His current board engagements include Utility Stores Corporation, Pakistan Steel Mills, Trading Corporation of Pakistan and Pakistan Industrial Development Corporation.

Mr. Mubasher H. Sheikh has been a Non-Executive Director of the company since its privatization 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 Dubai, UAE, a Board Member in Al Durrah National Real Estate Company, Kuwait and an Alternate Director of KES Power Limited. He graduated with a degree in mathematics and statistics from the University of Punjab and is a Fellow Member of Association of Chartered Certified Accountants, UK (FCCA).



**MUBASHER H. SHEIKH**  
Non-Executive Director

Mr. Kamran Kamal is the CEO of The Hub Power Company Limited. He has over 20 years of experience working on various projects of national importance including the Sindh Engro Coal Mining Company's (SECMC) mining and power generation projects, China Power Hub Generation Company's imported Coal project with an integrated jetty, Thar Energy & Thal Nova local coal projects as well as leading a regional energy & agricultural commodity trading business. Kamran has deep understanding of Pakistan's Power Market and regulatory affairs. Kamran holds a master's degree in public policy from Harvard Kennedy School and a Bachelors' degree in Electrical & Computer Engineering from the Georgia Institute of Technology.



**MUHAMMAD KAMRAN KAMAL**  
Non-Executive Director

Mr. Zubair Motiwala, an industrialist by profession, is currently the CEO of the Trade Development Authority of Pakistan. He was elected as the President Karachi Chamber of Commerce & Industry for the period 2000-2001. He was Former Chairman of Sindh Board of Investment and also served as Advisor to Chief Minister Sindh on Investment. He was appointed as Special Assistant to Chief Minister Sindh (Minister Status) for affairs relating to business community. He led Pakistan trade delegations for promoting investment in the province of Sindh to China, UAE, Russia, Turkey, Malaysia, Singapore, Korea, and various other countries.



**MUHAMMAD ZUBAIR MOTIWALA**  
Non-Executive Director

Mr. Saad Amanullah Khan spent three decades with P&G including seven years as CEO of Gillette Pakistan. Currently, he is the Chairman of Public Interest Law Association of Pakistan and Pakistan Innovation Foundation, President of IAM KARACHI, and a board member of Fauji Fertilizer Corporation, NBP Funds, Jaffer Brothers, Burque Corporation, International Packaging, ZIL Limited and CTM360, Bahrain. He has served two terms each as President of American Business Council and on the board of OICCI. His previous board engagements include PSX and State Life Insurance Corporation. He has two engineering degrees and an MBA from University of Michigan. He recently published a book, "It's Business, It's Personal".



**SAAD AMANULLAH KHAN**  
Independent Director

Mr. Shan A. Ashary has been a Non-Executive Director of the Company since its privatization in November 2005. He is a senior executive with over 40 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 USA and the Middle East. He is a Fellow Member of the Institute of Chartered Accountants of England and Wales.



**SHAN A. ASHARY**  
Non-Executive Director

# Leadership Profiles



**SYED MOONIS ABDULLAH ALVI**  
Chief Executive Officer

Joining KE in 2008, Syed Moonis Alvi held key roles in the Organisation as CFO, Company Secretary and Head of Treasury prior to his appointment as CEO in 2018. He brings to the helm 30 years of diversified financial experience and has led the creation of a future-ready entity by emphasizing digitisation, customer centricity and investments across the energy value chain. He has championed numerous diversity initiatives including the global award-winning Roshni Baji program at KE and is a Fellow member of ICAP.



**ABBAS HUSAIN**  
Chief Generation & Transmission Officer

Mr. Abbas Husain has over 24 years of experience across public and private sector organisations in areas of power Operations & Maintenance (O&M), project development, project execution management and business development. Abbas joined KE in 2012 and has served in Generation and Transmission functions as an integral part of KE's corporate turnaround. At KE, his major contributions include establishment of BQPS-II, planning of mega transmission projects, adding 200 MW through 4 IPP projects where KE signed long-term PPAs/EPAs and BQPS-III (900MW) RLNG combined cycle power plant. Mr. Husain holds a BE (Electrical) degree from NED University.



**FAWAD ALI GILANI**  
Chief Distribution Officer

With two decades of expertise in power system planning, operations, policymaking, and regulations, Mr. Fawad Ali Gilani has built an impressive career. He has held senior positions in the United Arab Emirates (UAE) and the United Kingdom (UK), demonstrating his leadership capabilities. Previously, Mr. Fawad was the Director at the Department of Energy Abu Dhabi, contributing to strategic decision-making. Before his tenure in the UAE, he spent eight years at the UK's Transmission System Operator (National Grid), excelling in various technical and managerial roles. Mr. Fawad is a graduate of the University of Manchester, holding a Bachelor's degree in Electrical & Electronics, and he further enhanced his skills with an MBA from the New York Institute of Technology.



**MUHAMMAD AAMIR GHAZIANI**  
Chief Financial Officer

Mr. Muhammad Aamir Ghaziani has more than 20 years of diversified experience in areas of finance, corporate and strategic planning, risk management, regulatory compliance, and business turnarounds. He joined KE in 2008 and has served in senior roles in Finance and Regulatory Compliance, before being appointed as the Company's Chief Financial Officer in 2018. He is Chairman and Board member of K-Solar and also serves on the Board of KEVCL. Mr. Aamir is a Fellow member of ICAP and a Certified Director from PICG. He started his career with A.F. Ferguson & Co. (a member firm of PwC global network) and has attended executive management programs from prestigious institutions including INSEAD.



**M. IMRAN HUSSAIN QURESHI**  
Chief Regulatory Affairs Officer

Mr. Imran Qureshi has over 30 years of experience in leadership roles held locally and globally. Before joining KE, Imran successfully led business turnarounds, business advocacy and high impact crisis and reputation management in senior roles which include Head of Government Relations at Shell Pakistan Limited, EVP at Pakistan Telecommunications Company Limited (PTCL) as well as Country Manager: South and South-East Asia at Thuraya Satellite and Telecommunications Company Ltd Abu Dhabi, UAE. Mr. Qureshi holds a Master's degree in Business Administration from the University of Birmingham (UK), and a Bachelor's degree in Mechanical Engineering from University of Engineering & Technology (UET), Lahore.



**MUHAMMAD RIZWAN DALIA**  
Chief People Officer

Mr. Rizwan Dalia joined KE in 2008 and served in senior roles within the Finance and Corporate Affairs functions before his appointment as Chief People Officer (CPO) in 2018. Rizwan started his career with A. F. Ferguson & Co. (a member firm of PwC global network). He has previously served at Pakistan State Oil, is a Fellow Member of ICAP and a PICG Certified Director. He is also a member Board of Governors at PSTD and an Executive Committee member for PSHRM. He is a frequent speaker at various forums on topics related to HR digitalization and future challenges and is an avid golfer.



Mr. Rizwan Pesnani was appointed as Chief Risk Officer and Company Secretary in 2021. In addition to Risk Management and Corporate Affairs, he also oversees Legal and Cybersecurity functions. Mr. Rizwan Pesnani joined KE in 2013 and was leading the Treasury and Corporate Finance function of KE prior to taking on this role. Rizwan has over 30 years of rich and diversified experience in the public and private sector, having worked within and outside Pakistan in Central Bank, Utility & Infrastructure sectors in areas of Finance, Risk Management, Financial Planning & Management, Corporate Governance, Corporate Finance and Project Development. He is a Fellow Member of ICAP.



**RIZWAN PESNANI**  
Chief Risk Officer & Company Secretary

Ms. Sadia Dada's experience spans Communications, Brand Building, Sustainability Management as well as Media and Reputation Management. She has earlier served at KE as Director Communications and Chief of Staff and later at Philip Morris Pakistan as Director Communications. Sadia returned to KE and currently leads the Marketing, Communications, ESG and Customer Experience functions. An alumnus of Lahore University of Management Sciences (LUMS), she brings multi-sectoral experience from her past affiliations including Unilever Pakistan, Nestle Pk and Mobilink (now Jazz). She is part of NOWPDP's Board of Advisors and Founder of Women in Numbers, an online networking community exclusively for working women.



**SADIA DADA**  
Chief Marketing & Communications Officer

Mr. Shahab Qader Khan has been associated with the energy sector for more than 28 years. During this time, he has been extensively involved in multiple large scale energy projects. His last association was with Engro Powergen Qadirpur Limited as Chief Executive Officer. He has previously worked for Engro Energy Limited as Vice President Business Development, Siddiqsons Energy Limited as Chief Executive Officer and as Head of Commercial for Sindh Engro Coal Mining Company. He holds an engineering degree from UET Lahore and is an alumnus of INSEAD France.



**SHAHAB QADER KHAN**  
Chief Strategy Officer

Mr. Sheraz Kashif joined KE in 2022 and has 28 years of global experience as an Integrated Supply Chain leader. He has led teams in Europe, Middle East, Africa, North America and Asia and has a track record of successfully transforming Supply Chain & Procurement systems within organizations to world class benchmarks. A firm believer in delivering sustainable value to stakeholders, Mr. Sheraz brings the experience of working with conglomerates and Fortune 100 companies to lead the function. He has undergone Leadership & Negotiation training at Harvard Business School and holds an MBA from University of Leicester, UK.



**SHERAZ KASHIF**  
Chief Supply Chain Officer

Following a 28-year stint in the Pakistan Army, where he retired as Colonel, Mr. Wahid Asghar joined KE in 2009 and presently leads the Company's Security, Criminal Litigation, Works & Estate and Administration functions. Mr. Asghar's focus has remained on streamlining and enabling business processes and driving transparency and accountability. He also leads efforts to identify key land assets for development of power infrastructure and has insight of vendor development and management for material and services. He has served on local and international special assignments and has been awarded the Tamgha-e-Basalat for his achievements along with receiving the Chief of Army Staff Commendation Card twice.



**WAHID ASGHAR**  
Chief of Security

Mr. Amer Zia is Advisor to the CEO at KE. He has previously served as KE's Chief Distribution Officer for over four years, Deputy Chief Operating Officer Distribution and Chief of Distribution Operations, playing a critical role in KE's corporate turnaround. Prior to KE, Amer worked with USAID-Power Distribution Program as Project Lead, held leadership positions with public sector entities including NEPRA and IESCO and served as an independent consultant to the World Bank. With a Master's degree in Electrical Engineering from Bradley University USA, and an MBA in Project Management, Amer brings over thirty years of experience in management of power sector utilities to the organisation.



**AMER ZIA**  
Advisor to CEO

# Directors' Report

On behalf of the Board of Directors, we are pleased to present the Company's Annual Report together with the audited financial statements for the year ended June 30, 2023.

## Financial Performance

| Revenue               | Gross Profit               | EBITDA                 |
|-----------------------|----------------------------|------------------------|
| 2023: PKR 519,471 Mn  | 2023: PKR 52,812 Mn        | 2023: PKR 16,489 Mn    |
| 2022: PKR 518,777 Mn  | 2022: PKR 68,536 Mn        | 2022: PKR 41,598 Mn    |
| ↑ 0.13%               | ↓ 22.94%                   | ↓ 60.36%               |
| Net Profit            | Earnings per Share         | Total Assets           |
| 2023: PKR [30,897] Mn | 2023: PKR [1.12]           | 2023: PKR 1,024,662 Mn |
| 2022: PKR 8,524 Mn    | 2022: PKR 0.31             | 2022: PKR 1,060,128 Mn |
| ↓ PKR 39,420 Mn       | ↓ PKR 1.43                 | ↓ 3.35%                |
| Total Equity          | Return on PPE <sup>1</sup> | Return on Equity       |
| 2023: PKR 255,155 Mn  | 2023: [5.32]%              | 2023: [12.11]%         |
| 2022: PKR 250,172 Mn  | 2022: 1.74%                | 2022: 3.41%            |
| ↑ 1.99%               | ↓ 7.06 pp                  | ↓ 15.52 pp             |

<sup>1</sup> Property, Plant & Equipment

## Financial Review

During the year, the Company's financial performance has been severely impacted by the formidable sociopolitical and macroeconomic challenges stemming from the ongoing severe economic crises of the country. Factors such as surging inflation, policy rate hike, and contraction in economic activity have cast a significant influence on the Company's operations and overall profitability. Impacted by these challenges, the Company has witnessed a notable 7.3% reduction in units sent-out and the gross profitability of the Company declined significantly by PKR 15.72 billion.

Further, the Company encountered a substantial rise in exchange loss by PKR 4.38 billion attributable to the significant devaluation of the Pakistani Rupee. Additionally, there was an increase in impairment loss by PKR 6.28 billion against doubtful debts due to the confluence of high inflation, increase in consumer tariffs, and the worsening economic conditions that have hampered customers propensity to pay. The aforementioned factors along with a drastic increase in finance costs by PKR 19.45 billion mainly on account of increase in effective rate of borrowing, translated into the

loss after tax amounting to PKR 30.90 billion. The Company operates under regulated tariff and as per current Multi-Year Tariff effective from July 1, 2016, no adjustment is provided to the Company in tariff for variation in benchmarks set by NEPRA including units sent-out and policy rates.

KE remains committed to tackling the challenges and focus on furthering its operational improvements. The Company is also working on the renewal of the tariff for the next control period starting from July 1, 2023 with an aim to obtain a sustainable, cost reflective and investment enabling tariff with adjustment mechanism at par with other power sector entities to ensure continuity of reliable and smooth service to customers at least possible costs.

## Macroeconomic Environment

During FY 2023, Pakistan witnessed significant socio-political and economic challenges. The aftermath of devastating floods and surging global commodity prices combined with macroeconomic imbalances resulted in a considerable decline in GDP growth rate, plummeting to 0.29% from the previous year's 6.10%.

Further, pressure on foreign exchange reserves caused substantial devaluation of the Pakistani rupee and contributed to an unprecedented inflationary hike. The currency devaluation also led to increased costs of importing fuel, including Regasified Liquefied Natural Gas (RLNG) and Furnace Oil, and subsequently higher energy costs and power tariffs for customers across Pakistan. The combination of high inflation, rising consumer tariffs, and deteriorating economic conditions has significantly impacted growth as well as customers' propensity to pay. This along with increased finance cost, has affected the Company's profitability, as more fully explained in Section "Financial Review" to this Directors' Report.

We remain optimistic that, with policymakers' measures to stabilize the economy, improved macroeconomic indicators along with cost reflective sustainable MYT would strengthen Company's performance.

## Operational Performance and Initiatives Across The Value Chain

### Generation

During FY 2023, both Unit 1 and Unit 2, (450 MW each) of KE's 900 MW RLNG-fired power plant, BQPS-III were successfully commissioned and commercial operations of the respective units were declared during the 3<sup>rd</sup> and 4<sup>th</sup> quarter of FY 2023. The 900 MW BQPS-III is one of Pakistan's most efficient power plants whose addition has increased the overall efficiency of KE's generation fleet. In the next phase, KE plans to also commission both units of BQPS-III on High Speed Diesel (HSD), which will enable a backup fuel source to be available for continued plant operations during periods of RLNG scarcity.

KE also upgraded its existing fleet to ensure strengthened availability of power supply to serve the city. The gas infrastructure within Bin Qasim Power Complex has been built in an integrated manner to utilize RLNG from other sources to enable the flexibility of alternate gas fuel and ensure supply continuity in case of gas curtailment by Sui Southern Gas Company (SSGC). In addition, BQPS-II was further equipped with Black-Start capability which enables swifter restoration in case of blackout situation. The Company also undertook maintenance of its existing generating plants to ensure improved reliability and fleet efficiency as well as reduction of auxiliary consumption.

With the addition of BQPS-III, KE is now in a position to meet a demand of over 4000 MW provided the gas supply is available from SSGC.

## Transmission

During FY 2023, following key milestones have been achieved uplifting the transmission system reliability and efficiency:

### Enhancement in Grid Capacity:

During the year, overall transmission capacity was enhanced by 162 MVAs with addition of new power transformers alongside augmentation and replacement efforts in existing grids. This takes the Company's total transformation capacity to 6,965 MVAs as of June 30, 2023. This capacity enhancement will strengthen the flexibility and reliability of KE's transmission network and enable the organisation to serve growing power demand in growth centres.

### Improvement in Reliability & Asset Lifecycle:

Initiatives during the year prioritised transmission network reliability and efficiency. These included the rehabilitation and reconductoring of existing circuits along with addition of a new circuit in the system, enhancing the transmission capacity at locations where power demand growth is anticipated and increasing N-1 contingency. Replacement of existing insulators with composite type is also achieved that added into overall performance improvement.

### System Monitoring and Control:

To improve the network visibility on Supervisory Control and Data Acquisition system (SCADA), the transmission telecom network has been strengthened through installation of new Optical Ground Wire and Load Dispatch Centre (LDC) / Disaster Recovery Centre (DRC) links capacity is also enhanced. Cybersecurity safeguards have also been enhanced to protect systems from attack.

### Addition of New Interconnection Points with NTDC:

Construction of the 500kV KANNUP-Karachi Interconnection Grid is progressing rapidly which is KE's first flagship Grid at 500kV Voltage level. Similarly, the pre-commissioning activities of the 220kV Dhabeji grid are also being fast tracked and the Grid is expected to come on-stream in FY 2024. Both the interconnection grids will enable the off-take of increased power drawl from the national grid while harnessing the distant affordable power resources.

### Upgradation of Transmission System under BQPS-III Project:

Upgradation of the transmission network connected with the BQPS-III project is also underway. This includes augmentation of two critical load grids and two generation interconnection grid stations. The New Landhi grid which was energised during the year is now serving the industrial load growth. The 132kV interconnection solution at KTPS enables evacuation of power from the Korangi

Combined Cycle Plant on principle of embedded generation which improves the network efficiency.

## Distribution

Significant increase in consumer-end tariffs, fuel cost adjustments and high inflationary pressures impacted power customers across Pakistan. These factors adversely affected customers' ability to pay, resulting in a decline in the recovery ratio to 92.8% in FY 2023 as against 96.7% reported during corresponding period last year. To facilitate low-income and vulnerable customers with their bill payments during this period of economic upheaval, while at the same time improving its recovery levels, the Company has offered easy installments under its "Hum Qadam – Payment Scheme". Over 100,000 customers have benefitted from this solution and continue to settle outstanding dues. At the same time, network governance and anti-theft efforts have been scaled up; during the year over 99,500 kg of illegal connections were removed and approximately 2.7 million disconnection attempts were carried out in cases of long-standing default. The Company has also accelerated efforts to electrify additional areas through network extension and installation of 164,500 low-cost meters. Through these efforts, despite extreme macro-economic issues which led to reduction in industrial sent-out and increased instances of power theft, the Company was able to maintain its T&D loss and performed better than NEPRA's benchmark for the year.

The Company is harnessing innovation for improved customer service, strengthened reliability and real-time visibility. In this regard, KE is digitizing the Low-Tension distribution (LT) network which will enhance network visibility, facilitate better monitoring, and enable strengthened operations of the LT infrastructure. Shifting to a periodic Preventive Maintenance Regime for Distribution Transformers is another shift, which will contribute to better customer experience through reduced downtime while also minimizing maintenance costs.

## Information Technology (IT)

KE has deployed Enterprise Resource Planning (ERP) software with digitization of all core business processes/modules and industry-specific solutions for power utilities. The system binds together different lines of businesses and is also seamlessly integrated with other technology solutions and systems such as Company's website, KE Live mobile application, AMI systems and meter reading systems. The centralized system architecture and design are accessible through one interface and enable information sharing, cross-functional collaboration and efficiency gains. In the next phase, the system will be upgraded to the Cloud-based version with data-driven capabilities and web/mobile-based user interfaces underpinned by user

trainings throughout the organization. These will include documentation of business processes, role-based trainings and train the trainer modules.

A resilient contingency and technology disaster recovery plan is in place, focusing on ensuring quick and efficient restoration of IT services in case of disaster or prolonged downtime scenarios. Adhering to Business Continuity Management Standards ISO 22301 and ISO 27031, the process addresses the risk of unexpected disruptions and covers emergency response, risk management, planning, IT continuity training and testing.

## Cybersecurity

In the rapidly evolving digital landscape of today, the significance of cybersecurity cannot be overstated. With our organization embracing greater digitization, fortifying our defenses against cyber threats becomes imperative. To tackle this challenge head-on, decisive measures have been implemented to bolster cybersecurity. This isn't merely a choice, but a strategic imperative.

In this respect, the organization has successfully achieved ISO 27001 Information Security Management System (ISMS). Further, having adopted Defense-in-Depth approach, there are advanced technology tools and solutions in place including 24x7 cyber defense command center, AI driven detection and response at endpoint and network layers, as well as protection on internet-facing KE digital assets. Further, the organization has embarked on the program to strengthen and expand the cyber security defense footprint onto the OT environment which includes Generation, Transmission, and Distribution. Towards this end, the organization is engaged with global leading cyber security firms for cyber risk assessment, management, and implementing corrective measures.

Cyber Security of ERP systems includes data security through bench-marked security practices, risk and failover management, attack prevention, and processes for security advancement. Access to critical and sensitive data is protected through a rigorous governance system which provides intuitive user experience, dynamic access control, and prescriptive analytics-driven access review process.

## Supply Chain

Supply Chain underpins the Company's ability to deliver efficient, sustainable, and customer-centric services. Through operational excellence measures, KE's supply chain processes are being benchmarked to global best practices. At the same time, the Company is working closely with local manufacturers to accelerate the localisation of KE's value chain and source local alternates to imported products and services. This initiative will help enable the Company to overcome the

national import constraints and continue to source critical distribution and generation equipment. Not only did this enable KE's business continuity, but it also benefits the country through import substitution, preservation of dollar reserves and job creation.

## Fortifying The Path – Building Resilience Through Enterprise Risk Management (ERM)

Amidst the ever-shifting economic challenges and dynamic industry landscape, our unwavering commitment to fortifying our organization remains steadfast. To pave the path for sustained prosperity, we proudly rely on a robust Enterprise Risk Management (ERM) framework, aligned with international best practices. This empowering framework equips us to proactively respond to existing and emerging risks, ensuring the preservation of shareholder value as we continue our journey forward.

Central to our achievements is the creation of a comprehensive, robust, and continuously improving risk management methodology. Our methodology considers the unique dynamics of our industry and stays attuned to emerging trends. By aligning our risk management practices with the evolving landscape, we remain agile and more prepared to navigate uncertainties.

Over the past year, we have taken significant strides towards strategic risk management by integrating risk management into our leadership goals, ensuring a more resilient and forward-thinking approach.

## Health, Safety, Environment & Quality Initiatives

Benchmarking against global safety standards, KE is in the process of implementing Process Safety Management (PSM) and has deployed 12 PSM elements out of 22 in the first phase. In line with this, Management Safety Audits (MSAs) are undertaken across the hierarchy to reaffirm visible leadership of safety and strengthen safety across all operations. During the year, 71,484 MSAs were completed and supplemented through 48,906 training man-hours, drills, and safety engagement efforts.

As part of our commitment to continue strengthening the reliability and safety of our network, grounding was revalidated at 2,193 High Tension Distribution poles, double earth and wire guards were installed across 2 km of overhead network and 400 electricity poles were replaced as needed. The Company also undertook robust public safety awareness in hazard-prone areas through

its door-to-door Roshni Baji program. This was supplemented by a safety outreach effort focused at school-children; the program enabled messages of road, electrical and general safety to reach 50,000 children during the year. The Company also partnered with government and regulatory entities for knowledge sharing and collaborative safety messaging.

Under the scope of Corporate Quality, a comprehensive Quality Policy and process optimization program was deployed across all Business Units. This was underpinned by a 4-Tier Quality Stewardship & Governance Structure for the entire organization, capacity building workshops and adherence to the 5S quality framework.

KE ensures 100% compliance with all applicable environmental laws and regulations across Generation, Transmission & Distribution network. This is validated through independent monitors and Environmental Protection Agency (EPA) approved laboratories, and compliance reports submitted to the regulators as per defined frequency. Hazardous waste is disposed of through EPA approved waste contractors.

KE's Environmental Sustainability Management System (ESMS) is in line with ISO14001:2015 and British Five Star Environmental Sustainability Audit process. Comprehensive environmental procedures are developed in line with local legislation, IFC performance standards and international best practices along with verification of their implementation through internal Environmental Audits.

## Customer Experience

Customer experience is at the heart of KE's strategy with digitization paving the way for strengthened customer convenience. KE's WhatsApp platform has witnessed significant growth, welcoming 240,000 new users during the year while the KE Live platform has grown by 255,000 users. This takes the total number of digitally connected customers to 1.3 million and KE's digital penetration to 60% from 47% in the previous year.

In addition to growing its digital touchpoints, KE is also enabling digital self-services; KE customers can now apply for their new connections online through a seamless process. For customers who use KE's physical touchpoints, expansion of Customer Facilitation Centers (CFCs) and Integrated Business Centers on Wheels (IOW) has enabled services within communities. KE's Customer Experience benchmarks are regularly tracked and measured through independent mystery shopper programs.

## KE's Planned Projects - Short, Medium and Long-term Objectives

### Generation

Keeping in view the expected growth in power demand in KE's service area, a robust and aggressive capacity addition plan has been prepared with a focus on the utilization of indigenous resources along with renewables (including hydro), in line with the National Electricity Policy to add low cost, indigenous fuels-based power projects, subject to third party studies and regulatory approvals.

To increase the share of renewables, KE is working on 350 MW solar project(s) (on single-axis technology) via competitive bidding with the Sindh Energy Department (SED), Government of Sindh (GoS) in collaboration with the World Bank (WB), under the Sindh Solar Energy Project (SSEP). Under this framework, SED is responsible for arranging the land and executing the project technical studies, while KE will undertake competitive bidding and will be the power off-taker from the projects where it would enter into a long-term Energy Purchase Agreement (EPA) with the Special Purpose Vehicle (SPV) formed by the Successful Bidder. The land for the Project(s) has been allocated by GOS at Deh Halkani, District West and Deh Metha Ghar, District Malir. The Request for Proposal (RFP) and the feasibility studies were submitted to NEPRA in April 2023 and the prequalification evaluation has also been completed. The anticipated commissioning of the project is FY 2025.

With regards to 150 MW Winder and Bela solar projects in Balochistan, NEPRA issued its decision on the RFP on October 14, 2022. Subsequently, KE filed a review application on the RFP decision, hearing for which was held on April 06, 2023. Land for the project has been approved and allocated by the Government of Balochistan (GoB) Cabinet while the terms of allocation are under active deliberations between KE and GoB. Lease Order for all sites have been issued.

KE has also taken the initiative to commence the development of a 220 MW Site Neutral Hybrid Renewable Project. RFP hearing by NEPRA was conducted on June 14, 2023. The prequalification process has been successfully completed, marking another milestone in the project's progress.

KE is committed to reducing its cost of generation by induction of indigenous resources which also includes off-take of power through base load plants. On local coal, KE is engaged with both the Government and private sponsors with regards to potential development of around 990 MW of base load local coal projects, including

the potential offtake of power from Jamshoro coal project after its conversion to 100% local coal which is under deliberation with the Government. In May 2023, KE has also executed an MoU with a consortium of partners for the development of CPEC approved Thar coal project having a capacity of up to 1,320MW; the consortium of partners includes Oracle Power PLC, Power China International which is one of the largest state-owned Chinese entity working in the power sector of Pakistan, along with the Government of Sindh Energy Department. Due to its presence under the umbrella of CPEC, the project presents a workable coal development option, with regards to facilitation of the arrangement of foreign financing. KE is also engaged with other project developers for potential power off-take from 330 MW local coal fired power project being developed in Thar.

For reducing the energy basket price of the Company in the long term and on sustainable basis, acquisition of bulk hydel power remains a key driving factor for KE. We are actively pursuing the 82 MW Turtonas Uzghor Hydel project (Uzghor) situated in Chitral region of KPK province. KE issued the Letter of Intent to the project in September 2022, after which the project filed for its Licensee Proposed Modification (LPM) with NEPRA, for the change in off-taker from Central Power Purchasing Agency (CPPA-G) to KE in January 2023. KE has also signed a strategic level Memorandum of Understanding (MoU) with China Three Gorges South Asia Investment Limited (CTGSAIL) to collaborate on exploring hydro projects across the country, including Azad Jammu & Kashmir. CTGSAIL has a successful history of developing hydro power and renewable projects in Pakistan, as its flagship 720MW Karot Hydro project achieved commissioning in 2022. With a strong development partner having an invaluable pipeline of hydel projects, KE is expected to add inexpensive bulk power to its network through this collaboration.

Additionally, to further expand its hydel portfolio, KE has been actively engaged with various provincial and federal hydel development entities.

### Transmission

To further build on improvements driven by continued investments, KE has prepared a robust investment plan for the next control period (FY 2024 to FY 2030), currently under NEPRA approval, with a vision to provide reliable power to its customers while considering the upcoming paradigm shift in power sector and the requisite need to have enough capacity to accommodate power demand needs in future.

### Load Growth Requirement and Loss Reduction

With the sheer commitment to serve the growing power demand while maintaining reliable and efficient transmission of power, KE plans to achieve transmission

capacity enhancement of 755 MVAs through addition of new 132kV grid stations and augmentation in existing grid stations. Furthermore, three 220kV grid stations will be added alongside augmentation of 3 x 250MVA Auto Transformers at existing grid stations. Moreover, the Company has also planned the addition of current limiting and compensation devices to make room for addition of new generation projects and maintain the power quality while optimizing the overall efficiency of the system.

In addition, works on 500kV KKI and 220kV Dhabeji grids are already in progress which would enable off-take of additional power from the National Grid. This would not only benefit KE customers in terms of the addition of cheaper power in KE system, but also benefit the entire country by reduction in existing burden of idle capacity payments and ensure better utilization. After commissioning of the above grids in 2<sup>nd</sup> and 3<sup>rd</sup> quarter of the coming calendar year, KE will be in a position to deliver around 5,000 MW of power to its licensed area.

### **Hub, Vinder, Uthal & Bela (HVUB) Project**

In line with KE's commitment to harness sustainable/greener energy resources present at the outskirts of Karachi while ensuring affordable and reliable supply of power to the customers of rural areas, the Company has planned to elevate the existing voltage level from Hub to Bela grid from 66kV to 132kV via double circuit transmission line to ensure maximum evacuation of power from the planned 150MW solar power projects in Balochistan region. However, the upgradation work is pending amid NEPRA approval for the cost to be incurred for such upgradation.

### **Network Reliability**

The planned investments include various initiatives aimed at strengthening the Transmission Infrastructure through rehabilitation and replacement of fatigued equipment and structures. Rehabilitation of grid automation system / Telecom Network along with technological advancements such as addition of server with application for DRC is also envisioned for providing enhanced monitoring and control. These initiatives would further improve network safety, reliability, and efficiency.

### **Distribution**

KE has outlined a Distribution Network Improvement Plan (NIP) for control period FY 2024 to FY 2030, currently under NEPRA approval, aimed at safety, outage reduction, improved power quality, technical loss reduction, improved reliability, and operational efficiency. These initiatives together are expected to achieve a 2.3% technical and commercial loss reduction in addition to 32.8% reduction in SAIFI & approximately 28.6% reduction in SAIDI over the next 7 years. At the same time, the NIP will also prioritise innovation and technological

enhancement such as deployment of ADMS/SCADA on 200 feeders to improve network visibility, asset management and reduction in outage duration.

## **Environmental, Social, Governance and Sustainability Management**

As stewards of the Company, the Board of Directors is dedicated to upholding the highest ESG standards at KE, fostering innovation and creating enduring value for all stakeholders. KE operations prioritize environmental preservation, social advancement, and economic viability. The Company champions education, healthcare, and environmental conservation and proactively engages with communities through philanthropic endeavors. The Board of Directors also holds the responsibility of reviewing all ESG initiatives quarterly, ensuring that there is transparency in all forms of communication, adherence to compliance and minimization of risk. Given the critical role KE plays in driving economic growth and advancing quality of life, the Company has aligned its operations to the United Nations Sustainable Development Goals (SDGs). Although KE prioritizes 11 out of the 17, it has placed special emphasis on SDG 5 (Gender Equality), 7 (Affordable and Clean Energy), 11 (Sustainable Communities) and 13 (Climate Action) reporting on these through its annual sustainability reports to ensure stakeholders are updated on KE's progress on ESG Indicators.

## **Multi Year Tariff (MYT) Pending Approval of Costs Claimed in Lieu of Recovery Loss**

The Company remains in continuous engagement with NEPRA to expedite the determination of pending quarterly tariff variations including costs in lieu of recovery loss for the period FY 2017 to FY 2023 (in relation to actual write-off of bad debts, allowed under KE's MYT) claimed as per the mechanism provided in KE's MYT.

Timely approval of these requests remains critical for the Company's sustainability and execution of planned investment.

### **MYT post 2023**

KE was awarded an integrated MYT by NEPRA for a control period of 7 years that expired in June 2023. Keeping in view learnings of the MYT 2017-2023 and the ongoing changes in power sector including Distribution (network) and Supply business being separate licensed activities, implementation of CTBCM model, and the proposed country wide central economic despatch, KE is endeavoring for separate tariff determination for each business segment for the period post June 2023.

In this regard, KE's Generation petition for the remaining life of Generation plants and investment plan and performance KPIs for Transmission and Distribution segment for the next control period are in advanced stages of finalization by NEPRA which will be followed with tariff determinations for transmission, distribution, and supply segments. KE remains engaged with NEPRA for timely and sustainable tariff determination.

## Distribution and Electric Power Supplier License

KE was granted distribution license on July 21, 2003 for distribution and supply of electric power services in its territory for a period of twenty years till July 2023. With the ongoing changes in the power sector including Distribution (network) and Supply business being separate licensed activities under the NEPRA Act 1997 (as amended) and implementation of CTBCM, KE, during the year, filed separate license applications for Distribution and Supply businesses. A provisional renewal / extension in KE's distribution license was granted after the year-end in the interest of customers. The interim renewal will enable KE to continue its efforts in delivering reliable power supply to our valued customers.

KE remains engaged with NEPRA for timely issuance and finalization of its submitted license applications.

## Receivables from Government Entities and Departments

As of June 30, 2023, KE's net receivables from various Federal and Provincial Government entities, stood at PKR 23.9 billion on principal basis. The backlog of receivables continued to have a consequential impact on the Company including its ability to enhance the pace of investment in power infrastructure. However, for sustainability of KE as well as the sector at large, it is imperative that all parties including the Government, reach an amicable solution to resolve this long-standing issue in accordance with the law. In this regard, among other issues discussed during the meetings of the Taskforce constituted in June 2022 by the then Honorable PM, it was proposed that a holistic Mediation having all parties to the issue of historic receivables and payables between KE and the Government entities and departments be considered, for which a draft Mediation Agreement has been prepared. The draft Mediation Agreement has been initialed between the parties and shall be placed before the Cabinet for approval.

Further, KE has been engaged with GoP and its functionaries for finalization and execution of the Power Purchase Agency Agreement (PPAA), Inter Connection Agreement (ICA) and Tariff Differential Subsidy (TDS) Agreement for supply from the National Grid and timely

release of KE's TDS Claims receivable from the GoP. In this regard, based on discussions at the level of Taskforce Committee, PPAA, ICA and TDS Agreements have been finalized and initialed by the relevant parties.

The initialed draft of these agreements along with a detailed report including recommendations of the Taskforce for resolution of KE issues was sent to the PM Office. The PM Office has directed the Power Division to place the recommendations of the Taskforce which includes execution of PPAA, ICA and TDS Agreement as well as the Mediation Agreement before the Competent Forum for approval.

## Support Required from Government of Pakistan & NEPRA

The Company remains committed to its robust investment plan aimed at benefiting the customers and Pakistan's economy at large. However, resolution of critical issues including award of a sustainable tariff from NEPRA for the period post June 30, 2023, receivables from government entities and departments, certainty on supply from National Grid, provision of gas to optimize KE's generation cost and timely regulatory approvals are pre-requisites for execution of investment and sustainability of supply of power to Karachi.

The Company remains in continuous engagement with relevant stakeholders including Government departments and entities as well as NEPRA and is confident that with collective support from all stakeholders and execution of planned investments in the power infrastructure, Karachi will transform into a bustling megapolis.

## Competitive Landscape

The model aims to introduce a competitive wholesale electricity market across the country wherein Bulk Power Consumers (BPC) having load of 1MW and above will have the opportunity to enter into bilateral contracts with supplier of their choice.

Pursuant to issuance of Market Operator License by NEPRA to CPPA-G, in May 2022, dry run activities and firming up of the regulatory framework related to roll out of CTBCM are in progress. KE remains highly engaged with relevant stakeholders including NEPRA for finalization of the regulatory framework as well as approval of its proposed integration plan with an objective to ensure a sustainable and orderly transition in line with the National Electricity Policy 2021 and the CCoE approved principles for establishing competitive wholesale electricity markets in Pakistan.

The previous structure of the sector wherein power distribution companies had exclusive rights to sell and



distribute power till the expiry of their distribution license has ended and the regulatory landscape is set to change with the implementation of Competitive Trading Bilateral Contracts Market (CTBCM) model.

## Financing Update

### Liquidity and Capital Structure

Amidst uncertain socio-political and macro-economic factors, managing liquidity remained challenging, particularly on account of issues faced in recovery primarily due to significant increase in consumer end tariff, fuel cost adjustments and unprecedented inflationary levels, which affected customers' propensity to pay. However, the Company has managed its cashflow requirements through optimization of working capital and continuous support from banks, capital markets and other financial institutions.

### Commercial Papers / Short-Term Sukuks

During FY 2023, the Company continued its Short-term Sukuk (STS) Program through issuance of eleven distinct privately placed STS of 6 months' tenor each, amounting to PKR 55 billion. The proceeds of the issues were utilized to fund maturity of previously issued STSs and partially to finance additional working capital requirements. Continued support of capital market to KE's STS Programs has not only enabled the Company to maintain a diversified debt portfolio, but also to utilize financing limits of some of the banks for supporting strategic projects of the Company.

### Financing for Sukuk PKR 6.7 Billion

During the year, the Company successfully issued a Rated, Secured, Privately Placed, DSLR Listed Sukuk of PKR 6.7 billion, for which the proceeds were raised solely from the capital market. The Sukuk has a tenor of 7 years, including 2 years grace period and has been rated AA+ (Double A Plus) by VIS Credit Rating Company Limited. The purpose of the Sukuk is to meet the permanent working capital requirements of the Company.

## Auditors' Observation

The auditors have given Emphasis of Matter on the following three matters:

As explained in note 13.1 to the unconsolidated financial statements, which explains the matter in respect of claims for write-off of trade debts pending with National Electric Power Regulatory Authority (NEPRA);

As explained in note 31.1.1 to the unconsolidated financial statements, which describes that the mark-up / financial charges on outstanding liabilities due to government-controlled entities will only be payable by the Company as part of holistic settlement where the Company will receive mark-up on outstanding receivable

balances on account of tariff differential claims and energy dues of the Company's public sector consumers; and

As explained in note 31.1.5 to the unconsolidated financial statements, the Supreme Court of Pakistan vide its decision dated August 13, 2020 has declared the Gas Infrastructure Development Cess (GIDC) Act, 2015 to be valid. In this respect the Company's suit is pending before the High Court of Sindh on the grounds, amongst others, that the Company falls within the category of gas consumers who have not accrued the GIDC in their books and have neither recovered nor passed it on to their consumers.

## Compliance With The Listed Companies (Code Of Corporate Governance) Regulations, 2019

### Board Composition

|   |    |
|---|----|
| Total number of Directors as at June 30, 2023 | 10 |
| i. Female                                     | 0  |
| ii. Male                                      | 10 |
| iii. Casual vacancy                           | 3  |

### Composition

|   |   |
|---|---|
| i. Independent Director   | 1 |
| ii. Non-Executive Directors<br>(excluding Independent Director) | 8 |
| iii. Executive Directors  | 1 |

### Board Committees

The name of members of Board Committees are mentioned in "Company Information" in this Annual Report.

### Board Remuneration Policy

The Board has approved a remuneration policy for Non-Executive Directors in its 1216<sup>th</sup> Meeting held on June 25, 2020 which is in line with the applicable corporate regulatory framework. Salient features of the approved Remuneration Policy of Non-Executive Directors are as under:

- Fee shall be reviewed after every three years;
- The review shall invariably comply with applicable corporate regulatory framework and shall be carried out in an objective manner;
- The level of remuneration shall be appropriate and commensurate with the level of responsibility and professional expertise needed to govern the Company to successfully achieve its corporate and social objectives as well as encourage value addition.

Details of aggregate amount of remuneration, separately

of Executive and Non-Executive Directors, including salary / fee, perquisites, benefits, and performance-linked incentives etc are available in the notes to the Financial Statements.

## Compliance With The Companies Act, 2017

The financial statements present a fair review of the Company's state of affairs, results of its operations, cashflows and changes in equity. The Company, due to reinvestment requirements and certain lenders covenants, has not declared dividend / bonus shares.

- (a) The names of the persons who, at any time during the financial year, were Directors of the Company are given below:
- i) Mr. Mark Gerard Skelton
  - ii) Mr. Syed Moonis Abdullah Alvi
  - iii) Mr. Adeeb Ahmad
  - iv) Mr. Saad Amanullah Khan
  - v) Mr. Shan A. Ashary
  - vi) Mr. Mubasher H. Sheikh
  - vii) Mr. Muhammad Kamran Kamal
  - viii) Mr. Muhammad Zubair Motiwala
  - ix) Dr. Imran Ullah Khan
  - x) Mr. Arshad Majeed Mohmand
  - xi) Ms. Sadia Khuram
  - xii) Mr. Boudewijn Clemens Wentink
  - xiii) Ch. Khaqan Saadullah Khan
  - xiv) Mr. Khalid Rafi
  - xv) Mr. Naveed Ismail
  - xvi) Mr. Ruhail Muhammad
  - xvii) Mr. Asad Ali Shah
  - xviii) Mr. Waseem Mukhtar
- (b) The principal activities and the development and performance of the Company's business during the financial year are covered in this Directors' Report.
- (c) The principal risk and uncertainties facing the Company are fully described in "Navigating Risk with Resilience", under "Corporate Governance and Compliances" section of the annual report.
- (d) No change occurred during the financial year concerning the nature of the business of the Company or of its subsidiaries, or any other company in which the Company has interest other than those mentioned in the Notes to the Financial Statements.
- (e) There was no content with regard to modification in the Auditor's Report.
- (f) The pattern of shareholding and categories of shareholders are available in "Stakeholder and Shareholder Information" section of the annual report.
- (g) KES Power Limited, incorporated in Cayman Islands,

is the holding Company of K-Electric Limited.

- (h) Loss Per Share for the year ended June 30, 2023 was Rs. 1.12 (basic/diluted).
- (i) The Company has reported a loss during the year under review.
- (j) There were no defaults in payment of any debts during the year under review.
- (k) A sound financial control system is in place and is regularly monitored by the Board Audit Committee (BAC) and also reported to the Board of Directors.
- (l) The details of Commitments are available in the Notes to the Financial Statements. There were no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statement relates and the date of the report.
- (m) The main trends and factors likely to affect the future development, performance and position of the Company's business is described under "Future Outlook" in this Directors' Report.
- (n) Significant business plans and decisions and impact on the environment have been covered under "Environmental, Social, Governance & Sustainability Management" section of the annual report.
- (o) A report on the activities undertaken by the Company in relation to Corporate Social Responsibility during the year under review is placed under "Environmental, Social, Governance & Sustainability Management" section of the annual report.

## Board of Directors (BOD)

### Gender Diversity on the Board

The Board encourages Diversity and Inclusion across all levels and had one female representative on the Board. The Board intends to induct a female director once the legal and statutory restrictions, with regard to its composition, are removed.

### Director Orientation

A comprehensive orientation program is in place to welcome new Directors and acquaint them not only with Company's operational activities, objectives and business plan but also with regard to their statutory duties and responsibilities pursuant to the Companies Act, 2017, the Securities Act, 2015, the Rule Book of Pakistan Stock Exchange (PSX), Listed Companies (Code of Corporate Governance) Regulations 2019 (CCG), the KE's Memorandum and Articles of Association as well as the Company's Code of Conduct. This helps incoming Directors make informed decisions to safeguard interests of the Company and all the stakeholders.

## Changes in the Board of Directors

### Election of Directors

During the period, an election of Directors was held wherein following Directors were appointed:

- i) Mark Gerard Skelton
- ii) Syed Moonis Abdullah Alvi (CEO)
- iii) Adeeb Ahmad
- iv) Arshad Majeed Mohmand
- v) Boudewijn Clemens Wentink
- vi) Ch. Khaqan Saadullah Khan
- vii) Dr. Imran Ullah Khan
- viii) Mubasher H. Sheikh
- ix) Muhammad Kamran Kamal
- x) Muhammad Zubair Motiwala
- xi) Saad Amanullah Khan
- xii) Sadia Khuram
- xiii) Shan A. Ashary

### Resignations of Directors

Mr. Boudewijn Clemens Wentink, Ch. Khaqan Saadullah Khan and Ms. Sadia Khuram resigned from the position of Non-Executive Directors in October 2022 resulting in casual vacancies on the Board.

However, K-Electric cannot change its current Board composition due to the following factors:

- a. Suit 1731/2022 (Al Jomaih Power Limited & another vs IGCSPV 21 Limited & others) together with ad-interim order from the Sindh High Court dated October 21, 2022 passed therein, through which the Company has been directed "no change will be affected in the present board of directors of the K-Electric"
- b. Directions from the Securities and Exchange Commission of Pakistan dated November 08, 2022 which states that the "composition of the current Board of Directors of the Target Company (i.e. K-Electric) shall not be changed, whatsoever, till further orders of the Commission".

Accordingly, prior to the expiry of statutory period of 90 days for filling the casual vacancies, the Company has informed SECP as to its inability to do so till the time the Court's order is in the field and SECP's direction stays.

## Auditors

The present statutory auditor, A.F. Ferguson & Co, Chartered Accountants, a member firm of the PwC network, retired and being eligible, offered themselves for reappointment. The shareholders of the Company at the AGM on October 26, 2022, upon recommendations of the Board Audit Committee (BAC) and the Board, reappointed them as statutory auditor of the Company for FY 2023.

## Acquisition by Shanghai Electric Power (SEP)

Shanghai Electric Power (SEP), in October 2016, entered into a Sale and Purchase Agreement (SPA) with KES Power Limited (holding company) to acquire up to 66.4% shares in the Company, subject to receipt of applicable government approvals and satisfaction of other conditions precedent specified therein. Despite delays in the required approvals and lapse of several years, this strategic investor has reiterated its keenness and subsequent to year end also issued fresh Public Announcement of Intention for the acquisition on July 21, 2023.

## Future Outlook

KE is a dynamic organization that has demonstrated its resilience and determination to grow and thrive, overcoming multiple challenges since inception in 1913. Firm on its vision of providing safe and reliable power to all its customers, the Company has planned a comprehensive investment plan, spread across the entire power value-chain, resulting in energy self-sufficiency and socio-economic growth of its coverage area and resultantly Pakistan. However, execution of planned investments is dependent upon timely and sustainable tariff determination by NEPRA for the period post 2023.


## Conclusion

In conclusion, the Company continues to engage with relevant governmental, regulatory and other external entities in order to ensure an enabling and pro-investment environment for the power sector at large and for the Company in particular, as Pakistan's only privatized and vertically integrated power utility. With collective support from all stakeholders, the Company continues to maintain a positive outlook for the future and looks towards profitable and sustainable growth while also strengthening service provision to the customers.

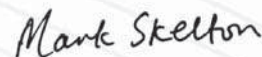
## Acknowledgements

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

For and on behalf of the Board,



Syed Moonis Abdullah Alvi  
Chief Executive Officer



Mark Gerard Skelton  
Chairman

Karachi, September 15, 2023

# Board Committees' Terms of Reference (TORs)

## Board Audit Committee (BAC)

- a. Determination of appropriate measures to safeguard the company's assets.
- b. Review of annual and interim financial statements of the Company, prior to their approval by the Board of Directors.
  - (i) focusing on major judgmental areas.
  - (ii) significant adjustments resulting from the audit.
  - (iii) going concern assumption.
  - (iv) any changes in accounting policies and practices.
  - (v) compliance with applicable accounting standards.
  - (vi) compliance with applicable Code of Corporate Governance regulations and other statutory and regulatory requirements; and
  - (vii) all related party transactions.
- c. Review of preliminary announcements of results prior to external communication and publication.
- d. 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).
- e. Review of management letter issued by the external auditor and management's response thereto.
- f. Ensuring coordination between the internal and external auditors of the Company.
- g. Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company.
- h. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto.
- i. 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.
- j. Review of the Company's statement on internal control systems prior to endorsement by the Board and internal audit reports.
- k. Instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the Chief Executive Officer and to consider remittance of any matter to the external auditors or to any other external body.
- l. Determination of compliance with relevant statutory requirements.
- m. Monitoring compliance with Code of Corporate Governance regulations and identification of significant violations thereof.
- n. Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures.
- o. Recommend to the Board the appointment of the external auditor, their removal, audit fee, the provision of any service permissible to be rendered to the Company by the external auditor in addition to audit of its financial statements, measures for redressal and rectification of non-compliances with the Code of Corporate Governance regulations. The Board shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
- p. Review process of identification and management of strategic business risks of the Company.
- q. Review and approve the enterprise risk management framework.
- r. Ensure that risk management processes and cultures are embedded throughout the Company and monitor that policies related to risk management framework are appropriately documented and implemented.
- s. Ensure that the Company undertakes, at least annually, an overall review of business risks to ensure that the management maintains a robust system of risk identification, assessment, and management.
- t. Provide regular updates to the Board of Directors on key risk management issues and its proposed mitigating measures.
- u. Consideration of any other issue or matter as may be assigned by the Board.

## Board Human Resource & Remuneration Committee (BHR&RC)

- a. Recommending to the Board for consideration and approval, a policy framework for determining remuneration of Directors (both executive and non-executive Directors) and members of senior management. The definition of senior management will be determined by the Board which shall normally include the first layer of management below the Chief Executive Officer level.
  - b. Undertaking annually, a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the Directors' Report disclosing name, qualifications, and major terms of appointment.
  - c. Recommending Human Resource management policies 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.
  - d. Recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of Chief Executive Officer.
  - e. Recommending to the Board the selection, evaluation, development, compensation (including retirement benefits) of Chief Operating Officer, Chief Financial Officer, Company Secretary and Chief of Internal Audit.
  - f. Consideration and approval of recommendations of Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer or Chief Operating Officer.
  - g. Where Human Resource and Remuneration Consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the company.
  - h. Reviewing and approving on behalf of the Board of Directors all matters relating to implementation of the human resources related proposals previously approved by the Board; and
  - i. Recommending to the Board to make such changes in the mandate of the committee as it may deem fit from time to time.
- b. To review and discuss financial strategy and plan together with an annual budget (including balance sheet, profit or 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 tariffs, 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 or 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.

## Board Strategy and Projects Committee (BS&PC)

- a. Review the performance of the Company in meeting strategic objectives.
- b. Periodically review the mission, vision, and strategic plans, and recommending changes to the Board.
- c. Review of the Company's overall performance on the Annual Strategy Plan by monitoring the Key Performance Indicators (KPIs) bi-annually.
- d. Understanding the organization's industry, market/community, and core competencies. Keeping up to date on industry and local market trends, advances in technology and other opportunities to improve the scope, cost-effectiveness and quality of services provided by the Company.
- e. Have the authority to bring external industry experts into board meetings from time to time to discuss topics of interest related to strategy in order to stimulate ideas and strategic thinking by Directors.
- f. To identify and review progress on major Generation, Transmission, Distribution, and other projects to achieve strategic objectives and materialise long-term business plan of the Company.
- g. To undertake any other assignment entrusted by the Board.

## Board Finance Committee (BFC)

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

## Attendance in Board of Directors' and Committees' Meetings

held during the year, when the concerned Director was on the Board/Committee

| Member                    | BOD  |          |
|---------------------------|------|----------|
|                           | Held | Attended |
| Mark Gerard Skelton       | 9    | 9        |
| Syed Moonis Abdullah Alvi | 9    | 9        |
| Adeeb Ahmad               | 9    | 9        |
| Arshad Majeed Mohmand     | 9    | 8        |
| Boudewijn Clemens Wentink | 2    | 2        |
| Ch. Khaqan Saadullah Khan | 2    | 2        |
| Dr Imran Ullah Khan       | 9    | 7        |
| Mubasher H. Sheikh        | 9    | 9        |
| Muhammad Kamran Kamal     | 9    | 8        |
| Muhammad Zubair Motiwala  | 9    | 6        |
| Saad Amanullah Khan       | 9    | 9        |
| Sadia Khuram              | 2    | 1        |
| Shan A. Ashary            | 9    | 8        |

| Member                    | BAC  |          |
|---------------------------|------|----------|
|                           | Held | Attended |
| Mark Gerard Skelton       | 6    | 6        |
| Ch. Khaqan Saadullah Khan | 1    | 1        |
| Dr Imran Ullah Khan       | 7    | 7        |
| Mubasher H. Sheikh        | 7    | 7        |
| Saad Amanullah Khan       | 7    | 7        |
| Sadia Khuram              | 1    | 1        |

| Member                    | BHR&RC |          |
|---------------------------|--------|----------|
|                           | Held   | Attended |
| Mark Gerard Skelton       | 5      | 5        |
| Syed Moonis Abdullah Alvi | 5      | 5        |
| Ch. Khaqan Saadullah Khan | 1      | 1        |
| Muhammad Kamran Kamal     | 1      | 1        |
| Muhammad Zubair Motiwala  | 4      | -        |
| Saad Amanullah Khan       | 5      | 5        |
| Shan A. Ashary            | 5      | 4        |

| Member                | BFC  |          |
|-----------------------|------|----------|
|                       | Held | Attended |
| Mark Gerard Skelton   | 2    | 2        |
| Adeeb Ahmad           | 2    | 2        |
| Mubasher H. Sheikh    | 2    | 2        |
| Muhammad Kamran Kamal | 2    | 2        |

| Member                    | BS&PC |          |
|---------------------------|-------|----------|
|                           | Held  | Attended |
| Mark Gerard Skelton       | 5     | 5        |
| Syed Moonis Abdullah Alvi | 5     | 3        |
| Adeeb Ahmad               | 5     | 5        |
| Arshad Majeed Mohmand     | 5     | 4        |
| Ch. Khaqan Saadullah Khan | 4     | 4        |
| Muhammad Kamran Kamal     | 5     | 4        |
| Shan A. Ashary            | 5     | 2        |

### NOTE:

- No Board Meeting was held outside Pakistan by the Company during the year ended June 30, 2023.
- The Board Audit Committee is also empowered for the governance of Risk Management of the Company.

# Code of Conduct

The values embedded at KE form the basis of our Code of Conduct and provide the necessary guidelines for our employees. Our daily business activities need to reflect compliance and adherence to the Code of Conduct in all manners. Our employees are expected to be mindful of all our ethical standards in all engagements and interactions. The Code of Conduct fosters trust, respect, and ethical behavior among employees and stakeholders. It promotes fairness and equality, negating discrimination, promoting diversity and inclusion and providing equal growth opportunities. The company maintains a harassment-free environment and prohibits bribery or conflicts of interest. Openness and accountability are paramount, encouraging concerns to be reported through anonymous Speak Up platforms which ensure anonymity. We expect our employees to report any actual or potential breach of the Code or any KE policies. We strive to maintain a culture in which employees are comfortable in raising concerns and reporting to the concerned authorities. The full Code of Conduct is available on the KE website.



Our promise: employee well-being



A collaborative environment



ONE team. ONE code.  
Positive interactions across our service area



Energy That Moves Life

## Strategy and Resource Allocation



# Business Objectives & Strategies

KE strives to deliver smooth, safe and reliable power to its customers. For this, KE is strategically positioning itself for accelerated growth, considering the ongoing market and regulatory transformations:

- Obtaining cost-effective energy sources with a strong focus on renewables.
- Expanding KE's operations: Utility services, distributed generation, attracting Bulk Power Consumers (BPCs) in new markets & offering value-added services.
- Generating additional value through strategic utilization of existing assets including real estate and fiber optics network.

To meet the growing power demand and better serve its consumers, amidst the evolving sector landscape, the Company has taken several initiatives:

- Commissioning of highly efficient 900 MW BQPS III RLNG power plant
- Planned additions of 1,282 MW of renewables and 990 MW base load local coal plant
- Setting up of new interconnection points for off-take of additional power from National Grid

- Delivering 14 projects under Operational Excellence enhancing efficiency
- Developing new products for the upcoming liberalization of the power market
- Exploring ESG projects for achieving decarbonization objectives

KE embarked on a journey of transformation management two years ago with its company-wide Operational Excellence Program (OPEX). The first horizon of this program has proven to be a tremendous success, with the successful conclusion of multiple projects across the value chain.

The second phase of the OPEX program is underway, aiming to streamline our meter-to-cash cycle, minimize our carbon footprint, and automate our grids, among other initiatives. We are enthusiastic about driving these Horizon-II projects with equal dedication to achieve greater outcomes.

KE is on a journey of innovation, leveraging new technologies and products to create an energy-secure and sustainable future. Through initiatives like the 7/11+ Innovation Challenge, KE has established partnerships



Diversity shaping our business objectives

with startups, academia, and researchers. The first step of this journey involved collaborating with inventive minds and investing in diverse areas such as affordable and clean energy, sustainable urban development, climate action, and customer experience. The challenge attracted 300 applications and 25,000 unique visitors – the top 10 teams of the 7/11+ Innovation Challenge were invited to the NEPRA headquarters in Islamabad to showcase their products to DISCOs nationwide and honoured with awards. This collaboration strengthens KE's position, fosters university and startup ties, identifies trends, and works towards a self-sustainable, greener Pakistan.

KE promotes growth, diversity, and invests in employee wellbeing – not just their physical but mental health as well. Some initiatives include employee referral programs, employee advocacy programs, inclusion drives, self-defense trainings, Women-on-Wheels (WOW) trainings, and onboarding of Roshni Bajis and female Grid Operating Officers (GOOs).

In each facet of our journey, KE is not only energising lives but also igniting progress, innovation, and empowerment.

### Power Procurement Strategy

KE's proposed power procurement strategy focuses on reduction in future generation cost by maximizing induction of renewables and use of indigenous coal for base load generation. The proposed plan envisions long-term procurement planning with the addition of 1,282 MW of renewable sources including Hydel, Solar and Wind by FY 2030. Additionally, KE has also considered off-take of

additional power from National Grid post commissioning of KKI Grid. In addition, KE is actively working with stakeholders for induction of 990 MW baseload power on indigenous coal by FY 2030.

### Business Objectives & Strategies

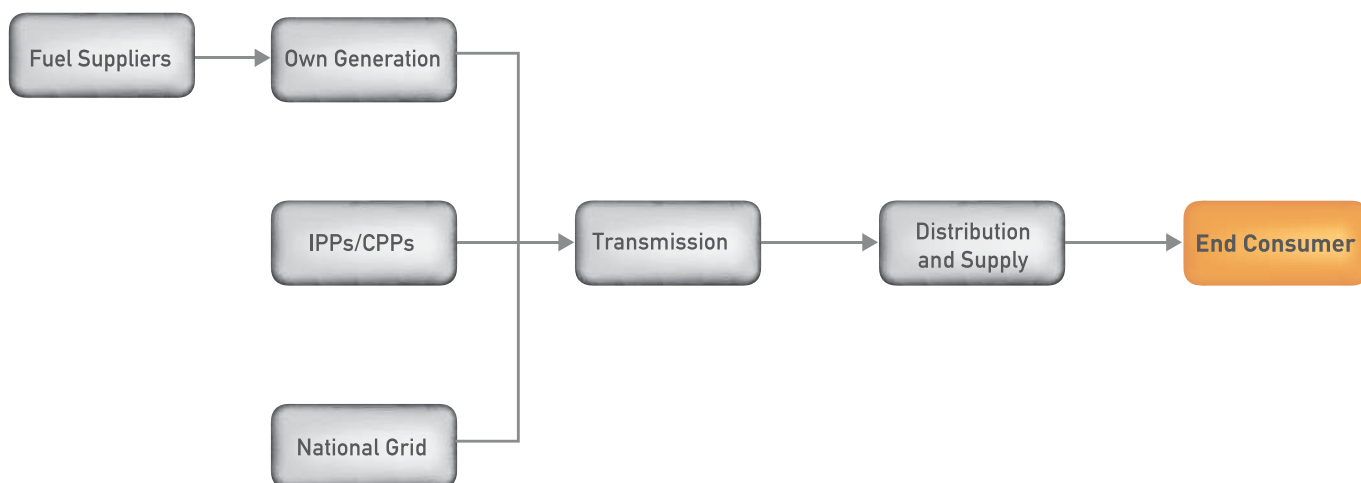
- Aims to ensure reliable and uninterrupted power supply to its customers in the areas it serves.
- Provide excellent customer service and meet the needs of its customers.
- Strives to improve operational efficiency and reduce costs in its power generation, distribution, and customer service processes.
- Focus on sustainable practices and environmental stewardship.
- Aims to maintain a healthy financial position and achieve profitable growth.

### Key Performance Indicators (KPIs)

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

- Improvement in fleet efficiency in generating electricity
- Reduction in T&D and AT&C losses
- Customer experience and satisfaction (Instant Customer Endorsement scores)
- Improvement in reliability indices
- Growth in EBITDA
- Employee retention and satisfaction
- Consistent corporate achievement and excellence

## Current KE Value Chain



# Competitive Landscape and Market Positioning

## Competitive Trading Bilateral Contract Market

The previous structure of the sector wherein power distribution companies had exclusive rights to sell and distribute power till the expiry of their distribution license has ended following which the regulator has granted Distribution Licenses to power distribution companies without any exclusive rights leading towards a change in regulatory landscape with the implementation of the Competitive Trading Bilateral Contracts Market (CTBCM) model.

The model aims to introduce a competitive and efficient wholesale electricity market across the country enabling Bulk Power Consumers (BPC) having load of 1MW and above to enter into bilateral contracts with a supplier of their choice.

In alignment with the National Electricity Policy 2021 and Cabinet Committee on Energy (CCoE) approved principles for establishing a wholesale electricity market, KE is actively consulting stakeholders to ensure a smooth and sustainable transition towards an open market regime and we are confident that appropriate regulatory and policy decisions for the implementation as envisaged under the National Electricity Policy 2021 would help shape a resilient Pakistan power market for the future.

To maintain KE's competitive advantage, KE is actively working towards reducing generation costs - notably by incorporating renewable energy sources such as indigenous fuel-based, solar, and hydel power, ultimately, reducing overall generation costs.

While the commercial operations for CTBCM is yet to be announced, CTBCM is anticipated to significantly reshape Pakistan's power sector dynamics. With an ongoing commitment to reliability and innovation, KE is also fully engaged in the process with relevant stakeholders and we remain steadfast in navigating challenges and embracing opportunities to ensure a competitive, sustainable, and reliable energy future.



Our champions of change, walking together towards a brighter future

# Customer Experience

We employ a series of strategic initiatives aimed at elevating customer convenience and enriching the overall customer experience.

To enhance customer service accessibility in suburban areas and cater to a broader customer base, we inaugurated two Integrated Business Centers on Wheels (IOW) and established nine Customer Facilitation Centers (CFCs) on the city's outskirts. We remained committed to serving our customers whilst controlling our costs in a difficult operating environment by converting two of our low walk-in centers at Saddar and Clifton to Mega CFCs. To foster a welcoming environment for our diverse customer base whilst promoting an environment of diversity and inclusion, we made deliberate efforts to recruit female staff at our CFCs. We have also implemented Queue Management System (QMS) to streamline customer traffic management at our Corporate Customer Experience office.

In collaboration with "Purple Tuesday", a global movement dedicated to enhancing customer experiences for individuals with disabilities, we successfully created an inclusive environment by enhancing 5 Consumer Experience Centers (CECs) with accessibility features such as wheelchairs and ramps.

We have also engaged the support of a Mystery Shopper vendor. Regular mystery shopping visits to our Customer Care centers and Contact Center, facilitate impartial assessments of service quality, identify areas for improvement, and ensure continuous enhancements to exceed customer expectations.

A noteworthy digital penetration rate of 59.6% was

achieved during the year as our Whatsapp platform witnessed remarkable growth of 240,000 new customers and the KE Live app experienced a robust increase of 255,000 users.

We have been dedicated to system enhancement through initiatives such as streamlining complaint handling and auto billing ticket closure to streamline the process.

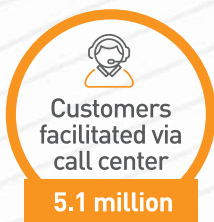
## Real-Time Insights with CX Dashboard

The CX Dashboard empowers us with real-time insights and analytics, enabling continuous monitoring and refinement of customer experience metrics.

## Online New Connection

In a strategic endeavor to enhance customer convenience and extend our digital footprint, KE has successfully implemented the activation of its digital channels (KE Live & Website). This now empowers customers to seamlessly apply for New Connection (NC) services, obviating the necessity to physically visit any of our dedicated customer experience centers. This astute integration of NC services into our digital platforms serves a dual purpose: amplifying our outreach and affording esteemed KE customers a sophisticated digital service interface, thereby exemplifying our commitment to innovation and excellence.

These initiatives stand as a testament to our steadfast commitment to incessantly enhance customer convenience and elevate the overall customer experience.



Our network

# Generation

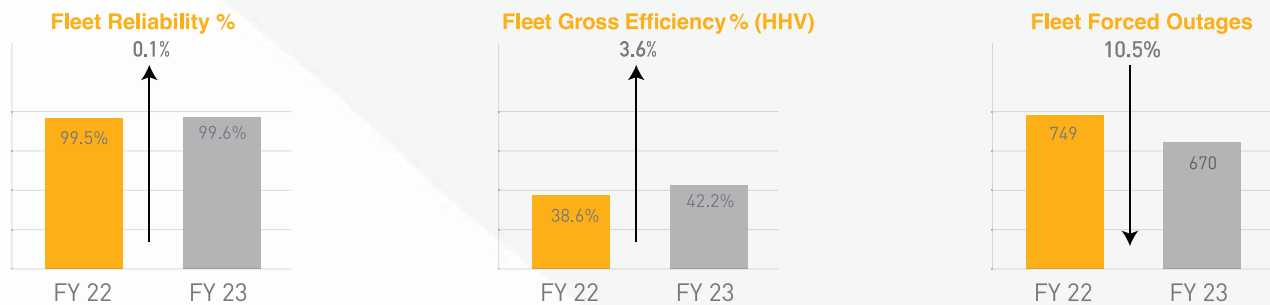
## Fleet Achievement

During the year FY 2023, both units of our flagship BQPS-III were commissioned on RLNG. Addition of 900 MW BQPS-III will significantly improve KE's generation fleet efficiency and KE intends to commission both units of BQPS-III on HSD fuel during FY 2024 to mitigate any fuel supply issues.

In addition, by commissioning BQPS-II Gas Turbines on the Pakistan LNG Limited (PLL) RLNG system, KE was able to maintain a steady supply of energy when SSGC gas supply was curtailed.

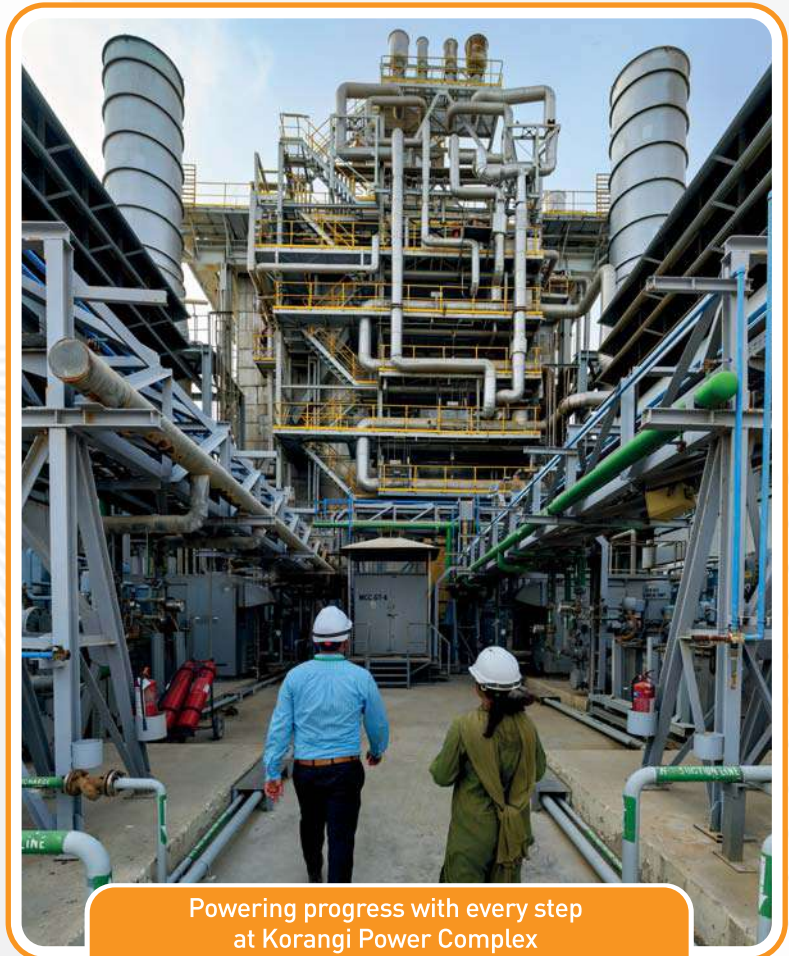
The addition of Black Start capability through the integration of BQPS-II with PLL's RLNG supply will ensure early power restoration during any blackouts.

Moreover, KE continued to invest in upkeep of its existing generation plants. The advantages of KE's continual generation plant maintenance are as follows:



## Significant Accomplishments and Activities during the Year

- BQPS-I annual maintenance of Unit-1,2,5 & 6, and sea water intake channel cleaning.
- BQPS-II major overhaul of Steam Turbine and ST Generator and Hot Gas Path Inspection of Gas Turbine 1 & 2.
- Reliability Run Test, Performance Test and commissioning of both units of BQPS-III on RLNG fuel.
- First ever "Onload Energization of Short Circuit Limiting Reactor (SLR)" in KE Network, which will enable connection of high short circuit (63KA/3sec) capable BQPS-III GIS with BQPS-II (40KA/3sec) GIS, meeting the network short circuits and load flow requirements.
- Annual maintenance of Heat Recovery Steam Generators and Steam Turbine Generators at KCCPP.
- Cost saving measures were implemented through the reduction and optimization of auxiliary consumption at KCCPP, SGTPS and KGTPS.



# Transmission

As a vertically integrated electric utility KE owns, operates, and maintains the Transmission system of its service territory as per its license. KE's transmission system comprises of:

- 1,354 km of 220kV, 132kV and 66kV lines
- 71 grid stations
- 20 Auto transformers with transformation capacity of around 4,600 MVAs
- 181 Power transformers with transformation capacity of 6,965 MVAs

Since privatisation, significant investments have been made for the upkeep and improvement of system reliability as well as to enhance capacity to meet the incremental power demand.

## Upgradation

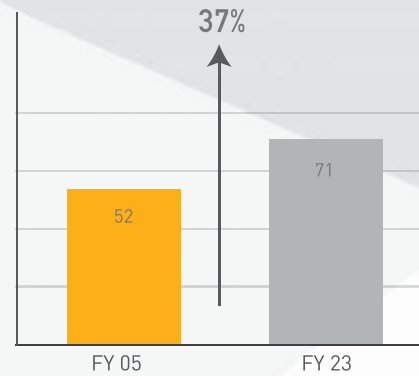
With the addition of 19 grid stations and initiatives for capacity augmentation, transmission capacity has been doubled since KE's privatization. This gives us the ability to efficiently manage the power demand of the metropolis. Moreover, 254 km of additional transmission lines have also been added to help with electricity evacuation from new power plants. Further, rehabilitation of existing lines and grid equipment is done periodically to increase system stability and reliability.

## Significant Achievements

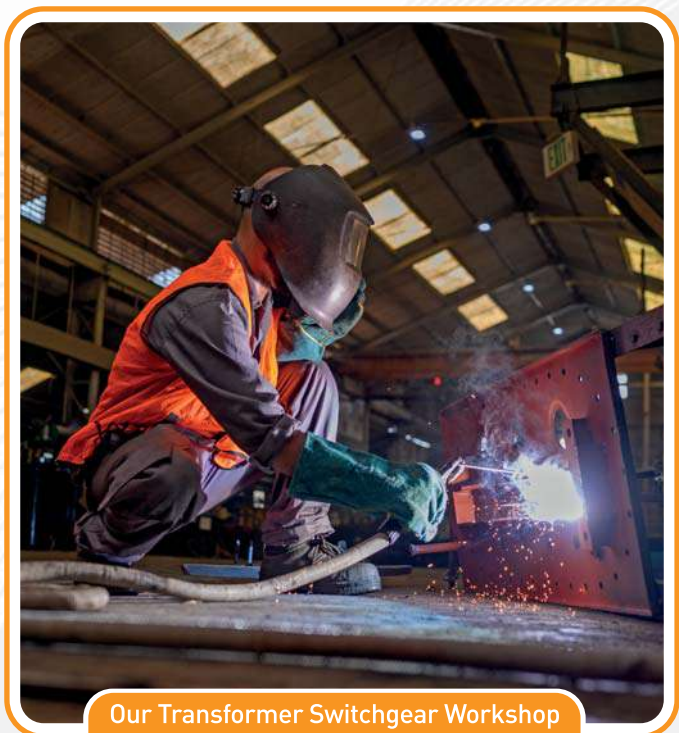
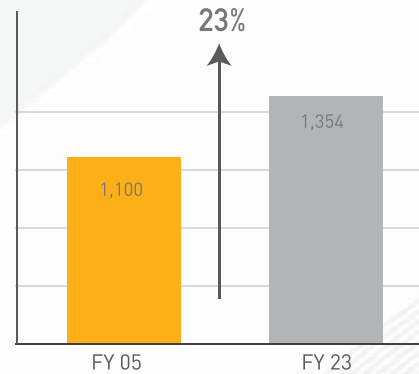
KE has witnessed a significant improvement in reliability of its transmission network in FY 2023 due to ongoing and targeted investments in the network. Significant achievements during the year are:

- 162 MVAs added to the system taking net transformation capacity to 6,965 MVAs
- 21% reduction in planned unserved energy
- 30% reduction in EHT line trips
- 32% reduction in grid equipment faults
- 8% reduction in forced shutdown as a result of Condition-Based Monitoring (CBM) approach adaptation
- Over 90% accuracy in visibility of real time power system status on Supervisory Control and Data Acquisition (SCADA)

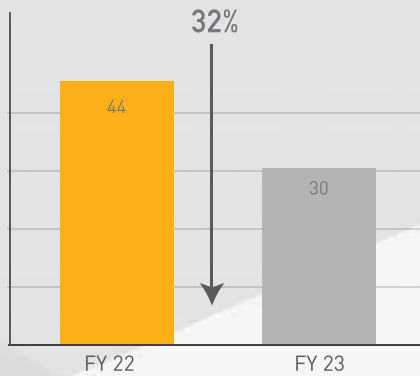
### No. of Grids



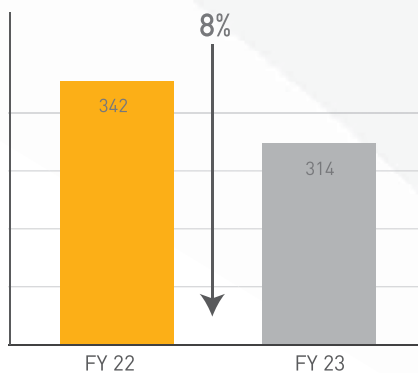
### Transmission Line Length (km)



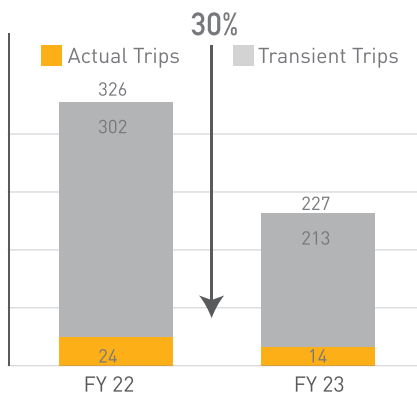
### Grid Equipment Faults



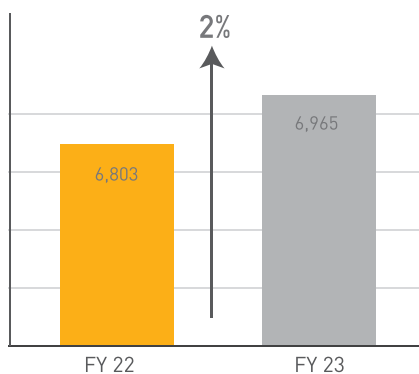
### Forced Shutdowns



### EHT Line Trips



### Transmission Capacity (MVAs)



### Projects in Progress

#### Augmentation of New Interconnection Points – 220kV Dhabeji & 500kV KKI Grids

Construction on KE’s first 500kV KKI Grid Station is in full swing whereas, the pre-commissioning activities of 220kV Dhabeji interconnection are on fast track. Post commissioning of these interconnection grid stations, KE will be able to off take additional power from the national grid. The rapid progress of these projects demonstrates KE’s continued commitment to improving Karachi.

#### 132kV XLPE Jacob-Baloch Underground Transmission Line

The deteriorated oil filled cable from Jacob line to Baloch grid will be replaced with new 132kV XLPE underground cable from Jacobline to Baloch grid. It will provide reliable supply to the areas adjoining to Jacobline, and Baloch Grid stations. This project is going in full swing and expected to be completed in FY 2024.

#### Strengthening of Data Communication Network

High-Capacity Hybrid links and third path switching was successfully integrated and tested between LDC and DRC which will improve the down time of LDC/ DRC stations. This was tested under RFC2544 standard (Throughput, Latency & Frame loss).

Moreover, a completely inhouse developed universal network access system having single platform for multivendor with cyber security features was introduced this year which will provide 100% prevention from System Vulnerability.

### Future Initiatives

KE has prepared a robust investment plan aimed at capacity enhancement and further improvement of transmission network reliability. The Investment Plan for the period FY 2024-2030 is currently under NEPRA approval.

#### Load Growth Requirement and Loss Reduction

KE plans to achieve Transmission capacity enhancement in order to meet the growing power demand through addition of new 132kV grid stations and augmentation in existing grid stations.

Also, as per the Investment Plan three (3) 220kV grid stations will be added alongside augmentation of 3 x 250MVA Auto Transformers at existing grid stations.

#### System Reliability Improvement

These projects are required to upkeep and reinforce the existing network for ensuring reliability and stability of the power system. New SMART technologies will be adopted to improve efficiency and operational excellence along with the projects required for adhering the technical

limits, as per defined standards. Several major activities, enlisted below, are planned to enhance the system.

- Overhauling of GIS bays for optimum performance and safety.
- Replacement of old power transformers and allied equipment.
- Replacement of relays and allied equipment.
- RTV Coating and services/installation and replacement of composite insulators which would reduce the requirement for cleaning and tripping hazards.
- Tower structure rehabilitation / transmission line allied equipment necessary for network safety and reliability.
- Underground cable replacement to improve system resilience. Under this initiative, Oil Filled Cables (OFC) are planned to be replaced with XLPE Technology.
- Rehabilitation and replacement work in the current network, with a focus on crucial 220 kV and 132 kV Transmission Lines.
- Timely predictive maintenance to avert problems like gas leaks, insulation damage, and flashovers, which can cause extended outages and safety risks.

### Safety Measures

Rerouting of lines having access issues leading to deterioration of transmission asset, through wider, accessible corridors has been planned. This is proposed to prevent deterioration of the assets thereby increasing the reliability of the system.

### Advances in Automation

- Rehabilitation of grid automation system / server with application for DRC. As part of prudent utility practice, redundancy of critical servers is included at DRC to ensure availability of operational / planning applications, in case LDC site is not available. Also, the conversion of key 220kV and 132kV grids to Human-Machine Interface (HMI) based control environment is planned for digitization.
- Installations and replacements in telecom network which primarily includes upgradation of existing PLC technology (Old) to latest SDH Systems with OPGW (Fiber Optic Cable) connectivity owing to lack of readily available spares in the market required for maintenance.

All aforementioned works are subject to approval of the Investment Plan by NEPRA for next tariff control period.



Our heroes at work, maintaining the lifelines of power



# Distribution

KE continues to make targeted investments and undertake initiatives with the aim to continuously improve the health of its distribution network, efficiency, and customer centricity.

During the period under review, the Company encountered numerous challenges to recover Bill payments amidst declining ability to pay by the customers, resulting in a decline in the recovery ratio to 92.8% in FY 2023 as against 96.7% reported during corresponding period last year. Despite these challenges, the Company remains committed to recoup and improve its receivables position through multiple initiatives aimed at facilitating low-income groups/low payment propensity consumers including an easy installment payment scheme named "Hum Qadam - Recovery Plan". Over 100,000 customers have benefited from this scheme and continue to settle outstanding dues through easy monthly instalments. Moreover, KE teams also continued on ground efforts to disconnect consumers who are unable to meet their payment obligations. Throughout the year, KE has executed more than 2.7 million service disconnections, impacting approximately 800,000 consumers. Furthermore, 567,000 customers have been tapped where the theft ratio is high and around 99,500Kg of illegal connections have been removed under the "Hum Qadam" governance scheme. As part of KE's efforts to improve proficiency, around 164,500 meters were installed during FY 2023.

As part of KE's customer-focused strategy, KE has now established a total of 34 Customer Facilitation Centers (CFCs) and deployed 13 IBCs on wheel (IOWs) to enhance the convenience of bill payments, new connection requests, and addressing customer complaints.

## Digital Payments and Partnerships

Embracing digital transformation, KE has partnered with organizations such as Visa, Pay-Pro, JS Bank and Telemart to offer customers a wide range of cashbacks, installment arrangements and discounts on their KE bills.

Leveraging the payment partners' expertise in their respective domain, KE aims to revolutionize the e-bill payment experience, providing customers with substantial savings, encouraging sustainable practices while fostering a stronger bond between the utility provider and its subscribers.

Furthermore, to enhance its operational efficiency coupled with focus on customer experience, KE has introduced the Real Time Payment Systems (RTPS), a first of its kind launched in Pakistan within the power utility sector aimed at real time interaction between KE SAP ISU and its banking partners. The on-boarding of banks has started and will continue in the upcoming years.

KE has also equipped its recovery teams with hand-held devices to empower field staff and capture real time disconnection evidences in the system and foster a culture of efficiencies, accountability and transparency within the Company.

## Technical initiatives

To improve the robustness and reliability of its network, KE has exceeded its investments allowed by NEPRA as investment costs has increased due to devaluation of PKR and enhanced scope requirements. This commitment to technical excellence is evident in the reliability indices for the fiscal year 2023, where KE achieved a notable 10.3% reduction in the number of interruptions, decreasing from 110.29 to 98.92. Additionally, they achieved a 12.7% reduction in the duration of interruptions was achieved reducing it from 95.08 hours to 82.98 hours.

KE's GIS team is diligently engaged in the process of digitizing the LT (Low Tension) network. The team has achieved noteworthy progress in mapping crucial areas, with six out of thirty IBCs entirely mapped. Operational teams now function through GIS maps for all operations and fault identification and rectification. The ultimate objective is to accomplish the survey of the entire LT network, covering all transformers. This comprehensive mapping effort will enhance network visibility, facilitate better monitoring, and contribute to the overall optimization and management of the LT infrastructure.

Shifting Preventive Maintenance Regime from reactive to periodic for Distribution Transformers, KE has launched the "Project PRISM." The successful implementation of this project will pave the way for future rollouts to other Area Operation centers (AOCs) in the next fiscal year. This strategic shift is expected to progressively reduce maintenance costs and fault rate of distribution transformers.

KE has developed an innovative prototype with aluminum windings, strategically aligned with global trends, aimed at improving cost-efficiency for transformers. Currently, the development phase focuses on a 250 kVA transformer prototype. Upon successful completion of type testing, a field trial will be conducted to comprehensively assess its performance.

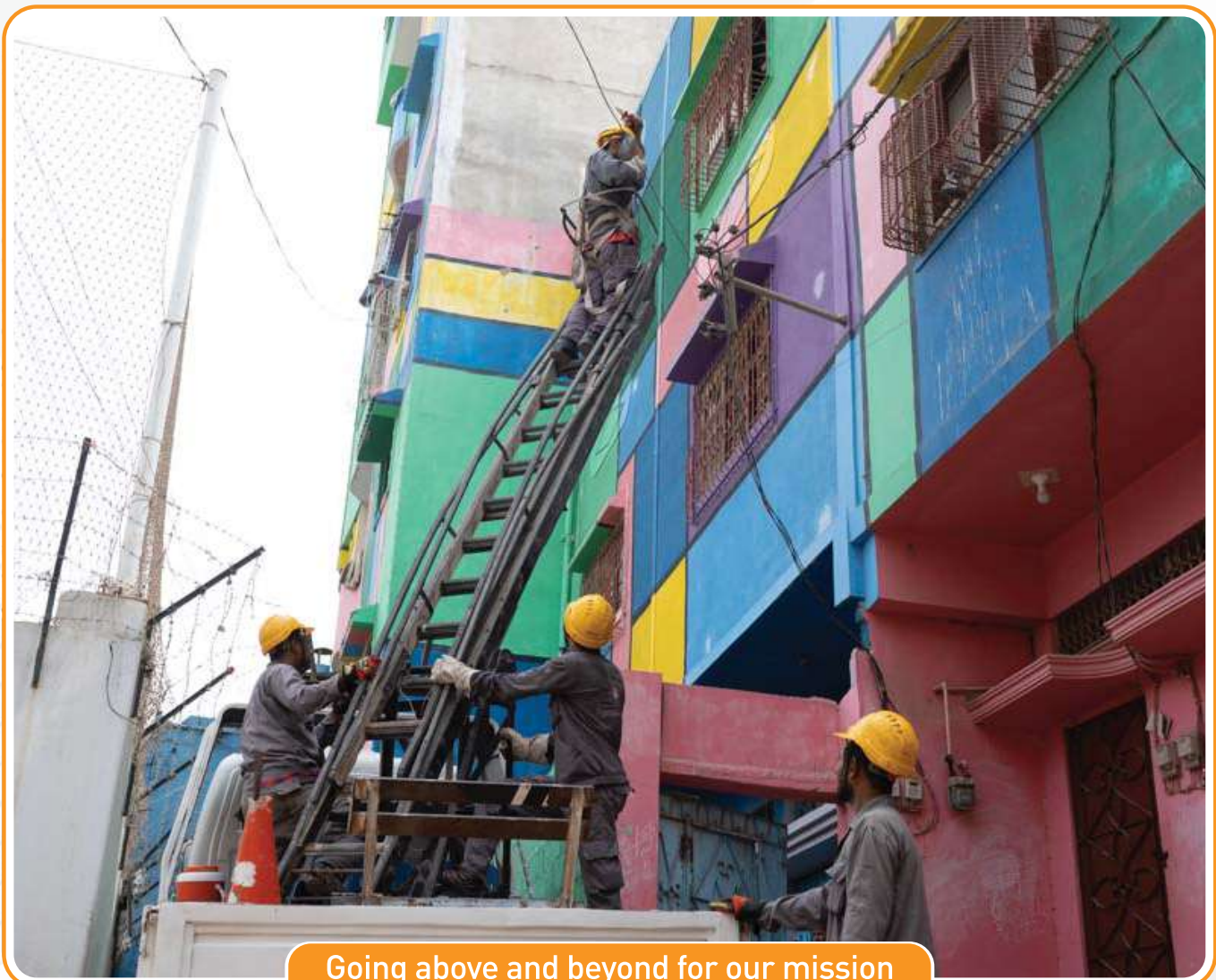
In addition to transformer optimization, another crucial initiative involves cost optimization for dedicated feeders' 11kV switches catering to industrial customers. This involves introducing an incomer cum outgoing switch, enabling electricity supply at a reduced cost. This strategic step aligns with the harmonization efforts of Industrial panels with other DISCOs, ensuring improved efficiency and cost-effectiveness.

Moreover, the proposal suggests a substation redesign that reduces its footprint by 25% and reduces construction costs, aimed to improve efficiency and utilization.

In pursuit of minimizing outage areas and containing the spread of faults downstream, KE improved the 11kV Loop Outgoing protection by installing Capacitive Trip Units on 10 feeders - reducing outage area by 50% during faults and improving network reliability. This initiative demonstrates KE's commitment to enhancing network reliability and reducing the impact of disruptions on its customers.

## Seasonality

Among other factors, Power Demand is a function of temperature levels and hence seasonal variations impact power demand as well. In KE's service area, average demand in summer period is around 2600 MW which drops to 1800 MW in winter period. Maintenance activities, plant utilization, load-shed are planned taking into account the impact of seasonality on power demand.



Going above and beyond for our mission

# Human Capital and Employee Experience

KE continues to lead the power sector in terms of attracting and investing in the best talent, fueled by the objective of increasing diversity, driving inclusivity, and ensuring operational efficiencies across all levels.

## Fostering Talent and Culture

KE fosters talent through initiatives like its LEAD (Leadership Exploration & Development) program, designed to evaluate, recognize, and cultivate leadership aptitude among top achievers. LEAD identifies and nurtures leadership potential for key roles.

The Recruitment Marketing (RMK) module, powered by SuccessFactors, has bolstered our Talent Acquisition with seamless integration with Social Sites like LinkedIn, along with the provision of a unified and tailored Career Site, for an enhanced recruitment experience. The new Onboarding module v2.0, based on SuccessFactors, has improved the onboarding process for new hires, making it more visible and accessible to benefit newcomers and internal stakeholders. Using technology, KE improved the ETP 2022 registration and selection process. 48 fresh graduates were onboarded out of 8,000 candidates, ensuring an excellent candidate experience.

With a commitment to inclusivity, KE pioneered "Yaqeen – Enabling Abilities," a program for Persons with Disabilities (PWD) in collaboration with Social Welfare Organizations (KVTC/NOWPDP/Ida Rieu/Deaf Reach/DWA). We hosted an open career fair where approximately 350 applicants were interviewed for Regular Positions and Internships at KE.

We conducted an organization-wide Employee Engagement Survey, identified high-impact areas, and addressed them by enhancing processes like Performance Management Framework and introducing employee-friendly career growth policies.

KE launched a Returnship Program to aid women professionals returning from career breaks or seeking part-time roles due to personal commitments. The initiative provides project-based contracts and has successfully engaged 12 women. KE also amended its Childcare Assistance Policy in line with global best practices to support employees with childcare commitments.

KE also launched 'Better Together – Respect at Workplace,' a Gender Sensitization E-module for all employees, promoting workplace respect and legal aspects of the Protection Against Harassment of Women at the Workplace (Amendment) Act 2022.



Our gyms promote employee well-being one pedal at a time

## Employee Wellbeing and Healthcare

A range of Employee Wellbeing initiatives were taken, including a Mental Wellness Survey and personalized consultations for 700 high-risk employees.

The Outpatient Department (OPD) offers Home Sampling Laboratory services and an in-house pharmacy. Collaborating with THI, we provide Cardiologist services and one-month medicines for chronic cases and conduct regular awareness sessions for employees and their dependents.

Our Institutional Health Unit (IHU) prioritizes hygiene through a 100% examination and follows a 5S lean strategy whilst also conducting 83 training sessions on First Aid and CPR to ensure employees are equipped with essential skills.

Our qualified team of medical professionals provides health consultations through the state-of-the-art People Connect Tele-Clinic initiative which is accessible via the toll-free People Connect number and extended to all KE employees and their families.

 **10**  
PWD interns engaged

 **09**  
PWD permanently engaged

 **Over 500**  
modules in our E-library

 **31,529**  
patient queries in the year

## IT Governance

KE celebrate the operational excellence by our IT Department in supporting business support systems, consolidating various business lines, and seamlessly integrating with other solutions such as KE website, selfcare mobile applications, AMI systems, and meter reading applications – all while embracing the agile principles that reduce time-to-market through implementation of standardized processes, eliminating redundancy, and realizing cost efficiencies.

Our IT Department has meticulously implemented a robust contingency and technology disaster recovery plan adhering to ISO-22301 and ISO-27031 standards. This meticulously crafted plan stands as the sentinel of our operational resilience, and rigorous testing, guaranteeing a swift and efficient restoration of IT services amidst the challenges posed by disasters or prolonged downtime scenarios.

The IT department is driving technology modernization, aligning seamlessly with KE's commitment to advancement. At the forefront of this transformative phase is the initiation of a pivotal Enterprise Resource Planning (ERP) upgrade initiative – this strategic move is set to replace the legacy ERP system, digitizing core business processes and

introducing industry-specific solutions for power utilities.

As we gear up for this transition, the focus is on optimizing business workflows through advanced automation, fostering data-driven decision-making, and reinforcing cybersecurity measures. These preparatory steps align with our overarching strategy to enhance efficiency and productivity.



Unlocking innovation with the best of Technology

## Cybersecurity

### Securing the Digital Frontier

In the rapidly evolving digital landscape of today, the significance of cybersecurity cannot be overstated. With our organization embracing greater digitization, fortifying our defenses against cyber threats becomes imperative. To tackle this challenge head-on, we have implemented decisive measures to bolster cybersecurity within our domain. This isn't merely a choice, but a strategic imperative.

Our approach to addressing these challenges involves substantial investments in cutting-edge technologies and robust infrastructure. Our cybersecurity strategy operates on a defense-in-depth model, incorporating multiple layers of protection such as firewalls, intrusion detection systems, and advanced threat intelligence tools. Furthermore, we've fortified our network with encryption protocols and secure authentication mechanisms to thwart unauthorized access.

Recognizing that cybersecurity involves more than technology, we have fostered a security-conscious culture within our organization. Comprehensive training programs have raised awareness among all employees about the risks posed by cyber threats and how to identify and respond to potential incidents. By instilling a cybersecurity-first mindset, we empower our workforce to serve as the primary line of defense against cyberattacks.

Given the significance of cybersecurity, NEPRA has introduced the Security of Information Technology and Operational Technology Regulations, 2022. K-Electric is committed to a safer digital future within the framework of these regulations. Being a member of Power-CERT (Computer Emergency Response Team), as notified by NEPRA, K-Electric strives to enhance sector's overall resilience against cyber adversaries.



# Strategic Framework and Analysis

# Integrated Business Model

## Input

### Intellectual Capital

- 110 years of experience
- In-depth expertise in Generation, Transmission and Distribution
- ISO certified procedures and protocols
- Large customer base
- Technology and Digital capabilities
- Focus on Continuous Improvement and Operational Excellence

01

### Human Capital

- Highly skilled and trained workforce
- Industry leading HR Management practices
- Career Development and Succession Planning
- Learning and Innovation
- Leadership Exploration and Development Program

02

### Social & Relationship Capital

- Urban connect
- Proactive stakeholder engagement
- Shared organizational values
- Corporate Social Responsibility agenda

03

### HSE Capital

- Health, Safety and Environment as a top priority
- HSE audits and control
- Sustainability agenda

04

### Financial Capital

- Focus on stakeholder value maximization
- Operating cash flow
- Funding from financial institutions and capital market including largest-ever private sector Sukuk placement

05

### Infrastructure Capital

- State-of-the-art power generation
- Well-established transmission and distribution network
- Physical and virtual customer touchpoints (Integrated Business Centers, KE Live App, WhatsApp and Chatbot, Facebook, Twitter, telephone helpline - 118)
- Focus on renewables

06

## Output

01

### Intellectual Capital

- Corporate Governance best practices
- Institutionalizing reforms and transformation process
- State-of-the-art information management systems (leading ERP solutions) (SAP, SAP-ISU, ARIBA)
- Innovative and creative skilled workforce
- K-Solar Operations

02

### Human Capital

- Ethical and forward-looking leadership
- Motivated and high-performing staff
- Open, transparent, driven and empowering culture
- Equal opportunity employer
- Women empowerment (including grid operators, meter readers)

03

### Social & Relationship Capital

- Healthcare and education elevation programs
- Community development initiatives
- Roshni Baji program
- Heat Wave Camps
- KHI Awards
- Upkeep of Ali Sadpara Park
- 7/11+ Innovation Challenge
- Wellbeing of underprivileged communities

04

### HSE Capital

- Carbon footprint reduction
- GHG emissions' assessment
- Power conservation initiatives
- Adherence to Safety KPIs
- Green energy webinars

05

### Financial Capital

- Timely payment to fuel suppliers and IPPs ensuring smooth business operations
- Contribution to national exchequer
- Continued working capital management

06

### Infrastructure Capital

- Own fleet capacity of 2000+ MW
- Commissioning of 900 MW Power Plant
- Supplying Power through a robust T&D network

# SWOT Analysis

## SWOT



- Well-established and prominent position in the power sector
- Broad and diverse customer base, contributing to revenue stability and market resilience
- Access to modern technology and infrastructure, enabling efficient and reliable electricity distribution services
- Skilled and experienced workforce
- Proven expertise in strategic and operational transformation and project financing



- Reliance on external sources for power generation (IPPs, NTDC)
- Aging infrastructure requires investment to maintain consistent service reliability
- Limited level of renewables integration
- Regulatory complexities and government policies impact innovation and expansion strategies
- High cost of electricity due to non-provision of indigenous gas



- Explore and invest in renewable energy sources
- Venturing into smart-grid systems, automation and innovation
- Collaboration with strategic partners to diversify the revenue streams
- Exploring ventures into complementary sectors, such as energy storage, electric vehicle charging and solar
- Serving the commercial and industrial hub of the country
- Leveraging strengths to expand and enter into new service territories / competitive model with the advent of CTBCM
- Leverage data for predictive analytics to improve service delivery and make targeted investments



- Industrial market share capture with the advent of CTBCM by competing companies
- Domestic and commercial sectors may significantly take demand away from the grid through penetration of solar PV
- Increase in consumer tariffs leading to reduction in recovery and power demand
- Volatile gas markets could lead to even pricier fuel mix given reliance on RLNG
- Uncertain macroeconomic landscape leads to difficulty in securing financing for new plants



Powering possibilities



# PESTEL Analysis

## Political

The political landscape both nationally and internationally remained profoundly uncertain during the year. Mounting fuel prices due to global geopolitical complexities and continued pressure on rupee significantly impacted the overall sustainability of the power sector, inevitably affecting policy-making, particularly regarding the evolution of the power sector.

Policy reforms including attracting private sector participation in state-owned distribution companies are required to enhance efficiencies, optimize costs and in turn bring sustainability in the power sector.

## Economic

Post pandemic, economic recovery has been significantly hampered by soaring inflation and depleting foreign reserves. With a tough economic situation on the horizon locally and internationally, economic factors would remain key players in decision making and sustainability of all sectors.

Power sector needs to be positioned for sustained growth and hence, circular debt along with operational, policy and regulatory matters need to be addressed effectively.

## Social

Pakistan is the world's fifth most populous nation. The country has made substantial investments in healthcare, transportation, affordable housing, and education, resulting in overall societal progress and increased urbanization.

Through community engagements, the Company is geared-up to continue its load-shed reduction journey for its consumers even in the current challenging environment which is having a direct impact on socio-economic growth of the city and under the Investment Plan 2030 submitted to NEPRA for approval, KE aims to take the exempt feeders population to over 90%. In addition, the Company remains engaged with the community it serves and undertakes various community engagement and social upliftment initiatives including setting up of water filtration parks, free health care camps, KHI Awards, etc.

## Technological

Technological priorities in the power sector are driven by energy efficiency, security, and innovation towards adding clean energy sources in the system by integrating smart IoT based hardware systems in the grid to manage the power and reduce unforeseen outages.

KE is adopting New SMART technologies to improve efficiency and operational excellence as well as adhering the regulatory requirements and maintaining necessary contingency, system security and safety standards.

Further, digitization of the LT network is being undertaken diligently which will help in fault identification and rectification and will also enhance network visibility, facilitate better monitoring, and contribute to the overall optimization and management of the LT infrastructure.

Additionally, the implementation of AMI landscape has leveraged full potential of smart metering data, streamlining data capture and management and improved data analytics and energy accounting.

## Environmental

Climate change is a global issue and given its large-scale impact, businesses have a responsibility to join the commitment to a more sustainable future. The Intergovernmental Panel on Climate Change (IPCC) has outlined goals for greenhouse gas emissions based on the Paris Climate Agreement. According to the agreement, CO<sub>2</sub>e (Carbon dioxide equivalent) emissions should be halved by 2030 and achieve the larger global decarbonization objective.

One of the top environmental sustainability concerns at KE is climate change. Our environmental sustainability roadmap includes a plan for reducing Carbon Footprint which colludes with our technological advancements and we also aim to increase the share of renewables to 30% of our total installed capacity by 2030.

In the long-term, KE is looking forward to earning Certified Emission Reduction (CER) credits, to be eligible for 'Gold Standard and Global Carbon Council (GCC) certification' for its future projects/ initiatives.

## Legal and Regulatory

The previous structure of the sector wherein power distribution companies had exclusive rights to sell and distribute power till the expiry of their distribution license has ended following which the regulator has granted Distribution Licenses to power distribution companies without exclusive rights leading towards a shift in regulatory landscape.

The Competitive Trading Bilateral Contracts Market (CTBCM) Model aims to establish a wholesale electricity market in the country, enabling Bulk Power Consumers (BPC) to procure power from supplier of their choice. The CTBCM model will be supplemented by the overarching approved National Electricity Policy 2021 and KE remains engaged with relevant stakeholders for firming up of the policy and regulatory framework, thus enabling a smooth and sustainable transition towards opening up of the market.



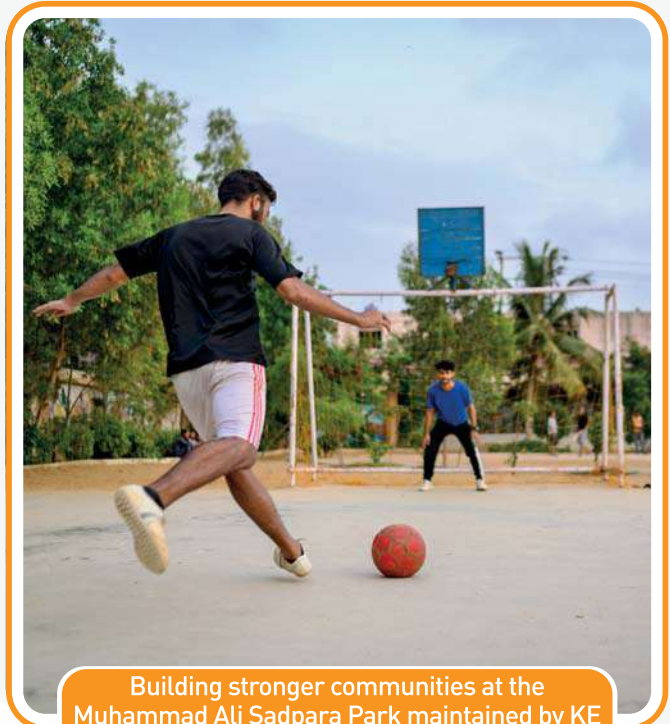
# Sustainability and Corporate Social Responsibility

# Environmental, Social, Governance & Sustainability Management

Our mission to empower lives goes beyond the supply of electricity, and is reflected in our commitment to empower individuals and communities through the ESG framework. Initiatives taken under Environmental, Social and Governance (ESG) also reaffirm our commitment to the United Nations 2030 Agenda for Sustainable Development Goals.

During this year, the second cohort of KE's flagship Roshni Baji program graduated and the third cohort comprising of 50 Roshni Bajis was initiated. Roshni Bajis act as safety ambassadors in areas served by KE and have so far touched the lives of over 200,000 households with messages on electrical safety and energy conservation. As children remain the most vulnerable to potential electrical hazards, KE also launched an interactive school safety campaign called 'Khel Kood aur Khyal', which reached out to 55,000 children with messages of safety.

Over 40,000 individuals were also reached out to, and given messages on monsoon and heatwave safety via mosques, temples, and churches. Trainings were provided to frontline workers on monsoon safety along with basic first aid and emergency response in collaboration with Pakistan Red Crescent Society (PRCS) Sindh. KE also expanded its philanthropic reach by donating medical supplies worth approximately PKR 3.9 Million to 8 NGOs including Educast, ChildLife, LRBT and NOWPDP.

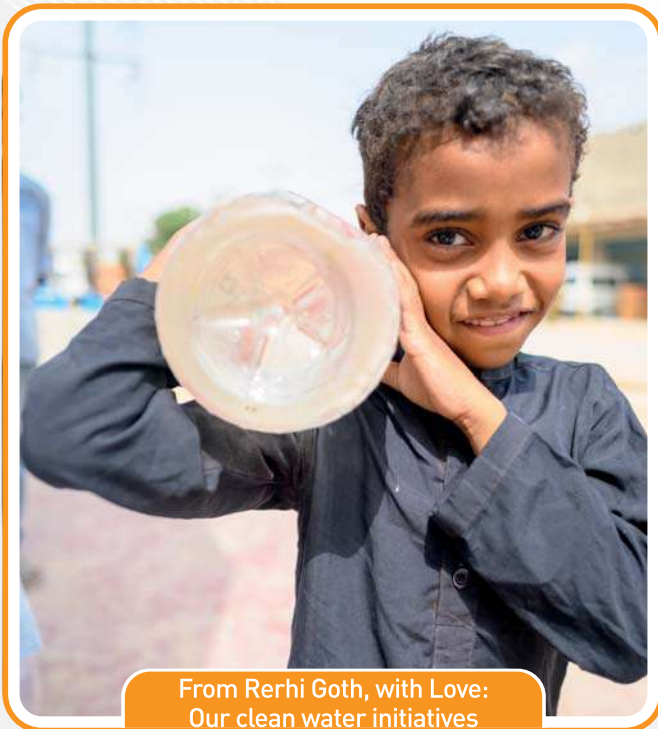


Building stronger communities at the Muhammad Ali Sadpara Park maintained by KE

To ensure community health and well-being, KE collaborated with The Layton Rahmatulla Benevolent Trust (LRBT) and Marie Adelaide Leprosy Centre (MALC), and organized 10 health camps, facilitating over 5,000 patients. KE also held a volunteer blood donation drive amongst employees, in partnership with Indus Hospital and Saylani International Welfare Trust at various KE locations. 18 servers and 80 computers were also donated to esteemed organizations such as FESF, DIL, Hunar Foundation, NOWPDP, and Roshni Helpline. Additionally, the solar microfinance fund formed with Akhuwat Foundation under the NEPRA CSR vision of "Power with Prosperity," has benefitted 66 beneficiaries since its inception.

KE provided relief in flood affected areas of Sindh and Balochistan in collaboration with Saylani Welfare Trust International, Sahil Welfare Association and Akhuwat. The Company's management and employees raised PKR 5.7 million benefiting 1,600 families and donated panaflex sheets as raw material for the construction of tents. Furthermore, KE collaborated with Educast to establish a Tele-Health clinic through which 36,000 flood-affectedees accessed medical assistance via tele-consultation call centers.

K-Electric organises the KHI Awards to recognise and celebrate the remarkable achievements and contributions of social entities in its territories including Karachi, fostering a spirit of excellence within the community.



From Rerhi Goth, with Love: Our clean water initiatives

# Health, Safety, Environment and Quality

## HSE Excellence through Process Safety Management System (PSM)

KE has embarked on a 3-year Process Safety Management plan from FY 2023 to FY 2025 to strengthen the Health, Safety and Environment Management system in KE. This builds on the learnings from a DuPont analysis and employee perception survey conducted across the company in FY 2021. This year 12 PSM elements were developed, 1,888 staff trained through Classroom Sessions (9,022 Manhours) & 3,065 staff trained through Online Sessions (1,803 Manhours) to implement the same on ground and to bring in the cultural change in the Organization. As per the approved schedule, KE has completed 60% recommendations of the action plan up to June 2023.

## Behavioral Safety Program – (MSA) Management Safety Audit

Management Safety Audits (MSA) enhance safety culture in any organization through visible leadership interaction at the front-line of business, dialogue with employees over safety issues and immediate identification and resolution of unsafe behaviour and safety challenges. During FY 2023, 71,484 MSAs were carried out across the Company to monitor compliance with national safety laws & regulations, Company safety policies, departmental procedures, and best safety practices.

## Process Safety Leader Award (PSLA) Audit 2022

To align HSEQ audits, with PSM elements and NEPRA Power Safety Code (HSE) requirements, KE conducted a comprehensive PSLA Audit for its Generation and Transmission business covering 05 Power Plants, 1,354 Km of Transmission Networks, and processes across Operations and Maintenance of Grids as well as Projects underway. Similar Safety Audits were carried out across Enabling functions as well. These PSLA audits are planned to cover the Distribution business in FY 2024, however, SLA (Safety Leader Audits) were carried out for Distribution Business during the year.

## Summer/ Monsoon Preparations

Proactive preparations for Heatwave and Monsoon included revision and revalidation of the Business Continuity Plan (BCP), robust weekly coordination between all relevant functions and preparatory drills to ensure operational readiness and availability of critical inventory.

## Fire Safety Management

Regular monitoring is carried out to ensure all fire safety management systems, including fire extinguishers, fire alarms, fire suppression systems, etc. are in proper working order. During FY 2023, 186 fire safety inspections were carried out, 3,162 Fire Extinguishers validated, 350 Fire Blankets installed and 744 unannounced emergency evacuation drills conducted. Furthermore, fire safety and housekeeping audits at 86 locations were conducted to ensure continual improvement.



**14,305**

Staff trained on PSM elements and other HSE topics



**48,906**

Total In-house training man-hours



**744**

Scenario based Emergency Drills conducted



**378**

MSAs conducted by Leadership



**20**

New Corporate HSEQ SOPs developed



**60%**

PSM – DuPont Action Plan completed



**468**

New Inductees trained on HSE



Safety is imprinted in every step we take!

## Other Initiatives

**HSE – Orientation Training Program:** The HSE induction process was digitized through the e-learning module for new Inductees to ensure swifter cascade of KE's Safety Protocols amongst new joiners. These were supported with classroom sessions when required. Overall 468 employees were trained through these mediums during FY 2023.

**Employee Safety Awards:** 194 employees were recognized for their contribution to implementing best safety practices at work across all Business Units in the categories of Best Near-Miss Report, Safety Employee of Month, Safety Team of Month, Safety Promotional Activity and Best Safety Suggestion.

**KE Enterprise Program:** KE held 14 Capacity Building workshops for safety counterparts at its largest industrial customers. This is in line with its vision to strengthen collaboration and value creation with industries. 258 participants were trained during the year.

**HSEQ Auditors Pool:** 11 trained and experienced HSE resources were selected across the Company and included in a pool to carry out independent audits under the supervision of a Senior Lead Auditor for the Distribution Business.

**Toolbox Talk:** During FY 2023, 190,779 Toolbox talks were conducted across the Company to reiterate safety protocols, workplace hazards and control mechanisms amongst front-line workers before start of daily work.

**Safety Week Celebrations:** Safety Week was celebrated across the Company in February 2023 and engaged employees as well as external stakeholders. The effort was undertaken in close collaboration with NEPRA and included sharing of safety best practices with other DISCOs as well. The week was marked with Capacity-building Webinars, Management Safety Audits,

scenario based emergency drills, quizzes, hazard identification activities, wellbeing checks and tree plantation, etc.

## Quality Assurance Management

A companywide Quality Management System was formally deployed in August 2022 with a Quality Policy. A quality perception survey was used to benchmark current stage and under the aegis of ISO 9001:2015, a roadmap was developed to establish quality leadership. This includes:

- Setting quality objectives through a department-wise Quality Improvement Plan.
- 5S across KE office and Business locations.
- KAIZEN initiatives across KE.
- Process Optimisation Program to increase process Efficiency and Effectiveness.
- Capacity-building sessions for all Business Units.

Under the stewardship of leadership, KE has established a Quality Governance Structure to ensure implementation of these programs across all BUs.

## Environment Management

KE ensures 100% compliance with the applicable national and provincial environmental laws and regulations across all businesses. Initial Environmental Examination and Environmental & Social Impact Assessments are carried out for major projects at the planning stage, and approvals are sought from respective Environmental Protection Agencies; compliance status is monitored as per defined frequency by independent consultants and certified laboratories respectively; and compliance reports are submitted to regulators after due quality assurance. To ensure compliance with international financial institutions' requirements, an extensive Environmental & Social Action Plan is being implemented with the support of various departments.

An Environmental Sustainability Management System (ESMS) Manual in line with ISO14001:2015 and British Five Star Environmental Sustainability Audit process has been developed. This year, 15 Corporate Environmental procedures were updated in line with new legislations and IFC performance standards.

KE has established Green House Gas emissions inventory for base year following GHG Protocol guidelines and efforts will be undertaken to reduce year on year. Efforts towards efficient use of electricity, tanker water, and fuel consumption included behavioral changes, technical interventions, and administrative controls. KE has initiated Biodiversity Impact Assessment for the reduction of adverse biodiversity related impacts due to KE activities and Climate Resilience Assessment for the protection of KE infrastructure and minimization of community risks.

# Energy Conservation

KE's energy conservation strategy is a beacon of transformation considering the vast potential of energy savings and benefits derived from energy efficiency. The Company routinely orchestrates a symphony of awareness campaigns, voluntary load curtailment initiatives and pioneering energy audits.

## Education with Efficiency

KE launched a Digital Energy Conservation drive for our residential customers, to educate them on the importance of energy conservation. KE unveiled the ambiguities of inefficient appliances, their excessive energy consumption and the impact on monthly electricity bills was highlighted through savings potential.

## Power Factor Improvement Program (PFIP)

The Power Factor Improvement Program (PFIP) is supported by a remarkable 1,454 surveys conducted in FY 2023. PFIP counsels customers on the benefits of PF improvement & aims to improve quality of power supply and voltage profiles.

| Power Factor Improvement Program                        |        |
|---|--------|
| Savings in electricity – MVA of Apparent Power          | 85.5   |
| Carbon Footprint reduction of MT CO <sub>2</sub> /annum | 75,423 |

## Energy Audits (EA)

Operating under ISO 50001 & 50002 protocols, our Energy Audits help craft energy solutions tailored to our customers' requirements. We set industry benchmarks in condition monitoring and client engagement, delivering satisfaction with result-driven improvement recommendations. MRT Institute (affiliated with Mobius Network Australia) trained our EA teams with better understanding of equipment testing and knowledge of latest technological advancements in the industry.

| FY 2023 | No. Of Audits | Audited Load | Optimization Potential | Carbon Footprint Reduction       |
|---------|---------------|--------------|------------------------|----------------------------------|
|         | 17            | 23.8 MW      | 6.84 MW                | 4,385 MT CO <sub>2</sub> / annum |

## Digital Transformation

KE is digitizing its Energy Audit & Power Factor Improvement Program process. This initiative will expand our service capacity and enable us to cater to the needs of our industrial & commercial customers in a transparent and efficient manner.

## Opening Borders

KE launched 'Opening Borders', a program for top-tier

industrial customers to share knowledge and build a long-term partnership. CEOs of key account customers were briefed on KE's future energy plans. The program includes HSE best practices and behavior-based training over 12 months with 100+ sessions, covering topics like risk assessment, first aid, conflict resolution, and stress management.

## Project Hayat

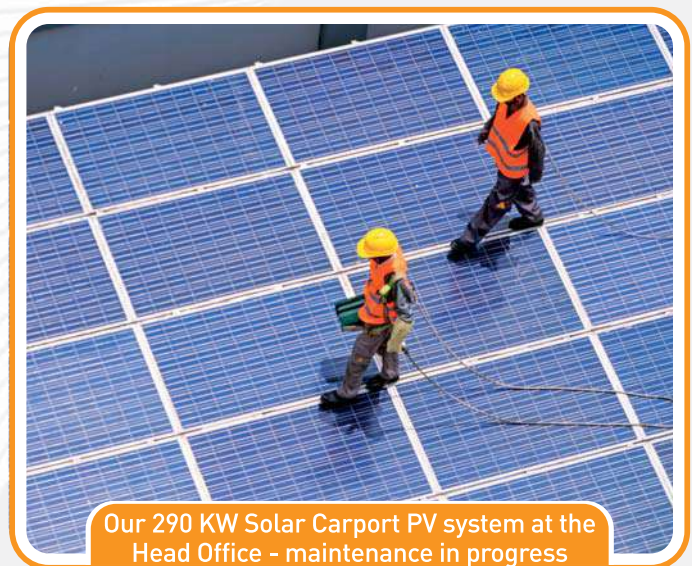
KE initiated energy conservation within Distribution by raising awareness and empowering stakeholders. This led to streamlined electricity usage, with sites consuming 4.7 GWh in FY 2023 – a 16% reduction from last year.

## Net Metering

At KE, we empower energy independence, following NEPRA's guidelines for Net Metering. In FY 2023, KE actively engaged with vendors/customers and registered 4,748 applications enabling them to sell excess electricity back into the power grid. During this fiscal year, 4,514 cases were commissioned. Our collective efforts have infused the system with a robust injection of 206 MW of PV power.

## Clean-Green Solar Energy

KE installed solar PV with a capacity of 410 kW across various in-house locations. The Company also installed a 290 KW Solar Carport PV system at its Head Office. During FY 2023, these solar networks generated 374 MWh of clean-green energy, reducing 262 MT of CO<sub>2</sub> from the atmosphere.



Our 290 KW Solar Carport PV system at the Head Office - maintenance in progress



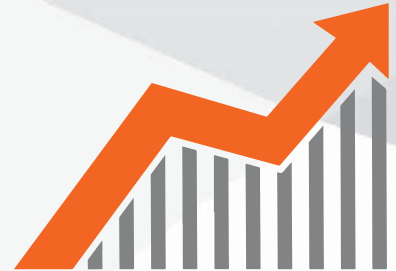
**Moving forward**

# Investment Plan 2030

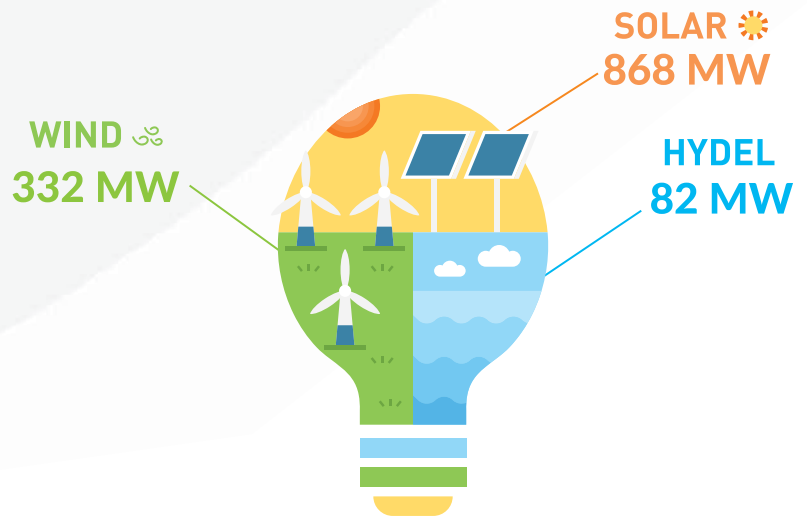
Covering July 2023 – June 2030 period, subject to approval by NEPRA

WE AIM TO ACHIEVE:

INVESTMENT OF  
PKR **484BN**

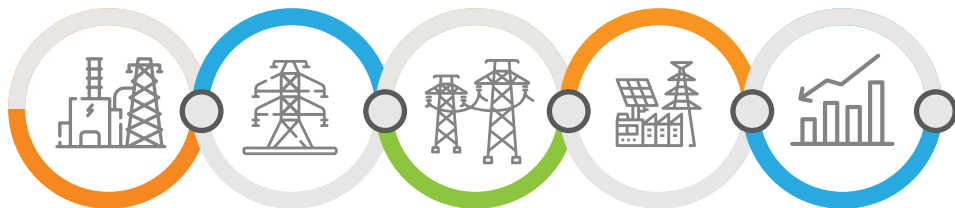


ADDITION OF  
**1,282MW**  
Renewables



Addition  
by FY30'

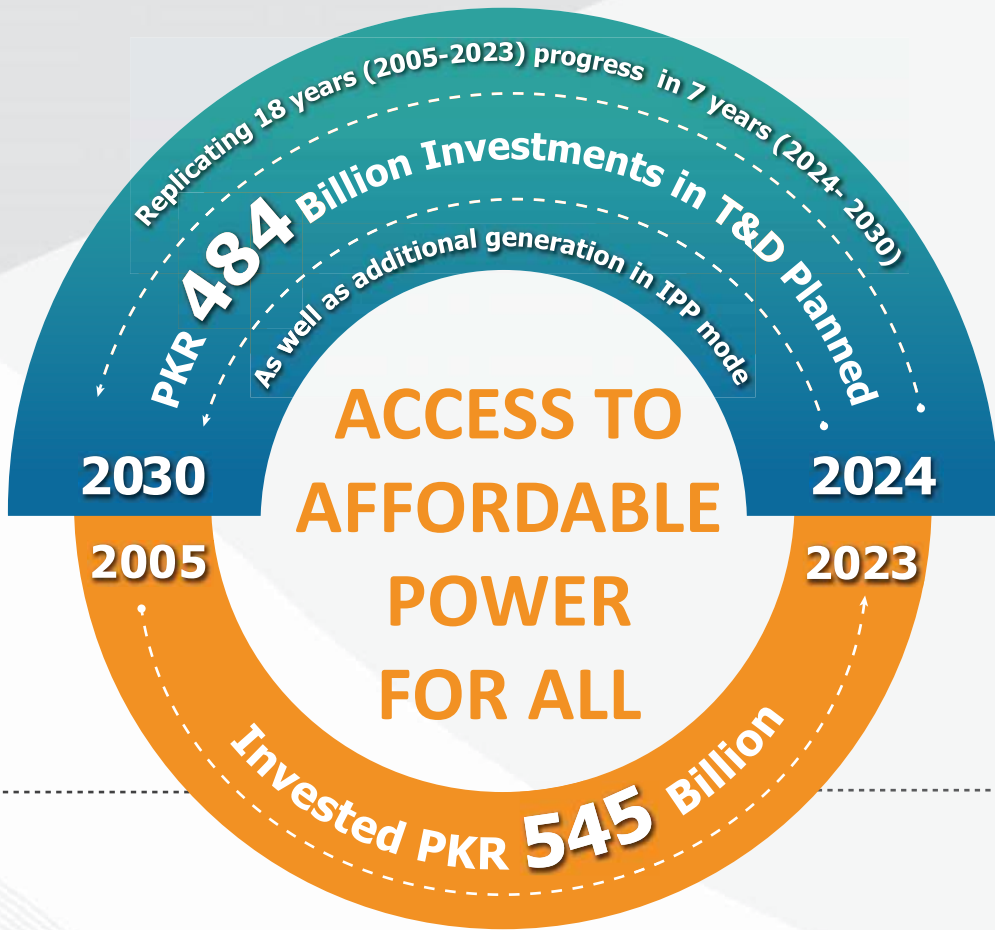
**2,272 MW** Generation Capacity  
**13 Grids & 450km** Transmission Lines  
**444** Feeders  
**7,606** Distribution Trafos



Total by  
FY30'

**6,815 MW** Generation Capacity  
**85 Grids & 1,904km** Transmission Line  
**2,528** Feeders  
**38,412** Distribution Trafos  
Interruption frequency & duration reduced by **33% and 29%**





KE will be serving a power demand of ~5000 MW to approx. 5.0 million customers

Since Privatization (2005-2023)

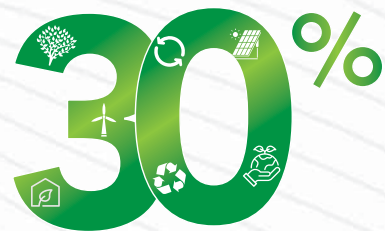
**DOUBLED**

Customer Base, Power Consumed & Infrastructure

**HALVED**

T&D Losses

**VISION 30 BY '30**



- ↑ Share of Renewables
- ↑ Customer Base
- ↓ Power Outage



# Corporate Governance and Compliances

# Report of the Board Audit Committee

for the Year Ended June 30, 2023

## Composition

The Board Audit Committee (BAC) currently comprises of 3 Non-Executive Directors and 1 Independent Director who is also Chairman of the BAC. These Committee members possess sufficient business and commercial knowledge and have extensive experience in the field. More than one member is financially literate as required under the Code of Corporate Governance.

## Role of the 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 and risk management framework are appropriately designed, implemented and regularly reviewed. The terms of reference of the Committee are duly approved by the Board and are available in the annual report.

## Committee's Procedures

The Committee reviews the Company's financial performance, key performance indicators and reports of internal audit. The significant accounting policies and significant issues in relation to the financial statements are also discussed by the Committee with the CFO and the external auditors, including how these issues were addressed. The Committee met seven times during the financial year ended June 30, 2023. In compliance with the corporate governance guidelines, the Committee meets the external and internal auditors at least once in a year without the management team.

## Internal Audit

Internal Audit (IA) at KE is regarded 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 BAC and has direct access to the 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.

The Committee monitors the effectiveness of the IA function through discussions with Chief Internal Auditor along with the review of matters arising from the IA reports. 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 Company has established a Whistle Blowing Committee which is headed by Chief Internal Auditor and reports to Board Audit Committee. It handles serious concerns reported by employees, customers, vendors or others associated with the Company pertaining to matters such as breach of law and company policies, improper conduct, suspected fraud etc. The Whistle Blowing Committee has reported 490 whistle blowing incidences to the Committee during the year ended June 30, 2023.

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.

## Risk Management

Under the authority delegated by the Board of Directors, BAC is responsible for ensuring the compliance and efficacy of the risk management framework, with support from the Company's executive management team. Company's Risk Management Function provides holistic view of company-wide risks and their effective management at the enterprise level.

## External Audit

The current external auditors of the Company, M/s A.F. Ferguson & Co. have been engaged since last seven years. The external auditors of the Company have completed their audit of the Company's Financial Statements and Statement of Compliance with Code of Corporate Governance for the year ended June 30, 2023. They have been allowed direct access to the Committee to ensure their independence and objectivity. The Committee also met with the external auditors without the management team. The Committee assessed the Company's Financial Statements as fair, balanced, and understandable, providing sufficient information to enable the shareholders to assess the Company's position, performance, business model and strategy.

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, the length of time the firm has been engaged for, and whether the objectivity and independence of the external auditors is safeguarded considering the non-audit services it is providing. Based upon the results of the evaluation, the Committee has recommended to the Board the re-appointment of M/s A.F. Ferguson & Co. as the external auditors of KE for the year ending June 30, 2024.



**Mr. Saad Amanullah Khan**  
Chairman, Board Audit Committee

Karachi, September 14, 2023

# Statement of Compliance

## with Listed Companies (Code of Corporate Governance) Regulations, 2019 For the year ended June 30, 2023

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors as at June 30, 2023 are 10 as per the following:

|    |      |    |    |        |   |
|----|------|----|----|--------|---|
| a. | Male | 10 | b. | Female | - |
|----|------|----|----|--------|---|

The Company does not have a female director on its Board at present. As a result of the election of directors held on July 29, 2022, Ms. Sadia Khuram was re-elected as Director of K-Electric (KE) representing KES Power Limited. Subsequently, Ms. Sadia Khuram resigned from the Board with effect from October 22, 2022. At around the same time, the Hon'ble Sindh High Court, in Suit 1731/2022 (Al Jomaih Power Limited & another vs IGC SPV 21 Limited & others) issued an ad-interim order dated October 21, 2022 passed therein, through which the Company was directed that "no change will be effected in the present Board of Directors of defendant no. 4 K-Electric". In view of the aforementioned ad-interim order, the Board is constrained to appoint another female director in place of Ms. Sadia Khuram.

2. The composition of the Board as at June 30, 2023 is as follows:

|      |                         |                                     |
|------|-------------------------|-------------------------------------|
| i.   | Independent Director    | 1                                   |
| ii.  | Non-Executive Directors | 09 (including Independent Director) |
| iii. | Executive Director      | 1                                   |

The Company has one (1) Independent Director instead of one third of the total members of the Board as required by the Regulations. The matter of relaxation from the requirements of the Regulations is pending consideration at Hon'ble Islamabad High Court.

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Company.
4. 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.
5. The Board has developed a vision/mission statement, overall corporate strategy, and significant policies of the Company. The Board has ensured that a complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / Shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and the Regulations.
7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.
8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.
9. As at June 30, 2023, out of ten (10) directors on the Board, the following directors have acquired the Directors Training Program certification:
  - a) Syed Moonis Abdullah Alvi
  - b) Mubasher H. Sheikh
  - c) Muhammad Zubair Motiwala
  - d) Adeeb Ahmad

- e) Saad Amanullah Khan
- f) Muhammad Kamran Kamal

Further, Mr. Shan A. Ashary meets the exemption requirement of the director's training program.

10. During the year, there was no fresh appointment of the Chief Financial Officer (CFO) or the Company Secretary. The Board has approved the appointment of the Head of Internal Audit (HoIA) effective from December 12, 2022. Revision in the remuneration of the CFO and the Company Secretary and determination of remuneration of newly appointed HoIA was made as per the Company policy in line with their terms and conditions of employment.
11. Chief Executive Officer (CEO) and CFO have duly endorsed the financial statements before approval of the Board.
12. As at June 30, 2023, the Board had formed committees comprising of members given below:

**a. Board Audit Committee (BAC)**

|   |   |          |
|---|---|----------|
| 1 | Saad Amanullah Khan, Independent Director | Chairman |
| 2 | Mark Gerard Skelton                       | Member   |
| 3 | Dr. Imran Ullah Khan                      | Member   |
| 4 | Mubasher H. Sheikh                        | Member   |

**b. Board Human Resource & Remuneration Committee (BHR&RC)**

|   |   |          |
|---|---|----------|
| 1 | Saad Amanullah Khan, Independent Director | Chairman |
| 2 | Mark Gerard Skelton                       | Member   |
| 3 | Muhammad Zubair Motiwala                  | Member   |
| 4 | Shan A. Ashary                            | Member   |
| 5 | Muhammad Kamran Kamal                     | Member   |
| 6 | Syed Moonis Abdullah Alvi, CEO            | Member   |

**c. Board Finance Committee (BFC)**

|   |                       |          |
|---|-----------------------|----------|
| 1 | Mark Gerard Skelton   | Chairman |
| 2 | Adeeb Ahmad           | Member   |
| 3 | Mubasher H. Sheikh    | Member   |
| 4 | Muhammad Kamran Kamal | Member   |

**d. Board Strategy & Projects Committee (BS&PC)**

|   |                                |          |
|---|--------------------------------|----------|
| 1 | Adeeb Ahmad                    | Chairman |
| 2 | Mark Gerard Skelton            | Member   |
| 3 | Arshad Majeed Mohmand          | Member   |
| 4 | Muhammad Kamran Kamal          | Member   |
| 5 | Mubasher H. Sheikh             | Member   |
| 6 | Shan A. Ashary                 | Member   |
| 7 | Syed Moonis Abdullah Alvi, CEO | Member   |

13. The terms of reference (TORs) of the BAC, BHR&RC, BFC and BS&PC have been formed, documented, and advised to the committees for compliance.

14. The frequency of meetings of the committees were as per following:

| Committee    |  | Number of meetings |          |          |          |           |
|--------------|--|--------------------|----------|----------|----------|-----------|
|              |  | Q1                 | Q2       | Q3       | Q4       | Total     |
| a.           | Board Audit Committee (BAC)                            | 1                  | 2        | 2        | 2        | 7         |
| b.           | Board Human Resource & Remuneration Committee (BHR&RC) | 1                  | 2        | -        | 2        | 5         |
| c.           | Board Finance Committee (BFC)                          | -                  | -        | -        | 2        | 2         |
| d.           | Board Strategy & Projects Committee (BS&PC)            | 4                  | 1        | -        | -        | 5         |
| <b>Total</b> |  | <b>6</b>           | <b>5</b> | <b>2</b> | <b>6</b> | <b>19</b> |

15. 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 the policies and procedures of the Company.
16. 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) and are registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the CEO, CFO, Head of Internal Audit, Company Secretary or Director of the Company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 8, 27, 32, 33 and 36 of the Regulations have been complied with whereas, for regulations 6 and 7, the matters have been explained in paragraphs 1 and 2 above.

For and on behalf of the Board of Directors,



**Mark Gerard Skelton**  
Chairman



**Syed Moonis Abdullah Alvi**  
Chief Executive Officer

Karachi, September 15, 2023

# Independent Auditor's Review Report

To the members of K-Electric Limited

## Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of K-Electric Limited (the Company) for the year ended June 30, 2023, in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

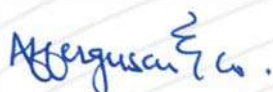
As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control 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 Regulations require 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. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2023.

Further, we highlight below instances of non-compliance with the requirement of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

| S. No. | Reference   | Description  |
|--------|-------------|--|
| (i)    | Paragraph 1 | The Company does not have a female director as against the requirement of having at least one under the Regulations.                                 |
| (ii)   | Paragraph 2 | The Company has one (1) independent director instead of one third of the total members of the Board of Directors, as required under the Regulations. |



**A. F. Ferguson & Co.**  
Chartered Accountants  
Karachi

Date: October 2, 2023

UDIN: CR2023100804Hd0TN9kQ



# Statement of Compliance with the Shariah Governance Regulations, 2018

This Statement of Compliance (the Statement) for the year ended June 30, 2023, is being presented to comply with the requirements under the Shariah Governance Regulations, 2018 (the Regulations) issued by the Securities and Exchange Commission of Pakistan (SECP).

K-Electric Limited (the Company) is in compliance with the Shariah requirements in accordance with the Regulations for the financial arrangements, contracts and transactions, entered into by the Company in respect of the Islamic instruments (the Instruments) as tabulated below:

| S. No. | Name of Instrument | Issue Size (Rs. Mn) | Date of issuance | Date of settlement |
|--------|--------------------|---------------------|------------------|--------------------|
| 1      | STS-I              | 4,500               | 04-Feb-22        | 04-Aug-22          |
| 2      | STS-II             | 4,500               | 15-Feb-22        | 15-Aug-22          |
| 3      | STS-III            | 4,500               | 01-Mar-22        | 01-Sep-22          |
| 4      | STS-IV             | 4,500               | 25-Mar-22        | 23-Sep-22          |
| 5      | STS-V              | 5,000               | 13-Apr-22        | 13-Oct-22          |
| 6      | STS-VI             | 5,000               | 27-Apr-22        | 27-Oct-22          |
| 7      | STS-VII            | 5,000               | 10-Aug-22        | 10-Feb-23          |
| 8      | STS-VIII           | 5,000               | 29-Aug-22        | 28-Feb-23          |
| 9      | STS-IX             | 5,000               | 21-Sep-22        | 21-Mar-23          |
| 10     | STS-X              | 5,000               | 05-Oct-22        | 05-Apr-23          |
| 11     | STS-XI             | 5,000               | 26-Oct-22        | 26-Apr-23          |
| 12     | STS-XII            | 5,000               | 13-Dec-22        | 13-Jun-23          |
| 13     | STS-XIII           | 5,000               | 10-Feb-23        | 10-Aug-23          |
| 14     | STS-XIV            | 5,000               | 27-Feb-23        | 28-Aug-23          |
| 15     | STS-XV             | 5,000               | 21-Mar-23        | 21-Sep-23          |
| 16     | STS-XVI            | 5,000               | 11-Apr-23        | 11-Oct-23          |
| 17     | STS-XVII           | 5,000               | 18-May-23        | 17-Nov-23          |
| 18     | KE Sukuk 5         | 25,000              | 03-Aug-20        | 03-Aug-27          |
| 19     | KE Sukuk 6         | 6,700               | 23-Nov-22        | 23-Nov-29          |

We also confirm that:

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

We also confirm that the Company in respect of the Instruments is in compliance with:

- rules, regulations and directives issued by the SECP;
- pronouncements of Shariah Advisory Board;
- Shariah Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, as adopted by the SECP;
- requirements of the applicable Islamic Financial Accounting Standards as notified by the SECP, if any; and
- approvals and rulings given by the Shariah Advisors of the Instruments which are in line with the Regulations and in accordance with the rulings of Shariah Advisory Board.



**Syed Moonis Abdullah Alvi**  
Chief Executive Officer  
Karachi

**Date:** September 15, 2023

## Independent Assurance Report

to the Board of Directors on the Statement of Compliance with the Shariah Governance Regulations, 2018 for the year ended June 30, 2023

### Scope of our Work

We have undertaken a reasonable assurance engagement to express a conclusion on K-Electric Limited's (the Company) status of compliance with the Shariah requirements of Sukuk-5, Sukuk-6 and Short Term Sukuks 1 to 17 (together 'the Instruments') in accordance with the Shariah Governance Regulations, 2018 (the Regulations) for the year ended June 30, 2023 as presented in the annexed Statement of Compliance (the Statement). The engagement was conducted by a multidisciplinary team including assurance practitioner and an independent Shariah scholar.

### Applicable Criteria

The Criteria for the assurance engagement, against which the Statement (underlying subject matter information) is assessed comprise compliance with the Shariah requirements of the Instruments in accordance with the requirements of the Regulations. Our engagement was carried out as required under Regulation 21 of Chapter VII of the Regulations in the light of the following:

- (a) rules, regulations and directives issued by the Securities and Exchange Commission of Pakistan (the SECP);
- (b) pronouncements of the Shariah Advisory Board;
- (c) Shariah Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, as adopted by the SECP;
- (d) requirements of the applicable Islamic Financial Accounting Standards as notified by the SECP; and
- (e) approvals and rulings given by the Shariah Advisor of the Instruments in line with the Regulations and in accordance with the rulings of the Shariah Advisory Board.

### Responsibility of the Company's Management

The responsibility for the preparation and proper presentation of the Statement (the subject matter information) and for compliance with the Shariah requirements of the Instruments in accordance with the requirements of the Regulations is that of the management of the Company. Further, the Company's management is responsible to ensure that the financial arrangements, contracts and transactions, in relation to the Instruments, having Shariah implications, entered into by the Company and related policies and procedures are in compliance with the Shariah principles as per the Criteria. The management is also responsible for design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records. The management is also responsible to ensure that the personnel involved are conversant with the Criteria for the purpose of the Company's compliance.

### Our Independence and Quality Control

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code.



The firm applies International Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, And Other Assurance and Related Services Engagements” and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Responsibility of Independent Assurance Provider

Our responsibility in connection with this engagement is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with International Standard on Assurance Engagements 3000 (Revised), ‘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 plan and perform this engagement to obtain reasonable assurance about whether the annexed Statement presents properly, in all material respects, the status of the Company’s compliance with the Shariah requirements of the Instruments in accordance with the requirements of the Regulations.

The procedures selected by us for the engagement depend on our judgement, including an assessment of the risks of material non-compliance with the Criteria. In making those risk assessments, we considered the internal control relevant to the Company’s compliance with the Criteria in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. We have designed and performed necessary verification procedures on various financial arrangements, contracts and transactions having Shariah implications and related policies and procedures based on judgmental and systematic samples with regard to the compliance with the Criteria.

We believe that the evidence we have obtained through performing our procedures is sufficient and appropriate to provide a basis for our opinion.

## Conclusion

Based on our reasonable assurance engagement, in our opinion, the Statement for the year ended June 30, 2023 presents properly, in all material respects, the status of the Company’s compliance with the Shariah requirements of the Instruments in accordance with the requirements of the Regulations.

## Restriction on use and distribution

This report is issued in relation to the requirements as stipulated under Regulation 21 of Chapter VII of the Regulations and is not to be used for any other purpose. This report is restricted to the facts stated herein and the annexed Statement.

**A. F. Ferguson & Co.**  
Chartered Accountants  
Karachi

Date: October 2, 2023

# Shariah Review Report For Short Term Sukuk I, II, III, VIII, IX & X

Under Shariah Governance Regulations, 2018  
For the year ended June 30, 2023

In accordance with the Shariah Governance Regulations, 2018 issued by Securities & Exchange Commission of Pakistan (SECP), annual Shariah Review is required for the **Rated Unsecured Privately Placed Short Term Sukuk (I, II & III) of up-to PKR 4,500 Mn each & (VIII, IX & X) of up-to PKR 5,000 Mn each**, a Shariah Compliant Security issued by K-Electric Limited, in light of the approved Shariah Structure of the transaction.

In light of the above, I confirm that the transaction documents/the relevant documentation and the procedure adopted are in accordance with the Shariah Principles as laid out in the approved Shariah Structure.

I confirm that the affairs of the Company in issuance of the Shariah compliant securities were in accordance with the rules and principles of Shariah to the best of my knowledge.

Furthermore, I confirm that for the purpose of this Shariah compliant securities no non shariah compliant income was accounted for in the calculation of Shirkat ul aqd profit which was further distributed to the sukuk holders.

The Shariah advisor opinion on Sukuk (I, II, III, VIII, IX & X) is formed till each debt instrument's maturity period ended on 4<sup>th</sup> August 2022, 15<sup>th</sup> August 2022, 01<sup>st</sup> September 2022, 28<sup>th</sup> February 2023, 21<sup>st</sup> March 2023 & 5<sup>th</sup> April 2023 respectively.

Regards,



**Mufti Bashir Ahmad**  
CNIC# 11201-3426971-7  
SECP/IFD/SA/059

Date: July 25, 2023

# Shariah Review Report For Short Term Sukuk IV, V & VI

Under Shariah Governance Regulations, 2018  
For the year ended June 30, 2023

In pursuance to sub-regulation (3) of regulation 20 under SECP, Shariah Governance Regulations 2018, this Shariah Review Report is for the year ended 30<sup>th</sup> June 2023, with reference to K-Electric Short Term Sukuk IV, V & VI amounting to PKR 14.5 Billion having tenor of 6 months with redemption at maturity at six-month KIBOR plus 0.85%, 0.95% & 0.90% respectively.

This Shariah Review Report was concluded after a detail review of the relevant documents, procedure and Shariah guidelines, mechanism and Sukuk structures.

- (a) In my opinion, the transactions, relevant documentation and the procedures adopted have been in accordance with principles of Shariah;
- (b) In my opinion, the affairs have been carried out in accordance with rules and principles of Shariah, and specific Shariah opinion issued by the Shariah Advisor from time to time; and
- (c) In my opinion, for the purpose of Shariah compliant instrument, no non-shariah compliant income will be accounted for in the calculation of Shirkat ul Aqd profit which will further distributed to Sukuk holders.

The shariah advisor opinion on STS – IV, V & VI is formed till the maturity period ended on 23<sup>th</sup> September 2022, 13<sup>th</sup> October 2022 and 27<sup>th</sup> October 2022 on the financial information disclosed by KE.



**Mufti Muhammad Abdullah**  
SECP Registered Shariah Advisor  
SECP/IFD/SA/115

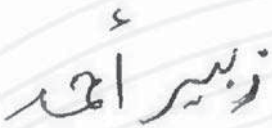
# Shariah Review Report For Short Term Sukuk VII

Under Shariah Governance Regulations, 2018  
For the year ended June 30, 2023

In pursuance to sub-regulation (3) of regulation 20 under SECP, Shariah Governance Regulations 2018, this Shariah Review Report is for the year ended 30<sup>th</sup> June 2023, with reference to K-Electric Short Term Sukuk VII amounting to PKR 5 Billion having tenor of 6 months with redemption at maturity at six-month KIBOR plus 1.35%.

- (a) In my opinion, the transactions, relevant documentation and the procedures adopted have been in accordance with principles of Shariah;
- (b) In my opinion, the affairs have been carried out in accordance with rules and principles of Shariah, and specific Shariah opinion issued by the Shariah Advisor from time to time; and
- (c) In my opinion, for the purpose of Shariah compliant instrument, any non-shariah compliant income will not be accounted for in the calculation of Shirkat ul Aqd profit which will be further distributed to Sukuk holders.

The shariah advisor opinion on STS – VII is formed till the maturity period ended on 10<sup>th</sup> February 2023 on the financial information disclosed by KE.



**Muhammad Zubair Ahmed**  
SECP Registered Shariah Advisor  
SECP/IFD/SA/020

Date: July 27, 2023

# Shariah Review Report For Short Term Sukuk XI & XII

**Under Shariah Governance Regulations, 2018  
For the year ended June 30, 2023**

In pursuance to sub-regulation (3) of regulation 20 under SECP, Shariah Governance Regulations 2018, this Shariah Review Report is for the year ended 30<sup>th</sup> June 2023, with reference to K-Electric Short Term Sukuk XI & XII amounting to PKR 5 billion each having tenor of 6 months with expected profit being paid at its maturity at six-month KIBOR plus 1.45% & 1.40% respectively.

This Shariah Review Reports were concluded after a detail review of the relevant documents, procedure and Shariah guidelines, mechanism and Sukuk structures.

- (a) In my opinion, the transactions, relevant documentation, and the procedures adopted have been in accordance with principles of Shariah;
- (b) In my opinion, the affairs have been carried out in accordance with rules and principles of Shariah, and specific Shariah opinion issued by the Shariah Advisor from time to time; and
- (c) In my opinion, no charity for any earnings that have been realized from sources or by means prohibited by Shariah was due for credit to the charity account.

The shariah advisor opinion on Short Term Sukuk XI & XII is formed till the maturity period of each instrument ended on 26<sup>th</sup> April 2023 & 13<sup>th</sup> June 2023 respectively on the financial information disclosed by KE.



**Muhammad Yahya Asim**  
SECP Registered Shariah Advisor  
SECP/IFD/SA/018

# Shariah Review Report For Short Term Sukuk XIII & XIV

**Under Shariah Governance Regulations, 2018  
For the year ended June 30, 2023**

In pursuance to sub-regulation (3) of regulation 20 under SECP, Shariah Governance Regulations 2018, this Shariah Review Report is for the year ended 30<sup>th</sup> June 2023, with reference to K-Electric Short Term Sukuk XIII & XIV amounting to PKR 5 billion each having tenor of 6 months with expected profit being paid at its maturity at six-month KIBOR plus 1.0% & 0.75% respectively.

This Shariah Review Reports were concluded after a detail review of the relevant documents, procedure and Shariah guidelines, mechanism and Sukuk structures.

- (a) In my opinion, the transactions, relevant documentation, and the procedures adopted have been in accordance with principles of Shariah;
- (b) In my opinion, the affairs have been carried out in accordance with rules and principles of Shariah, and specific Shariah opinion issued by the Shariah Advisor from time to time; and
- (c) In my opinion, no charity for any earnings that have been realized from sources or by means prohibited by Shariah was due for credit to the charity account.

**Ejaz Ahmed Samadani**  
SECP Registered Shariah Advisor  
SECP/IFD/SA/019



# Shariah Review Report For Short Term Sukuk XV

**Under Shariah Governance Regulations, 2018  
For the year ended June 30, 2023**

In pursuance to sub-regulation (3) of regulation 20 under SECP's Shariah Governance Regulations 2018, this Shariah Review Report is for the year ended 30<sup>th</sup> June 2023, with reference to K-Electric's Short Term Sukuk XV amounting to PKR 5 billion, having a tenor of 6 months with expected profit at maturity at six-month KIBOR plus 0.50%.

This Shariah Review Report was concluded after a detailed review of the relevant documents, procedure, Shariah guidelines, mechanism, and Sukuk structures.

- (a) In my opinion, the transactions, relevant documentation and the procedures adopted have been in accordance with the principles of Shariah;
- (b) In my opinion, the affairs have been carried out in accordance with the rules and principles of Shariah, and specific Shariah opinion issued by the Shariah Advisor from time to time; and
- (c) In my opinion, no charity for any earnings that have been realized from sources or by means prohibited by Shariah was due for credit to the charity account.



**Muhammad Zubair Usmani**  
SECP Registered Shariah Advisor  
SECP/IFD/SA/024

# Shariah Review Report For Short Term Sukuk XVI & XVII

**Under Shariah Governance Regulations, 2018  
For the year ended June 30, 2023**

In pursuance to sub-regulation (3) of regulation 20 under SECP, Shariah Governance Regulations 2018, this Shariah Review Report is for the year ended 30<sup>th</sup> June 2023, with reference to K-Electric Short Term **Sukuk 16 & 17** amounting to PKR 5 billion each having tenor of 6 months with expected profit being paid at its maturity at six-month KIBOR plus 0.3% and 0.45% respectively.

This Shariah Review Report was concluded after a detail review of the relevant documents, procedure and Shariah guidelines, mechanism and Sukuk structures.

- a) In my opinion, the transactions, relevant documentation, and the procedures adopted have been in accordance with principles of Shariah;
- b) In my opinion, the affairs have been carried out in accordance with rules and principles of Shariah, and specific Shariah opinion issued by the Shariah Advisor from time to time; and
- c) In my opinion, no charity for any earnings that have been realized from sources or by means prohibited by Shariah was due for credit to the charity account.



**Mufti Irshad Ahmed Aijaz**  
Al Hilal Shariah Advisors (Pvt) Limited  
SECP Registered Shariah Advisor  
SECP ID SECP/IFD/SA/015



**Faraz Younus Bandukda, CFA**  
Al Hilal Shariah Advisors (Pvt) Limited  
SECP Registered Shariah Advisor  
SECP ID SECP/IFD/SA/015

Date: August 04, 2023

# Shariah Review Report For Sukuk 5

Under Shariah Governance Regulations, 2018  
For the year ended June 30, 2023

In pursuance to sub-regulation (3) of regulation 20 under SECP, Shariah Governance Regulations 2018, this Shariah Review Report is for the year ended June 30, 2023, with reference to KE Sukuk 5 amounting to PKR 25 billion having tenure of 7 years, with redemption in 20 quarterly installments, and quarterly profit payment at three months KIBOR plus 1.70%.

This Shariah Review Report was concluded after a detail review of the relevant documents, procedure and Shariah guidelines, mechanism and Sukuk structures.

- a) In our opinion, the transactions, relevant documentation and the procedures adopted have been in accordance with principles of Shariah;
- b) In our opinion, the affairs have been carried out in accordance with rules and principles of Shariah, and specific Shariah opinion issued by the Shariah Board/Advisors from time to time; and
- c) In our opinion, no charity for any earnings that have been realized from sources or by means prohibited by Shariah was due for credit to the charity account.



**Mufti Muhammad Yahya Asim**  
Shariah Advisor



**Dr. Ejaz Ahmed Samadani**  
Shariah Advisor



**Dr. Muhammad Zubair Usmani**  
Shariah Advisor

Date: July 04, 2023

# Shariah Review Report For Sukuk 6

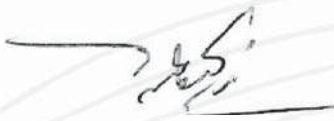
**Under Shariah Governance Regulations, 2018  
For the year ended June 30, 2023**

In pursuance to sub-regulation (3) of regulation 20 under SECP, Shariah Governance Regulations 2018, this Shariah Review Report is for year ended 30-06-2023, with reference to KE Sukuk 6 amounting to PKR 6.7 Billion.

This Shariah Review Report concluded after a detail review of relevant documents, procedures and Shariah guidelines, mechanism and Sukuk Structures.

This Shariah Review Report was concluded after a detail review of the relevant documents, procedure and Shariah guidelines, mechanism and Sukuk structures.

- a) In my opinion, the transactions, relevant documentation and procedures adopted have been adopted in accordance with principles of Shariah;
- b) In my opinion, the affairs have been carried out in accordance with rules and principles of Shariah, and specific Shariah opinion issued by the Shariah Advisors from time to time; and
- c) In my opinion, no charity for any earnings that have been realized from sources or by means prohibited by Shariah was due for credit to the charity account.



**Mufti Syed Zahid Siraj**  
Shariah Advisor

# Statement of Compliance with the Public Offering Regulations, 2017

This Statement of Compliance (the Statement) for the year ended June 30, 2023, is being presented to comply with the requirements under the Public Offering Regulations, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP).

The financial arrangements, contracts and transactions, entered into by K-Electric Limited (the Company) in respect of KE Sukuk 5 amounting to Rs. 25,000 million for the year ended June 30, 2023 are in compliance with the Sukuk features and Shariah requirements in accordance with the Public Offering Regulations, 2017.

We also confirm that:

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

The Sukuk features and Shariah requirements shall mean the following:

- Compliance with the requirements of the Fatwa (Shariah opinion) dated December 6, 2019 issued by the Shariah Advisory Board for KE Sukuk 5.
- Compliance with Shariah principles in terms of the documents listed in Fatwa dated December 6, 2019 for KE Sukuk 5.
- Compliance with the Public Offering Regulations, 2017 issued by the SECP



**Syed Moonis Abdullah Alvi**

Chief Executive Officer  
Karachi

**Date:** September 15, 2023

## Independent Assurance Report

to the Board of Directors on the Statement of Compliance with the Public Offering Regulations, 2017 for the year ended June 30, 2023

### Scope of our Work

We have undertaken a reasonable assurance engagement to express a conclusion, with respect to K-Electric Limited's (the Company) status of compliance with the features and Shariah requirements of KE Sukuk 5 (the Sukuk) in accordance with the Public Offering Regulations, 2017 (the Regulations) for the year ended June 30, 2023 as presented in the annexed Statement of Compliance (the Statement). This engagement was conducted by a multidisciplinary team including assurance practitioner and an independent Shariah scholar.

### Applicable Criteria

The Criteria for the assurance engagement against which the Statement (underlying subject matter) is assessed comprise compliance with the features and Shariah requirements of the Sukuk in accordance with the requirements of the Regulations. Our engagement was carried out as required under Regulation 13 of Chapter VII of the Regulations.

### Responsibility of the Company's Management

The responsibility for the preparation and proper presentation of the Statement (the subject matter information) and for compliance with the features and Shariah requirements of the Sukuk in accordance with the requirements of the Regulations is that of the management of the Company. The management is also responsible for the design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant documentation/records. The management is also responsible to ensure that the personnel involved are conversant with the Criteria for the purpose of the Company's compliance.

### Our Independence and Quality Control

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, And Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Responsibility of Independent Assurance Provider

Our responsibility in connection with this engagement is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the annexed Statement presents properly, in all material respects, the status of the Company's compliance with the features and Shariah requirements of the Sukuk in accordance with the requirements of the Regulations.

The procedures selected by us for the engagement depend on our judgment, including an assessment of the risks of material non-compliance with the Criteria. In making those risk assessments, we considered the internal control relevant to the Company's compliance with the Criteria in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. We have designed and performed necessary verification procedures for gathering sufficient appropriate evidence to determine that the Company was not materially non-compliant with the Criteria.

## **Our procedures applied to the selected data primarily comprised:**

- Inquiry and evaluation of the systems, procedures and practices in place with respect to the Company's compliance with the Criteria;
- Verification of the Sukuk related transactions on a sample basis to ensure the Company's compliance with the Criteria during the year ended June 30, 2023;
- Review of Shariah structure, transaction documents and Shariah approval letters issued by the Shariah Advisor of the Sukuks; and
- Review of the Statement based on our procedures performed and conclusion reached.

We believe that the evidence we have obtained through performing our aforementioned procedures is sufficient and appropriate to provide a basis for our opinion.

## **Conclusion**

Based on our reasonable assurance engagement, in our opinion, the Statement presents properly, in all material respects, the status of the Company's compliance with the features and Shariah requirements of the Sukuk in accordance with the Regulations.

## **Restriction on use and distribution**

This report is issued in relation to the requirements as stipulated under Regulation 13 of Chapter VII of the Regulations and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein and the annexed Statement.



**A. F. Ferguson & Co.**  
Chartered Accountants  
Karachi

Date: October 2, 2023

# Corporate Governance

## Board of Directors' Role

The Board of Directors of K-Electric ("KE"), comprises of professionals with diverse backgrounds and experiences in local and global markets. The Board members are fully aware of their primary responsibility to safeguard and enhance shareholders' value and stewardship of the Company's assets and set the focus on strategic direction, key policy framework. They also provide oversight in governance, management and control of the Company's long-term business plan, set goals and objectives, formulate policies and guidelines for achieving such goals and objectives, and ensure adoption of best practices of corporate governance.

The Board of Directors, in terms of Companies Act 2017 together with other applicable statutes and regulations, and the Memorandum & Articles of Association of the Company, is accountable to the shareholders for discharging its fiduciary duty in the best interest of the Company. During the period, an election of Directors was held on 29 July 2022 as a result of which, 13 Directors assumed position on KE's Board, that included one Independent Director, three (03) nominees of Government of Pakistan and nine (09) Directors representing KES Power Limited, KE's holding company. Furthermore, in the Board meeting held on 11 August 2022, Mr. Mark Gerard Skelton was appointed as the Chair of the Board and Syed Moonis Abdullah Alvi was re-appointed as the Chief Executive Officer of the Company. Subsequently, Boudewijn Clemens Wentink, Ch. Khaqan Saadullah Khan and Ms. Sadia Khuram resigned from the position of Non-Executive Directors in October 2022 resulting in casual vacancies on the Board. However, these positions cannot be filled in view of an ad-interim order dated 21 October 2022 issued by Sindh High Court in Suit No. 1731/2022 (Al Jomaih Power Limited & another vs IGC SPV 21 Limited & others) whereby the Company was directed that no change will be affected in its present board of directors.

The Board of Directors exercise managerial oversight to provide strategic guidance, whereas day-to-day management and performance of the Company are the responsibility of executives. The management is fundamentally responsible for implementing the policies, guidelines and strategic direction set by the Board to achieve the short and long-term objectives of the Company.

As a key analytical tool, the Board reviews and approves financial performance and financial statements and sets focus on the governance and compliance framework, business policies and good corporate governance

practices, ethics, values and code of conduct, annual budget and major capital expenditure programs, internal controls, reports & recommendations of Audit Committee and auditors' observations.

It is pertinent to emphasize that the role and responsibilities of the Board have significantly enhanced entailing comprehensive and time-lined governance, compliance, reporting and disclosure environment, with the enforcement of Companies Act, 2017, Listed Companies (Code of Corporate Governance) Regulations, 2019, Securities Act, 2015, together with strict oversight of SECP and enhanced regulatory framework of PSX, in relation to corporate and other actions. KE Board of Directors is fully cognizant of its duties and responsibilities and to achieve the said objective, has constituted four Board Committees, as listed on the Company information page, to oversee entire functional ambit of the Company and submit objective recommendations for consideration of the Board. Furthermore, in order to independently evaluate performance of the Board, Board committees and individual Directors, an independent external consultant, namely: Pakistan Institute of Corporate Governance, has been engaged to help strengthen the role of the Board in achieving the strategic objectives of the Company.

The Board has approved a remuneration policy for Non-Executive Directors which is in line with the regulatory framework and appropriate disclosures of the actual fee paid are available in the notes to the financial statements. Further, SECP's requirements for security clearance of foreign Directors are followed by the Company appropriately.

KE's Board members and management team firmly believe in taking ownership, implementing the best Corporate Governance practices and presenting a true and fair picture of the affairs of the Company for the information and benefit of all its stakeholders. Further, to facilitate shareholders and securities market participants, KE routinely conducts analysts' briefings. Moreover, besides the mandatory disclosures, the Annual Report of the Company also provides additional comprehensive disclosures along with vertical and horizontal analyses to facilitate the stakeholders and prospective investors to make informed decisions, based on the updated information about the Company.

All directors of the company attend its general meetings, ordinary and extraordinary, unless precluded from doing so due to any reasonable cause.

A comprehensive mechanism is in place to provide orientation to the directors with a view to acquaint them



with the Company's operational activities and also with regards to their duties and responsibilities pursuant to Companies Act, 2017, Securities Act, 2015, Rule Book of Pakistan Stock Exchange (PSX), The Listed Companies (Code of Corporate Governance) Regulations 2019 (CCG), the KE's Memorandum and Articles of Association as well as Code of Conduct. This helps new directors in understanding the nature of business and the environment in which the Company operates in, so that they may make informed decisions and effectively interact and direct the company to improve operationally and financially.

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

The Board has been pursuing standards and policies as laid down under global best practices of good corporate governance, in letter and spirit, including the importance of separating the functions of the Chairman and CEO. The offices of the Chairman and the CEO have remained separate which is evident from corporate policy of the Company. Further, to pre-empt any overlap, the respective roles and responsibilities of the Chairman and the CEO are distinctly and clearly defined pursuant to the provisions of the Companies Act, 2017 and CCG.

The position of Chairman is distinct from executive functions of the Company and therefore, the Chairman is appointed from amongst the Non-Executive Directors and his/her responsibilities as provided in the applicable regulatory framework are being strictly observed. The core responsibility of the Chairman is to lead the Board ensuring that the Board plays an effective role in fulfilling its fundamental responsibilities of setting strategic direction to achieve short, medium-and-long term objectives of the Company, to uphold interests of all stakeholders, and to add value to the strategic assets and investments of the Company. The Chairman presides over the Board's and shareholders' meetings and ensures that the members or directors are kept abreast and updated of all the significant issues and policy matters that are required to be considered and decided at the relevant level, so that the decisions are implemented in a timely manner and the views expressed are duly communicated.

Alongside, the Board has engaged an independent professional consultant to undertake the annual Board performance evaluation exercise which includes an evaluation of the Board as a whole, that of Directors individually, and that of Committees. The evaluation process is fundamentally based on Directors' responses to various questions relating to composition, the Board's and CEO's compensation, procedures, interactions, information, Committees' constitutions and performances, and control environment. Under the process, the

Chairman evaluates the performance of individual Directors based on attendance in Board and its Committee meetings, level of participation and value addition through suggestions and recommendations. Further, the Chairman consults the Directors, on a regular basis to deliberate key issues including corporate governance, performance of the Company and conducive environment enabling the Directors to fulfil their fiduciary duties.

Whereas the role and responsibilities of CEO are primarily based on the premise that the CEO is responsible for leading the management in operational performance of the Company, managing day-to-day affairs and more importantly, enforcing the policy guidelines, direction, strategies and business plans as approved by the Board, in letter and spirit. Identification and management of potential risks facing the Company and custody and maintenance of Company's properties, assets, records and accounts pursuant to the statutory and company policies, statutes, guidelines and standards, are also part of CEO's role and responsibilities.

CEO's responsibilities and powers are elaborated in the light of the provisions of Companies Act, 2017, KE's Memorandum & Articles of Association, General Power of Attorney given by the Board and any other mandate assigned by the Board from time to time. The CEO is obligated to ensure smooth functioning of the business and customer satisfaction, and simultaneously ensure optimal utilization of Company's resources and effective implementation of internal controls. CEO is further required to update the Board on regular basis, on key performance indicators (KPIs), business updates, major projects, litigations, initiatives, governance and other issues and challenges facing the Company. He also suggests the way forward to align and achieve strategic objectives and materialize business plan of the Company and create value addition to shareholders' investment maintaining operational, financial & commercial viability of the Company, especially, in view of the developments on regulatory framework of national power sector.

The Chief Executive Officer is the only Executive Director of the Company. He is not serving as a director of any other company.

The above narrated facts clearly prove Company's compliance on segregation of the roles of Chairman and CEO.

## **Board's Performance Evaluation**

The Board of Directors fully recognize that setting the Company in the right direction to achieve its key objectives is primarily dependent on its proactive and vibrant role which in turn requires core competencies and timely decision-making. Successful operation of the said process in a sustained manner determines the future of the company and its strategic position in the sector.

Having recognized the critical importance of its role, the Board invariably places emphasis on setting strategic direction and realizing long-term objectives of the Company and safeguarding and adding value to interests and investments of all stakeholders. As the first step, the Board's composition includes professionals of high repute, representing various work streams and possessing diversified experience and expertise, who fully believe in the importance of globally recognized best practices of corporate governance. Core ingredients of Board's vision and strategic policy are to provide upfront leadership, setting high-performance standards and values. In order to achieve this core objective, the Board ensures that a team of professional management in all business segments including finance, technical and others, is always in place under the supervision of the Board.

The Board has engaged an external professional consultant for an independent evaluation of performance of the Board, Board's committees and individual directors. The evaluation process comprises of questionnaires, interviews, and open discussions with individual/group of Directors focusing on some of the specific questions relating to performance and conduct of the Board.

Board's performance evaluation is judged on how effectively and efficiently the Board as a body discharges its prime responsibility of safeguarding and enhancing shareholders' value, and setting policy framework, strategic direction, oversight, control and good corporate governance. Furthermore, since KE is a public utility company in private sector, it remains under active focus of the citizens of Karachi and therefore, the Directors also have access to independent coverage of KE by electronic, print and social media and through customers' direct feedback, in addition to having first-hand information about the Company's performance as members of the Board. The key performance indicators include load-shedding, tripping and breakdowns, billing and recovery, and customer service-related issues, which are used as a yardstick to judge and evaluate the Company's as well as the Board's performance. Above all, meaningful participation, objective input and value addition from Executive, Non-Executive and Independent Directors do provide a judgmental criteria and benchmark for performance evaluation of the Company and the Board.

Simultaneously, an informal yet effective mechanism for the Board's performance evaluation, is in place which is based on overall performance of the Company, implementation of strategic policies and business plans, achievement of budget targets and key performance indicators. The Board invariably takes stock of successful achievement of the strategic, business and regulatory objectives of the Company against set targets, continued compliance with regulatory and corporate requirements

and best practices of corporate governance with added focus on its sustainability strategy.

Regular analysis of segmented performance of the Company and reviewing reports and recommendations of respective Board and management committees, giving directions to address any inefficiency/delay and setting timelines for corrective action, are the part of Board's functions. The Board ensures that all its decisions are followed and implemented as the progress is monitored at each Board meeting. Directors routinely provide their input, formally and informally, on policy and governance related issues, performance of the Company, and effectiveness of Board's role. The Board also considers independent professional opinions and the reports of external auditors on the financial statements of the Company together with the points raised and issues highlighted by them.

The Board and the management derive benefit from valuable suggestions of the shareholders through direct interaction and discussions with them at general meetings.

As narrated above, a comprehensive, multifaceted mechanism for internal and external objective evaluation of the Board's and Company's performance is in place.

## **CEO's Performance Review by the Board**

CEO holds key position in the Company and his role and responsibilities are critically important having significant impact over the performance of the Board and the Company with respect to materializing business plans and achieve operational, financial and strategic objectives of the Company in short, medium and long-term perspective and value addition to the strategic assets of the Company.

KE Board of Directors fully recognizes that commercially viable and sustainable operations of the Company ensure successful achievement of strategic objectives which invariably determines success of its own performance. The CEO's role is particularly important to achieve the said goal.

The CEO leads the management of the Company and his key function and responsibility is to effectively liaise between the Board and the management. Regular and meaningful communication between the Management, the Board and Board committees with focus on governance, operational and financial management of the Company is essential to determine the way forward in line with policies and strategic direction set out by the Board to improve Company's performance for the benefit of all stakeholders.

Critical review of the appointment criteria and performance of the CEO is an important task of the Board. The Board, on the recommendations of Board Human Resource & Remuneration Committee (BHR&RC) sets

Key Performance Indicators (KPIs) and roles and responsibilities of CEO. Smooth functioning of the business with optimal utilization of the Company's resources and effective and timely implementation of Board's decisions, internal controls, statutory and regulatory compliance, timely corporate actions and improved operational and financial performance of the Company ultimately determine the CEO's performance. The CEO's performance evaluation by the Board serves as a valuable guidance and support to management actions that enhances trust level, transparency, and inculcates a culture of collective decision-making.

The CEO's KPIs are discussed at length by BHR&RC in the light of current developments and challenges facing the Company, especially in the wake of post-regulatory /exclusivity regime. As the term of the last MYT was completed on 30 June 2023 and KE applications to NEPRA for fresh MYTs are in process, CEO's KPIs are also extensively discussed & reviewed by the Board in this perspective.

The Board approves the CEO's appointment for a three-year term during which the BHR&RC is mandated to conduct CEO's performance evaluation for consideration of the Board. The Board sets key operational and financial targets and policy guidelines for the CEO at the time of approving the annual budget, and while reviewing and approving periodical financial statements of the Company. The Audit Committee's and external auditor's reports provide a judgmental analysis tool to measure the performance of the Company and the role of CEO in it. The CEO presents to the Board quarterly reports showing the level of achievements in relation to budgeted targets, supported by an objective comparison of actual performance with the budget and last year's performance. The CEO also presents to the Board the business updates, key issues, major projects, opportunities and challenges facing the Company. Suggestions for future strategy are shared and the Board's guidance is sought to address issues, that upholds interest of the Company and all the stakeholders.

Syed Moonis Abdullah Alvi has a long association with KE since 2008 as he has served in various important positions including Company Secretary and CFO, and he was instrumental in steering the Company out of a difficult operational and financial situation, staging a turnaround in FY 2012. The Board, in recognition of Mr. Alvi's outstanding performance, elevated him to the position of CEO in June 2018. Mr. Alvi was elected as a director at the EOGM held on 29 July 2022 and was re-appointed as the CEO with effect from 30 July 2022.

The above stated methodologies indicate that a comprehensive multipronged mechanism of CEO's performance evaluation, in context of achieving strategic

objectives of the Company, is in place with a regular review and monitoring process.

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

K-Electric Board of Directors and Management believes in open dialogue on integrity and responsibility in its interaction with its employees. In order to inculcate the said culture and inter communication process, the Company created a direct communication bridge between the leadership and the employees by way of introducing and pursuing various communication mediums which include confidential email address, PO BOX and a hotline.

## Grievance Policy

Employees of the Company can directly report misconduct or any unethical practice through these mediums, for which disclosure of names is not mandatory. KE employees are also encouraged to give suggestions and feedback on a specific topic or idea. Investigations into a specific complaint are ordered by the highest authority of the relevant department. The Policy further envisages that investigation on all alleged breaches of its code is duly undertaken, and appropriate measures are applied when complaints turn out to be substantiated during investigation process.

## Risk Management

The Risk Management Policy is approved by the Board which complements the setting and execution of business strategies. The policy is fundamentally based on the philosophy of creating economic value by balancing risks and opportunities and under the delegated authority, Board Audit Committee (BAC) is responsible for ensuring the compliance and efficacy of the risk management framework, with support from the company's executive management team.

As a result of a persistent monitoring mechanism, the Risk Management function of the Company has strengthened risk culture across the company and implemented a robust Enterprise Risk Management Framework in line with best practices. This is leading the company towards a strategic risk management approach.

## Business Continuity Plan

The Board of Directors and the Management on a regular basis assess, review, and manage technology and information security and operating risks faced by the business. Notwithstanding that mitigation strategies are implemented for all identified risks, the Organization is working on a holistic Business Continuity Plan (BCP).

The BCP is designed to minimize the impact of disruptions by adopting suitable disaster mitigation strategies covering the business units and their support functions.

## Disaster Management Plan

The Company's resilient contingency and technology disaster recovery plan is in place and currently undertaken with the major updates focuses on ensuring the quick and efficient restoration of IT services during a disaster or prolonged downtime scenarios. Adhering to globally acknowledged standards for Business Continuity Management ISO 22301 and ISO 27031, the updated management process oversees and implements strategies to address the risk of unexpected disruptions, covering emergency response, risk management, planning, IT Continuity Plan, training, testing, and improvements.

## Policy for Safety of Company Records

With reference to KE, the compliance situation with the statutory requirements is quite cumbersome as KE is a 110-year-old Company incorporated in 1913 and consequently carries historical and valuable records from over a century period. The records cover various arenas from pre-partition, post-partition to nationalization and privatization, spreading over substantial periods when IT facilities were non-existent, and records had to be maintained in physical form.

Moreover, due to KE's unique position, being a public utility company with a historical background, the importance of preservation and safety of its records increases manifold. The Company fully recognizes the

criticality of this matter which duly reflects in its policy for safety of records which is designed to preserve the essential documents for periods beyond the statutory time limits prescribed under the Companies Act, 2017 and applicable Regulations. The periods when electronic means and facilities were not available constitute a larger part of KE's existence i.e., almost 70 years as compared to the last 40-year period when IT facilities have been available. Therefore, most of the records are in physical form and prone to defacement or damage. The records include constitution documents, legal, corporate and property title documents, original contracts/agreements, financial statements, share certificates, statutory registers, minutes books containing policy decisions taken in the meetings of the Board, shareholders, and others. The policy framework is primarily based on defining and identifying essential documents in consultation with relevant stakeholders / owners of the specific documents and then moves to categorizing these documents based on valuation in terms of corporate, legal, financial importance and validity, and then the documents are accordingly earmarked for appropriate storage facility.

Document identification and categorization process is based on active and meaningful engagement of all the functions and departments across the Company. Based on the previously mentioned identification and categorization process, valuable original property title documents, constitution documents, key agreements, statutory registers and others are prioritized for permanent safe custody in fire-proof cabinets.

Information technology department has been strategically placed at the Company to optimize business operations, ensures robust governance and technology projects management for digital and data driven projects, as well as providing timely insights due to standardized processes,



systems, and reporting. The Company has attained an international certification in the technology governance and security management i.e., ISO 27001 that also showed the commitment and dedication of ensuring the continuity of business operations, and actively safeguarding against the potential consequences of technology incidents and risks.

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

KE highly values the sentiments of its shareholders and prospective equity investors who collectively fund and constitute the capital base while enabling formation and sustainable operation of the Company. Therefore, Investors' Relation Policy is primarily based on Company's recognition to valuable equity contribution of present and prospective investors and aims to set a uniform standard. The shareholders of the Company as well as the prospective investors have the option to invest in the Company through right issue(s) and by way of trading in KE's shares at PSX.

The Company regularly informs and updates the shareholders and investors on Company's affairs and maintains a comprehensive "Corporate" segment on its website which is designed to provide shareholders and investors with current key financial and operational highlights, material information and other corporate and regulatory updates to help the investors in making informed and timely investment decisions.

KE's website provides information over and above the regulatory framework of SECP /PSX where instant updates act as the hallmark of our policy for investors interaction.

All material and price sensitive information and disclosures are immediately updated on the Company's website and simultaneously statutory corporate announcements through SECP and PSX channels are made. Furthermore, specific queries of the shareholders and investors including grievances and requests for information/documents are responded to by Corporate Affairs Team in a professional and proactive manner. Alongside, to facilitate and encourage shareholders and prospective investors to provide their feedback/suggestions/ queries/complaints and requests for any information/document, Investor Relation segment provides particulars of the contact person of the Company.

Shareholders' queries / suggestions presented at General Meetings of the Company are given due importance and recorded in the minutes of the meetings for consideration of management.

## Conflict of Interest Policy

The Board is fully cognizant of its role in managing and addressing the conflict of interest issues. Conflict of

Interest Policy (CoIP) is at the core of best practices of corporate governance across the world. CoIP rightfully enjoys international recognition confirming that a comprehensive CoIP is a fundamental prerequisite to ensure transparency in awarding major contracts and entering key agreements in the sole interest of the Company and its stakeholders without being influenced by individual interest of internal /external elements. The Board believes in a structured CoIP and has assigned the highest priority to this policy and enforces it across the Company. The policy encompasses identification, disclosure, monitoring and managing conflict of interest relating to Board members and officers of the Company. The Corporate Regulators were also fully cognizant of the importance of CoIP and have provided clear directions and guidelines in the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations 2019. The Company's policy is fundamentally driven through the above statutes and is further strengthened in light of KE-specific issues and the environment in which the Company is operating. The Board approved the policy after extensive discussions at management and BHR&RC levels and as its part, approved and enforced a comprehensive Code of Conduct, setting high general and company-specific ethical standards, best practices of corporate governance and enabling mechanism with focus to uphold interest of the Company and all the stakeholders.

CoIP of the company makes it mandatory for every Director to formally disclose and provide to the Company, at the time of his/her appointment along with consent, a signed declaration detailing therein all contracts, agreements and arrangements in which he/ she is interested directly or indirectly and to immediately disclose any subsequent addition/change, thereof. Disclosure of the said interest is placed in the very next Board meeting ensuring that the interested Director does not participate in voting/discussion on the subject.

Every officer of the Company, who is, in any way, directly or indirectly, concerned or interested in any contract or arrangement with the Company, is required to submit a signed notice of interest disclosing his/her interest as above and obtain approval of the Board prior to entering any such contract or arrangement. The policy also requires that discussion/decision on every notice of interest submitted by a Board member/officer, is duly recorded in the minutes of meeting and entered into a statutory register maintained for the purpose and audited by statutory auditors as a part of the audit process. Moreover, as a part of statutory requirement, all transactions with related parties are duly recommended by the Board Audit Committee, approved by the Board of Directors and disclosed in the financial statements of the Company which further ensures that Conflict of Interest issues are effectively managed and addressed.

# Navigating Risks with Resilience

As the only vertically integrated power utility in Pakistan, K-Electric has a unique position in the country's energy sector. Being vertically integrated means that K-Electric is involved in multiple stages of the energy generation to distribution and supply lifecycle, from producing electricity to delivering it to the end consumers. This level of integration gives K-Electric greater control over its operations but also exposes it to various external influences that can significantly impact its performance and long-term prospects.

These external influences include:

**Regulatory Environment:** Regulatory decisions on tariffs and future market competition can influence the company's revenue and profitability.

**Economic Conditions:** Economic downturns or fluctuations can affect energy demand, payment capabilities of consumers, and the cost of infrastructure development.

**Energy Prices:** The prices of fuel sources used for power generation can fluctuate based on global market conditions. These price fluctuations directly impact operational costs and consumer pricing.

**Political Stability and Security:** Political stability and security issues can influence the investment climate and the ability to implement long-term projects effectively.

**Technological Advancements:** The energy sector is constantly evolving, with advancements in technology, including those related to environmental friendly solutions, significantly impacting power generation, distribution, and efficiency.

**Environmental Policies:** Increased emphasis on environmental sustainability and climate change may lead to stricter regulations, challenges in securing foreign financing, and / or incentives for renewable energy adoption.

**Social and Demographic Factors:** Changing population demographics, energy consumption patterns, and social awareness can affect energy demand.

## Risk Governance & ERM Methodology

To successfully address these dynamic challenges, K-Electric embraces a robust Enterprise Risk Management (ERM) approach, maximizing value, reducing risks, and capitalizing on opportunities while maintaining competitiveness and risk-awareness in our business strategy.

The company places high reliance in Risk Management capabilities, enabling timely identification and proactive

management of key risks that significantly impact long-term value creation and stakeholder decisions. Our Board Audit Committee, under the authority delegated by the Board of Directors (BoD), ensures compliance and efficacy of our risk management framework, implemented by our capable executive management team.

Aligned with international best practices and our business strategy, our risk management policy mandates comprehensive identification, assessment, monitoring, treatment, and reporting of all major risks affecting Company's strategic objectives and core values. We foster a sound risk management culture, bolstering our commitment to deliver reliable electricity supply and sustain long-term socio-economic stability.

## Key Risks and their Mitigation

Details of significant risks and mitigation strategy are given below:

### Regulatory Challenges Source: External

- Non-cost reflective and unsustainable tariff, not aligning with Company's actual costs and investments, leading to erosion of equity and profits

#### How KE is managing this Risk:

- Persistent advocacy with authorities for sustainable tariff.
- Policy advocacy at the central level to support sustainability of power sector

### Liquidity Challenges Source: External

- Deteriorating recovery from customers amid challenging economic conditions
- Delayed realization of pending subsidy dues from GoP
- Pending financial disputes with government entities

#### How KE is managing this Risk:

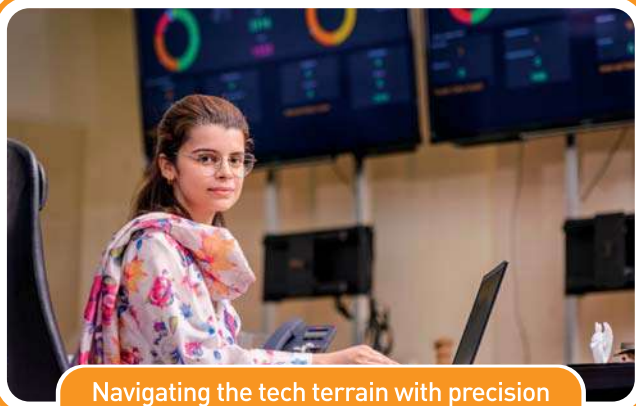
- Introduction of various targeted recovery schemes for collection from non-paying customers
- Assisting customer with bill payments through partnerships with various payment providers and institutions
- Implementation of disconnection policy and regular review of customer receivable balances with rigorous follow-ups
- Broader stakeholder engagement under well-structured plan to expedite resolution of long-standing government and regulatory matters

**Technology & Cyber Resilience** | Source: Internal & External

- Cybersecurity risk having the potential to disrupt operations
- Inability to timely update critical business systems may disrupt vital business processes and impact disaster recovery efforts

**How KE is managing this Risk:**

- Network monitoring tools, enabling automated detection and prevention of cyber attacks
- Regular vulnerability assessment and penetration testing of critical systems
- Entity-wide training and awareness programs on information security
- Seeking extended technical support from vendors
- Phasing out End of Support (EOS) systems with new solutions, including making strategic investments in technology infrastructure to ensure sustainable operations



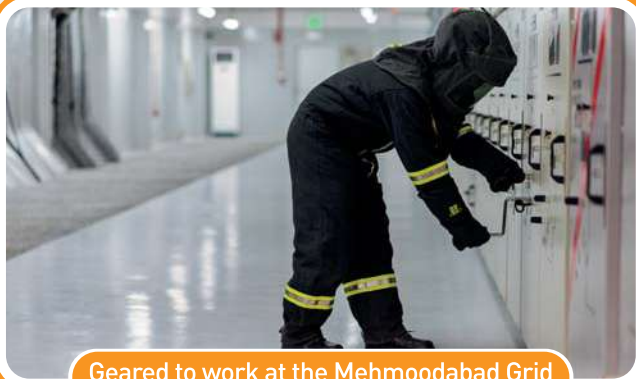
Navigating the tech terrain with precision

**Safety Risk** | Source: Internal & External

- Injury / loss of human life and damage to assets / infrastructure arising from any safety related incident

**How KE is managing this Risk:**

- Adherence to Process Safety Management (PSM) guidelines as per international best practices
- Safety awareness campaigns through media and CSR initiatives
- Implementation of safety reward and reprimand policy



Geared to work at the Mehmoodabad Grid

**People Management** | Source: Internal & External

- Loss of high potential and trained employees
- Risks associated with third party staff engaged in operations, resulting in quality and safety issues

**How KE is managing this Risk:**

- Alignment of employees' compensation with market trend and norms
- Rewarding high performing talent with fast-track career growth
- Talent pipeline and succession planning for critical positions
- Establishing robust contracts and setting minimum training standards for third party staff



Building on success, through team work

**Supply Chain Challenges** | Source: External

- Unavailability of critical supplies in time and consequent operational disruption due to import restrictions

**How KE is managing this Risk:**

- Deepening supplier relationships to ensure preference supplies and smooth delivery
- Exploring localisation options to circumvent import restrictions and drive cost efficiencies



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**Pay the QR & Pay your bill**

**Get 10% cashback**

**RS. 500**

**To avail cashback:**

1. Open your banking app.
2. Select scan QR code option.
3. Scan the QR code on your K-Electric bill.
4. Select the payment option and proceed with payment.
5. Get confirmation SMS from 8119 on your KE registered mobile number.
6. Cashback will be adjusted on your next bill.

Scan through Partner Banking Apps:

**HBL** **Kasbi** **Bank of Commerce** **Bank of Punjab** **Bank of Sohar** **easypaisa**

**KE**

Customer's Name  
Account Number  
Contract Number

# Financial Review

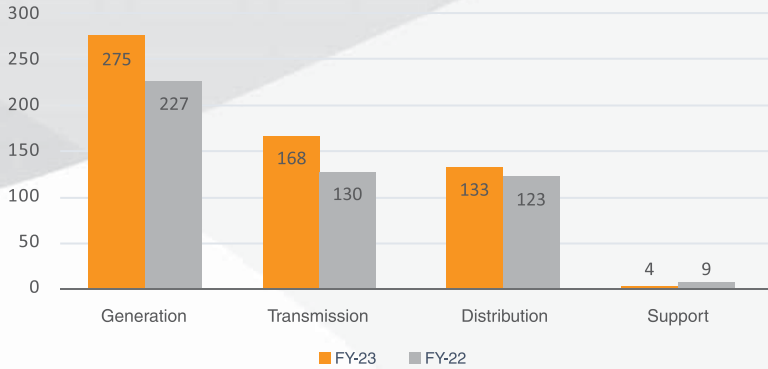


# Financial Analysis

## FINANCIAL POSITION ANALYSIS

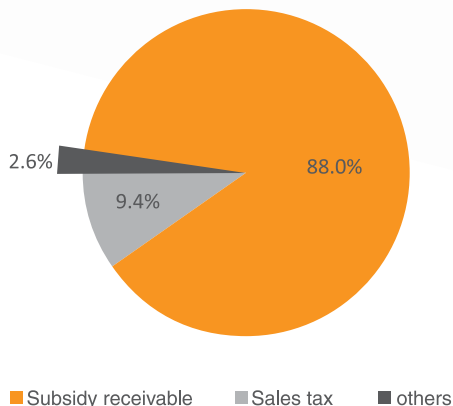
### Property, Plant & Equipment

(PKR in billions)



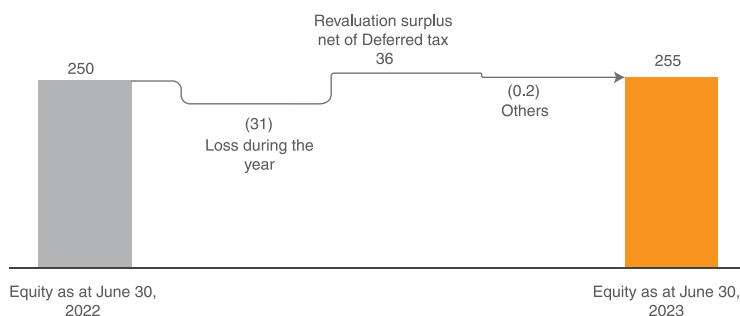
### Other receivables

(In %)



### Changes in Equity

(PKR in billions)



### Property, Plant and Equipment (PPE):

2023 | 580.24 bn 2022 | 489.25 bn

The Company's PPE exhibited substantial growth during the year, reaching PKR 580.2 billion, marking a 18.6% increase compared to the PKR 489.2 billion reported in the previous year. This significant rise is attributed primarily to the substantial investment made for the BQPS-III plant and the recognition of a revaluation surplus totaling PKR 50.8 billion.

### Trade debts:

2023 | 104.28 bn 2022 | 136.84 bn

Trade debts have exhibited a noteworthy decline compared to the previous year. This reduction is largely attributed to the significant FSA outstanding as at June 30, 2022, which was passed on to customers during the year. Additionally, there has been an increase in the provision for doubtful debts, contributing to this decrease in trade debts.

### Other Receivables:

2023 | 239.36 bn 2022 | 375.22 bn

Other receivables showed a decrease of PKR 135 billion, primarily due to the release of subsidies totaling PKR 277.3 billion. However, this decline was partially offset by tariff differential claims amounting to PKR 137.5 billion.

### Equity and Reserves:

2023 | 255.15 bn 2022 | 250.17 bn

The Company's net worth at the end of the fiscal year amounted to Rs 255 billion, reflecting a 2% increase from the Rs 250 billion reported in the prior year. This increase is attributed to the revaluation surplus amounting to Rs. 36 billion (net of deferred tax) which was offset by loss for the year.

### Long Term Financing:

2023 | 216.79 bn 2022 | 175.38 bn

The addition of Sukuk 6 and drawdowns from existing Sinasure and Hermes loan facilities has contributed to the increase in long term borrowings. Furthermore, the impact of PKR devaluation on foreign currency loans throughout the year contributed to this elevation in borrowings.

### Trade and Other Payables:

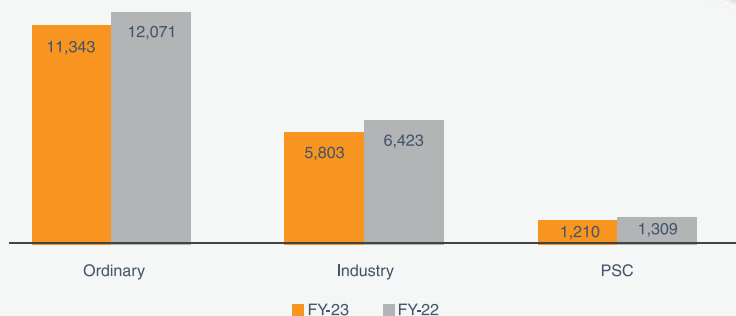
2023 | 357.9 bn 2022 | 438.1 bn

Trade and other payables displayed a noteworthy decline of 18%, primarily influenced by the release of subsidies directly to NTDC/CPPA.

## PROFIT OR LOSS ANALYSIS

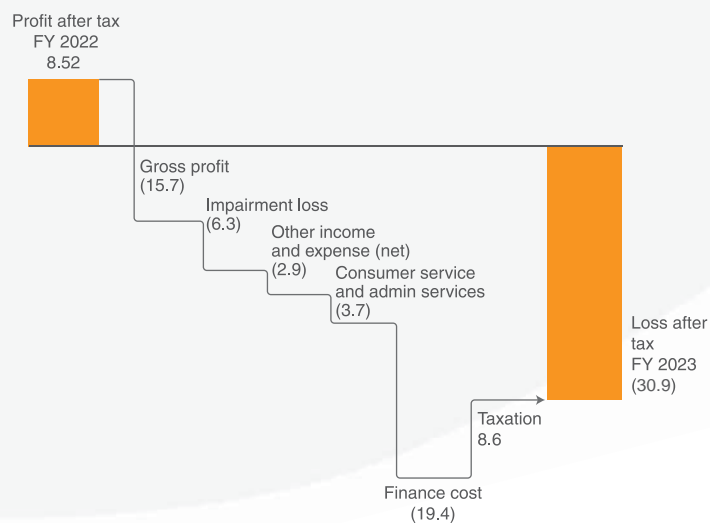
### Units Sent-Out

(In Gwh)



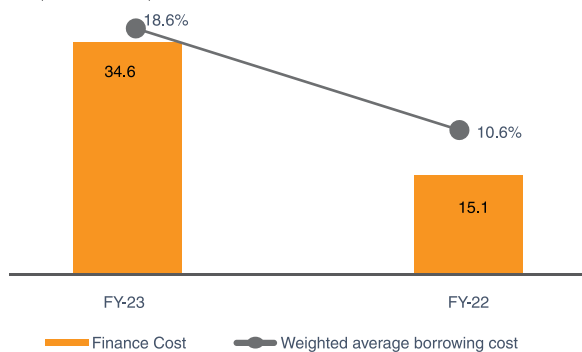
### Profit/(loss) after tax movement

(PKR In billions)



### Finance Cost

(PKR In billions)



### Gross Profit:

2023 | 52.81 bn 2022 | 68.53 bn

The economic crisis stemming from sociopolitical and macroeconomic challenges has had a profound impact on economic activities within the country. In comparison to the previous fiscal year, the company has experienced a notable 7.3% reduction in the units sent-out, primarily due to the contraction in economic activity. It is important to note that under the current Multi-Year Tariff, the Company does not receive any tariff adjustments for variation from the benchmarks set by NEPRA, including the units sent-out. This decrease in units sent-out has significantly dampened the gross profitability of the company, resulting in a substantial decline of PKR 15.72 billion.

### Impairment loss against trade debts and other receivables:

2023 | 31.13 bn 2022 | 24.85 bn

The impairment loss has increased by Rs. 6.3 billion due to high inflation, increase in consumer tariff and deteriorating economic conditions which significantly impacted customers' ability to meet their payment obligations.

### Other Operating Income And (Expenses) - Net:

2023 | (2.07) bn 2022 | 0.80 bn

The Company encountered a substantial increase in exchange loss by PKR 4.38 billion as compared to last year owing to significant devaluation of Pakistani Rupee. However, an increase in other income on bank deposits, late payment surcharges and TDRs was observed.

### Finance Cost:

2023 | 34.57 bn 2022 | 15.12 bn

Finance cost saw a significant rise as compared to last year amounting to Rs. 19.4 billion. This increase was primarily due to the Company's weighted average borrowing costs surging from 10.6% to 18.6%. Additionally, the Company's overall borrowing increased by 9.4%.

### Taxation:

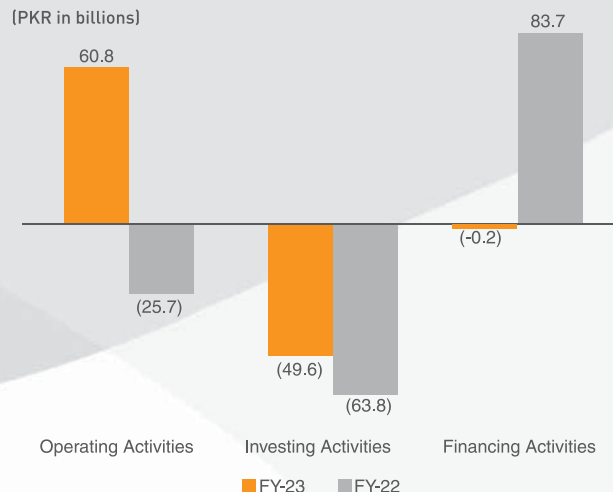
2023 | 11.48 bn 2022 | 2.88 bn

Taxation income for the period increased by Rs. 8.6 billion. This increase was primarily driven by the generation of deferred tax income resulting from the revaluation of property, plant, and equipment, along with prior tax income stemming from favorable financial outcomes.

## CASH FLOW ANALYSIS

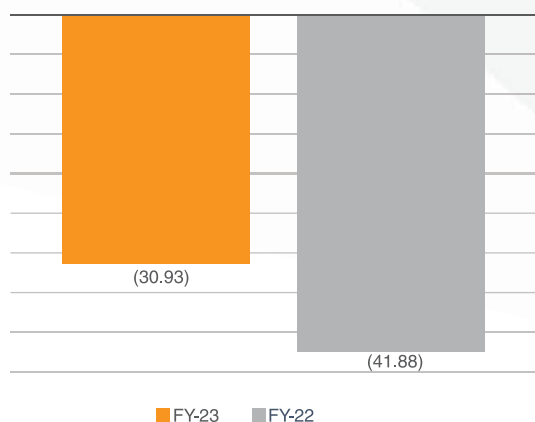
### Cash flow movement

(PKR in billions)



### Cash and Cash Equivalents

(PKR in billions)



### Information about significant change in accounting policies, judgements, estimates and assumptions with rationale

There has been no change in accounting policy other than that as disclosed in "Basis of Preparation" paragraph (note 2.2) of the unconsolidated and consolidated financial statements. Further, there have been no significant change in judgements, estimates and assumptions during the year except as disclosed in financial statements.

### Segmental Information

The Company operates as a vertically integrated power utility under a single integrated tariff structure, as determined by NEPRA; with no separate revenue streams as the Company as a whole earns revenues by providing electricity to its end consumers. The management has determined Generation, Transmission and Distribution as its operating segments, which are being presented to the Board of Directors for allocation of resources and assessment of performance. The detailed information about the segment wise profitability, segmental assets and liabilities of the Company have been disclosed in the consolidated and unconsolidated financial statements of the Company (note 53 and note 52 respectively).

### Cash Flow from operating activities:

2023 | 60.81 bn    2022 | (25.75) bn

The company reported a positive cash flow from operating activities of Rs. 60.8 billion, marking a significant improvement compared to the negative cash flow of Rs. 25.7 billion in the previous year. This improvement can be attributed to significant improvement in working capital owing to reduction in FSA receivable and improvement in net receivable position from GOP.

### Cash Flow from Investing Activities:

2023 | (49.65) bn    2022 | (63.84) bn

The Company continued its investments across the value chain with a capital expenditure of Rs 49.75 billion during the year which reiterates its commitment for operational improvement as well as capacity enhancement.

### Cash Flow from Financing Activities:

2023 | (0.22) bn    2022 | 83.69 bn

Net cash flow used in financing activities during the year remained relatively insignificant. The company secured long-term financing of PKR 7.82 billion, net of repayments, over the course of the year. In contrast, the company also made net repayments of short-term borrowings, amounting to PKR 7.99 billion.

### Cash and Cash Equivalents:

2023 | (30.93) bn    2022 | (41.88) bn

Owing to significant cash generated from operating activities, the company's cash and cash equivalents registered a notable 26% increase during the year, indicating positive growth in the company's cash position.

### Information about defaults and Reasons

The company fulfilled all its contractual commitments during the outgoing period.

### Reasons for not declaring dividend

The Company, due to reinvestment requirements and certain lenders' covenants, has not declared dividend / bonus shares.

### Methods and assumptions used in compiling the indicators

In light of the business dynamics and factors that affect the internal and external environment of the Company, the Management has identified certain indicators which helps in reflecting the true performance of the Company. These indicators are continuously monitored, analyzed and discussed by the top Management. Methods and assumptions used in compiling these indicators normally include data published by State Bank of Pakistan, Pakistan Bureau of Statistics and reports published by leading research and marketing firms in the business.

# Six Years' Performance

## Description

### Operational performance

|                          | FY 2018        | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|--------------------------|----------------|---------|---------|---------|---------|---------|
|                          | (Units in Gwh) |         |         |         |         |         |
| Units Generated - Gross  | 10,338         | 10,727  | 10,358  | 10,938  | 8,496   | 7,534   |
| Units Generated - Net    | 9,557          | 9,928   | 9,629   | 10,186  | 7,890   | 7,093   |
| Units Purchased          | 7,862          | 7,769   | 8,158   | 9,301   | 11,912  | 11,263  |
| Units Sent out           | 17,419         | 17,697  | 17,787  | 19,487  | 19,802  | 18,357  |
| Units Billed             | 13,860         | 14,318  | 14,277  | 16,069  | 16,763  | 15,554  |
| T&D loss (in percentage) | 20.4%          | 19.1%   | 19.7%   | 17.5%   | 15.3%   | 15.3%   |

### Summary of Statement of Profit Or Loss

|   | (Rupees In Millions) |         |         |         |         |          |
|---|----------------------|---------|---------|---------|---------|----------|
| Revenue   | 217,127              | 289,119 | 288,807 | 325,049 | 518,777 | 519,471  |
| Purchase of electricity & consumption of fuel and oil | 149,325              | 215,770 | 219,470 | 240,181 | 420,032 | 432,919  |
| O&M Expenses  | 57,194               | 60,712  | 60,156  | 66,641  | 78,775  | 92,286   |
| Gross Profit  | 45,297               | 50,706  | 43,893  | 59,195  | 68,536  | 52,812   |
| Financial Charges                                     | 3,236                | 6,285   | 16,737  | 11,113  | 15,120  | 34,570   |
| Other Income / (Charges)                              | 6,348                | 2,531   | 7,914   | 8,232   | 799     | (2,068)  |
| Profit / (Loss) before Finance Cost                   | 16,956               | 15,167  | 17,096  | 26,459  | 20,769  | (7,802)  |
| Profit / (Loss) before taxation                       | 13,719               | 8,883   | 359     | 15,346  | 5,648   | (42,372) |
| Profit / (Loss) after taxation                        | 12,312               | 17,274  | (2,959) | 11,998  | 8,524   | (30,897) |
| EBITDA  | 32,422               | 31,236  | 36,684  | 45,867  | 41,598  | 16,489   |

### Summary of Statement of Financial Position

|                                       | (Rupees In Millions) |                |                |                |                  |                  |
|---------------------------------------|----------------------|----------------|----------------|----------------|------------------|------------------|
| Non-Current Assets                    | 277,733              | 326,857        | 364,369        | 427,653        | 509,315          | 608,095          |
| Current Assets                        | 195,965              | 272,008        | 339,045        | 408,024        | 550,813          | 416,567          |
| <b>Total Assets</b>                   | <b>473,698</b>       | <b>598,865</b> | <b>703,414</b> | <b>835,677</b> | <b>1,060,128</b> | <b>1,024,662</b> |
| Share Capital & Reserves              | 207,293              | 214,490        | 210,659        | 223,951        | 250,172          | 255,155          |
| Non-Current liabilities               | 60,451               | 89,027         | 113,289        | 105,796        | 213,772          | 254,399          |
| Current liabilities                   | 205,954              | 295,348        | 379,466        | 505,930        | 596,184          | 515,108          |
| <b>Total Equity &amp; Liabilities</b> | <b>473,698</b>       | <b>598,865</b> | <b>703,414</b> | <b>835,677</b> | <b>1,060,128</b> | <b>1,024,662</b> |

### Summary of Statement of Cashflows

|  | (Rupees In Millions) |                 |                 |                 |                 |                 |
|--|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net cash generated from/(used in) operating activities     | 19,335               | (16,884)        | 21,871          | 42,259          | (25,746)        | 60,809          |
| Net cash used in investing activities                      | (43,726)             | (33,843)        | (49,411)        | (74,465)        | (63,843)        | (49,646)        |
| Net cash (used in) generated from financing activities     | 6,040                | 52,012          | 27,192          | 22,061          | 83,693          | (218)           |
| <b>Net increase/(decrease) in cash and cash equivalent</b> | <b>(18,351)</b>      | <b>1,285</b>    | <b>(348)</b>    | <b>(10,144)</b> | <b>(5,896)</b>  | <b>10,946</b>   |
| Cash and cash equivalent at beginning of the year          | (8,421)              | (26,772)        | (25,487)        | (25,835)        | (35,979)        | (41,875)        |
| <b>Cash and cash equivalent at end of the year</b>         | <b>(26,772)</b>      | <b>(25,487)</b> | <b>(25,835)</b> | <b>(35,979)</b> | <b>(41,875)</b> | <b>(30,929)</b> |

# Key Financial Indicators

| Description   | FY 2018  | FY 2019  | FY 2020                  | FY 2021  | FY 2022  | FY 2023  |
|---|----------|----------|--------------------------|----------|----------|----------|
| <b>Profitability Ratios</b>   |          |          |                          |          |          |          |
|   |          |          | <b>(In Percentage %)</b> |          |          |          |
| Gross Profit Margin   | 20.9%    | 17.5%    | 15.2%                    | 18.2%    | 13.2%    | 10.2%    |
| Net Profit / (Loss) Margin  | 5.7%     | 6.0%     | (1.0%)                   | 3.7%     | 1.6%     | (5.9%)   |
| EBITDA Margin   | 14.9%    | 10.8%    | 12.7%                    | 14.1%    | 8.0%     | 3.2%     |
| PBT Margin  | 6.3%     | 3.1%     | 0.1%                     | 4.7%     | 1.1%     | (8.2%)   |
| Return on Equity / Shareholder's Funds  | 5.9%     | 8.1%     | (1.4%)                   | 5.4%     | 3.4%     | (12.1%)  |
| Return on Capital Employed  | 4.9%     | 5.6%     | (0.8%)                   | 3.1%     | 1.8%     | (5.6%)   |
| Return on Total Assets  | 2.6%     | 2.9%     | (0.4%)                   | 1.4%     | 0.8%     | (3.0%)   |
| Return on Property, Plant and Equipment Shareholder's Funds   | 4.4%     | 5.3%     | (0.8%)                   | 2.8%     | 1.7%     | (5.3%)   |
| Shareholder's Funds   | 43.8%    | 35.8%    | 29.9%                    | 26.8%    | 23.6%    | 24.9%    |
| Operating Leverage Ratio*   | N/A      | N/A      | N/A                      | N/A      | N/A      | N/A      |
| <b>Liquidity Ratios</b>   |          |          |                          |          |          |          |
|   |          |          | <b>(In Times)</b>        |          |          |          |
| Current Ratio   | 0.95     | 0.92     | 0.89                     | 0.81     | 0.92     | 0.81     |
| Quick / Acid test ratio   | 0.90     | 0.88     | 0.86                     | 0.77     | 0.90     | 0.77     |
| Cash to current liability   | 0.01     | 0.01     | 0.01                     | 0.005    | 0.005    | 0.01     |
| Cash flow from operations to revenue  | 0.09     | (0.06)   | 0.08                     | 0.13     | (0.05)   | 0.12     |
| Cash flow to capital expenditure  | (0.43)   | 0.47     | (0.44)                   | (0.55)   | 0.50     | (1.22)   |
| Cash flow coverage ratio  | 0.27     | (0.13)   | 0.14                     | 0.23     | (0.09)   | 0.20     |
| Free Cash Flow (Rs in million)  | (24,342) | (50,727) | (27,541)                 | (32,024) | (72,991) | 13,034   |
| Economic Value addition (Rs in million)   | (20,995) | (29,993) | (49,889)                 | (29,454) | (41,696) | (89,642) |
| <b>Activity / Turnover Ratio</b>  |          |          |                          |          |          |          |
| Inventory [Furnace & Other Oil] Turnover Days   | 12       | 11       | 9                        | 14       | 14       | 23       |
| Debtor Turnover Days** (No. of days)  | 294      | 304      | 393                      | 410      | 322      | 288      |
| Creditor Turnover Days (No. of days)  | 164      | 160      | 233                      | 292      | 232      | 220      |
| Operating Cycle (No. of days)   | 142      | 155      | 169                      | 132      | 104      | 91       |
| Total Asset turnover ratio (Times)  | 0.46     | 0.48     | 0.41                     | 0.39     | 0.49     | 0.51     |
| Fixed Asset turnover ratio (Times)  | 0.78     | 0.89     | 0.80                     | 0.77     | 1.06     | 0.90     |
| <b>Investment / Market Ratios</b>   |          |          |                          |          |          |          |
|   |          |          | <b>(In Rupees)</b>       |          |          |          |
| Earnings / (loss) per Share - Basic / Diluted   | 0.45     | 0.63     | (0.11)                   | 0.43     | 0.31     | (1.12)   |
| Price Earning Ratio (In Times)  | 12.74    | 7.02     | N/A                      | 9.62     | 9.85     | N/A      |
| Market Value Per Share - year end   | 5.68     | 4.39     | 3.01                     | 4.18     | 3.04     | 1.72     |
| - High during the year  | 7.51     | 6.75     | 5.00                     | 4.88     | 4.31     | 3.79     |
| - Low during the year   | 5.11     | 3.54     | 2.57                     | 3.11     | 2.40     | 1.55     |
| Price to book ratio (In Times)  | 0.33     | 0.20     | 0.12                     | 0.14     | 0.08     | 0.05     |
| Breakup Value per Ordinary Share (including Surplus on Revaluation of Property, Plant & Equipment) / Net Assets per share | 7.51     | 7.77     | 7.63                     | 8.11     | 9.06     | 9.24     |
| Breakup Value per Ordinary Share (excluding Surplus on Revaluation of Property, Plant & Equipment)                        | 5.55     | 5.38     | 5.48                     | 6.08     | 6.53     | 5.57     |
| <b>Capital Structure Ratios</b>   |          |          |                          |          |          |          |
|   |          |          | <b>(In Times)</b>        |          |          |          |
| Long-term debt to equity ratio - as per book value*** (including revaluation surplus)                                     | 0.13     | 0.21     | 0.28                     | 0.26     | 0.41     | 0.46     |
| Long-term debt to equity ratio - as per book value*** (excluding revaluation surplus)                                     | 0.17     | 0.28     | 0.35                     | 0.32     | 0.49     | 0.59     |
| Long-term debt to equity ratio - as per market value***   | 0.17     | 0.32     | 0.50                     | 0.40     | 0.68     | 0.82     |
| Interest Cover ratio  | 5.24     | 2.41     | 1.02                     | 2.38     | 1.37     | (0.23)   |
| Average Cost of Debt  | 0.07     | 0.11     | 0.16                     | 0.09     | 0.10     | 0.18     |
| Financial Leverage Ratio (local and foreign lenders)  | 0.35     | 0.60     | 0.74                     | 0.82     | 1.13     | 1.21     |
| Debt Service Coverage Ratio ****  | 2.60     | 1.80     | 1.10                     | 1.45     | 1.04     | 0.32     |
| <b>Employee Productivity ratios</b>   |          |          |                          |          |          |          |
| Production per employee (Gwh)   | 0.99     | 1.04     | 0.97                     | 1.06     | 0.85     | 0.79     |
| Revenue per employee (Rs in million)  | 20.9     | 28.0     | 27.1                     | 31.6     | 52.1     | 54.2     |
| Staff turnover ratio (In Percentage)  | 7.8%     | 10.6%    | 10.0%                    | 8.3%     | 12.4%    | 11.0%    |
| <b>Others</b>   |          |          |                          |          |          |          |
|   |          |          | <b>(In Percentage %)</b> |          |          |          |
| Spares Inventory as % of Assets Cost  | 2.1%     | 1.9%     | 1.9%                     | 1.7%     | 1.4%     | 1.4%     |
| Maintenance Cost as % of Operating Expenses   | 0.8%     | 0.8%     | 0.7%                     | 0.8%     | 0.9%     | 0.8%     |

\* Not Applicable, as the Company's profitability is not dependant on its revenue

\*\* includes tariff adjustment receivable from Government

\*\*\* Long term debt also includes current maturity of debts

\*\*\*\* This ratio is computed by dividing Net Income as adjusted for non-cash items by Debt Service.

# Horizontal & Vertical Analysis

## VERTICAL ANALYSIS

### Statement of Financial Position

|                                     | FY 2018       | FY 2019       | FY 2020       | FY 2021       | FY 2022       | FY 2023       |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Non-Current Assets                  | 58.6%         | 54.6%         | 51.8%         | 51.2%         | 48.0%         | 59.3%         |
| Current Assets                      | 41.4%         | 45.4%         | 48.2%         | 48.8%         | 52.0%         | 40.7%         |
| <b>Total Assets</b>                 | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |
| Share Capital & Reserves            | 43.7%         | 35.8%         | 29.9%         | 26.8%         | 23.6%         | 24.9%         |
| Non-Current Liabilities             | 12.8%         | 14.9%         | 16.1%         | 12.7%         | 20.2%         | 24.8%         |
| Current Liabilities                 | 43.5%         | 49.3%         | 54.0%         | 60.5%         | 56.2%         | 50.3%         |
| <b>Total Equity and Liabilities</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

### Statement of Profit or Loss

|  | FY 2018        | FY 2019       | FY 2020       | FY 2021       | FY 2022       | FY 2023       |
|--|----------------|---------------|---------------|---------------|---------------|---------------|
| Revenue  | 100.0%         | 100.0%        | 100.0%        | 100.0%        | 100.0%        | 100.0%        |
| Purchase of electricity  | (35.7%)        | (32.9%)       | (35.8%)       | (34.5%)       | (40.0%)       | (43.0%)       |
| Consumption of fuel and oil  | (33.1%)        | (41.7%)       | (40.2%)       | (39.4%)       | (41.0%)       | (40.4%)       |
| Expenses incurred in generation, transmission And distribution   | (68.8%)        | (74.6%)       | (76.0%)       | (73.9%)       | (81.0%)       | (83.3%)       |
| <b>Gross Profit</b>  | <b>(10.4%)</b> | <b>(7.8%)</b> | <b>(8.8%)</b> | <b>(7.9%)</b> | <b>(5.8%)</b> | <b>(6.5%)</b> |
| Consumers Services and Administrative Expenses (including impairment loss against trade debts & other receivables) | 20.9%          | 17.5%         | 15.2%         | 18.2%         | 13.2%         | 10.2%         |
| Other operating expenses   | (16.0%)        | (13.2%)       | (12.0%)       | (12.6%)       | (9.4%)        | (11.3%)       |
| Other operating income   | (1.0%)         | (1.7%)        | (0.2%)        | (0.5%)        | (1.8%)        | (2.8%)        |
| Profit / (Loss) Before Finance Cost  | 3.9%           | 2.6%          | 2.9%          | 3.0%          | 2.0%          | 2.4%          |
| Finance cost   | (13.1%)        | (12.3%)       | (9.3%)        | (10.1%)       | (9.2%)        | (11.7%)       |
| Profit / (Loss) Before Taxation  | 7.8%           | 5.2%          | 5.9%          | 8.1%          | 4.0%          | (1.5%)        |
| Taxation   | (1.5%)         | (2.2%)        | (5.8%)        | (3.4%)        | (2.9%)        | (6.7%)        |
| <b>Profit / (loss) for the year</b>  | <b>6.3%</b>    | <b>3.1%</b>   | <b>0.1%</b>   | <b>4.7%</b>   | <b>1.1%</b>   | <b>(8.2%)</b> |
|  | (0.6%)         | 2.9%          | (1.1%)        | (1.0%)        | 0.6%          | 2.2%          |
|  | <b>5.7%</b>    | <b>6.0%</b>   | <b>(1.0%)</b> | <b>3.7%</b>   | <b>1.6%</b>   | <b>(5.9%)</b> |

## HORIZONTAL ANALYSIS

### Statement of Financial Position

|                                     | FY 2018       | FY 2019       | FY 2020       | FY 2021       | FY 2022       | FY 2023       |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Non-Current Assets                  | 100.0%        | 117.7%        | 131.2%        | 154.0%        | 183.4%        | 218.9%        |
| Current Assets                      | 100.0%        | 138.8%        | 173.0%        | 208.2%        | 281.1%        | 212.6%        |
| <b>Total Assets</b>                 | <b>100.0%</b> | <b>126.4%</b> | <b>148.5%</b> | <b>176.4%</b> | <b>223.8%</b> | <b>216.3%</b> |
| Share Capital & Reserves            | 100.0%        | 103.5%        | 101.6%        | 108.0%        | 120.7%        | 123.1%        |
| Non-Current Liabilities             | 100.0%        | 147.3%        | 187.4%        | 175.0%        | 353.6%        | 420.8%        |
| Current Liabilities                 | 100.0%        | 143.4%        | 184.2%        | 245.7%        | 289.5%        | 250.1%        |
| <b>Total Equity and Liabilities</b> | <b>100.0%</b> | <b>126.4%</b> | <b>148.5%</b> | <b>176.4%</b> | <b>223.8%</b> | <b>216.3%</b> |

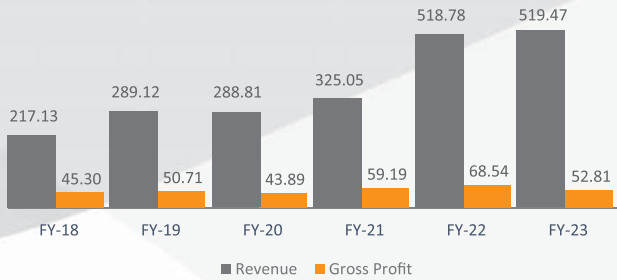
### Statement of Profit or Loss

|  | FY 2018       | FY 2019         | FY 2020        | FY 2021       | FY 2022         | FY 2023         |
|--|---------------|-----------------|----------------|---------------|-----------------|-----------------|
| Revenue  | 100.0%        | 133.2%          | 133.0%         | 149.7%        | 238.9%          | 239.2%          |
| Purchase of electricity  | 100.0%        | 122.9%          | 133.3%         | 144.9%        | 268.0%          | 288.1%          |
| Consumption of fuel and oil  | 100.0%        | 167.8%          | 161.7%         | 178.0%        | 295.7%          | 291.9%          |
| Expenses incurred in generation, transmission & distribution   | 100.0%        | 144.5%          | 147.0%         | 160.8%        | 281.3%          | 289.9%          |
| <b>Gross Profit</b>  | <b>100.0%</b> | <b>111.9%</b>   | <b>96.9%</b>   | <b>130.7%</b> | <b>151.3%</b>   | <b>116.6%</b>   |
| Consumers services and administrative expenses (including impairment loss against trade debts & other receivables) | 100.0%        | 109.7%          | 100.1%         | 118.1%        | 140.0%          | 168.8%          |
| Other operating income   | 100.0%        | 89.3%           | 100.5%         | 115.6%        | 120.5%          | 146.6%          |
| Other operating expenses   | 100.0%        | 237.1%          | 28.1%          | 73.5%         | 443.4%          | 682.6%          |
| Profit / (Loss) Before Finance Cost  | 100.0%        | 125.4%          | 94.6%          | 115.5%        | 168.5%          | 213.9%          |
| Finance cost   | 100.0%        | 89.5%           | 100.8%         | 156.0%        | 122.5%          | (46.0%)         |
| Profit / (Loss) Before Taxation  | 100.0%        | 194.2%          | 517.2%         | 343.4%        | 467.2%          | 1068.2%         |
| Taxation   | 100.0%        | 64.7%           | 2.6%           | 111.9%        | 41.2%           | (308.9%)        |
| <b>Profit / (loss) for the year</b>  | <b>100.0%</b> | <b>(596.2%)</b> | <b>235.8%</b>  | <b>237.9%</b> | <b>(204.3%)</b> | <b>(815.4%)</b> |
|  | <b>100.0%</b> | <b>140.3%</b>   | <b>(24.0%)</b> | <b>97.5%</b>  | <b>69.2%</b>    | <b>(251.0%)</b> |

# Graphical Analysis

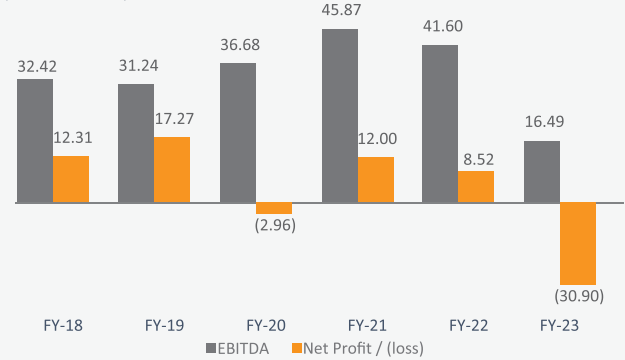
## REVENUE & GROSS PROFIT

(PKR in billions)



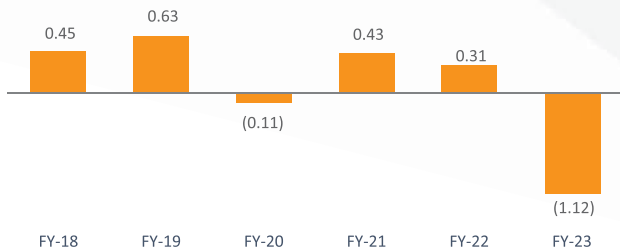
## EBITDA & NET PROFIT / (LOSS)

(PKR in billions)



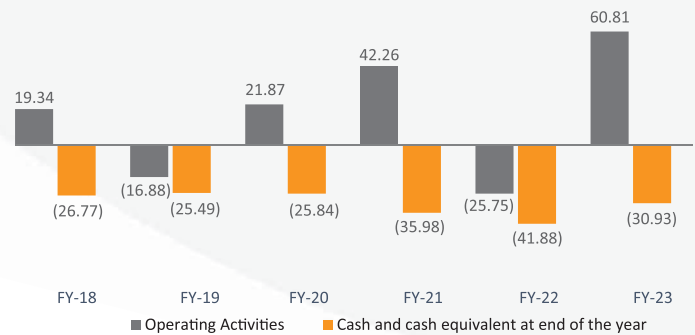
## EARNINGS PER SHARE (EPS)

(In PKR)



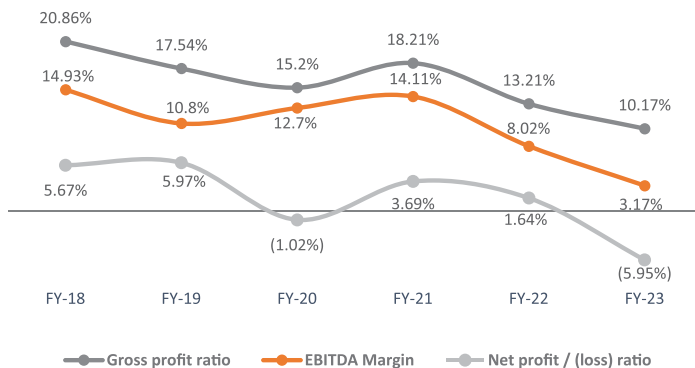
## CASHFLOWS ANALYSIS

(PKR in billions)



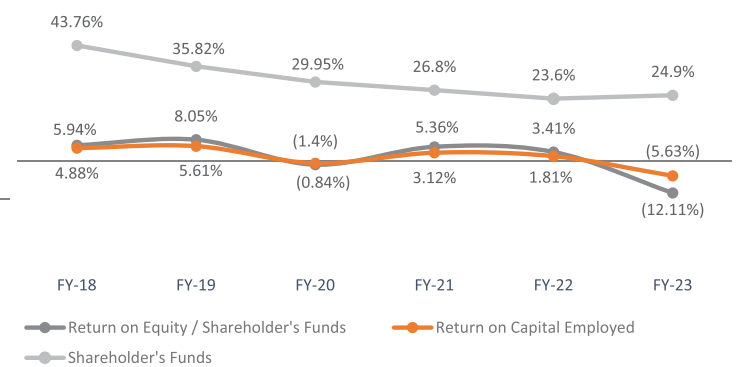
## PROFITABILITY RATIOS

(In %)



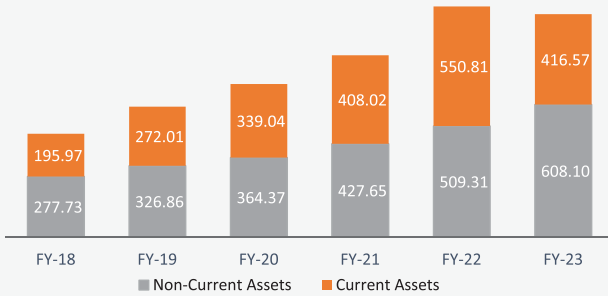
## PROFITABILITY RATIOS

(In %)



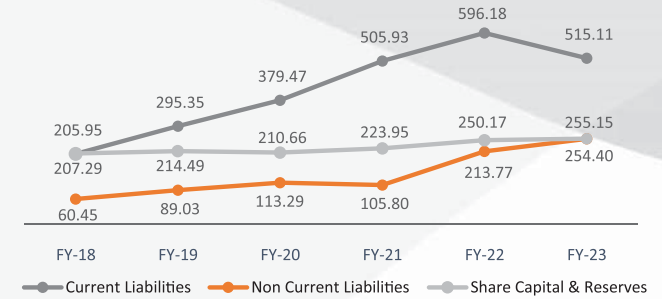
## TOTAL ASSETS

(PKR in billions)



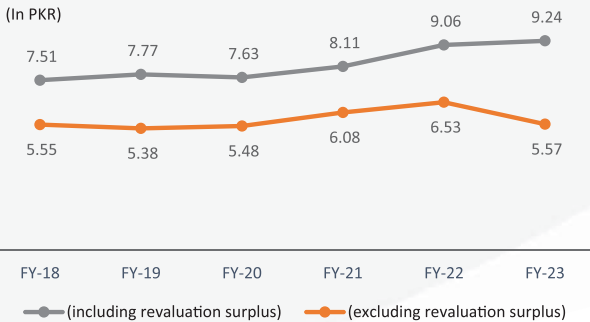
## EQUITIES & LIABILITIES

(PKR in billions)



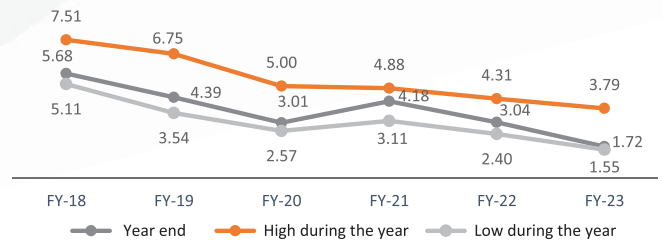
## BREAKUP VALUE PER SHARE

(In PKR)



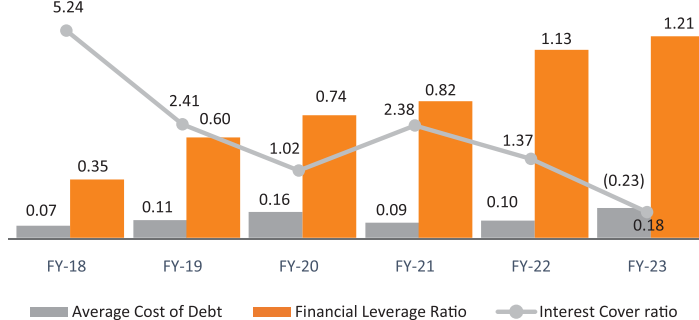
## MARKET VALUE PER SHARE

(In PKR)



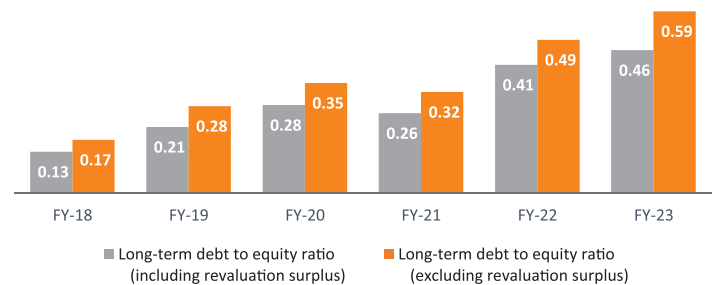
## CAPITAL STRUCTURE RATIOS

(In Times)



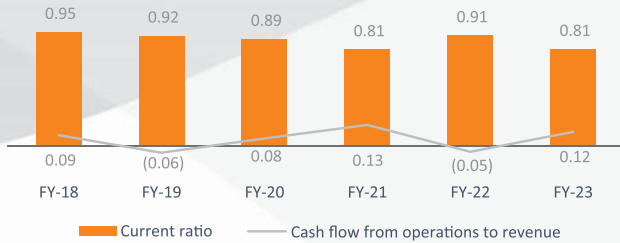
## LONG TERM DEBT TO EQUITY

(In Times)

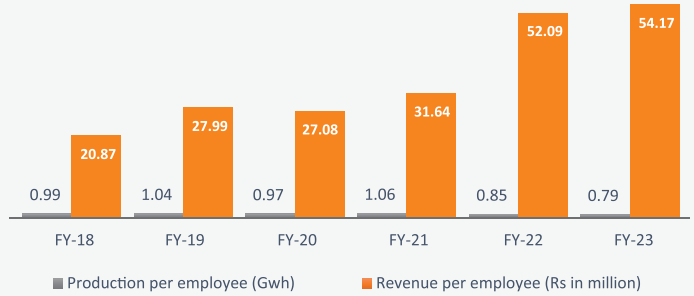




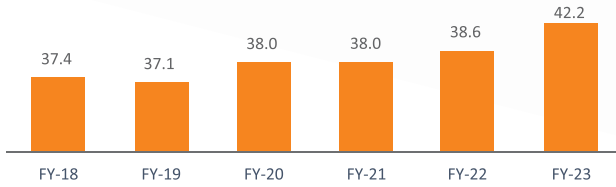
### LIQUIDITY RATIO (In Times)



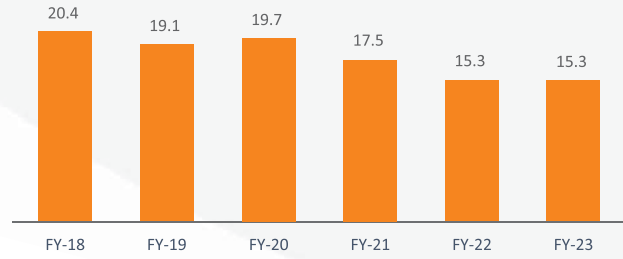
### EMPLOYEE PRODUCTIVITY RATIOS



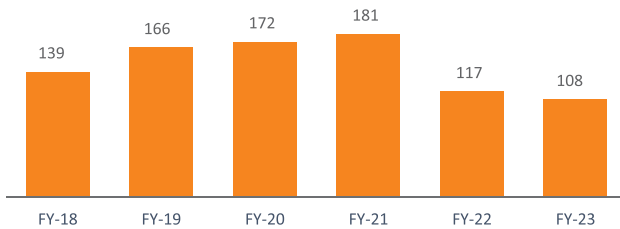
### GENERATION FLEET EFFICIENCY (In %)



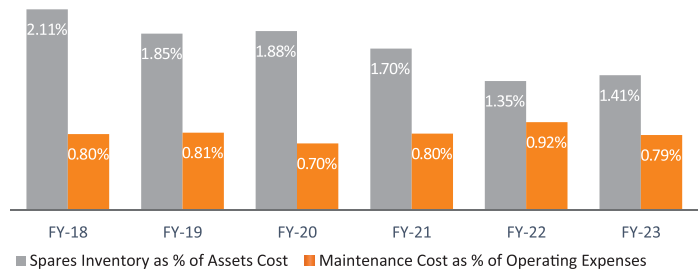
### T&D LOSSES (In %)



### GAS (MMCFD)



### OTHER RATIOS (In %)



# Statement of Value Addition and its Distribution

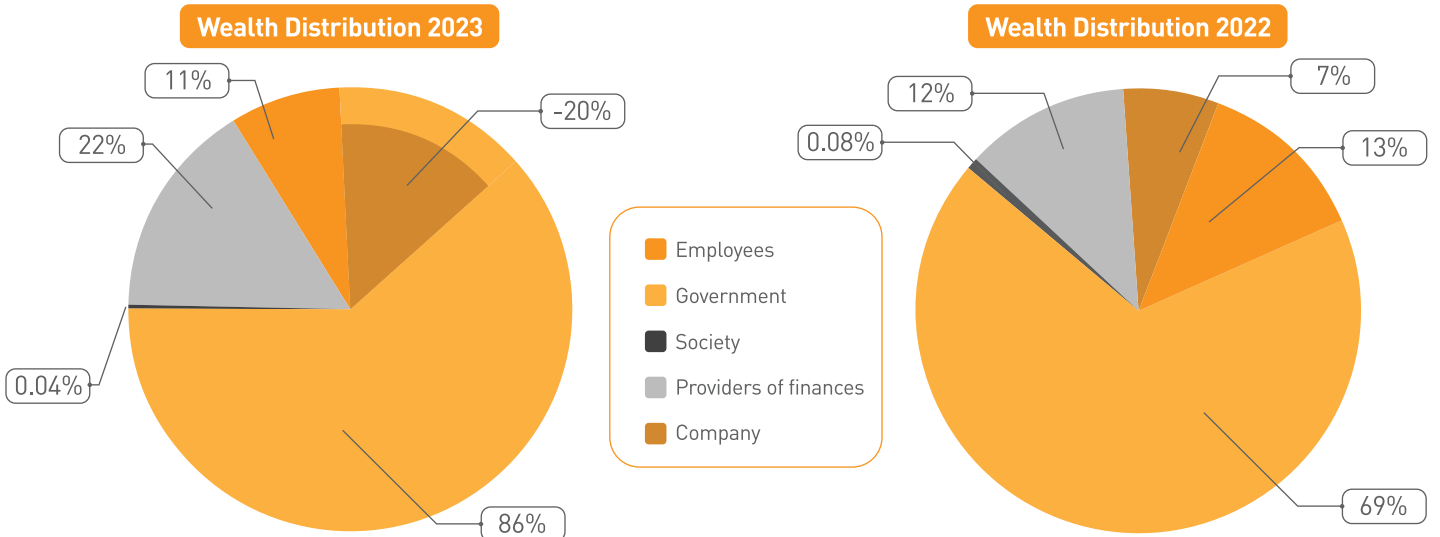
## Wealth Generated

Sale of energy inclusive of all taxes  
 Tariff adjustment  
 Other Income  
 Electricity purchase, consumption of fuel  
 and oil, service and other cost (exclusive taxes)  
 Deferred tax income

| 2023<br>Rs in Million | %       | 2022<br>Rs in Million | %       |
|-----------------------|---------|-----------------------|---------|
| 513,825               |         | 428,705               |         |
| 136,907               |         | 172,687               |         |
| 12,420                |         | 10,210                |         |
| (522,270)             |         | (492,286)             |         |
| 14,655                |         | 7,228                 |         |
| 155,537               | 100%    | 126,544               | 100%    |
|                       |         |                       |         |
| 17,361                | 11%     | 15,837                | 13%     |
| 134,440               | 86%     | 86,968                | 69%     |
| 63                    | 0.04%   | 95                    | 0.08%   |
| 34,570                | 22%     | 15,120                | 12%     |
| (30,897)              | -20%    | 8,524                 | 7%      |
| 155,537               | 100.00% | 126,544               | 100.00% |

## Wealth Distribution

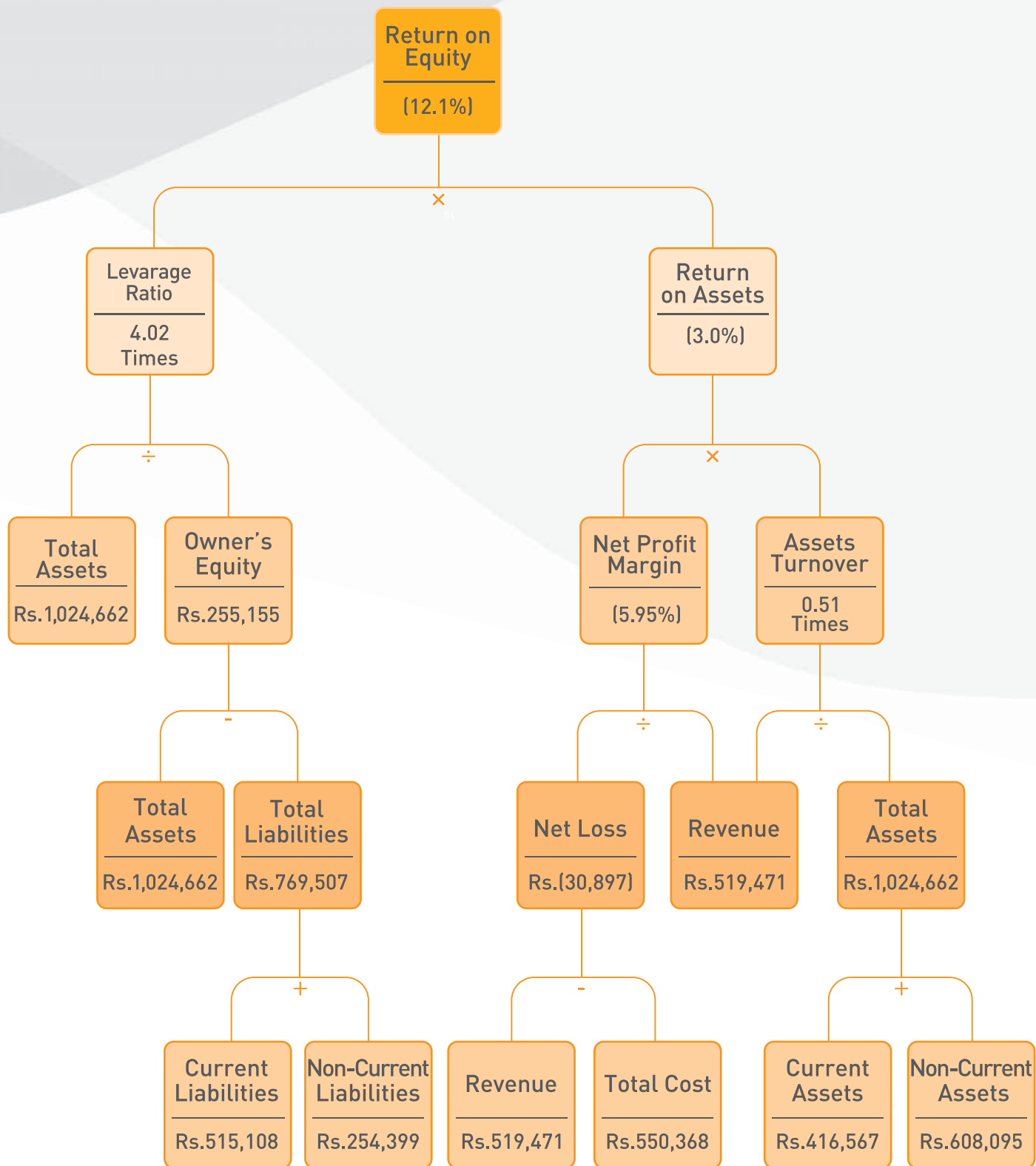
To Employees - Salaries, benefits and other costs  
 To Government - Income tax, sales tax and others  
 To Society - Donations  
 To providers of finances - Financial Charges  
 To Company - Retained within the business



# DuPont Analysis

For the year ended June 30, 2023

(Amount in millions)



# Statement of Cash Flows Direct Method

## Cash flows from operating activities

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| Cash receipts from customers         | 518,714,315   | 376,350,501   |
| Tariff differential subsidies        | 250,000       | 11,275,001    |
| Cash paid to suppliers and employees | (418,498,419) | (399,050,281) |

## Cash generated from operations

|  |              |              |
|--|--------------|--------------|
| Employee retirement benefits paid                    | (1,391,825)  | (398,004)    |
| Income tax paid                                      | (6,198,332)  | (3,507,518)  |
| Security deposit received                            | 2,737,527    | 1,110,582    |
| Increase in deferred revenue                         | 11,881,939   | 8,166,237    |
| Finance cost paid                                    | (48,233,423) | (20,119,046) |
| Payments made in respect of out of court settlements | (3,000)      | (25,650)     |
| Interest received on bank deposits                   | 1,547,156    | 450,032      |
| Long term loans and deposits                         | 3,379        | 1,966        |

## Net cash generated from/(used in) operating activities

**60,809,317** **(25,746,180)**

## Cash flow from investing activities

|  |              |              |
|--|--------------|--------------|
| Capital expenditure incurred                               | (49,752,066) | (51,248,262) |
| Proceeds from disposal of operating fixed assets           | 1,977,445    | 4,003,158    |
| Redemption other financial asset - at amortised cost (net) | (1,717,043)  | (16,504,844) |
| Investment made in subsidiary Company                      | (154,000)    | (92,900)     |

## Net cash used in investing activities

**(49,645,664)** **(63,842,848)**

## Cash flow from financing activities

|  |             |             |
|--|-------------|-------------|
| Proceeds from long-term financing - net  | 7,821,238   | 89,602,181  |
| Lease rentals payments                   | (52,644)    | (50,167)    |
| Repayment of short-term borrowings - net | (7,986,128) | (5,858,876) |

## Net cash generated from financing activities

**(217,534)** **83,693,138**

## Net increase /(decrease) in cash and cash equivalents

**10,946,119** **(5,895,890)**

## Cash and cash equivalents at the beginning of the year

**(41,875,437)** **(35,979,547)**

## Cash and cash equivalents at the end of the year

**(30,929,318)** **(41,875,437)**

2023

2022

(Rupees in '000)



# Unconsolidated Financial Statements

# Independent Auditor's Report

To the members of K-Electric Limited

## Report on the Audit of the Unconsolidated Financial Statements

### Opinion

We have audited the annexed unconsolidated financial statements of K-Electric Limited (the Company), which comprise the unconsolidated statement of financial position as at June 30, 2023, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2023 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matters

We draw attention to:

- note 13.1 to the annexed unconsolidated financial statements, which explains the matter in respect of claims for write-off of trade debts pending with National Electric Power Regulatory Authority (NEPRA);
- note 31.1.1 to the annexed unconsolidated financial statements, which describes that the mark-up / financial charges on outstanding liabilities due to government-controlled entities will only be payable by the Company as part of holistic settlement where the Company will receive mark-up on outstanding receivable balances on account of tariff differential claims and energy dues of the Company's public sector consumers; and
- note 31.1.5 to the annexed unconsolidated financial statements, which states that the Supreme Court of Pakistan vide its decision dated August 13, 2020 has declared the Gas Infrastructure Development Cess (GIDC) Act, 2015 to be valid. In this respect the Company's suit is pending before the High Court of Sindh on the grounds, amongst others, that the Company falls within the category of gas consumers who have not accrued the GIDC in their books and have neither recovered nor passed it on to their consumers.

Our opinion is not modified in respect of these matters.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

| S. No | Key audit matters  | How the matter was addressed in our audit   |
|-------|--|---|
| (i)   | <p><b>Tariff adjustment on account of write-off of bad debts</b><br/>           (Refer notes 2.5.1 and 33.2 to the annexed unconsolidated financial statements)</p> <p>Revenue recognized during the year in respect of tariff adjustment on account of write-off of bad debts amounted to Rs. 16,264 million, comprising receivables from 82,564 consumers.</p> <p>As required under the Multi-Year Tariff for the period from July 1, 2016, to June 30, 2023 (MYT 2017-23), for the purpose of claiming tariff adjustment in respect of write-off of bad debts, the Company is required to ensure that certain specific minimum procedures are completed.</p> <p>Tariff adjustment being part of revenue is assessed as an area involving presumed risk of material misstatement, hence, significant risk for the audit. Further, such tariff adjustment on account of write-off of bad debts requires significant judgement and interpretation of MYT 2017-23 by the Company's management.</p> <p>Accordingly, we considered tariff adjustment on account of write-off of bad debts a key audit matter.</p> | <p>Our audit procedures amongst other included the following:</p> <ul style="list-style-type: none"> <li>• Updated our understanding of the requirements of MYT 2017-23 relating to the claim of write-off of bad debts as tariff adjustment by reviewing correspondence with NEPRA;</li> <li>• Evaluated key basis / assumptions that have been used and procedures that have been performed by the Company's management for determining the eligibility of the claim for write-off;</li> <li>• Evaluated whether compliance was made by the Company with the specific requirements stipulated in MYT 2017-23 relating to claim of write-off of bad debts;</li> <li>• Verified as part of the requirement of MYT 2017-23 that the amounts are not recoverable notwithstanding the efforts of the Company; and</li> <li>• Assessed the financial impacts and appropriateness of disclosures made in the unconsolidated financial statements in this respect.</li> </ul> |
| (ii)  | <p><b>Impairment loss against trade debts</b><br/>           (Refer notes 2.5.4 and 10 to the annexed unconsolidated financial statements)</p> <p>The loss allowance for expected credit losses (ECL model) on trade debts (other than dues from public sector consumers i.e., government-controlled entities) has been recognized in the annexed unconsolidated financial statements using the guidance included in IFRS 9 'Financial Instruments'. The ECL model involves significant estimates and judgements which are reviewed on an ongoing basis for historical experience and various other factors.</p> <p>As a result of application of the ECL model an amount of Rs. 30,272 million has been recognized during the year as impairment loss against trade debts.</p>  | <p>Our audit procedures amongst other included the following:</p> <ul style="list-style-type: none"> <li>• Considered management's process of application of ECL model to calculate impairment loss against trade debts;</li> <li>• Evaluated key decisions made by the Company's management with respect to estimates and judgements in relation to application of the ECL model;</li> <li>• Evaluated the ECL model for appropriateness of the methodology applied and checked arithmetical accuracy of the model; and</li> </ul>   |

| S. No | Key audit matters  | How the matter was addressed in our audit   |
|-------|--|---|
|       | <p>Due to application of significant management judgement and use of estimates, we have considered application of the ECL model to determine the impairment loss against trade debts a key audit matter.</p>   | <ul style="list-style-type: none"> <li>Assessed financial impacts and appropriateness of disclosures made in the unconsolidated financial statements in relation to impairment loss against trade debts.</li> </ul>   |
| (iii) | <p><b>Revaluation of property, plant and equipment (PP&amp;E)</b><br/>(Refer notes 2.5.2, 3.1, 4 and 19 to the annexed unconsolidated financial statements)</p> <p>The Company as at reporting date carried out a revaluation exercise for specific classes of PP&amp;E being plant and machinery and transmission grid equipment which resulted in a revaluation surplus of Rs. 50,836 million for the year.</p> <p>Determination of fair value of aforementioned classes of PP&amp;E by the management for this purpose requires use of experts and application of significant management judgement and use of estimates.</p> <p>Accordingly, we considered this an area of higher assessed risk and a key audit matter.</p> | <p>Our audit procedures amongst other included the following:</p> <ul style="list-style-type: none"> <li>Obtained valuation reports of management's expert and considered qualification and experience of the expert, the scope of work and the assumptions used;</li> <li>Checked revaluation adjustments made by management;</li> <li>For selected sites, engaged expert to perform an independent assessment of the work performed and conclusions reached by the management's expert; and</li> <li>Assessed the appropriateness of the disclosures in the unconsolidated financial statements in this respect.</li> </ul> |

## Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the unconsolidated and consolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.



## Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- (a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- (c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (d) 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.

The engagement partner on the audit resulting in this independent auditor's report is Osama Kapadia.



**A. F. Ferguson & Co.**  
Chartered Accountants  
Karachi

Date: October 2, 2023

UDIN: AR20231008016Ytq0DxH

# UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2023

|  | Note | June 30, 2023 | June 30, 2022 |
|--|------|---------------|---------------|
| -----[Rupees in '000]-----                                     |      |               |               |
| <b>ASSETS</b>  |      |               |               |
| <b>Non-current assets</b>                                      |      |               |               |
| Property, plant and equipment                                  | 4    | 580,244,646   | 489,248,209   |
| Intangible assets  | 5    | 1,169,487     | 518,889       |
| Investment in subsidiary - at cost                             | 1.5  | 429,000       | 275,000       |
| Investment property  | 6    | 2,864,985     | 2,925,942     |
| Other financial assets - at amortised cost                     | 7    | 23,366,721    | 16,323,268    |
| Long-term loans and deposits                                   | 8    | 20,264        | 23,643        |
|  |      | 608,095,103   | 509,314,951   |
| <b>Current assets</b>  |      |               |               |
| Inventories  | 9    | 18,691,097    | 17,060,592    |
| Trade debts  | 10   | 104,282,935   | 136,843,034   |
| Loans and advances   | 11   | 2,700,955     | 1,663,519     |
| Deposits and short-term prepayments                            | 12   | 11,854,348    | 8,054,432     |
| Other receivables  | 13   | 239,361,639   | 375,223,756   |
| Current maturity of other financial assets - at amortised cost | 7    | 2,279,301     | 1,088,032     |
| Derivative financial assets                                    | 14   | 23,567,302    | 8,033,631     |
| Taxation - net   |      | 2,122,050     | -             |
| Cash and bank balances   | 15   | 7,094,025     | 2,846,132     |
|  |      | 411,953,652   | 550,813,128   |
| Asset classified as held for sale                              | 16   | 4,613,618     | -             |
|  |      | 1,024,662,373 | 1,060,128,079 |
| <b>TOTAL ASSETS</b>  |      |               |               |
| <b>EQUITY AND LIABILITIES</b>                                  |      |               |               |
| <b>SHARE CAPITAL AND RESERVES</b>                              |      |               |               |
| Issued, subscribed and paid-up capital                         | 17   | 96,261,551    | 96,261,551    |
| <b>Reserves</b>  |      |               |               |
| <b>Capital reserves</b>  |      |               |               |
| Share premium and other reserves                               | 18   | 2,009,172     | 2,009,172     |
| Revaluation surplus on property, plant and equipment           | 19   | 101,431,882   | 69,713,296    |
|  |      | 103,441,054   | 71,722,468    |
| <b>Revenue reserves</b>  |      |               |               |
| General reserves   |      | 5,372,356     | 5,372,356     |
| Unappropriated profit  |      | 50,079,696    | 76,815,343    |
|  |      | 55,452,052    | 82,187,699    |
|  |      | 158,893,106   | 153,910,167   |
|  |      | 255,154,657   | 250,171,718   |
| <b>TOTAL EQUITY</b>  |      |               |               |
| <b>LIABILITIES</b>   |      |               |               |
| <b>Non-current liabilities</b>                                 |      |               |               |
| Long-term financing  | 20   | 180,508,276   | 151,738,189   |
| Lease liabilities  | 21   | 121,092       | 148,894       |
| Long-term deposits and other liabilities                       | 22   | 16,714,458    | 13,976,931    |
| Employee retirement and other benefit obligations              | 23   | 5,676,545     | 5,492,679     |
| Deferred revenue   | 24   | 51,378,971    | 42,414,985    |
| Deferred taxation  | 25   | -             | -             |
|  |      | 254,399,342   | 213,771,678   |
| <b>Current liabilities</b>                                     |      |               |               |
| Current maturity of long-term financing                        | 20   | 36,286,290    | 23,638,341    |
| Current maturity of lease liabilities                          | 21   | 37,592        | 26,765        |
| Trade and other payables                                       | 26   | 357,895,555   | 438,101,295   |
| Unclaimed dividend   |      | 645           | 645           |
| Accrued mark-up  | 27   | 14,269,819    | 10,629,604    |
| Taxation - net   |      | -             | 897,049       |
| Short-term borrowings  | 28   | 92,851,098    | 107,535,452   |
| Short-term deposits  | 29   | 13,750,583    | 15,337,040    |
| Provisions   | 30   | 16,792        | 18,492        |
|  |      | 515,108,374   | 596,184,683   |
|  |      | 769,507,716   | 809,956,361   |
| <b>TOTAL LIABILITIES</b>                                       |      |               |               |
| Contingencies and Commitments                                  | 31   | -             | -             |
|  |      | 1,024,662,373 | 1,060,128,079 |
| <b>TOTAL EQUITY AND LIABILITIES</b>                            |      |               |               |

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



**Syed Moonis Abdullah Alvi**  
Chief Executive Officer



**Saad Amanullah Khan**  
Director



**Muhammad Aamir Ghaziani**  
Chief Financial Officer

# UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2023

|  | Note        | 2023<br>-----[Rupees in '000]----- | 2022                 |
|--|-------------|------------------------------------|----------------------|
| <b>REVENUE</b>   |             |                                    |                      |
| Sale of energy - net   | 32          | 382,563,814                        | 346,090,518          |
| Tariff adjustment  | 33          | 136,907,413                        | 172,686,588          |
|  |             | <u>519,471,227</u>                 | <u>518,777,106</u>   |
| <b>COST OF SALES</b>   |             |                                    |                      |
| Purchase of electricity  | 34          | (223,159,922)                      | (207,544,377)        |
| Consumption of fuel and oil  | 35          | (209,759,088)                      | (212,487,554)        |
| Expenses incurred in generation, transmission and distribution               | 36          | (33,740,202)                       | (30,209,269)         |
|  |             | <u>(466,659,212)</u>               | <u>(450,241,200)</u> |
|  |             | 52,812,015                         | 68,535,906           |
| <b>GROSS PROFIT</b>  |             |                                    |                      |
| Consumers services and administrative expenses                               | 37          | (27,414,893)                       | (23,718,684)         |
| Impairment loss against trade debts and other receivables                    | 10.5 & 13.1 | (31,131,302)                       | (24,847,263)         |
| Other operating expenses   | 38          | (14,488,484)                       | (9,411,556)          |
| Other income   | 39          | 12,420,251                         | 10,210,309           |
|  |             | <u>(60,614,428)</u>                | <u>(47,767,194)</u>  |
|  |             | (7,802,413)                        | 20,768,712           |
| <b>(LOSS) / PROFIT BEFORE FINANCE COST</b>                                   |             |                                    |                      |
| Finance cost   | 40          | (34,569,926)                       | (15,120,458)         |
|  |             | (42,372,339)                       | 5,648,254            |
| <b>(LOSS) / PROFIT BEFORE TAXATION</b>                                       |             |                                    |                      |
| Taxation   | 41          | 11,475,775                         | 2,875,324            |
|  |             | <u>(30,896,564)</u>                | <u>8,523,578</u>     |
| <b>(LOSS) / PROFIT FOR THE YEAR</b>  |             |                                    |                      |
| <b>EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)</b> |             |                                    |                      |
|  | 42          | <u>16,489,383</u>                  | <u>41,597,967</u>    |
| <b>(LOSS) / EARNING PER SHARE - BASIC AND DILUTED</b>                        |             |                                    |                      |
|  | 43          | <u>(1.12)</u>                      | <u>0.31</u>          |

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



**Syed Moonis Abdullah Alvi**  
Chief Executive Officer



**Saad Amanullah Khan**  
Director



**Muhammad Aamir Ghaziani**  
Chief Financial Officer

# UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2023

|  |        | 2023                         | 2022              |
|--|--------|------------------------------|-------------------|
|  | Note   | ----- (Rupees in '000) ----- |                   |
| <b>(LOSS) / PROFIT FOR THE YEAR</b>                          |        | (30,896,564)                 | 8,523,578         |
| <b>OTHER COMPREHENSIVE INCOME:</b>                           |        |                              |                   |
| <b>Items that may be reclassified to profit or loss</b>      |        |                              |                   |
| Changes in fair value of cash flow hedges                    |        | 19,536,648                   | 5,997,523         |
| Adjustment for amounts transferred to profit or loss         |        | (19,536,648)                 | (5,997,523)       |
|  |        | -                            | -                 |
| <b>Items that will not be reclassified to profit or loss</b> |        |                              |                   |
| Remeasurement of post employee benefit obligations           | 23.1.1 | (301,390)                    | (111,783)         |
| Less: Taxation thereon                                       | 25.1   | 87,403                       | 32,417            |
|  |        | (213,987)                    | (79,366)          |
| Revaluation surplus  | 19     | 50,835,901                   | 25,036,606        |
| Less: Taxation thereon                                       | 25.1   | (14,742,411)                 | (7,260,616)       |
|  |        | 36,093,490                   | 17,775,990        |
|  |        | 35,879,503                   | 17,696,624        |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>               |        | <b>4,982,939</b>             | <b>26,220,202</b> |

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



**Syed Moonis Abdullah Alvi**  
Chief Executive Officer



**Saad Amanullah Khan**  
Director



**Muhammad Aamir Ghaziani**  
Chief Financial Officer

# UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2023

|   | Issued, subscribed and paid-up capital |                   |                     | Reserves                  |                    |   |             |                 |                       | Total        |              |
|---|--|-------------------|---------------------|---------------------------|--------------------|---|-------------|-----------------|-----------------------|--------------|--------------|
|   | Ordinary shares                        | Transaction costs | Total share capital | Capital                   |                    |   | Revenue     |                 |                       |              |              |
|   |  |                   |                     | Share premium (note 17.3) | Others (note 18.1) | Revaluation surplus on property, plant and equipment - net of tax<br>(Rupees in '000) | Total       | General reserve | Unappropriated profit |              | Total        |
|   |  |                   |                     |                           |                    |   |             |                 |                       |              |              |
| <b>Balance as at July 1, 2021</b>   | 96,653,179                             | (391,628)         | 96,261,551          | 1,500,000                 | 509,172            | 55,932,669  | 57,941,841  | 5,372,356       | 64,375,768            | 69,748,124   | 223,951,516  |
| Total comprehensive income for the year ended June 30, 2022   |  |                   |                     |                           |                    |   |             |                 |                       |              |              |
| Profit for the year   | -                                      | -                 | -                   | -                         | -                  | -   | -           | -               | 8,523,578             | 8,523,578    | 8,523,578    |
| Other comprehensive income / (loss)   | -                                      | -                 | -                   | -                         | -                  | 17,775,990  | 17,775,990  | -               | (79,366)              | (79,366)     | 17,696,624   |
| Incremental depreciation charged relating to revaluation surplus on property, plant and equipment and disposals - net of deferred tax (note 19) | -                                      | -                 | -                   | -                         | -                  | 17,775,990  | 17,775,990  | -               | 8,444,212             | 8,444,212    | 26,220,202   |
|   |  |                   |                     |                           |                    | (3,995,363)   | (3,995,363) | -               | 3,995,363             | 3,995,363    | -            |
| <b>Balance as at June 30, 2022</b>  | 96,653,179                             | (391,628)         | 96,261,551          | 1,500,000                 | 509,172            | 69,713,296  | 71,722,468  | 5,372,356       | 76,815,343            | 82,187,699   | 250,171,718  |
| Total comprehensive income for the year ended June 30, 2023   |  |                   |                     |                           |                    |   |             |                 |                       |              |              |
| Loss for the year   | -                                      | -                 | -                   | -                         | -                  | -   | -           | -               | (30,896,564)          | (30,896,564) | (30,896,564) |
| Other comprehensive income / (loss)   | -                                      | -                 | -                   | -                         | -                  | 36,093,490  | 36,093,490  | -               | (213,987)             | (213,987)    | 35,879,503   |
| Incremental depreciation charged relating to revaluation surplus on property, plant and equipment and disposals - net of deferred tax (note 19) | -                                      | -                 | -                   | -                         | -                  | 36,093,490  | 36,093,490  | -               | (31,110,551)          | (31,110,551) | 4,982,939    |
|   |  |                   |                     |                           |                    | (4,374,904)   | (4,374,904) | -               | 4,374,904             | 4,374,904    | -            |
| <b>Balance as at June 30, 2023</b>  | 96,653,179                             | (391,628)         | 96,261,551          | 1,500,000                 | 509,172            | 101,431,882   | 103,441,054 | 5,372,356       | 50,079,696            | 55,452,052   | 255,154,657  |

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



**Syed Moonis Abdullah Alvi**  
Chief Executive Officer



**Saad Amanullah Khan**  
Director



**Muhammad Aamir Ghaziani**  
Chief Financial Officer

# UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

|   | Note        | 2023<br>------(Rupees in '000)----- | 2022                |
|---|-------------|-------------------------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                           |             |                                     |                     |
| (Loss) / profit before taxation                                       |             | (42,372,339)                        | 5,648,254           |
| <b>Adjustments for non-cash charges and other items:</b>              |             |                                     |                     |
| Depreciation and amortisation   | 36 & 37     | 24,291,796                          | 20,829,255          |
| Provision for employee retirement and other benefits                  |             | 1,274,301                           | 1,061,766           |
| (Reversal) / provision for slow moving and obsolete inventories - net | 9.1         | (99,416)                            | 218,463             |
| Impairment loss against trade debts and other receivables             | 10.5 & 13.1 | 31,131,302                          | 24,847,263          |
| Provision against fatal accident cases                                | 30          | 1,300                               | 36,642              |
| Gain on sale of operating fixed assets                                | 39          | (1,483,669)                         | (2,194,267)         |
| Unrealised gain on derivative financial assets                        |             | (19,536,648)                        | (5,997,523)         |
| Unrealised exchange loss - net  |             | 32,404,619                          | 11,849,749          |
| Reversal of interest accrued on security deposits                     |             | -                                   | (1,962,573)         |
| Finance cost (excluding transaction cost)                             |             | 33,989,868                          | 14,790,325          |
| Amortisation of transaction cost                                      |             | 580,058                             | 330,133             |
| Assets written off  |             | 504,493                             | -                   |
| Amortisation of deferred revenue                                      | 24          | (2,917,953)                         | (2,405,777)         |
| Return on bank deposits   | 39          | (1,547,156)                         | (450,032)           |
| <b>Operating profit before working capital changes</b>                |             | <b>56,220,556</b>                   | <b>66,601,678</b>   |
| <b>Working capital changes:</b>                                       |             |                                     |                     |
| <b>Decrease / (increase) in current assets</b>                        |             |                                     |                     |
| Inventories   |             | (1,531,089)                         | (1,196,183)         |
| Trade debts   |             | 2,287,762                           | (51,461,186)        |
| Loans and advances  |             | (1,037,436)                         | 924,139             |
| Deposits and short-term prepayments                                   |             | (3,799,916)                         | (4,049,231)         |
| Other receivables   |             | 135,003,152                         | (105,751,524)       |
|   |             | 130,922,473                         | (161,533,985)       |
| <b>Increase / (decrease) in current liabilities</b>                   |             |                                     |                     |
| Trade and other payables  |             | (81,182,568)                        | 82,559,788          |
| Short-term deposits   |             | (5,494,565)                         | 947,740             |
|   |             | (86,677,133)                        | 83,507,528          |
| <b>Cash generated from / (used in) operations</b>                     |             | <b>100,465,896</b>                  | <b>(11,424,779)</b> |
| Employee retirement benefits paid                                     |             | (1,391,825)                         | (398,004)           |
| Income tax paid   |             | (6,198,332)                         | (3,507,518)         |
| Security deposit from consumers                                       | 47.4        | 2,737,527                           | 1,110,582           |
| Increase in deferred revenue  | 24          | 11,881,939                          | 8,166,237           |
| Finance cost paid   |             | (48,233,423)                        | (20,119,046)        |
| Payments made in respect of out of court settlements                  | 30          | (3,000)                             | (25,650)            |
| Interest received on bank deposits                                    | 39          | 1,547,156                           | 450,032             |
| Long-term loans and deposits  |             | 3,379                               | 1,966               |
|   |             | (39,656,579)                        | (14,321,401)        |
| <b>Net cash generated from / (used in) operating activities</b>       |             | <b>60,809,317</b>                   | <b>(25,746,180)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                           |             |                                     |                     |
| Capital expenditure incurred  |             | (49,752,066)                        | (51,248,262)        |
| Proceeds from disposal of operating fixed assets                      | 4.2         | 1,977,445                           | 4,003,158           |
| Redemption other financial asset - at amortised cost (net)            |             | (1,717,043)                         | (16,504,844)        |
| Investment made in subsidiary company                                 | 1.5         | (154,000)                           | (92,900)            |
| <b>Net cash used in investing activities</b>                          |             | <b>(49,645,664)</b>                 | <b>(63,842,848)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                           |             |                                     |                     |
| Proceeds from long-term financing - net                               | 47.4        | 7,821,238                           | 89,602,181          |
| Lease rental payments   | 21.2        | (52,644)                            | (50,167)            |
| Repayment of short-term borrowings - net                              | 47.4        | (7,986,128)                         | (5,858,876)         |
| <b>Net cash generated from financing activities</b>                   |             | <b>(217,534)</b>                    | <b>83,693,138</b>   |
| <b>Net increase / (decrease) in cash and cash equivalents</b>         |             | <b>10,946,119</b>                   | <b>(5,895,890)</b>  |
| Cash and cash equivalents at beginning of the year                    |             | (41,875,437)                        | (35,979,547)        |
| <b>Cash and cash equivalents at end of the year</b>                   | 45          | <b>(30,929,318)</b>                 | <b>(41,875,437)</b> |

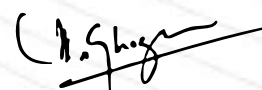
The annexed notes 1 to 57 form an integral part of these unconsolidated financial statements.



**Syed Moonis Abdullah Alvi**  
Chief Executive Officer



**Saad Amanullah Khan**  
Director



**Muhammad Aamir Ghaziani**  
Chief Financial Officer

# NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

## 1. KE AND ITS OPERATIONS

1.1 K-Electric Limited (the Company / KE) was incorporated as a limited liability company on September 13, 1913 under the repealed Indian Companies Act, 1882 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange Limited (PSX). The registered office of KE is situated at KE House, 39-B, Sunset Boulevard, Phase II, DHA, Karachi.

1.2 KE is principally engaged in the generation, transmission and distribution of electric energy to industrial and other consumers under the Electricity Act, 1910 and the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the NEPRA Act, 1997) to its licensed areas. KES Power Limited (the Holding Company of KE) incorporated in Cayman Islands, holds 66.40 percent (2022: 66.40 percent) shares in KE.

1.3 The business units of KE include the following:

### Place of business

Registered / Head Office  
Generation Plants  
Elander Road Office  
Civic Centre Office

### Geographical location

KE House, 39-B, Sunset Boulevard, Phase II, DHA, Karachi  
Port Qasim, Korangi & S.I.T.E., Karachi  
Elander Road, Karachi  
Civic Centre, Karachi

Integrated Business Centres (IBCs), grid stations, inventory stores / warehouses and substations are located across KE's licensed territory, which covers Karachi and adjoining areas of Sindh and Balochistan.

1.4 As notified on the PSX on October 28, 2016, Shanghai Electric Power Company Limited (SEP) has entered into a Sale and Purchase Agreement (SPA) with KES Power Limited (the Holding Company) to acquire up to 66.40 percent of the shares in KE. The completion of the transaction contemplated by SPA is subject to receipt of applicable regulatory approvals and satisfaction of other conditions precedent specified therein.

SEP notified its initial Public Announcement of Intention (PAI) for the above equity acquisition on October 3, 2016. Subsequently, in order to comply with the statutory requirements under the Securities Act, 2015 and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017, SEP notified PAIs on different dates with latest PAI being notified on July 21, 2023 incorporating amended / additional requirements pursuant to the Securities Act, 2015 and the aforementioned regulations.

1.5 As of reporting date, KE has following subsidiaries having principle location of business in Karachi, Pakistan:

- i) KE Venture Company (Private) Limited (KEVCL), which has been incorporated as a wholly owned subsidiary of KE to invest in diverse initiatives within the energy sector of Pakistan. Following the right issue fully subscribed by KE amounting Rs. 154 million in March 2023, the total investment in KEVCL as on June 30, 2023, is 42.9 million (2022: 27.5 million) ordinary shares amounting to Rs. 429 million (2022: Rs. 275 million). In addition, the Board of KEVCL also approved its further right issue of 46.6 million shares amounting to Rs. 466 million in June 2023 which has been fully subscribed by KE subsequent to the year end and is pending allotment by the Board of KEVCL. Upon allotment, the aggregate shareholding of KE in KEVCL will be 89.5 million ordinary shares amounting to Rs. 895 million.
- ii) K-Solar (Private) Limited (K-Solar) was incorporated as a wholly owned subsidiary of KEVCL. The principal activity of K-Solar is to provide customers with opportunities to diversify their energy sources through high quality and economic solutions.



- 1.6 These are separate financial statements of KE in which investment in subsidiary has been accounted for at cost less accumulated impairment, if any. KE prepares consolidated financial statements comprising KE and its subsidiaries separately.
- 1.7 KE, being a regulated entity, is governed through Multi Year Tariff (MYT) regime. National Electric Power Regulatory Authority (NEPRA) vide its determination dated July 5, 2018 determined the MYT for the period commencing from July 1, 2016 till June 30, 2023 (MYT 2017-23). KE after considering that the MYT decision did not consider actual equity invested into the KE, applied notional capital structure based on the assumption of 70:30 debt to equity ratio and is a drastic departure from the previous structure without providing the KE an appropriate transition period, approached the Appellate Tribunal for relief under Section 12G of the NEPRA Act 1997 which is pending. KE also approached the High Court of Sindh (HCS) against the aforementioned MYT decision and filed a suit in which a stay order was granted on July 26, 2018. KE, on April 3, 2019, withdrew the suit filed with HCS against MYT decision, as KE decided to pursue its legitimate concerns / issues with Appellate Tribunal, however, reserves its right to again approach the HCS if required. The Ministry of Energy (Power Division) has notified the MYT decision through SRO 576 (I) /2019 dated May 22, 2019.
- KE's revenue recognised in these unconsolidated financial statements is based on the aforementioned MYT decision.
- 1.8 KE filed Mid Term Review (MTR) petition with NEPRA as per the mechanism included in the MYT decision dated July 5, 2018, for reassessment of impact of USD indexation on allowed Return on Equity, changes due to necessary revision in the investment plan and working capital requirements of KE along with other adjustments. NEPRA issued its determination on MTR on March 1, 2022, (MTR decision) wherein NEPRA determined a downward adjustment of Rs. 0.22/kWh. In its decision, NEPRA did not allow additional investment requested, disallowed cost of working capital, allowed partial exchange rate variation for return on equity indexation and did not consider other adjustments. Being aggrieved, KE filed an appeal before Appellate Tribunal and is currently pursuing its legitimate concerns / issues before the Appellate Tribunal. However, prudently, the impact of the downward adjustment of Rs. 0.22/kWh has been recognised in these unconsolidated financial statements. Further, NEPRA in its MTR decision decided to review at the end of MYT control period, the impact of USD indexation on allowed Return on Equity and base rate adjustment component for required return on regulatory assets. Therefore, KE has accounted on accrual basis for these base tariff impacts in these unconsolidated financial statements.
- 1.9 KE was awarded an integrated MYT by NEPRA for a control period of 7 years that expired on June 30, 2023. Keeping in view learnings of the current MYT and the ongoing changes in power sector, KE is endeavoring separate tariff determination for each business segment for the period post June 2023. In this regard, KE's Generation petition for the remaining life of Generation plants and Investment Plan and Key Performance Indicators (KPIs) for Transmission and Distribution segments for the next control period (FY 2024 to FY 2030) are now in advanced stages of proceedings. Determination of Investment Plan for Transmission and Distribution Segments will be followed by Submission of Tariff petitions for Transmission, Distribution and Supply segments. KE remains engaged with NEPRA for timely and sustainable determination.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The applicable accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Act; and
- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRSs and IFAS, the provisions of and directives issued under the Act have been followed.

## 2.2 New standards, amendments to accounting and reporting standards and new interpretations

### a) Amendments to published accounting and reporting standards which became effective during the year

- Amendment to IAS 16 'Property, Plant and Equipment' - Proceeds before the intended use  
In 2020, the IASB made an amendment - Proceeds before the intended use in IAS 16 - "Property, Plant and Equipment". As a result, the net proceeds received from selling the output produced before the asset is ready for its intended use are to be recognised in the profit or loss. Previously, such proceeds were deducted from the cost of the asset. This amendment is to be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after beginning of the earliest period presented. The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with an option of early adoption. In FY-22 KE has early adopted the amendment as permitted.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform – Phase 2

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that address issues arising during the reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one. The objective of the disclosures required by the Phase 2 amendments is to enable users of financial statements to understand the effect of IBOR reform on an entity's financial instruments and risk management strategy. The relevant information about the nature and extent of risks arising from IBOR reform to which KE is exposed, how KE manages those risks, and KE's progress in completing the transition to alternative benchmark rates and how it is managing that transition is disclosed in note 20.12.

### b) Amendments to published accounting and reporting standards that are not yet effective

The following amendments with respect to the accounting and reporting standards would be effective from the dates mentioned there against:

|  | <b>Effective date<br/>(annual reporting periods<br/>beginning on or after)</b> |
|--|--|
| <b>IAS 1</b> Presentation of financial statements (Amendments)                 | January 1, 2023  |
| <b>IAS 8</b> Accounting policies, changes in estimates and errors (Amendments) | January 1, 2023  |
| <b>IAS 12</b> Income taxes (Amendments)  | January 1, 2023  |
| <b>IFRS 16</b> Leases on sale and leaseback (Amendments)                       | January 1, 2024  |
| <b>IAS 1</b> Non-current liabilities with covenants (Amendments)               | January 1, 2024  |

KE anticipates that application of above amendments in future periods, will have no material impact on the unconsolidated financial statements other than in presentation / disclosures.

SECP through S.R.O. 67(II)/2023 dated January 20, 2023 has notified that in respect of companies holding financial assets due or ultimately due from the Government of Pakistan (GoP) in respect of circular debt, the requirements contained in IFRS 9 'Financial Instruments', with respect to application of Expected Credit Loss (ECL) method shall not be applicable for the financial years ending on or before December 31, 2024, provided that such companies shall follow relevant requirements of IAS 39 'Financial Instruments: Recognition and Measurement' in respect of above referred financial assets during the exemption period.

### **2.3 Basis of measurement**

These unconsolidated financial statements have been prepared under the historical cost convention except otherwise stated in these unconsolidated financial statements.

### **2.4 Functional and presentation currency**

Items included in these unconsolidated financial statements are measured using the currency of the primary economic environment in which KE operates. These unconsolidated financial statements are presented in Pakistan Rupees, which is also KE's functional currency.

### **2.5 Use of estimates and judgments**

The preparation of unconsolidated financial statements in conformity with the accounting and reporting standards as applicable in Pakistan, requires management to make judgements, 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 judgements 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 recognised 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 KE's accounting policies, management has made the following accounting estimates and judgments which are significant to these unconsolidated financial statements.

#### **2.5.1 Tariff adjustment determination**

As per the mechanism laid out in the MYT decision, KE seeks adjustments for fuel price, cost of power purchase, operation and maintenance cost and unrecovered cost including non-recoverable dues written-off (note 33.2), as per NEPRA's determination on a monthly / quarterly / annual basis. The monthly / quarterly / annual determinations of the tariff adjustment are approved by NEPRA on a time to time basis, resulting in provisional amounts being recognised by KE based on its judgements and interpretation of MYT decision, till the determination from NEPRA is received.

#### **2.5.2 Property, plant and equipment and intangible assets**

KE reviews appropriateness of the useful lives, residual values and depreciation and amortisation method used in the calculation of depreciation and amortisation on an annual basis. The estimates of revalued amounts of leasehold land, plant and machinery and transmission grid equipments are based on 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 future might affect the carrying amount of respective items of property, plant and equipment and intangible assets, with corresponding effects on the depreciation and amortisation charge and impairment.

#### **2.5.3 Lease liabilities**

KE determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. KE has the option, under its lease arrangements to lease the assets for additional terms. KE applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. After the commencement date, KE reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., a change in business strategy). Any change is accounted for as a change in estimate and applied prospectively with corresponding change in right-of-use assets and lease liabilities.

#### **2.5.4 Provision for impairment of financial assets**

##### **Financial assets due from public sector consumers and tariff differential claims**

KE assesses the recoverability of these financial assets if there is objective evidence that KE will not be able to collect all the amounts due according to the original terms. Judgement by the management is required in estimation of the amount and timing of future cash flows when determining the level of provision required and in determining the debts that are not recoverable and are to be written off.

##### **Other financial assets**

KE uses default rates based on provision matrix for large portfolio of customers who have similar characteristics to calculate Expected Credit Loss (ECL) for trade debts.

The rates in provision matrix are based on days past due for various customer segments that have similar loss patterns. The provision matrix is initially based on KE's historical observed default rates which is then adjusted for forward looking information.

The assessment of the correlation between historical observed default rates and the forecast economic conditions and ECL are significant estimates. The amount of ECL is sensitive to changes in circumstances and forecast of economic conditions. KE's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

#### **2.5.5 Inventories**

KE reviews the carrying values of inventories to assess any diminution against which provision for impairment is made. The determination of provision involves the use of estimates with regards to holding period of inventories.

#### **2.5.6 Provision for retirement and other service benefit obligations**

The present value of these obligations depends on a number of factors and is based on actuarial valuations, which uses 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 / estimations are disclosed in note 23.

#### **2.5.7 Taxation**

In making the estimate for income tax payable, KE takes into account the applicable tax laws and interpretations thereof based on past judgements and experience. Deferred tax asset is recognised 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 utilised. Significant judgement is exercised to determine the amount of deferred tax asset to be recognised.

#### **2.5.8 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 for determination of the fair values of property, plant and equipment, asset classified as held for sale and derivatives is included in notes 4.1.4 and 46.2.1 respectively.

#### **2.5.9 Derivatives**

KE has entered into cross currency swap and interest rate swap arrangements. The measurement involves the use of estimates with regard to interest rates and foreign currency exchange rates which fluctuate with the market and are included in note 3.10. The estimates of fair value of derivatives are based on mark to market reports obtained from financial institutions.

#### **2.5.10 Provisions and contingencies**

A provision is recognised in the statement of financial position when KE has a legal or constructive obligation as a result of a past event, 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The assessment of contingencies inherently involves the exercise of significant judgement as the outcome of future events cannot be predicted with certainty. KE, based on availability of latest information, estimates the value of contingent liabilities, which may differ on the occurrence / non-occurrence of uncertain future event(s).

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all the periods presented in these unconsolidated 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 recognised as an asset if it is probable that future economic benefits associated with the item will flow to KE and the cost of such item can be measured reliably. Recognition of the cost 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 are capitalised from the date of purchase of such spares.

###### *Measurement*

All items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for leasehold land, plant and machinery and transmission grid equipments which are measured at revalued amounts, which is the fair value at the date of revaluation less accumulated depreciation and accumulated impairment losses, if any, recognised subsequent to the date of revaluation. Capital spares held by KE for replacement of major items of plant and machinery are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

If significant components of an item of property, plant and equipment have different useful lives, these are accounted for as separate items (major components) of property, plant and equipment.

Expenditure incurred to replace a component of an item of property, plant and equipment is capitalised. The carrying amount of the replaced part is derecognised. Other subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to KE and the cost of the asset can be measured reliably.

Normal repairs and maintenance are charged to profit or loss during the year in which these are incurred.

###### *Depreciation*

Depreciation is charged to profit or loss, applying the straight line method whereby cost or revalued amount of assets, less the residual values, is written off over the 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 and on disposals up to the month preceding the month of disposal.

Useful lives are determined 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 effect of any changes in estimate is accounted for on a prospective basis. Further, the key assumptions used to determine the fair value of property, plant and equipment are provided in note 4.1.4.

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

###### *Derecognition*

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised as other income in profit or loss in the year the asset is derecognised. When revalued assets are sold, the relevant remaining revaluation surplus is reclassified directly to unappropriated profit.

### 3.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment, if any, and consists of expenditure incurred and advances made in respect of property, plant and equipment and intangible assets in the course of the acquisition, erection, construction and installation, including salaries and wages and any other costs directly attributable to capital work-in-progress. The assets are transferred to relevant category of operating fixed assets and intangible assets when those are available for use. Spare parts, standby equipments and servicing equipments are recognised as property, plant and equipment when these meet the conditions to be classified as such.

### 3.1.3 Surplus on revaluation of property, plant and equipment

Revaluation surplus is recorded in other comprehensive income (OCI) and credited to 'surplus on revaluation of property, plant and equipment' in equity. However, the increase is recorded in profit or loss to the extent it reverses a revaluation deficit of the same asset recognised previously. A decrease as a result of revaluation is recognised in profit or loss, however, decrease is recorded in the OCI to the extent of any credit balance being carried in revaluation surplus in respect of the same asset. An amount equivalent to incremental depreciation for the year net of deferred taxation is directly reclassified from "Surplus on revaluation of property, plant and equipment" to unappropriated profit through the 'Statement of changes in equity' to record realisation of surplus to the extent of incremental depreciation charge for the year. Upon disposal, any revaluation surplus net of deferred taxation relating to the particular asset being sold is transferred to unappropriated profit.

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 profit or loss.

## 3.2 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Costs that are directly associated with identifiable softwares and have probable economic benefits beyond one year are recognised as intangible assets. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets with finite useful lives are amortised on a straight line basis over the useful economic life disclosed in note 5.2 and are assessed for impairment whenever there is an indication of impairment. Amortisation on additions is charged from the month of acquisition and on disposals up to the month preceding the month of disposal.

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 recognised in profit or loss when the asset is derecognised.

## 3.3 Lease liability and right-of-use asset

At inception of a contract, KE assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, KE's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate, amounts expected to be payable by KE under residual value guarantees, the exercise price of a purchase option if KE is reasonably certain to exercise that option, payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in the determination of the lease term only when KE is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in KE's estimate of the amount expected to be payable under a residual value guarantee, or if KE changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of right of use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, any estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated using the straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

KE does not recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases where the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term.

Further, the SECP through its SRO. 986 (I)/2019 dated September 2, 2019 granted exemption from the application of IFRS 16 to the extent of the power purchase agreements executed prior to the effective date of IFRS 16 i.e. January 1, 2019. Accordingly, KE's power purchase agreements executed prior to January 1, 2019 have not been accounted for under IFRS 16.

### **3.4 Investment in subsidiary**

Investment in subsidiary company is initially recognised at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as an expense in the profit or loss. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the profit or loss.

### **3.5 Financial instruments**

#### **3.5.1 Financial assets**

##### **Classification**

KE classifies its financial assets in the following categories:

a) At amortised cost

Financial assets at amortised cost are held within a business model whose objective is to collect contractual cash flows on specified dates when those cash flows represent solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised in profit or loss.

b) At fair value through other comprehensive income (FVOCI)

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) At fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt instruments that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

### Recognition and measurement

KE recognises a financial asset when it becomes party to the contractual provisions of the instrument. Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets are subsequently remeasured to fair value or amortised cost as the case may be. Any gain or loss on the recognition and derecognition of the financial assets is included in profit or loss for the period in which it arises.

Equity instrument financial assets / mutual funds are measured at fair value on initial recognition and subsequently, when remeasured. Changes in fair value of these financial assets are recognised in the profit or loss. Dividends from such investments continue to be recognised in the profit or loss when KE's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Transaction costs that are directly attributable to the acquisition of the financial asset are made part of cost of the asset except for financial assets at fair value through profit or loss.

### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and KE has transferred substantially all risks and rewards of ownership. Assets that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not financial instruments of KE.

## 3.5.2 Financial liabilities

All financial liabilities are recognised at the time when KE becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

## 3.5.3 Offsetting financial instruments

A financial asset and a financial liability is offset and the net amount is reported in the unconsolidated financial statements if KE has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## 3.6 Assets held for sale

Assets are classified as held for sale if the carrying amount of the asset is to be recovered principally through a sale transaction rather than through continuing use, the sale is considered highly probable within one year from the reporting date and the asset is available for immediate sale in the present condition. These are measured at the lower of carrying amount and fair value less costs to sell. Assets classified as held for sale are presented separately from other assets in the statement of financial position.



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 these are classified as held for sale.

### **3.7 Investment property**

Investment property is initially measured at cost, including transaction costs and subsequently at cost less accumulated depreciation and accumulated impairment loss, if any.

Any gain or loss on disposal of investment property, calculated as the difference between the net proceeds from disposal and the carrying amount of the item, is recognised in profit or loss.

### **3.8 Inventories**

These are measured at moving average cost except items in transit, which are stated at cost. Provision is made for obsolete, damaged and slow moving items where necessary and is recognised in profit or loss.

### **3.9 Trade debts and other receivables**

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless these contain significant financing component in which case these are recognised at fair value. KE holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortised cost using the effective interest method. Impairment of trade debts and other receivables is disclosed in note 3.11.1.

### **3.10 Derivative financial instruments and hedge accounting**

KE uses derivative financial instruments to hedge foreign currency risk. Such derivative financial instruments are initially recognised 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 profit or loss.

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, KE formally designates and documents the hedge relationship to which KE intends 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 KE 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 these actually have been highly effective throughout the financial reporting periods for which such were designated.

Derivative financial instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative financial 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 recognised asset or liability or an unrecognised firm commitment.

The change in the fair value of a hedging derivative is recognised in profit or loss. 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 recognised in profit or loss. When the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

#### *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 recognised 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 recognised in OCI and accumulated in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss i.e. when the hedged financial income or expense is recognised or when the forecasted 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.

### **3.11 Impairment**

#### **3.11.1 Impairment of financial assets**

##### *Financial assets covered under IFRS 9*

KE recognises on a forward looking basis an allowance for Expected Credit Losses (ECL) for all debt instruments not held at FVPL. ECL is based on the difference between the contractual cash flows due in accordance with the terms of the contract and all the cash flows that KE expects to receive after consideration of time value of money. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade debts and contract assets, KE applies a simplified approach in calculating ECL, which uses a lifetime expected loss allowance. KE has established a provision matrix for large portfolio of customers having similar characteristics and the days past due based on KE's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment.

KE recognises in profit or loss, as impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

##### *Financial assets covered under IAS 39*

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.

#### **3.11.2 Impairment of 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 to determine the extent of impairment loss.

An impairment loss is recognised, as an expense in profit or loss, 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 costs of disposal and value in use. 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 amortisation, if no impairment loss had been recognised.

### **3.12 Cash and cash equivalents**

For the purposes of statement of cash flows, 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 short term running finances which form an integral part of KE's cash management.

### **3.13 Share capital**

Ordinary shares are classified as equity and are recognised at the face value. Incremental costs directly attributable to the issue of new shares or options, net of any tax effects, are recognised as a deduction from equity.

### **3.14 Loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs, if any.

Loans and borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction cost) and the redemption value being recognised in profit or loss over the period of the borrowing, using the effective interest method.

### **3.15 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. Amortisation of deferred revenue commences upon completion of related work and is credited to profit or loss at the rate of 5% per annum corresponding to the annual depreciation charge of respective asset.

### **3.16 Employee retirement and other service benefits**

#### **3.16.1 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 annual actuarial valuations.

The amount recognised in the statement of financial position represents the present value of defined benefit obligations less fair value of any plan assets. The defined benefit obligations are calculated annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for KE, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plans. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income with no subsequent recycling to profit or loss.

KE operates following retirement schemes for its employees:

#### **(a) Defined benefit gratuity scheme**

KE operates a funded gratuity scheme managed by trustees. The funded gratuity scheme covers all regular employees of KE who joined the Company upto September 30, 2021. 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 and its vesting is based on service period of employee. Contributions are made to the fund in accordance with the actuarial recommendations.

KE has discontinued the gratuity for its employees who joined effective October 1, 2021.

**(b) Post retirement medical benefits**

KE offers post retirement medical coverage to its eligible employees and their dependents. Under the unfunded scheme, all such employees are entitled for such coverage for a period of 10 years and spouse and minor children of retired and deceased employees for a period of 5 years starting from the date of retirement / death.

**(c) Electricity rebate**

KE provides a rebate on the electricity bills to its eligible retired employees for the first five years after retirement.

**3.16.2 Defined contributory provident fund**

KE operates an approved contributory provident fund for all its eligible management and non-management employees. Equal monthly contributions are made, both by KE and the employees, to the fund at the prevailing prescribed rates applied on basic salary.

**3.16.3 Earned leave**

KE allows Leave Preparatory to Retirement (LPR) for staff and eligible officers. The liabilities for earned leave relate to earned leave that the employee will use and encash in future. The amount recognised in the statement of financial position represents the present value of the obligation based on actuarial valuation. Remeasurement gains and losses pertaining to long term compensated absences are recognised in profit or loss. This comprise of staff and officers as follows:

**(a) Staff**

Employees earn 40 days leave each year. Accumulation is limited to a maximum of 365 days earned leave, no encashment is permitted.

**(b) Officers**

Employees earn 25 working days leave each year. No accumulation or encashment is permitted. Unused leave lapses at the end of each year. Some historical balances of accumulated leaves of certain employees remain. These are available for encashment and LPR.

**3.17 Current and deferred income tax**

The tax expense for the year comprises current and deferred tax. Tax expense is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case, the related tax expense is also recognised in other comprehensive income or directly in equity, respectively.

**3.17.1 Current**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**3.17.2 Deferred**

Deferred tax is recognised using the balance sheet method, providing for all taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date.

KE recognises deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the temporary differences can be utilised. Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **3.18 Trade and other payables**

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

### **3.19 Provisions**

A provision is recognised when KE has a present legal or constructive obligation as a result of a past event, 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### **3.20 Contingencies**

Contingencies are disclosed when KE has possible obligation that arises from past event and whose existence will be confirmed only by occurrence and non-occurrence of one or more uncertain future events not wholly within the control of KE, or a present obligation that arises from past event but is not recognised because it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligation or, when amount of obligation cannot be measured with sufficient reliability.

### **3.21 Revenue recognition and other income**

Revenue is recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies. Revenue is recognised on the following basis:

#### **3.21.1 Sale of energy**

Revenue is recognised on supply of electricity to consumers based on meter readings and / or on the mechanism provided in consumer service manual at the rates notified by the government from time to time. Accruals are made for fuel surcharge adjustment pending determination from NEPRA and for the estimated electricity supplied to consumers between the date of last meter reading and the reporting date. The normal credit terms are 14 days after monthly bill's issue date.

#### **3.21.2 Tariff adjustment**

Tariff differential subsidy including claim for variation in fuel prices, cost of power purchase, operation and maintenance cost, write-off of trade debts and unrecovered cost are recognised on accrual basis.

#### **3.21.3 Service connection charges**

Service connection charges represent the amount collected against cost of installation of electricity connection. Revenue from service connection charges and its related cost is recognised in the profit or loss in full upon establishing the network connection as its net impact is not material in the overall context of these unconsolidated financial statements.

#### **3.21.4 Late payment surcharge**

Surcharge on late payment is accounted for after the due date of payment has passed. In case of Government / Semi-Government entities and local bodies, late payment surcharge is accounted for on receipt basis.

#### **3.21.5 Rebate on electricity duty**

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

### 3.21.6 Interest / mark-up income

KE recognises interest income / mark-up on bank balances and deposits on time proportion basis.

### 3.22 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs. Such borrowing costs, if any, are added to the cost of those assets, during the period of time that is required to complete and prepare the asset for its intended use.

### 3.23 Assets held under Ijarah financing

Assets held under Ijarah financing are not recognised on KE's unconsolidated financial statements and payments made under Ijarah financing are recognised in profit or loss on a straight line basis over the term of the finance.

### 3.24 Foreign currency transactions and translation

Foreign currency transactions are recorded in Pakistan Rupees (i.e. presentation and functional currency) using the exchange rate 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 reporting date. Gains and losses on translation are taken to profit or loss, however, in case of monetary assets and liabilities designated as hedged instruments against a cash flow hedge, the gains and losses on translation of the same are taken to other comprehensive income to the extent that related 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 transaction. 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.

### 3.25 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the period in which these are approved.

### 3.26 Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to KE's chief operating decision maker i.e. the Board of Directors of KE in order to assess each segment's performance and to allocate resources to them.

### 3.27 Earnings per share

KE presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing profit or loss attributable to ordinary shareholders of KE by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares.

## 4. PROPERTY, PLANT AND EQUIPMENT

|                                 |      | 2023                         | 2022               |
|---------------------------------|------|------------------------------|--------------------|
|                                 | Note | ----- (Rupees in '000) ----- |                    |
| Operating fixed assets          | 4.1  | 519,421,041                  | 337,416,723        |
| Capital work-in-progress (CWIP) | 4.4  | 60,674,212                   | 151,663,503        |
| Right-of-use assets             | 4.5  | 149,393                      | 167,983            |
|                                 |      | <u>580,244,646</u>           | <u>489,248,209</u> |

## 4.1 Operating fixed assets

| Revaluation model  | Cost model     |                    | Revaluation model   |   | others                                 |                       |                                |  |             |                                 |                             |                   |                     |                    | Total         |
|--|----------------|--------------------|---------------------|---|--|-----------------------|--------------------------------|--|-------------|---------------------------------|-----------------------------|-------------------|---------------------|--------------------|---------------|
|  | Buildings on   |                    | Plant and machinery |   | others                                 |                       |                                |  |             |                                 |                             |                   |                     |                    |               |
|  | Leasehold land | Other (note 4.1.2) | Owned               | Assets given under long term diminishing mustahka sukuk | Transmission lines and SCADA equipment | 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 |                    |               |
|  |                |                    |                     |   |  |                       |                                |  |             |                                 |                             |                   |                     | Level 2 fair value |               |
| <b>As at June 30, 2021</b>                               |                |                    |                     |   |  |                       |                                |  |             |                                 |                             |                   |                     |                    |               |
| Cost / Revalued amount                                   | 16,729,602     | 6,311,936          | 171,094,189         | 47,535,216  | 86,677,006                             | 37,756,104            | 95,948,516                     | 3,720,416  | 1,729,668   | 170,833                         | 2,111,130                   | 2,308,059         | 3,761,298           | 67,713             | 482,836,406   |
| Accumulated depreciation                                 | (2,802,861)    | (1,060,143)        | (6,644,602)         | (32,292,063)  | (28,993,057)                           | (11,517,284)          | (30,760,150)                   | (3,127,398)                                      | (1,209,864) | (148,022)                       | (1,332,589)                 | (1,323,889)       | (1,508,767)         | (67,713)           | (184,773,899) |
| Net book value   | 13,926,741     | 5,251,793          | 104,649,587         | 15,243,153  | 57,713,949                             | 26,238,820            | 65,188,366                     | 593,018  | 519,804     | 22,811                          | 778,541                     | 984,370           | 2,252,531           | -                  | 298,062,507   |
| <b>Year ended June 30, 2022</b>                          |                |                    |                     |   |  |                       |                                |  |             |                                 |                             |                   |                     |                    |               |
| Opening net book value                                   | 13,926,741     | 5,251,793          | 104,649,587         | 15,243,153  | 57,713,949                             | 26,238,820            | 65,188,366                     | 593,018  | 519,804     | 22,811                          | 778,541                     | 984,370           | 2,252,531           | -                  | 298,062,507   |
| Transfers from CWP (note 4.4)                            | 2,028          | 473,993            | 5,282,624           | 45,122  | 2,339,693                              | 4,109,880             | 23,007,129                     | 77,878   | 25,407      | 3,034                           | 622,281                     | 43,205            | -                   | -                  | 36,613,133    |
| Revaluation surplus (note 4.1.3)                         | 1,324,753      | -                  | 17,677,983          | 526,219   | 5,507,651                              | -                     | -                              | -  | -           | -                               | -                           | -                 | -                   | -                  | 25,036,606    |
| Disposals (note 4.2)                                     | -              | -                  | -                   | -   | -                                      | -                     | -                              | -  | -           | -                               | -                           | -                 | -                   | -                  | -             |
| Cost / Revalued amount                                   | (250,979)      | -                  | (9,447,946)         | (1,932,293)   | (2,287,454)                            | (1,023,208)           | (6,381,584)                    | (220,562)  | (87,656)    | (3,321)                         | (310,284)                   | (144,734)         | (238,219)           | -                  | (20,486,632)  |
| Accumulated depreciation                                 | 15,002,543     | 5,564,243          | 117,121,121         | 14,062,676  | 62,920,124                             | 29,273,264            | 83,536,201                     | 450,334  | 447,832     | 19,432                          | 1,089,644                   | 881,383           | 1,993,093           | -                  | 337,416,723   |
| Closing net book value                                   | 15,002,543     | 5,564,243          | 117,121,121         | 14,062,676  | 62,920,124                             | 29,273,264            | 83,536,201                     | 450,334  | 447,832     | 19,432                          | 1,089,644                   | 881,383           | 1,993,093           | -                  | 337,416,723   |
| <b>As at June 30, 2022</b>                               |                |                    |                     |   |  |                       |                                |  |             |                                 |                             |                   |                     |                    |               |
| Cost / Revalued amount                                   | 18,056,383     | 6,785,929          | 191,487,253         | 47,762,323  | 92,976,771                             | 41,419,308            | 117,021,180                    | 3,680,598  | 1,719,183   | 142,947                         | 2,612,070                   | 2,342,764         | 3,719,858           | 67,713             | 537,300,659   |
| Accumulated depreciation                                 | (3,053,840)    | (1,221,686)        | (74,366,132)        | (33,699,647)  | (30,056,647)                           | (12,144,044)          | (83,484,979)                   | (3,230,264)                                      | (1,271,351) | (123,515)                       | (1,522,426)                 | (1,461,381)       | (1,726,765)         | (67,713)           | (199,883,936) |
| Net book value   | 15,002,543     | 5,564,243          | 117,121,121         | 14,062,676  | 62,920,124                             | 29,273,264            | 83,536,201                     | 450,334  | 447,832     | 19,432                          | 1,089,644                   | 881,383           | 1,993,093           | -                  | 337,416,723   |
| <b>Year ended June 30, 2023</b>                          |                |                    |                     |   |  |                       |                                |  |             |                                 |                             |                   |                     |                    |               |
| Opening net book value                                   | 15,002,543     | 5,564,243          | 117,121,121         | 14,062,676  | 62,920,124                             | 29,273,264            | 83,536,201                     | 450,334  | 447,832     | 19,432                          | 1,089,644                   | 881,383           | 1,993,093           | -                  | 337,416,723   |
| Transfer from CWP (note 4.4)                             | -              | 319,100            | 6,912,998           | 10  | 11,202,851                             | 2,307,806             | 35,010,568                     | 1,467,397  | 442,976     | 61,026                          | 1,668,055                   | 364,760           | 163,092             | -                  | 160,049,714   |
| Revaluation surplus (note 4.1.3)                         | -              | -                  | 30,279,233          | 1,265,366   | 19,291,302                             | -                     | -                              | -  | -           | -                               | -                           | -                 | -                   | -                  | 50,835,901    |
| Disposals (note 4.2)                                     | -              | -                  | -                   | -   | -                                      | -                     | -                              | -  | -           | -                               | -                           | -                 | -                   | -                  | -             |
| Cost / Revalued amount                                   | (2,078,087)    | (2,903)            | (18,208,661)        | (54,224)  | (1,240,140)                            | (38,011)              | (730,563)                      | (79,280)   | (16,516)    | (2,484)                         | (164,400)                   | (1,704)           | (278)               | -                  | (2,329,786)   |
| Accumulated depreciation                                 | 106,378        | 581                | 131,475             | 34,270  | 1,088,269                              | 31,474                | 575,566                        | 79,280   | 13,624      | 2,235                           | 138,203                     | 1,336             | 278                 | -                  | 2,036,010     |
| Accumulated depreciation                                 | (1,971,709)    | (2,322)            | (150,611)           | (19,954)  | (251,871)                              | (6,537)               | (154,997)                      | -  | (2,992)     | (249)                           | (6,197)                     | (368)             | -                   | -                  | (493,776)     |
| Transfer to assets classified as held for sale (note 16) | -              | -                  | -                   | -   | -                                      | -                     | -                              | -  | (589)       | -                               | -                           | (443)             | (2,875)             | -                  | (20,277,420)  |
| Cost / Revalued amount                                   | (2,078,087)    | (2,903)            | (18,208,661)        | -   | -                                      | -                     | -                              | -  | (589)       | -                               | -                           | (443)             | (2,875)             | -                  | (20,277,420)  |
| Accumulated depreciation                                 | 106,378        | 581                | 131,475             | -   | -                                      | -                     | -                              | -  | 530         | -                               | 399                         | 2,588             | -                   | -                  | 15,643,802    |
| Accumulated depreciation                                 | (1,971,709)    | (2,322)            | (150,611)           | (19,954)  | (251,871)                              | (6,537)               | (154,997)                      | -  | (2,992)     | (249)                           | (6,197)                     | (368)             | -                   | -                  | (493,776)     |
| Depreciation charge (note 4.1.8)                         | (266,880)      | (176,946)          | (398,417)           | (1,586,094)   | (2,542,763)                            | (1,074,991)           | (6,216,589)                    | (248,482)  | (171,540)   | (22,303)                        | (605,489)                   | (161,952)         | (229,242)           | -                  | (23,773,903)  |
| Closing net book value                                   | 12,764,154     | 5,704,075          | 105,812,999         | 13,722,004  | 90,619,643                             | 30,499,542            | 112,175,163                    | 1,669,249  | 716,217     | 57,906                          | 1,546,013                   | 1,083,779         | 1,926,656           | -                  | 519,421,041   |
| <b>As at June 30, 2023</b>                               |                |                    |                     |   |  |                       |                                |  |             |                                 |                             |                   |                     |                    |               |
| Cost / Revalued amount                                   | 15,978,296     | 7,102,126          | 134,312,62          | 48,973,475  | 122,210,784                            | 43,689,103            | 151,301,165                    | 5,068,715  | 2,144,954   | 201,489                         | 3,515,725                   | 2,705,377         | 3,879,797           | 67,713             | 725,379,068   |
| Accumulated depreciation                                 | (3,214,142)    | (1,398,051)        | (2,849,963)         | (6,675,746)   | (35,251,471)                           | (13,189,561)          | (89,126,002)                   | (3,399,466)                                      | (1,428,737) | (142,583)                       | (1,967,712)                 | (1,621,998)       | (1,953,141)         | (67,713)           | (205,986,027) |
| Net book value   | 12,764,154     | 5,704,075          | 105,812,999         | 13,722,004  | 90,619,643                             | 30,499,542            | 112,175,163                    | 1,669,249  | 716,217     | 57,906                          | 1,546,013                   | 1,083,779         | 1,926,656           | -                  | 519,421,041   |
| <b>Annual rate of depreciation (%)</b>                   | 1.01 to 3.03   | 2                  | 2 to 2.0            | 2.85 to 33.33   | 3 to 10                                | 3 to 3.33             | 3 to 10                        | 3 to 10  | 10 to 15    | 20                              | 14.33 to 33.33              | 10 to 15          | 3.33 to 20          | 14.33              |               |

#### 4.1.1 Leasehold land

This represents leasehold land sites owned by KE which are freely transferable.

#### 4.1.2 Other land

Land classified as 'other' comprises sites in possession of KE, which are not freely transferable. These include:

|                          | Note    | 2023<br>----- (Rupees in '000) ----- | 2022<br>----- (Rupees in '000) ----- |
|--------------------------|---------|--------------------------------------|--------------------------------------|
| Amenity                  |         |                                      |                                      |
| - Leasehold              |         | 948,268                              | 948,268                              |
| - Freehold (mainly grid) |         | 671                                  | 671                                  |
|                          |         | 948,939                              | 948,939                              |
| Leasehold land – owned   | 4.1.2.1 | 38,576                               | 38,576                               |
|                          |         | 987,515                              | 987,515                              |

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

4.1.3 Details of the latest revaluation exercises carried out by the external valuers based on which revaluation surplus / impairment has been recorded in these unconsolidated financial statements are as follows:

|   | Name of external valuer                 | Revaluation date  | Written down value before revaluation<br>----- (Rupees in '000) ----- | Revalued amount as at revaluation date<br>----- (Rupees in '000) ----- |
|---|---|-------------------|---|--|
| Leasehold land  | Harvester Services (Private) Limited    | June 30, 2022     | 13,677,789  | 15,002,542   |
| Plant and machinery<br>- for assets reclassified as held for sale | Iqbal A. Nanjee & Co. (Private) Limited | February 28, 2023 | 1,782,426   | 2,639,280  |
| Plant and machinery   | Iqbal A. Nanjee & Co. (Private) Limited | June 30, 2023     | 218,327,530   | 249,015,275  |
| Transmission grid equipment                                       | Iqbal A. Nanjee & Co. (Private) Limited | June 30, 2023     | 70,110,654  | 89,401,956   |

These valuations fall under level 2 and level 3 hierarchies which have been explained in note 4.1.4.

4.1.3.1 The forced sale value of leasehold land, plant and machinery and transmission grid equipment as at the date of respective revaluations amounts to Rs. 12,002 million, Rs. 1,847 million, Rs. 186,146 million and Rs. 67,155 million, respectively.

4.1.3.2 Had there been no revaluation, the values of specific classes of leasehold land, plant and machinery and transmission grid equipment as at June 30, 2023 and June 30, 2022 under the cost model would have been as follows:

|                             | Cost                         |             | Written down value |             |
|-----------------------------|------------------------------|-------------|--------------------|-------------|
|                             | 2023                         | 2022        | 2023               | 2022        |
|                             | ----- (Rupees in '000) ----- |             |                    |             |
| Leasehold land              | 818,563                      | 833,055     | 691,345            | 719,063     |
| Plant and machinery         | 228,473,546                  | 136,214,137 | 161,970,746        | 68,939,331  |
| Transmission grid equipment | 67,967,799                   | 57,374,378  | 50,814,220         | 41,260,329  |
|                             | 297,259,908                  | 194,421,570 | 213,476,311        | 110,918,723 |

#### 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.

The valuation techniques and inputs used to develop fair value measurements are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability are not based on observable market data (unobservable inputs).



### Valuation techniques and significant unobservable inputs

Valuation techniques used in measuring the fair value of leasehold land, plant and machinery and transmission grid equipment and the significant unobservable inputs used in the valuation are as follows:

#### 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 ability to sell the asset, availability of the buyers and the assessment of its real value under prevailing economic conditions were accounted for. The value of the land was assessed based on information available in current real estate market and has been categorised as level 2.

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

#### Transmission grid equipment

For the valuation of transmission grid equipment, the valuers referred to current cost from various manufacturers and also considered cost as incurred by KE and the trend of prices of major raw material i.e. copper and steel. Depreciation is then applied on the basis of average spent life on straight line basis.

The estimated fair value of transmission grid equipment would increase / decrease in line with the current selling prices of these equipment and has been categorised as level 3.

#### Plant and machinery

For plant and machinery, valuer has ascertained the value on the basis of depreciated replacement cost. The total assessed value of the plant is obtained on the basis of manufacturing cost of the machine on the international standard and practice. The rates of manufacturing of similar kinds of machinery are acquired from different manufacturers. Depreciation is then applied on the basis of average spent life on straight line basis.

The actual fair value of plant and machinery would increase / decrease if current manufacturing cost increases / (decreases) and has been categorised as level 3.

The effect of changes in the unobservable inputs used in the above valuations cannot be determined with certainty. Accordingly, a quantitative disclosure of sensitivity has not been presented in these unconsolidated financial statements.

- 4.1.5 The cost of fully depreciated assets as at June 30, 2023 is Rs. 66,843 million (2022: Rs. 69,627 million).
- 4.1.6 During the year, management has reassessed useful lives of certain items of plant and machinery therefore, depreciation for the year of those assets has been calculated using the revised useful lives. Had there been no change in the estimated useful lives, the written down value of plant and equipment would have been lower by Rs. 1,821 million and depreciation expense would have been higher by Rs. 1,821 million.
- 4.1.7 Due to nature of KE's operations, certain assets included in transmission and distribution network are not in possession of KE. In view of large number of consumers, the management considers it impracticable to disclose particulars of assets not in the possession or control of KE as required under the Fourth Schedule to the Companies Act, 2017.
- 4.1.8 Depreciation charge for the year has been allocated as follows:

|  | Note | 2023<br>----- (Rupees in '000) ----- | 2022              |
|--|------|--------------------------------------|-------------------|
| Expenses incurred in generation, transmission and distribution | 36   | 22,701,252                           | 19,544,363        |
| Consumers services and administrative expenses                 | 37   | 1,072,651                            | 942,269           |
|  |      | <u>23,773,903</u>                    | <u>20,486,632</u> |

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

|   | Original cost / Revalued amount | Accumulated depreciation | Written down value | Sale proceeds | Gain / (loss) on disposal | Mode of disposal | Particulars of buyers             |
|---|---------------------------------|--------------------------|--------------------|---------------|---------------------------|------------------|-----------------------------------|
|   | (Rupees in 000)                 |                          |                    |               |                           |                  |                                   |
| <b>Plant and machinery</b>  |                                 |                          |                    |               |                           |                  |                                   |
| Auxiliary Transformer Main 10 Mva                                   | 6,875                           | 1,775                    | 5,100              | 8,700         | 3,600                     | Tender           | M/s. Abdullah Engineering Works   |
| Battery Bank  | 1,230                           | 290                      | 940                | 628           | (312)                     | Tender           | M/s. Rajput Steel Industry        |
| Breaker   | 13,060                          | 7,807                    | 5,253              | 7             | (5,246)                   | Tender           | M/s. Oriental Trading             |
| Electric Hoists   | 4,291                           | 3,537                    | 754                | 1,240         | 486                       | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Exciter Panel Auxiliary Generator                                   | 12,200                          | 10,826                   | 1,374              | 3,527         | 2,153                     | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Gas Engine #1   | 4,123                           | 3,258                    | 865                | 11            | (854)                     | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Gas Engine #4   | 3,224                           | 2,547                    | 677                | 9             | (668)                     | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Gas Engine #5   | 2,601                           | 2,055                    | 546                | 7             | (539)                     | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Gas Engine #7   | 9,730                           | 7,690                    | 2,040              | 27            | (2,013)                   | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Motor Ac Induction  | 17,489                          | 15,519                   | 1,970              | 1,369         | (601)                     | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Panel Outgoing FLBS   | 22,721                          | 7,429                    | 15,292             | 546           | (14,746)                  | Tender           | M/s. YBE Traders                  |
| Protection Panel CWP  | 22,757                          | 11,810                   | 10,947             | 6,579         | (4,368)                   | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Pump Boiler Feed  | 2,010                           | 1,042                    | 968                | 157           | (811)                     | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| <b>Transmission grid equipment</b>                                  |                                 |                          |                    |               |                           |                  |                                   |
| Bushing Wall  | 651                             | 140                      | 511                | 26            | (485)                     | Tender           | M/s. Oriental Trading             |
| Adaptor Panel   | 947                             | 310                      | 637                | 112           | (525)                     | Tender           | M/s. Rana and Co.                 |
| Battery NI - CD   | 2,522                           | 772                      | 1,750              | 924           | (826)                     | Tender           | M/s. RKF Traders                  |
| Bus Coupler Panel   | 13,132                          | 3,990                    | 9,142              | 1,184         | (7,958)                   | Tender           | M/s. Rana and Co.                 |
| Bus Riser   | 1,427                           | 174                      | 1,253              | 341           | (912)                     | Tender           | M/s. Bismillah Metal Impex        |
| Conductor Hardware  | 649                             | 56                       | 593                | 45            | (548)                     | Tender           | M/s. Bismillah Metal Impex        |
| Isolator Hapam  | 3,027                           | 2,023                    | 1,004              | 120           | (884)                     | Tender           | M/s. Oriental Trading             |
| Line Breaker  | 11,085                          | 9,977                    | 1,108              | 1,235         | 127                       | Tender           | M/s. Sar Metals Inco.             |
| Panel Capacitor Vcb   | 1,861                           | 157                      | 1,704              | 436           | (1,268)                   | Tender           | M/s. Bismillah Metal Impex        |
| Power Transformer   | 135,189                         | 120,495                  | 14,694             | 19,797        | 5,103                     | Tender           | M/s. Bismillah Metal Impex        |
| Power Transformer   | 423,848                         | 367,102                  | 56,746             | 97,476        | 40,730                    | Tender           | M/s. Bismillah Metal Impex        |
| Power Transformer   | 283,956                         | 245,003                  | 38,953             | 74,451        | 35,498                    | Tender           | M/s. Bismillah Metal Impex        |
| Switch Gear 11Kv  | 9,062                           | 2,996                    | 6,066              | 2,165         | (3,901)                   | Tender           | M/s. Bismillah Metal Impex        |
| Switch Gear 11Kv  | 4,091                           | 1,603                    | 2,488              | 1,099         | (1,389)                   | Tender           | M/s. Bismillah Metal Impex        |
| Switch Gear 11Kv  | 1,544                           | 470                      | 1,074              | 408           | (666)                     | Tender           | M/s. Rana and Co.                 |
| Switch Gear 11Kv Incoming   | 2,920                           | 887                      | 2,033              | 263           | (1,770)                   | Tender           | M/s. Rana and Co.                 |
| Switch Gear 11Kv Outgoing   | 32,120                          | 9,761                    | 22,359             | 2,897         | (19,462)                  | Tender           | M/s. Rana and Co.                 |
| Telecom System  | 15,367                          | 4,761                    | 10,606             | 5             | (10,601)                  | Tender           | M/s. Hammad Lubricants            |
| Telecommunication Cabinet   | 1,529                           | 448                      | 1,081              | 1,461         | 380                       | Tender           | M/s. Bismillah Metal Impex        |
| Telecommunication Cabinet   | 850                             | 247                      | 603                | 2             | (601)                     | Tender           | M/s. Oriental Trading             |
| VCB Bus Coupler Panel   | 1,757                           | 409                      | 1,348              | 420           | (928)                     | Tender           | M/s. Bismillah Metal Impex        |
| VCB Incoming Pannel 1250A   | 5,144                           | 983                      | 4,161              | 1,206         | (2,955)                   | Tender           | M/s. Bismillah Metal Impex        |
| VCB Incoming Pannel 1250A   | 2,572                           | 498                      | 2,074              | 691           | (1,383)                   | Tender           | M/s. Bismillah Metal Impex        |
| VCB Incoming Trolley 11Kv   | 2,030                           | 342                      | 1,688              | 480           | (1,208)                   | Tender           | M/s. Bismillah Metal Impex        |
| VCB Incoming Trolley 11Kv   | 1,152                           | 182                      | 970                | 309           | (661)                     | Tender           | M/s. Bismillah Metal Impex        |
| VCB Incoming Trolley 11Kv   | 8,086                           | 1,946                    | 6,140              | 957           | (5,183)                   | Tender           | M/s. Rana and Co.                 |
| VCB Incoming Trolley 15Kv   | 135,189                         | 120,495                  | 14,694             | 24,158        | 9,464                     | Tender           | M/s. Bismillah Metal Impex        |
| VCB Incoming Trolley 15Kv   | 3,026                           | 697                      | 2,329              | 359           | (1,970)                   | Tender           | M/s. Rana and Co.                 |
| VCB Outgoing Trolley 11Kv   | 9,029                           | 1,949                    | 7,080              | 3,135         | (3,945)                   | Tender           | M/s. Bismillah Metal Impex        |
| VCB Outgoing Trolley 11Kv   | 4,949                           | 1,023                    | 3,926              | 1,179         | (2,747)                   | Tender           | M/s. Bismillah Metal Impex        |
| VCB Outgoing Trolley 11Kv   | 18,696                          | 4,093                    | 14,603             | 2,223         | (12,380)                  | Tender           | M/s. Rana and Co.                 |
| VCB Outgoing Trolley 15Kv   | 866                             | 200                      | 666                | 125           | (541)                     | Tender           | M/s. Rana and Co.                 |
| VCB Pannel Outgoing   | 2,647                           | 617                      | 2,030              | 633           | (1,397)                   | Tender           | M/s. Bismillah Metal Impex        |
| VCB Trolley O/G 11 Kv   | 1,428                           | 318                      | 1,110              | 169           | (941)                     | Tender           | M/s. Rana and Co.                 |
| <b>Transmission lines and SCADA equipment</b>                       |                                 |                          |                    |               |                           |                  |                                   |
| Conductor   | 2,020                           | 1,176                    | 844                | 4,987         | 4,143                     | Tender           | M/s. Wah Brass Mills Private Ltd. |
| Poles   | 1,089                           | 555                      | 534                | 2,305         | 1,771                     | Tender           | M/s. Wah Brass Mills Private Ltd. |
| <b>Distribution networks</b>  |                                 |                          |                    |               |                           |                  |                                   |
| Energy Meters   | 33,786                          | 30,407                   | 3,379              | 9,156         | 5,777                     | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Energy Meters   | 171,788                         | 147,801                  | 23,987             | 70,660        | 46,673                    | Tender           | M/s. Bismillah Metal Impex        |
| Energy Meters   | 178,337                         | 135,824                  | 42,513             | 113,042       | 70,529                    | Tender           | M/s. Bismillah Metal Impex        |
| Over Head Lines   | 5,700                           | 5,130                    | 570                | 10,304        | 9,734                     | Tender           | M/s. Bismillah Metal Impex        |
| Over Head Lines   | 5,087                           | 4,578                    | 509                | 13,569        | 13,060                    | Tender           | M/s. S.J Steel Re-Rolling Mills   |
| Over Head Lines   | 9,475                           | 7,431                    | 2,044              | 27,935        | 25,891                    | Tender           | M/s. Wah Brass Mills Private Ltd. |
| Over Head Lines   | 30,832                          | 27,749                   | 3,083              | 1,023         | (2,060)                   | Tender           | M/s. YBE Traders                  |
| Pole Hst/ Ltst / Lattice  | 1,861                           | 768                      | 1,093              | 3,665         | 2,572                     | Insurance claim  | Various                           |
| Switch Gear 11Kv  | 4,357                           | 1,716                    | 2,641              | 464           | (2,177)                   | Tender           | M/s. Rana and Co.                 |
| Transformer   | 1,457                           | 525                      | 932                | 1,873         | 941                       | Tender           | M/s. Abdullah Engineering Works   |
| VCB Trollies 11Kv   | 20,670                          | 7,967                    | 12,703             | 2,566         | (10,137)                  | Tender           | M/s. Rana and Co.                 |
| VCB Ocb Trollies 11Kv   | 22,263                          | 8,670                    | 13,593             | 2,703         | (10,890)                  | Tender           | M/s. Rana and Co.                 |
|   | 1,753,381                       | 1,361,006                | 392,375            | 527,550       | 135,175                   |                  |                                   |
| <b>Individual Items having written down value below Rs. 500,000</b> |                                 |                          |                    |               |                           |                  |                                   |
| Plant and machinery   | 235                             | 39                       | 196                | 210           | 14                        | Insurance claim  | Various                           |
| Plant and machinery   | 113,764                         | 90,121                   | 23,643             | 29,595        | 5,952                     | Tender           | Various                           |
| Transmission grid equipment   | 7,300                           | 7,300                    | -                  | 31,977        | 31,977                    | Insurance claim  | Various                           |
| Transmission grid equipment   | 152,697                         | 132,889                  | 19,808             | 734,632       | 714,824                   | Tender           | Various                           |
| Distribution networks   | 316,891                         | 268,953                  | 47,938             | 635,859       | 587,921                   | Tender           | Various                           |
| Distribution networks   | -                               | 28                       | 8                  | -             | (8)                       | Write off        | Various                           |
| Computer and related equipment                                      | 5,496                           | 5,496                    | -                  | -             | -                         | Donation         | Various                           |
| Computer and related equipment                                      | 38,433                          | 37,637                   | 796                | 4,719         | 3,923                     | Laptop buy back  | Various                           |
| Computer and related equipment                                      | 10,844                          | 5,962                    | 4,882              | -             | (4,882)                   | Write off        | Various                           |
| Computer and related equipment                                      | 109,905                         | 109,386                  | 519                | 4,448         | 3,929                     | Tender           | Various                           |
| Furniture, air conditioner and office equipment                     | 16,616                          | 13,624                   | 2,992              | 4,632         | 1,640                     | Tender           | Various                           |
| Tools and general equipments  | 91                              | 1                        | 90                 | 87            | (3)                       | Insurance claim  | Various                           |
| Tools and general equipments  | 1,614                           | 1,335                    | 279                | 584           | 305                       | Tender           | Various                           |
| Vehicles  | 2,483                           | 2,233                    | 250                | 3,152         | 2,902                     | Tender           | Various                           |
|   | 776,405                         | 675,004                  | 101,401            | 1,449,895     | 1,348,494                 |                  |                                   |
| June 30, 2023   | 2,529,786                       | 2,036,010                | 493,776            | 1,977,445     | 1,483,669                 |                  |                                   |
| June 30, 2022   | 7,185,486                       | 5,376,595                | 1,808,891          | 4,003,158     | 2,194,267                 |                  |                                   |

4.3 The details of immovable fixed assets (land and buildings) of the Company are as follows:

| Particulars   | Location                    | Total Area of Land Square Yards |
|---|-----------------------------|---------------------------------|
| <b>Power Plants</b>   |                             |                                 |
| Bin Qasim Power Complex   | Bin Qasim, Karachi          | 1,079,979                       |
| Korangi Power Station   | Korangi, Karachi            | 545,516                         |
| Site Gas Turbine Power Station  | S.I.T.E., Karachi           | 27,491                          |
| Korangi Town Power Station  | Korangi, Karachi            | 19,360                          |
| <b>Open Plots</b>   |                             |                                 |
| Open plot in Deh Kharkhero for Grid   | Malir, Karachi              | 250,107                         |
| Open plot at Green Belt P.E.C.H.S. for Grid   | P.E.C.H.S., Karachi         | 10,275                          |
| Open plot for Complain center in Uthal survey 755                                     | District Lasbella           | 2,000                           |
| Shireen Jinnah Colony Yard  | Clifton, Karachi            | 1,233                           |
| Open plot for KE Officers Club  | Phase VIII, DHA, Karachi    | 6,000                           |
| Open plot in Taiser Town Sector-45 for substation                                     | Taiser Town, Karachi        | 1,540                           |
| Open plot in Baldia Town Scheme-29 for substation                                     | Baldia, Karachi             | 750                             |
| Open plot in Hawksbay Scheme-42 for substation  | Hawksbay Scheme-42, Karachi | 680                             |
| Open plot in Lyari Qtrs Old Kalri for substation                                      | Lyari, Karachi              | 280                             |
| Open plot in S.I.T.E (Pump House)   | S.I.T.E., Karachi           | 725                             |
| Open plot in SUR-78 DEH Thoming for Grid Station                                      | Scheme 33, Karachi          | 7,623                           |
| Open plot in Deh Halkani, Mangopir for Grid Station                                   | Mangopir, Karachi           | 9,680                           |
| Open plot in Pir Gul Hassan Town Phase 2, Ring Road 91-92, Scheme 33 for Grid Station | Scheme 33, Karachi          | 8,249                           |
| Open plot in Army Directorate Housing Scheme Askari-V, Malir Cantt for Grid Station   | Malir Cantt Karachi         | 9,680                           |
| <b>Offices</b>  |                             |                                 |
| KE Head Office  | Gizri, DHA, Karachi         | 19,405                          |
| Elander Road  | Elander Road, Karachi       | 22,091                          |
| AL-Mava   | P.E.C.H.S., Karachi         | 2,000                           |
| Other Offices   | Various areas in Karachi    | 9,810                           |
| <b>Residential Colonies</b>   |                             |                                 |
| Gulshan-e-Hadeed  | Bin Qasim, Karachi          | 121,000                         |
| Korangi   | Korangi, Karachi            | 1,200                           |
| <b>Grid Stations / IBCs / substations / stores</b>                                    | Various areas in Karachi    | 1,417,249                       |

#### 4.4 Capital work-in-progress

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

|  | Plant and machinery        | Transmission grid equipment / lines | Distribution network / renewals of mains and services | Others      | 2023          | 2022         |
|--|----------------------------|-------------------------------------|---|-------------|---------------|--------------|
|  | -----[Rupees in '000]----- |                                     |   |             |               |              |
| Balance at beginning of the year   | 87,960,284                 | 27,774,043                          | 30,069,697  | 5,859,479   | 151,663,503   | 125,880,005  |
| Additions during the year (note 4.4.1)   | 39,849,456                 | 13,876,399                          | 15,443,193  | 1,469,074   | 70,638,122    | 62,771,603   |
|  | 127,809,740                | 41,650,442                          | 45,512,890  | 7,328,553   | 222,301,625   | 188,651,608  |
| Transfers to operating fixed assets and intangible assets / adjustments (notes 4.1, 4.4.2 and 5.1) | (115,488,115)              | (5,728,496)                         | (38,821,168)  | (1,589,634) | (161,627,413) | (36,988,105) |
| Balance at end of the year   | 12,321,625                 | 35,921,946                          | 6,691,722   | 5,738,919   | 60,674,212    | 151,663,503  |

4.4.1 These include borrowing cost capitalised during the year amounting to Rs. 20,886 million (2022: Rs. 11,523 million).

4.4.2 These include certain assets written off during the year amounting to Rs. 504 million (2022: Nil).

|                                 | Note  | 2023<br>----- (Rupees in '000) ----- | 2022<br>----- (Rupees in '000) ----- |
|---------------------------------|-------|--------------------------------------|--------------------------------------|
| <b>4.5 Right-of-use assets</b>  |       |                                      |                                      |
| <b>Cost</b>                     |       |                                      |                                      |
| Opening balance                 |       | 246,568                              | 182,779                              |
| Additions during the year       |       | 57,748                               | 77,580                               |
| Derecognition                   | 4.5.6 | (81,583)                             | (13,791)                             |
|                                 |       | <u>222,733</u>                       | <u>246,568</u>                       |
| <b>Accumulated depreciation</b> |       |                                      |                                      |
| Opening balance                 |       | (78,585)                             | (56,063)                             |
| Depreciation charge             | 37    | (34,327)                             | (36,313)                             |
| Derecognition                   |       | 39,572                               | 13,791                               |
|                                 |       | <u>(73,340)</u>                      | <u>(78,585)</u>                      |
| Net book value as at June 30    |       | <u>149,393</u>                       | <u>167,983</u>                       |

4.5.1 The right-of-use assets comprise of rented IBCs / office premises acquired on lease by KE for its operations.

4.5.2 KE's obligations under its leases are secured by the lessor's title to the leased assets. KE is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments.

4.5.3 KE also has certain leases of machinery with lease terms of 12 months or less. KE applies the 'short-term lease' recognition exemptions for these leases. The expense relating to short-term leases recognised in these unconsolidated financial statements amounts to Rs. 25.3 million (2022: Rs. 19.6 million).

4.5.4 The term of lease agreements ranges from 3 to 10 years.

4.5.5 The rate of depreciation is based on the term of the respective agreement and ranges from 10% to 33.33%.

4.5.6 This represents termination of lease after handing over the possession to the owners.

|                                 | Note    | 2023<br>----- (Rupees in '000) ----- | 2022<br>----- (Rupees in '000) ----- |
|---------------------------------|---------|--------------------------------------|--------------------------------------|
| <b>5. INTANGIBLE ASSETS</b>     |         |                                      |                                      |
| <b>Computer software</b>        |         |                                      |                                      |
| Cost                            | 5.1     | 3,333,186                            | 2,259,979                            |
| Accumulated amortisation        | 5.2     | (2,163,699)                          | (1,741,090)                          |
|                                 |         | <u>1,169,487</u>                     | <u>518,889</u>                       |
| <b>5.1 Cost</b>                 |         |                                      |                                      |
| Opening balance                 |         | 2,259,979                            | 1,885,007                            |
| Additions during the year       | 4.4     | 1,073,207                            | 374,972                              |
|                                 |         | <u>3,333,186</u>                     | <u>2,259,979</u>                     |
| <b>5.2 Amortisation to date</b> |         |                                      |                                      |
| Opening balance                 |         | 1,741,090                            | 1,495,737                            |
| Amortisation during the year    | 36 & 37 | 422,609                              | 245,353                              |
|                                 |         | <u>2,163,699</u>                     | <u>1,741,090</u>                     |
| <b>Useful life</b>              |         | <u>3 years</u>                       | <u>3 years</u>                       |

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

|  | Note      | 2023<br>----- (Rupees in '000) ----- | 2022             |
|--|-----------|--------------------------------------|------------------|
| <b>6. INVESTMENT PROPERTY</b>          |           |                                      |                  |
| <b>Leasehold land</b>                  | 6.2 & 6.3 |                                      |                  |
| Cost                                   |           | 3,047,856                            | 3,047,856        |
| Accumulated depreciation               | 6.1       | (182,871)                            | (121,914)        |
|  |           | <u>2,864,985</u>                     | <u>2,925,942</u> |
| <b>6.1 Accumulated depreciation</b>    |           |                                      |                  |
| Opening balance                        |           | 121,914                              | 60,957           |
| Depreciation charge                    | 37        | 60,957                               | 60,957           |
|  |           | <u>182,871</u>                       | <u>121,914</u>   |
| <b>Useful life</b>                     |           | 50 years                             | 50 years         |
| <b>Annual rate of depreciation (%)</b> |           | 2.00%                                | 2.00%            |

6.2 In the year 2016, KE purchased land, measuring 216 acres situated at Eastern Industrial Zone, Port Qasim, Karachi, for development of 700 MW coal-based power plant (the Project). The Project was to be developed by a separate company and the land was to be transferred to that separate company subsequent to financial close of the Project. However the Cabinet Committee on Energy (CCoE) in its meeting held on June 19, 2020 principally decided for supply of additional power to KE from national grid and abandonment of the Project. The related land has therefore been classified as investment property as its future use is yet to be determined by KE.

6.3 The fair value of the land as at June 30, 2022, as assessed by an external valuer, amounts to Rs. 4,104 million (Level 2 inputs). As at June 30, 2023 the external valuer has assessed that there was no evidence of any material change in the value of property during the year.

|  | Note | 2023<br>----- (Rupees in '000) ----- | 2022              |
|--|------|--------------------------------------|-------------------|
| <b>7. OTHER FINANCIAL ASSETS - AT AMORTISED COST</b> |      |                                      |                   |
| Investments in term deposit receipts                 | 7.1  | 25,646,022                           | 17,411,300        |
| Less:  |      |                                      |                   |
| Current maturity shown under current assets          |      | (2,279,301)                          | (1,088,032)       |
|  |      | <u>23,366,721</u>                    | <u>16,323,268</u> |

7.1 These represents term deposits aggregating to USD 89.67 million (2022: USD 84.99 million) maintained with Dubai Islamic Bank Pakistan Limited (DIBPL). These carry profit at the rate of three months LIBOR and are due to mature in quarterly installments starting from November 3, 2022 and ending on August 3, 2034. These term deposits are part of the long term foreign exchange hedge arrangement as explained in note 20.10.

|  | Note | 2023<br>----- (Rupees in '000) ----- | 2022          |
|--|------|--------------------------------------|---------------|
| <b>8. LONG-TERM LOANS AND DEPOSITS</b> |      |                                      |               |
| Long-term loans                        | 8.1  | 10,003                               | 11,899        |
| Long-term deposits                     | 8.2  | 10,261                               | 11,744        |
|  |      | <u>20,264</u>                        | <u>23,643</u> |

## 8.1 Long-term loans

|   |      | Secured<br>House building<br>loans (note<br>8.1.1) | Unsecured<br>Festival loans<br>(note 8.1.2) | 2023   | 2022   |
|---|------|--|---|--------|--------|
|   | Note | ----- (Rupees in '000) -----                       |   |        |        |
| <b>Considered good</b>                                    |      |  |   |        |        |
| Executives  |      | -  | 36  | 36     | 36     |
| Employees   |      | 22   | 10,193                                      | 10,215 | 12,405 |
|   |      | 22   | 10,229                                      | 10,251 | 12,441 |
| Recoverable within one year<br>shown under current assets | 11   | (22)   | (226)                                       | (248)  | (542)  |
|   |      | -  | 10,003                                      | 10,003 | 11,899 |

8.1.1 House building loans, carrying mark-up at the rate of 6% (2022: 6%) per annum, are recoverable over a period of sixteen years. These are secured against equitable mortgage of related properties.

8.1.2 Festival loans are non-interest bearing loans. The Board of Directors in its meeting held on February 1, 2003 approved the deferment of the recovery of these loans in installments 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.

8.1.3 Long-term loans have not been discounted to their present values as the financial impact thereof is not considered to be material.

|                               | Note | 2023                         | 2022    |
|-------------------------------|------|------------------------------|---------|
|                               |      | ----- (Rupees in '000) ----- |         |
| <b>8.2 Long-term deposits</b> |      |                              |         |
| <b>Considered good</b>        |      |                              |         |
| Rental premises and others    |      | 10,261                       | 11,744  |
| <b>Considered doubtful</b>    |      |                              |         |
| Rental premises               |      | 1,020                        | 1,020   |
| Provision for impairment      |      | (1,020)                      | (1,020) |
|                               |      | -                            | -       |
|                               |      | 10,261                       | 11,744  |

## 9 INVENTORIES

|   |     |             |             |
|---|-----|-------------|-------------|
| High speed diesel (HSD)   |     | 1,497,865   | 796,320     |
| Furnace oil   |     | 3,937,153   | 3,233,726   |
|   |     | 5,435,018   | 4,030,046   |
| Stores, spare parts and loose tools   |     | 14,488,494  | 14,362,377  |
|   |     | 19,923,512  | 18,392,423  |
| Provision against slow moving and obsolete<br>stores, spare parts and loose tools | 9.1 | (1,232,415) | (1,331,831) |
|   |     | 18,691,097  | 17,060,592  |

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

|   |         |           |           |
|---|---------|-----------|-----------|
| Opening balance   |         | 1,331,831 | 1,113,368 |
| (Reversal) / provision recognised during the year - net | 36 & 37 | (99,416)  | 218,463   |
|   |         | 1,232,415 | 1,331,831 |

|  | Note        | 2023<br>----- (Rupees in '000) ----- | 2022          |
|--|-------------|--------------------------------------|---------------|
| <b>10 TRADE DEBTS</b>                                      |             |                                      |               |
| <b>Considered good</b>                                     |             |                                      |               |
| Secured – against deposits from consumers                  | 10.1        | 7,222,220                            | 5,745,925     |
| Unsecured  |             | 97,060,715                           | 131,097,109   |
|  | 10.2 & 10.3 | 104,282,935                          | 136,843,034   |
|  |             | 113,246,841                          | 100,618,760   |
|  |             | 217,529,776                          | 237,461,794   |
| <b>Considered doubtful</b>                                 |             |                                      |               |
| Provision for impairment against debts considered doubtful | 10.5        | (113,246,841)                        | (100,618,760) |
|  |             | 104,282,935                          | 136,843,034   |

10.1 KE maintains deposits from consumers, taken as a security for energy dues (note 22.1).

10.2 These balances do not include any Late Payment Surcharge (LPS) on receivables from public sector consumers, as fully explained in note 31.1.1, on the contention that due to the circular debt situation, the LPS should only be received by KE from its public sector consumers, if any surcharge is levied on KE on account of delayed payments of its public sector liabilities.

As at June 30, 2023, receivable from Government and autonomous bodies amounting to Rs. 49,315 million (2022: Rs. 48,309 million) includes unrecognised LPS of Rs. 10,663 million (2022: Rs.9,571 million); which includes receivable from Karachi Water and Sewerage Board (KW&SB) amounting to Rs. 38,774 million including unrecognised LPS of Rs. 8,061 million (2022: Rs. 32,848 million including unrecognised LPS of Rs. 5,076 million) and receivable from City District Government Karachi (CDGK) amounting to Rs. 5,237 million including unrecognised LPS of Rs. 417 million (2022: Rs. 8,449 million including unrecognised LPS of Rs. 1,926 million).

10.3 This includes receivable from consumers in relation to Fuel Surcharge Adjustment amounting to Rs. 7,155 million (2022: Rs. 45,676 million) which is recoverable post determination from NEPRA.

10.4 Ministry of Energy (Power Division) issued a corrigendum dated January 22, 2020, whereby, in accordance with GoP's uniform tariff policy, KE was directed to restrict the benefit of Industrial Support Package (ISPA) of Rs. 3/kWh to peak hours only. Thus, ISPA relief of Rs. 3/kWh already passed to industrial consumers on normal consumption and off-peak hours for the period July 2019 to December 2019 was withdrawn and accordingly ISPA arrears were billed to industrial consumers in their monthly bills of April 2020.

The industrial consumers challenged the corrigendum before the Honorable High Court of Sindh (HCS). The HCS in its order dated September 28, 2020 directed KE to charge determined tariff as per SRO 575(I)/2019 dated May 22, 2019 instead of applying corrigendum. Being aggrieved, KE challenged the HCS order before Supreme Court of Pakistan (SCP), wherein, the SCP through in its interim order dated November 27, 2020, suspended the order of HCS and allowed prospective implementation of corrigendum dated January 22, 2020. Further, on March 17, 2022, the SCP dismissed the appeals.

On January 19, 2023, the SCP reheard the appeals and allowed the appeals in favour of the Company. The SCP ruled that the matter of adjustment of ISPA amount may be referred to NEPRA for its determination and issuance of an SOT amending the uniform tariff for the KE. In pursuance of the judgement, KE has written a letter to NEPRA requesting to pass a determination and issuance of SOT, which is yet to be issued by NEPRA.

|  | Note   | 2023<br>----- (Rupees in '000) ----- | 2022               |
|--|--------|--------------------------------------|--------------------|
| <b>10.5 Provision for impairment</b>   |        |                                      |                    |
| Opening balance  |        | 100,618,760                          | 97,746,537         |
| Provision made during the year   | 10.6   | 30,272,337                           | 19,332,532         |
|  |        | <u>130,891,097</u>                   | <u>117,079,069</u> |
| Write-off against provision during the year  | 10.5.1 | (17,644,256)                         | (16,460,309)       |
|  |        | <u>113,246,841</u>                   | <u>100,618,760</u> |
| 10.5.1 This includes write-off amounting to Rs. 16,264 million (2022: Rs. 14,489 million) to be claimed as tariff adjustment in accordance with the criteria prescribed by NEPRA as explained in note 33.2.  |        |                                      |                    |
| 10.6 Impairment loss against trade debts determined using the ECL model amounts to Rs. 30,272 million (2022: Rs. 19,330 million). Further, provision against public sector consumers recognised during the year amounted to Nil (2022: Rs. 3 million).   |        |                                      |                    |
| 10.7 The receivables from Government and autonomous bodies have been disclosed in note 10.2 above, however, due to the nature of KE's operations and large number of related parties, the management considers it impracticable to disclose the particulars of trade receivable due from other related parties as required under the Fourth Schedule of the Companies Act, 2017. |        |                                      |                    |
| 10.8 The age analysis of trade debts, that are not impaired, is as follows:  |        |                                      |                    |
|  | Note   | 2023<br>----- (Rupees in '000) ----- | 2022               |
| <b>Neither past due nor impaired</b>   |        |                                      |                    |
| Upto 30 days   |        | 57,326,959                           | 80,840,647         |
| <b>Past due but not impaired</b>   |        |                                      |                    |
| 30 days upto 6 months  |        | 8,686,106                            | 6,965,339          |
| 6 months upto 1 year   |        | 9,519,824                            | 9,484,961          |
| 1 - 2 years  |        | 9,673,729                            | 10,507,139         |
| 2 - 3 years  |        | 5,000,579                            | 7,938,205          |
| 3 - 4 years  |        | 3,589,807                            | 6,243,181          |
| 4 - 5 years  |        | 1,987,946                            | 3,624,698          |
| Over 5 years   |        | 8,497,985                            | 11,238,864         |
|  |        | <u>104,282,935</u>                   | <u>136,843,034</u> |
| <b>11. LOANS AND ADVANCES</b>  |        |                                      |                    |
| <b>Loans – secured</b>   |        |                                      |                    |
| Considered good  |        |                                      |                    |
| Current portion of long term loans   | 8.1    | 248                                  | 542                |
| <b>Advances – unsecured</b>  |        |                                      |                    |
| Considered good  |        |                                      |                    |
| Employees  | 11.1   | 60,032                               | 121,100            |
| Suppliers  |        | 2,640,675                            | 1,541,877          |
|  |        | <u>2,700,707</u>                     | <u>1,662,977</u>   |
| Considered doubtful  |        |                                      |                    |
| Suppliers  |        | 130,340                              | 130,340            |
|  |        | <u>2,831,047</u>                     | <u>1,793,317</u>   |
| Provision for impairment against advances considered doubtful  | 11.2   | (130,340)                            | (130,340)          |
|  |        | <u>2,700,707</u>                     | <u>1,662,977</u>   |
|  |        | <u>2,700,955</u>                     | <u>1,663,519</u>   |



- 11.1 These are advances to employees for business related expenses.  
 11.2 There has been no change in the provision during the year.

## 12. DEPOSITS AND SHORT-TERM PREPAYMENTS

|                      | Note        | 2023<br>----- (Rupees in '000) ----- | 2022             |
|----------------------|-------------|--------------------------------------|------------------|
| <b>Deposits</b>      | 12.1 & 12.2 | 11,371,414                           | 6,214,025        |
| <b>Prepayments</b>   |             |                                      |                  |
| Rent                 |             | 16,243                               | 4,492            |
| Insurance and others | 12.3        | 466,691                              | 1,835,915        |
|                      |             | 482,934                              | 1,840,407        |
|                      |             | <u>11,854,348</u>                    | <u>8,054,432</u> |

12.1 These include Rs. 30 million (2022: Rs. 30 million), representing margins / security deposits held by commercial banks against guarantees, letters of credit and other payments.

12.2 These include Rs. 11,009 million (2022: Rs. 5,850 million) representing deposits under lien against settlement of loans and sukuk repayments with commercial banks. These carry mark-up ranging from 6.5% to 20.45% (2022: 8.00% to 13.06%) per annum.

12.3 This includes transaction cost paid in respect of loan amount of Sinosure and Hermes supported facility amounting to Rs. 191 million (2022: Rs. 1,588 million) which is yet to be drawn.

## 13. OTHER RECEIVABLES

|  | Note        | 2023<br>----- (Rupees in '000) ----- | 2022               |
|--|-------------|--------------------------------------|--------------------|
| Due from the Government of Pakistan (GoP) and Government of Balochistan (GoB) - net: |             |                                      |                    |
| - Tariff adjustment  |             | 216,687,337                          | 355,338,042        |
| - Sales tax - net  |             | 22,631,137                           | 19,050,156         |
| - Interest receivable from GoP on demand finance liabilities                         |             | 237,173                              | 237,173            |
| - Others   |             | 5,667,835                            | 5,864,080          |
|  | 13.1 & 13.2 | 245,223,482                          | 380,489,451        |
| Others   |             | 511,853                              | 249,036            |
|  |             | <u>245,735,335</u>                   | <u>380,738,487</u> |
| Provision for impairment   | 13.1        | (6,373,696)                          | (5,514,731)        |
|  |             | <u>239,361,639</u>                   | <u>375,223,756</u> |

13.1 This includes:

- Rs. 67,901 million (2022: Rs. 51,637 million) recorded as claims for write off of trade debts. The claims submitted by KE for the years ended from June 30, 2017 to June 30, 2022 aggregating to Rs. 51,637 million (2022: Rs. 37,148 million) have been pending for determination by NEPRA for which NEPRA through its letters dated December 31, 2019, March 10, 2021, March 30, 2022, June 8, 2022 and October 24, 2022 stated that further deliberation is required in respect of the above-mentioned claims before these can be allowed as an adjustment in tariff. Further, provisional claim amounting to Rs. 17,000 million pertaining to year ended June 30, 2023 has been submitted which is also pending for determination by NEPRA. The claim for the year ended June 30, 2023 will be actualised to Rs.16,264 million after the approval of these unconsolidated financial statements by the Board of Directors of KE.
- Rs. 6,037 million (2022: Rs. 6,037 million) on account of unrecovered cost of prior years. 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 variation to 4% and the remaining burden or relief was to be carried forward to the next quarterly adjustment. 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 KE with respect to such unrecovered amount.

The Economic Coordination Committee (ECC), on a summary moved by the Ministry of Energy (Power Division), in case No. ECC-164/16/2008 dated October 14, 2008 decided that the said unrecovered cost due to 4% cap has been incurred by KE and NEPRA may take the amount into account in the subsequent quarterly tariff adjustment. However, NEPRA is of the view that the tariff mechanism does not allow for adjustment of such unrecovered cost.

The Power Division (GoP) through letter dated June 1, 2012 to the Finance Division (GoP), communicated that the unrecovered costs of KE were pending due to non availability of adjustment mechanism with NEPRA, although it has already been acknowledged by ECC and that the GoP owes this amount to KE. Accordingly, this unrecovered cost of Rs. 6,037 million is to be settled as per the options available with the GoP.

In view of the above, KE's management considers that the unrecovered costs of Rs. 6,037 million will be recovered. Accordingly, the entire amount is being carried as tariff adjustment subsidy receivable from the GoP. KE continues to pursue an early settlement of this long outstanding receivable from GoP and is confident that the same will be recovered in due course of time.

- Subsidy receivable of Rs. 677 million (2022: Rs. 677 million) in respect of subsidised electricity supplied to certain areas of Balochistan for the period December 2012 to June 2014, in accordance with the notification issued by the Finance Division dated November 28, 2012. However, in June 2014, the Ministry of Energy (Power Division) denied the aforementioned subsidy claim contending that the subsidised electricity claim is not applicable for KE and that it was only for Quetta Electric Supply Company Limited that supplied electricity in similar areas. KE is in continuous engagement with the Ministry of Energy (Power Division) for resolution of this matter, however, the subsidised portion will be recovered by KE from the relevant consumers in the event the subsidy claim is not honoured and recovered from the Government.
- Gas load management plan differential amounting to Rs. 2,618 million (2022: Rs. 2,618 million), outstanding tariff differential claims pertaining to the period January 2014 to December 2014 amounting to Rs. 12,672 million (2022: Rs. 12,672 million) and outstanding industrial support package adjustment amounting to Rs. 34,529 million (2022: Rs. 34,529 million) which has been referred to the Ministry of Energy (Power Division) by the Ministry of Finance (MoF) for appropriate action including approval from ECC. KE is of the view that all these claims have arisen due to decision / directions of the GoP and have been duly verified by the Ministry of Energy (Power Division). Hence, these are valid and legitimate receivables of KE from GoP. Further, this includes tariff variations pending determination by NEPRA, accrued in accordance with the MYT decision.

KE on a prudent basis has recognised further provision amounting to Rs. 859 million (2022: Rs. 5,515 million) during the year.

13.2 These include receivables from following related parties:

|                     | Note   | 2023<br>----- (Rupees in '000) ----- | 2022             |
|---------------------|--------|--------------------------------------|------------------|
| KEVCL               | 13.2.1 | 5,663                                | 5,663            |
| K-Solar             | 13.2.1 | 60,270                               | 32,364           |
| CPPA / NTDC         | 13.2.1 | 536,468                              | 464,001          |
| General Post Office | 13.2.2 | 5,131,367                            | 5,400,079        |
|                     |        | <u>5,733,768</u>                     | <u>5,902,107</u> |

13.2.1 These represent the maximum aggregate amount due from the aforementioned related parties at the end of any month during the year.

13.2.2 This represents receivable from General Post Office on account of collections from consumers not yet transferred to KE. The maximum aggregate amount due from the related party at the end of any month during the year amounts to Rs. 5,619 million (2022: Rs. 5,400 million).

13.2.3 Age analysis of other receivables from related parties:

|                     | Upto 6<br>months             | 7 to 12<br>months | More than<br>12 months | Total            |
|---------------------|------------------------------|-------------------|------------------------|------------------|
|                     | ----- (Rupees in '000) ----- |                   |                        |                  |
| KEVCL               | -                            | -                 | 5,663                  | 5,663            |
| K-Solar             | 13,747                       | 14,160            | 32,363                 | 60,270           |
| CPPA / NTDC         | 72,467                       | -                 | 464,001                | 536,468          |
| General Post Office | 1,149,564                    | -                 | 3,981,803              | 5,131,367        |
| June 30, 2023       | <u>1,235,778</u>             | <u>14,160</u>     | <u>4,483,830</u>       | <u>5,733,768</u> |
| June 30, 2022       | <u>5,414,147</u>             | <u>10,849</u>     | <u>477,111</u>         | <u>5,902,107</u> |

|  | Note  | 2023<br>----- (Rupees in '000) ----- | 2022             |
|--|---|--------------------------------------|------------------|
| <b>14. DERIVATIVE FINANCIAL ASSETS</b> |   |                                      |                  |
| Cross currency swap                    | 14.1 & 14.2   | <u>23,567,302</u>                    | <u>8,033,631</u> |
| 14.1                                   | KE has entered into multiple cross currency swap arrangements with commercial banks in connection with foreign currency borrowings as disclosed in notes 20.1, 20.2, 20.4, 20.5 and 20.6. Pursuant to the agreements, KE's foreign currency borrowings up to USD 243.62 million (2022: USD 239.33 million) and EUR 17.80 million (2022: EUR 24.92 million) were converted into hedged Pakistan Rupee amount and the interest rate accruing thereon is payable to the hedging bank at the rate of 3 months KIBOR plus spread ranging from negative 1.87% to positive 1.12% (2022: negative 1.87% to positive 0.80%). |                                      |                  |
| 14.2                                   | The above hedge of exposures arising due to variability in cash flows owing to currency risks have been designated as cash flow hedges.   |                                      |                  |

|                                   | Note | 2023<br>----- (Rupees in '000) ----- | 2022             |
|-----------------------------------|------|--------------------------------------|------------------|
| <b>15. CASH AND BANK BALANCES</b> |      |                                      |                  |
| <b>Cash in hand</b>               |      | 51,520                               | 45,122           |
| <b>Cash with:</b>                 |      |                                      |                  |
| <b>Conventional banks:</b>        |      |                                      |                  |
| - Current accounts                |      | 2,496,625                            | 190,656          |
| - Deposit accounts                | 15.1 | 903,651                              | 341,332          |
| - Collection accounts             |      | 2,111,420                            | 1,874,579        |
|                                   |      | <u>5,511,696</u>                     | <u>2,406,567</u> |
| <b>Islamic banks:</b>             |      |                                      |                  |
| - Current accounts                |      | 131,605                              | 90,738           |
| - Deposit accounts                | 15.1 | 125,742                              | 27,614           |
| - Collection accounts             |      | 1,273,462                            | 276,091          |
|                                   |      | <u>1,530,809</u>                     | <u>394,443</u>   |
|                                   |      | <u>7,094,025</u>                     | <u>2,846,132</u> |

15.1 These carry mark-up at rates ranging from 4.6% to 20.45% (2022: 4.5% to 13.05%) per annum.

|   | Note | 2023<br>----- (Rupees in '000) ----- | 2022     |
|---|------|--------------------------------------|----------|
| <b>16. ASSETS CLASSIFIED AS HELD FOR SALE</b> |      |                                      |          |
| Plant and machinery - owned                   | 16.1 | 2,639,197                            | -        |
| Leasehold land                                | 16.2 | 1,971,709                            | -        |
| Others  | 16.1 | 2,712                                | -        |
|   |      | <u>4,613,618</u>                     | <u>-</u> |

- 16.1 During the year KE has initiated the process of disposal of already decommissioned generating units 3 and 4 of Bin Qasim Power Complex - I.
- 16.2 During the year KE has initiated the process of disposal of its' idle open plot located in Gulistan-e-Johar, Karachi.

## 17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| 2023  | 2022                  | Note   | 2023<br>----- (Rupees in '000) ----- | 2022               |                   |
|---|-----------------------|--|--------------------------------------|--------------------|-------------------|
| <b>Authorised share capital</b>                 |                       |  |                                      |                    |                   |
| 32,857,142,857                                  | 32,857,142,857        | Ordinary shares of Rs. 3.5 each                            | 115,000,000                          | 115,000,000        |                   |
| 2,857,142,857                                   | 2,857,142,857         | Redeemable preference shares of Rs. 3.5 each               | 10,000,000                           | 10,000,000         |                   |
| <u>35,714,285,714</u>                           | <u>35,714,285,714</u> |  | <u>125,000,000</u>                   | <u>125,000,000</u> |                   |
| <b>Issued, subscribed and paid-up capital</b>   |                       |  |                                      |                    |                   |
| <b>Issued for cash</b>                          |                       |  |                                      |                    |                   |
| 14,493,490,368                                  | 14,493,490,368        | Ordinary shares of Rs. 3.5 each fully paid                 | 17.2 & 17.3                          | 50,727,215         | 50,727,215        |
| <b>Issued for consideration other than cash</b> |                       |  |                                      |                    |                   |
| 12,988,827,989                                  | 12,988,827,989        | Ordinary shares of Rs. 3.5 each fully paid                 | 17.4 to 17.8                         | 45,460,898         | 45,460,898        |
| <b>Issued as bonus shares</b>                   |                       |  |                                      |                    |                   |
| 132,875,889                                     | 132,875,889           | Ordinary shares of Rs. 3.5 each fully paid as bonus shares |                                      | 465,066            | 465,066           |
| 13,121,703,878                                  | 13,121,703,878        | Transaction costs on issuance of shares                    |                                      | 45,925,964         | 45,925,964        |
| <u>27,615,194,246</u>                           | <u>27,615,194,246</u> |  | 17.1                                 | <u>[391,628]</u>   | <u>[391,628]</u>  |
|   |                       |  |                                      | <u>96,261,551</u>  | <u>96,261,551</u> |

- 17.1 KES Power Limited (the Holding Company) held 18,335,542,678 ordinary shares as at June 30, 2023 (2022: 18,335,542,678) i.e. 66.40% of KE's issued, subscribed and paid-up capital.
- 17.2 The shareholders of KE, by way of a special resolution passed in the Extra Ordinary General Meeting (EOGM) of KE, held on October 8, 2012, resolved to issue additional share capital to International Finance Corporation (IFC) and Asian Development Bank (ADB). As a result of the said resolution, KE issued 698,071,428 ordinary shares and 696,785,714 ordinary shares, having a face value of Rs. 3.5 each, to IFC and ADB, respectively. The issuance of shares was made pursuant to terms of the amended subscription agreement dated May 5, 2010, whereby, the aforementioned lenders exercised their right to convert their debt of USD 25 million each into ordinary shares of KE.
- 17.3 During the year ended June 30, 2013, KE converted its redeemable preference shares into ordinary shares of KE. The conversion of redeemable preference shares to ordinary shares was executed in accordance with Article 4 of the subscription agreement dated November 14, 2005. As per the terms of conversion, each redeemable preference shareholder of KE became the holder of three ordinary shares for every four redeemable preference shares held. Consequently, KE converted 1,714,285,713 redeemable preference shares having face value of Rs. 3.5 each, which amounts 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 share premium of Rs. 1,500 million.

- 17.4 During the year ended June 30, 1999, KE 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 Rs. 3,045 million at that date, into equity.
- 17.5 During the year ended June 30, 2002, the shareholders of KE, by way of a special resolution, passed in the Annual General Meeting (AGM) of KE, finalised the conversion of KE's debt servicing liabilities, aggregating Rs. 17,835 million, into equity. As a result, KE issued 1,783,456,000 ordinary shares of Rs. 10 each at par. The subscription agreement in this regard was entered into on January 24, 2002.
- 17.6 As per the decision taken in the Economic Coordination Committee (ECC) meeting, held on April 16, 2002, which was also approved by the President of Pakistan, the Ministry of Finance (MoF) conveyed through its letter dated April 27, 2002, that all the loans of GoP and GoP guaranteed loans outstanding against KE be converted into equity. Accordingly, loans aggregating to Rs. 65,341 million were converted into equity of GoP in KE.
- 17.7 The shareholders of KE, by way of a special resolution passed in the AGM of KE held on December 2, 2004, resolved the conversion of (a) GoP funds amounting to Rs. 6,081 million; and (b) GoP long term loan amounting to Rs. 9,203 million, aggregating to Rs.15,284 million into equity. As a result of the said resolution, KE issued 4,366,782,389 ordinary shares of Rs. 3.5 each at par. The subscription agreement in this regard was entered into on December 20, 2004.
- 17.8 The shareholders of KE, by way of a special resolution passed in the EOGM held on May 27, 2002, resolved the reduction of share capital of KE, subsequent to the completion of the conversion of all GoP loans and GoP guaranteed loans of Rs. 65,341 million into equity (note 17.6). The paid-up capital, which was lost or not represented by assets of KE, to the extent of Rs. 6.50 per share on each of the issued ordinary shares of KE at that time, was reduced and a new nominal value thereof was fixed at Rs. 3.50 per share. The High Court of Sindh, vide its order, dated October 12, 2002, ordered the reduction in the nominal value of share capital of KE by Rs. 6.50 per share. The Board of Directors of KE in its meeting held on October 26, 2002 also approved the reduction in nominal value of share capital, amounting to Rs. 57,202 million.
- The GoP, vide its Finance Division letter dated January 31, 2003, conveyed the sanction of the President of Pakistan to write-off the GoP equity in KE. Accordingly, the reduction in share capital of Rs. 57,202 million was adjusted against the accumulated losses of KE.
- 17.9 Profits earned by KE since 2009 have all been reinvested into KE's business taking into account the capital expenditure requirements, KE's financial position and level of accumulated losses and requirements of the lenders. Consequently, the level of adjusted invested equity in the business at the end of June 30, 2023 (hereinafter defined as "Adjusted Invested Equity") comprises of issued share capital, reserves (excluding surplus on revaluation of fixed assets), adjusted profits since 2009 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 the year ended June 30, 2011.

The reconciliation of 'Adjusted Invested Equity' to the shareholders' equity is as follows:

|   | Note   | 2023<br>----- (Rupees in '000) ----- | 2022<br>----- (Rupees in '000) ----- |
|---|--------|--------------------------------------|--------------------------------------|
| Shareholders' equity in the statement of financial position   |        | 255,154,657                          | 250,171,718                          |
| Surplus on revaluation of property, plant and equipment - net   | 19     | (101,431,882)                        | (69,713,296)                         |
|   |        | 153,722,775                          | 180,458,422                          |
| Accumulated losses up to June 30, 2011  |        | 79,864,661                           | 79,864,661                           |
| Deferred tax (net) recognised on surplus of revaluation of property, plant and equipment  | 19     | (41,429,923)                         | (28,474,445)                         |
| Adjusted Invested Equity (excluding impact of accumulated losses up to June 30, 2011 and surplus on revaluation of property, plant and equipment)   |        | 192,157,513                          | 231,848,638                          |
| The Adjusted Invested Equity is summarised below:   |        |                                      |                                      |
| Issued, subscribed and paid up capital  | 17     | 96,261,551                           | 96,261,551                           |
| Capital reserves excluding surplus on revaluation of property, plant and equipment - net of tax   | 18     | 2,009,172                            | 2,009,172                            |
| General reserve   |        | 5,372,356                            | 5,372,356                            |
| Profits available for distribution reinvested in KE (Total comprehensive income for the year excluding the impact of deferred tax asset and incremental depreciation) for the year 2012 to 2022 |        | 153,941,962                          | 153,941,962                          |
|   |        | 257,585,041                          | 257,585,041                          |
| Impact of change in accounting policy on retained earnings (Adoption of IFRS 9 in FY-19)  |        | (25,736,403)                         | (25,736,403)                         |
| Adjusted Invested Equity (excluding impact of accumulated losses up to June 30, 2011 and surplus on revaluation of property, plant and equipment)   |        | 231,848,638                          | 231,848,638                          |
| <b>18. SHARE PREMIUM AND OTHER RESERVES</b>   |        |                                      |                                      |
| Share premium   | 17.3   | 1,500,000                            | 1,500,000                            |
| Others  | 18.1   | 509,172                              | 509,172                              |
|   |        | 2,009,172                            | 2,009,172                            |
| <b>18.1 Others</b>  |        |                                      |                                      |
| Unclaimed fractional bonus shares money   | 18.1.1 | 46                                   | 46                                   |
| Workmen compensation reserve  | 18.1.2 | 700                                  | 700                                  |
| Third party liability reserve   | 18.1.3 | 300                                  | 300                                  |
| Fire and machinery breakdown insurance reserve  | 18.1.4 | 508,126                              | 508,126                              |
|   |        | 509,172                              | 509,172                              |
| <b>18.1.1 Unclaimed fractional bonus shares money</b>   |        |                                      |                                      |

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

### 18.1.2 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.

### 18.1.3 Third party liability reserve

This reserve was created to meet the third party liabilities, arising due to accidents by electrocution, both fatal and non-fatal, claims for which may not be accepted by the National Insurance Company, where the negligence or fault on the part of KE is determined by the court.

### 18.1.4 Fire and machinery breakdown insurance reserve

KE was operating a self-insurance scheme in respect of its certain operating fixed assets and spares to cover such hazards which were potentially less likely to occur. However, KE discontinued its policy for providing the amount under self-insurance scheme with effect from the year ended June 30, 1998. Operating fixed assets, which are self insured against this reserve and on which claim lodged with respect to damages to such assets is not fully acknowledged by the insurer, the shortfall is to be charged against this reserve.

## 19 REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

This represents revaluation surplus relating to leasehold land, plant and machinery and transmission grid equipment (notes 4.1.3 and 4.1.4). The revaluation surplus on property, plant and equipment is a capital reserve and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

|  |       | 2023                         | 2022              |
|--|-------|------------------------------|-------------------|
|  | Note  | ----- (Rupees in '000) ----- |                   |
| Balance as at the beginning of the year  |       | 98,187,741                   | 78,778,407        |
| Transferred to unappropriated profit in respect of incremental depreciation charged and disposals during the year, net of deferred tax |       | (4,374,904)                  | (3,995,363)       |
| Related deferred tax liability   |       | (1,786,933)                  | (1,631,909)       |
| Revaluation surplus arising during the year  | 4.1.3 | 50,835,901                   | 25,036,606        |
|  |       | 44,674,064                   | 19,409,334        |
|  | 19.1  | 142,861,805                  | 98,187,741        |
| Less: Related deferred tax liability on:   |       |                              |                   |
| - Revaluation at the beginning of the year   |       | (28,474,445)                 | (22,845,738)      |
| - Revaluation surplus arising during the year  | 25.1  | (14,742,411)                 | (7,260,616)       |
| - Incremental depreciation charged and disposals during the year   |       | 1,786,933                    | 1,631,909         |
|  |       | (41,429,923)                 | (28,474,445)      |
|  |       | <u>101,431,882</u>           | <u>69,713,296</u> |

19.1 This includes revaluation surplus net of deferred tax amounting to Rs. 2,743 million (net of deferred tax liability of Rs. 1,121 million) against asset classified as held for sale.

|  | Note          | 2023<br>----- (Rupees in '000) ----- | 2022         |
|--|---------------|--------------------------------------|--------------|
| <b>20 LONG-TERM FINANCING</b>                                      |               |                                      |              |
| <b>From banking companies and financial institutions - secured</b> |               |                                      |              |
| <b>Conventional:</b>   |               |                                      |              |
| Hermes financing facility - 1                                      | 20.1 & 20.9   | 5,937,747                            | 5,328,584    |
| Sinosure financing facility - 1                                    | 20.2 & 20.9   | 15,968,149                           | 13,917,588   |
| Syndicate term finance facility                                    | 20.3 & 20.9   | 4,782,812                            | 8,407,579    |
| GuarantCo. financing facility                                      | 20.4 & 20.9   | 4,752,204                            | 6,448,817    |
| Hermes financing facility - 2                                      | 20.5 & 20.9   | 29,171,421                           | 19,661,086   |
| Sinosure financing facility - 2                                    | 20.6 & 20.9   | 71,731,264                           | 40,958,609   |
| Local project finance facility                                     | 20.7 & 20.9   | 12,265,747                           | 12,246,785   |
| Corporate syndicate facility                                       | 20.8 & 20.9   | 16,853,939                           | 16,823,337   |
|  |               | 161,463,283                          | 123,792,385  |
| <b>With Islamic banks:</b>   |               |                                      |              |
| Syndicate term finance facility                                    | 20.3 & 20.9   | 5,775,000                            | 6,825,000    |
| Local project finance facility                                     | 20.7 & 20.9   | 1,434,496                            | 1,432,278    |
| Corporate syndicate facility                                       | 20.8 & 20.9   | 1,971,091                            | 1,967,513    |
| Musharaka loan   | 20.10         | 18,329,340                           | 16,504,844   |
|  |               | 27,509,927                           | 26,729,635   |
| Less:  |               |                                      |              |
| Current maturity shown under current liabilities                   |               | (31,259,680)                         | (19,861,731) |
|  |               | 157,713,530                          | 130,660,289  |
| <b>Diminishing musharaka - secured</b>                             |               |                                      |              |
| KE Sukuk 5   | 20.13 & 20.15 | 21,132,584                           | 24,827,900   |
| KE Sukuk 6   | 20.14 & 20.15 | 6,662,162                            | -            |
|  |               | 27,794,746                           | 24,827,900   |
| Less: Current maturity shown under current liabilities             |               | (5,000,000)                          | (3,750,000)  |
|  |               | 22,794,746                           | 21,077,900   |
| <b>Others - Secured</b>  |               |                                      |              |
| Due to oil and gas companies                                       |               | 610                                  | 610          |
| Current maturity shown under current liabilities                   |               | (610)                                | (610)        |
|  |               | -                                    | -            |
| <b>Unsecured</b>   |               |                                      |              |
| GoP loan for the electrification of Hub area                       | 20.11         | 26,000                               | 26,000       |
| Current maturity shown under current liabilities                   |               | (26,000)                             | (26,000)     |
|  |               | -                                    | -            |
|  |               | 180,508,276                          | 151,738,189  |

20.1 This represents Pakistan Rupee equivalent outstanding balance of EUR 18.97 million (2022: EUR 24.92 million) disbursed under Hermes supported facility agreement entered into on December 22, 2015 amounting to EUR 46.5 million, with Standard Chartered Bank, London Branch. In October 2017, through amendment to the facility agreement, amount under the facility has been enhanced to EUR 51.5 million. The loan was utilised to fund the Transmission Project (TP 1000-04). The loan carries mark-up at 3 months EURIBOR + 1.65% per annum. The loan is to be settled in 28 quarterly installments which commenced from March 16, 2019 with final repayment due on December 16, 2025. KE has executed cross currency swaps amounting to EUR 17.87 million with commercial banks to hedge KE's foreign currency principal payment obligations under the facility except for EUR 1.1 million which remains unhedged as at June 30, 2023.



- 20.2 This represents Pakistan Rupee equivalent (net of transaction cost) outstanding balance of USD 57.255 million (2022: USD 71.527 million) disbursed under Sinasure supported facility agreement entered into on December 22, 2015 amounting to USD 91.5 million, with a syndicate of foreign commercial lenders. In November 2020, through amendment to the facility agreement, amount under the facility has been enhanced to USD 157.1 million. The loan was utilised to fund the Transmission Project (TP 1000-03). The loan carries mark-up at 3 months USD LIBOR + 3.5% per annum. The loan is to be settled in 28 quarterly installments which commenced from March 16, 2019 with final repayment due on December 16, 2025. KE has executed cross currency swaps amounts to USD 10.714 million with commercial banks to hedge KE's foreign currency principal payment obligations under the facility except for USD 6.1 million which remains unhedged as at June 30, 2023.
- 20.3 This represents outstanding balance (net of transaction cost) against Syndicate Term Finance Facility of Rs. 23,500 million (2022: Rs. 23,500 million) entered into on November 6, 2018 with a syndicate of local commercial banks. The loan is being utilised to fund the TP-1000 project and ongoing distribution projects. The loan carries mark-up at 3 months KIBOR + 1% per annum. The facility is to be settled in 20 quarterly installments which commenced from December 16, 2020 with final repayment due on September 16, 2025.
- 20.4 This represents Pakistan Rupee equivalent (net of transaction cost) outstanding balance of USD 10.714 million (2022: USD 17.857 million) against disbursed under GuarantCo. supported facility agreement entered into on August 22, 2019, with Standard Chartered Bank, London Branch. This also represents outstanding balance of a local currency loan of Rs. 4,000 million disbursed under GuarantCo. supported facility entered into on August 29, 2019 with Standard Chartered Bank (Pakistan) Limited and Askari Bank Limited as Mandated Lead Arrangers. Both the loan facilities have been utilised to fund the capital expenditure related to transmission and distribution projects. The USD loan carries mark-up at 3 months LIBOR + 5.5% per annum. The local currency loan carries mark-up at 3 months KIBOR + 1.05% per annum. The loan is to be settled in 14 quarterly installments with first installment due on September 16, 2021 and is repayable by December 16, 2024 for both tranches. KE has executed cross currency swap amounts to USD 10.714 million with a commercial bank to hedge KE's foreign currency principal payment obligation under the USD facility.
- 20.5 This represents Pakistan Rupee equivalent (net of transaction cost) outstanding balance of USD 114.97 million ((2022: USD 115.15 million) disbursed under Hermes supported facility agreement entered into on August 10, 2021 for USD 123.23 million, with a syndicate of foreign commercial lenders. The loan has been utilised to fund BQPS-III combined cycle power plant and associated transmission projects of KE. The loan initially carried a mark-up at 3 months LIBOR + 1.35% per annum. However, effective February 3, 2023, the base rate has been transitioned from LIBOR to Secured Overnight Financing Rate (SOFR) due to the industry-wide discontinuation of LIBOR. The revised applicable interest rate is calculated as SOFR + 1.35% plus Credit Adjustment Spread (CAS) of 0.26161% per annum. The loan is to be settled in 48 quarterly installments as per the terms of the agreement commencing from February 3, 2023 with final repayment due on August 3, 2034. KE has executed cross currency swaps amounts to USD 114.97 million with commercial banks to hedge KE's foreign currency principal obligations under the facility.
- 20.6 This represents Pakistan Rupee equivalent (net of transaction cost) outstanding balance of USD 268.716 million disbursed under Sinasure supported facility agreement entered into on September 3, 2021 for USD 291.1 million, with a syndicate of foreign commercial lenders. The loan has been utilised to fund BQPS-III combined cycle power plant and associated transmission projects of KE. The loan initially carried a mark-up at 3 months LIBOR + 2.90% per annum. However, effective February 3, 2023, the base rate has been transitioned from LIBOR to SOFR (Secured Overnight Financing Rate) due to the industry-wide discontinuation of LIBOR. The revised applicable interest rate is calculated as SOFR + 2.90% plus CAS of 0.26161% per annum. The loan is to be settled in 48 quarterly installments as per the terms of the agreement commencing from November 3, 2022 with final repayment due on August 3, 2034. To hedge foreign currency principal obligations under the facility, KE has executed cross currency swaps amounts to USD 66.83 million (2022: USD 34.8 million) and Shariah Compliant Long Term Foreign Exchange Hedge Arrangements amounts to USD 89.67 million (2022: USD 84.99 million) as further explained in notes 7.1 and 20.10 except for USD 112.22 million which remains unhedged as at June 30, 2023.

- 20.7 This represents amount outstanding (net of transaction cost) under Syndicate Term Finance Facility entered into on November 24, 2021 with a syndicate of local commercial lenders for an amount of Rs. 13,904 million (2022: Rs. 13,904 million). The proceeds of the loan were partially utilised to settle the bridge facility during FY22 and remaining proceeds were utilised to fund BQPS-III combined cycle power plant and associated transmission projects of KE. The loan carries mark-up at 3 months KIBOR + 2.25% per annum and is to be settled in 48 quarterly installments commencing from August 3, 2023.
- 20.8 This represents amount outstanding (net of transaction cost) under Corporate Term Finance Facility entered into on November 24, 2021 with a syndicate of local commercial lenders for an amount of Rs. 19,096 million (2022: Rs. 19,096 million). The proceeds of the loan were partially utilized to settle the bridge facility during prior year and remaining proceeds were utilized for meeting permanent working capital requirements in relation to BQPS-III combined cycle power plant and associated transmission projects of KE. The loan carries mark-up at 3 months KIBOR + 2.15% per annum and is to be settled in 40 quarterly installments commencing from August 3, 2023.
- 20.9 The above facilities, stated in notes 20.1 to 20.8, are secured against:
- assets and properties (excluding stores, spares and fuel) existing and located on each of the Bin Qasim Site (other than Units 3 and 4 of BQPS I), the Korangi site, the Korangi Gas Plant Site and S.I.T.E Plant site;
  - stores and spares of KE, not exceeding fifteen percent (15%) of the aggregate value, wheresoever located;
  - hypothecation charge over specific consumers' receivables and specific collections, accounts, and deposits; and
  - lien on specific accounts and deposits by way of first pari passu charge.
- 20.10 This represents outstanding balance in relation to the two Shariah compliant long term foreign exchange hedge arrangements availed from DIBPL which have been structured on diminishing musharaka mode and have been utilized to hedge the currency risk arising under certain tranches of Sinasure Supported Financing Facility as referred in note 20.6. These hedging arrangements involve payment of profit at the rate of 3 months KIBOR + 1.20% per annum and 3 months KIBOR + 0.75% per annum, respectively. Both the arrangements are structured in a way that the repayment dates fall in line with Sinasure financing facility - 2. The hedging arrangements have been secured against ranking hypothecation charge over current assets and lien and right of set off over the Term Deposit Receipts maintained with DIBPL as referred to in note 7.1.
- 20.11 During the year ended June 30, 2004, the Finance Division of GoP vide its letter dated April 20, 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, which ended on June 30, 2009, along with mark-up chargeable at the prevailing rate for the respective years. KE is in the process of settlement of this loan.
- 20.12 The foreign currency facilities as referred in notes 20.2 and 20.4 are subject to IBOR reforms which are not expected to significantly impact the Company's current risk management strategy and accounting for certain financial instruments. The transition from LIBOR to SOFR is expected to be completed by quarter 1 of next year.
- 20.13 This represents amount outstanding (net of transaction cost) against 5 million KE Sukuk certificates, issued by KE during the year ended June 30, 2021, having face value of Rs. 5,000 each aggregating to Rs. 25,000 million. The Sukuk carries profit at the rate of 3 months KIBOR + 1.7% per annum with tenure of seven years from the issue date and first installment of quarterly principal repayment started from November 2022. KE, in this respect, entered into a diminishing musharaka agreement with the investment agent, Pak Brunei Investment Company Limited (trustee on behalf of the Sukuk holders) as a co-owner of the musharaka assets. Under this arrangement, KE sold the beneficial ownership of the musharaka assets i.e. fixed assets located at certain grid stations (excluding any immovable properties) to the Investment Agent (for the benefit of Sukuk holders), although legal title remains with KE. The overall arrangement has been accounted for in these unconsolidated financial statements on the basis of substance of the transaction.

- 20.14 This represents amount outstanding (net of transaction cost) against 67,000 KE Sukuk certificates, issued by KE during the year ended June 30, 2023, having face value of Rs. 100,000 each aggregating to Rs. 6,700 million. The Sukuk carries profit at the rate of 3 months KIBOR + 1.7% per annum with tenure of seven years from the issue date and are structured in such a way that first installment of quarterly principal repayment will commence from November 2024. KE, in this respect, entered into a diminishing musharaka agreement with the Issue Agent, Pak Brunei Investment Company Limited (Agent on behalf of the Sukuk holders) as a co-owner of the musharaka assets. Under this arrangement, KE sold the beneficial ownership of the musharaka assets i.e. fixed assets located at certain grid stations (excluding any immovable properties) to the Issue Agent (for the benefit of Sukuk holders), although legal title remains with KE. The overall arrangement has been accounted for in these unconsolidated financial statements on the basis of substance of the transaction.
- 20.15 The above facilities, stated in notes 20.13 and 20.14, are secured against fixed assets located at certain grid stations (excluding any immovable properties), hypothecation charge over specific collection accounts and deposits; and lien on specific accounts and deposits by way of first pari passu charge.

|  | Note | 2023<br>----- (Rupees in '000) ----- | 2022     |
|--|------|--------------------------------------|----------|
| <b>21. LEASE LIABILITIES</b>                           |      |                                      |          |
| Lease liabilities                                      |      | 158,684                              | 175,659  |
| Less: Current maturity shown under current liabilities | 21.1 | (37,592)                             | (26,765) |
|  |      | 121,092                              | 148,894  |

- 21.1 The maturity analysis of lease liabilities is as follows:

|                            | Future minimum<br>lease payments | Interest | Present value of<br>future minimum<br>lease payments |
|----------------------------|----------------------------------|----------|--|
|                            | ----- (Rupees in '000) -----     |          |  |
| Less than one year         | 52,721                           | 15,129   | 37,592   |
| Between one and five years | 130,286                          | 45,855   | 84,431   |
| More than five years       | 42,623                           | 5,962    | 36,661   |
|                            | 225,630                          | 66,946   | 158,684  |

- 21.2 The cash outflow in respect of lease payments for the year ended June 30, 2023 is Rs. 52.6 million (2022: Rs. 50.2 million).

|   | Note | 2023<br>----- (Rupees in '000) ----- | 2022       |
|---|------|--------------------------------------|------------|
| <b>22. LONG-TERM DEPOSITS AND OTHER LIABILITIES</b> |      |                                      |            |
| Long-term deposits                                  | 22.1 | 14,956,811                           | 13,976,931 |
| Other liabilities                                   |      | 1,757,647                            | -          |
|   |      | 16,714,458                           | 13,976,931 |

- 22.1 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. These deposits have been utilised in the business of KE in accordance with the requirements of written agreements and in terms of section 217 of the Companies Act, 2017.

- 22.2 This represents amount payable to Harbin Electrical International Company Limited as per the terms of the agreement.

|   |         | 2023                         | 2022             |
|---|---------|------------------------------|------------------|
|   | Note    | ----- (Rupees in '000) ----- |                  |
| <b>23. EMPLOYEE RETIREMENT BENEFITS AND OTHER BENEFIT OBLIGATIONS</b> |         |                              |                  |
| Gratuity  | 23.1.1  | 3,374,274                    | 3,570,242        |
| Post retirement medical benefits                                      | 23.1.1  | 1,034,390                    | 839,384          |
| Post retirement electricity benefits                                  | 23.1.1  | 599,959                      | 410,444          |
| Accumulating leave payable  | 23.1.14 | 667,922                      | 672,609          |
|   |         | <u>5,676,545</u>             | <u>5,492,679</u> |

### 23.1 Actuarial valuations of retirement benefits

The latest actuarial valuations were carried out as at June 30, 2023, using the "Projected Unit Credit Method", details of which are presented in notes 23.1.1 to 23.1.14.

|  | Note   | Gratuity         |                  | Medical benefits |                | Electricity benefits |                |
|--|--------|------------------|------------------|------------------|----------------|----------------------|----------------|
|  |        | 2023             | 2022             | 2023             | 2022           | 2023                 | 2022           |
| ----- (Rupees in '000) -----   |        |                  |                  |                  |                |                      |                |
| <b>23.1.1 Net recognised liability</b>   |        |                  |                  |                  |                |                      |                |
| Net liability at the beginning of the year   |        | 3,570,242        | 2,887,666        | 839,384          | 711,886        | 410,444              | 403,308        |
| Expense recognised in profit or loss   |        | 1,025,666        | 912,150          | 144,749          | 102,542        | 108,573              | 88,739         |
| Contributions / benefits paid during the year                                      |        | (1,173,777)      | (206,529)        | (120,929)        | (111,756)      | (97,119)             | (79,719)       |
| Remeasurement recognised in other comprehensive income                             | 23.1.3 | (47,857)         | (23,045)         | 171,186          | 136,712        | 178,061              | (1,884)        |
| Net liability at the end of the year   |        | <u>3,374,274</u> | <u>3,570,242</u> | <u>1,034,390</u> | <u>839,384</u> | <u>599,959</u>       | <u>410,444</u> |
| <b>23.1.2 Expense recognised in profit or loss</b>                                 |        |                  |                  |                  |                |                      |                |
| Current service cost   |        | 637,831          | 636,495          | 30,316           | 24,979         | 15,875               | 14,085         |
| Past service, termination and settlement cost                                      |        | -                | -                | 15,215           | 14,287         | 52,693               | 44,938         |
| Net interest   |        | 387,835          | 275,655          | 99,218           | 63,276         | 40,005               | 29,716         |
| Charged in profit or loss  |        | <u>1,025,666</u> | <u>912,150</u>   | <u>144,749</u>   | <u>102,542</u> | <u>108,573</u>       | <u>88,739</u>  |
| <b>23.1.3 Remeasurement loss / (gain) recognised in other comprehensive income</b> |        |                  |                  |                  |                |                      |                |
| Remeasurement due to change in demographic assumptions:                            |        |                  |                  |                  |                |                      |                |
| - experience adjustment  |        | 18,291           | (59,064)         | 171,186          | 136,712        | 178,061              | (1,884)        |
| - return on investment   |        | (66,148)         | 36,019           | -                | -              | -                    | -              |
| Recognised in other comprehensive income   | 23.1.1 | <u>(47,857)</u>  | <u>(23,045)</u>  | <u>171,186</u>   | <u>136,712</u> | <u>178,061</u>       | <u>(1,884)</u> |
| <b>23.1.4 Reconciliation of liability / (asset) as at reporting date</b>           |        |                  |                  |                  |                |                      |                |
| Present value of defined benefit obligation  | 23.1.5 | 6,902,097        | 6,572,330        | 1,034,390        | 839,384        | 599,959              | 410,444        |
| Fair value of plan assets  | 23.1.6 | (3,527,823)      | (3,002,088)      | -                | -              | -                    | -              |
| Net liability at end of the year   |        | <u>3,374,274</u> | <u>3,570,242</u> | <u>1,034,390</u> | <u>839,384</u> | <u>599,959</u>       | <u>410,444</u> |
| <b>23.1.5 Movement in present value of defined benefit obligations</b>             |        |                  |                  |                  |                |                      |                |
| Balance at the beginning of the year   |        | 6,572,330        | 6,459,128        | 839,384          | 711,886        | 410,444              | 403,308        |
| Current service cost   |        | 637,831          | 636,495          | 30,316           | 24,979         | 15,875               | 14,085         |
| Past service cost  |        | -                | -                | 15,215           | 14,287         | 52,693               | 44,938         |
| Interest cost  |        | 782,337          | 587,398          | 99,218           | 63,276         | 40,005               | 29,716         |
| Remeasurements: Actuarial loss / (gain)  |        | 18,291           | (59,064)         | 171,186          | 136,712        | 178,061              | (1,884)        |
| Benefits paid  |        | (1,108,692)      | (1,051,627)      | (120,929)        | (111,756)      | (97,119)             | (79,719)       |
| Balance at the end of the year   | 23.1.4 | <u>6,902,097</u> | <u>6,572,330</u> | <u>1,034,390</u> | <u>839,384</u> | <u>599,959</u>       | <u>410,444</u> |

|   | Note   | Gratuity    |             |
|---|--------|-------------|-------------|
|   |        | 2023        | 2022        |
| ----- (Rupees in '000) -----                        |        |             |             |
| <b>23.1.6 Movement in fair value of plan assets</b> |        |             |             |
| Balance at the beginning of the year                |        | 3,002,088   | 3,571,462   |
| Interest income                                     |        | 394,502     | 311,743     |
| Remeasurements: Actuarial gain / (loss)             |        | 66,148      | (36,019)    |
| Contributions made                                  |        | 1,173,777   | 206,529     |
| Benefits paid                                       |        | (1,108,692) | (1,051,627) |
| Balance at the end of the year                      | 23.1.4 | 3,527,823   | 3,002,088   |
| <b>23.1.7 Plan assets comprise of:</b>              |        |             |             |
| Bank deposits                                       |        | 828,001     | 401,684     |
| Corporate bonds                                     |        | 347,072     | 409,244     |
| Mutual funds  |        | 1,668,390   | 1,348,583   |
| Government bonds                                    |        | 1,043,926   | 1,193,620   |
| Benefits due  |        | (359,566)   | (351,043)   |
|   |        | 3,527,823   | 3,002,088   |

### 23.1.8 Principal actuarial assumptions used in the actuarial valuation:

#### Financial assumptions

|                             | 2023   | 2022   |
|-----------------------------|--------|--------|
| Discount rate               | 15.25% | 13.00% |
| Salary increase             | 13.00% | 10.75% |
| Electricity tariff increase | 10.00% | 7.75%  |
| Medical cost trend          | 10.00% | 7.75%  |

#### Demographic assumptions

|                         |                        |                        |
|-------------------------|------------------------|------------------------|
| Expected mortality rate | 70% of the EFU (61-66) | 70% of the EFU (61-66) |
|-------------------------|------------------------|------------------------|

#### Demographic assumptions

| Expected withdrawal rate | 2023  |        |
|--------------------------|-------|--------|
|                          | Age   | Rate   |
|                          | 18-24 | 12.50% |
|                          | 25-29 | 8.33%  |
|                          | 30-34 | 3.00%  |
|                          | 35-39 | 2.25%  |
|                          | 40-44 | 2.00%  |
|                          | 45-49 | 1.40%  |
|                          | 50-59 | 0.70%  |

### 23.1.9 The plans expose KE to the following risks:

#### Salary risk

The risk 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 risk

The risk 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 the gratuity fund.

#### 23.1.10 Sensitivity analysis for actuarial assumptions

The impact of one percent movement in the assumptions used in determining retirement benefit obligations would have had the following effects on the June 30, 2023 actuarial valuation:

|                             | June 30, 2023    |             |
|-----------------------------|------------------|-------------|
|                             | 1% increase      | 1% decrease |
|                             | (Rupees in '000) |             |
| Discount rate               | (619,916)        | 714,292     |
| Salary increase             | 603,147          | (529,453)   |
| Electricity tariff increase | 82,956           | (73,943)    |
| Medical cost trend          | 40,065           | (36,024)    |

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.

#### 23.1.11 Maturity profile

Projected payments during the following years is as follows:

|                   | Gratuity                     | Medical benefits | Electricity benefits |
|-------------------|------------------------------|------------------|----------------------|
|                   | ----- (Rupees in '000) ----- |                  |                      |
| Benefit payments: |                              |                  |                      |
| FY 2024           | 535,793                      | 84,361           | 48,835               |
| FY 2025           | 814,439                      | 92,631           | 52,586               |
| FY 2026           | 929,425                      | 102,522          | 56,076               |
| FY 2027           | 970,348                      | 115,893          | 62,248               |
| FY 2028           | 827,147                      | 127,524          | 79,528               |
| FY 2029-33        | 6,452,713                    | 823,562          | 527,925              |

|               | Gratuity          | Medical benefits | Electricity benefits |
|---------------|-------------------|------------------|----------------------|
|               | ----- Years ----- |                  |                      |
| June 30, 2023 | 9.5               | 8.7              | 8.2                  |
| June 30, 2022 | 9.2               | 8.8              | 8.3                  |

#### 23.1.12 Plan duration

June 30, 2023  
June 30, 2022

23.1.13 Based on the actuarial advice, KE is to charge approximately Rs. 1,070 million, Rs. 185 million and Rs. 101 million in respect of gratuity, medical benefits and electrical benefits schemes, respectively, during the year ending June 30, 2024.

#### 23.1.14 Accumulating leaves

These represent liabilities in respect of accumulating earned leaves i.e. outstanding leave encashment payments of eligible employees.

|                                      | Note | 2023<br>----- (Rupees in '000) ----- | 2022              |
|--------------------------------------|------|--------------------------------------|-------------------|
| <b>24. DEFERRED REVENUE</b>          |      |                                      |                   |
| Balance at the beginning of the year |      | 42,414,985                           | 36,654,525        |
| Transferred during the year          | 24.1 | 11,881,939                           | 8,166,237         |
|                                      |      | <u>54,296,924</u>                    | <u>44,820,762</u> |
| Amortisation for the year            | 39   | (2,917,953)                          | (2,405,777)       |
| Balance at the end of the year       |      | <u>51,378,971</u>                    | <u>42,414,985</u> |

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

24.2 It includes Rs. 6,328 million (2022: Rs. 11,834 million) for which amortisation of deferred revenue will commence upon completion of the work.

## 25. DEFERRED TAXATION

25.1 The deferred tax balance as at June 30, 2023 comprise of the following:

|   | Balance as at<br>July 1, 2021 | Recognised in<br>profit or loss | Recognised in<br>OCI | Balance as at<br>June 30, 2022 | Recognised in<br>profit or loss | Recognised in<br>OCI | Balance as at<br>June 30, 2023 |
|---|-------------------------------|---------------------------------|----------------------|--------------------------------|---------------------------------|----------------------|--------------------------------|
|   | ----- (Rupees in '000) -----  |                                 |                      |                                |                                 |                      |                                |
| <b>Deferred tax liability on:</b>                       |                               |                                 |                      |                                |                                 |                      |                                |
| Accelerated tax depreciation                            | (36,911,983)                  | (1,945,424)                     | -                    | (38,857,407)                   | (15,517,751)                    | -                    | (54,375,158)                   |
| Surplus on revaluation of property, plant and equipment | (22,845,738)                  | 1,631,909                       | (7,260,616)          | (28,474,445)                   | 1,786,933                       | (14,742,411)         | (41,429,923)                   |
|   | <u>(59,757,721)</u>           | <u>(313,515)</u>                | <u>(7,260,616)</u>   | <u>(67,331,852)</u>            | <u>(13,730,818)</u>             | <u>(14,742,411)</u>  | <u>(95,805,081)</u>            |
| <b>Deferred tax asset on:</b>                           |                               |                                 |                      |                                |                                 |                      |                                |
| Available tax losses                                    | 30,591,953                    | 6,700,150                       | -                    | 37,292,103                     | 28,565,255                      | -                    | 65,857,358                     |
| Provision for gratuity and compensated absences         | 1,408,443                     | 208,321                         | 32,417               | 1,649,181                      | (90,386)                        | 87,403               | 1,646,198                      |
| Others  | 27,757,325                    | 633,243                         | -                    | 28,390,568                     | (89,043)                        | -                    | 28,301,525                     |
|   | <u>59,757,721</u>             | <u>7,541,714</u>                | <u>32,417</u>        | <u>67,331,852</u>              | <u>28,385,826</u>               | <u>87,403</u>        | <u>95,805,081</u>              |
|   | <u>-</u>                      | <u>7,228,199</u>                | <u>(7,228,199)</u>   | <u>-</u>                       | <u>14,655,008</u>               | <u>(14,655,008)</u>  | <u>-</u>                       |

25.2 As at June 30, 2023, KE has aggregated deferred tax debits amounting to Rs. 258,575 million (2022: Rs. 196,830 million) out of which deferred tax asset amounting to Rs. 95,805 million (2022: Rs. 67,332 million) has been recognised and remaining balance of Rs. 162,770 million (2022: Rs. 129,498 million) remains unrecognised. As at year end, KE's carried forward tax losses amounted to Rs. 788,370 million (2022: Rs. 575,138 million), out of which business losses amounting Rs. 456,142 million (2022: Rs. 314,702 million) have expiry period till financial year 2029.

|   | Note   | 2023<br>----- (Rupees in '000) ----- | 2022        |
|---|--------|--------------------------------------|-------------|
| <b>26. TRADE AND OTHER PAYABLES</b>   |        |                                      |             |
| <b>Trade creditors</b>  |        |                                      |             |
| Power purchases   |        | 200,479,410                          | 306,689,269 |
| Fuel and gas  |        | 55,235,065                           | 49,490,805  |
| Others  |        | 29,225,359                           | 22,889,350  |
|   | 26.1   | 284,939,834                          | 379,069,424 |
| <b>Accrued expenses</b>   | 26.2   | 6,722,931                            | 5,611,945   |
| <b>Contract liabilities</b>   |        |                                      |             |
| Energy  | 26.3   | 1,550,571                            | 1,375,167   |
| Others  | 26.4   | 2,109,849                            | 2,625,791   |
|   |        | 3,660,420                            | 4,000,958   |
| <b>Other liabilities</b>  |        |                                      |             |
| Employee related dues   |        | 166,443                              | 227,599     |
| Payable to provident fund   |        | 94,058                               | 92,868      |
| Electricity duty  | 26.5   | 20,981,015                           | 15,385,507  |
| Tax deducted at source  | 26.5   | 2,044,083                            | 1,780,564   |
| PTV license fee   | 26.5   | 130,316                              | 93,650      |
| Municipal Utility Charges and taxes (MUCT) payable  | 26.5   | 105,034                              | -           |
| Power Holding Limited (PHL) surcharge   | 26.5   | 3,661,417                            | -           |
| Workers' profits participation fund   | 26.6   | 3,187,305                            | 3,484,674   |
| Workers' welfare fund   | 26.7   | 944,391                              | 944,391     |
| Payable to the Managing Agent - PEA (Private) Limited   |        | 28,871                               | 28,871      |
| Others including clawback   | 31.1.2 | 31,229,437                           | 27,380,844  |
|   |        | 62,572,370                           | 49,418,968  |
|   |        | 357,895,555                          | 438,101,295 |
| 26.1 These include payable to following related parties:  |        |                                      |             |
| Central Power Purchasing Agency (Guarantee) Limited (CPPA)  |        | 191,440,940                          | 290,370,514 |
| Pakistan State Oil Company Limited  |        | 5,265,552                            | 14,013,530  |
| Sui Southern Gas Company Limited  |        | 44,748,903                           | 34,083,799  |
| Pakistan LNG Limited  |        | 5,216,992                            | 1,389,857   |
|   |        | 246,672,387                          | 339,857,700 |
| 26.2 These include an aggregate amount of Rs.1,857 million (2022: Rs. 1,750 million) representing outstanding claims / dues of property taxes, water charges, ground rent and occupancy value payable to various government authorities.  |        |                                      |             |
| 26.3 These represent amount due to the consumers on account of excess payments and revision of previous bills. During the year, the Company has billed revenue amounting to Rs. 470 million (2022: Rs 363 million) in respect of amount due to consumers as at June 30, 2022.   |        |                                      |             |
| 26.4 These represent general deposits received from consumers in respect of meters, mains & lines alteration and scrap sales, etc. During the year, the Company has transferred amount of Rs. 2,135 million (2022: Rs. 1,418 million) to deferred revenue in respect of outstanding deposits as at June 30, 2022 based on work completed.   |        |                                      |             |
| 26.5 Electricity duty, tax deducted at source, PTV license fee, MUCT and PHL surcharge are collected by KE from the consumers on behalf of the concerned authorities.   |        |                                      |             |
| 26.6 Sindh Companies Profit (Workers Participation) Act, 2015 (SWPPF Act) was enacted on April 22, 2016 and is applicable retrospectively with effect from July 1, 2011. Sindh Revenue Board (SRB) issued show cause notices to KE for the years 2012 and 2013 for payment of leftover amounts out of the annual allocation to the fund constituted under the Sindh Workers Welfare Fund Act, 2014 (SWWF). KE has challenged SWPPF Act before the High Court of Sindh and obtained stay order. However, based on prudence provision amounting to Rs. 3,141 million (2022: Rs. 3,141 million) in respect of years 2012 to 2015 is being maintained by KE. Movement of provision during the year is as follows: |        |                                      |             |



|                                      | Note   | 2023<br>----- (Rupees in '000) ----- | 2022             |
|--------------------------------------|--------|--------------------------------------|------------------|
| Balance at beginning of the year     |        | 3,484,674                            | 3,769,853        |
| Provision recognised during the year | 38     | -                                    | 297,369          |
| Payment made to the fund             | 26.6.1 | (297,369)                            | (582,548)        |
| Balance at end of the year           |        | <u>3,187,305</u>                     | <u>3,484,674</u> |

26.6.1 This represents payments made to the fund in respect of WPPF for the year ended June 30, 2022 (2022: June 30, 2021).

26.7 The Supreme Court of Pakistan (SCP) vide its judgement in civil appeal 1049 / 2011 etc. dated November 10, 2016, has held that the contributions made to Workers Welfare Fund (Federal WWF) are not in the nature of a tax and hence the amendments introduced through the Finance Act, 2006 and the Finance Act, 2008 are ultra vires to the Constitution of Pakistan. The Federal Board of Revenue has filed a civil review petition in respect of above judgement of the SCP which is pending for decision.

Further, SWWF was enacted on June 4, 2015, which requires every industrial undertaking in the province of Sindh to pay 2% of its total income as SWWF. KE had received show cause notices for the years 2015 and 2016 from Sindh Revenue Board (SRB) for the payment of SWWF. KE has challenged the applicability of SWWF before the High Court of Sindh and has obtained stay orders. However, based on the advice of legal expert and prudence, provision amounting to Rs. 944 million (2022: Rs. 944 million) in respect of years 2015 and 2016 i.e. years for which show cause notices have been received, is being maintained by KE.

|   | Note   | 2023<br>----- (Rupees in '000) ----- | 2022              |
|---|--------|--------------------------------------|-------------------|
| <b>27. ACCRUED MARK-UP</b>                                    |        |                                      |                   |
| Mark-up on long-term financing                                |        | 5,173,622                            | 3,066,841         |
| Mark-up on borrowings relating to Financial Improvement Plans |        | 15,357                               | 15,357            |
| Mark-up on short-term borrowings                              |        | 3,812,017                            | 2,278,583         |
| Financial charges on delayed payment to suppliers             | 31.1.1 | 5,268,823                            | 5,268,823         |
|   |        | <u>14,269,819</u>                    | <u>10,629,604</u> |

## 28. SHORT-TERM BORROWINGS

### Secured:

#### From banking companies:

|                             |                     |             |            |            |
|-----------------------------|---------------------|-------------|------------|------------|
| Bills payable               | - Conventional      | 28.1 & 28.2 | 29,294,822 | 31,084,318 |
|                             | - Shariah compliant | 28.1 & 28.2 | 532,933    | 3,729,565  |
| Short-term running finances | - Conventional      | 28.1 & 28.3 | 32,509,397 | 39,302,744 |
|                             | - Shariah compliant | 28.1 & 28.3 | 5,513,946  | 5,418,825  |
|                             |                     | 28.5        | 67,851,098 | 79,535,452 |

#### From others:

|                        |                     |      |                   |                    |
|------------------------|---------------------|------|-------------------|--------------------|
| Privately placed sukuk | - Shariah compliant | 28.4 | 25,000,000        | 28,000,000         |
|                        |                     |      | <u>92,851,098</u> | <u>107,535,452</u> |

28.1 The total limit of various financing facilities available from banks aggregate to Rs. 94,290 million (2022: Rs. 94,925 million) out of which Rs. 26,439 million (2022: Rs. 15,390 million) remained unutilised as of reporting date.

28.2 These are payable to various commercial banks against non funded facilities availed in respect of payments made to fuel suppliers of KE and Independent Power Producers (IPPs). These are secured against current assets of KE.

- 28.3 KE has arranged various facilities for short-term working capital requirements from multiple commercial banks and a development financial institution on mark-up basis. These are for a period of upto one year and carry mark-up of relevant tenor KIBOR + (- 0.40% to + 1.25%) (2022: KIBOR + (0.05% to 2%)) per annum. These facilities are secured against joint pari passu charge over current assets. In addition, demand promissory notes in respect of the above mentioned facilities have also been furnished by KE.
- 28.4 These represent five distinct (2022: six distinct) privately placed and unsecured Sukuk certificates of 6 months' tenor amounting to Rs. 25,000 million (issue size) (2022: Rs 28 billion) in aggregate maturing from August 10, 2023 to November 17, 2023 (2022: August 4, 2022 to October 27, 2022). These carry profit at the rate of six months KIBOR + (0.30% to 1.00%) (2022: six months KIBOR + (0.85% to 0.95%)) per annum.
- 28.5 These include borrowings from related parties amounting to Rs. 3,945 million (2022: Rs. 3,935 million) relating to bills payables, amounting to Rs. 812 million (2022: Nil) relating to short term syndicate working capital loan and Rs. 1,937 million (2022: Rs. 10,299 million) relating to short-term running finances.

|  | Note | 2023<br>----- (Rupees in '000) ----- | 2022              |
|--|------|--------------------------------------|-------------------|
| <b>29. SHORT-TERM DEPOSITS</b>               |      |                                      |                   |
| Service connection deposits                  | 29.1 | 7,323,864                            | 8,758,540         |
| Earnest / retention money and other deposits | 29.2 | 6,426,719                            | 6,578,500         |
|  |      | <u>13,750,583</u>                    | <u>15,337,040</u> |

29.1 These include non-interest bearing amounts deposited by the consumers in respect of service connections, extension of mains and street lights. These deposits are transferred to deferred revenue (note 24) based on status of work completion.

29.2 These include non-interest bearing refundable / adjustable deposits received from various contractors / suppliers.

|  | Note | 2023<br>----- (Rupees in '000) ----- | 2022          |
|--|------|--------------------------------------|---------------|
| <b>30. PROVISIONS</b>                                |      |                                      |               |
| Balance at beginning of the year                     |      | 18,492                               | 7,500         |
| Provision made during the year                       |      | 1,300                                | 36,642        |
| Payments made in respect of out of court settlements |      | (3,000)                              | (25,650)      |
| Balance at end of the year                           | 30.1 | <u>16,792</u>                        | <u>18,492</u> |

30.1 This represents provision in respect of settlement of ongoing fatal accident related cases.

## 31. CONTINGENCIES AND COMMITMENTS

### 31.1 Contingencies

31.1.1 Mark-up on overdue balances with National Transmission and Dispatch Company (NTDC) / Central Power Purchasing Agency (Guarantee) Limited (CPPA), a major government owned power supplier, has not been accrued in these unconsolidated financial statements. With effect from June 2015, CPPA has assumed the central power purchase division of NTDC along with the related assets, rights and liabilities of NTDC, including alleged receivables from KE. KE is of the view that in accordance with the mechanism defined in the Power Purchase Agreement (PPA) dated January 26, 2010 with NTDC, NTDC's dues are to be settled by the Government of Pakistan (GoP) through payment of KE's tariff differential claims directly to NTDC. The PPA with NTDC has expired on January 25, 2015. However, the supply of electricity of 650 Megawatts (MW) continues in line with the High Court of Sindh's order dated February 6, 2014. Up to June 30, 2023, the GoP has released KE's tariff differential claims aggregating Rs. 742,909 million (2022: Rs. 465,891 million) directly to NTDC / CPPA. Additionally, KE has also directly paid Rs. 67,167 million up to June 30, 2023 (2022: Rs. 67,167 million) to NTDC / CPPA on account of its outstanding dues on an agreed mechanism. Moreover, in accordance with Cabinet Committee on Energy (CCoE)'s decision dated August 27, 2020 and subsequent to completion of rehabilitation work, the overall interconnection capacity has been enhanced to 1,400 MW and the supply of electricity from NTDC / CPPA has been increased to 1,100 MW in order to meet additional demand and has been billed in line with the terms of PPA.

On June 22, 2018, NTDC / CPPA filed a suit in the District Court of Islamabad for recovery of Rs. 83,990 million up to May 2018, comprising of principal amounting to Rs. 66,347 million and mark-up thereon amounting to Rs. 17,643 million, which is pending adjudication to date. Within the alleged claims filed by NTDC / CPPA in the aforementioned suit, release of tariff differential claims amounting to Rs. 15,021 million was unilaterally adjusted by NTDC / CPPA against the disputed mark-up claim. This was subsequently corrected by NTDC / CPPA and adjusted against the principal balance (resulting in decrease in principal amount with corresponding increase in mark-up), as confirmed from invoices reconciliation and correspondence received afterwards. NTDC / CPPA's mark-up claim up to June 30, 2023 amounts to Rs. 173,996 million (2022: Rs. 113,720 million) which is on the premise that while the outstanding amounts were to be adjusted against tariff differential claims, KE is eventually responsible for payments of all outstanding amounts, including mark-up. However, KE has not acknowledged the disputed mark-up claimed by NTDC / CPPA as debt, as KE is of the view that the disputed mark-up claims would not have arisen in case tariff differential claims payments, including payments related to claims of unrecovered cost due to 4% capping and gas load management plan were released to NTDC / CPPA by the MoF on behalf of KE on timely basis.

In addition to above, the mark-up claimed by Sui Southern Gas Company Limited (SSGC) on indigenous gas upto June 30, 2023 aggregates to Rs. 151,287 million (2022: Rs. 129,505 million), which has not been accrued by KE. In view of KE, the unilateral reduction of gas by SSGC in year 2009-10, in violation of the ECC allocation and Head of Term Agreement dated July 31, 2009, led to increased consumption of furnace oil, which coupled with non-payment by government entities, as more fully explained in ensuing paragraphs, significantly affected KE's liquidity and hence the mark-up claim is not tenable.

In the year ended June 30, 2013, SSGC filed a suit against KE, in the Honourable High Court of Sindh (HCS) for recovery of unpaid gas consumption charges and interest thereon and the damages amounting to Rs. 45,705 million and Rs. 10,000 million, respectively. KE also filed a suit, against SSGC in the HCS for recovery of damages / losses of Rs. 59,600 million resulting from SSGC's failure to comply with its legal obligation to supply the allocated and committed quantity of 276 MMCFD of natural gas to KE. On October 7, 2019, the Court vacated a stay order dated December 3, 2012 granted in favour of SSGC which restrained KE from selling its immovable properties. Subsequently, SSGC had filed an appeal bearing HCA No. 353/2019 before the HCS which is pending. Both these suits and HCA is pending adjudication to date. KE has also initiated contempt proceedings against MD SSGC for violation of order dated June 13, 2018 in Suit No. 4615 of 2018 which is pending before the HCS.

Further, KE entered into a payment plan with SSGC in the year 2014 and subsequently renewed the plan in years 2015 and 2016, which provided for a mechanism for payment of principal arrears by KE on supply of adequate gas by SSGC. The dispute of mark-up claim has also been mentioned in the payment plan. KE's management is of the view that the principal payments made by KE to SSGC have been unilaterally adjusted by SSGC against SSGC's disputed mark-up claim, which is in violation of the payment plan which clearly mentions that the payments are to be adjusted against outstanding principal balances and hence any adjustment against the mark-up by SSGC in KE's view is not tenable.

KE had filed an application CMA No. 12178/2018 in pending Suit No. 1263/2011 (Suit filed by KW&SB) before the HCS for payment of outstanding liability of approximately Rs. 27,500 million by the Government of Sindh (GoS). After hearing the parties, the HCS vide order dated November 18, 2021 allowed the application in favour of KE whereby, the Government of Sindh has been directed to pay the outstanding liability of KW&SB amounting to Rs. 27,500 million to KE and accordingly submit a payment plan. Government of Sindh has still not complied with the order dated November 18, 2021 for which the management is deliberating on initiating contempt proceedings.

During FY 2022, a Task Force was constituted by the Honorable Prime Minister of Pakistan to resolve issues faced by KE including historic disputes around receivables and payables with Government entities and departments. Based on recommendations of the Taskforce, during the year, a Power Purchase Agreement, Interconnection Agreement, Tariff differential Subsidy Agreement and a Mediation Agreement were finalized and initialed by the relevant parties, which shall be placed before the Cabinet for approval and execution. KE remains in continuous engagement with relevant stakeholders and seeks a fair and equitable resolution to the issue in accordance with the law.

During FY 22, KE's working capital position was further strained mainly due to the significant increase in fuel prices and accumulation of balance of tariff differential claims. Further, SSGC did not supply the minimum required quantity of indigenous gas as per the CCOE decision dated April 23, 2018, order dated April 17, 2018 and June 13, 2018 of the Honorable Sindh High Court, resulting in higher fuel costs for KE in the form of RLNG. As a result, all the working capital lines of KE severely stressed. KE had conveyed this situation to Ministry of Energy (Power Division) and consequentially KE had to delay the current payments of SSGC bills for RLNG. SSGC, in response claimed markup on the delayed payments of RLNG aggregates to Rs. 5,256 million up to June 30, 2023 (2022: Rs. 309 million) which has not been accrued by KE on the grounds that the delay in payment is due to delay in receipt from public sector entities, and on the net principal basis KE is in a net receivable position. Further, SSGC had proceeded with request for encashment of two Bank Guarantees collectively amounting to Rs. 6 billion in respect of the outstanding dues of KE against its RLNG bills. However, KE obtained stay order from the HCS dated July 04, 2022 in Suit No. 1148 of 2022 on the grounds that the bank guarantees were furnished as security against supply of indigenous gas, whereby the HCS restrained the banks from encashment of bank guarantees issued in favor of SSGC.

Subsequent to reporting date, a settlement agreement has also been signed between SSGC and KE on July 31, 2023 in respect of outstanding dues related to RLNG billing, wherein the following was agreed: i) payment plan of principal dues by KE; ii) upon payment of principal dues SSGC to withdraw its request for encashment of KE's Bank Guarantees and similarly KE will also withdraw its Suit No. 1148 of 2022 filed in HCS; iii) any late payment surcharge (LPS) receivable from KE against the RLNG outstanding principal amount shall be considered payable by KE only if SSGC is required to pay LPS to other government entities pursuant to holistic settlement among government entities and SSGC, and shall be on the same terms; and iv) the settlement agreement shall not in any manner affect the previous/ ongoing disputes and litigation between SSGC and KE in relation to indigenous gas.

KE's management believes that overdue amounts have only arisen due to circular debt situation caused by delayed settlement of tariff differential claims by the GoP as well as delayed settlement of KE's energy dues by certain public sector consumers (e.g. KW&SB). This contention of KE's management is also supported by the legal advices that it has obtained. Hence, mark-up / financial charges on outstanding liabilities due to government-controlled entities will only be payable by KE as part of holistic settlement where KE will receive mark-up on outstanding receivable balances on account of tariff differential claims and energy dues of KE's public sector consumers.

Without prejudice to the aforementioned position of KE and solely on the basis of abundant caution, a provision amounting to Rs. 5,269 million (2022: Rs. 5,269 million) is being maintained by KE in these unconsolidated financial statements on account of mark-up on delayed payment.

31.1.2 The Multi Year Tariff (MYT) applicable to KE, for the previous tariff control period from 2009 to 2016, outlines a claw-back mechanism whereby KE is required to share a portion of its profits with consumers when such profits exceed the stipulated thresholds. NEPRA vide its determination dated October 17, 2014, June 10, 2015, July 24, 2018 and November 1, 2018 has determined claw-back amounts of Rs. 43,601 million for the financial years 2012 to 2016.

KE is not in agreement with the interpretation and calculation of claw-back mechanism by NEPRA, and accordingly has filed suits before the HCS, praying that while finalising the claw-back determination in respect of the financial years 2012 to 2016, NEPRA has mis-applied the claw-back formula as prescribed in the MYT determination dated December 23, 2009. Amongst others, NEPRA has unlawfully included 'accumulated losses' as part of reserves, has not taken into account 'surplus on revaluation of property, plant and equipment' and has calculated the claw-back on notional Earnings Before Interest and Tax (EBIT) instead of EBIT based on audited financial statements. The HCS vide multiple orders have suspended the operation of the impugned determinations passed by NEPRA. However, on June 19, 2015, in respect of suit for financial years 2012 and 2013, the HCS (Single Bench) passed an order withdrawing the earlier relief granted to KE against implementation of NEPRA's order dated October 17, 2014, which was duly contested by KE through an appeal before the High Court of Sindh (Divisional Bench), whereby, the Divisional Bench of HCS suspended the order dated June 19, 2015 of the Single Bench and relief against implementation of NEPRA's order dated October 17, 2014 continues. The Appeal is still pending adjudication before the HCS. Further, in other suits filed in respect of financial years 2014 to 2016, the interim relief provided to KE against NEPRA's order for each year continues in the field whereby, the operations of NEPRA determinations is still suspended.

Considering the above proceedings and the expert opinion obtained by KE, KE's management believes that KE has reasonable prospects of success in the cases pending before the HCS. Without prejudice to KE's aforementioned legal position and on the basis of abundant caution, a provision amounting to Rs. 25,232 million is being maintained by KE in this respect.

- 31.1.3 On January 22, 2015, NEPRA issued an order directing KE to discontinue charging of meter rent to the consumers, refund the total amount collected to the consumers and also imposed a fine of Rs. 10 million on KE.

KE filed a review application with NEPRA against the aforementioned order and challenged the order on various grounds including that the direction issued by NEPRA is ultra vires and also that NEPRA has ignored certain provisions of its own rules and regulations which allows KE to charge meter rent from its consumers. The review application filed by KE with NEPRA was dismissed in April 2015. Thereafter, KE filed a constitutional petition before the HCS, which is pending to date. Meanwhile, a stay has been granted to KE against any coercive action by NEPRA. The KE's management in accordance with the advice of its external counsel believes that KE has a reasonable prospects of success in the above-mentioned constitutional petition. However, on the basis of prudence and as an abundant caution, KE carries a provision of Rs. 326 million on account of meter rent charged from January 22, 2015 up to June 30, 2016. Further, NEPRA has excluded meter rent from "Other Income" component of tariff in the MYT decision effective from July 1, 2016. Accordingly, there is no dispute between KE and NEPRA on the matter of meter rent with effect from July 1, 2016.

- 31.1.4 NEPRA through its order dated March 13, 2015, directed KE not to collect bank charges as a separate revenue from its consumers through monthly billings, as these bank charges were already included in the MYT 2009-16 as part of operations and maintenance cost. NEPRA further directed KE to refund the amount collected as bank charges to its consumers. KE refuted NEPRA's aforementioned order and filed a review petition which was rejected by NEPRA through its review decision dated October 27, 2015. Thereafter, KE filed a suit on November 10, 2015, before the HCS which is pending to date. Meanwhile, through an interim order dated November 17, 2015 by the HCS, NEPRA has been restrained from taking any coercive action against KE in this regard.

KE is of the view that such charges were being collected from the consumers as per the directives of the State Bank of Pakistan and as per NEPRA's approval dated July 21, 2010 issued in this regard and these were never made part of MYT 2009-16. Therefore, in accordance with the advices obtained from its external counsel, the management believes that KE has reasonable prospects of success in this case. Accordingly, no provision has been recognised in this respect. Further, NEPRA has separately included bank charges in the operations and maintenance component of tariff in the MYT Decision effective from July 1, 2016. Accordingly, there is no dispute between KE and NEPRA on the matter of bank charges with effect from July 1, 2016.

- 31.1.5 The Government of Pakistan promulgated GIDC Act 2011, GIDC Ordinance 2014 and GIDC Act 2015 for collection of Gas Infrastructure Development Cess (GIDC) from gas consumers (both power sector and industrial sector) other than domestic consumers. Single bench of the High Court of Sindh through its judgment (by consolidating all similar cases) dated October 26, 2016 held the GIDC Act 2011, GIDC Ordinance 2014 and GIDC Act 2015 to be ultra vires and un-constitutional and held that the amounts collected in pursuance of the above laws are liable to be refunded / adjusted in the future bills, therefore all amounts previously paid by KE to SSGC amounting to Rs. 4,672 million, in respect of GIDC, became immediately due and recoverable from SSGC.

Subsequently, GoP filed an appeal before the divisional bench of the HCS challenging the above judgment (in respect of few other parties), whereby the decision of the single bench was suspended by the divisional bench of the HCS on November 10, 2016. During the year ended June 30, 2020, Honourable High Court of Peshawar (HCP) ruled that the GIDC Act 2015 was constitutional. Aggrieved parties filed an appeal before the Supreme Court of Pakistan (SCP) to challenge the decision of the HCP. KE was impleaded as a party in the said appeal on the basis of its Intervenor Application.

The SCP vide its decision dated August 13, 2020, has dismissed all the petitions and related appeals in matter of GIDC and declared GIDC Act 2015 to be valid, being within the legislative competence of the parliament. Further, as per this decision, the companies responsible to collect GIDC under the GIDC Act 2015 were directed to recover all arrears of GIDC due but not recovered up to July 31, 2020, in 24 equal monthly installments starting from August 1, 2020 without the component of late payment surcharge. KE filed a review petition and the SCP dismissed the review petition through its order dated November 2, 2020, however, installments for payment of GIDC arrears have been increased to 48 from 24.

In respect of the above, KE filed a suit before the HCS which is pending while KE obtained a stay order dated October 6, 2020 whereby, the HCS has restrained SSGC and the GoP from taking any coercive action for non-payment of installments of GIDC arrears, on the grounds amongst others that KE falls within the category of gas consumers who have not accrued the GIDC in their books and have neither recovered nor passed it on to their consumers through addition in the cost / tariff of electricity. The stay granted by HCS is still valid and operational.

KE, based on the views of its legal counsel, is of the opinion that KE in its suit before the HCS has raised substantive grounds and has fairly reasonable prospects of success if the courts accept the abovementioned interpretation / grounds. It has been contended that in the presence of a valid Decree passed by the HCS, no GIDC can be imposed during the time such Decree is in the field. Accordingly, no liability and the related receivable amounting to approximately Rs. 35,822 million respectively in respect of GIDC has been recognised in these unconsolidated financial statements. However, if the eventual outcome of the suit filed before the HCS results in any amount payable by KE on account of GIDC, it will be ultimately recovered through the MYT as a pass-through item.

31.1.6 As part of MYT decision, NEPRA through its order dated July 5, 2018, directed KE to pay interest on security deposit collected from consumers. However, KE disagreed with the direction of NEPRA, being without any lawful justification and discriminatory as no other power utility company in Pakistan is required to pay interest on security deposit. Accordingly, KE filed a constitutional petition in the HCS on May 30, 2019 on the grounds that the Appeal before NEPRA Appellate Tribunal is pending and since, the Tribunal is not functional NEPRA may be restrained to take any action against KE till the Appeal is decided on merits. The HCS through its order dated May 30, 2019 has restrained NEPRA from taking any coercive action against KE.

In January 2021, NEPRA issued an amendment in the Consumer Service Manual and introduced requirement for keeping security deposit in separate bank account and directed that profits so received from the same shall be mentioned in the tariff petition for passing on the benefit to consumers.

Further to above, in 2022, NEPRA through its Mid Term Review (MTR) decision adjusted the profit on consumers' security deposits from the KE's working capital requirement, thereby passing the benefit in the tariff. Accordingly, based on this adjustment, management understands that payment of profit on such security deposits is no longer required under MYT Decision and CSM till the end of current MYT.

Additionally, KE has also requested NEPRA to amend the requirement of CSM for maintaining a separate bank account and transferring the profit to consumers, in case if benefit is already being passed to consumers in the form of reduction in working capital requirement, response to which is awaited.

31.1.7 Tax related matters are disclosed in note 41.1.

## 31.2 Claims not acknowledged as debts

|  | Note   | 2023<br>----- (Rupees in '000) ----- | 2022      |
|--|--------|--------------------------------------|-----------|
| 31.2.1 Fatal accident cases  | 31.2.4 | 5,715                                | 5,715     |
| 31.2.2 Architect's fee in respect of the Head Office project   | 31.2.4 | 50,868                               | 50,868    |
| 31.2.3 Outstanding dues of property tax, water charges, custom duty, ground rent and occupancy value   | 31.2.4 | 9,271,877                            | 8,986,844 |
| 31.2.4 KE is party to number of cases in respect of fatal injuries, billing disputes, property tax, water charges, custom duty, occupancy charges, ground rent, regulatory orders, rent of electric poles, and cable and employee related cases. Based on the opinion of KE's lawyers, the management is confident that the outcome of the cases will be in favour of KE. Accordingly, no provision has been recognised in respect of these cases / claims in these unconsolidated financial statements. |        |                                      |           |

**2023**                      **2022**  
----- (Rupees in '000) -----

### 31.3 Commitments

|        |  |            |            |
|--------|--|------------|------------|
| 31.3.1 | Guarantees / standby letter of credit issued on behalf of KE (note 31.3.7)     | 16,254,668 | 13,623,959 |
| 31.3.2 | Transmission projects  | 24,322,914 | 26,128,344 |
| 31.3.3 | BQPS III 900 MW combined cycle power plant and associated transmission project | 66,959     | 21,068,317 |
| 31.3.4 | Outstanding letters of credit  | 2,837,427  | 2,815,125  |
| 31.3.5 | Dividend on preference shares  | 1,119,453  | 1,119,453  |

KE has not recorded any dividend on redeemable preference shares in view of restrictions on dividend placed under the loan agreements with certain local and foreign lenders.

31.3.6 Commitments for rentals under Ijarah facilities obtained from islamic banks in respect of vehicles are as follows:

**2023**                      **2022**  
----- (Rupees in '000) -----

|   |           |         |
|---|-----------|---------|
| - Not later than one year                           | 765,384   | 425,062 |
| - Later than one year but not later than five years | 1,426,049 | 638,515 |

These facilities have a tenure of 3 to 5 years. These are secured against promissory notes.

31.3.7 This includes guarantees amounting to Rs. 6,000 million called off by SSGC on account of non-payment of outstanding dues by KE, however, KE has obtained a stay order from the High Court of Sindh in this regard. A settlement agreement have been reached in this regard as further explained in note 31.1.1.

|                                 | <b>Note</b> | <b>2023</b>                  | <b>2022</b>  |
|---------------------------------|-------------|------------------------------|--------------|
|                                 |             | ----- (Rupees in '000) ----- |              |
| <b>32. SALE OF ENERGY - NET</b> |             |                              |              |
| Gross revenue                   | 32.1        | 513,824,986                  | 428,705,376  |
| Sales tax                       |             | (88,757,700)                 | (62,622,870) |
| Other taxes                     | 32.2        | (42,503,472)                 | (19,991,988) |
| Net revenue                     | 32.3        | 382,563,814                  | 346,090,518  |

32.1 Gross revenue is net-off an amount of Rs. 7,472 million (2022: Rs. 1,644 million) representing invoices raised during the year for energy consumed, however, these invoices are considered non-recoverable.

32.2 This includes income tax, Power Holding Limited (PHL) surcharge, electricity duty and others.

|                           | Note            | 2023<br>----- (Rupees in '000) ----- | 2022               |
|---------------------------|-----------------|--------------------------------------|--------------------|
| <b>32.3 NET REVENUE</b>   |                 |                                      |                    |
| Residential               | 32.3.1          | 165,838,745                          | 111,193,811        |
| Commercial                | 32.3.1          | 72,777,137                           | 51,878,092         |
| Industrial                | 32.3.1          | 166,733,081                          | 123,004,828        |
| Fuel surcharge adjustment | 32.3.2          | (25,067,021)                         | 57,865,970         |
| Others                    | 32.3.1 & 32.3.3 | 2,281,872                            | 2,147,817          |
|                           |                 | <u>382,563,814</u>                   | <u>346,090,518</u> |

32.3.1 The above includes net cycle day impact amounting to Rs. 6,197 million (2022: Rs. 168 million).

32.3.2 This represents monthly fuel surcharge adjustment as per mechanism provided in the MYT decision. The said amount has been / will be passed on to the consumers in accordance with NEPRA's determinations.

32.3.3 This includes Rs. 1,683 million (2022: Rs. 1,469 million) in respect of supply of energy through street lights.

|                              | Note        | 2023<br>----- (Rupees in '000) ----- | 2022               |
|------------------------------|-------------|--------------------------------------|--------------------|
| <b>33. TARIFF ADJUSTMENT</b> |             |                                      |                    |
| Tariff adjustment            | 33.1 & 33.2 | <u>136,907,413</u>                   | <u>172,686,588</u> |

33.1 This represents tariff differential subsidy claim for variation in fuel prices, cost of power purchases, write-off claims, operation and maintenance cost, and adjustments required as per NEPRA's MYT decision and those resulting in adjustment of tariff due from Government.

33.2 Includes Rs. 16,264 million comprising dues of 82,564 customers (2022: Rs 14,489 million comprising dues of 95,640 customers) recognised during the year against actual write-off of bad debts, as allowed by NEPRA under the MYT decision dated July 5, 2018 for the period from July 1, 2016 to June 30, 2023. The write-off amount has been claimed by KE on August 4, 2023 on a provisional basis as part of quarterly tariff adjustment for the fourth quarter ended June 30, 2023 aggregating to Rs. 17,000 million (fourth quarter ended June 30, 2022: Rs. 15,000 million). Further, NEPRA vide its letters dated December 31, 2019, March 10, 2021, March 30, 2022, June 8, 2022 and October 24, 2022 stated that in connection with the claims submitted by KE on account of trade debts write-offs for the years ended from June 30, 2017 to June 30, 2022 aggregating to Rs. 51,637 million, it requires further deliberation.

As required under the aforementioned NEPRA decision of July 5, 2018, for the purpose of claim of tariff adjustment in respect of actual write-off of bad debts, KE ensured performance of the following required procedures:

- The defaulter connection against which the bad debts have been written off were disconnected prior to June 30, 2023 in the system both in the case of active and inactive customers. Furthermore, in the case of inactive customers, the customers were marked as "inactive" in KE's system i.e. SAP prior to June 30, 2023.
- The aforementioned amount of write-off of bad debts has been approved by KE's Board of Directors certifying that KE has made all best possible efforts to recover the amount being written-off in accordance with the "Policy and Procedures for Write-off of Bad Debts".
- The actual write-off of bad debts has been determined in accordance with the terms of write-off detailed in the "Policy and Procedures for Write-off of Bad Debts", as approved by the Board of Directors of KE.



Further, the statutory auditors of KE verified that the write-off of bad debts amount is not recoverable notwithstanding the efforts of KE.

In case any amount written-off, as included in the aforementioned claim, is subsequently recovered from the customer, the recovered amount shall be adjusted in next year's tariff, as required under the aforementioned NEPRA decision of July 5, 2018.

In respect of all the defaulter connections, against which the aforementioned write-off amount has been claimed by KE as tariff adjustment for the year ended June 30, 2023, KE in addition to the defaulter customer identification and traceability procedures mentioned in the "Policy and Procedures for Write-off of Bad Debts" has carried out physical surveys for establishing the fact that either the defaulter connection is physically disconnected or the defaulter customer who utilised the electricity is untraceable and recovery in the present circumstances is not possible.

There are number of locations / premises which were removed as a result of anti-encroachment drives by the Government authorities, whereas, in a number of other cases the premises to which electricity was supplied is no more traceable due to change in either the mapping of the area (including unleased area), demolition of the original premises, structural changes (including division of single premises into many) to the original premises and discontinuation / demolition of single bulk PMT connection. In all of these cases, due to the specific situation the connection and / or premises are no more traceable. In addition, there are certain defaulter customers, who were not able to pay off their outstanding dues, in various forms including outstanding amounts on hook connection at the time of transfer of defaulter customers to metered connections and other settlements. Accordingly, the same has been claimed as part of write-off for the year ended June 30, 2023 and the corresponding amount has been claimed in the tariff adjustment after verifying underlying facts.

**2023**                      **2022**  
----- (Rupees in '000) -----

**34. PURCHASE OF ELECTRICITY**

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
| CPPA / NTDC                          | 160,107,796        | 144,462,200        |
| Independent Power Producers (IPPs)   | 63,052,126         | 62,230,042         |
| Karachi Nuclear Power Plant (KANUPP) | -                  | 852,135            |
|                                      | <u>223,159,922</u> | <u>207,544,377</u> |

**35. CONSUMPTION OF FUEL AND OIL**

|                              |                    |                    |
|------------------------------|--------------------|--------------------|
| Natural gas / RLNG           | 133,346,450        | 119,466,192        |
| Furnace and other fuel / oil | 74,463,294         | 84,676,089         |
| High speed diesel (HSD)      | 1,949,344          | 8,345,273          |
|                              | <u>209,759,088</u> | <u>212,487,554</u> |

### 36. EXPENSES INCURRED IN GENERATION, TRANSMISSION AND DISTRIBUTION

|   |             | Generation expenses | Transmission and distribution expenses | 2023              | 2022              |
|---|-------------|---------------------|--|-------------------|-------------------|
| Note  |             | (Rupees in '000)    |  |                   |                   |
| Salaries, wages and other benefits  | 36.1 & 36.2 | 1,564,613           | 2,721,959                              | 4,286,572         | 4,036,215         |
| Stores and spares   |             | 842,966             | 438,472                                | 1,281,438         | 1,200,296         |
| Office supplies   |             | 167,322             | 97,021                                 | 264,343           | 205,651           |
| NEPRA license fee   |             | 70,103              | 199,315                                | 269,418           | 116,177           |
| Repairs and maintenance   |             | 28,413              | 122,473                                | 150,886           | 313,272           |
| Transportation  |             | 332,724             | 435,992                                | 768,716           | 435,709           |
| Rent, rates and taxes   |             | 100,341             | 8,246                                  | 108,587           | 255,588           |
| Depreciation  | 4.1.8       | 12,152,104          | 10,549,148                             | 22,701,252        | 19,544,363        |
| Amortisation  | 5.2         | 457                 | 958                                    | 1,415             | 1,276             |
| Interdepartmental consumption   |             | 40,606              | 638,227                                | 678,833           | 608,512           |
| Charge/(reversal) of provision against slow moving and obsolete stores, spare parts and loose tools | 9.1         | (211,037)           | (90,245)                               | (301,282)         | 206,675           |
| Third party services  |             | 1,205,820           | 1,452,062                              | 2,657,882         | 2,578,978         |
| Others  |             | 518,704             | 353,438                                | 872,142           | 706,557           |
|   |             | <u>16,813,136</u>   | <u>16,927,066</u>                      | <u>33,740,202</u> | <u>30,209,269</u> |

36.1 This includes Rs. 323 million (2022: Rs.311 million) in respect of defined benefit plans, Rs. 175 million (2022: Rs. 166 million) in respect of defined contribution plan and Rs. 7 million (2022: Rs. 2 million) in respect of other long term employee benefits.

36.2 Free electricity benefit to employees amounting to Rs. 6 million (2022: Rs. 6 million) has been included in salaries, wages and other benefits.

### 37. CONSUMERS SERVICES AND ADMINISTRATIVE EXPENSES

|  |             | Consumer Services and Billing Expenses | Administrative and General Expenses | 2023              | 2022              |
|--|-------------|--|-------------------------------------|-------------------|-------------------|
| Note   |             | (Rupees in '000)                       |                                     |                   |                   |
| Salaries, wages and other benefits   | 37.1 & 37.2 | 9,151,241                              | 3,923,472                           | 13,074,713        | 11,800,858        |
| Bank collection charges  |             | 142,660                                | 32,533                              | 175,193           | 323,769           |
| Transportation   |             | 1,113,724                              | 439,423                             | 1,553,147         | 1,027,897         |
| Depreciation   | 4.1.8       | 612,676                                | 459,975                             | 1,072,651         | 942,269           |
| Depreciation - Right-of-use asset  | 4.5         | 25,108                                 | 9,219                               | 34,327            | 36,313            |
| Amortisation   | 5.2         | 177,713                                | 243,481                             | 421,194           | 244,077           |
| Depreciation - Investment property   | 6.1         | -                                      | 60,957                              | 60,957            | 60,957            |
| Repairs and maintenance  |             | 339,989                                | 233,592                             | 573,581           | 411,525           |
| Rent, rates and taxes  |             | 34,647                                 | 170,195                             | 204,842           | 200,596           |
| Public relations and publicity   |             | 16,653                                 | 285,751                             | 302,404           | 313,131           |
| Legal expenses   |             | 29,552                                 | 168,889                             | 198,441           | 183,904           |
| Professional charges   | 37.3        | 259,176                                | 168,276                             | 427,452           | 179,741           |
| Auditors' remuneration   | 37.4        | 324,294                                | 27,472                              | 351,766           | 276,017           |
| Directors' fee   |             | -                                      | 18,601                              | 18,601            | 23,100            |
| Office supplies  |             | 304,596                                | 316,859                             | 621,455           | 409,616           |
| Interdepartmental consumption  |             | 170,757                                | 117,357                             | 288,114           | 268,093           |
| Third party services   |             | 4,960,156                              | 1,342,259                           | 6,302,415         | 5,628,136         |
| Provision against slow moving and obsolete stores, spare parts and loose tools | 9.1         | 163,055                                | 38,811                              | 201,866           | 11,788            |
| Others   |             | 616,274                                | 915,500                             | 1,531,774         | 1,376,897         |
|  |             | <u>18,442,271</u>                      | <u>8,972,622</u>                    | <u>27,414,893</u> | <u>23,718,684</u> |

- 37.1 This includes Rs. 956 million (2022: Rs.792 million) in respect of defined benefit plans, Rs. 441 million (2022: Rs. 418 million) in respect of defined contribution plan and Rs. 4 million (2022: Rs. 7 million) in respect of other long term employee benefits.
- 37.2 Free electricity benefit to employees amounting to Rs. 326 million (2022: Rs. 239 million) has been included in salaries, wages and other benefits.
- 37.3 This includes Rs. 0.39 million (2022: Rs. 0.31 million) in respect of compensation paid to Shariah Advisor for providing Shariah advisory services and any other ancillary professional services such as education and training in islamic financial services.

|   | Note   | 2023<br>----- (Rupees in '000) ----- | 2022           |
|---|--------|--------------------------------------|----------------|
| <b>37.4 Auditors' remuneration</b>  |        |                                      |                |
| Fee for statutory audit, half yearly review and review of compliance with the Code of Corporate Governance                      |        | 11,000                               | 10,000         |
| Fee for cost incurred in respect of bad debts write-off verification as required under MYT 2017-23 and other assurance services |        | 280,000                              | 245,000        |
| Fee for certifications, taxation and other services   | 37.4.1 | 58,466                               | 20,101         |
|   |        | <u>349,466</u>                       | <u>275,101</u> |
| Out of pocket expenses  |        | 2,299                                | 916            |
|   |        | <u>351,765</u>                       | <u>276,017</u> |

- 37.4.1 This includes Rs. 1.5 million (2022: Rs. 0.8 million) in respect of Shariah audit fee.

|                                     | Note | 2023<br>----- (Rupees in '000) ----- | 2022             |
|-------------------------------------|------|--------------------------------------|------------------|
| <b>38. OTHER OPERATING EXPENSES</b> |      |                                      |                  |
| Exchange loss - net                 |      | 13,356,019                           | 8,971,122        |
| Workers' profits participation fund | 26.6 | -                                    | 297,369          |
| Donations                           | 38.1 | 62,536                               | 94,798           |
| Listing fee                         |      | 9,108                                | 5,107            |
| Others                              |      | 1,060,821                            | 43,160           |
|                                     |      | <u>14,488,484</u>                    | <u>9,411,556</u> |

- 38.1 Donations to the following parties exceeds 10% of the total amount of donations made by KE:

|                              |        |        |
|------------------------------|--------|--------|
| Concern For Children Welfare | 22,130 | 21,019 |
| Muhammad Umer                | 18,801 | -      |

### 39. OTHER INCOME

#### Income from financial assets

|                         |      |                  |                  |
|-------------------------|------|------------------|------------------|
| Return on bank deposits | 39.1 | 1,547,156        | 450,032          |
| Late payment surcharge  | 39.2 | 3,462,381        | 1,968,158        |
|                         |      | <u>5,009,537</u> | <u>2,418,190</u> |

#### Income from non-financial assets

|   |     |                   |                   |
|---|-----|-------------------|-------------------|
| Liquidated damages recovered from suppliers and contractors |     | 91,887            | 206,454           |
| Scrap sales   |     | 743,250           | 444,166           |
| Amortisation of deferred revenue                            | 24  | 2,917,953         | 2,405,777         |
| Service connection charges                                  |     | 640,434           | 171,331           |
| Collection charges - TV license fee                         |     | 168,433           | 162,319           |
| Gain on disposal of property, plant and equipment           | 4.2 | 1,483,669         | 2,194,267         |
| Others  |     | 1,365,088         | 2,207,805         |
|   |     | <u>7,410,714</u>  | <u>7,792,119</u>  |
|   |     | <u>12,420,251</u> | <u>10,210,309</u> |

- 39.1 This includes Rs. 44.677 million (2022: Rs. 7.947 million) being return on Shariah compliant bank deposits.
- 39.2 In accordance with KE's policy, Late Payment Surcharge (LPS) receivable on delayed payment of electricity bills from various Government / Government controlled entities (Public Sector Consumers) amounting to Rs. 1,092 million for the year ended June 30, 2023 (2022: Rs. 492 million) has not been recognised for the reasons detailed in note 10.2.

|  | Note | 2023              | 2022              |
|--|------|-------------------|-------------------|
| ----- (Rupees in '000) -----   |      |                   |                   |
| <b>40. FINANCE COST</b>  |      |                   |                   |
| Mark-up / interest on:   |      |                   |                   |
| - Long term financing  | 40.1 | 14,920,676        | 6,499,232         |
| - Short-term borrowings  | 40.2 | 11,593,784        | 4,834,910         |
|  |      | <u>26,514,460</u> | <u>11,334,142</u> |
| Late payment surcharge on delayed payment to creditors                       |      | 1,007,683         | 238,745           |
| Bank charges, guarantee commission, commitment fee and other service charges |      | 1,000,100         | 533,300           |
| Finance cost on lease liabilities  |      | 19,932            | 16,181            |
| Letters of credit discounting charges  |      | 6,027,751         | 2,998,090         |
|  |      | <u>34,569,926</u> | <u>15,120,458</u> |

- 40.1 This includes Rs. 6,232 million (2022: Rs. 3,606 million) being mark-up on Shariah compliant long-term financing.
- 40.2 These include Rs. 6,535 million (2022: Rs.3,320 million) being mark-up on Shariah compliant short-term borrowings.
- 40.3 The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the KE's general borrowings during the year ended June 30, 2023, which was 18.55% (2022: 10.56%).

|                              | Note | 2023                | 2022               |
|------------------------------|------|---------------------|--------------------|
| ----- (Rupees in '000) ----- |      |                     |                    |
| <b>41. TAXATION</b>          |      |                     |                    |
| Current tax expense          |      | 4,927,754           | 4,352,875          |
| Deferred tax income          | 25.1 | (14,655,008)        | (7,228,199)        |
| Prior tax income             | 41.2 | (1,748,521)         | -                  |
|                              |      | <u>(11,475,775)</u> | <u>(2,875,324)</u> |

- 41.1 The Taxation Officer has amended the assessment orders under section 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance) in respect of Tax Years 2010 and 2011 resulting in minimum tax liability of Rs. 543 million and Rs. 1,408 million for the Tax Years 2010 and 2011, respectively. The Taxation Officer considered the total tax depreciation allowance instead of accounting depreciation related to cost of sales of KE for the purpose of assessment of minimum tax liability as per proviso to section 113(1) of the Ordinance and added tariff adjustment (i.e. subsidy) to be part of turnover for the purpose of computing the minimum tax liability. The appeals filed by KE against the aforementioned assessment orders, were rejected by the Commissioner Inland Revenue (Appeals) – CIR(A). Subsequently, KE filed appeals against these decisions before the Appellate Tribunal Inland Revenue (ATIR) which have been decided in favour of KE vide ITA 877/KB/2011 dated May 7, 2012, ITA 950/KB/2011 dated October 19, 2012 for Tax Year 2010 and vide ITA 274/KB/2012 dated July 31, 2012 for Tax Year 2011. The tax department has filed references before the HCS against the decision of ATIR vide ITRA No. 12 of 2013 dated January 31, 2013 and ITRA No. 27 of 2013 dated September 28, 2013 for Tax Year 2010 and ITRA 210 of 2012 dated November 2, 2012 for Tax Year 2011 which are pending.

Further on similar matter, the Officer Inland Revenue amended the assessment orders for tax years 2004 to 2008, raising tax demand aggregating to Rs. 399 million under section 113 of the Ordinance by considering the tariff adjustment (i.e. subsidy) and other income as part of turnover for the purpose of computation of minimum tax. The Appellate Tribunal in the light of its previous decisions, has decided the appeals for tax years 2004, 2005 and 2008 in favour of KE. In 2022, KE's appeal for tax year 2007 has also been decided by CIR(A) vide Order No. 91/2021 dated December 9, 2021 in which the demand of Rs. 59.4 million has been remanded back by CIR(A). KE has filed an appeal before ATIR against the order of CIR(A). The appeal for tax year 2006 is still pending before CIR(A). The tax department has however filed references before the High Court of Sindh against ATIR decisions for tax years 2004, 2005 and 2008 on February 13, 2019. KE's management based on advice of its tax consultants expects a favourable outcome of these appeals and therefore, no provision in this respect has been made in these unconsolidated financial statements.

41.2 The tax on undistributed profits at the rate of 5% under Section 5A of the Ordinance had been recognised and paid by KE for Tax Years 2018 and 2019. HCS in its judgment vide CP 4970/2017 dated April 30, 2021 declared the tax on undistributed profits under Section 5A of the Ordinance ultra vires to the Constitution of Pakistan and struck it down. Based on HCS Order, Company's appeals for both Tax Years before the Commissioner Inland Revenue [Appeals] have been decided in favour of Company, therefore, an amount of Rs. 685.962 million for Tax Year 2018 and Rs. 444.134 million for Tax Year 2019 has been reversed in these unconsolidated financial statement. Similarly, on the basis of judgement of HCS KE's management has revised the return for Tax Year 2017 as well to claim the tax paid amounting to Rs. 653.379 million against Section 5A of the Ordinance and have recorded a reversal against the same.

#### 41.3 Relationship between tax income / (expense) and accounting profit

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

|   | 2023                           | 2022                  |
|---|--------------------------------|-----------------------|
|   | ----- (Rupees in '000) -----   |                       |
| (Loss) / profit before taxation   | (42,372,339)                   | 5,648,254             |
| Tax at the applicable tax rate of 29%   | 12,287,978                     | (1,637,994)           |
| Tax effect of exempt income   | 39,703,150                     | 50,079,111            |
| <b>Effects of:</b>  |                                |                       |
| - Deferred tax not recognised on minimum turnover tax                                 | (4,926,734)                    | (4,352,875)           |
| - Prior tax income  | (1,748,521)                    | -                     |
| - Deferred tax not recognised on tax credits, un-utilised tax losses and others       | (56,791,648)                   | (46,963,566)          |
|   | <u>(11,475,775)</u>            | <u>(2,875,324)</u>    |
| <b>42. EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)</b>      |                                |                       |
| (Loss) / profit before finance cost   | (7,802,413)                    | 20,768,712            |
| Depreciation and amortisation   | 24,291,796                     | 20,829,255            |
|   | <u>16,489,383</u>              | <u>41,597,967</u>     |
| <b>43. (LOSS) / EARNING PER SHARE - BASIC AND DILUTED</b>                             |                                |                       |
| There is no dilutive effect on the basic earnings per share of KE, which is based on: |                                |                       |
| (Loss) / profit attributable to ordinary share holders                                | <u>(30,896,564)</u>            | <u>8,523,578</u>      |
|   | ----- (Number of shares) ----- |                       |
| Weighted average number of ordinary shares outstanding during the year                | <u>27,615,194,246</u>          | <u>27,615,194,246</u> |
|   | ----- (Rupees) -----           |                       |
| (Loss) / earnings per share - basic and diluted                                       | <u>(1.12)</u>                  | <u>0.31</u>           |

#### 44. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

|  | 2023                         |               |                  | 2022                    |               |                  |
|--|------------------------------|---------------|------------------|-------------------------|---------------|------------------|
|  | Chief Executive Officer      | Directors     | Executives       | Chief Executive Officer | Directors     | Executives       |
|  | ----- (Rupees in '000) ----- |               |                  |                         |               |                  |
| Directors' fees (note 44.3)                                  | -                            | 18,601        | -                | -                       | 23,100        | -                |
| Managerial remuneration                                      | 58,450                       | -             | 6,761,673        | 51,664                  | -             | 5,893,400        |
| Commission or Bonus  | 5,365                        | -             | 384,367          | 13,909                  | -             | 621,278          |
| Reimbursable expenses  | 2,991                        | -             | 109,655          | 895                     | -             | 99,504           |
| Contribution to fund   | 3,490                        | -             | 361,985          | 3,107                   | -             | 320,795          |
|  | <u>70,296</u>                | <u>18,601</u> | <u>7,617,680</u> | <u>69,575</u>           | <u>23,100</u> | <u>6,934,977</u> |
| Number of persons includes those who worked part of the year | <u>1</u>                     | <u>10</u>     | <u>2,052</u>     | <u>1</u>                | <u>13</u>     | <u>1,893</u>     |

- 44.1 The Chief Executive Officer and certain Executives of KE are provided with medical, car and fuel facility in accordance with the Company's policy.
- 44.2 KE also makes contributions for Executives and CEO to gratuity fund, based on actuarial calculations.
- 44.3 Non-executive directors are paid fees for attending the meetings of the Board of Directors and its committees, with no other remuneration.
- 44.4 Gratuity amounting to Rs. 202.7 million (2022: Rs. 232.2 million) was paid to outgoing executives.

|   | Note   | 2023                         | 2022                |
|---|--------|------------------------------|---------------------|
|   |        | ----- (Rupees in '000) ----- |                     |
| <b>45. CASH AND CASH EQUIVALENTS</b>  |        |                              |                     |
| Cash and bank balances  | 15     | 7,094,025                    | 2,846,132           |
| Short-term running finances   | 28     | (38,023,343)                 | (44,721,569)        |
|   |        | <u>(30,929,318)</u>          | <u>(41,875,437)</u> |
| <b>46. FINANCIAL INSTRUMENTS BY CATEGORY</b>  |        |                              |                     |
| <b>46.1 Financial assets measured at amortised cost</b>   |        |                              |                     |
| Other financial assets - at amortised cost  |        | 25,646,022                   | 17,411,300          |
| Long-term loans and deposits  |        | 20,512                       | 24,185              |
| Trade debts   |        | 104,282,935                  | 136,843,034         |
| Deposits  |        | 11,371,414                   | 6,214,025           |
| Other receivables   |        | 216,730,502                  | 356,173,600         |
| Cash and bank balances  |        | 7,094,025                    | 2,846,132           |
|   |        | <u>365,145,410</u>           | <u>519,512,276</u>  |
| <b>46.2 Financial assets measured at fair value through profit or loss</b>  |        |                              |                     |
| Derivative financial assets   | 46.2.1 | <u>23,567,302</u>            | <u>8,033,631</u>    |
| 46.2.1 Derivative financial assets have been classified into level 2 fair value measurement hierarchy and the fair value is calculated as the present value of estimated future cash flows based on observable yield. |        |                              |                     |

2023                      2022  
----- (Rupees in '000) -----

#### 46.3 Financial liabilities measured at amortised cost

|                          |             |             |
|--------------------------|-------------|-------------|
| Long-term financing      | 216,794,566 | 175,376,530 |
| Lease liabilities        | 158,684     | 175,659     |
| Long-term deposits       | 16,714,458  | 13,976,931  |
| Trade and other payables | 323,087,516 | 412,318,683 |
| Unclaimed dividend       | 645         | 645         |
| Accrued mark-up          | 14,269,819  | 10,629,604  |
| Short-term borrowings    | 92,851,098  | 107,535,452 |
| Short-term deposits      | 6,426,719   | 6,578,500   |
|                          | 670,303,505 | 726,592,004 |

46.4 Except for property, plant and equipment and derivatives, KE's value of all financial assets and liabilities reflected in these unconsolidated financial statements approximate their fair value.

#### 47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

##### Financial risk factors

KE's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Following information presents KE's exposure to each of the aforementioned risks, KE's objectives, policies and processes for measuring and managing risks and KE's management of capital.

##### Risk management framework

The Board of Directors (BoD) has the overall responsibility for the establishment and oversight of KE's risk management framework. The BoD has empowered Board Audit Committee (BAC), which oversees compliance with KE's risk management framework and policies in relation to risks faced by KE. The BAC regularly reports to the BoD on its activities.

KE's risk management policies aimed at identification and analysis of risks faced by KE, setting appropriate risk limit and monitoring risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and KE's activities. KE, 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.

KE's BAC oversees how management monitors compliance with KE's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by KE. The BAC 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 BAC.

KE's principal financial liabilities mainly comprise of long term and short term financing facilities from financing institutions, debt securities from capital markets and trade payables. The main purpose of these financial liabilities is to raise finance for KE's operations. KE has various financial assets such as trade and other receivables, cash and bank balances, short-term deposits, etc. which arise directly from its operations.

Deposits include lien against settlement of loans and sukuk certificate repayments with commercial banks which have a credit rating of A1.

KE also enters into derivative transactions, cross currency swap contracts. The purpose is to manage currency risk from KE's operations and its sources of finance. It is KE's policy that no trading in derivatives for speculative purposes shall be undertaken.

The BoD reviews and agrees policies for managing each of these risks which are summarised below:

## 47.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices or market interest rates. KE manages the market risk by monitoring exposure on financial instruments and by following internal risk management policies.

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

### 47.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises where transactions are conducted in foreign currency. KE primarily has foreign currency exposures in US Dollar, Euro and UK Pound in the form of trade and other payables, bank balances and long-term financing. As at June 30, 2023, had KE's functional currency strengthened / weakened by 5% against US Dollar, Euro and UK Pound, with all other variables held constant, loss / profit for the year would have been higher / lower by Rs. 4,924 million (2022: Rs. 4,007 million) mainly as a result of foreign exchange gains / losses.

KE has hedged significant portion of its long-term financing denominated in its foreign currency. KE 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.

### 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.

KE's interest rate risk arises from long-term financing and short-term borrowing facilities at variable rates for financing its generation, transmission and distribution projects and meeting working capital requirements. KE manages these mismatches through risk management policies where significant changes in gap position can be adjusted. Further, the interest rate risk also arises from certain other financial statement line items as mentioned below. At the reporting date, the interest rate profile of KE's interest-bearing financial instruments was as follows:

|  | Note | 2023<br>----- (Rupees in '000) ----- | 2022<br>----- |
|--|------|--------------------------------------|---------------|
| <b>Fixed rate instruments</b>              |      |                                      |               |
| <b>Financial assets</b>                    |      |                                      |               |
| Long-term loans                            |      | 22                                   | 83            |
| <b>Financial liabilities</b>               |      |                                      |               |
| Lease liabilities                          | 21   | 158,684                              | 175,659       |
| <b>Variable rate instruments</b>           |      |                                      |               |
| <b>Financial assets</b>                    |      |                                      |               |
| Deposit accounts                           | 15   | 1,029,393                            | 368,946       |
| Deposits under lien against LC             |      | 92,436                               | 83,244        |
| Other financial assets - at amortised cost |      | 25,646,022                           | 17,411,300    |
|  |      | 26,767,851                           | 17,863,490    |
| <b>Financial liabilities</b>               |      |                                      |               |
| Long-term financing                        |      | 216,767,956                          | 175,349,920   |
| Short-term borrowings                      |      | 92,851,098                           | 107,535,452   |
|  |      | 309,619,054                          | 282,885,372   |

### Fair value sensitivity analysis

KE does not account for fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not have affected profit or loss.

### Cash flow sensitivity analysis for variable rate instruments

If KIBOR / LIBOR / SOFR / EURIBOR had been 1% higher / lower with all other variables held constant, the loss / profit for the year would have been higher / lower by Rs. 2,829 million (2022: Rs. 2,650 million).



### 47.1.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. KE is not exposed to price risk as it does not have any price sensitive instruments.

### 47.2 Credit risk

Credit risk is the risk of financial loss to KE if a customer or a counter party to a financial instrument fails to meet its contractual obligation, and arises principally from KE's receivables from customers, balances held with banks and investments in term deposits. Out of the total financial assets as set out in note 46, those that are subject to credit risk aggregated Rs. 297,047 million as at June 30, 2023 (2022: Rs. 119,046 million). The analysis below summarises the credit quality of KE's financial assets as at June 30, 2023.

- KE's electricity is sold to industrial, commercial and residential consumers and government organisations. Due to large number and diversity of its consumer base, concentration of credit risk with respect to trade debts is limited. Further, KE manages its credit risk by obtaining security deposits from the consumers. Further, KE considers the credit risk arising from receivables from public sector consumers to be minimal. Additionally other receivables primarily represent tariff adjustments due from the GoP.
- The credit quality of the banks with which KE held balances as at June 30, 2023 and 2022 is represented by the related credit ratings assigned by the external agencies. The material balances are held with the banks having credit ratings of at least 'A1' which is defined as 'Obligations supported by a strong capacity for timely repayment'.
- Deposits include lien against settlement of letters of credit, loans and sukuk certificate repayments with commercial banks which have a credit rating of A1.

Concentration of credit risk exists when changes in economic and industry factors similarly affect the group of counter parties whose aggregated credit exposure is significant in relation to KE's total credit exposure. KE's financial assets are broadly diversified and transactions are entered into with diverse credit worthy parties thereby mitigating any significant concentration risk. Therefore, KE believes that it is not exposed to major concentration of credit risk.

### 47.3 Liquidity risk

Liquidity risk is the risk that KE 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 KE could be required to pay its liabilities earlier than expected or difficulty in arranging funds to meet commitments associated with financial liabilities as they fall due. KE'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 KE's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

|   | 2023               |                        |  |                      |                    |                      |
|---|--------------------|------------------------|--|----------------------|--------------------|----------------------|
|   | Carrying amount    | Contractual cash flows | Six months or less<br>(Rupees in '000) | Six to twelve months | One to five years  | More than five years |
| <b>Non-derivative Financial liabilities</b> |                    |                        |  |                      |                    |                      |
| Long-term financing                         | 216,794,566        | 326,765,563            | 27,920,513                             | 30,291,362           | 157,796,932        | 110,756,757          |
| Lease liabilities                           | 158,684            | 225,630                | 37,804                                 | 14,917               | 130,286            | 42,623               |
| Long-term deposits                          | 16,714,458         | 16,714,458             | -                                      | -                    | -                  | 16,714,458           |
| Trade and other payables                    | 323,087,516        | 323,087,516            | 297,855,764                            | 25,231,752           | -                  | -                    |
| Unclaimed dividend                          | 645                | 645                    | 645                                    | -                    | -                  | -                    |
| Accrued mark-up                             | 14,269,819         | 14,269,819             | 14,269,819                             | -                    | -                  | -                    |
| Short-term borrowings                       | 92,851,098         | 98,858,958             | 80,551,905                             | 18,307,053           | -                  | -                    |
| Short-term deposits                         | 6,426,719          | 6,426,719              | 6,426,719                              | -                    | -                  | -                    |
|   | <u>670,303,505</u> | <u>786,349,308</u>     | <u>427,063,169</u>                     | <u>73,845,084</u>    | <u>157,927,218</u> | <u>127,513,838</u>   |
|   | 2022               |                        |  |                      |                    |                      |
|   | Carrying amount    | Contractual cash flows | Six months or less<br>(Rupees in '000) | Six to twelve months | One to five years  | More than five years |
| <b>Non-derivative Financial liabilities</b> |                    |                        |  |                      |                    |                      |
| Long-term financing                         | 175,376,530        | 273,877,570            | 17,627,103                             | 23,869,623           | 155,220,012        | 77,160,832           |
| Lease liabilities                           | 175,659            | 262,930                | 24,102                                 | 22,518               | 141,136            | 75,174               |
| Long-term deposits                          | 13,976,931         | 13,976,931             | -                                      | -                    | -                  | 13,976,931           |
| Trade and other payables                    | 412,318,683        | 412,318,683            | 387,086,932                            | 25,231,751           | -                  | -                    |
| Unclaimed dividend                          | 645                | 645                    | 645                                    | -                    | -                  | -                    |
| Accrued mark-up                             | 10,629,604         | 10,629,604             | 10,629,604                             | -                    | -                  | -                    |
| Short-term borrowings                       | 107,535,452        | 111,379,272            | 111,379,272                            | -                    | -                  | -                    |
| Short-term deposits                         | 6,578,500          | 6,578,500              | 6,578,500                              | -                    | -                  | -                    |
|   | <u>726,592,004</u> | <u>829,024,135</u>     | <u>533,326,158</u>                     | <u>49,123,892</u>    | <u>155,361,148</u> | <u>91,212,937</u>    |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at June 30, 2023 and 2022 include both principal and interest payable thereon. The rates of mark-up have been disclosed in notes 20 and 28 to these unconsolidated financial statements.

47.4 Reconciliation of movement of liabilities to cashflows arising from financing activities is as follows:

|  | Short-term borrowings used for cash management purpose | Other-short term borrowings including related accrued markup | Long-term financing including related accrued markup | Long-term deposits | Lease liabilities | Total              |
|--|--|--|--|--------------------|-------------------|--------------------|
|  | (Rupees in '000)                                       |  |  |                    |                   |                    |
| <b>Balance as at July 1, 2022</b>              | 45,408,799   | 64,405,236   | 178,443,371  | 13,976,931         | 175,659           | 302,409,996        |
| Changes from financing cash flows              |  |  |  |                    |                   |                    |
| Proceeds from / (Repayment of) loan            |  |  |  |                    |                   |                    |
| - net of transaction cost                      | -  | (7,986,128)  | 7,821,238  | -                  | -                 | (164,890)          |
| Changes in running finance                     | (6,698,226)  | -  | -  | -                  | -                 | (6,698,226)        |
| Lease payments                                 | -  | -  | -  | -                  | (52,644)          | (52,644)           |
| <b>Total changes from financing activities</b> | <u>(6,698,226)</u>                                     | <u>(7,986,128)</u>   | <u>7,821,238</u>                                     | <u>-</u>           | <u>(52,644)</u>   | <u>(6,915,760)</u> |
| <b>Other changes</b>                           |  |  |  |                    |                   |                    |
| Finance cost                                   | 7,668,021  | 9,953,514  | 14,920,676   | -                  | 19,932            | 32,562,143         |
| Finance cost paid                              | (9,578,304)  | (8,967,546)  | (28,259,848)   | -                  | -                 | (46,805,698)       |
| Receipts of security deposits                  | -  | -  | -  | 2,737,527          | -                 | 2,737,527          |
| Addition to lease liabilities                  | -  | -  | -  | -                  | 57,748            | 57,748             |
| Derecognition                                  | -  | -  | -  | -                  | (42,011)          | (42,011)           |
| Derivate financial asset realised              | -  | -  | (4,002,976)  | -                  | -                 | (4,002,976)        |
| Exchange loss                                  | -  | -  | 36,091,791   | -                  | -                 | 36,091,791         |
| Amortisation of transaction cost               | -  | -  | 580,058  | -                  | -                 | 580,058            |
| Finance cost capitalised                       | 2,457,748  | -  | 16,373,878   | -                  | -                 | 18,831,626         |
| <b>Total loan related other changes</b>        | <u>547,465</u>   | <u>985,968</u>   | <u>35,703,579</u>                                    | <u>2,737,527</u>   | <u>35,669</u>     | <u>40,010,208</u>  |
| <b>Balance as at June 30, 2023</b>             | <u>39,258,038</u>                                      | <u>57,405,076</u>  | <u>221,968,188</u>                                   | <u>16,714,458</u>  | <u>158,684</u>    | <u>335,504,444</u> |

#### 47.5 Hedging activities and derivatives

KE has executed cross currency swaps on its long term foreign currency financings to hedge its currency risk (note 3.10).

##### *Cash flow hedges*

During the year, KE 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 in respect of long-term financing as stated in notes 20.1, 20.2, 20.4, 20.5 and 20.6 to these unconsolidated financial statements.

The critical terms of the cross currency swap contracts have been negotiated to match the terms of the aforementioned financial liability (note 14).

#### 48. CAPITAL RISK MANAGEMENT

The primary objective of KE'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 maximise shareholders value. No changes were made in the objectives, policies or processes during the year ended June 30, 2023.

KE 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, KE's financial position and requirements of lenders. This necessitated re-investment of profits to strengthen KE's financial position to comply with requirements of lenders as well as to fund new projects. Details of adjusted invested equity as at the reporting date are given in note 17.9.

KE monitors capital using debt to equity ratios. The long-term debt to equity ratio as at June 30, 2023 and 2022 is as follows:

|                                 |             | <b>2023</b>                  | <b>2022</b>        |
|---------------------------------|-------------|------------------------------|--------------------|
|                                 | <b>Note</b> | ----- (Rupees in '000) ----- |                    |
| Long-term financing             | 20          | 180,508,276                  | 151,738,189        |
| Total equity                    |             | 255,154,657                  | 250,171,718        |
|                                 |             | <u>435,662,933</u>           | <u>401,909,907</u> |
| <b>Long-term debt to equity</b> |             | <u>0.41:1</u>                | <u>0.38:1</u>      |

## 49 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

49.1 Related parties of KE comprise of associated companies, state-controlled entities, staff retirement benefit plans and KE's directors and key management personnel. Following are the particulars of subsidiary companies, related parties and associated undertakings of KE with whom KE had entered into transactions or had agreements and / or arrangements in place during the year:

| Name of related parties  | Direct shareholding in KE | Relationship             |
|--|---------------------------|--------------------------|
| KES Power Limited  | 66.4%                     | Holding Company          |
| GoP represented by the President of Pakistan                                 | 24.4%                     | Major Shareholder        |
| Central Power Purchasing Agency / National Transmission and Dispatch Company | -                         | State Controlled Entity  |
| National Bank of Pakistan  | 0.07%                     | State Controlled Entity  |
| Pakistan State Oil Limited   | -                         | State Controlled Entity  |
| Sui Southern Gas Company Limited   | -                         | State Controlled Entity  |
| Pakistan LNG Limited   | -                         | State Controlled Entity  |
| KE Venture Company Private Limited   | -                         | Subsidiary Company       |
| K-Solar Private Limited  | -                         | Subsidiary Company       |
| Mark Gerard Skelton***   | -                         | Chairman                 |
| Syed Moonis Abdullah Alvi  | -                         | Chief Executive Officer  |
| Adeeb Ahmad  | -                         | Non Executive Director   |
| Muhammad Kamran Kamal  | -                         | Non Executive Director   |
| Shan A. Ashary**   | -                         | Non Executive Director   |
| Mubasher H. Sheikh   | -                         | Non Executive Director   |
| Saad Amanullah Khan  | <0.01%                    | Non Executive Director   |
| Zubair Motiwala  | -                         | Non Executive Director   |
| Dr Imranullah Khan   | -                         | Non Executive Director   |
| Arshad Majeed Mohmand  | -                         | Non Executive Director   |
| Aamir Rizwan Qureshi   | -                         | Key Management Personnel |
| Abbas Husain Siahwala  | -                         | Key Management Personnel |
| Abdul Saleem   | -                         | Key Management Personnel |
| Ali Imran Hussain Arain  | -                         | Key Management Personnel |
| Aqib Salam   | -                         | Key Management Personnel |
| Arshad Ali Shahab  | -                         | Key Management Personnel |
| Arshad Sabri   | -                         | Key Management Personnel |
| Atif Aslam   | -                         | Key Management Personnel |
| Ayaz Jaffar Ahmed  | -                         | Key Management Personnel |
| Faisal Bashir Gill   | -                         | Key Management Personnel |
| Faiza Savul  | -                         | Key Management Personnel |
| Farah Naz Shah   | -                         | Key Management Personnel |
| Muhammad Taimoor Khan  | -                         | Key Management Personnel |
| Haider Ali   | -                         | Key Management Personnel |
| Haris Jamil Siddiqui   | -                         | Key Management Personnel |
| Huma Yahya   | -                         | Key Management Personnel |
| Humza Khan   | -                         | Key Management Personnel |
| Kamran Akhtar Hashmi   | -                         | Key Management Personnel |
| Kashif Iqbal Ghazi   | -                         | Key Management Personnel |
| Mohammed Jawwad Amin   | -                         | Key Management Personnel |
| Mudassir Zuberi  | -                         | Key Management Personnel |
| Muhammad Aamir   | -                         | Key Management Personnel |
| Muhammad Ali   | -                         | Key Management Personnel |
| Muhammad Bilal Ahmed Mirza   | -                         | Key Management Personnel |
| Muhammad Farrukh   | -                         | Key Management Personnel |
| Muhammad Imran Hussain Qureshi   | -                         | Key Management Personnel |
| Muhammad Owais   | -                         | Key Management Personnel |
| Muhammad Rizwan Dalia  | -                         | Key Management Personnel |

| Name of related parties              | Direct shareholding in KE | Relationship             |
|--------------------------------------|---------------------------|--------------------------|
| Noor Afshan                          | -                         | Key Management Personnel |
| Nowshad Alam                         | -                         | Key Management Personnel |
| Pervez Musani                        | -                         | Key Management Personnel |
| Rana Muhammad Imran                  | -                         | Key Management Personnel |
| Rasheed Ahmed Bhutto                 | -                         | Key Management Personnel |
| Rizwan Ahmed                         | -                         | Key Management Personnel |
| Rizwan Pesnani                       | -                         | Key Management Personnel |
| Sadia Dada                           | <0.01%                    | Key Management Personnel |
| Shahab Qader Khan                    | -                         | Key Management Personnel |
| Sheikh Humayun Saghir                | -                         | Key Management Personnel |
| Sheraz Kashif                        | -                         | Key Management Personnel |
| Syed Adnan Sami                      | -                         | Key Management Personnel |
| Syed Fawad Ali Gilani                | -                         | Key Management Personnel |
| Syed Irfan Ali Shah                  | -                         | Key Management Personnel |
| Syed Mehdi Ali                       | -                         | Key Management Personnel |
| Syed Moiz Ishaq                      | -                         | Key Management Personnel |
| Ubaid Ur Rehman Sheikh               | -                         | Key Management Personnel |
| Wahid Asghar                         | <0.01%                    | Key Management Personnel |
| Farooq Niaz*                         | -                         | Key Management Personnel |
| Tahir Ali Khan*                      | -                         | Key Management Personnel |
| Asif Raza*                           | -                         | Key Management Personnel |
| Arshad Iftikhar*                     | -                         | Key Management Personnel |
| Imdad Afzal*                         | -                         | Key Management Personnel |
| Sajjad Asghar Khan Shahani*          | -                         | Key Management Personnel |
| Rehan Sajjad*                        | -                         | Key Management Personnel |
| Irtaza Waseem Khan*                  | -                         | Key Management Personnel |
| Raza Abbas Naqvi*                    | -                         | Key Management Personnel |
| Naz Khan*                            | -                         | Key Management Personnel |
| Zehra Aneek*                         | -                         | Key Management Personnel |
| Abdul Khalique*                      | -                         | Key Management Personnel |
| Sheikh Amer Zia*                     | -                         | Key Management Personnel |
| Faisal Karamat*                      | -                         | Key Management Personnel |
| Syed Asad Ali Shah Jilani****        | -                         | Non-Executive director   |
| Khalid Rafi****                      | -                         | Non-Executive director   |
| Naveed Ismail****                    | -                         | Non-Executive director   |
| Ruhail Muhammad****                  | -                         | Non-Executive director   |
| Waseem Mukhtar****                   | -                         | Non-Executive director   |
| Sadia Khuram*****                    | -                         | Non-Executive director   |
| Chaudhary Khaqan Saadullah Khan***** | -                         | Non-Executive director   |
| Boudewijn Clemens Wentink*****       | -                         | Non-Executive director   |

**Employee retirement benefit funds:**

|                  |   |                                  |
|------------------|---|----------------------------------|
| - Gratuity Fund  | - | Post employment benefits / plans |
| - Provident Fund | - | Post employment benefits / plans |

\* These key management personnel resigned / retired from KE during the year ended June 30, 2023.

\*\* He ceased to be the Chairman of the Company with effect from August 11, 2022.

\*\*\* He was appointed as Chairman of the Company with effect from August 11, 2022.

\*\*\*\* These directors retired effective from July 29, 2022.

\*\*\*\*\* This director resigned effective from October 22, 2022.

\*\*\*\*\* These directors resigned effective from October 19, 2022.

49.2 Details of transactions with related parties, not disclosed elsewhere in these unconsolidated financial statements, are as follows:

#### 49.2.1 Government related entities

KE has availed the exemption available to it under its reporting framework, and therefore has not provided detailed disclosures of its transactions with all government related / state-owned entities except for transactions included below, which KE considers to be significant:

|                                    |   | 2023             | 2022        |
|------------------------------------|---|------------------|-------------|
|                                    |   | (Rupees in '000) |             |
| CPPA / NTDC                        | Power purchases   | 160,107,796      | 144,462,200 |
| Pakistan State Oil Company Limited | Purchase of furnace oil / HSD and other lubricants                      | 77,865,890       | 91,802,344  |
| Sui Southern Gas Company Limited   | Purchase of gas   | 54,957,985       | 111,349,481 |
| Pakistan LNG Limited               | Purchase of gas   | 78,388,465       | 8,116,711   |
| 49.2.2                             | Hascol Petroleum Limited (note 49.2.8) Purchase of furnace oil          | -                | 1,942,418   |
| 49.2.3                             | Subsidiary - KEVCL  |                  |             |
|                                    | Subscription of share capital   | 154,000          | 92,900      |
|                                    | Payment of statutory filing fee and stamp duty on behalf of KEVCL       | -                | 1,551       |
| 49.2.4                             | Subsidiary - K-Solar  |                  |             |
|                                    | Management fee income   | 4,562            | 7,362       |
|                                    | Salary of deputed staff   | 23,345           | 16,004      |
|                                    | Purchase of goods   | -                | 4,000       |
|                                    | Payment of statutory filing fee on behalf of K-Solar                    | -                | 2           |
| 49.2.5                             | Key management personnel  |                  |             |
|                                    | Managerial remuneration   | 724,316          | 654,073     |
|                                    | Other allowances and benefits   | 227,880          | 237,852     |
|                                    | Retirement benefits   | 111,810          | 55,767      |
|                                    | Leave encashment  | 5,154            | 2,625       |
| 49.2.6                             | Provident fund  | 1,231,728        | 1,168,162   |
| 49.2.7                             | Gratuity fund   | 1,173,777        | 206,529     |
| 49.2.8                             | In 2022, Hascol Petroleum Limited ceased to be the related party of KE. |                  |             |

#### 50. PROVIDENT FUND

KE operates approved funded contributory provident fund for both its management and non-management employees. The investments out of the provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

## 51. PLANT CAPACITY AND ANNUAL PRODUCTION

The details of actual generation against average annual Gross Dependable Capacity of each plant of KE is as follows:

| Plant Particulars              | Average Gross Dependable Capacity |              | Actual Generation |              |
|--------------------------------|-----------------------------------|--------------|-------------------|--------------|
|                                | 2023                              | 2022         | 2023              | 2022         |
|                                | ----- MW -----                    |              | ----- Gwh -----   |              |
| Bin Qasim Power Station - I    | 726                               | 750          | 2,033             | 3,591        |
| Bin Qasim Power Station - II   | 526                               | 526          | 2,807             | 3,821        |
| Bin Qasim Power Station - III  | 918                               | -            | 2,596             | 256          |
| CCPP Korangi                   | 227                               | 227          | 59                | 596          |
| Site Gas Turbine Power Station | 96                                | 96           | 27                | 110          |
| Korangi Town Gas Turbine       | 96                                | 96           | 12                | 122          |
|                                | <u>2,589</u>                      | <u>1,695</u> | <u>7,534</u>      | <u>8,496</u> |

51.1 The actual generation of electricity during the year was as per the demand and planned load shed.

## 52. OPERATING SEGMENT

KE operates as a vertically integrated power utility under a single integrated tariff structure, as determined by NEPRA, with no separate revenue streams as KE as a whole earns revenues by providing electricity to its end consumers. The management has determined Generation, Transmission and Distribution as its operating segments, which are being presented to the Board of Directors of KE for allocation of resources and assessment of performance. These operating segments carry risks and rewards which differ from other segment and also reflects the management structure of KE.

The unallocated items of profit or loss and assets and liabilities include items which cannot be allocated to a specific segment on a reasonable basis.

|   | 2023                            |              |              |              |              | Total     |
|---|---------------------------------|--------------|--------------|--------------|--------------|-----------|
|   | Generation                      | Transmission | Distribution | Un-allocated | Eliminations |           |
|   | ----- (Rupees in million) ----- |              |              |              |              |           |
| Segment revenue   | -                               | -            | 519,471      | -            | -            | 519,471   |
| Inter-segment revenue                                     | 257,306                         | 24,902       | -            | -            | (282,208)    | -         |
| Total revenue   | 257,306                         | 24,902       | 519,471      | -            | (282,208)    | 519,471   |
| Purchase of electricity / Consumption of fuel and oil     | (209,759)                       | -            | (505,368)    | -            | 282,208      | (432,919) |
| Contribution margin                                       | 47,547                          | 24,902       | 14,103       | -            | -            | 86,552    |
| O&M expenses  | (6,002)                         | (5,373)      | (25,489)     | -            | -            | (36,864)  |
| Other operating expenses                                  | (16,038)                        | (76)         | 1,626        | -            | -            | (14,488)  |
| Other income  | 524                             | 1,453        | 10,443       | -            | -            | 12,420    |
| Impairment loss against trade debts and other receivables | -                               | -            | (31,131)     | -            | -            | (31,131)  |
| EBITDA  | 26,031                          | 20,906       | (30,448)     | -            | -            | 16,489    |
| Depreciation and amortisation                             | (12,276)                        | (4,094)      | (7,922)      | -            | -            | (24,292)  |
| EBIT  | 13,755                          | 16,812       | (38,370)     | -            | -            | (7,803)   |
| Finance cost  | (13,597)                        | (9,910)      | (11,063)     | -            | -            | (34,570)  |
| (Loss) / profit before taxation                           | 158                             | 6,902        | (49,433)     | -            | -            | (42,373)  |
| Taxation - Current  | (2,441)                         | (236)        | (2,251)      | -            | -            | (4,928)   |
| Taxation - Deferred                                       | -                               | -            | -            | 14,655       | -            | 14,655    |
| Taxation - prior  | 866                             | 84           | 799          | -            | -            | 1,749     |
| Profit / (loss) for the year                              | (1,417)                         | 6,750        | (50,885)     | 14,655       | -            | (30,897)  |
| Capital expenditure                                       | 39,883                          | 13,861       | 16,086       | 808          | -            | 70,638    |
| Assets  | 332,716                         | 187,311      | 492,271      | 12,364       | -            | 1,024,662 |
| Liabilities   | 206,982                         | 115,971      | 442,529      | 4,026        | -            | 769,508   |

|   | 2022                |              |              |              |              | Total     |
|---|---------------------|--------------|--------------|--------------|--------------|-----------|
|   | Generation          | Transmission | Distribution | Un-allocated | Eliminations |           |
|   | (Rupees in million) |              |              |              |              |           |
| Segment revenue   | -                   | -            | 518,777      | -            | -            | 518,777   |
| Inter-segment revenue                                     | 248,039             | 9,562        | -            | -            | (257,601)    | -         |
| Total revenue   | 248,039             | 9,562        | 518,777      | -            | (257,601)    | 518,777   |
| Purchase of electricity / Consumption of fuel and oil     | (212,488)           | -            | (465,145)    | -            | 257,601      | (420,032) |
| Contribution margin                                       | 35,551              | 9,562        | 53,632       | -            | -            | 98,745    |
| O&M expenses  | (6,043)             | (5,446)      | (21,609)     | -            | -            | (33,098)  |
| Other operating expenses                                  | (6,556)             | (2,469)      | (387)        | -            | -            | (9,412)   |
| Other income  | (545)               | 506          | 10,249       | -            | -            | 10,210    |
| Impairment loss against trade debts and other receivables | -                   | -            | (24,847)     | -            | -            | (24,847)  |
| EBITDA  | 22,407              | 2,153        | 17,038       | -            | -            | 41,598    |
| Depreciation and amortisation                             | (11,869)            | (3,837)      | (5,123)      | -            | -            | (20,829)  |
| EBIT  | 10,538              | (1,684)      | 11,915       | -            | -            | 20,769    |
| Finance cost  | (3,935)             | (4,346)      | (6,839)      | -            | -            | (15,120)  |
| (Loss) / profit before taxation                           | 6,603               | (6,030)      | 5,076        | -            | -            | 5,649     |
| Taxation - Current  | (2,081)             | (80)         | (2,192)      | -            | -            | (4,353)   |
| Taxation - Deferred                                       | -                   | -            | -            | 7,228        | -            | 7,228     |
| Profit / (loss) for the year                              | 4,522               | (6,110)      | 2,884        | 7,228        | -            | 8,524     |
| Capital expenditure                                       | 26,340              | 12,313       | 23,889       | 230          | -            | 62,772    |
| Assets  | 257,243             | 142,794      | 618,783      | 41,308       | -            | 1,060,128 |
| Liabilities   | 201,613             | 66,930       | 491,913      | 49,500       | -            | 809,956   |

### 53. BENAZIR EMPLOYEES' STOCK OPTION SCHEME (BESOS)

On August 14, 2009, GoP launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-state Owned Enterprise where GoP holds significant investments (non-SOEs). The Scheme was 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 the Scheme, GoP was to 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 liability of BESOS for KE's employees is a liability of the fund and KE has no liability towards these payments. Various formalities relating to the finalisation of the Scheme such as trust deed and vesting period are yet to be finalised. Moreover, due to certain administrative issues, trust fund has not yet been created by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of SOEs needs to be accounted for by the entities, including KE, under IFRS 2 - "Share Based Payments". However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP on receiving representations from some of the entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan (ICAP) vide the letter number CAIDTS/PS& TAC/2011-2036 dated February 2, 2011 granted exemption to such entities from the application of IFRS 2 to the Scheme vide SRO 587 (I)/2011 dated June 7, 2011.

### 54. NUMBER OF EMPLOYEES

|  | 2023  | 2022   |
|--|-------|--------|
| Total number of employees as at the reporting date | 9,589 | 9,959  |
| Average number of employees during the year        | 9,705 | 10,098 |



## 55. CORRESPONDING FIGURES

Corresponding figures have been realigned and reclassified wherever considered necessary, for better presentation:

| Financial Statement Line Items (FSLIs) in annual audited unconsolidated financial statements for the year ended June 30, 2022 | Note | Audited June 30, 2022 (Rupees in '000) | FSLIs in annual audited unconsolidated financial statements for the year ended June 30, 2023 |
|---|------|--|--|
| * Long-term loans   | 8    | 11,899                                 | Long-term loans and deposits   |
| * Long-term deposits  | 9    | 11,744                                 |  |
| * Long-term diminishing musharaka   | 20   | 21,077,900                             | Long-term financing  |
| * Long-term financing   | 21   | 130,660,289                            |  |
| * Current maturity of long-term diminishing musharaka   | 20   | 3,750,000                              | Current maturity of long-term financing  |
| * Current maturity of long-term financing   | 21   | 19,888,341                             |  |
| **Consumer services and administrative expenses - Depreciation  | 38   | 3,879,695                              | Expenses incurred in generation, transmission and distribution - Depreciation                |
| *** Short-term deposits   | 30   | 10,674,972                             | Deferred revenue   |
| *** Trade and other payables - Contract Liabilities   | 27   | 1,159,485                              |  |

\* Realigned, being similar in nature.

\*\* Reclassified to align with current internal reporting.

\*\*\* Reclassified, considering more appropriate reflection of economic substance. The statement of financial position for the earliest period i.e. July 01, 2021 is not presented, as the impact of reclassification as of July 01, 2021 is immaterial in the overall context of these unconsolidated financial statements.

## 56. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on September 15, 2023, by the Board of Directors of KE.

## 57. GENERAL

All figures have been rounded off to the nearest thousand Pakistan Rupees unless otherwise stated.



**Syed Moonis Abdullah Alvi**  
Chief Executive Officer



**Saad Amanullah Khan**  
Director



**Muhammad Aamir Ghaziani**  
Chief Financial Officer



# Consolidated Financial Statements

# INDEPENDENT AUDITOR'S REPORT

To the members of K-Electric Limited

## Opinion

We have audited the annexed consolidated financial statements of K-Electric Limited (the Holding Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of Matters

We draw attention to:

- note 14.1 to the annexed consolidated financial statements, which explains the matter in respect of claims for write-off of trade debts pending with National Electric Power Regulatory Authority (NEPRA);
- note 32.1.1 to the annexed consolidated financial statements, which describes that the mark-up / financial charges on outstanding liabilities due to government-controlled entities will only be payable by the Holding Company as part of holistic settlement where the Holding Company will receive mark-up on outstanding receivable balances on account of tariff differential claims and energy dues of the Holding Company's public sector consumers; and
- note 32.1.5 to the annexed consolidated financial statements, which states that the Supreme Court of Pakistan vide its decision dated August 13, 2020 has declared the Gas Infrastructure Development Cess (GIDC) Act, 2015 to be valid. In this respect the Holding Company's suit is pending before the High Court of Sindh on the grounds, amongst others, that the Holding Company falls within the category of gas consumers who have not accrued the GIDC in their books and have neither recovered nor passed it on to their consumers.

Our opinion is not modified in respect of these matters.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

| S. No | Key audit matters  | How the matter was addressed in our audit   |
|-------|--|---|
| (i)   | <p><b>Tariff adjustment on account of write-off of bad debts</b><br/>           (Refer notes 2.5.1 and 34.2 to the annexed consolidated financial statements)</p> <p>Revenue recognized during the year in respect of tariff adjustment on account of write-off of bad debts amounted to Rs. 16,264 million, comprising receivables from 82,564 consumers.</p> <p>As required under the Multi-Year Tariff for the period from July 1, 2016, to June 30, 2023 (MYT 2017-23), for the purpose of claiming tariff adjustment in respect of write-off of bad debts, the Group is required to ensure that certain specific minimum procedures are completed.</p> <p>Tariff adjustment being part of revenue is assessed as an area involving presumed risk of material misstatement, hence, significant risk for the audit. Further, such tariff adjustment on account of write-off of bad debts requires significant judgement and interpretation of MYT 2017-23 by the Group's management.</p> <p>Accordingly, we considered tariff adjustment on account of write-off of bad debts a key audit matter.</p> | <p>Our audit procedures amongst other included the following:</p> <ul style="list-style-type: none"> <li>• Updated our understanding of the requirements of MYT 2017-23 relating to the claim of write-off of bad debts as tariff adjustment by reviewing correspondence with NEPRA;</li> <li>• Evaluated key basis / assumptions that have been used and procedures that have been performed by the Group's management for determining the eligibility of the claim for write-off;</li> <li>• Evaluated whether compliance was made by the Group with the specific requirements stipulated in MYT 2017-23 relating to claim of write-off of bad debts;</li> <li>• Verified as part of the requirement of MYT 2017-23 that the amounts are not recoverable notwithstanding the efforts of the Group; and</li> <li>• Assessed the financial impacts and appropriateness of disclosures made in the consolidated financial statements in this respect.</li> </ul> |
| (ii)  | <p><b>Impairment loss against trade debts</b><br/>           (Refer notes 2.5.4 and 11 to the annexed consolidated financial statements)</p>   | <p>Our audit procedures amongst other included the following:</p>   |

| S. No | Key audit matters   | How the matter was addressed in our audit  |
|-------|---|--|
|       | <p>The loss allowance for expected credit losses (ECL model) on trade debts (other than dues from public sector consumers i.e., government-controlled entities) has been recognized in the annexed consolidated financial statements using the guidance included in IFRS 9 'Financial Instruments'. The ECL model involves significant estimates and judgements which are reviewed on an ongoing basis for historical experience and various other factors.</p> <p>As a result of application of the ECL model an amount of Rs. 30,272 million has been recognized during the year as impairment loss against trade debts.</p> <p>Due to application of significant management judgement and use of estimates, we have considered application of the ECL model to determine the impairment loss against trade debts a key audit matter.</p> | <ul style="list-style-type: none"> <li>• Considered management's process of application of ECL model to calculate impairment loss against trade debts;</li> <li>• Evaluated key decisions made by the Group's management with respect to estimates and judgements in relation to application of the ECL model;</li> <li>• Evaluated the ECL model for appropriateness of the methodology applied and checked arithmetical accuracy of the model; and</li> <li>• Assessed financial impacts and appropriateness of disclosures made in the consolidated financial statements in relation to impairment loss against trade debts.</li> </ul> |
| (iii) | <p><b>Revaluation of property, plant and equipment (PP&amp;E)</b><br/>(Refer notes 2.5.2, 4.1, 5 and 20 to the annexed consolidated financial statements)</p> <p>The Group as at reporting date carried out a revaluation exercise for specific classes of PP&amp;E being plant and machinery and transmission grid equipment which resulted in a revaluation surplus of Rs. 50,836 million for the year.</p> <p>Determination of fair value of aforementioned classes of PP&amp;E by the management for this purpose requires use of experts and application of significant management judgement and use of estimates.</p> <p>Accordingly, we considered this an area of higher assessed risk and a key audit matter.</p>  | <p>Our audit procedures amongst other included the following:</p> <ul style="list-style-type: none"> <li>• Obtained valuation reports of management's expert and considered qualification and experience of the expert, the scope of work and the assumptions used;</li> <li>• Checked revaluation adjustments made by management;</li> <li>• For selected sites, engaged expert to perform an independent assessment of the work performed and conclusions reached by the management's expert; and</li> <li>• Assessed the appropriateness of the disclosures in the consolidated financial statements in this respect.</li> </ul>        |

## Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Osama Kapadia.

**A. F. Ferguson & Co.**  
Chartered Accountants  
Karachi

Date: October 2, 2023

UDIN: AR202310080tnxvhX5DH

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2023

|  |      | June 30, 2023              | June 30, 2022 |
|--|------|----------------------------|---------------|
|  | Note | -----[Rupees in '000]----- |               |
| <b>ASSETS</b>  |      |                            |               |
| <b>Non-current assets</b>                                      |      |                            |               |
| Property, plant and equipment                                  | 5    | 580,273,954                | 489,283,684   |
| Intangible assets  | 6    | 1,170,377                  | 518,889       |
| Investment property  | 7    | 2,864,985                  | 2,925,942     |
| Other financial assets - at amortised cost                     | 8    | 23,366,721                 | 16,323,268    |
| Long-term loans and deposits                                   | 9    | 23,114                     | 26,499        |
| Deferred taxation  | 26   | 67,663                     | 27,868        |
|  |      | 607,766,814                | 509,106,150   |
| <b>Current assets</b>  |      |                            |               |
| Inventories  | 10   | 18,736,302                 | 17,105,276    |
| Trade debts  | 11   | 104,452,241                | 136,963,108   |
| Loans and advances   | 12   | 2,733,834                  | 1,689,165     |
| Deposits and short-term prepayments                            | 13   | 11,857,466                 | 8,057,751     |
| Other receivables  | 14   | 239,314,495                | 375,198,048   |
| Current maturity of other financial assets - at amortised cost | 8    | 2,279,301                  | 1,088,032     |
| Derivative financial assets                                    | 15   | 23,567,302                 | 8,033,631     |
| Taxation - net   |      | 2,122,343                  | -             |
| Cash and bank balances   | 16   | 7,121,309                  | 2,899,473     |
|  |      | 412,184,593                | 551,034,484   |
| Asset classified as held for sale                              | 17   | 4,613,618                  | -             |
|  |      | 1,024,565,025              | 1,060,140,634 |
| <b>TOTAL ASSETS</b>  |      |                            |               |
| <b>EQUITY AND LIABILITIES</b>                                  |      |                            |               |
| <b>SHARE CAPITAL AND RESERVES</b>                              |      |                            |               |
| Issued, subscribed and paid-up capital                         | 18   | 96,261,551                 | 96,261,551    |
| <b>Reserves</b>  |      |                            |               |
| <b>Capital reserves</b>  |      |                            |               |
| Share premium and other reserves                               | 19   | 2,009,172                  | 2,009,172     |
| Revaluation surplus on property, plant and equipment           | 20   | 101,431,882                | 69,713,296    |
|  |      | 103,441,054                | 71,722,468    |
| <b>Revenue reserves</b>  |      |                            |               |
| General reserves   |      | 5,372,356                  | 5,372,356     |
| Unappropriated profit  |      | 49,920,862                 | 76,742,861    |
|  |      | 55,293,218                 | 82,115,217    |
|  |      | 158,734,272                | 153,837,685   |
|  |      | 254,995,823                | 250,099,236   |
| <b>TOTAL EQUITY</b>  |      |                            |               |
| <b>LIABILITIES</b>   |      |                            |               |
| <b>Non-current liabilities</b>                                 |      |                            |               |
| Long-term financing  | 21   | 180,508,276                | 151,738,189   |
| Lease liabilities  | 22   | 133,901                    | 164,701       |
| Long-term deposits and other liabilities                       | 23   | 16,714,458                 | 13,976,931    |
| Employee retirement and other benefit obligations              | 24   | 5,676,545                  | 5,492,679     |
| Deferred revenue   | 25   | 51,378,971                 | 42,414,985    |
|  |      | 254,412,151                | 213,787,485   |
| <b>Current liabilities</b>                                     |      |                            |               |
| Current maturity of long-term financing                        | 21   | 36,286,290                 | 23,638,341    |
| Current maturity of lease liabilities                          | 22   | 42,459                     | 32,750        |
| Trade and other payables                                       | 27   | 357,939,365                | 438,164,316   |
| Unclaimed dividend   |      | 645                        | 645           |
| Accrued mark-up  | 28   | 14,269,819                 | 10,629,604    |
| Taxation - net   |      | -                          | 897,273       |
| Short-term borrowings  | 29   | 92,851,098                 | 107,535,452   |
| Short-term deposits  | 30   | 13,750,583                 | 15,337,040    |
| Provisions   | 31   | 16,792                     | 18,492        |
|  |      | 515,157,051                | 596,253,913   |
|  |      | 769,569,202                | 810,041,398   |
| Contingencies and Commitments                                  | 32   |                            |               |
|  |      | 1,024,565,025              | 1,060,140,634 |
| <b>TOTAL EQUITY AND LIABILITIES</b>                            |      |                            |               |

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



**Syed Moonis Abdullah Alvi**  
Chief Executive Officer



**Saad Amanullah Khan**  
Director



**Muhammad Aamir Ghaziani**  
Chief Financial Officer



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2023

|  | Note        | 2023<br>------(Rupees in '000)----- | 2022                 |
|--|-------------|-------------------------------------|----------------------|
| <b>REVENUE</b>   |             |                                     |                      |
| Net revenue  | 33          | 382,824,912                         | 346,384,175          |
| Tariff adjustment  | 34          | 136,907,413                         | 172,686,588          |
|  |             | <u>519,732,325</u>                  | <u>519,070,763</u>   |
| <b>COST OF SALES</b>   |             |                                     |                      |
| Purchase of electricity  | 35          | (223,159,922)                       | (207,544,377)        |
| Consumption of fuel and oil  | 36          | (209,759,088)                       | (212,487,554)        |
| Expenses incurred in generation, transmission and distribution               | 37          | (33,740,202)                        | (30,209,269)         |
| Other cost of sales  |             | (230,561)                           | (271,230)            |
|  |             | <u>(466,889,773)</u>                | <u>(450,512,430)</u> |
|  |             | 52,842,552                          | 68,558,333           |
| <b>GROSS PROFIT</b>  |             |                                     |                      |
| Consumers services and administrative expenses                               | 38          | (27,560,569)                        | (23,811,539)         |
| Impairment loss against trade debts and other receivables                    | 11.5 & 14.1 | (31,131,302)                        | (24,847,537)         |
| Other operating expenses   | 39          | (14,501,250)                        | (9,413,621)          |
| Other income   | 40          | 12,428,035                          | 10,206,869           |
|  |             | <u>(60,765,086)</u>                 | <u>(47,865,828)</u>  |
|  |             | (7,922,534)                         | 20,692,505           |
| <b>(LOSS) / PROFIT BEFORE FINANCE COST</b>                                   |             |                                     |                      |
| Finance cost   | 41          | (34,572,689)                        | (15,122,662)         |
|  |             | (42,495,223)                        | 5,569,843            |
| <b>(LOSS) / PROFIT BEFORE TAXATION</b>                                       |             |                                     |                      |
| Taxation   | 42          | 11,512,307                          | 2,899,471            |
|  |             | <u>(30,982,916)</u>                 | <u>8,469,314</u>     |
| <b>(LOSS) / PROFIT FOR THE YEAR</b>  |             |                                     |                      |
| <b>EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)</b> |             |                                     |                      |
|  | 43          | <u>16,376,055</u>                   | <u>41,527,263</u>    |
| <b>(LOSS) / EARNING PER SHARE - BASIC AND DILUTED</b>                        |             |                                     |                      |
|  | 44          | <u>(1.12)</u>                       | <u>0.31</u>          |

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



**Syed Moonis Abdullah Alvi**  
Chief Executive Officer



**Saad Amanullah Khan**  
Director



**Muhammad Aamir Ghaziani**  
Chief Financial Officer

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2023

|  |        | 2023                         | 2022              |
|--|--------|------------------------------|-------------------|
|  | Note   | ----- (Rupees in '000) ----- |                   |
| <b>(LOSS) / PROFIT FOR THE YEAR</b>                          |        | (30,982,916)                 | 8,469,314         |
| <b>OTHER COMPREHENSIVE INCOME:</b>                           |        |                              |                   |
| <b>Items that may be reclassified to profit or loss</b>      |        |                              |                   |
| Changes in fair value of cash flow hedges                    |        | 19,536,648                   | 5,997,523         |
| Adjustment for amounts transferred to profit or loss         |        | (19,536,648)                 | (5,997,523)       |
|  |        | -                            | -                 |
| <b>Items that will not be reclassified to profit or loss</b> |        |                              |                   |
| Remeasurement of post employee benefit obligations           | 24.1.1 | (301,390)                    | (111,783)         |
| Less: Taxation thereon                                       | 26.1   | 87,403                       | 32,417            |
|  |        | (213,987)                    | (79,366)          |
| Revaluation surplus  | 20     | 50,835,901                   | 25,036,606        |
| Less: Taxation thereon                                       | 26.1   | (14,742,411)                 | (7,260,616)       |
|  |        | 36,093,490                   | 17,775,990        |
|  |        | 35,879,503                   | 17,696,624        |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>               |        | <b>4,896,587</b>             | <b>26,165,938</b> |

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



**Syed Moonis Abdullah Alvi**  
Chief Executive Officer



**Saad Amanullah Khan**  
Director



**Muhammad Aamir Ghaziani**  
Chief Financial Officer

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2023

|   | Issued, subscribed and paid-up capital |                   |                     | Reserves                  |                    |   |             |                 |                       | Total        |              |
|---|--|-------------------|---------------------|---------------------------|--------------------|---|-------------|-----------------|-----------------------|--------------|--------------|
|   | Ordinary shares                        | Transaction costs | Total share capital | Capital                   |                    |   | Revenue     |                 |                       |              |              |
|   |  |                   |                     | Share premium (note 18.3) | Others (note 19.1) | Revaluation surplus on property, plant and equipment - net of tax | Total       | General reserve | Unappropriated profit |              | Total        |
|   | (Rupees in '000)                       |                   |                     |                           |                    |   |             |                 |                       |              |              |
| <b>Balance as at July 1, 2021</b>   | 96,653,179                             | (391,628)         | 96,261,551          | 1,500,000                 | 509,172            | 55,932,669  | 57,941,841  | 5,372,356       | 64,357,550            | 69,729,906   | 223,933,298  |
| Total comprehensive income for the year ended June 30, 2022   |  |                   |                     |                           |                    |   |             |                 |                       |              |              |
| Profit for the year   | -                                      | -                 | -                   | -                         | -                  | -   | -           | -               | 8,469,314             | 8,469,314    | 8,469,314    |
| Other comprehensive income / (loss)   | -                                      | -                 | -                   | -                         | -                  | 17,775,990  | 17,775,990  | -               | (79,366)              | (79,366)     | 17,696,624   |
|   | -                                      | -                 | -                   | -                         | -                  | 17,775,990  | 17,775,990  | -               | 8,389,948             | 8,389,948    | 26,165,938   |
| Incremental depreciation charged relating to revaluation surplus on property, plant and equipment and disposals - net of deferred tax (note 20) | -                                      | -                 | -                   | -                         | -                  | (3,995,363)   | (3,995,363) | -               | 3,995,363             | 3,995,363    | -            |
| <b>Balance as at June 30, 2022</b>  | 96,653,179                             | (391,628)         | 96,261,551          | 1,500,000                 | 509,172            | 69,713,296  | 71,722,468  | 5,372,356       | 76,742,861            | 82,115,217   | 250,099,236  |
| Total comprehensive income for the year ended June 30, 2023   |  |                   |                     |                           |                    |   |             |                 |                       |              |              |
| Loss for the year   | -                                      | -                 | -                   | -                         | -                  | -   | -           | -               | (30,982,916)          | (30,982,916) | (30,982,916) |
| Other comprehensive income / (loss)   | -                                      | -                 | -                   | -                         | -                  | 36,093,490  | 36,093,490  | -               | (213,987)             | (213,987)    | 35,879,503   |
|   | -                                      | -                 | -                   | -                         | -                  | 36,093,490  | 36,093,490  | -               | (31,196,903)          | (31,196,903) | 4,896,587    |
| Incremental depreciation charged relating to revaluation surplus on property, plant and equipment and disposals - net of deferred tax (note 20) | -                                      | -                 | -                   | -                         | -                  | (4,374,904)   | (4,374,904) | -               | 4,374,904             | 4,374,904    | -            |
| <b>Balance as at June 30, 2023</b>  | 96,653,179                             | (391,628)         | 96,261,551          | 1,500,000                 | 509,172            | 101,431,882   | 103,441,054 | 5,372,356       | 49,920,862            | 55,293,218   | 254,995,823  |

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



**Syed Moonis Abdullah Alvi**  
Chief Executive Officer



**Saad Amanullah Khan**  
Director



**Muhammad Aamir Ghaziani**  
Chief Financial Officer

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

|   | Note        | 2023<br>-----[Rupees in '000]----- | 2022                |
|---|-------------|------------------------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                           |             |                                    |                     |
| (Loss) / profit before taxation                                       |             | (42,495,223)                       | 5,569,843           |
| <b>Adjustments for non-cash charges and other items:</b>              |             |                                    |                     |
| Depreciation and amortisation   | 37 & 38     | 24,298,588                         | 20,834,758          |
| Provision for employee retirement and other benefits                  |             | 1,274,301                          | 1,061,766           |
| (Reversal) / provision for slow moving and obsolete inventories - net | 10.1        | (99,416)                           | 218,463             |
| Impairment loss against trade debts and other receivables             | 11.5 & 14.1 | 31,131,302                         | 24,847,537          |
| Provision against fatal accident cases                                | 31          | 1,300                              | 36,642              |
| Gain on sale of operating fixed assets                                | 40          | (1,483,669)                        | (2,194,267)         |
| Unrealised gain on derivative financial assets                        |             | (19,536,648)                       | (5,997,523)         |
| Unrealised exchange loss - net  |             | 32,404,619                         | 11,849,749          |
| Reversal of interest accrued on security deposits                     |             | -                                  | (1,962,573)         |
| Finance cost (excluding transaction cost)                             |             | 33,991,737                         | 14,792,190          |
| Amortisation of transaction cost                                      |             | 580,058                            | 330,133             |
| Assets written off  |             | 514,673                            | -                   |
| Amortisation of deferred revenue                                      | 25          | (2,917,953)                        | (2,405,777)         |
| Return on bank deposits   | 40          | (1,559,502)                        | (450,032)           |
| <b>Operating profit before working capital changes</b>                |             | <b>56,104,167</b>                  | <b>66,530,909</b>   |
| <b>Working capital changes:</b>                                       |             |                                    |                     |
| <b>Decrease / (increase) in current assets</b>                        |             |                                    |                     |
| Inventories   |             | (1,531,611)                        | (1,240,867)         |
| Trade debts   |             | 2,238,529                          | (51,581,534)        |
| Loans and advances  |             | (1,046,049)                        | 898,493             |
| Deposits and short-term prepayments                                   |             | (3,799,916)                        | (4,054,407)         |
| Other receivables   |             | 135,026,516                        | (105,738,799)       |
|   |             | 130,887,469                        | (161,717,114)       |
| <b>Increase / (decrease) in current liabilities</b>                   |             |                                    |                     |
| Trade and other payables  |             | (81,201,780)                       | 82,212,439          |
| Short-term deposits   |             | (5,494,059)                        | 4,229,771           |
|   |             | (86,695,839)                       | 86,442,210          |
| <b>Cash generated from / (used in) operations</b>                     |             | <b>100,295,797</b>                 | <b>(8,743,995)</b>  |
| Employee retirement benefits paid                                     |             | (1,391,825)                        | (398,004)           |
| Income tax paid   |             | (6,202,112)                        | (3,511,014)         |
| Security deposit from consumers                                       | 48.4        | 2,737,527                          | 1,110,582           |
| Increase in deferred revenue  | 25          | 11,881,939                         | 5,288,658           |
| Finance cost paid   |             | (48,235,292)                       | (20,120,911)        |
| Payments made in respect of out of court settlements                  | 31          | (3,000)                            | (25,650)            |
| Interest received on bank deposits                                    |             | 1,558,659                          | 450,032             |
| Long-term loans and deposits  |             | 3,379                              | 1,966               |
|   |             | (39,650,725)                       | (17,204,341)        |
| <b>Net cash generated from / (used in) operating activities</b>       |             | <b>60,645,072</b>                  | <b>(25,948,336)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                           |             |                                    |                     |
| Capital expenditure incurred  |             | (49,763,763)                       | (51,262,747)        |
| Proceeds from disposal of operating fixed assets                      | 5.2         | 1,977,445                          | 4,003,158           |
| Redemption other financial asset - at amortised cost (net)            |             | (1,717,043)                        | (16,504,844)        |
| <b>Net cash used in investing activities</b>                          |             | <b>(49,503,361)</b>                | <b>(63,764,433)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                           |             |                                    |                     |
| Proceeds from long-term financing - net                               | 48.4        | 7,821,238                          | 89,602,181          |
| Lease rental payments   | 22.2        | (56,759)                           | (53,827)            |
| Repayment of short-term borrowings - net                              | 48.4        | (7,986,128)                        | (5,858,876)         |
| <b>Net cash (used in) / generated from financing activities</b>       |             | <b>(221,649)</b>                   | <b>83,689,478</b>   |
| <b>Net increase / (decrease) in cash and cash equivalents</b>         |             | <b>10,920,062</b>                  | <b>(6,023,291)</b>  |
| Cash and cash equivalents at beginning of the year                    |             | (41,822,096)                       | (35,798,805)        |
| <b>Cash and cash equivalents at end of the year</b>                   | 46          | <b>(30,902,034)</b>                | <b>(41,822,096)</b> |

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



**Syed Moonis Abdullah Alvi**  
Chief Executive Officer



**Saad Amanullah Khan**  
Director



**Muhammad Aamir Ghaziani**  
Chief Financial Officer

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

## 1. LEGAL STATUS AND ITS OPERATIONS

The Group consists of K-Electric Limited (KE or the Holding Company) and its subsidiary companies namely KE Venture Company (Private) Limited (KEVCL) and K-Solar (Private) Limited (K-Solar). Brief profiles of KE and its subsidiaries are as follows:

### 1.1 K-Electric Limited

1.1.1 KE was incorporated as a limited liability company on September 13, 1913 under the repealed Indian Companies Act, 1882 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange Limited (PSX). The registered office of KE is situated at KE House, 39-B, Sunset Boulevard, Phase II, DHA, Karachi.

1.1.2 KE is principally engaged in the generation, transmission and distribution of electric energy to industrial and other consumers under the Electricity Act, 1910 and the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (the NEPRA Act, 1997) to its licensed areas. KES Power Limited (the Holding Company of KE) incorporated in Cayman Islands, holds 66.40 percent (2022: 66.40 percent) shares in KE.

1.1.3 The business units of KE include the following:

#### Place of business

Registered / Head Office  
Generation Plants  
Elander Road Office  
Civic Centre Office

#### Geographical location

KE House, 39-B, Sunset Boulevard, Phase II, DHA, Karachi  
Port Qasim, Korangi & S.I.T.E., Karachi  
Elander Road, Karachi  
Civic Centre, Karachi

Integrated Business Centres (IBCs), grid stations, inventory stores / warehouses and substations are located across KE's licensed territory, which covers Karachi and adjoining areas of Sindh and Balochistan.

### 1.2 KE Venture Company (Private) Limited

KE Venture Company (Private) Limited (KEVCL) was incorporated on July 30, 2020, as a private company with the intent to be the investment arm of the Holding Company to carry on any business including but not limited to businesses dealing in electricity and all other forms of energy, and products or services associated therewith. The registered office of KEVCL is situated at KE House, 39-B, Sunset Boulevard, Phase II, DHA, Karachi.

The Holding Company along with its nominees held 100% shares of KEVCL as at June 30, 2023 (2022: 100% holding).

### 1.3 K-Solar (Private) Limited

K-Solar (Private) Limited (K-Solar) was incorporated on September 18, 2020, as a private company to carry on all or any of the businesses dealing in electricity and all other forms of renewable energy and products or services associated therewith, and for promoting the conservation and efficient use of electricity. The registered office of K-Solar is situated at K-Solar House, Unit No. 3 & 4, SASI Town Houses, Abdullah Haroon Road, Civil Lines, Karachi. K-Solar is a wholly owned subsidiary of KEVCL.

KE held 100% effective shareholding of K-Solar as at June 30, 2023 (2022: 100% holding).

- 1.4 As notified on the PSX on October 28, 2016, Shanghai Electric Power Company Limited (SEP) has entered into a Sale and Purchase Agreement (SPA) with KES Power Limited (the Parent Company) to acquire up to 66.40 percent of the shares in KE. The completion of the transaction contemplated by SPA is subject to receipt of applicable regulatory approvals and satisfaction of other conditions precedent specified therein.

SEP notified its initial Public Announcement of Intention (PAI) for the above equity acquisition on October 3, 2016. Subsequently, in order to comply with the statutory requirements under the Securities Act, 2015 and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017, SEP notified PAIs on different dates with latest PAI being notified on July 21, 2023 incorporating amended / additional requirements pursuant to the Securities Act, 2015 and the aforementioned regulations.

- 1.5 KE, being a regulated entity, is governed through Multi Year Tariff (MYT) regime. National Electric Power Regulatory Authority (NEPRA) vide its determination dated July 5, 2018 determined the MYT for the period commencing from July 1, 2016 till June 30, 2023 (MYT 2017-23). KE after considering that the MYT decision did not consider actual equity invested into the KE, applied notional capital structure based on the assumption of 70:30 debt to equity ratio and is a drastic departure from the previous structure without providing the KE an appropriate transition period, approached the Appellate Tribunal for relief under Section 12G of the NEPRA Act 1997 which is pending. KE also approached the High Court of Sindh (HCS) against the aforementioned MYT decision and filed a suit in which a stay order was granted on July 26, 2018. KE, on April 3, 2019, withdrew the suit filed with HCS against MYT decision, as KE decided to pursue its legitimate concerns / issues with Appellate Tribunal, however, reserves its right to again approach the HCS if required. The Ministry of Energy (Power Division) has notified the MYT decision through SRO 576 (I) /2019 dated May 22, 2019.

KE's revenue recognised in these consolidated financial statements is based on the aforementioned MYT decision.

- 1.6 KE filed Mid Term Review (MTR) petition with NEPRA as per the mechanism included in the MYT decision dated July 5, 2018, for reassessment of impact of USD indexation on allowed Return on Equity, changes due to necessary revision in the investment plan and working capital requirements of KE along with other adjustments. NEPRA issued its determination on MTR on March 1, 2022, (MTR decision) wherein NEPRA determined a downward adjustment of Rs. 0.22/kWh. In its decision, NEPRA did not allow additional investment requested, disallowed cost of working capital, allowed partial exchange rate variation for return on equity indexation and did not consider other adjustments. Being aggrieved, KE filed an appeal before Appellate Tribunal and is currently pursuing its legitimate concerns / issues before the Appellate Tribunal. However, prudently, the impact of the downward adjustment of Rs. 0.22/kWh has been recognised in these consolidated financial statements. Further, NEPRA in its MTR decision decided to review at the end of MYT control period, the impact of USD indexation on allowed Return on Equity and base rate adjustment component for required return on regulatory assets. Therefore, KE has accounted on accrual basis for these base tariff impacts in these consolidated financial statements.

- 1.7 KE was awarded an integrated MYT by NEPRA for a control period of 7 years that expired on June 30, 2023. Keeping in view learnings of the current MYT and the ongoing changes in power sector, KE is endeavoring separate tariff determination for each business segment for the period post June 2023. In this regard, KE's Generation petition for the remaining life of Generation plants and Investment Plan and Key Performance Indicators (KPIs) for Transmission and Distribution segments for the next control period (FY 2024 to FY 2030) are now in advanced stages of proceedings. Determination of Investment Plan for Transmission and Distribution Segments will be followed by Submission of Tariff petitions for Transmission, Distribution and Supply segments. KE remains engaged with NEPRA for timely and sustainable determination.

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The applicable accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Act; and
- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRSs and IFAS, the provisions of and directives issued under the Act have been followed.

## 2.2 New standards, amendments to accounting and reporting standards and new interpretations

### a) Amendments to published accounting and reporting standards which became effective during the year

- Amendment to IAS 16 'Property, Plant and Equipment' - Proceeds before the intended use

In 2020, the IASB made an amendment - Proceeds before the intended use in IAS 16 - "Property, Plant and Equipment". As a result, the net proceeds received from selling the output produced before the asset is ready for its intended use are to be recognised in the profit or loss. Previously, such proceeds were deducted from the cost of the asset. This amendment is to be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after beginning of the earliest period presented. The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with an option of early adoption. In FY-22 the Group has early adopted the amendment as permitted.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform – Phase 2

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that address issues arising during the reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one. The objective of the disclosures required by the Phase 2 amendments is to enable users of financial statements to understand the effect of IBOR reform on an entity's financial instruments and risk management strategy. The relevant information about the nature and extent of risks arising from IBOR reform to which KE is exposed, how KE manages those risks, and KE's progress in completing the transition to alternative benchmark rates and how it is managing that transition is disclosed in note 21.12.

### b) Amendments to published accounting and reporting standards that are not yet effective

The following amendments with respect to the accounting and reporting standards would be effective from the dates mentioned there against:

|  | <b>Effective date<br/>(annual reporting periods<br/>beginning on or after)</b> |
|--|--|
| <b>IAS 1</b> Presentation of financial statements (Amendments)                 | January 1, 2023  |
| <b>IAS 8</b> Accounting policies, changes in estimates and errors (Amendments) | January 1, 2023  |
| <b>IAS 12</b> Income taxes (Amendments)  | January 1, 2023  |
| <b>IFRS 16</b> Leases on sale and leaseback (Amendments)                       | January 1, 2024  |
| <b>IAS 1</b> Non current liabilities with covenants (Amendments)               | January 1, 2024  |

The Group anticipates that application of above amendments in future periods, will have no material impact on the consolidated financial statements other than in presentation / disclosures.

SECP through S.R.O. 67(I)/2023 dated January 20, 2023 has notified that in respect of companies holding financial assets due or ultimately due from the Government of Pakistan (GoP) in respect of circular debt, the requirements contained in IFRS 9 'Financial Instruments', with respect to application of Expected Credit Loss (ECL) method shall not be applicable for the financial years ending on or before December 31, 2024, provided that such companies shall follow relevant requirements of IAS 39 'Financial Instruments: Recognition and Measurement' in respect of above referred financial assets during the exemption period.

### **2.3 Basis of measurement**

These consolidated financial statements have been prepared under the historical cost convention except otherwise stated in these consolidated financial statements.

### **2.4 Functional and presentation currency**

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which KE operates. These consolidated financial statements are presented in Pakistan Rupees, which is also the Group's functional currency.

### **2.5 Use of estimates and judgments**

The preparation of consolidated financial statements in conformity with the accounting and reporting standards as applicable in Pakistan, requires management to make judgements, 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 judgements 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 recognised 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 Group's accounting policies, management has made the following accounting estimates and judgments which are significant to these consolidated financial statements.

#### **2.5.1 Tariff adjustment determination**

As per the mechanism laid out in the MYT decision, KE seeks adjustments for fuel price, cost of power purchase, operation and maintenance cost and unrecovered cost including non-recoverable dues written-off (note 34.2), as per NEPRA's determination on a monthly / quarterly / annual basis. The monthly / quarterly / annual determinations of the tariff adjustment are approved by NEPRA on a time to time basis, resulting in provisional amounts being recognised by KE based on its judgements and interpretation of MYT decision, till the determination from NEPRA is received.

#### **2.5.2 Property, plant and equipment and intangible assets**

The Group reviews appropriateness of the useful lives, residual values and depreciation and amortisation method used in the calculation of depreciation and amortisation on an annual basis. The estimates of revalued amounts of leasehold land, plant and machinery and transmission grid equipments are based on 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 future might affect the carrying amount of respective items of property, plant and equipment and intangible assets, with corresponding effects on the depreciation and amortisation charge and impairment.



### 2.5.3 Lease liabilities

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under its lease arrangements to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., a change in business strategy). Any change is accounted for as a change in estimate and applied prospectively with corresponding change in right-of-use assets and lease liabilities.

### 2.5.4 Provision for impairment of financial assets

#### Financial assets due from public sector consumers and tariff differential claims

The Group assesses the recoverability of these financial assets if there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms. Judgement by the management is required in estimation of the amount and timing of future cash flows when determining the level of provision required and in determining the debts that are not recoverable and are to be written off.

#### Other financial assets

The Group uses default rates based on provision matrix for large portfolio of customers who have similar characteristics to calculate Expected Credit Loss (ECL) for trade debts.

The rates in provision matrix are based on days past due for various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates which is then adjusted for forward looking information.

The assessment of the correlation between historical observed default rates and the forecast economic conditions and ECL are significant estimates. The amount of ECL is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

### 2.5.5 Inventories

The Group reviews the carrying values of inventories to assess any diminution against which provision for impairment is made. The determination of provision involves the use of estimates with regards to holding period of inventories.

### 2.5.6 Provision for retirement and other service benefit obligations

The present value of these obligations depends on a number of factors and is based on actuarial valuations, which uses 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 / estimations are disclosed in note 24.

### 2.5.7 Taxation

In making the estimate for income tax payable, the Group takes into account the applicable tax laws and interpretations thereof based on past judgements and experience. Deferred tax asset is recognised 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 utilised. Significant judgement is exercised to determine the amount of deferred tax asset to be recognised.

### 2.5.8 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 for determination of the fair values of property, plant and equipment, asset classified as held for sale and derivatives is included in notes 5.1.4 and 47.2.1 respectively.

### 2.5.9 Derivatives

The Group has entered into cross currency swap and interest rate swap arrangements. The measurement involves the use of estimates with regard to interest rates and foreign currency exchange rates which fluctuate with the market and are included in note 4.9. The estimates of fair value of derivatives are based on mark to market reports obtained from financial institutions.

### 2.5.10 Provisions and contingencies

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The assessment of contingencies inherently involves the exercise of significant judgement as the outcome of future events cannot be predicted with certainty. The Group, based on availability of latest information, estimates the value of contingent liabilities, which may differ on the occurrence / non-occurrence of uncertain future event(s).

## 3. BASIS OF CONSOLIDATION

These consolidated financial statements include the financial statements of the KE and its subsidiaries.

A company is a subsidiary, if the Holding Company directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors.

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the KE, using consistent accounting policies.

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis and carrying value of investments held by the KE is eliminated against the subsidiary companies shareholders' equity in these consolidated financial statements.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these consolidated financial statements, unless otherwise stated.

### 4.1 Property, plant and equipment

#### 4.1.1 Operating fixed assets

##### *Initial recognition*

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of such item can be measured reliably. Recognition of the cost 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 are capitalised from the date of purchase of such spares.

### Measurement

All items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for leasehold land, plant and machinery and transmission grid equipments which are measured at revalued amounts, which is the fair value at the date of revaluation less accumulated depreciation and accumulated impairment losses, if any, recognised subsequent to the date of revaluation. Capital spares held by the Group for replacement of major items of plant and machinery are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

If significant components of an item of property, plant and equipment have different useful lives, these are accounted for as separate items (major components) of property, plant and equipment.

Expenditure incurred to replace a component of an item of property, plant and equipment is capitalised. The carrying amount of the replaced part is derecognised. Other subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.

Normal repairs and maintenance are charged to profit or loss during the year in which these are incurred.

### Depreciation

Depreciation is charged to profit or loss, applying the straight line method whereby cost or revalued amount of assets, less the residual values, is written off over the estimated useful lives at rates disclosed in note 5.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month preceding the month of disposal.

Useful lives are determined 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 effect of any changes in estimate is accounted for on a prospective basis. Further, the key assumptions used to determine the fair value of property, plant and equipment are provided in note 5.1.4.

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

### Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised as other income in profit or loss in the year the asset is derecognised. When revalued assets are sold, the relevant remaining revaluation surplus is reclassified directly to unappropriated profit.

#### 4.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment, if any, and consists of expenditure incurred and advances made in respect of property, plant and equipment and intangible assets in the course of the acquisition, erection, construction and installation, including salaries and wages and any other costs directly attributable to capital work-in-progress. The assets are transferred to relevant category of operating fixed assets and intangible assets when those are available for use. Spare parts, standby equipments and servicing equipments are recognised as property, plant and equipment when these meet the conditions to be classified as such.

#### 4.1.3 Surplus on revaluation of property, plant and equipment

Revaluation surplus is recorded in other comprehensive income (OCI) and credited to 'surplus on revaluation of property, plant and equipment' in equity. However, the increase is recorded in profit or loss to the extent it reverses a revaluation deficit of the same asset recognised previously. A decrease as a result of revaluation is recognised in profit or loss, however, decrease is recorded in the OCI to the extent of any credit balance being carried in revaluation surplus in respect of the same asset. An amount equivalent to incremental depreciation for the year net of deferred taxation is directly reclassified from "Surplus on revaluation of property, plant and equipment" to unappropriated profit through the 'Statement of changes in equity' to record realisation of surplus to the extent of incremental depreciation charge for the year. Upon disposal, any revaluation surplus net of deferred taxation relating to the particular asset being sold is transferred to unappropriated profit.

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 profit or loss.

## 4.2 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Costs that are directly associated with identifiable softwares and have probable economic benefits beyond one year are recognised as intangible assets. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets with finite useful lives are amortised on a straight line basis over the useful economic life disclosed in note 6.2 and are assessed for impairment whenever there is an indication of impairment. Amortisation on additions is charged from the month of acquisition and on disposals up to the month preceding the month of disposal.

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 recognised in profit or loss when the asset is derecognised.

## 4.3 Lease liability and right-of-use asset

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate, amounts expected to be payable by the Group under residual value guarantees, the exercise price of a purchase option if KE is reasonably certain to exercise that option, payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in the determination of the lease term only when the Group is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of right of use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, any estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated using the straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group does not recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases where the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term.

Further, the SECP through its SRO. 986 (I)/2019 dated September 2, 2019 granted exemption from the application of IFRS 16 to the extent of the power purchase agreements executed prior to the effective date of IFRS 16 i.e. January 1, 2019. Accordingly, KE's power purchase agreements executed prior to January 1, 2019 have not been accounted for under IFRS 16.

## 4.4 Financial instruments

### 4.4.1 Financial assets

#### Classification

The Group classifies its financial assets in the following categories:

a) At amortised cost

Financial assets at amortised cost are held within a business model whose objective is to collect contractual cash flows on specified dates when those cash flows represent solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised in profit or loss.

b) At fair value through other comprehensive income (FVOCI)

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) At fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt instruments that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

#### Recognition and measurement

The Group recognises a financial asset when it becomes party to the contractual provisions of the instrument. Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets are subsequently remeasured to fair value or amortised cost as the case may be. Any gain or loss on the recognition and derecognition of the financial assets is included in profit or loss for the period in which it arises.

Equity instrument financial assets / mutual funds are measured at fair value on initial recognition and subsequently, when remeasured. Changes in fair value of these financial assets are recognised in the profit or loss. Dividends from such investments continue to be recognised in the profit or loss when the Group's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Transaction costs that are directly attributable to the acquisition of the financial asset are made part of cost of the asset except for financial assets at fair value through profit or loss.

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and KE has transferred substantially all risks and rewards of ownership. Assets that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not financial instruments of the Group.

### 4.4.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

#### **4.4.3 Offsetting financial instruments**

A financial asset and a financial liability is offset and the net amount is reported in the consolidated financial statements if the Group has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **4.5 Assets held for sale**

Assets are classified as held for sale if the carrying amount of the asset is to be recovered principally through a sale transaction rather than through continuing use, the sale is considered highly probable within one year from the reporting date and the asset is available for immediate sale in the present condition. These are measured at the lower of carrying amount and fair value less costs to sell. Assets classified as held for sale are presented separately from other assets in the statement of financial position.

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 these are classified as held for sale.

#### **4.6 Investment property**

Investment property is initially measured at cost, including transaction costs and subsequently at cost less accumulated depreciation and accumulated impairment loss, if any.

Any gain or loss on disposal of investment property, calculated as the difference between the net proceeds from disposal and the carrying amount of the item, is recognised in profit or loss.

#### **4.7 Inventories**

These are measured at moving average cost except items in transit, which are stated at cost. Provision is made for obsolete, damaged and slow moving items where necessary and is recognised in profit or loss.

#### **4.8 Trade debts and other receivables**

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless these contain significant financing component in which case these are recognised at fair value. The Group holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortised cost using the effective interest method. Impairment of trade debts and other receivables is disclosed in note 4.10.1.

#### **4.9 Derivative financial instruments and hedge accounting**

The Group uses derivative financial instruments to hedge foreign currency risk. Such derivative financial instruments are initially recognised 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 profit or loss.

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 Group formally designates and documents the hedge relationship to which the Group intends 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 Group 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 these actually have been highly effective throughout the financial reporting periods for which such were designated.

Derivative financial instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative financial 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 recognised asset or liability or an unrecognised firm commitment.

The change in the fair value of a hedging derivative is recognised in profit or loss. 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 recognised in profit or loss. When the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

#### *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 recognised 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 recognised in OCI and accumulated in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss i.e. when the hedged financial income or expense is recognised or when the forecasted 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.

## **4.10 Impairment**

### **4.10.1 Impairment of financial assets**

#### *Financial assets covered under IFRS 9*

The Group recognises on a forward looking basis an allowance for Expected Credit Losses (ECL) for all debt instruments not held at FVPL. ECL is based on the difference between the contractual cash flows due in accordance with the terms of the contract and all the cash flows that the Group expects to receive after consideration of time value of money. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade debts and contract assets, the Group applies a simplified approach in calculating ECL, which uses a lifetime expected loss allowance. The Group has established a provision matrix for large portfolio of customers having similar characteristics and the days past due based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment.

The Group recognises in profit or loss, as impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### *Financial assets covered under IAS 39*

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.

#### **4.10.2 Impairment of 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 to determine the extent of impairment loss.

An impairment loss is recognised, as an expense in profit or loss, 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 costs of disposal and value in use. 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 amortisation, if no impairment loss had been recognised.

#### **4.11 Cash and cash equivalents**

For the purposes of statement of cash flows, 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 short term running finances which form an integral part of the Group's cash management.

#### **4.12 Share capital**

Ordinary shares are classified as equity and are recognised at the face value. Incremental costs directly attributable to the issue of new shares or options, net of any tax effects, are recognised as a deduction from equity.

#### **4.13 Loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs, if any.

Loans and borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction cost) and the redemption value being recognised in profit or loss over the period of the borrowing, using the effective interest method.

#### **4.14 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. Amortisation of deferred revenue commences upon completion of related work and is credited to profit or loss at the rate of 5% per annum corresponding to the annual depreciation charge of respective asset.

#### **4.15 Employee retirement and other service benefits**

##### **4.15.1 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 annual actuarial valuations.

The amount recognised in the statement of financial position represents the present value of defined benefit obligations less fair value of any plan assets. The defined benefit obligations are calculated annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plans. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income with no subsequent recycling to profit or loss.



The Group operates following retirement schemes for its employees:

**(a) Defined benefit gratuity scheme**

KE operates a funded gratuity scheme managed by trustees. The funded gratuity scheme covers all regular employees of KE who joined KE upto September 30, 2021. 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 and its vesting is based on service period of employee. Contributions are made to the fund in accordance with the actuarial recommendations.

The Group has discontinued the gratuity for its employees who joined effective October 1, 2021.

**(b) Post retirement medical benefits**

KE offers post retirement medical coverage to its eligible employees and their dependents. Under the unfunded scheme, all such employees are entitled for such coverage for a period of 10 years and spouse and minor children of retired and deceased employees for a period of 5 years starting from the date of retirement / death.

**(c) Electricity rebate**

KE provides a rebate on the electricity bills to its eligible retired employees for the first five years after retirement.

**4.15.2 Defined contributory provident fund**

The Group operates an approved contributory provident fund for all its eligible management and non-management employees. Equal monthly contributions are made, both by the Group and the employees, to the fund at the prevailing prescribed rates applied on basic salary.

**4.15.3 Earned leave**

KE allows Leave Preparatory to Retirement (LPR) for staff and eligible officers. The liabilities for earned leave relate to earned leave that the employee will use and encash in future. The amount recognised in the statement of financial position represents the present value of the obligation based on actuarial valuation. Remeasurement gains and losses pertaining to long term compensated absences are recognised in profit or loss. This comprise of staff and officers as follows:

**(a) Staff**

Employees earn 40 days leave each year. Accumulation is limited to a maximum of 365 days earned leave, no encashment is permitted.

**(b) Officers**

Employees earn 25 working days leave each year. No accumulation or encashment is permitted. Unused leave lapses at the end of each year. Some historical balances of accumulated leaves of certain employees remain. These are available for encashment and LPR.

**4.16 Current and deferred income tax**

The tax expense for the year comprises current and deferred tax. Tax expense is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case, the related tax expense is also recognised in other comprehensive income or directly in equity, respectively.

**4.16.1 Current**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### **4.16.2 Deferred**

Deferred tax is recognised using the balance sheet method, providing for all taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date.

The Group recognises deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the temporary differences can be utilised. Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **4.17 Trade and other payables**

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

#### **4.18 Provisions**

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### **4.19 Contingencies**

Contingencies are disclosed when the Group has possible obligation that arises from past event and whose existence will be confirmed only by occurrence and non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past event but is not recognised because it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligation or, when amount of obligation cannot be measured with sufficient reliability.

#### **4.20 Revenue recognition and other income**

Revenue is recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies. Revenue is recognised on the following basis:

##### **4.20.1 Sale of energy**

Revenue is recognised on supply of electricity to consumers based on meter readings and / or on the mechanism provided in consumer service manual at the rates notified by the government from time to time. Accruals are made for fuel surcharge adjustment pending determination from NEPRA and for the estimated electricity supplied to consumers between the date of last meter reading and the reporting date. The normal credit terms are 14 days after monthly bill's issue date.

##### **4.20.2 Tariff adjustment**

Tariff differential subsidy including claim for variation in fuel prices, cost of power purchase, operation and maintenance cost, write-off of trade debts and unrecovered cost are recognised on accrual basis.

##### **4.20.3 Service connection charges**

Service connection charges represent the amount collected against cost of installation of electricity connection. Revenue from service connection charges and its related cost is recognised in the profit or loss in full upon establishing the network connection as its net impact is not material in the overall context of these consolidated financial statements.

##### **4.20.4 Late payment surcharge**

Surcharge on late payment is accounted for after the due date of payment has passed. In case of Government / Semi-Government entities and local bodies, late payment surcharge is accounted for on receipt basis.

#### 4.20.5 Rebate on electricity duty

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

#### 4.20.6 Interest / mark-up income

The Group recognises interest income / mark-up on bank balances and deposits on time proportion basis.

#### 4.21 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs. Such borrowing costs, if any, are added to the cost of those assets, during the period of time that is required to complete and prepare the asset for its intended use.

#### 4.22 Assets held under Ijarah financing

Assets held under Ijarah financing are not recognised on the Group's consolidated financial statements and payments made under Ijarah financing are recognised in profit or loss on a straight line basis over the term of the finance.

#### 4.23 Foreign currency transactions and translation

Foreign currency transactions are recorded in Pakistan Rupees (i.e. presentation and functional currency) using the exchange rate 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 reporting date. Gains and losses on translation are taken to profit or loss, however, in case of monetary assets and liabilities designated as hedged instruments against a cash flow hedge, the gains and losses on translation of the same are taken to other comprehensive income to the extent that related 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 transaction. 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.

#### 4.24 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the period in which these are approved.

#### 4.25 Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker i.e. the Board of Directors of the Group in order to assess each segment's performance and to allocate resources to them.

#### 4.26 Earnings per share

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

### 5. PROPERTY, PLANT AND EQUIPMENT

|                                 | Note | 2023<br>----- (Rupees in '000) ----- | 2022<br>-----      |
|---------------------------------|------|--------------------------------------|--------------------|
| Operating fixed assets          | 5.1  | 519,432,593                          | 337,420,702        |
| Capital work-in-progress (CWIP) | 5.4  | 60,676,697                           | 151,674,637        |
| Right-of-use assets             | 5.5  | 164,664                              | 188,345            |
|                                 |      | <u>580,273,954</u>                   | <u>489,283,684</u> |



### 5.1.1 Leasehold land

This represents leasehold land sites owned by the Group which are freely transferable.

### 5.1.2 Other land

Land classified as 'other' comprises sites in possession of the Group, which are not freely transferable. These include:

|                          | Note    | 2023<br>----- (Rupees in '000) ----- | 2022<br>----- (Rupees in '000) ----- |
|--------------------------|---------|--------------------------------------|--------------------------------------|
| Amenity                  |         |                                      |                                      |
| - Leasehold              |         | 948,268                              | 948,268                              |
| - Freehold (mainly grid) |         | 671                                  | 671                                  |
|                          |         | <u>948,939</u>                       | <u>948,939</u>                       |
| Leasehold land – owned   | 5.1.2.1 | 38,576                               | 38,576                               |
|                          |         | <u>987,515</u>                       | <u>987,515</u>                       |

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

5.1.3 Details of the latest revaluation exercises carried out by the external valuers based on which revaluation surplus / impairment has been recorded in these consolidated financial statements are as follows:

|  | Name of external valuer                 | Revaluation date  | Written down value before revaluation<br>----- (Rupees in '000) ----- | Revalued amount as at revaluation date<br>----- (Rupees in '000) ----- |
|--|---|-------------------|---|--|
| Leasehold land   | Harvester Services (Private) Limited    | June 30, 2022     | 13,677,789  | 15,002,542   |
| Plant and machinery<br>- for assets reclassified as<br>held for sale | Iqbal A. Nanjee & Co. (Private) Limited | February 28, 2023 | 1,782,426   | 2,639,280  |
| Plant and machinery  | Iqbal A. Nanjee & Co. (Private) Limited | June 30, 2023     | 218,327,530   | 249,015,275  |
| Transmission grid equipment  | Iqbal A. Nanjee & Co. (Private) Limited | June 30, 2023     | 70,110,654  | 89,401,956   |

These valuations fall under level 2 and level 3 hierarchies which have been explained in note 5.1.4.

5.1.3.1 The forced sale value of leasehold land, plant and machinery and transmission grid equipment as at the date of respective revaluations amounts to Rs. 12,002 million, Rs. 1,847 million, Rs. 186,146 million and Rs. 67,155 million, respectively.

5.1.3.2 Had there been no revaluation, the values of specific classes of leasehold land, plant and machinery and transmission grid equipment as at June 30, 2023 and June 30, 2022 under the cost model would have been as follows:

|                             | Cost                         |                    | Written down value |                    |
|-----------------------------|------------------------------|--------------------|--------------------|--------------------|
|                             | 2023                         | 2022               | 2023               | 2022               |
|                             | ----- (Rupees in '000) ----- |                    |                    |                    |
| Leasehold land              | 818,563                      | 833,055            | 691,345            | 719,063            |
| Plant and machinery         | 228,473,546                  | 136,214,137        | 161,970,746        | 68,939,331         |
| Transmission grid equipment | 67,967,799                   | 57,374,378         | 50,814,220         | 41,260,329         |
|                             | <u>297,259,908</u>           | <u>194,421,570</u> | <u>213,476,311</u> | <u>110,918,723</u> |

### 5.1.4 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.

The valuation techniques and inputs used to develop fair value measurements are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability are not based on observable market data (unobservable inputs).

### Valuation techniques and significant unobservable inputs

Valuation techniques used in measuring the fair value of leasehold land, plant and machinery and transmission grid equipment and the significant unobservable inputs used in the valuation are as follows:

#### 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 ability to sell the asset, availability of the buyers and the assessment of its real value under prevailing economic conditions were accounted for. The value of the land was assessed based on information available in current real estate market and has been categorised as level 2.

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

#### Transmission grid equipment

For the valuation of transmission grid equipment, the valuers referred to current cost from various manufacturers and also considered cost as incurred by KE and the trend of prices of major raw material i.e. copper and steel. Depreciation is then applied on the basis of average spent life on straight line basis.

The estimated fair value of transmission grid equipment would increase / decrease in line with the current selling prices of these equipment and has been categorised as level 3.

#### Plant and machinery

For plant and machinery, valuer has ascertained the value on the basis of depreciated replacement cost. The total assessed value of the plant is obtained on the basis of manufacturing cost of the machine on the international standard and practice. The rates of manufacturing of similar kinds of machinery are acquired from different manufacturers. Depreciation is then applied on the basis of average spent life on straight line basis.

The actual fair value of plant and machinery would increase / decrease if current manufacturing cost increases / (decreases) and has been categorised as level 3.

The effect of changes in the unobservable inputs used in the above valuations cannot be determined with certainty. Accordingly, a quantitative disclosure of sensitivity has not been presented in these consolidated financial statements.

- 5.1.5 The cost of fully depreciated assets as at June 30, 2023 is Rs. 66,843 million (2022: Rs. 69,627 million).
- 5.1.6 During the year, management has reassessed useful lives of certain items of plant and machinery therefore, depreciation for the year of those assets has been calculated using the revised useful lives. Had there been no change in the estimated useful lives, the written down value of plant and equipment would have been lower by Rs. 1,821 million and depreciation expense would have been higher by Rs. 1,821 million.
- 5.1.7 Due to nature of KE's operations, certain assets included in transmission and distribution network are not in possession of KE. In view of large number of consumers, the management considers it impracticable to disclose particulars of assets not in the possession or control of KE as required under the Fourth Schedule to the Companies Act, 2017.
- 5.1.8 Depreciation charge for the year has been allocated as follows:

|  |      | 2023                         | 2022              |
|--|------|------------------------------|-------------------|
|  | Note | ----- (Rupees in '000) ----- |                   |
| Expenses incurred in generation, transmission and distribution | 37   | 22,701,252                   | 19,544,363        |
| Consumers services and administrative expenses                 | 38   | 1,074,328                    | 942,682           |
|  |      | <u>23,775,580</u>            | <u>20,487,045</u> |

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

|   | Original cost / Revalued amount | Accumulated depreciation | Written down value | Sale proceeds | Gain / (loss) on disposal | Mode of disposal | Particulars of buyers             |
|---|---------------------------------|--------------------------|--------------------|---------------|---------------------------|------------------|-----------------------------------|
|   | [Rupees in 000]                 |                          |                    |               |                           |                  |                                   |
| <b>Plant and machinery</b>  |                                 |                          |                    |               |                           |                  |                                   |
| Auxiliary Transformer Main 10 Mva                                   | 6,875                           | 1,775                    | 5,100              | 8,700         | 3,600                     | Tender           | M/s. Abdullah Engineering Works   |
| Battery Bank  | 1,230                           | 290                      | 940                | 628           | (312)                     | Tender           | M/s. Rajput Steel Industry        |
| Breaker   | 13,060                          | 7,807                    | 5,253              | 7             | (5,246)                   | Tender           | M/s. Oriental Trading             |
| Electric Hoists   | 4,291                           | 3,537                    | 754                | 1,240         | 486                       | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Exciter Panel Auxiliary Generator                                   | 12,200                          | 10,826                   | 1,374              | 3,527         | 2,153                     | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Gas Engine #1   | 4,123                           | 3,258                    | 865                | 11            | (854)                     | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Gas Engine #4   | 3,224                           | 2,547                    | 677                | 9             | (668)                     | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Gas Engine #5   | 2,601                           | 2,055                    | 546                | 7             | (539)                     | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Gas Engine #7   | 9,730                           | 7,690                    | 2,040              | 27            | (2,013)                   | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Motor Ac Induction  | 17,489                          | 15,519                   | 1,970              | 1,369         | (601)                     | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Panel Outgoing FLBS   | 22,721                          | 7,429                    | 15,292             | 546           | (14,746)                  | Tender           | M/s. YBE Traders                  |
| Protection Panel CWP  | 22,757                          | 11,810                   | 10,947             | 6,579         | (4,368)                   | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Pump Boiler Feed  | 2,010                           | 1,042                    | 968                | 157           | (811)                     | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| <b>Transmission grid equipment</b>                                  |                                 |                          |                    |               |                           |                  |                                   |
| Bushing Wall  | 651                             | 140                      | 511                | 26            | (485)                     | Tender           | M/s. Oriental Trading             |
| Adaptor Panel   | 947                             | 310                      | 637                | 112           | (525)                     | Tender           | M/s. Rana and Co.                 |
| Battery NI - CD   | 2,522                           | 772                      | 1,750              | 924           | (826)                     | Tender           | M/s. RKF Traders                  |
| Bus Coupler Panel   | 13,132                          | 3,990                    | 9,142              | 1,184         | (7,958)                   | Tender           | M/s. Rana and Co.                 |
| Bus Riser   | 1,427                           | 174                      | 1,253              | 341           | (912)                     | Tender           | M/s. Bismillah Metal Impex        |
| Conductor Hardware  | 649                             | 56                       | 593                | 45            | (548)                     | Tender           | M/s. Bismillah Metal Impex        |
| Isolator Hapam  | 3,027                           | 2,023                    | 1,004              | 120           | (884)                     | Tender           | M/s. Oriental Trading             |
| Line Breaker  | 11,085                          | 9,977                    | 1,108              | 1,235         | 127                       | Tender           | M/s. Sar Metals Inco.             |
| Panel Capacitor Vcb   | 1,861                           | 157                      | 1,704              | 436           | (1,268)                   | Tender           | M/s. Bismillah Metal Impex        |
| Power Transformer   | 135,189                         | 120,495                  | 14,694             | 19,797        | 5,103                     | Tender           | M/s. Bismillah Metal Impex        |
| Power Transformer   | 423,848                         | 367,102                  | 56,746             | 97,476        | 40,730                    | Tender           | M/s. Bismillah Metal Impex        |
| Power Transformer   | 283,956                         | 245,003                  | 38,953             | 74,451        | 35,498                    | Tender           | M/s. Bismillah Metal Impex        |
| Switch Gear 11Kv  | 9,062                           | 2,996                    | 6,066              | 2,165         | (3,901)                   | Tender           | M/s. Bismillah Metal Impex        |
| Switch Gear 11Kv  | 4,091                           | 1,603                    | 2,488              | 1,099         | (1,389)                   | Tender           | M/s. Bismillah Metal Impex        |
| Switch Gear 11Kv  | 1,544                           | 470                      | 1,074              | 408           | (666)                     | Tender           | M/s. Rana and Co.                 |
| Switch Gear 11Kv Incoming   | 2,920                           | 887                      | 2,033              | 263           | (1,770)                   | Tender           | M/s. Rana and Co.                 |
| Switch Gear 11Kv Outgoing   | 32,120                          | 9,761                    | 22,359             | 2,897         | (19,462)                  | Tender           | M/s. Rana and Co.                 |
| Telecom System  | 15,367                          | 4,761                    | 10,606             | 5             | (10,601)                  | Tender           | M/s. Hammad Lubricants            |
| Telecommunication Cabinet   | 1,529                           | 448                      | 1,081              | 1,461         | 380                       | Tender           | M/s. Bismillah Metal Impex        |
| Telecommunication Cabinet   | 850                             | 247                      | 603                | 2             | (601)                     | Tender           | M/s. Oriental Trading             |
| VCB Bus Coupler Panel   | 1,757                           | 409                      | 1,348              | 420           | (928)                     | Tender           | M/s. Bismillah Metal Impex        |
| VCB Incoming Pannel 1250A   | 5,144                           | 983                      | 4,161              | 1,206         | (2,955)                   | Tender           | M/s. Bismillah Metal Impex        |
| VCB Incoming Pannel 1250A   | 2,572                           | 498                      | 2,074              | 691           | (1,383)                   | Tender           | M/s. Bismillah Metal Impex        |
| VCB Incoming Trolley 11Kv   | 2,030                           | 342                      | 1,688              | 480           | (1,208)                   | Tender           | M/s. Bismillah Metal Impex        |
| VCB Incoming Trolley 11Kv   | 1,152                           | 182                      | 970                | 309           | (661)                     | Tender           | M/s. Bismillah Metal Impex        |
| VCB Incoming Trolley 11Kv   | 8,086                           | 1,946                    | 6,140              | 957           | (5,183)                   | Tender           | M/s. Rana and Co.                 |
| VCB Incoming Trolley 15Kv   | 135,189                         | 120,495                  | 14,694             | 24,158        | 9,464                     | Tender           | M/s. Bismillah Metal Impex        |
| VCB Incoming Trolley 15Kv   | 3,026                           | 697                      | 2,329              | 359           | (1,970)                   | Tender           | M/s. Rana and Co.                 |
| VCB Outgoing Trolley 11Kv   | 9,029                           | 1,949                    | 7,080              | 3,135         | (3,945)                   | Tender           | M/s. Bismillah Metal Impex        |
| VCB Outgoing Trolley 11Kv   | 4,949                           | 1,023                    | 3,926              | 1,179         | (2,747)                   | Tender           | M/s. Bismillah Metal Impex        |
| VCB Outgoing Trolley 11Kv   | 18,696                          | 4,093                    | 14,603             | 2,223         | (12,380)                  | Tender           | M/s. Rana and Co.                 |
| VCB Outgoing Trolley 15Kv   | 866                             | 200                      | 666                | 125           | (541)                     | Tender           | M/s. Rana and Co.                 |
| VCB Pannel Outgoing   | 2,647                           | 617                      | 2,030              | 633           | (1,397)                   | Tender           | M/s. Bismillah Metal Impex        |
| VCB Trolley O/G 11 Kv   | 1,428                           | 318                      | 1,110              | 169           | (941)                     | Tender           | M/s. Rana and Co.                 |
| <b>Transmission lines and SCADA equipment</b>                       |                                 |                          |                    |               |                           |                  |                                   |
| Conductor   | 2,020                           | 1,176                    | 844                | 4,987         | 4,143                     | Tender           | M/s. Wah Brass Mills Private Ltd. |
| Poles   | 1,089                           | 555                      | 534                | 2,305         | 1,771                     | Tender           | M/s. Wah Brass Mills Private Ltd. |
| <b>Distribution networks</b>  |                                 |                          |                    |               |                           |                  |                                   |
| Energy Meters   | 33,786                          | 30,407                   | 3,379              | 9,156         | 5,777                     | Tender           | M/s. M.M Alloys (Pvt.) Ltd.       |
| Energy Meters   | 171,788                         | 147,801                  | 23,987             | 70,660        | 46,673                    | Tender           | M/s. Bismillah Metal Impex        |
| Energy Meters   | 178,337                         | 135,824                  | 42,513             | 113,042       | 70,529                    | Tender           | M/s. Bismillah Metal Impex        |
| Over Head Lines   | 5,700                           | 5,130                    | 570                | 10,304        | 9,734                     | Tender           | M/s. Bismillah Metal Impex        |
| Over Head Lines   | 5,087                           | 4,578                    | 509                | 13,569        | 13,060                    | Tender           | M/s. S.J Steel Re-Rolling Mills   |
| Over Head Lines   | 9,475                           | 7,431                    | 2,044              | 27,935        | 25,891                    | Tender           | M/s. Wah Brass Mills Private Ltd. |
| Over Head Lines   | 30,832                          | 27,749                   | 3,083              | 1,023         | (2,060)                   | Tender           | M/s. YBE Traders                  |
| Pole Htst/ Ltst / Lattice   | 1,861                           | 768                      | 1,093              | 3,665         | 2,572                     | Insurance claim  | Various                           |
| Switch Gear 11Kv  | 4,357                           | 1,716                    | 2,641              | 464           | (2,177)                   | Tender           | M/s. Rana and Co.                 |
| Transformer   | 1,457                           | 525                      | 932                | 1,873         | 941                       | Tender           | M/s. Abdullah Engineering Works   |
| VCB Trollies 11Kv   | 20,670                          | 7,967                    | 12,703             | 2,566         | (10,137)                  | Tender           | M/s. Rana and Co.                 |
| VCB Ocb Trollies 11Kv   | 22,263                          | 8,670                    | 13,593             | 2,703         | (10,890)                  | Tender           | M/s. Rana and Co.                 |
|   | 1,753,381                       | 1,361,006                | 392,375            | 527,550       | 135,175                   |                  |                                   |
| <b>Individual Items having written down value below Rs. 500,000</b> |                                 |                          |                    |               |                           |                  |                                   |
| Plant and machinery   | 235                             | 39                       | 196                | 210           | 14                        | Insurance claim  | Various                           |
| Plant and machinery   | 113,764                         | 90,121                   | 23,643             | 29,595        | 5,952                     | Tender           | Various                           |
| Transmission grid equipment   | 7,300                           | 7,300                    | -                  | 31,977        | 31,977                    | Insurance claim  | Various                           |
| Transmission grid equipment   | 152,697                         | 132,889                  | 19,808             | 734,632       | 714,824                   | Tender           | Various                           |
| Distribution networks   | 316,891                         | 268,953                  | 47,938             | 635,859       | 587,921                   | Tender           | Various                           |
| Distribution networks   | 36                              | 28                       | 8                  | -             | (8)                       | Write off        | Various                           |
| Computer and related equipment                                      | 5,496                           | 5,496                    | -                  | -             | -                         | Donation         | Various                           |
| Computer and related equipment                                      | 38,433                          | 37,637                   | 796                | 4,719         | 3,923                     | Laptop buy back  | Various                           |
| Computer and related equipment                                      | 10,844                          | 5,962                    | 4,882              | -             | (4,882)                   | Write off        | Various                           |
| Computer and related equipment                                      | 109,905                         | 109,386                  | 519                | 4,448         | 3,929                     | Tender           | Various                           |
| Furniture, air conditioner and office equipment                     | 16,616                          | 13,624                   | 2,992              | 4,632         | 1,640                     | Tender           | Various                           |
| Tools and general equipments  | 91                              | 1                        | 90                 | 87            | (3)                       | Insurance claim  | Various                           |
| Tools and general equipments  | 1,614                           | 1,335                    | 279                | 584           | 305                       | Tender           | Various                           |
| Vehicles  | 2,483                           | 2,233                    | 250                | 3,152         | 2,902                     | Tender           | Various                           |
|   | 776,405                         | 675,004                  | 101,401            | 1,449,895     | 1,348,494                 |                  |                                   |
| June 30, 2023   | 2,529,786                       | 2,036,010                | 493,776            | 1,977,445     | 1,483,669                 |                  |                                   |
| June 30, 2022   | 7,185,486                       | 5,376,595                | 1,808,891          | 4,003,158     | 2,194,267                 |                  |                                   |

5.3 The details of immovable fixed assets (land and buildings) of the Group are as follows:

| Particulars   | Location                    | Total Area of Land Square Yards |
|---|-----------------------------|---------------------------------|
| <b>Power Plants</b>   |                             |                                 |
| Bin Qasim Power Complex   | Bin Qasim, Karachi          | 1,079,979                       |
| Korangi Power Station   | Korangi, Karachi            | 545,516                         |
| Site Gas Turbine Power Station  | S.I.T.E., Karachi           | 27,491                          |
| Korangi Town Power Station  | Korangi, Karachi            | 19,360                          |
| <b>Open Plots</b>   |                             |                                 |
| Open plot in Deh Kharkhero for Grid   | Malir, Karachi              | 250,107                         |
| Open plot at Green Belt P.E.C.H.S. for Grid   | P.E.C.H.S., Karachi         | 10,275                          |
| Open plot for Complain center in Uthal survey 755                                     | District Lasbella           | 2,000                           |
| Shireen Jinnah Colony Yard  | Clifton, Karachi            | 1,233                           |
| Open plot for KE Officers Club  | Phase VIII, DHA, Karachi    | 6,000                           |
| Open plot in Taiser Town Sector-45 for substation                                     | Taiser Town, Karachi        | 1,540                           |
| Open plot in Baldia Town Scheme-29 for substation                                     | Baldia, Karachi             | 750                             |
| Open plot in Hawksbay Scheme-42 for substation  | Hawksbay Scheme-42, Karachi | 680                             |
| Open plot in Lyari Qtrs Old Kalri for substation                                      | Lyari, Karachi              | 280                             |
| Open plot in S.I.T.E (Pump House)   | S.I.T.E., Karachi           | 725                             |
| Open plot in SUR-78 DEH Thoming for Grid Station                                      | Scheme 33, Karachi          | 7,623                           |
| Open plot in Deh Halkani, Mangopir for Grid Station                                   | Mangopir, Karachi           | 9,680                           |
| Open plot in Pir Gul Hassan Town Phase 2, Ring Road 91-92, Scheme 33 for Grid Station | Scheme 33, Karachi          | 8,249                           |
| Open plot in Army Directorate Housing Scheme Askari-V, Malir Cantt for Grid Station   | Malir Cantt Karachi         | 9,680                           |
| <b>Offices</b>  |                             |                                 |
| KE Head Office  | Gizri, DHA, Karachi         | 19,405                          |
| Elander Road  | Elander Road, Karachi       | 22,091                          |
| AL-Mava   | P.E.C.H.S., Karachi         | 2,000                           |
| Other Offices   | Various areas in Karachi    | 9,810                           |
| <b>Residential Colonies</b>   |                             |                                 |
| Gulshan-e-Hadeed  | Bin Qasim, Karachi          | 121,000                         |
| Korangi   | Korangi, Karachi            | 1,200                           |
| <b>Grid Stations / IBCs / substations / stores</b>                                    | Various areas in Karachi    | 1,417,249                       |

#### 5.4 Capital work-in-progress

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

|  | Plant and machinery | Transmission grid equipment / lines | Distribution network / renewals of mains and services | Others      | 2023          | 2022         |
|--|---------------------|-------------------------------------|---|-------------|---------------|--------------|
| ----- (Rupees in '000) -----   |                     |                                     |   |             |               |              |
| Balance at beginning of the year   | 87,960,284          | 27,774,043                          | 30,069,697  | 5,870,613   | 151,674,637   | 125,881,045  |
| Additions during the year (note 5.4.1)   | 39,849,456          | 13,876,399                          | 15,443,193  | 1,480,770   | 70,649,818    | 62,786,089   |
|  | 127,809,740         | 41,650,442                          | 45,512,890  | 7,351,383   | 222,324,455   | 188,667,134  |
| Transfers to operating fixed assets and intangible assets / adjustments (notes 5.1, 5.4.2 and 6.1) | (115,488,115)       | (5,728,496)                         | (38,821,168)  | (1,609,979) | (161,647,758) | (36,992,497) |
| Balance at end of the year   | 12,321,625          | 35,921,946                          | 6,691,722   | 5,741,404   | 60,676,697    | 151,674,637  |



5.4.1 These include borrowing cost capitalised during the year amounting to Rs. 20,886 million (2022: Rs. 11,523 million).

5.4.2 These include certain assets written off during the year amounting to Rs. 514 million (2022: Nil).

|                                 | Note  | 2023<br>----- (Rupees in '000) ----- | 2022<br>----- (Rupees in '000) ----- |
|---------------------------------|-------|--------------------------------------|--------------------------------------|
| <b>5.5 Right-of-use assets</b>  |       |                                      |                                      |
| <b>Cost</b>                     |       |                                      |                                      |
| Opening balance                 |       | 272,020                              | 182,779                              |
| Additions during the year       |       | 57,748                               | 103,032                              |
| Derecognition                   | 5.5.6 | (81,583)                             | (13,791)                             |
|                                 |       | 248,185                              | 272,020                              |
| <b>Accumulated depreciation</b> |       |                                      |                                      |
| Opening balance                 |       | (83,675)                             | (56,063)                             |
| Depreciation charge             | 38    | (39,417)                             | (41,403)                             |
| Derecognition                   |       | 39,571                               | 13,791                               |
|                                 |       | (83,521)                             | (83,675)                             |
| Net book value as at June 30    |       | 164,664                              | 188,345                              |

5.5.1 The right-of-use assets comprise of rented IBCs / office premises acquired on lease by the Group for its operations.

5.5.2 The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments.

5.5.3 The Group also has certain leases of machinery with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases. The expense relating to short-term leases recognised in these consolidated financial statements amounts to Rs. 25.3 million (2022: Rs. 19.6 million).

5.5.4 The term of lease agreements ranges from 3 to 10 years.

5.5.5 The rate of depreciation is based on the term of the respective agreement and ranges from 10% to 33.33%.

5.5.6 This represents termination of lease after handing over the possession to the owners.

|                                 | Note    | 2023<br>----- (Rupees in '000) ----- | 2022<br>----- (Rupees in '000) ----- |
|---------------------------------|---------|--------------------------------------|--------------------------------------|
| <b>6. INTANGIBLE ASSETS</b>     |         |                                      |                                      |
| <b>Computer software</b>        |         |                                      |                                      |
| Cost                            | 6.1     | 3,334,101                            | 2,259,979                            |
| Accumulated amortisation        | 6.2     | (2,163,724)                          | (1,741,090)                          |
|                                 |         | 1,170,377                            | 518,889                              |
| <b>6.1 Cost</b>                 |         |                                      |                                      |
| Opening balance                 |         | 2,259,979                            | 1,885,007                            |
| Additions during the year       | 5.4     | 1,074,122                            | 374,972                              |
|                                 |         | 3,334,101                            | 2,259,979                            |
| <b>6.2 Amortisation to date</b> |         |                                      |                                      |
| Opening balance                 |         | 1,741,090                            | 1,495,737                            |
| Amortisation during the year    | 37 & 38 | 422,634                              | 245,353                              |
|                                 |         | 2,163,724                            | 1,741,090                            |
| <b>Useful life</b>              |         | 3 years                              | 3 years                              |

6.3 Computer software includes ERP system - SAP, antivirus and other software.

|  | Note      | 2023<br>----- (Rupees in '000) ----- | 2022             |
|--|-----------|--------------------------------------|------------------|
| <b>7. INVESTMENT PROPERTY</b>          |           |                                      |                  |
| <b>Leasehold land</b>                  | 7.2 & 7.3 |                                      |                  |
| Cost                                   |           | 3,047,856                            | 3,047,856        |
| Accumulated depreciation               | 7.1       | (182,871)                            | (121,914)        |
|  |           | <u>2,864,985</u>                     | <u>2,925,942</u> |
| <b>7.1 Accumulated depreciation</b>    |           |                                      |                  |
| Opening balance                        |           | 121,914                              | 60,957           |
| Depreciation charge                    | 38        | 60,957                               | 60,957           |
|  |           | <u>182,871</u>                       | <u>121,914</u>   |
| <b>Useful life</b>                     |           | 50 years                             | 50 years         |
| <b>Annual rate of depreciation (%)</b> |           | 2.00%                                | 2.00%            |

7.2 In the year 2016, KE purchased land, measuring 216 acres situated at Eastern Industrial Zone, Port Qasim, Karachi, for development of 700 MW coal-based power plant (the Project). The Project was to be developed by a separate company and the land was to be transferred to that separate company subsequent to financial close of the Project. However the Cabinet Committee on Energy (CCoE) in its meeting held on June 19, 2020 principally decided for supply of additional power to KE from national grid and abandonment of the Project. The related land has therefore been classified as investment property as its future use is yet to be determined by KE.

7.3 The fair value of the land as at June 30, 2022, as assessed by an external valuer, amounts to Rs. 4,104 million (Level 2 inputs). As at June 30, 2023 the external valuer has assessed that there was no evidence of any material change in the value of property during the year.

|  | Note | 2023<br>----- (Rupees in '000) ----- | 2022              |
|--|------|--------------------------------------|-------------------|
| <b>8. OTHER FINANCIAL ASSETS - AT AMORTISED COST</b> |      |                                      |                   |
| Investments in term deposit receipts                 | 8.1  | 25,646,022                           | 17,411,300        |
| Less:  |      |                                      |                   |
| Current maturity shown under current assets          |      | (2,279,301)                          | (1,088,032)       |
|  |      | <u>23,366,721</u>                    | <u>16,323,268</u> |

8.1 These represent term deposits aggregating to USD 89.67 million (2022: USD 84.99 million) maintained with Dubai Islamic Bank Pakistan Limited (DIBPL). These carry profit at the rate of three months LIBOR and are due to mature in quarterly installments starting from November 3, 2022 and ending on August 3, 2034. These term deposits are part of the long term foreign exchange hedge arrangement as explained in note 21.10.

|  | Note | 2023<br>----- (Rupees in '000) ----- | 2022          |
|--|------|--------------------------------------|---------------|
| <b>9. LONG-TERM LOANS AND DEPOSITS</b> |      |                                      |               |
| Long-term loans                        | 9.1  | 10,003                               | 11,899        |
| Long-term deposits                     | 9.2  | 13,111                               | 14,600        |
|  |      | <u>23,114</u>                        | <u>26,499</u> |

## 9.1 Long-term loans

|   |      | <u>Secured</u><br>House<br>building loans<br>(note 9.1.1) | <u>Unsecured</u><br>Festival loans<br>(note 9.1.2) | 2023   | 2022   |
|---|------|---|--|--------|--------|
|   | Note | ----- (Rupees in '000) -----                              |  |        |        |
| <b>Considered good</b>                                    |      |   |  |        |        |
| Executives  |      | -   | 36   | 36     | 36     |
| Employees   |      | 22  | 10,193   | 10,215 | 12,405 |
|   |      | 22  | 10,229   | 10,251 | 12,441 |
| Recoverable within one year shown<br>under current assets | 12   | (22)  | (226)  | (248)  | (542)  |
|   |      | -   | 10,003   | 10,003 | 11,899 |

9.1.1 House building loans, carrying mark-up at the rate of 6% (2022: 6%) per annum, are recoverable over a period of sixteen years. These are secured against equitable mortgage of related properties.

9.1.2 Festival loans are non-interest bearing loans. The Board of Directors of KE in its meeting held on February 1, 2003 approved the deferment of the recovery of these loans in installments 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.

9.1.3 Long-term loans have not been discounted to their present values as the financial impact thereof is not considered to be material.

## 9.2 Long-term deposits

### Considered good

|                            | Note | 2023<br>----- (Rupees in '000) ----- | 2022   |
|----------------------------|------|--------------------------------------|--------|
| Rental premises and others |      | 13,111                               | 14,600 |

### Considered doubtful

|                          |  |         |         |
|--------------------------|--|---------|---------|
| Rental premises          |  | 1,020   | 1,020   |
| Provision for impairment |  | (1,020) | (1,020) |
|                          |  | -       | -       |
|                          |  | 13,111  | 14,600  |

## 10 INVENTORIES

|   |      |             |             |
|---|------|-------------|-------------|
| High speed diesel (HSD)   |      | 1,497,865   | 796,320     |
| Furnace oil   |      | 3,937,153   | 3,233,726   |
|   |      | 5,435,018   | 4,030,046   |
| Stores, spare parts and loose tools   |      | 14,488,494  | 14,362,377  |
| Solar panel and other items   |      | 45,205      | 44,684      |
|   |      | 19,968,717  | 18,437,107  |
| Provision against slow moving and obsolete<br>stores, spare parts and loose tools | 10.1 | (1,232,415) | (1,331,831) |
|   |      | 18,736,302  | 17,105,276  |

|  | Note        | 2023<br>----- (Rupees in '000) ----- | 2022               |
|--|-------------|--------------------------------------|--------------------|
| <b>10.1 Provision against slow moving and obsolete stores, spare parts and loose tools</b> |             |                                      |                    |
| Opening balance  |             | 1,331,831                            | 1,113,368          |
| (Reversal) / provision recognised during the year - net                                    | 37 & 38     | (99,416)                             | 218,463            |
|  |             | <u>1,232,415</u>                     | <u>1,331,831</u>   |
| <b>11 TRADE DEBTS</b>  |             |                                      |                    |
| <b>Considered good</b>   |             |                                      |                    |
| Secured – against deposits from consumers  | 11.1        | 7,222,220                            | 5,745,925          |
| Unsecured  |             | 97,230,021                           | 131,217,183        |
|  | 11.2 & 11.3 | 104,452,241                          | 136,963,108        |
| <b>Considered doubtful</b>   |             | 113,247,898                          | 100,619,034        |
|  |             | 217,700,139                          | 237,582,142        |
| Provision for impairment against debts considered doubtful                                 | 11.5        | (113,247,898)                        | (100,619,034)      |
|  |             | <u>104,452,241</u>                   | <u>136,963,108</u> |

11.1 The Group maintains deposits from consumers, taken as a security for energy dues (note 23.1).

11.2 These balances do not include any Late Payment Surcharge (LPS) on receivables from public sector consumers, as fully explained in note 32.1.1, on the contention that due to the circular debt situation, the LPS should only be received by KE from its public sector consumers, if any surcharge is levied on KE on account of delayed payments of its public sector liabilities.

As at June 30, 2023, receivable from Government and autonomous bodies amounting to Rs. 49,315 million (2022: Rs. 48,309 million) includes unrecognised LPS of Rs. 10,663 million (2022: Rs.9,571 million); which includes receivable from Karachi Water and Sewerage Board (KW&SB) amounting to Rs. 38,774 million including unrecognised LPS of Rs. 8,061 million (2022: Rs. 32,848 million including unrecognised LPS of Rs. 5,076 million) and receivable from City District Government Karachi (CDGK) amounting to Rs. 5,237 million including unrecognised LPS of Rs. 417 million (2022: Rs. 8,449 million including unrecognised LPS of Rs. 1,926 million).

11.3 This includes receivable from consumers in relation to Fuel Surcharge Adjustment amounting to Rs. 7,155 million (2022: Rs. 45,676 million) which is recoverable post determination from NEPRA.

11.4 Ministry of Energy (Power Division) issued a corrigendum dated January 22, 2020, whereby, in accordance with GoP's uniform tariff policy, KE was directed to restrict the benefit of Industrial Support Package (ISPA) of Rs. 3/kWh to peak hours only. Thus, ISPA relief of Rs. 3/kWh already passed to industrial consumers on normal consumption and off-peak hours for the period July 2019 to December 2019 was withdrawn and accordingly ISPA arrears were billed to industrial consumers in their monthly bills of April 2020.

The industrial consumers challenged the corrigendum before the Honorable High Court of Sindh (HCS). The HCS in its order dated September 28, 2020 directed KE to charge determined tariff as per SRO 575(II)/2019 dated May 22, 2019 instead of applying corrigendum. Being aggrieved, KE challenged the HCS order before Supreme Court of Pakistan (SCP), wherein, the SCP through in its interim order dated November 27, 2020, suspended the order of HCS and allowed prospective implementation of corrigendum dated January 22, 2020. Further, on March 17, 2022, the SCP dismissed the appeals.

On January 19, 2023, the SCP reheard the appeals and allowed the appeals in favour of KE. The SCP ruled that the matter of adjustment of ISPA amount may be referred to NEPRA for its determination and issuance of an SOT amending the uniform tariff for the KE. In pursuance of the judgement, KE has written a letter to NEPRA requesting to pass a determination and issuance of SOT, which is yet to be issued by NEPRA.

|   |   | 2023                         | 2022               |
|---|---|------------------------------|--------------------|
|   | Note  | ----- (Rupees in '000) ----- |                    |
| <b>11.5 Provision for impairment</b>                          |   |                              |                    |
| Opening balance   |   | 100,619,034                  | 97,746,537         |
| Provision made during the year                                | 11.6  | 30,273,120                   | 19,332,806         |
|   |   | <u>130,892,154</u>           | <u>117,079,343</u> |
| Write-off against provision during the year                   | 11.5.1  | (17,644,256)                 | (16,460,309)       |
|   |   | <u>113,247,898</u>           | <u>100,619,034</u> |
| 11.5.1  | This includes write-off amounting to Rs. 16,264 million (2022: Rs. 14,489 million) to be claimed as tariff adjustment in accordance with the criteria prescribed by NEPRA as explained in note 34.2.  |                              |                    |
| 11.6  | Impairment loss against trade debts pertaining to KE determined using the ECL model amounts to Rs. 30,272 million (2022: Rs. 19,330 million). Further, provision against public sector consumers recognised during the year amounted to Nil (2022: Rs. 3 million). While provision related to the subsidiary amounts to Rs. 0.8 million (2022: Rs. 0.3 million).            |                              |                    |
| 11.7  | The receivables from Government and autonomous bodies have been disclosed in note 11.2 above, however, due to the nature of KE's operations and large number of related parties, the management considers it impracticable to disclose the particulars of trade receivable due from other related parties as required under the Fourth Schedule of the Companies Act, 2017. |                              |                    |
| 11.8  | The age analysis of trade debts, that are not impaired, is as follows:  |                              |                    |
|   |   | 2023                         | 2022               |
|   | Note  | ----- (Rupees in '000) ----- |                    |
| <b>Neither past due nor impaired</b>                          |   |                              |                    |
| Upto 30 days  |   | 57,496,265                   | 80,890,775         |
| <b>Past due but not impaired</b>                              |   |                              |                    |
| 30 days upto 6 months   |   | 8,686,106                    | 7,035,285          |
| 6 months upto 1 year  |   | 9,519,824                    | 9,484,961          |
| 1 - 2 years   |   | 9,673,729                    | 10,507,139         |
| 2 - 3 years   |   | 5,000,579                    | 7,938,205          |
| 3 - 4 years   |   | 3,589,807                    | 6,243,181          |
| 4 - 5 years   |   | 1,987,946                    | 3,624,698          |
| Over 5 years  |   | 8,497,985                    | 11,238,864         |
|   |   | <u>104,452,241</u>           | <u>136,963,108</u> |
| <b>12. LOANS AND ADVANCES</b>                                 |   |                              |                    |
| <b>Loans – secured</b>  |   |                              |                    |
| <b>Considered good</b>  |   |                              |                    |
| Current portion of long term loans                            | 9.1   | 248                          | 542                |
| <b>Advances – unsecured</b>                                   |   |                              |                    |
| <b>Considered good</b>  |   |                              |                    |
| Employees   | 12.1  | 62,956                       | 121,100            |
| Suppliers   |   | 2,668,430                    | 1,560,546          |
| Advance against bid money                                     |   | 2,200                        | 6,977              |
|   |   | <u>2,733,586</u>             | <u>1,688,623</u>   |
| <b>Considered doubtful</b>                                    |   |                              |                    |
| Suppliers   |   | 130,340                      | 130,340            |
|   |   | <u>2,863,926</u>             | <u>1,818,963</u>   |
| Provision for impairment against advances considered doubtful | 12.2  | (130,340)                    | (130,340)          |
|   |   | <u>2,733,586</u>             | <u>1,688,623</u>   |
|   |   | <u>2,733,834</u>             | <u>1,689,165</u>   |

12.1 These are advances to employees for business related expenses.

12.2 There has been no change in the provision during the year.

### 13. DEPOSITS AND SHORT-TERM PREPAYMENTS

|                      | Note        | 2023<br>----- (Rupees in '000) ----- | 2022             |
|----------------------|-------------|--------------------------------------|------------------|
| <b>Deposits</b>      | 13.1 & 13.2 | 11,371,914                           | 6,215,025        |
| <b>Prepayments</b>   |             |                                      |                  |
| Rent                 |             | 16,243                               | 4,492            |
| Insurance and others | 13.3        | 469,309                              | 1,838,234        |
|                      |             | 485,552                              | 1,842,726        |
|                      |             | <u>11,857,466</u>                    | <u>8,057,751</u> |

13.1 These include Rs. 30 million (2022: Rs. 30 million), representing margins / security deposits held by commercial banks against guarantees, letters of credit and other payments.

13.2 These include Rs. 11,009 million (2022: Rs. 5,850 million) representing deposits under lien against settlement of loans and sukuk repayments with commercial banks. These carry mark-up ranging from 6.5% to 20.45% (2022: 8.00% to 13.06%) per annum.

13.3 This includes transaction cost paid in respect of loan amount of Sinasure and Hermes supported facility amounting to Rs. 191 million (2022: Rs. 1,588 million) which is yet to be drawn.

|  | Note        | 2023<br>----- (Rupees in '000) ----- | 2022               |
|--|-------------|--------------------------------------|--------------------|
| <b>14. OTHER RECEIVABLES</b>   |             |                                      |                    |
| Due from the Government of Pakistan (GoP) and Government of Balochistan (GoB) - net: |             |                                      |                    |
| - Tariff adjustment  |             | 216,687,337                          | 355,338,042        |
| - Sales tax - net  |             | 22,648,925                           | 19,062,320         |
| - Interest receivable from GoP on demand finance liabilities                         |             | 237,173                              | 237,173            |
| - Others   |             | 5,601,903                            | 5,864,080          |
|  | 14.1 & 14.2 | 245,175,338                          | 380,501,615        |
| Others   |             | 512,853                              | 211,164            |
|  |             | 245,688,191                          | 380,712,779        |
| Provision for impairment   | 14.1        | (6,373,696)                          | (5,514,731)        |
|  |             | <u>239,314,495</u>                   | <u>375,198,048</u> |

14.1 This includes:

- Rs. 67,901 million (2022: Rs. 51,637 million) recorded as claims for write off of trade debts. The claims submitted by KE for the years ended from June 30, 2017 to June 30, 2022 aggregating to Rs. 51,637 million (2022: Rs. 37,148 million) have been pending for determination by NEPRA for which NEPRA through its letters dated December 31, 2019, March 10, 2021, March 30, 2022, June 8, 2022 and October 24, 2022 stated that further deliberation is required in respect of the above-mentioned claims before these can be allowed as an adjustment in tariff. Further, provisional claim amounting to Rs. 17,000 million pertaining to year ended June 30, 2023 has been submitted which is also pending for determination by NEPRA. The claim for the year ended June 30, 2023 will be actualised to Rs.16,264 million after the approval of these consolidated financial statements by the Board of Directors of KE.
- Rs. 6,037 million (2022: Rs. 6,037 million) on account of unrecovered cost of prior years. 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 variation to 4% and the remaining burden or relief was to be carried forward to the next quarterly adjustment. 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 KE with respect to such unrecovered amount.

The Economic Coordination Committee (ECC), on a summary moved by the Ministry of Energy (Power Division), in case No. ECC-164/16/2008 dated October 14, 2008 decided that the said unrecovered cost due to 4% cap has been incurred by KE and NEPRA may take the amount into account in the subsequent quarterly tariff adjustment. However, NEPRA is of the view that the tariff mechanism does not allow for adjustment of such unrecovered cost.

The Power Division (GoP) through letter dated June 1, 2012 to the Finance Division (GoP), communicated that the unrecovered costs of KE were pending due to non availability of adjustment mechanism with NEPRA, although it has already been acknowledged by ECC and that the GoP owes this amount to KE. Accordingly, this unrecovered cost of Rs. 6,037 million is to be settled as per the options available with the GoP.

In view of the above, KE's management considers that the unrecovered costs of Rs. 6,037 million will be recovered. Accordingly, the entire amount is being carried as tariff adjustment subsidy receivable from the GoP. KE continues to pursue an early settlement of this long outstanding receivable from GoP and is confident that the same will be recovered in due course of time.

- Subsidy receivable of Rs. 677 million (2022: Rs. 677 million) in respect of subsidised electricity supplied to certain areas of Balochistan for the period December 2012 to June 2014, in accordance with the notification issued by the Finance Division dated November 28, 2012. However, in June 2014, the Ministry of Energy (Power Division) denied the aforementioned subsidy claim contending that the subsidised electricity claim is not applicable for KE and that it was only for Quetta Electric Supply Company Limited that supplied electricity in similar areas. KE is in continuous engagement with the Ministry of Energy (Power Division) for resolution of this matter, however, the subsidised portion will be recovered by KE from the relevant consumers in the event the subsidy claim is not honoured and recovered from the Government.
- Gas load management plan differential amounting to Rs. 2,618 million (2022: Rs. 2,618 million), outstanding tariff differential claims pertaining to the period January 2014 to December 2014 amounting to Rs. 12,672 million (2022: Rs. 12,672 million) and outstanding industrial support package adjustment amounting to Rs. 34,529 million (2022: Rs. 34,529 million) which has been referred to the Ministry of Energy (Power Division) by the Ministry of Finance (MoF) for appropriate action including approval from ECC. KE is of the view that all these claims have arisen due to decision / directions of the GoP and have been duly verified by the Ministry of Energy (Power Division). Hence, these are valid and legitimate receivables of KE from GoP. Further, this includes tariff variations pending determination by NEPRA, accrued in accordance with the MYT decision.

KE on a prudent basis has recognised further provision amounting to Rs. 859 million (2022: Rs. 5,515 million) during the year.

14.2 These include receivables from following related parties:

|                     |        | 2023                         | 2022      |
|---------------------|--------|------------------------------|-----------|
|                     | Note   | ----- (Rupees in '000) ----- |           |
| CPPA / NTDC         | 14.2.1 | 536,468                      | 464,001   |
| General Post Office | 14.2.2 | 5,131,367                    | 5,400,079 |
|                     |        | 5,667,835                    | 5,864,080 |

14.2.1 These represent the maximum aggregate amount due from the aforementioned related parties at the end of any month during the year.

14.2.2 This represents receivable from General Post Office on account of collections from consumers not yet transferred to KE. The maximum aggregate amount due from the related party at the end of any month during the year amounts to Rs. 5,619 million (2022: Rs. 5,400 million).

14.2.3 Age analysis of other receivables from related parties:

|                     | June 30, 2023                |                |                     | Total            |
|---------------------|------------------------------|----------------|---------------------|------------------|
|                     | Upto 6 months                | 7 to 12 months | More than 12 months |                  |
|                     | ----- (Rupees in '000) ----- |                |                     |                  |
| CPPA / NTDC         | 72,467                       | -              | 464,001             | 536,468          |
| General Post Office | 1,149,564                    | -              | 3,981,803           | 5,131,367        |
| June 30, 2023       | <u>1,222,031</u>             | <u>-</u>       | <u>4,445,804</u>    | <u>5,667,835</u> |
| June 30, 2022       | <u>5,400,079</u>             | <u>-</u>       | <u>464,001</u>      | <u>5,864,080</u> |

| 15. DERIVATIVE FINANCIAL ASSETS   | Note        | 2023                         | 2022      |
|---|-------------|------------------------------|-----------|
|   |             | ----- (Rupees in '000) ----- |           |
| Cross currency swap   | 15.1 & 15.2 | 23,567,302                   | 8,033,631 |
| 15.1  |             |                              |           |
| KE has entered into multiple cross currency swap arrangements with commercial banks in connection with foreign currency borrowings as disclosed in notes 21.1, 21.2, 21.4, 21.5 and 21.6. Pursuant to the agreements, KE's foreign currency borrowings up to USD 243.62 million (2022: USD 239.33 million) and EUR 17.80 million (2022: EUR 24.92 million) were converted into hedged Pakistan Rupee amount and the interest rate accruing thereon is payable to the hedging bank at the rate of 3 months KIBOR plus spread ranging from negative 1.87% to positive 1.12% (2022: negative 1.87% to positive 0.80%). |             |                              |           |
| 15.2  |             |                              |           |
| The above hedge of exposures arising due to variability in cash flows owing to currency risks have been designated as cash flow hedges.   |             |                              |           |

| 16. CASH AND BANK BALANCES | Note | 2023                         | 2022             |
|----------------------------|------|------------------------------|------------------|
|                            |      | ----- (Rupees in '000) ----- |                  |
| <b>Cash in hand</b>        |      | 51,520                       | 45,122           |
| <b>Cash with:</b>          |      |                              |                  |
| <b>Conventional banks:</b> |      |                              |                  |
| - Current accounts         |      | 2,498,839                    | 194,251          |
| - Deposit accounts         | 16.1 | 928,721                      | 391,078          |
| - Collection accounts      |      | 2,111,420                    | 1,874,579        |
|                            |      | <u>5,538,980</u>             | <u>2,459,908</u> |
| <b>Islamic banks:</b>      |      |                              |                  |
| - Current accounts         |      | 131,605                      | 90,738           |
| - Deposit accounts         | 16.1 | 125,742                      | 27,614           |
| - Collection accounts      |      | 1,273,462                    | 276,091          |
|                            |      | <u>1,530,809</u>             | <u>394,443</u>   |
|                            |      | <u>7,121,309</u>             | <u>2,899,473</u> |

16.1 These carry mark-up at rates ranging from 4.6% to 20.45% (2022: 4.5% to 13.05%) per annum.

| 17. ASSETS CLASSIFIED AS HELD FOR SALE | Note | 2023                         | 2022     |
|--|------|------------------------------|----------|
|  |      | ----- (Rupees in '000) ----- |          |
| Plant and machinery - owned            | 17.1 | 2,639,197                    | -        |
| Leasehold land                         | 17.2 | 1,971,709                    | -        |
| Others                                 | 17.1 | 2,712                        | -        |
|  |      | <u>4,613,618</u>             | <u>-</u> |

17.1 During the year KE has initiated the process of disposal of already decommissioned generating units 3 and 4 of Bin Qasim Power Complex - I.

17.2 During the year KE has initiated the process of disposal of its' idle open plot located in Gulistan-e-Johar, Karachi.



## 18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| 2023  | 2022                  |  | Note         | 2023                    | 2022                    |
|---|-----------------------|--|--------------|-------------------------|-------------------------|
|   |                       | ----(Rupees in '000)----                                   |              |                         |                         |
| <b>Authorised share capital</b>                 |                       |  |              |                         |                         |
| 32,857,142,857                                  | 32,857,142,857        | Ordinary shares of Rs. 3.5 each                            |              | 115,000,000             | 115,000,000             |
| 2,857,142,857                                   | 2,857,142,857         | Redeemable preference shares of Rs. 3.5 each               |              | 10,000,000              | 10,000,000              |
| <u>35,714,285,714</u>                           | <u>35,714,285,714</u> |  |              | <u>125,000,000</u>      | <u>125,000,000</u>      |
| <b>Issued, subscribed and paid-up capital</b>   |                       |  |              |                         |                         |
| <b>Issued for cash</b>                          |                       |  |              |                         |                         |
| 14,493,490,368                                  | 14,493,490,368        | Ordinary shares of Rs. 3.5 each fully paid                 | 18.2 & 18.3  | 50,727,215              | 50,727,215              |
| <b>Issued for consideration other than cash</b> |                       |  |              |                         |                         |
| 12,988,827,989                                  | 12,988,827,989        | Ordinary shares of Rs. 3.5 each fully paid                 | 18.4 to 18.8 | 45,460,898              | 45,460,898              |
| <b>Issued as bonus shares</b>                   |                       |  |              |                         |                         |
| 132,875,889                                     | 132,875,889           | Ordinary shares of Rs. 3.5 each fully paid as bonus shares |              | 465,066                 | 465,066                 |
| 13,121,703,878                                  | 13,121,703,878        | Transaction costs on issuance of shares                    |              | 45,925,964<br>(391,628) | 45,925,964<br>(391,628) |
| <u>27,615,194,246</u>                           | <u>27,615,194,246</u> |  | 18.1         | <u>96,261,551</u>       | <u>96,261,551</u>       |

- 18.1 KES Power Limited (the Holding Company of KE) held 18,335,542,678 ordinary shares as at June 30, 2023 (2022: 18,335,542,678) i.e. 66.40% of KE's issued, subscribed and paid-up capital.
- 18.2 The shareholders of KE, by way of a special resolution passed in the Extra Ordinary General Meeting (EOGM) of KE, held on October 8, 2012, resolved to issue additional share capital to International Finance Corporation (IFC) and Asian Development Bank (ADB). As a result of the said resolution, KE issued 698,071,428 ordinary shares and 696,785,714 ordinary shares, having a face value of Rs. 3.5 each, to IFC and ADB, respectively. The issuance of shares was made pursuant to terms of the amended subscription agreement dated May 5, 2010, whereby, the aforementioned lenders exercised their right to convert their debt of USD 25 million each into ordinary shares of KE.
- 18.3 During the year ended June 30, 2013, KE converted its redeemable preference shares into ordinary shares of KE. The conversion of redeemable preference shares to ordinary shares was executed in accordance with Article 4 of the subscription agreement dated November 14, 2005. As per the terms of conversion, each redeemable preference shareholder of KE became the holder of three ordinary shares for every four redeemable preference shares held. Consequently, KE converted 1,714,285,713 redeemable preference shares having face value of Rs. 3.5 each, which amounts 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 share premium of Rs. 1,500 million.
- 18.4 During the year ended June 30, 1999, KE 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 Rs. 3,045 million at that date, into equity.
- 18.5 During the year ended June 30, 2002, the shareholders of KE, by way of a special resolution, passed in the Annual General Meeting (AGM) of KE, finalised the conversion of KE's debt servicing liabilities, aggregating Rs. 17,835 million, into equity. As a result, KE issued 1,783,456,000 ordinary shares of Rs. 10 each at par. The subscription agreement in this regard was entered into on January 24, 2002.
- 18.6 As per the decision taken in the Economic Coordination Committee (ECC) meeting, held on April 16, 2002, which was also approved by the President of Pakistan, the Ministry of Finance (MoF) conveyed through its letter dated April 27, 2002, that all the loans of GoP and GoP guaranteed loans outstanding against KE be converted into equity. Accordingly, loans aggregating to Rs. 65,341 million were converted into equity of GoP in KE.

- 18.7 The shareholders of KE, by way of a special resolution passed in the AGM of KE held on December 2, 2004, resolved the conversion of (a) GoP funds amounting to Rs. 6,081 million; and (b) GoP long term loan amounting to Rs. 9,203 million, aggregating to Rs.15,284 million into equity. As a result of the said resolution, KE issued 4,366,782,389 ordinary shares of Rs. 3.5 each at par. The subscription agreement in this regard was entered into on December 20, 2004.
- 18.8 The shareholders of KE, by way of a special resolution passed in the EOGM held on May 27, 2002, resolved the reduction of share capital of KE, subsequent to the completion of the conversion of all GoP loans and GoP guaranteed loans of Rs. 65,341 million into equity (note 17.6). The paid-up capital, which was lost or not represented by assets of KE, to the extent of Rs. 6.50 per share on each of the issued ordinary shares of KE at that time, was reduced and a new nominal value thereof was fixed at Rs. 3.50 per share. The High Court of Sindh, vide its order, dated October 12, 2002, ordered the reduction in the nominal value of share capital of KE by Rs. 6.50 per share. The Board of Directors of KE in its meeting held on October 26, 2002 also approved the reduction in nominal value of share capital, amounting to Rs. 57,202 million.
- The GoP, vide its Finance Division letter dated January 31, 2003, conveyed the sanction of the President of Pakistan to write-off the GoP equity in KE. Accordingly, the reduction in share capital of Rs. 57,202 million was adjusted against the accumulated losses of KE.
- 18.9 Profits earned by KE since 2009 have all been reinvested into KE's business taking into account the capital expenditure requirements, KE's financial position and level of accumulated losses and requirements of the lenders. Consequently, the level of adjusted invested equity in the business at the end of June 30, 2023 (hereinafter defined as "Adjusted Invested Equity") comprises of issued share capital, reserves (excluding surplus on revaluation of fixed assets), adjusted profits since 2009 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 the year ended June 30, 2011.

The reconciliation of 'Adjusted Invested Equity' to the shareholders' equity is as follows:

|   |      | 2023                         | 2022                        |
|---|------|------------------------------|-----------------------------|
|   | Note | ----- (Rupees in '000) ----- | -----                       |
| Shareholders' equity in the statement of financial position of KE   |      | 255,154,657                  | 250,171,718                 |
| Surplus on revaluation of property, plant and equipment - net   | 20   | (101,431,882)<br>153,722,775 | (69,713,296)<br>180,458,422 |
| Accumulated losses up to June 30, 2011  |      | 79,864,661                   | 79,864,661                  |
| Deferred tax (net) recognised on surplus of revaluation of property, plant and equipment  | 20   | (41,429,923)                 | (28,474,445)                |
| Adjusted Invested Equity (excluding impact of accumulated losses up to June 30, 2011 and surplus on revaluation of property, plant and equipment)   |      | <u>192,157,513</u>           | <u>231,848,638</u>          |
| The Adjusted Invested Equity is summarised below:   |      |                              |                             |
| Issued, subscribed and paid up capital  | 18   | 96,261,551                   | 96,261,551                  |
| Capital reserves excluding surplus on revaluation of property, plant and equipment - net of tax   | 19   | 2,009,172                    | 2,009,172                   |
| General reserve   |      | 5,372,356                    | 5,372,356                   |
| Profits available for distribution reinvested in KE (Total comprehensive income for the year excluding the impact of deferred tax asset and incremental depreciation) for the year 2012 to 2022 |      | 153,941,962<br>257,585,041   | 153,941,962<br>257,585,041  |
| Impact of change in accounting policy on retained earnings (Adoption of IFRS 9 in FY-19)  |      | (25,736,403)                 | (25,736,403)                |
| Adjusted Invested Equity (excluding impact of accumulated losses up to June 30, 2011 and surplus on revaluation of property, plant and equipment)   |      | <u>231,848,638</u>           | <u>231,848,638</u>          |

## 19. SHARE PREMIUM AND OTHER RESERVES

|  | Note   | 2023<br>----- (Rupees in '000) ----- | 2022             |
|--|--------|--------------------------------------|------------------|
| Share premium                                  | 18.3   | 1,500,000                            | 1,500,000        |
| Others   | 19.1   | 509,172                              | 509,172          |
|  |        | <u>2,009,172</u>                     | <u>2,009,172</u> |
| <b>19.1 Others</b>                             |        |                                      |                  |
| Unclaimed fractional bonus shares money        | 19.1.1 | 46                                   | 46               |
| Workmen compensation reserve                   | 19.1.2 | 700                                  | 700              |
| Third party liability reserve                  | 19.1.3 | 300                                  | 300              |
| Fire and machinery breakdown insurance reserve | 19.1.4 | 508,126                              | 508,126          |
|  |        | <u>509,172</u>                       | <u>509,172</u>   |

### 19.1.1 Unclaimed fractional bonus shares money

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

### 19.1.2 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.

### 19.1.3 Third party liability reserve

This reserve was created to meet the third party liabilities, arising due to accidents by electrocution, both fatal and non-fatal, claims for which may not be accepted by the National Insurance Company, where the negligence or fault on the part of KE is determined by the court.

### 19.1.4 Fire and machinery breakdown insurance reserve

KE was operating a self-insurance scheme in respect of its certain operating fixed assets and spares to cover such hazards which were potentially less likely to occur. However, KE discontinued its policy for providing the amount under self-insurance scheme with effect from the year ended June 30, 1998. Operating fixed assets, which are self insured against this reserve and on which claim lodged with respect to damages to such assets is not fully acknowledged by the insurer, the shortfall is to be charged against this reserve.

## 20. REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

This represents revaluation surplus relating to leasehold land, plant and machinery and transmission grid equipment (notes 5.1.3 and 5.1.4). The revaluation surplus on property, plant and equipment is a capital reserve and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

|  | Note  | 2023<br>----- (Rupees in '000) ----- | 2022                |
|--|-------|--------------------------------------|---------------------|
| Balance as at the beginning of the year  |       | 98,187,741                           | 78,778,407          |
| Transferred to unappropriated profit in respect of incremental depreciation charged and disposals during the year, net of deferred tax |       | (4,374,904)                          | (3,995,363)         |
| Related deferred tax liability   |       | (1,786,933)                          | (1,631,909)         |
| Revaluation surplus arising during the year  | 5.1.3 | 50,835,901                           | 25,036,606          |
|  |       | 44,674,064                           | 19,409,334          |
|  | 20.1  | 142,861,805                          | 98,187,741          |
| Less: Related deferred tax liability on:   |       |                                      |                     |
| - Revaluation at the beginning of the year   |       | (28,474,445)                         | (22,845,738)        |
| - Revaluation surplus arising during the year  | 26.1  | (14,742,411)                         | (7,260,616)         |
| - Incremental depreciation charged and disposals during the year   |       | 1,786,933                            | 1,631,909           |
|  |       | <u>(41,429,923)</u>                  | <u>(28,474,445)</u> |
|  |       | <u>101,431,882</u>                   | <u>69,713,296</u>   |

20.1 This includes revaluation surplus net of deferred tax amounting to Rs. 2,743 million (net of deferred tax liability of Rs. 1,121 million) against asset classified as held for sale.

|  | Note          | 2023<br>----- (Rupees in '000) ----- | 2022         |
|--|---------------|--------------------------------------|--------------|
| <b>21 LONG-TERM FINANCING</b>                                      |               |                                      |              |
| <b>From banking companies and financial institutions - secured</b> |               |                                      |              |
| <b>Conventional:</b>   |               |                                      |              |
| Hermes financing facility - 1                                      | 21.1 & 21.9   | 5,937,747                            | 5,328,584    |
| Sinosure financing facility - 1                                    | 21.2 & 21.9   | 15,968,149                           | 13,917,588   |
| Syndicate term finance facility                                    | 21.3 & 21.9   | 4,782,812                            | 8,407,579    |
| GuarantCo. financing facility                                      | 21.4 & 21.9   | 4,752,204                            | 6,448,817    |
| Hermes financing facility - 2                                      | 21.5 & 21.9   | 29,171,421                           | 19,661,086   |
| Sinosure financing facility - 2                                    | 21.6 & 21.9   | 71,731,264                           | 40,958,609   |
| Local project finance facility                                     | 21.7 & 21.9   | 12,265,747                           | 12,246,785   |
| Corporate syndicate facility                                       | 21.8 & 21.9   | 16,853,939                           | 16,823,337   |
|  |               | 161,463,283                          | 123,792,385  |
| <b>With Islamic banks:</b>   |               |                                      |              |
| Syndicate term finance facility                                    | 21.3 & 21.9   | 5,775,000                            | 6,825,000    |
| Local project finance facility                                     | 21.7 & 21.9   | 1,434,496                            | 1,432,278    |
| Corporate syndicate facility                                       | 21.8 & 21.9   | 1,971,091                            | 1,967,513    |
| Musharaka loan   | 21.10         | 18,329,340                           | 16,504,844   |
|  |               | 27,509,927                           | 26,729,635   |
| Less:  |               |                                      |              |
| Current maturity shown under current liabilities                   |               | (31,259,680)                         | (19,861,731) |
|  |               | 157,713,530                          | 130,660,289  |
| <b>Diminishing musharaka - secured</b>                             |               |                                      |              |
| KE Sukuk 5   | 21.13 & 21.15 | 21,132,584                           | 24,827,900   |
| KE Sukuk 6   | 21.14 & 21.15 | 6,662,162                            | -            |
|  |               | 27,794,746                           | 24,827,900   |
| Less: Current maturity shown under current liabilities             |               | (5,000,000)                          | (3,750,000)  |
|  |               | 22,794,746                           | 21,077,900   |
| <b>Others - Secured</b>  |               |                                      |              |
| Due to oil and gas companies                                       |               | 610                                  | 610          |
| Current maturity shown under current liabilities                   |               | (610)                                | (610)        |
|  |               | -                                    | -            |
| <b>Unsecured</b>   |               |                                      |              |
| GoP loan for the electrification of Hub area                       | 21.11         | 26,000                               | 26,000       |
| Current maturity shown under current liabilities                   |               | (26,000)                             | (26,000)     |
|  |               | -                                    | -            |
|  |               | 180,508,276                          | 151,738,189  |

21.1 This represents Pakistan Rupee equivalent outstanding balance of EUR 18.97 million (2022: EUR 24.92 million) disbursed under Hermes supported facility agreement entered into on December 22, 2015 amounting to EUR 46.5 million, with Standard Chartered Bank, London Branch. In October 2017, through amendment to the facility agreement, amount under the facility has been enhanced to EUR 51.5 million. The loan was utilised to fund the Transmission Project (TP 1000-04). The loan carries mark-up at 3 months EURIBOR + 1.65% per annum. The loan is to be settled in 28 quarterly installments which commenced from March 16, 2019 with final repayment due on December 16, 2025. KE has executed cross currency swaps amounting to EUR 17.87 million with commercial banks to hedge KE's foreign currency principal payment obligations under the facility except for EUR 1.1 million which remains unhedged as at June 30, 2023.

- 21.2 This represents Pakistan Rupee equivalent (net of transaction cost) outstanding balance of USD 57.255 million (2022: USD 71.527 million) disbursed under Sinasure supported facility agreement entered into on December 22, 2015 amounting to USD 91.5 million, with a syndicate of foreign commercial lenders. In November 2020, through amendment to the facility agreement, amount under the facility has been enhanced to USD 157.1 million. The loan was utilised to fund the Transmission Project (TP 1000-03). The loan carries mark-up at 3 months USD LIBOR + 3.5% per annum. The loan is to be settled in 28 quarterly installments which commenced from March 16, 2019 with final repayment due on December 16, 2025. KE has executed cross currency swaps amounts to USD 10.714 million with commercial banks to hedge KE's foreign currency principal payment obligations under the facility except for USD 6.1 million which remains unhedged as at June 30, 2023.
- 21.3 This represents outstanding balance (net of transaction cost) against Syndicate Term Finance Facility of Rs. 23,500 million (2022: Rs. 23,500 million) entered into on November 6, 2018 with a syndicate of local commercial banks. The loan is being utilised to fund the TP-1000 project and ongoing distribution projects. The loan carries mark-up at 3 months KIBOR + 1% per annum. The facility is to be settled in 20 quarterly installments which commenced from December 16, 2020 with final repayment due on September 16, 2025.
- 21.4 This represents Pakistan Rupee equivalent (net of transaction cost) outstanding balance of USD 10.714 million (2022: USD 17.857 million) against disbursed under GuarantCo. supported facility agreement entered into on August 22, 2019, with Standard Chartered Bank, London Branch. This also represents outstanding balance of a local currency loan of Rs. 4,000 million disbursed under GuarantCo. supported facility entered into on August 29, 2019 with Standard Chartered Bank (Pakistan) Limited and Askari Bank Limited as Mandated Lead Arrangers. Both the loan facilities have been utilised to fund the capital expenditure related to transmission and distribution projects. The USD loan carries mark-up at 3 months LIBOR + 5.5% per annum. The local currency loan carries mark-up at 3 months KIBOR + 1.05% per annum. The loan is to be settled in 14 quarterly installments with first installment due on September 16, 2021 and is repayable by December 16, 2024 for both tranches. KE has executed cross currency swap amounts to USD 10.714 million with a commercial bank to hedge KE's foreign currency principal payment obligation under the USD facility.
- 21.5 This represents Pakistan Rupee equivalent (net of transaction cost) outstanding balance of USD 114.97 million (2022: USD 115.15 million) disbursed under Hermes supported facility agreement entered into on August 10, 2021 for USD 123.23 million, with a syndicate of foreign commercial lenders. The loan has been utilised to fund BQPS-III combined cycle power plant and associated transmission projects of KE. The loan initially carried a mark-up at 3 months LIBOR + 1.35% per annum. However, effective February 3, 2023, the base rate has been transitioned from LIBOR to Secured Overnight Financing Rate (SOFR) due to the industry-wide discontinuation of LIBOR. The revised applicable interest rate is calculated as SOFR + 1.35% plus Credit Adjustment Spread (CAS) of 0.26161% per annum. The loan is to be settled in 48 quarterly installments as per the terms of the agreement commencing from February 3, 2023 with final repayment due on August 3, 2034. KE has executed cross currency swaps amounts to USD 114.97 million with commercial banks to hedge KE's foreign currency principal obligations under the facility.
- 21.6 This represents Pakistan Rupee equivalent (net of transaction cost) outstanding balance of USD 268.716 million disbursed under Sinasure supported facility agreement entered into on September 3, 2021 for USD 291.1 million, with a syndicate of foreign commercial lenders. The loan has been utilised to fund BQPS-III combined cycle power plant and associated transmission projects of KE. The loan initially carried a mark-up at 3 months LIBOR + 2.90% per annum. However, effective February 3, 2023, the base rate has been transitioned from LIBOR to SOFR (Secured Overnight Financing Rate) due to the industry-wide discontinuation of LIBOR. The revised applicable interest rate is calculated as SOFR + 2.90% plus CAS of 0.26161% per annum. The loan is to be settled in 48 quarterly installments as per the terms of the agreement commencing from November 3, 2022 with final repayment due on August 3, 2034. To hedge foreign currency principal obligations under the facility, KE has executed cross currency swaps amounts to USD 66.83 million (2022: USD 34.8 million) and Shariah Compliant Long Term Foreign Exchange Hedge Arrangements amounts to USD 89.67 million (2022: USD 84.99 million) as further explained in notes 8.1 and 21.10 except for USD 112.22 million which remains unhedged as at June 30, 2023.

- 21.7 This represents amount outstanding (net of transaction cost) under Syndicate Term Finance Facility entered into on November 24, 2021 with a syndicate of local commercial lenders for an amount of Rs. 13,904 million (2022: Rs. 13,904 million). The proceeds of the loan were partially utilised to settle the bridge facility during FY22 and remaining proceeds were utilised to fund BQPS-III combined cycle power plant and associated transmission projects of KE. The loan carries mark-up at 3 months KIBOR + 2.25% per annum and is to be settled in 48 quarterly installments commencing from August 3, 2023.
- 21.8 This represents amount outstanding (net of transaction cost) under Corporate Term Finance Facility entered into on November 24, 2021 with a syndicate of local commercial lenders for an amount of Rs. 19,096 million (2022: Rs. 19,096 million). The proceeds of the loan were partially utilized to settle the bridge facility during prior year and remaining proceeds were utilized for meeting permanent working capital requirements in relation to BQPS-III combined cycle power plant and associated transmission projects of KE. The loan carries mark-up at 3 months KIBOR + 2.15% per annum and is to be settled in 40 quarterly installments commencing from August 3, 2023.
- 21.9 The above facilities, stated in notes 21.1 to 21.8, are secured against:
- assets and properties (excluding stores, spares and fuel) existing and located on each of the Bin Qasim Site (other than Units 3 and 4 of BQPS I), the Korangi site, the Korangi Gas Plant Site and S.I.T.E Plant site;
  - stores and spares of KE, not exceeding fifteen percent (15%) of the aggregate value, wheresoever located;
  - hypothecation charge over specific consumers' receivables and specific collections, accounts, and deposits; and
  - lien on specific accounts and deposits by way of first pari passu charge.
- 21.10 This represents outstanding balance in relation to the two Shariah compliant long term foreign exchange hedge arrangements availed from DIBPL which have been structured on diminishing musharaka mode and have been utilized to hedge the currency risk arising under certain tranches of Sinasure Supported Financing Facility as referred in note 21.6. These hedging arrangements involve payment of profit at the rate of 3 months KIBOR + 1.20% per annum and 3 months KIBOR + 0.75% per annum, respectively. Both the arrangements are structured in a way that the repayment dates fall in line with Sinasure financing facility - 2. The hedging arrangements have been secured against ranking hypothecation charge over current assets and lien and right of set off over the Term Deposit Receipts maintained with DIBPL as referred to in note 8.1.
- 21.11 During the year ended June 30, 2004, the Finance Division of GoP vide its letter dated April 20, 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, which ended on June 30, 2009, along with mark-up chargeable at the prevailing rate for the respective years. KE is in the process of settlement of this loan.
- 21.12 The foreign currency facilities as referred in notes 21.2 and 21.4 are subject to IBOR reforms which are not expected to significantly impact the Group's current risk management strategy and accounting for certain financial instruments. The transition from LIBOR to SOFR is expected to be completed by quarter 1 of next year.
- 21.13 This represents amount outstanding (net of transaction cost) against 5 million KE Sukuk certificates, issued by KE during the year ended June 30, 2021, having face value of Rs. 5,000 each aggregating to Rs. 25,000 million. The Sukuk carries profit at the rate of 3 months KIBOR + 1.7% per annum with tenure of seven years from the issue date and first installment of quarterly principal repayment started from November 2022. KE, in this respect, entered into a diminishing musharaka agreement with the investment agent, Pak Brunei Investment Company Limited (trustee on behalf of the Sukuk holders) as a co-owner of the musharaka assets. Under this arrangement, KE sold the beneficial ownership of the musharaka assets i.e. fixed assets located at certain grid stations (excluding any immovable properties) to the Investment Agent (for the benefit of Sukuk holders), although legal title remains with KE. The overall arrangement has been accounted for in these consolidated financial statements on the basis of substance of the transaction.

- 21.14 This represents amount outstanding (net of transaction cost) against 67,000 KE Sukuk certificates, issued by KE during the year ended June 30, 2023, having face value of Rs. 100,000 each aggregating to Rs. 6,700 million. The Sukuk carries profit at the rate of 3 months KIBOR + 1.7% per annum with tenure of seven years from the issue date and are structured in such a way that first installment of quarterly principal repayment will commence from November 2024. KE, in this respect, entered into a diminishing musharaka agreement with the Issue Agent, Pak Brunei Investment Company Limited (Agent on behalf of the Sukuk holders) as a co-owner of the musharaka assets. Under this arrangement, KE sold the beneficial ownership of the musharaka assets i.e. fixed assets located at certain grid stations (excluding any immovable properties) to the Issue Agent (for the benefit of Sukuk holders), although legal title remains with KE. The overall arrangement has been accounted for in these consolidated financial statements on the basis of substance of the transaction.
- 21.15 The above facilities, stated in notes 21.13 and 21.14, are secured against fixed assets located at certain grid stations (excluding any immovable properties), hypothecation charge over specific collection accounts and deposits; and lien on specific accounts and deposits by way of first pari passu charge.

|  | Note | 2023<br>----- (Rupees in '000) ----- | 2022           |
|--|------|--------------------------------------|----------------|
| <b>22. LEASE LIABILITIES</b>                           |      |                                      |                |
| Lease liabilities                                      |      | 176,360                              | 197,451        |
| Less: Current maturity shown under current liabilities | 22.1 | (42,459)                             | (32,750)       |
|  |      | <u>133,901</u>                       | <u>164,701</u> |

22.1 The maturity analysis of lease liabilities is as follows:

|                            | Future<br>minimum lease<br>payments | Interest      | Present value of<br>future minimum<br>lease payments |
|----------------------------|-------------------------------------|---------------|--|
|                            | ----- (Rupees in '000) -----        |               |  |
| Less than one year         | 59,005                              | 16,546        | 42,459   |
| Between one and five years | 144,205                             | 46,965        | 97,240   |
| More than five years       | 42,623                              | 5,962         | 36,661   |
|                            | <u>245,833</u>                      | <u>69,473</u> | <u>176,360</u>                                       |

22.2 The cash outflow in respect of lease payments for the year ended June 30, 2023 is Rs. 56.8 million (2022: Rs. 53.8 million).

|   | Note | 2023<br>----- (Rupees in '000) ----- | 2022              |
|---|------|--------------------------------------|-------------------|
| <b>23. LONG-TERM DEPOSITS AND OTHER LIABILITIES</b> |      |                                      |                   |
| Long-term deposits                                  | 23.1 | 14,956,811                           | 13,976,931        |
| Other liabilities                                   |      | 1,757,647                            | -                 |
|   |      | <u>16,714,458</u>                    | <u>13,976,931</u> |

23.1 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. These deposits have been utilised in the business of KE in accordance with the requirements of written agreements and in terms of section 217 of the Companies Act, 2017.

23.2 This represents amount payable to Harbin Electrical International Company Limited as per the terms of the agreement.

| 24. EMPLOYEE RETIREMENT BENEFITS AND OTHER BENEFIT OBLIGATIONS | Note    | 2023                         | 2022             |
|--|---------|------------------------------|------------------|
|  |         | ----- (Rupees in '000) ----- |                  |
| Gratuity   | 24.1.1  | 3,374,274                    | 3,570,242        |
| Post retirement medical benefits                               | 24.1.1  | 1,034,390                    | 839,384          |
| Post retirement electricity benefits                           | 24.1.1  | 599,959                      | 410,444          |
| Accumulating leave payable                                     | 24.1.14 | 667,922                      | 672,609          |
|  |         | <u>5,676,545</u>             | <u>5,492,679</u> |

#### 24.1 Actuarial valuations of retirement benefits

The latest actuarial valuations were carried out as at June 30, 2023, using the "Projected Unit Credit Method", details of which are presented in notes 24.1.1 to 24.1.14.

|  | Note   | Gratuity         |                  | Medical benefits |                | Electricity benefits |                |
|--|--------|------------------|------------------|------------------|----------------|----------------------|----------------|
|  |        | 2023             | 2022             | 2023             | 2022           | 2023                 | 2022           |
| ----- (Rupees in '000) -----   |        |                  |                  |                  |                |                      |                |
| <b>24.1.1 Net recognised liability</b>   |        |                  |                  |                  |                |                      |                |
| Net liability at the beginning of the year   |        | 3,570,242        | 2,887,666        | 839,384          | 711,886        | 410,444              | 403,308        |
| Expense recognised in profit or loss   |        | 1,025,666        | 912,150          | 144,749          | 102,542        | 108,573              | 88,739         |
| Contributions / benefits paid during the year                                      |        | (1,173,777)      | (206,529)        | (120,929)        | (111,756)      | (97,119)             | (79,719)       |
| Remeasurement recognised in other comprehensive income                             | 24.1.3 | (47,857)         | (23,045)         | 171,186          | 136,712        | 178,061              | (1,884)        |
| Net liability at the end of the year   |        | <u>3,374,274</u> | <u>3,570,242</u> | <u>1,034,390</u> | <u>839,384</u> | <u>599,959</u>       | <u>410,444</u> |
| <b>24.1.2 Expense recognised in profit or loss</b>                                 |        |                  |                  |                  |                |                      |                |
| Current service cost   |        | 637,831          | 636,495          | 30,316           | 24,979         | 15,875               | 14,085         |
| Past service, termination and settlement cost                                      |        | -                | -                | 15,215           | 14,287         | 52,693               | 44,938         |
| Net interest   |        | 387,835          | 275,655          | 99,218           | 63,276         | 40,005               | 29,716         |
| Charged in profit or loss  |        | <u>1,025,666</u> | <u>912,150</u>   | <u>144,749</u>   | <u>102,542</u> | <u>108,573</u>       | <u>88,739</u>  |
| <b>24.1.3 Remeasurement loss / (gain) recognised in other comprehensive income</b> |        |                  |                  |                  |                |                      |                |
| Remeasurement due to change in demographic assumptions:                            |        |                  |                  |                  |                |                      |                |
| - experience adjustment  |        | 18,291           | (59,064)         | 171,186          | 136,712        | 178,061              | (1,884)        |
| - return on investment   |        | (66,148)         | 36,019           | -                | -              | -                    | -              |
| Recognised in other comprehensive income   | 24.1.1 | <u>(47,857)</u>  | <u>(23,045)</u>  | <u>171,186</u>   | <u>136,712</u> | <u>178,061</u>       | <u>(1,884)</u> |
| <b>24.1.4 Reconciliation of liability / (asset) as at reporting date</b>           |        |                  |                  |                  |                |                      |                |
| Present value of defined benefit obligation  | 24.1.5 | 6,902,097        | 6,572,330        | 1,034,390        | 839,384        | 599,959              | 410,444        |
| Fair value of plan assets  | 24.1.6 | (3,527,823)      | (3,002,088)      | -                | -              | -                    | -              |
| Net liability at end of the year   |        | <u>3,374,274</u> | <u>3,570,242</u> | <u>1,034,390</u> | <u>839,384</u> | <u>599,959</u>       | <u>410,444</u> |
| <b>24.1.5 Movement in present value of defined benefit obligations</b>             |        |                  |                  |                  |                |                      |                |
| Balance at the beginning of the year   |        | 6,572,330        | 6,459,128        | 839,384          | 711,886        | 410,444              | 403,308        |
| Current service cost   |        | 637,831          | 636,495          | 30,316           | 24,979         | 15,875               | 14,085         |
| Past service cost  |        | -                | -                | 15,215           | 14,287         | 52,693               | 44,938         |
| Interest cost  |        | 782,337          | 587,398          | 99,218           | 63,276         | 40,005               | 29,716         |
| Remeasurements: Actuarial loss / (gain)  |        | 18,291           | (59,064)         | 171,186          | 136,712        | 178,061              | (1,884)        |
| Benefits paid  |        | (1,108,692)      | (1,051,627)      | (120,929)        | (111,756)      | (97,119)             | (79,719)       |
| Balance at the end of the year   | 24.1.4 | <u>6,902,097</u> | <u>6,572,330</u> | <u>1,034,390</u> | <u>839,384</u> | <u>599,959</u>       | <u>410,444</u> |



|  | Note   | Gratuity                     |                           |
|--|--------|------------------------------|---------------------------|
|  |        | 2023                         | 2022                      |
|  |        | ----- (Rupees in '000) ----- |                           |
| <b>24.1.6 Movement in fair value of plan assets</b>  |        |                              |                           |
| Balance at the beginning of the year   |        | 3,002,088                    | 3,571,462                 |
| Interest income  |        | 394,502                      | 311,743                   |
| Remeasurements: Actuarial gain / (loss)  |        | 66,148                       | (36,019)                  |
| Contributions made   |        | 1,173,777                    | 206,529                   |
| Benefits paid  |        | (1,108,692)                  | (1,051,627)               |
| Balance at the end of the year   | 24.1.4 | 3,527,823                    | 3,002,088                 |
| <b>24.1.7 Plan assets comprise of:</b>   |        |                              |                           |
| Bank deposits  |        | 828,001                      | 401,684                   |
| Corporate bonds  |        | 347,072                      | 409,244                   |
| Mutual funds   |        | 1,668,390                    | 1,348,583                 |
| Government bonds   |        | 1,043,926                    | 1,193,620                 |
| Benefits due   |        | (359,566)                    | (351,043)                 |
|  |        | 3,527,823                    | 3,002,088                 |
| <b>24.1.8 Principal actuarial assumptions used in the actuarial valuation:</b>   |        |                              |                           |
| <b>Financial assumptions</b>   |        | <b>2023</b>                  | <b>2022</b>               |
| Discount rate  |        | 15.25%                       | 13.00%                    |
| Salary increase  |        | 13.00%                       | 10.75%                    |
| Electricity tariff increase  |        | 10.00%                       | 7.75%                     |
| Medical cost trend   |        | 10.00%                       | 7.75%                     |
| <b>Demographic assumptions</b>   |        |                              |                           |
| Expected mortality rate  |        | 70% of the EFU<br>(61-66)    | 70% of the EFU<br>(61-66) |
| <b>Demographic assumptions</b>   |        | <b>2023</b>                  |                           |
| Expected withdrawal rate   |        | <b>Age</b>                   | <b>Rate</b>               |
|  |        | 18-24                        | 12.50%                    |
|  |        | 25-29                        | 8.33%                     |
|  |        | 30-34                        | 3.00%                     |
|  |        | 35-39                        | 2.25%                     |
|  |        | 40-44                        | 2.00%                     |
|  |        | 45-49                        | 1.40%                     |
|  |        | 50-59                        | 0.70%                     |
| <b>24.1.9 The plans expose KE to the following risks:</b>  |        |                              |                           |
| <b>Salary risk</b>   |        |                              |                           |
| The risk 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.   |        |                              |                           |
| <b>Mortality / withdrawal risk</b>   |        |                              |                           |
| The risk that the actual mortality / withdrawal experience is different. The effect depends upon the beneficiaries' service / age distribution and the benefit.  |        |                              |                           |
| <b>Investment risks</b>  |        |                              |                           |
| 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 the gratuity fund. |        |                              |                           |

#### 24.1.10 Sensitivity analysis for actuarial assumptions

The impact of one percent movement in the assumptions used in determining retirement benefit obligations would have had the following effects on the June 30, 2023 actuarial valuation:

|                             | June 30, 2023    |             |
|-----------------------------|------------------|-------------|
|                             | 1% increase      | 1% decrease |
|                             | (Rupees in '000) |             |
| Discount rate               | (619,916)        | 714,292     |
| Salary increase             | 603,147          | (529,453)   |
| Electricity tariff increase | 82,956           | (73,943)    |
| Medical cost trend          | 40,065           | (36,024)    |

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.

#### 24.1.11 Maturity profile

Projected payments during the following years is as follows:

|                   | Gratuity         | Medical benefits | Electricity benefits |
|-------------------|------------------|------------------|----------------------|
|                   | (Rupees in '000) |                  |                      |
| Benefit payments: |                  |                  |                      |
| FY 2024           | 535,793          | 84,361           | 48,835               |
| FY 2025           | 814,439          | 92,631           | 52,586               |
| FY 2026           | 929,425          | 102,522          | 56,076               |
| FY 2027           | 970,348          | 115,893          | 62,248               |
| FY 2028           | 827,147          | 127,524          | 79,528               |
| FY 2029-33        | 6,452,713        | 823,562          | 527,925              |
|                   | Gratuity         | Medical benefits | Electricity benefits |
|                   | Years            |                  |                      |

#### 24.1.12 Plan duration

|               |     |     |     |
|---------------|-----|-----|-----|
| June 30, 2023 | 9.5 | 8.7 | 8.2 |
| June 30, 2022 | 9.2 | 8.8 | 8.3 |

24.1.13 Based on the actuarial advice, KE is to charge approximately Rs. 1,070 million, Rs. 185 million and Rs. 101 million in respect of gratuity, medical benefits and electrical benefits schemes, respectively, during the year ending June 30, 2024.

#### 24.1.14 Accumulating leaves

These represent liabilities in respect of accumulating earned leaves i.e. outstanding leave encashment payments of eligible employees.

2023  
----- (Rupees in '000) -----  
2022

## 25. DEFERRED REVENUE

|                                      | Note | 2023<br>(Rupees in '000) | 2022<br>(Rupees in '000) |
|--------------------------------------|------|--------------------------|--------------------------|
| Balance at the beginning of the year |      | 42,414,985               | 36,654,525               |
| Transferred during the year          | 25.1 | 11,881,939               | 8,166,237                |
|                                      |      | <u>54,296,924</u>        | <u>44,820,762</u>        |
| Amortisation for the year            | 40   | (2,917,953)              | (2,405,777)              |
| Balance at the end of the year       |      | <u>51,378,971</u>        | <u>42,414,985</u>        |

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

25.2 It includes Rs. 6,328 million (2022: Rs. 11,834 million) for which amortisation of deferred revenue will commence upon completion of the work.

## 26. DEFERRED TAXATION

26.1 The deferred tax balance as at June 30, 2023 comprise of the following:

|   | Balance as at<br>July 1, 2021 | Recognised in<br>profit or loss | Recognised in<br>OCI | Balance as at<br>June 30, 2022<br>(Rupees in '000) | Recognised in<br>profit or loss | Recognised in<br>OCI | Balance as at<br>June 30, 2023 |
|---|-------------------------------|---------------------------------|----------------------|--|---------------------------------|----------------------|--------------------------------|
| <b>Deferred tax liability on:</b>                       |                               |                                 |                      |  |                                 |                      |                                |
| Accelerated tax depreciation                            | (36,911,983)                  | (1,951,579)                     | -                    | (38,863,562)                                       | (15,517,150)                    | -                    | (54,380,712)                   |
| Surplus on revaluation of property, plant and equipment | (22,845,738)                  | 1,631,909                       | (7,260,616)          | (28,474,445)                                       | 1,786,933                       | (14,742,411)         | (41,429,923)                   |
|   | <u>(59,757,721)</u>           | <u>(319,670)</u>                | <u>(7,260,616)</u>   | <u>(67,338,007)</u>                                | <u>(13,730,217)</u>             | <u>(14,742,411)</u>  | <u>(95,810,635)</u>            |
| <b>Deferred tax asset on:</b>                           |                               |                                 |                      |  |                                 |                      |                                |
| Available tax losses                                    | 30,591,953                    | 6,727,403                       | -                    | 37,319,356   | 28,605,787                      | -                    | 65,925,143                     |
| Provision for gratuity and compensated absences         | 1,408,443                     | 208,321                         | 32,417               | 1,649,181  | (90,386)                        | 87,403               | 1,646,198                      |
| Others  | 27,757,325                    | 640,013                         | -                    | 28,397,338   | (90,381)                        | -                    | 28,306,957                     |
|   | <u>59,757,721</u>             | <u>7,575,737</u>                | <u>32,417</u>        | <u>67,365,875</u>                                  | <u>28,425,020</u>               | <u>87,403</u>        | <u>95,878,298</u>              |
|   | <u>-</u>                      | <u>7,256,067</u>                | <u>(7,228,199)</u>   | <u>27,868</u>                                      | <u>14,694,803</u>               | <u>(14,655,008)</u>  | <u>67,663</u>                  |

26.2 As at June 30, 2023, KE has aggregated deferred tax debits amounting to Rs. 258,648 million (2022: Rs. 196,864 million) out of which deferred tax asset amounting to Rs. 95,878 million (2022: Rs. 67,366 million) has been recognised and remaining balance of Rs. 162,770 million (2022: Rs. 129,498 million) remains unrecognised. As at year end, KE's carried forward tax losses amounted to Rs. 788,579 million (2022: Rs. 575,138 million), out of which business losses amounting Rs. 456,346 million (2022: Rs. 314,702 million) have expiry period till financial year 2029.

|   |   | 2023                         | 2022        |
|---|---|------------------------------|-------------|
|   | Note  | ----- (Rupees in '000) ----- |             |
| <b>27. TRADE AND OTHER PAYABLES</b>                   |   |                              |             |
| <b>Trade creditors</b>                                |   |                              |             |
| Power purchases                                       |   | 200,479,410                  | 306,689,269 |
| Fuel and gas  |   | 55,235,065                   | 49,490,805  |
| Others  |   | 29,230,769                   | 22,891,168  |
|   | 27.1  | 284,945,244                  | 379,071,242 |
| <b>Accrued expenses</b>                               | 27.2  | 6,759,087                    | 5,658,538   |
| <b>Contract liabilities</b>                           |   |                              |             |
| Energy  | 27.3  | 1,550,571                    | 1,375,167   |
| Others  | 27.4  | 2,111,425                    | 2,636,631   |
|   |   | 3,661,996                    | 4,011,798   |
| <b>Other liabilities</b>                              |   |                              |             |
| Employee related dues                                 |   | 166,556                      | 227,599     |
| Payable to provident fund                             |   | 94,483                       | 96,045      |
| Electricity duty                                      | 27.5  | 20,981,015                   | 15,385,507  |
| Tax deducted at source                                | 27.5  | 2,044,170                    | 1,781,145   |
| PTV license fee                                       | 27.5  | 130,316                      | 93,650      |
| Municipal Utility Charges and taxes (MUCT) payable    | 27.5  | 105,034                      | -           |
| Power Holding Limited (PHL) surcharge                 | 27.5  | 3,661,417                    | -           |
| Workers' profits participation fund                   | 27.6  | 3,187,305                    | 3,484,674   |
| Workers' welfare fund                                 | 27.7  | 944,391                      | 944,391     |
| Payable to the Managing Agent - PEA (Private) Limited |   | 28,871                       | 28,871      |
| Others including clawback                             | 32.1.2  | 31,229,481                   | 27,380,856  |
|   |   | 62,573,038                   | 49,422,738  |
|   |   | 357,939,365                  | 438,164,316 |
| 27.1  | These include payable to following related parties:   |                              |             |
|   | Central Power Purchasing Agency (Guarantee) Limited (CPPA)  | 191,440,940                  | 290,370,514 |
|   | Pakistan State Oil Company Limited  | 5,265,552                    | 14,013,530  |
|   | Sui Southern Gas Company Limited  | 44,748,903                   | 34,083,799  |
|   | Pakistan LNG Limited  | 5,216,992                    | 1,389,857   |
|   |   | 246,672,387                  | 339,857,700 |
| 27.2  | These include an aggregate amount of Rs.1,857 million (2022: Rs. 1,750 million) representing outstanding claims / dues of property taxes, water charges, ground rent and occupancy value payable to various government authorities.   |                              |             |
| 27.3  | These represent amount due to the consumers on account of excess payments and revision of previous bills. During the year, KE has billed revenue amounting to Rs. 470 million (2022: Rs 363 million) in respect of amount due to consumers as at June 30, 2022.   |                              |             |
| 27.4  | These represent general deposits received from consumers in respect of meters, mains & lines alteration and scrap sales, etc. During the year, the KE has transferred amount of Rs. 2,135 million (2022: Rs. 1,418 million) to deferred revenue in respect of outstanding deposits as at June 30, 2022 based on work completed. |                              |             |

- 27.5 Electricity duty, tax deducted at source, PTV license fee, MUCT and PHL surcharge are collected by KE from the consumers on behalf of the concerned authorities.
- 27.6 Sindh Companies Profit (Workers Participation) Act, 2015 (SWPPF Act) was enacted on April 22, 2016 and is applicable retrospectively with effect from July 1, 2011. Sindh Revenue Board (SRB) issued show cause notices to KE for the years 2012 and 2013 for payment of leftover amounts out of the annual allocation to the fund constituted under the Sindh Workers Welfare Fund Act, 2014 (SWWF). KE has challenged SWPPF Act before the High Court of Sindh and obtained stay order. However, based on prudence provision amounting to Rs. 3,141 million (2022: Rs. 3,141 million) in respect of years 2012 to 2015 is being maintained by KE. Movement of provision during the year is as follows:

|                                      | Note   | 2023<br>----- (Rupees in '000) ----- | 2022<br>----- (Rupees in '000) ----- |
|--------------------------------------|--------|--------------------------------------|--------------------------------------|
| Balance at beginning of the year     |        | 3,484,674                            | 3,769,853                            |
| Provision recognised during the year | 39     | -                                    | 297,369                              |
| Payment made to the fund             | 27.6.1 | (297,369)                            | (582,548)                            |
| Balance at end of the year           |        | <u>3,187,305</u>                     | <u>3,484,674</u>                     |

27.6.1 This represents payments made to the fund in respect of WPPF for the year ended June 30, 2022 (2022: June 30, 2021).

27.7 The Supreme Court of Pakistan (SCP) vide its judgement in civil appeal 1049 / 2011 etc. dated November 10, 2016, has held that the contributions made to Workers Welfare Fund (Federal WWF) are not in the nature of a tax and hence the amendments introduced through the Finance Act, 2006 and the Finance Act, 2008 are ultra vires to the Constitution of Pakistan. The Federal Board of Revenue has filed a civil review petition in respect of above judgement of the SCP which is pending for decision.

Further, SWWF was enacted on June 4, 2015, which requires every industrial undertaking in the province of Sindh to pay 2% of its total income as SWWF. KE had received show cause notices for the years 2015 and 2016 from Sindh Revenue Board (SRB) for the payment of SWWF. KE has challenged the applicability of SWWF before the High Court of Sindh and has obtained stay orders. However, based on the advice of legal expert and prudence, provision amounting to Rs. 944 million (2022: Rs. 944 million) in respect of years 2015 and 2016 i.e. years for which show cause notices have been received, is being maintained by KE.

|   | Note   | 2023<br>----- (Rupees in '000) ----- | 2022<br>----- (Rupees in '000) ----- |
|---|--------|--------------------------------------|--------------------------------------|
| <b>28. ACCRUED MARK-UP</b>                                    |        |                                      |                                      |
| Mark-up on long-term financing                                |        | 5,173,622                            | 3,066,841                            |
| Mark-up on borrowings relating to Financial Improvement Plans |        | 15,357                               | 15,357                               |
| Mark-up on short-term borrowings                              |        | 3,812,017                            | 2,278,583                            |
| Financial charges on delayed payment to suppliers             | 32.1.1 | 5,268,823                            | 5,268,823                            |
|   |        | <u>14,269,819</u>                    | <u>10,629,604</u>                    |

## 29. SHORT-TERM BORROWINGS

### Secured:

#### From banking companies:

|                             |                     |             |            |            |
|-----------------------------|---------------------|-------------|------------|------------|
| Bills payable               | - Conventional      | 29.1 & 29.2 | 29,294,822 | 31,084,318 |
|                             | - Shariah compliant | 29.1 & 29.2 | 532,933    | 3,729,565  |
| Short-term running finances | - Conventional      | 29.1 & 29.3 | 32,509,397 | 39,302,744 |
|                             | - Shariah compliant | 29.1 & 29.3 | 5,513,946  | 5,418,825  |
|                             |                     | 29.5        | 67,851,098 | 79,535,452 |

#### From others:

|                         |                     |      |                   |                    |
|-------------------------|---------------------|------|-------------------|--------------------|
| Privately placed sukuku | - Shariah compliant | 29.4 | 25,000,000        | 28,000,000         |
|                         |                     |      | <u>92,851,098</u> | <u>107,535,452</u> |

- 29.1 The total limit of various financing facilities available from banks aggregate to Rs. 94,290 million (2022: Rs. 94,925 million) out of which Rs. 26,439 million (2022: Rs. 15,390 million) remained unutilised as of reporting date.
- 29.2 These are payable to various commercial banks against non funded facilities availed in respect of payments made to fuel suppliers of KE and Independent Power Producers (IPPs). These are secured against current assets of KE.
- 29.3 KE has arranged various facilities for short-term working capital requirements from multiple commercial banks and a development financial institution on mark-up basis. These are for a period of upto one year and carry mark-up of relevant tenor KIBOR + (- 0.40% to + 1.25%) (2022: KIBOR + (0.05% to 2%)) per annum. These facilities are secured against joint pari passu charge over current assets. In addition, demand promissory notes in respect of the above mentioned facilities have also been furnished by KE.
- 29.4 These represent five distinct (2022: six distinct) privately placed and unsecured Sukuk certificates of 6 months' tenor amounting to Rs. 25,000 million (issue size) (2022: Rs 28 billion) in aggregate maturing from August 10, 2023 to November 17, 2023 (2022: August 4, 2022 to October 27, 2022). These carry profit at the rate of six months KIBOR + (0.30% to 1.00%) (2022: six months KIBOR + (0.85% to 0.95%)) per annum.
- 29.5 These include borrowings from related parties amounting to Rs. 3,945 million (2022: Rs. 3,935 million) relating to bills payables, amounting to Rs. 812 million (2022: Nil) relating to short term syndicate working capital loan and Rs. 1,937 million (2022: Rs. 10,299 million) relating to short-term running finances.

|  |      | 2023                         | 2022              |
|--|------|------------------------------|-------------------|
|  | Note | ----- (Rupees in '000) ----- |                   |
| <b>30. SHORT-TERM DEPOSITS</b>               |      |                              |                   |
| Service connection deposits                  | 30.1 | 7,323,864                    | 8,758,540         |
| Earnest / retention money and other deposits | 30.2 | 6,426,719                    | 6,578,500         |
|  |      | <u>13,750,583</u>            | <u>15,337,040</u> |

30.1 These include non-interest bearing amounts deposited by the consumers in respect of service connections, extension of mains and street lights. These deposits are transferred to deferred revenue (note 25) based on status of work completion.

30.2 These include non-interest bearing refundable / adjustable deposits received from various contractors / suppliers.

|  |      | 2023                         | 2022          |
|--|------|------------------------------|---------------|
|  | Note | ----- (Rupees in '000) ----- |               |
| <b>31. PROVISIONS</b>                                |      |                              |               |
| Balance at beginning of the year                     |      | 18,492                       | 7,500         |
| Provision made during the year                       |      | 1,300                        | 36,642        |
| Payments made in respect of out of court settlements |      | (3,000)                      | (25,650)      |
| Balance at end of the year                           | 31.1 | <u>16,792</u>                | <u>18,492</u> |

31.1 This represents provision in respect of settlement of ongoing fatal accident related cases.

## 32. CONTINGENCIES AND COMMITMENTS

### 32.1 Contingencies

32.1.1 Mark-up on overdue balances with National Transmission and Dispatch Company (NTDC) / Central Power Purchasing Agency (Guarantee) Limited (CPPA), a major government owned power supplier, has not been accrued in these consolidated financial statements. With effect from June 2015, CPPA has assumed the central power purchase division of NTDC along with the related assets, rights and liabilities of NTDC, including alleged receivables from KE. KE is of the view that in accordance with the mechanism defined in the Power Purchase Agreement (PPA) dated January 26, 2010 with NTDC, NTDC's dues are to be settled by the Government of Pakistan (GoP) through payment of KE's tariff differential claims directly to NTDC. The PPA with NTDC has expired on January 25, 2015. However, the supply of electricity of 650 Megawatts (MW) continues in line with the High Court of Sindh's order dated February 6, 2014. Up to June 30, 2023, the GoP has released KE's tariff differential claims aggregating Rs. 742,909 million (2022: Rs. 465,891 million) directly to NTDC / CPPA. Additionally, KE has also directly paid Rs. 67,167 million up to June 30, 2023 (2022: Rs. 67,167 million) to NTDC / CPPA on account of its outstanding dues on an agreed mechanism. Moreover, in accordance with Cabinet Committee on Energy (CCoE)'s decision dated August 27, 2020 and subsequent to completion of rehabilitation work, the overall interconnection capacity has been enhanced to 1,400 MW and the supply of electricity from NTDC / CPPA has been increased to 1,100 MW in order to meet additional demand and has been billed in line with the terms of PPA.

On June 22, 2018, NTDC / CPPA filed a suit in the District Court of Islamabad for recovery of Rs. 83,990 million up to May 2018, comprising of principal amounting to Rs. 66,347 million and mark-up thereon amounting to Rs. 17,643 million, which is pending adjudication to date. Within the alleged claims filed by NTDC / CPPA in the aforementioned suit, release of tariff differential claims amounting to Rs. 15,021 million was unilaterally adjusted by NTDC / CPPA against the disputed mark-up claim. This was subsequently corrected by NTDC / CPPA and adjusted against the principal balance (resulting in decrease in principal amount with corresponding increase in mark-up), as confirmed from invoices reconciliation and correspondence received afterwards. NTDC / CPPA's mark-up claim up to June 30, 2023 amounts to Rs. 173,996 million (2022: Rs. 113,720 million) which is on the premise that while the outstanding amounts were to be adjusted against tariff differential claims, KE is eventually responsible for payments of all outstanding amounts, including mark-up. However, KE has not acknowledged the disputed mark-up claimed by NTDC / CPPA as debt, as KE is of the view that the disputed mark-up claims would not have arisen in case tariff differential claims payments, including payments related to claims of unrecovered cost due to 4% capping and gas load management plan were released to NTDC / CPPA by the MoF on behalf of KE on timely basis.

In addition to above, the mark-up claimed by Sui Southern Gas Company Limited (SSGC) on indigenous gas upto June 30, 2023 aggregates to Rs. 151,287 million (2022: Rs. 129,505 million), which has not been accrued by KE. In view of KE, the unilateral reduction of gas by SSGC in year 2009-10, in violation of the ECC allocation and Head of Term Agreement dated July 31, 2009, led to increased consumption of furnace oil, which coupled with non-payment by government entities, as more fully explained in ensuing paragraphs, significantly affected KE's liquidity and hence the mark-up claim is not tenable.

In the year ended June 30, 2013, SSGC filed a suit against KE, in the Honourable High Court of Sindh (HCS) for recovery of unpaid gas consumption charges and interest thereon and the damages amounting to Rs. 45,705 million and Rs. 10,000 million, respectively. KE also filed a suit, against SSGC in the HCS for recovery of damages / losses of Rs. 59,600 million resulting from SSGC's failure to comply with its legal obligation to supply the allocated and committed quantity of 276 MMCFD of natural gas to KE. On October 7, 2019, the Court vacated a stay order dated December 3, 2012 granted in favour of SSGC which restrained KE from selling its immovable properties. Subsequently, SSGC had filed an appeal bearing HCA No. 353/2019 before the HCS which is pending. Both these suits and HCA is pending adjudication to date. KE has also initiated contempt proceedings against MD SSGC for violation of order dated June 13, 2018 in Suit No. 4615 of 2018 which is pending before the HCS.

Further, KE entered into a payment plan with SSGC in the year 2014 and subsequently renewed the plan in years 2015 and 2016, which provided for a mechanism for payment of principal arrears by KE on supply of adequate gas by SSGC. The dispute of mark-up claim has also been mentioned in the payment plan. KE's management is of the view that the principal payments made by KE to SSGC have been unilaterally adjusted by SSGC against SSGC's disputed mark-up claim, which is in violation of the payment plan which clearly mentions that the payments are to be adjusted against outstanding principal balances and hence any adjustment against the mark-up by SSGC in KE's view is not tenable.

KE had filed an application CMA No. 12178/2018 in pending Suit No. 1263/2011 (Suit filed by KW&SB) before the HCS for payment of outstanding liability of approximately Rs. 27,500 million by the Government of Sindh (GoS). After hearing the parties, the HCS vide order dated November 18, 2021 allowed the application in favour of KE whereby, the Government of Sindh has been directed to pay the outstanding liability of KW&SB amounting to Rs. 27,500 million to KE and accordingly submit a payment plan. Government of Sindh has still not complied with the order dated November 18, 2021 for which the management is deliberating on initiating contempt proceedings.

During FY 2022, a Task Force was constituted by the Honorable Prime Minister of Pakistan to resolve issues faced by KE including historic disputes around receivables and payables with Government entities and departments. Based on recommendations of the Taskforce, during the year, a Power Purchase Agreement, Interconnection Agreement, Tariff differential Subsidy Agreement and a Mediation Agreement were finalized and initialed by the relevant parties, which shall be placed before the Cabinet for approval and execution. KE remains in continuous engagement with relevant stakeholders and seeks a fair and equitable resolution to the issue in accordance with the law.

During FY 2022, KE's working capital position was further strained mainly due to the significant increase in fuel prices and accumulation of balance of tariff differential claims. Further, SSGC did not supply the minimum required quantity of indigenous gas as per the CCOE decision dated April 23, 2018, order dated April 17, 2018 and June 13, 2018 of the Honorable Sindh High Court, resulting in higher fuel costs for KE in the form of RLNG. As a result, all the working capital lines of KE severely stressed. KE had conveyed this situation to Ministry of Energy (Power Division) and consequentially KE had to delay the current payments of SSGC bills for RLNG. SSGC, in response claimed markup on the delayed payments of RLNG aggregating to Rs. 5,256 million up to June 30, 2023 (2022: Rs. 309 million) which has not been accrued by KE on the grounds that the delay in payment is due to delay in receipt from public sector entities, and on the net principal basis KE is in a net receivable position. Further, SSGC had proceeded with request for encashment of two Bank Guarantees collectively amounting to Rs. 6 billion in respect of the outstanding dues of KE against its RLNG bills. However, KE obtained stay order from the HCS dated July 04, 2022 in Suit No. 1148 of 2022 on the grounds that the bank guarantees were furnished as security against supply of indigenous gas, whereby the HCS restrained the banks from encashment of bank guarantees issued in favor of SSGC.

Subsequent to reporting date, a settlement agreement has also been signed between SSGC and KE on July 31, 2023 in respect of outstanding dues related to RLNG billing, wherein the following was agreed: i) payment plan of principal dues by KE; ii) upon payment of principal dues SSGC to withdraw its request for encashment of KE's Bank Guarantees and similarly KE will also withdraw its Suit No. 1148 of 2022 filed in HCS; iii) any late payment surcharge (LPS) receivable from KE against the RLNG outstanding principal amount shall be considered payable by KE only if SSGC is required to pay LPS to other government entities pursuant to holistic settlement among government entities and SSGC, and shall be on the same terms; and iv) the settlement agreement shall not in any manner affect the previous/ ongoing disputes and litigation between SSGC and KE in relation to indigenous gas.

KE's management believes that overdue amounts have only arisen due to circular debt situation caused by delayed settlement of tariff differential claims by the GoP as well as delayed settlement of KE's energy dues by certain public sector consumers (e.g. KW&SB). This contention of KE's management is also supported by the legal advices that it has obtained. Hence, mark-up / financial charges on outstanding liabilities due to government-controlled entities will only be payable by KE as part of holistic settlement where KE will receive mark-up on outstanding receivable balances on account of tariff differential claims and energy dues of KE's public sector consumers.



Without prejudice to the aforementioned position of KE and solely on the basis of abundant caution, a provision amounting to Rs. 5,269 million (2022: Rs. 5,269 million) is being maintained by KE in these consolidated financial statements on account of mark-up on delayed payment.

- 32.1.2 The Multi Year Tariff (MYT) applicable to KE, for the previous tariff control period from 2009 to 2016, outlines a claw-back mechanism whereby KE is required to share a portion of its profits with consumers when such profits exceed the stipulated thresholds. NEPRA vide its determination dated October 17, 2014, June 10, 2015, July 24, 2018 and November 1, 2018 has determined claw-back amounts of Rs. 43,601 million for the financial years 2012 to 2016.

KE is not in agreement with the interpretation and calculation of claw-back mechanism by NEPRA, and accordingly has filed suits before the HCS, praying that while finalising the claw-back determination in respect of the financial years 2012 to 2016, NEPRA has mis-applied the claw-back formula as prescribed in the MYT determination dated December 23, 2009. Amongst others, NEPRA has unlawfully included 'accumulated losses' as part of reserves, has not taken into account 'surplus on revaluation of property, plant and equipment' and has calculated the claw-back on notional Earnings Before Interest and Tax (EBIT) instead of EBIT based on audited financial statements. The HCS vide multiple orders have suspended the operation of the impugned determinations passed by NEPRA. However, on June 19, 2015, in respect of suit for financial years 2012 and 2013, the HCS (Single Bench) passed an order withdrawing the earlier relief granted to KE against implementation of NEPRA's order dated October 17, 2014, which was duly contested by KE through an appeal before the High Court of Sindh (Divisional Bench), whereby, the Divisional Bench of HCS suspended the order dated June 19, 2015 of the Single Bench and relief against implementation of NEPRA's order dated October 17, 2014 continues. The Appeal is still pending adjudication before the HCS. Further, in other suits filed in respect of financial years 2014 to 2016, the interim relief provided to KE against NEPRA's order for each year continues in the field whereby, the operations of NEPRA determinations is still suspended.

Considering the above proceedings and the expert opinion obtained by KE, KE's management believes that KE has reasonable prospects of success in the cases pending before the HCS. Without prejudice to KE's aforementioned legal position and on the basis of abundant caution, a provision amounting to Rs. 25,232 million is being maintained by KE in this respect.

- 32.1.3 On January 22, 2015, NEPRA issued an order directing KE to discontinue charging of meter rent to the consumers, refund the total amount collected to the consumers and also imposed a fine of Rs. 10 million on KE.

KE filed a review application with NEPRA against the aforementioned order and challenged the order on various grounds including that the direction issued by NEPRA is ultra vires and also that NEPRA has ignored certain provisions of its own rules and regulations which allows KE to charge meter rent from its consumers. The review application filed by KE with NEPRA was dismissed in April 2015. Thereafter, KE filed a constitutional petition before the HCS, which is pending to date. Meanwhile, a stay has been granted to KE against any coercive action by NEPRA. The KE's management in accordance with the advice of its external counsel believes that KE has a reasonable prospects of success in the above-mentioned constitutional petition. However, on the basis of prudence and as an abundant caution, KE carries a provision of Rs. 326 million on account of meter rent charged from January 22, 2015 up to June 30, 2016. Further, NEPRA has excluded meter rent from "Other Income" component of tariff in the MYT decision effective from July 1, 2016. Accordingly, there is no dispute between KE and NEPRA on the matter of meter rent with effect from July 1, 2016.

- 32.1.4 NEPRA through its order dated March 13, 2015, directed KE not to collect bank charges as a separate revenue from its consumers through monthly billings, as these bank charges were already included in the MYT 2009-16 as part of operations and maintenance cost. NEPRA further directed KE to refund the amount collected as bank charges to its consumers. KE refuted NEPRA's aforementioned order and filed a review petition which was rejected by NEPRA through its review decision dated October 27, 2015. Thereafter, KE filed a suit on November 10, 2015, before the HCS which is pending to date. Meanwhile, through an interim order dated November 17, 2015 by the HCS, NEPRA has been restrained from taking any coercive action against KE in this regard.

KE is of the view that such charges were being collected from the consumers as per the directives of the State Bank of Pakistan and as per NEPRA's approval dated July 21, 2010 issued in this regard and these were never made part of MYT 2009-16. Therefore, in accordance with the advices obtained from its external counsel, the management believes that KE has reasonable prospects of success in this case. Accordingly, no provision has been recognised in this respect. Further, NEPRA has separately included bank charges in the operations and maintenance component of tariff in the MYT Decision effective from July 1, 2016. Accordingly, there is no dispute between KE and NEPRA on the matter of bank charges with effect from July 1, 2016.

- 32.1.5 The Government of Pakistan promulgated GIDC Act 2011, GIDC Ordinance 2014 and GIDC Act 2015 for collection of Gas Infrastructure Development Cess (GIDC) from gas consumers (both power sector and industrial sector) other than domestic consumers. Single bench of the High Court of Sindh through its judgment (by consolidating all similar cases) dated October 26, 2016 held the GIDC Act 2011, GIDC Ordinance 2014 and GIDC Act 2015 to be ultra vires and un-constitutional and held that the amounts collected in pursuance of the above laws are liable to be refunded / adjusted in the future bills, therefore all amounts previously paid by KE to SSGC amounting to Rs. 4,672 million, in respect of GIDC, became immediately due and recoverable from SSGC.

Subsequently, GoP filed an appeal before the divisional bench of the HCS challenging the above judgment (in respect of few other parties), whereby the decision of the single bench was suspended by the divisional bench of the HCS on November 10, 2016. During the year ended June 30, 2020, Honourable High Court of Peshawar (HCP) ruled that the GIDC Act 2015 was constitutional. Aggrieved parties filed an appeal before the Supreme Court of Pakistan (SCP) to challenge the decision of the HCP. KE was impleaded as a party in the said appeal on the basis of its Intervenor Application.

The SCP vide its decision dated August 13, 2020, has dismissed all the petitions and related appeals in matter of GIDC and declared GIDC Act 2015 to be valid, being within the legislative competence of the parliament. Further, as per this decision, the companies responsible to collect GIDC under the GIDC Act 2015 were directed to recover all arrears of GIDC due but not recovered up to July 31, 2020, in 24 equal monthly installments starting from August 1, 2020 without the component of late payment surcharge. KE filed a review petition and the SCP dismissed the review petition through its order dated November 2, 2020, however, installments for payment of GIDC arrears have been increased to 48 from 24.

In respect of the above, KE filed a suit before the HCS which is pending while KE obtained a stay order dated October 6, 2020 whereby, the HCS has restrained SSGC and the GoP from taking any coercive action for non-payment of installments of GIDC arrears, on the grounds amongst others that KE falls within the category of gas consumers who have not accrued the GIDC in their books and have neither recovered nor passed it on to their consumers through addition in the cost / tariff of electricity. The stay granted by HCS is still valid and operational.

KE, based on the views of its legal counsel, is of the opinion that KE in its suit before the HCS has raised substantive grounds and has fairly reasonable prospects of success if the courts accept the abovementioned interpretation / grounds. It has been contended that in the presence of a valid Decree passed by the HCS, no GIDC can be imposed during the time such Decree is in the field. Accordingly, no liability and the related receivable amounting to approximately Rs. 35,822 million respectively in respect of GIDC has been recognised in these consolidated financial statements. However, if the eventual outcome of the suit filed before the HCS results in any amount payable by KE on account of GIDC, it will be ultimately recovered through the MYT as a pass-through item.

- 32.1.6 As part of MYT decision, NEPRA through its order dated July 5, 2018, directed KE to pay interest on security deposit collected from consumers. However, KE disagreed with the direction of NEPRA, being without any lawful justification and discriminatory as no other power utility company in Pakistan is required to pay interest on security deposit. Accordingly, KE filed a constitutional petition in the HCS on May 30, 2019 on the grounds that the Appeal before NEPRA Appellate Tribunal is pending and since, the Tribunal is not functional NEPRA may be restrained to take any action against KE till the Appeal is decided on merits. The HCS through its order dated May 30, 2019 has restrained NEPRA from taking any coercive action against KE.

In January 2021, NEPRA issued an amendment in the Consumer Service Manual and introduced requirement for keeping security deposit in separate bank account and directed that profits so received from the same shall be mentioned in the tariff petition for passing on the benefit to consumers.

Further to above, in 2022, NEPRA through its Mid Term Review (MTR) decision adjusted the profit on consumers' security deposits from the KE's working capital requirement, thereby passing the benefit in the tariff. Accordingly, based on this adjustment, management understands that payment of profit on such security deposits is no longer required under MYT Decision and CSM till the end of current MYT.

Additionally, KE has also requested NEPRA to amend the requirement of CSM for maintaining a separate bank account and transferring the profit to consumers, in case if benefit is already being passed to consumers in the form of reduction in working capital requirement, response to which is awaited.

32.1.7 Tax related matters are disclosed in note 42.1.

### 32.2 Claims not acknowledged as debts

|  | Note   | 2023<br>----- (Rupees in '000) ----- | 2022      |
|--|--------|--------------------------------------|-----------|
| 32.2.1 Fatal accident cases  | 32.2.4 | 5,715                                | 5,715     |
| 32.2.2 Architect's fee in respect of the KE's Head Office project  | 32.2.4 | 50,868                               | 50,868    |
| 32.2.3 Outstanding dues of property tax, water charges, custom duty, ground rent and occupancy value   | 32.2.4 | 9,271,877                            | 8,986,844 |
| 32.2.4 KE is party to number of cases in respect of fatal injuries, billing disputes, property tax, water charges, custom duty, occupancy charges, ground rent, regulatory orders, rent of electric poles, and cable and employee related cases. Based on the opinion of KE's lawyers, the management is confident that the outcome of the cases will be in favour of KE. Accordingly, no provision has been recognised in respect of these cases / claims in these consolidated financial statements. |        |                                      |           |

### 32.3 Commitments

|   |  | 2023<br>----- (Rupees in '000) ----- | 2022       |
|---|--|--------------------------------------|------------|
| 32.3.1 Guarantees / standby letter of credit issued on behalf of KE (note 32.3.7)     |  | 16,254,668                           | 13,623,959 |
| 32.3.2 Transmission projects  |  | 24,322,914                           | 26,128,344 |
| 32.3.3 BQPS III 900 MW combined cycle power plant and associated transmission project |  | 66,959                               | 21,068,317 |
| 32.3.4 Outstanding letters of credit  |  | 2,837,427                            | 2,815,125  |
| 32.3.5 Dividend on preference shares  |  | 1,119,453                            | 1,119,453  |

KE has not recorded any dividend on redeemable preference shares in view of restrictions on dividend placed under the loan agreements with certain local and foreign lenders.

32.3.6 Commitments for rentals under Ijarah facilities obtained from islamic banks in respect of vehicles are as follows:

|   | Note | 2023<br>----- (Rupees in '000) ----- | 2022    |
|---|------|--------------------------------------|---------|
| - Not later than one year                           |      | 765,384                              | 425,062 |
| - Later than one year but not later than five years |      | 1,426,049                            | 638,515 |

These facilities have a tenure of 3 to 5 years. These are secured against promissory notes.

32.3.7 This includes guarantees amounting to Rs. 6,000 million called off by SSGC on account of non-payment of outstanding dues by KE, however, KE has obtained a stay order from the High Court of Sindh in this regard. A settlement agreement have been reached in this regard as further explained in note 32.1.1.

|                        |      | 2023                         | 2022               |
|------------------------|------|------------------------------|--------------------|
|                        | Note | ----- (Rupees in '000) ----- |                    |
| <b>33. NET REVENUE</b> |      |                              |                    |
| Gross revenue          | 33.1 | 514,094,273                  | 429,023,752        |
| Sales tax              |      | (88,765,889)                 | (62,647,589)       |
| Other taxes            | 33.2 | (42,503,472)                 | (19,991,988)       |
| Net revenue            | 33.3 | <u>382,824,912</u>           | <u>346,384,175</u> |

33.1 Gross revenue is net-off an amount of Rs. 7,472 million (2022: Rs. 1,644 million) representing invoices raised during the year for energy consumed, however, these invoices are considered non-recoverable.

33.2 This includes income tax, Power Holding Limited (PHL) surcharge, electricity duty and others.

|                                   |                 | 2023                         | 2022               |
|-----------------------------------|-----------------|------------------------------|--------------------|
|                                   | Note            | ----- (Rupees in '000) ----- |                    |
| <b>33.3 NET REVENUE COMPRISES</b> |                 |                              |                    |
| Residential                       | 33.3.1          | 165,893,196                  | 111,193,811        |
| Commercial                        | 33.3.1          | 72,825,254                   | 51,878,092         |
| Industrial                        | 33.3.1          | 166,891,611                  | 123,004,828        |
| Fuel surcharge adjustment         | 33.3.2          | (25,067,021)                 | 57,865,970         |
| Others                            | 33.3.1 & 33.3.3 | 2,281,872                    | 2,441,474          |
|                                   |                 | <u>382,824,912</u>           | <u>346,384,175</u> |

33.3.1 The above includes net cycle day impact amounting to Rs. 6,197 million (2022: Rs. 168 million).

33.3.2 This represents monthly fuel surcharge adjustment as per mechanism provided in the MYT decision. The said amount has been / will be passed on to the consumers in accordance with NEPRA's determinations.

33.3.3 This includes Rs. 1,683 million (2022: Rs. 1,469 million) in respect of supply of energy through street lights.

|                              |             | 2023                         | 2022               |
|------------------------------|-------------|------------------------------|--------------------|
|                              | Note        | ----- (Rupees in '000) ----- |                    |
| <b>34. TARIFF ADJUSTMENT</b> |             |                              |                    |
| Tariff adjustment            | 34.1 & 34.2 | <u>136,907,413</u>           | <u>172,686,588</u> |

34.1 This represents tariff differential subsidy claim for variation in fuel prices, cost of power purchases, write-off claims, operation and maintenance cost, and adjustments required as per NEPRA's MYT decision and those resulting in adjustment of tariff due from Government.

34.2 Includes Rs. 16,264 million comprising dues of 82,564 customers (2022: Rs 14,489 million comprising dues of 95,640 customers) recognised during the year against actual write-off of bad debts, as allowed by NEPRA under the MYT decision dated July 5, 2018 for the period from July 1, 2016 to June 30, 2023. The write-off amount has been claimed by KE on August 4, 2023 on a provisional basis as part of quarterly tariff adjustment for the fourth quarter ended June 30, 2023 aggregating to Rs. 17,000 million (fourth quarter ended June 30, 2022: Rs. 15,000 million). Further, NEPRA vide its letters dated December 31, 2019, March 10, 2021, March 30, 2022, June 8, 2022 and October 24, 2022 stated that in connection with the claims submitted by KE on account of trade debts write-offs for the years ended from June 30, 2017 to June 30, 2022 aggregating to Rs. 51,637 million, it requires further deliberation.

As required under the aforementioned NEPRA decision of July 5, 2018, for the purpose of claim of tariff adjustment in respect of actual write-off of bad debts, KE ensured performance of the following required procedures:

- The defaulter connection against which the bad debts have been written off were disconnected prior to June 30, 2023 in the system both in the case of active and inactive customers. Furthermore, in the case of inactive customers, the customers were marked as "inactive" in KE's system i.e. SAP prior to June 30, 2023.
- The aforementioned amount of write-off of bad debts has been approved by KE's Board of Directors certifying that KE has made all best possible efforts to recover the amount being written-off in accordance with the "Policy and Procedures for Write-off of Bad Debts".
- The actual write-off of bad debts has been determined in accordance with the terms of write-off detailed in the "Policy and Procedures for Write-off of Bad Debts", as approved by the Board of Directors of KE.

Further, the statutory auditors of KE verified that the write-off of bad debts amount is not recoverable notwithstanding the efforts of KE.

In case any amount written-off, as included in the aforementioned claim, is subsequently recovered from the customer, the recovered amount shall be adjusted in next year's tariff, as required under the aforementioned NEPRA decision of July 5, 2018.

In respect of all the defaulter connections, against which the aforementioned write-off amount has been claimed by KE as tariff adjustment for the year ended June 30, 2023, KE in addition to the defaulter customer identification and traceability procedures mentioned in the "Policy and Procedures for Write-off of Bad Debts" has carried out physical surveys for establishing the fact that either the defaulter connection is physically disconnected or the defaulter customer who utilised the electricity is untraceable and recovery in the present circumstances is not possible.

There are number of locations / premises which were removed as a result of anti-encroachment drives by the Government authorities, whereas, in a number of other cases the premises to which electricity was supplied is no more traceable due to change in either the mapping of the area (including unleased area), demolition of the original premises, structural changes (including division of single premises into many) to the original premises and discontinuation / demolition of single bulk PMT connection. In all of these cases, due to the specific situation the connection and / or premises are no more traceable. In addition, there are certain defaulter customers, who were not able to pay off their outstanding dues, in various forms including outstanding amounts on hook connection at the time of transfer of defaulter customers to metered connections and other settlements. Accordingly, the same has been claimed as part of write-off for the year ended June 30, 2023 and the corresponding amount has been claimed in the tariff adjustment after verifying underlying facts.

**2023**                      **2022**  
----- (Rupees in '000) -----

**35. PURCHASE OF ELECTRICITY**

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
| CPPA / NTDC                          | 160,107,796        | 144,462,200        |
| Independent Power Producers (IPPs)   | 63,052,126         | 62,230,042         |
| Karachi Nuclear Power Plant (KANUPP) | -                  | 852,135            |
|                                      | <u>223,159,922</u> | <u>207,544,377</u> |

**36. CONSUMPTION OF FUEL AND OIL**

|                              |                    |                    |
|------------------------------|--------------------|--------------------|
| Natural gas / RLNG           | 133,346,450        | 119,466,192        |
| Furnace and other fuel / oil | 74,463,294         | 84,676,089         |
| High speed diesel (HSD)      | 1,949,344          | 8,345,273          |
|                              | <u>209,759,088</u> | <u>212,487,554</u> |

### 37. EXPENSES INCURRED IN GENERATION, TRANSMISSION AND DISTRIBUTION

|   |                              | Generation expenses | Transmission and distribution expenses | 2023              | 2022              |
|---|------------------------------|---------------------|--|-------------------|-------------------|
| Note  | ----- (Rupees in '000) ----- |                     |  |                   |                   |
| Salaries, wages and other benefits  | 37.1 & 37.2                  | 1,564,613           | 2,721,959                              | 4,286,572         | 4,036,215         |
| Stores and spares   |                              | 842,966             | 438,472                                | 1,281,438         | 1,200,296         |
| Office supplies   |                              | 167,322             | 97,021                                 | 264,343           | 205,651           |
| NEPRA license fee   |                              | 70,103              | 199,315                                | 269,418           | 116,177           |
| Repairs and maintenance   |                              | 28,413              | 122,473                                | 150,886           | 313,272           |
| Transportation  |                              | 332,724             | 435,992                                | 768,716           | 435,709           |
| Rent, rates and taxes   |                              | 100,341             | 8,246                                  | 108,587           | 255,588           |
| Depreciation  | 5.1.8                        | 12,152,104          | 10,549,148                             | 22,701,252        | 19,544,363        |
| Amortisation  | 6.2                          | 457                 | 958                                    | 1,415             | 1,276             |
| Interdepartmental consumption   |                              | 40,606              | 638,227                                | 678,833           | 608,512           |
| Charge / (reversal) of provision against slow moving and obsolete stores, spare parts and loose tools | 10.1                         | (211,037)           | (90,245)                               | (301,282)         | 206,675           |
| Third party services  |                              | 1,205,820           | 1,452,062                              | 2,657,882         | 2,578,978         |
| Others  |                              | 518,704             | 353,438                                | 872,142           | 706,557           |
|   |                              | <u>16,813,136</u>   | <u>16,927,066</u>                      | <u>33,740,202</u> | <u>30,209,269</u> |

37.1 This includes Rs. 323 million (2022: Rs.311 million) in respect of defined benefit plans, Rs. 175 million (2022: Rs. 166 million) in respect of defined contribution plan and Rs. 7 million (2022: Rs. 2 million) in respect of other long term employee benefits.

37.2 Free electricity benefit to employees amounting to Rs. 6 million (2022: Rs. 6 million) has been included in salaries, wages and other benefits.

### 38. CONSUMERS SERVICES AND ADMINISTRATIVE EXPENSES

|  |                              | Consumer Services and Billing Expenses | Administrative and General Expenses | 2023              | 2022              |
|--|------------------------------|--|-------------------------------------|-------------------|-------------------|
| Note   | ----- (Rupees in '000) ----- |  |                                     |                   |                   |
| Salaries, wages and other benefits   | 38.1 & 38.2                  | 9,151,241                              | 3,997,178                           | 13,148,419        | 11,849,324        |
| Bank collection charges  |                              | 142,660                                | 32,533                              | 175,193           | 323,769           |
| Transportation   |                              | 1,113,724                              | 444,384                             | 1,558,108         | 1,027,897         |
| Depreciation   | 5.1.8                        | 612,676                                | 461,652                             | 1,074,328         | 942,682           |
| Depreciation - Right-of-use asset  | 5.5                          | 25,108                                 | 14,309                              | 39,417            | 41,403            |
| Amortisation   | 6.2                          | 177,713                                | 243,506                             | 421,219           | 244,077           |
| Depreciation - Investment property   | 7.1                          | -                                      | 60,957                              | 60,957            | 60,957            |
| Repairs and maintenance  |                              | 339,989                                | 234,879                             | 574,868           | 415,402           |
| Rent, rates and taxes  |                              | 34,647                                 | 171,346                             | 205,993           | 202,422           |
| Public relations and publicity   |                              | 16,653                                 | 285,751                             | 302,404           | 317,565           |
| Legal expenses   |                              | 29,552                                 | 172,630                             | 202,182           | 187,652           |
| Professional charges   | 38.3                         | 259,176                                | 171,316                             | 430,492           | 185,100           |
| Auditors' remuneration   | 38.4                         | 324,294                                | 28,183                              | 352,477           | 276,381           |
| Directors' fee   |                              | -                                      | 19,201                              | 19,201            | 23,100            |
| Office supplies  |                              | 304,596                                | 317,174                             | 621,770           | 409,616           |
| Interdepartmental consumption  |                              | 170,757                                | 117,357                             | 288,114           | 268,093           |
| Third party services   |                              | 4,960,156                              | 1,342,259                           | 6,302,415         | 5,628,136         |
| Provision against slow moving and obsolete stores, spare parts and loose tools | 10.1                         | 163,055                                | 38,811                              | 201,866           | 11,788            |
| Others   |                              | 616,274                                | 964,872                             | 1,581,146         | 1,396,175         |
|  |                              | <u>18,442,271</u>                      | <u>9,118,298</u>                    | <u>27,560,569</u> | <u>23,811,539</u> |

- 38.1 This includes Rs. 956 million (2022: Rs.792 million) in respect of defined benefit plans, Rs. 444 million (2022: Rs. 418 million) in respect of defined contribution plan and Rs. 4 million (2022: Rs. 7 million) in respect of other long term employee benefits.
- 38.2 Free electricity benefit to employees amounting to Rs.326 million (2022: Rs. 239 million) has been included in salaries, wages and other benefits.
- 38.3 This includes Rs. 0.39 million (2022: Rs. 0.31 million) in respect of compensation paid to Shariah Advisor for providing Shariah advisory services and any other ancillary professional services such as education and training in Islamic financial services.

|   | Note   | 2023<br>----- (Rupees in '000) ----- | 2022           |
|---|--------|--------------------------------------|----------------|
| <b>38.4 Auditors' remuneration</b>  |        |                                      |                |
| Fee for statutory audit, half yearly review and review of compliance with the Code of Corporate Governance                      |        | 11,500                               | 10,364         |
| Fee for cost incurred in respect of bad debts write-off verification as required under MYT 2017-23 and other assurance services |        | 280,000                              | 245,000        |
| Fee for certifications, taxation and other services   | 38.4.1 | 58,628                               | 20,101         |
|   |        | <u>350,128</u>                       | <u>275,465</u> |
| Out of pocket expenses  |        | 2,349                                | 916            |
|   |        | <u>352,477</u>                       | <u>276,381</u> |

38.4.1 This includes Rs. 1.5 million (2022: Rs. 0.8 million) in respect of Shariah audit fee.

|   | Note | 2023<br>----- (Rupees in '000) ----- | 2022             |
|---|------|--------------------------------------|------------------|
| <b>39. OTHER OPERATING EXPENSES</b>   |      |                                      |                  |
| Exchange loss - net   |      | 13,368,785                           | 8,973,187        |
| Workers' profits participation fund   | 27.6 | -                                    | 297,369          |
| Donations   | 39.1 | 62,536                               | 94,798           |
| Listing fee   |      | 9,108                                | 5,107            |
| Others  |      | 1,060,821                            | 43,160           |
|   |      | <u>14,501,250</u>                    | <u>9,413,621</u> |
| 39.1 Donations to the following parties exceeds 10% of the total amount of donations made by the Group: |      |                                      |                  |
| Concern For Children Welfare  |      | 22,130                               | 21,019           |
| Muhammad Umer   |      | 18,801                               | -                |

|   |      | 2023                         | 2022              |
|---|------|------------------------------|-------------------|
|   | Note | ----- (Rupees in '000) ----- |                   |
| <b>40. OTHER INCOME</b>                                     |      |                              |                   |
| <b>Income from financial assets</b>                         |      |                              |                   |
| Return on bank deposits                                     | 40.1 | 1,559,502                    | 453,954           |
| Late payment surcharge                                      | 40.2 | 3,462,381                    | 1,968,158         |
|   |      | <u>5,021,883</u>             | <u>2,422,112</u>  |
| <b>Income from non-financial assets</b>                     |      |                              |                   |
| Liquidated damages recovered from suppliers and contractors |      | 91,887                       | 206,454           |
| Scrap sales   |      | 743,250                      | 444,166           |
| Amortisation of deferred revenue                            | 25   | 2,917,953                    | 2,405,777         |
| Service connection charges                                  |      | 640,434                      | 171,331           |
| Collection charges - TV license fee                         |      | 168,433                      | 162,319           |
| Gain on disposal of property, plant and equipment           | 5.2  | 1,483,669                    | 2,194,267         |
| Others  |      | 1,360,526                    | 2,200,443         |
|   |      | <u>7,406,152</u>             | <u>7,784,757</u>  |
|   |      | <u>12,428,035</u>            | <u>10,206,869</u> |

40.1 This includes Rs. 44.677 million (2022: Rs. 7.947 million) being return on Shariah compliant bank deposits.

40.2 In accordance with KE's policy, Late Payment Surcharge (LPS) receivable on delayed payment of electricity bills from various Government / Government controlled entities (Public Sector Consumers) amounting to Rs. 1,092 million for the year ended June 30, 2023 (2022: Rs. 492 million) has not been recognised for the reasons detailed in note 11.2.

|  |      | 2023                         | 2022              |
|--|------|------------------------------|-------------------|
|  | Note | ----- (Rupees in '000) ----- |                   |
| <b>41. FINANCE COST</b>  |      |                              |                   |
| Mark-up / interest on:   |      |                              |                   |
| - Long term financing  | 41.1 | 14,920,676                   | 6,499,232         |
| - Short-term borrowings  | 41.2 | 11,593,784                   | 4,834,910         |
|  |      | <u>26,514,460</u>            | <u>11,334,142</u> |
| Late payment surcharge on delayed payment to creditors                       |      | 1,007,683                    | 238,745           |
| Bank charges, guarantee commission, commitment fee and other service charges |      | 1,002,863                    | 533,464           |
| Finance cost on lease liabilities  |      | 19,932                       | 18,221            |
| Letters of credit discounting charges  |      | 6,027,751                    | 2,998,090         |
|  |      | <u>34,572,689</u>            | <u>15,122,662</u> |

41.1 This includes Rs. 6,232 million (2022: Rs. 3,606 million) being mark-up on Shariah compliant long-term financing.

41.2 These include Rs. 6,535 million (2022: Rs.3,320 million) being mark-up on Shariah compliant short-term borrowings.

41.3 The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the KE's general borrowings during the year ended June 30, 2023, which was 18.55% (2022: 10.56%).

|                     |      | 2023                         | 2022               |
|---------------------|------|------------------------------|--------------------|
|                     | Note | ----- (Rupees in '000) ----- |                    |
| <b>42. TAXATION</b> |      |                              |                    |
| Current tax expense |      | 4,931,017                    | 4,356,596          |
| Deferred tax income | 26.1 | (14,694,803)                 | (7,256,067)        |
| Prior tax income    | 42.2 | (1,748,521)                  | -                  |
|                     |      | <u>(11,512,307)</u>          | <u>(2,899,471)</u> |



42.1 The Taxation Officer has amended the assessment orders under section 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance) in respect of Tax Years 2010 and 2011 resulting in minimum tax liability of Rs. 543 million and Rs. 1,408 million for the Tax Years 2010 and 2011, respectively. The Taxation Officer considered the total tax depreciation allowance instead of accounting depreciation related to cost of sales of KE for the purpose of assessment of minimum tax liability as per proviso to section 113(1) of the Ordinance and added tariff adjustment (i.e. subsidy) to be part of turnover for the purpose of computing the minimum tax liability. The appeals filed by KE against the aforementioned assessment orders, were rejected by the Commissioner Inland Revenue (Appeals) – CIR(A). Subsequently, KE filed appeals against these decisions before the Appellate Tribunal Inland Revenue (ATIR) which have been decided in favour of KE vide ITA 877/KB/2011 dated May 7, 2012, ITA 950/KB/2011 dated October 19, 2012 for Tax Year 2010 and vide ITA 274/KB/2012 dated July 31, 2012 for Tax Year 2011. The tax department has filed references before the HCS against the decision of ATIR vide ITRA No. 12 of 2013 dated January 31, 2013 and ITRA No. 27 of 2013 dated September 28, 2013 for Tax Year 2010 and ITRA 210 of 2012 dated November 2, 2012 for Tax Year 2011 which are pending.

Further on similar matter, the Officer Inland Revenue amended the assessment orders for tax years 2004 to 2008, raising tax demand aggregating to Rs. 399 million under section 113 of the Ordinance by considering the tariff adjustment (i.e. subsidy) and other income as part of turnover for the purpose of computation of minimum tax. The Appellate Tribunal in the light of its previous decisions, has decided the appeals for tax years 2004, 2005 and 2008 in favour of KE. In 2022, KE's appeal for tax year 2007 has also been decided by CIR(A) vide Order No. 91/2021 dated December 9, 2021 in which the demand of Rs. 59.4 million has been remanded back by CIR(A). KE has filed an appeal before ATIR against the order of CIR(A). The appeal for tax year 2006 is still pending before CIR(A). The tax department has however filed references before the High Court of Sindh against ATIR decisions for tax years 2004, 2005 and 2008 on February 13, 2019. KE's management based on advice of its tax consultants expects a favourable outcome of these appeals and therefore, no provision in this respect has been made in these consolidated financial statements.

42.2 The tax on undistributed profits at the rate of 5% under Section 5A of the Ordinance had been recognised and paid by KE for Tax Years 2018 and 2019. HCS in its judgment vide CP 4970/2017 dated April 30, 2021 declared the tax on undistributed profits under Section 5A of the Ordinance ultra vires to the Constitution of Pakistan and struck it down. Based on HCS Order, KE's appeals for both Tax Years before the Commissioner Inland Revenue [Appeals] have been decided in favour of Company, therefore, an amount of Rs. 685.962 million for Tax Year 2018 and Rs. 444.134 million for Tax Year 2019 has been reversed in these consolidated financial statement. Similarly, on the basis of judgement of HCS KE's management has revised the return for Tax Year 2017 as well to claim the tax paid amounting to Rs. 653.379 million against Section 5A of the Ordinance and has recorded a reversal against the same.

### 42.3 Relationship between tax income / (expense) and accounting profit

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

|   | 2023                         | 2022               |
|---|------------------------------|--------------------|
|   | ----- (Rupees in '000) ----- |                    |
| (Loss) / profit before taxation   | (42,495,223)                 | 5,569,843          |
| Tax at the applicable tax rate of 29%   | 12,323,615                   | (1,615,254)        |
| Tax effect of exempt income   | 39,703,150                   | 50,079,111         |
| <b>Effects of:</b>  |                              |                    |
| - Deferred tax not recognised on minimum turnover tax                           | (4,926,734)                  | (4,352,875)        |
| - Prior tax income  | (1,748,521)                  | -                  |
| - Deferred tax not recognised on tax credits, un-utilised tax losses and others | (56,863,817)                 | (41,211,511)       |
|   | <u>(11,512,307)</u>          | <u>(2,899,471)</u> |

|   | 2023                           | 2022              |
|---|--------------------------------|-------------------|
|   | ----- (Rupees in '000) -----   |                   |
| <b>43. EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)</b>      |                                |                   |
| (Loss) / profit before finance cost   | (7,922,534)                    | 20,692,505        |
| Depreciation and amortisation   | 24,298,588                     | 20,834,758        |
|   | <u>16,376,054</u>              | <u>41,527,263</u> |
| <b>44. (LOSS) / EARNING PER SHARE - BASIC AND DILUTED</b>                             |                                |                   |
| There is no dilutive effect on the basic earnings per share of KE, which is based on: |                                |                   |
| (Loss) / profit attributable to ordinary share holders                                | <u>(30,982,916)</u>            | <u>8,469,314</u>  |
|   | ----- (Number of shares) ----- |                   |
| Weighted average number of ordinary shares outstanding during the year                | 27,615,194,246                 | 27,615,194,246    |
|   | ----- (Rupees) -----           |                   |
| (Loss) / earnings per share - basic and diluted                                       | <u>(1.12)</u>                  | <u>0.31</u>       |

#### 45. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts for remuneration, including all benefits, to the Chief Executive and Directors of KE and Executives of the Group are as follows:

|  | 2023                         |               |                  | 2022                    |               |                  |
|--|------------------------------|---------------|------------------|-------------------------|---------------|------------------|
|  | Chief Executive Officer      | Directors     | Executives       | Chief Executive Officer | Directors     | Executives       |
|  | ----- (Rupees in '000) ----- |               |                  |                         |               |                  |
| Directors' fees (note 45.3)                                  | -                            | 18,601        | -                | -                       | 23,100        | -                |
| Managerial remuneration                                      | 58,450                       | -             | 6,807,513        | 51,664                  | -             | 5,893,316        |
| Commission or Bonus  | 5,365                        | -             | 384,367          | 13,909                  | -             | 621,278          |
| Reimbursable expenses  | 2,991                        | -             | 109,655          | 895                     | -             | 99,504           |
| Contribution to fund   | 3,490                        | -             | 361,985          | 3,107                   | -             | 320,795          |
| Other allowance and benefits                                 | -                            | -             | 12,052           | -                       | -             | 4,508            |
|  | <u>70,296</u>                | <u>18,601</u> | <u>7,675,572</u> | <u>69,575</u>           | <u>23,100</u> | <u>6,959,401</u> |
| Number of persons includes those who worked part of the year | <u>1</u>                     | <u>10</u>     | <u>2,064</u>     | <u>1</u>                | <u>13</u>     | <u>1,898</u>     |

- 45.1 The Chief Executive Officer and certain Executives of KE are provided with medical, car and fuel facility in accordance with the Group's policy.
- 45.2 KE also makes contributions for Executives and CEO to gratuity fund, based on actuarial calculations.
- 45.3 Non-executive directors are paid fees for attending the meetings of the Board of Directors and its committees, with no other remuneration.
- 45.4 Gratuity amounting to Rs. 202.7 million (2022: Rs. 232.2 million) was paid to outgoing executives.

|                                      | Note | 2023<br>----- (Rupees in '000) ----- | 2022                |
|--------------------------------------|------|--------------------------------------|---------------------|
| <b>46. CASH AND CASH EQUIVALENTS</b> |      |                                      |                     |
| Cash and bank balances               | 16   | 7,121,309                            | 2,899,473           |
| Short-term running finances          | 29   | (38,023,343)                         | (44,721,569)        |
|                                      |      | <u>(30,902,034)</u>                  | <u>(41,822,096)</u> |

#### 47. FINANCIAL INSTRUMENTS BY CATEGORY

##### 47.1 Financial assets measured at amortised cost

|  |  |                    |                    |
|--|--|--------------------|--------------------|
| Other financial assets - at amortised cost |  | 25,646,022         | 17,411,300         |
| Long-term loans and deposits               |  | 23,362             | 27,041             |
| Trade debts                                |  | 104,452,241        | 136,963,108        |
| Deposits                                   |  | 11,371,914         | 6,215,025          |
| Other receivables                          |  | 216,665,570        | 356,135,728        |
| Cash and bank balances                     |  | 7,121,309          | 2,899,473          |
|  |  | <u>365,280,418</u> | <u>519,651,675</u> |

##### 47.2 Financial assets measured at fair value through profit or loss

|                             |        |                   |                  |
|-----------------------------|--------|-------------------|------------------|
| Derivative financial assets | 47.2.1 | <u>23,567,302</u> | <u>8,033,631</u> |
|-----------------------------|--------|-------------------|------------------|

47.2.1 Derivative financial assets have been classified into level 2 fair value measurement hierarchy and the fair value is calculated as the present value of estimated future cash flows based on observable yield.

|  | 2023<br>----- (Rupees in '000) ----- | 2022               |
|--|--------------------------------------|--------------------|
| <b>47.3 Financial liabilities measured at amortised cost</b> |                                      |                    |
| Long-term financing  | 216,794,566                          | 175,376,530        |
| Lease liabilities  | 176,360                              | 197,451            |
| Long-term deposits   | 16,714,458                           | 13,976,931         |
| Trade and other payables                                     | 323,129,238                          | 412,367,106        |
| Unclaimed dividend   | 645                                  | 645                |
| Accrued mark-up  | 14,269,819                           | 10,629,604         |
| Short-term borrowings  | 92,851,098                           | 107,535,452        |
| Short-term deposits  | 6,426,719                            | 6,578,500          |
|  | <u>670,362,903</u>                   | <u>726,662,219</u> |

47.4 Except for property, plant and equipment and derivatives, the Group's value of all financial assets and liabilities reflected in these consolidated financial statements approximate their fair value.

#### 48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

##### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Following information presents the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for measuring and managing risks and the Group's management of capital.

## **Risk management framework**

The Board of Directors (BoD) has the overall responsibility for the establishment and oversight of KE's risk management framework. The BoD has empowered Board Audit Committee (BAC), which oversees compliance with KE's risk management framework and policies in relation to risks faced by KE. The BAC regularly reports to the BoD on its activities.

KE's risk management policies aimed at identification and analysis of risks faced by KE, setting appropriate risk limit and monitoring risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and KE's activities. KE, 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.

KE's BAC oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Group. The BAC 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 BAC.

The Group's principal financial liabilities mainly comprise of long term and short term financing facilities from financing institutions, debt securities from capital markets and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables, cash and bank balances, short-term deposits, etc. which arise directly from its operations.

Deposits include lien against settlement of loans and sukuk certificate repayments with commercial banks which have a credit rating of A1.

The Group enters into derivative transactions, cross currency swap contracts. The purpose is to manage currency risk from the Group's operations and its sources of finance. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The BoD reviews and agrees policies for managing each of these risks which are summarised below:

### **48.1 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices or market interest rates. The Group manages the market risk by monitoring exposure on financial instruments and by following internal risk management policies.

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

#### **48.1.1 Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises where transactions are conducted in foreign currency. The Group primarily has foreign currency exposures in US Dollar, Euro and UK Pound in the form of trade and other payables, bank balances and long-term financing. As at June 30, 2023, had the Group's functional currency strengthened / weakened by 5% against US Dollar, Euro and UK Pound, with all other variables held constant, loss for the year would have been higher / lower by Rs. 4,924 million (2022: Rs. 4,007 million) mainly as a result of foreign exchange gains / losses.

The Group has hedged significant portion of its long-term financing denominated in its foreign currency. The Group 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.

#### **48.1.2 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 Group's interest rate risk arises from long-term financing and short-term borrowing facilities at variable rates for financing its generation, transmission and distribution projects and meeting working capital requirements. The Group manages these mismatches through risk management policies where significant changes in gap position can be adjusted. Further, the interest rate risk also arises from certain other financial statement line items as mentioned below. At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

|  | Note | 2023<br>----- (Rupees in '000) ----- | 2022<br>----- |
|--|------|--------------------------------------|---------------|
| <b>Fixed rate instruments</b>              |      |                                      |               |
| <b>Financial assets</b>                    |      |                                      |               |
| Long-term loans                            |      | 22                                   | 83            |
| <b>Financial liabilities</b>               |      |                                      |               |
| Lease liabilities                          | 22   | 176,360                              | 197,451       |
| <b>Variable rate instruments</b>           |      |                                      |               |
| <b>Financial assets</b>                    |      |                                      |               |
| Deposit accounts                           | 16   | 1,054,463                            | 418,692       |
| Deposits under lien against LC             |      | 92,436                               | 83,244        |
| Other financial assets - at amortised cost |      | 25,646,022                           | 17,411,300    |
|  |      | 26,792,921                           | 17,913,236    |
| <b>Financial liabilities</b>               |      |                                      |               |
| Long-term financing                        |      | 216,767,956                          | 175,349,920   |
| Short-term borrowings                      |      | 92,851,098                           | 107,535,452   |
|  |      | 309,619,054                          | 282,885,372   |

#### Fair value sensitivity analysis

The Group does not account for fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not have affected profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

If KIBOR / LIBOR / SOFR / EURIBOR had been 1% higher / lower with all other variables held constant, the loss / profit for the year would have been higher / lower by Rs. 2,828 million (2022: Rs. 2,650 million).

#### 48.1.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is not exposed to price risk as it does not have any price sensitive instruments.

#### 48.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument fails to meet its contractual obligation, and arises principally from KE's receivables from customers, balances held with banks and investments in term deposits. Out of the Group's total financial assets as set out in note 47, those that are subject to credit risk aggregated Rs. 297,230 million as at June 30, 2023 (2022: Rs. 119,180 million). The analysis below summarises the credit quality of the Group's financial assets as at June 30, 2023.

- KE's electricity is sold to industrial, commercial and residential consumers and government organisations. Due to large number and diversity of its consumer base, concentration of credit risk with respect to trade debts is limited. Further, the Group manages its credit risk by obtaining security deposits from the consumers. Further, the Group considers the credit risk arising from receivables from public sector consumers to be minimal. Additionally other receivables primarily represent tariff adjustments due from the GoP.

- The credit quality of the banks with which the Group held balances as at June 30, 2023 and 2022 is represented by the related credit ratings assigned by the external agencies. The material balances are held with the banks having credit ratings of at least 'A1' which is defined as 'Obligations supported by a strong capacity for timely repayment'.
- Deposits include lien against settlement of letters of credit, loans and sukuk certificate repayments with commercial banks which have a credit rating of A1.

Concentration of credit risk exists when changes in economic and industry factors similarly affect the group of counter parties whose aggregated credit exposure is significant in relation to the Group's total credit exposure. The Group's financial assets are broadly diversified and transactions are entered into with diverse credit worthy parties thereby mitigating any significant concentration risk. Therefore, the Group believes that it is not exposed to major concentration of credit risk.

### 48.3 Liquidity risk

Liquidity risk is the risk that the Group 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 Group could be required to pay its liabilities earlier than expected or difficulty in arranging funds to meet commitments associated with financial liabilities as they fall due. The Group'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 Group's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

|   | 2023                         |                        |                    |                      |                    |                      |
|---|------------------------------|------------------------|--------------------|----------------------|--------------------|----------------------|
|   | Carrying amount              | Contractual cash flows | Six months or less | Six to twelve months | One to five years  | More than five years |
|   | ----- (Rupees in '000) ----- |                        |                    |                      |                    |                      |
| <b>Non-derivative Financial Liabilities</b> |                              |                        |                    |                      |                    |                      |
| Long-term financing                         | 216,794,566                  | 326,765,563            | 27,920,513         | 30,291,362           | 157,796,932        | 110,756,757          |
| Lease liabilities                           | 176,360                      | 245,833                | 37,804             | 21,201               | 144,205            | 42,623               |
| Long-term deposits                          | 16,714,458                   | 16,714,458             | -                  | -                    | -                  | 16,714,458           |
| Trade and other payables                    | 323,129,238                  | 323,129,238            | 297,897,486        | 25,231,752           | -                  | -                    |
| Unclaimed dividend                          | 645                          | 645                    | 645                | -                    | -                  | -                    |
| Accrued mark-up                             | 14,269,819                   | 14,269,819             | 14,269,819         | -                    | -                  | -                    |
| Short-term borrowings                       | 92,851,098                   | 98,858,958             | 80,551,905         | 18,307,053           | -                  | -                    |
| Short-term deposits                         | 6,426,719                    | 6,426,719              | 6,426,719          | -                    | -                  | -                    |
|   | <u>670,362,903</u>           | <u>786,411,233</u>     | <u>427,104,891</u> | <u>73,851,368</u>    | <u>157,941,137</u> | <u>127,513,838</u>   |
|   | 2022                         |                        |                    |                      |                    |                      |
|   | Carrying amount              | Contractual cash flows | Six months or less | Six to twelve months | One to five years  | More than five years |
|   | ----- (Rupees in '000) ----- |                        |                    |                      |                    |                      |
| <b>Non-derivative Financial Liabilities</b> |                              |                        |                    |                      |                    |                      |
| Long-term financing                         | 175,376,530                  | 273,877,570            | 17,627,103         | 23,869,623           | 155,220,012        | 77,160,832           |
| Lease liabilities                           | 197,451                      | 262,930                | 27,095             | 25,511               | 161,339            | 75,174               |
| Long-term deposits                          | 13,976,931                   | 13,976,931             | -                  | -                    | -                  | 13,976,931           |
| Trade and other payables                    | 412,367,106                  | 412,367,106            | 387,135,355        | 25,231,751           | -                  | -                    |
| Unclaimed dividend                          | 645                          | 645                    | 645                | -                    | -                  | -                    |
| Accrued mark-up                             | 10,629,604                   | 10,629,604             | 10,629,604         | -                    | -                  | -                    |
| Short-term borrowings                       | 107,535,452                  | 111,379,272            | 111,379,272        | -                    | -                  | -                    |
| Short-term deposits                         | 6,578,500                    | 6,578,500              | 6,578,500          | -                    | -                  | -                    |
|   | <u>726,662,219</u>           | <u>829,072,558</u>     | <u>533,377,574</u> | <u>49,126,885</u>    | <u>155,381,351</u> | <u>91,212,937</u>    |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at June 30, 2023 and 2022 include both principal and interest payable thereon. The rates of mark-up have been disclosed in notes 21 and 29 to these consolidated financial statements.

48.4 Reconciliation of movement of liabilities to cashflows arising from financing activities is as follows:

|  | Short-term borrowings used for cash management purpose | Other-short term borrowings including related accrued markup | Long-term financing including related accrued markup | Long-term deposits | Lease liabilities | Total              |
|--|--|--|--|--------------------|-------------------|--------------------|
| -----[Rupees in '000]-----                     |  |  |  |                    |                   |                    |
| <b>Balance as at July 1, 2022</b>              | 45,408,799   | 64,405,236   | 178,443,371  | 13,976,931         | 197,451           | 302,431,788        |
| Changes from financing cash flows              |  |  |  |                    |                   |                    |
| Proceeds from / (Repayment of)                 |  |  |  |                    |                   |                    |
| loan - net of transaction cost                 | -  | (7,986,128)  | 7,821,238  | -                  | -                 | (164,890)          |
| Changes in running finance                     | (6,698,226)  | -  | -  | -                  | -                 | (6,698,226)        |
| Lease payments                                 | -  | -  | -  | -                  | (56,759)          | (56,759)           |
| <b>Total changes from financing activities</b> | (6,698,226)  | (7,986,128)  | 7,821,238  | -                  | (56,759)          | (6,919,875)        |
| <b>Other changes</b>                           |  |  |  |                    |                   |                    |
| Finance cost                                   | 7,668,021  | 9,953,514  | 14,920,676   | -                  | 19,932            | 32,562,143         |
| Finance cost paid                              | (9,578,304)  | (8,967,546)  | (28,259,848)   | -                  | -                 | (46,805,698)       |
| Receipts of security deposits                  | -  | -  | -  | 2,737,527          | -                 | 2,737,527          |
| Addition to lease liabilities                  | -  | -  | -  | -                  | 57,748            | 57,748             |
| Derecognition                                  | -  | -  | -  | -                  | (42,012)          | (42,012)           |
| Derivate financial asset realised              | -  | -  | (4,002,976)  | -                  | -                 | (4,002,976)        |
| Exchange loss                                  | -  | -  | 36,091,791   | -                  | -                 | 36,091,791         |
| Amortisation of transaction cost               | -  | -  | 580,058  | -                  | -                 | 580,058            |
| Finance cost capitalised                       | 2,457,748  | -  | 16,373,878   | -                  | -                 | 18,831,626         |
| <b>Total loan related other changes</b>        | 547,465  | 985,968  | 35,703,579   | 2,737,527          | 35,668            | 40,010,207         |
| <b>Balance as at June 30, 2023</b>             | <u>39,258,038</u>                                      | <u>57,405,076</u>  | <u>221,968,188</u>                                   | <u>16,714,458</u>  | <u>176,360</u>    | <u>335,522,120</u> |

#### 48.5 Hedging activities and derivatives

KE has executed cross currency swaps on its long term foreign currency financings to hedge its currency risk.

##### *Cash flow hedges*

During the year, KE 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 in respect of long-term financing as stated in notes 21.1, 21.2, 21.4, 21.5 and 21.6 to these consolidated financial statements.

The critical terms of the cross currency swap contracts have been negotiated to match the terms of the aforementioned financial liability (note 15).

#### 49. CAPITAL RISK MANAGEMENT

The primary objective of the Group'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 maximise shareholders value. No changes were made in the objectives, policies or processes during the year ended June 30, 2023.

The Group 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, the Group's financial position and requirements of lenders. This necessitated re-investment of profits to strengthen the Group's financial position to comply with requirements of lenders as well as to fund new projects. Details of adjusted invested equity as at the reporting date are given in note 18.9.

The Group monitors capital using debt to equity ratios. The long-term debt to equity ratio as at June 30, 2023 and 2022 is as follows:

|                                 | Note | 2023<br>----- (Rupees in '000) ----- | 2022<br>-----                     |
|---------------------------------|------|--------------------------------------|-----------------------------------|
| Long-term financing             | 21   | 180,508,276                          | 151,738,189                       |
| Total equity                    |      | 254,995,823<br><u>435,504,099</u>    | 250,171,718<br><u>401,909,907</u> |
| <b>Long-term debt to equity</b> |      | <u>0.41:1</u>                        | <u>0.38:1</u>                     |

## 50 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

50.1 Related parties of the Group comprise of associated companies, state-controlled entities, staff retirement benefit plans and the Group's directors and key management personnel. Following are the particulars of related parties and associated undertakings of the Group with whom the Group had entered into transactions or had agreements and / or arrangements in place during the year:

| Name of related parties   | Direct shareholding in KE | Relationship             |
|---|---------------------------|--------------------------|
| KES Power Limited   | 66.4%                     | Holding Company          |
| GoP represented by the President of Pakistan Central Power Purchasing Agency / National Transmission and Dispatch Company | 24.4%                     | Major Shareholder        |
| National Bank of Pakistan   | -                         | State Controlled Entity  |
| Pakistan State Oil Limited  | 0.07%                     | State Controlled Entity  |
| Sui Southern Gas Company Limited  | -                         | State Controlled Entity  |
| Pakistan LNG Limited  | -                         | State Controlled Entity  |
| Mark Gerard Skelton***  | -                         | Chairman                 |
| Syed Moonis Abdullah Alvi   | -                         | Chief Executive Officer  |
| Adeeb Ahmad   | -                         | Non Executive Director   |
| Muhammad Kamran Kamal   | -                         | Non Executive Director   |
| Shan A. Ashary**  | -                         | Non Executive Director   |
| Mubasher H. Sheikh  | -                         | Non Executive Director   |
| Saad Amanullah Khan   | <0.01%                    | Non Executive Director   |
| Zubair Motiwala   | -                         | Non Executive Director   |
| Dr Imranullah Khan  | -                         | Non Executive Director   |
| Arshad Majeed Mohmand   | -                         | Non Executive Director   |
| Aamir Rizwan Qureshi  | -                         | Key Management Personnel |
| Abbas Husain Siahwala   | -                         | Key Management Personnel |
| Abdul Saleem  | -                         | Key Management Personnel |
| Ali Imran Hussain Arain   | -                         | Key Management Personnel |
| Aqib Salam  | -                         | Key Management Personnel |
| Arshad Ali Shahab   | -                         | Key Management Personnel |
| Arshad Sabri  | -                         | Key Management Personnel |
| Atif Aslam  | -                         | Key Management Personnel |
| Ayaz Jaffar Ahmed   | -                         | Key Management Personnel |
| Faisal Bashir Gill  | -                         | Key Management Personnel |
| Faiza Savul   | -                         | Key Management Personnel |
| Farah Naz Shah  | -                         | Key Management Personnel |
| Muhammad Taimoor Khan   | -                         | Key Management Personnel |
| Haider Ali  | -                         | Key Management Personnel |
| Haris Jamil Siddiqui  | -                         | Key Management Personnel |
| Huma Yahya  | -                         | Key Management Personnel |
| Humza Khan  | -                         | Key Management Personnel |
| Kamran Akhtar Hashmi  | -                         | Key Management Personnel |
| Kashif Iqbal Ghazi  | -                         | Key Management Personnel |
| Mohammed Jawwad Amin  | -                         | Key Management Personnel |
| Mudassir Zuberi   | -                         | Key Management Personnel |
| Muhammad Aamir  | -                         | Key Management Personnel |
| Muhammad Ali  | -                         | Key Management Personnel |
| Muhammad Bilal Ahmed Mirza  | -                         | Key Management Personnel |
| Muhammad Farrukh  | -                         | Key Management Personnel |
| Muhammad Imran Hussain Qureshi  | -                         | Key Management Personnel |
| Muhammad Owais  | -                         | Key Management Personnel |



| Name of related parties                   | Direct shareholding in KE | Relationship                     |
|---|---------------------------|----------------------------------|
| Muhammad Rizwan Dalia                     | -                         | Key Management Personnel         |
| Noor Afshan                               | -                         | Key Management Personnel         |
| Nowshad Alam                              | -                         | Key Management Personnel         |
| Pervez Musani                             | -                         | Key Management Personnel         |
| Rana Muhammad Imran                       | -                         | Key Management Personnel         |
| Rasheed Ahmed Bhutto                      | -                         | Key Management Personnel         |
| Rizwan Ahmed                              | -                         | Key Management Personnel         |
| Rizwan Pesnani                            | -                         | Key Management Personnel         |
| Sadia Dada                                | <0.01%                    | Key Management Personnel         |
| Shahab Qader Khan                         | -                         | Key Management Personnel         |
| Sheikh Humayun Saghir                     | -                         | Key Management Personnel         |
| Sheraz Kashif                             | -                         | Key Management Personnel         |
| Syed Adnan Sami                           | -                         | Key Management Personnel         |
| Syed Fawad Ali Gilani                     | -                         | Key Management Personnel         |
| Syed Irfan Ali Shah                       | -                         | Key Management Personnel         |
| Syed Mehdi Ali                            | -                         | Key Management Personnel         |
| Syed Moiz Ishaq                           | -                         | Key Management Personnel         |
| Ubaid Ur Rehman Sheikh                    | -                         | Key Management Personnel         |
| Hashim Raza                               | -                         | Key Management Personnel         |
| Wahid Asghar                              | <0.01%                    | Key Management Personnel         |
| Farooq Niaz*                              | -                         | Key Management Personnel         |
| Tahir Ali Khan*                           | -                         | Key Management Personnel         |
| Asif Raza*                                | -                         | Key Management Personnel         |
| Arshad Iftikhar*                          | -                         | Key Management Personnel         |
| Imdad Afzal*                              | -                         | Key Management Personnel         |
| Sajjad Asghar Khan Shahani*               | -                         | Key Management Personnel         |
| Rehan Sajjad*                             | -                         | Key Management Personnel         |
| Irtaza Waseem Khan*                       | -                         | Key Management Personnel         |
| Raza Abbas Naqvi*                         | -                         | Key Management Personnel         |
| Naz Khan*                                 | -                         | Key Management Personnel         |
| Zehra Aneek*                              | -                         | Key Management Personnel         |
| Abdul Khalique*                           | -                         | Key Management Personnel         |
| Sheikh Amer Zia*                          | -                         | Key Management Personnel         |
| Faisal Karamat*                           | -                         | Key Management Personnel         |
| Syed Asad Ali Shah Jilani****             | -                         | Non-Executive director           |
| Khalid Rafi****                           | -                         | Non-Executive director           |
| Naveed Ismail****                         | -                         | Non-Executive director           |
| Ruhail Muhammad****                       | -                         | Non-Executive director           |
| Waseem Mukhtar****                        | -                         | Non-Executive director           |
| Sadia Khuram*****                         | -                         | Non-Executive director           |
| Chaudhary Khaqan Saadullah Khan*****      | -                         | Non-Executive director           |
| Boudewijn Clemens Wentink*****            | -                         | Non-Executive director           |
| <b>Employee retirement benefit funds:</b> |                           |                                  |
| - Gratuity Fund                           | -                         | Post employment benefits / plans |
| - Provident Fund                          | -                         | Post employment benefits / plans |

\* These key management personnel resigned / retired from KE during the year ended June 30, 2023.

\*\* He ceased to be the Chairman of the Company with effect from August 11, 2022.

\*\*\* He was appointed as Chairman of the Company with effect from August 11, 2022.

\*\*\*\* These directors retired effective from July 29, 2022.

\*\*\*\*\* This director resigned effective from October 22, 2022.

\*\*\*\*\* These directors resigned effective from October 19, 2022.

50.1 Details of transactions with related parties, not disclosed elsewhere in these consolidated financial statements, are as follows:

#### 50.1.2 Government related entities

KE has availed the exemption available to it under its reporting framework, and therefore has not provided detailed disclosures of its transactions with all government related / state-owned entities except for transactions included below, which KE considers to be significant:

|        |  |  | 2023             | 2022        |
|--------|--|--|------------------|-------------|
|        |  |  | (Rupees in '000) |             |
|        | CPPA / NTDC  | Power purchases                                    | 160,107,796      | 144,462,200 |
|        | Pakistan State Oil Company Limited   | Purchase of furnace oil / HSD and other lubricants | 77,865,890       | 91,802,344  |
|        | Sui Southern Gas Company Limited   | Purchase of gas                                    | 54,957,985       | 111,349,481 |
|        | Pakistan LNG Limited   | Purchase of gas                                    | 78,388,465       | 8,116,711   |
| 50.1.3 | Hascol Petroleum Limited (note 50.1.7)   | Purchase of furnace oil                            | -                | 1,942,418   |
| 50.1.4 | Key management personnel   | Managerial remuneration                            | 724,316          | 654,073     |
|        |  | Other allowances and benefits                      | 227,880          | 237,852     |
|        |  | Retirement benefits                                | 111,810          | 55,767      |
|        |  | Leave encashment                                   | 5,154            | 2,625       |
| 50.1.5 | Provident fund   | Contribution to provident fund                     | 1,231,731        | 1,168,162   |
| 50.1.6 | Gratuity fund  | Contribution to gratuity fund                      | 1,173,777        | 206,529     |
| 50.1.7 | In 2022, Hascol Petroleum Limited ceased to be the related party of the Group. |  |                  |             |

## 51. PROVIDENT FUND

The Group operates approved funded contributory provident fund for both its management and non-management employees. The investments out of the provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

## 52. PLANT CAPACITY AND ANNUAL PRODUCTION

The details of actual generation against average annual Gross Dependable Capacity of each plant of KE is as follows:

| Plant Particulars              | Average Gross Dependable Capacity |       | Actual Generation |       |
|--------------------------------|-----------------------------------|-------|-------------------|-------|
|                                | 2023                              | 2022  | 2023              | 2022  |
|                                | ----- MW -----                    |       | ----- Gwh -----   |       |
| Bin Qasim Power Station - I    | 726                               | 750   | 2,033             | 3,591 |
| Bin Qasim Power Station - II   | 526                               | 526   | 2,807             | 3,821 |
| Bin Qasim Power Station - III  | 918                               | -     | 2,596             | 256   |
| CCPP Korangi                   | 227                               | 227   | 59                | 596   |
| Site Gas Turbine Power Station | 96                                | 96    | 27                | 110   |
| Korangi Town Gas Turbine       | 96                                | 96    | 12                | 122   |
|                                | 2,589                             | 1,695 | 7,534             | 8,496 |

52.1 The actual generation of electricity during the year was as per the demand and planned load shed.

## 53. OPERATING SEGMENT

KE operates as a vertically integrated power utility under a single integrated tariff structure, as determined by NEPRA, with no separate revenue streams as KE as a whole earns revenues by providing electricity to its end consumers. The management has determined Generation, Transmission and Distribution as its operating segments, which are being presented to the Board of Directors of KE for allocation of resources and assessment of performance. These operating segments carry risks and rewards which differ from other segment and also reflects the management structure of KE.

The unallocated items of profit or loss and assets and liabilities include items which cannot be allocated to a specific segment on a reasonable basis.

|  | 2023                            |              |              |              |              | Total     |
|--|---------------------------------|--------------|--------------|--------------|--------------|-----------|
|  | Generation                      | Transmission | Distribution | Un-allocated | Eliminations |           |
|  | ----- (Rupees in million) ----- |              |              |              |              |           |
| Segment revenue  | -                               | -            | 519,471      | 261          | -            | 519,732   |
| Inter-segment revenue  | 257,306                         | 24,902       | -            | -            | (282,208)    | -         |
| Total revenue  | 257,306                         | 24,902       | 519,471      | 261          | (282,208)    | 519,732   |
| Purchase of electricity / Consumption of fuel and oil / Others | (209,759)                       | -            | (505,368)    | (231)        | 282,208      | (433,150) |
| Contribution margin  | 47,547                          | 24,902       | 14,103       | 30           | -            | 86,582    |
| O&M expenses   | (6,002)                         | (5,373)      | (25,489)     | (143)        | 5            | (37,002)  |
| Other operating expenses                                       | (16,038)                        | (76)         | 1,626        | (13)         | -            | (14,501)  |
| Other income   | 524                             | 1,453        | 10,443       | 13           | (5)          | 12,428    |
| Impairment loss against trade debts and other receivables      | -                               | -            | (31,131)     | -            | -            | (31,131)  |
| EBITDA   | 26,031                          | 20,906       | (30,448)     | (113)        | -            | 16,376    |
| Depreciation and amortisation                                  | (12,276)                        | (4,094)      | (7,922)      | (7)          | -            | (24,299)  |
| EBIT   | 13,755                          | 16,812       | (38,370)     | (120)        | -            | (7,923)   |
| Finance cost   | (13,597)                        | (9,910)      | (11,063)     | (3)          | -            | (34,573)  |
| (Loss) / profit before taxation                                | 158                             | 6,902        | (49,433)     | (123)        | -            | (42,496)  |
| Taxation - Current   | (2,441)                         | (236)        | (2,251)      | (3)          | -            | (4,931)   |
| Taxation - Deferred  | -                               | -            | -            | 14,655       | 40           | 14,695    |
| Taxation - prior year  | 866                             | 84           | 799          | -            | -            | 1,749     |
| Profit / (loss) for the year                                   | (1,417)                         | 6,750        | (50,885)     | 14,529       | 40           | (30,983)  |
| Capital expenditure  | 39,883                          | 13,861       | 16,086       | 808          | 12           | 70,650    |
| Assets   | 332,716                         | 187,311      | 492,271      | 12,364       | (97)         | 1,024,565 |
| Liabilities  | 206,982                         | 115,971      | 442,529      | 4,026        | 61           | 769,569   |

|  | 2022                            |              |              |              |              | Total     |
|--|---------------------------------|--------------|--------------|--------------|--------------|-----------|
|  | Generation                      | Transmission | Distribution | Un-allocated | Eliminations |           |
|  | ----- (Rupees in million) ----- |              |              |              |              |           |
| Segment revenue  | -                               | -            | 518,777      | 294          | -            | 519,071   |
| Inter-segment revenue  | 248,039                         | 9,562        | -            | 4            | (257,605)    | -         |
| Total revenue  | 248,039                         | 9,562        | 518,777      | 298          | (257,605)    | 519,071   |
| Purchase of electricity / Consumption of fuel and oil / Others | (212,488)                       | -            | (465,145)    | (275)        | 257,605      | (420,303) |
| Contribution margin  | 35,551                          | 9,562        | 53,632       | 23           | -            | 98,768    |
| O&M expenses   | (6,043)                         | (5,446)      | (21,609)     | (95)         | 7            | (33,186)  |
| Other operating expenses                                       | (6,556)                         | (2,469)      | (387)        | (2)          | -            | (9,414)   |
| Other income   | (545)                           | 506          | 10,249       | 4            | (7)          | 10,207    |
| Impairment loss against trade debts and other receivables      | -                               | -            | (24,848)     | -            | -            | (24,848)  |
| EBITDA   | 22,407                          | 2,153        | 17,037       | (70)         | -            | 41,527    |
| Depreciation and amortisation                                  | (11,869)                        | (3,837)      | (5,123)      | (6)          | -            | (20,835)  |
| EBIT   | 10,538                          | (1,684)      | 11,914       | (76)         | -            | 20,692    |
| Finance cost   | (3,935)                         | (4,346)      | (6,839)      | (3)          | -            | (15,123)  |
| (Loss) / profit before taxation                                | 6,603                           | (6,030)      | 5,075        | (79)         | -            | 5,569     |
| Taxation - Current   | (2,081)                         | (80)         | (2,192)      | (4)          | -            | (4,357)   |
| Taxation - Deferred  | -                               | -            | -            | 7,257        | -            | 7,257     |
| Profit / (loss) for the year                                   | 4,522                           | (6,110)      | 2,883        | 7,174        | -            | 8,469     |
| Capital expenditure  | 26,340                          | 12,313       | 23,889       | 230          | -            | 62,772    |
| Assets   | 257,243                         | 142,794      | 618,783      | 41,308       | -            | 1,060,128 |
| Liabilities  | 201,613                         | 66,930       | 491,913      | 49,500       | -            | 809,956   |

#### 54. BENAZIR EMPLOYEES' STOCK OPTION SCHEME (BESOS)

On August 14, 2009, GoP launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-state Owned Enterprise where GoP holds significant investments (non-SOEs). The Scheme was 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 the Scheme, GoP was to 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 liability of BESOS for KE's employees is a liability of the fund and KE has no liability towards these payments. Various formalities relating to the finalisation of the Scheme such as trust deed and vesting period are yet to be finalised. Moreover, due to certain administrative issues, trust fund has not yet been created by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of SOEs needs to be accounted for by the entities, including KE, under IFRS 2 - "Share Based Payments". However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP on receiving representations from some of the entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan (ICAP) vide the letter number CAIDTS/PS& TAC/2011-2036 dated February 2, 2011 granted exemption to such entities from the application of IFRS 2 to the Scheme vide SRO 587 (I)/2011 dated June 7, 2011.

#### 55. NUMBER OF EMPLOYEES

|  | 2023  | 2022   |
|--|-------|--------|
| Total number of employees as at the reporting date | 9,619 | 9,992  |
| Average number of employees during the year        | 9,737 | 10,117 |

#### 56. CORRESPONDING FIGURES

Corresponding figures have been realigned and reclassified wherever considered necessary, for better presentation:

| Financial Statement Line Items (FSLIs) in annual audited unconsolidated financial statements for the year ended June 30, 2022 | Note | Audited June 30, 2022 (Rupees in '000) | FSLIs in annual audited consolidated financial statements for the year ended June 30, 2023 |
|---|------|--|--|
| * Long-term loans   | 9    | 11,899                                 | Long-term loans and deposits   |
| * Long-term deposits  | 10   | 14,600                                 |  |
| * Long-term diminishing musharaka   | 21   | 21,077,900                             | Long-term financing  |
| * Long-term financing   | 22   | 130,660,289                            |  |
| * Current maturity of long-term diminishing musharaka   | 21   | 3,750,000                              | Current maturity of long-term financing  |
| * Current maturity of long-term financing   | 22   | 19,888,341                             |  |
| **Consumer services and administrative expenses - Depreciation  | 38   | 3,879,695                              | Expenses incurred in generation, transmission and distribution - Depreciation              |
| *** Short-term deposits   | 30   | 10,674,972                             | Deferred revenue   |
| *** Trade and other payables - Contract Liabilities   | 27   | 1,159,485                              |  |

\* Realigned, being similar in nature.

\*\* Reclassified to align with current internal reporting.

\*\*\* Reclassified, considering more appropriate reflection of economic substance. The statement of financial position for the earliest period i.e. July 01, 2021 is not presented, as the impact of reclassification as of July 01, 2021 is immaterial in the overall context of these consolidated financial statements.

**57. DATE OF AUTHORISATION FOR ISSUE**

These consolidated financial statements were authorised for issue on September 15, 2023, by the Board of Directors of KE.

**58. GENERAL**

All figures have been rounded off to the nearest thousand Pakistan Rupees unless otherwise stated.



**Syed Moonis Abdullah Alvi**  
Chief Executive Officer



**Saad Amanullah Khan**  
Director



**Muhammad Aamir Ghaziani**  
Chief Financial Officer



# Stakeholder and Shareholder Information

# Stakeholder Engagement

At K-Electric, we recognize that collaborating and partnering with our stakeholders is essential for progress. As we embark on another year of growth and innovation, effective stakeholder engagement remains crucial for shaping our strategies and decisions.

We encourage transparent and constructive partnerships with people who are invested in our journey. Each stakeholder has a unique contribution towards our journey and creates shared value addition and mutual growth. Through cooperation, open communication, and collaboration, we continue to build on the trust we have already established with our stakeholders.

## Public Affairs and Government Relations

To deliver value to its stakeholders and the public, KE maintains bilateral communication with the Government and civic agencies of Karachi. This is achieved through the Public Affairs & Government Relations (PAGR) department, dedicated to fostering effective relationships.

PAGR collaborates closely with various teams to facilitate key initiatives, events, drives against illegal encroachments, disaster management and specially Public Sector projects while safeguarding the safety and interest of the general public. PAGR's pivotal role Government Relations and Technical Liaison. PAGR's includes obtaining licenses, managing area-wise schemes, and overseeing significant infrastructure projects such as BQPS-III, expressways, and BRT lines.



Caretaker Federal Minister for Energy, Power & Petroleum Muhammad Ali at the KE Head Office

Comprising two sub-teams—Public Affairs & Government Relations and Technical Liaison, PAGR's comprehensive approach engages government bodies at all levels. The Public Affairs & Government Relations team liaises with various governing bodies to align policies, resolve issues, and secure necessary approvals. Meanwhile, the Technical Liaison team handles technical matters, public projects, events, and critical tasks, ensuring seamless execution and stakeholder coordination. This holistic approach underscores our commitment to mutual benefits and infrastructural progress.

## Regulators

KE is a public limited company listed on the Pakistan Stock Exchange (PSX). The Company is regulated by the Securities and Exchange Commission of Pakistan (SECP) and PSX. KE is governed under the provisions of Companies Act 2017; Securities Act 2015; PSX Regulations; Listed Companies (Code of Corporate Governance) Regulations; Central Depositories Act 1997 and other applicable laws. Certain dealings of the Company (through its authorised banking dealers) also fall under the regulatory purview of the State Bank of Pakistan. As a power utility, KE is primarily regulated by the National Electric Power Regulatory Authority (NEPRA), under the provisions of NEPRA Act 1997 and related rules and regulations framed thereunder.

The Government of Pakistan (GOP) through Ministry of Energy (Power Division) notifies the consumer-end tariff considering the Uniform Tariff Policy and socio-economic policy objectives, and the Company remains fully compliant with notifications and directives issued by the GOP from time to time. Moreover, GOP also issues policies and guidelines for the entire power sector. The Company remains in close collaboration with relevant stakeholders on this front.

The guiding principle of KE's policy for relationship and engagement with all the regulators is based on mutual respect, legal and regulatory compliance in letter and spirit and disclosure and dissemination of material information in a timely manner to ensure transparency at all levels. Interaction and engagement with SECP and PSX are quite frequent primarily in relation to announcements of financial results, changes in Board



Former Federal Minister of Energy Khurram Dastgir Khan visiting KE

of Directors and management, disclosure of material and price sensitive information and filing of corporate / statutory returns etc.

The Company gives due importance to request for any information / document or query routed through the said regulators and responds promptly. Whereas scope of NEPRA's engagement is wider, encompassing public hearing on tariff and licensing related issues in addition to bilateral communications, discussions, and meetings.

## Industries, Industrial Associations and Chambers

Nurturing industrial associations has fostered a collaborative and supportive ecosystem for sustainable development of our service area and all its industries. At KE, industries are an indispensable partner in our progress which means we maintain round-the-clock contact with them. There is synergy which exists between KE and Industries and it's a symbiotic relationship, where the industries achievements are intertwined with our own.

The hallmark of KE's performance reflects in the streamlining of new customer accounts, expediting the process and promptly addressing concerns. Industries are crucial stakeholders for KE, and their input is valued as part of the Company's trajectory. Our commitment to transparency with the Industrial Associations has been accomplished through regular visits of the CEO and senior management to keep them apprised of developments concerning the future of KE and the power sector.

## Investors and Analysts

KE has high regard for the role and significance of institutional and other investors - both current and prospective. To facilitate them, it ensures that all

Company-related information, including key operational and financial data, are regularly updated on KE's website.

In line with our commitment to furnish pertinent and current information, the Company conducts regular analyst briefing sessions. These sessions encourage active and meaningful participation from both institutional and retail investors. Their insights and suggestions hold intrinsic value, further improving performance for the collective benefit of all stakeholders.

Keeping investor best-interests and disclosure standards in mind, the Company reports price-sensitive information in a timely manner to the PSX. The "Investor Information", "Investors Media" and "Investor Relations" sections on the KE website serve as dedicated resources for all investors.

Furthermore, the Company also accommodates requests for information directed through KE's Share Registrar. This comprehensive approach underscores our commitment to ensuring investors' access to accurate and relevant information.

## Banks And Other Lenders

The Company maintains cordial and professional relationships with all its local and international banks, Development Finance Institutions (DFIs), capital market investors, and Export Credit Agencies (ECAs). The Company engages these financial institutions on frequent basis to explore various financing options for its ongoing and planned capex requirements & working capital needs and keeps them updated on all its strategic initiatives.

Financial and other relevant information is shared with lenders as per their reporting requirements and on a need-to-know basis in a transparent manner. KE considers financial institutions and ECAs to be



significant stakeholders and takes necessary steps to maintain a healthy working relationship based on mutual respect. As a result, major commercial banks, capital market investors and foreign institutions including FMO, Proparco, GuarantCo, Sinasure and Hermes have shown their confidence in KE over the years by continuing to invest and participate in the power utility's financing initiatives.

## Suppliers

The positive impact of Supply Chain's strong relationships with suppliers resonates across our company through focus on improving quality, reducing costs, increasing innovation and enhancing its reputation as a reliable organization. Our commitment to maintaining strong relationships comes from the belief that these are essential to our success.

The Supply Chain team at KE approaches supplier relationships strategically, through a variety of channels. Our dedicated Procurement Business Partners work closely with our suppliers to understand their needs, challenges and recognize what they can offer us through long-term Supplier Relationship Management. Additionally, we have held large scale engagements such as the Localization conference, where we signed MoU's with Key Suppliers, fostering the development of local sources for traditionally imported products. To ensure seamless day-to-day operations, we have harnessed technology for enhanced communication and engagement. Suppliers can register with us, exchange information, submit quotes, engage with Technical and Quality Assurance Teams, and receive updates.

Managing relationships well and efficiently has enabled us to deploy tools and techniques to manage supplier performance, review quality systems and enable exchange of knowledge which mutually helps us in raising standards, improving quality, exploring new technologies and designing fit-for-purpose products to be used. In due course, we have recognized supplier performance periodically to ensure they remain vested in our relationship.

## Digital and Offline Media and Thought Leadership

KE's External Communications team is cultivating relationships and remains engaged in conversation with an extensive, countrywide stakeholder universe across print, digital, and electronic media and especially the customers.

Through briefing sessions, press conferences, forums, seminars, and site visits, our aim is to educate stakeholders regarding the developments taking place

in the power sector, the prevailing challenges, and opportunities, and KE's vision and strategy to address them on an ongoing basis. The department also serves as the focal point for liaison with media stakeholders during crises periods through timely updates and dissemination of crucial information.

A key milestone this year was communicating the Company's Multi-Year Tariff petition, the associated Investment Plan 2030 setting the roadmap for the future.

KE has been active on the forefront of the energy sector through information and awareness-based campaigns related to safety, recoveries during the economic downturn, the various changes to the price of electricity across Pakistan as mandated by the government while educating customers about energy conservation, and managed related activations through its brand and ESG teams throughout the year. Additionally, the department worked proactively to keep customers informed pertaining to rain safety during a historically heavy monsoon season, while working tirelessly to develop contingency plans in the wake of the storm that hit the coast. Through collaborations with think-tanks and research institutions, the department is also projecting KE's efforts in the thought leadership space as a progressive, dynamic, and customer-centric company.

## Employees

In our journey as an organization, our team has been our driving force. The foundations of our progress rest upon our ability to adjust with our ever-evolving landscape. In this pursuit, we introduced "Paish Qadam," as our internal communications identity, resonating with our progressive outlook. Paish Qadam connects our employees through three platforms: MS Outlook, MS Teams and a dedicated KE employee-only app.

Paish Qadam signifies a paradigm shift in communication strategies – it aims to enhance employee engagement, advocacy and knowledge. With the help of this effort, we have successfully connected our teams to the pace of change, motivating our workforce to perform well in dynamic and changing environments.

We ensure that our staff members are inspired, knowledgeable, and in line with our shared vision to create a unified voice for KE. By nurturing a collaborative and inclusive workplace, we empower our employees to innovate and adapt.

We are dedicated to fostering a resilient and forward-looking organizational culture that thrives during times of change.

# Share Price Sensitivity Analysis

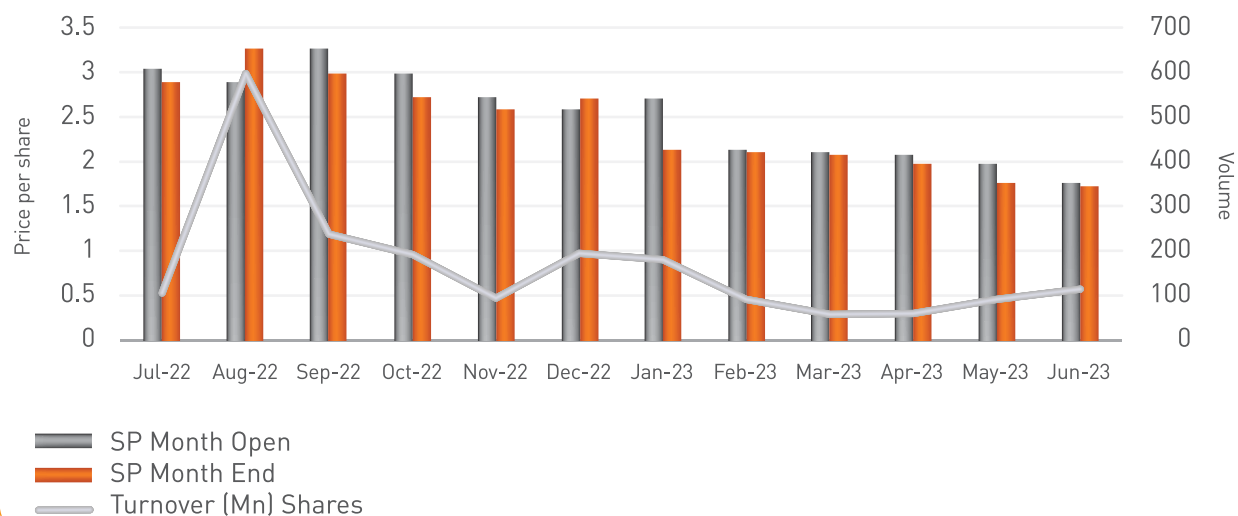
During the year, 2.02 billion shares were traded at Pakistan Stock Exchange. The share price could not maintain parity with the index and lost 43.42% in value during the year. The erosion in value can be attributed to various fundamental indicators that remained under pressure throughout the year. The average price of the Company's share based on monthly closing rate was PKR 2.41 while the low / high during FY2023 was PKR 1.55 and PKR 3.79 per share respectively.

Factors affecting the share price of the Company are:

- Timely determination of tariff adjustments by NEPRA.
- Overall macroeconomic environment.

- PKR to USD exchange rate impact.
- Higher fuel prices.
- Cost of financing impacted by higher interest rates and leverage ratio of the company.
- T&D losses being higher/lower than that accounted for in the tariff.
- Power generation projects coming online.
- Dividend yield for the company being impacted by circular debt.
- Timely payments of Tariff differential subsidies by GoP to K-Electric.
- Government policies in support of the company.
- Performance of the stock market and prevalent sentiment of the investor.

## Share Price Movement & Turnover



KE Live: Bringing customers closer

# Pattern of Shareholding

as at June 30, 2023

| Categories of Shareholders  | Shareholders  | Shares Held           | Percentage    |
|---|---------------|-----------------------|---------------|
| <b>Government Holding</b>   |               |                       |               |
| The President of Pakistan   | 1             | 6,726,912,278         | 24.36         |
| <b>Directors, Chief Executive Officer and their spouses(s) and minor children</b>   |               |                       |               |
| Saad Amanullah Khan   | 1             | 60                    | 0.00          |
| <b>Executives</b>   | 3             | 102                   | 0.00          |
| <b>Associated companies, undertakings and related parties</b>                       |               |                       |               |
| KES Power Limited   | 1             | 18,335,542,678        | 66.40         |
| <b>NIT and ICP</b>  | 3             | 46,870                | 0.00          |
| <b>Banks Development Financial Institutions, Non-Banking Financial Institutions</b> | 38            | 234,144,253           | 0.85          |
| <b>Insurance Companies</b>  | 16            | 7,783,840             | 0.03          |
| <b>Modarabas and Mutual Funds</b>   | 39            | 167,701,279           | 0.61          |
| <b>General Public</b>   |               |                       |               |
| a. Local  | 26,199        | 1,724,853,769         | 6.25          |
| b. Foreign  | 474           | 23,644,539            | 0.09          |
| <b>Foreign Companies</b>  | 14            | 309,870               | 0.00          |
| <b>Others</b>   | 261           | 394,254,708           | 1.43          |
| <b>Total</b>  | <b>27,050</b> | <b>27,615,194,246</b> | <b>100.00</b> |

| Shareholders holding 10% or more | Shares Held    | Percentage |
|----------------------------------|----------------|------------|
| The President of Pakistan        | 6,726,912,278  | 24.36      |
| KES Power Limited                | 18,335,542,678 | 66.40      |

# Pattern of Shareholding (Slab)

as at June 30, 2023

| No. of Shareholders | Shareholding Slab |    |        | Total Shares Held | No. of Shareholders | Shareholding Slab |    |        | Total Shares Held |
|---------------------|-------------------|----|--------|-------------------|---------------------|-------------------|----|--------|-------------------|
| 5929                | 1                 | to | 100    | 174,372           | 13                  | 215001            | to | 220000 | 2,840,500         |
| 4057                | 101               | to | 500    | 1,336,682         | 20                  | 220001            | to | 225000 | 4,492,744         |
| 2586                | 501               | to | 1000   | 2,337,667         | 10                  | 225001            | to | 230000 | 2,292,000         |
| 5368                | 1001              | to | 5000   | 15,483,038        | 12                  | 230001            | to | 235000 | 2,812,000         |
| 2258                | 5001              | to | 10000  | 18,774,053        | 16                  | 235001            | to | 240000 | 3,805,957         |
| 978                 | 10001             | to | 15000  | 12,719,024        | 5                   | 240001            | to | 245000 | 1,221,000         |
| 746                 | 15001             | to | 20000  | 13,930,568        | 58                  | 245001            | to | 250000 | 14,481,000        |
| 552                 | 20001             | to | 25000  | 13,080,374        | 8                   | 250001            | to | 255000 | 2,023,500         |
| 387                 | 25001             | to | 30000  | 11,113,732        | 10                  | 255001            | to | 260000 | 2,588,500         |
| 226                 | 30001             | to | 35000  | 7,531,875         | 7                   | 260001            | to | 265000 | 1,853,850         |
| 247                 | 35001             | to | 40000  | 9,547,597         | 7                   | 265001            | to | 270000 | 1,883,687         |
| 168                 | 40001             | to | 45000  | 7,277,325         | 7                   | 270001            | to | 275000 | 1,922,000         |
| 435                 | 45001             | to | 50000  | 21,535,742        | 7                   | 275001            | to | 280000 | 1,954,821         |
| 132                 | 50001             | to | 55000  | 7,050,015         | 8                   | 280001            | to | 285000 | 2,262,250         |
| 162                 | 55001             | to | 60000  | 9,523,322         | 4                   | 285001            | to | 290000 | 1,160,000         |
| 70                  | 60001             | to | 65000  | 4,450,401         | 9                   | 290001            | to | 295000 | 2,638,480         |
| 96                  | 65001             | to | 70000  | 6,611,348         | 80                  | 295001            | to | 300000 | 23,981,500        |
| 103                 | 70001             | to | 75000  | 7,608,599         | 9                   | 300001            | to | 305000 | 2,726,655         |
| 86                  | 75001             | to | 80000  | 6,767,269         | 10                  | 305001            | to | 310000 | 3,079,879         |
| 49                  | 80001             | to | 85000  | 4,075,052         | 8                   | 310001            | to | 315000 | 2,508,000         |
| 59                  | 85001             | to | 90000  | 5,229,789         | 8                   | 315001            | to | 320000 | 2,546,598         |
| 47                  | 90001             | to | 95000  | 4,395,470         | 9                   | 320001            | to | 325000 | 2,919,500         |
| 366                 | 95001             | to | 100000 | 36,516,595        | 4                   | 325001            | to | 330000 | 1,314,000         |
| 50                  | 100001            | to | 105000 | 5,139,515         | 8                   | 330001            | to | 335000 | 2,672,000         |
| 57                  | 105001            | to | 110000 | 6,205,579         | 4                   | 335001            | to | 340000 | 1,348,288         |
| 32                  | 110001            | to | 115000 | 3,650,000         | 5                   | 340001            | to | 345000 | 1,713,849         |
| 39                  | 115001            | to | 120000 | 4,644,261         | 24                  | 345001            | to | 350000 | 8,393,500         |
| 65                  | 120001            | to | 125000 | 8,074,237         | 7                   | 350001            | to | 355000 | 2,469,078         |
| 27                  | 125001            | to | 130000 | 3,495,905         | 7                   | 355001            | to | 360000 | 2,499,701         |
| 17                  | 130001            | to | 135000 | 2,256,721         | 2                   | 360001            | to | 365000 | 728,500           |
| 28                  | 135001            | to | 140000 | 3,897,449         | 7                   | 365001            | to | 370000 | 2,583,500         |
| 20                  | 140001            | to | 145000 | 2,861,220         | 7                   | 370001            | to | 375000 | 2,623,000         |
| 80                  | 145001            | to | 150000 | 11,989,166        | 3                   | 380001            | to | 385000 | 1,150,211         |
| 20                  | 150001            | to | 155000 | 3,054,899         | 2                   | 385001            | to | 390000 | 777,000           |
| 23                  | 155001            | to | 160000 | 3,661,229         | 4                   | 390001            | to | 395000 | 1,573,000         |
| 15                  | 160001            | to | 165000 | 2,461,333         | 43                  | 395001            | to | 400000 | 17,199,000        |
| 23                  | 165001            | to | 170000 | 3,899,645         | 2                   | 400001            | to | 405000 | 808,500           |
| 22                  | 170001            | to | 175000 | 3,829,869         | 5                   | 405001            | to | 410000 | 2,043,764         |
| 23                  | 175001            | to | 180000 | 4,116,000         | 4                   | 410001            | to | 415000 | 1,658,500         |
| 13                  | 180001            | to | 185000 | 2,393,500         | 4                   | 415001            | to | 420000 | 1,674,500         |
| 15                  | 185001            | to | 190000 | 2,835,695         | 4                   | 420001            | to | 425000 | 1,697,500         |
| 10                  | 190001            | to | 195000 | 1,925,915         | 5                   | 425001            | to | 430000 | 2,139,500         |
| 154                 | 195001            | to | 200000 | 30,781,756        | 1                   | 430001            | to | 435000 | 434,000           |
| 20                  | 200001            | to | 205000 | 4,062,435         | 3                   | 435001            | to | 440000 | 1,314,560         |
| 18                  | 205001            | to | 210000 | 3,769,078         | 1                   | 440001            | to | 445000 | 440,500           |
| 11                  | 210001            | to | 215000 | 2,348,987         | 12                  | 445001            | to | 450000 | 5,400,000         |

| No. of Shareholders | Shareholding Slab |    |        | Total Shares Held |
|---------------------|-------------------|----|--------|-------------------|
| 3                   | 450001            | to | 455000 | 1,355,610         |
| 1                   | 455001            | to | 460000 | 457,000           |
| 2                   | 460001            | to | 465000 | 921,335           |
| 3                   | 465001            | to | 470000 | 1,404,000         |
| 5                   | 470001            | to | 475000 | 2,364,264         |
| 6                   | 475001            | to | 480000 | 2,866,500         |
| 2                   | 480001            | to | 485000 | 962,058           |
| 4                   | 490001            | to | 495000 | 1,977,500         |
| 75                  | 495001            | to | 500000 | 37,499,000        |
| 2                   | 500001            | to | 505000 | 1,003,500         |
| 1                   | 505001            | to | 510000 | 510,000           |
| 4                   | 510001            | to | 515000 | 2,050,500         |
| 3                   | 515001            | to | 520000 | 1,560,000         |
| 7                   | 520001            | to | 525000 | 3,665,840         |
| 1                   | 525001            | to | 530000 | 528,500           |
| 2                   | 530001            | to | 535000 | 1,066,500         |
| 2                   | 535001            | to | 540000 | 1,075,500         |
| 11                  | 545001            | to | 550000 | 6,050,000         |
| 3                   | 550001            | to | 555000 | 1,660,000         |
| 1                   | 555001            | to | 560000 | 560,000           |
| 1                   | 560001            | to | 565000 | 564,500           |
| 5                   | 565001            | to | 570000 | 2,846,000         |
| 5                   | 570001            | to | 575000 | 2,868,610         |
| 3                   | 575001            | to | 580000 | 1,737,469         |
| 5                   | 580001            | to | 585000 | 2,919,000         |
| 2                   | 585001            | to | 590000 | 1,178,500         |
| 1                   | 590001            | to | 595000 | 595,000           |
| 19                  | 595001            | to | 600000 | 11,399,112        |
| 3                   | 600001            | to | 605000 | 1,804,853         |
| 2                   | 605001            | to | 610000 | 1,218,500         |
| 2                   | 610001            | to | 615000 | 1,225,500         |
| 2                   | 615001            | to | 620000 | 1,239,000         |
| 3                   | 620001            | to | 625000 | 1,874,527         |
| 1                   | 625001            | to | 630000 | 628,000           |
| 1                   | 630001            | to | 635000 | 631,000           |
| 1                   | 635001            | to | 640000 | 640,000           |
| 2                   | 640001            | to | 645000 | 1,290,000         |
| 9                   | 645001            | to | 650000 | 5,847,000         |
| 1                   | 650001            | to | 655000 | 653,000           |
| 2                   | 655001            | to | 660000 | 1,319,500         |
| 2                   | 660001            | to | 665000 | 1,328,000         |
| 5                   | 665001            | to | 670000 | 3,350,000         |
| 2                   | 670001            | to | 675000 | 1,346,500         |
| 1                   | 675001            | to | 680000 | 680,000           |
| 1                   | 685001            | to | 690000 | 687,000           |
| 2                   | 690001            | to | 695000 | 1,387,000         |
| 8                   | 695001            | to | 700000 | 5,600,000         |
| 2                   | 700001            | to | 705000 | 1,403,658         |
| 2                   | 710001            | to | 715000 | 1,427,648         |
| 3                   | 725001            | to | 730000 | 2,186,412         |
| 2                   | 730001            | to | 735000 | 1,466,000         |

| No. of Shareholders | Shareholding Slab |    |         | Total Shares Held |
|---------------------|-------------------|----|---------|-------------------|
| 1                   | 735001            | to | 740000  | 740,000           |
| 1                   | 740001            | to | 745000  | 745,000           |
| 7                   | 745001            | to | 750000  | 5,250,000         |
| 3                   | 750001            | to | 755000  | 2,262,014         |
| 4                   | 755001            | to | 760000  | 3,034,500         |
| 1                   | 760001            | to | 765000  | 760,401           |
| 1                   | 765001            | to | 770000  | 770,000           |
| 3                   | 770001            | to | 775000  | 2,322,000         |
| 1                   | 780001            | to | 785000  | 781,500           |
| 2                   | 790001            | to | 795000  | 1,588,500         |
| 7                   | 795001            | to | 800000  | 5,600,000         |
| 2                   | 805001            | to | 810000  | 1,618,499         |
| 1                   | 810001            | to | 815000  | 815,000           |
| 2                   | 815001            | to | 820000  | 1,632,000         |
| 1                   | 820001            | to | 825000  | 821,000           |
| 1                   | 830001            | to | 835000  | 835,000           |
| 2                   | 840001            | to | 845000  | 1,687,289         |
| 4                   | 845001            | to | 850000  | 3,400,000         |
| 3                   | 850001            | to | 855000  | 2,559,500         |
| 1                   | 865001            | to | 870000  | 870,000           |
| 1                   | 875001            | to | 880000  | 880,000           |
| 1                   | 890001            | to | 895000  | 892,470           |
| 6                   | 895001            | to | 900000  | 5,400,000         |
| 1                   | 905001            | to | 910000  | 906,000           |
| 2                   | 910001            | to | 915000  | 1,821,510         |
| 2                   | 915001            | to | 920000  | 1,839,490         |
| 1                   | 920001            | to | 925000  | 925,000           |
| 2                   | 925001            | to | 930000  | 1,859,000         |
| 1                   | 930001            | to | 935000  | 935,000           |
| 1                   | 940001            | to | 945000  | 940,872           |
| 4                   | 950001            | to | 955000  | 3,808,509         |
| 1                   | 955001            | to | 960000  | 958,000           |
| 3                   | 970001            | to | 975000  | 2,925,000         |
| 1                   | 975001            | to | 980000  | 980,000           |
| 1                   | 980001            | to | 985000  | 984,500           |
| 1                   | 985001            | to | 990000  | 989,000           |
| 1                   | 990001            | to | 995000  | 995,000           |
| 38                  | 995001            | to | 1000000 | 37,996,500        |
| 2                   | 1000001           | to | 1005000 | 2,006,000         |
| 2                   | 1005001           | to | 1010000 | 2,020,000         |
| 2                   | 1015001           | to | 1020000 | 2,039,000         |
| 1                   | 1020001           | to | 1025000 | 1,025,000         |
| 2                   | 1035001           | to | 1040000 | 2,077,000         |
| 1                   | 1040001           | to | 1045000 | 1,043,000         |
| 1                   | 1045001           | to | 1050000 | 1,050,000         |
| 1                   | 1050001           | to | 1055000 | 1,053,301         |
| 1                   | 1055001           | to | 1060000 | 1,060,000         |
| 1                   | 1060001           | to | 1065000 | 1,065,000         |
| 1                   | 1075001           | to | 1080000 | 1,076,630         |
| 2                   | 1085001           | to | 1090000 | 2,176,400         |
| 3                   | 1095001           | to | 1100000 | 3,300,000         |

| No. of Shareholders | Shareholding Slab |    |         | Total Shares Held |
|---------------------|-------------------|----|---------|-------------------|
| 1                   | 1100001           | to | 1105000 | 1,100,829         |
| 1                   | 1120001           | to | 1125000 | 1,125,000         |
| 2                   | 1130001           | to | 1135000 | 2,265,060         |
| 1                   | 1140001           | to | 1145000 | 1,145,000         |
| 1                   | 1145001           | to | 1150000 | 1,150,000         |
| 1                   | 1165001           | to | 1170000 | 1,170,000         |
| 1                   | 1180001           | to | 1185000 | 1,185,000         |
| 1                   | 1185001           | to | 1190000 | 1,190,000         |
| 1                   | 1190001           | to | 1195000 | 1,191,500         |
| 9                   | 1195001           | to | 1200000 | 10,800,000        |
| 1                   | 1200001           | to | 1205000 | 1,202,500         |
| 1                   | 1205001           | to | 1210000 | 1,207,000         |
| 2                   | 1215001           | to | 1220000 | 2,437,500         |
| 1                   | 1220001           | to | 1225000 | 1,225,000         |
| 1                   | 1225001           | to | 1230000 | 1,226,000         |
| 1                   | 1230001           | to | 1235000 | 1,234,855         |
| 2                   | 1235001           | to | 1240000 | 2,476,000         |
| 3                   | 1240001           | to | 1245000 | 3,733,000         |
| 2                   | 1245001           | to | 1250000 | 2,500,000         |
| 1                   | 1250001           | to | 1255000 | 1,255,000         |
| 1                   | 1290001           | to | 1295000 | 1,292,500         |
| 4                   | 1295001           | to | 1300000 | 5,198,000         |
| 1                   | 1310001           | to | 1315000 | 1,315,000         |
| 4                   | 1320001           | to | 1325000 | 5,294,000         |
| 1                   | 1335001           | to | 1340000 | 1,340,000         |
| 1                   | 1345001           | to | 1350000 | 1,350,000         |
| 1                   | 1350001           | to | 1355000 | 1,355,000         |
| 2                   | 1355001           | to | 1360000 | 2,715,432         |
| 1                   | 1365001           | to | 1370000 | 1,368,000         |
| 1                   | 1370001           | to | 1375000 | 1,373,500         |
| 5                   | 1395001           | to | 1400000 | 7,000,000         |
| 1                   | 1400001           | to | 1405000 | 1,405,000         |
| 1                   | 1435001           | to | 1440000 | 1,440,000         |
| 2                   | 1445001           | to | 1450000 | 2,900,000         |
| 14                  | 1495001           | to | 1500000 | 21,000,000        |
| 1                   | 1550001           | to | 1555000 | 1,554,500         |
| 1                   | 1555001           | to | 1560000 | 1,555,500         |
| 1                   | 1580001           | to | 1585000 | 1,585,000         |
| 1                   | 1590001           | to | 1595000 | 1,594,500         |
| 4                   | 1595001           | to | 1600000 | 6,398,500         |
| 1                   | 1600001           | to | 1605000 | 1,602,000         |
| 1                   | 1610001           | to | 1615000 | 1,610,500         |
| 1                   | 1640001           | to | 1645000 | 1,640,702         |
| 1                   | 1645001           | to | 1650000 | 1,650,000         |
| 1                   | 1670001           | to | 1675000 | 1,673,500         |
| 2                   | 1745001           | to | 1750000 | 3,500,000         |
| 1                   | 1760001           | to | 1765000 | 1,765,000         |
| 1                   | 1790001           | to | 1795000 | 1,795,000         |
| 2                   | 1795001           | to | 1800000 | 3,595,135         |
| 1                   | 1805001           | to | 1810000 | 1,810,000         |

| No. of Shareholders | Shareholding Slab |    |         | Total Shares Held |
|---------------------|-------------------|----|---------|-------------------|
| 1                   | 1820001           | to | 1825000 | 1,821,000         |
| 1                   | 1830001           | to | 1835000 | 1,835,000         |
| 1                   | 1885001           | to | 1890000 | 1,886,000         |
| 1                   | 1895001           | to | 1900000 | 1,900,000         |
| 11                  | 1995001           | to | 2000000 | 22,000,000        |
| 1                   | 2025001           | to | 2030000 | 2,029,342         |
| 5                   | 2095001           | to | 2100000 | 10,500,000        |
| 1                   | 2145001           | to | 2150000 | 2,150,000         |
| 1                   | 2165001           | to | 2170000 | 2,169,000         |
| 1                   | 2185001           | to | 2190000 | 2,189,500         |
| 1                   | 2195001           | to | 2200000 | 2,200,000         |
| 1                   | 2245001           | to | 2250000 | 2,250,000         |
| 1                   | 2260001           | to | 2265000 | 2,262,498         |
| 1                   | 2295001           | to | 2300000 | 2,300,000         |
| 1                   | 2305001           | to | 2310000 | 2,308,000         |
| 1                   | 2310001           | to | 2315000 | 2,311,000         |
| 1                   | 2330001           | to | 2335000 | 2,335,000         |
| 2                   | 2345001           | to | 2350000 | 4,700,000         |
| 2                   | 2395001           | to | 2400000 | 4,800,000         |
| 1                   | 2415001           | to | 2420000 | 2,420,000         |
| 1                   | 2430001           | to | 2435000 | 2,431,000         |
| 1                   | 2450001           | to | 2455000 | 2,454,000         |
| 11                  | 2495001           | to | 2500000 | 27,500,000        |
| 1                   | 2505001           | to | 2510000 | 2,508,967         |
| 1                   | 2550001           | to | 2555000 | 2,554,500         |
| 1                   | 2565001           | to | 2570000 | 2,568,000         |
| 1                   | 2595001           | to | 2600000 | 2,595,500         |
| 2                   | 2645001           | to | 2650000 | 5,300,000         |
| 2                   | 2685001           | to | 2690000 | 5,378,000         |
| 1                   | 2705001           | to | 2710000 | 2,710,000         |
| 2                   | 2715001           | to | 2720000 | 5,436,875         |
| 1                   | 2740001           | to | 2745000 | 2,744,500         |
| 1                   | 2920001           | to | 2925000 | 2,924,000         |
| 1                   | 2925001           | to | 2930000 | 2,930,000         |
| 1                   | 2960001           | to | 2965000 | 2,964,491         |
| 1                   | 2985001           | to | 2990000 | 2,989,000         |
| 1                   | 2990001           | to | 2995000 | 2,994,000         |
| 3                   | 2995001           | to | 3000000 | 9,000,000         |
| 1                   | 3005001           | to | 3010000 | 3,005,500         |
| 1                   | 3015001           | to | 3020000 | 3,020,000         |
| 1                   | 3045001           | to | 3050000 | 3,050,000         |
| 1                   | 3145001           | to | 3150000 | 3,150,000         |
| 3                   | 3195001           | to | 3200000 | 9,600,000         |
| 1                   | 3245001           | to | 3250000 | 3,250,000         |
| 2                   | 3285001           | to | 3290000 | 6,573,667         |
| 1                   | 3340001           | to | 3345000 | 3,343,000         |
| 1                   | 3435001           | to | 3440000 | 3,437,676         |
| 1                   | 3455001           | to | 3460000 | 3,457,000         |
| 4                   | 3495001           | to | 3500000 | 14,000,000        |
| 1                   | 3550001           | to | 3555000 | 3,552,469         |

| No. of Shareholders | Shareholding Slab |    |         | Total Shares Held |
|---------------------|-------------------|----|---------|-------------------|
| 1                   | 3570001           | to | 3575000 | 3,573,470         |
| 1                   | 3610001           | to | 3615000 | 3,611,905         |
| 1                   | 3695001           | to | 3700000 | 3,700,000         |
| 2                   | 3725001           | to | 3730000 | 7,455,000         |
| 1                   | 3745001           | to | 3750000 | 3,750,000         |
| 1                   | 3845001           | to | 3850000 | 3,845,500         |
| 1                   | 3855001           | to | 3860000 | 3,858,451         |
| 1                   | 3895001           | to | 3900000 | 3,900,000         |
| 1                   | 3945001           | to | 3950000 | 3,950,000         |
| 1                   | 3990001           | to | 3995000 | 3,992,246         |
| 4                   | 3995001           | to | 4000000 | 16,000,000        |
| 1                   | 4245001           | to | 4250000 | 4,250,000         |
| 1                   | 4335001           | to | 4340000 | 4,335,500         |
| 1                   | 4405001           | to | 4410000 | 4,406,000         |
| 1                   | 4420001           | to | 4425000 | 4,423,775         |
| 1                   | 4470001           | to | 4475000 | 4,470,696         |
| 1                   | 4480001           | to | 4485000 | 4,483,000         |
| 1                   | 4495001           | to | 4500000 | 4,500,000         |
| 1                   | 4745001           | to | 4750000 | 4,750,000         |
| 1                   | 4900001           | to | 4905000 | 4,903,000         |
| 1                   | 4945001           | to | 4950000 | 4,950,000         |
| 5                   | 4995001           | to | 5000000 | 25,000,000        |
| 1                   | 5030001           | to | 5035000 | 5,033,000         |
| 1                   | 5045001           | to | 5050000 | 5,050,000         |
| 1                   | 5200001           | to | 5205000 | 5,205,000         |
| 2                   | 5260001           | to | 5265000 | 10,530,000        |
| 1                   | 5295001           | to | 5300000 | 5,300,000         |
| 1                   | 5390001           | to | 5395000 | 5,394,000         |
| 1                   | 5395001           | to | 5400000 | 5,400,000         |
| 1                   | 5430001           | to | 5435000 | 5,433,750         |
| 1                   | 5635001           | to | 5640000 | 5,637,828         |
| 1                   | 5945001           | to | 5950000 | 5,945,500         |
| 1                   | 6000001           | to | 6005000 | 6,005,000         |
| 1                   | 6005001           | to | 6010000 | 6,007,039         |
| 1                   | 6015001           | to | 6020000 | 6,020,000         |
| 1                   | 6070001           | to | 6075000 | 6,073,250         |
| 1                   | 6210001           | to | 6215000 | 6,213,000         |
| 1                   | 6295001           | to | 6300000 | 6,300,000         |
| 1                   | 6425001           | to | 6430000 | 6,427,125         |
| 1                   | 6755001           | to | 6760000 | 6,760,000         |
| 1                   | 6825001           | to | 6830000 | 6,825,500         |
| 2                   | 6995001           | to | 7000000 | 14,000,000        |
| 1                   | 7190001           | to | 7195000 | 7,191,500         |
| 1                   | 7310001           | to | 7315000 | 7,312,445         |
| 1                   | 7495001           | to | 7500000 | 7,500,000         |
| 1                   | 7520001           | to | 7525000 | 7,524,500         |
| 2                   | 7575001           | to | 7580000 | 15,157,500        |
| 1                   | 7695001           | to | 7700000 | 7,700,000         |
| 1                   | 7995001           | to | 8000000 | 8,000,000         |
| 1                   | 8130001           | to | 8135000 | 8,132,000         |

| No. of Shareholders | Shareholding Slab |    |             | Total Shares Held |
|---------------------|-------------------|----|-------------|-------------------|
| 1                   | 8325001           | to | 8330000     | 8,328,500         |
| 1                   | 8430001           | to | 8435000     | 8,432,000         |
| 1                   | 8805001           | to | 8810000     | 8,809,352         |
| 1                   | 9210001           | to | 9215000     | 9,213,664         |
| 1                   | 9235001           | to | 9240000     | 9,238,500         |
| 1                   | 9395001           | to | 9400000     | 9,400,000         |
| 1                   | 9705001           | to | 9710000     | 9,706,969         |
| 3                   | 9995001           | to | 10000000    | 30,000,000        |
| 1                   | 10160001          | to | 10165000    | 10,160,500        |
| 1                   | 10325001          | to | 10330000    | 10,326,000        |
| 1                   | 10945001          | to | 10950000    | 10,950,000        |
| 1                   | 11320001          | to | 11325000    | 11,323,000        |
| 1                   | 11835001          | to | 11840000    | 11,837,765        |
| 1                   | 11995001          | to | 12000000    | 12,000,000        |
| 1                   | 12095001          | to | 12100000    | 12,100,000        |
| 1                   | 12495001          | to | 12500000    | 12,500,000        |
| 1                   | 12630001          | to | 12635000    | 12,633,000        |
| 1                   | 12735001          | to | 12740000    | 12,737,232        |
| 1                   | 12750001          | to | 12755000    | 12,754,500        |
| 1                   | 12875001          | to | 12880000    | 12,878,000        |
| 1                   | 13495001          | to | 13500000    | 13,500,000        |
| 1                   | 15220001          | to | 15225000    | 15,224,500        |
| 1                   | 15530001          | to | 15535000    | 15,534,000        |
| 1                   | 16510001          | to | 16515000    | 16,514,500        |
| 1                   | 16795001          | to | 16800000    | 16,800,000        |
| 2                   | 17130001          | to | 17135000    | 34,261,577        |
| 1                   | 17670001          | to | 17675000    | 17,674,500        |
| 1                   | 17735001          | to | 17740000    | 17,740,000        |
| 1                   | 17830001          | to | 17835000    | 17,834,000        |
| 1                   | 18495001          | to | 18500000    | 18,500,000        |
| 1                   | 19595001          | to | 19600000    | 19,600,000        |
| 1                   | 19630001          | to | 19635000    | 19,633,042        |
| 1                   | 19995001          | to | 20000000    | 20,000,000        |
| 1                   | 20375001          | to | 20380000    | 20,380,000        |
| 1                   | 21445001          | to | 21450000    | 21,450,000        |
| 1                   | 24995001          | to | 25000000    | 25,000,000        |
| 1                   | 26240001          | to | 26245000    | 26,243,000        |
| 1                   | 29995001          | to | 30000000    | 30,000,000        |
| 1                   | 32915001          | to | 32920000    | 32,917,688        |
| 1                   | 33095001          | to | 33100000    | 33,095,500        |
| 1                   | 34490001          | to | 34495000    | 34,491,000        |
| 1                   | 39160001          | to | 39165000    | 39,164,000        |
| 1                   | 40920001          | to | 40925000    | 40,923,500        |
| 1                   | 59995001          | to | 60000000    | 60,000,000        |
| 1                   | 61995001          | to | 62000000    | 62,000,000        |
| 1                   | 79650001          | to | 79655000    | 79,651,024        |
| 1                   | 129735001         | to | 129740000   | 129,735,043       |
| 1                   | 6726910001        | to | 6726915000  | 6,726,912,278     |
| 1                   | 18335540001       | to | 18335545000 | 18,335,542,678    |
| 27050               |                   |    |             | 27,615,194,246    |

# Notice of 113<sup>th</sup> Annual General Meeting

Notice is hereby given that the 113<sup>th</sup> Annual General Meeting (AGM) of K-Electric Limited will be held on Thursday, October 26, 2023 at 10:30 Hours at Ball Room A and B, Mövenpick Hotel, Club Road, Karachi, as well as through electronic means / video link facility to transact the following business.

## Ordinary Business

1. To adopt minutes of the Annual General Meeting (AGM) held on October 26, 2022.
2. To receive, consider and adopt the Annual Audited Unconsolidated and Consolidated Financial Statements of the Company (with the Directors' and Auditor's Reports thereon) for the financial year ended June 30, 2023.
3. To appoint External Auditors for FY 2024 and fix their remuneration.

## Special Business

4. To consider and approve circulation/dissemination of annual audited financial statements through QR enabled code and web-link, as permitted by SECP's notification numbered S.R.O. 389(1)/2023 dated March 21, 2023, and for this purpose, to consider and if deemed appropriate, pass the following resolution as a special resolution:

**Resolved that** circulation/dissemination of annual audited financial statements to the shareholders through QR enabled code and web-link, as allowed by the Securities and Exchange Commission of Pakistan vide its notification numbered S.R.O. 389 (1) /2023 dated March 21, 2023, be and is hereby approved.

**Further resolved that** Company Secretary be and is hereby authorized to take and do all necessary actions, deeds and things which are or may be necessary, incidental and/or consequential to give effect to the above resolution.

## Other Business

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

By order of the Board



Rizwan Pesnani

Chief Risk Officer & Company Secretary

Karachi: October 5, 2023

## NOTES:

### 1. Book Closure

The Share Transfer Books of the Company, for the purpose of attending and voting at AGM, will remain closed from October 20, 2023 to October 26, 2023 (both days inclusive). Transfers received at CDC Share Registrar Services Limited, CDC House 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 by the close of business on October 19, 2023 will be treated in time for the purpose of attending AGM.

### 2. Intimation of Change of Address

Shareholders (non-CDC) are requested to promptly notify to the Share Registrar of the Company, Messrs. CDC Share Registrar Services Limited, CDC House 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400, of any change in their addresses. All the shareholders holding their shares through CDC are requested to please update their addresses with their participants/Investor Account Service.

### 3. For personal attendance

- (i) Any individual shareholder (non-CDC) and the account holder or sub-account holder of CDC, entitled to vote at this Meeting, must bring his / her original Computerized National Identity Card (CNIC) to prove identity, and in case of proxy, a copy of shareholder's attested CNIC must be attached with the proxy form.
- (ii) In case of corporate entity, the certified Board of Directors' resolution / valid power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting, unless it has been provided earlier.



## 4. Appointment of proxy

- (i) A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the Meeting and vote on member's behalf. A proxy must be a member of the Company. 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, not later than 48 hours before the time fixed for the Meeting. Please note that the form of proxy received after the stated time would be considered invalid.
- (ii) CDC account holders will further have to follow the undermentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan (SECP).
- In case of individual, the account holder or sub-account holder, whose registration details are uploaded as per CDC regulations shall submit the proxy form as per the below requirements:
    - Attested copy of valid CNIC or the passport of the beneficial owner and the proxy shall be furnished with the Form of Proxy.
    - The proxy shall produce his/her valid original CNIC or original passport at the time of the meeting.
  - In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with form of proxy to the Company, unless it has been provided earlier.
  - The form of proxy must be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on that form.
  - If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

## 5. Participation in AGM through Electronic Means

Shareholders interested in attending the AGM through Zoom application are hereby requested to get themselves registered with CDC Share Registrar Services Limited latest by October 24, 2023 at 10:30 Hours (PST) by sending an email with subject "Registration for KEL AGM" at [cdcsr@cdcsrsl.com](mailto:cdcsr@cdcsrsl.com) or send a message via WhatsApp on +92 321 820 0864 along with a valid scanned copy of their CNIC. While participating through electronic means, members are advised to provide the following mandatory information:

| Name of Shareholder | CNIC No. | Folio / CDS No. | Cell No. | Email Address |
|---------------------|----------|-----------------|----------|---------------|
|                     |          |                 |          |               |

Members will be registered after necessary verification as per the above required information and will be provided with a video link at their provided email address. Login facility will be opened thirty (30) minutes before the meeting time to enable the participants to join the meeting after identification process.

## 6. Polling on Special Business:

The members are hereby informed that pursuant to Companies (Postal Ballot) Regulations, 2018 amended through S.R.O. 905 (II)/2023 dated July 7, 2023, all the listed companies are required to provide the right to vote through electronic voting facility and voting by post to the members on all businesses classified as special business. Accordingly, members of the Company will be allowed to exercise their right to vote through electronic voting facility or voting by post for the special business in its forthcoming AGM to be held on Thursday, October 26, 2023 at 10:30 a.m., in accordance with the aforesaid Regulations.

For the convenience of the Members, ballot paper is annexed to this notice and the same is also available on the Company's website at [www.ke.com.pk](http://www.ke.com.pk) for download.

## 7. Procedure for E-Voting

- Details of the e-voting facility will be shared through an e-mail with those members of the Company who have their valid CNIC numbers, cell numbers and e-mail addresses available in the register of members of the Company by the close of business on October 19, 2023.
- The web address, login details, and password, will be communicated to members via email. The security codes will be communicated to members through SMS from the web portal of CDC Share Registrar Services Limited (being the e-voting service provider).

- (iii) Identity of the Members intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.
- (iv) E-Voting lines will start from October 21, 2023, 09:00 a.m. and shall close on October 25, 2023 at 5:00 p.m. Members can cast their votes any time during this period. Once the vote on a resolution is cast by a Member, he/she shall not be allowed to change it subsequently.

## 8. Procedure for Voting Through Postal Ballot

The members shall ensure that duly filled and signed ballot paper, along with copy of CNIC, should reach the Chairman of the meeting through post on the Company's address at Corporate Affairs Department, First Floor, Block-A, Elander Road, Power House, Off I.I. Chundrigar Road, Karachi or email at [corporate.affairs@ke.com.pk](mailto:corporate.affairs@ke.com.pk) one day before the Annual General Meeting on October 25, 2023 during working hours. The signature on the ballot paper shall match the signature on CNIC.

## 9. Conversion of Physical Shares into Book-Entry Form

Section 72 (2) of the Companies Act, 2017 provides that every existing company shall be required to replace its physical shares with the book-entry form within four (4) years of the date of the promulgation of the Act. Further, SECP vide its letter dated March 26, 2021 has directed listed companies to pursue their shareholders holding securities in physical form to convert the same in the book-entry form. To ensure compliance with the aforementioned provision and to be benefited by holding securities in the book-entry form, all shareholders holding shares in physical form are again requested to convert their shares into book-entry form.

## 10. Submission of Copy of CNIC / NTN Certificate (Mandatory)

Members are requested to provide copy of valid CNIC/NTN Certificate to their respective Participant/CDC Investor Account Services in case of book-entry form, or to Company's Share Registrar in case of physical form, duly quoting thereon Company's name and respective folio numbers.

## 11. Mandatory Registration Details of Physical Shareholders

According to Section 119 of the Companies Act, 2017 and Regulation 19 of the Companies (General Provisions and Forms) Regulations 2018, all physical shareholders are advised to provide their mandatory information such as CNIC number, address, email address, contact mobile/telephone number, International Bank Account Number (IBAN), etc. to our Share Registrar at their address, provided in Note 1, immediately to avoid any non-compliance of law or any inconvenience in future.

## 12. Transmission of annual audited financial statements and notice of meeting through email

Further, pursuant to SECP's SRO dated September 8, 2014, members desirous of having Company's financial statements/Notice of Meeting through email are requested to intimate the Share Registrar regarding the same.

## 13. Availability of Audited Financial Statements on Company's Website

The Audited Financial Statements of the Company for the year ended June 30, 2023 have been made available on the Company's website [www.ke.com.pk](http://www.ke.com.pk).

## Statement under Section 134 of Companies Act, 2017

This statement is annexed to the Notice of the Annual General Meeting of K-Electric Limited to be held on October 26, 2023 at which special business is to be transacted under Agenda Item No.4. The purpose of the statement is to set forth the material facts concerning such special business, as under:

The Board of Directors has recommended to the members of the Company that in pursuance of the S.R.O 389(II)/2023 dated March 21, 2023 notified by SECP, the listed companies have been allowed to circulate the Annual Balance Sheet, Profit or Loss Account, Auditors' Report, Directors' Report etc. ("Annual Audited Financial Statements") to its members through QR enabled code and web link, subject to the approval of shareholders in the general meeting, and considering technology advancements and old technology becoming obsolete, the circulation of annual audited financial statements through CD/DVD/USB may be discontinued from next year.

None of the Directors are interested in this aforesaid special business, except one as shareholder of the Company.

Accordingly, approval is hereby sought from shareholders to comply with the conditions of the aforementioned SRO.





No postage  
necessary if  
mailed in  
Pakistan

If undelivered, please return to:

K-Electric Limited  
Corporate Affairs Department  
1st Floor, Block A,  
Elander Road Power House,  
Karachi, Pakistan.





No postage  
necessary if  
mailed in  
Pakistan

If undelivered, please return to:

K-Electric Limited  
Corporate Affairs Department  
1st Floor, Block A,  
Elander Road Power House,  
Karachi, Pakistan.

## Ballot Paper

For voting through post for the Special Business at the Annual General Meeting to be held on Thursday October 26, 2023 at 10:30 a.m. at Ball Room A and B, Mövenpick Hotel, Club Road, Karachi  
Website: www.ke.com.pk

| Folio / CDS Account Number  |                                     |  |
|---|-------------------------------------|--|
| Name of Shareholder / Proxy Holder  |                                     |  |
| Registered Address  |                                     |  |
| Number of Shares Held   |                                     |  |
| CNIC / Passport No. (in case of foreigner)  |                                     |  |
| Additional information and enclosures (in case of representative of body corporate, corporation, and Federal Government)  |                                     |  |
| Name of Authorized Signatory  |                                     |  |
| CNIC /Passport No. (in case of foreigner) of Authorized Signatory   |                                     |  |
| Instructions for Poll   |                                     |  |
| 1. Please indicate your vote by ticking (✓) the relevant box.   |                                     |  |
| 2. In case if both the boxes are marked as (✓), your poll shall be treated as <b>“Rejected”</b> .   |                                     |  |
| I/we hereby exercise my/our vote in respect of the following resolution through ballot by conveying my/our assent or dissent to the resolution by placing tick (✓) mark in the appropriate box below:   |                                     |  |
| Resolution  | I/We assent to the Resolution (FOR) | I/We dissent to the Resolution (AGAINST) |
| <b>RESOLVED THAT</b> circulation/dissemination of annual audited financial statements to the shareholders through QR enabled code and web-link, as allowed by the Securities and Exchange Commission of Pakistan vide its notification numbered S.R.O.389 (1) /2023 dated March 21, 2023, be and is hereby approved.<br><br><b>FURTHER RESOLVED THAT</b> Company Secretary be and is hereby authorized to take and do all necessary actions, deeds and things which are or may be necessary, incidental and/or consequential to give effect to the above resolution |                                     |  |

### NOTES:

1. Dully filled ballot paper should be sent to the Company Secretary of K-Electric Limited at 1st Floor, Block-A, Elander Road, Power House, Karachi or email at corporate.affairs@ke.com.pk.
2. Copy of CNIC/Passport (in case of foreigner) should be enclosed with the postal ballot form.
3. Ballot paper should reach the Company Secretary within business hours by or before Wednesday October 25, 2023. Any postal Ballot received after this date will not be considered for voting.
4. Signature on ballot paper should match with signature on CNIC / Passport (in case of foreigner).
5. Incomplete, unsigned, incorrect, defaced, torn, mutilated or overwritten poll paper will be rejected.
6. In case of a representative of a body corporate, corporation or Federal Government, the Ballot Paper Form must be accompanied by a copy of the CNIC of the authorized person, an attested copy of Board Resolution / Power of Attorney / Authorization Letter etc., in accordance with Section(s) 138 or 139 of the Companies Act, 2017 as applicable. In the case of foreign body corporate etc., all documents must be attested by the Counsel General of Pakistan having jurisdiction over the member.
7. Ballot Paper Form has also been placed on the website of the Company at: www.ke.com.pk. Members may download the Ballot Paper Form from the website or use an original/photocopy published in newspapers.

Date: \_\_\_\_\_

\_\_\_\_\_  
**Signature of Shareholder/Proxy holder /Authorized Signatory**  
(in case of corporate entity, please affix company stamp)



No postage  
necessary if  
mailed in  
Pakistan

If undelivered, please return to:

K-Electric Limited  
Corporate Affairs Department  
1st Floor, Block A,  
Elander Road Power House,  
Karachi, Pakistan.



جمعرات 26 اکتوبر 2023 کو صبح 10:30 بجے بال روم A اور B، موون پک ہوٹل، کلب روڈ، کراچی میں منعقد ہونے والے سالانہ اجلاس عام میں خصوصی کاروبار کے حوالے سے بذریعہ پوسٹ ووٹنگ کے لیے۔ ویب سائٹ: [www.ke.com.pk](http://www.ke.com.pk)

|  |   |
|--|---|
| فولیو/سی ڈی ایس اکاؤنٹ نمبر  |   |
| شمیز ہولڈر/پراکسی ہولڈر کا نام   |   |
| رجسٹرڈ ایڈریس  |   |
| زیر ملکیت حصص کی تعداد   |   |
| CNIC / پاسپورٹ نمبر (غیر ملکی ہونے کی صورت میں)  |   |
| اضافی معلومات اور انکوارنٹرز (ہاڈی کارپوریٹ، کارپوریشن، اور وفاقی حکومت کے نمائندے کی صورت میں)  |   |
| مجاز دستخط کنندہ کا نام  |   |
| مجاز دستخط کنندہ کا CNIC / پاسپورٹ نمبر (غیر ملکی ہونے کی صورت میں)  |   |
| رائے شماری کے لیے ہدایات   |   |
| 1. براہ کرم متعلقہ باکس پر (✓) نشان لگا کر اپنے ووٹ کی نشاندہی کریں۔   |   |
| 2. اگر دونوں خانوں کو (✓) کے بطور نشان زد کیا گیا ہے تو آپ کی رائے کو "مسترد" سمجھا جائے گا۔   |   |
| میں/ہم ذیل میں درج قرارداد کے سلسلے میں اپنا ووٹ بیلٹ کے ذریعے استعمال کرتے ہیں اور ذیل میں مناسب باکس میں (✓) کا نشان لگا کر قرارداد پر اپنی/ہماری رضامندی یا اختلاف رائے کا اظہار کرتے ہیں:  |   |
| قرارداد  | میں/ہم قرارداد پر رضامند ہوتے ہیں (FOR)     |
| قرارداد  | میں/ہم قرارداد سے اختلاف کرتے ہیں (AGAINST) |
| "طے پایا کہ سالانہ آڈٹ شدہ مالیاتی گوشواروں کی بذریعہ QR کوڈ اور ویب لنک، شمیز ہولڈرز کو ترسیل/تقسیم کرنا جس کی اجازت سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے نوٹیفیکیشن نمبر ایس آر او 389(1)/2023 مورخہ 21 مارچ 2023 کے ذریعے دی ہے، کی منظوری دی جاتی ہے۔" |   |
| "مزید طے پایا کہ کمپنی سیکریٹری اس بات کے مجاز ہوں گے اور ہیں کہ درج بالا قرارداد کو موثر بنانے کیلئے تمام ضروری عمل، کوششیں اور ضروری کام اور اس سلسلے میں اتفاتی امور کی انجام دہی کریں۔"  |   |

نوٹس:

1. صحیح طریقے سے پُر کیے گئے بیلٹ پیپر کو کے۔ الیکٹریک لمیٹڈ کے کمپنی سیکریٹری کو پہلی منزل، بلاک A-، ایلمینڈ روڈ، پاور ہاؤس، کراچی یا [corporate.affairs@ke.com.pk](mailto:corporate.affairs@ke.com.pk) پر ای میل کریں۔
2. CNIC / پاسپورٹ کی کاپی (غیر ملکی ہونے کی صورت میں) پوسٹل بیلٹ فارم کے ساتھ منسلک ہونی چاہیے۔
3. بیلٹ پیپر کاروباری اوقات میں کمپنی سیکریٹری کو بدھ 25 اکتوبر 2023 تک یا اس سے قبل پہنچ جانا چاہیے۔ اس تاریخ کے بعد موصول ہونے والا کوئی بھی پوسٹل بیلٹ رائے شماری کے لیے زیر غور نہیں آئے گا۔
4. بیلٹ پیپر پر دستخط CNIC / پاسپورٹ (غیر ملکی ہونے کی صورت میں) کے دستخط کے مطابق ہونا چاہیے۔
5. نامکمل، غیر دستخط شدہ، غلط، خراب، پھٹا ہوا، مسخ شدہ یا دوہرا شدہ پوسٹل بیلٹ کو مسترد کر دیا جائے گا۔
6. کمپنیز ایکٹ 2017 کے سیکشن (سیکشنز) 138 یا 139 کے مطابق جیسے قابل اطلاق ہو، کسی ہاڈی کارپوریٹ، کارپوریشن یا وفاقی حکومت کے نمائندے کی صورت میں، بیلٹ پیپر فارم کے ساتھ مجاز شخص کے CNIC کی کاپی، بورڈ ریزولوشن/پاور آف اٹارنی/ اٹھارٹی لیکٹر وغیرہ کی تصدیق شدہ کاپی ہونا ضروری ہے۔ غیر ملکی ہاڈی کارپوریٹ وغیرہ کے معاملے میں، تمام دستاویزات کو کونسل جنرل آف پاکستان سے تصدیق شدہ ہونا ضروری ہے جو ممبر پر دائرہ اختیار رکھتا ہو۔
7. بیلٹ پیپر فارم کمپنی کی ویب سائٹ [www.ke.com.pk](http://www.ke.com.pk) پر بھی رکھا گیا ہے۔ اراکین ویب سائٹ سے بیلٹ پیپر فارم ڈاؤن لوڈ کر سکتے ہیں یا اخبارات میں شائع ہونے والی اصل/فولیو کاپی استعمال کر سکتے ہیں۔

تاریخ:

شمیز ہولڈر/پراکسی ہولڈر/مجاز دستخط کنندہ کے دستخط  
(کارپوریٹ ادارے کی صورت میں، براہ کرم کمپنی کی مہر لگائیں)



No postage  
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If undelivered, please return to:

K-Electric Limited  
Corporate Affairs Department  
1st Floor, Block A,  
Elander Road Power House,  
Karachi, Pakistan.

# Shareholder & Investor Information

## Annual General Meeting

The annual shareholders' meeting will be held at 10:30 hours on Thursday October 26, 2023. Shareholders are encouraged to attend the Annual General Meeting.

## Shareholders' Enquiries

Enquiries about the shareholding and dividends should be directed to share registrar at the following address: CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block "B", S.M.C.H.S., Main Shah-rah-e-Faisal, Karachi. UAN: 111-111-500.

## Quarterly and Annual Reports

The Company publishes interim reports at the end of the first, second and third quarters of the financial year. The Annual Report of the Company summarizes the Company's performance during the year and provides an outlook for the future. Previous reports can be accessed at KE's website [www.ke.com.pk](http://www.ke.com.pk).

## Stock Exchange Listing

K-Electric Limited's shares are traded on Pakistan Stock Exchange Limited. The symbol code for dealing in shares of K-Electric Limited is "KEL".

## Redressal of Investors' Grievances

The Company Secretariat continuously engages with the investors and responds to their queries and requests for information and their grievances through KE's Share Registrar.

## Issues raised in the last AGM, decisions taken and their implementation status

The last Annual General Meeting of the Company was held on October 26, 2022, wherein the Annual (Audited) Financial Statements for the year ended June 30, 2022 along with Chairman's Review Report, Directors' Report and Auditors' Report thereon were adopted. The re-appointment of Messrs. A.F. Fergusons and Co. as Statutory Auditors of the Company for FY 2023 was also approved by the members.

The queries raised by the Shareholders' regarding Financial and Operational performance of the Company was appropriately responded by the Directors' and Senior Management / Leadership.



Connecting our shareholders, one query at a time

## ڈائریکٹرز کے استعفیٰ

جناب بوڑے واٹن گیمیز ویڈیو، چوہدری خاقان سعد اللہ خان اور محترمہ سعدہ یہ خرم نے اکتوبر 2022 میں نان ایگزیکٹو ڈائریکٹرز کے عہدے سے استعفیٰ دے دیا جس کے نتیجے میں بورڈ میں عارضی آسامیاں پیدا ہوئیں۔

تاہم کے الیکٹریک درج ذیل عوامل کی وجہ سے اپنے موجودہ بورڈ کی ساخت کو تبدیل نہیں کر سکتا ہے:

(ا) سوٹ 1731 / 2022 (AI Jomaih Power Limited) اور ایک اور بمقابلہ ICGF SPV 21 لمیٹڈ اور دیگر) میں سندھ ہائی کورٹ کی جانب سے 21 اکتوبر 2022 کو جاری کردہ عبوری حکم نامہ کے تحت کمپنی کو ہدایت کی گئی ہے کہ "کے الیکٹریک کے موجودہ بورڈ آف ڈائریکٹرز میں کوئی تبدیلی متاثر نہیں ہوگی"

(ب) سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے مورخہ 08 نومبر 2022 کو ہدایات کی گئی ہے کہ "مارگٹ کمپنی (یعنی کے الیکٹریک) کے موجودہ بورڈ آف ڈائریکٹرز کی تشکیل کو کمیشن کے اگلے احکامات تک تبدیل نہیں کیا جائے گا"۔

لہذا عارضی آسامیوں کو پُر کرنے کے لیے 90 دن کی قانونی مدت ختم ہونے سے پہلے کمپنی نے SECP کو آگاہ کیا کہ وہ اس وقت تک ایسا کرنے سے قاصر ہیں جب تک عدالت کا حکم اور SECP کی ہدایات نافذ العمل ہیں۔

## آڈیٹرز

موجودہ قانونی آڈیٹرز اے ایف فرگسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، PWC سیٹ ورک کی ایک رکن فرم، ریٹائرڈ اور اہل ہونے کے بعد، دوبارہ تقرری کے لیے خود کو پیش کیا۔ بورڈ آڈٹ کمیٹی (BAC) اور بورڈ کی سفارشات پر 26 اکتوبر 2022 کو ہونے والے سالانہ اجلاس عام میں کمپنی کے شیئرز ہولڈرز نے انہیں مالی سال 2023 کے لیے کمپنی کے قانونی آڈیٹرز کے طور پر دوبارہ مقرر کیا۔

## شکائی الیکٹریک پاور (SEP) کا حصول

شکائی الیکٹریک پاور (SEP) نے اکتوبر 2016 میں کمپنی میں 66.4% حصص کے حصول کے لیے KES پاور لمیٹڈ

(ہولڈنگ کمپنی) کے ساتھ فروخت اور خریداری کا معاہدہ (SPA) کیا، جو قابل اطلاق حکومتی منظور یوں کی وصولی اور اس میں متعین دیگر شرائط کے اطمینان سے مشروط ہے۔ مطلوبہ منظور یوں میں تاخیر اور کئی سالوں کی تاخیر کے باوجود، اس اسٹریٹجک سرمایہ کار نے اپنی دلچسپی کا اعادہ کیا اور سال کے آخر کے بعد، 21 جولائی 2023 کو حصول کے لیے اپنے ارادے کا تازہ عوامی اعلان بھی جاری کیا ہے۔

## مستقبل کی توقعات

IKE ایک متحرک ادارہ ہے جس نے 1913 میں اپنے قیام کے بعد سے متعدد چیلنجز پر قابو پاتے ہوئے اپنے اُبھرنے کی قوت اور ترقی و فروغ کے عزم کا مظاہرہ کیا ہے۔ اپنے تمام صارفین کو محفوظ اور قابل اعتماد بجلی فراہم کرنے کے اپنے مقصد پر قائم، کمپنی نے ایک جامع سرمایہ کاری کی منصوبہ بندی کی ہے۔ جس کے نتیجے میں توانائی میں خود کفالت اور اس کے کوریج ایریا کی سماجی و اقتصادی ترقی ہوگی جو بالآخر پاکستان کی ترقی پر منتج ہوگی۔ تاہم، منصوبہ بند سرمایہ کاری پر عمل درآمد 2023 کے بعد کی مدت کے لیے NEPRA کی جانب سے بروقت اور پائیدار تیرف کے تعین پر منحصر ہے۔

## اختتامیہ

آخر میں، کمپنی متعلقہ حکومتی، ریگولیٹری اور دیگر بیرونی اداروں کے ساتھ رابطے میں رہتی ہے تاکہ بڑے بیٹانے پر پاور سیکر اور خاص طور پر کمپنی کے لیے، پاکستان کی واحد پرائیویٹائزڈ اور عوامی طور پر مربوط پاور یوٹیلیٹی کے لیے، ایک قابل اور سرمایہ کاری کے حامی ماحول کو یقینی بنایا جاسکے۔ تمام متعلقین کے اجتماعی تعاون کے ساتھ، کمپنی مستقبل کے لیے ایک مثبت نقطہ نظر کو برقرار رکھتی ہے اور منافع بخش اور پائیدار ترقی کی طرف نظر میں جمائے ہوئے ہے جبکہ صارفین کے لیے خدمات کی فراہمی کو بھی مستحکم کر رہی ہے۔

## اعترافات

بورڈ حکومت پاکستان، شیئرز ہولڈرز، صارفین اور کمپنی کے دیگر متعلقین کے تعاون اور حمایت پر ان کا شکریہ ادا کرنا چاہتا ہے اور کمپنی کے ملازمین کو خراج تحسین پیش کرتا ہے۔

منجانب و برائے بورڈ،

Mark Skelton

مارک جیرارڈ اسکیلٹن  
چیئر مین



سید منور عبداللہ علوی  
چیف ایگزیکٹو آفیسر  
کراچی، ستمبر، 15، 2023

(ازراہ کریم اس بات کا خیال رکھیں کہ اس ڈائریکٹرز رپورٹ کا اردو متبادل صرف معلومات فراہم کرنے کی غرض سے شامل کیا گیا ہے۔ لہذا انگریزی میں دی گئی اصل عبارت ہی مستند ہے۔ کسی بھی نوعیت کی تشریح کے لئے انگریزی میں دی گئی ڈائریکٹرز رپورٹ ہی سے رجوع کریں اور اسی پر انحصار کیا جائے)

- (xv) جناب نوید اسماعیل  
 (xvi) جناب روحیل محمد  
 (xvii) جناب اسد علی شاہ  
 (xviii) جناب وسیم مختار

- (ب) مالی سال کے دوران کمپنی کے کاروبار کی اصل سرگرمیوں اور ترقی اور کارکردگی کا اس ڈائریکٹرز رپورٹ میں احاطہ کیا گیا ہے۔
- (ج) کمپنی کو درپیش بنیادی خطرے اور غیر یقینی صورتحال کو سالانہ رپورٹ کے "Corporate Governance and Compliance" سیکشن کے تحت "Navigating Risk with Resilience" میں مکمل طور پر بیان کیا گیا ہے۔
- (د) مالیاتی سال کے دوران کمپنی یا اس کے ذیلی اداروں، یا کسی دوسری کمپنی کے کاروبار کی نوعیت سے متعلق کوئی تبدیلی نہیں ہوئی جو کمپنی کے مالیاتی گوشواروں کے نوٹس میں ذکر کردہ کے علاوہ ہے۔
- (ه) آڈیٹرز کی رپورٹ میں ترمیم کے حوالے سے کوئی مواد نہیں تھا۔
- (و) شیئرز ہولڈنگ کا پیئرن اور شیئرز ہولڈرز کی کیلنگر یز سالانہ رپورٹ کے "Stakeholder and Shareholder Information" سیکشن میں دستیاب ہیں۔
- (ز) کمپنیز آئی لینڈز میں قائم شدہ KES پاور لمیٹڈ، لمیٹڈ، K-Electric کی ہولڈنگ کمپنی ہے۔
- (ح) 30 جون 2023 کو ختم ہونے والے سال کے لیے فی حصص نقصان (بنیادی/گھٹنا ہوا) منفی 1.12 روپے تھا۔
- (ط) کمپنی نے زیر جائزہ سال کے دوران نقصان کی اطلاع دی ہے۔
- (ی) زیر جائزہ سال کے دوران کسی بھی قرض کی ادائیگی میں کوئی ڈیفالٹ نہیں تھا۔
- (ک) ایک اچھا مالیاتی کنٹرول سسٹم موجود ہے اور اس کی باقاعدہ نگرانی بورڈ آڈٹ کمیٹی (BAC) کرتی ہے اور بورڈ آف ڈائریکٹرز کو بھی رپورٹ کرتی ہے۔
- (ل) عہد ناموں کی تفصیلات مالیاتی گوشواروں کے نوٹس میں دستیاب ہیں۔ کمپنی کی مالی حالت کو متاثر کرنے والی کوئی مادی تبدیلیاں اور وعدے ایسے نہیں تھے جو کمپنی کے مالیاتی سال کے اختتام اور رپورٹ کی تاریخ کے درمیان وقوع پذیر ہوئے ہوں۔
- (م) مستقبل کی ترقی، کارکردگی اور کمپنی کے کاروبار کی پوزیشن کو متاثر کرنے والے اہم رجحانات اور عوامل کو اس ڈائریکٹرز رپورٹ میں "مستقبل کی توقعات" کے تحت بیان کیا گیا ہے۔
- (ن) اہم کاروباری منصوبے اور فیصلے اور ماحول پر اثرات کو سالانہ رپورٹ کے "Environmental, Social, Governance and Sustainability Management" کے سیکشن کے تحت شامل کیا گیا ہے۔
- (س) زیر جائزہ سال کے دوران کمپنی کی جانب سے کارپوریٹ سماجی ذمہ داری کے حوالے سے کی جانے والی سرگرمیوں پر ایک رپورٹ، سالانہ رپورٹ کے "Environmental, Social, Governance and Sustainability Management" کے سیکشن کے تحت رکھی گئی ہے۔

#### بورڈ آف ڈائریکٹرز (BOD)

بورڈ پر صنعتی تنوع

بورڈ تمام سطحوں پر تنوع اور شمولیت کی حوصلہ افزائی کرتا ہے اور بورڈ میں ایک خاتون نمائندہ تھی۔ بورڈ ایک خاتون ڈائریکٹر کو شامل کرنے کا ارادہ رکھتا ہے۔ جیسے ہی اس کی تشکیل کے حوالے سے قانونی پابندیاں چھٹیاں جائیں گی۔

#### ڈائریکٹرز اور پیشین

نئے ڈائریکٹرز کو خوش آمدید کہنے اور انہیں نہ صرف کمپنی کی آپریشنل سرگرمیوں، مقاصد اور کاروباری منصوبے سے واقف کرانے کے لیے ایک جامع اور پیشین پر وگرام موجود ہے۔ کمپنیز ایکٹ، 2017، سیکورٹیز ایکٹ، 2015، پاکستان اسٹاک ایکسچینج (PSX) کی رول بک، لسٹڈ کمپنیاں (کوڈ آف کارپوریٹ گورننس ریگولیشنز 2019) (CCG)، KE کے ممبرانڈم اور آرٹیکلز کے مطابق ان کے قانونی فرائض اور ذمہ داریوں کے حوالے سے ایسوسی ایشن کے ساتھ ساتھ کمپنی کا ضابطہ اخلاق بھی موجود ہے، اس سے آنے والے ڈائریکٹرز کو کمپنی اور تمام متعلقین کے مفادات کے تحفظ کے لیے باخبر فیصلے کرنے میں مدد ملتی ہے۔

#### بورڈ آف ڈائریکٹرز میں تبدیلیاں

##### ڈائریکٹرز کا انتخاب

مدت کے دوران، ڈائریکٹرز کا انتخاب ہوا جس میں درج ذیل ڈائریکٹرز کا تقرر کیا گیا:

1. مارک جیرارڈ سکیلین (چیئرمین)
2. سید مونس عبد اللہ علوی (CEO)
3. ادیب احمد
4. ارشد مجید مہمند
5. بوڈے وانگ کلیمینز ویٹلینک
6. چو ہدی خاتون سعد اللہ خان
7. ڈاکٹر عمران اللہ خان
8. مبشر ایچ شیخ
9. محمد کامران کمال
10. محمد زبیر مومنی والا
11. سعد امان اللہ خان
12. سعد یرم
13. شان اے اشعری

Unconsolidated فنانشل اسٹیٹمنٹس سے منسلک نوٹ 31.1.5 کی وضاحت کے مطابق، سپریم کورٹ آف پاکستان نے 13 اگست 2020 کے اپنے فیصلے کے ذریعے گیس انفراسٹرکچر ڈیولپمنٹ سمس (GIDC) ایکٹ 2015 کو درست قرار دیا ہے۔ اس سلسلے میں کمپنی کا مقدمہ سندھ ہائی کورٹ کے سامنے اس بنیاد پر زیر التوا ہے کہ کمپنی ان گیس صارفین کی کٹیگری میں آتی ہے جنہوں نے اپنی بکس میں GIDC جمع نہیں کروایا اور نہ ہی اسے وصول کیا ہے اور نہ ہی اسے اپنے صارفین تک پہنچایا۔

سلاڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) کے ریگولیشنز، 2019 کی تعمیل

#### بورڈ کی تشکیل

|                                      |    |
|--------------------------------------|----|
| 30 جون 2023 تک ڈائریکٹرز کی کل تعداد | 10 |
| i. خاتون                             | 0  |
| ii. مرد                              | 10 |
| ii. عارضی خالی آسامی                 | 3  |

#### کمپوزیشن

|                            |                            |
|----------------------------|----------------------------|
| i. آزاد ڈائریکٹر           | 1                          |
| ii. غیر ایگزیکٹو ڈائریکٹرز | 8 (آزاد ڈائریکٹر کے علاوہ) |
| iii. ایگزیکٹو ڈائریکٹرز    | 1                          |

#### بورڈ کمپنیز

بورڈ کمپنیز کے ارکان کے نام اس رپورٹ کے "Company Information" سیکشن میں درج ہیں۔

#### بورڈ کے معاوضے کی پالیسی

بورڈ نے 25 جون 2020 کو ہونے والی اپنی 1216 ویں میٹنگ میں نان ایگزیکٹو ڈائریکٹرز کے لیے معاوضے کی پالیسی کی منظوری دی ہے جو قابل اطلاق کارپوریٹ ریگولیشنز فریم ورک کے مطابق ہے۔ غیر ایگزیکٹو ڈائریکٹرز کی منظور شدہ معاوضے کی پالیسی کی نمایاں خصوصیات حسب ذیل ہیں:

- فیس کا ہر تین سال بعد جائزہ لیا جائے گا۔
  - جائزہ ہمیشہ قابل اطلاق کارپوریٹ ریگولیشنز فریم ورک کی تعمیل کرے گا اور اسے معروضی انداز میں انجام دیا جائے گا۔
  - معاوضے کی سطح موزوں و مدداری اور پیشہ ورانہ مہارت کی سطح کے مطابق ہوگی جو کمپنی کے امور کی انجام دہی کے لئے اس کے کارپوریٹ اور سماجی مقاصد کو کامیابی سے حاصل کرنے کے ساتھ قدر افزائی کی حوصلہ افزائی کرے گی۔
- ایگزیکٹو بورڈ اور نان ایگزیکٹو ڈائریکٹرز کے الگ الگ معاوضے کی مجموعی رقم کی تفصیلات، بشمول تنخواہ/فیس، مراعات، فوائد اور کارکردگی سے منسلک مراعات وغیرہ مالیاتی گوشواروں کے نوٹس میں دستیاب ہیں۔

#### کمپنیز ایکٹ، 2017 کی تعمیل

مالی گوشوارے کمپنی کے حالات، اس کے معاملات کا منصفانہ جائزہ، اس کے آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں پیش کرتے ہیں۔ کمپنی نے، دوبارہ سرمایہ کاری کے تقاضوں اور کچھ قرض و ہندہ گان کے بعض معاہدوں کی وجہ سے، ڈیویڈنڈ/بونس شیئرز کا اعلان نہیں کیا ہے۔

(i) ان افراد کے نام جو مالی سال کے دوران کسی بھی وقت کمپنی کے ڈائریکٹرز تھے ذیل میں دیئے گئے ہیں:

- جناب مارک جبرار ڈاکیٹین
- جناب سید منوں عبداللہ علوی
- جناب ادیب احمد
- جناب سعد امان اللہ خان
- جناب شان اے۔ اشعری
- جناب مشرا شیخ شیخ
- جناب محمد کامران کمال
- جناب محمد زبیر موقی والا
- ڈاکٹر عمران اللہ خان
- جناب ارشد مجید مہمند
- محترمہ سعدیہ خرم
- جناب بوڑے واٹن گلیمینز وینٹورس
- چوہدری خاتون سعد اللہ خان
- جناب خالد رفیع

مزید برآں ٹاسک فورس کی سفارشات کی روشنی میں نیشنل گرڈ سے سپلائی کے لیے پاور پراجیکٹس ایگریمنٹ (PPAA) اور انٹر کنکشن ایگریمنٹ (ICA) کے ساتھ ساتھ سوسڈی کے اجراء کے لیے ٹیرف ڈیفینیشنل سوسڈی (TDS) ایگریمنٹ متعلقہ فریقین درمیان طے پا چکا ہے۔

طے شدہ معاہدوں کا مسودہ ایک تفصیلی رپورٹ میں KE کے مسائل کے حل کے لیے ٹاسک فورس کی سفارشات کے ساتھ وزیراعظم کے دفتر میں بھیجا دیا گیا ہے۔ وزیراعظم آفس نے پاور ڈویژن کو ہدایت کی ہے کہ وہ ٹاسک فورس کی سفارشات پیش کرے جس میں ICA، PPAA اور TDS کو منظوری کے لیے جاز فورم کے سامنے پیش کریں۔

#### حکومت پاکستان اور NEPA سے تعاون درکار ہے

کمپنی اپنے مضبوط سرمایہ کاری کے منصوبے کے لیے پرعزم ہے جس کا مقصد صارفین اور پاکستان کی معیشت کو فائدہ پہنچانا ہے۔ تاہم، 30 جون 2023 کے بعد کی مدت کے لیے NEPA کی جانب سے پائیدار ٹیرف کا ایوارڈ، جھلوتی اداروں اور محکموں سے وصولی، نیشنل گرڈ سے سپلائی پر یقین دہانی، KE کی پیداواری لاگت کو بہتر بنانے کے لیے گیس کی فراہمی اور بروقت ریگولیشن کی منظوری سمیت اہم مسائل کا حل شامل ہیں۔

کمپنی متعلقہ متعلقین بشمول سرکاری محکموں اور اداروں کے ساتھ NEPA سے مسلسل رابطے میں ہے اور اسے یقین ہے کہ تمام متعلقین کے اجتماعی تعاون اور انفراسٹرکچر میں منصوبہ بند سرمایہ کاری کے نفاذ سے کراچی گھاگھی سے بھرپور ایک میٹروپولس میں تبدیلی ہو جائے گی۔

#### مسابقتی منظر نامہ

اس ماڈل کا مقصد پورے ملک میں بجلی کی ایک مسابقتی ہول سیل مارکیٹ کو متعارف کرانا ہے جس میں 1MW یا اس سے زیادہ وڈوالے بلک پاور صارفین (BPC) کو اپنی پسند کے سپلائر کے ساتھ دو طرفہ معاہدے کرنے کا موقع ملے گا۔

مئی 2022 میں NEPA کی جانب سے CPPA-G کو مارکیٹ آپریشنس کے اجراء کے بعد، ڈرائی رن سرگرمیاں اور CTBCM کے رول آؤٹ سے متعلق ریگولیشن فریم ورک کو نئی شکل دینے کا کام جاری ہے۔ KE ریگولیشن فریم ورک کو نئی شکل دینے کے ساتھ اس کے مجوزہ اضمحام کے منصوبے کی منظوری کے لیے NEPA سمیت متعلقہ متعلقین کے ساتھ بڑے پیمانے پر مصروف عمل ہے جس کا مقصد قومی بجلی کی پالیسی اور CCoE کے منظور شدہ اصولوں کے مطابق پاکستان میں مسابقتی ہول سیل الیکٹرک ٹی مارکیٹ کا نفاذ ہے۔

سیکٹر کا پچھلا اسٹریٹجی میں پاور ڈسٹری بیوٹن کمپنیوں کو اپنے ڈسٹری بیوٹن انٹرنیشنل میجا جنٹم ہونے تک بجلی کی فروخت اور تقسیم کے خصوصی حقوق حاصل تھے اور مسابقتی تجارتی و دو طرفہ کنٹریکٹس مارکیٹ (CTBCM) ماڈل کے نفاذ کے ساتھ ریگولیشن منظر نامے میں تبدیلی کے لیے تیار ہے۔

#### فنانسنگ اپ ڈیٹ

##### لیکویڈیٹی اور کیپٹل اسٹریٹجی

غیر یقینی سماجی، سیاسی اور میکرو اکنامک عوامل کے درمیان، لیکویڈیٹی کا انتظام کرنا دشوار رہا۔ صارفین کے ٹیرف میں نمایاں اضافے، فیول اینڈ سٹینٹ اور مہنگائی نے صارفین کے ادائیگی کے رجحان پر منفی اثرات مرتب کیے۔ تاہم، کمپنی نے بینکوں، کیپٹل مارکیٹوں اور دیگر مالیاتی اداروں سے مسلسل تعاون کے ذریعے اپنی کیش فلو کی ضروریات کا انتظام کیا۔

#### کمرشل ہیپرز/قبیل مدتی سلوک

مالی سال 2023 کے دوران، کمپنی نے اپنے مختصر مدت کے سلوک (STS) پروگرام کو 6 ماہ کی مدت کے گیارہ الگ الگ پرائیویٹ طور پر رکھے گئے STS کے اجراء کے ذریعے جاری رکھا جس کی کل مالیت 55 بلین روپے تھی۔ اینٹیڈ سے حاصل ہونے والی رقم کا استعمال پہلے سے جاری کردہ STS کی پیورٹی فنڈ اور جزوی طور پر اضافی ورکنگ کیپٹل کی ضروریات کو پورا کرنے کے لیے کیا گیا۔ KE کے STS پروگراموں کے لیے کیپٹل مارکیٹ کے مسلسل تعاون نے نہ صرف کمپنی کو متنوع قرضوں کے پورٹ فولیو کو برقرار رکھنے کے قابل بنایا ہے بلکہ کمپنی کے اسٹریٹجک منصوبوں کی حمایت کے لیے کچھ بینکوں کی مالیاتی حدود کو بھی استعمال کیا ہے۔

#### سلوک کے لیے 6.7 بلین روپے کی فنانشنگ

سال کے دوران، کمپنی نے کامیابی سے 6.7 بلین روپے کا رجہ بند محفوظ، پرائیویٹ طور پر رکھا گیا، DSLR لیزڈ سلوک جاری کیا جس کے لیے صرف کیپٹل مارکیٹ سے رقم جمع کی گئی۔ سلوک کی مدت 7 سال ہے، جس میں 2 سال کی رعایتی مدت شامل ہے اور اسے

VIS کرڈٹ ریٹنگ کمپنی لمیٹڈ نے AA+ (ڈبل اے پلس) کا درجہ دیا ہے۔ سلوک کا مقصد کمپنی کی مستقل ورکنگ کیپٹل کی ضروریات کو پورا کرنا ہے۔

#### آڈیٹرز کے مشاہدات

آڈیٹرز نے درج ذیل تین امور پر زور دیا ہے:

Unconsolidated فنانشل اسٹیٹمنٹس سے سنسک نوٹ 13.1 کی وضاحت کے مطابق، جو کہ نیشنل الیکٹرک پاور ریگولیشن اتھارٹی (NEPA) کے پاس زیر التوا تجارتی قرضوں کے معافی کے گھیر کے سلسلے میں معافی کی وضاحت کرتا ہے۔

Unconsolidated فنانشل اسٹیٹمنٹس سے سنسک نوٹ 31.1.1 کی وضاحت کے مطابق، حکومت کے زیر کنٹرول اداروں کی بنیاد اجابت پر مارک اپ/مالی چارجز صرف کمپنی کی طرف سے مجموعی تصفیہ کے حصے کے طور پر قابل ادائیگی ہوں گے جب اسے کمپنی کے پبلک سیکٹر کے صارفین کے Tariff Differential Claims اور توانائی کے واجبات کی مددیں بقا یا قابل وصول بنائیں پر مارک اپ ملے گا۔

حب، وندر، اٹھل اور ہیبل (HVUB) پروجیکٹ

KE وہی علاقوں کے صارفین کو بجلی کی سستی اور قابل اعتماد فراہمی کو یقینی بنانے ہوئے کراچی کے مضافات میں موجود پائیدار/سبز توانائی کے وسائل کو بروئے کار لانے کے لیے پرعزم ہے۔ کمپنی نے بلوچستان کے علاقے میں منصوبہ بند 150 میگا واٹ کے شمسی توانائی کے منصوبوں سے بجلی کے زیادہ سے زیادہ اخراج کو یقینی بنانے کے لیے ایک ڈبل سرکٹ ٹرانسمیشن لائن کے ذریعے حب سے بیلا گڑ تک موجودہ وولٹیج کی سطح کو 66kV سے 132kV تک بڑھانے کا منصوبہ بنایا ہے۔ تاہم، اپ گریڈیشن کا کام NEPA کی منظوری سے مشروط ہے۔

نیٹ ورک کی بھروسہ مندی

منصوبے کے تحت کی گئی سرمایہ کاری میں مختلف اقدامات شامل ہیں جن کا مقصد ٹرانسمیشن انفراسٹرکچر کو مضبوط بنانا ہے۔ گرڈ آؤٹ میشن سسٹم/ٹیلی کام نیٹ ورک کی بحالی کے ساتھ ٹیکنیکی ترقی جیسے DRG کے لیے درخواست کے ہمراہ سرورڈ اضافی بھی بہتر نگرانی اور کنٹرول فراہم کرنے کے لیے مستقبل کو دیکھتے ہوئے پیش کیا گیا ہے۔ یہ اقدامات نیٹ ورک کی حفاظت، بھروسہ مندی اور کارکردگی کو مزید بہتر بنائیں گے۔

ڈسٹری بیوشن

KE نے مالی سال 2024 سے مالی سال 2030 تک کنٹرول کی مدت کے لیے ایک ڈسٹری بیوشن نیٹ ورک ایمر وومنٹ پلان (NIP) کا نفاذ کیا ہے، جو فی الحال NEPA کی منظوری کا منتظر ہے، جس کا مقصد حفاظت، بجلی کے معیار میں بہتری، ٹیکنیکی نقصان میں کمی اور بہتر آپریشنل کارکردگی ہے۔ ان اقدامات سے اگلے 7 سالوں میں SAIFI میں 32.8% اور SAIDI میں تقریباً 28.6% کمی کے علاوہ 2.3% ٹیکنیکی اور تجارتی نقصان میں کمی کی توقع ہے۔ ساتھ ہی، NIP میں جدت اور ٹیکنیکی بہتری کے لیے 200 فیڈرز پر ADMS/SCADA کی ترتیب کو بھی ترجیح دیا گیا ہے۔

ماحولیاتی، سماجی، گورننس اور پائیداری کا انتظام

کمپنی کے ذمہ داران کے طور پر، KE پورڈ آؤٹ ڈائریکٹرز اعلیٰ ترین ESG معیارات کو برقرار رکھنے اور جدت کو فروغ دینے کے لیے پرعزم ہیں۔ KE کے آپریشنز ماحولیاتی تحفظ، سماجی ترقی اور معاشی استحکام کو ترجیح دیتے ہیں۔ کمپنی تعلیم، صحت کی دیکھ بھال، ماحولیاتی تحفظ اور مقامی کاموں کے ذریعے کمیونٹی کے ساتھ فعال طور پر مصروف رہتی ہے۔ پورڈ آؤٹ ڈائریکٹرز تمام ESG اقدامات کا سہ ماہی جائزہ لینے کی ذمہ داری بھی رکھتا ہے، اس بات کو یقینی بناتا ہے کہ شفاف مواصلات کی تعمیل کی پابندی اور خطرے کو کم سے کم کیا جائے۔ اقتصادی ترقی اور معیار زندگی کو آگے بڑھانے میں KE کے اہم کردار کے پیش نظر، کمپنی نے اپنے آپریشنز کو اقوام متحدہ کے پائیدار ترقیاتی اہداف (SDGs) کے ساتھ منسلک کر دیا ہے۔ اگرچہ KE نے 17 میں سے 11 کو ترجیح دی ہے، لیکن اس نے SDG 5 (صنعتی مساوات)، 7 (سستی اور صاف توانائی)، 11 (پائیدار کمیونٹی)، اور 13 (ماحولیاتی کارروائی) پر خصوصی زور دیا ہے تاکہ سالانہ پائیداری رپورٹس کے ذریعے ان کی پورنگنگ کو یقینی بنایا جاسکے۔ متعلقین کو ESG ڈائریکٹرز پر KE کی پیشرفت پر اپ ڈیٹ کیا جاتا ہے۔

ملٹی ایئر ٹیرف (MYT)

ریگوری لاس کے لیے کلیم کردہ اخراجات کی زیر التوا منظوری

کمپنی مالی سال 2017 سے مالی سال 2023 کی مدت کے لیے ریگوری لاس کے عوض لاگت سمیت زرا التوا سہ ماہی ٹیرف کی تبدیلیوں کے تعین کو تیز کرنے کے لیے NEPA سے مسلسل رابطے میں ہے (نا قابل وصول بلوں کی اصل معافی کے سلسلے میں، KE کے MYT کے تحت اجازت دی گئی ہے)۔ NEPA کے فراہم کردہ ہدایات کے مطابق کلیم کیا گیا ہے۔

ان درخواستوں کی بروقت منظوری کمپنی کی پائیداری اور منصوبہ بند سرمایہ کاری کے نفاذ کے لیے اہمیت کی حامل ہے۔

MYT 2017-2023 کو مد نظر رکھتے ہوئے اور پاور سیکٹرز میں تبدیلیوں بشمول نیٹ ورک اور سپلائی کے کاروبار کی علیحدہ لائسنس یافتہ سرگرمیاں، CTBCM ماڈل کا نفاذ، اور مجوزہ ملک بھر میں مرکزی اقتصادی ترسیل شامل ہونے کی وجہ سے KE ہر کاروباری طبقے کے لیے جون 2023 کے بعد کی مدت کے لیے علیحدہ ٹیرف حاصل کرنے کے لیے کوشاں ہے۔

اس سلسلے میں، KE کی جنریشن پلاننگ کی بنیاد پر استعدادی زندگی کے لیے جنریشن پلاننگ اور اگلی کنٹرول پیراڈ کے لیے ٹرانسمیشن اور ڈسٹری بیوشن سیکٹرز کے لیے سرمایہ کاری کے پلان اور کارکردگی کے NEPA-KPIs کی جانب سے منظوری کے منتظر ہیں۔ KE بروقت اور پائیدار ٹیرف کے تعین کے لیے NEPA کے ساتھ مصروف عمل ہے۔

ڈسٹری بیوشن اور الیکٹریک پاور سپلائی لائسنس

KE کو 21 جولائی 2003 کو اس کی ٹیرٹری میں جولائی 2023 تک 20 سال کے عرصے کے لیے الیکٹریک پاور سروسز کی تقسیم اور فراہمی کے لیے ڈسٹری بیوشن لائسنس دیا گیا تھا پاور سیکٹرز میں جاری تبدیلیوں بشمول ڈسٹری بیوشن (نیٹ ورک) اور سپلائی بزنس NEPA ایکٹ 1997 (جیسا کہ ترمیم شدہ) کے تحت علیحدہ لائسنس یافتہ سرگرمیوں اور CTBCM کے نفاذ کی مناسبت ہے۔ KE نے سال کے دوران ڈسٹری بیوشن اور سپلائی کے بزنس کے لیے الگ الگ لائسنس کی درخواستیں دائر کیں اور صارفین کے مفاد میں سال کے اختتام کے بعد KE کے ڈسٹری بیوشن لائسنس میں عارضی توسیع دی گئی۔ یہ عہدہ توسیع KE کو اپنے معزز کسٹمرز کو قابل اعتماد فراہمی کی فراہمی میں اپنی کوششیں جاری رکھنے کے قابل بنائے گی۔

KE جمع کرانی گئی لائسنس کی درخواستوں کے بروقت اجراء اور حتمی شکل دینے کے لیے NEPA کے ساتھ مصروف کار ہے۔

حکومتی اداروں اور محکموں سے قابل وصول رقوم

30 جون 2023 تک، مختلف وفاقی اور صوبائی اداروں سے KE کی خالص وصولی، اصل واجب الادا بنیادوں پر 23.97 بلین روپے تھی۔ قابل وصول رقوم کے ٹیک لاک کمپنی پر نتیجہ خیز اثر پڑتا رہا جس میں پورا انفراسٹرکچر میں سرمایہ کاری کی رفتار کو بڑھانے کی صلاحیت بھی شامل ہے۔ تاہم، KE کے ساتھ ساتھ بڑے پیمانے پر اس شعبے کے استحکام کے لیے ضروری ہے کہ حکومت سمیت تمام فریقین اس دیرینہ مسئلے کو قوتاً نون کے مطابق حل کرنے کے لیے اپنا کردار ادا کریں۔ اس سلسلے میں، اس وقت کے معزز وزیر اعظم کی طرف سے جون 2022 میں تشکیل دی گئی ٹاسک فورس کے اجلاسوں کے دوران زیر بحث دیگر امور کے علاوہ، یہ تجویز کیا گیا کہ KE اور سرکاری اداروں اور محکموں کے درمیان تاریخی وصولیوں اور ادائیگیوں کے معاملے پر تمام فریقوں پر مشتمل ایک جامع ثالثی کی تجویز پیش کی گئی۔ فریقین کے درمیان ثالثی معاہدے کے مسودے کو تیار کر لیا گیا ہے اور اسے منظوری کے لیے کاہنہ کے سامنے پیش کیا جائے گا۔



## کسٹمر کا تجربہ

کسٹمر کا تجربہ KE کی حکمت عملی کا مرکز ہے جس میں ڈیجیٹل سہولت سے صارفین کے لیے مستحکم سہولت کی راہ ہموار ہوتی ہے۔ KE وائس ایپ پلیٹ فارم نے ایک سال کے دوران 240,000 نئے صارفین کا خیر مقدم کیا اور نمایاں ترقی دیکھنے میں آئی جبکہ KE Live پلیٹ فارم میں 255,000 صارفین کا اضافہ ہوا ہے۔ اس سے ڈیجیٹل طور پر منسلک کسٹمرز کی کل تعداد 1.3 بلین اور KE کی ڈیجیٹل رسائی پچھلے سال 47% سے بڑھ کر 60% ہو گئی ہے۔

اپنے ڈیجیٹل پلچ پوائنٹس کو بڑھانے کے علاوہ، KE ڈیجیٹل سیلف سروسز کو بھی فعال کر رہا ہے۔ KE کے کسٹمرز اب بغیر کسی کاواٹ کے اپنے نئے کنکشن کے لیے آن لائن درخواست دے سکتے ہیں۔ KE کے فزیکل پلچ پوائنٹس استعمال کرنے والے صارفین کے لیے کنز یومر فیٹیلٹی سہولتیں (CFCs) اور انٹیکر پیڈ بزنس سینٹرز آن ویپل (IOW) کی توسیع نے برادری میں خدمات کو فعال کر دیا ہے۔ KE کے صارفین کے تجربے کو باقاعدگی سے ٹریک کیا جاتا ہے اور ان کی جانچ مسٹری شاہ پر پروگرامز کے ذریعے کی جاتی ہے۔

## KE کے طے شدہ منصوبے۔ مختصر، درمیانی اور طویل مدتی منصوبہ بندی

### جزئیات

KE کے سروس علاقوں میں بجلی کی طلب میں متوقع اضافے کو مد نظر رکھتے ہوئے، قابل تجدید ذرائع (بشمول ہائیڈرو) کے ساتھ مقامی وسائل کے استعمال پر توجہ کے ساتھ ایک جامع منصوبہ تیار کیا گیا ہے جو کہ کم لاگت، مقامی فیول پر مبنی پاور پراجیکٹس کو شامل کرنے کے لیے قومی بجلی کی پالیسی کے مطابق پھر ڈپارٹمنٹ اور ریگولیٹری منظور یوں سے مشروط ہے۔

قابل تجدید ذرائع کا حصہ بڑھانے کے لیے، کے الیکٹرک 350 میگا واٹ کے سولر پروجیکٹ (سنگل ایکسیس ٹیکنالوجی پر) سندھ انرجی ڈیپارٹمنٹ (SED)، حکومت سندھ (GoS) کے ساتھ عالمی بینک (WB) کے تعاون سے مسابقتی بولی کے ذریعے سندھ سولر انرجی پروجیکٹ (SSEP) کے تحت کام کر رہا ہے۔ پروجیکٹ کے لیے زمین حکومت سندھ (GoS) کے ذریعے ہائیڈرو پاور، ڈیسٹرکٹ ویسٹ اور ڈیپ میڈیا گھر، ضلع ملیر میں مختص کی گئی ہے۔ ریگولیٹری فار پوزل (RFP) اور فیٹیلٹی اسٹریٹجی اپریل 2023 میں NEPRA کو جمع کرانی گئی تھی اور پری کوالیفیکیشن ایپلیکیشن بھی مکمل ہو چکی ہے۔ منصوبے کی متوقع تکمیل مالی سال 2025 ہے۔

بلوچستان میں 150 میگا واٹ کے دندرا اور بیلہ سولر منصوبوں کے حوالے سے، NEPRA نے 14 اکتوبر 2022 کو RFP پر اپنا فیصلہ جاری کیا۔ اس کے بعد KE نے RFP کے فیصلے پر نظر ثانی کی درخواست دائر کی، جس کی سماعت 06 اپریل 2023 کو ہوئی۔ اس منصوبے کے لیے حکومت بلوچستان (GoB) کی کابینہ نے منظوری دے دی ہے اور زمین مختص کی گئی ہے جبکہ مختص ہونے کی شرائط KE اور GoB کے درمیان زیر بحث ہیں۔ تمام علاقوں کے لیے لیڈ آؤٹ جاری کر دیے گئے ہیں۔

KE 220 میگا واٹ کے سائٹ نیوزل ہاؤس قابل تجدید منصوبے پر کام کر رہا ہے۔ NEPRA کی جانب سے RFP کی سماعت 14 جون 2023 کو کی گئی تھی۔ پری کوالیفیکیشن کا عمل کامیابی سے مکمل ہو گیا ہے، جو منصوبے کی پیشرفت میں ایک اور سنگ میل ہے۔

KE مقامی وسائل کو شامل کر کے اپنی پیداواری لاگت کو کم کرنے کے لیے پُر عزم ہے جس میں لوڈ پائمنٹس کے ذریعے بجلی کا آف ٹیک بھی شامل ہے۔ KE حکومتی اور نجی اسپانسرز کے ساتھ مل کر تقریباً 990 میگا واٹ کے بیس لوڈ مقامی کونسل کے منصوبوں پر کام کرنے میں مصروف عمل ہے، اس میں جامشورو کول پروجیکٹ سے 100 فیصد مقامی کونسل میں تبدیل ہونے کے بعد اس سے بجلی کا ممکنہ آف ٹیک بھی شامل ہے جو حکومت کے ساتھ زیر غور ہے۔ مئی 2023 میں، KE نے CPEC کے منظور شدہ پاور کول منصوبے کے لیے شراکت داروں کے کنسورٹیم کے ساتھ ایک مفاهمت کی یادداشت (MoU) پر دستخط کیے ہیں جس کی سربراہی 1,320 میگا واٹ تک ہے؛ شراکت داروں کے کنسورٹیم میں اورینٹل پاور پی ایل سی، پاور چائنا انٹرنیشنل شامل ہیں جو کہ حکومت سندھ کے ٹھکانہ توانائی کے ساتھ پاکستان کے پاور سیکٹر میں کام کرنے والی سرکاری ملکیت کی سب سے بڑی چینی کمپنی ہے۔ CPEC میں موجودگی کی وجہ سے، یہ منصوبہ غیر ملکی فنانشنگ کے اختانات کی سہولت کے حوالے سے ایک قابل عمل آپشن پیش کرتا ہے۔ KE تھر میں 330 میگا واٹ کے مقامی کونسل سے چلنے والے پاور پروجیکٹ سے ممکنہ بجلی کے حصول کے لیے دوسرے پروجیکٹ ڈویلپرز کے ساتھ بھی مصروف عمل ہے۔

طویل مدتی اور پائیدار بنیادوں پر کمپنی کی انرجی باسکٹ قیمت کو کم کرنے کے لیے، بلک ہائیڈرو پاور کا حصول KE کے لیے ایک اہم محرک عنصر ہے۔ ہم صوبہ کے پنی کے کے چترال کے علاقے میں واقع 82 میگا واٹ کے Turtonas Uzghor ہائیڈرو پروجیکٹ (Uzghor) پر سرگرمی سے عمل پیرا ہیں۔ KE نے ستمبر 2022 میں پروجیکٹ کا لیٹر آف انٹینڈ جاری کیا۔ جس کے بعد پروجیکٹ نے جنوری 2023 میں Central Power Purchasing Agency (CPPA-G) سے KE میں آف ٹیک کی تبدیلی کے لیے NEPRA کے پاس اپنے آئینسی مجوزہ ترمیم (LPM) کے لیے درخواست دائر کی۔ KE نے China Three Gorges South Asia Investment Limited (CTGSAIL) کے ساتھ آزاد جموں و کشمیر سمیت ملک بھر میں ہائیڈرو پروجیکٹس کی تعمیر میں تعاون کے لیے ایک حکمت عملی سطح کی مفاهمت کی یادداشت (MoU) پر دستخط کیے ہیں۔ CTGSAIL کی پاکستان میں ہائیڈرو پاور اور قابل تجدید منصوبوں کو تیار کرنے کی ایک کامیاب تاریخ ہے، کیونکہ اس کا فلیگ شپ 720MW کروت ہائیڈرو پروجیکٹ نے 2022 میں آن لائن آیا۔ KE کو ہائیڈرو پروجیکٹس کی پیش بہا پائپ لائن رکھنے والے اس مضبوط ترقیاتی ساتھی کے تعاون سے اپنے نیٹ ورک میں بڑی مقدار میں بجلی شامل ہونے کی توقع ہے۔ مزید برآں، اپنے ہائیڈرو پاور فوئیو کو مزید وسعت دینے کے لیے، KE مختلف صوبائی اور وفاقی ہائیڈرو پاور پلانٹ اداروں کے ساتھ سرگرم عمل ہے۔

## ٹرانسمیشن

مستلزم سرمایہ کاری سے پیدا ہونے والی بہتری کو مزید آگے بڑھانے کے لیے، KE نے اپنے صارفین کو قابل اعتماد بجلی فراہم کرنے کے دژن کے ساتھ، اگلے کنٹرول کی مدت (مالی سال 2024 سے مالی سال 2030) کے لیے ایک مستحکم سرمایہ کاری کا منصوبہ تیار کیا ہے، جو بحالی NEPRA کی منظوری کا منتظر ہے۔

## لوڈ گروٹھ کی ضرورت اور نقصان میں کمی

بجلی کی قابل اعتماد اور موثر ترسیل کو برقرار رکھنے ہوئے بڑھتی ہوئی بجلی کی طلب کو پورا کرنے کے مکمل عزم کے ساتھ، KE نے 132kV گرڈ اسٹیشنوں کے اضافے اور موجودہ گرڈ اسٹیشنوں میں اضافے کے ذریعے 755 MVAs کی ترسیل صلاحیت میں اضافے کے حصول کا ارادہ رکھتا ہے۔ مزید برآں، موجودہ گرڈ اسٹیشنوں پر 3 x 250 MVA آلٹو ٹرانسفارمرز کے اضافے کے ساتھ ساتھ تین 220 kV گرڈ اسٹیشنوں کا اضافہ کیا جائے گا۔ اس کے ساتھ، کمپنی نے نظام کی مجموعی کارکردگی کو بہتر بنانے ہوئے جزئیات کے نئے پروجیکٹس میں اضافے اور سسٹم کی مجموعی کارکردگی کو بہتر بنانے ہوئے بجلی کے معیار کو برقرار رکھنے کا منصوبہ بنایا ہے۔

مزید برآں، KKI اور 500kV اور 220kV ہائیڈرو پاور پراجیکٹس کے لیے ہی جاری ہے جس سے نیشنل گرڈ سے اضافی بجلی کی فراہمی ممکن ہو سکے گی۔ اس سے KE کے نظام میں سستی بجلی کے اضافے کے حوالے سے نہ صرف KE کے صارفین بلکہ پورے ملک کو فائدہ پہنچے گا۔ آنے والے کیلنڈر سال کی دوسری اور تیسری سہ ماہی میں مذکورہ گرڈز کے کام کرنے کے بعد، KE اپنے آئینسی پائیدار علاقے میں تقریباً 5,000 میگا واٹ بجلی فراہم کرنے کی پوزیشن میں ہوگا۔

ایک چلچلدار ہنگامی اور ٹیکنالوجی ڈیزائنر کیوری منصوبہ اپنی جگہ پر ہے، جس میں ناخوش گوار واقعے یا طویل ڈاؤن ٹائم کی صورت میں آئی ٹی خدمات کی فوری اور موثر بحالی کو یقینی بنانے پر توجہ مرکوز رکھی گئی ہے۔ کاروباری تسلسل کے انتظام کے معیارات ISO 22301 اور ISO 27031 پر عمل کرتے ہوئے، یہ عمل غیر متوقع رکاوٹوں کے خطرے کو حل کرتا ہے اور ہنگامی ردعمل، رسک مینجمنٹ، منصوبہ بندی، IT تسلسل کی تربیت اور جانچ کا احاطہ کرتا ہے۔

## سائبر سیکیورٹی

آج کے تیزی سے بدلتے ڈیجیٹل منظر نامے میں، سائبر سیکیورٹی انتہائی اہمیت کی حامل ہے۔ ہماری کمپنی میں ڈیجیٹلائزیشن کو زیادہ سے زیادہ پانے کے ساتھ، سائبر خطرات کے خلاف اپنے دفاع کو مضبوط بنانا لازمی ہو جاتا ہے۔ اس چیلنج سے نمٹنے کے لیے، سائبر سیکیورٹی کو مضبوط کرنے کے لیے فیصلہ کن اقدامات نافذ کیے گئے ہیں۔ یہ محض ایک انتخاب نہیں، بلکہ ایک اسٹریٹجک ضرورت ہے۔

اس سلسلے میں، آرگنائزیشن نے کامیابی سے ISO 27001 انفارمیشن سیکیورٹی مینجمنٹ سسٹم (ISMS) حاصل کر لیا ہے۔ مزید برآں، دفاعی گہرائی کے نقطہ نظر کو اپنانے کے بعد، جدید ٹیکنالوجی کے ٹولز اور عمل موجود ہیں۔ اس میں 24x7 سائبر ڈیفنس کمانڈ سینٹر، اینڈ پوائنٹ اور نیٹ ورک لینڈز پر AI سے چلنے والی شناخت اور ردعمل کے ساتھ انٹرنیٹ کا سامنا کرنے والے KE ڈیجیٹل اثاثے پر تحفظ بھی شامل ہے۔ مزید یہ کہ آرگنائزیشن نے LOT حول سائبر سیکیورٹی ڈیفنس فنڈ پر پرنٹ کو مضبوط اور وسعت دینے کے لیے پروگرام کا آغاز کر دیا ہے، اس میں جزیئریشن، ٹرانسمیشن اور ڈسٹری بیوشن شامل ہیں۔ اس مقصد کے لیے، آرگنائزیشن سائبر رسک کی تشخیص، انتظام اور اصلاحی اقدامات کو نافذ کرنے کے لیے عالمی سرکردہ سائبر سیکیورٹی فرموں کے ساتھ مصروف کار ہے۔

ERP سسٹمز کی معلومات سائبر سیکیورٹی میں شیئر مارکیٹ حفاظتی طریقوں، رسک اور فیمل اور ورک انشورنس، سٹیک کی روک تھام، اور سیکیورٹی کی ترقی کے عمل کے ذریعے ڈیٹا سیکیورٹی شامل ہے۔ اہم اور حساس ڈیٹا تک رسائی کو ایک سخت گورننس سسٹم کے ذریعے محفوظ کیا جاتا ہے جو صارف کو یقینی تجربہ، متحرک رسائی پر کنٹرول اور ہدایات کے مطابق تجزیات پر کارفرما (Prescriptive analytics-driven) رسائی کا جائزہ لینے کا طریقہ فراہم کرتا ہے۔

## سپلائی چین

سپلائی چین کمپنی کی موثر، پائیدار اور صارف پر مبنی خدمات فراہم کرنے کی صلاحیت کو تقویت دیتا ہے۔ آپریٹل ایکسی لینس اقدامات کے ذریعے، KE کے سپلائی چین کے عمل کو عالمی بہترین طریقوں کے لیے شیئر مارک کیا جا رہا ہے۔ عین اسی وقت پر کمپنی کی ویلیو چین کی لوکلائزیشن کو تیز کرنے اور درآمد شدہ مصنوعات اور خدمات کے مقامی متبادل کے ذریعے مقامی صنعت کاروں کے ساتھ مل کر کام کر رہی ہے۔ اس اقدام سے کمپنی کو قومی درآمدی رکاوٹوں پر قابو پانے میں مدد ملے گی اور اہم ڈسٹری بیوشن اور جزیئریشن آلات کی فراہمی کا سلسلہ جاری رہے گا۔ اس سے نہ صرف KE کا یہ سلسلہ جاری رہا بلکہ اس سے درآمدات کے متبادل، ڈالر کے ذخائر کے تحفظ اور روزگار کے مواقع پیدا کرنے کے ذریعے ملک کو فائدہ پہنچتا ہے۔

## انٹریڈ ریسک مینجمنٹ (ERM) فریم ورک

بدلتی ہوئی معاشی دشواریاں اور متحرک صنعتی منظر نامے کے درمیان، اپنی آرگنائزیشن کو مضبوط بنانے کے لیے ہمارا غیر متزلزل عزم ثابت قدم ہے۔ پائیدار خوشحالی کی راہ ہموار کرنے کے لیے، ہم فخر کے ساتھ ایک مضبوط انٹریڈ ریسک مینجمنٹ (ERM) فریم ورک پر انحصار کرتے ہیں، جو بین الاقوامی بہترین طریقوں سے ہم آہنگ ہے۔ بااختیار بنانے والا یہ فریم ورک، ہمیں موجودہ اور ابھرتے ہوئے خطرات کا فعال طور پر عملی جواب کے لیے تیار کرتا ہے، جس سے حصص یافتگان کی قدر کے تحفظ کو یقینی بنایا جاتا ہے اور ہمیں آگے کے سفر پر رواں دواں رکھتا ہے۔ ہماری کامیابیوں کا مرکز ایک جامع مضبوط اور انٹریڈ ریسک مینجمنٹ فریم ورک کے طریقہ کار کی تشکیل ہے۔ ہماری کامیابیوں کا مرکز ایک جامع مضبوط اور مسلسل تخلیق ہے جو رسک مینجمنٹ کے طریقہ کار کو بہتر بناتا ہے۔

ہمارا طریقہ کار ہماری صنعت کی منفرد ڈائنامکس پر غور کرتا ہے اور ابھرتے ہوئے رجحانات سے ہم آہنگ رہتا ہے۔ ہم اپنے رسک مینجمنٹ طریقوں کو بدلتے ہوئے منظر نامے کے ساتھ ہم آہنگ رکھتے ہیں۔ اس طرح ہم غیر یقینی صورتحال کی منصوبہ بندی کرنے کے لیے چوکس، فعال ہونے کے ساتھ اور زیادہ تیار رہتے ہیں۔

پچھلے ایک سال کے دوران، ہم نے رسک مینجمنٹ کو اپنے تمام اہداف میں ضم کر کے، زیادہ چلچلدار اور آگے کی سوچ کے نقطہ نظر کو یقینی بنانے ہوئے اسٹریٹجک رسک مینجمنٹ کی جانب اہم پیش رفت کی ہے۔

## صحت، حفاظت، ماحولیات اور معیار کے اقدامات

KE عالمی حفاظتی معیارات پر شیئر مارکیٹ کرتے ہوئے، پروسیس سٹیٹس مینجمنٹ (PSM) کو نافذ کرنے کے عمل میں ہے اور KE کے پہلے مرحلے میں 22 میں سے 12 PSM پلیٹفونمز کو ترتیب دیا ہے۔ اس کی مناسبت سے، مینجمنٹ سٹیٹس آڈٹس (MSAs) پوری درجہ بندی میں کیے جاتے ہیں تاکہ حفاظت کی نظر آنے والی قیادت کی تصدیق کی جاسکے اور تمام آپریشنز میں حفاظت کو مضبوط کیا جاسکے۔ سال کے دوران، 71,484 MSAs مکمل کیے گئے اور 48,906 ترمیمی گھنٹے ہفتوں اور حفاظت سے متعلق کوششوں کے ذریعے ان کی تکمیل کی گئی۔

اپنے نیٹ ورک کی بھرپور سہمندی اور حفاظت کو جاری رکھنے کے لیے، ہمارے عزم کے حصے کے طور پر، 193،2 ہائی ٹیکنیشن ڈسٹری بیوشن پلانز پر گراؤنڈنگ کی دوبارہ تصدیق کی گئی۔ 2 کلومیٹر اور جیڈ نیٹ ورک پر ڈبل ارتھ اور ڈرائنگ گارڈ نصب کیے گئے اور ضرورت کے مطابق 400 بجلی کے کھمبے تبدیل کیے گئے۔ کمپنی نے اپنے گھر گھر روشنی باہمی پروگرام کے ذریعے خطرے میں گھرے علاقوں میں عوامی تحفظ کے حوالے سے ایک بھرپور گامی کا آغاز بھی کیا۔ اس کی تکمیل اسکول کے بچوں پر مبنی حفاظتی رسائی کی کوششوں کے ذریعے کی گئی ہے۔ اس پروگرام نے سڑک، بجلی اور عوامی حفاظت کے پیغامات کو سال کے دوران 50,000 بچوں تک پہنچانے کے قابل بنایا۔ کمپنی نے نظم رسائی اور باہمی تعاون کے ساتھ حفاظتی پیغام رسائی کے لیے حکومت اور ریگولیٹری اداروں کے ساتھ بھی شراکت کی۔

کارپوریٹ معیار کے دائرہ کار کے تحت، ایک جامع کوالٹی پالیسی اور عمل کی اصلاح کا پروگرام تمام کاروباری یونٹس میں ترتیب دیا گیا ہے۔ جس میں پوری تنظیم کے لیے 4- تیر کوالٹی اسٹیورڈ شپ اور گورننس اسٹریٹجی، صلاحیت سازی کی ورکشاپس اور 5S کوالٹی فریم ورک کے ذریعے وابستگی پر زور دیا گیا ہے۔ اے ای جزیئریشن، ٹرانسمیشن اور ڈسٹری بیوشن نیٹ ورک پر تمام قابل اطلاق ماحولیاتی قوانین اور ضوابط کی 100% تعمیل کو یقینی بناتا ہے۔ اس کی توثیق آزاد ماہر اور انوائسٹمنٹل پروٹیکشن ایجنسی (EPA) کی منظور شدہ لیبارٹریوں کے ذریعے کی جاتی ہے، اور فیمل کی رپورٹیں مقرر کردہ تعدد کے مطابق ریگولیٹرز کو جمع کرائی جاتی ہیں۔ خطرناک فضلہ کو EPA کے منظور شدہ ویسٹ ٹھیکیداروں کے ذریعے ٹھکانے لگایا جاتا ہے۔

KE کا انوائسٹمنٹل سسٹیم ایسٹریٹجی مینجمنٹ سسٹم (ESMS) ISO 14001:2015 اور برٹش فائبر اسٹار ماحولیاتی پائیداری آڈٹ کے عمل کے مطابق ہے۔ جامع ماحولیاتی طریقہ کار مقامی قانون سازی، IFC کی کارکردگی کے معیارات اور بین الاقوامی بہترین طریقوں کے ساتھ ساتھ اندرونی ماحولیاتی آڈٹ کے ذریعے ان کے نفاذ کی تصدیق کے مطابق تیار کیے گئے ہیں۔

شہر کی خدمت اور بجلی کی مسلسل فراہمی کو یقینی بنانے کے لیے KE نے اپنی موجودہ فلیٹ کو بھی اپ گریڈ کیا ہے۔ بن قاسم پاور کپلیکس میں گیس انفراسٹرکچر کو دوسرے ذرائع سے RLNG کو استعمال کرنے کے لیے مربوط انداز میں بنایا گیا ہے تاکہ متبادل گیس فیول کی لچک کو ممکن اور سونے سدرن گیس کمپنی (SSGC) کی جانب سے گیس میں کمی کی صورت میں فراہمی کو تسلسل کو یقینی بنایا جاسکے۔ مزید برآں، BQPS-II پلانٹ پر بلیک سٹارٹ کی صلاحیت کو منسوخ بنایا گیا ہے جو بلیک آؤٹ کی صورت میں تیزی سے بحالی کے عمل کے قابل بناتا ہے۔ کمپنی نے اپنے موجودہ پیداواری پلانٹس کی مینٹینینس پر بھی کام کیا تاکہ بہتر اعتبار اور فلیٹ کی بہتر کارکردگی کے ساتھ ذیلی استعمال میں کمی کو یقینی بنایا جاسکے۔

BQPS-III کے احاطے کے ساتھ، KE اب 4000 میگا واٹ سے زیادہ کی ضرورت کو پورا کرنے کی صلاحیت میں آگیا ہے، بشرطیکہ گیس کی فراہمی SSGC سے دستیاب رہے۔

## ٹرانسمیشن

مالی سال 2023 کے دوران، ٹرانسمیشن سسٹم کی پائیداری اور کارکردگی کو بڑھانے کے لیے درج ذیل اہم سنگ میل طے کیے گئے ہیں:

### گرڈ کی صلاحیت میں اضافہ:

رواں سال، موجودہ گرڈز میں اضافہ اور بہتری کی کوششوں کے ساتھ ساتھ نئے پاور ٹرانسفارمرز کے احاطے سے مجموعی طور پر ٹرانسمیشن کی صلاحیت میں 162 MVAs کا اضافہ ہوا ہے۔ یہ 30 جون 2023 تک کمپنی ٹرانسمیشن کی کل صلاحیت کو 6,965 MVAs تک لے گیا ہے۔ صلاحیت میں یہ اضافہ KE کے ٹرانسمیشن نیٹ ورک کی لچک پذیری اور اعتبار کو مضبوط کرے گا اور بڑھتی ہوئی بجلی کی طلب کو پورا کرنے کے قابل بنائے گا۔

### اعتبار اور ایسٹ لائف سائیکل میں بہتری:

سال کے دوران ٹرانسمیشن نیٹ ورک کی پائیداری اور کارکردگی کو تیز کر دیا گیا۔ ان میں موجودہ سرکٹس کی بحالی اور ری کنڈکٹنگ کے ساتھ سسٹم میں ایک نئے سرکٹ کا اضافہ، مقامات پر تزیل کی صلاحیت کو بڑھانا شامل ہے۔ یہ وہ مقامات ہیں کہ جہاں بجلی کی طلب میں اضافہ متوقع ہے۔ موجودہ انسولیٹروں کو کپوزیٹ ٹائپ سے تبدیل کیا گیا ہے جس سے مجموعی کارکردگی میں بہتری آئی ہے۔

### نظام کی نگرانی اور کنٹرول:

سپر اوٹری کنٹرول اور ڈیٹا کیونٹیشن سسٹم (SCADA) پر نیٹ ورک کی نمائش کو بہتر بنانے کے لیے، نئے آپٹیکل گراؤنڈ وائر اور لوڈ ڈسٹریبیوٹن سینٹر (LDC) / ڈیڈ اینڈ ریویو سینٹر (DRC) کے لنکس کی صلاحیت کو بھی بڑھا کر ٹرانسمیشن ٹیلی کام نیٹ ورک کو مضبوط کیا گیا ہے۔ سسٹم کو حملے سے بچانے کے لیے سائبر کیوریٹی کے تحفظات میں بھی اضافہ کیا گیا ہے۔

### NTDC کے ساتھ نئے انٹر کنکشن پوائنٹس کا اضافہ:

KANNUP-500kV - کہ اپنی انٹر کنکشن گرڈ کی تعمیر تیزی سے جاری ہے جو 500kV ڈولٹیج کی سطح پر KE کا پہلا فلٹیک شپ گرڈ ہے۔ اسی طرح 220kV دھاتی گرڈ کی پری کمیونٹنگ سرگرمیوں کو بھی تیزی سے ٹریک کیا جا رہا ہے اور توقع ہے کہ مالی سال 2024 میں یہ گرڈ آن سٹریم ہو جائے گا۔ دونوں انٹر کنکشن گرڈز سے اضافی بجلی لینے کے ساتھ ساتھ دروازے کے سستی بجلی کے وسائل کو بروئے کار لائیں گے۔

### BQPS-III منصوبے کے تحت ٹرانسمیشن سسٹم کی اپ گریڈیشن:

BQPS-III منصوبے سے منسلک ٹرانسمیشن نیٹ ورک کی اپ گریڈیشن بھی جاری ہے۔ اس میں دو اہم لوڈ گرڈ اور دو جنریشن انٹر کنکشن گرڈ اسٹیشنوں کا اضافہ شامل ہے۔ نیو لڈنگی گرڈ جو ایک سال کے دوران انرجائز ہوا ہے، صنعتی لوڈ گروٹھ کے کام آ رہا ہے۔ KTPS میں 132kV انٹر کنکشن سلوشن کو رنگی کبائینڈ سائیکل پلانٹ سے ایسپریڈیشن کے اصول پر بجلی کے اخراج کے قابل بناتا ہے جو نیٹ ورک کی کارکردگی کو بہتر بناتا ہے۔

## ڈسٹری بیوٹن

کنزرویٹو پالیسیوں میں نمایاں اضافہ، فیول ایڈجسٹمنٹ اور ہنگامی کے دباؤ نے پورے پاکستان میں بجلی کے صارفین کو متاثر کیا ہے۔ ان عوامل نے صارفین کی ادائیگی کرنے کی صلاحیت پر انتہائی منفی اثرات مرتب کیے ہیں۔ جس کے نتیجے میں مالی سال 2023 میں وصولی کا تناسب 92.8% تک گر گیا جبکہ گزشتہ سال یہ تناسب اسی مدت کے دوران 96.7% پورٹ کیا گیا تھا۔ معاشی بحالی کے اس دور میں کم آمدنی اور معاشی عدم استحکام کے صارفین کو ان کی ادائیگی میں سہولت فراہم کرنے کے ساتھ ساتھ اپنی وصولی کی سطح کو بہتر بنانے کے لیے، کمپنی نے "ہم قدم ادائیگی اسکیم" کے تحت آسان اقساط پیش کی ہیں۔ 100,000 سے زیادہ صارفین اس اسکیم سے مستفید ہوئے اور بقایا اجات کے تصفیے کا عمل جاری ہے۔ اس کے ساتھ ساتھ نیٹ ورک گورننس اور انسداد چوری کی کوششوں کو بڑھا دیا گیا ہے۔ سال کے دوران 99,500 کلگرام سے زائد غیر قانونی کنڈوں کو چھپایا گیا اور طویل عرصے سے ناہمند ہونے کی صورت میں، تقریباً 1.3 ملین کنکشن منقطع کرنے کی کوششیں کی گئیں۔ کمپنی نے نیٹ ورک کی توسیع اور 164,500 کلاگت والے میٹروں کی تنصیب کے ذریعے اضافی علاقوں کو بجلی فراہم کرنے کی کوششیں بھی تیز کر دی ہیں۔ ان کوششوں کے ذریعے، انتہائی میکرو اکانامک مسائل کے باوجود جس کی وجہ سے صنعتی Sent out میں کمی آئی اور بجلی چوری کے واقعات میں اضافہ ہوا، کمپنی نے T&D نقصان کو برقرار رکھے میں کامیاب رہی اور اس سال کے لیے NEPRA کے شیڈول کے مطابق کارکردگی کا مظاہرہ کیا۔

کمپنی بہتر کسٹروس، مضبوط بھروسہ مند اور تیل ٹائم ویزٹیبلٹی کے لیے جدت کو بروئے کار لارہی ہے۔ اس سلسلے میں، KE ٹیکنیشن ڈسٹری بیوٹن (LT) نیٹ ورک کو ڈیجیٹائز کر رہا ہے جو نیٹ ورک کی ڈیٹیلٹی میں اضافہ کرے گا۔ بہتر نگرانی میں سہولت فراہم کرے گا، اور LT انفراسٹرکچر کے مضبوطی پریشنز کو قابل بنائے گا۔ ڈسٹری بیوٹن ٹرانسفارمرز کے لیے وقتاً فوقتاً پریوینٹیو مینٹیننس رجیم میں منتقل ہونا ایک اور تبدیلی ہے، جو کم ڈاؤن ٹائم کے ذریعے صارفین کے بہتر تجربے میں اپنا کردار ادا کرے گی اور دیکھ بھال کے اخراجات کو بھی کم کرے گی۔

## انفارمیشن ٹیکنالوجی (IT)

کہ ای نے انٹریٹرز ریورس پلاننگ (ERP) سافٹ ویئر کو تمام بنیادی کاروباری طریقوں / ماڈیولز اور پاور پلیننگ کی ڈیجیٹلائزیشن کے ساتھ تزیل دیا ہے۔ یہ سسٹم کاروباری مختلف شعبوں بشمول کمپنی کی ویب سائٹ، KE Live، موبائل ایپلیکیشن، AMI سسٹمز اور میٹر پلگ سسٹم جیسے دیگر ٹیکنالوجی سلوشنز اور سسٹمز کو آپس میں یکجا کرتا ہے۔ مرکزی نظام کا آرکیٹیکچر اور ڈیٹا انٹیکریشن کے ذریعے قابل رسائی میں اور یہ معلومات کا اشتراک، باہمی تعاون اور کارکردگی کے حصول کی استعداد فراہم کرتا ہے۔ اگلے مرحلے میں، سسٹم کو کلاڈ ڈیٹا بیس ڈسٹریوٹن میں ڈیٹا سے چلنے والی صلاحیتوں اور ویب/موبائل پر مبنی یوزرائٹس کے ساتھ اپ گریڈ کیا جائے گا جو پوری تنظیم میں یوزرائٹنگ کے ذریعے بنایا گیا ہے۔ ان میں کاروباری عمل کی دستاویزات اور ٹریڈ ماڈیولز کی تربیت شامل ہے۔

## ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے، ہم انتہائی مسرت کے ساتھ 30 جون 2023 کو ختم ہونے والے سال کے آڈٹ شدہ مالیاتی گوشوارے کی پیشکش کی سالانہ رپورٹ کے ساتھ پیش کر رہے ہیں۔

## مالیاتی کارکردگی

| آمدنی                    | مجموعی منافع             | EBITDA                    |
|--------------------------|--------------------------|---------------------------|
| 2023: 519,471 ملین روپے  | 2023: 52,812 ملین روپے   | 2023: 16,489 ملین روپے    |
| 2022: 518,777 ملین روپے  | 2022: 68,536 ملین روپے   | 2022: 41,598 ملین روپے    |
| 0.13% ↑                  | 22.94% ↓                 | 60.36% ↓                  |
| خالص منافع               | فی شیئر کمائی            | مجموعی اثاثے              |
| 2023: (30,897) ملین روپے | 2023: (1.12) روپے        | 2023: 1,024,662 ملین روپے |
| 2022: 8,524 ملین روپے    | 2022: 0.31 روپے          | 2022: 1,060,128 ملین روپے |
| 39,420 ملین روپے ↓       | 1.43 روپے ↓              | 3.35% ↓                   |
| کل ایکویٹی               | PPE <sup>1</sup> پریزیٹن | ایکویٹی پریزیٹن           |
| 2023: 255,155 ملین روپے  | 2023: (5.32)%            | 2023: (12.11)%            |
| 2022: 250,172 ملین روپے  | 2022: 1.74%              | 2022: 3.41%               |
| 1.99% ↑                  | 7.06 pp ↓                | 15.52 pp ↓                |

1. پراپرٹی، پلانٹ اور آلات (Property, Plant and Equipment)

### مالی جائزہ

اس سال کے دوران، کمپنی کی مالی کارکردگی ملک میں جاری شدید معاشی بحرانوں کے باعث ہونے والے سیاسی اور معاشی چیلنجز سے بری طرح متاثر ہوئی ہے۔ بڑھتی ہوئی مہنگائی، شرح سود میں اضافہ اور اقتصادی سرگرمیوں میں کمی کے باعث کمپنی کے آپریشنز اور مجموعی منافع پر نمایاں منفی اثرات مرتب ہوئے ہیں۔ ان چیلنجز کے اثرات کے نتیجے میں، کمپنی کے بھیجے گئے (Sent-out) پنٹس میں 7.3% قابل ذکر کمی سے کمپنی کے مجموعی منافع میں 15.72 ملین روپے کی نمایاں کمی واقع ہوئی ہے۔

مزید برآں، کمپنی کو پاکستانی روپے کی قدر میں نمایاں کمی کے نتیجے میں 4.38 ملین روپے کے زرمبادلہ کے نقصان میں خاطر خواہ اضافہ دیکھا اور بلند افراط زر، صارفین کے ٹریف میں اضافے زیادہ FCA اور موجودہ معاشی حالات نے صارفین کی ادائیگی کے رجحان کو متاثر کیا ہے جس کے باعث مشترکہ قرضوں میں 6.28 ملین روپے کا اضافہ دیکھا گیا ہے۔ مذکورہ بالا عوامل اور شرح سود میں اضافے کے نتیجے میں مالیاتی اخراجات میں 19.45 ملین روپے کا اضافہ ہوا جس کی وجہ سے ٹیکس کے بعد 30.90 ملین روپے کا نقصان ہوا۔ کمپنی ریگولیشنز کے تحت کام کرتی ہے اور موجودہ ملٹی ایسٹریٹ کے مطابق جو یکم جولائی 2016 سے لاگو ہے، NEPRA کے مقرر کردہ شیڈولڈ راکس بشمول پنٹس بھیجے گئے اور شرح سود میں تبدیلی کے لیے کمپنی کو ٹریف میں کوئی ایڈجسٹمنٹ فراہم نہیں کی جاتی ہے۔

KE چینلجز سے منٹنڈے کے لیے پرمیٹ ہے اور مزید آپریشنل بہتریوں پر بڑے پیمانے پر توجہ مرکوز کر رہا ہے۔ KE یکم جولائی 2023 سے شروع ہونے والی اگلی کنٹرول مدت کے لیے ٹریف کی تجدید کے لیے سرگرمی سے مصروف عمل ہے۔ جس کا مقصد ایک پائیدار، لاگت کے عکاس اور سرمایہ کاری کے قابل ٹریف کا حصول ہے تاکہ پاور سیکٹر کے دیگر اداروں کے برابر ایڈجسٹمنٹ میکانزم کے ساتھ صارفین کو کم سے کم کمزور لاگت پر قابل اعتماد اور ہموار سروس کے تسلسل کو یقینی بنایا جائے۔

### میکرو اکنامک انواٹمنٹ

مالی سال 2023 کے دوران، پاکستان کو اہم سماجی، سیاسی اور اقتصادی چیلنجز درپیش رہے۔ تباہ کن سیلابوں کے بعد اور اجناس کی بڑھتی ہوئی عالمی قیمتوں کے ساتھ مل کر میکرو اکنامک عدم توازن کے نتیجے میں جی ڈی پی کی شرح نمو میں خاطر خواہ کمی واقع ہوئی، جو پچھلے سال کے مقابلے میں 6.10% سے کم ہو کر 0.29% پر آگئی۔

مزید برآں، زرمبادلہ کے ذخائر پر دباؤ نے پاکستانی روپے کی قدر میں خاطر خواہ کمی کی اور مہنگائی میں غیر معمولی اضافے میں اپنا کردار ادا کیا۔ روپے کی قدر میں کمی کی وجہ سے فیول کی درآمد کی لاگت بشمول ریگنیسیفائیڈ لیویڈ نیچرل گیس (RLNG) اور فرنس آئل میں بھی اضافہ ہوا۔ نتیجتاً پورے پاکستان میں صارفین کے لیے انرجی کی قیمتیں اور بجلی کے ریٹس میں اضافہ ہوا۔ بلند افراط زر، صارفین کے بڑھتے ہوئے ٹریف اور بگڑتے ہوئے معاشی حالات نے ترقی کے ساتھ ساتھ صارفین کی ادائیگی کے رجحان کو بھی نمایاں طور پر متاثر کیا ہے۔ ان عوامل نے مالیاتی لاگت میں اضافے کے ساتھ کمپنی کے منافع کو متاثر کیا، جیسا کہ اس ڈائریکٹرز رپورٹ کے سیکشن 'مالی جائزہ' میں مزید وضاحت کی گئی ہے۔

ہم برآمدیوں کو معیشت کو مستحکم کرنے کے لیے پالیسی سازوں کے اقدامات کے ساتھ، لاگت کے عکاس پائیدار MYT کے ساتھ بہتر میکرو اکنامک اشاریے کمپنی کی کارکردگی کو مضبوط کریں گے۔

### ولٹیویٹین میں آپریشنل کارکردگی اور اقدامات

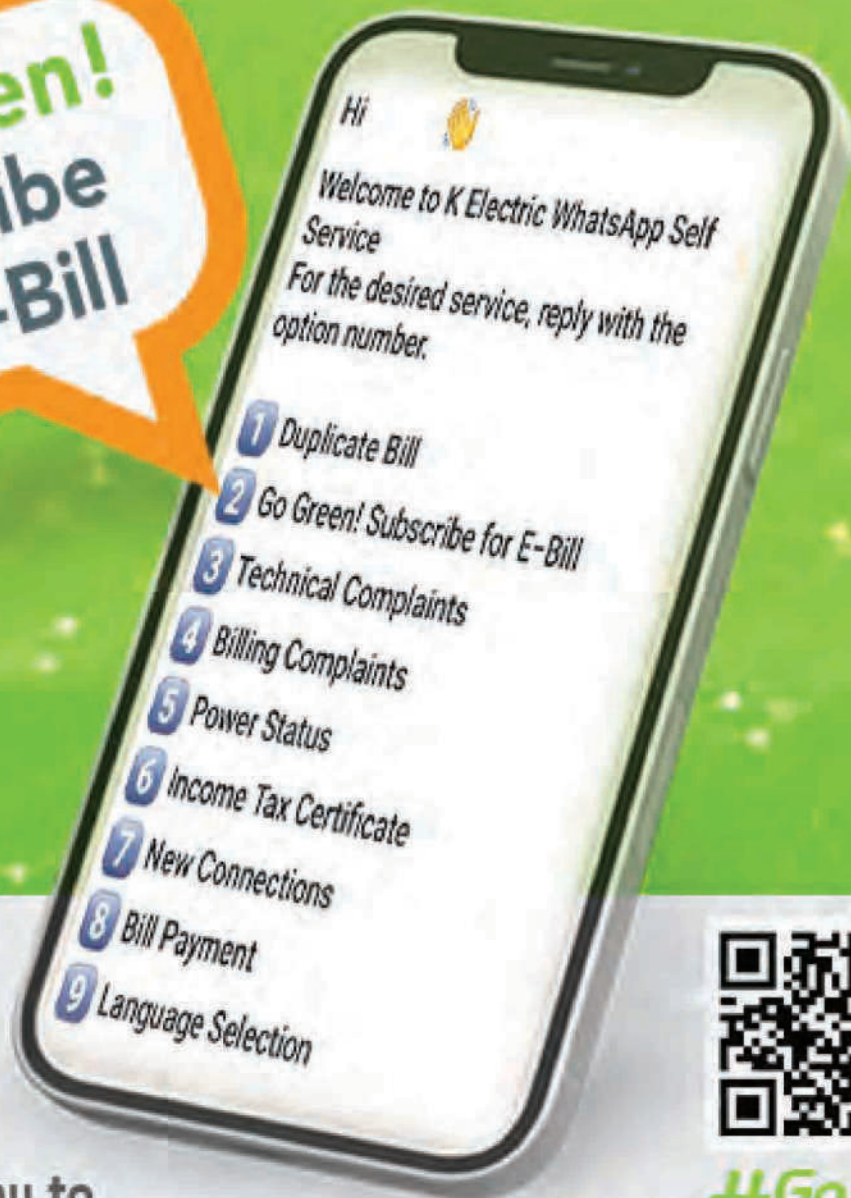
#### جنریشن

مالی سال 2023 کے دوران، KE کے 900 میگا واٹ RLNG سے چلنے والے پاور پلانٹ BQPS-III کے یونٹ 1 اور یونٹ 2 دونوں مالی سال 2023 کی تیسری اور چوتھی سہ ماہی کے دوران کامیابی کے ساتھ شروع کیے گئے اور متعلقہ پنٹس کے تجارتی آپریشنز کا اعلان کیا گیا۔ 900 میگا واٹ BQPS-III پاکستان کے سب سے زیادہ موثر پاور پلانٹس میں سے ایک ہے جس کے اضافے سے KE کے جنریشن فلیٹ کی مجموعی کارکردگی میں اضافہ ہوا ہے۔ KE کا منصوبہ ہے کہ اگلے مرحلے میں BQPS-III کے دونوں پنٹس کو بائی سپلیڈ ڈیزل (HSD) پر بھی کمیشن کرے، جو کہ RLNG کی کمی کے دوران پلانٹ کے کام کو جاری رکھنے کے لیے بیک اپ فیول کی دستیابی کا ذریعہ ہوگا۔



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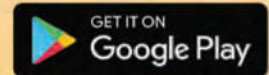


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