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

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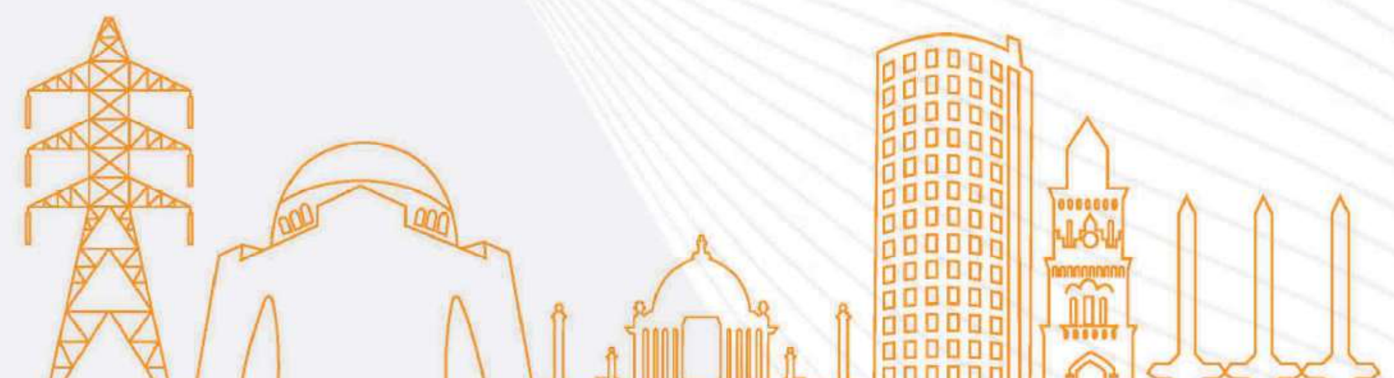

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Directors' Report

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[1]	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

1. 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 3rd and 4th 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^{nd} and 3^{rd} 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, Governanance 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 unprecedent 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 (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 1216th 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:

a. Fee shall be reviewed after every three years;

b. The review shall invariably comply with applicable corporate regulatory framework and shall be carried out in an objective manner;

c. 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 IGCF SPV 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	**Mark Gerard Skelton**
Chief Executive Officer	Chairman

Karachi, September 15, 2023

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 IGCF 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**
	Total	**6**	**5**	**2**	**6**	**19**

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 Skelton

Mark Gerard Skelton
Chairman

Syed Moonis Abdullah Alvi
Chief Executive Officer

Karachi, September 15, 2023

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A·F·FERGUSON&Co.

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.

AFerguson&Co.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Date: October 2, 2023

UDIN: CR2023100804HdOTN9kQ

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

pwc

A·F·FERGUSON&Co.

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.

Afferguson & Co.

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 4th August 2022, 15th August 2022, 01st September 2022, 28th February 2023, 21st March 2023 & 5th 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 30th 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 23th September 2022, 13th October 2022 and 27th October 2022 on the financial information disclosed by KE.

Abdullah

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 30th 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 10th February 2023 on the financial information disclosed by KE.

زبیر احمد

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 30th 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 26th April 2023 & 13th 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 30th 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 30th 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 30th 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	Dr. Ejaz Ahmed Samadani	Dr. Muhammad Zubair Usmani
Shariah Advisor	Shariah Advisor	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: September15, 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.

Responsiblity 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-compliances 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.

AFFerguson & Co.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Date: October 2, 2023

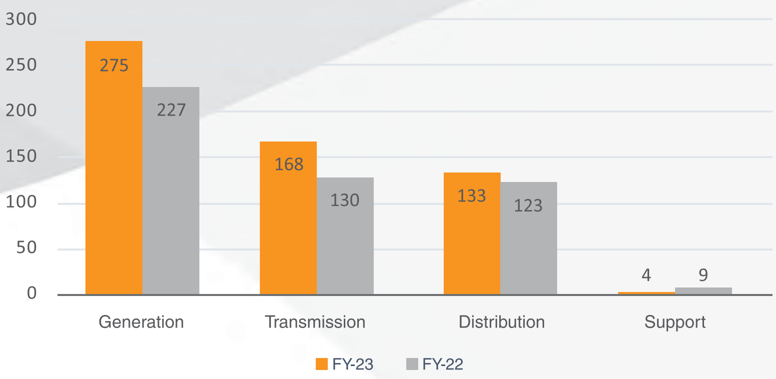
Financial Review

Financial Analysis

FINANCIAL POSITION ANALYSIS

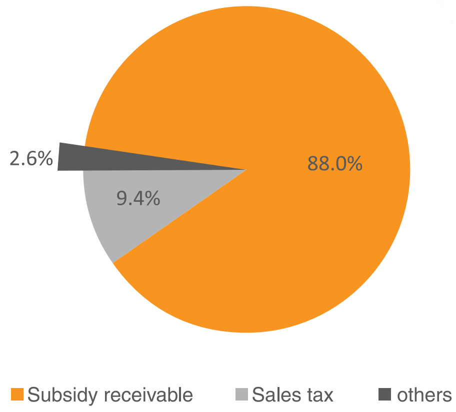
Property, Plant & Equipment

(PKR in billions)



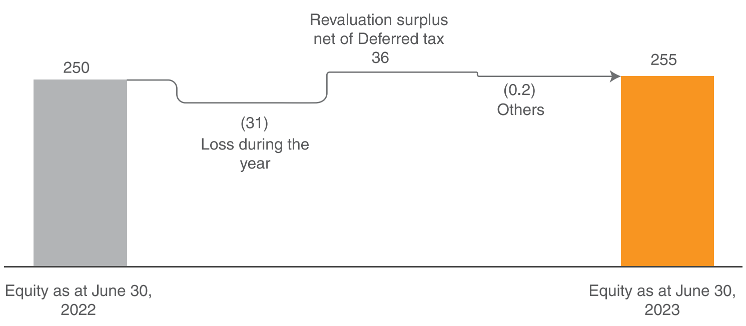
Other receivables

(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 Sinosure 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:

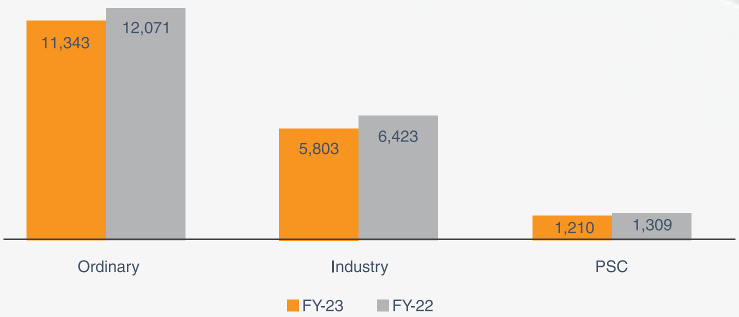
2023 | 357.9 bn   2022 | 438.1 bn

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

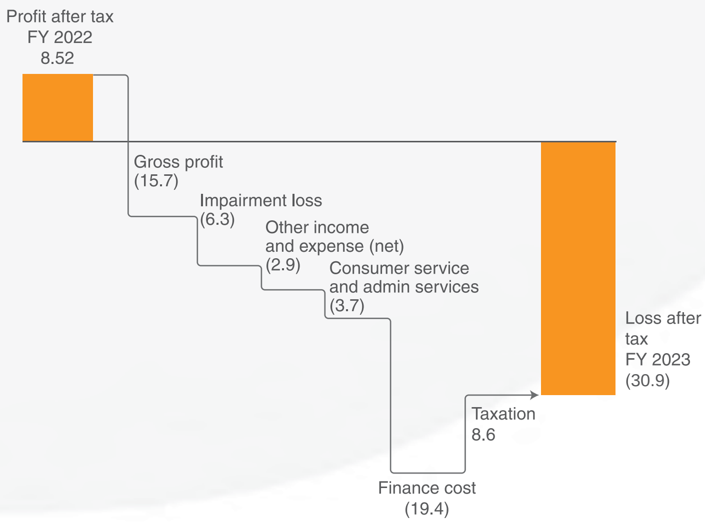
Units Sent-Out

(In Gwh)



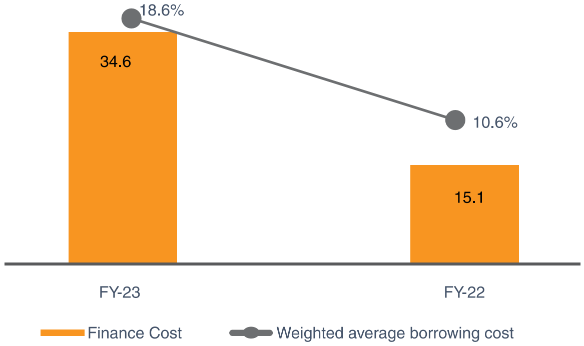
Profit/(loss) after tax movement

(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%.

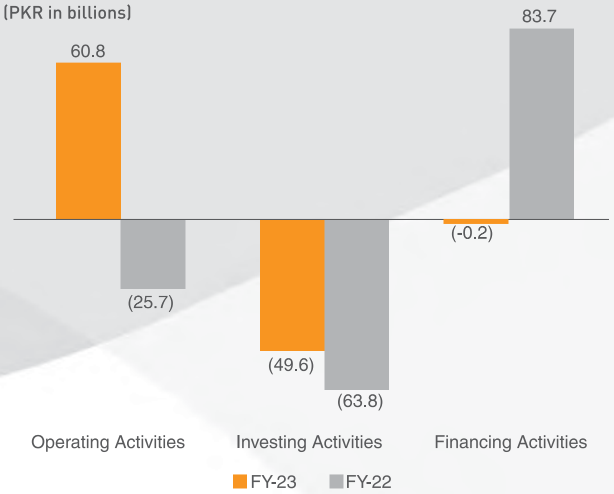
Taxation:

2023 | 11.48 bn 2022 | 2.88 bn

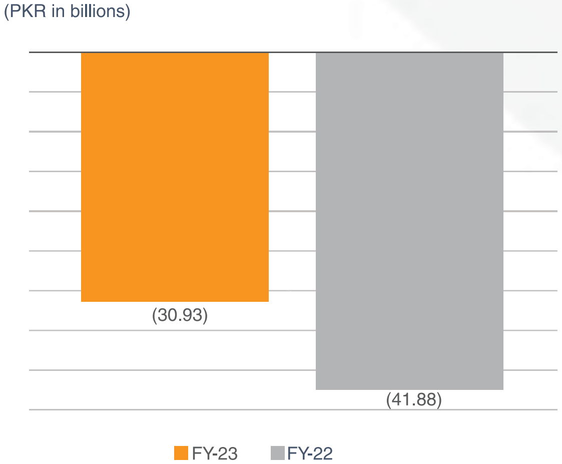
Taxation income for the period increased by Rs. 8.6 billion. This increase was primarily driven by the generation of deferred tax income resulting from the revaluation of property, plant, and equipment, along with prior tax income stemming from favorable financial outcomes.

CASH FLOW ANALYSIS

Cash flow movement



Cash and Cash Equivalents



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 receiveble 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	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Operational performance			(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
Total Assets	**473,698**	**598,865**	**703,414**	**835,677**	**1,060,128**	**1,024,662**
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
Total Equity & Liabilities	**473,698**	**598,865**	**703,414**	**835,677**	**1,060,128**	**1,024,662**
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)
Net increase/(decrease) in cash and cash equivalent	**(18,351)**	**1,285**	**(348)**	**(10,144)**	**(5,896)**	**10,946**
Cash and cash equivalent at beginning of the year	(8,421)	(26,772)	(25,487)	(25,835)	(35,979)	(41,875)
Cash and cash equivalent at end of the year	**(26,772)**	**(25,487)**	**(25,835)**	**(35,979)**	**(41,875)**	**(30,929)**

Key Financial Indicators

Description	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Profitability Ratios			(In Percentage %)			
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	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
Liquidity Ratios			(In Times)			
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)
Activity / Turnover Ratio						
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
Investment / Market Ratios			(In Rupees)			
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
Capital Structure Ratios			(In Times)			
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
Employee Productivity ratios						
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%
Others			(In Percentage %)			
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%
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
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%
Total Equity and Liabilities	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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%)
	(68.8%)	(74.6%)	(76.0%)	(73.9%)	(81.0%)	(83.3%)
Expenses incurred in generation, transmission And distribution	(10.4%)	(7.8%)	(8.8%)	(7.9%)	(5.8%)	(6.5%)
Gross Profit	**20.9%**	**17.5%**	**15.2%**	**18.2%**	**13.2%**	**10.2%**
Consumers Services and Administrative Expenses (including impairment loss against trade debts & other receivables)	(16.0%)	(13.2%)	(12.0%)	(12.6%)	(9.4%)	(11.3%)
Other operating expenses	(1.0%)	(1.7%)	(0.2%)	(0.5%)	(1.8%)	(2.8%)
Other operating income	3.9%	2.6%	2.9%	3.0%	2.0%	2.4%
	(13.1%)	(12.3%)	(9.3%)	(10.1%)	(9.2%)	(11.7%)
Profit / (Loss) Before Finance Cost	**7.8%**	**5.2%**	**5.9%**	**8.1%**	**4.0%**	**(1.5%)**
Finance cost	(1.5%)	(2.2%)	(5.8%)	(3.4%)	(2.9%)	(6.7%)
Profit / (Loss) Before Taxation	6.3%	3.1%	0.1%	4.7%	1.1%	(8.2%)
Taxation	(0.6%)	2.9%	(1.1%)	(1.0%)	0.6%	2.2%
Profit / (loss) for the year	**5.7%**	**6.0%**	**(1.0%)**	**3.7%**	**1.6%**	**(5.9%)**

HORIZONTAL ANALYSIS

Statement of Financial Position

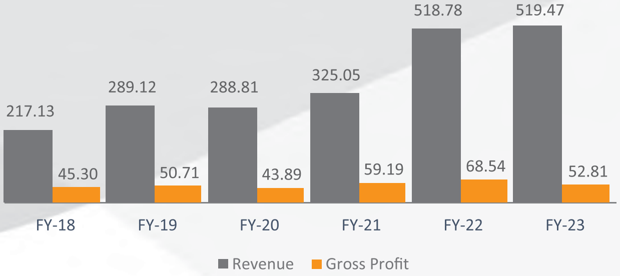
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Non-Current Assets	100.0%	117.7%	131.2%	154.0%	183.4%	218.9%
Current Assets	100.0%	138.8%	173.0%	208.2%	281.1%	212.6%
Total Assets	**100.0%**	**126.4%**	**148.5%**	**176.4%**	**223.8%**	**216.3%**
Share Capital & Reserves	100.0%	103.5%	101.6%	108.0%	120.7%	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%
Total Equity and Liabilities	**100.0%**	**126.4%**	**148.5%**	**176.4%**	**223.8%**	**216.3%**

Statement of Profit or Loss

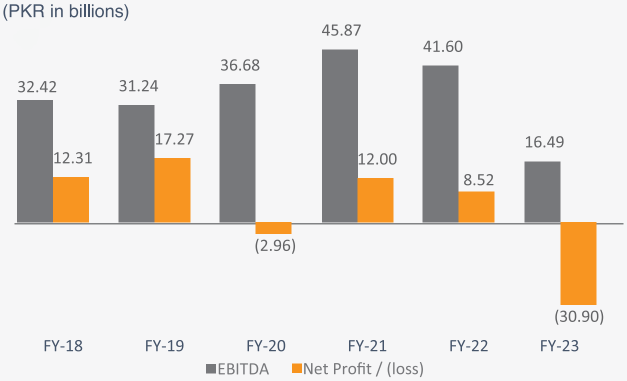
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenue	100.0%	133.2%	133.0%	149.7%	238.9%	239.2%
Purchase of electricity	100.0%	122.9%	133.3%	144.9%	268.0%	288.1%
Consumption of fuel and oil	100.0%	167.8%	161.7%	178.0%	295.7%	291.9%
	100.0%	**144.5%**	**147.0%**	**160.8%**	**281.3%**	**289.9%**
Expenses incurred in generation, transmission & distribution	100.0%	100.6%	113.1%	114.1%	134.2%	149.9%
Gross Profit	**100.0%**	**111.9%**	**96.9%**	**130.7%**	**151.3%**	**116.6%**
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%
	100.0%	**125.4%**	**94.6%**	**115.5%**	**168.5%**	**213.9%**
Profit / (Loss) Before Finance Cost	**100.0%**	**89.5%**	**100.8%**	**156.0%**	**122.5%**	**(46.0%)**
Finance cost	100.0%	194.2%	517.2%	343.4%	467.2%	1068.2%
Profit / (Loss) Before Taxation	**100.0%**	**64.7%**	**2.6%**	**111.9%**	**41.2%**	**(308.9%)**
Taxation	100.0%	(596.2%)	235.8%	237.9%	(204.3%)	(815.4%)
Profit / (loss) for the year	**100.0%**	**140.3%**	**(24.0%)**	**97.5%**	**69.2%**	**(251.0%)**

Graphical Analysis

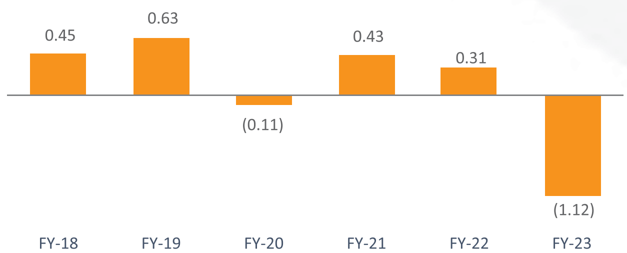
REVENUE & GROSS PROFIT
(PKR in billions)



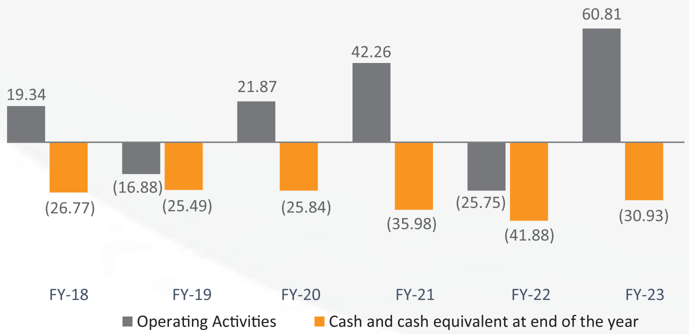
EBITDA & NET PROFIT / (LOSS)
(PKR in billions)



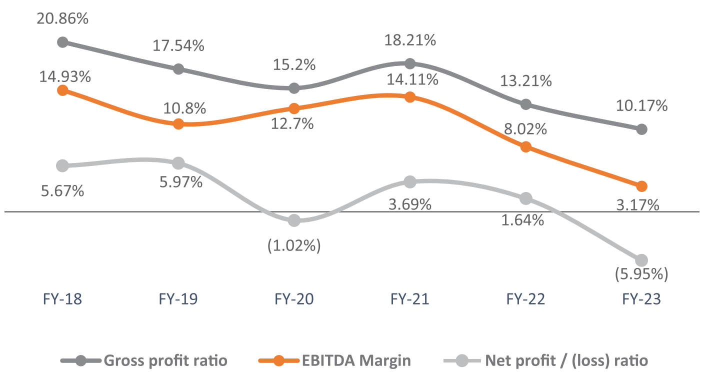
EARNINGS PER SHARE (EPS)
(In PKR)



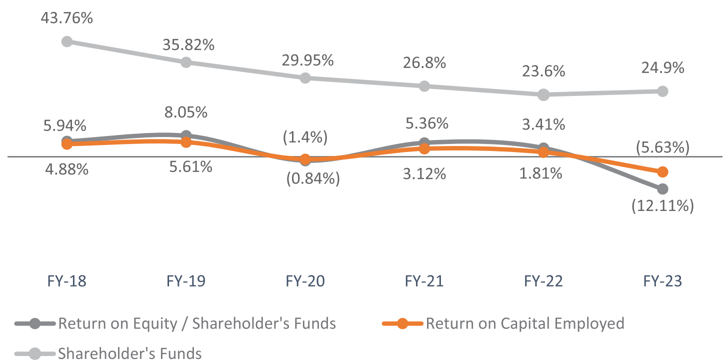
CASHFLOWS ANALYSIS
(PKR in billions)



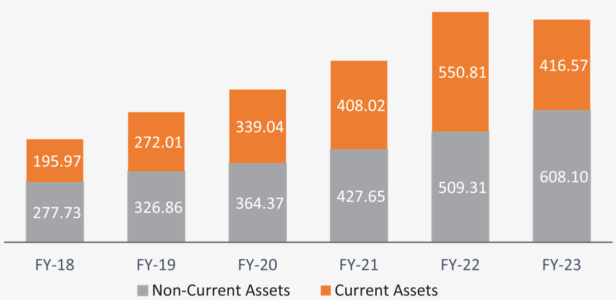
PROFITABILITY RATIOS
(In %)



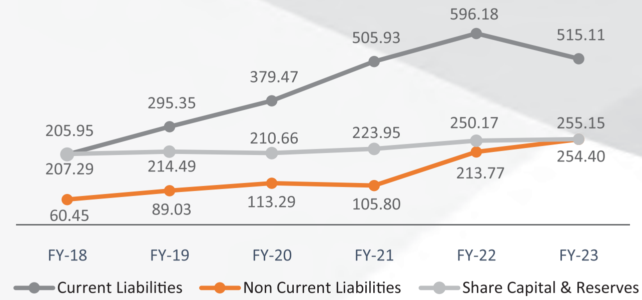
PROFITABILITY RATIOS
(In %)



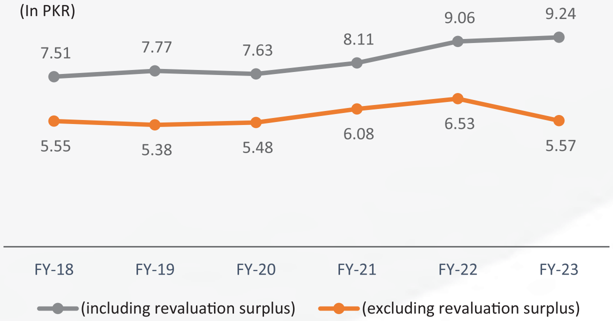
TOTAL ASSETS
(PKR in billions)



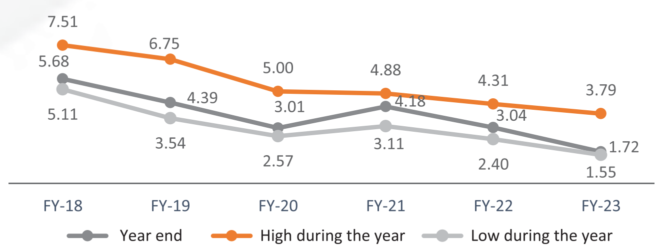
EQUITIES & LIABILITIES
(PKR in billions)



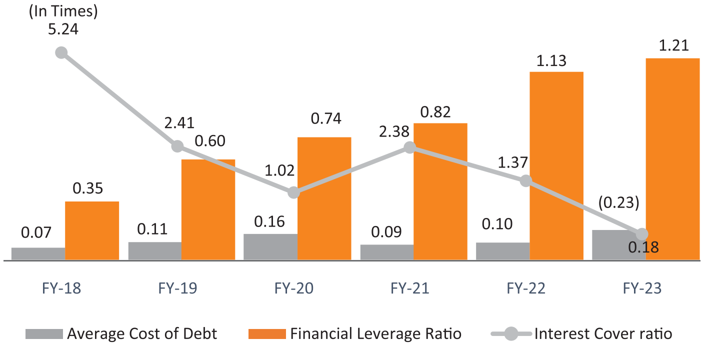
BREAKUP VALUE PER SHARE
(In PKR)



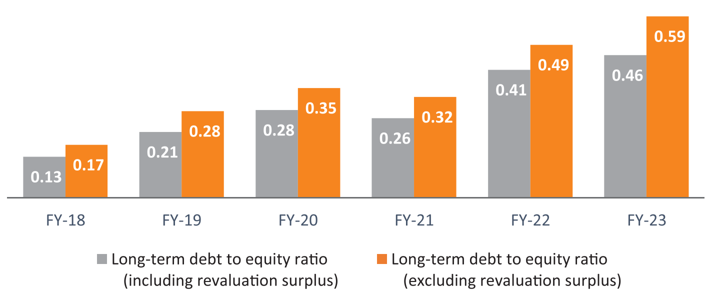
MARKET VALUE PER SHARE
(In PKR)



CAPITAL STRUCTURE RATIOS
(In Times)

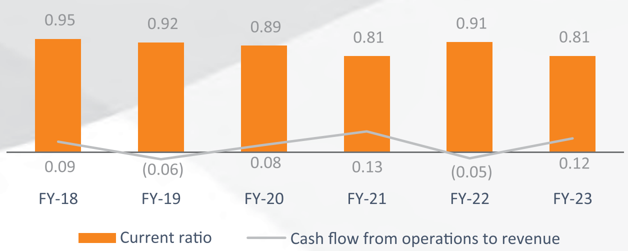


LONG TERM DEBT TO EQUITY
(In Times)

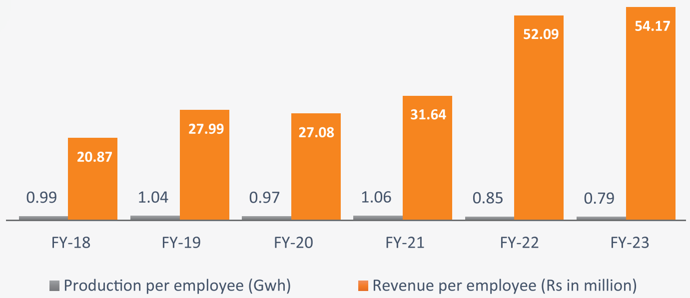


LIQUIDITY RATIO

(In Times)

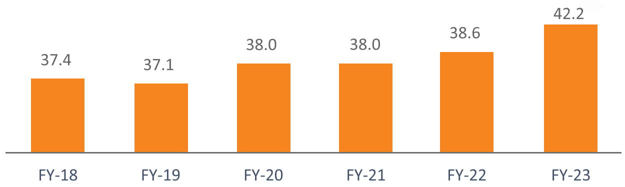


EMPLOYEE PRODUCTIVITY RATIOS



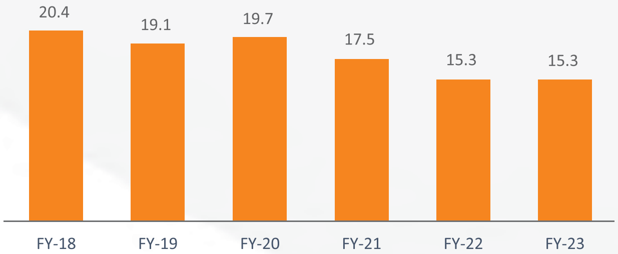
GENERATION FLEET EFFICIENCY

(In %)



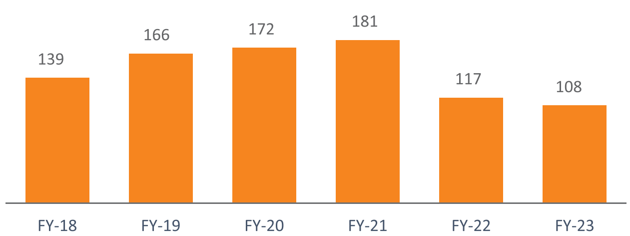
T&D LOSSES

(In %)



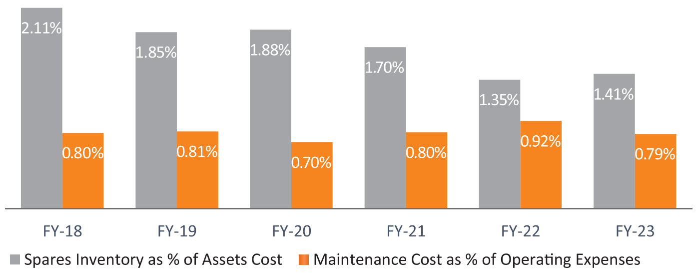
GAS

(MMCFD)



OTHER RATIOS

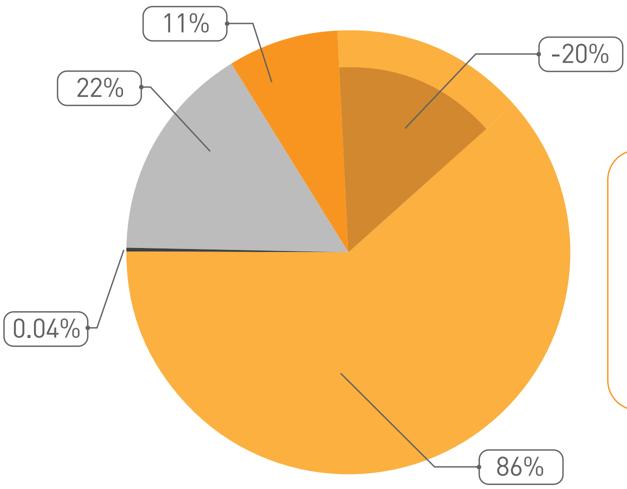
(In %)



Statement of Value Addition and its Distribution

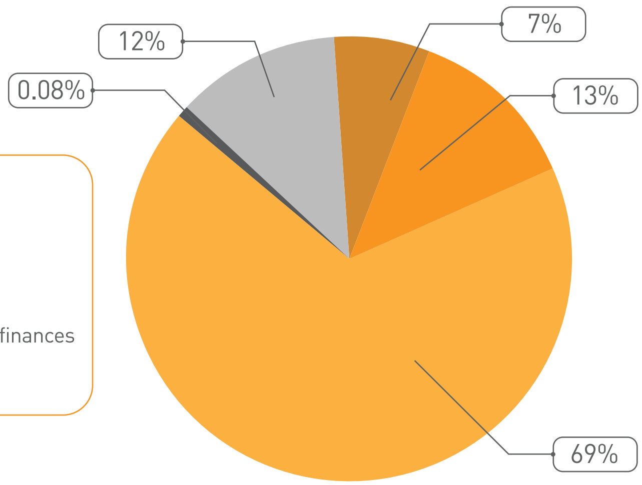
	2023 Rs in Million	%	2022 Rs in Million	%
Wealth Generated				
Sale of energy inclusive of all taxes	513,825		428,705	
Tariff adjustment	136,907		172,687	
Other Income	12,420		10,210	
Electricity purchase, consumption of fuel and oil, service and other cost (exclusive taxes)	(522,270)		(492,286)	
Deferred tax income	14,655		7,228	
	155,537	100%	126,544	100%
Wealth Distribution				
To Employees - Salaries, benefits and other costs	17,361	11%	15,837	13%
To Government - Income tax, sales tax and others	134,440	86%	86,968	69%
To Society - Donations	63	0.04%	95	0.08%
To providers of finances - Financial Charges	34,570	22%	15,120	12%
To Company - Retained within the business	(30,897)	-20%	8,524	7%
	155,537	100.00%	126,544	100.00%

Wealth Distribution 2023



Employees
Government
Society
Providers of finances
Company

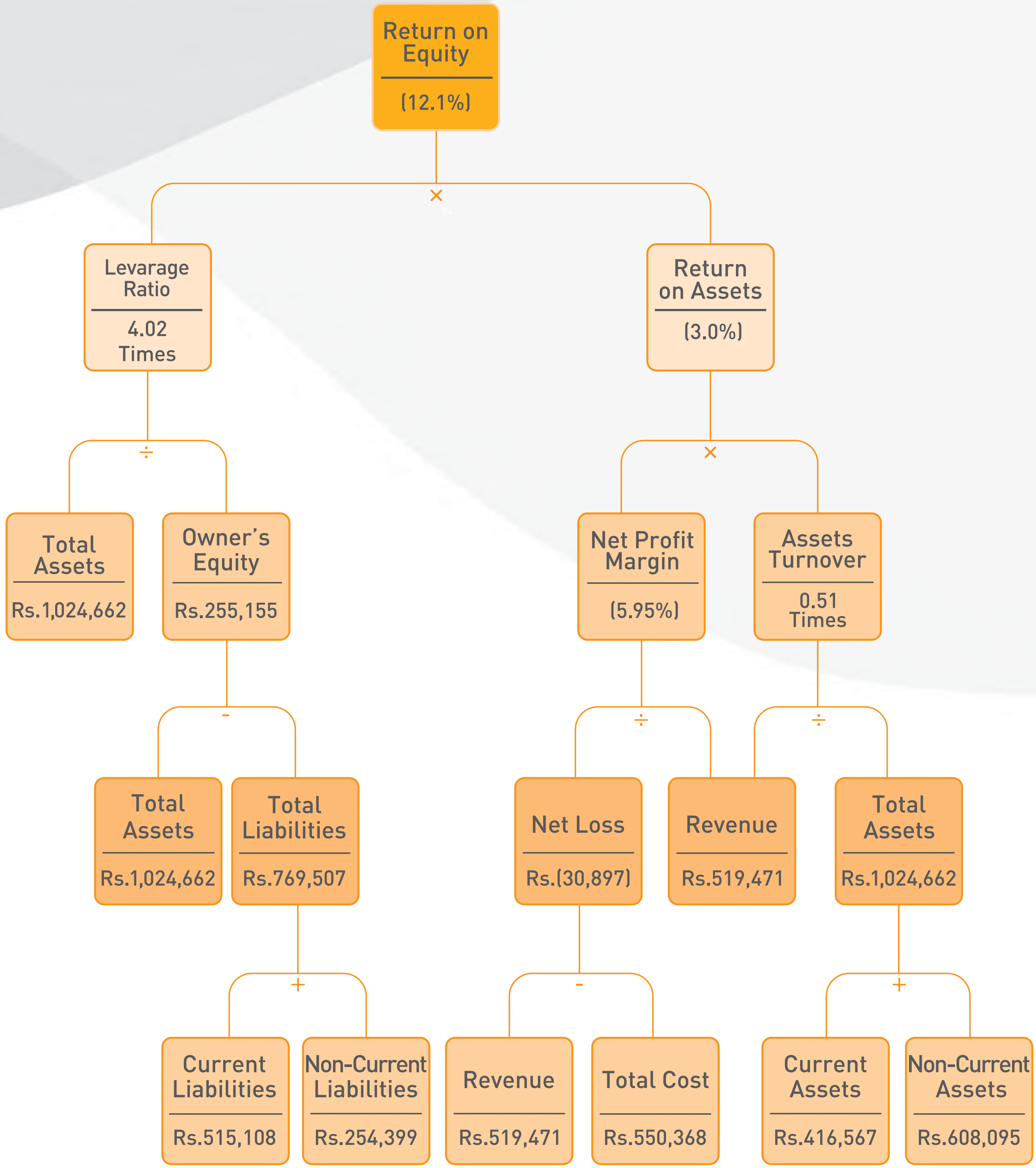
Wealth Distribution 2022



DuPont Analysis

For the year ended June 30, 2023

(Amount in millions)



Statement of Cash Flows Direct Method

	2023	2022
	(Rupees in '000)	
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	**100,465,896**	**(11,424,779)**
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 operationg 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)**

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.

pwc

A·F·FERGUSON&Co.

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)	**Tariff adjustment on account of write-off of bad debts** (Refer notes 2.5.1 and 33.2 to the annexed unconsolidated financial statements) 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. 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. 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. Accordingly, we considered tariff adjustment on account of write-off of bad debts a key audit matter.	Our audit procedures amongst other included the following: • 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; • 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; • 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; • Verified as part of the requirement of MYT 2017-23 that the amounts are not recoverable notwithstanding the efforts of the Company; and • Assessed the financial impacts and appropriateness of disclosures made in the unconsolidated financial statements in this respect.
(ii)	**Impairment loss against trade debts** (Refer notes 2.5.4 and 10 to the annexed unconsolidated financial statements) 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. 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.	Our audit procedures amongst other included the following: • Considered management's process of application of ECL model to calculate impairment loss against trade debts; • Evaluated key decisions made by the Company's management with respect to estimates and judgements in relation to application of the ECL model; • Evaluated the ECL model for appropriateness of the methodology applied and checked arithmetical accuracy of the model; and

S. No	Key audit matters	How the matter was addressed in our audit
	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.	• Assessed financial impacts and appropriateness of disclosures made in the unconsolidated financial statements in relation to impairment loss against trade debts.
(iii)	**Revaluation of property, plant and equipment (PP&E)** (Refer notes 2.5.2, 3.1, 4 and 19 to the annexed unconsolidated financial statements) The Company as at reporting date carried out a revaluation exercise for specific classes of PP&E being plant and machinery and transmission grid equipment which resulted in a revaluation surplus of Rs. 50,836 million for the year. Determination of fair value of aforementioned classes of PP&E by the management for this purpose requires use of experts and application of significant management judgement and use of estimates. Accordingly, we considered this an area of higher assessed risk and a key audit matter.	Our audit procedures amongst other included the following: • Obtained valuation reports of management's expert and considered qualification and experience of the expert, the scope of work and the assumptions used; • Checked revaluation adjustments made by management; • For selected sites, engaged expert to perform an independent assessment of the work performed and conclusions reached by the management's expert; and • Assessed the appropriateness of the disclosures in the unconsolidated financial statements in this respect.

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.

AFFerguson & Co.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Date: October 2, 2023

UDIN: AR202310080I6Ytq0DxH

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2023

	Note	June 30, 2023	June 30, 2022
		-----------------(Rupees in '000)----------------	
ASSETS			
Non-current assets			
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
Current assets			
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	-
TOTAL ASSETS		1,024,662,373	1,060,128,079
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital	17	96,261,551	96,261,551
Reserves			
Capital reserves			
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
Revenue reserves			
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
TOTAL EQUITY		255,154,657	250,171,718
LIABILITIES			
Non-current liabilities			
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
Current liabilities			
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
TOTAL LIABILITIES		769,507,716	809,956,361
Contingencies and Commitments	31		
TOTAL EQUITY AND LIABILITIES		1,024,662,373	1,060,128,079

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

Syed Moonis Abdullah Alvi	Saad Amanullah Khan	Muhammad Aamir Ghaziani
Chief Executive Officer	**Director**	**Chief Financial Officer**

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023	2022
		----------(Rupees in '000)------------	
REVENUE			
Sale of energy - net	32	382,563,814	346,090,518
Tariff adjustment	33	136,907,413	172,686,588
		519,471,227	518,777,106
COST OF SALES			
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)
		(466,659,212)	(450,241,200)
GROSS PROFIT		52,812,015	68,535,906
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
		(60,614,428)	(47,767,194)
(LOSS) / PROFIT BEFORE FINANCE COST		(7,802,413)	20,768,712
Finance cost	40	(34,569,926)	(15,120,458)
(LOSS) / PROFIT BEFORE TAXATION		(42,372,339)	5,648,254
Taxation	41	11,475,775	2,875,324
(LOSS) / PROFIT FOR THE YEAR		(30,896,564)	8,523,578
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)	42	16,489,383	41,597,967
		---------------(Rupees)---------------	
(LOSS) / EARNING PER SHARE - BASIC AND DILUTED	43	(1.12)	0.31

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

Syed Moonis Abdullah Alvi	**Saad Amanullah Khan**	**Muhammad Aamir Ghaziani**
Chief Executive Officer	**Director**	**Chief Financial Officer**

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023	2022
		-------------(Rupees in '000)-------------	
(LOSS) / PROFIT FOR THE YEAR		(30,896,564)	8,523,578
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified to profit or loss			
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)
		-	-
Items that will not be reclassified to profit or loss			
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
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,982,939	26,220,202

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
				Capital				Revenue			
	Ordinary shares	Transaction costs	Total share capital	Share premium (note 17.3)	Others (note 18.1)	Revaluation surplus on property, plant and equipment – net of tax	Total	General reserve	Unappropriated profit	Total	
	(Rupees in '000)										
Balance as at July 1, 2021	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
	-	-	-	-	-	17,775,990	17,775,990	-	8,444,212	8,444,212	26,220,202
Incremental depreciation charged relating to revaluation surplus on property, plant and equipment and disposals - net of deferred tax (note 19)	-	-	-	-	-	(3,995,363)	(3,995,363)	-	3,995,363	3,995,363	-
Balance as at June 30, 2022	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
	-	-	-	-	-	36,093,490	36,093,490	-	(31,110,551)	(31,110,551)	4,982,939
Incremental depreciation charged relating to revaluation surplus on property, plant and equipment and disposals - net of deferred tax (note 19)	-	-	-	-	-	(4,374,904)	(4,374,904)	-	4,374,904	4,374,904	-
Balance as at June 30, 2023	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	2022
		------------(Rupees in '000)------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(42,372,339)	5,648,254
Adjustments for non-cash charges and other items:			
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)
Operating profit before working capital changes		56,220,556	66,601,678
Working capital changes:			
Decrease / (increase) in current assets			
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)
Increase / (decrease) in current liabilities			
Trade and other payables		(81,182,568)	82,559,788
Short-term deposits		(5,494,565)	947,740
		(86,677,133)	83,507,528
Cash generated from / (used in) operations		100,465,896	(11,424,779)
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)
Net cash generated from / (used in) operating activities		60,809,317	(25,746,180)
CASH FLOWS FROM INVESTING ACTIVITIES			
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)
Net cash used in investing activities		(49,645,664)	(63,842,848)
CASH FLOWS FROM FINANCING ACTIVITIES			
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)
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 beginning of the year		(41,875,437)	(35,979,547)
Cash and cash equivalents at end of the year	45	(30,929,318)	(41,875,437)

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

Syed Moonis Abdullah Alvi	**Saad Amanullah Khan**	**Muhammad Aamir Ghaziani**
Chief Executive Officer	**Director**	**Chief Financial Officer**

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	Geographical location
Registered / Head Office	KE House, 39-B, Sunset Boulevard, Phase II, DHA, Karachi
Generation Plants	Port Qasim, Korangi & S.I.T.E., Karachi
Elander Road Office	Elander Road, Karachi
Civic Centre Office	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 indexationon 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:

		Effective date (annual reporting periods beginning on or after)
IAS 1	Presentation of financial statements (Amendments)	January 1, 2023
IAS 8	Accounting policies, changes in estimates and errors (Amendments)	January 1, 2023
IAS 12	Income taxes (Amendments)	January 1, 2023
IFRS 16	Leases on sale and leaseback (Amendments)	January 1, 2024
IAS 1	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(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 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 occurence / 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

	Note	2023	2022
		------ (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
		580,244,646	489,248,209

4.1 Operating fixed assets

	Revaluation model	Cost model		Revaluation model						Cost model						
	Land		Buildings on	Plant and machinery					others							
	Leasehold (note 4.1.1)	Other (note 4.1.2)	Leasehold land	Other land	Owned	Assets given under long term diminishing musharka sukuk	Transmission grid equipment	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	Total
	Level 2 fair value				Level 3 fair value												
	(Rupees in '000)																
As at June 30, 2021																	
Cost / Revalued amount	16,729,602	580,297	6,311,936	6,334,423	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)	(2,215,697)	(66,444,602)	(32,292,063)	(28,963,057)	(11,517,284)	(30,760,150)	(3,127,398)	(1,209,864)	(148,022)	(1,332,589)	(1,323,689)	(1,508,767)	(67,713)	(184,773,899)
Net book value	13,926,741	580,297	5,251,793	4,118,726	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
Year ended June 30, 2022																	
Opening net book value	13,926,741	580,297	5,251,793	4,118,726	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 CWIP (note 4.4)	2,028	407,218	473,993	184,441	5,282,624	45,122	2,329,693	4,109,080	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	-	-	-	-	(2,567,543)	(344,234)	(1,537,579)	(445,876)	(1,934,465)	(117,696)	(35,892)	(30,920)	(121,341)	(8,500)	(41,440)	-	(7,185,486)
Accumulated depreciation	-	-	-	-	1,526,416	285,709	1,193,864	394,448	1,656,755	117,696	26,169	27,828	120,447	7,042	20,221	-	5,376,595
	-	-	-	-	(1,041,127)	(58,525)	(343,715)	(51,428)	(277,710)	-	(9,723)	(3,092)	(894)	(1,458)	(21,219)	-	(1,808,891)
Depreciation charge note (4.1.8)	(250,979)	-	(161,543)	(235,849)	(9,447,946)	(1,693,293)	(2,287,454)	(1,023,208)	(4,381,584)	(220,562)	(87,656)	(3,321)	(310,284)	(144,734)	(238,219)	-	(20,486,632)
Closing net book value	15,002,543	987,515	5,564,243	4,067,318	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
As at June 30, 2022																	
Cost / Revalued amount	18,056,383	987,515	6,785,929	6,518,864	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)	(2,451,546)	(74,366,132)	(33,699,647)	(30,056,647)	(12,146,044)	(33,484,979)	(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	987,515	5,564,243	4,067,318	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
Year ended June 30, 2023																	
Opening net book value	15,002,543	987,515	5,564,243	4,067,318	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 CWIP (note 4.4)	-	-	319,100	6,912,398	100,729,695	10	11,202,851	2,307,806	35,010,548	1,467,397	442,976	61,026	1,068,055	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	-	-	-	-	(182,086)	(54,224)	(1,260,140)	(38,011)	(730,563)	(79,280)	(16,616)	(2,484)	(164,400)	(1,704)	(278)	-	(2,529,786)
Accumulated depreciation	-	-	-	-	131,475	34,270	1,008,269	31,474	575,566	79,280	13,624	2,235	158,203	1,336	278	-	2,036,010
	-	-	-	-	(50,611)	(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)																	
Cost / Revalued amount	(2,078,087)	-	(2,903)	-	(18,192,523)	-	-	-	-	-	(589)	-	-	(443)	(2,875)	-	(20,277,420)
Accumulated depreciation	106,378	-	581	-	15,553,326	-	-	-	-	-	530	-	-	399	2,588	-	15,663,802
	(1,971,709)	-	(2,322)	-	(2,639,197)	-	-	-	-	-	(59)	-	-	(44)	(287)	-	(4,613,618)
Depreciation charge (note 4.1.8)	(266,680)	-	(176,946)	(398,417)	(10,072,415)	(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	987,515	5,704,075	10,581,299	235,367,826	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
As at June 30, 2023																	
Cost / Revalued amount	15,978,296	987,515	7,102,126	13,431,262	304,121,572	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)	(68,753,746)	(35,251,471)	(31,591,141)	(13,189,561)	(39,126,002)	(3,399,466)	(1,428,737)	(143,583)	(1,969,712)	(1,621,598)	(1,953,141)	(67,713)	(205,958,027)
Net book value	12,764,154	987,515	5,704,075	10,581,299	235,367,826	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
Annual rate of depreciation (%)	1.01 to 3.03		2	2 to 20	2.85 to 33.33	2.85 to 33.33	3 to 10	3 to 3.33	3 to 10	20	10 to 15	20	14.33-33.33	10 to 15	3.33 to 20	14.33	

4.1.1 Leasehold land

This represents leasehold 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	2022
		------ (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	Revalued amount as at revaluation date
			-------- (Rupees in '000) -------	
Leasehold land	Harvester Services (Private) Limited	June 30, 2022	13,677,789	15,002,542
Plant and machinery - 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	2022
		------ (Rupees in '000) ------	
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
		23,773,903	20,486,632

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)	----------------------				
Plant and machinery							
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.
Transmission grid equipment							
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.
Transmission lines and SCADA equipment							
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.
Distribution networks							
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		
Individual Items having written down value below Rs. 500,000							
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		

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
Power Plants		
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
Open Plots		
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
Offices		
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
Residential Colonies		
Gulshan-e-Hadeed	Bin Qasim, Karachi	121,000
Korangi	Korangi, Karachi	1,200
Grid Stations / IBCs / substations / stores	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
	--------	--------	--------(Rupess 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).

4.5 Right-of-use assets

	Note	2023	2022
		------ (Rupees in '000) ------	
Cost			
Opening balance		246,568	182,779
Additions during the year		57,748	77,580
Derecognition	4.5.6	(81,583)	(13,791)
		222,733	246,568
Accumulated depreciation			
Opening balance		(78,585)	(56,063)
Depreciation charge	37	(34,327)	(36,313)
Derecognition		39,572	13,791
		(73,340)	(78,585)
Net book value as at June 30		149,393	167,983

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.

5. INTANGIBLE ASSETS

Computer software

	Note	2023	2022
		------ (Rupees in '000) ------	
Cost	5.1	3,333,186	2,259,979
Accumulated amortisation	5.2	(2,163,699)	(1,741,090)
		1,169,487	518,889

5.1 Cost

	Note	2023	2022
Opening balance		2,259,979	1,885,007
Additions during the year	4.4	1,073,207	374,972
		3,333,186	2,259,979

5.2 Amortisation to date

	Note	2023	2022
Opening balance		1,741,090	1,495,737
Amortisation during the year	36 & 37	422,609	245,353
		2,163,699	1,741,090
Useful life		3 years	3 years

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

	Note	2023	2022
		------ (Rupees in '000) ------	
6. INVESTMENT PROPERTY			
Leasehold land	6.2 & 6.3		
Cost		3,047,856	3,047,856
Accumulated depreciation	6.1	(182,871)	(121,914)
		2,864,985	2,925,942
6.1 Accumulated depreciation			
Opening balance		121,914	60,957
Depreciation charge	37	60,957	60,957
		182,871	121,914
Useful life		50 years	50 years
Annual rate of depreciation (%)		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	2022
		------ (Rupees in '000) ------	
7. OTHER FINANCIAL ASSETS - AT AMORTISED COST			
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)
		23,366,721	16,323,268

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	2022
		------ (Rupees in '000) ------	
8. LONG-TERM LOANS AND DEPOSITS			
Long-term loans	8.1	10,003	11,899
Long-term deposits	8.2	10,261	11,744
		20,264	23,643

8.1 Long-term loans

	Note	Secured House building loans (note 8.1.1)	Unsecured Festival loans (note 8.1.2)	2023	2022
		----------	(Rupees in '000)	----------	
Considered good					
Executives		-	36	36	36
Employees		22	10,193	10,215	12,405
		22	10,229	10,251	12,441
Recoverable within one year 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)	------
8.2 Long-term deposits			
Considered good			
Rental premises and others		10,261	11,744
Considered doubtful			
Rental premises		1,020	1,020
Provision for impairment		(1,020)	(1,020)
		-	-
		10,261	11,744

9 INVENTORIES

	Note	2023	2022
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 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

	Note	2023	2022
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

10	TRADE DEBTS	Note	2023	2022
			------ (Rupees in '000) ------	
	Considered good			
	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
	Considered doubtful		113,246,841	100,618,760
			217,529,776	237,461,794
	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.

10.5 Provision for impairment

	Note	2023	2022
		------ (Rupees in '000) ------	
Opening balance		100,618,760	97,746,537
Provision made during the year	10.6	30,272,337	19,332,532
		130,891,097	117,079,069
Write-off against provision during the year	10.5.1	(17,644,256)	(16,460,309)
		113,246,841	100,618,760

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	2022
		------ (Rupees in '000) ------	
Neither past due nor impaired			
Upto 30 days		57,326,959	80,840,647
Past due but not impaired			
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
		104,282,935	136,843,034

11. LOANS AND ADVANCES

	Note	2023	2022
Loans – secured			
Considered good			
Current portion of long term loans	8.1	248	542
Advances – unsecured			
Considered good			
Employees	11.1	60,032	121,100
Suppliers		2,640,675	1,541,877
		2,700,707	1,662,977
Considered doubtful			
Suppliers		130,340	130,340
		2,831,047	1,793,317
Provision for impairment against advances considered doubtful	11.2	(130,340)	(130,340)
		2,700,707	1,662,977
		2,700,955	1,663,519

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	2022
		------ (Rupees in '000) ------	
Deposits	12.1 & 12.2	11,371,414	6,214,025
Prepayments			
Rent		16,243	4,492
Insurance and others	12.3	466,691	1,835,915
		482,934	1,840,407
		11,854,348	8,054,432

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	2022
		------ (Rupees in '000) ------	
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
		245,735,335	380,738,487
Provision for impairment	13.1	(6,373,696)	(5,514,731)
		239,361,639	375,223,756

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	2022
		------ (Rupees in '000) ------	
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
		5,733,768	5,902,107

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 months	7 to 12 months	More than 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	1,235,778	14,160	4,483,830	5,733,768
June 30, 2022	5,414,147	10,849	477,111	5,902,107

14. DERIVATIVE FINANCIAL ASSETS

	Note	2023	2022
		(Rupees in '000)	
Cross currency swap	14.1 & 14.2	23,567,302	8,033,631

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.

15. CASH AND BANK BALANCES

	Note	2023	2022
		(Rupees in '000)	
Cash in hand		51,520	45,122
Cash with:			
Conventional banks:			
- Current accounts		2,496,625	190,656
- Deposit accounts	15.1	903,651	341,332
- Collection accounts		2,111,420	1,874,579
		5,511,696	2,406,567
Islamic banks:			
- Current accounts		131,605	90,738
- Deposit accounts	15.1	125,742	27,614
- Collection accounts		1,273,462	276,091
		1,530,809	394,443
		7,094,025	2,846,132

15.1 These carry mark-up at rates ranging from 4.6% to 20.45% (2022: 4.5% to 13.05%) per annum.

16. ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2023	2022
		(Rupees in '000)	
Plant and machinery - owned	16.1	2,639,197	-
Leasehold land	16.2	1,971,709	-
Others	16.1	2,712	-
		4,613,618	-

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	2022
				------ (Rupees in '000) ------	
		Authorised share capital			
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
35,714,285,714	35,714,285,714			125,000,000	125,000,000
		Issued, subscribed and paid-up capital			
		Issued for cash			
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
		Issued for consideration other than cash			
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
		Issued as bonus shares			
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			45,925,964	45,925,964
		Transaction costs on issuance of shares		(391,628)	(391,628)
27,615,194,246	27,615,194,246		17.1	96,261,551	96,261,551

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	2022
		------ (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) 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

18. SHARE PREMIUM AND OTHER RESERVES

	Note	2023	2022
Share premium	17.3	1,500,000	1,500,000
Others	18.1	509,172	509,172
		2,009,172	2,009,172

18.1 Others

	Note	2023	2022
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

18.1.1 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.

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.

	Note	2023	2022
		------ (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)
		101,431,882	69,713,296

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.

20 LONG-TERM FINANCING

	Note	2023	2022
		------ (Rupees in '000) ------	
From banking companies and financial institutions - secured			
Conventional:			
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
With Islamic banks:			
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
Diminishing musharaka - secured			
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
Others - Secured			
Due to oil and gas companies		610	610
Current maturity shown under current liabilities		(610)	(610)
		-	-
Unsecured			
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 Sinosure 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 anum. 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 Sinosure 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 anum. 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 Sinosure 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 Sinosure 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 anum 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 anum 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.

21. LEASE LIABILITIES

	Note	2023	2022
		------ (Rupees in '000) ------	
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 lease payments	Interest	Present value of future minimum 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).

22. LONG-TERM DEPOSITS AND OTHER LIABILITIES

	Note	2023	2022
		------ (Rupees in '000) ------	
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.

	Note	2023	2022
		------ (Rupees in '000) ------	

23. EMPLOYEE RETIREMENT BENEFITS AND OTHER BENEFIT OBLIGATIONS

	Note	2023	2022
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
		5,676,545	5,492,679

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) -------------------------------					
23.1.1	**Net recognised liability**							
	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		3,374,274	3,570,242	1,034,390	839,384	599,959	410,444
23.1.2	**Expense recognised in profit or loss**							
	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		1,025,666	912,150	144,749	102,542	108,573	88,739
23.1.3	**Remeasurement loss / (gain) recognised in other comprehensive income**							
	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	(47,857)	(23,045)	171,186	136,712	178,061	(1,884)
23.1.4	**Reconciliation of liability / (asset) as at reporting date**							
	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		3,374,274	3,570,242	1,034,390	839,384	599,959	410,444
23.1.5	**Movement in present value of defined benefit obligations**							
	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	6,902,097	6,572,330	1,034,390	839,384	599,959	410,444

	Note	Gratuity 2023	Gratuity 2022
		------ (Rupees in '000) ------	
23.1.6 Movement in fair value of plan assets			
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
23.1.7 Plan assets comprise of:			
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 — 2023

Expected withdrawal rate

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 ----------------------		
23.1.12 Plan duration			
June 30, 2023	9.5	8.7	8.2
June 30, 2022	9.2	8.8	8.3

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	2022
		------ (Rupees in '000) ------	

24. DEFERRED REVENUE

	Note	2023	2022
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
		54,296,924	44,820,762
Amortisation for the year	39	(2,917,953)	(2,405,777)
Balance at the end of the year		51,378,971	42,414,985

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 July 1, 2021	Recognised in profit or loss	Recognised in OCI	Balance as at June 30, 2022	Recognised in profit or loss	Recognised in OCI	Balance as at June 30, 2023
	-------	-------	-------	(Rupees in '000)	-------	-------	-------
Deferred tax liability on:							
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)
	(59,757,721)	(313,515)	(7,260,616)	(67,331,852)	(13,730,818)	(14,742,411)	(95,805,081)
Deferred tax asset on:							
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
	59,757,721	7,541,714	32,417	67,331,852	28,385,826	87,403	95,805,081
	-	7,228,199	(7,228,199)	-	14,655,008	(14,655,008)	-

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.

26. TRADE AND OTHER PAYABLES

	Note	2023	2022
		------ (Rupees in '000) ------	
Trade creditors			
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
Accrued expenses	26.2	6,722,931	5,611,945
Contract liabilities			
Energy	26.3	1,550,571	1,375,167
Others	26.4	2,109,849	2,625,791
		3,660,420	4,000,958
Other liabilities			
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:

	2023	2022
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 milion) 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	2022
		------ (Rupees in '000) ------	
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		3,187,305	3,484,674

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.

27. ACCRUED MARK-UP

	Note	2023	2022
		--------(Rupees in '000)--------	
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
		14,269,819	10,629,604

28. SHORT-TERM BORROWINGS

		Note	2023	2022
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 sukuks	- Shariah compliant	28.4	25,000,000	28,000,000
			92,851,098	107,535,452

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.

29. SHORT-TERM DEPOSITS

	Note	2023	2022
		------ (Rupees in '000) ------	
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
		13,750,583	15,337,040

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.

30. PROVISIONS

	Note	2023	2022
		------ (Rupees in '000) ------	
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	16,792	18,492

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 severly 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	2022
			------ (Rupees in '000) ------	
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

		2023	2022
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.

32. SALE OF ENERGY - NET

	Note	2023	2022
		------ (Rupees in '000) ------	
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	2022
			------ (Rupees in '000) ------	

32.3 NET REVENUE

	Note	2023	2022
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
		382,563,814	346,090,518

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.

33. TARIFF ADJUSTMENT

	Note	2023	2022
		------ (Rupees in '000) ------	
Tariff adjustment	33.1 & 33.2	136,907,413	172,686,588

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
	223,159,922	207,544,377
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
	209,759,088	212,487,554

36. EXPENSES INCURRED IN GENERATION, TRANSMISSION AND DISTRIBUTION

	Note	Generation expenses	Transmission and distribution expenses	2023	2022
		(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
		16,813,136	16,927,066	33,740,202	30,209,269

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

	Note	Consumer Services and Billing Expenses	Administrative and General Expenses	2023	2022
		(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
		18,442,271	8,972,622	27,414,893	23,718,684

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.

37.4 Auditors' remuneration

	Note	2023	2022
		------ (Rupees in '000) ------	
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
		349,466	275,101
Out of pocket expenses		2,299	916
		351,765	276,017

37.4.1 This includes Rs. 1.5 million (2022: Rs. 0.8 million) in respect of Shariah audit fee.

38. OTHER OPERATING EXPENSES

	Note	2023	2022
		------ (Rupees in '000) ------	
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
		14,488,484	9,411,556

38.1 Donations to the following parties exceeds 10% of the total amount of donations made by KE:

	2023	2022
Concern For Children Welfare	22,130	21,019
Muhammad Umer	18,801	-

39. OTHER INCOME

	Note	2023	2022
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
		5,009,537	2,418,190
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
		7,410,714	7,792,119
		12,420,251	10,210,309

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.

40. FINANCE COST

	Note	2023	2022
		------ (Rupees in '000) ------	
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
		26,514,460	11,334,142
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
		34,569,926	15,120,458

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%).

41. TAXATION

	Note	2023	2022
		------ (Rupees in '000) ------	
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)	-
		(11,475,775)	(2,875,324)

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
Effects of:		
- 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)
	(11,475,775)	(2,875,324)

42. EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

	2023	2022
(Loss) / profit before finance cost	(7,802,413)	20,768,712
Depreciation and amortisation	24,291,796	20,829,255
	16,489,383	41,597,967

43. (LOSS) / EARNING PER SHARE - BASIC AND DILUTED

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

	2023	2022
(Loss) / profit attributable to ordinary share holders	(30,896,564)	8,523,578
	-----(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	(1.12)	0.31

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
	70,296	18,601	7,617,680	69,575	23,100	6,934,977
Number of persons includes those who worked part of the year	1	10	2,052	1	13	1,893

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)	
45. CASH AND CASH EQUIVALENTS			
Cash and bank balances	15	7,094,025	2,846,132
Short-term running finances	28	(38,023,343)	(44,721,569)
		(30,929,318)	(41,875,437)
46. FINANCIAL INSTRUMENTS BY CATEGORY			
46.1 Financial assets measured at amortised cost			
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
		365,145,410	519,512,276
46.2 Financial assets measured at fair value through profit or loss			
Derivative financial assets	46.2.1	23,567,302	8,033,631

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.

46.3 Financial liabilities measured at amortised cost

	2023	2022
	------ (Rupees in '000) ------	
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	2022
		------ (Rupees in '000) ------	
Fixed rate instruments			
Financial assets			
Long-term loans		22	83
Financial liabilities			
Lease liabilities	21	158,684	175,659
Variable rate instruments			
Financial assets			
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
Financial liabilities			
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	Six to twelve months	One to five years	More than five years
	(Rupees in '000)					
Non-derivative Financial liabilities						
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	-	-	-
	670,303,505	786,349,308	427,063,169	73,845,084	157,927,218	127,513,838

	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)					
Non-derivative Financial liabilities						
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	-	-	-
	726,592,004	829,024,135	533,326,158	49,123,892	155,361,148	91,212,937

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)					
Balance as at July 1, 2022	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)
Total changes from financing activities	(6,698,226)	(7,986,128)	7,821,238	-	(52,644)	(6,915,760)
Other changes						
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
Total loan related other changes	547,465	985,968	35,703,579	2,737,527	35,669	40,010,208
Balance as at June 30, 2023	39,258,038	57,405,076	221,968,188	16,714,458	158,684	335,504,444

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:

	Note	2023	2022
		------ (Rupees in '000) ------	
Long-term financing	20	180,508,276	151,738,189
Total equity		255,154,657	250,171,718
		435,662,933	401,909,907
Long-term debt to equity		0.41:1	0.38:1

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 Siahiwala	-	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	Contribution to provident fund	1,231,728	1,168,162
49.2.7	Gratuity fund	Contribution to 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 2023	Average Gross Dependable Capacity 2022	Actual Generation 2023	Actual Generation 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

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					
	Generation	Transmission	Distribution	Un-allocated	Eliminations	Total
	---------------------------------- (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					
	Generation	Transmission	Distribution	Un-allocated	Eliminations	Total
	(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)	**Tariff adjustment on account of write-off of bad debts** (Refer notes 2.5.1 and 34.2 to the annexed consolidated financial statements) 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. 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. 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. Accordingly, we considered tariff adjustment on account of write-off of bad debts a key audit matter.	Our audit procedures amongst other included the following: • 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; • 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; • 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; • Verified as part of the requirement of MYT 2017-23 that the amounts are not recoverable notwithstanding the efforts of the Group; and • Assessed the financial impacts and appropriateness of disclosures made in the consolidated financial statements in this respect.
(ii)	**Impairment loss against trade debts** (Refer notes 2.5.4 and 11 to the annexed consolidated financial statements)	Our audit procedures amongst other included the following:

S. No	Key audit matters	How the matter was addressed in our audit
	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. 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. 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.	• Considered management's process of application of ECL model to calculate impairment loss against trade debts; • Evaluated key decisions made by the Group's management with respect to estimates and judgements in relation to application of the ECL model; • Evaluated the ECL model for appropriateness of the methodology applied and checked arithmetical accuracy of the model; and • Assessed financial impacts and appropriateness of disclosures made in the consolidated financial statements in relation to impairment loss against trade debts.
(iii)	**Revaluation of property, plant and equipment (PP&E)** (Refer notes 2.5.2, 4.1, 5 and 20 to the annexed consolidated financial statements) The Group as at reporting date carried out a revaluation exercise for specific classes of PP&E being plant and machinery and transmission grid equipment which resulted in a revaluation surplus of Rs. 50,836 million for the year. Determination of fair value of aforementioned classes of PP&E by the management for this purpose requires use of experts and application of significant management judgement and use of estimates. Accordingly, we considered this an area of higher assessed risk and a key audit matter.	Our audit procedures amongst other included the following: • Obtained valuation reports of management's expert and considered qualification and experience of the expert, the scope of work and the assumptions used; • Checked revaluation adjustments made by management; • For selected sites, engaged expert to perform an independent assessment of the work performed and conclusions reached by the management's expert; and • Assessed the appropriateness of the disclosures in the consolidated financial statements in this respect.

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

	Note	June 30, 2023	June 30, 2022
		(Rupees in '000)	
ASSETS			
Non-current assets			
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
Current assets			
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	-
TOTAL ASSETS		1,024,565,025	1,060,140,634
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital	18	96,261,551	96,261,551
Reserves			
Capital reserves			
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
Revenue reserves			
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
TOTAL EQUITY		254,995,823	250,099,236
LIABILITIES			
Non-current liabilities			
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
Current liabilities			
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
TOTAL LIABILITIES		769,569,202	810,041,398
Contingencies and Commitments	32		
TOTAL EQUITY AND LIABILITIES		1,024,565,025	1,060,140,634

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

Syed Moonis Abdullah Alvi	Saad Amanullah Khan	Muhammad Aamir Ghaziani
Chief Executive Officer	**Director**	**Chief Financial Officer**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023	2022
		----------(Rupees in '000)------------	
REVENUE			
Net revenue	33	382,824,912	346,384,175
Tariff adjustment	34	136,907,413	172,686,588
		519,732,325	519,070,763
COST OF SALES			
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)
		(466,889,773)	(450,512,430)
GROSS PROFIT		52,842,552	68,558,333
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
		(60,765,086)	(47,865,828)
(LOSS) / PROFIT BEFORE FINANCE COST		(7,922,534)	20,692,505
Finance cost	41	(34,572,689)	(15,122,662)
(LOSS) / PROFIT BEFORE TAXATION		(42,495,223)	5,569,843
Taxation	42	11,512,307	2,899,471
(LOSS) / PROFIT FOR THE YEAR		(30,982,916)	8,469,314
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)	43	16,376,055	41,527,263
		---------------(Rupees)---------------	
(LOSS) / EARNING PER SHARE - BASIC AND DILUTED	44	(1.12)	0.31

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

Syed Moonis Abdullah Alvi	Saad Amanullah Khan	Muhammad Aamir Ghaziani
Chief Executive Officer	**Director**	**Chief Financial Officer**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023	2022
		--------------(Rupees in '000)-------------	
(LOSS) / PROFIT FOR THE YEAR		(30,982,916)	8,469,314
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified to profit or loss			
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)
		-	-
Items that will not be reclassified to profit or loss			
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
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,896,587	26,165,938

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

Syed Moonis Abdullah Alvi	Saad Amanullah Khan	Muhammad Aamir Ghaziani
Chief Executive Officer	**Director**	**Chief Financial Officer**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2023

	Issued, subscribed and paid-up capital			Reserves							Total
				Capital				Revenue			
	Ordinary shares	Transaction costs	Total share capital	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)										
Balance as at July 1, 2021	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	-
Balance as at June 30, 2022	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	-
Balance as at June 30, 2023	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	2022
		--------------(Rupees in '000)-------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(42,495,223)	5,569,843
Adjustments for non-cash charges and other items:			
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)
Operating profit before working capital changes		56,104,167	66,530,909
Working capital changes:			
Decrease / (increase) in current assets			
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)
Increase / (decrease) in current liabilities			
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
Cash generated from / (used in) operations		100,295,797	(8,743,995)
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)
Net cash generated from / (used in) operating activities		60,645,072	(25,948,336)
CASH FLOWS FROM INVESTING ACTIVITIES			
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)
Net cash used in investing activities		(49,503,361)	(63,764,433)
CASH FLOWS FROM FINANCING ACTIVITIES			
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)
Net cash (used in) / generated from financing activities		(221,649)	83,689,478
Net increase / (decrease) in cash and cash equivalents		10,920,062	(6,023,291)
Cash and cash equivalents at beginning of the year		(41,822,096)	(35,798,805)
Cash and cash equivalents at end of the year	46	(30,902,034)	(41,822,096)

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

Syed Moonis Abdullah Alvi	Saad Amanullah Khan	Muhammad Aamir Ghaziani
Chief Executive Officer	**Director**	**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.

1.12 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.

1.13 The business units of KE include the following:

Place of business	Geographical location
Registered / Head Office	KE House, 39-B, Sunset Boulevard, Phase II, DHA, Karachi
Generation Plants	Port Qasim, Korangi & S.I.T.E., Karachi
Elander Road Office	Elander Road, Karachi
Civic Centre Office	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:

		Effective date (annual reporting periods beginning on or after)
IAS 1	Presentation of financial statements (Amendments)	January 1, 2023
IAS 8	Accounting policies, changes in estimates and errors (Amendments)	January 1, 2023
IAS 12	Income taxes (Amendments)	January 1, 2023
IFRS 16	Leases on sale and leaseback (Amendments)	January 1, 2024
IAS 1	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	2022
		------ (Rupees in '000) ------	
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
		580,273,954	489,283,684

5.1 Operating fixed assets

	Revaluation model		Cost model		Revaluation model			Cost model									
	Land		Buildings on		Plant and machinery			others									
	Leasehold (note 5.1.1)	Other (note 5.1.2)	Leasehold land	Other land	Owned	Assets given under long term diminishing musharka sukuk	Transmission grid equipment	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	Total
	Level 2 fair value				Level 3 fair value												
	(Rupees in '000)																
As at June 30, 2021																	
Cost / Revalued amount	16,729,602	580,297	6,311,936	6,334,423	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)	(2,215,697)	(66,444,602)	(32,292,063)	(28,963,057)	(11,517,284)	(30,760,150)	(3,127,398)	(1,209,864)	(148,022)	(1,332,589)	(1,323,689)	(1,508,767)	(67,713)	(184,773,899)
Net book value	13,926,741	580,297	5,251,793	4,118,726	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
Year ended June 30, 2022																	
Opening net book value	13,926,741	580,297	5,251,793	4,118,726	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 CWIP (note 5.4)	2,028	407,218	473,993	184,441	5,282,624	45,122	2,329,693	4,109,080	23,007,129	77,878	27,220	3,034	624,860	43,205	-	-	36,617,525
Revaluation surplus (note 5.1.3)	1,324,753	-	-	-	17,677,983	526,219	5,507,651	-	-	-	-	-	-	-	-	-	25,036,606
Disposals (note 5.2)																	
Cost / Revalued amount	-	-	-	-	(2,567,543)	(344,234)	(1,537,579)	(445,876)	(1,934,465)	(117,696)	(35,892)	(30,920)	(121,341)	(8,500)	(41,440)	-	(7,185,486)
Accumulated depreciation	-	-	-	-	1,526,416	285,709	1,193,864	394,448	1,656,755	117,696	26,169	27,828	120,447	7,042	20,221	-	5,376,595
	-	-	-	-	(1,041,127)	(58,525)	(343,715)	(51,428)	(277,710)	-	(9,723)	(3,092)	(894)	(1,458)	(21,219)	-	(1,808,891)
Depreciation charge note (5 .1.8)	(250,979)	-	(161,543)	(235,849)	(9,447,946)	(1,693,293)	(2,287,454)	(1,023,208)	(4,381,584)	(220,562)	(87,793)	(3,321)	(310,560)	(144,734)	(238,219)	-	(20,487,045)
Closing net book value	15,002,543	987,515	5,564,243	4,067,318	117,121,121	14,062,676	62,920,124	29,273,264	83,536,201	450,334	449,508	19,432	1,091,947	881,383	1,993,093	-	337,420,702
As at June 30, 2022																	
Cost / Revalued amount	18,056,383	987,515	6,785,929	6,518,864	191,487,253	47,762,323	92,976,771	41,419,308	117,021,180	3,680,598	1,720,996	142,947	2,614,649	2,342,764	3,719,858	67,713	537,305,051
Accumulated depreciation	(3,053,840)	-	(1,221,686)	(2,451,546)	(74,366,132)	(33,699,647)	(30,056,647)	(12,146,044)	(33,484,979)	(3,230,264)	(1,271,488)	(123,515)	(1,522,702)	(1,461,381)	(1,726,765)	(67,713)	(199,884,349)
Net book value	15,002,543	987,515	5,564,243	4,067,318	117,121,121	14,062,676	62,920,124	29,273,264	83,536,201	450,334	449,508	19,432	1,091,947	881,383	1,993,093	-	337,420,702
Year ended June 30, 2023																	
Opening net book value	15,002,543	987,515	5,564,243	4,067,318	117,121,121	14,062,676	62,920,124	29,273,264	83,536,201	450,334	449,508	19,432	1,091,947	881,383	1,993,093	-	337,420,702
Transfer from CWIP (note 5.4)	-	-	319,100	6,912,398	100,729,695	10	11,202,851	2,307,806	35,010,548	1,467,397	446,324	61,026	1,073,957	364,760	163,092	-	160,058,964
Revaluation surplus (note 5.1.3)	-	-	-	-	30,279,233	1,265,366	19,291,302	-	-	-	-	-	-	-	-	-	50,835,901
Disposals (note 5.2)																	
Cost / Revalued amount	-	-	-	-	(182,086)	(54,224)	(1,260,140)	(38,011)	(730,563)	(79,280)	(16,616)	(2,484)	(164,400)	(1,704)	(278)	-	(2,529,786)
Accumulated depreciation	-	-	-	-	131,475	34,270	1,008,269	31,474	575,566	79,280	13,624	2,235	158,203	1,336	278	-	2,036,010
	-	-	-	-	(50,611)	(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 17)																	
Cost / Revalued amount	(2,078,087)	-	(2,903)	-	(18,192,523)	-	-	-	-	-	(589)	-	-	(443)	(2,875)	-	(20,277,420)
Accumulated depreciation	106,378	-	581	-	15,553,326	-	-	-	-	-	530	-	-	399	2,588	-	15,663,802
	(1,971,709)	-	(2,322)	-	(2,639,197)	-	-	-	-	-	(59)	-	-	(44)	(287)	-	(4,613,618)
Depreciation charge (note 5.1.8)	(266,680)	-	(176,946)	(398,417)	(10,072,415)	(1,586,094)	(2,542,763)	(1,074,991)	(6,216,589)	(248,482)	(172,063)	(22,303)	(606,643)	(161,952)	(229,242)	-	(23,775,580)
Closing net book value	12,764,154	987,515	5,704,075	10,581,299	235,367,826	13,722,004	90,619,643	30,499,542	112,175,163	1,669,249	720,718	57,906	1,553,064	1,083,779	1,926,656	-	519,432,593
As at June 30, 2023																	
Cost / Revalued amount	15,978,296	987,515	7,102,126	13,431,262	304,121,572	48,973,475	122,210,784	43,689,103	151,301,165	5,068,715	2,150,115	201,489	3,524,206	2,705,377	3,879,797	67,713	725,392,710
Accumulated depreciation	(3,214,142)	-	(1,398,051)	(2,849,963)	(68,753,746)	(35,251,471)	(31,591,141)	(13,189,561)	(39,126,002)	(3,399,466)	(1,429,397)	(143,583)	(1,971,142)	(1,621,598)	(1,953,141)	(67,713)	(205,960,117)
Net book value	12,764,154	987,515	5,704,075	10,581,299	235,367,826	13,722,004	90,619,643	30,499,542	112,175,163	1,669,249	720,718	57,906	1,553,064	1,083,779	1,926,656	-	519,432,593
Annual rate of depreciation (%)	1.01 to 3.03		2	2 to 20	2.85 to 33.33	2.85 to 33.33	3 to 10	3 to 3.33	3 to 10	20	10 to 15	20	14.33-33.33	10 to 15	3.33 to 20	14.33	

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	2022
		------ (Rupees in '000) ------	
Amenity			
- Leasehold		948,268	948,268
- Freehold (mainly grid)		671	671
		948,939	948,939
Leasehold land – owned	5.1.2.1	38,576	38,576
		987,515	987,515

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	Revalued amount as at revaluation date
			-------- (Rupees in '000) -------	
Leasehold land	Harvester Services (Private) Limited	June 30, 2022	13,677,789	15,002,542
Plant and machinery - 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 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
	297,259,908	194,421,570	213,476,311	110,918,723

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
		23,775,580	20,487,045

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)	---------------------				
Plant and machinery							
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.
Transmission grid equipment							
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.
Transmission lines and SCADA equipment							
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.
Distribution networks							
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		
Individual Items having written down value below Rs. 500,000							
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
Power Plants		
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
Open Plots		
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
Offices		
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
Residential Colonies		
Gulshan-e-Hadeed	Bin Qasim, Karachi	121,000
Korangi	Korangi, Karachi	1,200
Grid Stations / IBCs / substations / stores	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
	------(Rupess 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).

5.5 Right-of-use assets

	Note	2023	2022
		------ (Rupees in '000) ------	
Cost			
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
Accumulated depreciation			
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.

6. INTANGIBLE ASSETS

Computer software

	Note	2023	2022
		------ (Rupees in '000) ------	
Cost	6.1	3,334,101	2,259,979
Accumulated amortisation	6.2	(2,163,724)	(1,741,090)
		1,170,377	518,889

6.1 Cost

	Note	2023	2022
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

6.2 Amortisation to date

	Note	2023	2022
Opening balance		1,741,090	1,495,737
Amortisation during the year	37 & 38	422,634	245,353
		2,163,724	1,741,090
Useful life		3 years	3 years

6.3 Computer software includes ERP system - SAP, antivirus and other software.

	Note	2023	2022
		------ (Rupees in '000) ------	
7. INVESTMENT PROPERTY			
Leasehold land	7.2 & 7.3		
Cost		3,047,856	3,047,856
Accumulated depreciation	7.1	(182,871)	(121,914)
		2,864,985	2,925,942
7.1 Accumulated depreciation			
Opening balance		121,914	60,957
Depreciation charge	38	60,957	60,957
		182,871	121,914
Useful life		50 years	50 years
Annual rate of depreciation (%)		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	2022
		------ (Rupees in '000) ------	
8. OTHER FINANCIAL ASSETS - AT AMORTISED COST			
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)
		23,366,721	16,323,268

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	2022
		------ (Rupees in '000) ------	
9. LONG-TERM LOANS AND DEPOSITS			
Long-term loans	9.1	10,003	11,899
Long-term deposits	9.2	13,111	14,600
		23,114	26,499

9.1 Long-term loans

	Note	Secured House buildng loans (note 9.1.1)	Unsecured Festival loans (note 9.1.2)	2023	2022
		----------	(Rupees in '000)	----------	
Considered good					
Executives		-	36	36	36
Employees		22	10,193	10,215	12,405
		22	10,229	10,251	12,441
Recoverable within one year shown 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

	Note	2023	2022
		------ (Rupees in '000)	------
Considered good			
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

	Note	2023	2022
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 stores, spare parts and loose tools	10.1	(1,232,415)	(1,331,831)
		18,736,302	17,105,276

		Note	2023	2022
			------ (Rupees in '000) ------	
10.1	**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	37 & 38	(99,416)	218,463
			1,232,415	1,331,831
11	**TRADE DEBTS**			
	Considered good			
	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
	Considered doubtful		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)
			104,452,241	136,963,108

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(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 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.

	Note	2023	2022
		------ (Rupees in '000) ------	
11.5 Provision for impairment			
Opening balance		100,619,034	97,746,537
Provision made during the year	11.6	30,273,120	19,332,806
		130,892,154	117,079,343
Write-off against provision during the year	11.5.1	(17,644,256)	(16,460,309)
		113,247,898	100,619,034

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 subsidary 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:

	Note	2023	2022
		------ (Rupees in '000) ------	
Neither past due nor impaired			
Upto 30 days		57,496,265	80,890,775
Past due but not impaired			
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
		104,452,241	136,963,108

12. LOANS AND ADVANCES

	Note	2023	2022
Loans – secured			
Considered good			
Current portion of long term loans	9.1	248	542
Advances – unsecured			
Considered good			
Employees	12.1	62,956	121,100
Suppliers		2,668,430	1,560,546
Advance against bid money		2,200	6,977
		2,733,586	1,688,623
Considered doubtful			
Suppliers		130,340	130,340
		2,863,926	1,818,963
Provision for impairment against advances considered doubtful	12.2	(130,340)	(130,340)
		2,733,586	1,688,623
		2,733,834	1,689,165

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**	**2022**
		------ (Rupees in '000) ------	
Deposits	13.1 & 13.2	11,371,914	6,215,025
Prepayments			
Rent		16,243	4,492
Insurance and others	13.3	469,309	1,838,234
		485,552	1,842,726
		11,857,466	8,057,751

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 Sinosure and Hermes supported facility amounting to Rs. 191 million (2022: Rs. 1,588 million) which is yet to be drawn.

14. OTHER RECEIVABLES	**Note**	**2023**	**2022**
		------ (Rupees in '000) ------	
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)
		239,314,495	375,198,048

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:

	Note	2023	2022
		------ (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			
	Upto 6 months	7 to 12 months	More than 12 months	Total
	(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	1,222,031	-	4,445,804	5,667,835
June 30, 2022	5,400,079	-	464,001	5,864,080

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)	
Cash in hand		51,520	45,122
Cash with:			
Conventional banks:			
- Current accounts		2,498,839	194,251
- Deposit accounts	16.1	928,721	391,078
- Collection accounts		2,111,420	1,874,579
		5,538,980	2,459,908
Islamic banks:			
- Current accounts		131,605	90,738
- Deposit accounts	16.1	125,742	27,614
- Collection accounts		1,273,462	276,091
		1,530,809	394,443
		7,121,309	2,899,473

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	
		4,613,618	-

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)----	
		Authorised share capital			
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
35,714,285,714	35,714,285,714			125,000,000	125,000,000
		Issued, subscribed and paid-up capital			
		Issued for cash			
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
		Issued for consideration other than cash			
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
		Issued as bonus shares			
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			45,925,964	45,925,964
		Transaction costs on issuance of shares		(391,628)	(391,628)
27,615,194,246	27,615,194,246		18.1	96,261,551	96,261,551

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:

	Note	2023	2022
		------ (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)	(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	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) equipment)		192,157,513	231,848,638

The Adjusted Invested Equity is summarised below:

	Note	2023	2022
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	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

19. SHARE PREMIUM AND OTHER RESERVES

	Note	2023	2022
		------ (Rupees in '000) ------	
Share premium	18.3	1,500,000	1,500,000
Others	19.1	509,172	509,172
		2,009,172	2,009,172

19.1 Others

	Note	2023	2022
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
		509,172	509,172

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	2022
		------ (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	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
		(41,429,923)	(28,474,445)
		101,431,882	69,713,296

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	2022
		------ (Rupees in '000) ------	
21 LONG-TERM FINANCING			
From banking companies and financial institutions - secured			
Conventional:			
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
With Islamic banks:			
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
Diminishing musharaka - secured			
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
Others - Secured			
Due to oil and gas companies		610	610
Current maturity shown under current liabilities		(610)	(610)
		-	-
Unsecured			
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 Sinosure 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 anum. 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 Sinosure 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 anum. 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 Sinosure 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 Sinosure 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 anum 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 anum 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.

22. LEASE LIABILITIES

	Note	2023	2022
		------ (Rupees in '000) ------	
Lease liabilities		176,360	197,451
Less: Current maturity shown under current liabilities	22.1	(42,459)	(32,750)
		133,901	164,701

22.1 The maturity analysis of lease liabilities is as follows:

	Future minimum lease payments	Interest	Present value of future minimum 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
	245,833	69,473	176,360

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).

23. LONG-TERM DEPOSITS AND OTHER LIABILITIES

	Note	2023	2022
		------ (Rupees in '000) ------	
Long-term deposits	23.1	14,956,811	13,976,931
Other liabilities		1,757,647	-
		16,714,458	13,976,931

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
		5,676,545	5,492,679

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.

		Gratuity		Medical benefits		Electricity benefits	
		2023	2022	2023	2022	2023	2022
	Note	------------------------------ (Rupees in '000)	------------------------------				
24.1.1 Net recognised liability							
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		3,374,274	3,570,242	1,034,390	839,384	599,959	410,444
24.1.2 Expense recognised in profit or loss							
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		1,025,666	912,150	144,749	102,542	108,573	88,739
24.1.3 Remeasurement loss / (gain) recognised in other comprehensive income							
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	(47,857)	(23,045)	171,186	136,712	178,061	(1,884)
24.1.4 Reconciliation of liability / (asset) as at reporting date							
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		3,374,274	3,570,242	1,034,390	839,384	599,959	410,444
24.1.5 Movement in present value of defined benefit obligations							
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	6,902,097	6,572,330	1,034,390	839,384	599,959	410,444

	Note	Gratuity 2023	2022
		------ (Rupees in '000) ------	

24.1.6 Movement in fair value of plan assets

	Note	2023	2022
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

24.1.7 Plan assets comprise of:

	2023	2022
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

24.1.8 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%

24.1.9 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.

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

24.1.12 Plan duration

	Gratuity	Medical benefits	Electricity benefits
	---------------------- Years ----------------------		
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.

	Note	2023	2022
		------ (Rupees in '000) ------	

25. DEFERRED REVENUE

	Note	2023	2022
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
		54,296,924	44,820,762
Amortisation for the year	40	(2,917,953)	(2,405,777)
Balance at the end of the year		51,378,971	42,414,985

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 July 1, 2021	Recognised in profit or loss	Recognised in OCI	Balance as at June 30, 2022	Recognised in profit or loss	Recognised in OCI	Balance as at June 30, 2023
	------------	------------	------------	(Rupees in '000)	------------	------------	------------
Deferred tax liability on:							
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)
	(59,757,721)	(319,670)	(7,260,616)	(67,338,007)	(13,730,217)	(14,742,411)	(95,810,635)
Deferred tax asset on:							
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
	59,757,721	7,575,737	32,417	67,365,875	28,425,020	87,403	95,878,298
	-	7,256,067	(7,228,199)	27,868	14,694,803	(14,655,008)	67,663

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.

	Note	2023	2022
		------ (Rupees in '000) ------	
27. TRADE AND OTHER PAYABLES			
Trade creditors			
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
Accrued expenses	27.2	6,759,087	5,658,538
Contract liabilities			
Energy	27.3	1,550,571	1,375,167
Others	27.4	2,111,425	2,636,631
		3,661,996	4,011,798
Other liabilities			
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:

	2023	2022
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 milion) 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	2022
		------ (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		3,187,305	3,484,674

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.

28. ACCRUED MARK-UP

	Note	2023	2022
		------ (Rupees in '000) ------	
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
		14,269,819	10,629,604

29. SHORT-TERM BORROWINGS

		Note	2023	2022
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 sukuks	- Shariah compliant	29.4	25,000,000	28,000,000
			92,851,098	107,535,452

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.

30. SHORT-TERM DEPOSITS

	Note	2023	2022
		------ (Rupees in '000) ------	
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
		13,750,583	15,337,040

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.

31. PROVISIONS

	Note	2023	2022
		------ (Rupees in '000) ------	
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	16,792	18,492

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 Minster 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 severly 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	2022
			------ (Rupees in '000) ------	
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	2022
		------ (Rupees in '000) ------	
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	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.

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.

33. NET REVENUE

	Note	2023	2022
		------ (Rupees in '000) ------	
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	382,824,912	346,384,175

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.

33.3 NET REVENUE COMPRISES

	Note	2023	2022
		------ (Rupees in '000) ------	
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
		382,824,912	346,384,175

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.

34. TARIFF ADJUSTMENT

	Note	2023	2022
		------ (Rupees in '000) ------	
Tariff adjustment	34.1 & 34.2	136,907,413	172,686,588

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
	223,159,922	207,544,377
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
	209,759,088	212,487,554

37. EXPENSES INCURRED IN GENERATION, TRANSMISSION AND DISTRIBUTION

	Note	Generation expenses	Transmission and distribution expenses	2023	2022
		----------------------- (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
		16,813,136	16,927,066	33,740,202	30,209,269

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

	Note	Consumer Services and Billing Expenses	Administrative and General Expenses	2023	2022
		----------------------- (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
		18,442,271	9,118,298	27,560,569	23,811,539

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	2022
		------ (Rupees in '000) ------	
38.4 Auditors' remuneration			
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
		350,128	275,465
Out of pocket expenses		2,349	916
		352,477	276,381

38.4.1 This includes Rs. 1.5 million (2022: Rs. 0.8 million) in respect of Shariah audit fee.

	Note	2023	2022
		------ (Rupees in '000) ------	
39. OTHER OPERATING EXPENSES			
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
		14,501,250	9,413,621
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	-

	Note	2023	2022
		------ (Rupees in '000) ------	

40. OTHER INCOME

Income from financial assets

	Note	2023	2022
Return on bank deposits	40.1	1,559,502	453,954
Late payment surcharge	40.2	3,462,381	1,968,158
		5,021,883	2,422,112
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	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
		7,406,152	7,784,757
		12,428,035	10,206,869

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.

41. FINANCE COST

	Note	2023	2022
		------ (Rupees in '000) ------	
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
		26,514,460	11,334,142
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
		34,572,689	15,122,662

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%).

42. TAXATION

	Note	2023	2022
		------ (Rupees in '000) ------	
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)	-
		(11,512,307)	(2,899,471)

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
Effects of:		
- 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)
	(11,512,307)	(2,899,471)

	2023	2022
	------ (Rupees in '000) ------	

43. EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

	2023	2022
(Loss) / profit before finance cost	(7,922,534)	20,692,505
Depreciation and amortisation	24,298,588	20,834,758
	16,376,054	41,527,263

44. (LOSS) / EARNING PER SHARE - BASIC AND DILUTED

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

	2023	2022
(Loss) / profit attributable to ordinary share holders	(30,982,916)	8,469,314
	-----(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	(1.12)	0.31

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
	70,296	18,601	7,675,572	69,575	23,100	6,959,401
Number of persons includes those who worked part of the year	1	10	2,064	1	13	1,898

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	2022
		------ (Rupees in '000) ------	

46. CASH AND CASH EQUIVALENTS

	Note	2023	2022
Cash and bank balances	16	7,121,309	2,899,473
Short-term running finances	29	(38,023,343)	(44,721,569)
		(30,902,034)	(41,822,096)

47. FINANCIAL INSTRUMENTS BY CATEGORY

47.1 Financial assets measured at amortised cost

	2023	2022
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
	365,280,418	519,651,675

47.2 Financial assets measured at fair value through profit or loss

	Note	2023	2022
Derivative financial assets	47.2.1	23,567,302	8,033,631

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.

47.3 Financial liabilities measured at amortised cost

	2023	2022
	------ (Rupees in '000) ------	
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
	670,362,903	726,662,219

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	2022
		------ (Rupees in '000) ------	
Fixed rate instruments			
Financial assets			
Long-term loans		22	83
Financial liabilities			
Lease liabilities	22	176,360	197,451
Variable rate instruments			
Financial assets			
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
Financial liabilities			
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) ----------					
Non-derivative Financial liabilities						
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	-	-	-
	670,362,903	786,411,233	427,104,891	73,851,368	157,941,137	127,513,838

	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) ----------					
Non-derivative Financial liabilities						
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	-	-	-
	726,662,219	829,072,558	533,377,574	49,126,885	155,381,351	91,212,937

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)--					
Balance as at July 1, 2022	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)
Total changes from financing activities	(6,698,226)	(7,986,128)	7,821,238	-	(56,759)	(6,919,875)
Other changes						
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
Total loan related other changes	547,465	985,968	35,703,579	2,737,527	35,668	40,010,207
Balance as at June 30, 2023	39,258,038	57,405,076	221,968,188	16,714,458	176,360	335,522,120

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	2022
		------ (Rupees in '000) ------	
Long-term financing	21	180,508,276	151,738,189
Total equity		254,995,823	250,171,718
		435,504,099	401,909,907
Long-term debt to equity		0.41:1	0.38:1

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	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
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 Siahiwala	-	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
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.

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					
	Generation	Transmission	Distribution	Un-allocated	Eliminations	Total
	---------------------------------- (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					
	Generation	Transmission	Distribution	Un-allocated	Eliminations	Total
	---------------------------------- (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.

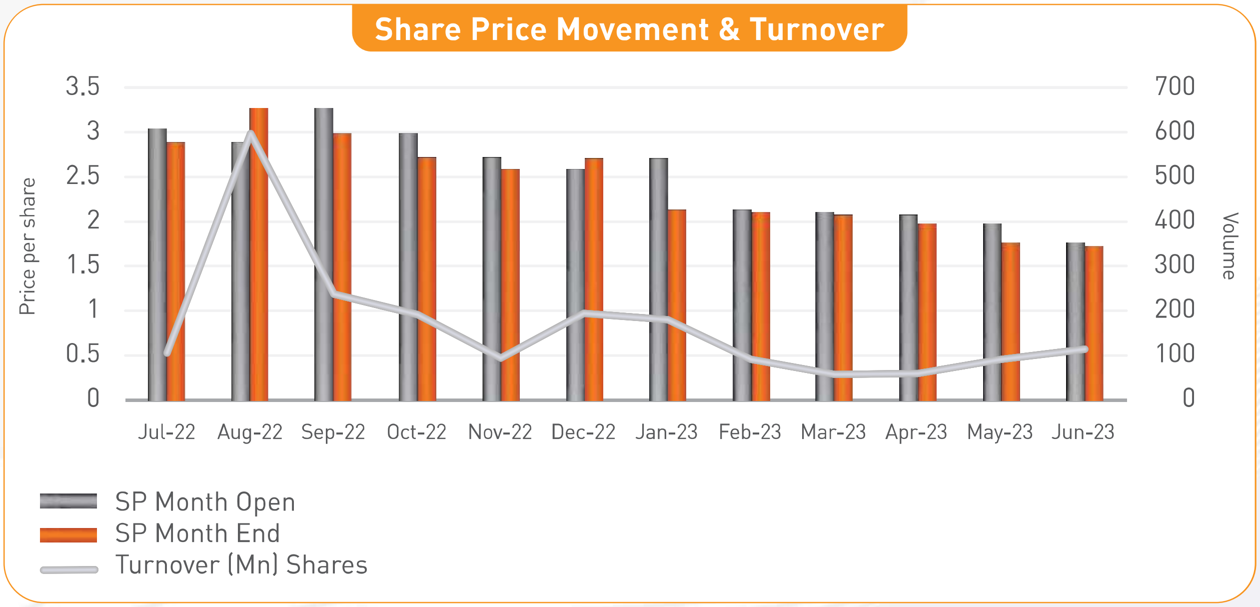
Syed Moonis Abdullah Alvi	**Saad Amanullah Khan**	**Muhammad Aamir Ghaziani**
Chief Executive Officer	**Director**	**Chief Financial Officer**

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.



KE Live: Bringing customers closer

Pattern of Shareholding

as at June 30, 2023

Categories of Shareholders	Shareholders	Shares Held	Percentage
Government Holding			
The President of Pakistan	1	6,726,912,278	24.36
Directors, Chief Executive Officer and their spouse(s) and minor children			
Saad Amanullah Khan	1	60	0.00
Executives	3	102	0.00
Associated companies, undertakings and related parties			
KES Power Limited	1	18,335,542,678	66.40
NIT and ICP	3	46,870	0.00
Banks Development Financial Institutions, Non-Banking Financial Institutions	38	234,144,253	0.85
Insurance Companies	16	7,783,840	0.03
Modarabas and Mutual Funds	39	167,701,279	0.61
General Public			
a. Local	26,199	1,724,853,769	6.25
b. Foreign	474	23,644,539	0.09
Foreign Companies	14	309,870	0.00
Others	261	394,254,708	1.43
Total	**27,050**	**27,615,194,246**	**100.00**

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
5929	1	to	100	174,372
4057	101	to	500	1,336,682
2586	501	to	1000	2,337,667
5368	1001	to	5000	15,483,038
2258	5001	to	10000	18,774,053
978	10001	to	15000	12,719,024
746	15001	to	20000	13,930,568
552	20001	to	25000	13,080,374
387	25001	to	30000	11,113,732
226	30001	to	35000	7,531,875
247	35001	to	40000	9,547,597
168	40001	to	45000	7,277,325
435	45001	to	50000	21,535,742
132	50001	to	55000	7,050,015
162	55001	to	60000	9,523,322
70	60001	to	65000	4,450,401
96	65001	to	70000	6,611,348
103	70001	to	75000	7,608,599
86	75001	to	80000	6,767,269
49	80001	to	85000	4,075,052
59	85001	to	90000	5,229,789
47	90001	to	95000	4,395,470
366	95001	to	100000	36,516,595
50	100001	to	105000	5,139,515
57	105001	to	110000	6,205,579
32	110001	to	115000	3,650,000
39	115001	to	120000	4,644,261
65	120001	to	125000	8,074,237
27	125001	to	130000	3,495,905
17	130001	to	135000	2,256,721
28	135001	to	140000	3,897,449
20	140001	to	145000	2,861,220
80	145001	to	150000	11,989,166
20	150001	to	155000	3,054,899
23	155001	to	160000	3,661,229
15	160001	to	165000	2,461,333
23	165001	to	170000	3,899,645
22	170001	to	175000	3,829,869
23	175001	to	180000	4,116,000
13	180001	to	185000	2,393,500
15	185001	to	190000	2,835,695
10	190001	to	195000	1,925,915
154	195001	to	200000	30,781,756
20	200001	to	205000	4,062,435
18	205001	to	210000	3,769,078
11	210001	to	215000	2,348,987

No. of Shareholders	Shareholding Slab			Total Shares Held
13	215001	to	220000	2,840,500
20	220001	to	225000	4,492,744
10	225001	to	230000	2,292,000
12	230001	to	235000	2,812,000
16	235001	to	240000	3,805,957
5	240001	to	245000	1,221,000
58	245001	to	250000	14,481,000
8	250001	to	255000	2,023,500
10	255001	to	260000	2,588,500
7	260001	to	265000	1,853,850
7	265001	to	270000	1,883,687
7	270001	to	275000	1,922,000
7	275001	to	280000	1,954,821
8	280001	to	285000	2,262,250
4	285001	to	290000	1,160,000
9	290001	to	295000	2,638,480
80	295001	to	300000	23,981,500
9	300001	to	305000	2,726,655
10	305001	to	310000	3,079,879
8	310001	to	315000	2,508,000
8	315001	to	320000	2,546,598
9	320001	to	325000	2,919,500
4	325001	to	330000	1,314,000
8	330001	to	335000	2,672,000
4	335001	to	340000	1,348,288
5	340001	to	345000	1,713,849
24	345001	to	350000	8,393,500
7	350001	to	355000	2,469,078
7	355001	to	360000	2,499,701
2	360001	to	365000	728,500
7	365001	to	370000	2,583,500
7	370001	to	375000	2,623,000
3	380001	to	385000	1,150,211
2	385001	to	390000	777,000
4	390001	to	395000	1,573,000
43	395001	to	400000	17,199,000
2	400001	to	405000	808,500
5	405001	to	410000	2,043,764
4	410001	to	415000	1,658,500
4	415001	to	420000	1,674,500
4	420001	to	425000	1,697,500
5	425001	to	430000	2,139,500
1	430001	to	435000	434,000
3	435001	to	440000	1,314,560
1	440001	to	445000	440,500
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 113th Annual General Meeting

Notice is hereby given that the 113th 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

Karachi: October 5, 2023

Chief Risk Officer & Company Secretary

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).

a. 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:

   i. Attested copy of valid CNIC or the passport of the beneficial owner and the proxy shall be furnished with the Form of Proxy.

   ii. The proxy shall produce his/her valid original CNIC or original passport at the time of the meeting.

b. 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.

c. The form of proxy must be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on that form.

d. 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 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 (I)/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 for download.

7. Procedure for E-Voting

(i) 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.

(ii) 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 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.

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(I)/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.

Form of Proxy

113th Annual General Meeting 2023

I / We ______________________________ of ______________________,
being a member of the K-Electric Limited, hereby appoint Mr. ______________________________
of ______________________ or failing him / her Mr. ______________________________ of
______________________ as my / our proxy to attend and vote for me / us and on my / our behalf at the **Annual General Meeting** of the Company to be held at **Ball Room A & B, Movenpick Hotel, Club Road, Karachi** as well as through Electronic means / Video link facility on **October 26, 2023** at **10:30 a.m**. or at any adjournment thereof.

As witnessed given under my / our hand(s) this _______ day of ________ 2023.

Shares held ______________________________

Shareholder's Folio / Account # ______________________________

CNIC #

					-								-	

Signature ______________________________

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

Proxy Holder's Folio / Account # ______________________________

Proxy Holder's CNIC #

					-								-	

Mobile No.______________________ Email:______________________

1. Witness: ________________
   Signature: ________________
   Name: ________________
   CNIC: ________________
   Address: ________________
   ____

2. Witness: ________________
   Signature: ________________
   Name: ________________
   CNIC: ________________
   Address: ________________
   ____

Note:

1. Name should be written in BLOCK LETTERS and please mention your Folio / CDC Account No. and also the Folio / CDC Account No. of the Proxy Holder.
2. Proxy must be given to a person who is **a member of the Company,** except in the case of Companies where the proxy may be given to any of its employee for which certified true copy of Power of Attorney and/or Board Resolution with regard to appointment of proxy should be attached.
3. In case the proxy is the beneficial owner of CDC, **an attested copy of his / her CNIC** or Passport must be enclosed.
4. The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
5. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
6. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of **proxy shall be rendered invalid.**
7. Proxy holder who wish to participate through Video link facility must provide his/her Mobile Number and email address.

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K-Electric Limited
Corporate Affairs Department
1st Floor, Block A,
Elander Road Power House,
Karachi, Pakistan.

پروکسی فارم

113 واں سالانہ اجلاسِ عام 2023ء

میں/ہم ______________ ساکن ______________ بحیثیت ممبر کے۔ الیکٹرک لمیٹڈ

مسمی/مسمات ______________ ساکن ______________ یا غیر حاضری کی صورت میں

مسمی/مسمات ______________ ساکن ______________ کو بطور مختار (پروکسی) مقرر

کرتا/کرتی ہوں تا کہ وہ میری/ ہماری جگہ اور میری/ ہماری طرف سے کمپنی کے سالانہ اجلاس عام بمقام **بال روم A اور B، موون پک ہوٹل، کلب روڈ، کراچی** میں نیز الیکٹرانک ذرائع/ ویڈیو لنک 26 اکتوبر 2023 کو صبح 10:30 بجے منعقد ہو رہا ہے یا اس کے ملتوی شدہ اجلاس میں شرکت کر سکیں اور ووٹ ڈال سکیں۔

بروز .... بتاریخ .... کو میرے/ ہمارے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔

حصص کی تعداد ______________

شیئر ہولڈر کا فولیو/ اکاؤنٹ نمبر ______________

قومی شناختی کارڈ نمبر

								-					-	

دستخط ______________

(دستخط کو کمپنی کے ساتھ رجسٹرڈ نمونہ دستخط کے مطابق ہونا چاہیے)

حاملِ پروکسی کا فولیو/ اکاؤنٹ نمبر ______________

حاملِ پروکسی کا قومی شناختی کارڈ نمبر

								-					-	

موبائل نمبر ______________ ای میل: ______________

1. گواہ: ______________
دستخط: ______________
نام: ______________
قومی شناختی کارڈ نمبر: ______________
پتہ: ______________

2. گواہ: ______________
دستخط: ______________
نام: ______________
قومی شناختی کارڈ نمبر: ______________
پتہ: ______________

نوٹ:

1. نام جلی حروف میں لکھا جانا چاہیے اور براہ کرم اپنے فولیو/سی ڈی سی اکاؤنٹ نمبر اور پراکسی ہولڈر کے فولیو/سی ڈی سی اکاؤنٹ نمبر درج کریں۔
2. پروکسی لازمی طور پر اس شخص کو مقرر کیا جائے گا جو کہ اس کمپنی کا ممبر ہو سوائے ان کمپنیوں کے کہ جہاں یہ پروکسی اس کے کسی ملازم کو دی جاسکتی ہے جس کے لیے تصدیق شدہ مختار نامے یا بورڈ کی قرارداد کی نقل پروکسی (نائب) کی تقرری کے سلسلے میں لازمی طور پر منسلک کی جائے گی۔
3. اگر پروکسی سی ڈی سی کا بینیفشری اونر ہے تو اس کے قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقل لازمی طور پر منسلک کی جائے گی۔
4. یہ پروکسی (نائب) اجلاسِ عام کے وقت اپنا اصل جائز العمل قومی شناختی کارڈ یا پاسپورٹ لازمی پیش کرے گا۔
5. پراکسی فارم پر دو افراد گواہ ہوں گے جن کے نام، پتے اور CNIC نمبر فارم پر درج ہوں گے۔
6. اگر کوئی ممبر ایک سے زیادہ پروکسی اور ایک سے زیادہ انسٹرومنٹس آف پروکسی کمپنی کے پاس کسی ممبر کی جانب سے جمع کرواتا ہے تو ایسے تمام انسٹرومنٹس آف پروکسی عمل درآمد کے لیے ناجائز قرار دے دیئے جائیں گے۔
7. پراکسی ہولڈر جو ویڈیو لنک کی سہولت کے ذریعے شرکت کرنا چاہتے ہیں انہیں اپنا موبائل نمبر اور ای میل ایڈریس فراہم کرنا ہوگا۔

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Corporate Affairs Department
1st Floor, Block A,
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Karachi, Pakistan.

K-Electric Limited

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 **"Rejected".**	
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)
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		

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)

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Corporate Affairs Department
1st Floor, Block A,
Elander Road Power House,
Karachi, Pakistan.

کے۔الیکٹرک لمیٹڈ

بیلٹ پیپر

جمعرات 26اکتوبر 2023 کو صبح 10:30 بجے بال رومAاورB،موون پک ہوٹل، کلب روڈ، کراچی میں منعقد ہونے والے سالانہ اجلاسِ عام میں خصوصی کاروبار کے حوالے سے بذریعہ پوسٹ ووٹنگ کے لیے۔ ویب سائٹ:www.ke.com.pk

فولیو/سی ڈی ایس اکاؤنٹ نمبر	
شیئر ہولڈر/ پراکسی ہولڈر کا نام	
رجسٹرڈ ایڈریس	
زیرِ ملکیت حصص کی تعداد	
CNIC / پاسپورٹ نمبر (غیر ملکی ہونے کی صورت میں)	
اضافی معلومات اور انکلوژرز (باڈی کارپوریٹ، کارپوریشن، اور وفاقی حکومت کے نمائندے کی صورت میں)	
مجاز دستخط کنندہ کا نام	
مجاز دستخط کنندہ کاCNIC / 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)	میں/ہم قرارداد سے اختلاف کرتے ہیں (AGAINST)
"طے پایا کہ سالانہ آڈٹ شدہ مالیاتی گوشواروں کی بذریعہ QR کوڈ اور ویب لنک، شیئر ہولڈرز کو ترسیل/تقسیم کرنا جس کی اجازت سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے نوٹیفکیشن 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 اتفاقی امور کی انجام دہی کریں۔"		

نوٹس:

1. صحیح طریقے سے پُر کیے گئے بیلٹ پیپر کو کے۔الیکٹرک لمیٹڈ کے کمپنی سیکریٹری کو پہلی منزل، بلاک-A، ایلینڈر روڈ، پاور ہاؤس، کراچی یا 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 25اکتوبر 2023 تک یا اس سے قبل پہنچ جانا چاہیے۔ اس تاریخ کے بعد موصول ہونے والا کوئی بھی پوسٹل بیلٹ رائے شماری کے لیے زیرِ غور نہیں آئے گا۔
4. بیلٹ پیپر پر دستخطCNIC / پاسپورٹ (غیر ملکی ہونے کی صورت میں) کے دستخط کے مطابق ہونا چاہیئے ۔
5. نامکمل، غیر دستخط شدہ، غلط، خراب، پھٹا ہوا، مسخ شدہ یا اوور رائٹ شدہ پول پیپر کو مسترد کر دیا جائے گا۔
6. کمپنیز ایکٹ 2017 کے سیکشن (سیکشنز) 138 یا 139 کے مطابق جیسے قابل اطلاق ہو، کسی باڈی 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/ اتھارٹی لیٹر وغیرہ کی تصدیق شدہ کاپی ہونا ضروری ہے۔ غیر ملکی باڈی 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 پر بھی رکھا گیا ہے۔ اراکین ویب سائٹ سے بیلٹ پیپر فارم ڈاؤن لوڈ کر سکتے ہیں یا اخبارات میں شائع ہونے والی اصل/فوٹو کاپی استعمال کر سکتے ہیں۔

____

شیئر ہولڈر/ پراکسی ہولڈر/ مجاز دستخط کنندہ کے دستخط

(کارپوریٹ ادارے کی صورت میں، براہ کرم کمپنی کی مہر لگائیں)

تاریخ : ______________________

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