ANNUAL REPORT 2009

KARACHI ELECTRIC
SUPPLY COMPANY

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A JOURNEY OF PROGRESS

OUR VISION
AND COMPANY MISSION

OUR VISION

To help restore Karachi to its rightful position as the City of Lights.

COMPANY MISSION

- To generate, transmit and distribute electricity for the progress and prosperity of the city and of the country.
- To exceed our customers' expectations with reliable, stable and affordable electricity, with a service to match.
- To enhance the performance, health, safety and overall well being of our people and to strive to recognise their diversity and skills.
- To improve our operational and financial performance, for the benefit of our employees, customers and shareholders.
- To make lasting social contributions to the people of Karachi.
- To communicate in an open, transparent and ethical way to all our stakeholders at all times.

Our Management and Employees

* Nurturing and developing our substantial talent pool.
* To focus on performance, continuous learning, reward and empowerment.
* To create an environment for personal improvement, innovation, open communication and teamwork.

Our Shareholders

* Building shareholder value, through performance excellence and improved financial results.
* Protecting our biggest asset (our brand name) by acknowledging our social responsibility and accountability to people as a corporate citizen of Karachi.

Our Consumer Objectives

* Growing the measure of our customer service and customer satisfaction.
* Providing value for money and striving to provide electricity at a reasonable price, especially for ordinary citizens.
* Implementing high standards in quality assurance, process, reliability and public safety, through the implementation of Global Best Practices.
* Striking a balance between economic and environmental need.
* Playing a sustainable social role in the communities of Karachi.

COMPANY INFORMATION

BOARD OF DIRECTORS

CHAIRMAN
Waqar Hassan Siddique

CHIEF EXECUTIVE OFFICER
Naveed Ismail

DIRECTORS
Farrukh Abbas
Zulfiqar Haider Ali
Shan A. Ashary
Tabish Gauhar
Syed Nayyer Hussain
Fazal Ahmad Khan
Shahid Rafi
Mubasher H. Sheikh
Muhammad Tayyab Tareen
Syed Arshad Masood Zahidi

GROUP CHIEF FINANCIAL OFFICER
Jalil Tarin

CHIEF LEGAL ADVISER & COMPANY SECRETARY
Uzma Amjad Ali

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
Mybank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
United Bank Limited
Arif Habib Bank Limited

AUDITORS
M/s. Ford Rhodes Sidat Hyder & Co.,
Chartered Accountants

SHARE REGISTRAR
M/s. Noble Computer Services (Pvt) Limited

LEGAL ADVISER
Muhammad Ali Mazhar

REGISTERED OFFICE
6TH Floor, State Life Building # 11,
Abdullah Haroon Road, Karachi

COMPANY INFORMATION

BOARD COMMITTEES

BOARD AUDIT COMMITTEE (BAC)

Farrukh Abbas	Chairman
Zulfiqar Haider Ali	Member
Tabish Gauhar	Member
Fazal Ahmad Khan	Member
Mubasher H. Sheikh	Member
Muhammad Tayyab Tareen	Member/Secretary

BOARD FINANCE COMMITTEE (BFC)

Farrukh Abbas	Chairman
Shan A. Ashary	Member
Zulfiqar Haider Ali	Member
Tabish Gauhar	Member
Muhammad Tayyab Tareen	Member/Secretary

BOARD TECHNICAL COMMITTEE (BTC)

Tabish Gauhar	Chairman
Syed Nayyer Hussain	Member
Naveed Ismail	Member
Fazal Ahmad Khan	Member
Syed Arshad Masood Zahidi	Member/Secretary
Dr. Syed Naveed Ahmed	Member

BOARD HR COMMITTEE (BHRC)

Waqar Hassan Siddique	Chairman
Farrukh Abbas	Member
Syed Nayyer Hussain	Member/Secretary
Naveed Ismail	Member
Jalil Tarin	Member
Syed Jan Abbas Zaidi	Member

EXECUTIVE COMMITTEE

Tabish Gauhar	Chairman
Farrukh Abbas	Member
Naveed Ismail	Member

COMPANY INFORMATION

MANAGEMENT TEAM

CHIEF EXECUTIVE OFFICER	
Naveed Ismail	
SPECIAL PROJECTS	
Zulfiqar Haider Ali	Head of Special Projects
DISTRIBUTION	
Syed Nayyer Hussain	Chief Strategy Officer (D)
Syed Jan Abbas Zaidi	Chief Operating Officer (D)
GENERATION & TRANSMISSION	
Syed Arshad Masood Zahidi	Chief Strategy Officer (G&T)
Dale Sinkler	Chief Operating Officer (G&T)
HR MANAGEMENT	
Muhammad Tayyab Tareen	Group Head (HR Management)
Zafar Aziz Osmani	Chief Operating Officer (OMG)
CORPORATE STRATEGY	
Dr. Syed Naveed Ahmed	Head of Corporate Strategy
MARKETING & COMMUNICATIONS	
Ovais Naqvi	Head of Marketing & Communications
SUPPORT SERVICES	
Jalil Tarin	Chief Operating Officer (SS) & GCFO
Uzma Amjad Ali	Chief Legal Adviser & Company Secretary
Zahid Chaudhary	Head of Supply Chain
Sardar Naufil Mahmud	Chief Information Officer (IT)
Syed Moonis Abdullah Alvi	Dy. Chief Financial Officer
Muhammad Shehzad Yousuf	Dy. Chief Financial Officer (Distribution)
Muhammad Rizwan Dalia	Director (Accounts)
Syed Sajjad Zahoor	Director (Real Estate)
Khalilullah Shaikh	Director FBA
INTERNAL AUDIT	
Muhammad Amin Rajput	Chief Internal Auditor
ENERGY CONSERVATION	
Asif Siddiqui	Director (Energy Conservation)
SECURITY	
Brig. (R) Masood Ahmed Khan	Director Security
SAFETY	
Amir Zafar	Director Safety

CEO's MESSAGE

As management who came aboard at this 96-year-old company in September 2008, we have undoubtedly inherited a business with deep challenges that will take some years to fully reverse. Principally, despite a fast-growing population in Karachi and consistently increasing demand, not a single megawatt of energy had been added to KESC's grid since 1997. Thirteen out of nineteen plants were technically obsolete, and the grid and transmission equipment in a wholly unsatisfactory state. We have managed to make significant headway in that reversal and by the end of the 2009 calendar year, 450MW of new power will be added to KESC's generation capability, which even at June 30, 2009, already represents a remarkable increase in our internal generation capacity. Alongside this, transmission losses have reduced to around 3% and we need to bring this same success and urgency to now bear on the core area of our distribution system. Further and perhaps deeper challenges exist there. Continued line and other losses hamper all aspects of KESC's operations, from the company's cashflow, to our fractured relationship with consumers and especially with those and who pay and who effectively subsidise the equal number of those who do not. That culture in our city of malicious, organised electricity theft (amongst even the highest-value households), is perhaps our biggest long-term challenge and one that forms the core of our focus in Year II of this company's current management. Alongside this, we need to use the power of over 17,000 people, who call KESC their working home, to become a unique force to transform the opinions of up to 18 million people in this city. That 'inside-out' transformation is at the core of what we call 'Azm', embodied in the vision to help transform Karachi sustainably for the better. We have made some gains by fostering a better work environment among our employees and we have put in place improved performance-related rewards programmes, such as the new 'Azm Star' programme. Perhaps our biggest test in the past financial year was the blackout of June 17th, brought about through a 550KV line failure outside of our control, but managed inside KESC by a dedication that I had personal insight into and that gave me great hope about what this company can achieve, when focus, purpose, hard work and team spirit prevail above all else. That embodies the spirit of 'Azm' and I hope, inshallah, that next year I can report better financial results and a deeper proof that this great ship is indeed finally turning.

NAVEED ISMAIL
CEO

Notice of Meeting (Revised)

Notice is hereby given that the **99th** Annual General Meeting of the Karachi Electric Supply Company Limited will be held at **Navy Welfare Centre, Liaquat Barracks**, **Karachi** on **Monday**, **26 October 2009** at **11:30** am to transact the following business:

ORDINARY BUSINESS

1. To confirm Minutes of the Annual General Meeting (AGM) held on 29 November 2008.

2. To receive and adopt the Directors' Report and the Audited Financial Statements (with the Auditors' Report) for the year ended 30 June 2009.

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. Naveed Ismail (Chief Executive Officer)
3. Farrukh Abbas
4. Zulfiqar Haider Ali
5. Shan A. Ashary
6. Tabish Gauhar
7. Syed Nayyer Hussain
8. Fazal Ahmad Khan
9. Shahid Rafi
10. Mubasher H. Sheikh
11. Muhammad Tayyab Tareen
12. Syed Arshad Masood Zahidi

4. To appoint Auditors in place of retiring Auditors, M/s. Ford Rhodes Sidat Hyder & Co., for the FY 2009-10 and to fix their remuneration. Board Audit Committee (BAC) has recommended appointment of KPMG Taseer Hadi & Company, Chartered Accountants as Auditors of the Company for FY 2009-10 in place of Ford Rhodes Sidat Hyder & Company, Chartered Accountants.

5. **Special Business:** To approve issuance of additional share capital to International Finance Corporation (IFC) & Asian Development Bank (ADB) without making a Right Issue.

To consider & pass the following as Special Resolutions in supersession of the special resolutions passed by the shareholders of the Company at the Extraordinary General Meeting of the Company held on April 30 2007, on the same subject, with or without modification:

a. Resolved that the issue of further capital to the extent of USD 50 Million to be converted to equivalent PKR at applicable exchange rate on the date of subscription with a cap of USD 1 = PKR 90 viz. additional share capital in PKR upto a maximum of 4500 million, to International Finance Corporation (IFC) & Asian Development Bank (ADB) (USD 25 million each) without making a Right Issue be and is, hereby, approved subject to the approval of the Federal Government / Securities & Exchange Commission of Pakistan (SECP) as required u/s 86(1) of the Companies Ordinance 1984.

b. Further Resolved that the Directors of the Company be and are, hereby, authorized to take all necessary steps in this regard, to approve the terms (other than as specified herein) of and effect issuance of upto 1,300,000,000 ordinary shares at a price of not less than Rs.3.50 per share to IFC (up to 650,000,000 shares) & ADB (up to 650,000,000 shares), subject to completion of all legal requirements envisaged under Companies Ordinance 1984 and KESC Memorandum & Articles of Association.

The above shares will rank pari passu in every respect with the existing capital of the Company.

c. That the date of subscription of these shares by IFC and ADB shall be no later than July 2012.

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

By order of the Board

Uzma Amjad Ali
Chief Legal Adviser & Company Secretary
Karachi Electric Supply Company Ltd.
Karachi, 3 October 2009

N.B.

(i) Transfer Books of the Company will remain closed from 19 October 2009 to 26 October 2009 (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) Notice of intention for election for the office of director must be deposited at the registered office of the Company at least 14 days before the date of the meeting.

(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 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.

Statement U/S 160(1)(b) of the Companies Ordinance 1984

The construction of new power plants to bridge the supply-demand gap is an integral component of the strategy of the new KESC management to turn the company into an efficient and profitable entity at the earliest. In 2007, two new projects were planned, a 220 MW combined cycle gas power plant at Korangi (Phase 1), and a 560 MW gas-fired combined cycle plant at Bin Qasim (Phase 2). Generation from the 220 MW Power Plant has since begun, and the plant is fully commissioned. Following some initial delays due to contract negotiations with the selected contractor, the 560 MW, Phase-II project is now also underway. The EPC contract has been amended and signed, advance payments amounting to US $56 million have been paid, and the company is in the process of establishing the first Letter of Credit under the contract. Part of the new equity injection by the new shareholders amounting to US $361 million will be utilized to fund the capital costs of this project, along with medium & long term finance facilities upto PKR 25 billion from local & international financial institutions. Pursuant to the loan agreements & subscription agreements between KESC, IFC & ADB, IFC & ADB shall have the option to subscribe and pay for KESC ordinary shares at a minimum price of Rs. 3.50 upto a maximum of USD 25 million each to be converted to equivalent PKR at applicable exchange rate on the date of subscription with a cap of USD 1 = PKR 90. IFC and ADB will essentially convert a portion of their loans to the company into equity, reducing the debt burden on the Company and enhancing capital.

The turn around strategy devised & actively pursued by KESC management with the complete support of major shareholders viz. KES Power & GOP and capex financing from new equity injection of US $361 million over three years and through local & international financial institutions is likely to produce improved operational & financial results which would benefit all the stakeholders, especially the minority shareholders during the forthcoming years.

The Memorandum & Articles of Association of the Company and Subscription Agreement are available at the registered office of the Company for inspection by the members during office hours.

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

The following additional information is furnished for the perusal and reference of the members of the Company:

1.	i.	Face Value of KESC Ordinary Shares	Rs.	3.50
	ii.	Quoted market rate at KSE on October 02, 2009	Rs.	3.03
	iii.	Book / Break up value as on 30 June, 2009	Rs.	(1.11)

The difference between breakup and face value of the share is due to reduction in equity due to continuing losses being suffered by the Company for the last so many years, whereas market price is determined by the market forces.

2. Pursuant to one of the conditions of Loan Agreement between KESC and IFC & ADB, IFC & ADB shall have an option to subscribe and pay for KESC shares for an amount upto USD 50 million other than by means of right issue. Considering the importance of injecting efficient & economical new generation in KESC system to benefit all the stakeholders as well as national economy at large, the members may approve the proposed issue of additional capital to IFC & ADB otherwise than through a rights issue.

Moreover, the subscription of shares by IFC and ADB will send a positive signal to all stakeholders. Some of the benefits that will accrue to KESC are:

a) The equity investment from multi-lateral financial institutions will greatly enhance KESC's image and profile.

b) KESC can draw-upon the resources, expertise and best practices from these financial institutions as they have considerable utility experience in other countries. This will allow KESC to access information and precedents from other markets on tariff structures, theft and loss reduction, and management practices.

c) Improvement in corporate governance, as these financial institutions will require KESC to covenant compliance with identified corporate and environmental standards, will independently assess KESC operations and will provide feedback for corrective actions, thereby improving the monitoring, financial reporting and evaluation system.

d) Despite the severe credit crisis being experienced across the world, IFC and ADB will continue to provide long term debt to the Company on attractive terms. While pricing for the loans is likely to rise given the global change in debt pricing, the final all in cost of the debt will still be substantially lower than alternative sources. At this time, we expect the margins on the IFC loan to remain at or below 400 bps, reflecting an all-in interest rate (on a fixed rate swap basis) of approximately 7.00%. In comparison, the equivalent sovereign bond yield for Pakistan is currently over 9.0%.

3. i. Pursuant to Subscription Agreement between IFC/ADB and KESC, option to subscribe for KESC shares would be exercised by IFC & ADB's sole discretion at any time between the first disbursement of loan and July 2012.

ii. Exact shareholding position of IFC & ADB would be known once they exercise the option latest by upto July 2012, depending on:

a. Exact subscription amount in USD opted by IFC & ADB.
b. Applicable exchange rate on the date of subscription.

However, based on maximum subscription amount viz. USD 50 million converted at exchange rate of USD 1 = PKR 90, the projected shareholding structure is given below:

	Others	IFC	ADB	Total
Existing No of shares	13,167,074,983	-	-	13,167,074,983
Face Value	46,084,762,441	-	-	46,084,762,441
No of shares Issued Pursuant to Right Issue	4,081,714,286	-	-	4,081,714,286
Face Value	14,286,000,000	-	-	14,286,000,000
Proposed Issue		642,857,143	642,857,143	1,285,714,286
Face Value		2,250,000,000	2,250,000,000	4,500,000,000
Increased share capital				
No of shares	17,248,789,269	642,857,143	642,857,143	18,534,503,555
Face Value	60,370,762,442	2,250,000,000	2,250,000,000	64,870,762,443
Percentage	93.06%	3.47%	3.47%	100%

DIRECTORS'
REPORT TO THE MEMBERS

The Directors of the Karachi Electric Supply Company Limited are pleased to present the 97th Annual Report and Audited Financial Statements of the Company and the Auditors' Report thereon for the financial year ended 30 June 2009.

OVERVIEW

In November 2005 upon transfer of 71.5% shares and management control by Government of Pakistan (GOP) to KES Power Limited, a company incorporated in the Cayman Islands, the Board of Directors of the Company was reconstituted accordingly.

Post-privatisation, responsibility for managing the Company was distributed between Operations Management and Corporate Management. Siemens Pakistan was engaged under an Operation & Management Agreement with singular focus to make the Company profitable in a period of two (2) years. Unfortunately Siemens could not deliver and O&M Agreement was terminated effective from 8 November 2007.

After termination of O&M Agreement with Siemens on 8 November 2007, the principal shareholder of the Company, KES Power Limited (KESP), entered into an agreement with Abraaj Investment Management Limited (Abraaj) and after fulfillment of certain conditions precedent including regulatory and contractual approvals, Abraaj subscribed for new shares in KESP resulting in management control of KESC.

KESC, on 13 April 2009, entered into an Amendment Agreement (AA) with the Government of Pakistan, in accordance with the GOP's desire for increased public–private partnership in previously state-held institutions.

The said amendment comes as an addition to an earlier Implementation Agreement (IA) dated 14 November 2005 signed by the GOP at the time of privatisation of the Company in November 2005 and was a crucial precondition in the finalisation of the agreement at the KES Power shareholder level, which would handover management control of KESC to Abraaj. On completion of the said transaction, accordingly the Board of Directors of the Company was reconstituted on 27 May 2009.

The amendment, signed between the GOP and KESC, will facilitate private equity investment of US$ 361 million with the completion of requisite corporate actions and necessary approvals, over the next three (3) years and enable KESC, to finally realise its goal of implementing an ambitious turnaround and growth plan, in accordance with the original privatisation plan.

The investment comes through the introduction of Abraaj, the market-leading regional private equity firm, based in Dubai and with a presence all over the Middle East, North Africa and South Asian (MENASA) region, as the new majority shareholder to the holding company of KESC namely KES Power.

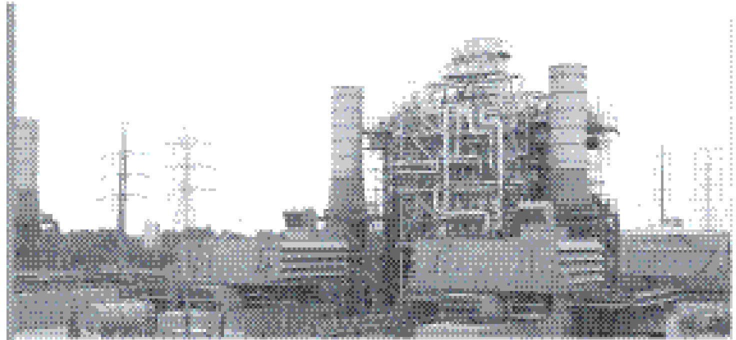
With funds under management of close to US$ 6 billion worldwide, Abraaj's strategic investment in KES Power of US$ 361 million gives KESC the unique backing of the major player in the investment field in the region, one with an established management and operational track record in large-scale 'distress turnarounds,' as well as a depth of funding capability likely to give the GOP significant comfort about the future of KESC under the new management.

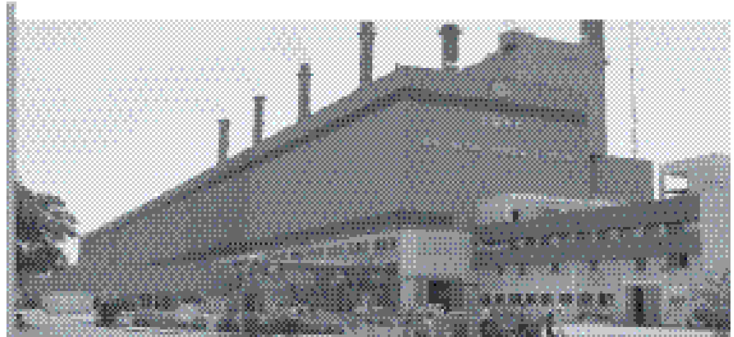
Abraaj's investment in Pakistan will now exceed US$ 500 million of equity, which includes its earlier investments in Bosicor, BMA Capital and MS Forging. By virtue of its direct investment in KES Power, Abraaj will acquire indirect majority equity stake in KESC.

The entire sum of capital will come into KES Power and then onward into KESC, allowing KESC to invest in enhanced electricity generation, transmission and meeting of the distribution needs of the country's economic hub, the city of Karachi.

The timing of the investment is crucial considering the state of KESC's outdated systems and losses that have aggravated load shedding and outages over the last few years.

This is a major commitment from Abraaj at a time when global economic challenges are making investors review their positions and retrench in most markets. KESC has never seen an investment of this scale in its entire history. Turning KESC around will need time and commitment from all stakeholders. The Abraaj investment is critical to the future of KESC, the well-being of its employees and to protecting the interests of the citizens of Karachi. It represents a watershed for KESC and the citizens of Karachi. Ultimately, the decision to invest in KES Power which ultimately cascades into KESC is a huge symbol of support for Pakistan's economic potential, especially at this time of global uncertainty.





The Abraaj investment into KES Power will be vital to execute a five-year plan that will add close to 1000MW to the existing grid in the next three (3) years out of which 450MW will be on-stream by the end of September 2009.

The establishment of a modern generation, transmission and distribution system for KESC will also be a direct by-product of this investment. Additionally, the automation of the entire billing system will also be made possible through the injection of new capital.

The management of KESC also recognises the need for improvement in the customer-service aspects of KESC's business, from the '118' call centre to its multi-faceted customer initiatives, including the recent Integrated Business Centre (IBC), piloted in Defence under the "Umeed Zone" innovation banner.

Finally, Abraaj is committed as part of its operational plan to significant investment in its social obligations to the people of Karachi.

Moreover, Abraaj firmly believes that investment in KES Power will benefit KESC and its people and will create a performance culture, as will the re-training of staff, partnering with unions and improving the overall competencies within the organisation.

RIGHTS ISSUE

The new Board of Directors of the Company immediately after its reconstitution, approved, in its meeting held on 27 May 2009, rights issue having a total value of PKR 14,286 million which is equivalent to US$ 176.37 million. Abraaj, through KES Power has fully subscribed for its 71.5% portion amounting to PKR 10,214,411,235 which is equivalent to US$ 126.10 million of rights shares well ahead of closing date of 5 October 2009. The said equity investment is the first tranche of US$ 361 million equity injection committed over the next three (3) years and indicates the commitment and support of the new investor to steer the Company out of the current financial imbalances. The new investor had also undertaken to subscribe for any unsubscribed portion of minority shareholders. The rights issue will provide fresh equity which will support the capital expenditure requirements, improve debt-equity and liquidity ratios, reduce financing cost and will improve profitability of the Company to benefit all the stakeholders. The fresh investment will facilitate injection of economic and efficient generation in KESC system and implementation of system improvement and loss reduction projects.

BOARD OF DIRECTORS

KESC Board of Directors comprises of professionals having local & international experience, expertise and exposure which emphasises upon best practices and good corporate governance. BOD also includes three (3) senior GOP nominees representing Ministry of Water & Power, Ministry of Finance and Member Power WAPDA. The policy/major decisions are taken after in-depth discussions based on objective analysis, reports and recommendations of the Management, Board Committees and professional consultants, upholding the interest of the Company and all stakeholders.

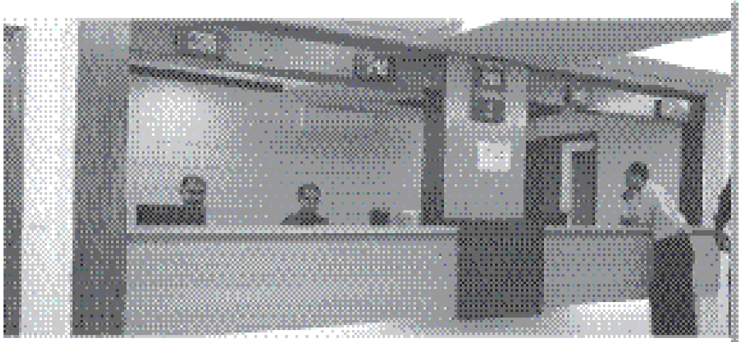
The Board in its meeting held on 3rd September 2009, was advised that there is a significant need for suitable qualified personnel in the Company. Therefore, the Board agreed to nominate the services of certain personnel who are currently acting as directors on the Board of the Company, for a limited time to act as executive directors.

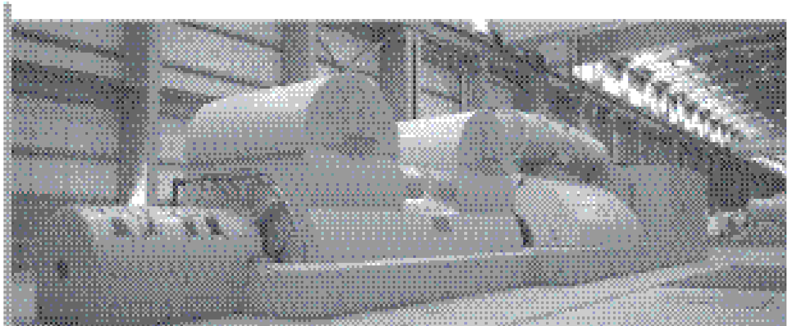
It was therefore resolved that Mr. Zulfiqar Ali be appointed as Head of Special Projects, Mr. Arshad Zahidi be appointed as Chief Strategic - Officer Generation & Transmission, Mr. Nayyer Hussain be appointed as Chief Strategic Officer - Distribution and Mr. Tayyab Tareen be appointed as Group Head HR Management on remuneration up to maximum limit of PKR 500,000, which amount is inclusive of any and all benefits as per company policy, per month per individual.

Business Review

GENERATION – EXPANSION & REHABILITATION

Injection of efficient and economic generation in KESC system is critically important and has been an integral component of turnaround strategy of the new management. Unfortunately during almost a decade preceding privatisation, this area of paramount importance was grossly neglected. The last addition in generating capacity of the Company was made back in 1997, when BQPS Unit-6 of 220MW was commissioned. The demand and supply gap of electricity has continued to widen with increasing demand growing at approximately 7% to 8% per annum and deteriorating supply in the absence of new generation capacity, which was further exacerbated by the progressive derating of the existing generating units to the extent of 70% of the installed capacity.





220MW Combined Cycle Power Plant (CCPP) at KTPS

Contract for setting up 220MW CCPP at KTPS was awarded in January 2007. The plant comprises of four (4) Gas Turbines (GTs) of 48.4MW each and a Steam Turbine (ST) of 26.4MW. Substantial completion of all four (4) GTs has been achieved: GT 1&2 in November 2008 and GT 3 & 4 in March 2009. Combined cycle performance test has been carried out in July 2009 and commercial operation of the project is expected in the near future.

180MW Power Plant, SGTPS-II (90MW) & KGTPS-II (90MW)

Contracts for replacing thirty (30) year old GTs at SGTPS and KGTPS were signed in November 2008. The old and outdated GTs with only 21% electrical efficiency will be replaced with GE Jenbacher gas engines with electrical efficiency of approximately 40%. The project will positively contribute in economic and financial terms as units generated will almost double while consuming the same quantity of gas.

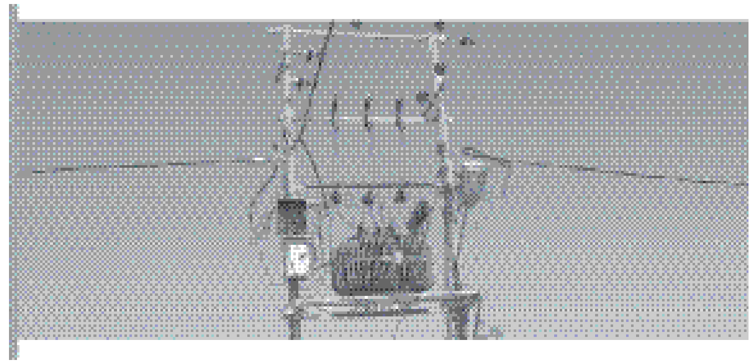
The said projects are fast track projects and will be completed in a record time, and to date implementation is as per schedule. All thirty-two (32) engines are operational at SGTPS site, and at KGTPS sixteen (16) engines are under commissioning.

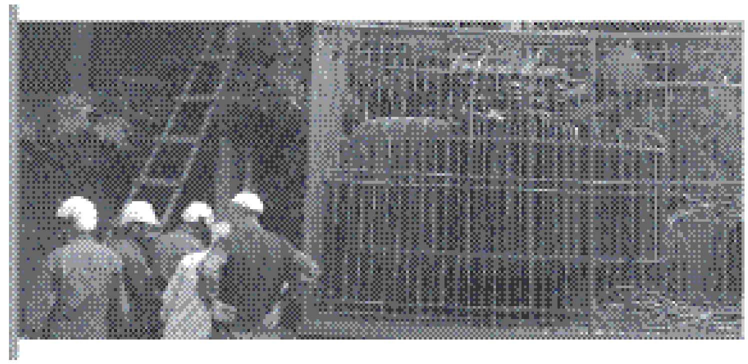
560MW (Gross ISO) CCPP Project - BQPS

KESC has entered into a contract for setting up a 560MW CCPP at BQPS. The power plant comprises of three (3) Gas Turbine Generators to be supplied by GE (France) and one (1) Steam Turbine Generator to be supplied by Harbin (China). The net power output of open cycle plant will be 325MW and combined cycle output will be 496MW at site conditions. Project completion including the site activities is progressing as per schedule and completion of open cycle operation is targeted in June 2011 and combined cycle is likely to be commissioned by March 2012.

Rental Power 50MW - Aggreko

In September 2008, in order to partly meet additional power demand for the summer 2009, KESC entered into a power rental agreement with Aggreko to build, own and operate 50MW rental power plants, 25MW each at Haroonabad and West Wharf sites. Aggreko delivered the project as per original time schedule, 25MW at





Haroonabad site was commissioned in December 2008 and another 25MW at West Wharf site was connected to the grid in March 2009. Aggreko stood up to its international reputation of delivering fast track power solutions. The project was the fastest project ever completed by Aggreko itself.

TRANSMISSION & DISTRIBUTION NETWORK – EXPANSION & REHABILITATION

Rehabilitation of outdated and dilapidated transmission and distribution network has been undertaken through a strategic plan with implementation mechanism in a phased and prioritised manner. A number of critically important projects have been commissioned during the year under review and others are in the advance stages of completion which have relatively improved network reliability, enhanced transmission & distribution capacity and reduced technical losses.

Transmission Projects

The new grid stations which were completed andcommissioned during the year under review are listed below:-

1. 220kV KTPS GIS Grid Station

2. 132kV Korangi South Grid Station
3. 132kV PRL Grid Station
4. 132kV Gulshan-e-Maymar Grid Station
5. 132kV Airport II Grid Station

Extension projects of the following grid stations were completed during the review year:-

1. Line bay extension at 132kV Korangi East Grid Station
2. Line bay extension at 132kV Queen's Road Grid Station

Transmission links completed and commissioned during the year are as under:-

1. Loop in & out of 132kV KTPS – Korangi West Circuit at PRL Grid Station
2. Loop in & out of 132kV KDA – Surjani Circuit at Gulshan-e-Maymar Grid Station
3. 132kV Double Circuit Overhead Transmission Line from Korangi East to Airport II Grid Station

SCADA Project

Establishment of computerised system for the management of modern power generation, transmission and distribution network known as SCADA (Supervisory Control and Data Acquisition) was categorised among the top prioritised projects of the Company. SCADA will facilitate fast downtime recovery of services to the subscribers and shall ensure monitoring & control of every generating/grid station on KESC's system. The SCADA project is now in an advanced stage of completion, twenty-two (22) grid stations out of fifty-six (56) have already been integrated with the SCADA system and the remaining thirty-four (34) grid stations will be connected by November 2009.

The full commissioning of this critically important project for modern power management will significantly improve efficiency of power system control & monitoring and will facilitate timely operational decisions & economic dispatch of power and minimise outages & technical losses.

OPGW Project

OPGW installation project on the existing 220/132kV Pipri-KDA Circuit has been completed. The project entailed provision of OPGW and other associated hardware on the existing 32.3 km long transmission line to establish a digital fibre optic ring which is a critical pre-requisite to and will serve as a backbone for the load dispatch system upgrade project.

Activities under review

The transmission projects listed below are in various stages of completion and are likely to be commissioned on future dates:-

Grid Stations (New)

1. 132kV Memon Goth Grid Station - expected completion in July 2009
2. 132kV Azizabad Grid Station - expected completion in October 2009
3. 132kV Jail Road Grid Station - expected completion in February 2010

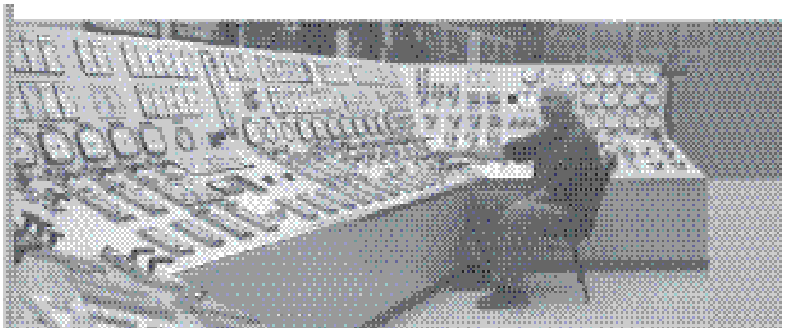
Grid Stations (Extensions)

1. Line/Transformer bays extension at Elander Road Grid Station - expected completion in August 2009
2. Line bays extension at Liaquatabad Grid Station - expected completion in August 2009

Transmission Links

1. 132kV underground double cable circuits from Gulshan-e-Iqbal to Jail Road Grid Station - expected completion in February 2010

2. 132kV underground cable circuit from Liaquatabad to Azizabad Grid Station - expected completion in September 2009



3. 132kV underground cable circuit from Gulshan to Azizabad Grid Station - expected completion in October 2009
4. 132kV underground double cable circuits from Clifton Grid to Clifton Gantry - expected completion in February 2010

Distribution System

During the review year, rehabilitation & expansion of the fragile distribution network of the Company continued to be the main focus of the management. The system was augmented through addition of 49 circuit kilometers of 11Kv overhead lines, 282 circuit kilometers of 11Kv underground lines, 124 circuit kilometers of 400v overhead line and 22 circuit kilometers of 400v underground cable. 662 11Kv substations/PMTs were commissioned during the year and the 11Kv distribution capacity has been increased by 177.375MVA (4%) from 4,490.000MVA to 4,675.375MVA. 9,395 street lights were energised during the year.

Integrated Business Centre (IBC)

KESC in its pursuit to reform the distribution network, to improve services & relationship with the customers and to reduce technical & commercial losses, launched its first IBC in Defence on 1 April 2009. The key infrastructure improvements in setting up IBC include Energy Management System, Organisational Restructuring, Performance Monitoring, Financial Autonomy, Customer Care and revised/improved processes in order to achieve the set objectives and targets. The Defence IBC has produced encouraging results in the form of significant reduction of approximately 6% in commercial losses, substantial improvement in cash collection, reduced estimated billing, marked reduction in average complaint resolution time and conducive environment demonstrating high standard of customer services.

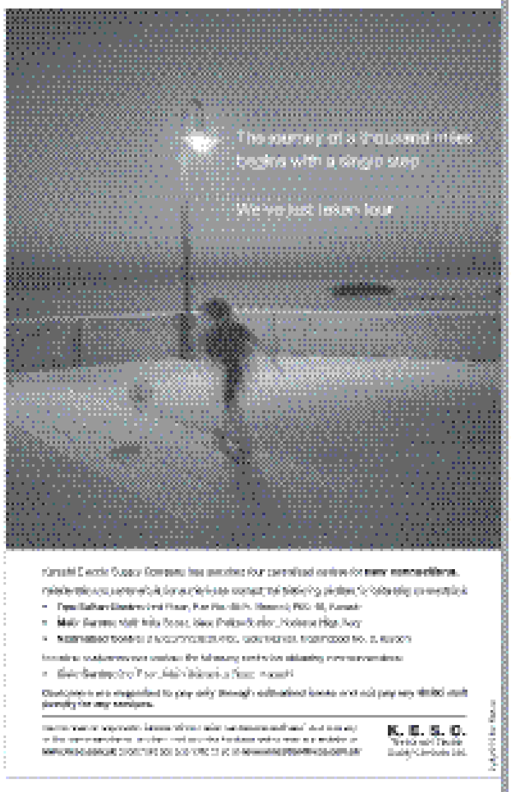
The management has planned to establish ten (10) to fifteen (15) new IBCs in the current financial year of which Gulshan-e-Iqbal and North Nazimabad IBCs are likely to be commissioned by October 2009. The majority of KESC ordinary billing zones would ultimately be managed under the respective IBC's and an overall improvement in customer service standards and loss reduction areas will be achieved.

MARKETING & COMMUNICATION

For a company that has, in the past, had no marketing endeavours at all, the challenge for the Marketing Team was to come up with a consistent message across a variety of platforms.

The goal was to communicate that the change in KESC management meant a change in the quality of services and nature of the company. KESC was no longer just a faceless service provider. It had a goal and a mission and was aware of both its reputation and the immense nature of the task that lay ahead.

A series of campaigns worked towards providing that communication. From the testimonial-based ads for the launch of the new IBC, to the Scorecard ads that listed all the work done on a monthly basis, to campaigns focused on theft and energy conservation. Taken together, these provided a unified message of a singular powerful Azm: To once again make Karachi the City of Lights by solving its energy



problems once and for all. Crafting each communication carefully, we have changed the perception of KESC. It is no longer seen as a faceless utility provider. Instead it is seen as a company that is integral to the evolution of Karachi. One that acknowledges past mistakes through a tone of humility and a commitment to transparency. And more importantly, a company that is looking towards the future, by bringing a change for the better to both itself and the metropolis it serves.

The success of these campaigns has been overwhelming. The THEFT campaign alone, which was geared towards creating awareness that stealing electricity is a crime that should be reported, saw our call centres flooded with responses as concerned citizens were motivated to action. The SAFETY campaign that covered the city in messages about electrical safety informed citizens while showing KESC to be a company that is both responsible and concerned. A high point for the company was the publication of the BLACKOUT ad, which was printed in all the major newspapers after a major power breakdown. Its honesty and openness was even highlighted by the President of Pakistan and it answered many questions raised in the public consciousness.

As we move forward, the marketing challenges before KESC are still immense. There is a great deal that has still to be communicated. However, the work done so far has created a strong foundation on which to build. One that has achieved its goals through modern and effective use of all communication mediums.

CSR & SPORTS

Our Social Azm: KESC's social mission is to contribute positive energy to Karachi, to enhance the quality of life of the ordinary citizen of Karachi through sustainable, 'depth' programmes focused on community development, culture and environment.

At KESC we aim to demonstrate responsible corporate conduct across all aspects of our operations.

We abide by this philosophy each step of the way; from generating un-interrupted power supply to exceeding customer expectations with reliable, stable and affordable electric power; from respecting workplace human rights and reducing our environmental impacts to contributing to local communities. We seek to work continuously to engage with our stakeholders and to their views and to align our business decision-making inline with their interests and expectations. We also strive to provide open and timely communication at all times to all our stakeholders.

Sustainable Development

As part of the business principles, we commit to contribute to sustainable development. This requires balancing short and long term interests, integrating economic, environmental and social considerations into business decision-making.

Our Stakeholders

- Employees
- Customers (existing and future)
- Media
- Government (local and federal)
- Suppliers
- Trade associations
- NGOs
- Brand partners
- Shareholder

Overall CSR framework

1. Creating sustainable holistic community development programmes.
2. Working under the 'Clean Karachi theme', in close partnership with CDGK and other related partners in the government and non government sectors.
3. Safeguarding Karachi heritage and turning them into cultural monuments.
4. A network of vocational training centres focused on adult education and livelihood creation.
5. Development of football from grassroots level.

6. Energy Conservation Program to inculcate the habit of smart electricity usage.

Creating Sustainable holistic community development programmes

Karachi Electric Supply Company (KESC) has a vision to holistically affect the living standards of ordinary citizens of Karachi - our primary stakeholders. Under the KESC Corporate Social Responsibility umbrella incepted under new management, we are putting together community-driven sustainable projects which will affect ordinary lives. Our chosen areas of focus are health and environment related, primarily sanitation and water, as they are the root cause of all disease.

We also believe that vocational training, especially computer literacy along with provision of basic education, can bring about a measurable change in the lives of the youth and women. Other than that we will support the communities in the health sector through provision of need based health camps and other health-oriented intervention. The first community-focused project we will implement is at Ibrahim Hyderi (located next to the KTPS plant) which has a population of approximately 150,000. The second community is Machar Colony where we have already initiated a children-based mobile health clinic project, which is one initiative around which we will vertically add on more projects, so that positive sustainable development can be achieved and the lives of future generations transformed.

Ibrahim Hyderi Development project

Ibrahim Hyderi is located adjacent to KESC's KTPS plant in the vicinity of Bin Qasim Township. The community is primarily constituted of fishermen and other people attached to sea related livelihood. The population of Ibrahim Hyderi is about 150,000. The area has somewhat similar problems as other communities of Karachi, but faces acute backwardness in all aspects due to very high illiteracy rate. Currently only 5% of the children go to school and even in this ratio the incidence of a girl attending a school is higher than boys. The incidence of water borne diseases is very high as the quality of drinking water is low and there is no concept of boiling or other water purification methods.

Through interactive dialogues with the community, the following interventions are being implemented in the community:

- Water purification plant
- Hospital up-gradation and enhancement
- Football development
- Vocational training and literacy centre for youth
- Solid waste management systems and health and hygiene oriented mobilisation programme
- Health camps

Clean Karachi Programme

Working in close partnership with CDGK and other related partners in the government and non government sector, 'Cleanup Karachi' is a broad based environmental program through which we take initiatives which will directly improve the living conditions and health of the ordinary citizen of Karachi. We have already initiated tree plantation and have planted almost 10,000 trees to date in 2009 and aim to plant 30,000 more by December 2009.

The initiative focuses on basic cleanup of graffiti and garbage and then further develops into waste management solutions.

Safeguarding Karachi Heritage

KESC would like to play a role in the restoration of historic buildings and turning them into cultural monuments. The idea is to restore the cultural values, the architecture and the traditions unique to Karachi. The first project under consideration is Denso Hall in partnership with Heritage Foundation and CDGK.

KESC will be the exclusive sponsor for the project which will include external facade clean-up of Denso Hall and adjacent buildings, provision of uniform signage and general improvements and safeguarding and rehabilitation of identified heritage assets in Denso Hall Heritage precinct. The building after restoration will be converted into Karachi Archive Museum.

Development of football from grassroots level

Our vision is to be able to produce players who can go on and take the Pakistan football team to qualify for the AFC qualifiers in five years and also substantially push Pakistan up in the FIFA rankings.

Grassroots Football Advancement Campaign for Youth

To achieve our vision, an initiative taken by our

management, which is being led by our CEO Naveed Ismail in sports, has been the football grassroots campaign for the youngsters in Pakistan. Unfortunately, many kids in our society do not have access to proper sporting facilities. The energy that they could put into sports sadly ends up going into less positive activities. These are the challenges that lie before us. We hope to meet them with sportsman-like dedication and enthusiasm.

Football Advancement from Youth Talent Hunt to Youth Camps

KESC organised a Talent Hunt competition in June this year with participation of a large number of kids from five districts of Karachi (East, West, South, Central and Malir). Fifty kids were selected from each district, who then participated in the KESC Football Youth Camp. The camp was inaugurated by our KESC Sports Board Chairman, Jameel Gul, and Head of Football Advancement Department, Muhammad Zabe Khan. This youth camp was supervised by AFC (Asian Football Confederation) qualified coaches. All kits, balls and training accessories were provided by KESC.

From Youth Camps to Football League

The youth camps lead to the KESC Youth League. Every youth camp had to enter two teams in the KESC Football Youth League. A total of ten teams were supposed to play against each other, with a total of 20 games at Aga Khan Gymkhana Football Stadium.

Our next plan is to launch an All Pakistan Youth League and then pick the best kids and put them in our KESC Academy.

ENERGY CONSERVATION INITIATIVE

The Karachi Energy Conservation Program is a social service initiative and an important facet of Karachi's energy usage policy, with a principal goal of saving 200MW of electricity in the city by 2011. The Program is launched in Partnership with the City District Government Karachi (CDGK) and the citizens of Karachi and supported by Karachi Electric Supply Company. This is a movement for the city of Karachi which will involve, interact, communicate with and eventually persuade the citizens of the city to own the drive and take responsibility to use electricity smartly and wisely. The cause should gain momentum to somehow bridge the gap of demand and supply of electricity and become a national movement with all Energy related organisations joining this public service initiative of conservation.

The program aims to involve approximately 100,000 children/youth in the city of Karachi through an interactive school program. We would like the children of Karachi to become the owners and Ambassadors of this program, so that the habit of smart energy usage is inculcated through them in their communities and surroundings.

ENERGY CONSERVATION INITIATIVE

USE YOUR POWER TO CONSERVE

FINANCIAL RESULTS

It would be observed from the financial statements that after meeting all operational and administrative costs including depreciation and financing costs, the accounts show a loss of :-

	In million Rs.
- Loss before taxation	15,451
- Add taxation	34
- Loss after taxation	15,485
- Brought forward losses	50,865
- Accumulated losses	66,350

KESC generation decreased by 4.62% during the review year as compared to last year due to less generation at power plants on account of planned maintenance. KESC units sent out decreased by 4.43% which is directly attributable to 4.62% reduction in KESC generation. Power purchases increased by 7.34% over last year resulting from higher purchases from NTDC and purchase of Rental Power. Units available for distribution increased by 0.85% whereas units billed reduced by 1.80% and consequently T&D losses increased to 35.85% from 34.12% in last year.

Revenue from sale of energy registered an increase of 17.06% resulting from a tariff increase of 18.44% allowed by NEPRA in October 2008. The impact of increased revenue was offset by the increase of Rs. 1,566 million (4.36%) in fuel bill over last year due to increased gas consumption and higher price. Cost of power purchases registered a phenomenal increase of 36.7% mainly due to steep rise of 45.52% in WAPDA's average rate from Rs.3.69/kwH to Rs.5.37/kwH (average for the period) and 22.34% increase in power purchases (in terms of units) from WAPDA. Operation & maintenance expenses (excluding depreciation and doubtful debts) increased by 16.31% over last year mainly due to annual increase in salaries & wages and other benefits of the Company's employees and repairs & maintenance of plant & machinery.

Financing and other costs spiraled by 120.73% as a result of increase in interest on delayed payments to SSGC, PSO, NTDC & IPPs and also contributed by increased bank borrowings including KIBOR-linked running finance facilities. As a result of cumulative impact of the contributory factors as above, the loss before tax has nominally decreased by Rs. 301 million (1.91%) from Rs. 15,752 million to Rs. 15,451 million in last year.

KESC is having a liquidity crunch that cannot just be fixed with additional equity or debt. Whilst the company is embarked on an aggressive TND loss reduction campaign (average 35% losses in fiscal year ended June 2009) and bills recovery programme (gross outstanding dues of Rs. 33 billion from various consumer categories), there are a number of external issues that need to be resolved in parralel on a priority base and require the support of the GoP.

KESC has over Rs. 37 billion as of 31 August 2009 (Rs. 32.2 billion as of fiscal year ended June 2009) stuck in verified receivables at local, provincial and federal level (KW&SB, consumer tariff subsidies, FIP interest, GST refund, strategic customer's receivable, etc.). The company has been engaged with GoP on a regular basis regarding these and ministry of finance has promised to facilitate the recovery of the above along with the mechanism (at source deduction) for the future to prevent a reoccurance of the long standing receivables/payables problem.

IT IS INFORMED THAT:

i. The actions being taken by the Company for operational and infrastructure rehabilitation program with the commitment and support of the sponsors of the Company, 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. The key factors responsible for Transmission & Distribution (T&D) losses, as explained in note 48 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.

STATUTORY PAYMENTS

Government levies outstanding as on 30 June 2009 have been disclosed in Note 28 to the financial statements.

COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE

The Directors are pleased to report that 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 as stated in the notes annexed to the financial statements have been consistently applied.

d. International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Pakistan have been followed and any departure there from has been adequately disclosed.

e. The system of internal control is sound in design and effective in implementation.

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

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

h. Key operating and financial data of the Company for the last ten (10) years are given on page 25.

i. The Company is in the process of consolidation and restructuring to extinguish the accumulated loss and stage a turn around and has therefore not declared dividend / bonus shares. Loss per share (LPS) for the year under review is 1.18.

j. The details of KESC on-going projects and future prospects have been sufficiently covered in the Directors' Report.

k. The value of the investments of KESC Provident Fund is Rs. 5.698 billion as on 30.06.2009, whereas gratuity scheme of the Company is not funded and pension scheme does not exist.

l. Statement of the Board and Audit Committee's meetings held during the year is given on page 94.

m. Pattern of shareholding is placed on page 96.

FUTURE PROSPECTS

Abraaj's strategic stake and huge equity investment of US$ 361 million in the next three (3) years and Abraaj's established professional management and operational track record of managing companies operating under difficult conditions, will help KESC in successfully implementing & materialising its turn around strategy. KESC, with the support of principal shareholder and GOP, will be able to execute a five (5) year plan to add 1100MW to the existing generation, establishment of a modern generation, transmission & distribution system, automation of the entire billing system and improved customer care through multi-faceted customer initiatives. The management is also committed to invest in its social obligations and overall organisational competencies will improve with the creation of performance culture and re-training of staff.

A team of professional engineers and managers representing core activity areas and possessing experience, expertise and specialised skills in relevant fields, have been brought in Generation, Transmission & Distribution, Human Resources, Supply Chain, Information Technology, Treasury, Finance & Accounts, Communication and Contract Specialists in order to implement a comprehensive strategy emphasising an essential and positive change in both qualitative and quantitative areas of operations & management and to introduce cultural and corporate structural changes designed to introduce best practices framework and corporate governance across all areas of business operations focusing on main objectives of turning the company into an efficient & profitable entity. The services and experience of existing human resources of the Company will also be productively utilised in a competitive, equal-opportunity and merit-based environment.

The main focus and concentration shall continue to be on improving the core activity of the Company and bridging the prevailing gap between electricity demand and supply and also to cater for additional future demand. Improving & expanding network infrastructure, reducing technical & commercial losses, developing human resource capital of the Company and improving quality & standard of customer service shall continue to be among the top priority areas, to benefit all stakeholders. The concerted efforts of the management are likely to produce improved operating & financial results in future.

AUDITORS

The present auditors, Messrs Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and being eligible, have offered themselves for reappointment. BAC has recommended appointment of M/s. KPMG Taseer Hadi & Company, Chartered Accountants as auditors of the Company.

ACKNOWLEDGEMENTS

During the review year Syed Muhammad Amjad relinquished the position of CEO and Mr. Naveed Ismail assumed the office of KESC CEO, effective from 16 September 2008. Mr. Shahid Rafi replaced Mr. Ismail Qureshi as Secretary, Ministry of Water & Power, GOP and he was accordingly appointed as a GOP nominated director on the Board of Directors of the Company. With the capital restructuring of and after Abraaj acquiring major equity stake in KES Power, the KESC Board of Directors was reconstituted on 27 May 2009 and Mr. Waqar Hassan Siddique replaced Mr. Abdulaziz Hamad Aljomaih as Chairman of the Company. M/s. Farrukh Abbas, Zulfiqar Haider Ali, Tabish Gauhar, Syed Nayyer Hussain, Muhammad Tayyab Tareen and Syed Arshad Masood Zahidi were appointed as directors of the Company in place of M/s. Naser Al-Marri, Reyadh S. Al-Edrissi, Peter Hertog, Ariful Islam, Imran Siddiqui and S.M. Akhtar Zaidi. The Board wishes to place on record appreciation of services of outgoing directors and welcomes the new directors on the Board.

The Board also 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

Naveed Ismail
Chief Executive Officer
Karachi, 3 September 2009

STATEMENT

OF COMPLIANCE WITH BEST PRACTICES OF GOOD CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2009

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purposes of establishing a frame work 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. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

2. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. The investment of minority shareholders in the capital of the Company is quite insignificant. The proportionate representation (merely 0.013%), of an already negligible minority interests (just 1.35%), at election of directors in AGM on 9 December 2006, was not considered effective and meaningful representation of minority interests. The election of directors for a fresh three (3) year term is scheduled to be held at this AGM.

3. Although the three 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.

4. The number of executive directors of the Company including Chief Executive Officer is not more than 75% of total number of directors which is thirteen (13).

5. The Directors of the Company have confirmed that none of them is serving as a Director in ten (10) other listed companies.

6. All the Resident Directors of the Company are registered as taxpayers, whereas the condition of being a Registered Tax Payer in Pakistan does not apply to foreign nationals and non-resident Pakistanis. None of them has defaulted in payment of any loan to a banking company, a DFI or NBFC or being a member of a stock exchange has been declared as a defaulter by that stock exchange.

7. The Directors filled up casual vacancies occurring on the Board within thirty (30) days with the exception of a casual vacancy created due to demise of a GOP nominated director. GOP nomination for the vacant position is awaited.

8. The Company has prepared a "Statement of Ethics & Business Practices" in post-privatisation scenario matching current developments and applying best practices. The said statement has been duly approved by the Board of Directors and its English/Urdu version is in the process of being circulated to the employees.

9. The Board has developed a Vision & Mission Statement, overall corporate strategy and significant policies of the Company. The complete record of particulars of significant policies along with the dates on which they were approved/amended, as conveyed by the Board's Secretariat, is maintained by the respective Departments.

10. All the powers of the Board have been duly exercised and the Board has taken decision on material transactions, including appointment, determination of remuneration and terms & conditions of employment of the CEO.

11. The Board of Directors are aware of their duties and responsibilities. The Board reconstituted on 27 May 2009, have been provided with a "Guidelines for Directors on Strengthening Corporate Governance" and have been given a brief presentation. The orientation course for the new directors will be arranged during the current year.

12. The meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board for the purpose and the Board met four (4) times during the year. However, due to delay in finalisation of Annual Audited Accounts FY 2007-08 and thirty (30) days extension allowed by SECP for holding AGM, no Board Meeting was held during the quarter July-September 2008, whereas the Board met twice during the quarter April-June 2009. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the Board meetings. The minutes of the Board meetings were appropriately recorded and circulated within thirty (30) days.

13. The Board has approved appointment of Chief Financial Officer and Chief Internal Auditor, including their remuneration and terms & conditions of employment, as recommended by the CEO pursuant to KESC Rules.

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

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

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

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

18. The Board has formed an Audit Committee [BAC], it comprises of six members. Four members of BAC are among the non-executive directors including the Chairman of the Committee.

19. The meetings of the Board's Audit Committee (BAC) were held prior to approval of interim and final results of the Company and before & after completion of external audit, as required by the Code. Thirty (30) days extension in time for holding of AGM and circulation of annual financial statements for the year ended 30 June 2008 was allowed by SECP, consequently the Audit Committee did not meet in the first quarter i.e. July-September 2008. The BAC met three (3) times during the year once in second, third and fourth quarters prior to approval of interim and final results of the Company. The terms of reference of the Committee have been framed & approved by the Board and the Committee was duly informed for compliance.

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

21. The transactions with related parties are placed before the Board of Directors and Board Audit Committee for review and approval. A complete party-wise record of related party transactions has been maintained by the Company.

22. 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, that they or any of the partners of the firm, their spouse 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 Institute of Chartered Accountants of Pakistan.

23. 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.

24. We confirm that all other material principles contained in the Code have been fully complied with.

ON BEHALF OF THE BOARD OF DIRECTORS

Naveed Ismail
Chief Executive Officer
Karachi, 3 September 2009

REVIEW REPORT OF AUDITORS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

ERNST & YOUNG

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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June, 2009 prepared by the Board of Directors of Karachi Electric Supply Company Limited to comply with the Listing Regulations No.37 (chapter XI) [now Regulation 35 Chapter XI] of The Karachi Stock Exchange (guarantee) Limited, Clause 45 (Chapter XIII) [now Regulation 37 Chapter XI] of the Listing Regulations of the Lahore Stock Exchange (guarantee) Limited and Section 46 (Chapter XI) [now Regulation 37 Chapter XI] of the Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

Further, Sub-regulation (xiii) of Listing Regulations 37 [now Regulation 35] notified by The Karachi Stock Exchange (guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be seperately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, for the year ended 30 June, 2009.

Ford Rhodes Sidat Hyder & Co.

Chartered Accountants

Karachi
3 September 2009

A member firm of Ernst & Young Global Limited

HISTORICAL HIGHLIGHTS

Description		1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Units Generated	MILL KWH	7,318	6,613	7,745	7,989	8,709	8,908	9,274	9,304	9,130	8,769	8,662	8,262
Units Purchased	MILL KWH	3,030	4,007	3,701	3,688	3,406	3,809	3,664	4,289	5,370	6,708	6,927	7,005
Units Sold	MILL KWH	6,385	6,731	6,430	6,924	6,717	7,041	7,919	8,505	9,060	9,367	9,369	9,396
T&D loss	%	34.62%	38.64%	40.23%	36.81%	41.11%	40.78%	37.84%	34.23%	34.43%	34.23%	34.12%	35.85%
Revenue from Sale													
of Energy	RS. MILL	20,726	23,285	23,035	28,118	29,841	32,279	36,543	38,415	41,922	44,662	49,606	58,069
Tariff adjustment	RS. MILL	-	-	-	-	-	-	-	1,491	9,482	14,447	17,283	26,950
Other Sources	RS. MILL	540	690	1,155	886	1,206	1,299	1,313	1,401	2,439	1,929	3,000	2,690
Total Revenue	RS. MILL	21,266	23,975	24,190	29,004	31,047	33,578	37,856	41,307	53,843	61,038	69,889	87,709
Expenses:													
Cost Fuel	RS. MILL	10,777	9,312	12,202	17,717	19,272	21,051	20,787	23,085	29,217	28,599	35,884	37,450
Cost of Power Purchased	RS. MILL	7,740	11,401	13,916	13,780	13,191	15,582	14,925	17,707	23,991	29,364	32,861	44,921
Total Fuel + Purchased	RS. MILL	18,517	20,713	26,118	31,497	32,463	36,633	35,712	40,792	53,208	57,963	68,745	82,371
O&M Expenses	RS. MILL	2,402	3,220	3,227	3,220	3,629	3,536	3,835	4,710	7,851	8,460	9,573	11,064
Depreciation	RS. MILL	2,267	2,860	2,969	2,919	2,829	3,157	3,160	3,345	3,473	3,329	3,508	2,986
Financial Charges	RS. MILL	3,162	3,042	5,481	5,725	7,750	1,985	910	138	379	1,316	1,875	5,620
Provision for													
doubtful debts	RS. MILL	1,698	1,213	1,094	1,729	1,071	2,008	2,249	2,308	3,329	1,881	1,171	776
Other Charges	RS. MILL	77	231	88	115	867	153	289	330	293	46	829	344
Total Expenses	RS.MILL	28,123	31,279	38,977	45,205	48,609	47,472	46,155	51,683	68,473	72,995	85,641	103,159
Net Loss	RS. MILL	(6,857)	(7,364)	(14,787)	(16,201)	(17,562)	(13,894)	(8,299)	(10,376)	(14,630)	(11,957)	(15,752)	(15,450)
Recoveries/Receivable from Govt. Of Pak Under the tems of Implementation agreement	RS. MILL	-	-	-	-	-	-	-	-	7,576	-	-	-
Other Subsidy from GoP	RS. MILL	-	-	-	-	-	5,751	9,572	10,896	-	-	-	-
(Loss) / Profit before taxation	RS. MILL	(6,857)	(7,364)	(14,787)	(16,201)	(17,562)	(8,143)	1,273	520	(7,054)	(11,957)	(15,752)	(15,450)
Taxation: Current	RS. MILL	(1,177)	(119)	(130)	(152)	(154)	(168)	(187)	(199)	(212)	(219)	(320)	-
Prior	RS. MILL	-	-	-	-	-	-	-	-	75	-	-	(34)
Net Tax	RS. MILL	(1,177)	(119)	(130)	(152)	(154)	(168)	(187)	(199)	(137)	(219)	(320)	(34)
(Loss) / Profit after taxation	RS. MILL	(8,034)	(7,483)	(14,917)	(16,353)	(17,716)	(8,311)	1,086	321	(7,191)	(12,176)	(16,072)	(15,484)

OPERATING RESULTS OF GENERATING STATIONS

DESCRIPTION		JULY-JUNE 2008-09	JULY-JUNE 2007-08
Installed Capacity	MW	1,955	1,739
Actual Capability	MW	1,514	1,501
Firm Capacity	MW	1,423	1,375
Maximum Demand	MW	2,462	2,443
Units Generated	MWH	8,262,115	8,662,526
Auxiliary Consumption	MWH	618,726 7.5%	664,779 7.7%
Units Sent Out	MWH	7,643,389	7,997,747
Power Purchased	MWH	7,005,362	6,526,528
Total Units Available	MWH	14,648,751	14,524,275
Units Billed	MWH	9,396,469	9,568,656
T & D Losses	MWH	5,252,282 35.85%	4,955,619 34.12%

TRANSMISSION AND DISTRIBUTION SYSTEM

Description		As on June 30, 2008	Addition during 2008-09	As on June 30, 2009
Transmission System - Length				
220 Kv Overhead	Circuit Km	312.38	8.60	320.98
220 Kv Underground	Circuit Km	16.10	-	16.10
132 Kv Overhead	Circuit Km	609.68	(8.07)	601.61
132 Kv Underground	Circuit Km	95.80	17.02	112.82
66 Kv Overhead	Circuit Km	149.40	-	149.40
66 Kv Underground	Circuit Km	3.14	(3.14)	-
220/132/66/11 Kv Grid Stations	Nos.	52	4	56
Transmission Capacity				
Auto Transformers :				
220 / 132 Kv	MVA	3,000	-	3,000
132 / 66 Kv	MVA	100	-	100
		3,100	-	3,100
Grid Power Transformers :				
132 / 11 Kv	MVA	3,873	350	4,223
66 / 11 Kv	MVA	60	-	60
		3,933	350	4,283
Distribution System				
11 KV Overhead	Kilometers	2,389	49	2,438
11 KV Underground	Kilometers	4,643	282	4,925
400 V Overhead	Kilometers	10,535	124	10,659
400 V Underground	Kilometers	1,161	22	1,183
11 KV Distribution S/S/PMTs	Nos.	13,238	662	13,900
11 KV Distribution capacity	MVA	4,498	177	4,675
Street Lights		249,727	9,395	259,122
Load Frequency		2007-08		2008-09
System evening peak demand	MW	2,443		2,462
Day peak demand	MW	2,393		2,434
Base demand (Night)	MW	983		1,057
System Load Factor		67.9%		67.9%

AUDITORS' REPORT TO THE MEMBERS

ERNST & YOUNG

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Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Karachi Electric Supply Company Limited as at 30 June 2009** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change, as stated in note 3.5.4 to the accompanying financial statements, with which we concur;

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

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

(c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2009 and of the loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion, we draw attention to:

(i) note 1.2 to the accompanying financial statements which fully explain actions that the Company is taking with regard to operational and infrastructure rehabilitation program and financial measures duly supported by the sponsors of the Company;

(ii) note 17.9 to the accompanying financial statements, Redeemable Preference shares have been treated by the Company as part of equity, in view of the requirements of the Companies Ordinance, 1984. The matter of its classification will be dealt in accordance with the clarification from the Securities and Exchange Commission of Pakistan, as fully explained in the above referred note; and

(iii) note 46.1 to the accompanying financial statements, transmission and distribution losses are approximately 35.85% (2008: 34.12%) of the total electricity generated during the year. The management of the Company maintains that one of the factors attributable to these losses is the alleged theft of electricity, which has directly affected the profitability of the Company. These factors, in view of the management, if controlled effectively, may enable the Company to minimize its overall losses. The amount of theft, however, remains indeterminate.

Ford Rhodes Sidat Hyder & Co

Chartered Accountants
Audit Engagement Partner: Shariq Ali Zaidi
3 September 2009
Karachi

A member firm of Ernst & Young Global Limited

Balance Sheet as at June 30, 2009

	Note	2009	2008
		------- Rupees in '000 -------	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	**82,193,852**	64,030,545
Intangible asset	5	**20,566**	32,007
		82,214,418	64,062,552
Long-term loans	6	**92,967**	100,006
Long-term deposits and prepayments	7	**234,275**	20,527
Due from the Government	8	**476,063**	793,438
		83,017,723	64,976,523
CURRENT ASSETS			
Current portion of amount due from the Government		**396,719**	317,375
Stores and spares	9	**4,696,625**	4,730,278
Trade debts	10	**19,114,219**	12,415,794
Loans and advances	11	**398,787**	281,777
Trade deposits and prepayments	12	**369,486**	26,996
Other receivables	13	**20,037,401**	7,186,907
Derivative financial assets	14	**575,000**	407,604
Taxation - net	15	**220,548**	197,930
Short-term investment		**-**	100,259
Cash and bank balances	16	**1,957,628**	2,334,148
		47,766,413	27,999,068
TOTAL ASSETS		**130,784,136**	92,975,591
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	17	**52,068,169**	52,068,169
Reserves			
Capital reserves	18	**509,172**	509,172
Revenue reserve	19	**5,372,356**	5,372,356
Accumulated losses		**(66,350,117)**	(50,865,175)
Other reserves	14	**(337,050)**	(165,058)
		(60,805,639)	(45,148,705)
Total equity		**(8,737,470)**	6,919,464
ADVANCE AGAINST SUBSCRIPTION FOR RIGHT SHARES	20	**8,170,638**	-
		(566,832)	6,919,464
SURPLUS ON REVALUATION OF FIXED ASSETS	21	**745,466**	-
		178,634	6,919,464
NON-CURRENT LIABILITIES			
Long-term financing	22	**45,030,126**	8,814,029
Liabilities against assets subject to finance lease	23	**287,706**	-
Long-term deposits	24	**3,836,994**	3,659,380
Deferred liabilities	25	**5,325,528**	4,645,056
Deferred revenue	26	**14,237,768**	11,790,530
Specific grant from the Government	27	**1,626,342**	4,036,441
		70,344,464	32,945,436
CURRENT LIABILITIES			
Trade and other payables	28	**30,289,508**	38,406,965
Accrued mark-up	29	**1,706,085**	1,112,879
Short-term borrowings	30	**9,137,014**	10,230,723
Short-term deposits	31	**3,241,691**	2,930,942
Provisions	32	**15,927**	18,432
Current maturity of non-current liabilities	33	**15,870,813**	410,750
		60,261,038	53,110,691
CONTINGENCIES AND COMMITMENTS	34	**-**	-
TOTAL EQUITY AND LIABILITIES		**130,784,136**	92,975,591

The annexed notes 1 to 53 form an integral part of these financial statements.

Naveed Ismail
Chief Executive Officer

Tabish Gauhar
Director

Profit and Loss Account

For The Year Ended June 30, 2009

	Note	2009	2008
		------- Rupees in '000 -------	
REVENUE			
Sale of energy - net	35	**58,069,074**	49,606,492
Tariff adjustment	3.22.2	**26,950,457**	17,282,969
Rental of meters and equipment		**204,553**	202,022
		85,224,084	67,091,483
EXPENDITURE			
Purchase of electricity	36	**(44,921,109)**	(32,860,895)
Consumption of fuel and oil	37	**(37,450,620)**	(35,884,435)
		(82,371,729)	(68,745,330)
Expenses incurred in generation, transmission and distribution	38	**(9,454,891)**	(9,233,683)
GROSS LOSS		**(6,602,536)**	(10,887,530)
Consumers services and administrative expenses	39	**(5,370,456)**	(4,959,328)
Other operating expenses	40	**(343,585)**	(807,768)
		(5,714,041)	(5,767,096)
Other operating income	41	**2,485,368**	2,797,418
OPERATING LOSS		**(9,831,209)**	(13,857,208)
Finance cost	42	**(5,619,795)**	(1,894,837)
LOSS BEFORE TAXATION		**(15,451,004)**	(15,752,045)
Taxation	43	**(33,938)**	(319,862)
NET LOSS FOR THE YEAR		**(15,484,942)**	(16,071,907)
LOSS PER SHARE - basic	44	**Rs. (1.18)**	Rs. (1.22)
- diluted	44	**Rs. (1.07)**	Rs. (1.11)

The annexed notes 1 to 53 form an integral part of these financial statements.

Naveed Ismail

Tabish Gauhar
Director

Cash Flow Statement

For The Year Ended June 30, 2009

	Note	2009	2008
		------- Rupees in '000 -------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	45	**4,039,159**	356,356
Payment in respect of fatal accident	32	**(2,505)**	(65,307)
Deferred liabilities paid	25.1	**(430,714)**	(321,533)
Income tax paid		**(22,618)**	(239,306)
Receipts in deferred revenue	26	**1,359,885**	1,039,425
Interest on consumer deposits paid		**(77,022)**	(73,584)
Finance cost paid		**(2,090,411)**	(864,675)
Interest received on bank deposits		**101,431**	57,594
Net cash generated from / (used in) operating activities		**2,877,205**	(111,030)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(21,025,903)**	(16,655,761)
Proceeds from disposal of fixed assets	4.1.8	**72,637**	77,816
Due from the GoP		**238,031**	317,375
Long-term loans		**7,039**	13,975
Long-term deposits		**(213,748)**	(1,827)
Net cash used in investing activities		**(20,921,944)**	(16,248,422)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance against subscription of right shares	20	**8,170,638**	-
Specific grant from the Government of Pakistan - net		**-**	4,180,394
Liabilities against assets subject to finance lease repaid		**(6,497)**	-
Interest on FIP funds		**170,829**	(320,826)
Transaction cost incurred on Redeemable Preference shares		**-**	(4,087)
Receipts from derivative financial instruments - options		**89,417**	-
Security deposits from consumers		**177,614**	305,531
Payments to Oil and Gas Companies		**(238,031)**	(224,000)
Receipts from long-term financing - net		**9,887,699**	7,677,216
Short-term borrowings repaid - net		**(1,093,709)**	2,634,595
Receipts from Murabaha financing - net		**410,000**	-
Net cash generated from financing activities		**17,567,960**	14,248,823
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(476,779)**	(2,110,629)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,434,407**	4,545,036
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	46	**1,957,628**	2,434,407

The annexed notes 1 to 53 form an integral part of these financial statements.

Naveed Ismail
Chief Executive Officer

Tabish Gauhar
Director

Statement of Changes in Equity
For The Year Ended June 30, 2009

	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			RESERVES					
	Ordinary shares	Redeemable Preference shares	Total	Capital reserves	Revenue reserve	Accu-mlated losses	Other reserves (note 14)	Total	Total
	------ Rupees in '000 ------								
Balance as at June 30, 2007	46,084,762	4,509,301	50,594,063	509,172	5,372,356	(34,793,268)	—	(28,911,740)	21,682,323
Issuance of 422,340,723 Redeemable Preference shares at Rs.3.5 each - net	—	1,474,106	1,474,106	—	—	—	—	—	1,474,106
Fair value of cash flow hedges - net	—	—	—	—	—	—	(165,058)	(165,058)	(165,058)
Net loss for the year	—	—	—	—	—	(16,071,907)	—	(16,071,907)	(16,071,907)
Balance as at June 30, 2008	46,084,762	5,983,407	52,068,169	509,172	5,372,356	(50,865,175)	(165,058)	(45,148,705)	6,919,464
Fair value of cash flow hedges - net	—	—	—	—	—	—	(171,992)	(171,992)	(171,992)
Net loss for the year	—	—	—	—	—	(15,484,942)	—	(15,484,942)	(15,484,942)
Balance as at June 30, 2009	**46,084,762**	**5,983,407**	**52,068,169**	**509,172**	**5,372,356**	**(66,350,117)**	**(337,050)**	**(60,805,639)**	**(8,737,470)**

The annexed notes 1 to 53 form an integral part of these financial statements.

Naveed Ismail
Chief Executive Officer

Tabish Gauhar
Director

1. THE COMPANY AND ITS OPERATIONS

1.1. Karachi Electric Supply Company Limited (the Company) was incorporated as a limited liability company on September 13, 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 2nd Floor, Handicraft Chamber, Abdullah Haroon Road, Karachi. However, subsequent to the balance sheet date, the registered office of the Company has been changed to 6th floor, State Life Building No. 11, Abdullah Haroon Road, Karachi. KES Power Limited (the holding company) holds the 71.5 percent of shares in the Company.

1.2. During the year, the Company has incurred a net loss of Rs.15,485 (2008: Rs.16,072) million, resulting in accumulated losses of Rs.66,350 (2008: Rs.50,865) 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 financial measures to support such rehabilitation program. The program includes:

1.2.1. Generation - Expansion and Rehabilitation

(a) The Company is setting up two new Combined Cycle Power Plants (CCPP), to increase its power generation capacity. The new power plants, in addition to bridging the demand and supply gap, will also contribute towards profit margin improvement due to better efficiency and fuel economy:

- The first project (CCPP - I) has an ISO capacity of 220 MW, has been set-up at Korangi. The first four units of this combined cycle plant have already started commercial production in 2009 and one remaining unit is expected to be in operation by September 2009, having significant impact on the overall fuel efficiency.

- The second project (CCPP - II) has an ISO capacity of 560 MW, is planned to be set-up at Bin Qasim. The contract for setting up the plant had been awarded in June 2008. This combined cycle plant is expected to be in operation by the end of the financial year 2010-11, having significant impact on the overall fuel efficiency.

(b) Agreement for another fast track power project (180 MW) has been entered into in November 2008 for the replacement of Gas Turbines generation at SITE and Korangi by advanced and highly efficient units. These new units will use the existing gas allocation of SITE and Korangi Gas Turbines and will almost double the generation with the same gas consumption due to higher efficiency and thus, result in improved profit margin. Power generation at SITE has already started from June 2009 and generation at Korangi is expected to start in two phases; Phase I (50%) by August 2009 and Phase II (50%) by December 2009.

(c) Agreement for another fast track power project (50 MW) has been entered into September 2008 through a power rental company. Power generation from this plant has already started in March 2009.

1.2.2. Transmission and Distribution Network - Expansion and Rehabilitation

Strategic plan was prepared for rehabilitation of transmission and distribution network and the same has been and is being implemented in a phased and prioritized manner. The objectives / goals of this plan are to improve network reliability; expansion of network to facilitate distribution of power and provide operational flexibility; reduction of T&D losses and management of transmission network through up-gradation of Load Dispatch System. Some of these projects have been commissioned and others are in the final stage of completion, the improved results of these projects would become more visible in the near future.

1.2.3. Financial measures

The financial measures which the Company has embarked upon include:

(a) A loan agreement amounting to USD 125.000 million with the International Finance Corporation (IFC), for the purpose of capital expenditure on power generation, transmission and network improvement projects was signed in 2007. Out of the total facility of USD 125.000 million, an amount of USD 45.000 million has already been disbursed to the Company (note 22.1).

(b) A Syndicate term loan agreement with a consortium of local banks and financial institutions, amounting to Rs.8,000 million, for the purpose of capital expenditure on the 220 MW Korangi Thermal Power Station was signed in 2007. Out of the total facility of Rs.8,000 million, a sum of Rs.7,883.591 million has already been disbursed to the Company (note 22.2).

(c) A loan agreement amounting to USD 150.000 million with the Asian Development Bank (ADB), for the purpose of capital expenditure on power generation, transmission and network improvement projects was signed in 2007. Out of the total facility of USD 150.000 million, an amount of USD 50.000 million has already been disbursed to the Company (note 22.3).

(d) The Company's management had been continuously taking up long pending issues with relevant Ministry and authorities regarding NTDC power purchase pricing and removal of 4% cap on increase in tariff due to increase in fuel prices and power purchase cost. As a result of constant efforts, the Economic Coordination Committee of the Cabinet (ECC) has decided that the Company for the purpose of power purchases has been considered at par with other distribution companies (as stated in note 22.8.1) and to remove the 4% cap on increase in tariff due to variation in fuel price and power purchase. Further, during the year the Company has entered into an amendment agreement with the Government in respect of above issues (notes 13.2 and 22.8.1).

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), pursuant to announcement of right issue by the Company in its meeting held on May 27, 2009 at the rate of 31 percent at par value of Rs.3.50 per share amounting to Rs.14,286 million, has confirmed their intention to avail their share of right issue amounting to Rs.10,215 million as explained in note 20 to these financial statements and the same has been subscribed in full subsequent to the balance sheet date.

Based on the support of the holding company, actions as outlined above and future projections, the management is of the view that the Company would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

2. 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 (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of preparation

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

- the Company leasehold lands that are freely transferable are stated at revalued amounts as referred to in notes 3.5.1, 3.5.4 and 4.1;

- the derivative financial instruments are 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 3.27 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 3.17 and 25.

3.2. Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

Standard or Interpretation	**Effective date (accounting periods beginning on or after)**
IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 - Borrowings Costs (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Amended)	July 01, 2009
IAS 32 - Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments	January 01, 2009
IAS 39 - Financial Instruments: Recognition and measurement - Amendments regarding Eligible Hedge Items	July 01, 2009
IFRS 2 - Share Based Payment - Amendments regarding Vesting Conditions and Cancellations	January 01, 2009

IFRS 3 - Business Combinations (Revised)	July 01, 2009
IFRS 7 - Improving disclosures about Financial Instruments (Amended)	January 01, 2009
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17 - Distributions of Non-cash Assets to owners	July 01, 2009
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009
IFAS 2 - Ijarah	January 01, 2009

The Company expects that the adoption of the above standards and interpretations either are not relevant or will have no material impact on the Company's financial statements in the period of initial application other than as stated below:

IAS 1 "Presentation of Financial Statements". The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. Accordingly, the above may require certain additional disclosures in the Company's financial statements.

IFRIC 18 "Transfers of Assets from Customers". This interpretation applies to agreements in which an entity receives cash from customers when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services, or to do both. The management of the Company is currently evaluating the impact, if any of aforesaid IFRIC on the Company's financial statements for ensuing periods.

In addition to the above, amendments (2008 Annual improvements to IFRS) to various accounting standards have also been issued by IASB as a result of its annual improvement project. Such amendments are generally effective for accounting periods beginning on or after 1 January 2009. The management is currently evaluating the impact of such amendments on the Company's financial statements for the ensuing periods.

3.3. Standards adopted during the year

During the year, the Company has adopted IFRS 7 "Financial Instruments - Disclosures", which resulted in certain additional disclosures relating to financial instruments in these financial statements. Further, interpretations of accounting standards, namely IFRIC 9 "IAS 39 Amendment - Embedded Derivatives", IFRIC 12 "Service Concession Arrangements", IFRIC 13 "Customer Loyalty Programmes" and IFRIC 14 "IAS 19 - The Limit on Defined Benefit Asset Minimum Funding Requirements and their Interactions" also became effective during the year. However, these interpretations do not affect the Company's financial statements.

3.4. Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

3.4.1. 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.

3.4.2. Trade debts

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. 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 provisions.

3.4.3. Stores and spares

The Company reviews the net realizable value of stores and spares to assess any diminution in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

3.4.4. Employees retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 25 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

3.4.5. Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

3.4.6. Derivatives

The Company has entered into a Cross Currency Swap arrangements. The calculation involves the use of estimates with regard to interest rate which fluctuates with the market forces.

3.5. Property, plant and equipment

3.5.1. Operating fixed assets

Lands classified as others and other items of property, plant and equipment in note 4.1 are stated at cost less accumulated depreciation and accumulated impairment losses, if any,

Leasehold land 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.

Cost in relation to plant and machinery, grid stations, overhead mains and transformers signify historical costs. Stores and spares, which form part of the contract under which the project was undertaken, are also capitalized with plant and machinery.

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.

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, even if during that period the asset is idle. 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 financial year end.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount at the balance sheet date. Accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

3.5.2. Asset subject to finance lease

Finance lease, 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 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.

3.5.3. 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.

3.5.4. Change in accounting policy

During the current year, the Company changed its accounting policy in respect of leasehold lands, that are freely transferrable, whereby, with effect from the current year, these are carried at the revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any, instead of past policy of carrying the same at their cost.

The above change, made to provide a more accurate reflection of the carrying value of the assets of the Company, has been accounted for in accordance with the IAS - 16 "Property, plant and equipment", as required under IAS - 8 “Accounting Policies, Changes in Accounting Estimate and Errors” requiring such a change to be applied prospectively, instead of applying the same retrospectively. Had there been no revaluation, the cost / written down value of revalued leasehold land in the balance sheet would have been Rs.322.134 million and surplus on revaluation of fixed assets would have been lower by Rs.745.466 million.

3.6. 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 any accumulated amortisation and accumulated impairment losses, if any.

Intangible assets with finite 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.

3.7. 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 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 (note 4.2.2).

3.8. Investments

Investments are classified as either financial assets at fair value through profit or loss, available for sale or held to maturity investments. Management determines the appropriate classification of its investment at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for investments at fair value through profit or loss.

Subsequent to initial recognition, investments classified as held to maturity are carried at amortised cost (duly adjusted for amortization of discount or premium).

For investments carried at amortised cost, and those carried at fair value through profit and loss, gains and losses are recognised in profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

3.9. Loans, advances and deposits

These are recognised at cost, which is the fair value of the consideration given. However, an 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.

3.10. Stores and spares

These are valued at lower of moving average cost and net realizable value, except items in transit, which are stated at cost. Cost comprises invoice value and other direct costs but excludes borrowing costs. Obsolete and used items are recorded at nil value. Provision is made for slow moving items where necessary and is recognized in the profit and loss account.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make a sale.

3.11. 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 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.

Management estimates that no provision is made on dues of Federal/Provincial Government and local bodies, as such are ultimately received.

3.12. Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprises 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 and form an integral part of the Company's cash management.

3.13. Equity instruments

Equity instruments issued by the Company are stated at their face value.

3.14. 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 and accordingly the Company has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003:

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

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

3.15. 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.

Gains and losses are recognized in profit and loss account when the liabilities are derecognized as well as through amortization process.

3.16. 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 (note 26).

3.17. Employee retirement and other service benefits

3.17.1. 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 June 30, 2009 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 and losses and as reduced by the fair value of plan assets.

Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceed 10% of the greater of the present value of the Company's obligations and the fair value of plan assets at that date are amortized over the expected average remaining working lives of the employees.

a) Defined benefit gratuity scheme

The Company also 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.

3.17.2. 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 and cost of living allowance.

3.17.3. 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 encashment of leave, to the extent of 365 days before actual retirement date. LPR to those officers who have not opted for encashment, are entitled to unlimited accumulated earned leave before their actual retirement date.

3.18. 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 except for earned leave. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

3.19. Taxation

3.19.1. 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.

3.19.2. Deferred

Deferred income tax is provided using the liability method on temporary differences arising at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3.20. Trade and other payables

These are initially carried at cost which is the fair value of the consideration to be paid in future for goods and services received up to the year end, whether or not billed to the Company. Subsequently, these are measured at amortized cost using the effective interest rate method.

3.21. Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provision are reviewed at each balance sheet date and accordingly adjusted to reflect current best estimate.

3.22. Revenue recognition

3.22.1. 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.

3.22.2. Tariff adjustment

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

3.22.3. 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.

3.22.4. Rebate on electricity duty

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

3.22.5. Meter rentals

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

3.22.6. Interest / Mark-up income

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

Interest on held to maturity investments is recognised using the effective interest rate method.

3.22.7. 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.

3.23. Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognised in the profit and loss account.

3.24. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.25. Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. The particular measurement methods adopted are disclosed in individual policy statements associated with each item.

Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account.

3.26. Offsetting of financial assets and financial liabilities

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

3.27. Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments such as cross currency swaps and options to hedge its interest rate risk and foreign market risk respectively. 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 directly to the profit and loss account.

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

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

Fair value hedges

Fair value 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 hedge 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 (Cross currency swaps) used for hedging purposes are disclosed in note 14 to these financial statements. Movements on the hedging reserve are shown in statement of changes in equity.

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.

3.28. Appropriations to reserves

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

	Note	2009	2008
		------- Rupees in '000 -------	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**58,971,309**	44,634,318
Capital work-in-progress	4.2	**23,222,543**	19,396,227
		82,193,852	64,030,545

4.1. Operating fixed assets

	Note	COST / REVALUATION				ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE	
		As at July 01, 2008	Additions *Revaluation (Disposals)	Reclassi-fication / Adjust-ments	As at June 30, 2009	As at July 01, 2008	Charge for the year / (On Disposals)	Reclassi-fication / Adjust-ments	As at June 30, 2009	As at June 30, 2009	Rate %
		------ Rupees in '000 ------									
June 30, 2009											
Owned Assets											
Land:											
Leasehold	4.1.1	371,977	*745,466	(49,843)	1,067,600	-	-	-	-	1,067,600	-
Other	4.1.3	366,019	-	49,843	415,862	-	-	-	-	415,862	-
Buildings on:											
Leasehold land		1,920,457	13,298	(1,877,178)	56,577	758,799	38,294	(796,999)	94	56,483	2
Other land		1,128,151	317,316	1,877,178	3,322,645	295,906	35,367	796,999	1,128,272	2,194,373	2
Plant and machinery	4.1.4	30,190,318	12,899,025	-	43,089,343	20,915,775	843,796	-	21,759,571	21,329,772	3.3 to 20
Transmission and Distribution network	4.1.4 & 4.1.6	57,132,860	3,305,943 (8,000)	(165,000)	60,265,803	25,067,305	1,942,407 (7,200)	(3,800)	26,998,712	33,267,091	3 to 10
Renewals of mains and services		1,397,114	59,978	-	1,457,092	1,281,959	30,742	-	1,312,701	144,391	20
Furniture, air-conditioners and office equipment		465,177	37,055	-	502,232	377,667	10,209	-	387,876	114,356	10 to 15
Vehicles	4.1.4	607,659	16,782 (113,694)	(371)	510,376	460,711	28,803 (81,256)	(111)	408,147	102,229	15 to 20
Computers and related Equipment		327,043	88,313	-	415,356	184,594	48,889	-	233,483	181,873	14.33-33.33
Tools and general equipment		412,245	34,204	-	446,449	341,986	7,184	-	349,170	97,279	10 to 15
Simulator equipment		67,713	-	-	67,713	67,713	-	-	67,713	-	14.33
		94,386,733	**16,771,914 *745,466 (121,694)**	**(165,371)**	**111,617,048**	**49,752,415**	**2,985,691 (88,456)**	**(3,911)**	**52,645,739**	**58,971,309**	

Additions of Rs.16,771.914 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.

	COST				ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE	
	As at July 01, 2007	Additions	(Disposals)	As at June 30, 2008	As at July 01, 2007	Charge for the year	(On Disposals)	As at June 30, 2008	As at June 30, 2008	Rate
	-- Rupees in '000 --									%
June 30, 2008										
Freehold land	371,977	-	-	371,977	-	-	-	-	371,977	-
Leasehold land	362,225	3,794	-	366,019	-	-	-	-	366,019	-
Buildings on freehold land	793,377	334,774	-	1,128,151	269,442	26,464	-	295,906	832,245	2
Buildings on leasehold land	1,917,946	2,511	-	1,920,457	720,546	38,253	-	758,799	1,161,658	2
Plant and machinery	29,400,191	793,094	(2,967)	30,190,318	19,867,507	1,050,939	(2,671)	20,915,775	9,274,543	5 to 20
Transmission and distribution network	50,268,629	6,928,207	(63,976)	57,132,860	22,920,508	2,204,375	(57,578)	25,067,305	32,065,555	3 to 10
Renewals of mains and services	1,322,239	74,875	-	1,397,114	1,195,304	86,655	-	1,281,959	115,155	20
Furniture, air-conditioners and office equipment	442,062	23,203	(88)	465,177	370,169	7,577	(79)	377,667	87,510	10 to 15
Vehicles	572,848	57,707	(22,896)	607,659	442,976	34,833	(17,098)	460,711	146,948	15 to 25
Computers and related equipment	290,549	36,494	-	327,043	138,056	46,538	-	184,594	142,449	14.33-33.33
Tools and general equipment	387,526	24,982	(263)	412,245	330,077	12,146	(237)	341,986	70,259	10 to 15
Simulator equipment	67,713	-	-	67,713	67,713	-	-	67,713	-	14.33
	86,197,282	**8,279,641**	**(90,190)**	**94,386,733**	**46,322,298**	**3,507,780**	**(77,663)**	**49,752,415**	**44,634,318**	

4.1.1. Leasehold land

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

4.1.2. During the current year, a revaluation exercise was organized by the Company, which was carried out by an independent valuer on June 30, 2009. The revaluation resulted in surplus on leasehold land of Rs.745.466 million over their cost / written down values of Rs.322.134 million.

Had there been no revaluation, the cost / written down value of revalued leasehold land in the balance sheet would have been Rs.322.134 million and surplus on revaluation of fixed assets would have been lower by Rs.745.466 million.

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.

4.1.3. Other land

Land classified as "other" comprise properties in possession of the Company, which are not freely transferable.

4.1.4. Changes in accounting estimates

During the year, the Company has revised its accounting estimate regarding the depreciation of plant and machinery, transmission and distribution network and vehicles. The said assets would now be depreciated at the rate of 3.3 to 20 percent, as against 5 to 20 percent, 3 to 10 percent, as against 3 to 10 percent, and 15 to 20 percent, as against 15 to 25 percent, respectively.

The revision would result in more accurate reflection of depreciation charge over the useful lives of the related assets and is in line with the general industry practice. The above change has been accounted for as change in accounting estimate in accordance with IAS - 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change in the aforesaid accounting estimate, loss for the year would have been higher by Rs.924.559 million whereas carrying value of property, plant and equipment of the Company would have been lower by the same amount.

4.1.5. The cost of fully depreciated assets as at June 30, 2009 is Rs.16,915 (2008: Rs.15,502) million.

4.1.6. Due to nature of Company's operations, transmission and distribution network includes certain assets which 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.

	Note	2009	2008
		------- Rupees in '000 -------	
4.1.7. Depreciation charge for the year has been allocated as follows:			
Expenses incurred in generation, transmission and distribution	38	**2,833,351**	3,365,181
Consumers services and administrative expenses	39	**152,340**	142,599
		2,985,691	3,507,780

4.1.8. The details of fixed assets disposed off are as follows:

	Original cost	Accumu-lated depre-ciation	Written down value	Net sales proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of Buyers
	(Rupees in thousand)						
Transmission and distribution network							
Transformers switchgears							
37.5 MVA Block Transformer at West Wharf	6,000	5,400	600	3,851	3,251	Auction	M/S Faisal Impex
20 MVA 66/KV Power Transformer at West Wharf	2,000	1,800	200	5,469	5,269	Auction	M/S Alnoor Trading Corporation
	8,000	7,200	800	9,320	8,520		
Vehicles							
Sold to KESC - Officers (Karachi)							
Nissan Sunny - W-6046	526	473	53	175	122	As per Company's policy	Zain Ul Abedin
Suzuki Potohar - BD-7137	537	484	53	325	272	"	Kishore Das Khatri
Toyota Corolla - AC-7831	549	494	55	137	82	"	Nawaz Majeed
Toyota Corolla - Z-6071	549	494	55	82	27	"	Anwar Ali Sheikh
Suzuki Bolan -CN-7539	319	263	56	310	254	"	Khawaja Tariq Muneer
Suzuki Bolan -CN-7525	319	263	56	310	254	"	M.Tariq Bajwa
Suzuki Bolan - CR-0537	319	263	56	298	242	"	S.M.Ather Hussain
Suzuki Bolan - CR-0538	319	263	56	298	242	"	Nisar Ul Huda
Suzuki Bolan - CN-7524	319	263	56	310	254	"	Aijaz Ali
Suzuki Mehran - APA-816	265	207	58	98	40	"	Mahtab Alam
Toyota Corolla - Z-4300	599	539	60	151	91	"	Waqas Khalid
Toyota Corolla - AC-7723	599	539	60	338	278	"	Arif Jawaid Qureshi
Suzuki Mehran - ANY-907	265	203	62	102	40	"	M. Safdar Khan
Suzuki Baleno - APA-573	643	578	65	162	97	"	Manthar Memon
Suzuki Baleno - ANV-955	643	578	65	347	282	"	Sajjad Ahmed Sheikh
Suzuki Baleno - APG-806	643	578	65	162	97	"	Abdul Saeed
Suzuki Baleno - APA-570	643	578	65	162	97	"	Arshad Iftikhar
Suzuki Baleno - ANV-952	643	578	65	162	97	"	Sikander Ali Chandio
Suzuki Baleno - ANV-953	643	578	65	162	97	"	Rahmatullah
Suzuki Baleno - APA-801	643	578	65	347	282	"	Anwar Ali Sheikh
Suzuki Baleno - AEU-673	643	578	65	162	97	"	Malik Khushal Khan
Suzuki Baleno - ANV-954	643	578	65	96	31	"	Ashiq Hussain Mughal
Suzuki Baleno - APA-574	643	578	65	96	31	"	M.Anis Ansari
Suzuki Baleno - APA-572	643	578	65	161	96	"	G.R.Bhatti
Suzuki Baleno - ANV-951	643	578	65	161	96	"	Syed Zahoor A. Kazmi
Suzuki Baleno - ANV-956	643	578	65	161	96	"	Syed Abid Hussain
Honda Civic - Z-2639	671	604	67	170	103	"	Muslehuddin Ahmed Alvi
Suzuki Cultus - ANV-492	483	398	85	363	278	"	Rasikh Mahmood
Suzuki Cultus - ANV-467	483	398	85	363	278	"	Shoaib A Naqvi
Suzuki Cultus - AHN-401	483	398	85	475	390	"	Zia Uddin Ahmed
Suzuki Cultus - ANV-499	483	398	85	363	278	"	Mohammad Amjad
Suzuki Cultus - ANV-490	483	398	85	363	278	"	Nadeem Ahmed Siddiqui
Suzuki Cultus - ANV-463	483	398	85	363	278	"	Sultan Badshah
Suzuki Potohar - BC-5967	537	443	94	363	269	"	Zahir Ahmed Sheikh
Suzuki Potohar - BD-7192	537	443	94	363	269	"	Abdul Wahab Magsi
Suzuki Potohar - BD-8681	537	443	94	363	269	"	Iqbal M. Sheikh
Suzuki Potohar - BD-7193	537	443	94	363	269	"	Mohammad Hussain
Suzuki Potohar - BC-5963	537	443	94	373	279	"	Riaz Ahmed Nizamani
Suzuki Mehran - GA-6306	265	155	110	150	40	"	Syed Mansoor Rahat
Suzuki Ravi - CR-3342	312	201	111	293	182	"	Abdul Bari
Suzuki Ravi - CR-1482	312	201	111	293	182	"	Khozema Shabbir
Suzuki Ravi - CR-1272	312	201	111	293	182	"	Ashfaq Ahmed Sheikh
Suzuki Ravi - CR-0208	312	201	111	293	182	"	Ravi Laxman
Suzuki Ravi - CR-1481	312	201	111	293	182	"	M.Raza Ali
Suzuki Ravi - CR-1337	312	201	111	293	182	"	Zulfiqar Ali
Suzuki Cultus - ANV-470	483	369	114	186	72	"	A.H. Perchani
Suzuki Cultus - ANV-486	483	355	128	200	72	"	Abdul Samad Jaliwala

	Original cost	Accumu-lated depre-ciation	Written down value	Net sales proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of Buyers
	(Rupees in thousand)						
Toyota Corolla- ANV-959	738	609	129	625	496	"	Abdul Basit Ghori
Toyota Corolla- AHV-036	843	695	148	838	690	"	Faizan Mahmood
Toyota Corolla- AHV-039	843	695	148	275	127	"	Mohammad Shabbir
Toyota Corolla- AHT-456	843	695	148	838	690	"	S. Zulfiqar Hussain
Toyota Corolla- AHV-038	843	695	148	838	690	"	Syed Ijaz Hussain Shahid
Toyota Corolla- AHT-667	843	695	148	838	690	"	Shahid Hussain
Suzuki Cultus- ANV-462	483	261	222	222	-	"	Peer Saeed Shah
Toyota Corolla- AHT-673	843	619	224	350	126	"	M. Asghar
Kia Sportage- BD-7138	1,347	1,111	236	650	414	"	Ghulam Haider Raffat
Toyota Corolla- AHU-789	843	607	236	362	126	"	Shiekh Jamil Gul
Suzuki Mehran- APM-057	372	61	311	298	(13)	"	S.M. Murtaza
Suzuki Cultus- ANU-640	555	167	388	540	152	"	Zahoor Iqbal
Hyundai Santro- APC-971	559	117	442	455	13	"	S.Zakir Ali Rizvi
Honda Civic- ALV-999	1,227	773	454	908	454	"	S.Sajjad Hussain Shah
Honda Civic- ALH-574	1,227	773	454	908	454	"	M. Umer Khushk
Suzuki Cultus - APS-304	585	97	488	540	52	"	Tahir Ali Khan
Suzuki Cultus - APX-042	585	97	488	540	52	"	Khalid Raza Khan
Suzuki Cultus - AQE-634	590	97	493	630	137	"	Mohammad Arif
Suzuki Cultus - ASR-999	590	97	493	630	137	"	S.Naveed Ur Rehman
Suzuki Cultus - AQE-071	590	97	493	630	137	"	Iftikhar Ali Khan
Suzuki Cultus - AQL-145	590	97	493	630	137	"	Shahzaib Zaidi
Suzuki Cultus - AQT-840	590	71	519	630	111	"	S.Mohammad Taha
Suzuki Cultus - AQH-056	590	71	519	630	111	"	S.M Tahir Ul Hassan
Suzuki Cultus - AQU-654	595	71	524	630	106	"	Waqar Ahmed
Suzuki Cultus - AQX-813	606	73	533	630	97	"	M.Imran Khan
Suzuki Cultus - AQX-049	606	73	533	630	97	"	Amir Inam
Suzuki Cultus - AQW-075	606	73	533	630	97	"	Hamid Ali Alvi
Suzuki Cultus - AQW-302	606	73	533	630	97	"	Abdul Fawad
Suzuki Cultus - AQY-052	621	47	574	630	56	"	Asif Hussain Shamsi
Suzuki Cultus - AQZ-099	621	47	574	630	56	"	Avais Alam
Suzuki Cultus - AQW-973	621	47	574	630	56	"	M.Hasham Khan
Honda Civic - AQH-635	1,553	93	1,460	1,538	78	"	Jalil Tarin
Honda City - ANL-429	834	250	584	775	191	"	Sur Buland Jawaid
Suzuki Cultus - ARB-293	662	50	612	630	18	"	Salman Saeed
Honda City - ANR-734	891	187	704	825	121	"	M.Musharraf Mufti
Toyota Corolla - ANW-698	969	203	766	950	184	"	Khalilullah Shiekh
Toyota Corolla - AQU-043	925	111	814	920	106	"	Iqbal Ahmad
Toyota Corolla - APY-367	1,005	166	839	1,022	183	"	Uzma Amjad Ali
Toyota Corolla - AQH-173	981	118	863	920	57	"	Asad Hussain Zuberi
Honda Civic - ANN-022	1,308	392	916	955	39	"	Sardar Naufil Mahmud
Honda Civic - AQG-197	1,416	170	1,246	1,470	224	"	Syed Abrar Ali
	55,745	31,095	24,650	40,704	16,054		
Others							
Suzuki Mehran - ANY-915	265	211	54	210	156	Insurance claim	
Suzuki Bolan - CR-0970	319	263	56	274	218	Insurance claim	
Suzuki Mehran - AHS-273	274	218	56	214	158	Insurance claim	
Hyundai Shehzore - KM-7740	571	514	57	500	443	Insurance claim	
Suzuki Pickup - CR-1216	312	206	106	262	156	Insurance claim	
Suzuki Pickup - CR-1493	312	187	125	265	140	Insurance claim	
Suzuki Bolan - CS-3565	441	60	381	403	22	Insurance claim	
Honda Civic - AQH-440	1,394	125	1,269	1,306	37	Insurance claim	
	3,888	1,784	2,104	3,434	1,330		
Assets disposed off having book value less than Rs. 50,000/- each	54,061	48,377	5,684	19,179	13,495		
	113,694	81,256	32,438	63,317	30,879		
June 30, 2009	121,694	88,456	33,238	72,637	39,399		
June 30, 2008	90,190	77,663	12,527	77,816	65,289		

4.2. Capital work-in-progress

4.2.1. The movement of CWIP during the year is as follows:

	Plant and machinery	Transmission system	Distribution system	Others	Total
	(Rupees in thousand)				
Opening balance	12,310,959	4,762,447	1,966,684	356,137	19,396,227
Additions during the year:					
System improvement	-	2,973,209	19,188	-	2,992,397
220 MW Combine Cycle Power Plant (note 4.2.2)	4,626,876	-	-	-	4,626,876
560 MW Combine Cycle Power Plant (note 4.2.2)	4,768,934	-	-	-	4,768,934
180 MW Gas Turbine Power Plant (notes 4.2.2 & 4.2.3)	5,567,281	-	-	-	5,567,281
Other	655,560	775,742	1,656,409	188,768	3,276,479
	15,618,651	3,748,951	1,675,597	188,768	21,231,967
Transfer to the:					
Operating fixed assets (note 4.1)	(12,931,485)	(2,444,796)	(1,224,928)	(170,705)	(16,771,914)
Intangible asset (note 5.1)	-	-	-	(2,862)	(2,862)
Stores and spares (note 9.3)	(623,991)	-	-	(6,884)	(630,875)
	(13,555,476)	(2,444,796)	(1,224,928)	(180,451)	(17,405,651)
2009	**14,374,134**	**6,066,602**	**2,417,353**	**364,454**	**23,222,543**
2008	12,310,959	4,762,447	1,966,684	356,137	19,396,227

4.2.2. During the current year, a sum of Rs.1,450.772 (2008: Rs.701.496) million, representing interest on borrowings has been capitalized and included in the project cost of 220 MW Combine Cycle Power Plant at Korangi, 560 MW Combine Cycle Power Plant at Bin Qasim Power Station and 90 MW each Gas Turbine Power Plant at Site and Korangi, Karachi (notes 22.1, 22.2, 22.3 and 23.1).

4.2.3. Included in plant and machinery, the cost of generators amounting to Rs.337.323 million (2008: Nil) finance through a lease (note 23.1) which are pending for installation and have not been transferred to operating fixed assets as at balance sheet date as the related power plants are yet not operational.

	Note	2009	2008
		------- Rupees in '000 -------	
5. INTANGIBLE ASSET			
Computer software			
Cost	5.1	**45,537**	42,675
Amortization to-date	5.2	**(24,971)**	(10,668)
		20,566	32,007
5.1. Cost			
Opening balance		**42,675**	-
Additions / transfers	4.2.1	**2,862**	42,675
	5.3	**45,537**	42,675
5.2. Amortisation to-date			
Opening balance		**(10,668)**	
Amortisation for the year	5.2.1	**(14,303)**	(10,668)
		(24,971)	(10,668)
Useful life		**3 years**	3 years
5.2.1. Amortisation charge for the year has been allocated to administrative expenses	39	**14,303**	10,668

5.3. Computer software include ERP System - SAP, anti-virus softwares and other software.

6. LONG-TERM LOANS

	Note	Secured: House building loans (Note 6.1)	Secured: Motor Cycles loans	Unsecured: Festival loans (Note 6.2)	2009	2008
		(Rupees in thousand)				
Considered good - Secured						
Executives	6.6	**574**	**-**	**2,113**	**2,687**	2,995
Employees		**14,855**	**-**	**82,977**	**97,832**	108,665
		15,429	**-**	**85,090**	**100,519**	111,660
Recoverable within one year shown under current assets	6.2 & 11	**(3,799)**	**-**	**(3,753)**	**(7,552)**	(11,654)
		11,630	**-**	**81,337**	**92,967**	100,006
Considered doubtful						
Employees	6.3	**4,333**	**-**	**-**	**4,333**	4,333
		15,963	**-**	**81,337**	**97,300**	104,339
Provision for impairment (against loans considered doubtful)		**(4,333)**	**-**	**-**	**(4,333)**	(4,333)
2009 / 2008		**11,630**	**-**	**81,337**	**92,967**	100,006
2008 / 2007		14,070	17	85,919	100,006	113, 981

6.1. House building loans, carrying mark-up @ 6% (2008: 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 February 01, 2003 approved the deferment of the recovery of these loans in installments and decided that the said loans would be recovered against the final settlement of the employees at the time of their retirement. The amount disclosed as recoverable within one year, therefore, represents amount due 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 employees of the Company at the end of any month during the year was Rs.110.518 (2008: Rs.120.200) million.

		Note	2009	2008
			------- Rupees in '000 -------	
6.6.	**Reconciliation of carrying amount of loans to executives:**			
	Balance at beginning of the year		**2,995**	3,289
	Add: Disbursements		**-**	-
	Less: Repayments		**308**	294
	Balance at end of the year		**2,687**	2,995
7.	**LONG-TERM DEPOSITS AND PREPAYMENTS**			
	Considered good Deposits			
	Rental premises		**18,322**	18,202
	Lease deposits		**34,000**	-
	Utilities and others		**2,687**	2,325
	Supplier	7.1	**183,320**	-
	Recoverable within one year shown under current assets	12	**(95,646)**	-
			87,674	-
			142,683	20,527
	Prepayments			
	Rental projects	7.2	**170,099**	-
	Adjustable within one year shown under current assets	12	**(78,507)**	-
			91,592	-
	Considered doubtful			
	Rental premises		**1,020**	1,020
	Provision for impairment (against deposits considered doubtful)		**(1,020)**	(1,020)
			-	-
			234,275	20,527

7.1. This represents amount equivalent to USD 2,555,280 given to a supplier against Power Rental Agreement dated 04 September 2008 for a period of two years for generation facilities of 50 MW located at S.I.T.E and West Wharf, Karachi. The said deposit is adjustable in equal monthly installments of USD 49,140 for each facility through issuance of credit notes from commercial operation date of the plant (i.e. March 17, 2009).

7.2. This represents expenses incurred for mobilization, transportation, installation and commissioning of power plant under Rental Power Agreement (note 7.1). The said amount is taken to the profit and loss account over the period of the said agreement.

7.3. These are non-interest bearing and are generally on terms of one to more than five years. For terms and conditions relating to related party balances, refer note 50.

	Note	2009	2008
		------- Rupees in '000 -------	
8. DUE FROM THE GOVERNMENT			
Amount due from the Government of Pakistan (GoP)	8.1	**872,782**	1,110,813
Recoverable within one year shown under current assets (including an overdue installment of Rs.79.344 million (2008: Nil)		**(396,719)**	(317,375)
		476,063	793,438

8.1. This represents amount accrued by the Company as due from the GoP to settle its liability to the Oil and Gas Companies, as discussed in detail in note 22.6. These are non-interest bearing and are due latest by November 30, 2011. For terms and conditions relating to related party balances, refer note 50.

	Note	2009	2008
9. STORES AND SPARES			
Stores and spares	9.2 & 9.3	**5,380,348**	5,469,351
Provision against slow moving and obsolete stores and spares	9.1	**(683,723)**	(739,073)
		4,696,625	4,730,278
9.1. Provision against slow moving and obsolete stores and spares			
Opening balance		**739,073**	850,994
Provision made during the year	38	**-**	157,345
		739,073	1,008,339
Reversal during the year	41	**(55,350)**	-
Provision written off during the year		**-**	(269,266)
		683,723	739,073

9.2. Included herein are stores in transit amounting to Rs.270.621 (2008: Rs.219.615) million.

9.3. Included herein are stores and spares amounting to Rs.630.875 million (2008: Nil) transferred from capital work-in-progress during the year (note 4.2.1).

		Note	2009	2008
			------- Rupees in '000 -------	
10.	**TRADE DEBTS**			
	Considered good			
	Secured - against deposits from consumers	24	**661,651**	633,353
	Unsecured		**18,452,568**	11,782,441
		10.1 & 10.4	**19,114,219**	12,415,794
	Considered doubtful		**14,271,672**	13,495,664
			33,385,891	25,911,458
	Provision for impairment (against debts considered doubtful)	10.2	**(14,271,672)**	(13,495,664)
			19,114,219	12,415,794

10.1. Included herein are Rs.11,376 (2008: Rs.8,120) million due from Government and autonomous bodies.

10.2. Provision for impairment (against debts considered doubtful)

	Note	2009	2008
Opening balance		**13,495,664**	13,389,552
Provision made during the year	39	**776,008**	1,170,989
		14,271,672	14,560,541
Provision written off during the year		**—**	(1,064,877)
		14,271,672	13,495,664

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

10.4. As at June 30, 2009, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	Past due but not impaired > 30 days upto 2 years	2 - 3 years	3 - 4 years	4 years and above
	(Rupees in '000)					
2009	**19,114,219**	**2,686,322**	**11,024,177**	**2,570,529**	**140,761**	**2,692,430**
2008	12,415,794	1,180,683	7,015,209	303,471	1,360,835	2,555,596

10.5. These are non-interest bearing and generally on 15 to 30 days terms. For terms and conditions relating to related party receivables, refer to note 50.

	Note	2009	2008
		------- Rupees in '000 -------	
11. LOANS AND ADVANCES			
Loans - secured			
Considered good			
Current portion of long term loans including Rs. Nil (2008: Rs.0.308 million) to executives	6	**7,552**	11,654
Advances - unsecured			
Considered good			
Employees		**10,379**	8,157
Suppliers	11.1	**380,856**	261,966
		391,235	270,123
Considered doubtful			
Suppliers		**130,340**	130,340
		521,575	400,463
Provision for impairment (against advances considered doubtful)		**(130,340)**	(130,340)
	11.2	**391,235**	270,123
		398,787	281,777

11.1. These represent advances extended to suppliers in respect of stores and spares being acquired there from.

11.2. These are non-interest bearing and generally on terms of 3 to 12 months, for terms and conditions relating to related party balances, refer note 50.

	Note	2009	2008
12. TRADE DEPOSITS AND PREPAYMENTS			
Trade deposits			
Deposits	12.1	**107,254**	9,564
Current portion of long-term deposits	7	**95,646**	-
		202,900	9,564
Prepayments			
Rent		**6,013**	12,432
Insurance		**33,538**	5,000
Others	12.2	**48,528**	-
Current portion of rental projects	7	**78,507**	-
		166,586	17,432
		369,486	26,996

12.1. This includes a sum of Rs.99.264 (2008: Rs.0.419) million, representing margins / guarantee deposits held by commercial banks against which they have issued guarantees on behalf of the Company.

12.2. This represents amount paid to O&M Solutions to provide project management services in respect of generation and transmission of electricity.

12.3. Trade deposits and prepayments are non-interest bearing and generally on terms of 1 to 12 months. For terms and conditions relating to related party balances, refer note 50.

	Note	2009	2008
		------- Rupees in '000 -------	
13. OTHER RECEIVABLES			
Considered good			
Sales tax	13.1	**5,715,286**	3,493,808
Due from the Government in respect of:			
- sales tax subsidy to the selected classes of consumers		**285,884**	211,568
- Tariff adjustment	13.2	**14,034,104**	3,471,440
		14,319,988	3,683,008
Employees' Provident Fund		**—**	4,228
Insurance claim		**2,127**	5,863
	13.3	**20,037,401**	7,186,907
Considered doubtful			
Sales tax	13.1	**232,050**	232,050
Provision for impairment there against	13.1	**(232,050)**	(232,050)
		—	—
Due from a Consortium of Suppliers of a new Power Plant		**363,080**	363,080
Provision for impairment there against		**(363,080)**	(363,080)
		—	—
		20,037,401	7,186,907

13.1. This includes a sum of Rs.185.225 million relating to the refund claims for the period 2006-07 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 connection service charges, sales tax on meter burnt charges, input inadmissible under SRO and some other matters. The audit observations issued by the Department in this regard have already been responded by the Company's lawyer, however, no order has been passed by the tax department in this matter.

The management is of the view that the ultimate outcome of this matter will be decided in favor of the Company. However, to be prudent, the Company has made an aggregate provision of Rs.232.050 million against Rs.610.459 million, as discussed above, relating to the refund claims of the above referred period in the financial statements of the last year.

13.2. This includes a sum of Rs.4,623 million (2008: Nil) accrued by the Company during the year in respect of NTDC claim (note 22.8.1).

13.3. As at June 30, 2009 receivables aggregating to Rs.20,037.401 (2008: Rs.7,186.907) million were non-interest bearing and were past due but not impaired. For terms and conditions relating to related party balances, refer note 50. The ageing of these receivables is as follows:

	2009	2008
	------- Rupees in '000 -------	
Upto 3 months	**10,557,406**	5,172,474
3 to 6 months	**3,731,022**	420,149
6 to 12 months	**2,078,863**	1,594,284
Over one year	**3,670,110**	-
	20,037,401	7,186,907

		Note	2009	2008
			------- Rupees in '000 -------	
14.	**DERIVATIVE FINANCIAL ASSETS**			
	Cross Currency Swaps	14.1	**575,000**	180,993
	Options		**—**	226,611
			575,000	407,604

14.1. The outstanding balance at the end of the year represents the fair value of Cross Currency Swaps net of derivative financial liability of Rs.201.568 million, determined at the end of the current year. The Company has executed a Cross Currency Swap with a commercial bank at the notional amount of Rs.2,749.950 (equivalent to USD 45.000) and Rs.4,067.500 (equivalent to USD 50.000) million (2008: Rs.2,749.950 equivalent to USD 45.000) million to hedge the Company's foreign currency obligations to International Finance Corporation (IFC) and Asian Development Bank (ADB) respectively for Principal and LIBOR interest thereon, as discussed in note 22.1 and 22.3. Pursuant to the agreements, the Company's foreign currency obligation has been converted into the hedged PKR amount and the interest rate accruing thereon has been paid to the hedging bank at KIBOR minus 0.10%. Accordingly, the above hedging exposure to variability in cash flows due to interest / currency risks is designated as cash flow hedges by the management of the Company. As of balance sheet date, the unrealized losses on above cash flow hedges recognized in equity under other reserves, were Rs.337.050 (2008: Rs.165.058) million. This does not have any tax / deferred tax implications.

		Note	2009	2008
			------- Rupees in '000 -------	
15.	**TAXATION - net**			
	Advance income tax		**1,781,385**	1,724,830
	Provision for taxation		**(1,560,837)**	(1,526,900)
			220,548	197,930
16.	**CASH AND BANK BALANCES**			
	Cash in hand		**3,287**	1,446
	Cash at banks in:			
	Current accounts		**283,159**	1,032,944
	Deposit accounts	16.1 & 16.2	**1,613,831**	495,956
	Collection accounts		**57,351**	803,802
			1,954,341	2,332,702
			1,957,628	2,334,148

16.1. These carry interest, ranging from 5 to 6.5 (2008: 5 to 7.9) percent per annum.

16.2. Included herein a sum of Rs.451.263 million (2008: Nil) which is under lien with a commercial bank. It carries interest ranging from 12.77% to 13.26% (2008: Nil) per annum.

17. SHARE CAPITAL

2009	2008			2009	2008
(Number of shares)			Note	(Rupees in '000)	
		Authorized Share Capital			
25,714,285,714	25,714,285,714	Ordinary shares of Rs.3.5 each fully paid	17.1	**90,000,000**	90,000,000
2,857,142,857	2,857,142,857	Redeemable Preference shares of Rs.3.5 each fully paid	17.1	**10,000,000**	10,000,000
28,571,428,571	28,571,428,571			**100,000,000**	100,000,000
		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
1,714,285,713	1,714,285,713	Redeemable Preference shares of Rs.3.5 each fully paid - net	17.2	**5,983,407**	5,983,407
1,759,656,818	1,759,656,818			**6,437,118**	6,437,118
		Issued for consideration other than cash			
304,512,300	304,512,300	Ordinary shares of Rs.10 each fully paid	17.3	**3,045,123**	3,045,123
1,783,456,000	1,783,456,000	Ordinary shares of Rs.10 each fully paid	17.4	**17,834,560**	17,834,560
6,534,077,300	6,534,077,300	Ordinary shares of Rs.10 each fully paid	17.5	**65,340,773**	65,340,773
4,366,782,389	4,366,782,389	Ordinary shares of Rs.3.5 each fully paid	17.6	**15,283,738**	15,283,738
12,988,827,989	12,988,827,989			**101,504,194**	101,504,194
14,748,484,807	14,748,484,807			**107,941,312**	107,941,312
		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
14,881,360,696	14,881,360,696			**109,270,071**	109,270,071
-	-	**Reduction in capital**	17.7 & 17.8	**(57,201,902)**	(57,201,902)
14,881,360,696	14,881,360,696			**52,068,169**	52,068,169

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

- Ordinary share capital of Rs.90.000 billion, divided into 25,714,285,714 Ordinary shares of Rs.3.50 each; and

- Redeemable Preference share capital of Rs.10.000 billion, divided into 2,857,142,857 Redeemable Preference shares of Rs.3.50 each.

17.2. This is stated, net of Rs.16.592 million, representing transaction costs 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 June 30, 2008 against advance against such shares received during the year ended June 30, 2007, 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 November 28, 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 markup.

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.

17.3. During the year ended June 30, 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.1,968.123 million and (b) cash development loan of Rs.1,077.000 million, aggregating to Rs.3,045.123 at that date, into equity.

17.4. During the year ended June 30, 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 on this regard was entered into on January 24, 2002.

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

17.6. During the year ended June 30, 2005, the shareholders of the Company, by way of a Special resolution passed in the 94th Annual General Meeting of the Company, held on December 02, 2004, resolved the conversion of (a) GoP funds, pending conversion 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 December 20, 2004 between the Company and the President of Pakistan on behalf of the GoP.

17.7. The shareholders of the Company during the year ended June 30, 2002, by way of a Special resolution, in an Extra Ordinary General Meeting, held on May 27, 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 17.4 above). The paid-up capital, which had been lost or was not represented by finalized assets, 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 October 12, 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 October 26, 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 January 31, 2003, conveyed the sanction of the President of Pakistan to write off the GoP equity in the Company. Accordingly, the reduction in share capital of Rs. 57,201.902 million was adjusted against the accumulated losses of the Company.

17.8. 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 November 14, 2005 to issue the RPS, amounting to Rs.6,000 million, divided into 1,714,285,714 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 November 07, 2005. During the year ended June 30, 2007, out of the 1,714,285,714 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 June 30, 2008, further 422,340,725 Preference shares were issued against advance against such shares (note 17.2).

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 holding company, KES Power Limited. The said undersubscribed shares were, thereafter, subscribed by the holding company.

17.9. The above referred 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 finalized 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 March 02, 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 shareholders have the right to convert these shares into Ordinary shares.

The matter regarding the classification of Redeemable Preference share capital as either debt or equity instrument has recently 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.

18. CAPITAL RESERVES

	Note	2009	2008
		------- Rupees in '000 -------	
Unclaimed fractional bonus shares money	18.1	**46**	46
Workmen compensation reserve	18.2	**700**	700
Third party liability reserve	18.3	**300**	300
Fire and machinery breakdown insurance reserve	18.4	**508,126**	508,126
		509,172	509,172

18.1. Unclaimed fractional bonus shares money

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

18.2. 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.

18.3. Third party liability reserve

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

18.4. Fire and machinery breakdown insurance reserve

The Company was operating a self insurance scheme in respect of its certain fixed assets and spares to cover such hazards which were potentially less likely to occur. However, commencing the year ended June 30, 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.

	2009	2008
	------- Rupees in '000 -------	
19. REVENUE RESERVE		
General reserve	**5,372,356**	5,372,356

20. ADVANCE AGAINST SUBSCRIPTION FOR RIGHT SHARES

Pursuant to an announcement of right issue by the Company in its meeting held on May 27, 2009 at the rate of 31 percent at par value of Rs. 3.50 per share amounting to Rs.14,286 million, the holding company vide its letters dated June 21, 2009 and June 26, 2009 has confirmed its intention to avail its share of right issue amounting to Rs.10,215 million including conversion of its outstanding loans amounting to USD 76.999 million and USD 23.499 million respectively into equity. The Company is in process of issuing right shares subject to completion of necessary regulatory formalities.

21. SURPLUS ON REVALUATION OF FIXED ASSETS

On June 30, 2009, the Company revalued its leasehold land (notes 3.5.4 and 4.1.1), resulting in surplus amounting to Rs.745.466 million which has been credited to surplus on revaluation of fixed asset account.

	Note	2009	2008
		------- Rupees in '000 -------	
22. LONG-TERM FINANCING			
From Banking Companies and Financial Institution - secured			
International Finance Corporation (IFC)	22.1 & 22.4	**3,658,500**	3,096,000
Term loan from a syndicate of commercial banks	22.2 & 22.4	**7,883,591**	4,898,591
Asian Development Bank (ADB)	22.3 & 22.4	**4,065,000**	-
Term loan from a banking company	22.5	**2,275,200**	-
		17,882,291	7,994,591
Current maturity thereof shown under current liabilities	33	**(1,137,600)**	-
		16,744,691	7,994,591
Others - unsecured			
Due to the Oil and Gas Companies	22.6	**966,156**	1,204,188
Current maturity thereof shown under current liabilities	33	**(490,093)**	(410,750)
		476,063	793,438
GoP Loan for the electrification of Hub Area	22.7	**26,000**	26,000
Due to the Government and autonomous bodies - related parties		**41,983,372**	-
Current maturity thereof shown under current liabilities	22.8 & 33	**(14,200,000)**	-
		27,783,372	-
		45,030,126	8,814,029

22.1. This represents utilised portion amounting to USD 45 (2008: USD 45) million of total facility amounting to USD 125 million of obtained by the Company under an agreement signed on March 22, 2007, with the International Finance Corporation (IFC) 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 4.2.2. The said financing facility is available for a period of 10 years maturing on March 27, 2017, with 3 years grace period, having an availability period upto March 31, 2010 and is payable in 29 equal quarterly installments after the expiry of 3 year grace period with first installment due on September 15, 2010. 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 an 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. Under the terms of the said agreement, the Company has executed a Cross Currency Swap with a commercial bank to hedge the Company's foreign currency payment obligation to IFC up to USD 45 (2008: USD 45) million together with LIBOR interest accruing thereon (note 14.1).

22.2. This represents utilised portion of a term loan obtained by the Company under an agreement, signed on May 23, 2007, aggregating to Rs.8,000 million, with a Syndicate of local commercial banks, 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 4.2.2. The said loan is available for a period of 9 years maturing on May 21, 2016, with a 3 years grace period, having an availability period of 2 years upto May 21, 2009 and is payable in 25 equal quarterly installments after the expiry of 3 year grace period with first installment due on September 15, 2010. It carries mark-up at the rate of 6 months KIBOR + 3% and is payable quarterly in arrears from the effective date of an agreement. The Company pays commitment fee at the rate of 0.05% per annum quarterly in arrears on the undrawn balance of the said facility.

22.3. This represents utilised portion amounting to USD 50 million (2008: Nil) of total facility amounting to USD 150 million obtained by the Company under an agreement, signed on June 04, 2007, 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 4.2.2. The said financing facility is available for a period of 10 years maturing on June 04, 2017, with 3 years grace period, having an availability period up to March 31, 2010 and is payable in 29 equal quarterly installments after the expiry of 3 year grace period with first installment due on September 15, 2010. 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 an 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. Under the terms of the said agreement, the Company has executed a Cross Currency Swap with a commercial bank to hedge the Company's foreign currency payment obligation to ADB up to USD 50 million (2008: Nil) together with LIBOR interest accruing thereon (note 14.1).

22.4. The above three facilities, discussed in notes 22.1, 22.2 and 22.3 are secured against the following security package:

- 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);

- 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 to Generation Expansion);

- an exclusive hypothecation over all receivables from certain customers of the Company selected by the 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.

22.5. This represents medium structured term financing facility arranged by the Company from a commercial bank for the purpose of bridging the gap between the payments under Gas Supply agreement with Sui Southern Gas Company Limited (SSGCL) and receipt of inflows from sale of electricity and government subsidy. The said facility is payable in 10 equal quarterly installments and carries mark-up at the rate of 3 month KIBOR + 3% latest by April 06, 2011. In the event of default in payments, the Company shall pay liquidated damages at the rate of 20% per annum on the overdue payment. The facility is secured against a mortgage charge over the land at S.I.T.E., Karachi. The said facility was converted from a short-term structured trade finance facility of Rs. 2,844 million on October 06, 2008 (note 30) into long-term finance facility under the aforementioned terms and conditions with the said commercial bank.

	Note	2009	2008
		------- Rupees in '000 -------	
22.6. Due to the Oil and Gas Companies - unsecured			
Pakistan State Oil Company Limited (PSO)	22.6.1	**359,220**	457,188
Pirkoh Gas Company Limited (PGCL)	22.6.1	**606,936**	747,000
		966,156	1,204,188
Current maturity thereof, including overdue installments of Rs. 172.718 (2008: Rs.93.375) million	33	**(490,093)**	(410,750)
		476,063	793,438

22.6.1. During the year ended June 30, 2002, the Economic Co-ordination Committee (ECC) of the Federal Cabinet, vide case No. ECC-136/13/2001, dated November 06, 2001, considered the Summary dated November 01, 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 June 30, 2001, including those under the Letter of Exchange (LoE) arrangements of February 10, 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 July 30, 2003 and August 25, 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 February 29, 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 November 25, 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/1365, dated December 21, 2005, provided the decision taken in the meeting held on November 10, 2005 that the GoP would provide funds for the payment of these liabilities. Accordingly, a sum of Rs.238.031 (2008: Rs.317.375) million was received from the GoP during the current year. Also refer note 8.1 in respect of the amount accrued by the Company from the GoP in this regard.

22.7. During the year ended June 30, 2004, the Finance Division, GOP, vide its letter No. F.2(6)-PF.V/2003-04/785, dated April 20, 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 June 30, 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.

	Note	2009	2008
		------- Rupees in '000 -------	
22.8. Due to the Government and autonomous bodies - unsecured			
National transmission and Despatch Company (NTDC)	22.8.1	**29,745,000**	—
Sui Southern Gas Company (SSGC)	22.8.2	**12,238,372**	—
		41,983,372	—
Current maturity thereof, including overdue installments of Rs.800 million (2008: Nil) due to NTDC	33	**(14,200,000)**	—
		27,783,372	—

22.8.1. During the year, as a result of the decisions of the Economic Coordination Committee and Cabinet dated October 14, 2008 and April 08, 2009, respectively, the Company and the Government of Pakistan (GoP) entered into an amendment agreement on April 13, 2009 which amended certain terms and conditions set out in the Implementation Agreement, dated November 14, 2005.

In a decision taken at the above meetings, the sale of electrical power by NTDC to the Company shall be charged at the average price payable by electrical power distribution companies in Pakistan. Accordingly, all disputed dues of the Company to NTDC for purchase of power since June 2006, aggregating to Rs.49,263 million (previously reported by the Company as claim not acknowledged as debt under contingencies as at December 31, 2008 representing Rs.31,026 (note 34.2.2) and Rs.13,635 million till June 30, 2008 and from July 01, 2008 to October 15, 2008 respectively) will be assumed and dealt by the GOP and remaining balance of Rs.4,623 million has been accounted for in these financial statements which is adjustable by the Company in forthcoming tariff adjustment from GoP (note 13.2) in accordance with the "application of agreed principles" as inserted in an aforesaid amendment agreement.

Further, it was decided that the amount payable to NTDC as of October 15, 2008, amounting to Rs.29,745 million, is now being payable in equal monthly principal installments of Rs.400 million from the date of the amendment agreement, over a period of seven years, carrying interest at the rate of 6 months treasury bills and is payable bi-annually.

22.8.2. On June 30, 2009, the Company has entered into an agreement with SSGC starting from July 01, 2009 in respect of payment of outstanding balances as on May 31, 2009 amounting to Rs.12,238.372 million. Consequent to above agreement, the Company will pay Rs.1,400.000 million immediately and the remaining outstanding amount of Rs.10,838.372 million over a period of eighteen months at mark-up rate higher of highest overdraft rate being paid by SSGC or highest rate at which interest is payable on gas producers bills as per agreed payment plan. In case of default in payment of the current bills on due dates, the Company is liable to pay interest at the rate of 3 month KIBOR (ask side) + 2.5% per annum for delays from due date to the month end date and in case of further delays in payment of current bills then mark-up will be charged at the rate applicable on Rs.10,838.372 million or at the rate of 3 month KIBOR (ask side) + 2.5% whichever is higher.

23. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

23.1. The Company has entered into finance lease agreements with leasing and modarba companies for generators (notes 4.2.2 and 4.2.3). Total lease rentals due under various lease agreements aggregate to Rs.473.334 million (2008: Nil) and are payable in equal monthly installments latest by April 27, 2014. The effective rates used as the discounting factor is 6 months average KIBOR plus 3.85 percent (2008: Nil) per annum. Overdue rental payments are subject to an additional charge upto 0.1 percent per month. Taxes, repairs, replacements and insurance cost are to be borne by the Company. In case of termination of agreement, the lessee has to pay all sums paid for the purchase of lease property by the leasing and modarba companies along with 20 percent of such sum as liquidated damages. The Company may exercise the option to acquire the assets at the end of the lease term by adjusting security deposit placed with the lessors against the residual value. The above leases are secured by relevant assets, security deposits and hypothecation charge on all the present and future book debts and receivables of the Company.

The amount of future minimum lease payments together with their present value of minimum lease payments and the periods during which they fall due are as follows:

	2009		2008	
	Minimum Lease Payments (MLP)	Present Value of MLP	Minimum Lease Payments (MLP)	Present Value of MLP
	(Rupees in '000)			
Not later than one year	90,952	43,120	-	-
Later than one year and not later than five years	382,382	287,706	-	-
Total minimum lease payments	473,334	330,826	-	-
Less: Finance charges allocated to future periods	142,508	-	-	-
Present value of minimum lease payments	330,826	330,826	-	-
Less: Current maturity shown under current liabilities (note 33)	43,120	43,120	-	-
	287,706	287,706	-	-

24. LONG-TERM DEPOSITS

Represent deposits from consumers, taken as a security for energy dues (note 10) and carrying interest at the rate of 5 percent per annum. Such deposits are repayable at the time when electricity connection of consumer is permanently disconnected.

	Note	2009	2008
		------- Rupees in '000 -------	
25. DEFERRED LIABILITIES			
Gratuity	25.1	**3,483,795**	2,980,536
Post retirement medical benefits	25.1	**1,413,739**	1,280,319
Post retirement electricity benefits	25.1	**427,994**	384,201
		5,325,528	4,645,056

25.1. Actuarial valuation of retirement benefits

In accordance with the requirements of IAS-19 "Employee Benefits", actuarial valuation was carried out as at June 30, 2009, 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:

	2009	2008
	------- Per annum -------	
Discount rate	**12.50%**	13.25%
Salary increase	**10.36%**	11.09%
Medical cost trend	**7.14%**	7.86%
Electricity price increase	**7.14%**	7.86%

	2009			
	Gratuity	**Medical benefits**	**Electricity benefits**	**Total**
	----------------------- (Rupees in '000) ----------------------			
a) The amount recognized in the profit and loss account is determined as follows:				
Current service cost	179,815	40,106	15,297	235,218
Interest cost	533,827	165,997	53,890	753,714
Recognised actuarial losses	118,394	699	3,161	122,254
Expense recognized during the year	**832,036**	**206,802**	**72,348**	**1,111,186**
b) Movement in the liability recognized in the balance sheet is as follows:				
Provision at July 01, 2008	2,980,536	1,280,319	384,201	4,645,056
Charge for the year	832,036	206,802	72,348	1,111,186
Benefits paid	(328,777)	(73,382)	(28,555)	(430,714)
Provision as at June 30, 2009	**3,483,795**	**1,413,739**	**427,994**	**5,325,528**
c) The amount recognized in the balance sheet is as follows:				
Obligation under defined benefit plan	3,955,546	1,315,236	457,253	5,728,035
Unrecognised actuarial (losses) / gains	(471,751)	98,503	(29,259)	(402,507)
Provision as at June 30, 2009	**3,483,795**	**1,413,739**	**427,994**	**5,325,528**

	2008			
	Gratuity	**Medical benefits**	**Electricity benefits**	**Total**
	---------------------- (Rupees in '000) ----------------------			
a) The amount recognized in the profit and loss account is determined as follows:				
Current service cost	127,722	26,180	12,795	166,697
Interest cost	310,210	87,689	36,172	434,071
Recognised actuarial losses / (gains)	17,067	(39,293)	(1,535)	(23,761)
Expense recognized during the year	**454,999**	**74,576**	**47,432**	**577,007**
b) Movement in the liability recognized in the balance sheet is as follows:				
Provision at July 01, 2007	2,743,721	1,290,141	355,720	4,389,582
Charge for the year	454,999	74,576	47,432	577,007
Benefits paid	(218,184)	(84,398)	(18,951)	(321,533)
Provision as at June 30, 2008	**2,980,536**	**1,280,319**	**384,201**	**4,645,056**
c) The amount recognized in the balance sheet is as follows:				
Obligation under defined benefit plan	4,188,157	1,288,359	420,551	5,897,067
Unrecognised actuarial losses	(1,207,621)	(8,040)	(36,350)	(1,252,011)
Provision as at June 30, 2008	**2,980,536**	**1,280,319**	**384,202**	**4,645,056**

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

As at June 30	**2009**	**2008**	**2007**	**2006**	**2005**
	------------------- (Rupees in '000) -------------------				
Present value of defined benefit obligation	**5,728,035**	5,897,067	4,102,677	4,846,953	4,185,220
Percentage of experience adjustments on plan liabilities - (gain) / loss	**(13%)**	26%	(21%)	6%	16%

e) The effect of one percentage movement in assumed medical cost trend rates would have following effects:

	June 30, 2009	
	Increase	**Decrease**
	------- Rupees in '000 -------	
Effect on the aggregate of current service and interest costs	**227,815**	187,054
Effect on the defined benefit obligation	**1,440,736**	1,204,409

26. DEFERRED REVENUE

	Note	2009	2008
		------- Rupees in '000 -------	
Opening balance		**11,790,530**	6,979,190
Additions during the year			
Recoveries from consumers	26.1	**1,359,885**	1,039,425
Transfer from specific grant from the Government of Pakistan for Financial Improvement Plan (FIP)	27	**2,003,777**	4,525,548
		3,363,662	5,564,973
		15,154,192	12,544,163
Amortisation for the year	41	**(916,424)**	(753,633)
		14,237,768	11,790,530

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

27. SPECIFIC GRANT FROM THE GOVERNMENT

	Note	2009	2008
		------- Rupees in '000 -------	
Opening balance		**4,036,441**	4,702,421
Received during the year under the Financial Implementation Plan (FIP)		**-**	4,180,000
Interest accrued on grant received from the GoP		**-**	394
	27.1	**4,036,441**	8,882,815
Transfer to deferred revenue	3.16 & 26	**(2,003,777)**	(4,525,548)
Interest on bank borrowings	27.1 & 27.2	**(406,322)**	(320,826)
		1,626,342	4,036,441

27.1. The Company has acquired a demand finance facility of Rs.3,000 million for the improvement of network and reduction in transmission and distribution losses under the FIP. The rate of markup on the said facility is KIBOR + 0.5% and shall be payable on semi-annual basis from the first disbursement date. The Government of Pakistan has 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 September 29, 2006. Further, the Ministry of Finance has provided an undertaking, dated October 01, 2005, to repay the amount borrowed. In this respect, a letter has been issued by the GoP whereby the said loan shall not be treated as the liability of the Company towards Consortium of banks. As a result thereof, the same has been recorded as a specific grant from the GoP.

The above facility expired on October 04, 2008. Accordingly, the management of the Company has received concurrence of GoP vide letter No.5(92)CF-I/2007-08-421 dated March 26, 2009 for rollover of Rs.3,000 million in respect of FIP for a period of one year upto October 03, 2009 at the mark-up rate of 6 months KIBOR + 1% and the arrangement fee of 0.20%. Further, it was also acknowledged by GoP in Amendment Agreement dated April 13, 2009 (note 22.8.1). In view of the above, the management is currently pursuing the matter with Consortium of banks.

27.2. This is stated net of interest receivable from GoP paid to banks by the Company in respect of the demand finance facility (note 27.1) amounting to Rs.1,173.405 (2008: Rs.767.083) million.

		Note	2009	2008
			------- Rupees in '000 -------	
28.	**TRADE AND OTHER PAYABLES**			
	Trade creditors			
	Power purchases	28.1	**16,087,813**	22,593,374
	Fuel and gas purchases	28.2	**2,503,203**	8,693,803
	Others		**4,012,422**	3,442,470
			22,603,438	34,729,647
	Murabaha term finance	28.3	**1,160,000**	750,000
	Accrued liabilities	28.4	**1,169,959**	1,137,705
	Bills payable	28.5	**2,816,508**	-
	Advances/credit balances			
	Consumer - Energy	28.6	**208,457**	257,180
	Others	28.7	**523,059**	399,714
			731,516	656,894
	Other payables			
	Unclaimed and unpaid dividend		**650**	650
	Payable to Employees' Provident Fund		**39,014**	-
	Employee related dues		**137,377**	94,410
	Electricity duty due to the Government	28.8	**1,157,978**	658,833
	Tax deducted at source	28.8	**278,025**	216,932
	PTV license fee	28.8	**21,937**	20,538
	Payable to the then Managing Agent, PEA (Private) Limited		**29,091**	29,208
	Others		**144,015**	112,148
			1,808,087	1,132,719
			30,289,508	38,406,965

28.1. Included herein is interest payable of Rs.619.152 million (2008: Nil) on NTDC's outstanding balances (note 22.8.1).

28.2. Included herein is a sum of Rs.203.355 (2008: Rs.185.073) million, representing financial charges due to creditors for making late payment in respect of fuel and gas purchases.

28.3. This represents various short-term Murabaha term finances arranged from a commercial bank during the year ended June 30, 2009, to meet the working capital requirements of the Company. The principal is payable on various dates, latest by September 29, 2009. It carries mark-up ranges between 3 months KIBOR + 2% to 3%, payable quarterly in arrears, and is secured against first pari passu charge on the current assets of the Company, aggregating to Rs.1,000.000 (2008: Rs.1,000.000) million, with 25% margin together with ranking on book debts and receivables of the Company amounting to Rs.670.000 million (2008: Nil).

28.4. Included herein is an aggregate sum of Rs.427.511 (2008: Rs.430.286) 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.4,161.642 (2008: Rs.4,105.906) million, have not been acknowledged by the Company as debts and, as such, these have been disclosed under 'contingencies' (note 34.2.2).

28.5. These are non-interest bearing and are payable at various dates latest by October 01, 2009 in respect of making payment for SSGC bills.

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

28.7. Included herein is Rs.47.043 million (2008: Nil) received during the year from employees in respect of vehicles purchased by the Company on behalf of the respective employees.

28.8. 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.

28.9. Trade payables are non-interest bearing and are generally on 30-60 days term. Other payables, excluding Murabaha Term Finance (note 28.3), are non-interest bearing and have an average term of 3 to 12 months. For terms and conditions relating to related party payables, refer note 50.

	Note	2009	2008
		------- Rupees in '000 -------	
29. ACCRUED MARK-UP			
Accrued mark-up on:			
Long-term financing	22	**184,966**	36,785
Long-term deposits received from consumers	24	**926,826**	813,620
FIP borrowings	27	**249,161**	78,332
Murabaha term finance	28	**28,593**	15,844
Short-term borrowings	29.1 & 30	**149,068**	60,156
Short-term running finances	30	**167,471**	108,142
		1,706,085	1,112,879

29.1. Included herein is mark-up payable to the holding company amounting to Rs.66.221 million (2008: Nil).

29.2. These are normally settled monthly / quarterly / semi-annually during the year as disclosed under respective notes to these financial statements.

	Note	2009	2008
		------- Rupees in '000 -------	
30. SHORT-TERM BORROWINGS - secured			
From banking companies			
Short term borrowings			
Bridge term finance facility	30.1	**3,600,000**	3,000,000
Structured trade finance facility	22.5	**-**	2,844,000
Import loan facility	30.2	**18,000**	-
		3,618,000	5,844,000
Short term running finances - secured	30.3	**5,498,689**	4,386,723
From KES Power Limited - holding company	30.4	**20,325**	-
		9,137,014	10,230,723

30.1. This represents a bridge term finance facility acquired by the Company under the Bridge Term Finance Agreement, executed between the Company and a Consortium of local commercial banks, dated April 03, 2008 and August 26, 2008 aggregating to Rs.3,600 (2008: Rs.3,000) million, to finance the short-term funding needs of the Company. The principal amount is repayable at maturity and carries mark-up at the rate of one month KIBOR + 1% with a cap of 20%, payable monthly in arrears latest by July 20, 2009 and is secured against standby letter of credit amounting to USD 50 million, issued in favour of the Company by the Gulf International Bank, Bahrain. In the event of default in payments, the Company shall pay liquidated damages at the rate of one month KIIBOR + 2% per annum on the overdue payment.

30.2. This represents import loan facility arranged from a commercial bank amounting to Rs.340 million (2008: Nil). The principal and mark-up is repayable on various dates, latest by October 31, 2010. It carries mark-up at the rate of one month KIBOR + 2.75% per annum payable monthly and quarterly. These are secured by way of trust receipts and ranking charge on current assets of the Company aggregating to Rs.454 million (2008: Nil) with 25% margin.

30.3. The Company has arranged various facilities for short-term running finances from a commercial banks, on mark-up basis, to the extent of Rs.5,600 (2008: Rs.4,600) million.

These finances are secured against joint pari passu charge over current assets, aggregating to Rs.8,133 (2008: Rs.9,133) million, together with a pari passu charge on the book debts and receivables of the Company, amounting to Rs.2,003 (2008: Rs.10,667) million. In addition, demand promissory notes in respect of the above mentioned facilities have also been furnished by the Company.

The rates of markup in respect of running finances range between 1-3 months KIBOR + 1.75% to 3.50% (2008: KIBOR + 1.25% to 2.00%) per annum, payable quarterly. The purchase prices are repayable on various dates, latest by March 31, 2010.

30.4. During the year, the holding company paid a sum of USD 0.250 million (equivalent to Rs.20.325 million) to a supplier of rental power plant as deposit on behalf of the Company. This amount is interest free and is repayable on demand in foreign currency.

	Note	2009	2008
		------- Rupees in '000 -------	
31. SHORT-TERM DEPOSITS			
Service connection deposits	31.1	**2,129,374**	2,554,729
Suppliers' security deposits / performance bond		**1,108,624**	367,626
Earnest money		**3,693**	8,587
		3,241,691	2,930,942

31.1. 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 3.16).

	Note	2009	2008
32. PROVISIONS			
In respect of contingencies relating to fatal accident cases	32.1	**15,927**	18,432

	Note	2009	2008
		------- Rupees in '000 -------	
32.1. Movement in provisions during the year:			
Opening balance		**18,432**	492,907
Reversal during the year		**-**	(409,168)
Payments made during the year against contingencies relating to fatal accident cases		**(2,505)**	(65,307)
		15,927	18,432

33. CURRENT MATURITY OF NON-CURRENT LIABILITIES

	Note	2009	2008
Long-term financing	22	**15,827,693**	410,750
Liabilities against assets subject to finance lease	23	**43,120**	-
		15,870,813	410,750

34. CONTINGENCIES AND COMMITMENTS

Contingencies

34.1. The Company had entered into a contract with Siemens Pakistan Engineering Limited (the Contractor) on December 01, 2005 for the Operation and Management (O&M) of the Company.

During the year ended June 30, 2008, the Company and the Contractor ran into some disputes as a result of which a notice of termination of O&M contract was received by the Company from the Contractor. While negotiations 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 the failure of the Contractor to fulfill 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 for the above referred sums.

34.2. Claims not acknowledged as debts:

34.2.1. A claim, amounting to Rs.73.161 million, was lodged by Pakistan Steel Mills Corporation (Private) Limited (PASMIC), vide its letter, number Cost/Acctts/EB/2007/622, dated April 19, 2007, in respect of right of way charges for Transmission Line passing within the premises of PASMIC. The said claim has been calculated on the basis of the Minutes of the meeting held on July 19, 1994 wherein the key terms were subject to approval of the Company and PASMIC which was not duly approved.

Further, as per Section 12 and Section 51 of the Electricity Act, 1910, any licensee is permitted to lay down or place electric supply lines with permission of local authority or the occupier of that land, subject to conferment of powers under Part III, of the Telegraph Act 1885. Moreover public utility is also barred from payment of annual rentals to any authority under the sections mentioned above and the claim is time barred. Furthermore, the Company was issued license from Provincial Government and all concessions and the permissions for such exemptions are provided in the license. Based on the above mentioned facts, the Company does not acknowledge the said claim as debt.

	Note	2009	2008
		------- Rupees in '000 -------	
34.2.2. Other claims not acknowledged as debts:			
Right of way charges	34.2.1	**73,161**	73,161
Fatal accident cases		**524,021**	466,132
Architect's fee in respect of the Head Office project		**50,868**	50,868
Outstanding dues of property tax, water charges, ground rent and occupancy value	28.4	**4,161,642**	4,105,906
Claim by NTDC on account of power purchases and difference in marginal cost	34.2.2.1	**1,209,091**	31,026,000

Tax contingency as stated in note 43.2(c) to these financial statements.

34.2.2.1 Represents claim lodged by the NTDC being the difference of marginal cost and amount charged to Company for energy supplied during the month May and June 2009. The above has not been charged in accordance with "application of agreed principals" of Amendment Agreement as stated in note 22.8.1 to these financial statements.

Pursuant to the Amendment Agreement, the Company was treated at par with DISCOS, therefore the Company has no obligation to make payments of claim to NTDC on account of power purchase due to difference in marginal cost and DISCO rate amounting to Rs. Nil (2008: Rs.31,026.000 million) (note 22.8.1).

		2009	2008
		------- Rupees in '000 -------	
Commitments			
34.3.	Guarantees from banks	**1,265,535**	5,113
34.4.	Contracts with respect to Transmission and Distribution projects	**2,543,671**	4,773,000
34.5.	Outstanding Letters of Credit	**3,386,829**	3,397,180
34.6.	Commitments for payment in respect of Combined Cycle Power Plant (220 MW)	**88,527**	2,018,980
34.7.	Dividend on Preference Shares	**494,516**	314,516
34.8.	Software license and implementation costs	**330,531**	336,127

	Note	2009	2008
		------- Rupees in '000 -------	

35. SALE OF ENERGY - net

	Note	2009	2008
Residential		**19,709,949**	17,497,080
Commercial		**9,779,470**	8,270,595
Industrial		**27,123,056**	22,837,772
National Transmission and Despatch Company		**31,078**	25,034
Karachi Nuclear Power Plant		**65,993**	63,733
Pakistan Steel Mills Corporation (Private) Limited		**621,298**	661,465
Others	35.1	**738,230**	250,813
		58,069,074	49,606,492

35.1. Included herein is a sum of Rs.604.395 (2008: Rs.205.165) million in respect of supply of energy through street lights.

36. PURCHASE OF ELECTRICITY

	2009	2008
National Transmission and Despatch Company (NTDC)	**26,727,950**	15,024,686
Independent Power Producers (IPPs)	**15,476,012**	15,613,354
Karachi Nuclear Power Plant (KANUPP)	**2,187,130**	1,796,843
Pakistan Steel Mills Corporation (Private) Limited	**530,017**	426,012
	44,921,109	32,860,895

37. CONSUMPTION OF FUEL AND OIL

	2009	2008
Natural gas	**27,104,843**	17,296,974
Furnace and other oils	**10,345,777**	18,587,461
	37,450,620	35,884,435

38. EXPENSES INCURRED IN GENERATION, TRANSMISSION AND DISTRIBUTION

	Note	Generation expenses	Transmission and distribution expenses	2009	2008
		---------- (Rupees in '000) ----------			
Salaries, wages and other benefits	38.1, 38.2 & 47	624,761	3,530,668	**4,155,429**	3,588,335
Stores and spares consumed		238,176	595,264	**833,440**	795,883
Office supplies		56,596	45,047	**101,643**	73,488
NEPRA license fee		10,354	32,828	**43,182**	36,354
Repairs and maintenance		194,015	266,571	**460,586**	442,356
Transport expense		64,629	294,767	**359,396**	373,791
Rent, rates and taxes		79,449	8,844	**88,293**	79,369
Depreciation	4.1.7	1,091,880	1,741,471	**2,833,351**	3,365,181
Interdepartmental consumption		-	146,693	**146,693**	253,047
Provision against slow moving and obsolete stores and spares	9.1	-	-	**-**	157,345
Operation and management fee	38.3	338,330	-	**338,330**	-
Others		29,487	65,061	**94,548**	68,534
		2,727,677	6,727,214	**9,454,891**	9,233,683

38.1. This includes a sum of Rs.658.636 (2008: Rs.343.251) million in respect of staff retirement benefits.

38.2. Free electricity benefit to employees, amounting to Rs.118.131 (2008: Rs.110.888) million, has been included in salaries, wages and other benefits.

38.3. This represents expenses incurred in respect of project management services for generation and transmission of electricity.

39. CONSUMERS SERVICES AND ADMINISTRATIVE EXPENSES

	Note	Consumers services and billing expenses	Adminis-trative and general expenses	2009	2008
		---------------------- (Rupees in '000)			----------------------
Salaries, wages and other benefits	39.1, 39.2 & 47	1,739,476	1,598,925	**3,338,401**	2,690,126
Bank collection charges		12,598	-	**12,598**	22,376
Transport expense		181,695	129,121	**310,816**	255,828
Depreciation	4.1.7	21,103	131,237	**152,340**	142,599
Amortization of intangible asset	5.2.1	-	14,303	**14,303**	10,668
Repairs and maintenance		96,231	54,726	**150,957**	49,213
Rent, rates and taxes		40,575	73,073	**113,648**	115,929
Public relations and publicity		-	93,137	**93,137**	33,706
Legal expenses		-	21,319	**21,319**	39,909
Professional charges	39.3	-	80,210	**80,210**	120,725
Auditors' remuneration	39.4	-	2,306	**2,306**	2,242
Directors fee		-	300	**300**	370
Provision against debts considered doubtful	10.2	776,008	-	**776,008**	1,170,989
Office supplies		45,365	81,521	**126,886**	96,960
Other expenses		15,302	73,384	**88,686**	41,596
Interdepartmental consumption		63,950	9,194	**73,144**	108,450
Others		1,909	13,488	**15,397**	57,642
		2,994,212	2,376,244	**5,370,456**	4,959,328

39.1. This includes a sum of Rs.444.876 (2008: Rs. 233.756) million in respect of staff retirement benefits.

39.2. Free electricity benefit to employees, amounting to Rs.58.385 (2008: Rs.70.066) million, has been included in salaries, wages and other benefits.

39.3. This includes a sum of Rs. Nil (2008: Rs.65.472 million) accrued in respect of professional services rendered by a related party.

39.4. Auditors' remuneration

	2009	2008
	------- Rupees in '000	-------
Statutory audit, half yearly review and Report of Compliance on Code of Corporate Governance	**2,000**	2,000
Other certifications	**157**	64
Out of pocket expenses	**149**	178
	2,306	2,242

		Note	2009	2008
			------- Rupees in '000 -------	
40.	**OTHER OPERATING EXPENSES**			
	Interest on consumers deposits		**190,228**	182,969
	Loss on derivative financial instrument - Options	40.1	**137,194**	-
	Letters of credit charges for IPP payments		**14,664**	3,854
	Provision against:			
	sales tax - considered doubtful		**-**	232,050
	amount due from a Consortium of Suppliers of a new Power Plant - considered doubtful		**-**	363,080
	Donations	40.2	**1,050**	815
	Listing fee		**248**	258
	Others		**201**	24,742
			343,585	807,768

40.1. Represents loss on collar currency options with bank exercised during the year in respect of purchase of plant and machinery.

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

		Note	2009	2008
			------- Rupees in '000 -------	
41.	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Return on bank deposits		**101,431**	50,726
	Gain on derivative financial instrument - Options		**-**	226,611
	Income from investments			
	Return on short term investments		**-**	259
	Income from assets other than financial assets			
	Late payment surcharge		**883,760**	712,937
	Amortisation of deferred revenue	26	**916,424**	753,633
	Rebate on electricity duty		**12,003**	17,495
	Gain on disposal of property, plant and equipment	4.1.8	**39,399**	65,289
	Scrap sale - stores and spares		**12,159**	371,445
	Collection charges TV license fee		**62,445**	59,009
	Liquidated damages recovered from suppliers and contractors		**72,210**	75,046
	Exchange gain - net		**166,795**	7,667
	Rental income		**372**	1,566
	Reversal of provision against stores and spares	9.1	**55,350**	-
	Reversal of Operation and Management fee		**80,640**	287,026
	Others		**82,380**	168,709
			2,485,368	2,797,418

	Note	2009	2008
		------- Rupees in '000 -------	
42. FINANCE COST			
Mark-up / interest on:			
long-term financing	28.1	**1,447,503**	-
murabaha financing		**156,571**	87,884
short-term borrowings	42.1	**668,728**	113,293
short-term running finance		**745,932**	749,411
		3,018,734	950,588
Late payment surcharge on delayed payment to creditors	28.2	**2,160,004**	847,155
Banks charges, guarantee commission, commitment fee And other service charges		**441,057**	97,094
		5,619,795	1,894,837

42.1. Included herein mark-up of Rs.63.156 million (2008: Nil) on loans obtained during the year which was converted into equity (note 20).

42.2. Included herein Rs.203.079 million (2008: Nil) in respect of guarantee commission and L/C discount charges.

43. TAXATION	Note	2009	2008
Current	43.1	**-**	252,607
Prior		**33,938**	67,255
		33,938	319,862

43.1. In view of operating loss for the year and withdrawal of minimum income tax under section 113 of Income Tax Ordinance, 2001 vide the Finance Act, 2008 (applicable to tax year 2009), no provision for current income tax is required to be made in these financial statements. Accordingly, tax expense reconciliation with the accounting profit is not reported.

43.2. **(a)** While finalizing assessment for the assessment years 2000-2001 and 2001-2002, the Taxation Officer, charged minimum tax under section 80D of the Ordinance by considering energy sales, meter rent and other income (excluding interest / profit on bank deposits) as turnover. The said treatment was not approved by the Commissioner of Income Tax (Appeals) [CIT(Appeals)], as the CIT(Appeals) through combined Order No. 26, 27 dated December 15, 2005 directed the Taxation Officer to charge minimum tax by excluding all other incomes from the turnover. Department's appeals before ITAT against the order of CIT(Appeals) is pending to be heard.

(b) The Departmental appeal for the assessment year 1995-96 filed before the Honorable High Court against the order of the ITAT is pending for decision wherein the ITAT had decided the case in favour of the Company on application of section 80C. However, the Tax Department in the assessment years 1993-94 and 1994-95, in the light of the letter of the Commissioner (Legal Division), Large Taxpayers Unit, Karachi dated May 24, 2006 has withdrawn its appeal filed before the Honorable High Court on application of Section 80C of the repealed Ordinance.

(c) During the year, the Taxation Office vide Order D.C. No. 123/183 dated May 6, 2009 passed under section 161/205 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. The Management consider 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 filed before the CIT(Appeals) is pending.

	Note	2009	2008
		------- Rupees in '000 -------	
43.3. Deferred taxation			
Deferred tax credits:			
- accelerated tax depreciation		**14,411,363**	11,574,779
Deferred tax debits:			
- available tax losses		**(29,916,508)**	(23,939,595)
- provision for gratuity and compensated absences		**(1,863,935)**	(1,625,770)
- others		**(5,495,750)**	(5,237,946)
		(37,276,193)	(30,803,311)
	43.3.1	**(22,864,830)**	(19,228,532)

43.3.1. Deferred tax asset, amounting to Rs.22,865 (2008: Rs.19,229) 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 (note 3.19.2). At the year end, the Company's assessed tax losses amounted to Rs.85,476 (2008: Rs.68,399) million.

	Note	2009	2008
		------- Rupees in '000 -------	
44. LOSS PER SHARE			
Loss for the year after tax		**(15,484,942)**	(16,071,907)
		Number of shares in '000	
Weighted average number of ordinary shares outstanding for basic loss per share		**13,167,075**	13,167,075
Effect of dilution: Convertible preference shares		**1,285,714**	1,285,714
Weighted average number of ordinary shares outstanding for diluted loss per share		**14,452,789**	14,452,789
		(Rupee)	
Loss per share - basic		**(1.18)**	(1.22)
Loss per share - diluted		**(1.07)**	(1.11)

There have been no other transactions involving ordinary shares and potential ordinary shares between the reporting date and the date of completion of these financial statements.

		Note	2009	2008
			------- Rupees in '000 -------	
45.	**CASH GENERATED FROM OPERATIONS**			
	Loss before taxation		**(15,451,004)**	(15,752,045)
	Adjustments for non-cash charges and other items:			
	Depreciation	4.1.7	**2,985,691**	3,507,780
	Amortisation of intangible assets	5.2.1	**14,303**	10,668
	Amortisation of deferred revenue	26	**(916,424)**	(753,633)
	Provision for / against:			
	- deferred liabilities	25.1	**1,111,186**	577,007
	- slow moving stores and spares	38	**-**	157,345
	- debts considered doubtful	10.2	**776,008**	1,170,989
	- sales tax - considered doubtful		**-**	232,050
	- amount due from a Consortium of Suppliers of a new Power Plant - considered doubtful		**-**	363,080
	Gain on disposal of property, plant and equipment	4.1.8	**(39,399)**	(65,289)
	Interest on consumer deposits	40	**190,228**	182,969
	Reversal of:			
	- Operation and Management fee	41	**(80,640)**	(287,026)
	- provision against stores and spares	9.1	**(55,350)**	-
	Finance costs	42	**3,018,734**	950,588
	Return on bank deposits	41	**(101,431)**	(50,726)
	Loss / (gain) on derivative financial instrument - Options	40	**137,194**	(226,611)
	Working capital changes	45.1	**12,450,063**	10,339,210
			4,039,159	356,356
45.1.	**Working capital changes**			
	(Increase) / decrease in current assets			
	Stores and spares		**89,003**	(219,510)
	Trade debts		**(7,474,433)**	(4,946,273)
	Loans and advances		**(117,010)**	(113,636)
	Trade deposits and prepayments		**(342,490)**	1,274
	Other receivables		**(12,850,494)**	(1,909,719)
	Derivative financial assets		**(167,396)**	-
			(20,862,820)	(7,187,864)
	Increase in current liabilities			
	Trade and other payables		**33,002,134**	16,772,121
	Short-term deposits		**310,749**	754,953
			33,312,883	17,527,074
			12,450,063	10,339,210
46.	**CASH AND CASH EQUIVALENTS**			
	Short-term investments		**-**	100,259
	Cash and bank balances	16	**1,957,628**	2,334,148
			1,957,628	2,434,407

47. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2009			2008		
	Chief Executive Officer / Managing Director	**Directors**	**Executives**	**Managing Director**	**Directors**	**Executives**
	(Rupees in thousand)					
Directors' fee	-	300	-	-	370	-
Managerial remuneration	11,484	-	307,087	8,516	-	77,121
House rent/ accommodation	9,163	-	87,552	3,832	-	35,027
Retirement benefit	941	-	19,456	851	-	7,783
Others	-	-	-	-	-	4,013
	21,588	**300**	**414,095**	13,199	370	123,944
Number of persons	**2**	**11**	**140**	1	11	57

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

47.2. Included in Chief Executive Officer is the remuneration of a Managing Director who worked part of the year.

48. TRANSMISSION AND DISTRIBUTION LOSSES

48.1. The transmission and distribution losses were 35.85% (2008: 34.12%) during the current year. The trend of transmission and distribution losses over the years is as follows:

2000-2001	36.81%
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%

48.2. 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.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as whole, the Company is exposed to market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's principal financial liabilities other than derivatives comprise bank loans and overdrafts, finance lease and trade and other payables. The main purpose of these financial liabilities is to raise finance for Company's operations. The Company has various financial assets such as loans, advances, deposits, trade and other receivables, cash and bank balances, which are directly related to its operations. The Company has also entered into derivative transaction, primarily currency swap contracts for the purpose of managing currency risk in respect of foreign currency borrowings.

The Company finance and treasury departments oversee the management of these risks and provide assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risk are identified, measured and manage in accordance with Company policies and risk appetite. It is the Company policy that no trading in derivatives for speculative purposes shall be undertaken. No changes were made in the objectives, policies or processes and assumptions during the year ended June 30, 2009.

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

49.1. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk. The sensitivity analyses in the following sections relate to the position as at June 30, 2009 and 2008.

49.1.1. Currency risk

Currency risk is the 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 purchases and borrowings that are entered in a currency other than Pak Rupees. As the Company imports items of operating fixed assets and stores and spare parts for generation plants, any appreciation in foreign currency (mainly US Dollars) has an adverse impact on the Company's operations and cash flows. The Company offsets the said adverse impact by executing cross currency swap arrangements.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollars exchange rate. As at June 30, 2009, if PKR had weakened / strengthen by 5% against the US Dollars, with all other variables held constant, on the Company's loss before tax (due to changes in the fair value of monetary assets and liabilities) and equity (due to change in fair value of Company's swap contracts) at June 30, 2009 and 2008 is as follows:

	Increase / decrease in US Dollars to Pak Rupee	**Effect on loss before tax**	**Effect on equity**
		------- Rupees in '000 -------	
2009	**+5%**	**241,656**	**(386,175)**
	-5%	**(241,656)**	**386,175**
2008	+5%	11,331	(153,450)
	-5%	(11,331)	153,450

49.1.2. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company enters into various types of long-term and short-term loans and running finance arrangements for financing its generation, transmission and distribution projects and meeting working capital requirements at variable rates. The Company has hedged its interest rate risk on long-term financing through cross currency swaps, the details of which are mentioned in note 14 to these financial statements.

The table given below indicates their maturities and effective interest / mark-up rates as at balance sheet date.

		Interest / Markup bearing			Non-Interest / Markup bearing			Total
	Effective yield/ mark-up rate	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	June 30, 2009
	%	(Rupees in '000)						
June 30, 2009								
FINANCIAL ASSETS								
Receivable from GoP	-	-	-	-	396,719	476,063	872,782	872,782
Loans	6	3,799	11,630	15,429	3,753	81,337	85,090	100,519
Deposits	-	-	-	-	202,900	142,683	345,583	345,583
Trade debts	-	-	-	-	19,114,219	-	19,114,219	19,114,219
Other receivables	-	-	-	-	14,322,115	-	14,322,115	14,322,115
Fair value of derivative instruments	B							
Cash and bank balances	5-6.5	1,613,831	-	1,613,831	343,797	-	343,797	1,957,628
		2,192,630	11,630	2,204,260	34,383,503	700,083	35,083,586	37,287,846
FINANCIAL LIABILITIES								
Long-term financing	3 months LIBOR + 2.85 3 months KIBOR + 3	15,337,600	44,528,063	59,865,663	490,093	502,063	992,156	60,857,819
Liabilities against asset subject to finance lease	3 months KIBOR + 3.85	43,120	287,706	330,826	-	-	-	330,826
Long-term deposits	5	-	3,836,994	3,836,994	-	-	-	3,836,994
Trade and other payables	3 months KIBOR + 2-3	1,160,000	-	1,160,000	27,653,841	-	27,653,841	28,813,841
Accrued mark-up	-	1,706,085	-	1,706,085	-	-	-	1,706,085
Short-term borrowings	1-3 months KIBOR + 1.75-3.5	9,137,014	-	9,137,014	-	-	-	9,137,014
Short-term deposits	-	-	-	-	3,241,691	-	3,241,691	3,241,691
		27,383,819	48,652,763	76,036,582	31,385,625	502,063	31,887,688	107,924,270

	Effective yield/ mark-up rate	Interest / Markup bearing Maturity upto one year	Maturity after one year	Sub-total	Non-Interest / Markup bearing Maturity upto one year	Maturity after one year	Sub-total	Total June 30, 2008
	%	(Rupees in '000)						
June 30, 2008								
FINANCIAL ASSETS								
Receivable from GoP	-	-	-	-	317,375	793,438	1,110,813	1,110,813
Loans	6	7,896	14,070	21,966	3,775	85,919	89,694	111,660
Deposits	-	-	-	-	9,564	20,527	30,091	30,091
Trade debts	-	-	-	-	12,415,794	-	12,415,794	12,415,794
Other receivables	-	-	-	-	3,688,871	-	3,688,871	3,688,871
Fair value of derivative instruments	-	-	-	-	407,604	-	407,604	407,604
Short-term investment	13.50	100,259	-	100,259	-	-	-	100,259
Cash and bank balances	5-7.9	495,956	-	495,956	1,838,192	-	1,838,192	2,334,148
		604,111	14,070	618,181	18,681,175	899,884	19,581,059	20,199,240
FINANCIAL LIABILITIES								
Long-term financing	LIBOR + 2.5 KIBOR + 3	-	7,994,591	7,994,591	410,750	819,438	1,230,188	9,224,779
Long-term deposits	5	-	3,659,380	3,659,380	-	-	-	3,659,380
Trade and other payables	3 months KIBOR + 2	750,000	-	750,000	36,780,550	-	36,780,550	37,530,650
Accrued mark-up	-	1,112,879	-	1,112,879	-	-	-	1,112,879
Short-term borrowings	KIBOR + 1.25-2	10,230,723	-	10,230,723	-	-	-	10,230,723
Short-term deposits	-	-	-	-	2,930,942	-	2,930,942	2,930,942
		12,093,602	11,653,971	23,747,573	40,122,242	819,438	40,941,680	64,689,353

49.1.3. Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Company's loss before tax (through impact on floating rate borrowings). There is only immaterial impact on Company's equity. This analysis excludes the impact of movement in market variables on the carrying values of employees' retirement obligation, provision and on non-financial assets and liabilities of the Company. Further, interest rate sensitivity does not have an asymmetric impact on the Company's result.

	Increase / decrease in basis points	Effect on loss before tax Rupees in '000
2009		
Pak Rupee	**+50**	**(380,183)**
Pak Rupee	**-50**	**380,183**
2008		
Pak Rupee	+50	(63,088)
Pak Rupee	-50	63,088

49.1.4. Other price risk

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

49.2. Credit risk

49.2.1. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharging an obligation. Out of the total financial assets of Rs.37,287.846 (2008: Rs.23,697.276) million, the financial assets which are subject to credit risk amounted to Rs.6,846.438 (2008: Rs.5,126.301) million. The Company's credit risk is primarily attributable to its trade debtors and bank balances. 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 debtors is limited. Further, the Company manages its credit risk by obtaining security deposit from the consumers. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

Further, the Company credit risk arises from loans, advances, deposits and other receivables. The Company manages its credit risk by obtaining securities as disclosed in respective notes to these financial statements.

The credit quality of financial assets that are neither past due nor impaired is disclosed in note 10.4 to these financial statements. As at balance sheet date, there are no financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

49.2.2. The Company monitors the credit policy of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

	Note	2009	2008
		------- Rupees in '000 -------	
Long-term loans	6	**100,519**	111,660
Long-term deposits	7	**142,683**	20,527
Due from GoP	8	**793,438**	793,438
Trade debts	10.4	**2,686,322**	1,180,683
Loans and advances	11	**391,235**	270,123
Trade deposits	12	**202,900**	9,564
Derivative financial assets	14	**575,000**	407,604
Bank balances	16	**1,954,341**	2,332,702
		6,846,438	5,126,301

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

Bank	Rating agency	Rating	
		Short-term	Long-term
Public sector commercial banks			
First Women Bank Limited	PACRA	A2	BBB+
National Bank of Pakistan	JCR-VIS	A-1+	AAA
	PACRA	A2	BBB
The Bank of Khyber	JCR-VIS	A-3	BBB+
The Bank of Punjab	PACRA	A1+	AA -
SME Bank Limited	JCR-VIS	A-3	BBB
Zarai Taraqiati Bank Limited	JCR-VIS	A-1+	AAA
Private sector commercial banks			
Allied Bank Limited	PACRA	A1+	AA
Arif Habib Bank Limited	JCR-VIS	A-2	A
Askari Bank Limited	PACRA	A1+	AA
Atlas Bank Limited	PACRA	A2	A -
	JCR-VIS	A-2	A -
Bank Alfalah Limited	PACRA	A1+	AA
Bank Al-Habib Limited	PACRA	A1+	AA+
	PACRA	A-1+	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	A1	A
MCB Bank Limited	PACRA	A1+	AA+
Mybank Limited	PACRA	A2	A -
NIB Bank Limited	PACRA	A1+	AA -
Royal Bank of Scotland Limited	PACRA	A1+	AA
Silkbank Limited	JCR-VIS	A-3	A -
Soneri Bank Limited	PACRA	A1+	AA -
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
	JCR-VIS	A-1+	AA+
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*	Aa2
	Fitch	F1	A
	Standard & Poor's	A-1+	AA -
Barclays Bank PLC	Moody's	P-1	Aa3
	Fitch	F1+	AA -
	Standard & Poor's	A-1	A+

Bank	Rating agency	Rating	
		Short-term	Long-term
Citibank N.A.	Moody's	P-1	A1
	Fitch	F1+	A+
	Standard & Poor's	A-1	A+
Deutsche Bank AG	Moody's	P-1	Aa1
	Fitch	F1+	AA -
HSBC Bank Middle East Limited	Moody's	P-1	Aa2
	Fitch	F1+	AA -
Oman International Bank SAOG	JCR-VIS	A-2	BBB
Development Financial Institutions			
Dawood Islamic Bank Limited	JCR-VIS	A-2	A -
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-2	A
Emirates Global Islamic Bank	PACRA	A2	A -
Meezan Bank Limited	JCR-VIS	A-1	A+
Micro Finance Banks			
Network Micro Finance Bank Limited	PACRA	A2	BBB+

49.3. Liquidity risk

Liquidity risk represents the risk that a Company will encounter difficulties in meeting obligations with the financial liabilities. The Company monitors its risk to a shortage of funds using a recurring liquidity planning tools. These tools consider the maturity of its financial assets (e.g. trade receivables, other financial assets) and projected cash flow from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance lease.

The table below summarizes the maturity profile of the Company's financial liabilities at June 30, 2009 and 2008 based on contractual undiscounted payment dates and present market interest rates:

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	---Rupees in '000---					
<u>June 30, 2009</u>						
Long-term financing	-	2,624,780	13,202,913	41,776,987	3,253,139	60,857,819
Liabilities against assets subject to finance lease	-	-	43,120	287,706	-	330,826
Long-term deposits	-	-	-	-	3,836,994	3,836,994
Trade and other payables	-	7,777,061	21,036,780	-	-	28,813,841
Accrued mark-up	-	1,456,924	249,161	-	-	1,706,085
Short-term borrowings	20,325	8,340,578	776,111	-	-	9,137,014
Short-term deposits	-	3,241,691	-	-	-	3,241,691
	20,325	**23,441,034**	**35,308,085**	**42,064,693**	**7,090,133**	**107,924,270**

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	---Rupees in '000					---
June 30, 2008						
Long-term financing	-	172,719	238,031	3,875,536	4,938,493	9,224,779
Liabilities against assets subject to finance lease	-	-	-	-	-	-
Long-term deposits	-	-	-	-	3,659,380	3,659,380
Trade and other payables	-	3,205,497	34,325,053	-	-	37,530,550
Accrued mark-up	-	1,034,547	78,332	-	-	1,112,879
Short-term borrowings	-	10,230,723	-	-	-	10,230,723
Short-term deposits	-	2,930,942	-	-	-	2,930,942
	-	**17,574,428**	**34,641,416**	**3,875,536**	**8,597,873**	**64,689,253**

49.4. 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.

49.5. Hedging activities and derivates

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 3.27).

Cash flow Hedges

As at June 30, 2009, the Company held cross currency swaps with a commercial bank, designated as cash flow hedges of expected future interest payments and principal repayments of loan from foreign lenders. The cross currency swaps are being used to hedge the interest / currency risk in respect of long-term financing as stated in notes 22.1 and 22.3 to these financial statements.

	2009	2008
	------- Rupees in '000	-------
Cross Currency Swaps		
Fair Value	**575,000**	180,993

The critical terms of the interest rate swaps 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).

49.6. 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. The Company closely monitors the return on capital along with the level of distributions to ordinary shareholders. No changes were made in the objectives, policies or processes during the year ended June 30, 2009.

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 may adjust the dividend payment to shareholders or issue new shares. During the year, the Company has announced a right issue of Rs.14,286 million (notes 1.2.4 and 20).

The Company monitors capital using a debt equity ratio, which is net debt divided by total capital plus net debt. Equity comprises of share capital, capital and revenue reserves. During the year, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2009 and 2008 were as follows:

	Note	2009	2008
		------- Rupees in '000 -------	
Long-term financing	22	**45,030,126**	8,814,029
Liabilities against assets subject to finance lease	23	**287,706**	-
Long-term deposits	24	**3,836,994**	3,659,380
Trade and other payables	28	**30,289,508**	38,406,965
Accrued mark-up	29	**1,706,085**	1,112,879
Short-term borrowings	30	**9,137,014**	10,230,723
Short-term deposits	31	**3,241,691**	2,930,942
Current maturity of non-current liabilities	33	**15,870,813**	410,750
Total debt		**109,399,937**	65,565,668
Less: Cash and bank balances	16	**(1,957,628)**	(2,334,148)
Short-term investment		**-**	(100,259)
Net debt		**107,442,309**	63,131,261
Total Equity		**(8,737,470)**	6,919,464
Total Capital		**98,704,839**	70,050,725
Gearing ratio (excluding advance against subscription for right shares		**(1.09)**	0.90
Advance against subscription for right shares	20	**8,170,638**	-
Gearing ratio (including advance against subscription for right shares		**(1.01)**	0.90

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. The management of the Company is continuing with operational and infrastructure rehabilitation program with the objective of converting the Company into profitable entity and has taken financial measures to support such rehabilitation program (note 1.2).

49.7. Collateral

The Company has pledged certain assets and securities in order to fulfill 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 June 30, 2009 and 2008 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.

50. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise holding company, associates, directors, key management personnel, retirement benefit plans, major suppliers and GoP. Transactions with GoP, amounts due from / to executives and remuneration of the Chief Executive Officer, Directors and Executives is disclosed in respective notes to these financial statements. However, the transactions with other related parties are as follows:

Terms and conditions of transactions with related parties

The transactions with the related parties are made at normal market prices. There have been no guarantees provided or received for any related party receivables or payables. For the year ended June 30, 2009, the Company has not made any provision for doubtful debts relating to amounts owed by related parties. An assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

	Note	2009	2008
		------- Rupees in '000 -------	
50.1. KES Power Limited, a holding company			
Advance against subscription for right shares	20	**8,170,638**	-
Short-term loan	30	**20,325**	-
Finance cost	42.1	**63,156**	-
Accrued mark-up payable	29.1	**66,221**	-
50.2. National Transmission and Despatch Company, a major supplier			
Sales	35	**31,078**	25,034
Purchases	36	**26,727,950**	15,024,686
Finance cost	42	**619,152**	-
Amount payable included in creditors	28.1	**8,394,059**	19,451,137
Amount payable included in long-term financing	22.8	**29,745,000**	-
50.3. Pakistan State Oil Company Limited, a major supplier			
Purchases	37	**10,345,777**	18,587,461
Late payment surcharge		**62,213**	-
Advance given		**70,462**	69,209
Amount payable included in creditors		**348,757**	355,224
Amount payable included in long-term financing	22.6	**359,220**	457,188

		Note	2009	2008
			------- Rupees in '000 -------	
50.4.	**Sui Southern Gas Company Limited, a major supplier**			
	Purchases	37	**27,104,843**	17,296,974
	Late payment surcharge		**1,684,214**	847,155
	Amount payable included in creditors		**3,554,631**	7,881,391
	Amount payable included in long-term financing	22.8	**12,238,372**	-
50.5.	**Gul Ahmed Energy Limited, a major supplier**			
	Purchases		**5,839,382**	7,607,968
	Late payment surcharge		**187,685**	-
	Amount payable included in creditors		**3,007,546**	1,025,577
50.6.	**Tapal Energy (Private) Limited, a major supplier**			
	Purchases		**6,768,821**	7,008,711
	Late payment surcharge		**227,976**	-
	Amount payable included in creditors		**3,005,931**	1,103,881
50.7.	**Contribution to Provident Fund**		**283,402**	214,280

51. CAPACITY AND PRODUCTION

The total derated available capacity as at June 30, 2009 is 1,611 MW (2008: 1,395 MW). The actual production during the year was 8,262.115 KWH (2008: 8,662.000 KWH) million. The actual production is lower as the power generating plant and machinery, after taking planned and forced outages, are normally operated at around 60% load as compared to the derated available capacity which is also subject to variations in day and night time peak demand. Further, no production is possible when any unit is under major overhauling and repairs.

52. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 3rd September 2009 by the Board of Directors of the Company.

53. GENERAL

53.1. Certain prior year's figures have been reclassified consequent upon certain changes in current year's presentation for more appropriate comparison. However, there are no material reclassifications to report except for tariff adjustment of Rs.26,950.457 (2008: Rs.17,282.969) million, previously netted of under expenditure (tariff adjustment on account of increase in fuel prices and cost of power purchase) has been reclassified to revenue.

53.2. All figures have been rounded off to the nearest thousand rupees unless otherwise stated.

Naveed Ismail
Chief Executive Officer

Tabish Gauhar
Director

BOARD OF DIRECTORS

(BOD) MEETINGS 01 JULY 2008 TO 30 JUNE 2009

S. No.	Name of the Directors	No. of BOD Meetings Attended	Remarks
1	Abdulaziz Hamad Aljomaih	-	
2	Naser Al-Marri	-	
3	Naveed Ismail	4	
4	Shan A. Ashary	4	
5	Reyadh S. Al. Edrissi	-	
6	Peter Hertog	2	
7	Ariful Islam	2	
8	Fazal Ahmad Khan	1	
9	Shahid Rafi	1	
10	Mubasher H. Sheikh	3	
11	Imran Siddiqui	-	
12	Syed Mohammad Akhtar Zaidi	3	
13	Waqar Hassan Siddique	1	
14	Farrukh Abbas	1	
15	Zulfiqar Haider Ali	1	
16	Tabish Gauhar	1	
17	Syed Nayyer Hussain	1	
18	Muhammad Tayyab Tareen	1	
19	Syed Arshad Masood Zahidi	-	
	Total Number of BOD Meetings held during the year		4

BOARD AUDIT COMMITTEE

(BAC) MEETINGS 01 JULY 2008 TO 30 JUNE 2009

S. No.	Name of the Directors	No. of BAC Meetings Attended	Remarks
1	Naser Al-Marri	-	
2	Shan A. Ashary	3	
3	Fazal Ahmad Khan	-	
4	Mubasher H. Sheikh	3	
	Total number of BAC Meetings held during the year		3

PATTERN OF SHAREHOLDING
AS ON 30 JUNE 2009
ORDINARY SHARES

Shareholders	Ranges		Shareholdings
	From	To	
4,280	1	100	131,938
2,944	101	500	856,935
2,021	501	1,000	1,818,123
3,892	1,001	5,000	11,567,206
1,302	5,001	10,000	11,006,569
410	10,001	15,000	5,392,108
336	15,001	20,000	6,368,362
188	20,001	25,000	4,483,041
118	25,001	30,000	3,383,109
70	30,001	35,000	2,342,508
78	35,001	40,000	3,041,300
38	40,001	45,000	1,647,456
122	45,001	50,000	6,036,024
35	50,001	55,000	1,838,166
37	55,001	60,000	2,183,400
14	60,001	65,000	883,856
14	65,001	70,000	971,963
23	70,001	75,000	1,703,590
14	75,001	80,000	1,106,671
3	80,001	85,000	250,541
11	85,001	90,000	981,289
16	90,001	95,000	1,498,000
106	95,001	100,000	10,583,500
11	100,001	105,000	1,131,947
14	105,001	110,000	1,520,000
7	110,001	115,000	795,000
10	115,001	120,000	1,185,952
13	120,001	125,000	1,615,219
3	125,001	130,000	380,000
6	130,001	135,000	803,500
4	135,001	140,000	555,500
2	140,001	145,000	289,000

18	145,001	150,000	2,689,000
7	150,001	155,000	1,076,146
3	155,001	160,000	471,597
3	160,001	165,000	490,500
1	165,001	170,000	170,000
4	170,001	175,000	698,500
3	175,001	180,000	538,000
1	180,001	185,000	185,000
2	185,001	190,000	377,000
2	190,001	195,000	388,500
19	195,001	200,000	3,795,500
3	200,001	205,000	611,500
4	205,001	210,000	834,500
3	210,001	215,000	640,500
2	215,001	220,000	436,000
3	220,001	225,000	673,500
2	225,001	230,000	458,000
2	230,001	235,000	466,000
2	235,001	240,000	478,500
4	245,001	250,000	994,586
2	250,001	255,000	503,500
1	255,001	260,000	258,500
5	260,001	265,000	1,314,956
1	265,001	270,000	266,000
1	270,001	275,000	275,000
2	280,001	285,000	569,050
1	285,001	290,000	286,500
9	295,001	300,000	2,700,000
1	320,001	325,000	321,000
1	325,001	330,000	330,000
1	330,001	335,000	335,000
1	340,001	345,000	345,000
2	345,001	350,000	700,000
1	350,001	355,000	352,500
1	355,001	360,000	358,000
1	365,001	370,000	370,000
1	370,001	375,000	375,000
1	375,001	380,000	375,950
1	380,001	385,000	385,000
3	395,001	400,000	1,194,500
1	405,001	410,000	410,000
1	410,001	415,000	412,265

3	425,001	430,000	1,285,000
1	445,001	450,000	450,000
1	450,001	455,000	455,000
1	455,001	460,000	459,000
1	460,001	465,000	461,000
2	475,001	480,000	960,000
4	495,001	500,000	2,000,000
2	510,001	515,000	1,029,500
1	525,001	530,000	530,000
1	530,001	535,000	534,500
2	545,001	550,000	1,100,000
1	560,001	565,000	562,519
1	615,001	620,000	620,000
1	635,001	640,000	636,233
1	645,001	650,000	650,000
1	715,001	720,000	720,000
1	735,001	740,000	737,100
2	745,001	750,000	1,500,000
1	795,001	800,000	800,000
1	800,001	805,000	805,000
1	830,001	835,000	833,400
1	950,001	955,000	950,509
1	980,001	985,000	983,000
3	995,001	1,000,000	2,999,000
1	1,030,001	1,035,000	1,033,315
1	1,045,001	1,050,000	1,050,000
1	1,055,001	1,060,000	1,059,784
1	1,060,001	1,065,000	1,064,875
1	1,070,001	1,075,000	1,073,017
2	1,095,001	1,100,000	2,200,000
2	1,795,001	1,800,000	3,600,000
1	3,035,001	3,040,000	3,038,500
1	3,255,001	3,260,000	3,258,000
1	3,435,001	3,440,000	3,437,676
1	3,775,001	3,780,000	3,778,409
1	9,705,001	9,710,000	9,706,969
1	9,995,001	10,000,000	10,000,000
1	12,595,001	12,600,000	12,600,000
1	14,835,001	14,840,000	14,837,775
1	19,580,001	19,585,000	19,583,042
1	32,915,001	32,920,000	32,917,688
1	110,955,001	110,960,000	110,955,750
1	3,378,095,001	3,378,100,000	3,378,098,487
1	9,414,455,001	9,414,460,000	9,414,458,612
16,326			13,167,074,983

CATEGORIES OF SHAREHOLDERS - ORDINARY SHARES

As On 30 June 2009	Total		
Categories of Shareholders	**Number**	**Shares**	**%age**
Shareholders holding ten percent or more voting interest in the Company			
KES Power Limited	1	9,414,458,612	71.500
President of the Islamic Republic of Pakistan	1	3,378,098,487	25.656
Associated Companies, Under- takings and Related Parties			
NIT and ICP			
Hasan Associates (Pvt.) Ltd.	1	110,955,750	0.843
Premier Mercantile Services (Pvt.) Ltd.	1	32,917,688	0.250
National Bank of Pakistan Trustee Dept.	2	18,616,184	0.141
Investment Corporation of Pakistan	1	9,639	0.000
National Investment Trust	1	41,156	0.000
Directors, CEO & Their Spouse and Minor Children			
Executives	3	31,905	0.000
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds			
Banks, Financial Institutions	22	11,422,798	0.087
Investment Companies	21	1,729,724	0.013
Insurance Companies	15	1,742,133	0.013
Joint Stock Companies	145	30,943,145	0.235
Modarabah Management Companies	1	10,000	0.000
Modarabah Companies	12	816,617	0.006
Charitable Trusts	17	1,442,611	0.011
Leasing Companies	2	1,805,000	0.014
Individual	16,069	161,925,437	1.230
Others	11	108,097	0.001
	16,326	13,167,074,983	100.000

PATTERN OF SHAREHOLDING
AS ON 30 JUNE 2009
REDEEMABLE PREFERENCE SHARES

Shareholders	Ranges		Shareholdings
	From	To	
539	1	100	21,243
1,102	101	500	260,419
486	501	1,000	330,169
576	1,001	5,000	1,136,649
72	5,001	10,000	497,803
30	10,001	15,000	389,357
10	15,001	20,000	169,857
5	20,001	25,000	111,988
6	25,001	30,000	158,522
3	30,001	35,000	97,059
3	35,001	40,000	111,575
1	40,001	45,000	43,224
1	45,001	50,000	46,349
1	50,001	55,000	52,968
2	55,001	60,000	113,450
4	65,001	70,000	260,388
1	90,001	95,000	91,787
2	95,001	100,000	195,292
1	130,001	135,000	130,194
1	439,655,001	439,660,000	439,658,388
1	1,270,405,001	1,270,410,000	1,270,409,032
2,847			1,714,285,713

CATEGORIES OF SHAREHOLDERS - REDEEMABLE PREFERENCE SHARES

As On 30 June 2009	Total		
Categories of Shareholders	Number	Shares	%age
Shareholders holding ten percent or more voting interest in the Company			
KES Power Limited	1	1,270,409,032	74.107
President of the Islamic Republic of Pakistan	1	439,658,388	25.647
Associated Companies, Under-takings and Related Parties	-	-	-
NIT and ICP			
Directors, CEO & Their Spouse and Minor Children	-	-	-
Executives	1	461	0.000
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds			
Banks, Financial Institutions	2	95,692	0.006
Investment Companies	2	780	0.000
Insurance Companies	1	56	0.000
Joint Stock Companies	31	127,345	0.007
Modarabah Management Companies	-	-	-
Modarabah Companies	-	-	-
Co-operative Societies	1	1,156	0.000
Charitable Trusts	1	2,001	0.000
Leasing Companies	-	-	-
Individual	2,802	3,981,822	0.232
Others	4	8,980	0.001
	2,847	1,714,285,713	100.000

A JOURNEY OF PROGRESS; KESC SCORECARDS

Successfully negotiated a 180MW plant deal with GE. Construction is underway and plant to be online by September 2009.

Initiated as a means of communicating directly with the consumers, the Scorecards are printed every month in major newspapers across the country. They detail progress and developments by KESC in the overall improvement of the company and its services. From customer care to employee training to upgrades in distribution, generation and transmission, the Scorecards provide comprehensive evidence of the commitment to our Azm.

FIRST MONTHLY REPORT
APRIL, 2009

i. Commitment of a multi-million dollar investment from new shareholders to be injected into KESC in an agreed scheduled drawdown, after the signing of the revised Implementation Agreement with the Government of Pakistan.

ii. Successfully negotiated a 180MW plant deal with GE. Construction is underway and plant to be online by September 2009.

iii. Commissioned 50MW of rental power from Aggreko.

iv. New projects of 220MW being commissioned to bridge the demand/supply gap and 560MW Bin Qasim II project is now officially underway.

v. Commissioned three new 132KV grid stations at Korangi South, PRL and Gulshan-e-Maymar.

vi. On schedule for commissioning five additional 132KV grid stations this year.

vii. SCADA system going through commissioning tests.

viii. Automatic/smart metering to come online in April 2009.

ix. Ninety-eight 1KV feeders have been erected, commissioned and energised. 323 PMTs installed.

x. 200MVA of grid transformers added to the system.

xi. Integrated Business Centre launched a one-window service solution for customers.

xii. Opened up new connection process through transparent computerised software.

xiii. New power transformers at Korangi Town, RECP, Queens Road, Valika and Haroonabad grid stations have been commissioned.

xiv. Tested and energised a brand new 250MVA auto transformer at the KDA grid station.

xv. Commissioned, tested and energised a 40MVA transformer at Haroonabad grid station.

xvi. Commissioned new 132KV CBs at Haroonabad, Dhabeji, Uthal and Landhi grid stations.

xvii. Lifted dependable capacity of KESC units after major overhauls of the Bin Qasim and Korangi plants.

xviii. Reduced plant trips by 80% in the last seven months.

xix. Decreased trend in transmission and distribution losses.

xx. ACCA training programmes have been initiated to boost the skills of financial coordinators.

xxi. Introduced Preventive Maintenance Management programmes and Standard Operating Procedure Systems to reduce tripping.

xxii. Made safety a key goal at CEO level reporting with new and continuous monitoring systems put in place to reduce incident rate.

xxiii. Improved customer call handling by 21%.

xxiv. Doubled the staff strength of the '118' customer service representation.

xxv. Distribution structured as an independent profit focused business centre.

xxvi. Appointed four Deputy COOs to reorganise the entire distribution company into four integrated operating divisions.

xxvii. Placed 100 emergency crews on duty for day and night shifts.

xxviii. Instigated over thirty sessions of Transformation Leadership Meetings, reaching over 900 officers.

xxix. CEO held 'Town Hall' meetings with top leadership to cascade the new vision.

xxx. Set up network monitoring system to run 24/7.

xxxi. Launched a comprehensive energy conservation movement as a public service initiative to create awareness about efficient use of energy. Two-year target of saving 200MW in Karachi.

xxxii. Began planting 100,000 trees to be completed by year-end to help create a greener, healthier Karachi.

xxxiii. Launched a mobile health clinic for children to service 10 schools and reach 4,000 children.

xxxiv. Kicked-off a massive football programme with competitions, training academies and international football celebrities to power up Pakistan into a football nation.

SECOND MONTHLY REPORT
MAY, 2009

1. KESC has just announced the kick-off of a 560MW, gas-fired combined cycle plant to be built at Bin Qasim, making it a key milestone in our efforts to bridge the long-term demand and supply gap and to provide more power to Karachi.

2. As part of our resolve for uninterrupted power, there has been a reduction in the rates of outages and equipment failure ratios at the Bin Qasim Power Station. As of April 2009: 6.6KV equipment failure reduced by 67%, turbine control system trouble reduced by 50%, reverse power electrical faults were curbed by 25%, our boiler tube leakage has been reduced by 40% and we have controlled our unplanned power outages by 25%.

3. KESC gross heat-rate produced by our plants has improved, from 11,463 BTU/KWh in September 2008 to 11,261 BTU/KWh in April 2009, leading to better efficiency and performance.

4. Overall, our operations have improved their capacity by more than 10% since September 2008.

5. Extra high-tension lines tripping was reduced by 54%, ensuring a better supply of load and electricity, as well as reducing the number of interruptions in the supply of electricity from plant to grid stations.

6. We have signed an agreement with Engro Polymers for an 18MW captive power project that will be online in summer and another agreement with International Industries Limited for a 4MW project that will be online in May. These are small and vital steps towards increasing our supply.

7. Plant tripping numbers have reduced by 80%.

8. Grid transformer tripping reduced by 43%.

9. We have commissioned and activated a new 132 KV Gulshan-e-Maymar grid station as well as a new 132KV hybrid grid station for Pakistan Refinery Limited.

10. We have successfully implemented a computerised process for new connections across the city.

11. We have removed 50,000 "kundas;" the right step towards uprooting theft of electricity in the city.

12. Since September 2008, we have successfully activated 96 new feeders, 378 new PMTs and commissioned preventive maintenance of 61 feeders, effectively reducing overloading of the network and the number of unplanned outages.

13. 10 armed robbery attempts were thwarted and three of our security officials, determined to protect your city's energy supply, were injured in the line of duty.

14. Splicing of fiber optics was completed at 13 locations including the Memon Goth area and the final satisfactory end-to-end tests from Pipri West grid stations to KDA grid stations were conducted.

15. We utilised redundant inventory for transmission projects to increase cost-effectiveness.

16. We introduced 22 new vendors and 16 OEMs for direct procurement of critical plant spares/equipment, ensuring smoother business operations.

17. KESC decisively won the Patrons Trophy Grade-II in Lahore, an encouragingly early return from our capital commitment to sports, an area of excellence in our business and, if we have anything to do with it, in the future of Karachi.

18. Keeping our financial issues and the state of the economy in mind, KESC now employs one of the largest bases of chartered accountants of any company in Pakistan, part of a clear internal focus on the cascade of professional integrity and ethics.

KESC recorded its highest ever energy dispatch of 1.5 million MWh. We provided to more consumers than ever before.

THIRD MONTHLY REPORT
JUNE, 2009

i. On 27th May, 2009, power supplied through the KESC power system was 2,417MW. This is the maximum power ever delivered by KESC systems. Load shedding has reduced substantially. Very often it is a few MW due only to system constraints and overloading of transformers.

ii. KESC recorded its highest ever energy dispatch of 1.5 million MWh. We provided to more consumers than ever before.

iii. KESC is focused on providing the best services to the public at large and for this purpose the company has laid 24,370 new cables along with five new feeders.

iv. Consumers who are paying their bills on time face load fluctuation and load shedding problems because of electricity theft. To provide relief to these sincere customers and to control this criminal activity, 26,898, 7,001, 13,789, 4,232 and 121 illegal hook connections were removed from KESC Region 1, Region 2, Region 3, Region 4 and IBC respectively.

v. KESC has also started work on the second Integrated Business Centre in Gulshan-e-Iqbal to provide the best standards of services to all of our customers in the area.

vi. In the last two months we detected over 800 theft cases and removed 146 Kunda connections in the area of Defence alone. We caught two banks with a combined load of 128KW, using Kunda connection for the last six months. We have detected many cases like this.

vii. In the month of May the forced outage (trips) at BQPS were reduced by 8% compared to April.

viii. Annual planned maintenance of Unit #01 at BQPS was curtailed to 15 days against the original schedule of 25 days to give relief to Karachiites by generating maximum electricity and reducing load shed.

ix. KESC is focused on replacing outdated technology with new and cost effective equipment. In our effort to achieve this we are replacing all our copper rods with copper clad steel rods to minimise cost and improve delivery.

x. In May, over 3,400 employees were promoted from non-management, to management cadre.

xi. For the first time in the history of KESC, management, in partnership with The Institute of Engineers in Pakistan have launched a career progression training scheme for Karkuns. This will enhance skill sets and train Karkuns to serve consumers better.

xii. We introduced concrete-spun poles instead of easily dilapidated steel poles which will result not only in cost effectiveness, but given its anti-rust nature it will prove to be far more durable.

xiii. Substantial reduction in MWh losses (64%) due to EHT trippings by attending to faults promptly and efficiently. We compared the period of January - May 2008, to January - May 2009 (26301MWh to 9407MWh respectively).

xiv. We began a community development programme at Ibrahim Hyderi (the community attached to our KTPS plant), one of the most neglected communities in Karachi (population: 100,000). The first initiative, a free Eye Camp, has been organised in collaboration with LRBT and the Pakistan Fisher Folk Forum.

xv. Load was balanced on power transformers at North Nazimabad grid station to eliminate load shedding.

xvi. The erection of medium voltage switchgears at the new Elander Road grid station was completed.

xvii. We commissioned and energised the new 132KV Creek City grid station.

xviii. New 132KV double circuit transmission lines were laid from Korangi to Jinnah International Airport. This too will improve system reliability and protect consumers from unexpected outages.

xix. We initiated rehabilitation of a 132KV transmission line for smooth and uninterrupted power flow between Korangi Town to Baloch Colony and Korangi Town to Korangi West. This will also protect consumers from outages.

xx. We energised Airport II grid station in the month of May. This has improved the load management system in Malir and surrounding areas.

xxi. For purposes of system improvement and preventive maintenance, KESC procured 183 km. XLPE cable 11KVA of distribution materials (transformers, conductors, HT cables, energy meters). Installation of this equipment will create proper load distribution, resulting in an end to low voltage and fluctuation problems.

xxii. We issued cable and transmission material for the EPCL Captive Power Project under which EPCL will supply 18MW to KESC. This addition of 18MW will increase our generation capacity and reduce load shedding.

xxiii. The 220KV Transmission Ring was energised which will improve the reliability of the transmission network.

xxiv. In order to ensure that newly promoted employees understood their responsibilities better, a half day training session was developed and four batches of approximately 25-30 newly promoted officers were trained daily, all to handle your needs.

The 220KV Transmission Ring was energised which will improve the reliability of the transmission network.

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 99TH ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT NAVY WELFARE CENTRE, LIAQUAT BARRACKS, KARACHI ON MONDAY, 26 OCTOBER 2009 AT 11:30 A.M. OR AT ANY ADJOURNMENT THEREOF.

AS WITNESSED GIVEN UNDER MY/OUR HAND(S) THIS __________ DAY OF __________ 2009.

1. WITNESS: ....

   SIGNATURE: ....

   NAME: ....

   CNIC: ....

   ADDRESS: ....

2. WITNESS: ....

   SIGNATURE: ....

   NAME: ....

   CNIC: ....

   ADDRESS: ....

AFFIX REVENUE
STAMP OF
RS. 5/-

SIGNATURE OF MEMBER : ____________________

SHARE HELD ____________________

SHAREHOLDER'S FOLIO # ____________________

CDC ACCOUNT # ____________________

CNIC # ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

NB:

1. NAME MAY 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 MAY 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 MAY 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

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