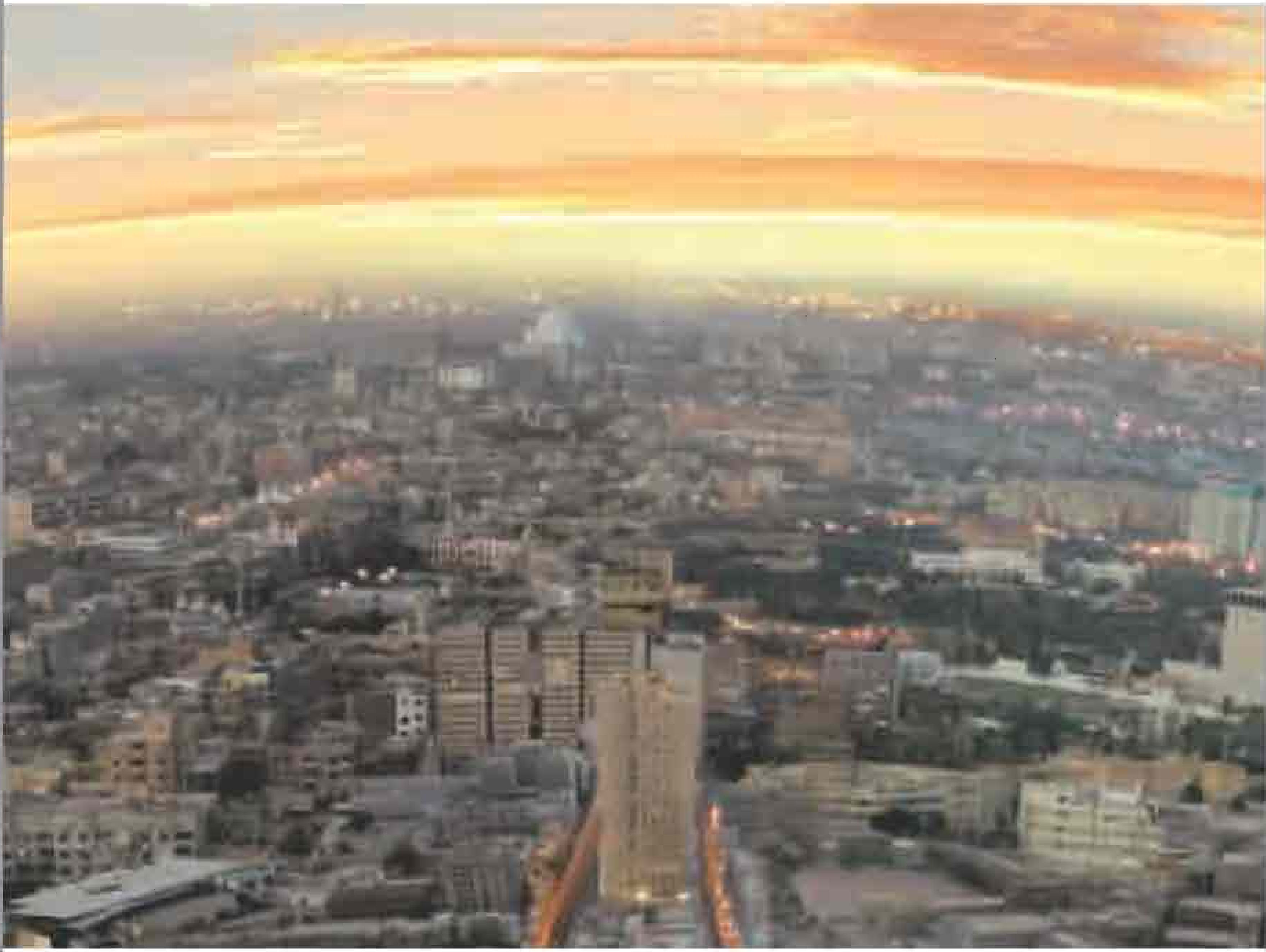
CREATING A SUSTAINABLE LEGACY

KARACHI ELECTRIC SUPPLY COMPANY

KHIDMAT MEIN ROSHAN

KESC ANNUAL REPORT 2011-12



Brightening over 20 million lives and fostering development in every sphere of life.

CONTENTS

LEADERSHIP TEAM

SITTING FROM LEFT TO RIGHT

TAYYAB TAREEN
CHIEF STRATEGY OFFICER

SYED NAYYER HUSSAIN
CHIEF DISTRIBUTION OFFICER

TABISH GAUHAR
CHIEF EXECUTIVE OFFICER

STANDING FROM LEFT TO RIGHT

ERAM HASAN
CHIEF SUPPLY CHAIN OFFICER

ASIR MANZUR
CHIEF HUMAN RESOURCE OFFICER

SYED NAVEED AHMED
CHIEF BUSINESS DEVELOPMENT OFFICER

SYED MOONIS ABDULLAH ALVI
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

GHUFRAN ATTA KHAN
CHIEF ENGAGEMENT OFFICER

ARSHAD ZAHIDI
CHIEF GENERATION & TRANSMISSION OFFICER

Assisting industries to step into the future through uninterrupted and reliable power supply.

OUR VISION & VALUES

OUR VISION – HAMARI MANZIL

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

OUR MISSION – HAMARA AMAL

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

OUR VALUES – HAMARI AQDAAR

WE BELIEVE

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

WE ARE TRUSTWORTHY

We speak simply, but never patronize. Long and complicated explanations are confusing and can appear as if we have something to hide.

WE ARE OPEN

We speak clearly and concisely. If the customer needs our assistance, or if we need to give them information, we don't waste their time. We tell the truth and are completely open and transparent. By explaining the 'good' and the 'bad', we can gain our customers' trust and respect. We always ask for their involvement, never demand it.

WE ARE DEPENDABLE

We can be relied upon to do the right thing by everyone we come across and act in a responsible manner to people, places and the environment.

WE THINK ABOUT YOU

We take time to listen to you and understand your needs. You are at the heart of what we do. We speak with a welcoming human smile in our voice. A conversation that begins this way shows that we are approachable and are here to help the customer.

BUILDING A POWERFUL LEGACY

Building up our infrastructure and efficient capacity to meet the future power demand.

COMPANY INFORMATION

BOARD OF DIRECTORS (BOD)

CHAIRMAN
Waqar Hassan Siddique

CHIEF EXECUTIVE OFFICER
Tabish Gauhar

DIRECTORS
NON-EXECUTIVE
Imtiaz Kazi
Muhammad Zargham Eshaq Khan
Naveed Alauddin
Shan A. Ashary
Mubasher H. Sheikh
Omar Khan Lodhi
Michael G. Essex (Under SECP Approval)

EXECUTIVE
Syed Arshad Masood Zahidi
Muhammad Tayyab Tareen
Syed Nayyer Hussain

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY
Syed Moonis Abdullah Alvi

BANKERS
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Citibank N. A.
Faysal Bank Limited
Habib Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
Sindh Bank Limited
Standard Chartered Bank (Pakistan) Limited
Standard Chartered Modaraba
Summit Bank Limited
United Bank Limited

LEGAL ADVISER
Abid S. Zuberi & Co.

SHARE REGISTRAR
M/s. Central Depository Company of Pakistan Limited (CDCPL)

REGISTERED OFFICE
KESC House, 39-B, Sunset Boulevard, Phase-II, Defence Housing Authority, Karachi

AUDITORS
M/s. KPMG Taseer Hadi & Company, Chartered Accountants

WEBSITE
www.kesc.com.pk

BOARD COMMITTEES

BOARD AUDIT COMMITTEE (BAC)

Omar Khan Lodhi	Chairman
Mubasher H. Sheikh	Member
Syed Nayyer Hussain	Member
Muhammad Tayyab Tareen	Member

BOARD FINANCE COMMITTEE (BFC)

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

BOARD HR COMMITTEE (BHRC)

Omar Khan Lodhi	Chairman
Shan A. Ashary	Member
Syed Nayyer Hussain	Member
Tabish Gauhar	Member

BOARD TECHNICAL COMMITTEE (BTC)

Tabish Gauhar	Chairman
Syed Arshad Masood Zahidi	Member
Syed Nayyer Hussain	Member
Syed Naveed Ahmed (Chief Business Development Officer)	Member

NOTICE OF MEETING

Notice is hereby given that the 102nd Annual General Meeting of the Karachi Electric Supply Company Limited will be held at Navy Welfare Centre, Liaquat Barracks, Karachi on Monday, 08 October 2012 at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm Minutes of the Annual General Meeting (AGM) held on 31 October 2011.
2. To receive and adopt the Audited Financial Statements (with the Directors' Report and Auditors' Report) for the year ended 30 June 2012.
3. To elect directors in place of retiring directors.
   The Board of Directors has fixed the number of directors to be elected under Section 178(1) of the Companies Ordinance, 1984 at thirteen (13).
   The retiring directors are:
   1. WAQAR HASSAN SIDDIQUE (Chairman)
   2. TABISH GAUHAR (Chief Executive Officer)
   3. SYED ARSHAD MASOOD ZAHIDI
   4. IMTIAZ KAZI
   5. MUBASHER H. SHEIKH
   6. MUHAMMAD TAYYAB TAREEN
   7. MUHAMMAD ZARGHAM ESHAQ KHAN
   8. NAVEED ALAUDDIN
   9. SYED NAYYER HUSSAIN
   10. OMAR KHAN LODHI
   11. SHAN A. ASHARY
   12. MICHAEL G. ESSEX (UNDER SECP APPROVAL)
4. To appoint Auditors in place of retiring Auditors, M/s. KPMG Taseer Hadi & Company, for the FY 2012-13 and to fix their remuneration as recommended by the Board Audit Committee (BAC).
5. Any other business with the permission of the Chair.

By order of the Board
Syed Moonis Abdullah Alvi
Company Secretary
Karachi Electric Supply Company Ltd.
Karachi, 17 September 2012

N.B.

(i) Transfer Books of the Company will remain closed from 02 October 2012 to 08 October 2012 (both days inclusive).
(ii) A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A proxy must be a member of the Company.
(iii) Duly completed forms of proxy must be deposited with the Company Secretary at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
(iv) Any person who seeks to contest the election of Directors shall file, at the Registered Office of the Company, not later than fourteen (14) days before the day of meeting, Notice of his/her intention to offer himself/herself for election of directors.
(v) Shareholders (Non-CDC) are requested to promptly notify the Share Registrar of the Company of any change in their addresses. All the Shareholders holding their shares through the CDC are requested to please update their addresses with their Participants.
(vi) Shareholders who have not yet submitted an attested photocopy of their Computerized National Identity Card (CNIC) to the Company are requested to send the same at the earliest.

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

A. FOR ATTENDING THE MEETING

(i) In case of individuals, the account holders or sub-account holders, whose registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
(ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. FOR APPOINTING PROXIES

(i) In case of individuals, the account holders or sub-account holders, whose registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
(ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
(iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
(iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
(v) The proxy form will be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

DIRECTORS REPORT

Raising our spirits and our level of service
through an AZM that unites us all.

The Directors of Karachi Electric Supply Company Limited are pleased to present the Annual Report and Audited Financial Statements of the Company and the Auditors' Report thereon for the financial year ended 30 June 2012.

BUSINESS REVIEW

WHAT WE INHERITED

KESC was in need of significant restructuring and investment

FINANCIAL

- Cash Loss: PKR 1.2 - 1.5 billion per month
- Inability to purchase sufficient Furnace Oil (FO) leading to a reduction in electricity production
- Outstanding sovereign issues resulting in adverse material impact on financial and operational viability including accumulated losses of PKR 60 billion, contingent liability of PKR 50 billion and circular debt of PKR 25 billion
- Over PKR 100 billion in cash requirement over next 3 years

OPERATIONAL

- Old and dilapidated plants
- Adverse fuel mix
- System reliability of 55%; Availability of 89%
- Capacity de-rated by 400 MW resulting in lost revenue of PKR 35 billion
- High Transmission & Distribution (T&D) losses of over 40%
- Unreliable network
- Inadequate and reactive maintenance

STAKEHOLDERS' ALIGNMENT

- Key stakeholder relationships disrupted
- Severe reputational damage
- Extremely negative public image
- Loss of confidence by consumers

MANAGEMENT & STRATEGY EXECUTION

- Management & Leadership failure
- Demoralized workforce
- Misaligned management objectives
- Lack of coordination in project management leading to ineffective CAPEX
- Current organisation structure not suited to effectively manage over 17,500 employees
- Absence of accountability and zero supervision

VALUE CREATION & CHALLENGES SNAPSHOT

KESC has made major transformational strides since 08 September 2008

GENERATION

- Energy serving capacity exceeds demand, 1010 MW added to date (49% increase in generation capacity)
- Fleet efficiency increased from 30.9% (Jan-May 2008) to 38% in June '12
- Executed PPA and Long-term FSA with NTDC and PSO

TRANSMISSION & DISTRIBUTION

- T&D losses at a 17 year record low of 29.7%
- Collections improved to 95% in areas consuming more than two thirds of energy
- Load Shed: 50% is exempted; 10% has 3 hours; Sunday complete exemption in the city
- T&D infrastructure augmented and de-bottlenecked 9 new Grids, 200 new Feeders, SCADA and GIS implementation
- Distribution Service Provider (DSP) agreements signed for IBCs of Gadap and Orangi I. MoU signed for Malir, Landhi and Korangi
- SAP IS-U (first in Pakistan) rolled out in 7 IBCs and PSC covering almost 50% of revenue

HUMAN RESOURCE

- Realignment of workforce through restructuring across board
- Third successive performance based appraisal
- Outsourcing of non-core functions

MARKETING & COMMUNICATION

- AZM Change management program, designed around vision and values, was rolled out during the second half of the year. Around 8,500 KESC employees actively participated in 35 AZM sessions
- KESC continued its social investment program under the CSR umbrella during the year 2011-12
- Marketing campaigns, media engagements and various customer communication drives helped KESC achieve higher brand equity index as established by Nielson brand tracker

HEALTH, SAFETY AND ENVIRONMENT

Employee training on safety tools / techniques resulted in 14.6% reduction in employee accidents and 26.7% reduction in damaged assets.

FINANCE

- Marked improvement in key financials

PKR billion	FY09	FY10	FY 11	FY 12
EBITDA	(6.9)	(3.8)	3.5	17.4
Net Profit / (Loss)	(15.5)	(14.6)	(9.4)	2.6

- Total CAPEX spend of approx. PKR 80 billion across the board
- Raised incremental long-term bank financing of PKR 32 billion (USD 380 mn) on KESC's balance sheet without any guarantee from GOP
- Successfully issued Pakistan's first utility sector retail bond of PKR 2.0 billion. Fully subscribed within 6 weeks
- USD 361 mn equity injection completed as per commitment with full subscription by GOP of USD 125 mn

EXTERNAL CHALLENGES AFFECTING PACE OF CHANGE

- Stagnated economy, high inflation and 47% increase in average tariff since FY09 has negatively impacted the customers' propensity to pay
- Poor Law & Order situation hampered loss reduction and recovery efforts in 11 no-go / low-income areas with combined average T&D losses above 50%
- Significant drop in gas supply and compensating increase in Furnace Oil consumption (3.5% more expensive)
- Fuel Mix (Gas:FO) deteriorated from 78:22 in 2009 to 64:36 in 2012. Improved slightly from 55:45 in 2011
- GOP Receivables ("Circular Debt") of PKR 65 billion

STRATEGIC INITIATIVES – FUEL DIVERSIFICATION

Fuel diversification projects in feasibility stage – reduce outages due to fuel supply interruptions, better management and utilisation of generation fleet

COAL CONVERSION

- KESC and BEEGL (a Hong Kong based investment company) have entered into a Joint Development Agreement of USD 200 mn for Bin Qasim Coal Conversion Project (starting with Phase I - 2 units of 210 MW each), whereby BEEGL will fund the Project
- Project feasibility study has been completed and draft bid documents for EPC contractors has been shared with investors for their review and feedback
- KESC and BEEGL are jointly engaged with potential EPC bidders and received strong interest from all
- A coal mine has been identified in Indonesia for the project, which has around 100 million tons of remaining reserves, sufficient for long-term fuel availability over the life of the project.

THAR COAL

- Joint Development Agreement between KESC and Oracle Coalfields signed
- Proposals received from leading international consultants (Lahmeyer International, Fichtner, RWE, Mott MacDonald, Knight Piesold, Harbin) for Power Plant feasibility and under evaluation
- Opened dialogues with Sindh Engro Coal Mining Company (SECMC) to discuss different areas of collaboration including mine mouth power plant, coal supply, power offtake and equity participation

KARACHI BIOGAS

- Pre-feasibility studies completed by biogas technology provider, Highmark Renewables, Canada
- A separate company Karachi Organic Energy Limited (KOEL) has been incorporated
- Orient to take the EPC lead which will be backed up by GE and Highmark. Highmark to work on backup EPC option
- In dialogue with Karachi Municipal Corporation and Commissioner Karachi for provision of land adjacent to Landhi Cattle Colony and support in feedstock supply chain
- Potential Project partners include GE, IFC, Acumen, Aman Foundation and fertilizer companies

LNG

- KESC intends to utilise 130-200 mmcfd of imported LNG in gas based power plants
- Recent changes in the Government's policy have stalled decision by the ECC regarding the new process for LNG import; KESC adopting a wait and watch strategy until further clarity is obtained
- In contact with all potential terminal developers and LNG suppliers, i.e. Conoco Phillips, EVTL, PGL, GEIP, Shell, EDF, Fauji, DSME and Vitol, to take necessary action as and when required

STRATEGIC INITIATIVES – DISTRIBUTION & UNBUNDLING

Reducing AT&C loss by partnering with locally entrenched business groups in 11 High Loss areas

HIGH LOSS IBCS

- 11 out of 28 IBCs are high loss (50% average T&D losses), representing one third of energy consumed
- Various business models considered and international benchmarks studied, distribution service provider model / franchise implemented successfully in several countries including India with 40% reduction in AT&C and 40% improvement in recovery ratio within a 4 year period (Bhiwandi)

DISTRIBUTION SERVICES ARRANGEMENT

- To address local requirements, modeled this into a Distribution Services Arrangement, whereby KESC will enter into a strategic partnership with local business group [Distribution Service Provider (DSP)] with experience of operating within designated areas
- DSP to carry out meter reading, billing and bill distribution, LT network maintenance, customer services
- Revenue / cash flow sharing based upon improvement in AT&C, in favour of KESC until break-even point, switching in favour of DSP post break-even

Progress

- EOI – launched on 02 April, received interest from over 40 parties
- Agreements signed for Gadap (Sherwani Enterprises Private Ltd) & Orangi I (Paras Power Private Ltd)
- MoU signed for collaboration in further 3 areas: Malir, Landhi and Korangi

SMART GRID

- KESC is currently meeting solution providers and evaluating initial proposals for a smart grid system with two basic objectives: (1) reduce AT&C losses through improved energy monitoring and will include remote service disconnections, and (2) minimise outage response time ensuring better customer service and increased revenues. The solution will be finalized before December 2012 and represents a major step by KESC towards modernizing its distribution infrastructure in addition to current technology initiatives, like SAP IS-U, which are already in place

UNBUNDLING

Potential for efficiency enhancement and value creation through shift from integrated utility model

Value Creation

- Separate Business Units (BUs) for: GENCO, TRANSCO and DISCO(s)
- Decentralization of services, operations, value drivers and deliverables to result in transparency & accountability
- Enhanced manageability of each BU, increased stakeholder value and enhanced service quality

GENERATION CAPACITY ENHANCEMENT

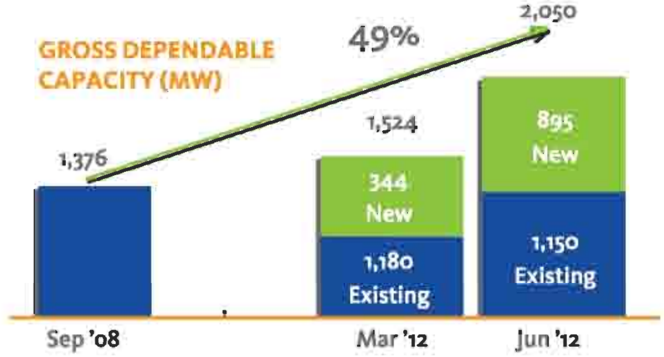
GENERATION CAPACITY HAS BEEN ENHANCED BY 1010 MW AND OVERALL EFFICIENCY HAS IMPROVED BY 14%

NEW INSTALLED CAPACITY

1010 MW

- Installed Capacity Addition
- 220 MW CCPP Korangi
- 180 MW GEJB Korangi & SITE
- 50 MW Aggreko (rental) - now decommissioned
- 560 MW BQPS-2

ACHIEVED WITH TAKEOVER OF BQPS-2



IMPROVEMENT IN FLEET EFFICIENCY

14%

- 14% Efficiency Gain (Jan-Jun '08 to Jan-Jun '12)
- Addition of new efficient plants
- Major overhaul of three units & annual maintenance of BQPS

- EFFICIENCY INCREASED BY 10% WITH THE ADDITION OF GEJB (S & K) AND 220 MW CCPP IN JAN-JUN 2010
- EFFICIENCY INCREASED BY FURTHER 4% DUE TO ADDITION OF BQPS-2 IN JAN-JUN 2012
- FURTHER 3% INCREASE IN EFFICIENCY IS EXPECTED WITH CONTINUOUS OPERATION OF BQPS-2

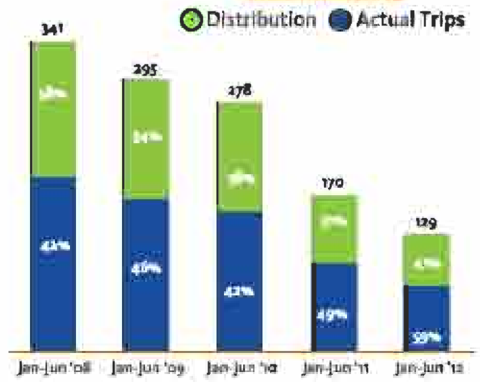
TRANSMISSION SYSTEM MAINTENANCE

Increased reliability in Transmission Network and Transmission have reduced losses by half

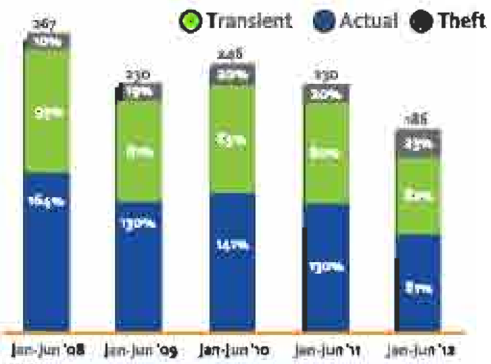
- 1.96% reduction in transmission losses against 11% increase in sent out
- 170 km circuit length rehabilitated since Sep 2008
- Additional 32 km new lines have been installed

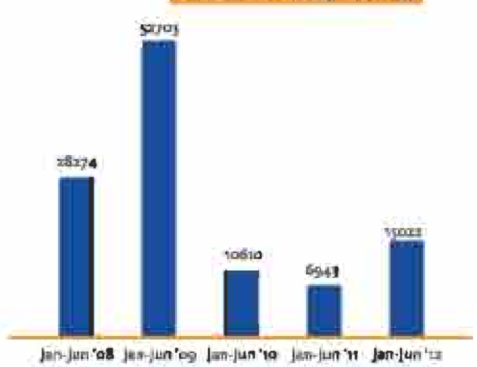
POWER TRANSFORMERS' RELIABILITY

- 62% reduction in transformer tripping vs 2008 (24% vs 2011)
- 52% of transformer trips were caused by 11 kV faults (Distribution network) from Jan-Jun '08 to Jan-Jun '12
- Fault response improvement; 60% reduction in unserved energy vs 2008
- Increase in unserved energy in 2012 vs 2011, mainly due to failure of 2x220 kV Pipri Auto transformers & Hub-Bela circuit



TRANSMISSION LINES' RELIABILITY





GENERATION & TRANSMISSION PROJECTS

BQPS-II – State-of-the-art combined cycle power plant

Capacity: 560 MW (ISO and Gross)

Efficiency: Open cycle 34% (LHV), Combined cycle 51% (LHV)

Salient Achievements

- GT1, GT2 & GT3 PTOCs in Feb 2012, Combined cycle PTOC May 2012
- CCPP tests completed in May 2012. Results better than guaranteed
- Expected Project delay of 4 months reduced to 1 month. However, KESC started getting ST MWs in April 2012, only 5 hours after the contractual date
- Heat Rate test conducted in June 2012 under NEPRA supervision

Potential fuel efficiency projects

Closing of Cycles at the following power stations:

- CCPP (GTs 1 & 2)
- GE-JB Site
- GE-JB Korangi

- Feasibility done
- Due diligence of potential contractors complete
- Techno-commercial proposals received and negotiations completed
- Expected EPC contract finalization by Oct / Nov 2012

47 MW would be added to the system and the efficiency of the plants will increase by approximately 4%.

CAPACITY ADDITION IN GRID & TRANSMISSION SYSTEM

Grids Added

- Sep '08 to Jun '12 — Added 9 Grid Stations -> 713 MVA
- Till Mar '13 — 2 more under construction (120 MVA)

Current Projects

- Mehmoodabad Grid: 30% Civil Works completed. Held up due to court case
- Aga Khan Grid: Technical / Commercial Review completed. KESC portion of the project deferred to 2013
- Clifton Gantry: 85% Civil Works completed. Final Completion depends upon court's decision on ROW issue

New Transmission Lines Added

32 km of new transmission lines. Total: 1,219 km

18 new circuits added. Total: 118

New Industrial Connections

Ayesha Steel Mill	16 MW	Completed
AGHA Steel	28 MW	Completed
Amerili Steel	28 MW	Completed
ASG-Metals (Aromatic Food)	25 MW	In-Progress

Number of New 11 kV Feeders Installed

Number of 11 kV feeders added from Aug '08-June '12

- R & C — 240
- Industrial — 42

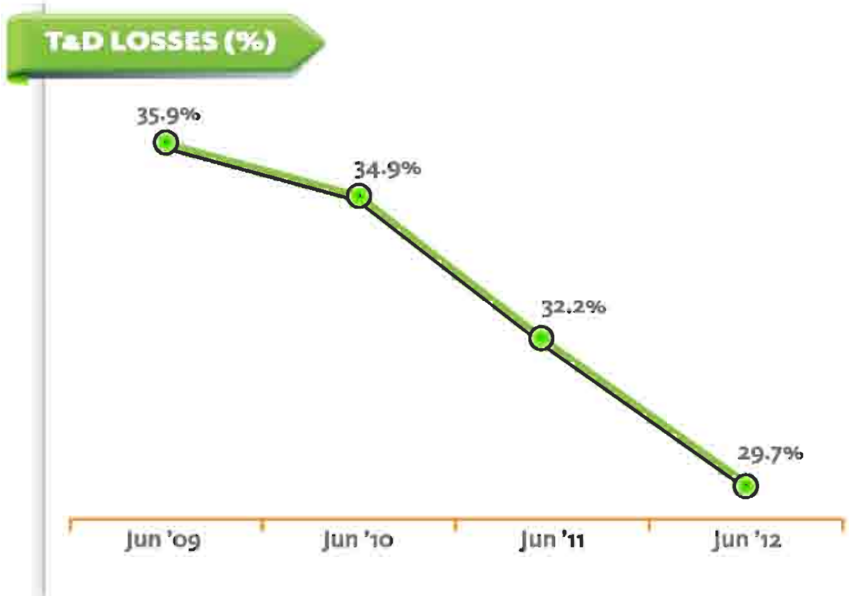
Way Forward - Transmission Package

To address long-term capacity and reliability:

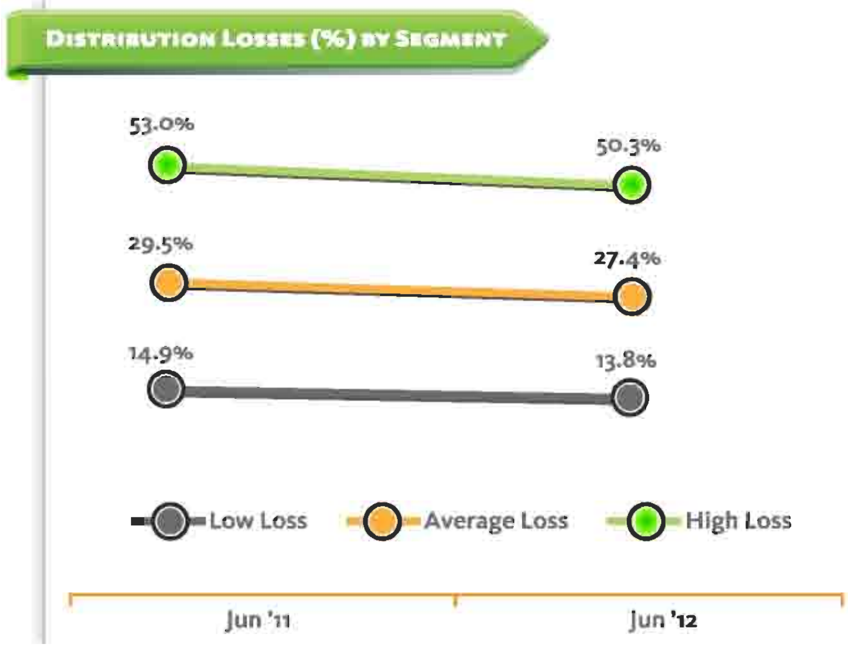
- 3 new grids: Mominabad, Old Golimar and Shadman
- 2 new Auto Transformers; 500 MVA capacity
- 6 new Power Transformers; 240 MVA capacity
- Technical assessment completed. Financing arrangements underway

DISTRIBUTION - T&D LOSSES

Annualized T&D Losses are at a 17 year record low of 29.7%, representing a 6.2% reduction since June '09



- Continued emphasis on accountability & productivity improvement:
  - Restructured organisation with HR Screening
  - Energy measurement both on PMT (check meters) & Feeders (AMR)
  - Incentivized employees, both commercial and technical staff
- SAP IS-U (first in Pakistan) rolled out in 7 IBCs & PSC covering almost 50% of revenue
- Capex initiatives: Electrostatic meters, Aerial Bundle Cable (ABC), High Voltage Distribution System (HVDS)



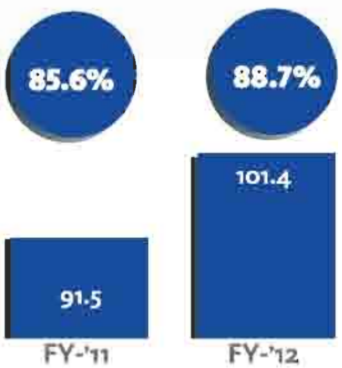
- Low and Average Loss areas comprise 17 out of the 28 business centres, which consume more than two thirds of overall energy
- Supply management (segmented load shedding) has delivered benefits
- As part of the AT&C loss reduction initiative, service providers have been engaged to help manage 11 High Loss areas – agreements signed for Gadap & Orangi I, in advanced negotiations for Malir, Korangi & Landhi

DISTRIBUTION RECOVERIES

Company-wide Recovery Ratio improved by 3.1% over prior year, closing at 88.7%

RECOVERY RATIO

Recovery Ratio (%) and Collections (PKR bn)



Recovery Ratio by Consumer Type

	FY-'12	VARIANCE*
Ordinary	84.0%	0%
Industry	100.1%	1.8%
PSC	77.8%	19.3%
Total	88.7%	3.1%

*from same period last year

- Improvement in results achieved despite an average tariff increase of 47% since FY-'09
- Significant emphasis on Government / Public Sector have reaped positive results: 19% improvement in recovery ratio. KWSB & CDGK continue to drag down recovery ratios

RECOVERY RATIO BY SEGMENT

- High Loss Area Recovery Ratio has declined – efforts hampered by around 30 non-productive days due to political instability
- Initiatives apart from disconnections:
  - Mass Installment scheme with pre-approved installment bill
  - Linking faulty PMT replacements with adequate recoveries


KESC
10

BRAND MARKETING

Our marketing efforts revolve around creating business value by addressing core operational issues. Our goal is to continuously build and enhance the Brand Equity of KESC with the help of effective and cohesive multi-channel communication campaigns

Major Marketing Campaigns

- A 360° Recovery & Disconnection campaign was launched at the beginning of the year 2011-12 that helped the distribution team in achieving its goals
- Bill advertising channel was used for a number of tactical campaigns during the year with particular focus on public safety, theft reduction and timely payment of bills
- An awareness campaign around duplicate bill generation was launched through print and digital marketing vehicles during 2011-12. This critical initiative helped the company during the bill distributors' strike
- During the violent labour unrest, the marketing team provided effective support in exposing the subversive and violent role of certain interest groups with the help of electronic and print media campaigns. Digital marketing channels were also used to create mass awareness among general public
- AZM Term Finance Certificate campaign was successfully launched to market the first such initiative by any company in the power sector
- KESC became the first utility to launch a comprehensive bill payment facility for its customers (internet, ATM, Mobile, POS, IVR and call centre) empowering them to use the route that they find most convenient. The service was launched in collaboration with NADRA, UBL Omni and Easypaisa, mobile payment solution with MCB and online payment facility with major commercial banks of the country

Digital Messaging Drives

- During the year, Marketing team sent over 20.8 million text messages and 1.36 million emails to Karachi's residents on various business and operational subjects

Over the last 3 years, KESC's Brand Equity Index has shown steady growth and now it is in the "Acceptable Norm" as defined by Nielson.

Brand Equity Index

Oct '09	Feb '10	Aug '10	Dec '10	Dec '11
0.78	0.94	2.01	2.52	3.20

MEDIA ENGAGEMENT

Our media engagement strategy is based on open, proactive and transparent flow of communication to all major stakeholders in this segment

- During the year, our proactive media strategy aided in voicing issues for the benefit of key stakeholders, using all tools of engagement including targeted campaigns, article and interview placements, independent reviews, press releases, special news reports, media briefing, site tours and participation in various public forums
- Media team is also active on the social media front, where KESC is perhaps the only public utility in Pakistan that engages stakeholders via Twitter
- During the year 2011-12, KESC provided honest and transparent facts to our stakeholders on a number of issues such as labour unrest, gas supply issue, factors driving load shedding, public safety, etc.
- Media group also worked closely with the distribution team and provided support in ongoing anti-theft and recovery drives
- During the labour unrest, local media was mobilized effectively to counter subversive activities by different interest groups
- Through our effective media presence, we also kept people informed of key initiatives and achievements of KESC

CORPORATE COMMUNICATION

Keeping our internal and external customers engaged and informed of all major developments is the key element of our communication strategy

- AZM Change Management Program, designed around new vision and values of KESC, was rolled out during the second half of the year. Around 8,500 KESC employees actively participated in 35 AZM sessions
- Earlier this year, AZM-The Year of Turnaround Conference was organised where around 200 senior management employees actively participated to set the vision and values of KESC. The group also collectively identified and endorsed strategic areas of focus for 2012-13
- AZM, the monthly internal newsletter, was regularly published and circulated among all employees during the year
- UMEED, our digital newsletter for external stakeholders, covered all important business themes and was circulated to some 750,000 contacts on regular basis
- During the year 2011-12, KESC organised and / or participated in around 75 internal and external events aimed at active engagement with key stakeholder groups

CORPORATE SOCIAL RESPONSIBILITY

Creating business value by integrating the operational strategy with social and environmental considerations

Through our social investment programs, we work with various communities on projects that address issues directly linked to our business and operations. Some of our key initiatives along these lines during 2011-12 were:

- KESC supported Sindh government in its relief and rescue work in the worst flood affected areas of the province. We supplied food hampers, tents and other essential items for 1,000 displaced families
- This year sixteen major hospitals of Karachi were exempted from load shedding. System up-gradation and subsidized new connections were given to a number of institutions in health and education sectors
- Around 50 employees of KESC provided mentoring to the graduating classes of The Citizen Foundation schools under the Employee Volunteer Program. We have also committed 1,000 management employee hours to Injaz Pakistan
- KESC organised 18 knowledge-sharing sessions and field trips, involving over 1,200 students, from leading engineering and business schools of Karachi. A training session was also organised for the faculty of NED University
- Groundwork on KESC's first sustainability analysis was completed during the year. The report will provide an objective review of KESC's performance against established ESG principles, following the Global Initiative (GRI) G3.1. KESC will be the first power sector company in the country to publish its sustainability report for the period June 2009-June 2011
- AZM Scholarship program for vocational training was launched for the employees of KESC workers. Around 300 children, who applied for the scholarship, were offered free training at leading vocational training institutes in Karachi
- KESC won the CSR Business Excellence Award 2012 in recognition of its various community welfare intiatives undertaken during the year 2011-12

SPORTS MARKETING

While we now focus on fewer sports, we have created powerful platforms that inspire the youth belonging to underprivileged segments of our society

- KESC organised Pakistan's biggest football event, Super Football League, in partnership with Pakistan Football Federation and Geo Super sports channel. Teams from all provinces participated in this event and all matches were televised live on Geo Super
- KESC conceived and organised "KESC Lyari League" Under 14 Football Tournament featuring 12 teams from Lyari and 4 from Balochistan's areas that fall within our service limits. Nine players from this league were selected for Pakistan's under 14 team
- During the year, KESC football team participated in all national level events. We secured the fifth position in Pakistan Premier League 2011 and second position in National Challenge Cup 2012
- Our cricket team made it to the final of the Patrons Trophy for the second time in three years and ended up as the runners up. We also reached the semi-final stage of two major local tournaments during the year

HR RESTRUCTURING

Supporting KESC's turnaround through aggressive restructuring campaigns

HR POSITION – SEPTEMBER 2008

- Workforce strength of 17,436 employees
- Lopsided Management / non-Management structure - Management : 1,899 Non-Management: 15,537
- Public sector mindset, inefficient workforce
- Highly politicized and active labour unions
- Absence of cultural harmony

SNAPSHOT – HR INITIATIVES

Project Apr 2009 - Promotion of non-management staff

- 3,500 Non-Management staff promoted to Management Staff to balance out both the cadres

Charter of Demand (COD) 2010 - Regularization of staff

- Agreement signed between labour union (CBA) and management after 11 years
- 5,700 contractual staff regularized between May-Jun 2010
- Medical benefits, salary increments - cash outflow impact of PKR 60 mn per month

Project Nov 2009 & Apr 2010 - Performance based measures

- Identified pool of 148 employees having unsatisfactory performance
- Laid off 36 employees in Nov '09, 254 employees in Apr '10

Reduction in Overtime (OT) Payments - Historical system of OT payments to non-core workers halted by (end) 2011

- OT expenditure - 2009: PKR 583 mn 2010: PKR 665 mn. 2011: PKR 381 mn

Project Dec 2010 - Voluntary Separation Scheme (VSS)

- VSS offered to 4,459 non-management / non-core staff, PKR 6.0 bn (approx.) offered under the scheme

Officers Service Policy 2010 - Shift from Permanent to Contract

- 223 employees offered / 123 acceptances
- Changes incorporated in 2002 policy
  - Leave and hiring policy
  - Medical benefits entitlement
  - Retirement policy and rules

HR Outsourcing - Outsourcing of non-core services

- Security Guards, Sanitary Workers, Drivers, Office Assistants and Attendants

Internal Job Posting (IJP) - Creation of system to hunt talent amongst existing resources

- Job posted and positions announced through administrator emails
- Fair and transparent evaluation process, wide participation

11,326 management and non-management staff head count as of 30 June 2012 comprises 5,561 management staff, 5,765 non-management staff.

Introduction of Bell Curve Evaluation System, Trainings Provided to Employees

Annual Performance Appraisals – Management

- Identify and acknowledge employees' capabilities and contributions to the success of the organisation
- Filter out incompetent and non-performing employees
- 5,421 management employees assessed in the Jun '10 and Dec '10 roll-out
- 5,516 management employees assessed in 2011
- Salary increments aligned with performance

Annual Performance Appraisal (APA)- NMS

- Rolled out APA for core / Non-Management staff (NMS) on 10 January 2012
- Assessed 5,992 non-management staff and promoted 300 out of them
- Implementation of a robust "Variable Yearly Performance Reward (VYPR) Matrix"

Fresh Blood Infusion - The biggest trainee program across the country

- Induction of 480 young professionals since 2008
  - 130 Management Trainees
  - 350 Trainee Engineers
- 80%-85% average retention rate

Learning and Organisation Development

- Standardized and structured learning interventions through AZM Learning Institute
- Initiatives aligned with business strategy at corporate and business unit levels
- Development of highly-skilled workforce

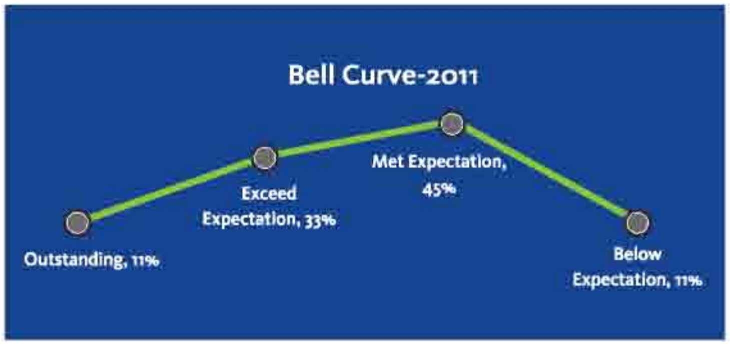
Salary increments and financial rewards of management and non management staff aligned with individual performance rankings

Promotion Matrix

Level	Jun '10	Dec '10	Dec '11	Total	%
GM, DY Directors & Directors	1	10	4	15	1.5
DGM & Managers	38	72	65	175	17.3
DM, AM & Officers	187	394	239	820	81.2
Total	226	476	308	1,010	100

Hiring of Management and Trainee Engineers

	2008	2009	2010	2011	2012
MTOs	25	-	91	-	14
Engineers	-	-	190	74	86
Total	25	-	281	74	100



Years	No. of Trainings		No. of Participants	
	Technical	Soft Skills	Technical	Soft Skills
2012	242	50	7,855	2,217
2011	151	74	3,341	2,644
2010	33	25	2,652	1,735
2009	20	33	1,671	2,096
2008	13	16	395	1,913

VOLUNTARY SEPARATION SCHEME - VSS ROLL-OUT DECEMBER 2010

Despite violent resistance, KESC continued its drive to bring about a positive change

REACTION TO VSS

- CBA opposed VSS vehemently
- Launched a campaign against VSS & pressurized workers not to opt for it
- NIRC issued restraining orders so that workers may exercise their option freely
- CBA violated the restraining orders blatantly and NIRC initiated contempt proceedings against CBA
- Restricted VSS success rate to a mere 10%

DISRUPTIONS CAUSED

19 January 2011

- Management retrenched the remaining 4,036 surplus non-core staff

20 January 2011

- CBA took the law in its own hands
- Hundreds of men launched a violent attack on KESC's HO
- Miscreants physically assaulted KESC staff, severely damaged the building and burnt / damaged over 200 cars in Head Office

19 JANUARY 2011

Retrenchment of remaining approx. 4,000 surplus non-core staff

20 JANUARY 2011

Violent attack on KESC's Head Office

24 JANUARY 2011

Restoration of retrenched workmen due to Political / Executive Order

UNION ACTIVITY FOLLOWING GOP EXECUTIVE ORDER

- Go Slow / discontinue all work activity
- 29 April 2011 - Press club sit-in
- Hunger Strike - 10 days
- 09 June 2011 - 45 day Dharna outside Head Office
- Multiple Sieges (20 Jan, 09 Jun, 20 Jul, 29 Aug)
- Move to Governor House for 2 days
- Continued sabotage, 100 employees (approx.) injured
- 26 July 2011 - Negotiated truce with City Government

Approximately 3,400 non-core, non-management staff have opted for VSS as at 10 February 2012 (VSS closing date)
Approximately 900 non-core, non-management staff that did not opt for VSS have been retrenched

HR LEGAL CELL

Implementation of disciplinary committee for the first time – enhance employee accountability / create system to reprimand employee misconduct

- HR legal cell constituted in Jan 2010 in order to account for / take disciplinary action against unacceptable employee behaviour
- Comprises professionals having sound understanding of disciplinary procedures and associated legal implications
- Holds formal enquiries and takes necessary action required for a broad spectrum of cases including:
  - ✓ Officers involved in corruption and other forms of misconduct
  - ✓ Fatal accident enquiries
  - ✓ Blue collar / workman enquiries
  - ✓ Employees involved in misconduct including electricity theft cases generated by CEO Task Force (CTF)
- Provision of end to end service – from issuance of charge sheets to litigation (courts cases) for defending charge sheets

Total employee dismissals / terminations to date: 694 from management and non-management cadre.

HR TRAININGS

CORPORATE HSEQ

Improved performance by reducing employee fatalities, major accidents, asset damage and public fatalities. Conducting Safety campaigns for Public safety

Employee Health and Safety

- Developed a comprehensive safety management system comprising 23 procedures in all aspects of work safety
- Established departmental safety objectives with defined KPIs
- Increased ownership at BU / Dept. level by formulating and implementing customized Accident Prevention Plans
- Aggressive and sustained safety trainings
- A culture of Proactive Risk Management of hazards introduced
- Implementation of Fire Management System to increase asset value
- Regular vaccination programs resulting in reduction of Hepatitis-B cases by 60% and infectious diseases in children by 40%, 2,478 vaccinations of staff and families were carried out in FY-'12
- A robust system of oversight implemented at micro-level through regular spot checks and audits
- 605 Safety Inspections conducted in Distribution, Grids, Generation Plants and other Support Departments

Employee Behavioral Safety

- Promoting a "Just Culture" through a transparent "Reward and Reprimand" system. 26 Employees and Teams rewarded with "Man of the Month" & "Team of the Month" rewards
- Encouraging safe behaviour through inclusion of safety marks in annual appraisals
- Second Annual Safety Leaders Awards held. Scope of SLA enhanced to include Support Departments

Environmental Safety

- Conducted IFC audit
- All plants compliant to NEQS Gaseous Emissions / Effluent Standards

Public Safety

- World Safety Day campaign was conducted at 63 schools reaching 26,131 students and their homes throughout the city
- "Electronic Safe Card" launched on KESC's website to provide easy access to public for reporting of hazards and immediate response. More than 200 safe cards resolved
- 20,000 retro-reflective warning signs pasted on electric poles in fatality prone areas

14.6% reduction in employee accidents (from 41 to 35)

26.7% reduction in damaged assets (from 15 to 11)

SUPPLY CHAIN - PROGRESS AND ISSUES

Efficiency and Productivity gains through BPR, automation and improved controls

Procurement

- KESC, being a vertically-integrated power utility, procures goods and services of a diverse nature. The Supply Chain team delivered on its commitment of making available the required materials, when needed and at the lowest possible cost to its user base
- Procurement continued to improve its internal processes to reduce cycle time from request to receipt of goods and services. In FY '12, Procurement focused on optimising procurement processes, better utilising systems (SAP), vendor development and internal customer satisfaction

Achievements in FY '12:

- Standard Operating Procedures (SOPs): SOPs were revised and strengthened
- ERP: Utilisation of reporting and analysis was increased
- Service Codes: Service codes were introduced to standardise purchase and control of services
- Procurement continued its work in introducing and developing new suppliers to maintain competition. The focus remained on establishing and strengthening direct OEM relationships

Inventory Management (IM)

There has been consistent focus on inventory optimisation and timely availability of material for Distribution and Transmission. From June '11 to July '12, inventory value was reduced from PKR 2,902 million to PKR 2,526 million, while Stock Keeping Units (SKUs) were reduced from 2,014 to 1,229 for the same period.

Some salient features of IM in FY '12 included:

- Restructuring Stores: Transformer Workshop (TSW) Stores moved under IM for better and effective control. A bonded warehouse established to cater for expedited imported material needs
- Obsolete Items: Total 776 obsolete items were identified and disposed of, resulting in reduced SKUs and cash flow for KESC

Transformer Workshop

- KESC's TSW was set up a decade ago to maintain approximately 16,000 transformers that KESC has in the field
- TSW now fulfils the complete requirement of replacing transformers for all four regions; it also makes available repaired transformers in the shortest possible time
- During FY '12, prime focus was on improving product quality, work environment and human resource. The goal is to continue work on aligning TSW procedures with international quality standards

Achievements in FY '12:

- Successful ISO 9001:2008 certification
- Company-wide safety leader award
- Output increased to 200 transformers / month
- Testing in line with relevant IEC standards
- Cost savings in excess of PKR 350 million

In FY '13, Transformer Workshop shall:

- Undergo a complete revamping of its drying process by introducing vacuum ovens, extended life of repaired transformers and improve MTBF
- Get a new Test Lab with facilities in line with international IEC standards
- Institute work process in line with OHSAS-18000 standard

Fleet Management (FM)

- During the year, FM focused on service quality, vehicle availability, and reduction in vehicle and fuel cost, managing 1,593 vehicles of all categories
- Over the year, 450+ KESC-owned vehicles were taken out of the system. Fleet outsourcing resulted in a 14.3% reduction in fleet strength and 7% reduction in fuel (liters). Additional third party vendors were inducted to increase price competition and service quality
- CRM approach to have a 360 degree view of FM resources - a comprehensive database of vehicles, utilisation and cost was developed

Medical

- Medical department provided health care facilities to a population of 56,233 at a total cost of approximately PKR 500 million per annum. During the year, the medical department continued to focus on improving service levels at lowest possible costs
- OPD policy for management employees was revised, allowing them to avail health facilities at their preferred providers, a Customer Facilitation centre was setup for hassle-free services to employees, 24/7 case management was undertaken at Liaquat National Hospital for better care and contact, doctor strength was augmented to reduce patients' waiting time and business processes were reengineered to reduce back-office lead-time

Civil Works & Estate (W&E)

- W&E focuses on making KESC "rent free" and over the year the department has put in continued effort to provide better infrastructure and a comfortable working environment to all Business Units
- From January '09 to May '12, reduction in rental sites from 72 to 34 resulted in rent saving of PKR 78 million per annum. 23 construction projects were managed throughout the year

IT OVERVIEW

SAP IS-U

- Implementation of SAP IS-U: SAP Utility industry solution for customer care and billing, a first in Pakistan, covering almost 50% of KESC total billing.
  - Project Josh I – SAP roll-out in Defence and North Nazimabad IBCs completed in October 2011
  - Project Josh II – SAP roll-out in five new IBCs & PSC completed in July 2012. [Clifton, Gulshan, Johar, SIMZ, KIMZ, and Public Sector Consumers (PSC)]

SAP ERP

- Medical system implemented through Human Capital Management (HCM) module
- Mechanism developed for cross charging of O&M expenses through Finance and Controlling (FICO) module – testing in progress
- Inventory Management (MM) module implemented in KESC stores
- Plant Maintenance (PM) implemented at generating stations and trainings are being conducted

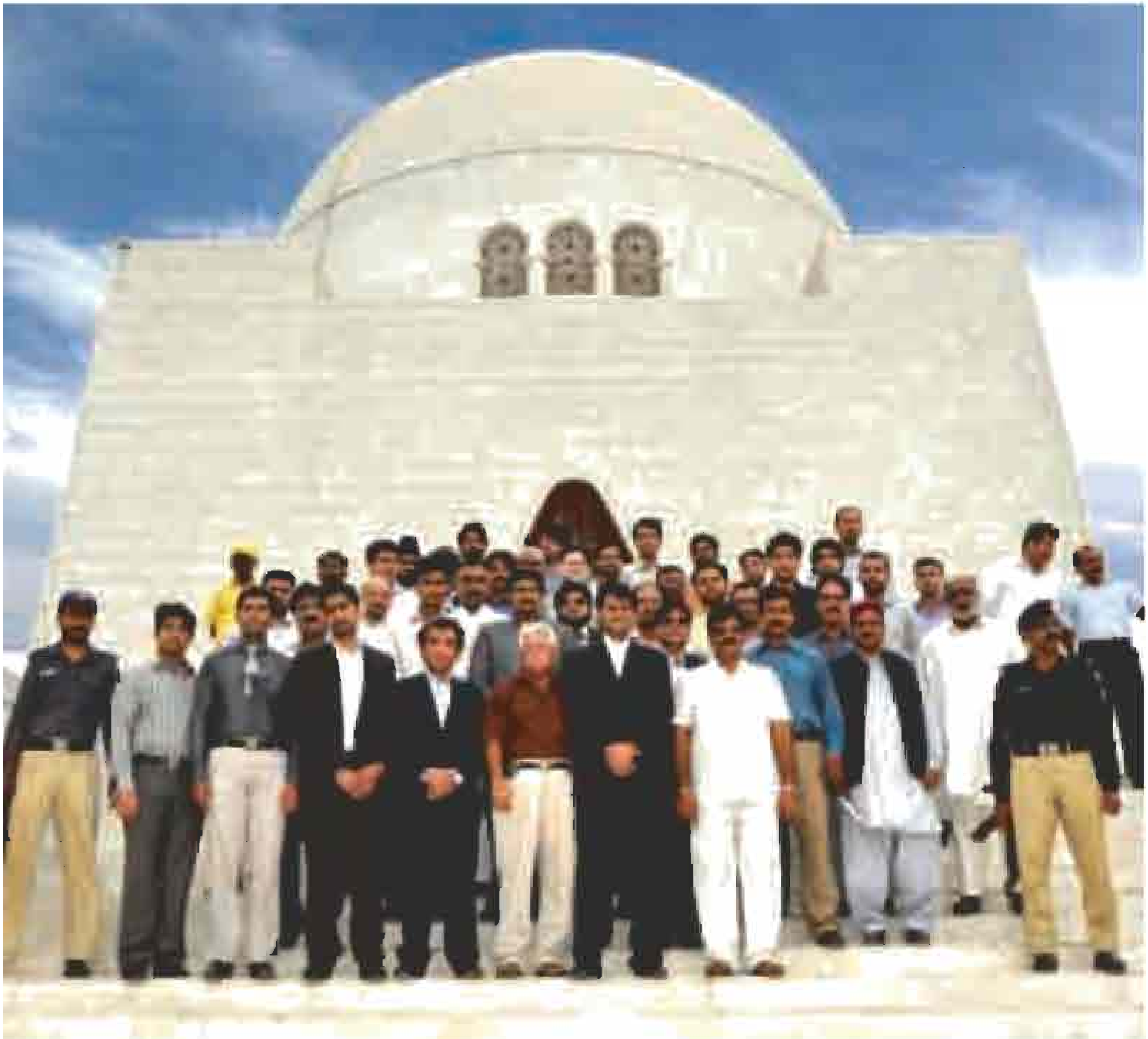
GIS Project

- Extensive exercise conducted in order to map Transmission lines. Implementation of GIS system has led to a more accurate calculation of EHT losses

- Progress : 11 kV / HT Network
  - Training conducted for Transmission Overhead, Underground and PID department
  - Overhead Cables, Knife Switches, Turning Poles, Joints – in progress (approx. 40% i.e. 398 feeders completed)
  - Fault Indicators, Main Cables, Linking Cables – in progress (approx. 37% i.e. 390 feeders completed)
  - GPS survey of customer data in IBC Defence 100% complete verification in progress

Other Initiatives

- End to end outsourcing of IT helpdesk, level 1 and 2 IT support services (personnel and technology) to Jaffer Brothers with service level agreements, covering over 5,000 IT assets
- Outsourced Backup Data Centre to disaster recovery site at PTCL in Karachi
- Setup IT Governance Cell to create, monitor, and control compliance of policies and procedures
- Increased high speed network (LAN / WAN) redundancy to ensure high availability of services for multiple parties and projects including IS-U and BQPS 2
- Outsourced Office Printing at 18 locations with advanced printing options and provision of printing pages included



ENERGY CONSERVATION

Actively engaging in load optimization and energy conservation activities

Activities

- Over 1.53 million consumers tapped during mass awareness via ATL & BTL activities till date across Industrial, Commercial, Domestic, and Institutional level. Tapping youth through awareness conferences
- ECD team conducted energy audits with ROI-based proposals for encouraging use of green energy-efficient fittings and fixtures along with consultancy / awareness regarding Power Factor Improvement Plant installation / up-gradation to 45 Industrial consumers
- Working in close liaison with MoWP, ENERCON, PEPCO and other stakeholders for conservation

Mass Awareness Programs

- Activities conducted including Youth Energy Conference, Week-long Environment Day Celebration in coordination with MoE and AEDB, Civil Defence, NILLAT, Green Land Public School, Alkhair School, PAF KIET, British Grammar, Badri School, Masjid-e-Rehmania PECHS, M/S Clariant, Bohri Community Jamat Khana Saddar & North Nazimabad

Milestones

- Achieved 73% of load optimized target (~146.32 MW) through in-house & outreach EC activities
- Capacity enhancement and improvement in power factor (~183 MVA) helped reduce system technical and commercial losses
- Mazar of Quaid-e-Azam, transformation of existing Tomb & Museum conventional lights to LEDs has been completed, resulting in 80% optimization from the existing load
- In-house EC initiatives in light of CEO's guidelines, regular ECD surveys and monitoring on energy conservation practices in KESC grid stations, IBCs/VIBCs, KESC offices
- Replacement of ICLs in Head Office with LEDs has resulted in load reduction by 81% (64 KW / PKR 2.5 million / annum)

Future Action Plans

- Face of the City project (from Governor House to Airport) to transform conventional street lights to energy efficient LEDs, reducing 59.23% existing load
- National CFL program in collaboration with PEPCO: distribution of 2.7 million CFLs amongst domestic consumers - saving of approx. 107 MW
- Partnering with the Architects and Builders Association of Pakistan (ABAD) in the projects Al-Khaleej Tower project and De-Comforts project for utilisation of LEDs and Energy Efficient Lights
- Transformation from conventional to energy efficient lighting at Sultan Agha Khan School – FBA Branch, Pakistan Express Post – PECHS, Meezan House, National Medical Centre, Karachi Club, Atlas Battery, Engro, Silk Bank, Avari Tower, Beach Luxury and Embassy Hotel

AUDITORS' OBSERVATIONS

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

i. The key factors responsible for Transmission & Distribution (T&D) losses, as explained in note 46 to financial statements, are old and outdated distribution network and theft of electricity. With the completion of system improvement and loss reduction projects, it is expected that technical and commercial losses will be reduced to a reasonable level. The actions being taken by the Company for operational and infrastructure rehabilitation program with the commitment and support of the sponsors of the Company with the objective to transforming the company into a profitable entity and operational and financial measures taken to support such rehabilitation program, have been fully explained in note 1.2 to the financial statements.

ii. The Company has obtained all requisite statutory approvals with regard to issuance and allotment of Redeemable Preference Shares (RPS), under the provisions of Companies Ordinance, 1984, and Companies Share Capital (Variation in Rights & Privileges) Rules 2000, as a part of equity. Required returns for allotment of RPS as equity have also been filed with and accepted by SECP. However, the impending verdict of SECP on the appropriate way of disclosure of this subject shall be complied with in letter & spirit.

iii. As explained in note 32.1.2 to the financial statements, the issue of late payment surcharge / interest on delayed payment to / from Government Entities which are part of circular debt situation, is likely to be settled on net receivable / payable basis without accounting for any delayed payment surcharge / interest. The contention of the Company is duly supported by legal opinions and accordingly accrual of interest has not been recorded since 01 July 2010 pending resolution of circular debt.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Directors are pleased to report and the Auditors, in their Report to the Shareholders, certified that:

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

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

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

d. International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained.

e. The system of internal control is sound in design and has been effectively implemented and monitored.

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

g. The operational and infrastructure rehabilitation program being implemented by the Company with the commitment and support of the sponsors has been fully explained in note 1.2 to the financial statements.

h. Key operating and financial data of the Company for the last six (06) years are given on page 50.

i. The Company is in the process of consolidation and restructuring to extinguish the accumulated loss and stage a turnaround and has therefore not declared dividend / bonus shares. Earnings Per Share (EPS) for the year under review is Rs. 0.11 (basic) and Rs. 0.11 (diluted).

j. Statutory payment on account of taxes, duties, levies and charges outstanding as on 30 June 2012 have been disclosed in note 25 to the financial statements.

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

l. The value of the investments of KESC Provident Fund is Rs. 6.112 billion as on 30 June 2012, whereas gratuity scheme of the Company is not funded and pension scheme does not exist.

m. Statement showing number of Board and Board Audit Committee's meetings held during the year is placed at page 135.

n. The training of the directors is an ongoing process and the directors, on a regular basis, are provided with and are presented and updated on relevant laws, Code, guidelines on best practices of corporate governance.

o. The Pattern of shareholding is placed at page 136.

p. All trades in the shares of the Company, carried out by its directors, executives and their spouses and minor children have been disclosed at page 140.

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

BOARD OF DIRECTORS

During the review year, two (2) GoP nominees on the Board of the Company, Mr. Javed Iqbal and Mr. Shabbir Ahmed were substituted and replaced by Mr. Imtiaz Kazi, Secretary (W&P), Ministry of Water and Power and Mr. Naveed Alauddin, Joint Secretary (Finance), Ministry of Finance respectively. Whereas (02) nominees of KES Power Limited (KESP), the holding Company of KESC incorporated in Cayman Islands, Mr. Zulfiqar Haider Ali and Mr. Naveed Ismail resigned from the Company's directorship. The Board wishes to place on record appreciation of services of the outgoing Directors and welcomes the incoming Directors.

AUDITORS

The present auditors, Messrs KPMG Taseer Hadi & Company, Chartered Accountants, retire and, being eligible, have offered themselves for reappointment. BAC has recommended reappointment of Messrs KPMG Taseer Hadi & Company, Chartered Accountants, as auditors of the Company for the FY 2013.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board,

Tabish Gauhar
Chief Executive Officer
Karachi, 07 August 2012

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2012

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in Regulation No.35 of listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors (Board). At present the Board includes:

CATEGORY	NAMES
	KESP Nominees
*EXECUTIVE DIRECTORS	Tabish Gauhar, CEO
	Muhammad Tayyab Tareen
	Syed Nayyer Hussain
	Syed Arshad Masood Zahidi
*NON-EXECUTIVE DIRECTORS	Waqar Hassan Siddique, Chairman
	Shan A. Ashary
	Mubasher H. Sheikh
	Omar Khan Lodhi
	Michael G. Essex (Under SECP Approval)
	GOP Nominees
	Imtiaz Kazi
	Muhammad Zargham Eshaq Khan
	Naveed Alauddin

The election of Directors will be held at the AGM of the Company on 08 October 2012, when the Board will be reconstituted and provision of Clause (i)(b) of the Code to have at least one independent director shall take effect. Although the three (3) GOP nominated directors on the Board of the Company may not technically qualify as independent directors, they certainly qualify the test prescribed in the Code and they do exercise independent business judgments. Whereas the investment of minority shareholders in the capital of the Company was quite insignificant, which has further decreased from 2.84% to 1.52% as minority shareholders did not subscribe to right shares offered to them through five (5) consecutive right issues of the Company during the last three (3) years.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Casual vacancies occurred on the Board on 05 October 2011, and 28 October 2011 which were filled up by the Directors within thirty (30) days, whereas one of the Directors appointed by the Board on a casual vacancy is yet to be cleared by SECP for want of NOC from Ministry of Interior, GOP as the incumbent is a foreign national. The casual vacancy occurred pursuant to resignation of a director on 29 June 2012 will be filled up shortly.

5. The Company is in the process of finalizing the "Code of Conduct" as specified under CCG 2012 and its dissemination throughout the Company will be ensured along with supporting policies and procedures within the next financial year.

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms & conditions of employment of the CEO, as well as other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meeting, along

with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The training of the Directors is an ongoing process and the Directors, on a regular basis, are provided with and are presented and updated on relevant laws, Code, guidelines on best practices of corporate governance. Most of the Directors are professionals and senior executives having national and international exposure and experience and are fully aware of their duties and responsibilities. Directors' certification process under "Corporate Governance Leadership Skills (CGLS) – Director Education Program" of the Pakistan Institute of Corporate Governance (PICG), was initiated in accordance with the requirement of the Code. An Executive Director of the Company has been registered with PICG and will obtain the said certification during current year. The Company plans to acquire all Directors' certification under the CGLS director education program within the prescibed time limit between 30 June 2012 to 30 June 2016.

10. During the review year, the Board has approved appointment of Chief Financial Officer (CFO) and Head of Internal Audit, including their remuneration and terms & conditions of employment.

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

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

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

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

15. The Board has formed an Audit Committee (BAC). It comprises five (5) members of whom three (3), including the Chairman, are non-executive directors. A vacancy occurred in BAC due to resignation of a BAC member on 29 June 2012 will be filled up shortly. BAC will be restructured pursuant to Clause (xxiv) of the Code after election of Directors in October 2012.

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

17. The Board has formed a Human Resource and Remuneration (HR&R) Committee. It comprises four (4) members, of whom two (2) are non-executive directors. HR&R Committee will be restructured pursuant to Clause (xxv) of the Code after election of Directors in October 2012.

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

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

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

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

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

23. We confirm that all other material principles enshrined in the Code have been fully complied with, and reasonable progress is being made by the Company to seek compliance by the end of next accounting year for the following:-

* Code of Conduct
* Appointment of Independent Director
* Restructuring of BAC / HR&R Committees

ON BEHALF OF THE BOARD OF DIRECTORS

TABISH GAUHAR
Chief Executive Officer
Karachi, 07 August 2012

Review Report of Auditors

on Statement of Compliance with the Code of Corporate Governance

FINANCIAL HIGHLIGHTS

SIX YEARS PERFORMANCE

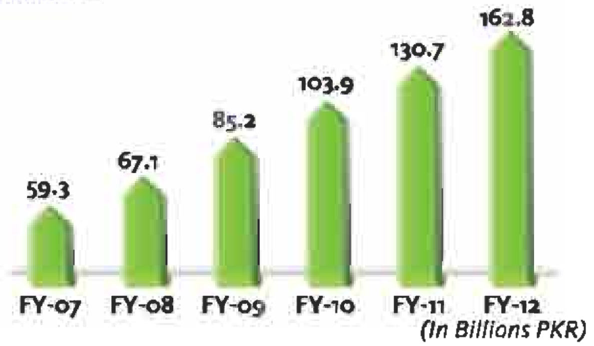
DESCRIPTION	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
OPERATIONAL PERFORMANCE						
Units Generated (million units)-Gross	8,169	8,662	8,262	7,964	7,826	8,029
Units Purchased (million units)	6,708	6,527	7,005	7,842	7,605	7,230
Units Sold (million units)	9,367	9,569	9,396	9,905	10,059	10,277
T&D Losses	34.2%	34.1%	35.9%	34.9%	32.2%	29.7%
SUMMARY OF PROFIT & LOSS ACCOUNT						*(Rupees in Million)*
Revenue	59,308	67,091	85,224	103,937	130,722	162,816
Fuel & Oil and Power Purchase Cost	57,964	68,745	82,372	97,062	115,990	133,255
Gross Profit / (Loss)	(7,101)	(10,888)	(6,632)	(4,052)	249	16,260
O&M Expenses	13,670	14,192	14,854	19,304	24,296	25,519
Financial Charges	1,152	1,875	5,590	6,824	5,127	7,702
Other Charges / (Income)	(1,521)	(1,969)	(2,141)	(4,516)	(4,637)	(6,229)
(Loss) / Profit before taxation	(11,957)	(15,752)	(15,451)	(14,737)	(10,054)	2,569
(Loss) / Profit after taxation	(12,176)	(16,072)	(15,485)	(14,641)	(9,393)	2,620
SUMMARY OF BALANCE SHEET						*(Rupees in Million)*
Non-Current Assets	52,013	64,977	83,018	141,726	167,594	169,214
Current Assets	25,308	27,999	48,918	65,903	68,759	103,362
TOTAL ASSETS	**77,321**	**92,976**	**131,936**	**207,629**	**236,353**	**272,576**
Share Capital & Reserves	23,161	6,919	(82)	31,301	26,504	42,458
Long Term Liabilities	20,562	32,945	71,757	82,832	89,179	83,789
Current Liabilities	33,599	53,111	60,261	93,497	120,670	146,329
TOTAL EQUITY & LIABILITIES	**77,321**	**92,976**	**131,936**	**207,629**	**236,353**	**272,576**
SUMMARY OF CASHFLOW STATEMENT						*(Rupees in Million)*
Cash Generated from Operations	(6,165)	(10,450)	(9,402)	(8,119)	(3,642)	5,257
Working Capital Changes	7,738	10,339	11,620	10,660	13,719	(14,684)
Net Cash Generated from / (used in) Operating Activities	1,573	(111)	2,218	2,541	10,077	(9,427)
Net Cash Used in Investing Activities	(11,959)	(16,248)	(20,922)	(13,523)	(30,731)	(3,688)
Net Cash Generated from Financing Activities	12,206	14,249	17,397	11,044	20,733	13,030
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENT	**1,820**	**(2,111)**	**(1,307)**	**62**	**79**	**(85)**
Cash and Cash Equivalent at Beginning of the Period	2,725	4,545	2,434	1,128	1,189	1,269
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	**4,545**	**2,434**	**1,128**	**1,189**	**1,269**	**1,184**

KEY FINANCIAL INDICATORS

DESCRIPTION	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
PROFITABILITY RATIOS						
Gross Profit / (Loss) Ratio	-12.0%	-16.3%	-7.8%	-3.9%	0.2%	10.0%
Net Profit to Sales	-20.6%	-24.0%	-18.2%	-14.1%	-7.2%	1.6%
EBITDA Margin to Sales	-12.6%	-15.4%	-8.1%	-3.7%	2.7%	10.7%
Return on Capital Employed	-86.5%	-67.0%	-45.1%	-23.8%	-13.2%	3.1%
LIQUIDITY RATIOS						*(In Times)*
Current Ratio	0.75	0.53	0.81	0.70	0.57	0.71
Quick / Acid Test Ratio	0.39	0.28	0.34	0.32	0.34	0.35
Cash to Current Liabilities	0.14	0.05	0.02	0.01	0.01	0.01
ACTIVITY / TURNOVER RATIO						*(In Days)*
Inventory Turnover Days	26	25	21	18	17	17
Debtor Turnover Days - Includes Circular Debt	54	64	92	111	109	133
Creditor Turnover Days - Includes Circular Debt	76	123	110	118	161	190
INVESTMENT / MARKET RATIOS						*(In Rupees)*
Earnings per Share	(0.92)	(1.22)	(1.18)	(0.74)	(0.44)	0.11
Earnings per Share - Diluted	(0.92)	(1.11)	(0.98)	(0.66)	(0.39)	0.11
Market Value Per Share - Year End	6.75	5.47	2.65	2.23	2.15	3.24
- High During the Year	7.15	5.80	3.96	3.65	3.38	4.56
- Low During the Year	5.30	1.82	1.80	1.98	1.50	1.60
Break-up Value per Ordinary Share (including Surplus on Revaluation of Property, Plant & Equipment)	1.60	0.46	(0.01)	1.46	1.15	1.59
Break-up Value per Ordinary Share (excluding Surplus on Revaluation of Property, Plant & Equipment)	1.60	0.46	(0.04)	(0.02)	(0.11)	0.58
CAPITAL STRUCTURE RATIOS						*(In Times)*
Debt to Equity Ratio	0.62	0.90	1.00	0.81	0.87	0.82
Interest Cover Ratio	(9.38)	(7.31)	(1.76)	(1.16)	(0.96)	1.33

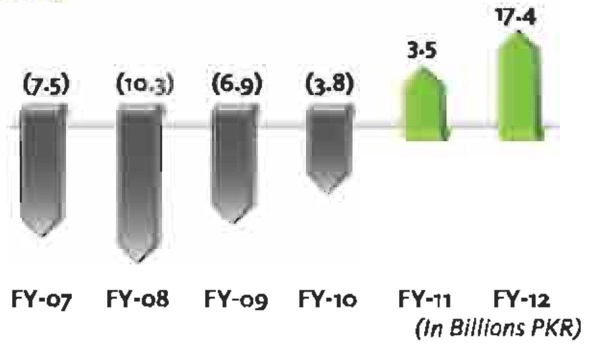
GRAPHICAL ANALYSIS

REVENUE

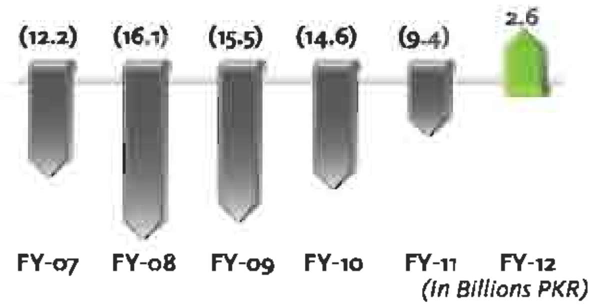


CONTRIBUTION MARGIN

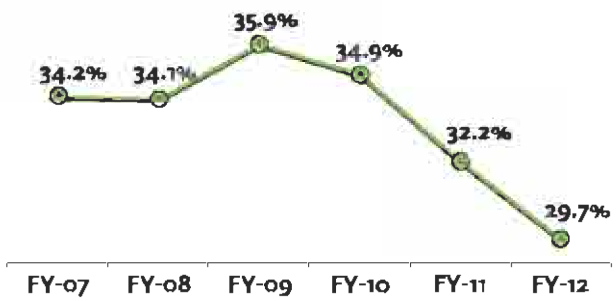
EBITDA



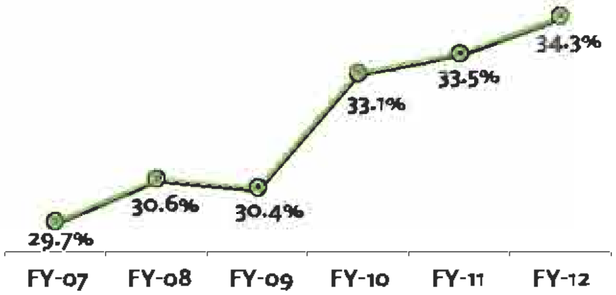
NET PROFIT / (LOSS)



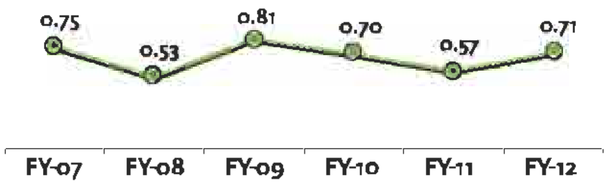
T&D LOSSES



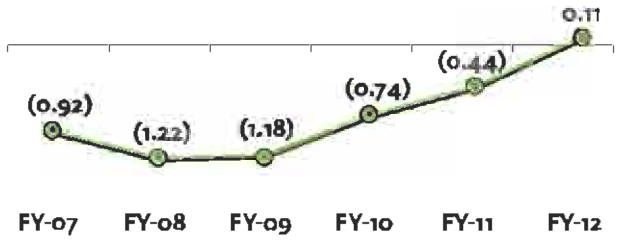
GENERATION FLEET EFFICIENCY



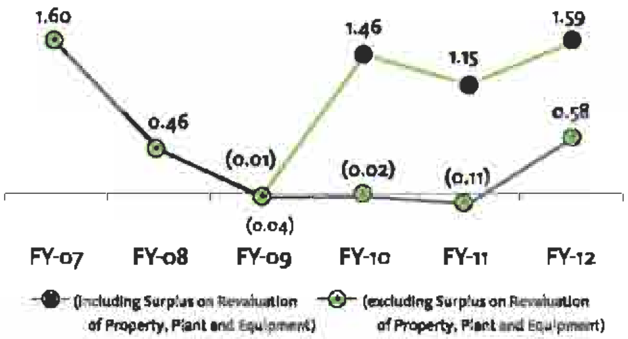
CURRENT RATIO



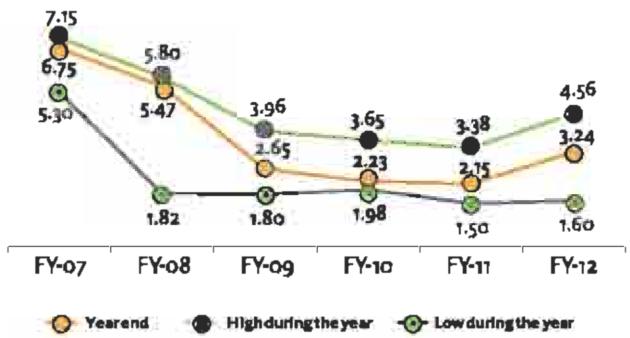
EARNINGS PER SHARE (EPS)



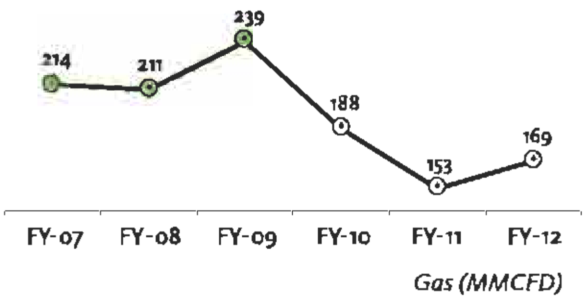
BREAK-UP VALUE PER SHARE



MARKET VALUE PER SHARE



GAS SUPPLY



TOTAL ASSETS

VERTICAL ANALYSIS

VERTICAL ANALYSIS	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
BALANCE SHEET						
NON-CURRENT ASSETS	67.3%	69.9%	62.9%	68.3%	70.9%	62.1%
CURRENT ASSETS	32.7%	30.1%	37.1%	31.7%	29.1%	37.9%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SHARE CAPITAL & RESERVES	30.0%	7.4%	-0.1%	15.1%	11.2%	15.6%
LONG-TERM LIABILITIES	26.6%	35.4%	54.4%	39.9%	37.7%	30.7%
CURRENT LIABILITIES	43.5%	57.1%	45.7%	45.0%	51.1%	53.7%
TOTAL EQUITY AND LIABILITIES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

PROFIT & LOSS ACCOUNT	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
REVENUE	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENDITURE						
Purchase of electricity	-49.5%	-49.0%	-52.7%	-57.6%	-50.0%	-45.9%
Consumption of fuel and oil	-48.2%	-53.5%	-43.9%	-35.8%	-38.8%	-36.0%
	-97.7%	-102.5%	-96.7%	-93.4%	-88.7%	-81.8%
Expenses incurred in generation, transmission and distribution	-14.2%	-13.8%	-11.1%	-10.5%	-11.1%	-8.2%
GROSS PROFIT / (LOSS)	-12.0%	-16.2%	-7.8%	-3.9%	0.2%	10.0%
Consumers services and administrative expenses	-8.8%	-7.4%	-6.3%	-8.1%	-7.5%	-7.5%
Other operating income	2.9%	4.2%	2.9%	4.6%	3.7%	4.4%
Other operating expenses	-0.3%	-1.2%	-0.4%	-0.2%	-0.2%	-0.6%
	-6.2%	-4.4%	-3.8%	-3.7%	-4.0%	-3.7%
OPERATING PROFIT / (LOSS)	-18.2%	-20.7%	-11.6%	-7.6%	-3.8%	6.3%
Finance cost	-1.9%	-2.8%	-6.6%	-6.6%	-3.9%	-4.7%
PROFIT / (LOSS) BEFORE TAXATION	-20.2%	-23.5%	-18.1%	-14.2%	-7.7%	1.6%
Taxation	0.4%	-0.5%	0.0%	0.1%	0.5%	0.0%
PROFIT / (LOSS) AFTER TAXATION	-20.5%	-24.0%	-18.2%	-14.1%	-7.2%	1.6%

HORIZONTAL ANALYSIS

HORIZONTAL ANALYSIS	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
BALANCE SHEET						
NON-CURRENT ASSETS	100.0%	124.9%	159.6%	272.5%	322.2%	325.3%
CURRENT ASSETS	100.0%	110.6%	193.3%	260.4%	271.7%	408.4%
TOTAL ASSETS	**100.0%**	**120.2%**	**170.7%**	**268.5%**	**305.7%**	**352.5%**
SHARE CAPITAL & RESERVES	100.0%	29.9%	-1.2%	135.1%	114.4%	183.3%
LONG-TERM LIABILITIES	100.0%	160.2%	349.0%	402.8%	433.7%	407.5%
CURRENT LIABILITIES	100.0%	158.1%	179.4%	278.3%	359.2%	435.5%
TOTAL EQUITY AND LIABILITIES	**100.0%**	**120.2%**	**170.6%**	**268.5%**	**305.7%**	**352.5%**

PROFIT & LOSS ACCOUNT	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
REVENUE	**100.0%**	**113.1%**	**143.7%**	**175.3%**	**220.4%**	**274.5%**
EXPENDITURE						
Purchase of electricity	100.0%	111.9%	153.0%	203.9%	222.4%	254.3%
Consumption of fuel and oil	100.0%	125.5%	130.9%	130.0%	177.3%	204.9%
	100.0%	118.6%	142.1%	167.5%	200.1%	229.9%
Expenses incurred in generation, transmission and distribution	100.0%	109.3%	112.3%	129.4%	171.5%	157.5%
GROSS PROFIT / (LOSS)	**100.0%**	**-53.3%**	**6.6%**	**42.9%**	**103.5%**	**329.0%**
Consumers services and administrative expenses	100.0%	94.9%	102.8%	160.4%	187.8%	233.8%
Other operating income	100.0%	162.0%	143.9%	275.2%	282.6%	413.5%
Other operating expenses	100.0%	392.6%	167.0%	114.2%	117.9%	442.5%
	100.0%	80.2%	87.2%	104.3%	139.7%	161.7%
OPERATING PROFIT / (LOSS)	**100.0%**	**-28.2%**	**8.7%**	**26.8%**	**54.4%**	**195.1%**
Finance cost	100.0%	164.5%	485.2%	592.3%	445.0%	668.5%
PROFIT / (LOSS) BEFORE TAXATION	**100.0%**	**-31.7%**	**-29.2%**	**-23.3%**	**15.9%**	**121.5%**
Taxation	100.0%	146.3%	15.5%	144.0%	402.3%	123.7%
PROFIT / (LOSS) AFTER TAXATION	**100.0%**	**-32.0%**	**-27.2%**	**-20.2%**	**22.9%**	**121.5%**

OPERATING RESULTS OF GENERATION SYSTEM

		JULY-JUNE 2011-12	JULY-JUNE 2010-11
Maximum Demand	MW	2,564	2,565
Units Generated	MWH	8,029,402	7,826,278
Auxiliary Consumption	MWH	635,373	591,913
	%	7.90%	7.56%
Units Sent out	MWH	7,394,029	7,234,365
Total Power Purchased	MWH	7,230,325	7,602,760
Total Units Available	MWH	14,624,354	14,837,125
Units Billed	MWH	10,276,250	10,059,032
T & D Losses	MWH	4,348,104	4,778,093
	%	29.73%	32.20%

TRANSMISSION AND DISTRIBUTION SYSTEM

DESCRIPTION		AS ON 30 JUNE 2011	ADDITIONS DURING 2011-12	AS ON 30 JUNE 2012
TRANSMISSION SYSTEM - LENGTH				
220 kV Overhead	Circuit Km	321.2	0	321.2
220 kV Underground	Circuit Km	16.8	0	16.8
132 kV Overhead	Circuit Km	610.9	0	610.9
132 kV Underground	Circuit Km	150.1	0	150.1
66 kV Overhead	Circuit Km	149.4	0	149.4
66 kV Underground	Circuit Km	-	0	-
220/132/66/11 kV Grid Stations	Nos.	60	1	61
TRANSMISSION CAPACITY				
AUTO TRANSFORMERS:				
220/132 kV	MVA	3,000	0	3,000
132/66 kV	MVA	100	0	100
		3,100		3,100
GRID POWER TRANSFORMERS:				
132/11 kV	MVA	4,556	21	4,577
66/11 kV	MVA	60	0	60
		4,616		4,637
DISTRIBUTION SYSTEM				
11 kV Overhead	Kilometres	2,576	66	2,642
11 kV Underground	Kilometres	5,326	25	5,351
400 V Overhead	Kilometres	10,788	19	10,807
400 V Underground	Kilometres	1,200	2	1,202
11 kV Distribution S/S/PMTs	Nos.	15,233	174	15,407
11 kV Distribution Capacity	MVA	4,934	23	4,957
LOAD FREQUENCY		**2010-11**		**2011-12**
System Evening Peak Demand	MW	2,565		2,564
Day Peak Demand	MW	2,591		2,596
Base Demand (Night)	MW	1,070		1,102
System Load Factor	%	65.09%		64.02%

FINANCIAL STATEMENTS

Bringing prosperity by empowering our city and our country.

AUDITORS' REPORT
TO THE MEMBERS

Balance Sheet
As at 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
ASSETS			
Property, plant and equipment	4	169,031,230	167,491,103
Intangible asset	5	19,117	22,927
		169,050,347	167,514,030
Long-term loans	6	45,440	61,360
Long-term deposits and prepayments	7	118,701	18,436
		169,214,488	167,593,826
CURRENT ASSETS			
Due from the Government	8	317,750	634,750
Stores and spares	9	6,104,686	6,140,246
Trade debts	10	49,381,277	39,356,297
Loans and advances	11	504,801	463,238
Trade deposits and prepayments	12	2,214,629	2,999,092
Other receivables	13	41,519,735	17,860,046
Derivative financial assets	14	2,135,048	36,534
Cash and bank balances	15	1,183,765	1,268,670
		103,361,691	68,758,873
TOTAL ASSETS		272,576,179	236,352,699
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	92,957,949	80,335,490
Reserves			
Capital reserves	17	509,172	509,172
Revenue reserves	18	5,372,356	5,372,356
Accumulated losses		(82,854,799)	(87,332,960)
Other reserve		(621,373)	(1,333,346)
		(77,594,644)	(82,784,778)
Total equity		15,363,305	(2,449,288)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	19	27,095,083	28,952,905
		42,458,388	26,503,617
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	20	43,183,473	47,157,037
Long term deposits	21	4,754,318	4,332,650
Deferred liabilities	22	5,158,406	5,605,790
Deferred revenue	23	16,103,412	16,144,963
Specific grant from the Government	24	-	348,606
Deferred tax liability	19	14,589,659	15,590,025
		83,789,268	89,179,071
CURRENT LIABILITIES			
Current maturity of long term financing	20	14,217,317	10,495,678
Trade and other payables	25	98,892,023	75,299,452
Accrued mark-up	26	3,739,614	5,009,065
Short term borrowings	27	23,420,575	21,374,141
Short term deposits	28	5,387,090	8,215,674
Current tax liability	29	661,926	266,023
Provisions	30	9,978	9,978
		146,328,523	120,670,011
CONTINGENCIES AND COMMITMENTS	32		
TOTAL EQUITY AND LIABILITIES		272,576,179	236,352,699

The annexed notes 1 to 55 form an integral part of these financial statements.

Tabish Gauhar
Chief Executive Officer

Shan A. Ashary
Director

Profit & Loss Account
For the year ended 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
REVENUE			
Sale of energy – net	33	92,569,725	85,926,679
Tariff adjustment	34	70,029,156	44,581,068
Rental of meters and equipment		216,748	213,433
		162,815,629	130,721,180
EXPENDITURE			
Purchase of electricity	35	(74,657,982)	(65,296,292)
Consumption of fuel and oil	36	(58,596,694)	(50,694,196)
		(133,254,676)	(115,990,488)
Expenses incurred in generation, transmission and distribution	37	(13,301,239)	(14,481,300)
GROSS PROFIT		16,259,714	249,392
Consumers services and administrative expenses	38	(12,218,247)	(9,814,339)
Other operating expenses	39	(910,557)	(242,523)
Other operating income	40	7,140,066	4,880,547
		(5,988,738)	(5,176,315)
OPERATING PROFIT / (LOSS)		10,270,976	(4,926,923)
Finance cost	41	(7,702,419)	(5,127,376)
PROFIT / (LOSS) BEFORE TAXATION		2,568,557	(10,054,299)
Taxation - Current	42	(948,584)	(874,964)
- Prior years	42	-	(11,331)
- Deferred	42	1,000,366	1,547,060
		51,782	660,765
NET PROFIT / (LOSS) FOR THE YEAR		2,620,339	(9,393,534)
		(Rupees)	
Earning per share - basic	43	0.11	(0.44)
Earning per share - diluted	43	0.11	(0.39)
		(Rupees in '000)	
Earning Before Interest, Tax, Depreciation and Amortisation (EBITDA)		17,376,005	3,470,568

The annexed notes 1 to 55 form an integral part of these financial statements.

Tabish Gauhar
Chief Executive Officer

Shan A. Ashary
Director

Statement of Comprehensive Income
For the year ended 30 June 2012

	2012	2011
	(Rupees in '000)	
Net profit / (loss) for the period	2,620,339	(9,393,534)
Effective portion of changes in fair value of cash flow hedges	(106,207)	(773,199)
Net changes in fair value of cash flow hedges reclassified to profit & loss	818,180	-
	711,973	(773,199)
Total comprehensive income for the year	3,332,312	(10,166,733)

The annexed notes 1 to 55 form an integral part of these financial statements.

Tabish Gauhar
Chief Executive Officer

Shan A. Ashary
Director

Statement of Changes in Equity
For the year ended 30 June 2012

	Issued, Subscribed and Paid-up Capital			Reserves					Total
	Ordinary shares	Redeemable preference shares	Total	Capital reserves	Revenue reserves	Accumulated losses	*Other reserves	Total	
	(Rupees in '000)								
Balance as at 30 June 2010	68,982,638	5,983,407	74,966,045	509,172	5,372,356	(80,812,538)	(560,147)	(75,491,157)	(525,112)
Total comprehensive income for the year ended 30 June 2010									
Net loss for the year	-	-	-	-	-	(9,393,534)	-	(9,393,534)	(9,393,534)
Other comprehensive income									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	(773,199)	(773,199)	(773,199)
Total comprehensive income for the year	-	-	-	-	-	(9,393,534)	(773,199)	(10,166,733)	(10,166,733)
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	2,873,112	-	2,873,112	2,873,112
Transaction with owners, recorded directly in equity									
Issuance of 1,540,489,369 ordinary shares @ Rs. 3.5 each - net of transaction cost	5,369,445	-	5,369,445	-	-	-	-	-	5,369,445
Balance as at 30 June 2011	74,352,083	5,983,407	80,335,490	509,172	5,372,356	(87,332,960)	(1,333,346)	(82,784,778)	(2,449,288)
Total comprehensive income for the year period ended 30 June 2012									
Net profit for the year	-	-	-	-	-	2,620,339	-	2,620,339	2,620,339
Other comprehensive income									
Changes in fair value of cash flow hedges - net	-	-	-	-	-	-	711,973	711,973	711,973
Total comprehensive income for the year	-	-	-	-	-	2,620,339	711,973	3,332,312	3,332,312
Incremental depreciation relating to surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	1,857,822	-	1,857,822	1,857,822
Transaction with owners, recorded directly in equity									
Issuance of 3,644,269,737 ordinary shares @ 3.5 each - net of transaction cost	12,622,459	-	12,622,459	-	-	-	-	-	12,622,459
Balance as at 30 June 2012	**86,974,542**	**5,983,407**	**92,957,949**	**509,172**	**5,372,356**	**(82,854,799)**	**(621,373)**	**(77,594,644)**	**15,363,305**

* Fair value of cash flow hedges.

The annexed notes 1 to 55 form an integral part of these financial statements.

Tabish Gauhar
Chief Executive Officer

Shan A. Ashary
Director

Cash Flow Statement
For the year ended 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
Cash Flows From Operating Activities			
Cash generated from operations	44	(244,248)	16,599,586
Payment in respect of fatal accident		-	(2,149)
Deferred liabilities paid		(1,411,852)	(890,346)
Income tax paid		(552,681)	(149,444)
Receipts in deferred revenue		762,273	1,000,477
Finance cost paid		(8,307,719)	(6,698,823)
Interest received on bank deposits		327,493	218,132
Net cash (used in) / generated from operating activities		(9,426,734)	10,077,433
Cash Flows From Investing Activities			
Capital expenditure incurred		(4,735,190)	(30,865,389)
Proceed from disposal of fixed assets		814,845	116,530
Receipt from GOP - PSO and PIRKOH		317,000	-
Long term loans		15,920	14,023
Long term deposits		(100,265)	3,963
Net cash used in investing activities		(3,687,690)	(30,730,873)
Cash Flows From Financing Activities			
Subscription of right shares		12,754,944	5,391,713
Receipt / (payment) of long term financing - net		(2,061,039)	7,138,534
Transaction cost incurred on right issue		(132,488)	(22,265)
Short term borrowing repaid / acquired - net		388,589	7,932,342
KESC Azm certificates receipts		1,657,845	-
Security deposit from consumers		421,668	292,362
Net cash generated from financing activities		13,029,519	20,732,686
Net (decrease)/increase in cash and cash equivalent		(84,905)	79,246
Cash and cash equivalent at beginning of the period		1,268,670	1,189,424
Cash and cash equivalent at end of the period	31	1,183,765	1,268,670

The annexed notes 1 to 55 form an integral part of these financial statements.

Tabish Gauhar
Chief Executive Officer

Shan A. Ashary
Director

1. THE COMPANY AND ITS OPERATIONS

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

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

The registered office of the Company is situated at KESC House, 39-B, Sunset Boulevard, Phase II, DHA, Karachi. KES Power Limited (the holding company) holds 72.82 percent (30 June 2011: 72.58 percent) shares in the Company.

1.2 During the year, the Company has registered a profit of Rs. 2,620 million (2011: loss of Rs. 9,394 million), resulting in accumulated losses of Rs. 82,855 million (2011: Rs. 87,333 million) as of the balance sheet date. The Management of the Company is continuing with the operational and infrastructure rehabilitation program commenced after the privatization of the Company, with the objective of converting the Company into a profitable entity and has taken operational and financial measures to support such rehabilitation program. The program includes:

1.2.1 Generation - Expansion and Rehabilitation

a) The second combine cycle power plant (CCPP-II) having ISO capacity of 560 MW, has been set-up at Bin Qasim. The contract for setting up the plant was awarded in June 2008. The four gas turbines started commercial operation in May 2012 whereas the steam turbine started commercial operation in June 2012. The plant has significant impact on the overall fuel efficiency and profit margin.

b) Other operational and financial measures taken in prior years for expansion and rehabilitation of generation capacity included:

- Commission of second fast track power plant of 90 MW capacity at Korangi in 2010.
- Commission of first fast track plant of 90 MW capacity in June 2009.
- Commission of first combine cycle power plant (CCPP-1) with ISO capacity of 220 MW including the steam turbines in financial year 2010.
- Overhaul of existing Bin Qasim Power Station to increase its reliability, capacity and efficiency.

1.2.2 TRANSMISSION AND DISTRIBUTION NETWORK EXPANSION AND REHABILITATION

The Management has been following a comprehensive plan focused towards the transmission and distribution network to improve reliability and reduce technical and distribution losses. This has also enhanced monitoring and control of the grid and expanded the existing network. Proper network planning, maintenance and capital expenditure has also led to reduced outages and prevented network damage. Some of the transmission and distribution projects which are in progress include constructions of new grid station and launching of Integrated Business Centers (IBCs).

1.2.3 FINANCIAL MEASURES

The financial measures which the Company has embarked upon included loan agreements with foreign lenders including International Financial Corporation (IFC), Asian Development Bank (ADB) and Oesterreichische Kontrol Bank (Oekb) Austria - ECA as well as local lenders. The loans have been obtained for the purpose of capital expenditure on power generation, transmission and network improvement projects.

1.2.4 SPONSORS SUPPORT

The Sponsors of the Company are committed to invest in the Company for its ongoing as well as future projects and also to meet its operating shortfalls. As part of the commitment, KES Power Limited (holding company) has subscribed its share of rights issues announced on 27 May 2009, 27 October 2009, 26 August 2010, 29 July 2011 and 20 February 2012 at the rate of 31%, 14.5%, 7.8%, 7.25% and 9.2% respectively at par value of Rs. 3.50 per share amounting to Rs. 10,620 million, Rs. 6,507 million, Rs 4,008 million, Rs 4,016 million, and Rs. 5447 million respectively. Further, KES Power Limited has also subscribed the unsubscribed minority shares. The Government of Pakistan (GOP) also subscribed for its share of 25.66 percent.

Based on the support of the holding company, actions as outlined above and future projections, the management is of the view that the Company has started moving in the right direction and would achieve further reduction in losses and better results in future.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except for the following:

- certain class of assets included in property, plant and equipment are stated at revalued amounts as referred to in notes 3.1.1 and 4;

- the derivative financial instruments measured at fair value in accordance with the requirements of International Accounting Standards (IAS)–39"Financial Instruments: Recognition and Measurement"as referred to in notes 3.21 and 14; and

- defined benefits obligations are stated at present value in accordance with the requirements of IAS – 19 "Employee Benefits", as referred to in notes 3.11 and 22.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

2.4.1 Tariff adjustment determination

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

2.4.2 Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

2.4.3 Trade debts

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

2.4.4 Stores and spares

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

2.4.5 Employees retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 22 to the financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

2.4.6 Taxation

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

2.4.7 Derivatives

The Company has entered into Cross Currency Swap and Interest Rate Swap arrangements. The calculation involves the use of estimates with regard to interest rate and foreign currency exchange rate which fluctuates with the market forces.

2.5 Accounting developments

Certain amendments to published standards and interpretations of accounting standards became effective during the year, however, they do not affect the Company's financial statements.

2.6 Standards, Interpretations and Amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change, unrecognized actuarial losses amounting to Rs. 518,551 million at 30 June 2012 will be recognized in other comprehensive income.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

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

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

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of "currently has a legally enforceable right of set-off";and that some gross settlement systems may be considered equivalent to net settlement.

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

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

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the "third statement of financial position", when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand by equipment and servicing equipment. The definition of "property, plant and equipment" in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The impact of this has not been assessed at the balance sheet date.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

3.1.1 Operating fixed assets

Initial recognition

The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably. Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the Management.

Measurement

Except leasehold land, plant and machinery and transmission grid equipments, all others items of property, plant and equipment (refer note 4.1) are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Capital work in progress are stated at cost less impairment losses; if any.

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

Cost in relation to items of property, plant and equipment stated at cost represent historical costs. Stores and spares, which form part of the contract under which the project was undertaken, are also capitalized with plant and machinery.

Expenditure incurred to replace a component of an item of operating assets is capitalised and the asset so replaced is retired. 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 Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised.

Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment, if any, and consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their acquisition, erection, construction and installation, including salaries and wages directly attributable to capital work-in-progress, determined by the management. The assets are transferred to relevant category of operating fixed assets when they are available for use.

Depreciation

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

Depreciation on additions is charged from the month in which the asset is available for use up to the month preceding the disposal. In case of extension and addition in existing units, depreciation is provided from the date of actual commissioning and in respect of material replacements and modernization, from the date of capitalization. Cost of subsequent acquisition of stores and spares under specific agreement for specific project are depreciated over the remaining economic useful life of such plant and machinery.

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

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

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

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

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

3.1.2 Asset subject to finance lease

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of leased assets or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor is the effective interest rate.

The outstanding obligations under the lease less finance charges allocated to future periods are shown as liability. Financial charges are calculated at the interest rate implicit in the lease and are charged to the profit and loss account.

Depreciation is charged to profit and loss account applying the straight-line method on a basis similar to owned assets.

3.2 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefit beyond one year are recognized as intangible assets. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. In respect of additions and deletions of intangible assets during the year, amortization is charged from the month of acquisition and up to the month preceding the deletion, respectively.

Intangible assets with finite lives are amortized on a straight line basis over their economic useful lives as specified in note 5.2.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3.3 Borrowing costs

Borrowing costs are recognised in profit and loss account in the period in which these are incurred except to the extent of borrowing costs on long term finances that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised, during the period of time that is required to complete and prepare the asset for its intended use.

3.4 Assets held under operating leases / Ijarah financing

Assets held under operating leases / Ijarah financing are accounted for using the guidelines of IFAS 2. The assets are not recognised on the Company's financial statements or balance sheet and payments made under operating leases / Ijarah financing are recognised in profit or loss on a straight line basis over the term of the lease.

3.5 Loans, advances and deposits

These are initially recognised at cost, which is the fair value of the consideration given. Subsequent to initial recognition assessment is made at each balance sheet date to determine whether there is an indication that a financial asset or group of assets may be impaired. If such indication exists, the estimated recoverable amount of that asset or group of assets is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying value.

3.6 Stores and spares

These are stated at moving average cost less impairment loss, if any, except items in transit, which are stated at cost. For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated realizable value. The Company reviews the carrying amount of the stores and spares on a regular basis and provision is made for obsolescence.

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

3.7 Trade debts and other receivables

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

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

3.8 Cash and cash equivalents

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

3.9 Surplus on revaluation of fixed assets

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of Fixed Assets account" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002. The Company has adopted following accounting treatment of depreciation / amortisation on revalued assets, in accordance with Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated 13 January 2003:

- depreciation / amortisation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation / amortisation charge for the year is taken to the profit and loss account; and

- an amount equal to incremental depreciation / amortisation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation / amortisation charge for the year.

3.10 Interest / Mark-up bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

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

3.11 Deferred revenue

Deferred revenue represents amounts received from consumers as contribution towards the cost of supplying and laying service connections, extension of mains and street lights along with the Transfer from Specific Grants. Amortization of deferred revenue commences upon completion of related work, with 5% of completed jobs taken to the profit and loss account each year corresponding to the depreciation charge for the year (note 23).

3.12 Employee retirement and other service benefits

3.12.1 Defined benefit plans

Provisions are made to cover the obligations under defined benefit gratuity scheme, post retirement medical benefits and electricity rebate on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as of 30 June 2012 using the"Projected Unit Credit Method".

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains / (losses).

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

(a) Defined benefit gratuity scheme

The Company operates an approved unfunded defined benefit gratuity scheme for all its eligible employees. The Scheme provides for a graduated scale of benefits dependent on the length of service of the employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn salary.

(b) Post retirement medical benefits

The Company also offers post retirement medical coverage to its eligible employees and their dependents. Under the unfunded scheme all such employees and their dependents are entitled for such coverage for a period of 10 years and 5 years, respectively.

(c) Electricity rebate

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

3.12.2 Defined contributory provident fund

The Company also operates an approved funded contributory provident fund for all its eligible management and non-management employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of basic salary.

3.12.3 Earned leave

The Company offers encashment of leaves after accumulation of maximum of 60 days for staff and allows Leave Preparatory to Retirement (LPR) to officers who have opted for the scheme in 2003, to the extent of 365 days before actual retirement date.

3.13 Actuarial gains and losses

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

3.14 Taxation

3.14.1 Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any, in accordance with the provision of the Income Tax Ordinance, 2001. It also includes any adjustment to tax payable in respect of prior years.

3.14.2 Deferred

Deferred tax is recognized using balance sheet liability method, providing for all significant temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date. The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.15 Trade and other payables

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

3.16 Provisions

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

3.17 Revenue recognition

3.17.1 Energy sale

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

3.17.2 Tariff adjustment

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

3.17.3 Late payment surcharge

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

3.17.4 Rebate on electricity duty

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

3.17.5 Meter rentals

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

3.17.6 Interest / Mark-up income

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

3.17.7 Grant from Government

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

3.18 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recove rable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.19 Foreign currencies translation

The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to profit and loss account, however in case of monetary assets and liabilities designated as hedge items in a cash flow hedge the gains and losses on translation are taken to statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the in itial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.20 Financial instruments

All financial assets and liabilities are initially measured at fair value, and subsequently re-measured at fair value or amortized cost as the case may be. The Company derecognizes the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

3.21 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simu ltaneously.

3.22 Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its interest rate risk and foreign currency risk. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are classified as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge are taken to the profit and loss account.

The fair value of derivative financial instruments is determined by reference to market values for similar instruments or by using discounted cash flow method.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributiable to the hedge risk. Such hedge are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair value hedges

Fair value hedges are when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.

The change in the fair value of a hedging derivative is recognized in the profit and loss account. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in the profit and loss account. If the hedged item is derecognized, the unamortized fair value is recognized immediately in the profit and loss account.

Cash flow hedges

Cash flow hedges are when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

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

Amounts accumulated in equity are reclassified to the profit and loss account in the periods when the hedged item affects profit or loss account i.e. when the hedged financial income or expense is recognized or when the forecast transaction occurs. Where the hedged item is the cost of a non financial asset or non financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non financial asset or liability.

On an ongoing basis, the Company assesses whether each derivative continues to be highly effective in offsetting changes in the cash flows of hedged items. If and when a derivative is no longer expected to be highly effective, hedge accounting is discontinued.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account. The fair values of derivative instruments used for hedging purposes are disclosed in note to these financial statements. Movements on the hedging reserve are shown in statements of changes in equity and statement of comprehensive income.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non current portion only if a reliable allocation can be made.

3.23 Appropriations to reserves

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2012	2011
		(Rupees in '000)	
Operating fixed assets	4.1	158,501,340	117,391,574
Capital work-in-progress	4.2	10,529,890	50,099,529
		169,031,230	167,491,103

4.1 Operating fixed assets

		COST / REVALUATION				ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE	RATE
		As at 01 July 2011	Additions	(Disposals)	As at 30 June 2012	As at 01 July 2011	Charge for the year	(On Disposal)	As at 30 June 2012	As at 30 June 2012	%
		(Rupees in '000)									
Owned Assets											
Land:											
Leasehold land	4.1.1	3,661,972	-	-	3,661,972	690,885	411,369	-	1,102,254	2,559,718	1.3 to 33.3
Other land	4.1.2	415,585	-	-	415,585	-	-	-	-	415,585	-
Buildings on:											
Leasehold land		1,028,293	1,358,504	-	2,386,797	98,774	61,522	-	160,296	2,226,501	2
Other land		3,927,616	118,542	-	4,046,158	1,220,752	64,110	-	1,284,862	2,761,296	2
Plant and machinery	4.1.4.1	90,155,659	41,390,756	-	131,546,415	27,970,414	3,440,048	-	31,410,462	100,135,953	2.85 to 20
Transmission grid equipments	4.1.3	31,282,890	487,900	343,715	31,427,075	8,817,180	1,223,427	21,098	10,019,509	21,407,566	3 to 10
Transmission lines		14,114,966	1,684,757	22,478	15,777,245	6,304,041	441,858	20,230	6,725,669	9,051,576	3 to 10
Distribution networks		33,476,530	2,407,024	52,075	35,831,479	16,430,574	1,225,736	46,868	17,609,442	18,222,037	3 to 10
Renewals of mains and services		1,545,076	161,979	37,118	1,669,937	1,390,016	70,345	37,118	1,423,243	246,694	20
Furniture, air-conditioners and office equipment		646,836	460,911	-	1,107,747	426,290	32,431	-	458,721	649,026	10 to 15
Vehicles		359,149	38,303	137,112	260,340	304,803	12,132	123,094	193,841	66,499	15 to 20
Computers and related equipment		602,916	20,396	-	623,312	359,777	73,046	-	432,823	190,489	14.33-33.33
Tools and general equipment		573,334	412,878	3,152	983,060	385,742	30,577	1,659	414,660	568,400	10 to 15
Simulator equipment		67,713	-	-	67,713	67,713	-	-	67,713	-	14.33
		181,858,535	48,541,950	595,650	229,804,835	64,466,961	7,086,601	250,067	71,303,495	158,501,340	

Additions of Rs. 48,541.950 million, as shown above, represent transfer from capital work-in-progress during the current year, as shown under capital work-in -progress in note 4.2.1. Included in the above transfer mainly is the capitalization of second combined cycle power plant having capacity of 560 MW which has been setup at Bin Qasim (BQPS II).

	Cost / Revaluation					Accumulated Depreciation					Written Down Value	Rate
	As at 01 July 2010	Additions	(Disposals)	Adjustments	As at 30 June 2011	As at 01 July 2010	Charge for the year	(On Disposal)	Adjustments	As at 30 June 2011	As at 30 June 2011	%
	(Rupees in '000)											
Owned Assets												
Land:												
Leasehold land	3,516,600	145,372	-	-	3,661,972	280,250	410,635	-	-	690,885	2,971,087	1.3 to 33.3
Other land	415,585	-	-	-	415,585	-	-	-	-	-	415,585	0
Buildings on:												
Leasehold land	679,178	349,115	-	-	1,028,293	44,747	54,027	-	-	98,774	929,519	2
Other land	3,669,813	257,823	20	-	3,927,616	1,169,452	51,304	4	-	1,220,752	2,706,864	2
Plant and machinery	89,885,905	344,918	-	(75,164)	90,155,659	23,201,133	4,775,667	-	(6,386)	27,970,414	62,185,245	3.3 to 20
Transmission grid equipments	30,467,124	1,084,348	268,582	-	31,282,890	7,777,122	1,280,519	240,461	-	8,817,180	22,465,710	3 to 10
Transmission lines	13,218,838	896,208	80	-	14,114,966	5,910,029	394,036	24	-	6,304,041	7,810,925	3 to 10
Distribution networks	31,793,582	1,697,352	14,404	-	33,476,530	15,197,307	1,246,230	12,963	-	16,430,574	17,045,956	3 to 10
Renewals of mains and services	1,462,947	88,129	6,000	-	1,545,076	1,352,047	43,969	6,000	-	1,390,016	155,060	20
Furniture, air-conditioners and office equipment	562,493	84,343	-	-	646,836	402,599	23,691	-	-	426,290	220,546	10 to 15
Vehicles	425,592	5,881	72,324	-	359,149	356,115	6,016	57,328	-	304,803	54,346	15 to 20
Computers and related equipment	553,887	49,513	484	-	602,916	290,006	70,255	484	-	359,777	243,139	14.33-33.33
Tools and general equipment	557,138	18,824	2,628	-	573,334	362,803	23,741	802	-	385,742	187,592	10 to 15
Simulator equipment	67,713	-	-	-	67,713	67,713	-	-	-	67,713	-	14.33
	177,276,395	5,021,826	364,522	(75,164)	181,858,535	56,411,323	8,380,090	318,066	(6,386)	64,466,961	117,391,574	

Additions of Rs. 5,021.826 million, as shown above, represent transfer from capital work-in-progress during the year ended 30 June 2011.

4.1.1 Leasehold land

This represents leasehold lands owned by the Company which are freely transferable.

4.1.2 Other land

Lands classified as other comprise properties in possession of the Company, which are not freely transferable. Lands classified as other include:

	Note	2012	2011
		(Rupees in '000)	
Amenity:			
- Leasehold		364,348	364,348
- Freehold		9,271	9,271
Leasehold land – owned	4.1.2.1	41,966	41,966
		415,585	415,585

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

4.1.3 During the year, the Company has entered into sale and leaseback Ijara financing arrangement with Standard Chartered Modaraba Limited. The asset sold and leased back under the said arrangement, being already under hypothecation charge over the Company's long term debts, comprised of the following:

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

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

As per the requirements of IFAS 2 the sale and leaseback of the above mentioned assets under Ijarah financing have been treated as an operating lease and accordingly derecognised from the books, as disposal of fixed assets.

The Company paid Rs. 100 million to Standard Chartered Modaraba as security deposit under the sale and lease back agreement (Ijara lease agreement). Under the term of the agreement, the said amount will be adjusted upon payment of the purchase price in full against the salvage value. Total lease rentals due is Rs 449 Million , and is payable in 20 equal quarterly instalments and payable latest by 29 June 2017.

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

	2012	2011
	(Rupees in '000)	
Not later than one year	107,051	-
Later than one year and not later than five years	342,564	-

4.1.4 During the year ended 30 June 2009 and 30 June 2010, revaluation exercises were carried out by independent valuers, Colliers International Pakistan (Pvt) Ltd, Iqbal Nanjee and Company (Private) Limited and Harvester Services (Private) Limited

The fair values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, adjusted for any difference in nature, location or condition of the specific property and in case where market based evidence was not available or not applicable due to the specialized nature of asset, than it was based on depreciated replacement cost method. Surplus on revaluation arised were as follow:

	Note	Surplus on revaluation	Cost / Written down values
		(Rupees in '000)	
Leasehold land		2,448,723	277
Plant and machinery		34,753,442	30,727,998
Transmission grid equipments		11,290,541	11,399,460
		48,492,706	42,127,735

4.1.4.1 Had there been no revaluation, the values of specific classes of leasehold land, plant and machinery and transmission grid equipments at 30 June 2012 would have amounted to:

	Cost	Book value
	(Rupees in '000)	
Lease hold land	322,413	322,413
Plant and machinery	50,802,746	29,130,824
Transmission grid equipments	19,176,583	10,283,599
	70,301,742	39,736,836

4.1.4.2 Certain generating units included in plant and machinery are not operative, accordingly, these have not been revalued and appearing at historical cost, less accumulated depreciation and impairment loss, if any.

4.1.5 The cost of fully depreciated assets as at 30 June 2012 is Rs. 11,468,579 million (2011: Rs. 8,660.657 million).

4.1.6 Due to nature of Company's operations, certain assets included in transmission and distribution network are not in possession of the Company. In view of large number of consumers, the management considers it impracticable to disclose particulars of assets not in the possession of the Company as required under Para 5 of Part I of the Fourth Schedule to the Companies Ordinance, 1984.

4.1.7 During the year ended 30 June 2012, Management appointed Iqbal A Nanjee & Company (Pvt) Limited "valuer" to carry out a detailed review of the record of maintenance, rehabilitation and modernisation of machinery and equipment of the Company's Power Stations in order to assess their remaining useful life. The valuer in their report dated 11 May 2012 have concluded that the power stations at Bin Qasim Power Station.1 "BQPS 1" can continue to function at their present efficiency and can achieve a total life of 35 years provided regular maintenance and rehabilitation and modernisation is carried out. Considering this, Management has revised the estimated useful life for depreciation of the major plant and machinery at BQPS 1 from the originally assessed 30 years to 35 years. This revision in useful life has resulted in the depreciation charge for the year ended 30 June 2012 on major plant and machinery at BQPS 1 to be lower by approx Rs.1,250 million. The depreciation charge for the following 4 years will be lower by Rs 1,250 million in each of these years.

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

	Note	2012	2011
		(Rupees in '000)	
Expenses incurred in generation, transmission and distribution	37	6,537,142	8,254,913
Consumer services and administrative expenses	38	549,458	125,177
		7,086,600	8,380,090

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

	Original cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain / (Loss) on Disposal	Mode of Disposal	Particulars of Buyer
Transmission							
Overhead lines-aluminium cable & joint	25,375	25,375	-	30,074	30,074	Tender	Sun Metal Industries
Overhead lines-copper cable & joints	22,478	20,230	2,248	30,735	28,487	Tender	Brothers Metal Traders
Overhead lines-copper conductor	11,743	11,743	-	35,118	35,118	Tender	New Delite Co.(pvt) ltd.
Transmission equipments	343,715	21,098	322,616	400,000	77,384	Ijara Financing	Standard Chartered Modaraba Ltd.
Distribution							
Overhead System-copper conductor	16,200	14,580	1,620	44,969	43,349	Tender	New Delite Co.(Pvt) Ltd.
Overhead System-bushing & isolator	1,670	1,503	167	2,537	2,370	Tender	Anwar Traders
Overhead System-iron poles	2,522	2,270	252	4,900	4,648	Tender	Muhammad Bilal
Overhead System-switches & trolleys	3,190	2,871	319	7,889	7,570	Tender	Asian Salvaging Co.
Transformers(copper winding)	3,574	3,217	357	88,109	87,752	Tender	Universal Metal (Pvt) Ltd.
Meters	24,919	22,427	2,492	47,043	44,551	Tender	Abdullah Engineering Works
General Equipments							
Trackers on MTLs	3,152	1,658	1,494	1,494	-	As per sale agreement	M/s Perfect Transport Network
Vehicles:							
Suzuki bolan-CJ 8941	260	234	26	211	185	Tender	Mr. Imran Ahmed
Suzuki bolan-CJ 9371	260	234	26	211	185	Tender	Mr. Imran Ahmed
Suzuki bolan-CJ 7906	235	212	23	211	188	Tender	Mr. Imran Ahmed
Suzuki bolan-CD 3584	135	122	13	200	187	Tender	Mr. Imran Ahmed
Suzuki bolan-CJ 9289	260	234	26	235	209	Tender	Mr. Imran Ahmed
Suzuki bolan-CJ 9253	260	234	26	235	209	Tender	Mr. Imran Ahmed
Suzuki bolan-CJ 7937	235	212	23	225	202	Tender	Mr. Imran Ahmed
Suzuki bolan-CJ 8647	260	234	26	224	198	Tender	Mr. Imran Ahmed
Suzuki bolan-CJ 0570	135	122	13	178	165	Tender	Mr. Imran Ahmed
Suzuki bolan-CJ 0568	135	122	13	185	172	Tender	Mr. Imran Ahmed
Suzuki bolan-CJ 0569	135	122	13	185	172	Tender	Mr. Imran Ahmed
Suzuki bolan-CJ 4398	116	104	12	227	215	Tender	Mr. Imran Ahmed
Suzuki bolan-CJ 4428	116	104	12	227	215	Tender	Mr. Imran Ahmed
Suzuki bolan-CR 9877	271	244	27	300	273	Tender	Mr. Imran Ahmed
Suzuki bolan-CJ 4417	116	104	12	217	205	Tender	Mr. Imran Ahmed
Suzuki bolan-CJ 4416	116	104	12	213	201	Tender	Mr. Muzaffar Khan
Suzuki bolan-CJ 4420	116	104	12	213	201	Tender	Mr. Muzaffar Khan
Suzuki bolan-CJ 4418	116	104	12	213	201	Tender	Mr. Muzaffar Khan
Suzuki potohar- BC 0473	190	171	19	200	181	Tender	Mr. Muhammad Arshad

	Original cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain / (Loss) on Disposal	Mode of Disposal	Particulars of Buyer
Suzuki sj-410-BA 6298	178	160	18	195	177	Tender	Mr. Muhammad Arshad
Suzuki sj-410-BA 6247	100	90	10	182	172	Tender	Mr. Muhammad Arshad
Suzuki sj-410-BA 6264	138	124	14	200	186	Tender	Mr. Muhammad Arshad
Toyota corolla-Z 4348	599	539	60	440	380	Tender	Mr. Muhammad Arshad
Suzuki khyber-V 4254	209	188	22	120	98	Tender	M/s Abdul Hamid & Co
Suzuki khyber-Z 7740	254	229	25	155	130	Tender	M/s Abdul Hamid & Co.
Suzuki khyber-Z 7741	254	229	25	155	130	Tender	M/s Abdul Hamid & Co.
Kia grand sportage-BD 7153	1,347	1,212	135	567	432	Tender	Mr. Wali Ahmed Khan
Suzuki mehran-S 5098	121	108	13	70	58	Tender	Mr. Shafi Ur Rehman
Toyota hiace CE 5243	168	151	17	482	465	Tender	Mr. Murtaza Khan Baber
Toyota hiace CE 5256	360	324	36	575	539	Tender	Mr. Murtaza Khan Baber
Toyota hiace CE 5191	321	288	33	565	533	Tender	Mr. Murtaza Khan Baber
Mitssubishi van ambulance-EA 0463	415	373	43	557	514	Tender	Mr. Murtaza Khan Baber
Toyota Hiace ambulance-EX 3444	168	151	17	457	440	Tender	Mr. Murtaza Khan Baber
Hyundai Shehzore-KM 7602	571	514	57	195	138	Tender	M/s Abdul Hamid & Co.
Hyundai Shehzore-KM 6225	512	460	52	195	143	Tender	M/s Abdul Hamid & Co.
Mazda T-3000 coaster-CE 5065	218	196	22	452	430	Tender	Mr. Wali Ahmed Khan
Mazda T-3000-JX 1125	151	136	15	402	387	Tender	Mr. Wali Ahmed Khan
Hino truck-JT 6959	226	204	22	409	387	Tender	Mr. Nusrat Iqbal
Hino truck-JT 6960	226	204	22	400	378	Tender	Mr. Muhammad Asif
Hino truck-JT 6967	226	204	22	400	378	Tender	Mr. Muhammad Asif
Hino truck-JT 6968	226	204	22	400	378	Tender	Mr. Muhammad Asif
Hino truck-JT 6991	226	204	22	400	378	Tender	Mr. Muhammad Asif
	10,681	9,613	1,070	12,083	11,015		
Toyota Hilux-CJ-7467	660	594	66	-	(66)	Theft	Not Applicable
Hyundai Shehzore-KM 8451	571	514	57	-	(57)	Theft	Not Applicable
Hyundai Shehzore-KH 6957	495	445	49	-	(49)	Theft	Not Applicable
	1,726	1,553	172	-	(172)		
Sold to Kesc Officers							
Suzuki Potohar BC-5970	537	443	94	373	279	Buy back policy	Muhammmad Rashid Hussain
Honda Civic-AKY-469	1,043	673	370	842	471	Buy back policy	Syed Ali Haider
Suzuki Cultus ANV-489	483	434	48	319	270	Buy back policy	Talat Hafeez
Suzuki Margalla AC-7834	325	293	33	229	196	Buy back policy	Muhammad Jawaid Rasheed
	2,388	1,843	545	1,763	1,216		
Motorised Tower Ladder (80 number)	29,489	26,540	2,949	31,730	28,781	As per sale agreement	M/s DLI Logistix Ltd.
Motorised Tower Ladder (98 number)	48,322	43,490	4,832	39,226	34,394	As per sale agreement	M/s Perfect Transport Network
Motorised Tower Ladder (2 number)	1,183	1,065	118	800	682	Tender	Muhammad Asif
Motorised Tower Ladder (8 number)	4,853	4,368	485	3,550	3,065	Tender	Muhammad Zahid Shafi
Motorised Tower Ladder (76 number)	38,470	34,623	3,847	32,825	28,978	Tender	Muhammad Tahir Bandhani
30 June 2012	595,650	250,067	345,583	814,845	469,262		

4.2 CAPITAL WORK-IN-PROGRESS

The movement of CWIP during the year is as follows:

	Note	Plant and machinery	Transmission system	Distribution system	Others	Total
		(Rupees in '000)				
Opening balance as at 1 July 2011		39,272,086	4,378,963	5,552,262	896,218	50,099,529
Additions during the year:						
560 MW Combine Cycle Power Plant		5,429,506	-	-	-	5,429,506
Others		746,188	482,082	2,144,709	184,444	3,557,423
		6,175,694	482,082	2,144,709	184,444	8,986,929
		45,447,780	4,861,045	7,696,971	1,080,662	59,086,458
Transferred to the:						
Operating fixed assets	4.1	43,611,264	2,176,116	2,711,316	43,254	48,541,950
Intangible assets	5.1	-	-	-	14,618	14,618
		43,611,264	2,176,116	2,711,316	57,872	48,556,568
Balance as at 30 June 2012		1,836,516	2,684,929	4,985,655	1,022,790	10,529,890
30 June 2011		39,272,086	4,378,963	5,552,262	896,218	50,099,529

5. INTANGIBLE ASSET

	Note	2012	2011
		(Rupees in '000)	
Computer softwares			
Cost	5.1	100,637	86,019
Amortization to date	5.2	(81,520)	(63,092)
		19,117	22,927

5.1 Cost

	Note	2012	2011
Opening balance		86,019	83,293
Additions during the year	4.2	14,618	2,726
	5.3	100,637	86,019

5.2 Amortization to-date

	Note	2012	2011
Opening balance		(63,092)	(45,691)
Amortization during the year	5.2.1	(18,428)	(17,401)
		(81,520)	(63,092)
Useful Life		3 years	3 years

	Note	2012	2011
5.2.1 Amortization charge for the year has been allocated to administrative and general expenses	38	18,428	17,401

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

6. LONG-TERM LOANS

	Note	Secured House building loans (note 6.1)	Unsecured Festival Loans (note 6.2)	2012	2011
		----------	---------------- (Rupees in '000)	----------------	----------
Considered good					
Executives	6.6	-	155	155	192
Employees		1,831	56,892	58,723	76,376
		1,831	57,047	58,878	76,568
Recoverable within one year shown under current assets	6.2 & 11	(1,806)	(11,632)	(13,438)	(15,208)
		25	45,415	45,440	61,360
Considered doubtful					
Employees	6.3	4,333	-	4,333	4,333
		4,358	45,415	49,773	65,693
Provision for impairment (against loans considered doubtful)		(4,333)	-	(4,333)	(4,333)
		25	45,415	45,440	61,360

6.1 House building loans, carrying mark-up @ 6% per annum (2011: 6% per annum), are recoverable over a period of sixteen years. These are secured against the equitable mortgage of relevant properties.

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

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

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

6.5 The maximum aggregate amount of loans due from the executives and employees of the Company at the end of any month during the year was Rs. 77.937 million (2011: Rs. 91.434 million).

6.6 Reconciliation of carrying amount of loans to executives

	2012	2011
	(Rupees in '000)	
Balance at beginning of the year	192	259
Less: Repayments	(37)	(67)
Balance at end of the year	155	192

7. LONG-TERM DEPOSITS AND PREPAYMENTS

	Note	2012	2011
		(Rupees in '000)	
Considered good			
Rental premises and others	7.1	18,701	18,436
Ijarah financing deposit	4.1.3	100,000	-
		118,701	18,436
Considered doubtful			
Rental premises		1,020	1,020
Provision for impairment		(1,020)	(1,020)
		-	-
		118,701	18,436

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

8. DUE FROM THE GOVERNMENT

	Note	2012	2011
Amount due from the Government of Pakistan (GoP)	8.1	317,750	634,750

8.1 This represents amount accrued by the Company as due from the GoP to settle its liability to the Pirkoh Gas Company Limited (PGCL) as discussed in detail in note 20.10.

9. STORES AND SPARES

	Note	2012	2011
Stores and spares		6,516,657	6,472,666
Provision against slow moving and obsolete stores and spares	9.1	(411,971)	(332,420)
		6,104,686	6,140,246

9.1 Provision against slow moving and obsolete stores and spares

	2012	2011
Opening balance	332,420	608,949
Provision / (reversal) during the year	79,551	(276,529)
	411,971	332,420

10. TRADE DEBTS

	Note	2012	2011
Considered good			
Secured – against deposits from consumers	10.1	732,492	914,373
Unsecured		48,648,785	38,441,924
	10.2 &10.5	49,381,277	39,356,297
Considered doubtful	10.3	17,682,730	16,530,649
		67,064,007	55,886,946
Provision for impairment (against debts considered doubtful)	10.3	(17,682,730)	(16,530,649)
		49,381,277	39,356,297

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

10.2 This includes gross receivable of Rs. 22,790 million (2011: Rs. 19,863 million) due from Government and autonomous bodies, including Karachi Water and Sewerage Board and City District Government Karachi amounts of Rs. 18,110 million and Rs. 4,730 million which also include Late payment surcharge of Rs. 1,552 million and Rs. 676 million (refer note 40.1).

10.3 **Provision for impairment (against debts considered doubtful)**

	Note	2012	2011
		(Rupees in '000)	
Opening balance		16,530,649	15,086,761
Provision made during the year	38	2,461,753	2,239,698
		18,992,402	17,326,459
Provision on debts written off during the year		(1,309,672)	(795,810)
		17,682,730	16,530,649

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

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

	Total	Neither past due nor impaired	> 30 days up to 1 years	Past due but not impaired 1-2 years	2-3 years	3-4 years	4 years and above
	(Rupees in '000)						
2012	49,381,277	8,315,190	17,324,239	10,011,099	5,374,269	3,025,647	5,330,833
2011	39,356,297	6,371,810	12,991,870	7,734,942	5,036,704	2,934,747	4,286,224

11. LOANS AND ADVANCES

	Note	2012	2011
		(Rupees in '000)	
Loans – secured			
Considered good			
Current portion of long term loans	6	13,438	15,208
Advances – unsecured			
Considered good			
Employees		31,090	31,332
Suppliers	11.1	460,273	416,698
		491,363	448,030
Considered doubtful			
Suppliers		130,340	130,340
		621,703	578,370
Provision for impairment (against advances - considered doubtful)		(130,340)	(130,340)
	11.2	491,363	448,030
		504,801	463,238

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

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

12. TRADE DEPOSITS AND PREPAYMENTS

	Note	2012	2011
		(Rupees in '000)	
Trade deposits			
Deposits	12.1 & 12.2	2,072,709	2,917,203
Prepayments			
Rent		1,540	810
Insurance		53,511	17,992
Others	12.3	86,869	63,087
	12.4	141,920	81,889
		2,214,629	2,999,092

12.1 This includes Rs. 85.219 million (2011: Rs. 105.344 million), representing margins / guarantee deposits held by commercial banks against guarantees, letter of credits and other payments.

12.2 This includes Rs.1,975.254 million (2011: Rs. 2,801.106 million) which represents deposits under lien against letter of credits with commercial banks. It carries mark up ranging from 5% to 6% per annum (2011: 5% to 9% per annum).

12.3 Represents amount paid to a contractor to provide project management services in respect of generation and transmission of electricity.

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

13. OTHER RECEIVABLES

	Note	2012	2011
		(Rupees in '000)	
Considered good			
Sales tax - net	13.1 & 13.2	6,302,018	4,237,301
Due from the Government of Pakistan in respect of:			
- Tariff adjustment and Others	13.3 & 13.4	34,732,462	13,275,113
- Interest receivable from GOP on demand finance liabilities		237,173	237,173
		34,969,635	13,512,286
Receivable from provident Fund		77,404	-
Others		170,678	110,459
	13.5	41,519,735	17,860,046
Considered doubtful			
Sales tax	13.1	232,050	232,050
Provision for impairment	13.1	(232,050)	(232,050)
		-	-
Due from a Consortium of Suppliers of Power Plant		363,080	363,080
Provision for impairment		(363,080)	(363,080)
		-	-
		41,519,735	17,860,046

13.1 This includes a sum of Rs. 185.225 million relating to the refund claims for the period from July 2006 to June 2007 and Rs. 425.234 million relating to the refund claims for the period 2000-2006, aggregating to Rs. 610.459 million, withheld by the Sales Tax Department on account of sales tax on service connection charges, sales tax on meter burnt charges, input inadmissible and some other matters. The audit observations issued by the Department in this regard have already been responded by the Company's lawyer.

The Management is of the view that the ultimate outcome of this matter will be decided in favour of the Company. The Company has made an aggregate provision of Rs. 232.050 million in prior years, against above refundable balance of Rs. 610.459 million.

13.2 During the year the tax department has disallowed input tax claims amounting to Rs.733.470 million whilst processing sales tax refund claims of the Company relating to tax periods July 2007 through May 2011 for want of verification/validation by FBR refund processing system. The Company lawyer has filed appeal before the Commissioner Inland Revenue Appeals which is pending for decision. However, based on facts of the case and identical legal precedence, Management and its lawyers are confident that ultimate decision will be in favour of the Company.

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

The Company, on February 20th, 2006, submitted petition for revision of the above adjustment mechanism formula, which was accepted by NEPRA, and passed order to remove the above cap which was eventually notified by GOP in September 2008. However, the issue to deal with the backlog of unrecovered costs amounting to Rs 6.037 billion (verified by the Ministry of Water and Power) arising from the application of the 4% cap was not taken up by NEPRA.

The Economic Co-ordination Committee (ECC), on a summary moved by the Ministry of Water and Power, in Case No. ECC-164/16/2008 dated 14-10-2008 reviewed the matter of recovery of amounts as a result of the application of the 4% capping formula and decided that the said unrecovered cost has been incurred by the company and NEPRA may take the amount into account in the subsequent quarterly adjustment, but the NEPRA is of the view that the tariff mechanism does not have such mechanism.

On 1 June 2012 the additional secretary of Ministry of Water and Power wrote a letter to Joint Secretary (CF-II) Finance Division Government of Pakistan whereby this stance was communicated that the un recovered costs of the Company were pending due to non availability of mechanism with NEPRA although it has already been acknowledged by ECC that GoP owes this amount to the Company, and therefore this unrecovered cost of Rs 6.037 billion to be settled as per the options available with GoP to resolve this issue.

Considering the above situation the Management considers that it is certain that the unrecovered costs of Rs. 6.037 billion will be recovered within the next financial year. Accordingly they have recognised the remaining unrecorded portion of Rs 4.708 billion as tariff adjustment subsidy receivable from GoP.

13.4 The amount has been adjusted on account of certain NEPRA determinations which the Company is not in agreement with and has taken up with relevant authorities for resolution.

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

14. DERIVATIVE FINANCIAL ASSETS

	Note	2012	2011
		(Rupees in '000)	
Cross currency swap	14.1	2,203,810	100,202
Interest rate swap	14.2	(68,762)	(63,668)
	14.3	2,135,048	36,534

14.1 The Company has entered into various Cross Currency Swaps with commercial banks as discussed in note 20.1, 20.3 and 20.4 respectively. Pursuant to the agreements, the Company's foreign obligations up to USD 257 million (2011 : USD 245 million) have been converted into the hedged PKR amount and the interest rate accruing thereon has been paid to the hedging bank at 3 month KIBOR plus spread ranging from negative 85 to positive 80 basis points.

14.2 The Company had entered into an interest rate swap arrangement whereby the Company has converted the PKR floating rate liability as discussed in note 20.2 into fixed rate liability. The amortizing notional amount hedged against interest rate risk was amounted to Rs. 1,800 million.

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

15. CASH AND BANK BALANCES

	Note	2012	2011
		(Rupees in '000)	
Cash in hand		15,943	11,629
Cash at banks in:			
Current accounts		16,000	242,971
Deposit accounts	15.1	413,399	364,748
Collection accounts		738,423	649,322
		1,167,822	1,257,041
		1,183,765	1,268,670

15.1 These carry mark up ranging from 5% to 12% per annum (2011: 5% to 12.5% per annum).

16. SHARE CAPITAL

2012 (Number of Shares)	2011 (Number of Shares)		Note	2012 (Rupees in '000)	2011 (Rupees in '000)
		Authorized share capital			
32,857,142,857	32,857,142,857	Ordinary shares of Rs. 3.5 each fully paid	16.1	115,000,000	115,000,000
2,857,142,857	2,857,142,857	Redeemable Preference shares of Rs. 3.5 each fully paid	16.1	10,000,000	10,000,000
35,714,285,714	35,714,285,714			125,000,000	125,000,000
		Issued, subscribed and paid-up capital			
		Issued for cash			
45,371,105	45,371,105	Ordinary shares of Rs. 10 each fully paid		453,711	453,711
11,767,547,836	8,123,278,099	Ordinary shares of Rs. 3.5 each fully paid - net	16.2	40,889,780	28,267,321
1,714,285,713	1,714,285,713	Redeemable Preference shares of Rs. 3.5 each fully paid - net	16.3 16.9 & 16.10	5,983,407	5,983,407
13,527,204,654	9,882,934,917			47,326,898	34,704,439
		Issued for consideration other than cash			
304,512,300	304,512,300	Ordinary shares of Rs. 10 each fully paid	16.4	3,045,123	3,045,123
1,783,456,000	1,783,456,000	Ordinary shares of Rs. 10 each fully paid	16.5	17,834,560	17,834,560
6,534,077,300	6,534,077,300	Ordinary shares of Rs. 10 each fully paid	16.6	65,340,773	65,340,773
4,366,782,389	4,366,782,389	Ordinary shares of Rs. 3.50 each fully paid	16.7	15,283,738	15,283,738
12,988,827,989	12,988,827,989			101,504,194	101,504,194
26,516,032,643	22,871,762,906			148,831,092	136,208,633
		Issued as bonus shares			
132,875,889	132,875,889	Ordinary shares of Rs. 10 each fully paid as bonus shares		1,328,759	1,328,759
26,648,908,532	23,004,638,795			150,159,851	137,537,392
-	-	Reduction in capital	16.8	(57,201,902)	(57,201,902)
26,648,908,532	23,004,638,795			92,957,949	80,335,490

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

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

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

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

16.2 This represents 11,767,547,836 (2011: 8,123,278,099) ordinary shares issued at Rs. 3.5 each, net of transaction cost of Rs.296.640 million (2011: Rs.164.152 million). KES Power Limited (the Holding Company) has subscribed for its share of right issue and also subscribed the unsubscribed minority shares. The Government of Pakistan has also subscribed for its share in the right issue.

16.3 This represents net off transaction cost of Rs. 16.592 million incurred on issue of Redeemable Preference shares. The same has not been amortised during the year, as the effect of amortisation is not considered material.

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

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

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

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

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

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

16.7 During the year ended 30 June 2005, the shareholders of the Company, by way of a Special resolution passed in the 94th Annual General Meeting of the Company, held on 02 December 2004, resolved the conversion of (a) GoP funds into equity, amounting to Rs. 6,080.738 million and (b) GoP long term loan, amounting to Rs.9,203.000 million, aggregating to Rs.15,283.738 million into equity. As a result of the said resolution, the Company issued 4,366,782,389 Ordinary shares of Rs. 3.50 each at par. The subscription agreement in this regard was entered into on 20 December 2004 between the Company and the President of Pakistan on behalf of the GoP.

16.8 The shareholders of the Company during the year ended 30 June 2002, by way of a Special resolution, in an Extra Ordinary General Meeting, held on 27 May 2002, resolved the reduction of share capital of the Company, subsequent to the completion of the conversion of GoP and GoP guaranteed loans of Rs. 65,341 million into equity (note 16.6 above). The paid-up capital, which was lost or not represented by assets of the Company, to the extent of Rs. 6.50 per share on each of the issued Ordinary shares of the Company at such time, was reduced and a new nominal value thereof was fixed at Rs. 3.50 per share. The Company had also filed a petition in the Honourable High Court of Sindh, vide its order, dated 12 October 2002, ordered the reduction in the nominal value of share capital by Rs. 6.50 per share. The Board of Directors, in its 115th meeting held on 26 October 2002 also approved by way of a special resolution the reduction in the nominal value of share capital, amounting to Rs. 57,201.902 million.

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

16.9 As part of the process of the Company's privatization, the GoP and the new Owners agreed to inject additional equity by issuing Redeemable Preference Shares (RPS) in the aggregate value of Rs. 6,000 million. In this respect, a Subscription Agreement was executed between the President of Pakistan, on behalf of the GoP, the Company and the KES Power Limited on 14 November 2005 to issue the RPS, amounting to Rs. 6,000 million, divided into 1,714,285,713 Preference shares of Rs. 3.50 each as right to the existing Ordinary shareholders of the Company. The issue of Redeemable Preference Shares was finalized by the Board of Directors of the Company and NOC was obtained from the Securities and Exchange Commission of Pakistan, vide Letter No. EMD/CI/16/2004-4417, dated 07 November 2005. During the year ended 30 June 2007, out of the 1,714,285,713 Preference shares, 1,291,944,992 Preference shares were allotted to the existing shareholders, aggregating to Rs. 4,509.302 million. During the year ended 30 June 2008, further 422,340,725 Preference shares were issued against advance received in respect of these shares (note 16.3).

The issue of Redeemable Preference shares by way of right, offered to the minority shareholders of the Company, was under subscribed by 18.980 million shares, amounting to Rs. 66.432 million. Under the terms of the RPS Subscription Agreement, in case of under subscription, the balance of Redeemable Preference shares were required to be subscribed by the Ultimate Parent Company of the Company, KES Power Limited. The said undersubscribed shares were, thereafter, subscribed by the KES Power Limited.

16.10 The redeemable preference shares (the shares) have been treated as part of equity on the following basis:

- The shares were issued under the provisions of section 86 of the Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.

- The financial capital of the Company and the issue of the shares were duly approved by the shareholders of the Company at the Extraordinary General Meeting held on 02 March 2006.

- Return of allotment of shares was filed under section 73(1) of the Ordinance.

- The Company is required to set-up a reserve for the redemption of Preference shares, under section 85 of the Ordinance, in respect of the shares redeemed which effectively makes Redeemable Preference shares a part of equity.

- Dividend on the shares is appropriation of profit both under the Ordinance and the tax laws.

- The requirements of the Ordinance take precedence over the requirements of International Accounting Standards.

- The preference shareholders have the right to convert these shares into Ordinary shares.

Further, the matter regarding the classification of Redeemable Preference share capital as either debt or equity instrument has been examined by the Institute of Chartered Accountants of Pakistan (ICAP) as a result of which the ICAP has advised the Securities and Exchange Commission of Pakistan (SECP) to make necessary amendments in the Companies Ordinance, 1984, and / or to issue a clarification in order to remove the inconsistency between the Companies Ordinance, 1984 and the International Accounting Standards. Pending the decision of the SECP in this matter, the Preference share capital has been classified as equity in these financial statements.

17. CAPITAL RESERVES

	Note	2012	2011
		(Rupees in '000)	
Unclaimed fractional bonus shares money	17.1	46	46
Workmen compensation reserve	17.2	700	700
Third party liability reserve	17.3	300	300
Fire and machinery breakdown insurance reserve	17.4	508,126	508,126
		509,172	509,172

17.1 Unclaimed fractional bonus shares money

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

17.2 Workmen compensation reserve

The reserve for workmen compensation was created and maintained at Rs. 0.700 million to meet any liability that may arise in respect of compensation to workmen who, whilst on duty, meet with an accident causing partial or total disability.

17.3 Third party liability reserve

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

17.4 FIRE AND MACHINERY BREAKDOWN INSURANCE RESERVE

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

18. REVENUE RESERVES

	2012	2011
	(Rupees in '000)	
General Reserve	5,372,356	5,372,356

19. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

	2012	2011
	(Rupees in '000)	
Balance as at 01 July	44,542,930	48,963,103
Transferred to accumulated losses in respect of incremental depreciation / amortisation charged during the year, net of deferred tax	1,857,822	2,873,112
Related deferred tax liability	1,000,366	1,547,061
	2,858,188	4,420,173
Surplus on revaluation as at 30 June	41,684,742	44,542,930
Less: Related deferred tax liability on:		
- Revaluation at the beginning of the year	15,590,025	17,137,086
- Incremental depreciation charged during the year	(1,000,366)	(1,547,061)
	14,589,659	15,590,025
	27,095,083	28,952,905

20. LONG-TERM FINANCING

From banking companies and financial institutions - Secured	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
International Finance Corporation (IFC)	20.1 & 20.7	10,429,462	8,931,392
Syndicate term loan	20.2 & 20.7	5,120,000	6,400,000
Asian Development Bank (ADB)	20.3 & 20.7	12,590,484	11,023,386
Foreign currency term loan	20.4 & 20.7	1,223,429	1,564,613
Syndicated commercial facility	20.5 & 20.7	1,180,556	1,652,778
Syndicated structured term finance facility	20.6 & 20.7	8,500,000	8,500,000
Structured Islamic Term Financing - Musharka	20.8	2,400,000	3,000,000
Faysal Bank Limited Medium Term Loan	20.9	2,000,000	-
		43,443,931	41,072,169
Current maturity shown under current liabilities	31	(7,690,379)	(4,486,132)
		35,753,552	36,586,037
Others - Secured			
Due to Oil and Gas companies	20.10	606,938	704,471
Current maturity shown under current liabilities	31	(606,938)	(704,471)
		-	-
Unsecured			
GoP Loan for the electrification of Hub Area	20.11	26,000	26,000
Gul Ahmed Energy Limited	20.13	-	505,075
Karachi Nuclear Power Plant	20.14	1,589,263	-
BYCO Petroleum Pakistan limited	20.15	1,189,658	-
		2,778,921	505,075
Current maturity thereof shown under current liabilities	31	(1,120,000)	(505,075)
Due to the Government and autonomous bodies - related parties	20.12	10,545,000	15,345,000
Current maturity thereof shown under current liabilities	31	(4,800,000)	(4,800,000)
		5,745,000	10,545,000
		43,183,473	47,157,037

20.1 This represents fully utilised loan arranged by the Company amounting to USD 125 million obtained under an agreement dated 22 March 2007, as amended by an Amendment Agreement dated 5 May 2010 with International Finance Corporation (IFC) for 220 MW Korangi Power Generation Project and 560 MW Bin Qasim Power Generation Project, as shown in note 4.1. Under the Amended Loan Agreement the loan is divided in three tranches namely Tranche A, Tranche B1 and Tranche B2. Tranche A is payable in 29 equal quarterly instalments after the expiry of 3 years grace period with first instalment due on 15 September 2010 and final instalment due on 15 September 2017. It carries interest at 3 months LIBOR + 2.85% up to the project completion date and 3 months LIBOR + 2.5% the reafter and is payable quarterly in arrears from the effective date of the agreement. Tranche B1 carries interest at 3 months LIBOR + 4.25% up to the project completion date and 3 months LIBOR + 3.25% thereafter and is payable quarterly in arrears starting from 15 June 2012 with final instalment due on 15 September 2017.

Tranche B2 carries interest at 3 months LIBOR + 4.25% up to the project completion date and 3 months LIBOR + 3.75% thereafter and is payable in one full instalment of principal on 15 September 2017. During the year the Company has drawn USD 15 million under the Loan Agreement and repaid USD 8.077 million as per the terms of the Agreement. The Company pays commitment fee at the rate of 0.5% per annum quarterly in arrears on the undrawn balance of the said facility. In the event of default in payments, the Company shall pay liquidated damages at the rate of 2 percent per annum and 3 months LIBOR + 2 % on the overdue principal and mark-up payment respectively. The Company has executed Cross Currency Swaps with commercial banks to hedge the Company's foreign currency payment obligation to IFC up to USD 108.216 million (2011: USD 101.293 million) together with LIBOR interest accruing thereon (note 14.1).

20.2 This represents fully utilised loan arranged by the Company aggregating to Rs. 8,000 million, with a Syndicate of local commercial banks, for the purposes of capital expenditure for 220 MW Korangi Generation Project and 560 MW Bin Qasim Power Generation Project, as shown in note 4.2 The said loan is available for a period of 9 years maturing on 15 June 2016, with a 3 years grace period, having an availability period of 2 years up to 21 May 2009 and is payable in 25 equal quarterly instalments after the expiry of 3 year grace period with first instalment due on 15 June 2010. It carries mark-up at the rate of 6 months KIBOR + 3% and is payable quarterly in arrears from the effective date of the agreement. The Company has executed an Interest Rate Swap with a commercial bank to hedge the Company's PKR floating rate liability on an amortizing notional outstanding Rs. 1,800 million as at 30 June 2012.

20.3 This represents fully utilised loan amounting to USD 150 million under an agreement dated 4 June 2007, as amended by an Amendment Agreement dated 5 May 2010 with the Asian Development Bank (ADB) for the purposes of capital expenditure for 220 MW Korangi Power Generation Project and 560 MW Bin Qasim Power Generation Project, as shown in note 4.2. The financing facility having an availability period up to 31 March 2012. Under the Amended Loan Agreement the loan is divided in three tranches namely Tranche A, Tranche B1 and Tranche B2. Tranche A is payable in 29 equal quarterly instalments after the expiry of 3 years grace period with first instalment due on 15 September 2010 and final instalment due on 15 September 2017. It carries interest rate at 3 months LIBOR + 2.85% up to the project completion date and 3 months LIBOR + 2.5% thereafter and is payable quarterly in arrears from the effective date of the agreement. Tranche B1 carries interest rate at 3 months LIBOR + 4.25% up to the project completion date and 3 months LIBOR + 3.25% thereafter and is payable quarterly in arrears starting from 15 June 2012 and final instalment due on 15 September 2017. Tranche B2 carries interest rate at 3 months LIBOR + 4.25% up to the project completion date and 3 months LIBOR + 3.75% thereafter and is payable in one full instalment of principal on 15 September 2017. During the year the Company has drawn USD 15 million under the Loan Agreement and repaid USD 9.447 million as per the terms of the Agreement. The Company pays commitment fee at the rate of 0.5% per annum quarterly in arrears on the undrawn balance of the said facility. In the event of default in payments, the Company shall pay liquidated damages at the rate of 2% per annum and 3 months LIBOR + 2% on the overdue principal and mark-up payment respectively. The Company has executed Cross Currency Swaps with commercial banks to hedge the Company's foreign currency payment obligation to ADB up to USD 131.157 million (2011: USD 125.603 million) together with LIBOR interest accruing thereon (note 14.1).

20.4 This represents fully utilized foreign currency loan arranged by the Company amounting to US$ 23.377 million under an agreement dated 5 May 2010 with Citibank Europe plc and Bank Alfalah Kabul for purchase of Gas engines in relation to Jenbacher Project expansion. The loan is under Political risk insurance from OeKB (Oesterreichische Kontrol bank AG) - ECA Austria. It is repayable in 18 equal quarterly instalments with first instalment paid on 5 August 2010 and final instalment due on 5 November 2014. It carries interest at 3 month LIBOR + 1.7% per annum payable quarterly in arrears from the date of signing of the agreement.

The Company pays commitment fees at the rate of 0.5% payable quarterly in arrears on the undrawn balance. In the event of default in payments, the Company shall pay 2% per annum over the relevant interest rate on any overdue payment. The Company has executed Cross Currency Swaps with a commercial bank to hedge the Company's foreign currency payment obligations to Citibank Europe plc and Bank Alfalah Kabul together with LIBOR interest accruing thereon. During the year the Company has repaid USD 5.195 million as per the terms of the Agreement.

20.5 This represents utilized portion of syndicated mark-up facility aggregating to Rs. 2,125 million arranged by the Company under an agreement dated 5 May 2010 with a Syndicate of local commercial banks, for purchase of power Generators and related equipment in relation to Jenbacher Project expansion. It is repayable in 18 equal quarterly instalments with first instalment paid on 5 August 2010 and final instalment due on 5 November 2014. It carries interest at 3 month KIBOR plus 3% per annum payable quarterly in arrears from the date of signing of the agreement. The Company pays commitment fees at the rate of 0.5% payable quarterly in arrears on the undrawn balance. In the event of default in payments, the Company shall pay 2% per annum over the relevant interest rate on any overdue payment.

20.6 This represents fully utilized loan obtained under an agreement dated 29 June 2010, aggregating to Rs. 8,500 million, with a syndicate of local commercial banks, for the purpose of expansion of 560 MW Bin Qasim Power Generation Project. The said loan is available for a period of seven years maturing on 17 June 2017, with a two years grace period, having an availability period upto 31 March 2011 and is payable in 20 equal quarterly instalments after the expiry of two year grace period with first instalment due on 17 September 2012. It carries mark-up at the rate of 3 months KIBOR plus 3% per annum and is payable quarterly in arrears from the date of first drawdown. The Company pays commitment fees at the rate of 1% per annum payable quarterly in arrears on the undrawn balance, if any.

20.7 The above facilities, discussed in notes 20.1, 20.2, 20.3, 20.4, 20.5 and 20.6 are secured as follows:

- mortgage (by deposit of title deeds) over all lands and buildings located at the Bin Qasim Plant and the Korangi Plant (including without limitation, all fixed assets relating to the Generation Expansion);

- an exclusive hypothecation over all movable fixed assets whether now or at any time in the future located at the Bin Qasim Plant and the Korangi Plant (including without limitation, all movable assets relating Generation Expansion);

- an exclusive hypothecation over all receivables from certain customers of the Company selected by lenders and IFC, together with a notice to such customers;

- hypothecation over all receivables payable to the borrower under the project documents (other than the share purchase agreement) together with a notice to other contracting party(ies); and

- hypothecation over all receivables payable to the borrower under all insurance and reinsurance policies of all insurable assets that are subject to the security.

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

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

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

20.9 This represents medium term loan obtained from Faysal Bank Limited under an agreement dated 29 May 2012 amounted to Rs.2,000.00 million to convert short term finance facility of Rs 1.5 billion into a medium term loan. The said loan is payable in 5 years term with stepped up repayments in quarterly instalments. It carries mark-up at the rate 3 months KIBOR plus 2.75 % per annum and is payable quarterly in arrears from the date of first drawdown. The facility is secured as follows:

- Exclusive hypothecation charge over Company' specific network fixed assets of the Company for Rs.2.703 billion

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

20.10 DUE TO THE OIL AND GAS COMPANIES - UNSECURED

	2012	2011
	(Rupees in '000)	
Pakistan State Oil Company Limited (PSO)	-	97,533
Pirkoh Gas Company Limited (PGCL)	606,938	606,938
	606,938	704,471
Current maturity thereof, including overdue instalments of Rs. 606.938 million (2011: Rs.545.784 million)	(606,938)	(704,471)
	-	-

20.10.1 During the year ended 30 June 2002, the Economic Co-ordination Committee (ECC) of the Federal Cabinet, vide case No. ECC-136/13/2001, dated 06 November 2001, considered the Summary, dated 01 November 2001, submitted by the Finance Division, and approved the proposal, contained in paragraph 4 of the said Summary, which stated that all dues of the Company (Principal only) to the Oil and Gas Companies as on 30 June 2001, including those under the Letter of Exchange (LoE) arrangements of 10 February 1999, aggregating to Rs. 6,672 million, would be redeemed over a period of ten years, including a grace period of two years, free of interest.

Implementing the above decision, two formal agreements, one between the Company and the PGCL and the other between the Company and the PSO, containing the above referred terms in accordance with the ECC decision, were executed on 30 July 2003 and 25 August 2003, respectively. As per these agreements, the repayments by the Company to the Oil and Gas Companies were to be made on a quarterly basis, commencing 29 February 2004.

However, at the time of the privatization of the Company, the ECC of the Federal Cabinet decided that on privatization of the Company, the Finance Division, the Government of Pakistan, would pick up the aforesaid liability of the Company. As a result, Finance Division, Government of Pakistan (GoP), issued a letter of comfort, No. F.5(24)CF.I/2004-05/1289, dated 25 November 2005, to the Company stating that the GoP would pay to the Company, for making onward payments to the PSO and the PGCL on due dates as per respective agreements.

After the privatization of the Company, the sum owed by the Company to the Oil and Gas Companies is now being repaid upon the receipt of funds from the GoP. Further, Finance Division, Government of Pakistan, vide its letter No. F.5(24)CF.I/2004-05/Vol.V/1356, dated 21 December 2005, provided the decision taken in the meeting held on 10 November 2005 that the GoP would provide funds for the payment of these liabilities. Refer note 8.1 in respect of the amount accrued by the Company from the GoP in this regard.

20.11 During the year ended 30 June 2004, the Finance Division, GOP, vide its letter No. F.2(6)-PF.V/ 2003 -04/785, dated 20 April 2004, released a sum of Rs. 26.00 million as cash development loan for village electrification in Hub and Winder Areas, District Lasbella. This loan is repayable in 20 years with a grace period of five years, ended on 30 June 2009, along-with mark-up chargeable at the prevailing rate for the respective years. Accordingly, the Company is in process of settlement of the said loan.

20.12 Due to the Government and autonomous bodies- unsecured

	Note	2012	2011
		(Rupees in '000)	
National transmission and dispatch Company (NTDC)	20.12.1	10,545,000	15,345,000
Current maturity thereof shown under current liabilities		(4,800,000)	(4,800,000)
		5,745,000	10,545,000

20.12.1 Consequent to decisions of Economic Coordination Committee and Cabinet dated 14 October 2008 and 08 April 2009, respectively, the Company and Government of Pakistan (GoP) have entered into an amendment agreement on 13 April 2009 which amend certain terms and conditions set out in an implementation agreement dated 14 November 2005.

The above decisions have determined a balance of Rs. 29,746 million upto 14 October 2008 to be paid by the Company to NTDC. This amount was converted into long term loan and payment mechanism was decided and documented in the amended implementation agreement. As per the amended implementation agreement, the Company is required to pay the said amount as per payment plan agreed in ECC decision dated 14 October 2008 (i.e. the Company to pay NTDC Rs. 4,000 million upfront and balance amount of arrears in Rs. 400 million monthly instalments) along with mark-up at 6 months Treasury Bill Rate on the net outstanding dues. Due to the reason discussed in note 32.1.2, effective from 1 July 2009 the Company has discontinued accruing interest payable to NTDC.

20.13 The Company had entered into an agreement with Gul Ahmed Energy Limited in respect of payment of outstanding balance as of 27 March 2010 amounting to Rs. 2,715.224 million. As per the agreement the Company would pay equal amount of Rs. 400.00 million from April 2010 to June 2010. Thereafter the Company will pay the remaining amount in equal monthly instalment of Rs. 84.179 million each. As per the agreement, in case of delay in payment the parties right and obligation shall revert to the status before entering the agreement.

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

20.15 The Company at the request of Byco Petroleum Pakistan Limited (Byco) had made oral assignment of receivables of Byco to National Bank of Pakistan (NBP) amounting to Rs. 1,220 million, being the amount payable to Byco as on 30 November 2011. It was done to secure the grant of financial facilities provided by NBP to Byco. As per the arrangement, the Company would make payments in respect of the above amount carrying mark-up @ one month KIBOR + 2% p.a., directly to NBP, The said loan is payable in 2 years term with stepped up repayments in monthly instalments starting from May 2012. The said facility is unsecured.

20.16 Current maturity of long term financing is as follows:

	Note	2012	2011
		(Rupees in '000)	
Due to Banks and Financial Institutions		7,690,379	4,486,132
Due to Oil and Gas Companies		606,938	704,471
Due to Gul Ahmed Energy Limited		-	505,075
Due to Karachi Nuclear Power Plant		600,000	-
Due to BYCO Petroleum Pakistan limited		520,000	-
Due to Government and Autonomous bodies		4,800,000	4,800,000
		14,217,317	10,495,678

	2012	2011
	(Rupees in '000)	
21. Long term deposits	4,754,318	4,332,650

These represent deposits from customers, taken as a security for energy dues (note 10) and carrying interest at the rate of Nil percent per annum (2011: 5 percent). 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.

22. DEFERRED LIABILITIES

	Note	2012	2011
		(Rupees in '000)	
Gratuity	22.1	3,811,498	4,010,930
Post retirement medical benefits	22.1	1,013,082	1,183,939
Post retirement electricity benefits	22.1	333,826	410,921
		5,158,406	5,605,790

22.1 Actuarial valuation of retirement benefits

In accordance with the requirements of IAS–19 “Employee Benefits”, actuarial valuation was carried out as at 30 June 2012, using the “Projected Unit Credit Method”. Provision has been made in the financial statements to cover obligations in accordance with the actuarial recommendations. Details of significant assumptions used for the valuation and disclosures in respect of above-mentioned schemes are as follows:

	2012	2011
Discount rate	13.25%	14.00%
Salary increase	11.00%	11.75%
Medical cost trend	7.75%	8.50%
Electricity price increase	7.75%	8.50%

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

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

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

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

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

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

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

	2011			
	Gratuity benefits	Medical benefits	Electricity	Total
	(Rupees in '000)			
Current service cost	264,653	57,769	18,413	340,835
Interest cost	581,053	130,582	38,003	749,638
Curtailment	(126,486)	(385,950)	(107,097)	(619,533)
Recognised actuarial (gains) / losses	163,822	(36,422)	130,691	258,091
Expense recognized during the year	883,042	(234,021)	80,010	729,031

22.1.5 Movement in the liability recorded in the balance sheet as follows:

Provision at 01 July 2010	3,752,606	1,536,618	477,899	5,767,123
Charge for the year	883,042	(234,021)	80,010	729,031
Benefits paid	(624,718)	(118,658)	(146,988)	(890,364)
Provision as at 30 June 2011	4,010,930	1,183,939	410,921	5,605,790

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

Obligation under defined benefit plan	5,065,205	951,870	479,264	6,496,339
Un recognised actuarial (losses) / gains	(1,054,275)	232,069	(68,343)	(890,549)
Provision as at 30 June 2011	4,010,930	1,183,939	410,921	5,605,790

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

Comparison for five years	2012	2011	2010	2009	2008
	(Rupees in '000)				
Present value of defined benefit obligation	5,676,957	6,496,339	6,951,786	5,728,035	5,897,068
Percentage of experience adjustments on plan liabilities	(4%)	(1%)	12%	(13%)	26%

22.1.8 The effect of one percent movement in assumed medical cost trend rates would have following effects on 30 June 2012:

	30 June 2012	
	Increase	Decrease
	(Rupees in '000)	
Effect on the aggregate of current service and interest costs	113,051	135,026
Effect on the defined benefit obligation	723,106	831,206

23. DEFERRED REVENUE

	Note	2012	2011
		(Rupees in '000)	
Opening balance		16,144,963	16,249,362
Additions during the year:			
Recoveries from consumers	23.1	750,169	990,243
Transfer from specific grant from the Government of Pakistan for Financial Improvement Plan (FIP)	24	348,606	-
		1,098,775	990,243
		17,243,738	17,239,605
Amortisation for the year	40	(1,152,430)	(1,104,876)
		16,091,308	16,134,729
Recoverable from suppliers during the year		19,617	10,574
Amount transferred to income		(7,513)	(340)
	23.2	12,104	10,234
		16,103,412	16,144,963

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

23.2 This represents amounts recoverable from supplier and will be adjusted from payment of monthly instalments.

24. SPECIFIC GRANT FROM THE GOVERNMENT OF PAKISTAN (GoP)

	Note	2012	2011
		(Rupees in '000)	
	23 & 24.1	-	348,606

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

25. TRADE AND OTHER PAYABLES

	Note	2012	2011
		(Rupees in '000)	
Trade creditors			
Power purchases		49,365,405	32,615,328
Fuel and gas		36,295,333	32,202,304
Others		4,720,645	3,952,956
		90,381,383	68,770,588
Accrued expenses	25.1	1,968,919	2,318,153
Advances / credit balances of consumers			
Energy	25.2	410,302	371,466
Others	25.3	717,190	417,571
		1,127,492	789,037
Other liabilities			
Unclaimed and unpaid dividend		650	650
Employee related dues		143,923	127,353
Payable to Provident Fund		-	64,842
Electricity duty	25.4	3,847,441	2,711,327
Tax deducted at source	25.4	383,662	238,338
PTV license fee	25.4	38,895	28,788
Workers' Profit Participation Fund		138,094	-
Workers' Welfare Fund		55,237	-
Payable to the then Managing Agent, PEA (Private) Limited		28,896	28,942
Others		777,431	221,434
		5,414,229	3,421,674
		98,892,023	75,299,452

25.1 This includes an aggregate sum of Rs. 583.369 million (2011: Rs. 504.640 million) representing outstanding claims / dues of property taxes, water charges, ground rent and occupancy value payable to various government authorities. In addition to the above, claims in respect of property tax, ground rent and occupancy value payable to various government authorities, aggregating to Rs. 6,234.260 million (2011: Rs. 5,832.802 million), have not been acknowledged by the Company as debts and hence, these have been disclosed as contingencies and commitments (note 32.3.3).

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

25.3 This include Rs. 705.719 million (2011: Rs. 404.333 million) which represent general deposits received from consumers, in respect of meters, mains & lines alteration, scrap sales, etc.

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

25.5 Trade Payable and other payable are non interest bearing and are generally on 30 to 60 days term and 3 months to 12 months term respectively.

26. ACCRUED MARK-UP

	Note	2012	2011
		(Rupees in '000)	
Accrued mark-up on:			
Long term financing	20	426,539	383,818
Long term deposits received from consumers	26.1	-	1,145,884
Borrowings relating to Financial Improvement Plans (FIP)	24	15,357	15,357
Short term borrowing	27	134,799	136,325
Short term running finance	27	162,109	326,871
Financial charges on delayed payment to suppliers	26.2	3,000,810	3,000,810
		3,739,614	5,009,065

26.1 The Company had a practice of accruing and paying mark-up of 5% per annum to consumers on the security deposits maintained by consumers with the Company for their connections. During the year ended 30 June 2012, Management determined that this practice of accruing and paying mark up on security deposit is not followed by any other distribution company and there is no requirement specified or prescribed in a) the rules and regulations promulgated under the Nepra Act, b) regulation of generation, transmission and distribution act, 1997, c) the consumer services manual, or d) any contractual arrangement between KESC and its consumers. Management have obtained a legal opinion which supports the Management's above position and confirms that there appears to be no legal obligation on the Company to pay any mark up / return on the security deposits of the consumers of the Company and accordingly Management may discontinue the existing practice of accruing and paying mark up to its consumers on their security deposits, and considering the same principle in respect of accrued mark up presently recorded as a liability the same amount may be reversed. Further the lawyer contends that there is no legal obligation on the Company to notify the consumer as it discontinues its practice of paying mark up on security deposits.

In light of the above, the Company has decided to discontinue the practice of payment / adjustment of mark-up on security deposits to consumers and the unpaid liability accrued for mark-up on security deposits has been reversed.

26.2 This includes Rs. 2,381.658 million (2011: Rs. 2,381.658 million) representing financial charges accrued in respect of Sui Southern Gas Company Limited and Rs. 619.152 million (2011: Rs. 619.152 million) representing financial charges accrued in respect of National Transmission and Dispatch Company.

27. SHORT-TERM BORROWINGS – Secured

	Note	2012	2011
		(Rupees in '000)	
From banking companies			
Bridge term finance facility	27.1	2,171,374	2,465,143
Bills payable	27.2	15,966,960	6,861,895
		18,138,334	9,327,038
Short term running finances	27.3	3,356,274	6,482,837
Short term loan	27.4	221,121	4,026,895
Structured invoice financing	27.5	-	1,092,289
KES Power limited - holding company	27.6	47,001	445,082
KESC Azm Certificates	27.7	1,657,845	-
		5,282,241	12,047,103
		23,420,575	21,374,141

27.1 This represents a bridge term finance facility under Bridge Term Finance Agreement dated 20 January 2012 and extended up to January 2013, executed between the Company and a Consortium of local commercial banks to meet short term funding requirement. Under the terms of the said agreement, the Company has acquired a term finance facility of Rs. 2,171 million (2011: Rs. 2,465 million). The principal amount is repayable on demand and carries mark-up at 1 month KIBOR + 1% payable monthly in arrears and is secured against Standby Letters of Credit (SBLC) amounting to USD 16 million and USD 9.25 million, issued in favour of the Company by the Gulf International Bank (GIB) and HSBC Bank Middle East Limited, respectively.

27.2 These are payable to various local commercial banks at a maturity of 90 days from the date of discounting in respect of making payments to Sui Southern Gas Company Limited, Gul Ahmed Energy Limited, Tapal Energy (Private) Limited, Pakistan State Oil Company Limited and BYCO Petroleum Pakistan Limited.

27.3 The Company has arranged various facilities for short term running finances from commercial banks, on mark-up basis to the extent of Rs. 5,087.500 million (2011: Rs. 5,750 million). These are for a period of one year and carry mark-up of 1 to 3 month KIBOR plus 1.5% to 3.00%. These finances are secured against joint parri passu charge over current assets, aggregating to Rs. 32,867 million (2011: Rs. 32,867 million) In addition, demand promissory notes in respect of the above mentioned facilities have also been furnished by the Company.

27.4 This represents excess running finance facilities from National Bank of Pakistan to the extent of Rs. 2,000 million (2011: Rs. 5,250 million). It is for a period of ten months and carries mark-up of 3 months KIBOR plus 3.25%. This finance is secured against securities mentioned in note 27.3. It also includes term finance facility bridge against TFC obtained from Standard Chartered Bank (Pakistan) Limited and carries mark up at the rate of 3 month Kibor plus 2.5%, the un-paid amount was paid in full on 7 July 2012.

27.5 The Company had availed Facility of Invoice Financing from Standard Chartered Bank (Pakistan) Limited for the purpose of financing invoices of supply of raw material and equipments, etc, with the limit amount of Rs. 1,250 million. The facility is secured under Joint Pari Passu document i.e. charge over current assets along with lien over collections of bill proceeds. The facility carries mark-up at the rate 3 months KIBOR + 2%.

27.6 This includes balance amount of fund received from KES Power holding limited which were received in excess after fully subscribing its share of right issue , and a sum paid by KES Power holding Limited amounting to USD 0.250 million to a supplier as deposit on behalf of the Company.

27.7 During the year, the Company issued AZM certificates to general public and received subscription money there against amounting to Rs. 1,657.845 million. The amount represents the total balance received from the subscription till 30 June 2012, out of the total amount of Rs. 2,000 million. The frequency of profit payment ranging from one to three months at fixed rate from 13.0% to 15.50%. The certificates are issued for a tenure of thirteen months to sixty months and are structured to redeem 100% of the principal amount in accordance with the above tenure from the date of issue. The certificate holder, however, may ask the Company for early redemption at any time from the date of investment subject to the service charges. The rates are varied according to the certificates' tenor. The certificates are secured by way of exclusive hypothecation over certain specific consumers receivables and specific fixed assets of the Company consisting of Grid Stations and relevant insurance rights of total value of Rs. 2,666 million.

28. SHORT-TERM DEPOSITS

	Note	2012	2011
		(Rupees in '000)	
Service connection deposits	28.1	2,987,553	2,828,125
Suppliers' security deposits		306,739	379,753
Earnest money / Performance bond	28.2	2,092,798	5,007,796
		5,387,090	8,215,674

28.1 These include non-interest bearing amounts contributed by consumers in respect of service connections, extension of mains and streetlights. The same is refundable if concerned work is not completed. Upon completion of work, these deposits are transferred to deferred revenue (note 23).

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

29. CURRENT TAX LIABILITY

	2012	2011
	(Rupees in '000)	
Provision for taxation	3,395,717	2,447,133
Advance income tax	(2,733,791)	(2,181,110)
	661,926	266,023

30. PROVISIONS

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

	2012	2011
	(Rupees in '000)	
Opening balance	9,978	12,127
Payment made during the year against contingencies relating to fatal accidents	-	(2,149)
	9,978	9,978

31. CASH AND CASH EQUIVALENT

	Note	2012	2011
Cash and cash equivalent	15	1,183,765	1,268,670

32. CONTINGENCIES AND COMMITMENTS

32.1 Contingencies

32.1.1 The Company had entered into a contract with Siemens Pakistan Engineering Limited (the Contractor) on 01 December 2005 for the operation and management (O&M) of the Company.

During the year ended 30 June 2008, the Company and the Contractor ran into some disputes and a notice of termination of O&M contract was received by the Company from the contractor. While negotiation were underway to resolve the disputes , the Contactor filed a suit against the Company in respect of non-payment of O&M fees amounting to Rs. 1,987.254 million and termination charges under clause 8.3 of O&M contract of Rs. 984.000 million, aggregating to Rs. 2,971.254 million. The contractor filed another suit against the Company seeking certain deceleration on the SAP Software System installed at the Company's premises.

The Company has also filed a suit against the contractor seeking damages and for return of all properties of the Company by the contractor, including keys of the SAP software. The Company has claimed damages due to failure of the Contractor to fulfil its obligation under the O&M agreement. The aggregate sum claimed by the Company on account of the above amounts to Rs. 56,985.811 million.

The Company is confident that the outcome of the above cases will be decided in its favour. Accordingly, no provision has been made in these financial statements.

32.1.2 During the year, NTDC a major government owned power supplier has claimed Rs. 5,828 million on account of mark-up on arrears and Rs. 5,032 million on account of mark-up on delayed payments under Power Purchase Agreement (PPA) upto 30 June 2011 which management has not acknowledged as debts and further considers the amount calculated to be much higher than the Management's own calculations.

In respect of mark-up on the arrears payable to NTDC, the Company has reversed the mark-up accrued for the period from 1 July 2009 to 31 March 2010 amounting to Rs. 1,432 million during the year ended 30 June 2010 and also has not accrued mark-up amounting to Rs. 5,039 million for the period from 1 April 2010 to 30 June 2012. Further, the Company has not accrued any mark-up on the overdue amount payable to NTDC under Power Purchase Agreement (PPA) signed between the Company and NTDC on 26 January 2010. Management is of the view that the PPA, under clause 9.3, clearly defines the mechanism for settlement of NTDC dues whereby Ministry of Finance (MOF) has to pay Company's tariff differential receivable directly to NTDC and MOF has been releasing Company's tariff differential receivable directly to NTDC and accordingly MOF has released Rs. 103 billion directly to NTDC from time to time since PPA on account of Company's tariff differential receivables. Management believes that overdue amount have only arisen due to circular debt situation caused by delayed settlement of the Company's tariff differential claims by the MOF Government of Pakistan ("GOP") as well as delayed settlement of energy dues (including late payment surcharge due from KW&SB, CDGK, refer Note 40.1) by certain Public Sector Consumers.

Management believes that in view of continuing circular debt situation and non recovery from various consumers in the public sector mark-up / financial charges would be payable only when the Company will receive similar claims from GOP and Public Sector consumers.

In view of the continuing circular debt situation and non recovery from various public sector consumers, Management considers that late payment surcharge / interest on delayed payment to / from Government Entities will ultimately be settled on net basis with similar treatment of receivables and payables without accounting for any delayed payment surcharge / interest. The Company has not accounted for / discontinued accrual of interest effective from 1 July 2010 till circular debt issue is settled and the Company is supplied with the gas as committed. The interest not accrued for the period from July 2010 to June 2012 amounts to Rs. 8,481 million. The Management is of the view that the reduction in gas supply, together with the delayed settlement of energy dues (including Late Payment Surcharge receivable from KW&SB, CDGK, etc., refer note 40.1) by Government Entities, have a direct impact on the liquidity of the Company. This matter has been raised with SSGC and based on the same principle, the management is of the view that the Company is not liable and will not pay any interest on the amount payable.

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

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

- Another legal adviser contends that the Company's inability to charge interest/ mark-up against KW&SB and other Government owned entities receivables on similar basis is unreasonable in light of interest / mark-up obligation on payables to SSGC and other. The lawyer also contends that the Company has good prospects of success on these grounds.

32.2 Claims not acknowledge as debts

A claim, amounting to Rs. 73.161 million, was lodged by Pakistan Steel Mills Corporation (Private) in respect of right of way charges for Transmission Line passing within the premises of PASMIC.The said right of way charges for Transmission Line passing within the premises of PASMIC.The said claim has been calculated on the basis of the minutes of the meeting held on 19 July 1994 wherein the key terms were subject to approval of the Company and PASMIC which was not duly approved.

The Company vide its letter DDRASP/PASMIC/C/075/ 274 dated 27 June 2007 refuted the Pakistan Steel Mill aforestated claim and stated in its letter that as per Section 12 and Section 51 of the Electricity Act, 1910, any licensee is permitted to lay down or place electric supply lines with permission of local authority or the occupier of that land, subject to conferment of powers under Part III, of the Telegraph\ Act 1885. Moreover public utility is also barred from payment of annual rentals to any authority under the sections mentioned above and the claim is time barred.

Furthermore, the Company was issued licensefrom Provincial Government and all concessions and the permissions for such exemptions are provided in the license. Based on the above mentioned facts, the Company is not liable to pay any amount whatsoever in this regard and does not acknowledge the said claim as debt.

		Note	2012	2011
			(Rupees in '000)	
32.3	**Others claim not acknowledged as debts**			
32.3.1	Fatal accident cases	32.3.4	776,987	578,338
32.3.2	Architect's fee in respect of the Head office project	32.3.4	50,868	50,868
32.3.3	Outstanding dues of property tax, water charges, ground rent and occupancy value	32.3.4	6,234,260	5,832,802

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

32.4 Commitments

		2012	2011
32.4.1	Guarantees from banks	47,182	1,839,307
32.4.2	Contracts with respect to Transmission and Distribution Projects	1,011,904	1,127,100
32.4.3	Outstanding Letters of Credit	1,255,612	1,690,818
32.4.4	Commitment for payment in respect of Combined Cycle Power Plant (220 MW)	376,517	45,072
32.4.5	Commitment for payment in respect of 560 MW Project	-	86,474
32.4.6	Dividend on Preference Shares	1,034,516	854,516

33. SALE OF ENERGY – NET

	Note	2012	2011
		(Rupees in '000)	
Residential		35,090,305	29,651,242
Commercial		15,048,783	13,662,574
Industrial		37,588,502	37,729,867
Karachi Nuclear Power Plant		91,599	156,134
National Transmission and Dispatch Company		-	73,458
Pakistan Steel Mills Corporation (Private) Limited		1,759,432	1,161,204
Fuel Surcharge Adjustment	33.1	1,405,179	2,450,780
Others	33.2	1,585,925	1,041,420
		92,569,725	85,926,679

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

33.2 This includes, a sum of Rs. 1,449.350 million (2011: Rs. 994.723 million) in respect of supply of energy through street lights.

34. TARIFF ADJUSTMENT

	Note	2012	2011
Tariff adjustment due to fuel and power purchase	34.1	70,029,156	44,581,068

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

35. PURCHASE OF ELECTRICITY

	2012	2011
National Transmission and Dispatch Company	52,275,059	38,862,872
Independent Power Producers (IPPs)	18,398,137	24,526,966
Karachi Nuclear Power Plant	3,901,752	1,404,041
Pakistan Steel Mills Corporation (Private) Limited	83,034	502,413
	74,657,982	65,296,292

36. CONSUMPTION OF FUEL AND OIL

	2012	2011
Natural gas	27,074,299	20,574,658
Furnace and other oils	31,522,395	30,119,538
	58,596,694	50,694,196

37. EXPENSES INCURRED IN GENERATION, TRANSMISSION AND DISTRIBUTION

	Note	Generation expenses	Transmission and distribution expenses	2012	2011
		(Rupees in '000)			
Salaries, wages and other benefits	37.1,37.2 & 37.3	1,194,124	3,260,023	4,454,147	4,606,783
Stores and spares		496,620	78,350	574,970	430,985
Office supplies		28,482	45,260	73,742	71,915
NEPRA license fee		17,230	22,259	39,489	34,635
Repairs and maintenance		90,411	129,227	219,638	197,149
Transport expense		7,385	77,339	84,724	92,651
Rent, rates and taxes		112,626	20,528	133,154	86,978
Depreciation	4.1.8	3,562,621	2,974,521	6,537,142	8,254,913
Interdepartmental consumption		-	185,549	185,549	126,555
Provision / (Reversal) of provision against slow moving and obsolete stores and spares		22,142	57,409	79,551	(276,529)
Operation and management fee		23,968	21,894	45,862	166,053
Third Party Services		188,351	580,380	768,731	625,334
Others		90,815	13,725	104,540	63,878
		5,834,775	7,466,464	13,301,239	14,481,300

37.1 This includes a sum of Rs. 413.169 million (2011: Rs. 391.749 million) in respect of staff retirement benefits.

37.2 Free electricity benefit to employees, amounting to Rs. 408.681 million (2011: Rs. 193.757 million), has been included in salaries, wages and other benefits.

37.3 This includes Rs. 481.592 million (2011: Rs. 531.563) relating to staff Voluntary Separation Scheme.

38. CONSUMERS SERVICES AND ADMINISTRATIVE EXPENSES

	Note	Consumer Services and Billing Expenses	Administrative and General Expenses	2012	2011
		(Rupees in '000)			
Salaries, wages and other benefits	38.1,38.2 & 38.3	4,406,498	2,026,599	6,433,097	5,805,160
Bank collection charges		-	13,969	13,969	18,682
Transport cost		102,897	23,836	126,733	113,545
Depreciation and amortization	4.1.8 & 5.2.1	47,911	519,975	567,886	142,577
Repairs and maintenance		16,679	56,926	73,605	75,821
Rent, rates and taxes		36,267	49,234	85,501	84,226
Public relations and publicity		-	65,449	65,449	153,316
Legal expenses		106	97,322	97,428	65,176
Professional charges		1,265	425,124	426,389	184,260
Auditors' remuneration	38.4	-	2,803	2,803	2,593
Directors fee		-	300	300	300
Provision against debts considered doubtful	10.3	2,461,753	-	2,461,753	2,239,698
Office supplies		57,277	113,135	170,412	180,815
Other expenses		8,251	33,668	41,919	36,445
Interdepartmental consumption		158,344	13,356	171,700	47,236
Third Party Services		688,920	536,765	1,225,685	482,259
Others		168,279	85,339	253,618	182,230
		8,154,447	4,063,800	12,218,247	9,814,339

38.1 This includes a sum of Rs. 551.299 million (2011: Rs. 337.282 million) in respect of staff retirement benefits.

38.2 Free electricity benefit to employees, amounting to Rs. 455.653 million (2011: Rs. 87.621 million), has been included in salaries, wages and other benefits.

38.3 This includes Rs. 810.007 million (2011: Rs. 591.126) relating to staff Voluntary Separation Scheme.

38.4 Auditors' remuneration	Note	2012	2011
		(Rupees in '000)	
Statutory audit, half yearly review and report of compliance on Code of Corporate Governance		2,400	2,400
Out of pocket expenses		193	193
Other certifications		210	-
		2,803	2,593

39. OTHER OPERATING EXPENSES

	Note	2012	2011
Interest on consumers deposits		-	193,820
Default surcharge		373,562	-
Exchange loss -net		328,035	-
Workers' Profits Participation Fund		138,094	-
Workers' Welfare Fund		55,237	-
Donations	39.1	11,613	10,874
Listing fee		2,514	37,678
Others		1,502	151
		910,557	242,523

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

40. OTHER OPERATING INCOME

	Note	2012	2011
Return on bank deposits		327,493	218,132
Late payment surcharge	40.1	1,528,311	1,356,349
Amortisation of deferred revenue	23	1,152,430	1,104,876
Gain on disposal of property, plant and equipment		469,262	70,074
Scrap sale – stores and spares		147,117	16,582
Collection charges TV licence fee		68,669	60,655
Liquidated damages recovered from suppliers and contractors		29,002	68,684
Exchange gain - net		-	62,352
Fair value of Grid Stations and transmission lines received		180,209	872,492
Service connection charges		543,549	435,485
Reversal of accrued liability of mark up on customer security deposits	26.1	1,064,214	-
Others		1,629,810	614,866
		7,140,066	4,880,547

40.1 In accordance with the Company's policy, up to 30 June 2012, Late Payment Surcharge receivable on delayed payment of electricity bills from various Government / Government controlled entities (Public Sector Consumers, "PSCs") amounting to Rs. 2,637 million (2011: Rs. 2,101 million) has not been recorded in these financial statements and will be accounted for on receipt basis. It is Management's contention that the calculation of Late Payment Surcharge on PSCs should be made on the same basis as the accrued interest on delayed payments on account of circular debt situation. If the similar basis is adopted, then the above receivable amount would substantially increase.

41. FINANCE COSTS

	Note	2012	2011
		(Rupees in '000)	
Mark-up / interest on:			
long term financing		2,200,715	1,703,828
short-term borrowings		313,529	523,680
short-term running finance		1,418,161	936,890
		3,932,405	3,164,398
Late payment surcharge on delayed payment to creditors		827,480	320,607
Bank charges, guarantee commission, commitment fee and other service charges		2,519,949	1,535,862
Cross currency swaps costs		422,585	106,509
		7,702,419	5,127,376

42. TAXATION

	Note	2012	2011
For the year:			
- Current	42.1	(948,584)	(874,964)
- Prior		-	(11,331)
- Deferred		1,000,366	1,547,060
		51,782	660,765

42.1 This represents Rs. 948.584 million (2011: Rs. 874.964) charged in respect of minimum tax @ 1% under section 113 of the Income Tax Ordinance, 2001.

42.2 The returns of income have been filed up to and including tax year 2011 (corresponding to financial year ended 30 June 2011), while the income tax assessments have been finalized up to and including tax year 2011.

During the year ended 30 June 2009, the Taxation Officer passed order under section 161 and 205 read with 152(5) of the Income Tax Ordinance, 2001 raised tax demand of Rs. 22.368 million for withholding income tax on payments of rentals of power plant to a non-resident company at the rate of 12.5% instead of 30% under section 152 of the Ordinance. Management considers that under Article 12 of the double taxation treaty between Pakistan and UK, such rentals are subject to 12.5% and therefore, no provision in these financial statements have been made in this regard. An appeal has been filed before Appellate Tribunal Inland Revenue subsequent to the Commissioner Inland Revenue (Appeals) decision confirming the order of the taxation officer.

The Tax Department has revised the assessment orders for the tax year 2004, 2005, 2006, 2007 & 2008 raising tax demand of Rs. 51.437 million, Rs. 65.338 million, Rs. 95.150 million and Rs. 76.860 million, and Rs. 109.837 million respectively, on account of levy of minimum tax at the rate of 0.5% of turnover on “other income” and “tariff adjustment" subsidy from Government of Pakistan.

The Commissioner Inland Revenue (CIRA), has decided the case in favour of the Company in tax years 2004 and 2008 where as the decision is pending for tax years 2005, 2006 and 2007. However, the Commissioner has filed an appeal with Income Tax Appellate Tribunal (ITAT) with regards to 2004 and 2008.

Management based on the advice of its tax consultants is of the view that the tax demand is unjustified and not in accordance with the true interpretation of the law and the ultimate outcome will be in favour of the Company. Appeals filed against these orders are pending before the Commissioner Appeals Inland Revenue.

42.3 The tax department has imposed minimum tax amounting to Rs. 543.440 million for tax year 2010 and Rs.1,408.752 million for tax year 2011 by revising the order under section 122(5A) of the Income Tax Ordinance, 2001. Under proviso to section 113, minimum tax is not applicable in case of a Company which has declared gross loss before set off of depreciation and other inadmissible expenses under the Income Tax Ordinance, 2001. Based on that provision, the Company filed return with no minimum tax liability. The Commissioner Inland Revenue Appeal has decided the case against the company in both years, following which the company has filed appeal in Tribunal against the order of the commissioner Inland Revenue Appeals. Based on the consultant's advise, the management is confident that the ultimate outcome will be in favour of company, however, being prudent, the charge against minimum tax liability for tax year 2011 amounting to Rs.874.964 million has been provided in the accounts.

The Tax Department also raised tax demands of Rs. 200.532 million and Rs. 173.030 million on account of Default Surcharge under section 205 of Income Tax ordinance, 2001 for the year 2010 and 2011 respectively for delayed depositing of withholding income tax. Management contends that the demands are illegal and against natural justice as the delay was caused due to pendency of substantially high GST refunds which were available with the tax department. Appeal filed by the Company is pending for decision before the Commissioner Inland Revenue Appeals. Simultaneously, the Company has also filed a writ petition with the High Court of Sindh who has granted the stay and maintained the case "Status quo".

The Tax Department has also raised tax demands during the current year of Rs. 58.317 million and Rs. 164.081 million on account of Default Surcharge under section 205 of Income Tax ordinance, 2001 for the year 2010 and 2011 respectively for failure to deposit advance income tax under section 147 Income Tax Ordinance, 2001. Management contends that in terms of proviso to section 113, the Company was not required to pay advance minimum tax under section 147 in tax years 2010 and 2011; and therefore, the demand raised by the tax department is illegal. Appeals filed by the Company are pending for decision before the Appellate Tribunal Inland Revenue after the decision of the Commissioner Inland Revenue (Appeals) uphelding the order of TO in this regard.

Simultaneously, the Company has also filed a writ petition with the High Court of Sindh who has granted the stay and maintained the case "Status quo".

42.4 Deferred taxation

	2012	2011
	(Rupees in '000)	
Deferred credits:		
- accelerated tax depreciation	24,522,720	15,629,275
Deferred tax debits:		
- available tax losses	(48,829,000)	(40,794,324)
- provision for gratuity and compensated absences	(1,805,442)	(2,158,707)
- others	(6,588,933)	(6,157,863)
	(57,223,375)	(49,110,894)
	(32,700,655)	(33,481,619)

42.4.1 Deferred tax asset, amounting to Rs. 32,701 million (2011: Rs. 33,482 million), has not been recognized in these financial statements as the Company is of the prudent view that it is not probable that sufficient taxable profit will be available in the foreseeable future against which deductible temporary differences, unused tax losses and unused tax credits can be utilized. At the year end, the Company's tax losses amounted to Rs. 139,511 million (2011: Rs. 116,555 million).

43. EARNING / (LOSS) PER SHARE

	Note	2012	2011
		(Rupees in '000)	
Earning / (loss) attributable to ordinary share holders (Rupees in '000)		2,440,339	(9,393,534)
Weighted average number of ordinary shares outstanding for basic earning / (loss) per share (Number of shares in '000)		22,140,714	21,290,353
Earning / (loss) per share - Basic EPS (In Rupees)		0.11	(0.44)
Earning / (loss) attributable to ordinary share holders net of dilution effect (Rupees in '000)		2,542,973	(9,393,534)
Weighted average number of ordinary shares outstanding - net of dilution effect (Number of shares in '000)		23,440,714	23,876,067
Earning / (loss) per share - Diluted (In Rupees)		0.11	(0.39)

44. CASH GENERATED FROM OPERATIONS

	Note	2012	2011
Profit / (loss) before taxation		2,568,557	(10,054,299)
Adjustments for non-cash charges and other items:			
Depreciation and amortisation	4.1.8 & 5.2	7,105,028	8,397,491
Provision for deferred liabilities		964,468	729,013
Amortization of deferred revenue		(1,152,430)	(1,104,876)
Provision for debts considered doubtful - net		2,461,753	2,239,698
Un-realized exchange (gain) / loss - net		-	(77,107)
Cross currency swap cost		422,585	-
Gain on disposal of fixed assets	4.1.9	(469,262)	(70,074)
Interest on consumer deposits		(1,145,884)	193,821
Provision against stores and spares		79,551	(276,529)
Finance costs		3,932,405	3,121,268
Return on bank deposits		(327,493)	(218,132)
Working capital changes	44.1	(14,683,526)	13,719,312
		(244,248)	16,599,586

44.1 **WORKING CAPITAL CHANGES**

	2012	2011
	(RUPEES IN '000)	
(INCREASE) / DECREASE IN CURRENT ASSETS		
Stores, spares and loose tools	(43,991)	(918,478)
Trade debts	(12,486,733)	(9,362,952)
Loans and advances	(41,563)	342,784
Trade deposits and prepayments	784,463	9,151,007
Other receivables	(23,659,689)	(4,994,101)
	(35,447,513)	(5,781,740)
INCREASE / (DECREASE) IN CURRENT LIABILITIES		
Trade and other payables	23,592,571	15,561,878
Short-term deposits	(2,828,584)	3,939,174
	(14,683,526)	13,719,312

45. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2012			2011		
	CHIEF EXECUTIVE OFFICER	DIRECTORS	EXECUTIVES	CHIEF EXECUTIVE OFFICERS	DIRECTORS	EXECUTIVES
	(RUPEES IN '000)					
Directors' fee (45.2)	-	300	-	-	300	-
Managerial remuneration	12,371	13,312	1,379,134	12,371	17,340	1,125,537
House rent / accommodation	4,529	5,370	314,602	4,529	6,968	268,949
	16,900	18,982	1,693,736	16,900	24,608	1,394,486
Number of persons	1	11	627	1	11	525

45.1 The Executives and Chief Executive Officer of the Company are provided medical facility. Chief Executive officer is also provided with car facility and accommodation.

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

46. TRANSMISSION AND DISTRIBUTION LOSSES

46.1 The transmission and distribution losses were 29.70 % (June 2011: 32.20%). The trend of transmission and distribution losses over the years is as follows:

2001-2002	41.11%
2002-2003	40.78%
2003-2004	37.84%
2004-2005	34.23%
2005-2006	34.43%
2006-2007	34.23%
2007-2008	34.12%
2008-2009	35.85%
2009-2010	34.89%
2010-2011	32.20%
2011-2012	29.70%

46.2 One of the factors attributable to these losses is the theft of electricity, which cannot be billed as it is subject to identification, which has directly affected the profitability of the Company. No consideration has been given to units over billed in prior years and corrected during the year in the determination of transmission and distribution losses percentage as disclosed in paragraph 46.1 above.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

Financial risk factors

The Company has exposure to the following risks arising from financial instruments:
- Market Risk
- Credit Risk
- Liquidity Risk

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

Risk Management Framework:

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

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

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Company. The Audit Committee is assisted in its oversight role by the internal audit function. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures the results of which are reported to the Audit committee.

The Company's principal financial liabilities other than derivatives, comprise bank loans and overdrafts, trade payables and etc. The main purpose of these financial liabilities is to raise finance for Company's operations. The Company has various financial assets such as trade receivables, cash, short term deposits etc. which arise directly from its operations

The Company also entered into derivative transactions, primarily cross currency and interest rate swap contracts. The purpose is to manage currency and interest rate risk from Company's operation and its source of finance. It is the Company policy that no trading in derivatives for speculative purposes shall be undertaken.

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

Market Risk

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

Market Risk comprise of 3 components - the currency risk, interest rate risk and other price risk.

The Company buys and sells derivatives and also incurs financial liabilities in order to manage market risks. All such transactions are carried out within guidelines set by the Board Finance Committee. Generally the Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

47.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company is exposed to foreign currency risk on purchase and borrowings that are denominated in a currency other than Pak Rupees. As the Company imports items of operating fixed assets and stores and spares for generation plants accordingly it is exposed to currency risk, primarily with respect to liabilities denominated in US Dollars.

The Company has hedged 98% of its long term financing denominated in its foreign currency. The company uses cross currency swaps to hedge its currency risk, with a maturity of more than one year from the reporting date. Such contracts are generally designated as cash flow hedge.

Exposure to Currency Risk

The summary of the quantitative data about the Company's exposure to foreign currency risk is as follows:

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

	30 June 2011							
	PKR	USD	EUR	GBP	AED	*Others		Off-Balance Sheet
	(Rupees in '000)							
Current Assets								
Loans and Advances	219,077	178,059	57,251	2,146	2,555	4,150	463,238	-
Derivative financial assets	-	100,202	-	-			100,202	245,079
Trade deposits and prepayments	1,538,605	1,460,487	-	-	-	-	2,999,092	-
Cash and bank balances	1,268,515	- 155	-	-	-	-	1,268,670	-
	3,026,197	1,738,903	57,251	2,146	2,555	4,150	4,831,202	245,079
Non-Current Liabilities								
Long term financing	25,662,709	21,494,328	-	-	-	-	47,157,037	-
Current Liabilities								
Current maturity of long term financing	8,412,070	2,083,608	-	-	-	-	10,495,678	-
Short-term borrowings	21,352,629	21,513	-	-	-	-	21,374,141	-
Accrued mark-up on loans	4,970,187	38,878	-	-	-	-	5,009,065	-
	60,397,595	23,638,327	-	-	-	-	84,035,921	-
Gross balance sheet exposure	63,423,792	25,377,230	57,251	2,146	2,555	4,150	88,867,123	245,079

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

Significant exchange rates applied during the year were as follows:

	Average rate for the year		Spot Rate as at 30 June 2012	
	2012	2011	2012	2011
	(Rupees)		(Rupees)	
Rupees per				
EURO	119.84	116.68	120.35	124.75
USD	89.72	85.50	95.88	85.95
GBP	141.93	136.13	149.40	138.46
JPY	1.14	1.03	1.19	1.07
SGD	71.21	66.11	74.90	69.96

Sensitivity analysis

A five percent strengthening / (weakening) of the Rupee against Foreign Currency as at 30 June 2012 would have increased/(decreased) equity and profit and loss account by Rs. Nil (2011: Rs.1,076 million) and 1,207 million. (2010: Rs. 82 million). This analysis assumes that all other variables, in particular interest rates, remaining constant. The analysis is performed on the same basis for 2012 as in 2011.

47.1.2 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long term financing and short term borrowing facilities for financing its generation, transmission and distribution projects and meeting working capital requirements at variable rates. The Company manages these mismatches through risk management policies where significant changes in gap position can be adjusted. The Company has hedged its interest rate risk on long-term financing through cross currency and interest rate swaps.

At the reporting date, the interest rate profile of Company's interest-bearing financial instruments was:

	2012	2011
Fixed Rate Instruments	(Rupees in '000)	
Financial Assets		
Deposit Account	413,399	364,748
Long Term Loans	1,831	4,593
Deposit under lien against LC	1,975,254	2,801,106
	2,390,484	3,170,447
Financial Liabilities		
Long Term Deposits	-	4,332,650

	2012	2011
	(Rupees in '000)	
Variable Rate Instruments		
Financial Assets		
Derivative Financial Assets	2,135,048	36,534
Financial Liabilities		
Long Term financing	43,157,473	47,131,037
Short term borrowing	23,373,574	20,929,059
Current Portion of Long term Financing	13,610,379	9,286,132
	80,141,426	77,346,228

Fair Value sensitivity analysis:

The company does not account for and fixed rate financial assets and liabilities at fair value through profit and loss. There fore a change in interest rates at the reporting date would not effect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

If Kibor / Libor had been 1% higher/ lower with all other variables held constant, the profit after tax for the year would have been higher / lower by Rs. 347 million (2011: Rs. 682 million).

47.1.3 Other Price Risk

Other Price Risk is the risk that the fair value of future cash flows of the financial instruments will fluctuat because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future value of investments securities. As at balance sheet date, the Company is not exposed to equity price risk.

47.2 Credit Risk

Credit Risk is the risk of financial loss to the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligation, and arises principally from the Company's receivables from customers and balances held with banks.

Exposure to Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk are trade debts. Out of the total financial assets of Rs. 96,501 million (2011: Rs. 61,647 million), the financial assets which are subject to credit risk amounted to Rs. 32,423 million (2011: Rs. 23,941 million). The Company's electricity is sold to industrial and residential consumers and government organizations. Due to large number and diversity of its consumer base, concentration of credit risk with respect to trade debts is limited. Further, the Company manages its credit risk by obtaining security deposit from the consumers.

	2012		2011	
	Assets and liabilities	Maximum exposure	Assets and liabilities	Maximum exposure
	--------------------	(Rupees in '000)	--------------------	
Long term loans	45,440	45,440	61,360	61,360
Loans and advances	44,528	44,528	46,540	46,540
Long term deposits and prepayments	118,701	118,701	18,436	18,436
Trade debts	49,381,277	26,591,277	39,356,297	19,493,297
Trade deposits and prepayments	2,072,709	2,072,709	2,999,092	2,917,203
Other receivables	41,519,735	248,082	17,860,046	110,459
Cash and bank balances	1,183,765	1,167,822	1,268,670	1,257,041
Derivative Financial Assets	2,135,048	2,135,048	36,534	36,534
	96,501,203	32,423,607	61,646,975	23,940,870

Differences in the balances as per balance sheet and maximum exposures were due to the fact that other receivables of Rs. 41,530 million (2011: Rs. 17,860 million) which mainly comprises of Sales Tax of Rs. 6,302 million (2011: Rs. 4,237 million) and Tariff Adjustment amounting to Rs. 34,732 million (2011: Rs. 13,275 million). Trade debts includes due from Government and autonomous bodies amounting to Rs. 22,790 million (2011 Rs. 19,863 million).

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

	2012	2011
	(Rupees in '000)	
Ordinary Consumers	24,999,104	18,133,293
Industrial Consumers	1,592,173	1,360,004
	26,591,277	19,493,297

Impairment losses

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

	2012		2011	
	Gross	Impairment	Gross	Impairment
	--------------------	(Rupees in '000)	--------------------	
Up to 1 year	25,639,429	-	19,548,068	-
1 to 2 years	11,264,795	1,253,696	8,640,543	905,600
2 to 3 years	6,748,275	1,374,006	6,170,580	1,133,876
3 to 4 years	4,883,113	1,857,466	4,769,829	1,835,081
Over 4 years	18,528,395	13,197,562	16,757,926	12,656,092
	67,064,007	17,682,730	55,886,946	16,530,649

47.2.1 The credit quality of the receivables can be assessed with reference to the historical performance with no or some defaults in recent history, however, no loses. The credit quality of Company's bank balances can be assessed with reference to external credit rating as follows:

Bank	Rating agency	Rating	
		Short-term	Long-term
Public sector commercial banks			
First Women Bank Limited	PACRA	A2	A-
National Bank of Pakistan	JCR-VIS	A-1+	AAA
The Bank of Khyber	JCR-VIS	A-2	A
The Bank of Punjab	PACRA	A1+	AA -
SME Bank Limited	JCR-VIS	A-3	BBB
Sindh Bank Limited	JCR-VIS	A-1	AA -
Private sector commercial banks			
Allied Bank Limited	JCR-VIS	A1+	AA+
Summit Bank Limited (formerly Arif Habib Bank Limited)	JCR-VIS		A-
Askari Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank Al-Habib Limited	PACRA	A1+	AA+
Faysal Bank Limited	JCR-VIS	A-1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AA+
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1	A
KASB Bank Limited	PACRA	A3	BBB
MCB Bank Limited	PACRA	A1+	AA+
NIB Bank Limited	PACRA	A1+	AA -
Silkbank Limited	JCR-VIS	A-2	A -
Soneri Bank Limited	PACRA	A1+	AA -
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+
Foreign Banks Operating In Pakistan			
Al-Baraka Islamic Bank	JCR-VIS	A-1	A
	Standard & Poor's	A-1	A+
Bank of Tokyo-Mitsubishi UFJ Limited	Moody's	P-1	Aa3
	Fitch	F1	A-
	Standard & Poor's	A-1	A+
Barclays Bank PLC	Moody's	P-1	A2
	Fitch	F1	A
	Standard & Poor's	A-1	A+
Citibank N.A.	Moody's	P-2	A3
	Fitch	F1	A
	Standard & Poor's	A-1	A
Deutsche Bank AG	Moody's	P-1	A2
	Fitch	F1+	A+
HSBC Bank Middle East Limited	Moody's	P-1	A2
	Fitch	F1+	AA -
Oman International Bank SAOG	JCR-VIS	A-2	BBB
Development Financial Institutions			
Burj Bank Limited (formerly Dawood Islami Bank Limited)	JCR-VIS	A-1	A
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A
Meezan Bank Limited	JCR-VIS	A-1 +	AA-
BankIslami Pakistan Limited	PACRA	A-1	A
Micro Finance Banks			
Zarai Taraqiti Bank Limited	JCR-VIS	B	B+
Tameer Micro Finance Bank	PACRA	A-1	A
Network Micro Finance Bank Limited	PACRA	A-3	BBB

47.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

	2012					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to Five years	More than five years
Non-Derivative Financial liabilities	-------------	------------------------- (Rupees in '000)	-------------------------			
Long term financing	57,400,790	(67,836,255)	(9,698,216)	(8,433,311)	(43,387,618)	(6,317,110)
Long-term deposits	4,754,318	(4,754,318)	-	-	-	(4,754,318)
Trade and other payables	93,750,399	(93,750,399)	(93,750,399)	-	-	-
Accrued mark-up	3,739,614	(3,739,614)	(3,739,614)	-	-	-
Short-term borrowings	23,420,574	(23,420,574)	(23,420,574)	-	-	-
Short-term deposits	5,387,090	(5,387,090)	(5,387,090)	-	-	-
	188,452,785	(198,888,250)	(135,995,893)	(8,433,311)	(43,387,618)	(11,071,428)

	2011					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to Five years	More than five years
Non-Derivative Financial liabilities	-------------	------------------------- (Rupees in '000)	-------------------------			
Long term financing	57,652,714	(70,453,711)	(7,354,782)	(6,772,780)	(48,244,864)	(8,081,284)
Long-term deposits	4,332,650	(4,332,650)	(4,332,650)	-	-	-
Trade and other payables	71,632,597	(75,814,870)	(75,814,870)	-	-	-
Accrued mark-up	5,009,065	(5,009,065)	(5,009,065)	-	-	-
Short-term borrowings	21,374,000	(21,374,000)	(21,374,000)	-	-	-
Short-term deposits	8,616,334	(8,616,334)	(8,616,334)	-	-	-
	168,617,360	(185,600,630)	(122,501,701)	(6,772,780)	(48,244,864)	(8,081,284)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June (and includes both principal and interest payable thereon). The rates of mark-up have been disclosed in notes 20 to these financial statements.

As disclosed in Note 20 of these financial statements, the Company has multiple secured bank loans which contain debt covenants. The breach of these covenants may require the Company to repay the loan earlier than indicated in the above table. As disclosed in Note 20, convertible loans become payable on demand if the Company's short term debt and excess payables to GoP exceeds the set limit of Rs. 24 billion by 29 June 2012 and Rs. 22 billion on or after 30 June 2012 till 29 September 2012. The interest rate payments on variable rate loans and short term borrowings in the table above reflect market rates at the period end and the amounts may differ as market interest rates change. The future cash flows on derivative instruments may be different from the amount in the above table as interest rates and exchange rates or the relevant conditions underlying the contingency change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

47.4 Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. The carrying amounts of all the financial instruments reflected in these financial statements approximate to their fair value.

47.5 Hedging Activities and Derivatives

The Company uses foreign currency denominated borrowings to manage some of its transactions exposures. These carry cross currency swaps which are designated as cash flow hedge and are dealt in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”. Such derivatives qualify for hedge accounting (note 3.21).

Cash flow hedges

As at 30 June 2012, the Company held cross currency swaps and interest rate swaps with a commercial bank, designated as cash flow hedges of expected future interest payments and principal repayments of loan from foreign lenders and local lenders. The cross currency swaps are being used to hedge the interest / currency risk in respect of long- term financing as stated in notes 20.1 and 20.3 to these financial statements.

		2012	2011
Fair value	Note	(Rupees in '000)	
Cross Currency Swaps	14	2,203,810	100,202
Interest Rate Swap	14	(68,762)	(63,668)

The critical terms of the interest rate swap have been negotiated to match the terms of the aforesaid financial liability. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the profit and loss account. The critical terms of the cross currency swap contracts have been negotiated to match the terms of the aforementioned financial liability (note 14)

47.6 Capital management

The primary objective of the Company’s capital management is to ensure that it maintains healthy capital ratios in order to support its business sustain future development of the business and maximize shareholders value. No changes were made in the objectives, policies or processes during the year ended 30 June 2012.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company during the year has issued right shares amounting to Rs. 12,622 million (note 1.2.4).

The Company monitors capital using the net debt to adjusted equity ratio, which is total debt of the Company as reduced by cash and cash equivalents, divided by total capital plus the net debt. Equity comprises of share capital, capital and revenue reserves. During the year, the Company's strategy was to maintain leveraged gearing. The net debt to equity ratio as at 30 June 2012 and 30 June 2011 were as follows:

	Note	2012	2011
		(Rupees in '000)	
Long term financing	20	43,183,473	47,157,037
Long-term deposits	21	4,754,318	4,332,650
Trade and other payables	25	98,892,023	75,299,452
Accrued mark-up	26	3,739,614	5,009,065
Short-term borrowings	27	23,420,575	21,374,141
Short-term deposits	28	5,387,090	8,215,674
Current maturity of non-current liabilities	31	14,217,317	10,495,678
Total debt		193,594,410	171,883,697
Cash and bank balance	15	(1,183,765)	(1,268,670)
Net debt		192,410,645	170,615,027
Total equity		15,363,305	(2,449,288)
Cash flow Hedge		621,373	1,333,346
Total capital		208,395,323	169,499,085
Net debt to adjusted equity		0.92	1.01

47.7 Collateral

The Company has created charge over its fixed assets and all current assets and securities in order to fulfil the collateral requirements for various financing facilities. The counter parties have an obligation to return the securities to the Company. Further, the Company did not hold collateral of any sort at 30 June 2012 and 30 June 2011 except otherwise disclosed in respective notes to these financial statements. The fair value and terms and conditions associated with the use of these collateral and securities given and hold by the Company are disclosed in respective notes to these financial statements.

47.8 Accounting classification and fair values

Fair Values versus carrying amount

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Loans and receivables	Fair value hedging instruments	Other financial liabilities	Total carrying amount	Fair value
	(Rupees in '000)				
Financial Assets					
Long-term loans	45,440	-	-	45,440	45,440
Long-term deposits	118,701	-	-	118,701	118,701
Trade debts	49,381,277	-	-	49,381,277	49,381,277
Loans and advances	44,528	-	-	44,528	44,528
Trade deposits	2,072,709	-	-	2,072,709	2,072,709
Derivative financial asset	-	2,135,048	-	2,135,048	2,135,048
Cash and bank balances	1,183,765	-	-	1,183,765	1,183,765
Financial Liabilities					
Long-term financing	-	-	57,400,790	57,400,790	57,400,790
Long-term deposits	-	-	4,754,318	4,754,318	4,754,318
Trade and other payables	-	-	93,750,399	93,750,399	93,750,399
Accrued mark-up	-	-	3,739,614	3,739,614	3,739,614
Short-term borrowings	-	-	23,420,574	23,420,574	23,420,574
Short-term deposits	-	-	5,387,090	5,387,090	5,387,090

Fair Value Hierarchy

Financial instruments carried at fair value are analyzed by valuation method. The different levels used for these analysis have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Based on the above criteria the financial derivative asset of the Company has been classified as a level 3 instrument.

Although the Company believes that its estimates for fair value are appropriate, the use of different methodologies or assumptions could lead to different measures of fair values.

48. TRANSACTIONS / BALANCES WITH RELATED PARTIES

Related parties of the Company comprise of associated companies, state-controlled entities, staff retirement benefit plans, and the company's directors and key management personnel.

Details of transactions / balances with related parties not disclosed elsewhere in the financial statements are as follows:

		2012	2011
		(Rupees in '000)	
48.1	KES Power Limited, Parent company		
	Short term loan payable	47,001	445,082
	Accrued mark-up payable	80,346	80,346
48.2	Byco Petroleum Pakistan Limited, Associated Company		
	Amount payable included in long term financing	1,189,658	-
	Amount payable included in creditors	1,524,014	1,128,673
	Purchases	3,175,190	3,291,630
	Financial charges / Late payment surcharge	107,773	26,088
48.3	Government related entities		
48.3.1	National Transmission and Despatch Company		
	Sales	-	73,458
	Purchases	52,275,059	38,862,872
	Amount payable included in creditors	41,522,872	24,255,973
	Amount payable included in long term financing	10,545,000	15,345,000
48.3.2	Pakistan State Oil Company Limited		
	Purchases	33,101,501	30,316,686
	Late payment surcharge	364,062	230,396
	Amount payable included in creditors	3,759,722	7,188,725
	Amount payable included in current maturity of long term financing	-	97,534
48.3.3	Sui Southern Gas Company Limited		
	Purchases	27,074,299	20,574,658
	Amount payable included in creditors	31,011,597	23,884,907
48.4	Provident Fund		
	Contribution to Provident Fund	494,194	580,560
	Receivable from / (Payable) to Provident Fund	77,404	(64,842)

48.5 Remuneration to the executive officers of the company (disclosed in note 45 to these financial statements) and loans and advances to them (disclosed in note 6 to these financial statements) are determined in accordance with the terms of their employment.

49. DIVIDEND DISTRIBUTION

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

50. CAPACITY AND PRODUCTION

The total derated available capacity, with the commissioning of BQPS-II power plant in June 2012, was 2,050 MW (2011: 1,584 MW). The actual production during the year was 8,029 GWH (2011: 7,826 GWH). The generating plants were operated at 68% load (2011: 65%) of the average available capacity. The delivered load is subject to variations in day and night time peak demand. Furthermore, no production is possible when any unit is under major over hauling and repairs.

51. OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segment which is consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

The internal reporting provided to the chief operating decision-maker relating to the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

There were no change in the reportable segments during the year.

The Company is domiciled in Pakistan. The Company's revenue is generated substantially from the sale of electric energy to industrial and other consumers under the Electric Act, 1910 and Nepra Act, as amended, to its licensed areas.

All non-current assets of the Company at 30 June 2012 are located in Pakistan.

52. BENAZIR EMPLOYEES STOCK OPTION SCHEME (BESOS)

On 14 August 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprise (SOEs) and non-state Owned Enterprise where GoP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on the market price of the listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for the payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the company, under the provisions of amended International Financial Reporting Standard 2 Share Based Payments (IFRS2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities and Exchange Commission of Pakistan on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan vide their letter number CAIDTS/PS& TAC/ 2011-2036 dated 02 February 2011 has granted exemption to such entities from the application of IFRS 2 to the Scheme vide SRO 587 (I) /2011 dated 07 June 2011.

The total impact of the Scheme over the vesting period is approximately Rs. 1,135 million. However, various formalities relating to the finalization of the Scheme such as Trust Deed, vesting period, etc., are yet to be finalized.

53. RECLASSIFICATION

Certain prior year's figures have been re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparisons . However , there are no material reclassification to report.

54. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 07 August 2012 by the Board of Directors of the Company.

55. GENERAL

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

Tabish Gauhar
Chief Executive Officer

Shan A. Ashary
Director

BOARD OF DIRECTORS & BOARD COMMITTEES MEETING

(BOD) MEETINGS 01 JULY 2011 TO 30 JUNE 2012

S. No.	Name of the Directors	No. of BOD Meetings Attended
1	Waqar Hassan Siddique	5
2	Tabish Gauhar	4
3	Syed Arshad Masood Zahidi	5
4	Imtiaz Kazi	-
5	Mubasher H. Sheikh	4
6	Muhammad Tayyab Tareen	5
7	Muhammad Zargham Eshaq Khan	-
8	Naveed Ismail	5
9	Naveed Alauddin	2
10	Syed Nayyer Hussain	5
11	Omar Khan Lodhi	1
12	Shan A. Ashary	3
13	Zulfiqar Haider Ali	-
14	Michael G. Essex (Under SECP Approval)	2
Total Number of BOD Meetings held during the year		5

Board Audit Committee (BAC) Meetings - 01 JULY 2011 TO 30 JUNE 2012

S. No.	Name of the Directors	No. of BAC Meetings Attended
1	Omar Khan Lodhi	-
2	Mubasher H. Sheikh	3
3	Muhammad Tayyab Tareen	2
4	Naveed Ismail	4
5	Syed Nayyer Hussain	4
6	Zulfiqar Haider Ali	-
Total number of BAC Meetings held during the year		4

Board Finance Committee (BFC) Meetings - 01 JULY 2011 TO 30 JUNE 2012

S. No.	Name of the Directors	No. of BFC Meetings Attended
1	Muhammad Tayyab Tareen	2
2	Shan A. Ashary	2
3	Syed Nayyer Hussain	4
4	Omar Khan Lodhi	-
5	Zulfiqar Haider Ali	-
Total number of BFC Meetings held during the year		4

PATTERN OF SHAREHOLDINGS

AS ON 30 JUNE 2012
ORDINARY SHARES

# of Shareholders	Shareholdings' Slab			Total Shares Held
5,001	1	to	100	138,785
2,743	101	to	500	759,339
1,648	501	to	1000	1,435,452
3,159	1001	to	5000	9,095,471
1,074	5001	to	10000	8,865,987
371	10001	to	15000	4,845,933
318	15001	to	20000	5,992,862
182	20001	to	25000	4,363,878
89	25001	to	30000	2,552,560
63	30001	to	35000	2,116,909
67	35001	to	40000	2,601,292
33	40001	to	45000	1,433,694
98	45001	to	50000	4,853,679
32	50001	to	55000	1,708,358
30	55001	to	60000	1,766,467
15	60001	to	65000	945,487
16	65001	to	70000	1,089,618
28	70001	to	75000	2,077,959
15	75001	to	80000	1,181,118
12	80001	to	85000	1,003,256
11	85001	to	90000	976,637
12	90001	to	95000	1,125,162
81	95001	to	100000	8,074,927
5	100001	to	105000	515,441
8	105001	to	110000	873,450
6	110001	to	115000	672,584
7	115001	to	120000	824,555
9	120001	to	125000	1,122,718
2	125001	to	130000	257,500
7	130001	to	135000	935,748

# of Shareholders	Shareholdings' Slab			Total Shares Held
4	135001	to	140000	554,500
5	140001	to	145000	721,095
10	145001	to	150000	1,496,400
3	150001	to	155000	455,246
3	155001	to	160000	476,097
1	160001	to	165000	163,500
3	165001	to	170000	508,209
2	170001	to	175000	346,000
6	175001	to	180000	1,070,472
2	180001	to	185000	368,477
2	185001	to	190000	380,000
2	190001	to	195000	385,500
17	195001	to	200000	3,400,000
2	200001	to	205000	402,900
5	205001	to	210000	1,047,200
3	210001	to	215000	639,101
2	220001	to	225000	448,500
3	225001	to	230000	690,000
2	230001	to	235000	466,154
2	245001	to	250000	496,500
1	250001	to	255000	251,000
1	255001	to	260000	257,000
2	260001	to	265000	525,100
4	270001	to	275000	1,098,249
1	275001	to	280000	277,500
1	285001	to	290000	287,000
1	290001	to	295000	293,500
8	295001	to	300000	2,400,000
1	300001	to	305000	300,600
4	315001	to	320000	1,270,000
1	325001	to	330000	328,873
2	330001	to	335000	669,500
2	345001	to	350000	699,176
1	360001	to	365000	360,668

# of Shareholders	Shareholdings' Slab			Total Shares Held
1	385001	to	390000	385,548
2	390001	to	395000	782,199
5	395001	to	400000	2,000,000
1	425001	to	430000	426,500
1	430001	to	435000	431,340
2	445001	to	450000	900,000
1	455001	to	460000	458,600
2	460001	to	465000	923,000
1	465001	to	470000	467,000
1	470001	to	475000	475,000
1	475001	to	480000	478,700
3	495001	to	500000	1,500,000
1	510001	to	515000	511,000
2	520001	to	525000	1,046,971
2	545001	to	550000	1,096,000
1	555001	to	560000	560,000
2	565001	to	570000	1,136,334
1	570001	to	575000	574,128
1	590001	to	595000	595,000
1	595001	to	600000	600,000
1	615001	to	620000	620,000
1	645001	to	650000	650,000
1	655001	to	660000	655,200
3	695001	to	700000	2,100,000
1	715001	to	720000	715,260
1	720001	to	725000	725,000
2	745001	to	750000	1,500,000
1	765001	to	770000	769,500
1	770001	to	775000	775,000
3	780001	to	785000	2,349,574
1	795001	to	800000	800,000
1	895001	to	900000	898,613
1	945001	to	950000	950,000
1	950001	to	955000	950,509

# of Shareholders	Shareholdings' Slab			Total Shares Held
1	995001	to	1000000	1,000,000
1	1000001	to	1005000	1,001,000
1	1030001	to	1035000	1,032,152
1	1055001	to	1060000	1,059,784
1	1070001	to	1075000	1,073,034
2	1095001	to	1100000	2,200,000
1	1105001	to	1110000	1,108,440
1	1180001	to	1185000	1,184,623
1	1245001	to	1250000	1,247,110
1	1310001	to	1315000	1,312,726
1	1865001	to	1870000	1,869,225
1	2045001	to	2050000	2,050,000
1	3165001	to	3170000	3,165,192
1	3435001	to	3440000	3,437,676
1	4435001	to	4440000	4,439,112
1	4995001	to	5000000	5,000,000
1	9705001	to	9710000	9,706,969
1	9995001	to	10000000	10,000,000
1	10995001	to	11000000	11,000,000
1	14835001	to	14840000	14,837,775
1	16425001	to	16430000	16,430,000
1	17995001	to	18000000	18,000,000
1	19580001	to	19585000	19,583,042
1	32915001	to	32920000	32,917,688
1	87875001	to	87880000	87,876,650
1	6397165001	to	6397170000	6,397,168,487
1	18157375001	to	18157380000	18,157,375,316
15,330				**24,934,622,820**

CATEGORIES OF SHAREHOLDERS

AS ON 30 JUNE 2012

ORDINARY SHARES

Categories of Shareholders	Total		
	Number	Shares	%age
Associated Companies, Undertakings and related parties			
AND / OR			
Shareholders holding five per cent or more voting rights in the Company			
KES Power Limited (Holding Company)	1	18,157,375,316	72.820
President of the Islamic Republic of Pakistan (GOP)	1	6,397,168,487	25.656
Mutual Funds			
CDC - Trustee ADK Index Tracker Fund	1	130,648	0.001
Directors, CEO & their Spouses and Minor Children	-	-	-
Executives	8	550,601	0.002
Public Sector Companies and Corporations	10	17,228,599	0.069
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds			
Banks, Financial Institutions	16	1,436,007	0.006
Investment Companies	7	145,799	0.001
Insurance Companies	10	448,651	0.002
Joint Stock Companies	124	154,582,062	0.620
Modarabah Management Companies	3	10,201	0.000
Modarabas	14	7,829,239	0.031
Charitable Trusts	10	713,261	0.003
Leasing Companies	-	-	-
General Public - Local	15,052	149,181,741	0.598
General Public - Foreign	61	47,473,743	0.190
Others	12	348,465	0.001
	15,330	24,934,622,820	100.000

ADDITIONAL INFORMATION

Trading in Shares of the Company		Purchase	Sale
Directors		-	-
Executives			
Mustafa Hasan		81,001	31,001
Wahid Asghar		192,000	-
Salman Ahmad		27,000	-
S. Muhammad Taha		115,583	25,583
Abdus Sami		125,000	-
M. Usama Qureshi		50,000	-

PATTERN OF SHAREHOLDINGS

AS ON 30 JUNE 2012
REDEEMABLE PREFERENCE SHARES

# of Shareholders	Shareholdings' Slab			Total Shares Held
530	1	to	100	20,997
1,079	101	to	500	254,626
476	501	to	1000	323,095
566	1001	to	5000	1,113,716
74	5001	to	10000	507,942
26	10001	to	15000	333,038
11	15001	to	20000	183,669
5	20001	to	25000	111,988
5	25001	to	30000	132,484
2	30001	to	35000	64,444
3	35001	to	40000	111,575
1	40001	to	45000	40,945
1	45001	to	50000	46,349
2	50001	to	55000	104,784
2	55001	to	60000	113,450
1	60001	to	65000	64,511
3	65001	to	70000	195,291
1	75001	to	80000	78,116
1	90001	to	95000	91,787
2	95001	to	100000	195,292
1	130001	to	135000	130,194
1	439655001	to	439660000	439,658,388
1	1270405001	to	1270410000	1,270,409,032
2,794				**1,714,285,713**

CATEGORIES OF SHAREHOLDERS

AS ON 30 JUNE 2012
REDEEMABLE PREFERENCE SHARES

Categories of Shareholders	Total		
	Number	Shares	%age
Associated Companies, Undertakings and related parties			
AND / OR			
Shareholders holding five per cent or more voting rights in the Company			
KES Power Limited (Holding Company)	1	1,270,409,032	74.107
President of the Islamic Republic of Pakistan (GOP)	1	439,658,388	25.647
Mutual Funds	-	-	-
Directors, CEO & their Spouses and Minor Children	-	-	-
Executives	-	-	-
Public Sector Companies and Corporations	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds			
Banks, Financial Institutions	2	6,405	0.000
Investment Companies	1	130	0.000
Insurance Companies	1	56	0.000
Joint Stock Companies	34	64,383	0.004
Modarabah Management Companies	-	-	-
Modarabas	-	-	-
Cooperative Societies	1	1,156	0.000
Charitable Trusts	-	-	-
Leasing Companies	-	-	-
General Public - Local	2,747	4,044,974	0.236
General Public - Foreign	1	91,787	0.005
Others	5	9,402	0.001
	2,794	**1,714,285,713**	**100.000**

KARACHI ELECTRIC
SUPPLY COMPANY

PROXY FORM

I / We ______________________________ of _________ being a member of the Karachi Electric Supply Company Limited, hereby appoint __________________________ of __________ or failing him / her __________________________ of __________ as my / our proxy to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held at Navy Welfare Centre, Liaquat Barracks, Karachi on Monday, 08 October 2012 at 11:00 a.m. or at any adjournment thereof.

As witnessed given under my / our hand(s) this ____________ day of October 2012.

1. Witness: ______________________
Signature: ______________________
Name: ______________________
CNIC: ______________________
Address: ______________________

AFFIX REVENUE STAMP

Signature of Member : ___________________________

2. Witness: ______________________
Signature: ______________________
Name: ______________________
CNIC: ______________________
Address: ______________________

Shares Held ______________________
Shareholder's Folio # ______________________
/ CDC Account # ______________________

CNIC # ☐☐☐☐☐■☐☐☐☐☐☐☐■☐

Proxy Holder's
Folio # / CDC Account #

CNIC # ☐☐☐☐☐■☐☐☐☐☐☐☐■☐

N.B.

1. Name should be written in BLOCK LETTERS and please mention your Ledger Folio / CDC Account No. and also the Ledger 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.

KARACHI ELECTRIC
SUPPLY COMPANY

No postage
necessary if
mailed in
Pakistan

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

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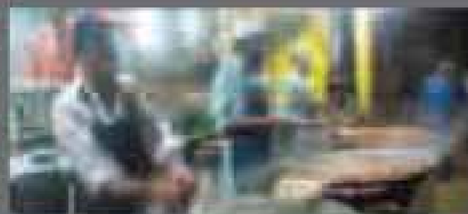

KARACHI ELECTRIC
SUPPLY COMPANY

KHIDMAT MEIN ROSHAN

KARACHI ELECTRIC SUPPLY COMPANY LIMITED
KESC House, 39-B, Sunset Boulevard,
Phase-II, DHA, Karachi.

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